Community Strong

BOARDWALK REAL ESTATE INVESTMENT TRUST

www.BoardwalkREIT.com

TSX: BEI.UN

2016 ANNUAL REPORT

BOARDWALK RENTAL COMMUNITIES

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Corporate Profile

Boardwalk REIT strives to be Canada's friendliest landlord and currently owns and operates more than 200 communities with over 33,000 residential units totalling approximately 28 million net rentable square feet. Boardwalk's principal objectives are to provide its Residents with the best quality communities and superior customer service, while providing Unitholders with sustainable monthly cash distributions, and increase the value of its trust units through selective 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 over 1,700 Associates bringing Residents home to properties located in Alberta, Saskatchewan, Ontario, and Quebec.

***Cover photo:** taken at Boardwalk's Auburn Landing Community in Calgary, Alberta.*

***Back cover photo:** Boardwalk's Associates and Resident's make our Community Strong.*

2016 Highlights

Positioning for Market Recovery

- Revenue opportunity in the reduction of incentives and vacancy
- Suite renovation program to high grade and re-position portfolio
- Investing in Associates to further enhance Boardwalk's brand of service

Financial Strength and Flexibility

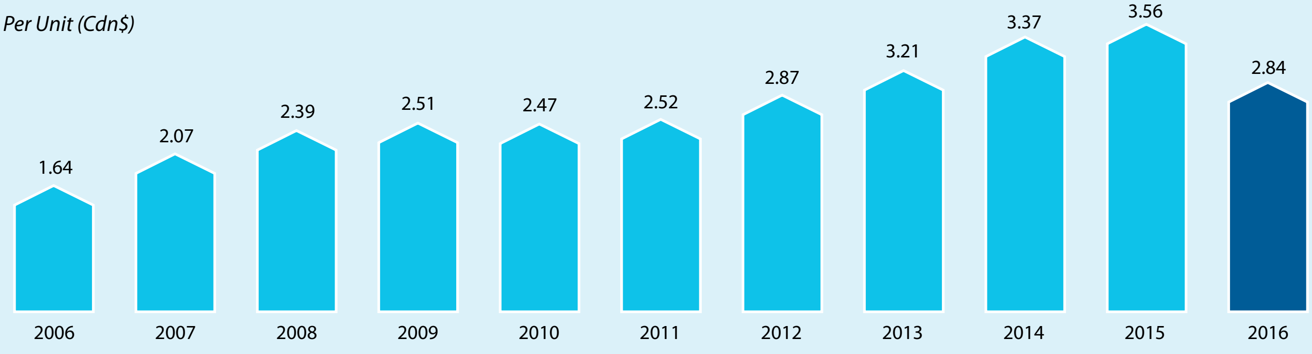
- $293 million of available liquidity at the end of 2016
- 99% of Trust's mortgages are NHA-Insured
- The Trust renewed $247 million of mortgages in 2016
- Obtained an additional $197 million in upfinancing in 2016

Countercyclical Acquisitions and Development

- Acquired 747 newly constructed apartment units in 2016 near the cost of construction
- Completion of the first of five phases of development at Pines Edge in Regina
- Formation of a joint venture with Riocan REIT to co-develop and co-own a 12 storey, mixed use residential tower in Calgary
- 4,700-unit development pipeline totaling 4.7 million square feet

FUNDS FROM OPERATIONS

Per Unit (Cdn$)

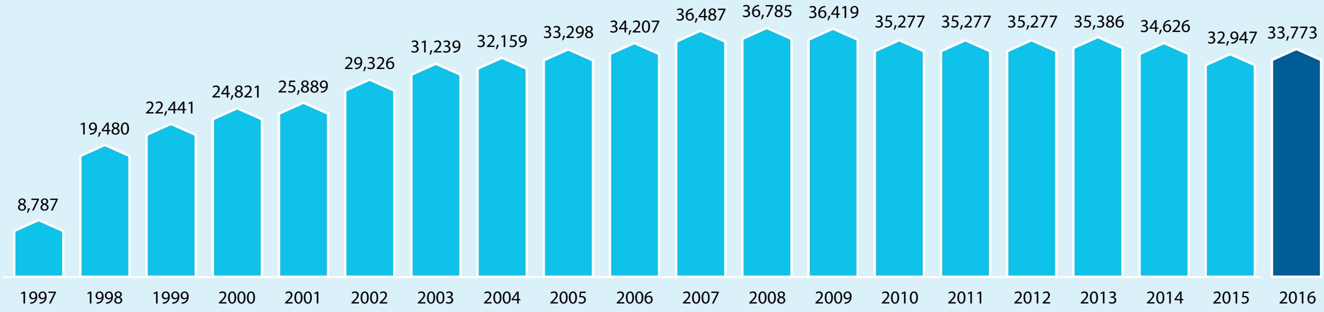



Grand Prairie
645 units
1.9% of portfolio
Fort McMurray
352 units
1.0% of portfolio
St. Albert
280 units
0.8% of portfolio
Edmonton
12,466 units
36.9% of portfolio
Spruce Grove
160 units
0.5% of portfolio
Red Deer
939 units
2.8% of portfolio
Saskatoon
1,988 units
5.9% of portfolio
Banff
76 units
0.2% of portfolio
Airdrie
163 units
0.5% of portfolio
Calgary
5,418 units
16.0% of portfolio
Regina
2,701 units
8.0% of portfolio

OUR MISSION:

"To serve and provide our Residents with quality rental communities."

BOARDWALK REIT – TOTAL NUMBER OF RESIDENTIAL UNITS



LETTER TO UNITHOLDERS

Community Strong

As we take the opportunity to reflect on what was a challenging 2016, we remain focused on maximizing value for our stakeholders as we continue to provide the best value in housing by providing our Resident Members with superior customer service and the best quality communities, while also providing our Unitholders with sustainable monthly distributions coupled with long-term growth.

(From left to right): Roberto Geremia, President; Van Kolias, Senior Vice President, Quality Control; Dean Burns, General Counsel and Secretary; Sam Kolias, Chief Executive Officer and Chairman of the Board; Lisa Russell, Senior Vice President, Acquisition and Development; and William Wong, Chief Financial Officer.

Community Strong is a term we used throughout 2016, and is a testament to the approach we have taken as we strive to provide the best quality communities. The past couple of years in Alberta have been the first time in a long time that residential renters have had an increased level of choice in housing as new supply and a slowdown in net migration also reduced rental rates in the province. Despite this, Boardwalk continued to provide resident friendly programs, including our internal subsidy program, which provides rental rate flexibility to Resident Members who can prove financial hardship. These programs, along with our community initiatives which are detailed later in our report help to further provide a Community where we believe our loyal Residents are proud to call home.

The onset of new purpose-built rental supply in the Alberta markets contributed to the increase in market vacancy levels, and despite Boardwalk's unique approach of focusing on providing superior customer service, the best quality rental communities, and high occupancy, we were not immune to the impact of this additional new supply. Demand for affordable rental housing decreased during the historically busy summer turnover season as the shift of focus in Alberta during these months turned to the disaster in Fort McMurray. We are proud to say that Boardwalk, through its team's commitment, stepped up in support by refunding rent to its Fort McMurray Residents, provided additional financial support to its Residents and Associates affected, and provided nearly 600 apartment units to evacuees of the fire in Boardwalk's Edmonton, Red Deer and Calgary communities for no charge for two months or until evacuees were able to return home.

Our approach in providing our Residents with the best value in housing has set us apart and through further investment in our value added initiatives such as our suite renovation program, we continue to build long-term relationships with our Resident Members and are well positioned for a more stable economic environment.

TOTAL UNITS

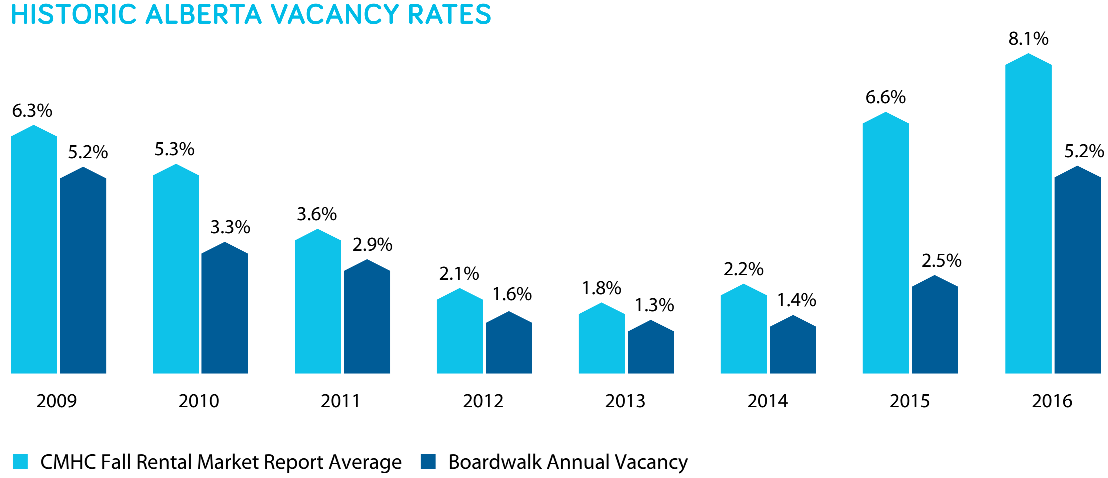
33,773

MORE THAN

1,700

ASSOCIATES

HISTORIC ALBERTA VACANCY RATES



*Boardwalk average annual vacancy rate on stabilized properties; CMHC vacancy rate from annual October RM Survey

Positioning for Market Recovery

The Trust carried higher vacancy into the latter part of the year, in part as a result of its commitment to the Fort McMurray fire disaster, and continues to offer short term incentives to remain competitive and to optimize Net Operating Income ("NOI"). Incentives and vacancy as of December 31, 2016 totaled $22.3 million and $21.2 million respectively and represent an exceptional opportunity for the Trust to re-capture higher revenues through the reduction of incentives and improving occupancy.

To position the Trust for a rebalancing of the rental market and decrease the current vacancy and incentive loss, the Trust is focusing on high-grading and re-positioning its portfolio through the headwinds in 2016. By investing in its suite renovation program Boardwalk will have newly renovated homes available for Residents which will further add to Boardwalk's mission of providing the best value in housing. In addition, the suite renovation program offers various levels of renovations in exchange for lower incentives for our existing Residents.

The addition of newly constructed rental communities is also a form of high-grading Boardwalk's portfolio. The Trust's counter-cyclical acquisition of 747 apartment units at or near construction cost in 2016 are leasing up on schedule and, as they stabilize, will add to the Trust's overall performance. The Trust's development of Pines Edge 1 in Regina was completed on time and on budget in February of 2016. Lease up of Pines Edge 1 exceeded expectations with full occupancy after four months. The estimated capitalization rate of Pines Edge 1 is between 6.50% and 7.00%. The Trust has commenced construction of Phase 2 of Pines Edge, and has taken further steps to prepare Phase's 3 and 4. Boardwalk's development pipeline includes additional projects on excess density that the Trust holds in its existing portfolio. These developments are in various stages of planning and approval, however remain well positioned to continue to add new assets to the Trust's portfolio.

Boardwalk was pleased to announce in November of 2016 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 an 12-storey tower with approximately 120,000 sq.ft of residential and 10,000 sq.ft. of retail space that will provide premium rental housing at a desirable location that is along the Calgary Light Rail Transit Line, and with close proximity to the University of Calgary, Foothills Hospital, and McMahon Stadium.

The Trust is continuing to explore other potential developments to complement the organic growth opportunities that have arisen from the volatility in 2016.

IFRS NET ASSET VALUE:

$5.6 BILLION

INTERNAL DEVELOPMENT OPPORTUNITY:

4,700

APARTMENT UNITS

Financial Strength and Flexibility

By taking measures since the previous downturn to further strengthen the Trust's balance sheet and financial sustainability, the Trust's financial strength, conservative balance sheet and historically low interest rates have positioned Boardwalk to actively explore options to deploy capital in support of unitholder value creation, including value added capital expenditures such as the new suite-renovation program, acquisitions, development of new assets, joint ventures, and a continued investment in the Trust's own portfolio through value-added capital expenditures.

At the end of 2016, the Trust had approximately $293 million in available liquidity (comprised of $99 million in cash, access to an undrawn $194 million credit facility). In addition, the Trust estimates that it could obtain an additional $451 million in liquidity within the next two years, providing aggregate potential liquidity of $744 million.

As interest rates continued to remain low throughout much of 2016, the Trust was able to renew approximately $247 million in mortgage maturities, as well as obtain $197 million of additional mortgage funds with an average term of 7 years at a weighted average interest rate of 2.14%, a decrease from the 3.92% maturing rate on these mortgages, and a significant decrease in the Trust's interest expense. As of February 2017, estimated CMHC-insured five and ten-year mortgage rates continued to decrease and were estimated to be 2.00% and 2.70% respectively. The Trust's mortgage program undertakes a balanced approach with a priority to firstly stagger its maturities to limit future interest rate risk, and secondly capitalize on the current low rate environment by renewing maturities at lower interest rates, and upfinancing where appropriate, as this will help ensure sufficient liquidity for the Trust's strategic initiatives.

Boardwalk debt (net of cash) to its reported Fair Value at the end of 2016 was a conservative 43%. The Trust's Fair Value as of December 31, 2016 was $5.6 billion, a decrease from $5.7 billion a year ago, as a result of Boardwalk's proactive decrease in market rents and higher vacancy assumptions, though moderated by the addition of newly acquired assets. Our interest coverage ratio, measured as Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA") to interest expense (excluding gains) for the current year decreased slightly to 3.14 times versus 3.64 times for the same period last year.

Through the various cycles in our 32 year history, the Trust has conservatively positioned its balance sheet over the past decade to weather economic volatility. The balanced and conservative approach of reducing its debt to fair value and ensuring that over 99% of its debt is CMHC Insured to eliminate renewal risk has positioned the Trust to capitalize on counter-cyclical opportunities.

FINANCIAL AND OPERATING HIGHLIGHTS

- ▲ **FFO per unit of $2.84**
- ▲ **AFFO per unit of $2.50**
- ▲ **Operating margin of 58%**

2017 Outlook and Summary

Signs of macro economic stability are beginning to show in Alberta as economic indicators are levelling off as oil prices have shown signs of stability. The recent approvals of pipelines add to the optimism in Alberta and as a result, the labour market has seen a similar stabilization as job layoffs in the province have slowed with many companies planning to add staff in 2017. The Alberta Government, through its Treasury Board, is now forecasting GDP growth of 2.3% in 2017 as compared to negative GDP in each of the last two years.

The construction of additional purpose rental housing in Alberta has also slowed with limited new construction expected in 2017. As the rental market continues its rebalancing, the investment in suite renovations the Trust has undertaken, and continues to undertake, has positioned Boardwalk to begin reducing both incentives and vacancy. These newly renovated suites, combined with Boardwalk's commitment to quality and service will allow the Trust to gain market share regardless of market conditions, while reducing its incentives and vacancy.

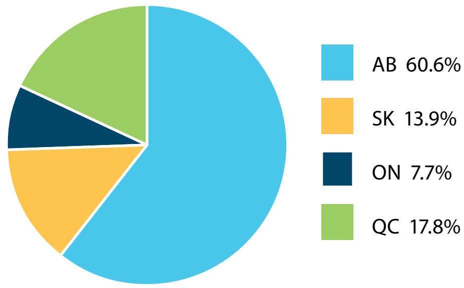
In the first part of 2017, Boardwalk has begun to see this positive trend emerge, as rentals reached record levels for the months of January and February when compared to the same months in prior years. The Trust's NOI Optimization Strategy includes a reduction of vacancy in the winter months, to align its ability to reduce incentives in the historically busier spring and summer months.

As is customary, at the end of the third quarter of 2016, the Trust provided 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. This guidance is updated on a quarterly basis and is reported during our quarterly conference calls and press releases, with the most recent update shown below.

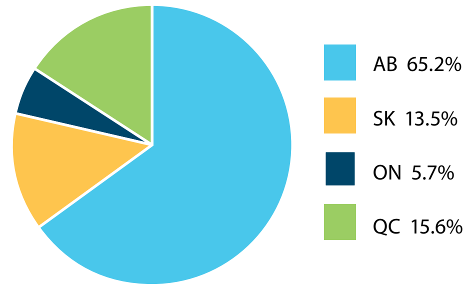
As noted, the Trust is estimating a slowing of NOI and FFO decline as the rental market begins to rebalance. In the first half of 2017, it is anticipated we'll see negative NOI and FFO growth as the Trust carries the additional vacancy from 2016, and begins 2017 with a lower revenue base than it had at the beginning of 2016. The additional investment made throughout 2016 and into 2017 in our Associates to improve our service levels in our existing communities and to improve our product quality; by investing in our newest communities and developments, we have positioned ourselves to improve our portfolio which we believe will allow Boardwalk to excel in the summer turnover season in 2017. We are therefore anticipating an improvement in the second half of the year.

Description	2017 Revised Objectives	2017 Original Objectives	2016 Actual
Acquisition of Investment Properties:	No new apartment acquisitions	No new apartment acquisitions	Acquired 747 Apartment Units
Disposition of Investment Properties:	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 1 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	Commencement of Phase 2 and the review of Phase 3 of Pines Edge, Regina, Saskatchewan - 150 Units
	Commencement of Brentwood Village joint venture with RioCan, Calgary, Alberta ~ 164 units	Commencement of Brentwood Village joint venture with RioCan, Calgary, Alberta ~ 164 units	
Stabilized Building NOI Growth:	-15% to -9%	-8% to -3%	-12.50%
FFO Per Trust Unit:	$2.30 to $2.65	$2.70 to $2.90	$ 2.84
AFFO per Trust Unit: (based on $525/year/apt)	$1.96 to $2.31	$2.36 to $2.56	$ 2.50

Unit Breakdown by Province
As at Dec 31, 2016



NOI Breakdown by Province
As at Dec 31, 2016



The Trust will continue to undertake a balanced approach, with a continued focus on organic growth, as the Trust's conservative balance sheet and access to low cost debt financing has provided a source of capital to assist in funding new growth opportunities.

The Trust's liquidity position is strong and it is planning to continue an investment in its suite renovation program. Additionally, the Trust plans to continue the construction of phase 2 of its Pines Edge development, as well as its Brentwood Village joint venture with RioCan, while also acting opportunistically at acquisitions and further new developments. By focusing on acquiring and developing new assets, and capitalizing on Boardwalk's brand, the Trust believes it can create and enhance Unitholder value by decreasing the average age of our portfolio, while also creating long term revenue and net asset value growth.

The Trust believes it has positioned itself well to weather economic volatility and is well positioned to deliver growth as the rental market rebalances. The Trust is committed to utilizing its conservative balance sheet to provide growth through opportunistic value added capital allocation opportunities.

We continue to provide our Resident Members with the best value in housing with our customer friendly approach that includes superior customer service, resident support programs and the best quality communities.

We would like to take this opportunity to thank our 1,700 Associates across Canada for their discipline and commitment to our vision and values in providing our Residents with the best quality communities.

Thank you to our stakeholders as well as financial and operating partners for their continued support. We would especially like to thank CMHC, our largest financial partner, as they continue to provide mortgage insurance products which maintain low interest rates and mitigates renewal risks, all of which allows Boardwalk to provide the best value in rental housing for Canadians.

We would also like to thank our Board of Trustees for their discipline, guidance and continued focus on governance.

As always, thank you to our Resident Members for their continued loyalty and engagement in our Boardwalk Community. Thank you for calling Boardwalk your home.

Respectfully,

Sam Kolias
Chairman and CEO

TABLE OF QUALITATIVE AND QUANTITATIVE

Goals and Targets

Boardwalk is built upon its Golden Foundation:

GOLDEN RULE: Treat others as you want to be treated

GOLDEN GOAL: Be good

GOLDEN VISION: Love community

GOLDEN MISSION: Have fun

With the guiding mission, "To serve and provide our Resident Members with quality rental communities", Boardwalk persists in exploring the resiliency of community and the benefits it creates for its Associates, Resident Members, Communities and Unitholders.

Boardwalk is committed to abiding by its Golden Foundation, which is the foundation for our relationships with our Resident Members and Stakeholders and has led to resilience in our Communities. Despite the challenging economic environment in 2016, the positive impact of resilient communities included:

- Stable property values. Private market transactions for multi-family real estate continues to be strong with stable property values;
- Ongoing fostering of safe, healthy, happy and consistent work environments for Associates across Canada;
- Fostering opportunity to create positive change and influence in Boardwalk's local, national and global communities; and,
- Embracing the ongoing journey to become Canada's friendliest and preeminent residential landlord through strategic acquisitions, dispositions and development and utilizing creative and innovative strategies.

Each year, Boardwalk sets goals and targets that allow measurement of its strategies; such goals and targets are broken into categories and outlined in the table below. Boardwalk strives to exceed these goals and targets, however, acknowledges that it operates in an industry where market conditions are often beyond its control. As a result, Boardwalk accepts that exceeding targets in each category and region is not always possible; however, it continues to strive to overcome and mitigate varying obstacles to ensure it continually improves wherever and whenever possible.

Though individual stakeholders place varying levels of importance on each of the goals and targets outlined below, Boardwalk recognizes that all of its goals and targets are all intertwined and vital to its business. Boardwalk believes in transparency and accountability to its goals and targets, desiring that its continued performance will encourage discussion between stakeholders. Boardwalk also believes the resiliency of the communities it has worked so hard to build continues to drive performance and provide exceptional benefits and opportunities for all its stakeholders.

KEY:

- ✓✓ Achieved, and aim to improve still further
- ✓ Achieved
- ✓ Partly achieved
- ✗ Did not achieve

RESIDENT MEMBERS: **To work proactively to ensure Boardwalk remains Canada's multi-family residential landlord of choice.**

2016 Targets	2016 Results	2017 Targets
Continually improve the Customer Service provided.	✓✓ A component of Boardwalk's competitive advantage is providing excellent Customer Service to Resident Members, which is maintained and enhanced by: · Providing Resident's with 24-hour, on-call maintenance as part of its 72-hour maintenance guarantee, (which states that all standard maintenance requests from will be completed within three (3) days); · Operation of the Boardwalk Call Centre, which is open 24 hours a day, 7 days a week, 365 days a year for existing and prospective Residents. Via the Customer Call Centre, Resident Members are able to reach Boardwalk by telephone, email or live chat. In 2016, 156,522 phone calls, 70,056 emails and 17,363 live chats were received; · Operating and updating Boardwalk's secure Resident Member website, including an improved Lease and Balance page, ability to add multiple images to feedback and contact forms, and a reorganization of pages to make it more user-friendly. The number of Residents registered on the site increased by seven (7%) percent year-over-year; and · Improving Resident Member website features such as "Community Corner", allowing Residents living in the same community to communicate with one another. Boardwalk is pleased to observe that Residents continue to make use of this page to build new and long-lasting relationships. New features are planned for the Resident Member website in 2017 that will enhance the usability of the website as well as advance the level of service provided. Ongoing monitoring of the reasons Resident Members move-out, providing insight as to how the Customer Service model meets the needs of Resident Members and where the model can be enhanced or improved. In 2016, move-outs increased slightly from 12,736 in 2015 to 12,998. Transfers of Resident Members to other Boardwalk buildings also decreased by 10.5% year-over-year. Up to and including September, automated telephone surveys were conducted with Resident Members who either had recent maintenance work completed, or had recently moved into a Boardwalk Community. Beginning October 2016, Boardwalk implemented an online survey model. Boardwalk conducted surveys for new Resident Members shortly after they joined a Boardwalk Community. Boardwalk has received over 85% positive feedback in 2016.	Continually improve the Customer Service provided.

RESIDENT MEMBERS: *(continued)*

2016 Targets	2016 Results	2017 Targets
Develop innovative ways to further improve long-term relationships with Resident Members.	✔ Annual funding of Boardwalk's Internal Subsidy Program to help Residents experiencing financial hardship. In 2016, the Trust provided approximately $150,000 in its internal subsidy program. As a responsible landlord, Boardwalk also continued its mandate of internal rent control, limiting the number and amount of its rental increases, in any given year. Investment in communities and community partnerships through sponsoring more than 100 community-based events across Canada, provided Boardwalk, its Associates and its Resident Members many opportunities to get involved and give back. Tri-annual distribution of Boardwalk's Resident Magazine "Across the Board", which was created in an effort to help connect Boardwalk Residents across its nation-wide portfolio by including articles on community building initiatives and events, City profiles, photos, and opportunities for Residents to write their own articles. Boardwalk will extend its production of Across the Board in 2017, making updates and improvements to ensure it remains interesting and relevant to Residents. Boardwalk continues to believe the most successful way to build lasting relationships with Resident Members is to give back to the communities in which they live. Through sponsoring numerous events across Canada in 2016, Boardwalk encouraged others to volunteer time and resources by providing paid volunteer hours and donation match opportunities for Associates, as well as inviting Resident Members to participate and work alongside Associates in their efforts to improve the communities in which they live and work, enhancing its objective of "building better communities".	Develop innovative ways to further improve long-term relationships with Resident Members.
Respond to the changing priorities of Resident Members.	✔ Regular evaluation of our website, www.bwalk.com, and constantly looking for ways to improve the site and its ease of use for current and potential Resident Members. In 2016, new features such as improved map functionality were added on the search page, while Senior Residences and increased accessibility features were also highlighted site. Boardwalk added a new 'Book a Showing' feature to its website to allow perspective Resident Members an additional option to book showings on a timely basis. Active and continual pursuit of ways to further improve Boardwalk's internal, customer-based website, ensuring it is always relevant, current and user friendly.	Respond to the changing priorities of Resident Members.

ASSOCIATES: Invest in our people to provide them with supportive, engaging, long-term employment.

2016 Targets	2016 Results	2017 Targets
Strive to cultivate a corporate culture of on-going, open, two-way dialogue between all levels of Associates.	✔ Updated Boardwalk's internal website, the "Bistro", to provide Associates with improved, easier access to important information (i.e.: Health and Safety documents, Associate Handbook, Human Resources information and upcoming community events. Team focus groups held throughout 2016 to identify areas of potential improvement in operations. Included all levels of Associates from site staff to senior management.	Continue to strive to cultivate a corporate culture of on-going, open, two-way dialogue between all levels of Associates.
Continue to implement internal communications strategic plan.	✔ Quarterly distribution of the "Community Chest", Boardwalk's internal magazine containing invaluable information for it Associates regarding Human Resources, Health and Safety, as well as stories from Boardwalk community events across Canada, to its Associates. The magazine also allows Associates to contribute their own content, creating a unique way for Associates to connect across Boardwalk's portfolio. Hosting of annual events, branded as The Executive Associate Meeting (or "TEAM"), across Canada for Associates. TEAM events allow Associates across Canada to spend time and connect with members of the Senior Management team and contribute greatly to Associate engagement in the workplace. As a result of positive feedback received in 2016, Boardwalk will continue to host TEAM events in 2017.	Communications plan.
Encourage a positive workplace that effectively engages Associates. Encourage work-life balance.	✔ Boardwalk routinely conducts market research to ensure it provides Associates with competitive compensation and benefits. The current compensation package includes a Profit Share Program, an RRSP match program, and Charitable Contribution match program and a High-Potential Program that recognizes outstanding Associates.	Encourage a positive workplace that effectively engages Associates. Encourage work-life balance.
Constantly adjust internal policy to focus on changing priorities of Associates, while innovatively maintaining a balance between Associates, Resident Members, Unitholders and Communities.	✔ To further support Associates, Boardwalk has a long-standing internal committee in each region called "The Rainbow of Hope", which raises funds to provide assistance for Associates during a time of need. Boardwalk matches 100% of the fundraising efforts for each Committee.	Constantly adjust internal policy to focus on changing priorities of Associates, while innovatively maintaining a balance between our Associates, Resident Members, Unitholders and Communities.
Create a safe work environment by educating Associates and enforcing Health and Safety Procedures.	✔ Continuation of a Zero Injury Campaign, striving to eliminate all workplace injuries. In 2016, 180 sites remained injury free for the entire year. Zero Injury sites are recognized through Boardwalk's intranet, internal newsletter and annual TEAM lunches. Under the Campaign, a mandatory Health and Safety objective is part of Boardwalk Associates' performance reviews, helping to reinforce the expectation that Health and Safety is everyone's responsibility. Internal Health and Safety Audit conducted, during which Boardwalk achieved an overall score of 99%. The audit allowed an accurate overview of the Health and Safety Program and a metric to assess Associates' understanding of it, providing an opportunity to assess where success had been achieved with the Program, and where there is still room for improvement. Routine monitoring and review of the Health and Safety Program to ensure it complies with the most recent legislation and supports the objective to provide Associates a safe place to work. Comprehensive Power Tool Safety Training was added to the Program in 2016 for all Maintenance Associates, and policies were updated to ensure compliance with changing legislation in Ontario.	Continue to create a safe work environment by educating Associates and enforcing Health and Safety Procedures.

ASSOCIATES: *(continued)*

2016 Targets	2016 Results	2017 Targets
Foster safe, respectful work practices and environments; further develop training, orientation and support offered to new Associates.	✔ Boardwalk invested further in Associates by contributing over $121,000 to training and development. These funds covered the cost of items such as books, tuition and membership fees to provide Associates the opportunity to further their education and grow their skills. Assisting Associates in acclimatizing to the Boardwalk environment through orientation sessions regularly conducted for new personnel. During Orientation, new Associates spend time with members of Human Resources to learn about Boardwalk's history, mission, vision, values, corporate culture and its Health and Safety Program, which is followed up through the mentor program that includes regular on-going training.	Foster safe, respectful work practices and environments; further develop the training, orientation and support offered to new Associates.
Strive to constantly enhance ability to attract, support, encourage and recognize high-performing, innovative team members.	✔ Twelve Associates were awarded with Foundation of Excellence Awards in 2016. Such awards are given to Associates who have been nominated by their peers for their ongoing dedication to exhibiting Boardwalk's Mission, Vision and Values each day. Under the Chairman's Scholarship Program, 32 scholarships were awarded for a sum of more than $249,000. These scholarships are awarded to children of Boardwalk Associates to assist in their post-secondary education. Boardwalk makes great efforts to recognize Associates who go above and beyond for its Resident Members every day. Through its Bravo Program, 459 Bravos were awarded to 310 Associates as a result receiving compliments from Resident Members in 2016. Boardwalk expanded its recognition programs in 2016 through the addition of a new benefit. This new benefit recognizes Associates who have been with Boardwalk for 20 or more years by offering them varying rewards, including additional vacation days, and travel vouchers. The Boardwalk "Associate Referral Bonus" was continued, providing Associates with a monetary reward when they referred friends and/or family to work at Boardwalk and their referral successfully completed a probationary period. In addition to competitive salaries, Boardwalk offers Associates a comprehensive benefits package and an RRSP Match Program. In 2016, Boardwalk dedicated over $2.7 million to its RRSP Match Program, and $2.2 million in comprehensive group benefits.	Strive to constantly enhance ability to attract, support, encourage and recognize high-performing, innovative team members.
Retain long term Associates, and further develop succession planning policy and procedures.	✔ Boardwalk continued to provide Associates with a Mentorship Program. This program ensures that Associates feel supported in their positions as, during their training, each Site Associate is provided with a Mentor who helps to have a better understanding of the Boardwalk culture. To supplement the Mentorship Program, Boardwalk introduced the CSR Best Practices Program; a module developed based on actual Resident Member situations and feedback from actual Site Associates. The Program utilizes a variety of teaching tools including informational handouts, videos and role-playing activities, required to be completed monthly. Boardwalk's Succession Planning Program provides Associates with opportunities to develop and excel in their roles. Under this Program, each Leader must identify a successor for their role and include a timeline in which the individual would be ready to take over the role. As a result of this succession planning, internal promotions occur. With the retirement of William Chidley, Lisa Russell was promoted to Senior Vice President, Acquisition and Development. Boardwalk has over 1,700 Associates across Canada, many of whom are choosing to to stay longer. Year over year, Associate turnover was 16.66%, substantially down from 21.86% in 2015. As of 2016, 27% of Associates have been with Boardwalk for between 5 and 10 years, while 21% have been part of the Boardwalk team for more than 10 years.	Retain long term Associates, and further develop succession planning policy and procedures. Boardwalk will continue adding new training tools to the CSR Best Practices Program to aide in Associate development.

COMMUNITY: **To positively impact the communities in which we operate and the larger global community.**

2016 Targets	2016 Results	2017 Targets
Expand and continue to focus on Community Development to further foster collaboration with Government and Social Services.	✓ Continued partnerships with more than 20 organizations across Canada to provide affordable housing to individuals in need. Through these partnerships, Boardwalk subsidizes approximately 1,100 units. In addition, Boardwalk donates office space for the Calgary Pregnancy Care Centre and the Calgary Homeless Foundation.	Expand and continue to focus on the Community Development to further foster collaboration with Government and Social Services.
Continue to assist Resident Members who are in financial need.	✓ Support of Resident Members through Boardwalk's Internal Subsidy Program. Across its entire portfolio, Resident Members experiencing financial hardship are subsidized under the Program, maximizing the Program's annual budget of $150,000. As part of Boardwalk's internal subsidy program, the Trust will reduce or eliminate any rental increases to those Resident Members who can prove financial hardship. In 1999, Boardwalk established an internally-mandated, self regulation program, which limits the amount of its rental increases after any given lease period. Boardwalk re-evaluates the Program annually to ensure it remains sustainable.	Continue to provide assistance to Resident Members who are in financial need.
Focus on encouraging both corporate and individual contribution to, as well as involvement in, Boardwalk communities to give where we live!	✓ Ongoing support of Boardwalk's "Week of Caring" initiative, hosted annually in December, encouraging Associates to volunteer at an organization of their choice for up to four (4) paid work hours. In 2016, Associates collectively volunteered over 480 hours of time to charities in their communities. Sponsoring of numerous charity events throughout 2016, in addition to Boardwalk's Week of Caring, including WE Day Alberta, Boardwalk Walk for Wellspring, The Coldest night of the Year, Hockey Helps the Homeless, Five Days for the Homeless and many more. Continuation of the Company Matched, Payroll Charitable Deduction Program, allowing Associates to donate a portion of their salary to a specific charity with Boardwalk matching that donation, up to $1,000 per Associate, per year. In 2016, Boardwalk matched over $26,000. Maintenance of the internal "Angels" Program, to further community involvement. The Angels Program recognizes Boardwalk Communities which participate in Boardwalk sponsored charitable events, supporting both local and global communities. Including new buildings, Boardwalk has recognized more than 100 of its communities under the Angels Program initiative.	Focus on encouraging both corporate and individual contribution to, as well as involvement in Boardwalk communities to give where we live!
To expand personal and corporate boundaries by taking an active role in the global community.	✓ Each year, Boardwalk partners with Youth With a Mission and Homes of Hope to build homes for families in need in Tijuana, Mexico. In 2016, Boardwalk hosted two (2) trips and built six (6) homes for families in need. Altogether, 97 Resident Members, Associates and family members had the opportunity to travel to Tijuana to take part in these homebuilding trips. Ongoing support of Samaritan's Purse – Operation Christmas Child. Through this program, Samaritan's purse sends shoeboxes filled with gifts to children around the world in need. In addition to volunteering at the warehouse to prepare shoeboxes for travel, Associates and Residents packed 2,123 shoe boxes.	To expand personal and corporate boundaries by taking an active role in the global community.

THE ENVIRONMENT: **To positively impact the environment through sustainable practices.**

2016 Targets	2016 Results	2017 Targets
Increase corporate sustainability by creating opportunities for positive environmental change.	✔ Installation of variable frequency drives is being done on large motors across the portfolio, allowing for better monitoring and regulation of energy consumption, reduced operating costs, and reducing carbon emissions of Boardwalk Buildings to one-third of what was previously being produced. In an effort to further reduce operating costs and CO2 emissions, Boardwalk continues to install and monitor high-efficiency, hi-consumption and domestic hot water systems. Monitoring of water and gas meters on both high-efficient and standard-efficiency systems demonstrates provable effectiveness of this strategy. Continued use of LED lighting, timers and photocells in outdoor lights to reduce energy usage. Installation of energy star appliances, low-flow showerheads and toilets is ongoing and use of low VOC paint has been implemented. To reduce the impact of paper usage and/or waste, all investor materials are readily available online at www.BoardwalkREIT.com and all information for Resident Members and Associates is distributed electronically via either Boardwalk's intranet or secure Resident Member website.	Increase corporate sustainability by creating opportunities for positive environmental change.

CORPORATE GOVERNANCE: **To provide fully transparent, on-going corporate information to all stakeholders, meeting or exceeding the guidelines set out by the TSX regarding effective corporate governance.**

2016 Targets	2016 Results	2017 Targets
Maintain independence of the Board.	✔ Currently the Trust has seven (7) Trustees, five (5) of whom are independent.	Maintain independence of the Board.
Strive to continually improve transparency and open, honest dialogue with all Unitholders.	✔ Boardwalk provides the public with opportunities to call in to listen to all its quarterly conference calls. Audio recordings of all webcasts are also made available following the teleconference. The senior management team and the Investor Relations team are jointly committed to making themselves available to answer and address specific Unitholder questions. Webcasts of all of quarterly conference calls are available to the public. In addition, all of Boardwalk's documents/webcasts are easily accessible on www.boardwalkreit.com utilizing links to all current and historical documents containing corporate information. For the second consecutive year, in 2016 Boardwalk was recognized as the winner of the CPA of Canada Award of Excellence in Corporate Reporting for the Real Estate Sector.	Strive to continually improve transparency and open, honest dialogue with all Unitholders.
Further enhance procedures and systems for the consistent, timely dissemination of corporate and industry information.	✔ Continued demonstration of success and improvement with its quarterly reporting format. Utilizing feedback from Stakeholders and the Investment Community at large, Boardwalk strives to provide transparent and useful financial documents, including financial outlooks and market guidance.	Further enhance procedures and systems for the consistent, timely dissemination of corporate and industry information.

UNITHOLDERS: **To provide a consistent, sustainable and attractive investment option focused on providing stable monthly cash flow and increasing overall returns for Unitholders.**

2016 Targets		2016 Results	2017 Targets
Realize FFO target $3.40 to $3.60 per Trust Unit.	✗	Boardwalk achieved FFO of $2.84 in 2016. Though the Trust did not achieve its original 2016 target, the Trust provided quarterly guidance updates and revisions.	Realize FFO target of $2.30 to $2.65.
Stabilized Buildings NOI growth of -2% to 2%.	✗	Stabilized buildings NOI decreased 12.50%. The Trust revised its NOI target each quarter.	Stabilized Buildings NOI growth of -15% to -9%.
Realize a total return on the REIT units that outperforms the S&P/TSX Composite and the S&P/TSX Capped REIT Indices.	✗	Boardwalk Unitholders realized a total return of 9.2% on their REIT units, compared to the posted return of 17.6% for the S&P/TSX Capped REIT Indices. The return for Boardwalk and other publicly traded entities for 2016 were moderated by a decline in REIT Unit Prices in December, a result of declining Crude Oil Prices. The S&P/TSX Composite index returned a gain of 21.1% and also outperformed Boardwalk Units.	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.	✓	The Trust acquired 747 newly constructed apartment units in Calgary and Edmonton in 2016 at a price near construction cost. Boardwalk also completed the development of the first phase of Pines Edge in Regina, a 79 unit community with underground parking. In 2016, Boardwalk was pleased to announce the formation of a joint venture co-ownership arrangement between RioCan REIT to develop a 12-storey residential tower with a retail podium at RioCan's Brentwood Village Shopping Centre in Calgary, AB. Boardwalk views RioCan as a like-minded partner, sharing similar values and goals as its own; namely in maximizing the potential of well-located, transit-oriented, mixed-use developments while creating new communities that Residents are proud to call home.	Complete performance enhancing transactions to maximize Unitholder value.

COMMUNITY STRONG

Unitholders

Boardwalk continues to maintain a diverse portfolio of assets spanning across four provinces, and consisting of more than 200 communities which vary between high-rises, low-rises and townhomes and appeal to a wide demographic of Resident Members. This range in product allows Boardwalk to provide value and flexibility in homes to a broad range of Residents across Canada.

Boardwalk is not immune to market instability and volatility, however conservative fiscal management has allowed the Trust to maintain a strong financial position, with ample liquidity. This strong financial position allows Boardwalk to pursue and capitalize on opportunities as they arise across its portfolio.

With over 200 resilient communities currently in Boardwalk's portfolio, the Trust continues to take a disciplined approach to acquisitions, dispositions, and development with the goal of high-grading its portfolio through the acquisition and development of new communities, as well as continued investment in value added capital expenditures such as Boardwalk's suite renovation program. In 2016, the Trust utilized the counter-cyclical opportunity to acquire newly constructed purpose built rental buildings from local developers at or near the cost of construction. Acquisitions in 2016 totaled 747 apartment units comprised of Auburn Landing (238 units) in Calgary, Alberta for $51.2 million, and Vita Estates (162 units); Axxess (165 units); and The Edge (182 units) in Edmonton, Alberta for $93.0 million.

The Trust announced, in Q3 2016, the formation of a joint venture arrangement between RioCan REIT and Boardwalk REIT to develop a mixed use tower consisting of an at-grade retail podium totaling approximately 10,000 square feet and an 12-storey residential tower with approximately 120,000 square feet of residential space, totaling approximately 165 apartment units at RioCan's Brentwood Village Shopping Centre in Calgary, AB. The development will include two 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 to 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.

> In 2016, the Trust introduced a new suite renovation program to enhance Boardwalk's product quality.

RioCan and Boardwalk are currently working together to finalize the submission of plans for a development permit. Subject to certain conditions, including the receipt of both the development permit and the subdivision of the lands on terms and conditions satisfactory to both RioCan and Boardwalk, closing is expected to occur in mid-2017, with construction beginning as early as Q3, 2017. Based on the determination of total buildable area, Boardwalk will pay RioCan approximately $2.9 million for a 50% interest in the sub-divided land at closing. Subject to the finalization of building plans and specifications, it is estimated that the total construction for the project will be between $60 million to $70 million ($30 million to $35 million per partner).

Also in 2016, Boardwalk completed the first phase of its development at Boardwalk's Pines of Normanview Community in Regina, Saskatchewan. The first phase, known as Pines Edge I, was built on excess land the Trust owns and was completed on time and on budget in January of 2016. Lease up exceeded expectations with full occupancy four months after completion. Construction of the second phase, Pines Edge II has since begun, and is scheduled to be complete in July 2017. Going forward, the Trust continues to explore the viability of other development projects on excess land it currently owns.

These acquisition and development initiatives allow the Trust to high-grade its portfolio by adding newly constructed, high quality rental product in desirable locations. These high quality assets also allow the Trust to broaden the demographic group Boardwalk serves.

As interest rates remained low for much of 2016, Boardwalk is pleased to have renewed approximately $247 million of maturing CMHC mortgage principal. The weighted average new interest rate on these funds was 2.14% versus the maturing rate of 3.92%, a significant decrease to Boardwalk's interest expense. The average term of these renewals was over 7 years.

The largest opportunity for the Trust to enhance value to Unitholders continues to be organic growth within the Trust's portfolio. Throughout the softer economic environment in Boardwalk's Alberta markets in 2016, the Trust continued to invest in its own portfolio and introduced a suite renovation program to enhance Boardwalk's product quality. By focusing on providing the Boardwalk brand of customer service and a further enhanced product, the Trust believes it has positioned itself well for 2017 and beyond.

Through the continued guidance and leadership of the Trust's Board and 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 all of its stakeholders and can be found online on Boardwalk's investor website: www.BoardwalkREIT.com. As highlighted in these reports, Boardwalk continues to be one of the only REITs 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.

COMMUNITY STRONG

Resident Members

Boardwalk looks for new and innovative ways to further build our relationships with our Residents. The combination of superior service and building long lasting relationships continues to enhance the loyalty of our Resident Members who call Boardwalk home.

As a part of Boardwalk's continued effort to provide the best customer service, Boardwalk provides Residents with a Customer Call Centre that is available to them 24 hours a day, 7 days a week, and 365 days a year. In addition, Boardwalk provides Residents with 24-hour on-call maintenance for their buildings, which includes a 72-hour Maintenance Guarantee that ensures all standard maintenance requests will be completed within 72 hours.

Residents are able to connect with our Customer Call Centre by phone, email, or live chat. In 2016, Boardwalk's website (www.bwalk.com) reached an all-time high of over 1.1 million visitors and 3.6 million page views; additionally, there were 156 phone calls, 80 thousand emails, and 17 thousand live chats were received by the Centre.

To ensure service is consistent and Residents are satisfied, both automated-telephone and online surveys were conducted with Resident Members who either had recent maintenance work completed, or had recently moved into a Boardwalk Community. 'A highlight from these surveys was that 85% of new Residents responded with a positive score. These annual surveys help to quantify Boardwalk's level of customer service and where it can be improved.

As part of the annual surveys, the reasons Resident Members decide to leave Boardwalk is also tracked. In 2016, the results showed move-outs increased slightly year-over-year to 12,998 compared to 12,736 in 2015. The surveys also showed that transfers of Residents to other Boardwalk buildings decreased by 10.5% year-over-year.

Under its "Internal Subsidy Program", Boardwalk continued offering Resident Members various methods of rental forgiveness, including withholding rental increases for those who are experiencing financial hardship. Over the course of the year, Boardwalk subsidized suites across its portfolio, maximizing its dedicated budget of $150 thousand annually, though this number fluctuates according to need.

Boardwalk actively searches for new ways to connect with Resident Members and has found great success through its secure Resident Member website. In 2016, new features were added to the Resident Member website, and include the following: a redesigned Lease and Balance page to display expected transactions for the coming month; the ability to add multiple images to feedback and contact forms; and, reorganizing pages to make the website as user-friendly as possible. In 2016, Resident Members increased their use of the "Community Corner"; a place

Boardwalk strives to provide superior service to our Resident Members and be Canada's friendliest and preeminent landlord.

"Bringing You Home"

where Resident Members living in the same community have an opportunity to connect online, whether through the "Buy and Sell" section, or as a way to make new friends. Registration on the website increased by seven (7%) percent year-over-year. Plans are in place to further develop the Resident Member website in 2017 to make it a convenient way for Residents to connect with Boardwalk and with each other.

Believing that a connected community is the basis for a resilient community, each year, Boardwalk invites and encourages Residents to participate in numerous sponsored "Resident Appreciation Events" across Canada, including movie nights, zoo days, barbeques and more in and effort to engage Resident Members in its Golden Foundation. Boardwalk continues to find that these events help build relationships with Residents as well as also fosters the opportunity for Residents to form relationships amongst themselves.

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 2017, Boardwalk will continue to distribute the magazine as it provides an excellent way to connect communities and Resident Members across Canada.

As Boardwalk is always looking for new ways to connect with current and potential Resident Members, it increased its focus in social media in 2016, with a presence now on a variety of social media websites and seeing substantial success with its Facebook page. Boardwalk uses social media to connect with and engage current and potential Resident members. With the help of social media, Boardwalk ran its 2016 branding campaign "Feel at Home", which saw great success in creating positive brand awareness amongst the Community and Boardwalk's Resident Members.

In 2017, new and creative ways will be identified and pursued to interact with Resident Members to create lasting relationships. Based on past successes, it has been proven that one of the best ways to create and build these relationships is to get Resident Members involved in their communities by encouraging participation in community events. There is no greater demonstration of the resiliency in community than Associates and Resident Members working side by side to build better communities.

COMMUNITY STRONG

Associates

Boardwalk's mission is to provide the best quality communities for its Resident Members, and this can only be accomplished with the collaborative efforts of our team of over 1,700 dedicated Associates.

While Associates foster lasting, resilient communities and relationships with Resident Members, Boardwalk continues to provide an exceptional place for its Associates to work.

A component of creating the best team is ensuring that access to information is provided to its Associates in a timely matter. With its team spanning across four Provinces in Canada, Boardwalk has taken the necessary steps to developing a strategic internal communications program. Such program includes the use of numerous communication vehicles to ensure that each Associate has quick and easy access to important information, including an intranet (the "Bistro"), which is a secure website Associates can access either from work or from home. The Bistro hosts information regarding Health and Safety, benefits, Human Resources, important announcements, as well as information concerning community events. Additionally, Boardwalk publishes a quarterly internal magazine (the "Community Chest") that is distributed to all its Associates across Canada. The Community Chest is bilingual, and also includes information about Health and Safety, benefits, messages from Senior Management, financial updates, and much more.

Annual team events for Boardwalk Associates, branded as The Executive Associate Meeting ("TEAM") continue to be hosted. TEAM events are very popular across Canada, as they provide opportunities for each Associate to connect with members of the Senior Management Team, as well as to receive updates on Boardwalk's strategy and operations. In addition to communication, TEAM has continued to shift its focus over the last few years towards also recognizing and celebrating Boardwalk's family of outstanding Associates, providing Senior Management with the opportunity to acknowledge outstanding and long-term Associates, as well as to thank them for their hard work and continued commitment to its mission. Finally, Site Associates

participate in monthly group meetings, during which they meet with the Leaders to discuss any concerns and review Boardwalk updates.

Boardwalk strives to provide its Associates with a rewarding place to work and encourage Associates to maintain a healthy work-life balance. As a result, it frequently conducts market research to ensure that Associates are offered competitive compensation packages. Further, Boardwalk offers a Profit Share Program that rewards Associates for helping to meet and surpass its corporate strategy and goals each year. Aside from compensation and financial incentives, Boardwalk ensures that each Associate is given the opportunity to excel and reach their full potential. Through its Succession Planning Program, Boardwalk continues to invest in Associate training and development to assist Associates in achieving their goals, investing over $121,000 in tuition fees, books and professional memberships for Associates in 2016.

Boardwalk offers a Profit Share Program that rewards Associates for helping to meet and surpass its corporate strategy and goals each year.

To help Associates in continuing to develop their skills and improve the level of customer service provided to Resident Members, Boardwalk created and implemented its Customer Service Representative Best Practices Program ("CSRBPP"). The CSRBPP currently consists of three types of training: informational brochures, videos, and role-playing exercises. The material was developed using both actual life examples received from Resident Members, as well as feedback from Site Associates. In 2016, Boardwalk found the CSRBPP to be very successful at encouraging Associates to work together to solve problems and to learn from each other's experience and expertise. Boardwalk plans to further expand the CSRBPP in 2017 to include new scenarios for training videos and new role-playing exercises to ensure content remains current and relevant.

Boardwalk also offers Associates a comprehensive benefits package, which includes 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 depending on the Associate's length of service. Under the RRSP Match, Boardwalk matched over $2.7 million in Associate contributions in 2016. In addition to the RRSP Match Program, Boardwalk also offers Associates a three-tiered, comprehensive benefits program. In 2016, Boardwalk contributed over $2.2 million to Associate benefits.

Boardwalk strives to make a difference for charitable organizations, and encourages Associates to give back to the communities that surround them. To foster the spirit of giving, Boardwalk continued its Charitable Match Donation Program, providing Associates with the opportunity to donate a portion of their salary to a charity of their choice, which Boardwalk will then match, up to an annual maximum of $1,000 per Associate. Under the Program, Boardwalk matched over $26 thousand in Associate donations in 2016.

Boardwalk expanded its recognition program in 2016 through the addition of a new benefit which recognizes Associates who have been with Boardwalk for 20 or more years by offering varying rewards including additional vacation days in milestone anniversary years and travel vouchers.

To recognize Boardwalk Associates who go above and beyond, Boardwalk continued its "Bravo Program" in 2016. The Bravo Program recognizes Associates after they receive a compliment from a Resident Member. When a Resident Member recognizes an Associate's exceptional service, Boardwalk believes that Associate should be celebrated. In 2016, Boardwalk gave out 459 Bravos and awarded 12 Foundation of Excellence Awards ("FOE Awards") 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 on a daily basis.

In addition to supporting Associates in the workplace, Boardwalk also works to support Associates outside of it. In each region that Boardwalk operates, an internal committee ("The Rainbow of Hope"), dedicated to raising funds to help Associates during times of need. Each Rainbow of Hope Committee grants wishes anonymously to Associates in their region who are experiencing some type of hardship; and who have either contacted The Rainbow of Hope themselves, or been nominated for a wish by another Associate. To ensure there are enough resources available within every region, Boardwalk matches, dollar for dollar, the fundraising efforts for each of the Rainbow of Hope Committee.

Boardwalk often refers to Associates as being part of the Boardwalk Family, and it believes in supporting the families of its Associates. To accomplish this objective, Boardwalk established the Chairman's Scholarship, a fund set aside, and awarded in two (2) installments, for the children of Associates to help with the cost of their post-secondary education. In 2016, Boardwalk awarded 32 children of Associates with scholarships, totaling over $249 thousand.

Boardwalk's efforts to create a great place to work and to maintain a happy, healthy work environment for Associates continue to see success. As a result, Associate turnover for 2016 was 16.66%, down substantially from 21.86% in 2015. Additionally, 27% of Associates have chosen to remain with the Boardwalk Family for between five and ten years, while 21% have been with the Boardwalk Family for more than 10 years, resulting in a successful team of over 1,700 Associates who are dedicated and passionate about Boardwalk's mission, vision and values. Together with its team, Boardwalk continues to foster community and achieving its goal of building better communities.

BOARDWALK CHAIRMAN'S SCHOLARSHIP RECIPIENTS

STUDENT	ASSOCIATE NAME	CITY
Nikki Volante	Carlito Volante	Red Deer
Armaigne Rivero	Armando Rivero	Regina
Renz Rivero	Armando Rivero	Regina
Allyssa Lusung	Eleazar Lusung	Regina
Myles Tuchscherer	Marcel Tuchscherer	Saskatoon
William Chrystian	Curtis Chrystian	Edmonton
Fatima Bautista	Abelardo Bautista	Edmonton
Julia Klassen	Helen Klassen	London
Racheal Hessel	Ryan Hessel	London
Stephanie Zwicker	Jack Zwicker	London
Salma Djulbic	Saca Djulbic	London
Monica Viray	Solomon Viray	Regina
Alleissa Cayanan	Alex Cayanan	Edmonton
Raziel Gervacio	Angela Gervacio	Saskatoon
Selbi Tashlieva	Maisa Tashlieva	Edmonton
Hermela Bene	Solomon Tareke	Calgary

STUDENT	ASSOCIATE NAME	CITY
Pavel Roman	Elena Roman	Edmonton
Penolopi David	Lourdito David	Edmonton
Catherine Paet-Pondanera	Cecilia Paet-Pondanera	Edmonton
Roanne Camalig	Lirio Camalig	Saskatoon
Kimberly Macasaet	Florencia Macasaet	Saskatoon
Dalina Hilario Mata	Fortuna Mata de Hilario	Edmonton
Ericka Ancheta	Morena Ancheta	Edmonton
Michelle Santelices	Felix Santelices	Calgary
Christine Costa	Constantino Costa	Regina
Erika Pascua	Renante Pascua	Regina
Jhustine Rafael	Jhoanna Rafael	Saskatoon
Chealshe Viray	Solomon Viray	Regina
Samantha Herreria	Samuel Herreria	Regina
Myriam Abou-Ghazaly	Carole Bachalany	Saint-laurent
Rasha Hammoud-Puelles	Julissa Puelles	Montreal
Catherine Cabana	Helene Thomas	Verdun

COMMUNITY STRONG

Health and Safety

Boardwalk strives to create a safe work environment. As a result, it has carried forward its Zero Injury Campaign with the goal to eliminate all workplace injuries and illnesses.

In 2016, 180 Boardwalk Communities remained injury free for the entire year. Communities that accomplish the Zero Injury goal are rewarded by Senior Management for their commitment to safety through recognition in the Community Chest, on Bistro and at TEAM luncheons. To ensure 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.

An internal Health and Safety audit was conducted in 2016, consisting of three verification methods: documentation reviews, interviews, and site observations. The audit was conducted to measure and evaluate Boardwalk's Health and Safety Program against the standards established by Alberta Employment and Immigration – Workplace Partnership - the final score was 99%. Areas where Boardwalk exceled 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.

A key to Health and Safety is the communication of the Program to over 1,700 Associates located across Canada. Such communication is accomplished by using numerous vehicles and tools, including articles in the Community Chest, posts on Bistro, at annual TEAM luncheons, through monthly Health and Safety newsletters and at Site Safety Meetings, as well as Joint (Leaders and Associates) Health and Safety Committees. This ensures every Associate is aware of the Program and is implementing its policies, keeping Boardwalk a safe place to work.

The Province of Ontario adopted significant changes to the Accessibility for Ontarians with Disabilities Act (the "AODA") in 2016. In relation to those changes, Boardwalk completed a comprehensive examination of its Health and Safety Program and made the necessary adjustments to ensure the Program remains in compliance with the AODA. AODA compliance means we are able to provide services to Residents, Associates and others with disabilities.

HEALTH AND SAFETY PROGRAMS

Boardwalk is pleased to offer the following programs to ensure that our Associates receive appropriate training and education for their positions, and to ensure that they remain safe in the workplace:

- Asbestos Management Plan
- Associate Training
- Bed Bug Control
- 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 and 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 Protocol
- 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)
- Working Alone
- Workplace Violence
- Zero Injury Campaign

BOARDWALK IS

Community Strong

Boardwalk believes in the power of community, and the positive effect that this focus can have on our Residents and our stakeholders.

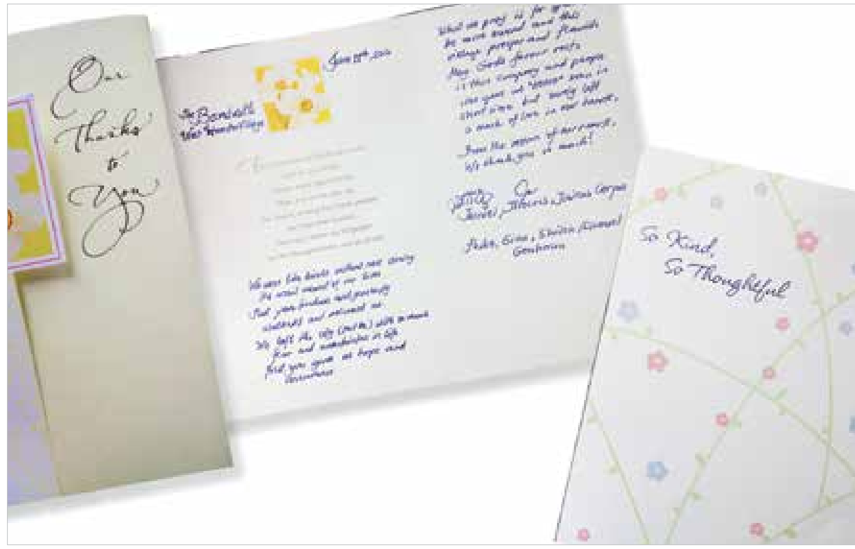
Despite current economic volatility in Boardwalk's Western markets, it believes the quality of its communities leads to Residents choosing Boardwalk as their preferred housing option, resulting in sustainable returns for Unitholders while providing a great place to work and call home.

Illustrating Community Strong, we look to the wildfires in Alberta, leaving thousands of families in immediate need of assistance. Boardwalk and its Associates worked tirelessly to provide accommodation and aid not just for its Resident Members but for any evacuee, including initiating the "Quadruple Challenge" with Associates raising an additional $21,000 for relief efforts.

To care for and support its team during this difficult time, Boardwalk contacted Associates to confirm that they and their families were evacuating and were safe. Many were evacuated to the Edmonton area and greeted at Boardwalk's Regional office where they were given support and told that they, and Resident Members affected by the evacuation, would receive $1,500 to help relieve some of their expenses and that Boardwalk would continue to pay their salaries through the evacuation and restoration periods.

As re-entry into Fort McMurray remained undetermined, Boardwalk continued its support, offering security deposit waivers, free rent for the months of May and June, a 25% rental rate reduction, and flexible lease terms for those who chose to stay longer at its other Communities.

Once the evacuation order was lifted and clearance was received to return to Fort McMurray, Boardwalk Associates from all across Alberta rallied, assisting with the early stages of re-entry as well as making ready a five-tonne truck filled with emergency equipment and supplies to help the community with the transition.



In preparing affected buildings and suites for occupancy, Boardwalk made every effort to ensure the health, welfare and safety of Associates, Resident Members and the Community. Complete interior and exterior clean-ups were done, and favourable test results for Boardwalk's sites in Fort McMurray were received, ensuring there were no health risks prior to allowing re-entry. Throughout the process, ongoing updates were provided to Resident Members, Associates, investors and the community at large via Bistro and Boardwalk's website.

Many Alberta Boardwalk Communities, including: Edmonton and Red Deer (453 families), Calgary (67 families), and many others helped evacuees during and after the evacuation, providing assistance and support for 612 families. West Edmonton Village, in particular, proudly displays thank you cards received from evacuees on the reception desk. The kind words on these cards remind us of what Boardwalk stands for: Community.

Annually, Boardwalk supports Associates and Resident Members giving back to their communities through involvement in over 100 community sponsorships and initiatives across Canada, including Homes of Hope, blood drives, Stephen's Backpacks (4050 backpacks filled and 60 children sent to school), KidSport, Corporate Challenge, food drives, seniors events and homelessness fundraisers, Walk for Wellspring, Youth Mentor Programs, Cornerstone Youth Centre meal preparations, The Memorial Cup, art workshops, community clean-up events, Week of Caring (481 volunteer hours), Feed the Hungry events and many more.

WE Day Alberta ("WE Day"), hosted annually by The WE Organization, encourages youth to get involved in their local and global communities, empowering youth to become the leaders of tomorrow. In 2016, Boardwalk was once again a Platinum Sponsor, sending youths from a local after school drop-in center to WE Day, who otherwise would not have had the opportunity to attend.

Partnering with the Community Service Learning Program at the University of Alberta, each year, Boardwalk encourages students to give back to their communities by creating their own community initiative in the hopes of receiving The Boardwalk Learning and Change Award. Three to five initiatives are then selected for presentation to a panel of judges with the winner receiving a $10,000 grant to put their plan into action. The 2016 winner was Punit Virk's initiative, "YEG Newcomer Empowerment Through Stories ("NETS"): A Summer Digital Storytelling Program".

Boardwalk strives to ensure everyone has a place to call home by supporting community events across Canada to help end homelessness, including events such as "Hockey Helps the Homeless" (numerous cities), "Five Days for the Homeless" (held at post-secondary institutions), and partnering with organizations to provide affordable housing across Canada. A few such organizations are Calgary Homeless Foundation, Homeward Trust, London Housing Company, Red Deer Housing, the Mustard Seed, and many others. In total, Boardwalk provides approximately 1,100 affordable housing units to these programs.

Internationally, Boardwalk continues to offer its "Homes of Hope" benefit (in partnership with "Youth With a Mission"), encouraging Associates and Resident Members to give back by building homes for families in need in Tijuana, Mexico. In 2016, Boardwalk funded two trips, enabling 97 individuals to travel and to build six homes in total.

Nationally, Boardwalk continues its annual "Week of Caring" each December, offering Associates the opportunity to volunteer for up to four paid hours with their favorite local charity, including the "Operation Christmas Child" warehouses (a Samaritan's Purse initiative) preparing shoeboxes to travel around the world. In 2016, Associates dedicated over 480 hours, with Resident Members joining in packing 2,123 shoeboxes full of gifts for children in need.

Year-round, Boardwalk offers the "Charitable Match Donation Program", enabling Associates to donate a portion of their salary to a specific charity, which Boardwalk then matches (up to $1,000 per Associate, per year). In 2016, Boardwalk matched over $29,700 in Associate donations.

Charitable events held in 2016 continued to demonstrate resilience of community, and the positive effect that resiliency has on all stakeholders.

Boardwalk developed the Boardwalk Angels Program (the "Angels Program") giving recognition to Boardwalk buildings where Resident Members have participated in charitable events. To date, Boardwalk is pleased to have recognized more than 100 sites.

Boardwalk strives to build better communities, providing Resident Members and Associates opportunities to contribute locally and globally, believing strong, lasting communities are best built when we support one another and work together!

Boardwalk is pleased to have recognized more than 100 sites in the Boardwalk Angels Program.

We Day 2016

Hockey Helps the Homeless

The Landmark Towers Annual Yard Sale was a wonderful opportunity for our Resident Members to meet their neighbours, and the sale raised $3,320 in support of the Wellspring London and Region organization.

Environment and Sustainability

Boardwalk takes pride in its commitment to be an environmentally conscious organization, however, being a sustainable company means much more than solely being environmentally conscious.

Boardwalk takes a more robust view on sustainability and believes that in order to truly excel in sustainability it must provide sustainable places for Associates to work and Resident Members to live, as well as a sustainable balance sheet and returns for our Unitholders.

Boardwalk minimizes its impact on the environment by installing low flow showerheads and toilets, purchasing energy star appliances, utilizing energy efficient fixtures, LED lighting, and low VOC paint, as well as timers and photocells for outdoor lighting, to ensure lights only stay on as long as needed. In addition to these efforts, Boardwalk has ongoing capital projects that work towards creating energy efficient communities though attic insulation, ventilation updates, roof replacements, building envelope upgrades, siding upgrades and window replacements. The upgrades and replacements have allowed Boardwalk to lower the amount of energy Boardwalk buildings consume going forward.

Installation of variable frequency drives is being done on large motors across the portfolio, which allows for better monitoring and regulation of energy consumption, reduced operating costs and reduced greenhouse gas emissions. Across its portfolio, carbon emissions of Boardwalk Buildings have been reduced by one-third of what was previously being produced.

In an effort to further reduce operating costs and CO2 emissions, Boardwalk has installed, and is continually monitoring, high-efficiency, hi-consumption, domestic hot water systems. The use of water and gas meters on both high-efficient and standard-efficiency systems demonstrates provable effectiveness of this strategy.

Making use of intranet, the "Bistro", and the secure Resident Member website, Boardwalk is able to provide all communication and information for Associates and Resident Members electronically, resulting in decreased use of printed paper. All Associates are also encouraged to turn off lights and computers at the end of each day, over weekends and while on vacation in all offices, while recycling programs for cardboard, paper, plastic, computer and printer parts are available at Boardwalk buildings, all to ensure every effort to foster environmental accountability and sustainability is being made.

Meadowside Estates, Edmonton – Before

Meadowside Estates – After

Francois Rive Verdun, Quebec City – Parkade restoration – Before

Francois Rive Verdun – Parkade restoration – After

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.

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.

Financial sustainability 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.

Portfolio Summary

Auburn Landing, Calgary

Axxess, Edmonton

PROPERTY NAME	BUILDING TYPE	# SUITES	NET RENTABLE SQ. FT.	AVERAGE UNIT SIZE
CALGARY, AB				
Beltline Towers	Highrise	115	80,424	699
Boardwalk Heights	Highrise	202	160,894	797
Brentview Towers	Highrise	239	151,440	634
Centre Pointe West	Midrise	123	110,611	899
Chateau	Highrise	145	110,545	762
Elbow Tower	Highrise	158	108,280	685
Flintridge Place	Midrise	68	55,023	809
Glamorgan Manor	Walk-Up	86	63,510	738
Hillside Estates	Walk-Up	76	58,900	775
Lakeside Estates	Walk-Up	89	77,732	873
Lakeview	Walkup	120	107,680	897
McKinnon Court	Walk-Up	48	36,540	761
McKinnon Manor	Walk-Up	60	43,740	729
Northwest Pointe	Walk-Up	150	102,750	685
Oak Hill Estates	Townhouse	240	236,040	984
O'Neil Tower	Highrise	187	131,281	702
Patrician Village	Walk-Up	392	295,600	754
Pineridge	Lowrise	76	52,275	688
Prominence Place Apts.	Walk-Up	75	55,920	746
Radisson Village I	TH & WU	124	108,269	873
Radisson Village II	TH & WU	124	108,015	871
Radisson Village III	Townhouse	118	124,379	1,054
Ridgeview Gardens	Townhouse	160	151,080	944
Royal Park Plaza	Highrise	86	66,137	769
Russet Court	Garden	206	213,264	1,035
Sarcee Trail Place	HR & MR	376	301,720	802
Skygate Tower	Highrise	142	113,350	798
Spruce Ridge Estates	Walk-Up	284	196,464	692
Spruce Ridge Gardens	Walk-Up	109	86,351	792
Travois	Walk-Up	89	61,350	689
Varsity Place	Walk-up	70	47,090	673
Varsity Square	MR&LR	297	241,128	812
Vista Gardens	Townhouse	100	121,040	1,210
Westwinds Village	Walk-Up	180	137,815	766
Willow Park Gardens	Walk-Up	66	44,563	675
		5,180	4,161,200	803

PROPERTY NAME	BUILDING TYPE	# SUITES	NET RENTABLE SQ. FT.	AVERAGE UNIT SIZE
EDMONTON, AB				
Alexander Plaza	Walk-Up	252	203,740	808
Aspen Court	Walk-Up	80	68,680	859
Boardwalk Arms A	Walk-Up	78	64,340	825
Boardwalk Centre	Highrise	597	471,871	790
Boardwalk Villages	Townhouse	255	258,150	1,012
Breton Manor	Walk-Up	66	57,760	875
Briarwynd Court	TH & WU	172	144,896	842
Brookside Terrace	TH & WU	131	196,779	1,502
Cambrian Place	Walk-Up	105	105,008	1,000
Camelot	Walk-Up	64	54,625	854
Capital View Tower	Highrise	115	71,281	620
Carmen	Walk-Up	64	54,625	854
Castle Court	Walk-Up	89	93,950	1,056
Castleridge Estates	Townhouse	108	124,524	1,153
Cedarville	Walk-Up	144	122,120	848
Christopher Arms	Lowrise	45	29,900	664
Corian	Garden	153	167,400	1,094
Deville	Highrise	66	47,700	723
Ermineskin Place	Highrise	226	181,788	804
Fairmont Village	Walk-Up	424	362,184	854
Fontana Place	Lowrise	62	40,820	658
Fort Garry House	Highrise	93	70,950	763
Galbraith House	Highrise	163	110,400	677
Garden Oaks	Garden	56	47,250	844
Granville Square	Townhouse	48	53,376	1,112
Greentree Village	Walk-Up	192	156,000	813
Habitat Village	Townhouse	151	129,256	856
Imperial Tower	Highrise	138	112,050	812
Kew Place	Walk-Up	108	105,776	979
Lansdowne Park	Midrise	62	48,473	782
Leewood Village	Walk-Up	142	129,375	911
Lord Byron Towers	Highrise	158	133,994	848
Lord Byron Townhouses	Townhouse	147	172,369	1,173
Lorelei House	Walk-Up	78	65,870	844
Maple Gardens	Walk-Up	181	163,840	905
Marlborough Manor	Walk-Up	56	49,582	885
Maureen Manor	Highrise	91	64,918	713
Meadowside Estates	Walk-Up	148	104,036	703
Meadowview Manor	Walk-Up	348	284,490	818
Monterey Pointe	Walk-Up	104	83,548	803
Morningside Estates	Walk-Up	223	167,064	749
Northridge Estates	Walk-Up	180	103,270	574
Oak Tower	Highrise	70	51,852	741

(continued on following page)

The Edge, Edmonton

Pines Edge, Regina

PROPERTY NAME	BUILDING TYPE	# SUITES	NET RENTABLE SQ. FT.	AVERAGE UNIT SIZE
EDMONTON, AB *(continued)*				
Parkside Tower	Highrise	179	162,049	905
Parkview Estates	Townhouse	104	88,432	850
Pembroke Estates	Walk-Up	198	198,360	1,002
Pinetree Village	Walk-Up	142	106,740	752
Point West Townhouses	Townhouse	69	72,810	1,055
Primrose Lane	Walk-Up	153	151,310	989
Prominence Place	Highrise	91	73,310	806
Redwood Court	Lowrise	116	107,680	928
Riverview Manor	Highrise	81	62,092	767
Royal Heights	Highrise	74	41,550	561
Sandstone Pointe	Walk-Up	81	83,800	1,035
Sir William Place	HR & WU	220	126,940	577
Solano House	Highrise	91	79,325	872
Southgate Tower	Highrise	170	153,385	902
Summerlea Place	Garden	39	43,297	1,110
Suncourt Place	Walk-Up	62	55,144	889
Tamarack East & West	Garden	132	212,486	1,610
Terrace Garden Estates	Walk-Up	114	101,980	895
Terrace Tower	Highrise	84	66,000	786
The Palisades	Highrise	94	77,200	821
The Westmount	Highrise	133	124,825	939
Tower Hill	Highrise	82	46,360	565
Tower On The Hill	Highrise	100	85,008	850
Valley Ridge Tower	Highrise	49	30,546	623
Victorian Arms	Walk-Up	96	91,524	953
Viking Arms	Highrise	240	257,410	1,073
Village Plaza	Townhouse	68	65,280	960
Warwick	Walk-Up	60	49,092	818
West Edmonton Court	Walk-Up	82	73,209	893
West Edmonton Village	HR, WU & TH	1,176	1,138,368	968
Westborough Court	Walk-Up	60	50,250	838
Westbrook Estates	Walk-Up	172	148,616	864
Westmoreland	Lowrise	56	45,865	819
Westridge Estates B	Lowrise	91	56,950	626
Westridge Estates C	Lowrise	90	56,950	633
Westridge Manor	Garden	64	69,038	1,079
Westwinds of Summerlea	Garden	48	53,872	1,122
Whitehall Square	HR & WU	598	545,934	913
Wimbledon	Highrise	165	117,216	710
		11,957	10,500,083	878

PROPERTY NAME	BUILDING TYPE	# SUITES	NET RENTABLE SQ. FT.	AVERAGE UNIT SIZE
RED DEER, AB				
Canyon Pointe	Walk-Up	163	114,039	700
Cloverhill Terrace	Midrise	120	102,225	852
Inglewood Terrace	Lowrise	68	42,407	624
Parke Avenue Square	Walk-up	88	87,268	992
Riverbend Village	Walk-Up	150	114,750	765
Saratoga Tower	Midrise	48	53,762	1,120
Taylor Heights	Walk-Up	140	103,512	739
Watson Tower	Midrise	50	43,988	880
Westridge Estates	Townhouse	112	113,664	1,015
		939	775,615	826
FORT MCMURRAY, AB				
Birchwood Manor	Walk-Up	24	18,120	755
Chanteclair	Walk-Up	79	68,138	863
Edelweiss Terrace	Walk-Up	32	27,226	851
Heatherton	Walk-Up	23	16,750	728
Hillside Manor	Walk-Up	30	21,248	708
Mallard Arms	Walk-Up	36	30,497	847
McMurray Manor	Lowrise	44	30,350	690
The Granada	Walk-Up	44	35,775	813
The Valencia	Walk-Up	40	33,850	846
		352	281,954	801
REGINA, SK				
Ashok Portfolio	Walk-Up	140	81,098	579
Boardwalk Estates	Walk-Up	665	452,719	681
Boardwalk Manor	Walk-Up	72	60,360	838
Centennial South	Garden	170	129,080	759
Centennial West	Garden	60	46,032	767
Eastside Estates	Townhouse	150	167,550	1,117
Evergreen Estates	Walk-Up	150	125,660	838
Grace Manors	Townhouse	72	69,120	960
Greenbriar	Walk-Up	72	57,600	800
Lockwood Arms	Walk-Up	96	69,000	719
Pines of Normanview	Garden	133	115,973	872
Qu'appelle Village I & II	TH & WU	154	133,200	865
Qu'appelle Village III	Walk-Up	180	144,160	801
Southpointe Plaza	Midrise	140	117,560	840
The Meadows	Townhouse	52	57,824	1,112
Wascana Park Estates	Townhouse	316	303,360	960
		2,622	2,130,296	812

201 Corot, Montreal

Complexe Laudance, Quebec City

PROPERTY NAME	BUILDING TYPE	# SUITES	NET RENTABLE SQ. FT.	AVERAGE UNIT SIZE
SASKATOON, SK				
Carlton Tower	Highrise	158	155,138	982
Chancellor Gate	Walk-Up	138	126,396	916
Dorchester Tower	Highrise	52	48,608	935
Heritage Townhomes	Townhouse	104	99,840	960
Lawson Village	Walk-Up	96	75,441	786
Meadow Park Estates	Townhouse	200	192,000	960
Palace Gates	Walk-Up	206	142,525	692
Penthouse	Lowrise	82	61,550	751
Regal Towers	Highrise	161	122,384	760
Reid Park Estates	Walk-Up	179	128,700	719
St. Charles Place	Walk-Up	156	123,000	788
St. James Place	Walk-Up	140	105,750	755
Stonebridge	Walk-Up	162	131,864	814
Stonebridge Townhomes	Townhouse	100	135,486	1,355
Wildwood Ways B	Walk-Up	54	43,961	814
		1,988	1,692,643	851
LONDON, ON				
Abbey Estates	Townhouse	53	59,794	1,128
Castlegrove Estates	Lowrise	144	126,420	878
Forest City Estates	Highrise	272	221,000	813
Heritage Square	MR & WU	359	270,828	754
Landmark Towers	Highrise	213	173,400	814
Maple Ridge On The Parc	Highrise	257	247,166	962
Meadowcrest	Walk-Up	162	110,835	684
Noel Meadows	Walk-Up	105	72,600	691
Ridgewood Estates	Townhouse	29	31,020	1,070
Sandford	Walk-Up	96	77,594	808
The Bristol	Highrise	138	109,059	790
Topping Lane Terrace	Midrise	189	177,880	941
Villages of Hyde Park	Townhouse	60	57,850	964
Westmount Ridge	Midrise	179	131,700	736
		2,256	1,867,146	828
MONTREAL, QC				
Domaine d'Iberville	Highrise	720	560,880	779
Le Bienville	Walk-up	168	115,600	688
Les Jardins Viva	Walk-up	112	91,000	813
Nuns' Island Portfolio	HR, WU & TH	3,100	3,106,110	1,002
Complexe Deguire	Highrise	322	276,324	858
Le Quatre Cent	Highrise	259	153,500	593
		4,681	4,303,414	919

PROPERTY NAME	BUILDING TYPE	# SUITES	NET RENTABLE SQ. FT.	AVERAGE UNIT SIZE
QUEBEC CITY, QC				
Complexe Laudance	Midrise	183	134,480	735
Appartements Du Verdier	Walk-Up	195	152,645	783
Les Jardins de Merici	Highrise	346	300,000	867
Place Charlesbourg	Midrise	108	82,624	765
Place du Parc	Midrise	111	81,746	736
Place Samuel de Champlain	Highrise	130	104,153	801
Place Chamonix	Townhouse	246	236,630	962
		1,319	1,092,278	828
OTHER				
Grande Prairie, AB				
Boardwalk Park Estates I	TH & WU	369	306,850	832
Boardwalk Park Estates II	Townhouse	32	30,210	944
Prairie Sunrise	HR & WU	244	201,992	828
Banff, AB				
Elk Valley Estates	Walk-Up	76	53,340	702
Airdrie, AB				
Tower Lane Terrace	Walk-Up	163	130,920	803
Spruce Grove, AB				
Springwood Place	Lowrise	160	122,640	767
St. Albert, AB				
Sturgeon Point Villas	Walk-up	280	284,953	1,018
Kitchener, ON				
Kings Tower	Highrise	226	171,100	757
Westheights Place	Midrise	103	91,920	892
		1,653	1,393,925	843
Total Stabilized – As at Dec 31, 2016		**32,947**	**28,198,554**	**856**

(Except occupancy as at Jan 1, 2017)

* Property Situated on Land Lease

PROPERTY NAME	BUILDING TYPE	# SUITES	NET RENTABLE SQ. FT.	AVERAGE UNIT SIZE
NEW PROPERTIES				
Auburn Landing	Lowrise	238	209,976	882
Axxess	Lowrise	165	149,565	906
The Edge	Lowrise	182	163,103	896
Vita Estates	Lowrise	162	135,454	836
Pines Edge	Garden	79	67,298	852
Total Un-stabilized – As at Dec 31, 2016		**826**	**725,396**	**879**

(Except occupancy as at Jan 1, 2017)

Governance

One of Boardwalk's corporate values is integrity, and Boardwalk prides itself on striving to be honest, accountable and transparent in all of its corporate reporting.

For the second consecutive year, Boardwalk was recognized in 2016 with an Award of Excellence in Corporate Reporting by the Canadian Professional Accountants Association of Canada as the winner of the Real Estate Sector.

As a result of its commitment to integrity, good corporate governance has been the foundation of all of Boardwalk's successes over the past 32 years. 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"). Boardwalk provides important information to stakeholders in a timely manner, following which, open and honest dialogue between and with stakeholders is encouraged in order to ensure Boardwalk's continuing success. 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 independence and integrity, 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 and Management are expected to uphold. The guiding principles, being derived from the Golden Rule of "Treating others as we would like to be treated," provide a framework for Trustees and Associates as they deal with the often complex and sensitive issues that arise over the normal course of the Trust's business.

Under the Trust's mandate, a majority of Trustees 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.
- Managing the integrity of internal controls and management information systems.

The Board of Trustees is also responsible for three committees: the Compensation, Governance and Nominations Committee (the "CG&N Committee"), the Corporate Development Committee (the "CD Committee") and, the Audit and Risk Management Committee (the "ARM Committee"), each of which is composed solely of outside, independent Trustees. The CG&N Committee is charged with the responsibilities of identifying and evaluating candidates to fill Board vacancies and assessing Board/Committee effectiveness. The CG Committee assists management in devising its strategic goals and priorities. The ARM Committee assists the Board in overseeing integrity of the Board's financial statements, performance of the Trust's external auditors, adequacy and effectiveness of internal controls and compliance with legal and regulatory matters.

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Management's Discussion and Analysis

For the Years Ended, December 31, 2016 and 2015

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, 2016 and 2015. 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 16, 2017 unless otherwise stated, and should be read in conjunction with Boardwalk's audited annual consolidated financial statements for the years ended December 31, 2016 and 2015, 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 2016 Annual Information Form ("AIF") dated February 16, 2017 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 12, 2016 (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, 2016, 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 2016, Boardwalk REIT's property portfolio was concentrated in the provinces of Alberta, Saskatchewan, Ontario and Quebec.

At December 31, 2016 and 2015, the fair value of Boardwalk's Investment Property assets was approximately $5.6 billion and $5.5 billion, respectively, which generated a profit of $129.3 million and $166.3 million for the years ended December 31, 2016 and 2015 (before fair value losses and income taxes). During the years ended December 31, 2016 and 2015, the Trust earned $144.5 million and $184.9 million, respectively, of Funds From Operations ("FFO"), or $2.84 and $3.56 per Unit on a diluted basis. Adjusted Funds From Operations ("AFFO") for the years ended December 31, 2016 and 2015 were $126.9 million and $167.8, respectively, or $2.50 and $3.23 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 2016 Annual Report, the audited consolidated financial statements for the years ended December 31, 2016 and 2015, and the Annual Information Form ("AIF") dated February 16, 2017, 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 is projecting Canada's GDP growth to be 2.1% for 2017 and 2018, a positive compared to the 1.1% recent economic outlook for 2016 amid falling oil and commodity prices and the fallout from the Fort McMurray wildfire. Analysts are also predicting Alberta will emerge from one of the worst recession in recent history, with oil price stabilizing above US $50, the recent approval of oil pipeline expansion by the federal government, and the new US President giving new hope to the Keystone XL pipeline project. The rebuilding of Fort McMurray is expected to add 0.4% to Alberta GDP growth for 2017, which is forecasted to be 2.3%. Saskatchewan is also projected to turn positive in 2017, with GDP rising to 1.7% after two years of negative contractions.

Fiscal 2016 was a challenging year for Boardwalk, after coming off record high results for 2015. Market forces such as the Fort McMurray wildfire, low oil prices, negative migration, high unemployment, excess supply of newly constructed rental units and a cutback in oil and gas capital spending created headwinds as the Trust strived to maintain occupancy levels and optimize Net Operating Income, particularly in the Alberta and Saskatchewan rental markets. The bright spot was the continued low interest rate environment, which help boosted Boardwalk's 2016 bottom line. Low interest also help support buyers' continued interest in acquiring properties in the multi-family real estate asset class, keeping capitalization rates low and property value high.

In 2016, Boardwalk continued to offer short-term incentives to its new and existing Resident Members in an attempt to increase overall occupancy. The economic slowdown and new supply of purpose-built rental units were major driving factors for higher incentives. Canada Mortgage and Housing Corporation (CMHC) projected vacancy levels for Calgary and Edmonton of 8% and 7%, respectively, for the latter part of 2016. During the first eight months of 2016, 1,446 new apartment units were completed, with another 2,052 units under construction as of August 2016 for the Calgary market. The secondary rental market saw 2,866 new condominium units completed during the same timeframe, with a portion becoming available for the secondary rental market. For the twelve months ended June 2016, Edmonton had 3,162 new apartment rental units completed, with another 2,194 units under construction in August 2016. A number of condominium projects were also completed or under construction, increasing the number of rental units in the secondary market. This new supply, coupled with the softer rental market, put upward pressure on vacancy levels and downward pressure on rental rates. On a positive note, demand for rental units continued to be strong and Boardwalk is continuing to see positive absorption of this over-supply. Once the market is closer to a more balanced equilibrium, and in conjunction with consistent rental demand, the use of these short-term incentives should begin to unwind and the Trust should once again witness an increase in overall market rental rates.

During 2016, Boardwalk managed to capitalize 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. One property, Vita Estates, located in Edmonton, Alberta, is comprised of 162 units and had a purchase price of $29.6 million. The second property, Axxess, consisting of 165 units in Edmonton, Alberta, had a purchase price of $30.2 million. The third property, The Edge, consisting of 182 units and located in Edmonton, Alberta, had a purchase price of $33.3 million. All three properties formed part of the 509-unit portfolio the Trust previously announced it had waived conditions on April 26, 2016. The fourth property, Auburn Landing, located in Calgary, Alberta, is comprised of 238 units and had a purchase price of $51.2 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. Construction of Phase 2 started in May 2016 and, to date, is proceeding on time and on budget. Phase 2, consisting of 79 units, is projected to be completed in the Summer of 2017. Phase 3, consisting of 71 units, is slated to begin construction in early 2017 and projected to be completed mid-2018. Boardwalk's development pipeline includes additional projects on excess density that the Trust holds in its existing portfolio. 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 with close proximity to the University of Calgary, Foothills Hospital, and McMahon Stadium. Boardwalk looks forward to forming more strategic partnerships as a means of realizing its long-term vision of building better communities.

In 2016, Boardwalk continued its value-added capital program. This program offers various levels of upgrades and renovations in exchange for lower incentives for our existing and new Resident Members. Coupled with continuing high levels of customer service, a larger suite size on average, and close proximity to established communities near schools and other desirable amenities, Boardwalk believes these newly renovated and upgraded homes will further strengthen Boardwalk's mission of providing the best value in housing. Customer Service, Product Quality and Boardwalk's continued focus on Building Better Communities are more important now than ever, and Boardwalk continues to see the benefits resulting from its proactive focus in these areas. In addition to this program, Boardwalk commenced a separate property repositioning program. This initiative, although at the early stage, is designed to completely reposition a building. Significant upgrades are not only focused on the individual suites, but also include material upgrades to common areas and enhanced building amenities.

Interest rates continued to remain low throughout much of 2016. The Trust was able to renew approximately $247 million in mortgage maturities, as well as obtain $197 million of additional mortgage funds with an average term of 7 years at a weighted average interest rate of 2.14%, a decrease from the 3.92% maturing rate on these mortgages, and a significant decrease in the Trust's interest expense. As of February 2017, estimated CMHC-insured five and ten-year mortgage rates were estimated to be 2.00% and

2.70% respectively, which will provide further interest cost savings on the Trust's 2017 maturing mortgages. 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.

FORT MCMURRAY NATURAL DISASTER

The Northern Alberta City of Fort McMurray is home to over 90,000 residents. Fort McMurray is the northern hub for the majority of the oil sands projects in Alberta. On May 3, 2016, with only short notice, the entire town was told to evacuate as an out-of-control wild fire was heading toward the city. The fire tore through the city and it has been estimated that about 10% of the city's physical structures were destroyed. The insurance industry estimates the cost of this disaster to be approximately $3.6 billion, making it the most expensive natural disaster in Canadian history. The impact of this fire could be felt economically across the entire country, as GDP for Canada dropped approximately 0.6% for the month of May 2016, a drop not been seen since the financial crisis of 2009. The driving force behind this drop was not only due to the economic impact of physically destroyed property, but also as a result of reduced oil exports. GDP did see a slight recovery in June and July as oil sands production resumed following the wildfire.

First and foremost, the Trust concentrated its efforts on ensuring that all its Resident Members and Associates were safe. Once safety was confirmed, the Trust moved quickly to offer a cash advance to each of Boardwalk's Fort McMurray Resident Members – the amount forwarded to each Boardwalk's Resident Member was $1,500 to be applied as a refund against their paid rent for the month of May. Boardwalk also arranged for all of its Fort McMurray team to come to Edmonton where it assisted in finding them temporary housing as well as advancing each of them $500 while continuing to pay their salaries for the next two weeks.

For those evacuees who could provide proof of Fort McMurray residency, Boardwalk extended to them a very special rental offer. Without requiring these evacuees to sign longer-term leases, the Trust offered free rent for the remainder of May and all of June 2016, with no lease break penalties for early termination. The objective here was to offer flexibility to those experiencing a lot of uncertainty during the fire. For those that wished to stay longer, Boardwalk offered an additional 25% discount until the end of the year. These incentives were well in excess of what the Trust was offering at the time in these markets. The Trust welcomed over 600 evacuees into this program. Unfortunately, only about 30% elected to stay on a longer-term basis while 70% chose to move out sooner. As a result, the Trust saw increased turnover costs on the units as these units were turned over twice in less than two months.

On June 13, 2016, all nine (9) of Boardwalk's Communities in Fort McMurray were reopened to welcome home its Fort McMurray Resident Members. No major structural damage was sustained to any of Boardwalk's Fort McMurray Communities and all units were professionally cleaned to remove any residual smoke and soot. To ensure no unhealthy contaminants remained, Boardwalk had the air quality tested as well. Boardwalk, as it does with all its properties, carries comprehensive insurance, including business interruption coverage. According to its insurance providers, a reserve was set aside in the amount of $4 million. To date, of the approximately $3.1 million of costs incurred, all but the $100,000 deductible limit has been covered by the insurers. Included in this coverage are costs associated with loss of income and selective customer incentives such as gift cards.

The Trust estimated that the uninsured costs associated with these disaster relief efforts, the majority being associated with the assistance of providing housing to Fort McMurray evacuees in Edmonton and Southern Alberta, to be approximately $2 million. It is the Trust's view that, given the urgency and uncertainty of the situation and consistent with its corporate values, the program followed was the right approach and feel this has and will continue to provide current and future customer goodwill.

Reconstruction efforts to damaged or destroyed housing in Fort McMurray have begun and CMHC predicts a reconstruction boom in 2017. Residents whose homes were destroyed, but who plan on remaining in Fort McMurray, could move into some of Boardwalk's rental apartments, which were undamaged during the wildfire. This should result in lowering rental vacancy rates in the region. Construction workers moving into the city to assist with the rebuild will also help drive down vacancy rates.

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[(1)], 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.

Compliance with DOT

At December 31, 2016, 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, 2016, 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 3.14 (December 31, 2015 - 3.64).

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.

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

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, the conversion of properties into condominium units for sale, 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 risk; 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 is a widely accepted supplemental measure of the performance of a Canadian real estate entity; however, it is not a measure defined by IFRS. In recent periods, additional attention has been given to AFFO as a supplemental measurement. FFO and AFFO do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other entities. The IFRS measurement most comparable to FFO and AFFO is Profit. 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, depreciation, deferred income tax, and certain other non-cash adjustments, if any. The reconciliation from Profit under IFRS to FFO can be found below, under the section titled "Performance Measures". The reconciliation from FFO to AFFO can be found in the section titled "Maintenance of Productive Capacity". FFO and AFFO, however, should not be construed as an alternative to profit determined in accordance with IFRS as indicators of Boardwalk REIT's performance. In addition, Boardwalk REIT's calculation methodology for FFO and AFFO may differ from that of other real estate companies and trusts.

A reconciliation of FFO 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 has constantly 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 and AFFO per unit on a sustaining basis and Net Asset Value ("NAV") per unit. Prior to 2008, a large part of this opportunity was focused on investment opportunities, both in capital improvements of our existing portfolio and through acquisition of additional properties. However, our investment strategy is not simply one by which we are constantly looking to expand our existing footprint, but rather one by which we are constantly looking to create value. Starting in 2008, but more pronounced during 2009 and 2010, it was evident that the Trust's investment opportunities were not in the acquisition of additional apartment units, but rather in the sale of Non-Core properties and the deployment of capital to acquire additional Boardwalk REIT Trust Units in the public markets through our published Normal Course Issuer Bids ("NCIBs"), as the Trust can purchase our own well-maintained assets (i.e. our Units) at less than what is available through acquisitions. More recently, given the countercyclical nature of our investment philosophy, Boardwalk is becoming more aggressive in its search for accretive investment opportunities, not only in the acquisition of existing investment properties, but also expanding thorough the development of new apartments on existing land as well as investigating the acquisition of new land for future development projects.

Cumulatively, since 2007, Boardwalk REIT purchased and cancelled approximately 6.4 million Trust Units for a total purchase price of $271.9 million, or an average cost of $42.34 per Trust Unit.

The Trust has an ongoing program of selling Non-Core properties in its portfolio and re-deploying the released capital to acquiring or developing additional properties, potentially paying a special distribution to its Unitholders, reinvesting in its existing properties to achieve superior returns, developing new multi-family properties, and/or purchasing its Trust Units for cancellation. The Trust continues to review all available options that management believes will provide the greatest return to our Unitholders.

Cost of Capital

The Trust's cost of capital is generally defined as its weighted average cost of raising incremental capital and, thus, its hurdle rate for evaluating incremental investment opportunities. In other words, it can be thought of as the rate of return that the Trust would otherwise be able to earn given the same level of risk. 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 2017, estimated CMHC-insured five and ten-year mortgage rates were estimated to be 2.00% and 2.70% 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 2016, the Trust reported AFFO per Unit of $2.50 on a fully diluted basis. When compared to the Trust Unit's market price of $48.65 as at December 31, 2016, this equates to approximately 5.14% as its cost of equity. Further details of the Trust's cost of capital can be found in Note 26 to the consolidated financial statements for the year ended December 31, 2016.

HEDGING ACTIVITIES

There were no new hedging activities for the fiscal year ended December 31, 2016.

In 2008, the Trust entered into forward hedging arrangements with respect to some of its mortgage interest obligations. The strategy consisted of hedging, or locking in, the interest rates on the underlying bonds used to set mortgage interest rates while layering an interest rate swap on top of this to reduce overall interest rates and variability in cash flows from fluctuating interest rates The bond forward transaction (the "Transaction") with a major Canadian financial institution, which comprised bond forward contracts on specific mortgages that matured and were renewed in 2008, was for a total notional amount of $101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively. One of the bond forward contracts in the Transaction, which was assessed to be an effective hedge, was settled for a loss of $284 thousand. As at December 31, 2015, this effective hedge was fully amortized. The interest rate swap agreements on the mortgages of specific properties within its portfolio were an effort to hedge the variability in cash flows attributed to fluctuating interest rates. These interest rate swap agreements were designated as cash flow hedges on March 11, 2008, with an effective date of May 1, 2008, and continued to be designated as such until the May 1, 2015 date of maturity. Hedge accounting was applied to these agreements in accordance with International Accounting Standard ("IAS") 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). On May 1, 2015, the interest rate swap agreements fully matured and were terminated, and a gain of $1.0 million was recognized in Other Comprehensive Income ("OCI").

PERFORMANCE REVIEW OF 2016

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 third quarter of 2015, the entire portfolio of assets in Windsor, Ontario, was sold, resulting in a total loss on asset sales of $6.9 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.

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. On February 17, 2016, the Board of Trustees approved an increase to the monthly Trust Unit distribution to $0.1875 per Trust Unit (or $2.25 on an annualized basis) commencing with the February 29, 2016 record date. The Trust also previously declared a special distribution of $1.00 per Unit to all Unitholders of record as at December 31, 2015, following the sale of its Windsor property portfolio. This special distribution was in addition to the regular normal distribution that the Trust declares and pays on a monthly basis. The total dollar amount of this special distribution was approximately $51.3 million and was paid on January 15, 2016, in conjunction with the regular monthly distribution to Unitholders of record as at December 31, 2015.

For the year ended December 31, 2016, the Trust declared regular distributions of $113.4 million (inclusive of distributions paid to the LP Class B Unitholders), representing approximately 78.5% of FFO. The reader should note the overall operating performance of the first and fourth quarters tend to generate the highest payout ratio, mainly due to the high seasonality in operating expenses. In particular, these quarters tend to be the highest demand periods for natural gas, a major operational cost for the Trust. The reader should not, therefore, simply annualize the reported results of a particular quarter. 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.

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

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

Special Distribution

As noted, during 2015, the Trust sold its Windsor property portfolio. The net proceeds of the sale of this property portfolio have assisted in the purchase of REIT Units for cancellation on the open market. Although the Trust continues to be committed to this Unit buyback strategy, consistent with our balanced approach, the sale of these non-core assets resulted in a significant profit to the Trust for the 2015 fiscal year. The size of this profit, when combined with the existing income generated from continued operations, resulted in a significant increase in the Trust's reported taxable income and, as a result, a "Special Distribution" was declared for Unitholders on record at the end of the 2015 fiscal year. In 2015, the amount of $1.00 per outstanding Trust and LP Class B Unit for Unitholders of record as of December 31, 2015 was declared. The payable date on the Special Distribution was January 15, 2016 to Unitholders of record as of December 31, 2015. The capital required for these distributions came directly from the net proceeds on the sale of the Windsor property portfolio in 2015.

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.

How Did We Do?

At the beginning of the 2016 fiscal year, certain selective performance targets were set out for fiscal 2016. 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 2016.

Description	2016 Actual	Q3 2016 Revised Objectives	Q2 2016 Revised Objectives	Original 2016 Objectives
Dispositions of Investment Properties	No dispositions	No dispositions	No dispositions	No dispositions
Acquisition of Investment Properties	747 Apartment Units	747 Apartment Units	800 - 1,000 Apartment Units	No new apartment acquisitions
Development	Phase 1 of Pines Edge, Regina, Saskatchewan – 79 Units	Phase 1 of Pines Edge, Regina, Saskatchewan – 79 Units	Phase 1 of Pines Edge, Regina, Saskatchewan – 79 Units	Pines Edge; Regina, Saskatchewan – 79 Units
	Commencement of Phase 2 and the review of Phase 3 of Pines Edge – Regina, Saskatchewan – 150 Units	Commencement of Phase 2 and the review of Phase 3 of Pines Edge – Regina, Saskatchewan – 150 Units	Commencement of Phase 2 and 3 of Pines Edge – Regina, Saskatchewan – 150 Units	
Stabilized Building NOI Growth	-12.5%	-12% to -10%	-10% to -5%	-2% to 2%
FFO Per Unit	$ 2.84	$2.90 to $3.00	$3.05 to $3.20	$3.40 to $3.60
AFFO Per Unit	$ 2.50	$2.56 to $2.66	$2.71 to $2.86	$3.06 to $3.26

The reader is cautioned that the financial objectives, when generated, were considered forward-looking information and that actual results may vary materially from these objectives reported.

Both actual FFO and AFFO for fiscal 2016 were lower than the revised guidance reported as part of the Trust's disclosure for the third quarter of 2016. Lower rental revenue due to lower occupancy and higher incentives in Western Canada were the primary driver of the financial results.

FFO Reconciliation from 2015 to 2016

The following table shows a reconciliation of changes in FFO from December 31, 2015 to December 31, 2016. 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, 2015	$ 3.56
NOI from Stabilized Properties	(0.66)
NOI from Unstabilized Properties	0.04
FFO Loss from Sold Properties	(0.08)
Financing Costs [(1)]	0.03
Administration and other	0.01
Unit Buyback	0.03
	$ (0.63)
	$ 2.93
Non-recurring	
Fort McMurray Wild fire	(0.03)
Strategic Review	(0.03)
Executive Retirements	(0.03)
	(0.09)
FFO Closing – Dec 31, 2016	**$ 2.84**

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

Liquidity

The access to liquidity is an important element of the Trust as it allows the Trust to implement its overall strategy. The current low interest rate environment has allowed Boardwalk to 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 if and when interest rates start 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 $99.1 million at December 31, 2016, compared to $237.0 million reported on December 31, 2015. However, it should be noted that the cash position for December 31, 2015 is before the previously noted Special Distribution declared to its Trust and LP Class B Unitholders in the amount of $51.3 million, or $1.00 per outstanding Unit, on record as at December 31, 2015. This Special Distribution was paid on January 15, 2016. As at December 31, 2016, the Trust also had $194.0 million of unused credit facility (December 31, 2015 – $198.0 million), bringing total liquidity to $293.1 million (December 31, 2015 – $435.0 million).

FFO Reconciliations

In the following table, Boardwalk REIT provides a reconciliation of FFO (a non-IFRS measure) to profit for the period, its closely related financial statement measurement for the years ended December 31, 2016 and 2015. Adjustments are explained in the notes below, as appropriate.

FFO Reconciliation *In $000's, except per Unit amounts*	**12 Months Dec 31, 2016**	12 Months Dec 31, 2015	% Change
(Loss) profit for the year	**$ (57,440)**	$ 28,848	
Adjustments			
Loss on sale of assets	**–**	6,855	
Fair value losses (1)	**186,681**	130,361	
Add back distributions to LP Class B Units recorded as financing charges (2)	**9,990**	13,604	
Deferred income tax expense	**15**	191	
Depreciation expense on Property Plant & Equipment	**5,219**	4,993	
Funds from operations	**$ 144,465**	$ 184,852	(21.8)%
Funds from operations – per Unit	**$ 2.84**	$ 3.56	(20.2)%

(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 $144.5 million for fiscal 2016 compared to $184.9 million for the same period in 2015. FFO, on a per Unit fully diluted basis, for the year ended December 31, 2016, decreased approximately 20.2% compared to the prior year from $3.56 to $2.84. The decrease was primarily driven by lower rental revenue due to lower occupancy levels in Alberta and Saskatchewan, coupled with the loss of FFO from the sale of the Windsor portfolio.

New Property Acquisitions and Dispositions

During the second quarter of 2016, the Trust closed on the purchase of two properties, one located in Edmonton, Alberta and one located in Calgary, Alberta. The two newly-built properties totaled 400 units and had a purchase price of $80.8 million (including transaction costs).

During the third quarter of 2016, the Trust closed on the purchase of two properties, both located in Edmonton, Alberta. The two newly-built properties totaled 347 units and had a purchase price of $63.6 million (including transaction costs).

For 2015, there were no new investment property acquisitions. During the first quarter of 2015, the Trust purchased an office and warehouse building in Verdun, Quebec, which has now been included under the Nun's Island investment property for a purchase price of $3.1 million. The purchase closed on January 19, 2015.

In 2015, the Trust sold a stand-alone building that was a part of the Boardwalk Estates portfolio in Regina, Saskatchewan. The building contained 22 units and was sold for a sale price of $825 thousand. The Trust also sold its Windsor portfolio to a private buyer for $136.2 million before selling costs.

Development

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, named 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-storey building consists of 13 one-bedroom and 66 two-bedroom units with a single level of underground parking. The stabilized capitalization rate ("cap rate") 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 2016, the project was over 96% leased.

The Trust has commenced construction on Phase 2 of the project consisting of 79 rental units. It is estimated that this phase will be completed in the summer of 2017 and, once stabilized, is estimated to operate at a cap rate range of 6.25% to 6.75%. The Trust commenced stage two of this project due to the fact that the lease up of phase one is ahead of schedule, demonstrating demand for this type of product. In fiscal 2016, $5.2 million was incurred on the development of Phase 2.

Phase 3 of Pines Edge is a similar project, consisting of 71 rental units. Construction drawings are being finalized and costs are expected to be similar to Phase 2. Subject to market and economic conditions, construction could begin as early as Q2 of 2017.

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 an 12-storey residential tower with approximately 120,000 square feet of residential space, totaling approximately 164 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 is currently 100% owned by RioCan. Pursuant to a purchase and sale agreement dated October 19, 2016 between Boardwalk and RioCan, Boardwalk will purchase a 50% interest in the parcel of land. Subject to the finalization of total buildable area, the approximate price for Boardwalk's interest in the land is $2.9 million and is subject to certain conditions, including the subdivision of the land and receipt of development permit on terms and conditions satisfactory to both Boardwalk and RioCan. As at December 31, 2016, Boardwalk paid $1.3 million as a deposit on the land transaction. The land purchase is expected to close mid-2017, with construction to begin as early as Q3 2017. Subject to the finalization of building plans and specifications, it is estimated that the total construction for the project will be between $60 million to $70 million ($30 million to $35 million per partner).

Financial Performance Summary

At a Glance

In $000's, except per Unit amounts	**2016**	2015	% Change
Total Assets	**$ 5,768,613**	$ 5,833,842	(1.1)%
Total Rental Revenue	**$ 438,846**	$ 476,148	(7.8)%
(Loss) Profit	**$ (57,440)**	$ 28,848	(299.1)%
Total Funds From Operations	**$ 144,465**	$ 184,852	(21.8)%
(Loss) Profit Per Unit	**$ (1.24)**	$ 0.61	(303.8)%
Funds from Operations Per Unit	**$ 2.84**	$ 3.56	(20.2)%

Total Assets decreased from the amounts reported in the prior year, mainly due to a decrease in cash as a result of the financing of acquisitions though cash on hand and the payment of the special distribution. Total Rental Revenue decreased by 7.8%, the result of higher incentives and lower occupancy in western Canada. (Loss) profit decreased by 299.1% compared to the prior year, due primarily to a fair value loss of $186.7 million recognized on its investment properties in 2016 compared to a $130.4 million loss in 2015.

CONSOLIDATED OPERATIONS AND EARNINGS REVIEW

OVERALL REVIEW

Consolidated Statements of Comprehensive (Loss) Income

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.

In $000's, except number of suites	**12 Months Dec 31, 2016**	12 Months Dec 31, 2015	% Change
Total rental revenue	**$ 438,846**	$ 476,148	(7.8)%
Expenses			
Operating expenses	**97,620**	94,172	3.7%
Utilities	**44,711**	46,200	(3.2)%
Property taxes	**43,416**	41,074	5.7%
	$ 185,747	$ 181,446	2.4%
Net operating income	**$ 253,099**	$ 294,702	(14.1)%
Operating margins	**57.7%**	61.9%	
Number of suites at December 31	**33,773**	32,947	

Rental Operations Excluding Windsor

In $000's, except number of suites	**12 Months Dec 31, 2016**	12 Months Dec 31, 2015	% Change
Total rental revenue	**$ 438,846**	$ 464,591	(5.5)%
Expenses			
Operating expenses	**97,620**	91,770	6.4%
Utilities	**44,711**	43,654	2.4%
Property taxes	**43,416**	39,703	9.4%
	$ 185,747	$ 175,127	6.1%
Net operating income	**$ 253,099**	$ 289,464	(12.6)%
Operating margins	**57.7%**	62.3%	

Overall, Boardwalk REIT's rental operations for the year ended December 31, 2016, reported lower results compared to the same period in the prior year, with total rental revenue decreasing 7.8%. Excluding Windsor from 2015, rental revenue declined by 5.5%, driven by higher incentives and vacancy losses mainly in its Western Canada portfolio. Total rental expenses increased 2.4% for the twelve months ended December 31, 2016, compared to 2015. Excluding Windsor, overall rental operating expenses increased by 6.1% for the twelve months ended December 31, 2016, as compared to the same period in the prior year, due primarily to higher bad debt, advertising expenses and property taxes.

The Trust continues to track, in detail, the actual work performed by our onsite Associates to assist in the operating effectiveness of its overall operations. This 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 6.4%, excluding Windsor for 2015, due to increased costs related to garbage removal, advertising and bad debt expenses.

Utility costs, excluding Windsor, increased by 2.4% for the year ended December 31, 2016. 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. 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 25 to the consolidated financial statements for the year ended December 31, 2016.

The reported increase in property taxes, when excluding Windsor 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.

Overall, excluding Windsor, the operating margin decreased from 62.3% in fiscal 2015 to 57.7% for the twelve months ended December 31, 2016.

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 $000's, except number of suites	**12 Months Dec 31, 2016**	12 Months Dec 31, 2015	% Change
Total rental revenue	**$ 280,333**	$ 305,270	(8.2)%
Expenses			
Operating expenses	**57,915**	54,537	6.2%
Utilities	**25,577**	25,082	2.0%
Property taxes	**27,690**	24,109	14.9%
	$ 111,182	$ 103,728	7.2%
Net operating income	**$ 169,151**	$ 201,542	(16.1)%
Operating margin	**60.3%**	66.0%	
Number of suites at December 31	**20,499**	19,752	

Alberta is Boardwalk's largest operating segment, representing 66.8% of total reported net operating income for the year ended December 31, 2016. In addition, Alberta represents 60.7% of total apartment units. Boardwalk REIT's Alberta operations for the year ended December 31, 2016, reported a 8.2% decrease in total rental revenue, when compared to the same period reported in 2015. 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 7.2% compared to the prior year due to increases in operating expenses and property taxes.

Operating expenses increased by 6.2% from the prior year due to increased suite maintenance and garbage removal costs, advertising and bad debts, partially mitigated by lower wages and salaries.

Reported utilities for the year ended December 31, 2016 were up 2.0% compared to the prior year. The reported increase is mainly the result of higher water and sewer 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 five outstanding natural gas contracts to hedge the price of its natural gas usage. More details can be found in NOTE 25 to the consolidated financial statements.

Property taxes increased 14.9% compared to the prior year as a result of higher property tax assessments as many municipalities look to increase their property tax revenue base.

Net operating income for Alberta decreased $32.4 million, or 16.1% for the twelve months ended December 31, 2016. Alberta's operating margins for the year ended December 31, 2016 was 60.3% compared to 66.0% for the same period in 2015.

Saskatchewan Rental Operations

In $000's, except number of suites	**12 Months Dec 31, 2016**	12 Months Dec 31, 2015	% Change
Total rental revenue	**$ 58,996**	$ 61,682	(4.4)%
Expenses			
Operating expenses	**10,835**	10,779	0.5%
Utilities	**8,475**	7,650	10.8%
Property taxes	**4,523**	4,397	2.9%
	$ 23,833	$ 22,826	4.4%
Net operating income	**$ 35,163**	$ 38,856	(9.5)%
Operating margin	**59.6%**	63.0%	
Number of suites at December 31 (1)	**4,689**	4,610	

(1) Includes 79 units from the new Pines Edge 1 development project that was substantially completed in Q1 2016.

For the year ended December 31, 2016, 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 4.4% for the year ended December 31, 2016, compared to the prior year, primarily due to higher utilities.

Operating expenses for the year ended December 31, 2016 increased marginally due mainly to higher wages and salaries.

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. 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 25 to the consolidated financial statements for the current period.

Property taxes increased by 2.9% for the year ended December 31, 2016 due to higher property tax assessments.

Reported operating margins for the year ended December 31, 2016 decreased to 59.6% compared to 63.0% reported for the prior year.

Ontario Rental Operations

In $000's, except number of suites	**12 Months Dec 31, 2016**	12 Months Dec 31, 2015	% Change
Total rental revenue	**$ 26,430**	$ 37,412	(29.4)%
Expenses			
Operating expenses	**4,447**	6,759	(34.2)%
Utilities	**4,041**	6,395	(36.8)%
Property taxes	**3,156**	4,732	(33.3)%
	$ 11,644	$ 17,886	(34.9)%
Net operating income	**$ 14,786**	$ 19,526	(24.3)%
Operating margin	**55.9%**	52.2%	
Number of suites at December 31	**2,585**	2,585	

Rental Operations Excluding Windsor

In $000's, except number of suites	**12 Months Dec 31, 2016**	12 Months Dec 31, 2015	% Change
Total rental revenue	**$ 26,430**	$ 25,851	2.2%
Expenses			
Operating expenses	**4,447**	4,448	(0.0)%
Utilities	**4,041**	3,838	5.3%
Property taxes	**3,156**	3,361	(6.1)%
	$ 11,644	$ 11,647	(0.0)%
Net operating income	**$ 14,786**	$ 14,204	4.1%
Operating margin	**55.9%**	54.9%	
Number of suites at December 31	**2,585**	2,585	

Excluding Windsor, Boardwalk REIT's Ontario operations reported an increase in total rental revenue of 2.2% for the year ended December 31, 2016, compared to the prior year, due to higher occupied rents and occupancy levels. Total rental expenses were unchanged for the twelve months ended December 31, 2016 compared to the prior year.

Operating expenses, excluding Windsor, were flat for the year ended December 31, 2016 as compared to the prior year.

Utility costs were higher for the twelve months due primarily to higher water and sewer costs and 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 25 to the consolidated financial statements.

Property taxes were lower for the year ended December 31, 2016 as compared to the prior year, due to lower property tax assessments received for Kitchener.

Net operating income increased by 4.1% for the year ended December 31, 2016, as compared to the prior year. Reported operating margins for the year ended December 31, 2016 were 55.9% as compared to 54.9% (excluding Windsor) for the prior year.

Quebec Rental Operations

In $000's, except number of suites	**12 Months Dec 31, 2016**	12 Months Dec 31, 2015	% Change
Total rental revenue	**$ 72,865**	$ 71,552	1.8%
Expenses			
Operating expenses	**17,957**	17,094	5.0%
Utilities	**6,463**	6,878	(6.0)%
Property taxes	**7,893**	7,700	2.5%
	$ 32,313	$ 31,672	2.0%
Net operating income	**$ 40,552**	$ 39,880	1.7%
Operating margin	**55.7%**	55.7%	
Number of suites at December 31	**6,000**	6,000	

Boardwalk REIT's Quebec operations reported a total rental revenue increase of 1.8% for the year ended December 31, 2016, compared to the prior year.

Total rental expenses for the year increased by 2.0%, when compared to 2015, mainly due to higher operating expenses, and partially offset by lower utility costs.

Operating expenses increased by 5.0%, when compared to 2015 due to increased wages and salaries and higher suite maintenance costs.

The reported decrease of 6.0% in utilities for the twelve months ended December 31, 2016, was due to lower natural gas and electricity expenses. In addition, during the third quarter of 2015, the Trust entered into a 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 25 of the Trust's consolidated financial statements for the current period.

Property taxes increased 2.5% for the year ended December 31, 2016, compared to the prior year due to higher property tax assessments.

Reported operating margins for the twelve months ended December 31, 2016 and 2015 were flat at 55.7%.

OPERATIONAL SENSITIVITIES

Boardwalk's Net Operating Income Optimization Strategy

Boardwalk's current strategy is to focus on optimizing net operating income. This focus requires us to manage not only revenues but also related operating costs, and 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.

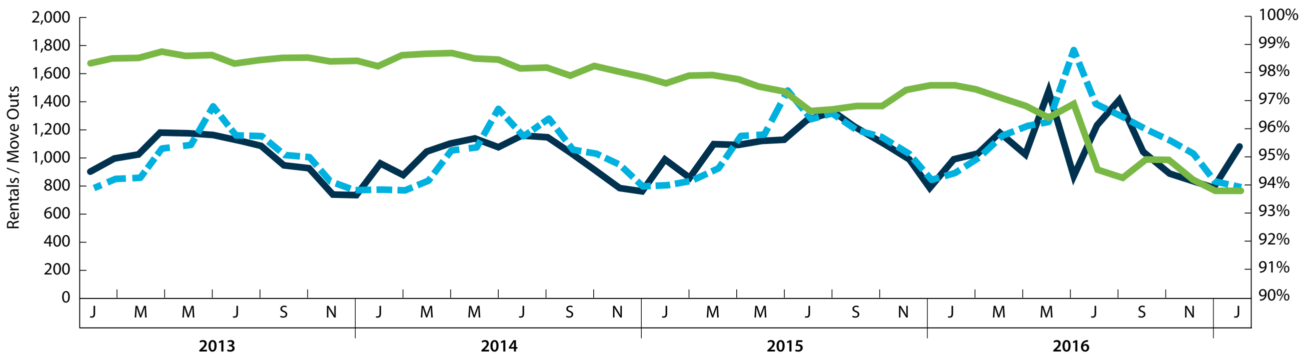
In addition, in these competitive markets, the Trust approaches future upcoming maturing leases prior to lease maturity with the intent of renewing their lease at this time rather than waiting for term maturity. In select markets, the Trust may also forward-lock future rentals while not collecting revenues 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.

Boardwalk REIT's Portfolio Occupancy (Same Store)

City	**2016**	2015	Q4 2016	Q4 2015
Calgary	**95.14%**	98.65%	92.79%	98.53%
Edmonton	**95.31%**	97.45%	93.42%	97.28%
Fort McMurray	**87.85%**	85.51%	95.87%	85.78%
Grande Prairie	**90.09%**	95.16%	83.77%	93.49%
Kitchener	**98.27%**	98.35%	98.68%	99.19%
London	**98.05%**	98.04%	98.15%	97.79%
Montreal	**97.61%**	96.47%	97.49%	97.11%
Quebec City	**95.46%**	95.87%	95.60%	95.43%
Red Deer	**92.30%**	98.54%	87.38%	98.64%
Regina	**96.43%**	96.01%	96.18%	97.50%
Saskatoon	**94.62%**	96.18%	91.24%	97.50%
Verdun	**98.35%**	97.67%	98.69%	97.45%
Total	**95.69%**	97.27%	94.24%	97.34%

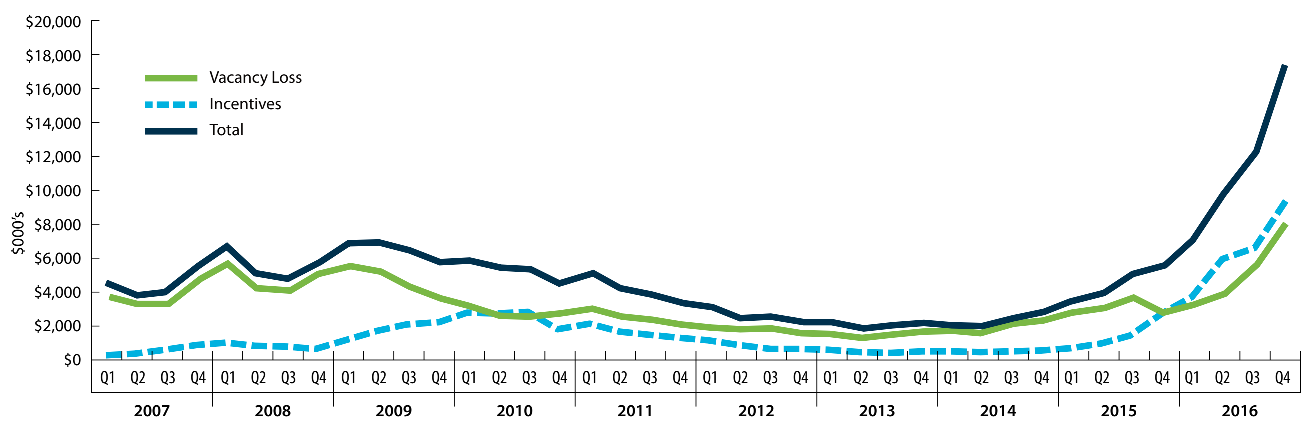
In fiscal 2016, the Trust reported a year-over-year decrease of 158 basis points in its overall same store occupancy rate, a decline from 97.27% to 95.69%. A softening in the Western Canadian markets contributed to the overall occupancy rate decrease. Boardwalk's overall rental revenue strategy focuses 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. Calgary and Edmonton saw occupancy levels decline by 351 and 214 basis points, respectively, to 95.14% and 95.31%, respectively. Regina saw occupancy levels increase to 96.43% in 2016 compared to 96.01% for 2015. Note that Regina does not include the 79-unit new development, which commenced lease-up in February of 2016. Including the new development in the current quarter would result in an occupancy rate of 95.61% for Regina. Saskatoon saw occupancy levels decrease to 94.62% in 2016 compared to 96.18% in 2015.

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.

Vacancy Loss and Incentives



Vacancy loss and rental incentives are strong indicators of current and future revenue performance. Depending on specific market conditions, to best manage overall economic rental revenue, the correct balance between rental incentives and vacancy loss is important. On a quarterly basis, the chart details rental incentives versus vacancy loss. 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.

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 $4.3 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 97.6% of its total rental unit portfolio as at December 31, 2016, or a total of 32,947 units. The tables below provide a regional breakdown on these properties for fiscal 2016, as compared to fiscal 2015.

Dec 31 2016 – 12 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Edmonton	12,397	(7.9)%	6.9%	(16.1)%	39.8%
Calgary	5,419	(9.5)%	4.8%	(15.5)%	20.6%
Red Deer	939	(10.8)%	0.2%	(17.1)%	2.4%
Grande Prairie	645	(16.1)%	8.7%	(32.1)%	1.3%
Fort McMurray	352	(21.0)%	(5.0)%	(30.8)%	1.1%
Quebec	6,000	1.8%	2.0%	1.7%	15.7%
Saskatchewan	4,610	(5.7)%	3.5%	(11.1)%	13.4%
Ontario	2,585	2.2%	0.7%	3.5%	5.7%
	32,947	(6.3)%	4.5%	(12.5)%	100.0%

Stabilized revenue decreased by 6.3% for the year ended December 31, 2016, compared to the prior year. Operating expenses reported for the year increased by 4.5% from 2015, resulting in a NOI decrease of 12.5% 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 79% of the Trust's reported stabilized Net Operating Income. Operating expenses increased primarily as a result of higher advertising, bad debt, and property taxes.

Stabilized Revenue Growth	# of Units	Q4 2016 vs Q3 2016	Q4 2016 vs Q2 2016	Q4 2016 vs Q1 2016	Q4 2016 vs Q4 2015
Edmonton	12,397	(3.8)%	(6.6)%	(10.4)%	(12.4)%
Calgary	5,419	(4.1)%	(8.8)%	(12.5)%	(14.6)%
Red Deer	939	(6.5)%	(13.7)%	(17.0)%	(19.3)%
Grande Prairie	645	(10.2)%	(17.9)%	(23.2)%	(25.6)%
Fort McMurray	352	(0.8)%	(16.6)%	(0.5)%	(10.1)%
Quebec	6,000	(0.9)%	1.1%	1.9%	1.1%
Saskatchewan	4,610	1.9%	(4.3)%	(6.0)%	(8.2)%
Ontario	2,585	0.9%	1.4%	1.9%	2.5%
	32,947	(2.9)%	(5.1)%	(7.8)%	(9.7)%

On a sequential basis, stabilized revenues reported in the fourth quarter of 2016 decreased by 2.9% over Q3 2016, decreased by 5.1% compared to Q2 2016, decreased by 7.8% compared to Q1 2016 and decreased 9.7% compared to Q4 2015. This smaller decline in the current quarter 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 2016, and adjusted for current occupancy levels, totaled approximately $6.0 million on an annualized basis, representing $0.12 per Unit (Trust & LP B Units). For the most part, Boardwalk REIT's rental lease agreements last no longer than twelve months. On physical turnover, the rental units are then re-leased directly at current market rent. 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	December 2016 Occupied Rent (1)	December 2016 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	$ 1,131	$ 1,134	$ 3	$ 243	12,397	38%
Calgary	$ 1,216	1,280	64	4,083	5,419	16%
Red Deer	$ 933	966	33	342	939	3%
Grande Prairie	$ 894	929	35	246	645	2%
Fort McMurray	$ 1,238	1,244	6	23	352	1%
Alberta Portfolio	$ 1,139	$ 1,161	$ 22	$ 4,938	19,752	60%
Quebec	$ 1,026	$ 1,020	$ (6)	$ (461)	6,000	18%
Saskatchewan (2)	$ 1,059	1,080	21	1,095	4,610	14%
Ontario	$ 874	886	12	38	2,585	8%
Total Portfolio	$ 1,086	$ 1,103	$ 17	$ 5,956	32,947	100%

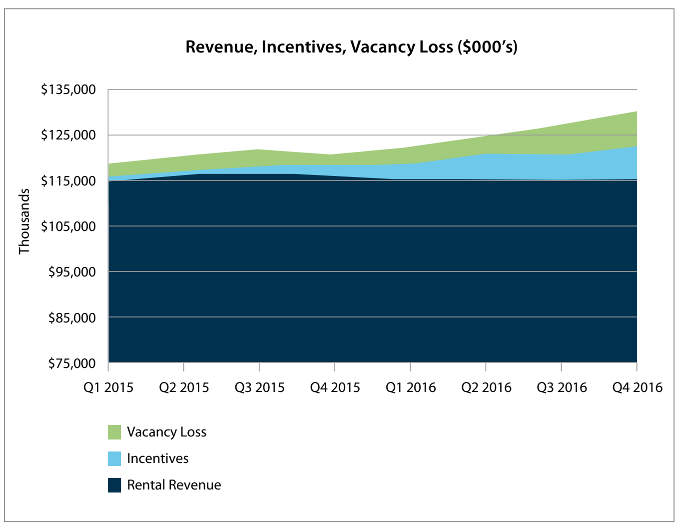
(1) Ancillary rental revenue is included in the calculation of market and occupied rent. Occupied and market rent are net of incentives.

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

The increase in the loss-to-lease for our portfolio, from $2.3 million at September 2016 to $6.0 million at December 2016, was due primarily to higher market rents in certain rental markets of Alberta and Saskatchewan.

In fiscal 2016, 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.

As was previously mentioned, given a softening of the rental markets, particularly in Alberta and Saskatchewan, and the impact 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, 2016 decreased from the same period in the prior year, from $85.4 million to $79.8 million, primarily due to the Trust being able to renew maturing mortgages at interest rates below maturing rates. At December 31, 2016, the reported weighted average interest rate of 2.78% was down from the weighted average interest rate of 3.01% at December 31, 2015. Boardwalk REIT has continued to take advantage of historically low interest rates to refinance and renew certain mortgages, resulting in a lower overall weighted average interest rate. The average term to maturity of the Trust's mortgage portfolio is approximately 4.8 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, 2016, approximately 99% of Boardwalk REIT's mortgages were backed by this NHA insurance, with a weighted average amortization period of approximately 30 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, 2016, which have been recorded as financing charges, was $10.0 million ($13.6 million for the year ended December 31, 2015). 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, 2016 was $1.7 million, compared to $1.6 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 10 of the consolidated financial statements.

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 2017, the Trust anticipates having approximately $291.7 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, we estimate, based upon interactions with possible lenders, the new rate would be approximately 2.00% (as of February 16, 2017), resulting in an estimated $2.7 million potential annualized reduction in interest expense in our 2017 maturing mortgages.

ADMINISTRATION

Included in administration expenses are costs associated with Boardwalk REIT's centralized administrative functions. The amount reported for the year ended December 31, 2016, which relates to corporate administration from continuing operations, was $33.9 million, compared to $33.4 million for the same period in the prior year, an increase 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 $57.5 million for the year ended December 31, 2016, compared to $56.8 million for the same period in the prior year. The increase in total administration costs of approximately $0.7 million, or approximately 1.2%, was due in part to increased professional fees and executive retirements during the year.

DEPRECIATION AND AMORTIZATION

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

Depreciation of property, plant and equipment

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

Amortization of Deferred Financing Costs

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

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

The total amount reported as depreciation and amortization for the year ended December 31, 2016, was $10.1 million compared to $9.6 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 2015 and 2016 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, 2016, the Trust used a price of $48.65 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, 2016, was $217.7 million, and a corresponding fair value loss of $5.4 million (year ended December 31, 2015 – fair value gain of $63.1 million) was recorded on the Consolidated Statements of Comprehensive (Loss) Income for the year ended December 31, 2016.

The deferred unit-based compensation plan had a fair value of $6.0 million, and a corresponding fair value loss of $0.5 million (year ended December 31, 2015 – fair value gain of $1.5 million) was recorded on the Consolidated Statements of Comprehensive (Loss) Income for the year ended December 31, 2016.

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 the Real Property Association of Canada ("REALpac"). REALpac has adopted measurements called Funds From Operations and Adjusted Funds From Operations to supplement profits or earnings as measures of operating performance. These measurements are considered to be meaningful and useful measures of real estate operating performance. Boardwalk REIT's presentation of FFO and AFFO 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 and AFFO 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 from profit is highlighted above in the section titled, "FFO Reconciliations". Boardwalk REIT's computation of AFFO from FFO is highlighted below in the section titled, "Maintenance of Productive Capacity".

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

FFO Reconciliation *In $000's, except per Unit amounts*	**12 Months Dec 31, 2016**	12 Months Dec 31, 2015	% Change
Cash flow from operating activities	**$ 133,687**	$ 172,220	
Adjustments			
Operating working capital	**788**	1,197	
Deferred financing amortization	**(4,860)**	(4,656)	
Government grant earned	**378**	378	
Add back distributions to LP Class B Units recorded as financing charges (1)	**9,990**	13,604	
Interest paid	**84,256**	87,498	
Financing costs	**(79,774)**	(85,370)	
Current income tax expense related to sale of assets	**–**	(19)	
Funds from operations	**$ 144,465**	$ 184,852	(21.8)%
Funds from operations – per unit	**$ 2.84**	$ 3.56	(20.2)%

(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 FFO, consistent with the treatment of distributions paid to all other Unitholders.

The reader is cautioned that Boardwalk REIT's calculation of FFO 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, 2016, Boardwalk REIT reported total FFO of $144.5 million, or $2.84 per fully diluted Trust Unit. This represented a decrease of approximately 21.8% and 20.2%, respectively, compared to $184.9 million, or $3.56 per fully diluted Trust Unit, reported for the same twelve months in 2015. The decrease for the year 2016 is primarily due to lower rental revenue (as a result of increased incentives) and higher property taxes, partially offset by interest cost savings.

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, 2016, the Trust paid regular distributions of $113.4 million, to its Trust and LP Class B Unitholders, compared to $105.8 million, for the same period in 2015. In addition a special distribution of $51.3 million was paid to Unitholders on record as at December 31, 2015. Regular distributions declared for the twelve months ended December 31, 2016 represented a FFO payout ratio of 78.5%, compared to 57.3% for the prior year. Regular distributions (Trust and LP Class B Units) declared in 2016 represented approximately 84.8% of cash flow from operating activities compared to 61.5% for 2015. Note that the Special Distribution paid in the first quarters of 2016 and 2015 to the LP B Units reduced cash flow from operating activities by $4.5 million and $6.3 million, respectively. As regular distributions are funded by the Trust's liquidity and cash flow from operations, these regular distributions appear sustainable in the foreseeable future.

Financing of Revenue Producing Properties

During the twelve months ended December 31, 2016, the financing and refinancing of existing properties totaled approximately $281.3 million. During the financing and refinancing process, Boardwalk REIT was able to decrease the weighted average interest rate on its mortgage portfolio from 3.01% at December 31, 2015 to 2.78% at December 31, 2016.

Acquisitions

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.

On January 19, 2015, the Trust purchased an office building in Verdun, Quebec, which has now been included under the Nun's Island property for a purchase price of $3.1 million. The purchase closed on January 19, 2015. On April 15, 2015, the Trust closed on the purchase of one unit in Edmonton, Alberta for a purchase price of $130 thousand. The Trust now owns 223 of the 224 units in the property.

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 2016 and 2015 and, therefore, no adjustment for fiscal 2016 or 2015 was made.

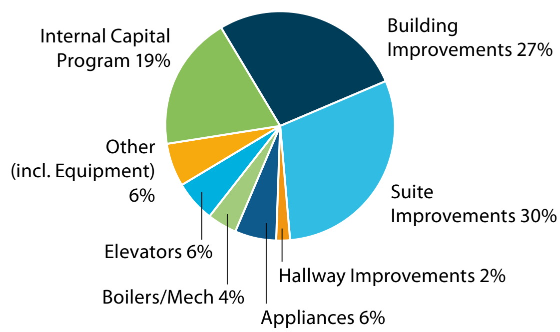
Capital Improvements

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.

In 2016, Boardwalk REIT invested approximately $102.5 million (comprised of $97.7 million on its stabilized investment properties and $4.8 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 $88.7 million ($80.2 million on its stabilized investment properties and $8.5 million property, plant and equipment) invested in 2015. The amount of this investment will vary from year-to-year.

A significant part of Boardwalk's capital improvement program relates to projects that are carried out by Boardwalk's Associates. This internal capital program was initiated in 1996 as a way to create more value for the Trust. The Trust recognizes that there are certain efficiencies and economies of scale available from having Boardwalk Associates 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 $19.4 million of on-site wages and salaries that have been incurred towards these projects for 2016, compared to $17.9 million for 2015.

2016 12M
Operational Capital Investments



Maintenance of Productive Capacity

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

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

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

in $000's, except for per suite amounts	**12 Months Dec 31, 2016**	**Per Suite**	12 Months Dec 31, 2015	Per Suite
Maintenance Capital Expenditures	**$ 17,534**	**$ 525**	$ 17,056	$ 500
Stabilizing & Value Enhancing Capital (excluding Property, Plant & Equipment)	**80,210**	**2,402**	63,140	1,851
	$ 97,744	**$ 2,927**	$ 80,196	$ 2,351

Items reported as capital are determined as investments in assets that have a useful life longer than the current reporting period. Management has estimated that for fiscal 2016 and 2015, the amount allocated to maintenance capital was approximately $17.5 million, or $525 per apartment unit, and $17.1 million, or $500 per apartment unit, respectively, with investment in value-enhancing expenditures to its stabilized investment properties totaling $80.2 million and $63.1 million, respectively, or $2,402 and $1,851 per apartment unit.

The amount allocated to maintenance capital 2016 of approximately $17.5 million, or $525 per apartment unit, was slightly higher than the $500 per apartment unit in 2015.

If we compare the funds generated by the Trust after adjusting for the required maintenance capital expenditures, we note the Trust is currently paying out an estimated 78.5% of reported FFO and 89.3% of AFFO for the year ended December 31, 2016 compared to 57.3% and 63.1%, respectively, for the previous year. The Trust feels that in addition to FFO, AFFO is an important measure of economic performance. As an alternate measure to FFO, AFFO is indicative of the Trust's ability to pay distributions to its Unitholders. AFFO is a non-GAAP measure that does not have a standard meaning as defined by IFRS and, therefore, it may not be comparable to AFFO as presented by other entities.

(000's)	**12 Months Dec 31, 2016**	12 Months Dec 31, 2015
Funds From Operations (FFO)	**$ 144,465**	$ 184,852
Maintenance Capital Expenditures	**17,534**	17,056
Adjusted Funds From Operations (AFFO)	**$ 126,931**	$ 167,796
AFFO per Unit (Trust and LP B Units)	**$ 2.50**	$ 3.23
Unitholder Distributions – Regular (Trust Units and LP B Units)	**$ 113,390**	$ 105,838
Distribution as a % of FFO	**78.5%**	57.3%
Distribution as a % of AFFO	**89.3%**	63.1%

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

Investment Properties

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

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

Date	Number of properties	Aggregate fair value	Percentage of portfolio as of that date
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%
December 31, 2015	5	$ 534,159	9.7%
September 30, 2015	4	$ 125,278	2.3%
June 30, 2015	4	$ 120,113	2.1%
March 31, 2015	5	$ 168,992	2.9%

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	**December 31, 2016**			December 31, 2015		
	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%**	**$ 62,802**	4.50%	6.00%	$ 59,835
Edmonton	**5.00%**	**5.52%**	**120,325**	5.00%	5.50%	120,400
Other Alberta	**5.75%**	**7.25%**	**17,920**	5.75%	7.25%	18,196
Kitchener	**5.25%**	**5.25%**	**2,003**	5.25%	5.25%	1,797
London	**5.25%**	**5.50%**	**12,186**	5.50%	5.75%	11,680
Montreal	**5.00%**	**5.75%**	**5,669**	5.00%	5.75%	5,469
Quebec City	**5.25%**	**5.75%**	**10,116**	5.25%	5.75%	9,982
Regina	**5.65%**	**6.00%**	**23,426**	5.75%	6.00%	23,061
Saskatoon	**5.75%**	**6.00%**	**19,127**	5.75%	6.00%	19,604
	4.50%	**7.25%**	**$ 273,574**	4.50%	7.25%	$ 270,024
Land Lease	**4.75%**	**18.80%**	**$ 27,847**	4.75%	16.75%	$ 27,310

Overall portfolio weighted average capitalization rate was 5.38% as at December 31, 2016 and December 31, 2015.

The "Overall Capitalization Rate" method requires a forecasted stabilized net operating income ("NOI") be divided by a capitalization rate ("cap rate") to determine a fair value. NOI is calculated as a one-year income forecast based on rental income from current leases and key assumptions about rental income, vacancies and inflation rates, among other factors, less property operating costs. As such, fluctuations in both NOI and cap rates could significantly alter the fair value. Generally, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase in capitalization rate will result in a decrease to the fair value of an investment property. When the capitalization rate is applied to NOI to calculate fair value, there is a significant impact whereby the lower the capitalization rate, the larger the impact. Below are tables that summarize the sensitivity impact of changes in both cap rates and NOI on the Trust's fair value of its investment properties (excluding development) as at December 31, 2016 and December 31, 2015:

As at December 31, 2016 *(in $000's)*

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 292,378	**$ 298,406**	**$ 301,421**	**$ 304,435**	**$ 310,463**
Capitalization Rate						
-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)**

As at December 31, 2015 *(in $000's)*

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 288,414	$ 294,360	$ 297,334	$ 300,307	$ 306,254
Capitalization Rate						
-0.25%	5.13%	$ 95,451	$ 211,370	$ 269,330	$ 327,290	$ 443,209
Cap Rate As Reported	5.38%	(165,800)	(55,267)	5,526,651	55,267	165,800
+0.25%	5.63%	(403,848)	(298,223)	(245,411)	(192,598)	(86,974)

Investment properties with a fair value of $522.9 million as at December 31, 2016 ($516.7 million – December 31, 2015), are situated on land held under ground (or land) leases.

Investment properties with a fair value of $770.5 million as at December 31, 2016 (December 31, 2015 – $679.6 million), are pledged as security against the Trust's committed revolving credit facility. In addition, investment properties with a fair value of $5.3 billion as at December 31, 2016 (December 31, 2015 – $5.3 billion), are pledged as security against the Trust's mortgages payable.

For the year ended December 31, 2016, the Trust capitalized $97.7 million in building improvements (and $6.2 million in development expenditures) and recorded a fair value loss of $180.8 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, 2016 $378 thousand was recognized in profit under rental revenue for this grant (December 31, 2015 – $378 thousand).

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-storey 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 2016, over 96% of the units were leased up. The Trust has commenced construction of Phase 2 of Pines Edge, an identical 79 unit, four-storey wood frame building with completion expected in the summer of 2017.

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

For the year ended December 31, 2016, the Trust expended $6.2 million on total development costs compared to $10.7 million for the prior year. Interest costs of $69 thousand were capitalized for the year ended December 31, 2016.

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, 2016 remains stable as the following table highlights:

($000)	
Cash position December 31, 2016	$ 99,102
Subsequent Committed Financing	33,810
Committed Revolving Credit Facility Available	194,026
Total Available Liquidity	$ 326,938

In addition to this, the Trust currently has 1,833 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 $194.4 million of new proceeds from the financing of its current unencumbered assets. Approximately 99% of Boardwalk REIT's secured mortgages carry NHA insurance.

The reader should also be aware that of the $291.7 million of secured mortgages coming due in 2017 (as shown in the table below), all have NHA insurance, and represent in aggregate approximately 44% of current estimated "underwriting" values on those individual secured assets. Currently, interest rates on NHA insured mortgages are well below the weighted average interest rate of the $291.7 million maturing mortgages of 2.91%. 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 $57.1 million, or 20%, of its $291.7 million of 2017 mortgage maturities. The weighted average contracted interest rate on these renewals is 1.99%, for an average term of 5.0 years. These forward locked and renewed mortgages represent an annualized interest savings of approximately $0.1 million.

Mortgages 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, 2016, were $2.4 billion, compared to $2.3 billion reported on December 31, 2015.

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, 2016 was 2.78% compared to 3.01% on December 31, 2015. 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, 2016	Weighted Average Interest Rate By Maturity	% of Total
2017	$ 291,720	2.91%	11.6%
2018	199,044	3.00%	7.9%
2019	381,222	2.91%	15.1%
2020	238,987	2.66%	9.5%
2021	270,588	2.30%	10.7%
2022	306,236	3.06%	12.1%
2023	208,088	2.86%	8.3%
2024	173,505	2.98%	6.9%
2025	294,636	2.63%	11.7%
2026	139,371	2.38%	5.5%
2027	17,147	2.43%	0.7%
Total Principal Outstanding	2,520,544	2.78%	100.0%
Unamortized Deferred Financing Costs	(84,878)		
Per Financial Statements	$ 2,435,666		

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, 2016 and December 31, 2015, based on the most recently completed four fiscal quarters.

As at	**December 31, 2016**	December 31, 2015
Net operating income	**$ 253,099**	$ 294,702
Administration expenses	**(33,947)**	(33,407)
Consolidated EBITDA [(1)] (12 months ended)	**219,152**	261,295
Consolidated interest expense (12 months ended)	**69,784**	71,766
Interest coverage ratio	**3.14**	3.64
Minimum threshold	**1.50**	1.50

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

For the year ended December 31, 2016, 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 3.14, compared to 3.64 for the year ended December 31, 2015. 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, 2014	47,520,953
Units issued for vested deferred units	67,311
Units purchased and cancelled	(740,800)
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**

Boardwalk REIT has one class of publicly traded voting securities known as "REIT Units". As at December 31, 2016, there were 46,263,629 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 50,738,629. 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 will terminate on July 2, 2017, or when the Bid is completed. The Trust's daily purchases under this Bid will be limited to 57,614 Trust Units.

During 2015, the Trust purchased and cancelled 740,800 Units at an average purchase cost of $50.10 per Trust Unit. During 2016, the Trust purchased and cancelled 666,000 Units at an average purchase cost of $49.02 per Trust Unit.

Equity

Boardwalk has an equity market capitalization of approximately $2.5 billion based on the Trust Unit closing price of $48.65 on the Toronto Stock Exchange on December 31, 2016.

Enterprise Value

With a total enterprise value of approximately $4.9 billion (consisting of total debt of $2.4 billion and market capitalization of $2.5 billion) as at December 31, 2016, Boardwalk's total debt is approximately 49% 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 16, 2017, 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. Each operating lease signed is 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 walkups, 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.

To date, the Trust has had no problem obtaining 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 well 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 2015 and 2016, the guideline amounts have been established at 1.6% and 2.0%, respectively, and for 2017 the guideline amount has been set at 1.5%. 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. 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 2017 this return is 2.4% compared to 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, 2017 and before April 2nd, 2018, before any consideration for increases to municipal and school taxes as well as capital expenditures, are: 1.0% for electricity heated dwellings, -4.6% for gas heated dwellings, and -17.1% for oil heated dwellings, plus 4.1% 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 will be charged. The rate is noted 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 2015 and 2016, 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 16, 2017. 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, 2016.

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) 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(h)).

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.

(b) 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.

(c) 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(d) above) and IFRS 5 (see NOTE 2(h) below).

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(i)). 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 (loss) income 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.

(d) 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 (loss) income.

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.

(e) 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 (loss) income.

(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.

(f) 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 (loss) income. 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.

(g) 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.

(h) Taxation

For fiscal 2015 and 2016, 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 30 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 (loss) income 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 are also recognized directly in equity or comprehensive income, respectively.

(i) 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.

(j) 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 (loss) income. Fair value of the deferred units is calculated based on the observable market price of Boardwalk REIT's Trust Units.

(k) 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.

(l) 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 (loss) income.

(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.

(m) 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
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 27. 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, 2016 and 2015, the Trust had no embedded derivatives requiring separate recognition.

(n) Hedge accounting

The Trust applies hedge accounting to derivative financial instruments in cash flow hedging relationships. At the inception of the hedging relationship, the Trust documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, the Trust documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

In cash flow hedging relationships, the effective portion of the change in the fair value of the hedging derivative is recognized in the consolidated statement of comprehensive (loss) income as other comprehensive income ("OCI") while the ineffective portion is recognized immediately in profit or loss. Hedging gains and losses previously recognized in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statement of comprehensive (loss) income as the recognized hedged item.

Hedge accounting is discontinued when the Trust revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in OCI and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(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(o)(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(d) 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(p). 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 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 forecast 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

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 15.

APPLICATION OF NEW AND REVISED IFRSS 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
IFRS 11 – Joint Arrangements ("IFRS 11")	The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 – Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied.	The previously announced transaction between Boardwalk and RioCan REIT is expected to close mid-2017 and the impact of these amendments (see NOTE 4) will be assessed at that time.
IAS 1 – Presentation of Financial Statements	These amendments were labelled the "Disclosure Initiative". The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs; (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. As regards to the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.	The application of these amendments has not resulted in any material impact on the financial performance or financial position of the Trust.

Standard	Details of amendment	Impact
2012-2014 Cycle		
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	Provides specific guidance for when an entity reclassifies assets (or a disposal group) from held for sale to held for distribution to owners (or vice versa).	This clarification was not applicable for the current year as the Trust did not reclassify any assets held for sale to held for distribution to owners on disposal of any assets, but will be considered should a disposal transaction occur.
IFRS 7 – Financial Instruments: Disclosures	Provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.	The Trust is not involved in servicing contracts with transferred assets; therefore, this amendment was not applicable.
IAS 19 – Employee Benefits	The amendments clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.	The Trust does not provide post-employment benefits; therefore, this amendment is not applicable.

In addition, the following new or amended standards did not have any impact on the Trust's consolidated financial statements:

- IFRS 14 – Regulatory Deferral Accounts was not applicable to the Trust as the Trust does not provide goods or services at a price or rate that is subject to rate regulation. Additionally, it is only applicable for entities which are a first time adopter of IFRS.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) was not applicable to the Trust as it is not an Investment Entity.
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38) was not applicable to the Trust as it had not previously used a revenue-based depreciation method.
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) was not applicable to the Trust as the Trust does not engage in agricultural activities.
- Amendments to IAS 27 – Equity Method in Separate Financial Statements are not applicable as the Trust presents consolidated financial statements.

(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")	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. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.	The Trust is assessing the potential impact on its consolidated financial statements but does not expect it to have a significant impact.

New or amended standards	Summary of requirements	Possible impact on consolidated financial statements
IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")	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. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.	The Trust is assessing the potential impact on its consolidated financial statements. The Trust recognizes revenue from the following sources: • 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 IFRS 16 – Leases (discussed below) • Ancillary rental income comprises revenue from coin laundry machines and income received from telephone and cable providers • Interest income Each revenue stream is currently being assessed under the new standard.
IFRS 16 – Leases ("IFRS 16")	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. 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.	The Trust is assessing the potential impact on its consolidated financial statements. It is expected that leases with tenants shall be accounted for as operating leases in the same manner they are currently being reported. 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.
Transfers of Investment Properties (amendments to IAS 40)	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. This amendment is effective for annual periods beginning on or after January 1, 2018.	The Trust will ensure these amendments are considered when evaluating/determining its Investment Properties.

New or amended standards	Summary of requirements	Possible impact on consolidated financial statements
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: • 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 amendment is effective for annual periods beginning on or after January 1, 2017.	The Trust is assessing the potential impact on its consolidated financial statements but does not expect it to have a significant impact.
Disclosure Initiative (Amendment to IAS 7 – Statement of Cash Flows)	The amendment clarifies that entities shall provide disclosures that enables users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is effective for annual periods beginning on or after January 1, 2017.	The Trust does not expect there to be a significant impact on its consolidated financial statements.
Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2 – Share-based Payment ("IFRS 2"))	The amendments made to IFRS 2 clarify the following items: • 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: - 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. The amendment is effective for annual periods beginning on or after January 1, 2018.	The Trust is assessing the potential impact on its 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)	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. The effective date for this amendment has yet to be determined.	The Trust is assessing the potential impact 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

The IASB has released the final amendments for the 2014-2016 annual improvement project with the majority of these amendments applying for annual periods beginning on or after January 1, 2017. Only those standards which may have a significant impact on the Trust's consolidated financial statements are included below.

Standard	Details of amendment	Expected impact
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 amendment is effective for annual periods beginning on or after January 1, 2017.	The Trust will determine the impact of this amendment should an asset held for sale or discontinued operations arise.

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 2016, 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, 2016. 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, 2016. 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, 2016, Boardwalk REIT confirmed the effectiveness of both the design and the operation of its internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements and information. Boardwalk REIT may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business. There were no changes made in our internal controls over financial reporting during the year ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

2017 FINANCIAL OUTLOOK AND MARKET GUIDANCE

At the end of the third quarter of 2016, the Trust announced its financial outlook for the upcoming 2017 year. As is customary, the Trust reviews its base level assumptions and strategy to determine if any material change is warranted in the reported guidance. Based on this review, the Trust has revised its 2017 objectives as follows;

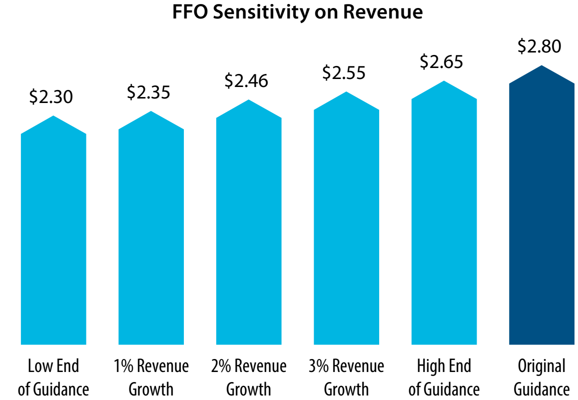
Description	2017 Revised Objectives	2017 Objectives	2016 Actual
Acquisition of Investment Properties	No new apartment acquisitions	No new apartment acquisitions	Acquired 747 Apartment Units
Disposition of Investment Properties	No dispositions	No dispositions	No dispositions
Development	Phase 2 of Pines Edge, Regina, Saskatchewan – 79 Units	Phase 2 of Pines Edge, Regina, Saskatchewan – 79 Units	Phase 1 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	Commencement of Phase 2 and the review of Phase 3 of Pines Edge, Regina, Saskatchewan – 150 Units
	Commencement of Brentwood Village joint venture with RioCan, Calgary, Alberta – 164 Units	Commencement of Brentwood Village joint venture with RioCan, Calgary, Alberta – 164 Units	
Stabilized Building NOI Growth	-15% to -9%	-8% to -3%	-12.50%
FFO Per Unit	$2.30 to $2.65	$2.70 to $2.90	$2.84
AFFO Per Unit	$1.96 to $2.31	$2.36 to $2.56	$2.50

The Trust experienced a much weaker fourth quarter than anticipated, mainly driven by lower reported revenue, the result of increased competition in our western Canadian markets. This lower revenue was the result of higher vacancy loss and rental incentives. To address this increased competition, the Trust aggressively approached existing Resident Members with an increased level of incentives to renew their leases early. In addition, we increased the level of short term incentives offered to potential new Resident Members. We believe that these initiatives, combined with increased capital investment in our properties, will lower future turnover and increase rental demand. This should result in increased occupancy levels and lower reported vacancy loss for future months. However, in the majority of these early renewals, the existing rental rate has been higher than the new net rent offered when including the increased incentives. The result of this has been a short term deterioration of reported rents during the latter part of 2016, as the rental market rebalances. By focusing on both retaining existing Resident Members and attracting new Residents, the Trust will be positioned to take advantage of future market improvement.

Although we are still in the early stages of this program, we have noted that overall turnover is substantially lower than the previous year, while overall rentals are also ahead of prior years, which has traditionally proven to be a leading indicator for increased revenue in the future months. Due to current market volatility, predicting future revenue trends has become more difficult. As such, we have increased the revenue sensitivity disclosure of our guidance. The main assumption that we changed was the base level of rent used in determining the original 2017 guidance. Adjusting base rent has correspondingly lowered our revenue expectation for 2017.

Since our main adjustment is related to revenue, we have provided an additional chart showing FFO outcomes using separate revenue assumptions with the lower end of the reported guidance based on the most recent financial information annualized with no provision for improvement throughout the remainder of the year. For example, if the Trust does not see any revenue improvement for the remainder of 2017, we estimate reported FFO of $2.30. The Trust's adjusted FFO guidance range is between $2.30 and $2.65 per Trust Unit. In order to reach the higher end of the guidance, rents will have to increase by 4% above the base revenue level through 2017.

FFO Sensitivity on Revenue



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

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

In addition to the above financial guidance for 2017, the Trust has assumed the following capital will be reinvested in its existing portfolio for the 2017 fiscal year.

Capital Budget ($000's)	**2017 Budget**	**Per Suite**	2016 Actual	Per Suite
Maintenance Capital	**$ 17,731**	**$ 525**	$ 17,534	$ 525
Stabilizing & Value Added Capital (including Property, Plant & Equipment)	**80,003**	**2,369**	85,052	2,547
Total Operational Capital	**$ 97,734**	**$ 2,894**	**$ 102,586**	**$ 3,072**
Total Operational Capital	**$ 97,734**		$ 102,586	
Repositioning Capital	**20,000**		–	
Development	**24,071**		6,167	
Total Capital Investment	**$ 141,805**		**$ 108,753**	

In total, we expect to invest $97.7 million (or $2,894 per apartment unit) on operational capital in 2017 as compared to $102.6 million (or $3,072 per apartment unit) actually spent in 2016. The Trust has maintained its Maintenance Capital estimate for 2017 at $525 per apartment unit per year. Additionally, for the year ended December 31, 2016, the Trust invested $6.2 million of development and $144.4 million on acquisitions in Alberta.

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

Included in the 2017 Budget is $20 million for the Trust's suite upgrade and repositioning program. This Fund is targeted for specific properties and will focus on significant upgrades to existing suites, common areas, as well as internal amenities. This reserve is subject to continuous review and internally set rates of return and is consistent with the Trust's Long Term Strategy of upgrading its existing property portfolio.

Timing of Future Financial Guidance Release

The Trust has previously released its forward guidance along with its third quarter results. The Trust continues to be committed to financial transparency by making this information public. Recent events have highlighted that additional information through the final months of each year will allow the Trust to improve the accuracy of these estimates prior to the release of its forward financial guidance.

As a result, future financial forecasts for subsequent years will be released as part of its fourth quarter and year end results. The Trust will continue to review its key assumptions on a quarterly basis and where warranted make changes to its financial guidance.

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, 2016 and 2015, and the unaudited interim consolidated financial statements of Boardwalk REIT and accompanying notes, both incorporated herein by reference.

The statements of comprehensive (loss) income 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 *Cdn$ Thousands, except per unit amount*	Twelve Months Ended **Dec 31, 2016**	 Dec 31, 2015
Total rental revenue	**$ 438,846**	$ 476,148
(Loss) profit	**(57,440)**	28,848
Funds from operations	**144,465**	184,852
Profit per unit		
– Basic	**$ (1.24)**	$ 0.61
– Diluted	**$ (1.24)**	$ (0.40)
Funds from operations per unit		
– Basic	**$ 3.12**	$ 3.90
– Diluted	**$ 2.84**	$ 3.56
Mortgages	**2,435,666**	2,272,447
Total assets	**5,768,613**	5,833,842
Number of apartment units	**33,773**	32,947
Rentable square feet (000's)	**28,924**	28,199

Quarterly Comparative *Cdn$ Thousands, except per unit amount*	Three Months Ended **Dec 31, 2016**	 Sep 30, 2016	 Jun 30, 2016	 Mar 31, 2016	 Dec 31, 2015	 Sep 30, 2015	 Jun 30, 2015	 Mar 31, 2015
Total rental revenue	**$ 106,121**	$ 108,951	$ 110,406	$ 113,368	$ 115,687	$ 119,679	$ 120,747	$ 120,035
Profit (loss)	**(84,687)**	(35,518)	6,568	56,197	114,448	(191,617)	34,593	71,424
Funds from operations	**29,601**	37,186	38,554	39,124	44,225	47,588	48,857	44,181
Profit per unit								
– Basic	**$ (1.83)**	$ (0.77)	$ 0.14	$ 1.21	$ 2.43	$ (4.00)	$ 0.73	$ 1.50
– Diluted	**$ (1.89)**	$ (1.16)	$ 0.14	$ 1.21	$ 1.71	$ (4.00)	$ 0.51	$ 1.19
Funds from operations per unit								
– Basic	**$ 0.64**	$ 0.80	$ 0.83	$ 0.84	$ 0.94	$ 1.00	$ 1.03	$ 0.93
– Diluted	**$ 0.58**	$ 0.73	$ 0.76	$ 0.77	$ 0.86	$ 0.92	$ 0.94	$ 0.85

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,

Roberto A. Geremia
President

William Wong
Chief Financial Officer

February 16, 2017

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.

Sam Kolias	Roberto A. Geremia	William Wong
Chief Executive Officer	President	Chief Financial Officer

February 16, 2017

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, 2016 and 2015, and the consolidated statements of comprehensive (loss) income, 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, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
February 16, 2017

Calgary, Alberta

Consolidated Statements of Financial Position

(CDN $ THOUSANDS)

As at	Note	Dec 31, 2016	Dec 31, 2015
Assets			
Non-current assets			
Investment properties	4	**$ 5,612,568**	$ 5,540,299
Property, plant and equipment	5	**24,147**	29,320
Deferred tax assets	15	**164**	191
		5,636,879	5,569,810
Current assets			
Inventories	6	**7,277**	4,026
Prepaid assets	7	**9,148**	5,965
Trade and other receivables	8	**5,502**	5,230
Segregated tenants' security deposits	9	**10,705**	11,795
Cash and cash equivalents	10	**99,102**	237,016
		131,734	264,032
Total Assets		**$ 5,768,613**	$ 5,833,842
Liabilities			
Non-current liabilities			
Mortgages payable	11	**$ 2,091,844**	$ 1,973,307
LP Class B Units	12	**217,709**	212,339
Deferred unit-based compensation	13	**3,219**	3,715
Deferred tax liabilities	15	**4**	17
Deferred government grant	16	**6,019**	6,397
		2,318,795	2,195,775
Current liabilities			
Mortgages payable	11	**343,822**	299,140
Deferred unit-based compensation	13	**2,762**	2,218
Deferred government grant	16	**378**	378
Refundable tenants' security deposits		**13,275**	14,241
Trade and other payables	14	**68,262**	111,352
		428,499	427,329
Total Liabilities		**2,747,294**	2,623,104
Equity			
Unitholders' equity	17	**3,021,319**	3,210,738
Total Equity		**3,021,319**	3,210,738
Total Liabilities and Equity		**$ 5,768,613**	$ 5,833,842

See accompanying notes to these consolidated financial statements

On behalf of the Trust:

Sam Kolias
Trustee

Gary Goodman
Trustee

Consolidated Statements of Comprehensive (Loss) Income

(CDN $ THOUSANDS)	Note	**Year ended Dec 31, 2016**	Year ended Dec 31, 2015
Rental revenue	18	**$ 432,140**	$ 469,209
Ancillary rental income	19	**6,706**	6,939
Total rental revenue		**438,846**	476,148
Rental expenses			
Operating expenses		**97,620**	94,172
Utilities		**44,711**	46,200
Property taxes		**43,416**	41,074
Net operating income		**253,099**	294,702
Financing costs	20	**79,774**	85,370
Administration		**33,947**	33,407
Depreciation and amortization	21	**10,079**	9,649
Profit before the undernoted		**129,299**	166,276
Loss on sale of assets	22	**–**	(6,855)
Fair value losses	23	**(186,681)**	(130,361)
(Loss) profit before income tax		**(57,382)**	29,060
Income tax expense	15	**(58)**	(212)
(Loss) profit for the year		**(57,440)**	28,848
Other comprehensive income		**–**	1,014
Total comprehensive (loss) income		**$ (57,440)**	$ 29,862

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, 2014	$ 195,951	$ 4,154,039	$ (990,988)	$ 3,163,051	$ (1,014)	$ 3,357,988
Units issued	3,560	–	–	–	–	3,560
Units purchased and cancelled	(6,175)	(30,940)	–	(30,940)		(37,115)
Profit for the year	–	28,848	–	28,848	–	28,848
Other comprehensive income	–	–	–	–	1,014	1,014
Total comprehensive income for the year	–	28,848	–	28,848	1,014	29,862
Distributions declared to Unitholders	–	–	(143,557)	(143,557)	–	(143,557)
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**

See accompanying notes to these consolidated financial statements

Consolidated Statements of Cash Flows

(CDN $ THOUSANDS)	Note	**Year ended Dec 31, 2016**	Year ended Dec 31, 2015
Operating activities			
(Loss) profit for the year		**$ (57,440)**	$ 28,848
Loss on sale of assets	22	**–**	6,855
Financing costs	20	**79,774**	85,370
Interest paid		**(84,256)**	(87,498)
Fair value losses	23	**186,681**	130,361
Income tax expense	15	**58**	212
Income tax paid		**(43)**	(2)
Government grant amortization	16	**(378)**	(378)
Depreciation and amortization	21	**10,079**	9,649
		134,475	173,417
Net change in operating working capital	32	**(788)**	(1,197)
		133,687	172,220
Investing activities			
Purchase of investment properties	4	**(144,406)**	(3,290)
Improvements to investment properties	4	**(97,744)**	(80,196)
Development of investment properties	4	**(6,167)**	(10,650)
Additions to property, plant and equipment	5	**(4,842)**	(8,464)
Net cash proceeds from sale of investment properties		**–**	130,170
Net change in investing working capital	32	**5,297**	(37)
		(247,862)	27,533
Financing activities			
Distributions paid	32	**(149,537)**	(163,353)
Unit repurchase program	17	**(32,646)**	(37,115)
Proceeds from mortgage financings		**281,348**	200,564
Mortgage payments upon refinancing		**(56,404)**	(23,666)
Scheduled mortgage principal repayments		**(54,878)**	(49,519)
Mortgages discharged due to sale of investment properties		**–**	(20,532)
Deferred financing costs incurred		**(11,683)**	(9,025)
Bond forward settlement, net of amortization	17	**–**	41
Net change in financing working capital	32	**61**	304
		(23,739)	(102,301)
Net (decrease) increase in cash		**(137,914)**	97,452
Cash and cash equivalents, beginning of year		**237,016**	139,564
Cash and cash equivalents, end of year	10	**$ 99,102**	$ 237,016

See accompanying notes to these consolidated financial statements

Notes to the Consolidated Financial Statements

For the Years Ended, December 31, 2016 and 2015

(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 12, 2016, 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.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Trust and its consolidated subsidiaries (see NOTE 30), 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) 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(h)).

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.

(e) 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.

(f) 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(d) above) and IFRS 5 (see NOTE 2(h) below).

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(i)). 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 (loss) income 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.

(g) 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 (loss) income.

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 (loss) 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.

(h) 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 (loss) income.

(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.

(i) 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 (loss) income. 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.

(j) 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.

(k) Taxation

For fiscal 2015 and 2016, 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 30 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 (loss) income 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 are also recognized directly in equity or comprehensive income, respectively.

(l) 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.

(m) 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 (loss) income. Fair value of the deferred units is calculated based on the observable market price of Boardwalk REIT's Trust Units.

(n) 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.

(o) 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 (loss) income.

(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.

(p) 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
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 27. 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, 2016 and 2015, the Trust had no embedded derivatives requiring separate recognition.

(q) Hedge accounting

The Trust applies hedge accounting to derivative financial instruments in cash flow hedging relationships. At the inception of the hedging relationship, the Trust documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, the Trust documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

In cash flow hedging relationships, the effective portion of the change in the fair value of the hedging derivative is recognized in the consolidated statement of comprehensive (loss) income as other comprehensive income ("OCI") while the ineffective portion is recognized immediately in profit or loss. Hedging gains and losses previously recognized in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statement of comprehensive (loss) income as the recognized hedged item.

Hedge accounting is discontinued when the Trust revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in OCI and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(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(o)(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(d) 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(p). 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 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 forecast 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

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 15.

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
IFRS 11 – Joint Arrangements ("IFRS 11")	The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 – Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied.	The previously announced transaction between Boardwalk and RioCan REIT is expected to close mid-2017 and the impact of these amendments (see NOTE 4) will be assessed at that time.
IAS 1 – Presentation of Financial Statements	These amendments were labelled the "Disclosure Initiative". The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs; (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. As regards to the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.	The application of these amendments has not resulted in any material impact on the financial performance or financial position of the Trust.
2012-2014 Cycle		
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	Provides specific guidance for when an entity reclassifies assets (or a disposal group) from held for sale to held for distribution to owners (or vice versa).	This clarification was not applicable for the current year as the Trust did not reclassify any assets held for sale to held for distribution to owners on disposal of any assets, but will be considered should a disposal transaction occur.
IFRS 7 – Financial Instruments: Disclosures	Provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.	The Trust is not involved in servicing contracts with transferred assets; therefore, this amendment was not applicable.
IAS 19 – Employee Benefits	The amendments clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.	The Trust does not provide post-employment benefits; therefore, this amendment is not applicable.

In addition, the following new or amended standards did not have any impact on the Trust's consolidated financial statements:

- IFRS 14 – Regulatory Deferral Accounts was not applicable to the Trust as the Trust does not provide goods or services at a price or rate that is subject to rate regulation. Additionally, it is only applicable for entities which are a first time adopter of IFRS.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) was not applicable to the Trust as it is not an Investment Entity.
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38) was not applicable to the Trust as it had not previously used a revenue-based depreciation method.
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) was not applicable to the Trust as the Trust does not engage in agricultural activities.
- Amendments to IAS 27 – Equity Method in Separate Financial Statements are not applicable as the Trust presents consolidated financial statements.

(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")	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. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.	The Trust is assessing the potential impact on its consolidated financial statements but does not expect it to have a significant impact.
IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")	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. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.	The Trust is assessing the potential impact on its consolidated financial statements. The Trust recognizes revenue from the following sources: • 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 IFRS 16 – Leases (discussed below) • Ancillary rental income comprises revenue from coin laundry machines and income received from telephone and cable providers • Interest income Each revenue stream is currently being assessed under the new standard.

New or amended standards	Summary of requirements	Possible impact on consolidated financial statements
IFRS 16 – Leases ("IFRS 16")	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. 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.	The Trust is assessing the potential impact on its consolidated financial statements. It is expected that leases with tenants shall be accounted for as operating leases in the same manner they are currently being reported. 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.
Transfers of Investment Properties (Amendments to IAS 40)	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. This amendment is effective for annual periods beginning on or after January 1, 2018.	The Trust will ensure these amendments are considered when evaluating/determining its Investment Properties.
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: • 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 amendment is effective for annual periods beginning on or after January 1, 2017.	The Trust is assessing the potential impact on its consolidated financial statements but does not expect it to have a significant impact.
Disclosure Initiative (Amendment to IAS 7 – Statement of Cash Flows)	The amendment clarifies that entities shall provide disclosures that enables users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is effective for annual periods beginning on or after January 1, 2017.	The Trust does not expect there to be a significant impact on its consolidated financial statements.

New or amended standards	Summary of requirements	Possible impact on consolidated financial statements
Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2 – Share-based Payment ("IFRS 2"))	The amendments made to IFRS 2 clarify the following items: • 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: - 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. The amendment is effective for annual periods beginning on or after January 1, 2018.	The Trust is assessing the potential impact on its 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)	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. The effective date for this amendment has yet to be determined.	The Trust is assessing the potential impact 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

The IASB has released the final amendments for the 2014-2016 annual improvement project with the majority of these amendments applying for annual periods beginning on or after January 1, 2017. Only those standards which may have a significant impact on the Trust's consolidated financial statements are included below.

Standard	Details of amendment	Expected impact
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 amendment is effective for annual periods beginning on or after January 1, 2017.	The Trust will determine the impact of this amendment should an asset held for sale or discontinued operations arise.

NOTE 4: INVESTMENT PROPERTIES

As at	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Balance, beginning of year	**$ 5,540,299**	$ 5,778,108
Additions		
Building acquisitions	**144,406**	3,290
Building improvements (incl. internal capital program)	**97,744**	80,196
Development of investment properties	**6,167**	10,650
Reclass from Property, plant and equipment	**4,795**	–
Dispositions	**–**	(137,025)
Fair value losses, unrealized	**(180,843)**	(194,920)
Balance, end of year	**$ 5,612,568**	$ 5,540,299
Revenue producing properties	**$ 5,606,174**	$ 5,526,651
Properties under development [(1)]	**6,394**	13,648
Total	**$ 5,612,568**	$ 5,540,299

(1) 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. Total cost of the project at December 31, 2015 was $12.6 million.

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.

On January 19, 2015, the Trust purchased an office building in Verdun, Quebec, which has now been included as part of the Nun's Island property, for a purchase price of $3.1 million. On April 15, 2015, the Trust closed on the purchase of one unit in Edmonton, Alberta for a purchase price of $130 thousand.

Acquisitions	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Purchase price	**$ 144,190**	$ 3,290
Transaction costs	**216**	–
Total cash paid	**$ 144,406**	$ 3,290
Allocation of fair value to investment properties	**$ 144,406**	$ 3,290
Multi-family units acquired	**747**	1

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, 2016, 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, 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**

	Year ended December 31, 2015							
	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	$ 1,278,174	$ 12,099	$ –	$ 66	$ –	$ –	$ (92,710)	$ 1,197,629
Edmonton	2,396,720	26,815	130	3	–	–	(144,067)	2,279,601
Other Alberta	319,765	6,010	–	–	–	–	(40,711)	285,064
Kitchener	31,897	778	–	–	–	–	1,557	34,232
London	188,836	3,608	–	–	–	–	19,555	211,999
Windsor	100,935	2,181	–	–	–	(136,200)	33,084	–
Montreal	95,878	1,276	–	–	–	–	7,230	104,384
Quebec City	166,943	6,838	–	–	–	–	9,473	183,254
Regina	388,380	5,601	–	10,581	–	(825)	(5,704)	398,033
Saskatoon	330,607	6,190	–	–	–	–	(7,358)	329,439
Land leases	479,973	8,800	3,160	–	–	–	24,731	516,664
Total	$ 5,778,108	$ 80,196	$ 3,290	$ 10,650	$ –	$ (137,025)	$ (194,920)	$ 5,540,299

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, 2016, 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, 2016 and December 31, 2015.

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 Agrees du Quebec who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. External appraisals were obtained as follows:

Date	Number of properties	Aggregate fair value	Percentage of portfolio as of that date
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%
December 31, 2015	5	$ 534,159	9.7%
September 30, 2015	4	$ 125,278	2.3%
June 30, 2015	4	$ 120,113	2.1%
March 31, 2015	5	$ 168,992	2.9%

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, 2016			Dec 31, 2015		
	Capitalization rate		**Forecasted total standardized net operating**	Capitalization rate		Forecasted total standardized net operating
As at	**Minimum**	**Maximum**	**income**	Minimum	Maximum	income
Calgary	**4.50%**	**6.00%**	**$ 62,802**	4.50%	6.00%	$ 59,835
Edmonton	**5.00%**	**5.52%**	**120,325**	5.00%	5.50%	120,400
Other Alberta	**5.75%**	**7.25%**	**17,920**	5.75%	7.25%	18,196
Kitchener	**5.25%**	**5.25%**	**2,003**	5.25%	5.25%	1,797
London	**5.25%**	**5.50%**	**12,186**	5.50%	5.75%	11,680
Montreal	**5.00%**	**5.75%**	**5,669**	5.00%	5.75%	5,469
Quebec City	**5.25%**	**5.75%**	**10,116**	5.25%	5.75%	9,982
Regina	**5.65%**	**6.00%**	**23,426**	5.75%	6.00%	23,061
Saskatoon	**5.75%**	**6.00%**	**19,127**	5.75%	6.00%	19,604
	4.50%	**7.25%**	**$ 273,574**	4.50%	7.25%	$ 270,024
Land Lease	**4.75%**	**18.80%**	**$ 27,847**	4.75%	16.75%	$ 27,310

The overall weighted average Capitalization Rates for fair valuing the Trust's investment properties at December 31, 2016 and 2015 was 5.38%.

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, 2016

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 292,378	**$ 298,406**	**$ 301,421**	**$ 304,435**	**$ 310,463**
Capitalization Rate						
-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)**

As at December 31, 2015

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 288,414	$ 294,360	$ 297,334	$ 300,307	$ 306,254
Capitalization Rate						
-0.25%	5.13%	$ 95,451	$ 211,370	$ 269,330	$ 327,290	$ 443,209
Cap Rate As Reported	5.38%	(165,800)	(55,267)	5,526,651	55,267	165,800
+0.25%	5.63%	(403,848)	(298,223)	(245,411)	(192,598)	(86,974)

Investment properties with a fair value of $522.9 million (December 31, 2015 – $516.7 million) are situated on land held under land leases.

Investment properties with a fair value of $770.5 million (December 31, 2015 – $679.6 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 $5.3 billion (December 31, 2015 – $5.3 billion) are pledged as security against the Trust's mortgages payable. As at December 31, 2016, 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 Northwest Calgary, Alberta, subject to certain conditions, including the receipt of both the development permit and the subdivision of the lands on terms and conditions satisfactory to both parties, with closing expected to occur in mid-2017 and construction beginning as early as Q3 of 2017.

For the years ended December 31, 2016 and 2015, investment properties earned rental revenue (excluding ancillary rental income) of $432.1 million and $469.2 million, respectively. Direct operating expenses in relation to investment properties were $185.7 million and $181.4 million for the years ended December 31, 2016 and 2015, respectively.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

The carrying amounts of PP&E were as follows:

As at	**Dec 31, 2016**			Dec 31, 2015		
	Cost	**Accumulated depreciation**	**Carrying amount**	Cost	Accumulated depreciation	Carrying amount
Administration building	**$ 6,186**	**$ (3,079)**	**$ 3,107**	$ 6,153	$ (2,820)	$ 3,333
Site equipment and other	**43,351**	**(25,629)**	**17,722**	46,705	(24,026)	22,679
Corporate technology assets	**29,246**	**(25,928)**	**3,318**	27,829	(24,521)	3,308
Total	**$ 78,783**	**$ (54,636)**	**$ 24,147**	$ 80,687	$ (51,367)	$ 29,320

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 $638 thousand 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, 2015

	Balance, beginning of year	Additions	Reclass to Investment properties	Disposals	Depreciation	Balance, end of year
Administration building	$ 3,393	$ 210	$ –	$ –	$ (270)	$ 3,333
Site equipment and other	19,249	6,984	–	(273)	(3,281)	22,679
Corporate technology assets (1)	3,482	1,270	–	(2)	(1,442)	3,308
Total	$ 26,124	$ 8,464	$ –	$ (275)	$ (4,993)	$ 29,320

(1) Included in computer software for the year ended December 31, 2015 was $610 thousand of capitalized programmers' salaries related to the internally developed software applications used by the Trust in the normal course of its operations.

NOTE 6: 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, 2016**	Dec 31, 2015
Cabinets, appliances, baseboard, carpet and linoleum	**$ 7,277**	$ 4,026

NOTE 7: PREPAID ASSETS

The major components of prepaid assets are as follows:

As at	**Dec 31, 2016**	Dec 31, 2015
Prepaid property taxes	**$ 822**	$ 829
Prepaid land leases	**2,886**	2,858
Prepaid expenses and other	**5,440**	2,278
	$ 9,148	$ 5,965

NOTE 8: 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 $5.5 million at December 31, 2016 (December 31, 2015 - $5.2 million).

As at	Dec 31, 2016	Dec 31, 2015
Trade and other receivables	**$ 5,281**	$ 4,948
Mortgage holdbacks and refundable mortgage fees	**221**	282
	$ 5,502	$ 5,230

Refer to NOTE 29(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 9: 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 $10.7 million at December 31, 2016 and $11.8 million at December 31, 2015.

NOTE 10: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank indebtedness of $4.1 million and term deposits with maturities of 90 days or less of $103.2 million (December 31, 2015 – cash of $15.8 million and term deposits of $221.2 million).

NOTE 11: MORTGAGES PAYABLE

As at	Dec 31, 2016		Dec 31, 2015	
	Weighted Average Interest	**Debt Balance**	Weighted Average Interest	Debt Balance
Mortgages payable				
Fixed rate	**2.78%**	**$ 2,435,666**	3.01%	$ 2,272,447
Total		**$ 2,435,666**		$ 2,272,447
Current		**$ 343,822**		$ 299,140
Non-current		**2,091,844**		1,973,307
		$ 2,435,666		$ 2,272,447

Estimated future principal payments required to meet mortgage obligations as at December 31, 2016 are as follows:

	Secured By Investment Properties
12 months ending December 31, 2017	$ 343,822
12 months ending December 31, 2018	239,912
12 months ending December 31, 2019	399,060
12 months ending December 31, 2020	252,614
12 months ending December 31, 2021	271,060
Subsequent	1,014,076
	2,520,544
Unamortized deferred financing costs	(84,878)
	$ 2,435,666

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 limited to a one-time penalty payment of $250 thousand under a Letter of Credit issued in favor of CMHC.

During the years ended December 31, 2016 and 2015, 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, 2016 (December 31, 2015 - $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, 2021. 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.

As at December 31, 2016, $5.0 million (December 31, 2015 - $nil) was outstanding under this facility, in addition to Letters of Credit ("LCs") issued and outstanding. The LCs totaled $6.0 million as at December 31, 2016 (December 31, 2015 – $2.0 million). As such, approximately $194.0 million was unused and available from this facility on December 31, 2016 (December 31, 2015 - $198.0 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 29 (d).

NOTE 12: LP CLASS B UNITS

The LP Class B Units, as defined in NOTE 17, representing an aggregate fair value of $217.7 million at December 31, 2016 (December 31, 2015 – $212.3 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 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 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 23.

As at December 31, 2016 and December 31, 2015, there were 4,475,000 LP Class B Units issued and outstanding.

NOTE 13: DEFERRED UNIT-BASED COMPENSATION

Deferred unit-based compensation is comprised of the following:

As at	**Dec 31, 2016**	Dec 31, 2015
Current	**$ 2,762**	$ 2,218
Non-current	**3,219**	3,715
	$ 5,981	$ 5,933

The total of $6.0 million represents the fair value of the underlying deferred units at December 31, 2016 (December 31, 2015 - $5.9 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 23.

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, 2016 and 2015, 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
2012	50,946	February, June & December 2012	February, June & December 2017	$ 2,946
2013	53,206	February, June & December 2013	February, June & December 2018	3,234
2014	55,098	February, June & December 2014	February, June & December 2019	3,409
2015	55,236	February, June & December 2015	February, June & December 2020	3,094
2016	63,697	February, June & December 2016	February, June & December 2021	3,065
				$ 15,748

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, 2016, total costs of $3.6 million (December 31, 2015 – $3.2 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, 2014	201,499	–
Deferred units granted	55,236	58,434
Additional deferred units earned on units	12,036	8,886
Deferred units converted to Trust Units or cash	(67,320)	(67,320)
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**	–

NOTE 14: TRADE AND OTHER PAYABLES

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

As at	Dec 31, 2016	Dec 31, 2015
Trade payables and accrued liabilities	**$ 54,462**	$ 47,480
Distribution payable	**9,513**	60,047
Provisions	**4,287**	3,825
	$ 68,262	$ 111,352

Included in distributions payable as at December 31, 2015 was a special distribution declared for LP Class B and Boardwalk REIT Trust Unitholders on record as at December 31, 2015 totaling $4.5 million and $46.8 million, respectively, or $1.00 per unit, payable on January 15, 2016.

As at December 31, 2016 and 2015, 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, 2016 and 2015, the Trust does not have any material contingent liabilities.

NOTE 15: INCOME TAXES

Current income tax

For the year ended December 31, 2016 and 2015, none of the Trust's corporate entities had current tax expense, except for one Ontario numbered company that legally owned the property known as Sun Ray Manor, which was sold as part of the Windsor portfolio in September 2015. As such, $43 thousand of current income tax expense was recorded for the Trust's corporate entities for the year ended December 31, 2016 (December 31, 2015 - $21 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 2015 and 2016, 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 follow:

As at	Dec 31, 2015	Recognized in profit (loss)	**Dec 31, 2016**
Deferred tax assets (liabilities) related to:			
Operating losses	$ 191	$ (27)	**$ 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)	$ 174	$ (14)	**$ 160**
Deferred tax assets	$ 191	$ (28)	**$ 164**
Deferred tax liabilities	(17)	13	**(4)**
Net deferred tax assets (liabilities)	$ 174	$ (15)	**$ 160**

As at	Dec 31, 2014	Recognized in profit (loss)	Dec 31, 2015
Deferred tax assets (liabilities) related to:			
Operating losses	$ 378	$ (187)	$ 191
Differences in tax base and carrying amount, net, investment properties and PP&E for corporate entities	(8)	8	–
Other	(5)	(12)	(17)
Net deferred tax assets (liabilities)	$ 365	$ (191)	$ 174
Deferred tax assets	$ 378	$ (187)	$ 191
Deferred tax liabilities	(13)	(4)	(17)
Net deferred tax assets (liabilities)	$ 365	$ (191)	$ 174

No current income taxes or deferred income taxes were recognized in equity, other than through profit or OCI, for the years ended December 31, 2016 and 2015.

As at December 31, 2016, wholly owned Canadian corporate subsidiaries have deferred tax assets of $0.2 million (December 31, 2015 – $0.2 million) related to operating losses, which expire over the next thirteen to twenty 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, 2016	Year ended Dec 31, 2015
Current tax expense	**$ 43**	$ 21
Deferred tax expense	**15**	191
Total income tax expense	**$ 58**	$ 212

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

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
(Loss) profit before income tax expense	**$ (57,382)**	$ 29,060
Add (remove) profit from non-taxable entities	**99,541**	12,848
Accounting profit subject to tax	**42,159**	41,908
Deduct management fee charged to corporate entities	**(41,403)**	(41,012)
Taxable profit	**756**	896
Weighted average substantively enacted tax rate	**26.80%**	34.77%
Calculated income tax expense	**203**	312
Changes to other deferred tax liabilities	**(145)**	(100)
Total income tax expense	**$ 58**	$ 212

NOTE 16: 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, 2016, $378 thousand was recognized in profit under rental revenue for this grant (December 31, 2015 – $378 thousand).

NOTE 17: 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 twenty-day period ending on the trading day prior to the day on which the REIT Units were surrendered to Boardwalk REIT for redemption; and,

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

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

The Trust has the following capital securities outstanding:

As at	**Dec 31, 2016**	Dec 31, 2015
REIT Units outstanding, beginning of year	**46,847,464**	47,520,953
Units issued for vested deferred units	**82,165**	67,311
Units purchased and cancelled	**(666,000)**	(740,800)
REIT Units outstanding, end of year	**46,263,629**	46,847,464

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 terminates on July 2, 2017. The Bid allows Boardwalk REIT to purchase and cancel up to 3,700,292 Trust Units.

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

	Year ended December 31, 2016		
Bid Number	**Number of Trust Units Purchased and Cancelled**	**Purchase Cost**	**Cost per Trust Unit**
9	**666,000**	**$ 32,646**	**$ 49.02**

For the year ended December 31, 2015, Boardwalk REIT purchased and cancelled the following Trust Units:

	Year ended December 31, 2015		
Bid Number	Number of Trust Units Purchased and Cancelled	Purchase Cost	Cost per Trust Unit
9	740,800	$ 37,115	$ 50.10

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, 2016	**Monthly Distribution**	Units outstanding Dec 31, 2015	Monthly Distribution (1)
Boardwalk REIT Units	**46,263,629**	**$0.1875/unit**	46,847,464	$0.17/unit
Special Voting Units	**4,475,000**	**N/A**	4,475,000	N/A

(1) In addition to the regular monthly distribution, as at December 31, 2015, the Trust recorded a distribution payable in the amount of $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.

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, 2017 (to be paid on February 15, 2017) totaled $8.7 million ($0.1875 per unit) and have not been included as a liability in the consolidated statement of financial position as at December 31, 2016.

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

For the years ended December 31, 2016 and 2015, AOCI consists of the following amounts:

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
AOCI, beginning of year	**$ –**	$ (1,014)
Change in fair value of the effective portion of the interest rate swaps	**–**	973
Losses on settlement of effective bond forward	**–**	41
AOCI, end of year	**$ –**	$ –

In 2008, Boardwalk REIT entered into an interest rate swap agreement on the mortgages of specific properties within its portfolio in an effort to hedge the variability in cash flows attributed to fluctuating interest rates. Details of the interest rate swap agreement are disclosed in NOTE 27.

In 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. Details of the forward bond transaction are disclosed in NOTE 27.

(d) Earnings per unit

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Numerator – basic		
(Loss) profit – basic	**$ (57,440)**	$ 28,848
Distribution declared on LP Class B units	**–**	13,604
Gain on fair value adjustments on LP Class B Units	**–**	(63,053)
Numerator – diluted	**$ (57,440)**	$ (20,601)
Denominator		
Weighted average units outstanding – basic	**46,343,403**	47,438,491
Conversion of LP Class B units	**–**	4,475,000
Weighted average units outstanding – diluted	**46,343,403**	51,913,491
(Loss) earnings per unit		
– basic	**$ (1.24)**	$ 0.61
– diluted	**$ (1.24)**	$ (0.40)

All dilutive elements were included in the calculation of diluted per unit amounts. 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. For the year ended December 31, 2015, all items were dilutive.

NOTE 18: 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 $432.1 million for the year ended December 31, 2016 (December 31, 2015 – $469.2 million).

As at December 31, 2016, 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	$ 204,672	$ 12,714	$ 754

NOTE 19: ANCILLARY RENTAL INCOME

Ancillary rental income was comprised of the following:

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Revenue from coin laundry machines	**$ 4,569**	$ 5,114
Revenue from telephone and cable providers	**2,137**	1,825
Total	**$ 6,706**	$ 6,939

NOTE 20: FINANCING COSTS

Financing costs are comprised of interest on mortgages payable, distributions paid to the LP Class B Unitholders and other interest charges. Financing costs are net of interest income earned. Financing costs total $79.8 million for the year ended December 31, 2016 (December 31, 2015 – $85.4 million) and can be summarized as follows:

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Interest on secured debt (mortgages payable)	**$ 70,148**	$ 71,922
Interest capitalized to properties under development	**(69)**	–
LP Class B unit distribution	**9,990**	13,604
Other interest charges	**1,431**	1,478
Interest income	**(1,726)**	(1,634)
Total	**$ 79,774**	$ 85,370

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

NOTE 21: DEPRECIATION AND AMORTIZATION

The components of depreciation and amortization were as follows:

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Amortization of deferred financing costs	**$ 4,860**	$ 4,656
Depreciation of property, plant and equipment	**5,219**	4,993
Total	**$ 10,079**	$ 9,649

NOTE 22: LOSS ON SALE OF ASSETS

On September 10, 2015, the Trust closed on the sale of all its properties in the City of Windsor, which forms part of the Ontario geographical segment, for the sale price of $136.2 million.

On June 1, 2015, the Trust disposed of a 22-unit stand-alone building that was part of the Trust's Boardwalk Estates property in Regina, Saskatchewan (Saskatchewan segment) for gross proceeds of approximately $0.8 million.

The loss on these sales was as follows:

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Cash received	**$ –**	$ 137,025
Cost of disposition	**–**	(6,855)
Net proceeds	**–**	130,170
Net book value	**–**	137,025
Loss on sale of assets	**$ –**	$ (6,855)

NOTE 23: FAIR VALUE LOSSES

The components of fair value losses were as follows:

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Investment properties (Note 4)	**$ (180,843)**	$ (194,920)
Financial liabilities designated as FVTPL		
Deferred unit-based compensation	**(468)**	1,506
LP Class B Units	**(5,370)**	63,053
Total fair value losses	**$ (186,681)**	$ (130,361)

NOTE 24: 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 11 to 79 years as at December 31, 2016. 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 have renewal options of between one and five years, with the exception of one of the leasing arrangements for which no renewal option exists. The lease agreement for the office space and the sublease agreement for the data centre space are for five years and both end on December 15, 2017.

As at December 31, 2016, future minimum lease payments related to these leases were as follows:

	Within 12 months	2 to 5 years	Over 5 years
Land leases	$ 5,254	$ 21,021	$ 189,800
Warehouse and office space	686	487	–
Total future minimum lease payments	$ 5,940	$ 21,508	$ 189,800

The Trust recognized lease expenses of $6.1 million for the year ended December 31, 2016 ($5.5 million for the year ended December 31, 2015).

NOTE 25: GUARANTEES, CONTINGENCIES, COMMITMENTS AND OTHER

As discussed in NOTE 24 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. Another land lease, situated in Calgary, which expires in 2065, was scheduled for a reset to the annual rent in 2016 to 7% of the agreed upon land value in 2016. Although the agreed upon land value in 2016 is still being negotiated, the Trust, however, can reasonably estimate with certainty the new rental amount throughout the term of this lease.

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
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
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")
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, 2016 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 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 $22.1 million as at December 31, 2016, 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. 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, 2016 is approximately $22.1 million (December 31, 2015 - $22.5 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 in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at December 31, 2016 and 2015, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

NOTE 26: 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, 2016	Dec 31, 2015
Net operating income	$ 253,099	$ 294,702
Administration expenses	(33,947)	(33,407)
Consolidated EBITDA [(1)] (12 months ended)	219,152	261,295
Consolidated interest expense (12 months ended)	69,784	71,766
Interest coverage ratio	3.14	3.64
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, 2016, the Trust's weighted average cost of capital was calculated to be 3.96%.

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

As at	Dec 31, 2016		Dec 31, 2015	
	Cost of Capital [(1)]	Underlying Value [(2)]	Cost of Capital [(1)]	Underlying Value [(2)]
Liabilities				
Mortgages payable	2.78%	$ 2,468,840	3.01%	$ 2,358,833
LP Class B Units	5.14%	217,709	6.81%	212,339
Deferred unit-based compensation	5.14%	5,981	6.81%	5,933
Unitholders' equity				
Boardwalk REIT Units	5.14%	2,250,726	6.81%	2,222,912
Total	3.96%	$ 4,943,256	4.94%	$ 4,800,017

(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, 2016 is insured under the National Housing Act ("NHA") and administered by the 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 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 29(d), Boardwalk REIT's committed revolving credit facility agreements contain financial covenants.

Available liquidity as at December 31, 2016 included cash and cash equivalents on hand of $99.1 million (December 31, 2015 – $237.0 million) as well as an unused committed revolving credit facility of $194.0 million (December 31, 2015 – $198.0 million). The Trust monitors its ratios and as at December 31, 2016 and December 31, 2015, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

NOTE 27: FINANCIAL INSTRUMENTS

Hedging transactions

In 2008, the Trust entered into a bond forward transaction (the "Transaction") with a major Canadian financial institution. In total, the Transaction, which comprised bond forward contracts on specific mortgages set to mature and be renewed in 2008, was for a total notional amount of $101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively; except for one of the contracts, all remaining contracts were assessed to be ineffective hedges. The bond forward contract assessed to be an effective hedge was settled for a loss of $284 thousand and was amortized over the term of the hedged item. The balance was fully amortized as at December 31, 2015 and $41 thousand was recognized in profit under financing charges for the year ended December 31, 2015.

During the first quarter of 2008, the Trust entered into interest rate swap agreements on the mortgages of specific properties within its portfolio in an effort to hedge the variability in cash flows attributed to fluctuating interest rates. These interest rate swap agreements were designated as cash flow hedges on March 11, 2008. The effective date of the hedge was May 1, 2008 and the agreements were designated as such until May 1, 2015, at which point the hedge terms expired. Settlements on both the fixed and variable portion of the interest rate swap occurred on a monthly basis up until the date of termination with a fixed interest rate of 4.15%, plus a stamping fee of 0.25%. As at December 31, 2016 and 2015, there were no mortgage debts subject to interest rate swaps.

For the year ended December 31, 2015, a gain of $1.0 million was recognized in OCI for the fair value change of the interest rate swaps.

NOTE 28: 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 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, 2016 and December 31, 2015 are as follows:

As at	**Dec 31, 2016**		Dec 31, 2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities carried at amortized cost				
Mortgages payable	**$ 2,435,666**	**$ 2,468,840**	$ 2,272,447	$ 2,358,833
Financial liabilities carried at FVTPL				
LP Class B Units	**217,709**	**217,709**	212,339	212,339
Deferred unit-based compensation	**5,981**	**5,981**	5,933	5,933

The fair value of the Trust's mortgages payable was higher than the recorded value by approximately $33.2 million at December 31, 2016 (December 31, 2015 - $86.4 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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, 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 29.

(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, 2016**			Dec 31, 2015		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Investment properties	**$ –**	**$ –**	**$ 5,612,568**	$ –	$ –	$ 5,540,299
Liabilities						
LP Class B Units	**217,709**	**–**	**–**	212,339	–	–
Deferred unit-based compensation	**5,981**	**–**	**–**	5,933	–	–

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, 2016 and December 31, 2015, there were no transfers between Level 1, Level 2 and Level 3 assets and liabilities.

(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, 2016, the Trust had $5 million outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at December 31, 2016, 99.8% was fixed-rate debt and 0.2% was floating-rate debt. For the year ended December 31, 2016, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be $50 thousand (December 31, 2015 – $nil).

(b) Credit risk

The Trust is exposed to credit risk as a result of its trade and other receivables. This balance is comprised of mortgage holdbacks and refundable mortgage fees, accounts receivable from significant customers and insurers and tenant receivables. As at December 31, 2016 and December 31, 2015, 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, 2016, bad debt expense totaled $5.5 million (twelve months ended December 31, 2015 – $4.2 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
2017	2.91%	$ 291,720	$ 64,608	$ 13,275	$ 9,513	$ 58,749	$ 437,865
2018	3.00%	199,044	56,162	–	–	–	255,206
2019	2.91%	381,222	48,675	–	–	–	429,897
2020	2.66%	238,987	38,437	–	–	–	277,424
2021	2.30%	270,588	32,046	–	–	–	302,634
Subsequent	2.77%	1,138,983	62,490	–	–	–	1,201,473
	2.78%	2,520,544	302,418	13,275	9,513	58,749	2,904,499
Unamortized deferred financing costs		(84,878)	–	–	–	–	(84,878)
		$ 2,435,666	$ 302,418	$ 13,275	$ 9,513	$ 58,749	$ 2,819,621

(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 arrears exist.

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

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, 2016 of approximately $770.5 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 $194.0 million as at December 31, 2016 (December 31, 2015 – $198.0 million). The revolving facility requires monthly interest payments, is for a five-year term maturing on July 27, 2021, 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, 2016, this ratio was 1.76 (December 31, 2015 – 2.15).

(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, 2016, this ratio was – 1.44 (December 31, 2015 – 1.63).

(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, 2016, this ratio was 41.5% (December 31, 2015 – 38.8%).

As at December 31, 2016 and December 31, 2015, 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 25, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

NOTE 30: 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

Entity	Type	Relationship
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 31: 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 30), 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, 2016 and up to the date of this report were:

James R. Dewald

Gary Goodman

Arthur L. Havener, Jr.

Sam Kolias

Samantha Kolias

Al W. Mawani

Andrea Stephen

(b) Key management personnel

Key management personnel of the Trust during the year ended December 31, 2016 and up to the date of this report were:

P. Dean Burns, General Counsel & Corporate Secretary

William Chidley, Senior VP, Corporate Development (retired June 30, 2016)

Roberto Geremia, President

Sam Kolias, Chief Executive Officer

Van Kolias, Senior VP, Quality Control

Lisa Russell, senior VP, Corporate Development (effective July 1, 2016)

William Wong, Chief Financial Officer

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

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Short-term benefits	**$ 1,246**	$ 1,076
Post-employment benefits	**52**	53
Other long-term benefits	**5**	6
Deferred unit-based compensation	**1,358**	1,581
	$ 2,661	$ 2,716

In addition, the LP Class B Units are held by Mr. Sam Kolias (Chairman of the Board, Chief Executive Officer and Trustee) and Mr. Van Kolias (Senior Vice President, Quality Control). Under IAS 32 – Financial Instruments: Presentation, the LP B Units issued by a wholly owned subsidiary of the Trust are considered financial liabilities, and are reclassified from equity to liabilities on the consolidated financial statements. Additionally, as the LP Class B Units are liabilities, all distributions paid (both regular and special) are recorded as a financing charge under IFRS. For the year ended December 31, 2016, distributions on the LP Class B Units totaled $10.0 million (December 31, 2015 – $13.6 million). Distributions on the LP Class B Units are made on terms equal to distributions made on Boardwalk REIT Units.

As at December 31, 2016, there was $839 thousand owed to related parties (December 31, 2015 – $5.3 million, comprised of $761 thousand in relation to the monthly regular LP Class B Units distribution and $4.5 million in relation to the $1.00 special distribution on the LP Class B Units) based on the LP Class B Units distribution outlined above.

NOTE 32: OTHER INFORMATION

(a) Supplemental cash flow information

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Net change in operating working capital		
Net change in inventories	**$ (3,251)**	$ (432)
Net change in prepaid assets	**(3,183)**	(1,472)
Net change in trade and other receivables	**(272)**	2,016
Net change in segregated and refundable tenants' security deposits	**124**	(1,316)
Net change in deferred unit-based compensation	**3,645**	3,240
Net change in trade and other payables	**2,149**	(3,233)
	$ (788)	$ (1,197)
Net change in investing working capital		
Net change in trade and other payables	**$ 5,297**	$ (37)
Net change in financing working capital		
Net change in trade and other payables	**$ 61**	$ 304
Distributions paid		
Distributions declared	**$ (103,399)**	$ (143,557)
Distributions declared in prior period paid in current period	**(54,812)**	(74,608)
Distributions declared in current period paid in next period	**8,674**	54,812
Distributions paid	**$ (149,537)**	$ (163,353)

(b) Included in administration costs was $2.7 million relating to Registered Retirement Savings Plan ("RRSP") matching for the year ended December 31, 2016 (December 31, 2015 – $2.6 million).

(c) Included in operating expenses was $1.4 million related to transition payments paid to eligible associates for the year ended December 31, 2015.

NOTE 33: 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, 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**

As at	December 31, 2015					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Assets	$ 3,826,007	$ 716,341	$ 246,612	$ 807,290	$ 237,592	$ 5,833,842
Liabilities	1,640,502	264,309	93,257	312,457	312,579	2,623,104

	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)	**51,312**	**8,428**	**2,804**	**7,826**	**9,404**	**79,774**
Administration	**320**	**7**	**42**	**117**	**33,461**	**33,947**
Depreciation and amortization (b)	**4,023**	**798**	**207**	**809**	**4,242**	**10,079**
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**

	Year ended December 31, 2015					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Rental revenue	$ 300,515	$ 61,248	$ 36,669	$ 70,546	$ 231	$ 469,209
Ancillary rental income	4,755	434	743	1,006	1	6,939
Total rental revenue	305,270	61,682	37,412	71,552	232	476,148
Rental expenses						
Operating expenses	54,537	10,779	6,759	17,094	5,003	94,172
Utilities	25,082	7,650	6,395	6,878	195	46,200
Property taxes	24,109	4,397	4,732	7,700	136	41,074
Net operating income (loss)	201,542	38,856	19,526	39,880	(5,102)	294,702
Financing costs (a)	51,154	9,121	3,572	8,302	13,221	85,370
Administration	401	(80)	58	189	32,839	33,407
Depreciation and amortization (b)	3,703	747	267	805	4,127	9,649
Profit (loss) before the undernoted	146,284	29,068	15,629	30,584	(55,289)	166,276
Loss on sale of assets	–	(4)	(6,524)	–	(327)	(6,855)
Fair value (losses) gains	(286,627)	(13,062)	54,196	50,572	64,560	(130,361)
Profit (loss) before income tax	(140,343)	16,002	63,301	81,156	8,944	29,060
Income tax expense (c)	–	–	–	–	(212)	(212)
Profit (loss) for the year	$ (140,343)	$ 16,002	$ 63,301	$ 81,156	$ 8,732	$ 28,848
Other comprehensive income	563	451	–	–	–	1,014
Total comprehensive (loss) income	$ (139,780)	$ 16,453	$ 63,301	$ 81,156	$ 8,732	$ 29,862
Additions to non–current assets (d)	$ 47,226	$ 11,946	$ 6,654	$ 18,280	$ 18,494	$ 102,600

(a) Financing costs

Financing costs were as follows:

	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**	**$ –**	**$ 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)**
Total	**$ 51,312**	**$ 8,428**	**$ 2,804**	**$ 7,826**	**$ 9,404**	**$ 79,774**

	Year ended December 31, 2015					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Interest on secured debt (mortgages payable)	$ 51,014	$ 9,107	$ 3,522	$ 8,279	$ –	$ 71,922
Interest capitalized to properties under development	–	–	–	–	–	–
LP Class B unit distribution	–	–	–	–	13,604	13,604
Other interest charges	141	14	61	23	1,239	1,478
Interest income	(1)	–	(11)	–	(1,622)	(1,634)
Total	$ 51,154	$ 9,121	$ 3,572	$ 8,302	$ 13,221	$ 85,370

(b) Depreciation and amortization

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

(c) Income tax recovery

This relates to any current and deferred taxes.

(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 34: SUBSEQUENT EVENTS

One of the Trust's properties known as Westridge B in Edmonton, Alberta, consisting of 91 units, was severely damaged by a fire the morning of February 16, 2017. There were no injuries and everyone was evacuated safely from the building. Cost of the damage, if the entire building needs to be rebuilt, is estimated to be up to $20 million. Although the fire investigation has not yet started, the Trust believes its property insurance will adequately cover the damage costs, less a deductible of $100 thousand, and has business interruption coverage for the next 24 months.

NOTE 35: APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Trustees and authorized on February 16, 2017.

Five Year Summary

($000's except per unit and per square foot)	2012 (IFRS)	2013 (IFRS)	2014 (IFRS)	2015 (IFRS)	**2016 (IFRS)**
Assets					
Investment properties	$ 5,493,448	$ 5,745,207	$ 5,778,108	$ 5,540,299	**$ 5,612,568**
Other assets	181,854	180,476	193,537	293,543	**156,045**
Total assets	$ 5,675,302	$ 5,925,683	$ 5,971,645	$ 5,833,842	**$ 5,768,613**
Mortgages payable	$ 2,248,176	$ 2,261,412	$ 2,169,499	$ 2,272,447	**$ 2,435,666**
Other liabilities	377,018	364,699	444,145	350,640	**311,624**
	$ 2,625,194	$ 2,626,111	$ 2,613,644	$ 2,623,087	**$ 2,747,290**
Deferred income taxes	7	50	13	17	**4**
Unitholders' equity	3,050,101	3,299,522	3,357,988	3,210,738	**3,021,319**
Total liabilities and unitholders' equity	$ 5,675,302	$ 5,925,683	$ 5,971,645	$ 5,833,842	**$ 5,768,613**
Trust units outstanding (000) (including LP B Units)	52,327	52,395	51,996	51,322	**50,739**
Trust unit price at year-end ($)	$ 64.53	$ 59.85	$ 61.54	$ 47.45	**$ 48.65**
Market capitalization ($MM)	3,376.7	3,135.8	3,199.8	2,435.2	**2,468.4**
Number of rental units	35,277	35,386	34,626	32,947	**33,773**
Fair value per rental unit ($000)	156	162	167	168	**166**
Long-term debt per rental unit ($000)	64	64	63	69	**72**
Net rentable square feet (000)	29,936	30,022	29,466	28,199	**28,924**
Fair value per square foot ($)	184	191	196	196	**194**
Long-term debt per square foot ($)	75	75	74	81	**84**
Average net rentable SF per unit	849	848	851	856	**856**
L/T debt weighted average interest rate	3.69%	3.46%	3.34%	3.01%	**2.78%**

Five Year Summary

($000's except per unit)	2012 (IFRS)	2013 (IFRS)	2014 (IFRS)	2015 (IFRS)	**2016 (IFRS)**
Rental revenue	$ 433,205	$ 446,626	$ 466,435	$ 469,209	**$ 432,140**
Ancillary rental income	6,696	6,958	6,810	6,939	**6,706**
Total rental revenue	439,901	453,584	473,245	476,148	**438,846**
Rental expenses					
Operating expenses	87,143	89,002	93,969	94,172	**97,620**
Utilities	39,921	42,121	47,572	46,200	**44,711**
Property taxes	36,773	38,272	40,091	41,074	**43,416**
Net operating income	276,064	284,189	291,613	294,702	**253,099**
Operating margin	63%	63%	62%	62%	**58%**
Financing costs	98,062	88,818	91,977	85,370	**79,774**
Administration	28,909	32,202	32,943	33,407	**33,947**
Depreciation and amortization	10,922	11,920	11,933	9,649	**10,079**
Profit from continuing operations before the undernoted	138,171	151,249	154,760	166,276	**129,299**
Gain (loss) on sale of assets	135	–	(235)	(6,855)	**–**
Fair value gains (losses)	549,986	174,424	81,126	(130,361)	**(186,681)**
Profit (loss) from continuing operations before income tax (expense) recovery	688,292	325,673	235,651	29,060	**(57,382)**
Income tax (expense) recovery	222	(538)	(41)	(212)	**(58)**
Profit (loss) from continuing operations	688,514	325,135	235,610	28,848	**(57,440)**
Profit from discontinued operations, net of tax	–	12,595	11,181	–	**–**
Profit (loss) for the year	688,514	337,730	246,791	28,848	**(57,440)**
Other comprehensive income	2,850	2,149	2,445	1,014	**–**
Total comprehensive income (loss)	$ 691,364	$ 339,879	$ 249,236	$ 29,862	**$ (57,440)**
Earnings (loss) per unit – continuing operations – diluted	$ 14.40	$ 5.98	$ 4.93	$ (0.40)	**$ (1.24)**
Earnings per unit – discontinued operations – diluted	$ –	$ 0.24	$ 0.23	$ –	**$ –**
Funds from operations	$ 150,343	$ 168,184	$ 175,825	$ 184,852	**$ 144,465**
Funds from operations per unit – fully diluted	$ 2.87	$ 3.21	$ 3.37	$ 3.56	**$ 2.84**
Interest Coverage Ratio, Continuing operations	2.76	3.15	3.37	3.64	**3.14**

Fiscal year ended December 31, 2013 has been restated to present discontinued operations consistent with fiscal year ended December 31, 2014.

2016 Quarterly Results

(in $000's except per unit amounts)	Q1	Q2	Q3	Q4	31-Dec-16
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	19,762	20,122	20,011	19,879	**79,774**
Administration	9,430	9,160	7,242	8,115	**33,947**
Depreciation and amortization	2,342	2,422	2,564	2,751	**10,079**
Profit before the undernoted	35,530	34,775	33,341	25,653	**129,299**
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)**
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)	**$ (1.24)**
Funds from operations	$ 39,124	$ 38,554	$ 37,186	$ 29,601	**$ 144,465**
Funds from operations per unit – fully diluted	$ 0.77	$ 0.76	$ 0.73	$ 0.58	**$ 2.84**

2015 Quarterly Results

(in $000's except per unit amounts)	Q1	Q2	Q3	Q4	31–Dec–15
Rental revenue	$ 118,303	$ 119,105	$ 117,897	$ 113,904	$ 469,209
Ancillary rental income	1,732	1,642	1,782	1,783	6,939
Total rental revenue	120,035	120,747	119,679	115,687	476,148
Rental expenses					
Operating expenses	23,047	23,573	24,145	23,407	94,172
Utilities	14,811	10,229	9,959	11,201	46,200
Property taxes	10,093	10,115	10,670	10,196	41,074
Net operating income	72,084	76,830	74,905	70,883	294,702
Financing costs	20,782	20,315	20,131	24,142	85,370
Administration	8,293	8,651	8,320	8,143	33,407
Depreciation and amortization	2,218	2,486	2,375	2,570	9,649
Profit before the undernoted	40,791	45,378	44,079	36,028	166,276
Loss on sale of assets	–	(4)	(6,841)	(10)	(6,855)
Fair value gains (losses)	30,856	(10,906)	(228,801)	78,490	(130,361)
Profit (loss) before income tax	71,647	34,468	(191,563)	114,508	29,060
Income tax (expense) recovery	(223)	125	(54)	(60)	(212)
Profit (loss) for the period	71,424	34,593	(191,617)	114,448	28,848
Other comprehensive income	555	459	–	–	1,014
Total comprehensive income (loss)	$ 71,979	$ 35,052	$ (191,617)	$ 114,448	$ 29,862
Earnings (loss) per unit – diluted	$ 1.19	$ 0.51	$ (4.03)	$ 1.93	$ (0.40)
Funds from operations	$ 44,181	$ 48,857	$ 47,588	$ 44,225	$ 184,852
Funds from operations per unit – fully diluted	$ 0.85	$ 0.94	$ 0.92	$ 0.86	$ 3.56

Market and Unitholder Information

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AUDITORS

Deloitte LLP
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REGISTRAR & 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.

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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 GENERAL MEETING

The Annual General Meeting of the Unitholders of Boardwalk REIT will be held at the Petroleum Club, 319-5 Ave SW, Calgary, Alberta, at 3:00 pm (MT) on May 11, 2017.

Unitholders are encouraged to attend and 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: Jan 1, 2016 to Dec 31, 2016
High: $59.76
Low: $38.47
Year End Closing Price: $48.65

Monthly Distributions

Month	Per Unit	Annualized	Record Date	Distribution Date
Jan-16	$0.170	$2.04	29-Jan-16	15-Feb-16
Feb-16	$0.1875	$2.25	29-Feb-16	15-Mar-16
Mar-16	$0.1875	$2.25	31-Mar-16	15-Apr-16
Apr-16	$0.1875	$2.25	29-Apr-16	16-May-16
May-16	$0.1875	$2.25	31-May-16	15-Jun-16
Jun-16	$0.1875	$2.25	30-Jun-16	15-Jul-16
Jul-16	$0.1875	$2.25	29-Jul-16	15-Aug-16
Aug-16	$0.1875	$2.25	31-Aug-16	15-Sep-16
Sep-16	$0.1875	$2.25	30-Sep-16	17-Oct-16
Oct-16	$0.1875	$2.25	31-Oct-16	15-Nov-16
Nov-16	$0.1875	$2.25	30-Nov-16	15-Dec-16
Dec-16	$0.1875	$2.25	30-Dec-16	16-Jan-17
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

Corporate Information

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BOARD OF TRUSTEES

Sam Kolias
Chairman of the Board
Calgary, Alberta

James Dewald (3)
Calgary, Alberta

Gary Goodman (2)
Toronto, Ontario

Art Havener (1) (2) (3)
St. Louis, MO

Samantha Kolias
Calgary, Alberta

Al Mawani (3)
Thornhill, Ontario

Andrea Stephen (2)
Toronto, Ontario

(1) Lead Trustee

(2) Member of the Audit and Risk Management Committee

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

SENIOR MANAGEMENT

Jonathan Brimmell
Vice President, Operations, Ontario and Quebec

Dean Burns
General Counsel and Secretary

Ian Dingle
Vice President, Purchasing and Contracts

Roberto Geremia
President

Sam Kolias
Chief Executive Officer

Van Kolias
Senior Vice President, Quality Control

Kelly Mahajan
Vice President, Customer Service and Process Design

Helen Mix
Vice President, Human Resources

Lisa Russell
Senior Vice President, Acquisition and Development

William Wong
Chief Financial Officer

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BOARDWALK RENTAL COMMUNITIES

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