

# BOARDWALK REAL ESTATE INVESTMENT TRUST

## Q2 2007 Conference Call

*August 10, 2007 – 11:00 EST*

*416-644-3415 (within Toronto) or toll-free 1-800-732-9303 (outside Toronto).*



# Q2 2007 Conference Call

*This presentation contains forward-looking statements relating to our operations and the environment in which we operate which are based on our expectations, estimates, forecast and projections, which we believe are reasonable as of the current date. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. For more exhaustive information on these risks and uncertainties, you should refer to our most recently filed annual information form which is available at [www.sedar.com](http://www.sedar.com). Actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made and should not be relied upon as of any other date. While we may elect to, we undertake no obligation to publicly update any such statement to reflect new information or the occurrence of future events or circumstances at any particular time.*



# Topics for Discussion

- Q2 Results
  - Overview and Highlights
  - Multi-family Market Fundamentals
- Financial and Operations Review
  - Portfolio Highlights
  - Operations Review and Performance
  - Stabilized Building Analysis
  - Financial Overview and Summary
  - Outlook and Guidance Update
- Q&A



# Overview – Q2 Highlights

in \$millions, except per unit amounts

	<b>3 Months</b>	<b>%</b>	<b>6 Months</b>	<b>%</b>
	<b>ended June 2007</b>	<b>Change</b>	<b>ended June 2007</b>	<b>Change</b>
Rental Revenue	\$92.4	18.1%	\$179.8	16.5%
NOI	\$58.5	24.2%	\$109.3	22.0%
FFO	\$29.8	33.9%	\$52.5	33.2%
Per Unit	\$0.53	32.5%	\$0.93	29.2%
DI	\$30.0	32.2%	\$53.6	32.8%

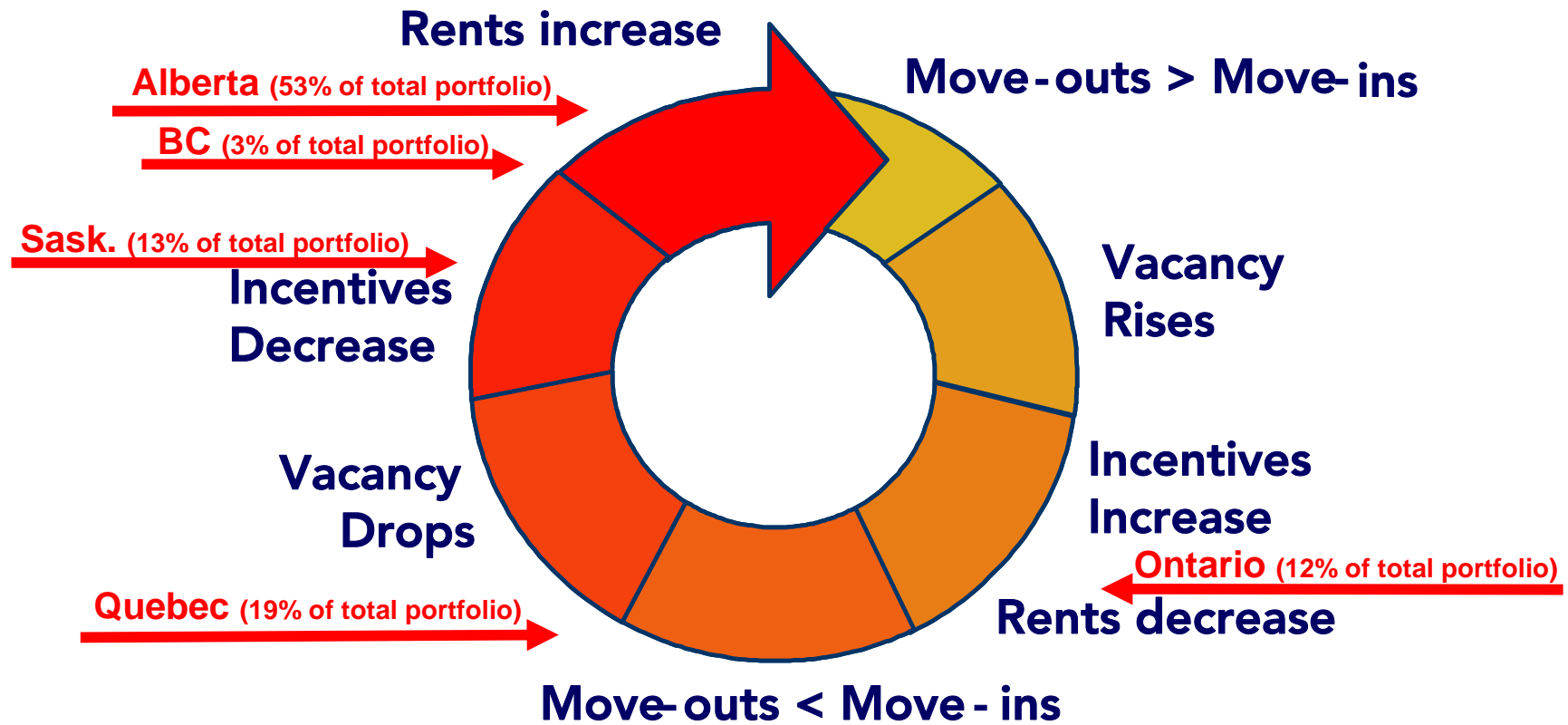


# Q2 - Portfolio Highlights

	<b>Q2 2007</b>	<b>Q2 2006</b>	<b>Change</b>
Portfolio Vacancy	4.16%	3.87%	29 bps
Average Rent Realized	\$865	\$776	\$89
Same Property - 3 months			
Revenues	12.4%		
Operating Costs	1.3%		
NOI	19.3%		



# Rental Revenue Cycle



# Internal Growth Potential

## Sensitivity Analysis

Monthly increase in gross rents	\$25	\$50	\$75	\$100	\$125	\$150
Monthly impact on FFO (\$MM)	\$ 0.8	\$ 1.7	\$ 2.5	\$ 3.4	\$ 4.2	\$ 5.1
Annual Impact on FFO (\$MM)	\$ 10.2	\$ 20.4	\$ 30.5	\$ 40.7	\$ 50.9	\$ 61.1
Per Unit	\$ 0.18	\$ 0.37	\$ 0.55	\$ 0.73	\$ 0.92	\$ 1.10



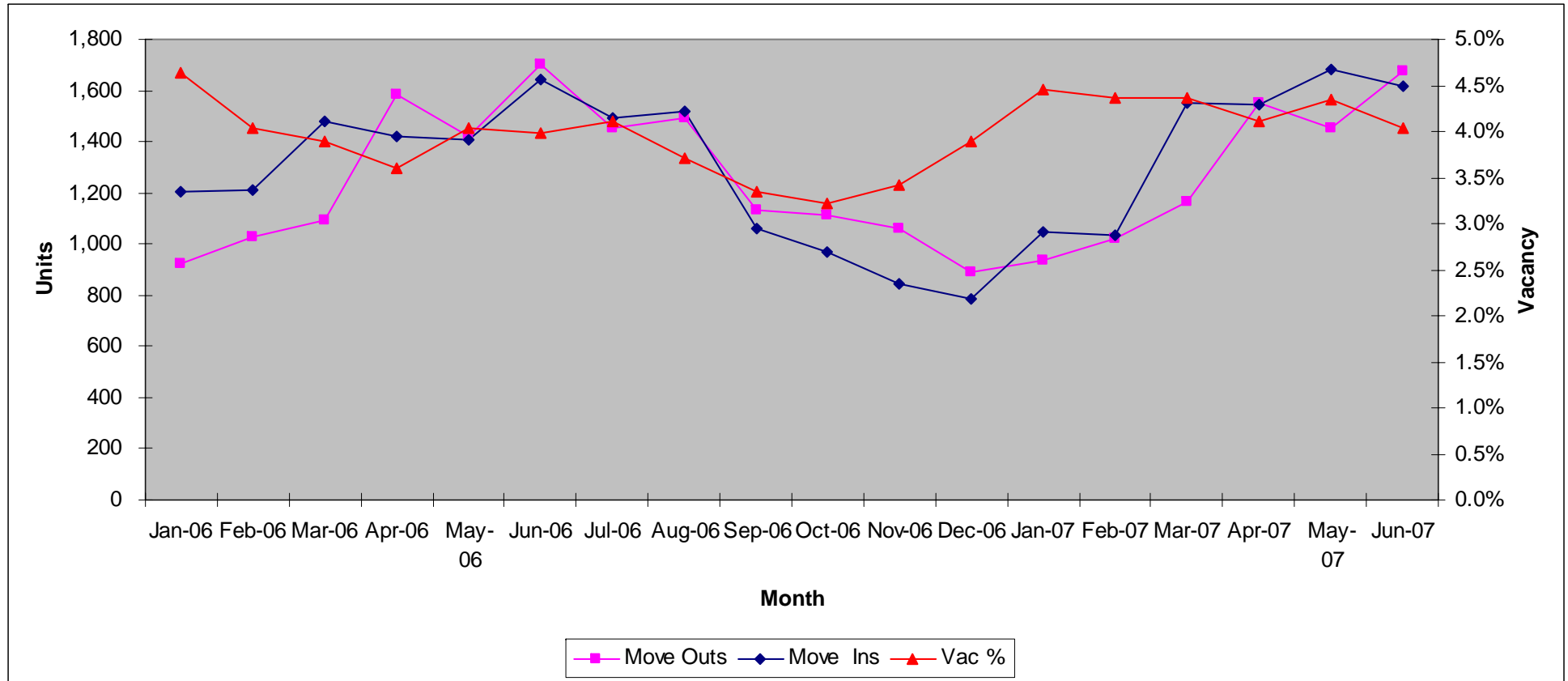
# Social Responsibility

Boardwalk is an advocate of social responsibility. To address the need for affordable housing:

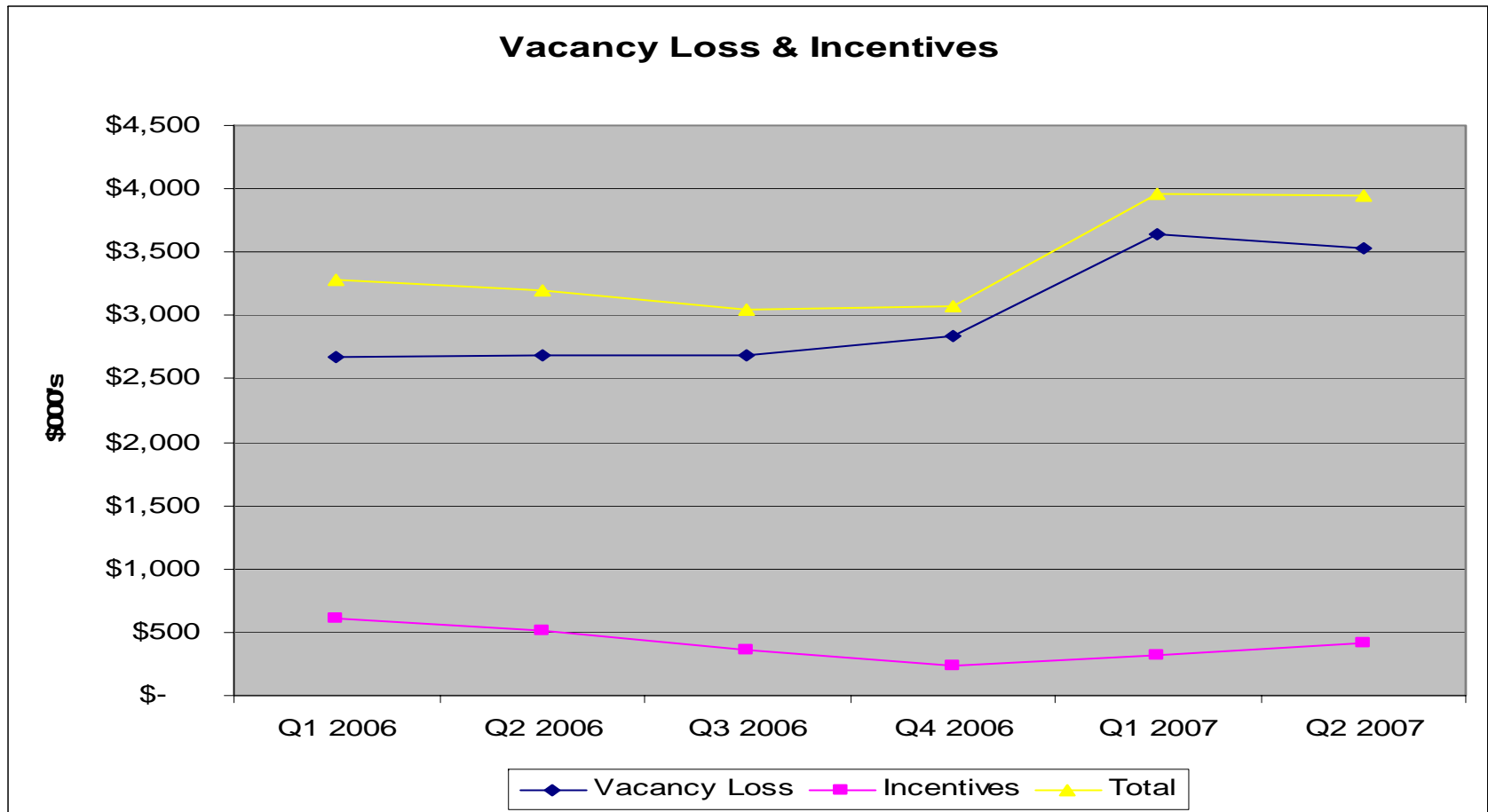
- We partner with all levels of Government, and Housing Authorities in every centre.
  - Currently 758 units dedicated to Government subsidized housing in Alberta.
- We program internally:
  - Self-imposed "Rent Protection" - maximum \$150 / month rent increase per year for existing Customers
  - In house subsidy program eliminates rent increases for any resident who can prove financial hardship.



# Move-outs, Move-ins and Vacancy



# Vacancy Loss and Incentives



# Rental Revenue Summary

## Q2 2007 Stabilized Revenue Analysis

Really Hot > 5%	Hot - 2% to 5%	Warm - 0% to 2%	Cold < 0%
Surrey	Quebec City	London	Kitchener
Calgary	Victoria	Montreal	Windsor
Edmonton	Burnaby	Longueuil	
Grande Prairie			
Red Deer			
Fort McMurray			
Saskatoon			
Laval			
Gatineau			
Regina			

<b>Number of Stabilized Units</b>	22,528	1,855	6,622	2,009	33,014
<b>% of Stabilized Units</b>	68%	6%	20%	6%	100%

*Approximately 74% of the portfolio is in the Hot or Really Hot Category*



# New Apartment Development

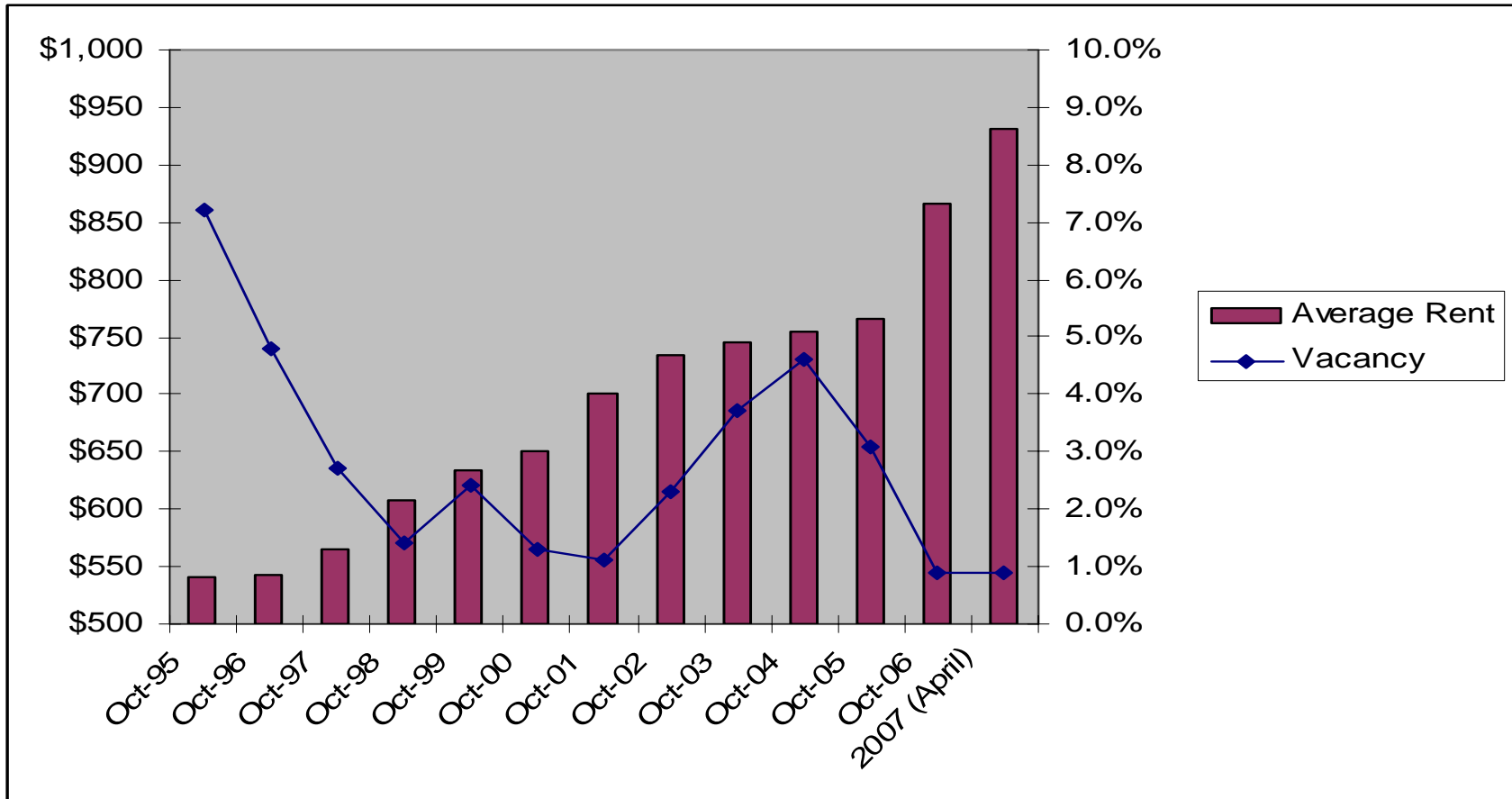
We continue to explore the possibility of economical new rental development.

Currently:

- Commissioning third party densification studies in Calgary and Edmonton.
- Conducting further studies on the economic feasibility of new rental apartment development on the following five properties:
  - Radisson Village (Calgary)
  - Russet Court (Calgary)
  - Spruce Ridge Estates (Calgary)
  - Viking Arms (Edmonton)
  - West Edmonton Village (Edmonton)



# Alberta Average Rents and Vacancy

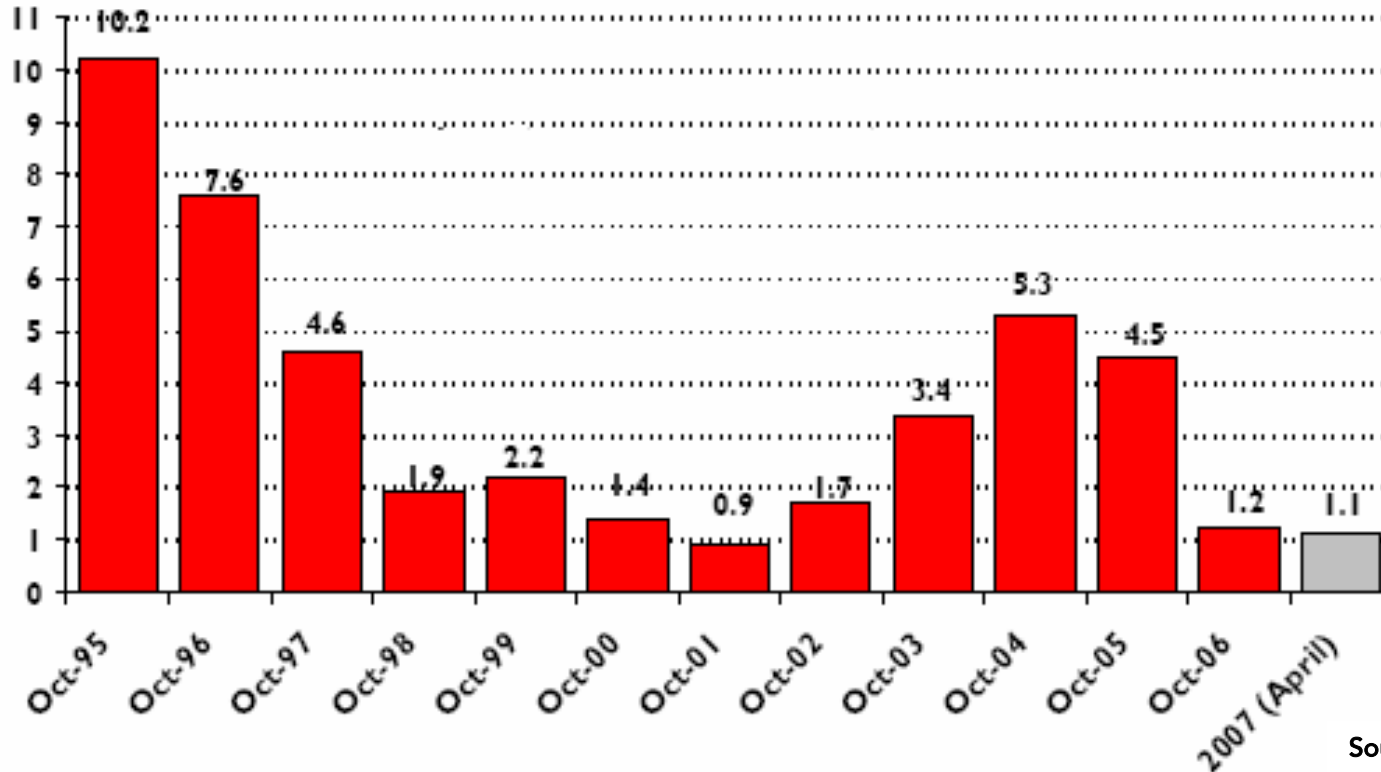


Source: CMHC Rental Market Survey



# Edmonton Rental Market Vacancy Rate

## Edmonton Apartment Vacancy Rate - Private Structures of 3+ Units



*\* Edmonton represents approximately 32% of Boardwalk's total portfolio*

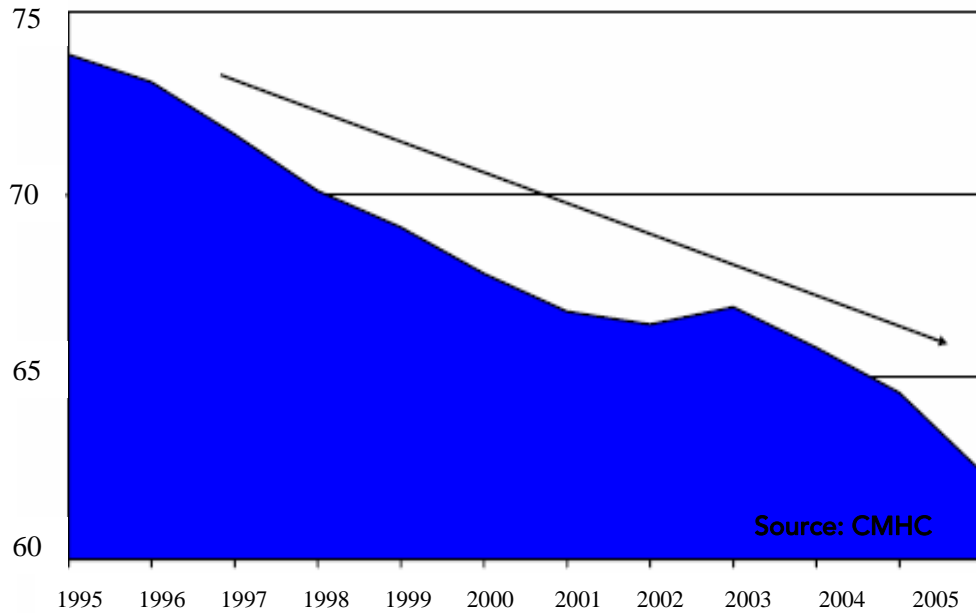
Source / Forecast: CMHC



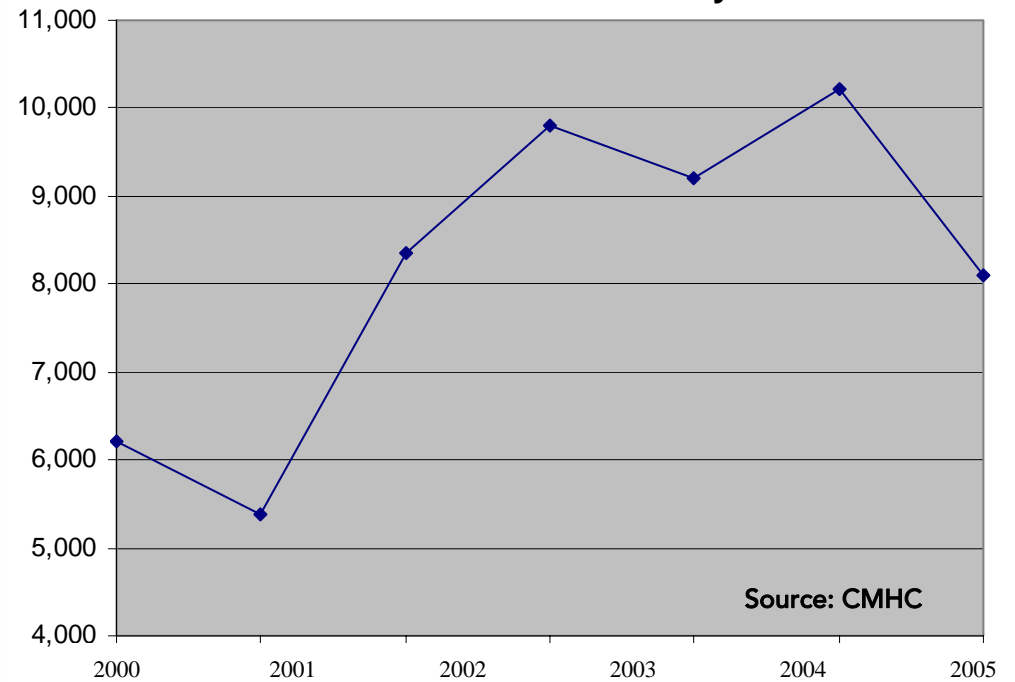
# Edmonton Rental Market Universe Per Capita...

The Edmonton Rental Market Universe / capita has been on a downward trend since the early 1990s. However, increasing condominium construction across the Province is increasing the rental market universe in each city, as approximately 20% of new condominium units are bought by investors and subsequently rented.

### Rental Units per 1,000 Population in Edmonton

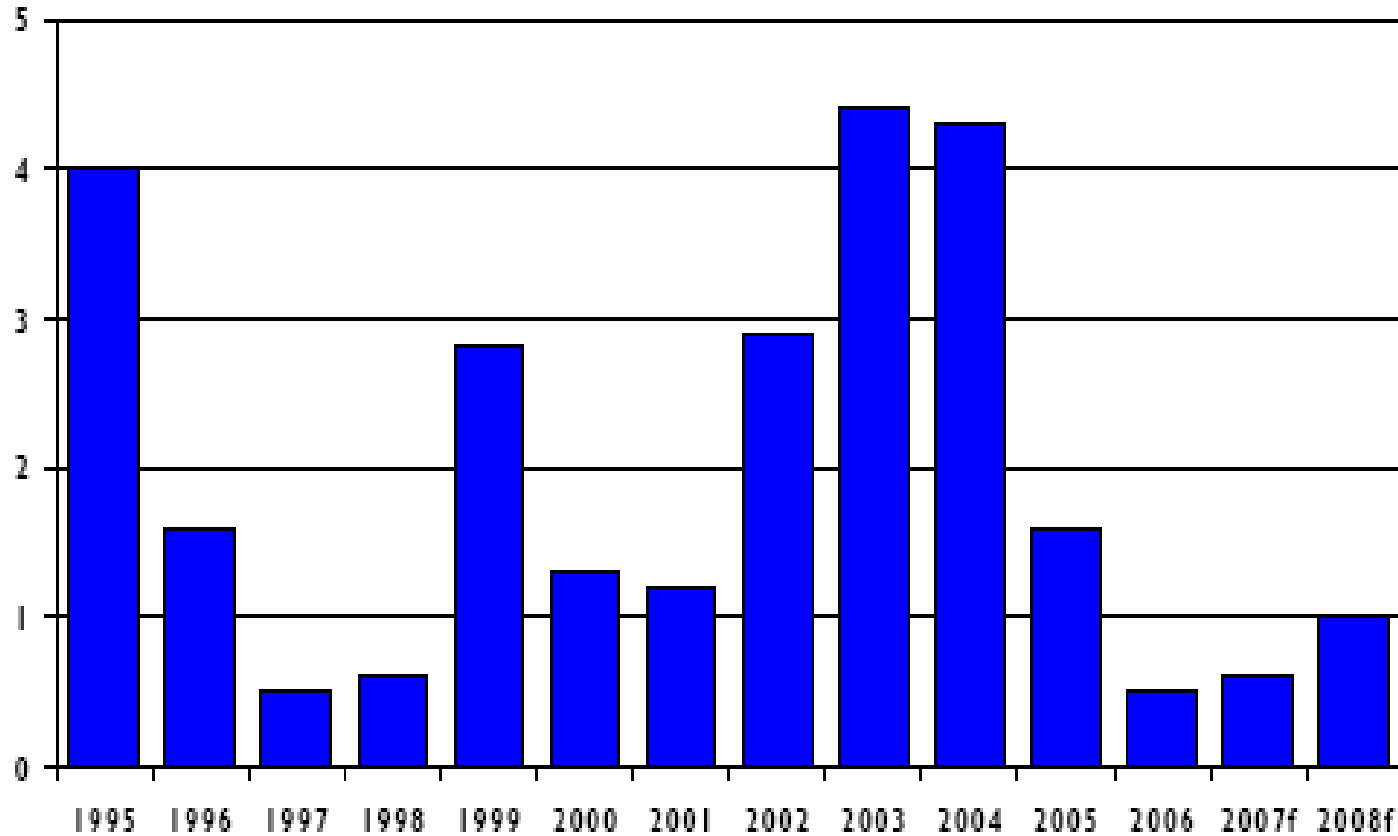


### Provincial Condo Starts by Year



# Calgary Rental Market Vacancy Rate

per cent **Calgary Apartment Vacancy Rate** - Private Structures of 3+ Units



*\* Calgary represents approximately 14% of Boardwalk's total portfolio*

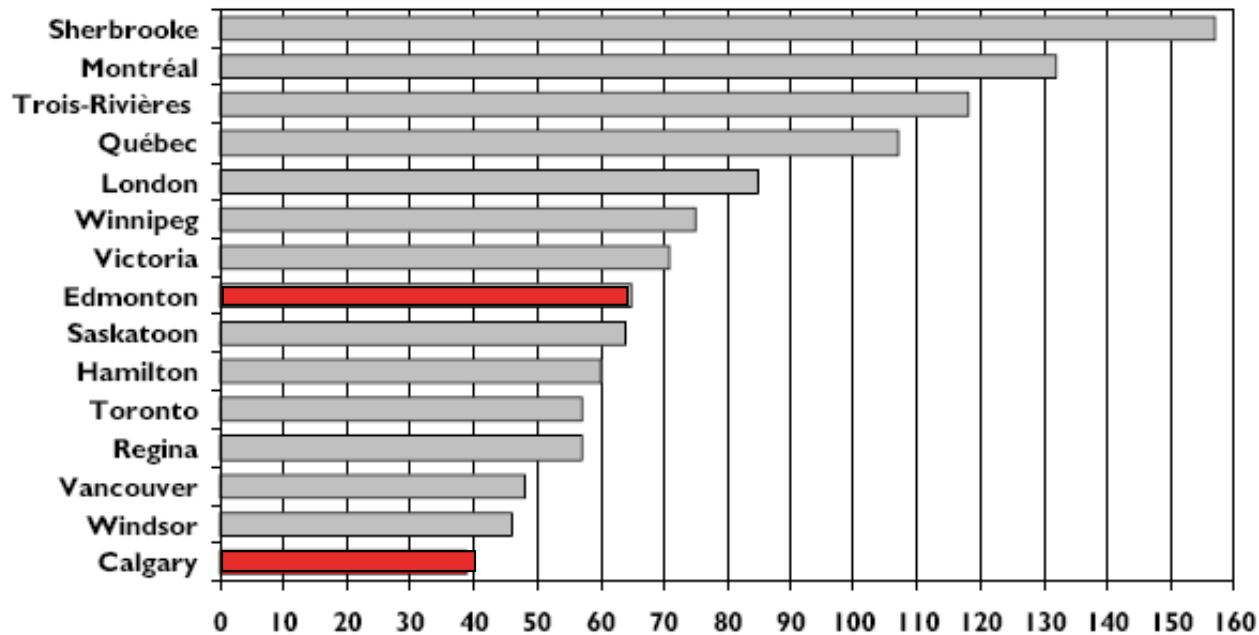
Source / Forecast: CMHC



# Rental Universe Per Capita

Among CMAs, Calgary has the smallest rental universe per capita.

Rental universe per 1,000 population



Source: CMHC

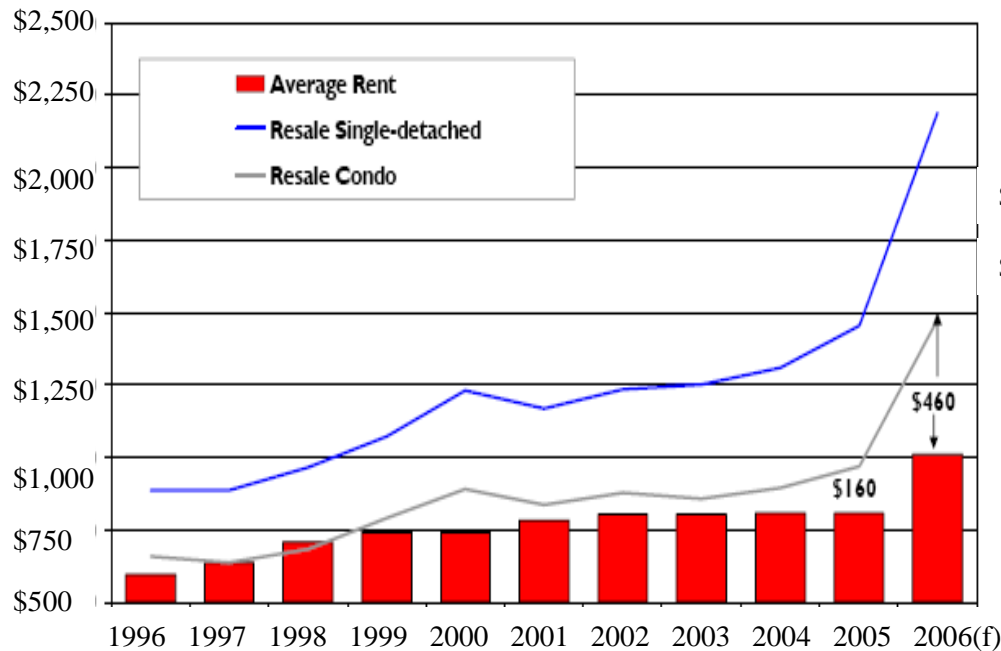


# Alberta Cost of Owning vs. Renting

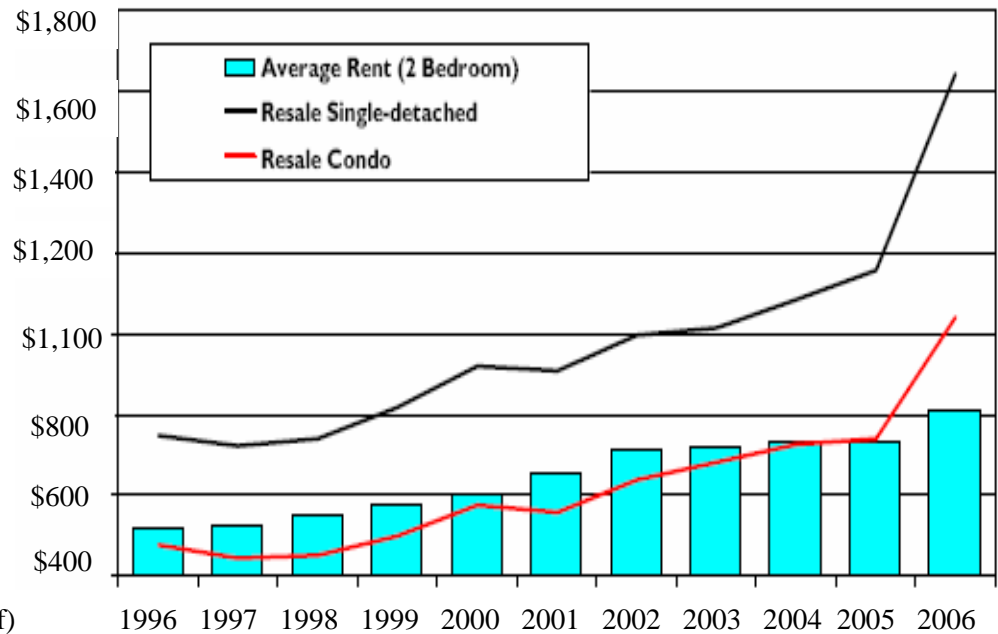
The gap between owning a condo and renting an apartment has widened in Calgary and Edmonton.

Among CMAs, Calgary has the smallest rental universe per capita.

Calgary – Cost of Owning vs. Renting



Edmonton – Cost of Owning vs. Renting



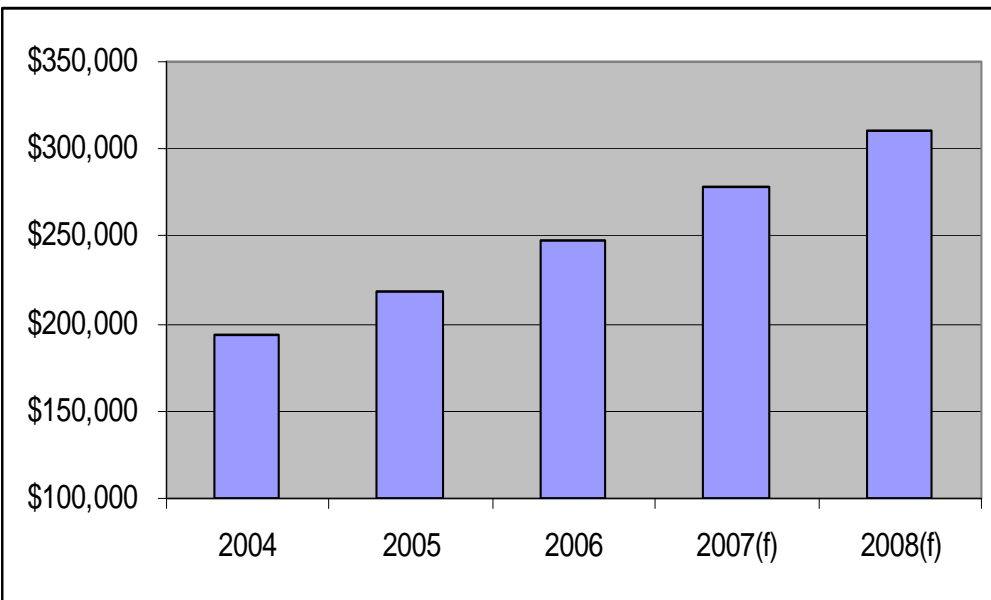
\* Assumption: 10% down payment, average 5-year fixed discounted mortgage rates.

Source: CMHC, CREB, CMHC Calculation



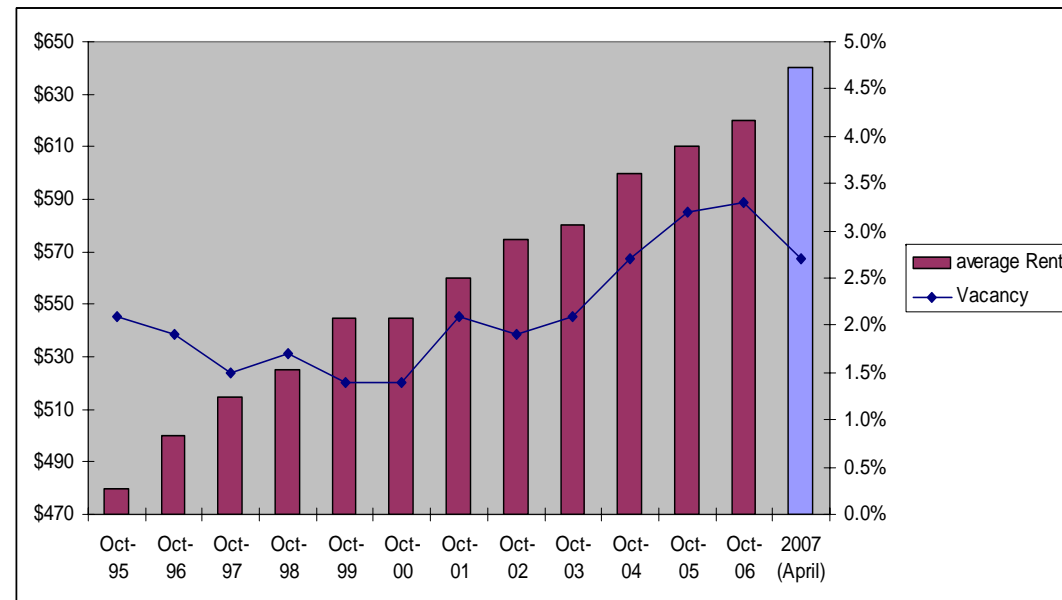
# Regina Home Price & Rental Rate Increases, Vacancy

**Regina – Average Home Price**



Source: CMHC Forecast

**Regina – Average Rent and Average Vacancy  
(based on 2 bedroom apartment unit)**

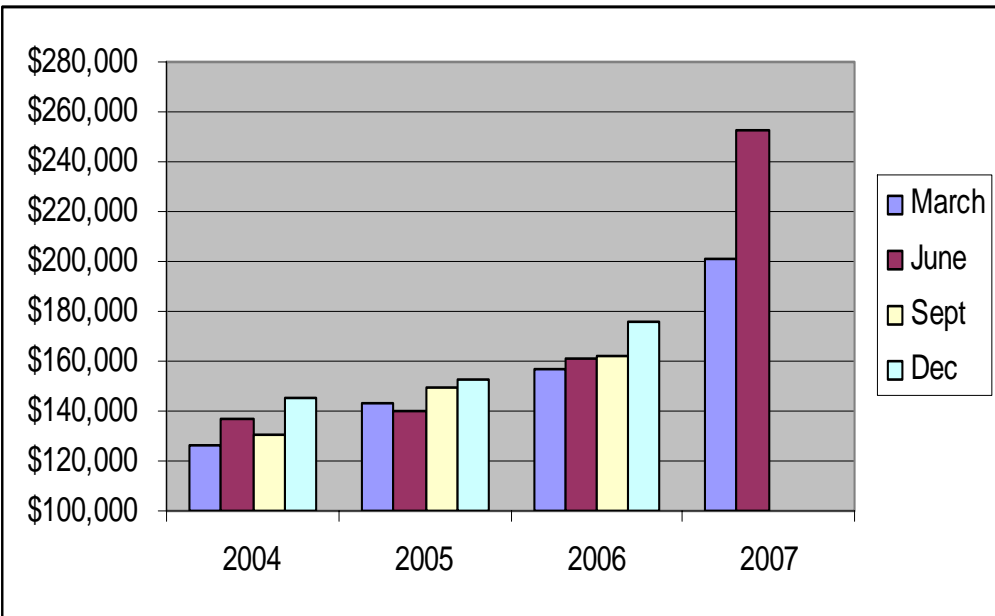


Source: CMHC Rental Market Survey, CMHC Forecast



# Saskatoon Home Price & Rental Rate Increases, Vacancy

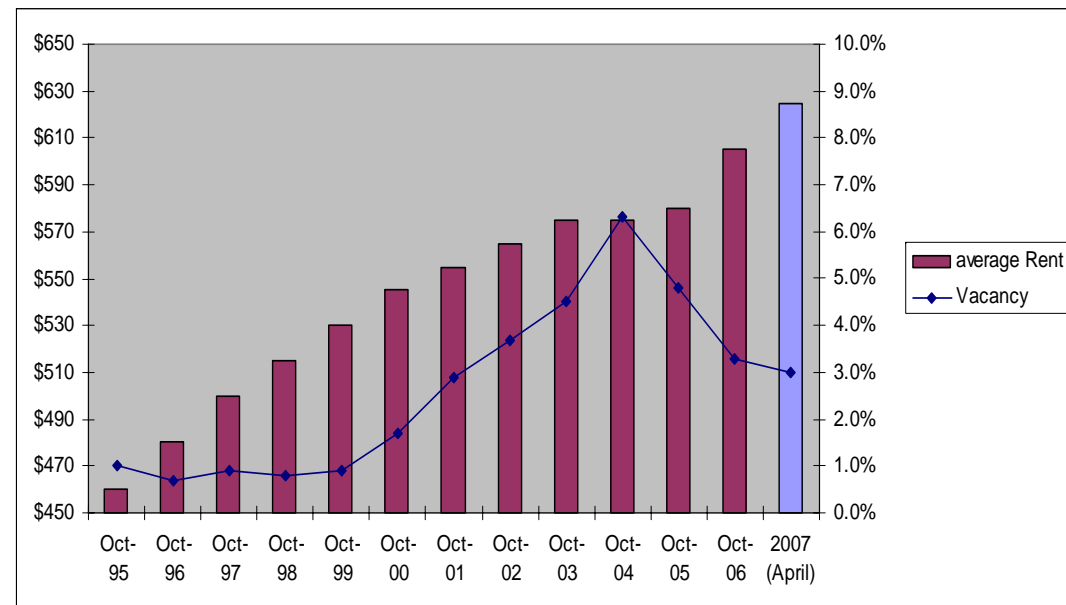
**Saskatoon – Average Home Price**



Source: Saskatoon Real Estate Board

**Saskatoon - Average Rent and Average Vacancy**

(based on 2 bedroom apartment unit)



Source: CMHC Rental Market Survey, CMHC Forecast



# Declining Cap Rates on Unit Prices

## NAV Analysis

Cap Rates	2007 Guidance	2007 Guidance with existing Mark to Market on Rents
4.50%	\$ 58.54	\$ 80.71
4.75%	\$ 53.81	\$ 74.82
5.00%	\$ 49.56	\$ 69.52
5.25%	\$ 45.72	\$ 64.72
5.50%	\$ 42.22	\$ 60.37
5.75%	\$ 39.03	\$ 56.38
6.00%	\$ 36.11	\$ 52.74
6.25%	\$ 33.42	\$ 49.38
6.50%	\$ 30.93	\$ 46.28



# Acquisition/Disposition Activity 2007

## Closed Acquisitions

Building Name	City	# of Units	Type	Price	Year 1 Cap Rate	Year 2 Cap Rate	\$/unit	\$/sq ft	Date Closed
Springwood Place Apartments	Spruce Grove	160	Low Rise	\$ 16,000,000	5.25%	5.76%	\$ 100,000	\$ 130	May 28, 2007
Prairie Sunrise Portfolio	Grande Prairie	275	High Rise & Walk up	\$ 40,000,000	4.74%	6.30%	\$ 145,455	\$ 175	March 14, 2007
West Edmonton Village	Edmonton	1176	High Rise, Walk up, Town	\$ 143,500,000	5.47%	6.61%	\$ 122,024	\$ 126	February 28, 2007
St. Charles Place & Parkview Manor	Edmonton	51	Walk up	\$ 4,150,000	4.52%	5.52%	\$ 81,373	\$ 104	January 26, 2007
Ridgemont Apartments	Coquitlam	41	Walk up	\$ 3,700,000	5.03%	5.66%	\$ 90,244	\$ 142	January 25, 2007
<b>Total</b>		<b>1,703</b>		<b>\$ 207,350,000</b>	<b>5.29%</b>	<b>6.45%</b>	<b>\$ 121,756</b>	<b>\$ 136</b>	

## Dispositions

Building Name	City	# of Units	Type	Price	Year 1 Cap Rate	Year 2 Cap Rate	\$/unit	\$/sq ft	Date Closed
St. Charles Place & Parkview Manor	Edmonton	51	Walk Up	\$ 5,900,000	3.20%	3.67%	\$ 115,686	\$ 148	April 30, 2007
<b>Total</b>		<b>51</b>		<b>\$ 5,900,000</b>	<b>3.20%</b>	<b>3.67%</b>	<b>\$ 115,686</b>	<b>\$ 148</b>	



# Current Cap Rates

*Cap rates for various Canadian markets, representing well located, better quality buildings with no deferred capx.*

Victoria	4.00 - 5.00%
Vancouver	3.50 - 4.25%
Vancouver Suburbs	4.50 - 5.50%
Calgary	4.00 - 5.00%
Edmonton	4.00 - 5.00%
South West Ontario	6.00 - 6.75%
Montreal	5.50 - 6.50%
Quebec City	5.75 - 6.75 %



# Q2 - Funds From Operations

(in 000's, except per unit amounts)

## FFO Reconciliation

*In \$000's, except per unit amounts*

	3 months Jun-07	3 months Jun-06	% Change	6 months Jun-07	6 months Jun-06	% Change
Net earnings (loss) from continuing operations	(\$102,573)	\$3,940		(\$99,004)	\$3,469	
Adjustments						
Earnings from discontinued operations	\$5,073	\$121		\$5,134	\$7,888	
Deduct gain on dispositions	(\$4,810)	-		(\$4,810)	(\$7,526)	
Future income taxes (recovery)	\$111,630	(\$122)		\$111,398	(\$224)	
Amortization of capital assets	\$20,442	\$18,295		\$39,800	\$35,829	
Funds from operations	<u>\$29,762</u>	<u>\$22,234</u>	<u>33.9%</u>	<u>\$52,518</u>	<u>\$39,436</u>	<u>33.2%</u>
Funds from operations - per unit	<u>\$0.53</u>	<u>\$0.40</u>	<u>32.5%</u>	<u>\$0.93</u>	<u>\$0.72</u>	<u>29.2%</u>



# Q2 - Overall Performance

<b>FFO RECONCILIATION</b>	<b>3 Months 30-Jun-07</b>	<b>6 Months 30-Jun-07</b>
FFO Opening	\$ 0.40	\$ 0.72
NOI from Stabilized	\$ 0.16	\$ 0.27
NOI from Unstabilized	\$ 0.04	\$ 0.07
Financing costs	\$ (0.05)	\$ (0.07)
W/O of Deferred Financing Costs	\$ -	\$ (0.01)
Administration and other	\$ (0.01)	\$ (0.03)
Dilution	\$ (0.01)	\$ (0.02)
FFO Closing	<u>\$ 0.53</u>	<u>\$ 0.93</u>



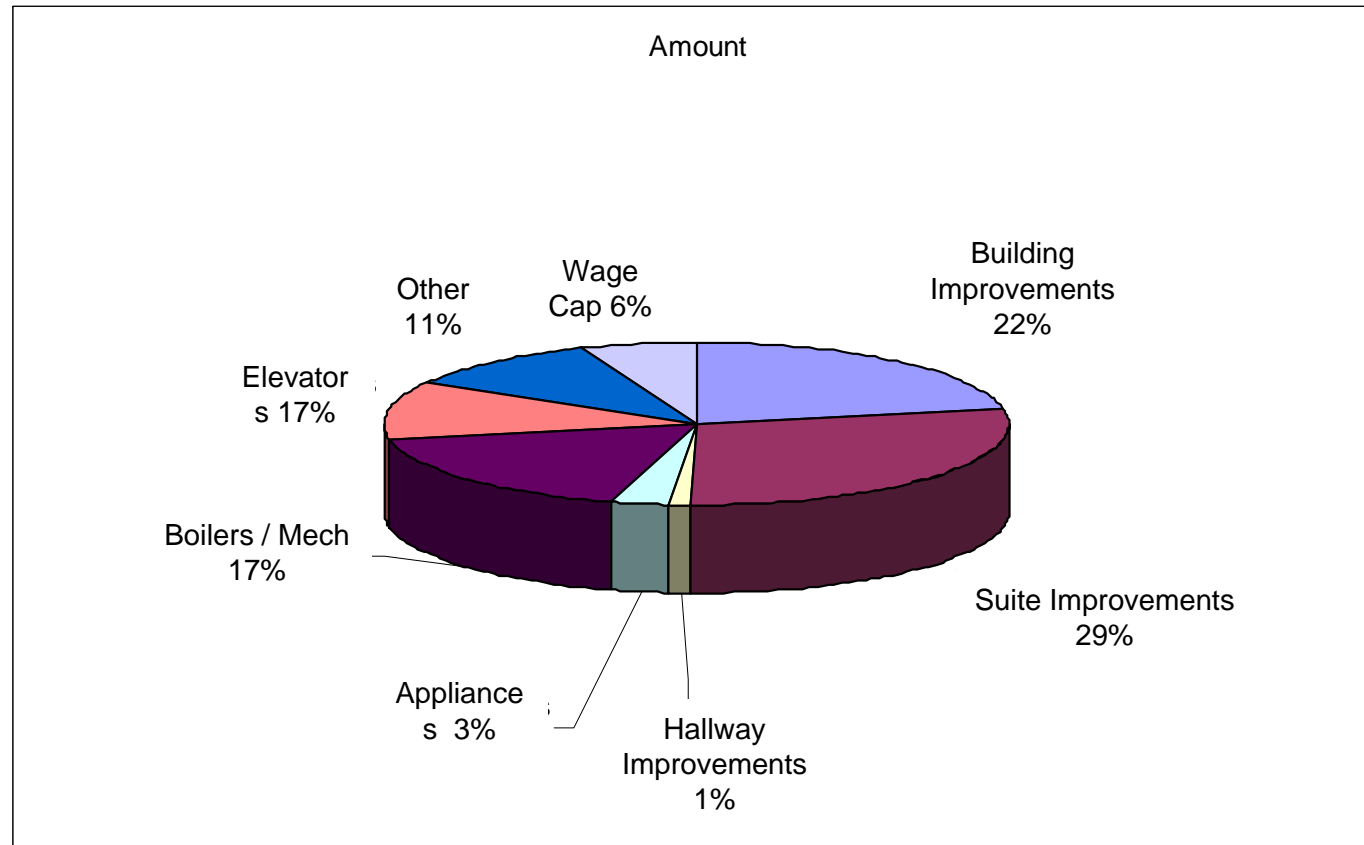
# Q2 - Overall Performance

<i>In 000's, except per unit amounts</i>	Jun-07	Jun-06	Change	Jun-07	Jun-06	Change
Rental revenue	\$92,446	\$78,245	18.1%	\$179,758	\$154,267	16.5%
Expenses						
Operating expenses	\$16,160	\$14,225	13.6%	\$31,675	\$28,020	13.0%
Utilities	\$9,291	\$9,087	2.2%	\$22,934	\$21,875	4.8%
Utility rebate	(\$9)	(\$6)	50.0%	(\$934)	(\$1,388)	-32.7%
Property taxes	\$8,481	\$7,823	8.4%	\$16,745	\$16,123	3.9%
	<u>\$33,923</u>	<u>\$31,129</u>	9.0%	<u>\$70,420</u>	<u>\$64,630</u>	9.0%
Net operating income	\$58,523	\$47,116	24.2%	\$109,338	\$89,637	22.0%
Average rent per unit per month	\$865	\$776		\$792	\$755	
Operating costs per unit per month	\$315	\$312		\$334	\$321	
Operating margins	63%	60%		61%	58%	



# Capital Investment

For the 6 months ended June 30, 2007



**Total Capital Invested in the first six months of 2007: \$33.5 Million**



# Capital Investment

For the 3 months ended March 2007

<b>in 000's of \$ except for per suite amounts</b>	<b>6 Months Jun-07</b>	<b>Per Suite</b>	<b>3 Months Jun-07</b>	<b>Per Suite</b>
Repairs and Maintenance - expense	\$10,014	\$571	\$5,439	\$607
On-Site Maintenance Personel - expense	\$8,049	\$459	\$3,918	\$437
	<u>\$18,063</u>	<u>\$1,029</u>	<u>\$9,357</u>	<u>\$1,044</u>
Invested Capital - cost	\$33,494	\$1,908	\$19,146	\$2,136
	<u>\$51,557</u>	<u>\$2,937</u>	<u>\$28,503</u>	<u>\$3,179</u>
Estimated Maintenance Capex	\$7,021	\$400	\$3,586	\$400
Value Enhancing	\$26,473	\$1,508	\$15,560	\$1,736



# Loss To Lease Statistics

## June 2007

	Jun 2007 Occupied Rent	Jun 2007 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies (\$000's)	Weighted Average Units	% of Portfolio
Calgary	\$ 1,156	\$ 1,356	\$ 200	\$ 11,966	5,139	14%
Edmonton	\$ 937	\$ 1,215	\$ 278	\$ 38,501	11,985	33%
Other Alberta	\$ 1,053	\$ 1,204	\$ 150	\$ 3,251	1,967	6%
Alberta Portfolio	\$ 1,008	\$ 1,252	\$ 244	\$ 53,718	19,091	53%
Saskatchewan	\$ 710	\$ 759	\$ 50	\$ 2,586	4,660	13%
Ontario	\$ 791	\$ 792	\$ 1	\$ 43	4,265	12%
Quebec	\$ 885	\$ 935	\$ 50	\$ 3,894	6,750	19%
British Columbia	\$ 894	\$ 939	\$ 45	\$ 519	1,087	3%
Total Portfolio	\$ 917	\$ 1,064	\$ 147	\$ 60,760	35,853	100%

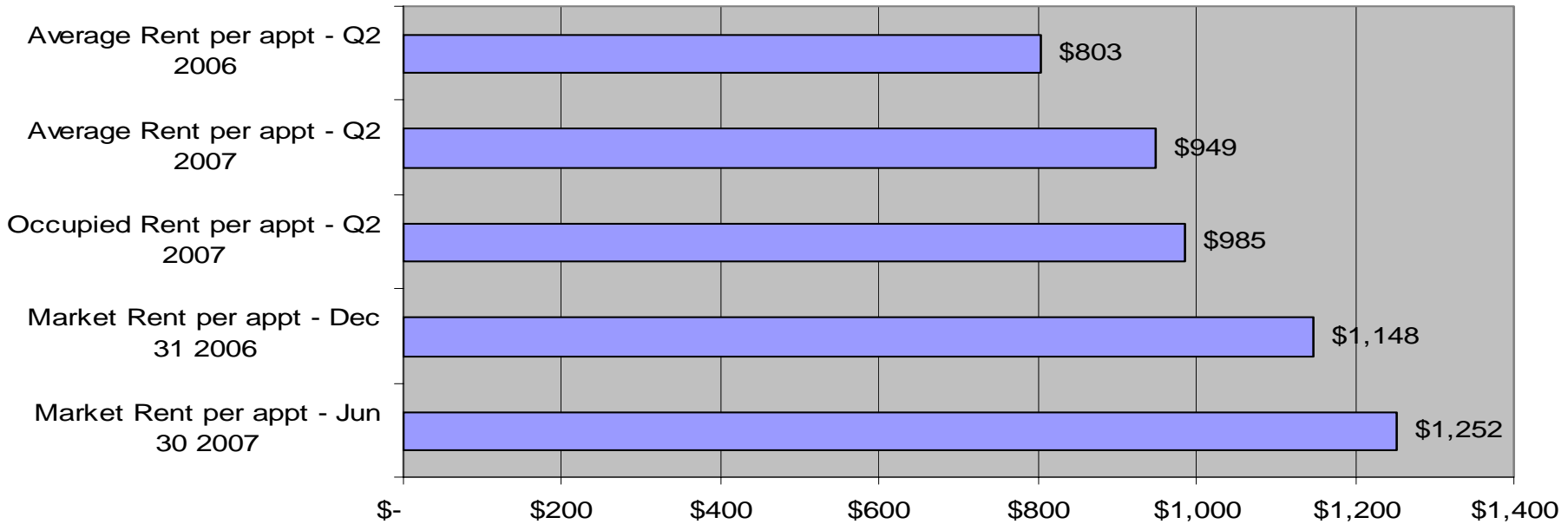


# Alberta Monthly Rental Revenue Statistics

Three Months Ended March 2007



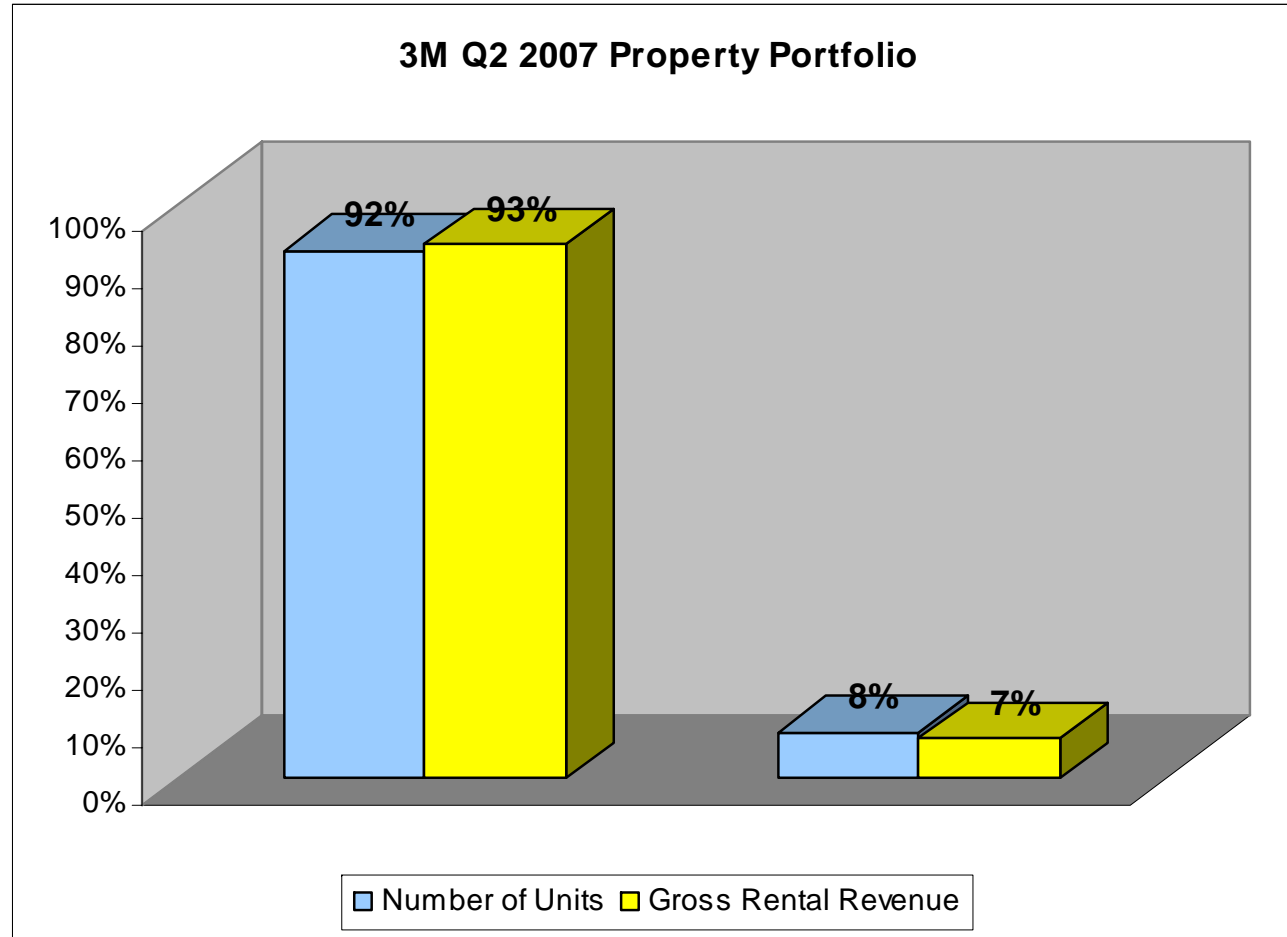
**Alberta**



**Under existing occupancy, "Loss-to-lease" = approx. \$60.8 million.**



# Q2 - Stabilized Analysis



# Stabilized Analysis

## Three months ended June 2007

Increased wage  
Inflation and R & M  
Costs

Jun 30 2007 - 3 M	# of Units	Revenue Growth	Operating Expense Growth	Net Operating Income Growth	% of Stabilized NOI
Calgary	4,973	24.0%	2.1%	34.2%	21%
Edmonton	10,369	18.8%	9.1%	24.1%	34%
Other Alberta	1,680	15.3%	8.3%	18.3%	6%
British Columbia	633	10.6%	11.2%	10.3%	2%
Saskatchewan	4,660	8.0%	-10.9%	24.1%	10%
Quebec	6,434	2.4%	-1.4%	5.1%	18%
Ontario	4,265	0.2%	-2.1%	2.5%	9%
	33,014	12.4%	1.3%	19.3%	100%

Lower Utility Charges



# Stabilized Analysis

## Six months ended June 2007

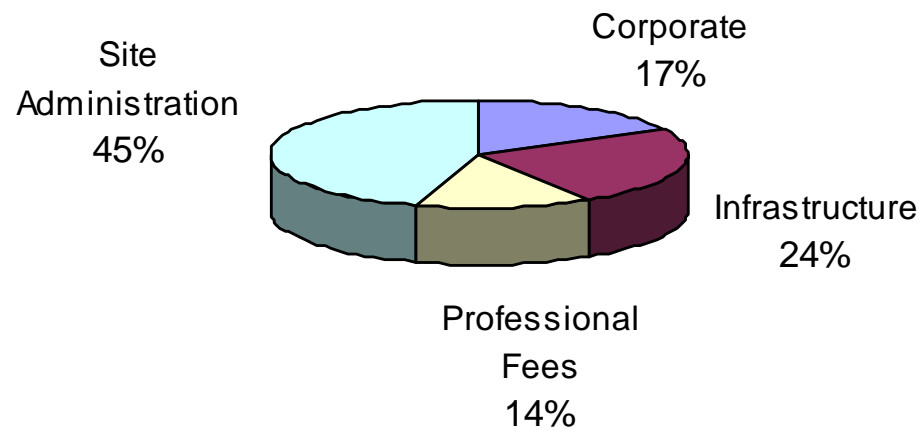
<b>Jun 30 2007 - 6 M</b>	<b># of Units</b>	<b>Revenue Growth</b>	<b>Operating Expense Growth</b>	<b>Net Operating Income Growth</b>	<b>% of Stabilized NOI</b>
Calgary	4,973	22.6%	6.9%	29.9%	21%
Edmonton	10,369	17.3%	8.7%	22.4%	34%
Other Alberta	1,680	16.7%	8.7%	20.5%	7%
British Columbia	633	8.4%	7.0%	9.2%	2%
Saskatchewan	4,660	7.0%	-1.5%	14.6%	10%
Quebec	6,434	2.2%	-1.7%	5.4%	18%
Ontario	4,265	0.1%	0.3%	-0.1%	8%
	<b>33,014</b>	<b>11.5%</b>	<b>3.3%</b>	<b>17.0%</b>	<b>100%</b>



# Administration Review

For the Six months ended June 2007

## Administration Overview



Total Administration \$19.4 Million



# Mortgage & Debt Maturities

Year	Principal Outstanding as at Jun. 30, 2007	Weighted Average Interest Rate By Maturity
2007	316,520,192	5.34%
2008	227,753,551	5.99%
2009	274,346,421	5.37%
2010	304,586,223	4.77%
2011	127,989,320	5.68%
2012	361,732,999	4.86%
2013	63,110,669	5.07%
2014	4,294,999	5.91%
2015	30,346,879	4.68%
2016	25,578,180	5.35%
2018	6,894,450	6.18%
2019	11,285,476	5.99%
2020	3,638,487	7.24%
<b>Total Principal Outstanding</b>	<b>1,758,077,847</b>	<b>5.25%</b>

**Estimated current renewal rates: 5 years – 5.17%, 10 Years – 5.11**  
 The average maturity of the portfolio is 3 years.



# Mortgage Highlights – Q2 2007

(in millions except interest coverage)

Mortgage Principal Outstanding	\$1,638
Debtenture	\$120
Total	\$1,758

% NHA Insured secured mortgages **91%**

Existing Bond Spreads **45 to 70 basis points**

## Interest Coverage – Continuing Operations

June 30, 2007	2.37
June 30, 2006	2.13



# Debt to Gross Book Value

	Jun-07	Dec-06
Total reported assets	\$2,069,942	\$1,870,460
Reported amortization	\$474,255	\$438,269
	<u>\$2,544,197</u>	<u>\$2,308,729</u>
Conversion adjustment (May 2004)	\$231,460	\$231,460
	<u>\$2,775,657</u>	<u>\$2,540,189</u>
Mortgages payable	\$1,586,465	\$1,374,641
Debentures	\$118,601	\$118,448
Bank indebtedness	\$0	\$4,042
Market adjustment on mortgages (May 2004)	\$15,670	\$20,779
	<u>\$1,720,736</u>	<u>\$1,517,910</u>
<b>Debt to GBV</b>	<b>62%</b>	<b>60%</b>
DOT Limit	70%	70%

***Current Debt to Total Market Capitalization – 38.3%***



# Boardwalk REIT 2007 Guidance

	<b>Revised Q1 2007 Objectives</b>	<b>Revised 2007 Objectives</b>
FFO Rental Operations	\$1.90 to 2.02	1.95 to \$2.04
Distributable Income	\$1.92 to 2.04	\$1.97 to \$2.05
New Unit Acquisitions	1,000 to 2,000	2,000 to 3,000
Stabilized Buildings NOI growth	8.50%	10.00%



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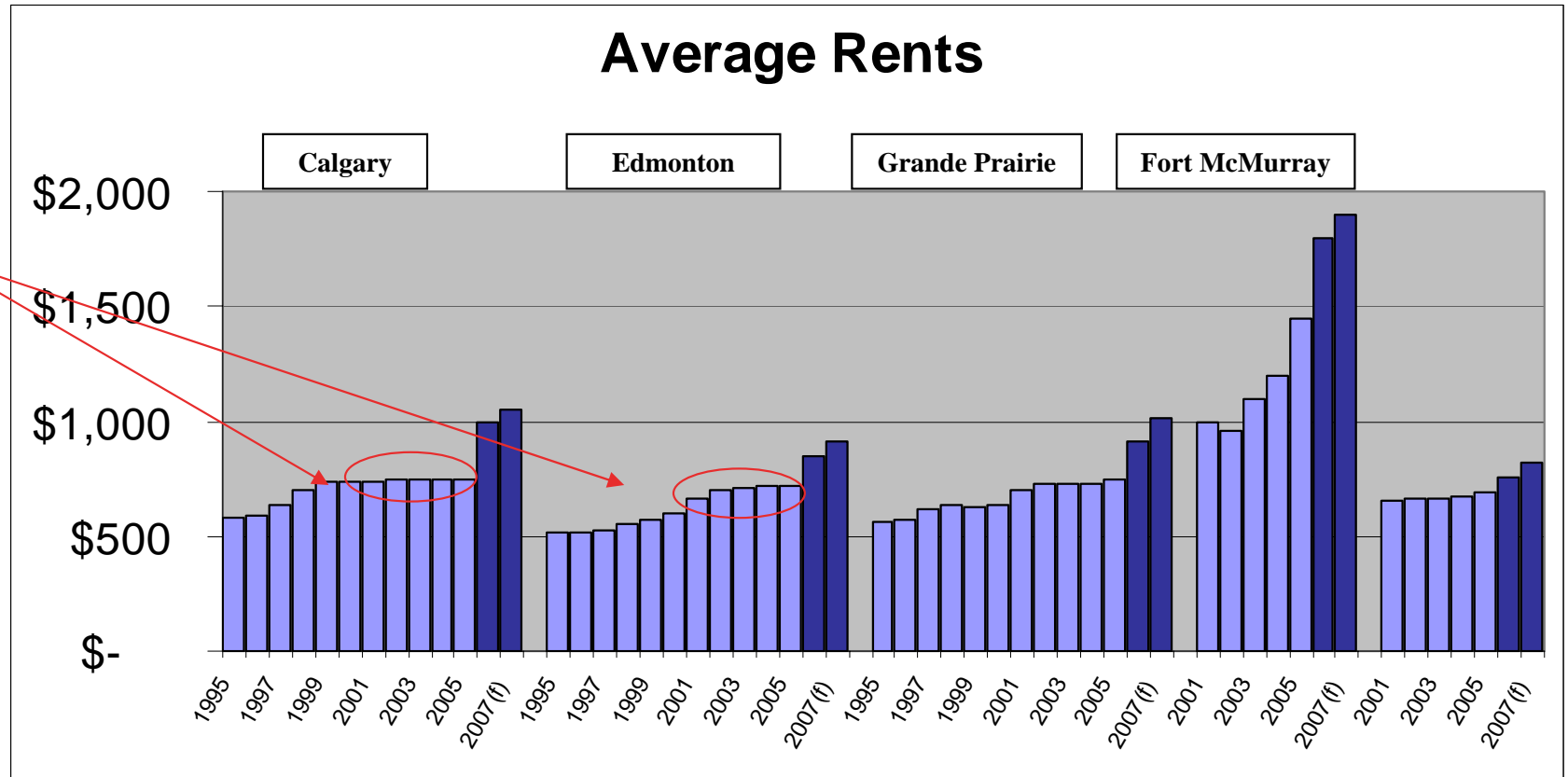
# BOARDWALK REAL ESTATE INVESTMENT TRUST

## APPENDIX



# Average Rental Rate Increases

CMHC statistics based on 2 bedroom apartments

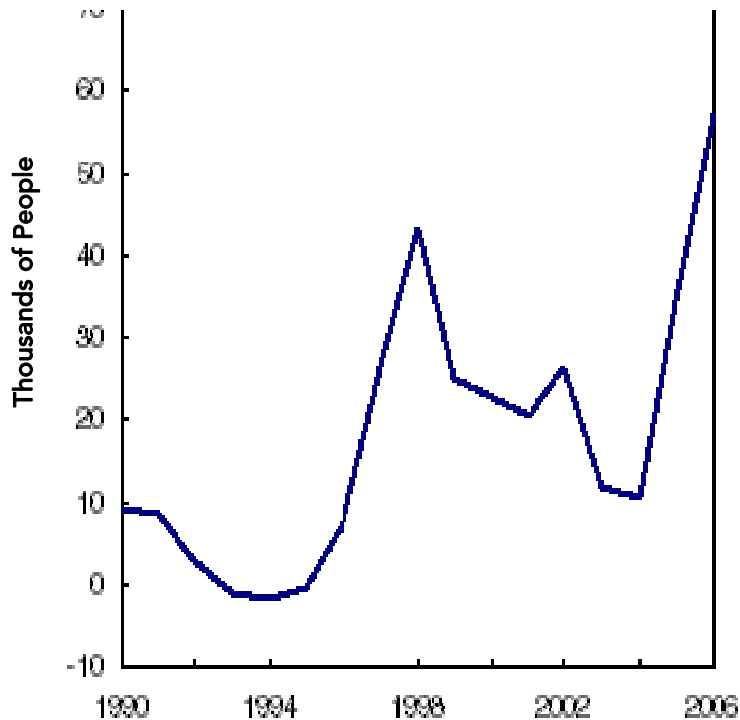


Summarized from CMHC data



# Alberta Net Migration & Average Earnings Gains

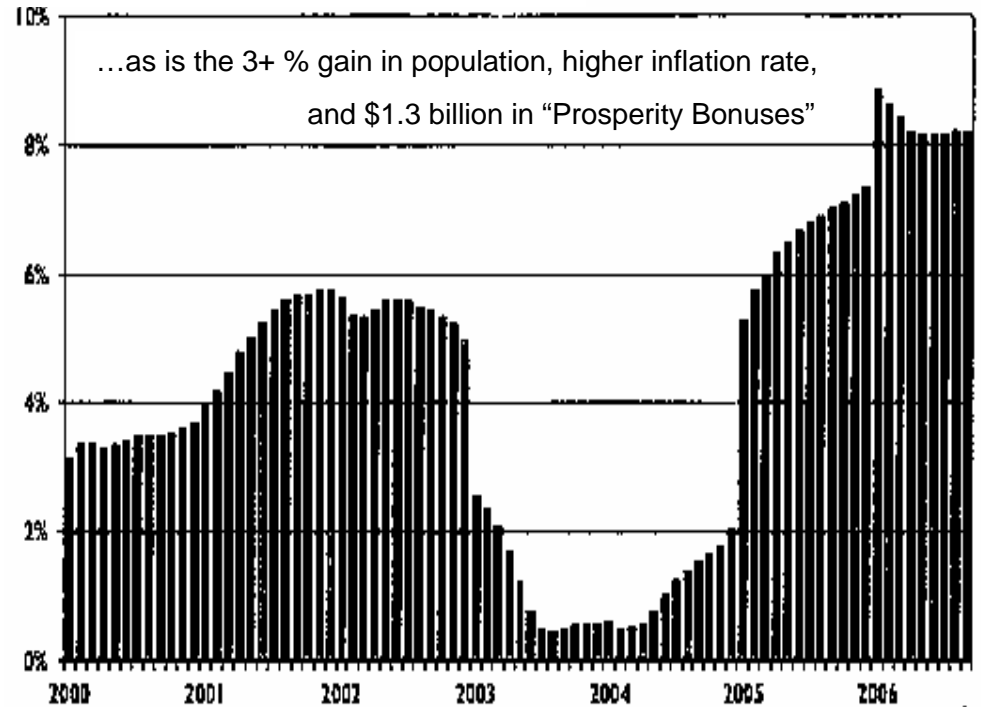
## Alberta Net Migration: Record inter-provincial migration to Alberta



Source: CMHC

## Alberta Average Weekly Earnings Gains:

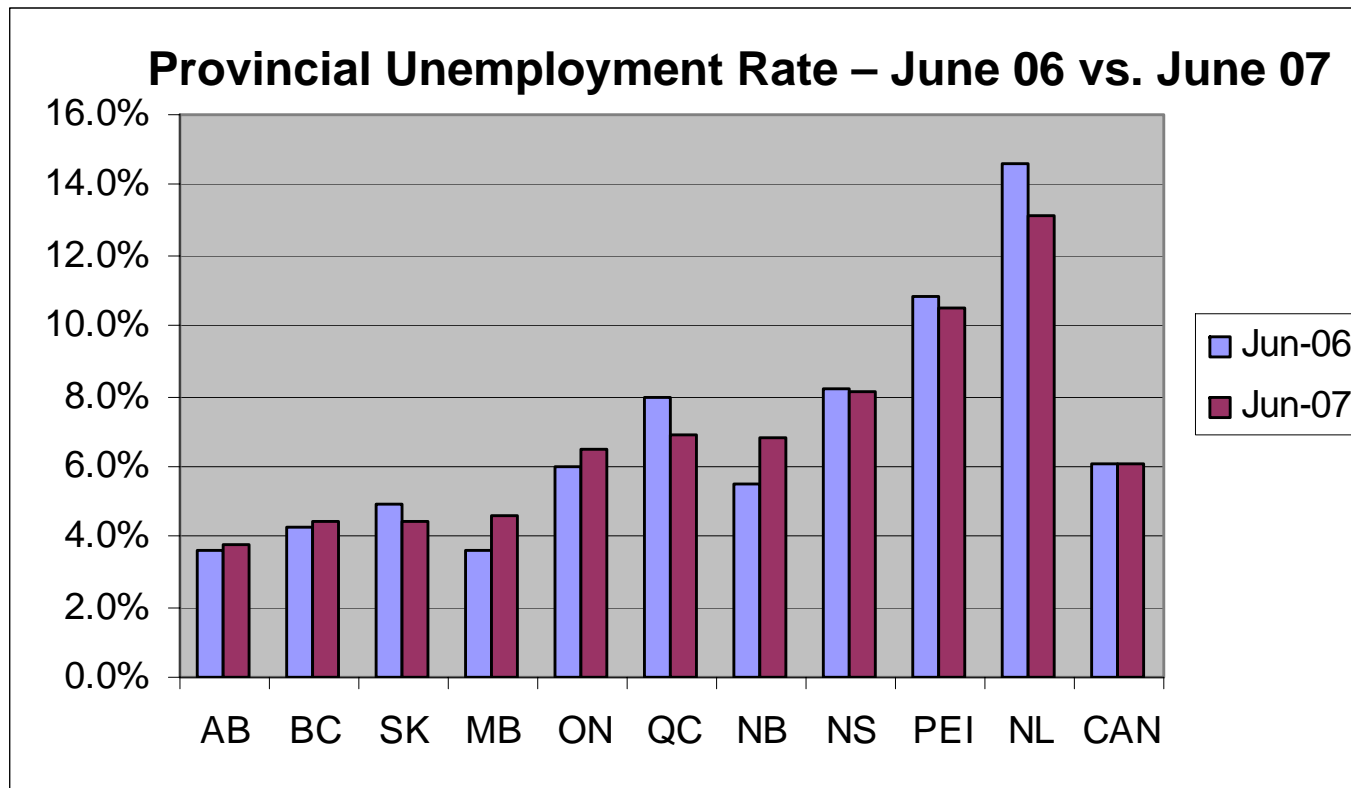
Alberta YTD yr/yr % change in AWE



Source: Statistics Canada



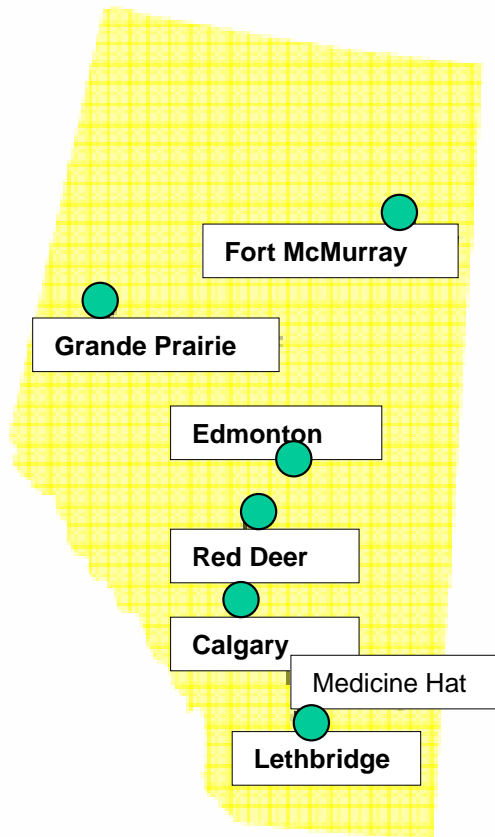
# Provincial Unemployment Rate



Source: Statistics Canada, Labour Force Survey



# Alberta Urban Centres – Vacancy



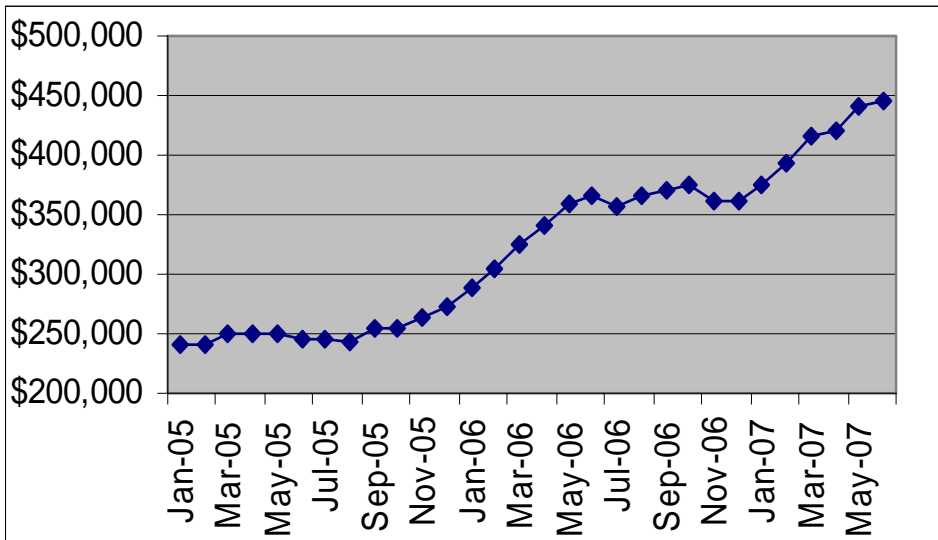
	Rental Apartment Vacancy Rate (October 2006)	Rental Apartment Vacancy Rate (April 2007)
<b>Wood Buffalo/ Fort McMurray</b>	0.2 %	0.2%
<b>Grande Prairie</b>	0.1 %	0.9%
<b>Edmonton</b>	1.2 %	1.1%
<b>Red Deer</b>	0.5%	2.1%
<b>Calgary</b>	0.5%	0.5%
<b>Medicine Hat</b>	1.0%	1.7%
<b>Lethbridge</b>	0.6%	1.3%
<b>Alberta All Urban Centres</b>	0.9%	0.9%
<b>Canada All Urban Centres</b>	2.7%	2.8%

Source: CMHC Rental Market Survey, October 2006 and April 2007

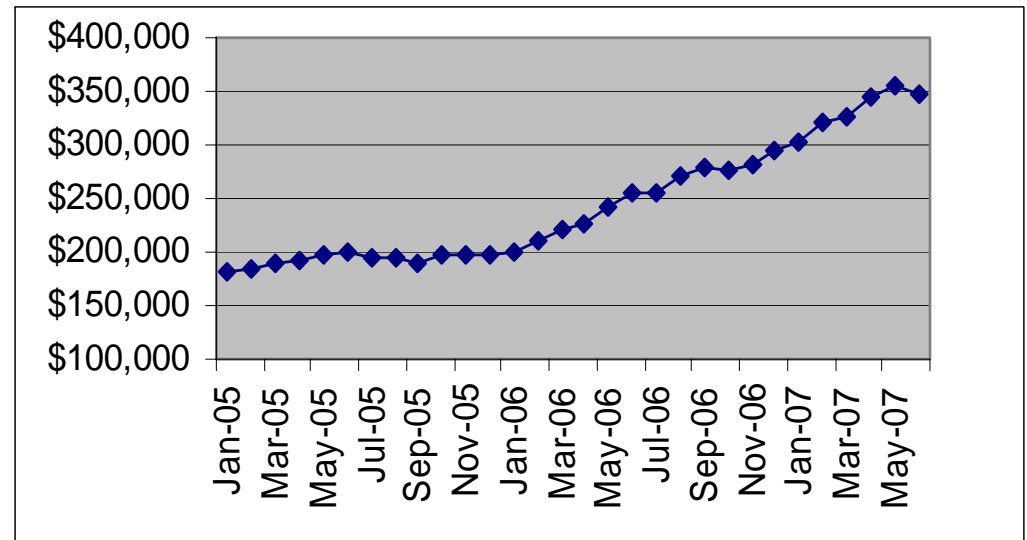


# Affordability for Homeownership Declining in Alberta

Calgary Average Residential Combined Sale Price



Edmonton Average Residential Combined Sale Price



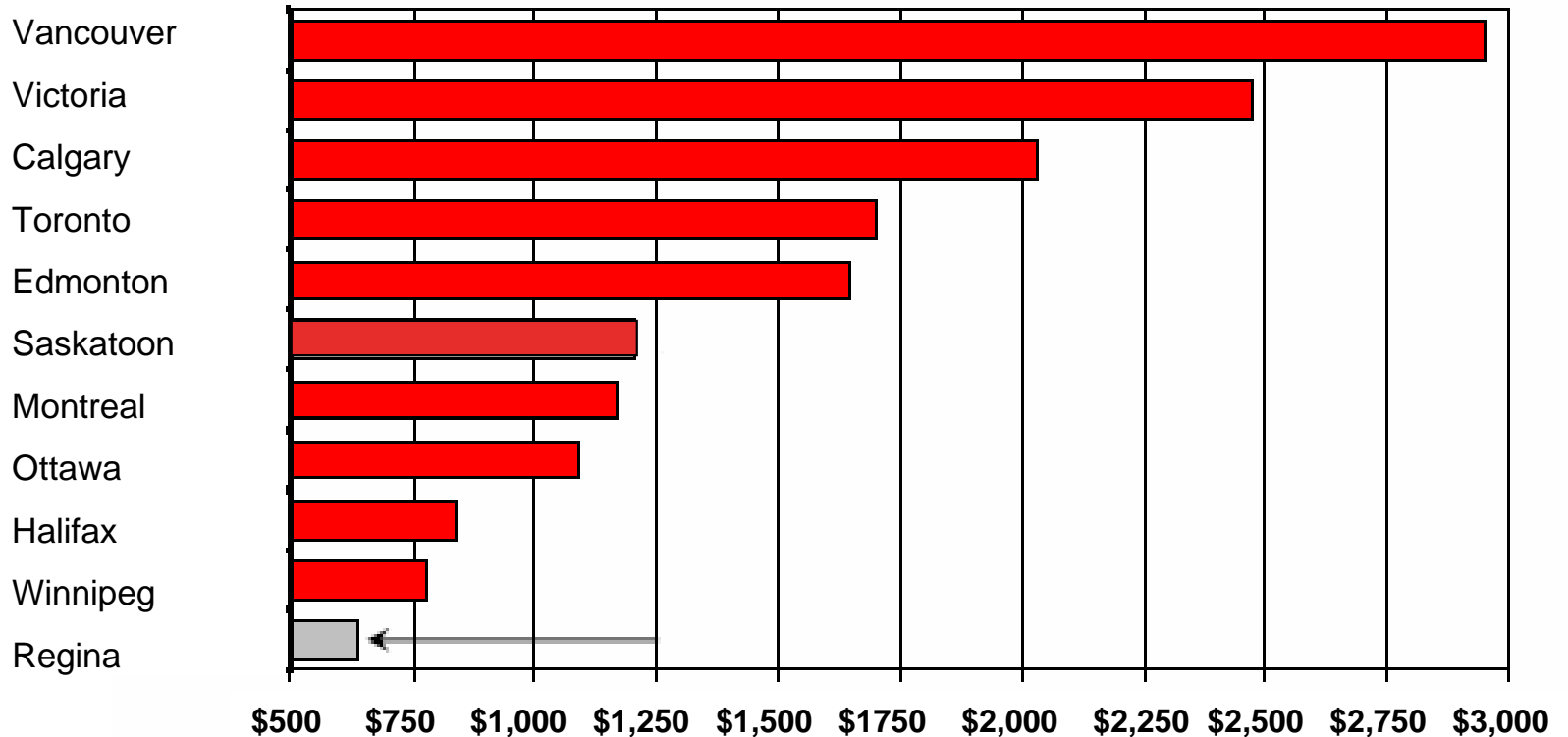
Source: Calgary Real Estate Board

Source: Edmonton Real Estate Board



# Mortgage Payments vs. Monthly Rent

*Monthly carrying costs minus average two bedroom rent (\$), April 2007*



**\*Regina has the lowest ownership premium of all major centres**



# Q2 - Distributable Income

(in 000's, except per unit amounts)

## Distributable Income Reconciliation

	3 Months			6 Months		
In \$000's, except per unit amounts	Jun-07	Jun-06	% Change	Jun-07	Jun-06	% Change
<b>Total Operating Cash Flows</b>	<b>\$38,316</b>	<b>\$21,377</b>		<b>\$60,918</b>	<b>\$37,731</b>	
Net change in operating working capital	(\$8,555)	\$857		(\$8,401)	\$1,705	
Add deferred financing costs amortization	\$1,100	\$693		\$2,379	\$1,469	
Deduct deferred financing costs amortization post May 2, 2004	(\$623)	(\$241)		(\$948)	(\$506)	
Mark-to-market debt adjustment post May 2004	(\$254)	(\$11)		(\$343)	(\$23)	
	<u>\$29,984</u>	<u>\$22,675</u>	<u>32.2%</u>	<u>\$53,605</u>	<u>\$40,376</u>	<u>32.8%</u>
Distributable income - per unit	<u>\$0.53</u>	<u>\$0.40</u>	<u>32.5%</u>	<u>\$0.95</u>	<u>\$0.74</u>	<u>28.4%</u>



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