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### Boardwalk REIT loses \$97.5 million in Q2, reversing \$4M profit last year after writedown

August 10, 2007 - 0:21 pm

CALGARY (CP) - Boardwalk Real Estate Investment Trust (TSX:BEI.UN) raised its financial guidance Friday despite posting a \$97.5 million net loss for the second quarter as the Calgary-based apartment and townhouse owner took a big non-cash charge to reflect proposed new taxes on trusts.

The company, which is benefiting from strong growth in the Western Canadian economy, said it's raising its forecast for 2007 funds from operations - a key measure of financial performance. Boardwalk said it expects to generate between \$1.95 to \$2.04 a unit, up from an earlier expected range of \$1.90 to \$2.02.

In its financial report, the trust reported a big net loss because of a \$111 million non-cash tax related charge linked to future taxes the property owner must pay when the federal government begins taxing trusts as corporations in 2011.

That charge produced the whopping net loss, amounting to \$1.73 per unit, compared with a net profit of \$4.1 million or seven cents for the same 2006 period.

However, rental revenues jumped more than 18 per cent to \$92.4 million from \$78.2 million as the company generated higher rents in fast-growing cities like Calgary and Edmonton. Meanwhile, funds from operations jumped to \$29.8 million from \$22.2 million and distributable income increased to \$30 million from \$22.7 million.

"Demand for our rental units remained strong through the second quarter," said CEO Sam Koliass. "Economic expansion continues to drive demand for rental accommodation in our British Columbia, Alberta and Saskatchewan markets, resulting in downward pressure on vacancy rates.

"Our Western markets, which make up in excess of 69 per cent of our total apartment portfolio, continue to see strong revenue growth, with the largest growth in our Edmonton, Calgary and Saskatchewan markets. Average market rents were up approximately \$107 in Edmonton at the end of Q2 over Q1; \$54 in Saskatoon and \$31 in Regina. In Calgary, the rental market remains strong, though early indicators suggest market fundamentals are moderating slightly. Still, market rents were up approximately \$37 in Calgary . . ."

In another development, Boardwalk said it plans to buy back up to 4.3 million units, or about 10 per cent of its outstanding capital stock, in a move to boost the property company's value.

By buying back its units, Boardwalk reduces its equity base, spreading profits over fewer units. That increases its return on equity and earnings per unit, key ratios used to determine a company's financial health and investment rating.

In addition, most share or unit buybacks lead to price increases as there are fewer

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securities on the market for investors.

Bill Chidley, senior vice-president of corporate development, said the company acquired 1,703 apartment units so far this year in strong Western markets and will expand its acquisition budget to make even more purchases.

"Currently, our primary focus is in the strong Western Canadian market, most particularly the Lower Mainland and Victoria areas in British Columbia, the entire Province of Alberta, and the major centres in Saskatchewan," Chidley said.

"The acquisition market for multi-family rentals in Canada continues to be a highly competitive 'seller's market'. We are in discussion on a number of possible acquisitions; however, we cannot be certain of closing on any of these transactions."

Boardwalk REIT owns and operates more than 260 properties with about 35,800 units, making the trust Canada's largest owner-operator of multi-family rental communities.

Boardwalk REIT's portfolio is concentrated in Alberta, British Columbia, Saskatchewan, Ontario and Quebec.

In Friday trading on the Toronto Stock Exchange, Boardwalk units fell 86 cents to \$45.14, a drop of 1.9 per cent.

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