

Rating Report

Report Date:
January 21, 2010
Previous Report:
March 3, 2009



Insight beyond the rating.

Boardwalk Real Estate Investment Trust

Analysts

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The Trust

Boardwalk is the largest owner and operator of multi-family residential rental properties in Canada, with a portfolio consisting of more than 260 properties, almost containing 31 million net rentable square feet, geographically focused in Alberta, as at September 30, 2009.

Recent Actions

March 3, 2009
Confirmed

Rating History

Current	2009	2008	2007	2006	2005
STA-3 (high)	STA-3 (high)	STA-3 (high)	STA-3 (high)	STA-3 (high)	STA-3 (high)

Stability Rating Summary

Legend						
Operating Characteristics	Asset Quality	Financial Profile	Diversification	Size & Market Position	Sponsorship & Governance	Growth

Stability Rating Update

DBRS has confirmed the stability rating of Boardwalk Real Estate Investment Trust (Boardwalk or the Trust) at STA-3 (high) as the Trust continues to maintain a solid stability profile with support from its conservative balance sheet, significant liquidity position, good access to low-cost Canada Mortgage and Housing Corporation (CMHC)-insured debt, and the largest multi-family residential portfolio in Canada, consisting of over 260 properties and 36,652 rental units. The rating confirmation also reflects the fact that Boardwalk portfolio continues to perform reasonably well and has benefited from lower operating and utility costs, and the favourable performance of its Saskatchewan, British Columbia and Québec properties, despite soft apartment fundamentals in the Trust's largest markets, including Edmonton (35.8% of Q3 2009 net operating income (NOI)) and Calgary (18.3% of Q3 2009 NOI). These predominantly oil and gas-based economies continue to experience high unemployment together with downward pressure on apartment market rental rates. Recognizing this, Boardwalk's management has proactively focused on increasing occupancy levels through rental rate adjustments and incentives. As at Q3 2009, portfolio occupancy held relatively steady at a solid 95.5%, with support from its properties in Calgary and Edmonton showing recent improvement in occupancy levels. DBRS notes that portfolio occupancy advanced into the 96% range during Q4 2009. (Continued on page 2.)

Rating Considerations

Strengths

- (1) Focus on multi-residential properties in Canada
- (2) Size and scale of multi-residential portfolio
- (3) Portfolio is well-diversified by property and tenant

Challenges

- (1) Portfolio exposed to geographic risks
- (2) Soft rental conditions in Ontario manufacturing and automotive-based markets and exposure to new rental supply
- (3) Operates in three regulated provinces, which limits rental rate increases

Financial Information

	9 mos.to	9 mos.to	12 mos.to	For the year ended December 31				
	Sept. 30	Sept. 30	Sept. 30	2008	2007	2006	2005	2004 (1)
Declared distributions per unit (\$)	1.35	1.35	1.80	1.80	1.59	1.30	1.26	1.26
Cash available for distribution per unit (\$)	1.73	1.57	2.24	2.09	1.83	1.34	1.11	1.17
Net income before extras. per unit (\$)	0.85	0.54	1.02	0.71	-1.24	0.27	-0.04	0.07
Total debt-to-total capital	101.6%	98.5%	101.6%	99.6%	93.0%	82.9%	83.9%	79.9%
Cash flow-to-total debt	0.06	0.06	0.06	0.06	0.06	0.06	0.05	0.05
EBITDA interest coverage	2.27	2.26	2.26	2.24	2.29	2.14	1.93	2.04
Return on average equity	n/a	45.2%	n/a	51.5%	-30.2%	4.9%	-0.6%	1.0%
Declared distributions/cash avail. for distribution	78.0%	86.1%	79.8%	86.0%	86.8%	96.8%	113.8%	n.a.
Market capitalization (\$ (millions))	2,032.0	1,921.2	2,032.0	1,366.9	2,481.8	2,326.8	1,127.8	979.8

(1) Boardwalk converted into a real estate investment trust on May 3, 2004.

**Boardwalk REIT****Report Date:**
January 22, 2010**Stability Rating Update** (Continued from page 1.)

Going forward, Boardwalk's markets in Alberta will likely continue to experience modest downward pressure on market rental rates until the oil and gas sector shows further signs of recovery. DBRS, however, takes comfort in the fact that the degree of decline in market rental rates for its Alberta markets appears to be slowing and should begin to stabilize throughout 2010, at which time management may consider increasing rents. However, DBRS believes any modest rental rate appreciation will likely be offset by higher operating costs during 2010.

Overall, DBRS believes that these market risks and near-term pressure on cash flow growth are manageable and are mitigated by the following factors, which provide underlying support to the Trust's stability profile. (1) Boardwalk maintains a low payout ratio and a strong liquidity position, with approximately \$200 million of cash on hand, an unused credit facility totalling \$198 million and unencumbered assets (2,125 rental units excluding 855 rental units that are pledged against the Trust's undrawn credit facility). (2) Boardwalk has access to attractive financing, with spreads of 100 to 110 basis points (bps) on CMHC financing. DBRS notes that this source of capital continues to positively differentiate Boardwalk from other real estate segments in terms of availability of capital. Approximately 99% of the Trust's mortgages are CMHC insured, which generally have lower refinancing risk and lower interest rates than non-government-backed mortgages. DBRS does not anticipate any refinancing challenges on upcoming debt maturities in 2010 and expects the Trust to continue to benefit from favourable refinancing activity in 2010. (3) DBRS expects Boardwalk's financial profile to remain fairly stable, with EBITDA interest coverage ratios of around 2.25 times. In addition, DBRS does not expect any meaningful property acquisitions given currently high property valuations. In the absence of property acquisitions, Boardwalk will likely use available financial flexibility to fund debt reduction and its unit repurchase program while remaining within DBRS's parameters for the Trust's current rating category.

Operating Characteristics**Superior** **Strengths**

- (1) Multi-family residential property ownership is one of the more stable segments of real estate and compared with other real estate assets, such as office and retail, is not as easily influenced by the economy.
- (2) Boardwalk's portfolio has consistently achieved stable occupancy levels, with a solid occupancy rate of 95.5% as at Q3 2009.
- (3) The Trust's property portfolio is well-maintained and is located in predominantly energy- and resource-based markets, namely Edmonton, Calgary and Saskatchewan.
- (4) The Trust has purchased most of its properties below replacement cost.

Challenges

- (1) Tenant leases are relatively short compared with other real estate assets, averaging six to 12 months in term.
- (2) Boardwalk operates in three (British Columbia, Ontario and Québec) of five government-regulated residential rental markets in Canada (representing 34% of its total rental units) that have guidelines in place to limit increases in rental rates.
- (3) Several of the Trust's eastern Canadian markets, including southwestern Ontario, continue to experience soft apartment rental conditions due to challenging economic conditions that have led to rising unemployment levels, particularly in the manufacturing and automotive sectors. Also, the Trust's core markets, such as Calgary, have a significant amount of condominium construction that could enter the rental market and put increasing pressure on apartment fundamentals or slow any recovery within these markets.
- (4) The residential sector is cyclical and sensitive to new supply and changes in interest rates, particularly a low interest rate environment.



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Asset Quality

Superior

The asset quality of the property portfolio is Superior and reflects the following:

- The Trust's properties have long operating lives and require minimal maintenance capital expenditures compared with other income trust sectors.
- Maintenance capital expenditures are manageable and are expected to range from \$15 million to \$20 million per annum (\$450 per rental unit) for general common area renovation and building improvements.
- Overall, the properties are well maintained, with a majority of them having undergone renovations during the past several years.

Financial Profile

Moderate

	9 mos. to Sept. 30 2009	9 mos. to Sept. 30 2008	12 mos. to Sept. 30 2009	For the year ended December 31				
	2009	2008	2009	2008	2007	2006	2005	2004 (1)
(\$ thousands)								
Net income (before extras.)	44,912	29,315	54,454	38,857	(69,646)	15,080	(2,012)	3,475
Depreciation and amortization	70,250	70,006	94,102	93,858	89,068	73,425	74,896	72,439
Deferred income tax	(8,867)	707	(9,259)	315	100,597	613	(493)	(1,698)
Cash Flow From Operations	106,295	100,028	139,297	133,030	120,019	89,118	72,391	74,216
Maintenance capital expenditures (2)	(14,554)	(14,213)	(19,419)	(19,078)	(16,885)	(14,427)	(13,532)	(12,713)
Cash Available For Distribution	91,741	85,815	119,878	113,952	103,134	74,691	58,859	61,503
Gross cash distributions	(71,637)	(74,102)	(95,815)	(98,280)	(88,144)	(70,952)	(66,990)	(42,333)
Dividends	0	0	0	0	0	0	0	0
Cash Available After Distributions	20,104	11,713	24,063	15,672	14,990	3,739	(8,131)	19,170
Change in working capital	(8,457)	(1,523)	4,554	11,488	6,419	4,458	6,401	7,512
Free Cash	11,647	10,190	28,617	27,160	21,409	8,197	(1,730)	26,682
(Acquisitions)/dispositions	11,478	(36,802)	12,333	(35,947)	(287,339)	(65,538)	(83,351)	(40,212)
Growth capital expenditures	(33,195)	(45,516)	(56,948)	(69,269)	(54,643)	(23,021)	(16,144)	(17,779)
Other investments	(942)	(891)	(1,446)	(1,395)	(1,050)	(537)	(1,759)	(824)
Cash Flow Before Financing	(11,012)	(73,019)	(17,444)	(79,451)	(321,623)	(80,899)	(102,984)	(32,133)
Equity financing (net)	(22,011)	(74,204)	(31,099)	(83,292)	(29,810)	69,367	2,202	26,771
Debt financing (net)	120,590	196,532	225,173	301,115	375,886	(5,382)	116,884	6,718
Other financing	(10,931)	(12,375)	(16,574)	(18,018)	(21,471)	(511)	(4,638)	(15,093)
Other cash adjustments	378	1,258	1,040	1,920	2,020	2,238	2,404	891
Net Change in Cash	77,014	38,192	161,096	122,274	5,002	(15,187)	13,868	(12,846)
Key Financial Ratios								
Total debt-to-total capital	101.6%	98.5%	101.6%	99.6%	93.0%	82.9%	83.9%	79.9%
Total debt/adjusted gross book value assets	61.8%	59.6%	61.8%	61.0%	65.0%	61.0%	63.0%	62.3%
Cash flow-to-total debt	0.06	0.06	0.06	0.06	0.06	0.06	0.05	0.05
EBITDA interest coverage	2.27	2.26	2.26	2.24	2.29	2.14	1.93	2.04
EBIT interest coverage	1.43	1.38	1.41	1.37	1.33	1.19	0.98	1.04

(1) Boardwalk converted into a real estate investment trust on May 3, 2004. (2) DBRS estimate.

Summary

Boardwalk continues to operate with a sound financial profile that has benefited from its low payout ratio, a positive free cash flow position, and reasonable balance sheet metrics.

Despite soft apartment fundamentals in the Trust's core markets, cash flow from operations and cash available for distribution continued to improve. This can be attributed to lower operating costs and utility costs, positive financing activity and organic cash flow growth, with support from solid portfolio occupancy levels and rental rate improvement in the Trust's Saskatchewan, British Columbia and Québec markets. As a result, Boardwalk maintained a conservative payout ratio and a positive free cash flow position for the 12-month period ended September 30, 2009.

Although Boardwalk's debt-to-capital ratio is higher than other Canadian real estate investment trusts (REITs), this ratio mainly reflects the old book value of the Trust's balance sheet and has been affected by Trust unit repurchases over the past couple of years.

Boardwalk's debt-to-adjusted gross book value (GBV) ratio remains relatively stable, at 61.8% as at Q3 2009. DBRS notes that this ratio was positively affected by an increase in the fair value adjustment to GBV to \$641 million from \$231 million in 2008. This adjustment to GBV was approved by the senior unsecured debenture holders on July 30, 2008.



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Outlook

Although cash flow growth will likely continue to moderate in 2010 from the strong levels achieved in recent years, Boardwalk’s financial metrics could benefit from lower average interest rates on refinancing activity in 2010. Despite a limit of 70% on its debt-to-GBV ratio as defined under its Declaration of Trust, and the increased debt capacity provided by the balance sheet revaluation, DBRS expects that the Trust will operate with EBITDA interest coverage in the 2.00 times to 2.50 times range, which is reflected in the current rating category. Future maintenance capital expenditures are expected to range from \$15 million to \$20 million per annum, which is manageable with internal cash flow.

DBRS does not expect Boardwalk to make any meaningful acquisitions in 2010, given currently high property valuations. In the absence of property acquisitions, DBRS expects the Trust to use available liquidity and financial flexibility to fund debt reduction and its unit repurchase program. DBRS also believes that the Trust’s financial flexibility and solid liquidity position totalling \$398 million will permit it to take advantage of any property investment opportunities that may arise in the near term.

Overall, DBRS expects Boardwalk’s financial profile to remain relatively stable, with underlying support from its financial flexibility, good balance sheet metrics and access to low-cost CMHC-insured debt financing.

Debt Maturities and Liquidity

(as at Sept. 30, 2009)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>	<u>Total</u>
(\$ millions)	56.4	410.9	209.6	917.4	269.7	505.1	2,369.0
% of total debt	2.4%	17.3%	8.8%	38.7%	11.4%	21.3%	100.0%

Debt Outstanding	Maturity	Interest rate	Amount
Secured mortgage debt	various	various	2,178
Senior Unsecured Debentures	23-Jan-12	5.61%	112
Operating and Acquisition facility		prime/prime + 1%	0
Total Debt			<u><u>2,290</u></u>

Liquidity	Limit	Used	Available
Cash and cash equivalents			200
Operating and Acquisition facility	200	0	<u>198.2</u>
Total			<u><u>398</u></u>

Summary of Debt

As at Q3 2009, total debt outstanding mainly consisted of CMHC-insured fixed-rate mortgages (approximately 99% of total mortgages), which generally have lower refinancing risk and lower interest rates than non-government backed mortgages. The Trust’s remaining debt consists of \$112 million of senior unsecured debentures and \$200 million revolving credit facility. The weighted average term to maturity of Boardwalk’s debt is relatively short at approximately three years. Boardwalk could also continue to benefit from favourable refinancing rates on upcoming debt maturities in 2010. As at September 30, 2009, the Trust had a weighted-average interest rate of 4.62%, down from 4.91% on September 30, 2008.

Debt Maturities

Boardwalk’s debt maturity schedule is reasonable, with no more than \$410.9 million, or about 17.3%, in debt maturing in each year before the end of 2011. DBRS notes that Boardwalk has a significant amount of debt maturing in 2012 (36.2%), including \$112 million of senior unsecured debentures and mortgages on two large properties, the Trust’s Nuns’ Island portfolio and West Edmonton Village. Subsequent to Q3 2009, approximately \$216.8 million secured by the Nuns’ Island portfolio was extended to a maturity date of October 1, 2014. Excluding this amount, the Trust has approximately 29.6% of debt maturing in 2012. Overall, DBRS believes that refinancing risk on Boardwalk’s upcoming debt maturities is relatively low given its access to attractive financing rates on CMHC-insured mortgages. In addition, this source of financing continues to positively differentiate Boardwalk from other real estate segments in terms of the availability of capital.

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Liquidity

Boardwalk continues to maintain substantial liquidity totalling \$398 million, including \$200 million in cash and \$198.2 million available on its credit facility. In addition, financial flexibility is enhanced by the Trust's low payout ratio, access to CMHC financing, and unencumbered assets (2,125 rental units excluding 855 rental units that are pledged against the Trust's undrawn credit facility) Overall, DBRS believes that Boardwalk's financial flexibility and liquidity position are more than sufficient to fund upcoming capital commitments.

Diversification


Moderate 

Boardwalk has a Moderate score for diversification, reflecting two types of concentration:

- (1) The Trust is focused entirely on residential rental properties and, compared with other REITs, does not benefit from diversification by asset type.
- (2) Boardwalk's property portfolio has geographic exposure to the province of Alberta, where rental units are concentrated in two cities, Edmonton (33%) and Calgary (14%).

Geographic risks are partially offset by the Trust's reasonable dispersion of rental units across Ontario, Québec and Saskatchewan. Counterparty and property concentration risks are minimal and compare well to peers due to good property and tenant diversification across Boardwalk's portfolio. Over the longer term, the Trust may consider entering several under-weighted or new markets, such as Toronto, to further diversify its property portfolio.

Size & Market Position

Superior 

The Trust is ranked Superior for size and market position, reflecting the following:

- (1) As at September 30, 2009, the Trust had a market capitalization of more than \$2.03 billion, and is one of the largest REITs in Canada.
- (2) The portfolio has size and scale, with 36,652 rental suites containing almost 31 million rentable square feet across Canada.
- (3) The Trust has a notable presence and market expertise as the largest residential landlord in Calgary, Edmonton, Montréal, Windsor, Regina and Saskatoon.

Sponsorship & Governance

Moderate 

Founded in 1984 by Sam and Van Kalias, Boardwalk became a public company in 1994 and was converted into a trust on May 3, 2004. Boardwalk has a seasoned management team with more than 20 years of experience in operating multi-family residential properties in Canada. Property and asset management functions are both internal and under the full control of the Trust. An internalization of these functions better aligns the interests of management with those of unitholders. The board of trustees comprises six members, five of whom are unrelated to the Trust and provide a measure of independence.

As at September 30, 2009, management had an approximately 25% ownership in the Trust, mainly reflecting Sam and Van Kalias's ownership in the Trust.



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Growth

Moderate 

	9 mos. to	9 mos. to	12 mos. to	For the year ended December 31				
	Sept. 30	Sept. 30	Sept. 30	2008	2007	2006	2005	2004
Trust units outstanding as at (thousands)	52,711	53,815	52,711	53,477	55,709	56,352	53,224	53,108
Weighted-average trust units (basic) (thousands)	53,041	54,711	53,608	54,442	56,249	55,543	53,168	52,750
Net income before extras. per unit (\$)	0.85	0.54	1.02	0.71	-1.24	0.27	-0.04	0.07
Cash flow from operations per unit (\$)	2.00	1.83	2.60	2.44	2.13	1.60	1.36	1.41
Cash available for distribution per unit per unit (\$)	1.73	1.57	2.24	2.09	1.83	1.34	1.11	1.17
Declared distribution per unit (\$)	1.35	1.35	1.80	1.80	1.59	1.30	1.26	1.26
Declared distributions/cash avail. for distribution	78.0%	86.1%	79.8%	86.0%	86.8%	96.8%	113.8%	n/a
Declared distributions/cash flow from operations	67.3%	73.8%	68.7%	73.6%	74.6%	81.1%	92.5%	n/a

Despite soft apartment fundamentals in the Trust's largest market, Alberta, Boardwalk continued to achieve growth in per unit cash flow from operations and cash available for distribution over the nine-month period ended September 30, 2009. These results were mainly driven by favourable operating results in its British Columbia, Saskatchewan and Québec markets and significantly lower operating and utility costs across the portfolio, which have more than offset higher property taxes in Edmonton.

Going forward, DBRS expects Boardwalk's growth profile to remain under pressure in the first half of 2010 as any modest rental rate appreciation achieved in the Trust's stabilizing western Canadian markets will likely be offset by higher operating costs. DBRS, however, believes that the Trust's low payout ratio (DBRS-adjusted for maintenance capital expenditures) provides greater financial flexibility and a solid base to withstand the soft apartment fundamentals in the Trust's core markets.

DBRS expects the Trust's management to focus on reducing vacancy levels (2.5% target in 2010) by offering incentives and competitive rental rates in the Alberta markets. DBRS expects this to continue until these markets shows signs of stabilizing and employment growth prospects improve at which time rental rates will likely be adjusted upwards. DBRS does not expect any meaningful property acquisitions in 2010 given currently high property valuations. In the absence of property acquisitions, Boardwalk will likely use available financial flexibility to fund debt reduction and its unit repurchase program. Over the longer term, Boardwalk may explore different channels of growth, including development and redevelopment opportunities.

Portfolio Statistics

Region	rental units	Occupancy		Market rent (\$)	Occupied rent (\$)	Mark to market
		Q3 2009	Q3 2008	Sept 2009	Sept 2009	per month (\$)
Calgary	5,227	95.8%	96.9%	1,130	1,183	-53
Edmonton	12,144	94.9%	94.8%	1,042	1,094	-52
Other Alberta	2,646	91.4%	90.4%	1,046	1,056	-10
Total Alberta	20,017			1,067	1,115	-48
Regina	2,672	96.9%	95.8%	-	-	
Saskatoon	1,988	98.1%	97.9%	-	-	
Total Saskatchewan	4,660			1,014	985	29
Kitchener	329	97.8%	96.0%	-	-	
London	2,256	96.3%	95.3%	-	-	
Windsor	1,680	92.5%	90.6%	-	-	
Total Ontario	4,265			780	776	4
Montreal	4,947	97.0%	96.4%	-	-	
Quebec City	1,488	97.5%	97.8%	-	-	
Other Quebec	321	96.5%	95.9%	-	-	
Total Quebec	6,756			948	930	18
Vancouver	656	93.2%	97.2%	-	-	
Victoria	257	98.6%	96.0%	-	-	
Other British Columbia	41	96.9%	97.0%	-	-	
Total British Columbia	954			975	985	-10
Total Portfolio	36,652	95.5%	95.4%	1,002	1,021	-19

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Boardwalk is the largest owner and operator of multi-family residential properties in Canada, with approximately 36,652 rental suites as at Q3 2009.

The property portfolio comprises over 260 multi-family residential properties including: (1) mid-sized suburban and downtown apartment buildings and (2) regional, mid-sized community and neighbourhood residential centres located in urban markets.

The Trust has developed a good presence and market expertise as the largest multi-family property landlord in Calgary, Edmonton, Montréal, Windsor, Regina and Saskatoon.

With market rental rates decreasing year-over-year, particularly in Alberta, the spread between Boardwalk's in-place rents and market rents has fallen to a loss to lease of -\$19 for the Trust's total portfolio. DBRS notes that the Trust's Saskatchewan, Québec and Ontario portfolios have in place rental rates that are \$29, \$18 and \$4 below market, respectively. Despite lower market rents, Boardwalk has successfully managed its portfolio occupancy levels (95.5% as at Q3 2009) by adjusting its rental rates accordingly. Overall, DBRS believes Boardwalk will place greater focus on maintaining or improving portfolio occupancy rates than improving rental rates in 2010. DBRS expects that any rental rate appreciation will likely be limited given the challenging economic conditions, the potential for new rental supply (condominium completions), and with home-ownership still an affordable option.

Over the past year, Boardwalk made no property acquisitions and was a net seller, with two property dispositions. Subsequent to Q3 2009, the Trust sold two properties in Québec for a combined sale price of \$18.4 million.

In 2010, property acquisitions will likely remain well below the Trust's targeted 1,000 to 2,000 units per year, at least until apartment cap rates increase. In addition, Boardwalk will continue to review its portfolio for opportunities to make selective non-core asset dispositions.

Net Operating Income by Geography

	<u>9 mos. to</u>					
	<u>Sept. 30</u>	<u>For the year ended December 31,</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Alberta	62%	61%	63%	58%	55%	56%
Saskatchewan	13%	12%	10%	10%	11%	12%
Ontario	7%	7%	8%	9%	10%	11%
Québec	16%	17%	17%	20%	22%	21%
British Columbia	3%	3%	3%	3%	2%	0%
Total	100%	100%	100%	100%	100%	100%

Boardwalk has a geographic focus in Alberta, mainly in the Edmonton and Calgary markets, where properties contributed 62% of total NOI for the nine-month period ended September 30, 2009. Boardwalk partially offsets its geographic concentration and exposure to resource-based economies with properties in markets outside of Alberta that have diverse economies and large population bases, particularly Québec (represents 16% of NOI) and Ontario (7%).

Boardwalk's same portfolio (36,290 rental units) NOI growth (+5.9% for the nine months ended September 30, 2009) has moderated with slowing growth the Trust's core markets, Edmonton (4.1%) and Calgary (+2.2%). DBRS notes that most of this growth was driven by lower natural gas prices and operating costs across most of the Trust's markets during the period.

DBRS expects flat to slightly negative NOI growth in 2010 as rental rate declines will likely offset improving occupancy rates and lower operating costs during the year.



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Rental Unit Diversification by Geography

	<u>Sept. 30</u>	<u>Dec. 31,</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Alberta						
Edmonton	33%	33%	33%	33%	31%	32%
Calgary	14%	14%	14%	14%	15%	15%
Red Deer	3%	3%	3%	3%	3%	3%
Grand Prairie	2%	2%	2%	1%	1%	1%
Fort McMurray	1%	1%	1%	1%	1%	1%
Other	2%	2%	2%	2%	1%	1%
Saskatchewan						
Regina	7%	7%	7%	8%	8%	8%
Saskatoon	5%	5%	5%	6%	6%	6%
Québec						
Montréal	14%	13%	14%	14%	14%	14%
Québec City	4%	4%	4%	4%	5%	4%
Gatineau	1%	1%	1%	1%	1%	1%
Ontario						
London	6%	6%	6%	6%	7%	7%
Windsor	5%	5%	5%	5%	5%	5%
Kitchener	1%	1%	1%	1%	1%	1%
British Columbia						
Vancouver	2%	2%	2%	2%	1%	1%
Victoria	1%	1%	1%	1%	1%	1%
Coquitlam	0%					
Total Portfolio	100%	100%	100%	100%	100%	100%

Boardwalk's properties are located in 20 markets across five Canadian provinces. The Trust's largest market exposures are in the Edmonton (33% of the total rental units), Calgary (14%) and Montréal (14%) markets, as at Q3 2009. All other markets are not greater than 7% of Boardwalk's total rental units. The Trust has 34% of its rental units located in regulated rent-controlled markets that are at risk of changes to existing and new guidelines set by provincial governments annually.

Following several years of acquisition activity focused mainly in Alberta and British Columbia, Boardwalk has not acquired a property in over a year and was a net seller in 2009 with two property dispositions (64 rental units in Lévis, Québec and 133 rental units in Surrey British Columbia) for total proceeds of \$16.3 million. DBRS attributes the lack of portfolio growth to currently high apartment valuations (i.e. low cap rates), which has made it difficult for the Trust to find accretive acquisitions. DBRS also notes that the Trust has no intention, at least in the near term, of acquiring properties in Ontario due to a significant pipeline of condominium development and challenging economic conditions in the province.

DBRS expects Boardwalk to continue to operate with its current market composition and does not expect any meaningful property acquisitions until apartment valuations improve from an acquisition point of view.



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Regulated Rental Markets

Rent controlled markets	<u>British Columbia</u>	<u>Manitoba</u>	<u>Ontario</u>	<u>P.E.I.</u>	<u>Quebec</u>
Allowable max. rent increase/yr.	2010: 3.2%	2010: 1.0%	2010: 2.1%	2010: 2.0%	> 12 mos: no limit < 12 mos: no increase permitted
Rent increase notice requirement	3 months	3 months	90 days	10 days	2 months
Details	Gov't sets max. increase permitted each year	Gov't sets max. increase permitted each year	Gov't sets max. increase permitted each year	Gov't sets max. increase permitted each year	Landlord/tenant agree on rent increase

Non-rent controlled markets	<u>Alberta</u>	<u>Newfoundland</u>	<u>NWT</u>	<u>Nova Scotia</u>	<u>Nunavut</u>	<u>Saskatchewan</u>	<u>Yukon</u>	<u>New Brunswick</u>
Rent increase notice requirement	Weekly: 12 weeks Montly: 3 months	3 months	3 months	4 months	3 months	Weekly: 3 weeks Montly: 3 months	3 months	3 months
Details	Only one rent increase per year permitted		Only one rent increase per year permitted	Only one rent increase per year permitted			No rent increase allowed in first year	

As shown in the table above, the Trust operates in three (Ontario, Québec and British Columbia) of five Canadian provinces that have government regulations in place to limit increases in residential rental rates.

However, in rent-controlled jurisdictions, rental rates can be re-adjusted to market rates on a new tenant lease, after which annual increases are limited to set guideline amounts. In addition, landlords may apply for an increase above the set guideline if there are any extraordinary costs, including capital expenditures.

In Ontario, the 2010 guideline for annual rental-rate increases is 2.1% and the tenant must be notified at least 90 days before the rent increase takes effect.

In Québec, rental rate increases are not fixed. They are determined by the property's capital expenditures and net income levels.

In British Columbia, landlords must give the tenant three months' notice before increasing rents. For 2010, annual rental rate increases are capped at 3.2%.

DBRS notes that on April 24, 2007, the Alberta provincial government announced that legislated rent control will not be instituted in Alberta. Rental increases are allowable only once per year, from the former twice a year. No limits to rental increases were legislated.

DBRS does not anticipate rent control legislation in the province of Saskatchewan in the foreseeable future.



Boardwalk REIT

Report Date:
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Boardwalk Real Estate Investment Trust

Balance Sheet (\$ thousands)	Sept. 30 As at December 31			Sept. 30 As at December 31		
	2009	2008	2007	2009	2008	2007
Assets				Liabilities & Equity		
Income properties	2,174,914	2,200,861	2,156,146	Long-term debt	2,178,621	2,057,314
Cash and cash equivalents	200,248	123,234	960	Unsecured debentures	111,758	119,073
Accounts receivables	2,888	6,722	10,071	Accounts payable	43,488	55,946
Deferred financing costs	0	0	0	Other liabilities	108,610	118,098
Other assets	27,634	28,107	28,711	Unitholders equity	-36,793	8,493
Total Assets	2,405,684	2,358,924	2,195,888	Total Liab. and Equity	2,405,684	2,358,924

Balance Sheet & Liquidity Ratios	9 mos. to	9 mos. to	12 mos. to	For the year ended December 31					
	Sept. 30	Sept. 30	Sept. 30	2009	2008	2007	2006	2005	2004 (1)
Total debt-to-total capital	101.6%	98.5%	101.6%	99.6%	93.0%	82.9%	83.9%	79.9%	
Net debt-to-total capital	101.8%	98.5%	101.8%	99.6%	93.0%	82.9%	83.8%	79.9%	
Total debt/adjusted gross book value assets	61.8%	59.6%	61.8%	61.0%	65.0%	61.0%	63.0%	62.3%	
Cash flow-to-total debt	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.05	
Coverage Ratios									
EBITDA interest coverage	2.27	2.26	2.26	2.24	2.29	2.14	1.93	2.04	
EBIT interest coverage	1.43	1.38	1.41	1.37	1.33	1.19	0.98	1.04	
Profitability Ratios									
Net rental margin	65.0%	62.7%	64.0%	62.3%	62.4%	59.5%	62.7%	63.3%	
Cash flow return on average equity	n/a	154.2%	n/a	176.4%	52.0%	29.0%	22.2%	22.4%	
Cash flow return on average capital	11.4%	11.6%	11.5%	11.4%	10.9%	9.2%	8.6%	8.7%	
G&A/total revenue	6.2%	5.8%	6.0%	5.7%	5.7%	5.3%	9.3%	8.3%	
Operating Statistics									
Number of rental units	36,587	36,785	36,587	36,785	36,487	34,207	33,298	32,159	
Portfolio occupancy	95.5%	95.1%	95.5%	95.1%	95.7%	96.2%	95.4%	95.2%	

Income Statement (\$ thousands)	9 mos. to	9 mos. to	12 mos. to	For the year ended December 30					
	Sept. 30	Sept. 30	Sept. 30	2009	2008	2007	2006	2005	2004 (1)
Rental revenue	323,420	315,855	431,525	423,960	375,231	320,607	300,708	282,510	
Operating expense	(113,153)	(117,778)	(155,209)	(159,834)	(140,903)	(129,816)	(112,234)	(103,787)	
Net rental revenue	210,267	198,077	276,316	264,126	234,328	190,791	188,474	178,723	
General and administrative	(19,911)	(18,350)	(25,739)	(24,178)	(21,267)	(17,114)	(27,890)	(23,460)	
EBITDA	190,356	179,727	250,577	239,948	213,061	173,677	160,584	155,263	
Gross interest expense	(83,796)	(79,695)	(111,015)	(106,914)	(92,995)	(81,014)	(83,031)	(76,289)	
Other (income)/expenses	0	0	0	0	0	0	0	0	
Income Before Non-Cash Items	106,560	100,032	139,562	133,034	120,066	92,663	77,553	78,974	
Depreciation & amortization	(70,512)	(70,006)	(94,364)	(93,858)	(89,100)	(77,000)	(79,335)	(75,577)	
Net Income Before Income Tax	36,048	30,026	45,198	39,176	30,966	15,663	(1,782)	3,397	
Income tax	8,864	(711)	9,256	(319)	(100,612)	(583)	(230)	78	
Net Income Before Extra.	44,912	29,315	54,454	38,857	(69,646)	15,080	(2,012)	3,475	
Extraordinary items	2,276	5,501	3,603	6,828	10,320	10,309	7,042	1,304	
Reported Net Income	47,188	34,816	58,057	45,685	(59,326)	25,389	5,030	4,779	
Distributions declared	(71,520)	(73,863)	(95,629)	(97,972)	(89,528)	(72,312)	(66,997)	(47,915)	
Net Remaining	(24,332)	(39,047)	(37,572)	(52,287)	(148,854)	(46,923)	(61,967)	(43,136)	

(1) Boardwalk converted into a real estate investment trust on May 3, 2004.

Earnings Per Trust Unit (Basic)	Weighted-average trust units (thousands) (basic)								
	2009	2008	2007	2009	2008	2007	2006	2005	2004 (1)
Weighted-average trust units (thousands) (basic)	53,041	54,711	53,608	54,442	56,249	55,543	53,168	52,750	
Cash available for distribution per unit (\$)	1.73	1.57	2.24	2.09	1.83	1.34	1.11	1.17	
Net income before extras, per unit (\$)	0.85	0.54	1.02	0.71	(1.24)	0.27	(0.04)	0.07	
Reported net income per unit (\$)	0.89	0.64	1.08	0.84	(1.05)	0.46	0.09	0.09	
Gross cash distributions per unit (\$)	1.35	1.35	1.79	1.81	1.57	1.28	1.26	0.80	
Declared distributions per unit (\$)	1.35	1.35	1.80	1.80	1.59	1.30	1.26	1.26	
Earnings Per Trust Unit (Diluted)	Weighted average trust units (thousands) (diluted)								
	2009	2008	2007	2009	2008	2007	2006	2005	2004 (1)
Weighted average trust units (thousands) (diluted)	53,053	54,716	53,611	54,442	56,249	55,543	53,168	52,750	
Cash available for distribution per unit (\$)	1.73	1.57	2.24	2.09	1.83	1.34	1.11	1.17	
Gross cash distributions per unit (\$)	1.35	1.35	1.79	1.81	1.57	1.28	1.26	0.80	
Payout Ratio									
Declared distributions/cash avail. for distribution	78.0%	86.1%	79.8%	86.0%	86.8%	96.8%	113.8%	n/a	
Declared distributions/cash flow from operations	67.3%	73.8%	68.7%	73.6%	74.6%	81.1%	92.5%	n/a	

**Boardwalk REIT****Report Date:**
January 22, 2010**Rating History**

Current	2009	2008	2007	2006	2005
STA-3 (high)	STA-3 (high)	STA-3 (high)	STA-3 (high)	STA-3 (high)	STA-3 (high)

Notes:

All figures are in Canadian dollars unless otherwise noted.

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