

Hello everyone,

Canada Mortgage and Housing Corporation (CMHC) has recently released its second quarter 2005 Canadian Housing Market Outlook report. We have summarized some of this information below to provide additional color on current rental and housing market fundamentals. We have also included some selected charts and graphs from the report for your reference. CMHC's Housing Outlook, Canada Edition, is a subscriber based report service. For subscription inquiries please contact CMHC directly at: [Market Analysis Centre@cmhc-schl.gc.ca](mailto:Market_Analysis_Centre@cmhc-schl.gc.ca) or call 1-613-748-2006.

National Housing Starts:

Housing starts are expected to decline by 7.3% to 216,400 starts in 2005 versus 2004. A further decline by 7.5% in 2006 is forecast as the continued rise in mortgage rates will erode affordability. This is especially true for first-time home buyers who have little equity and who may not be able to contend with rising carrying costs. The gap between the cost of renting and owning a home has increased, resulting in reduced homeownership (currently this gap sits at over \$800 per month between renting a 2-bedroom apartment versus a new condominium). CMHC confirms that the pent-up demand for homeownership that was built up during the 1990's is gradually being satisfied, pointing towards housing starts moving in line with long-term demographic fundamentals. In addition, the increase in new listings in the resale market reduces spillover of buyers moving towards new homeownership and will thus contribute to further declines in housing starts. Rising construction costs and resale prices will also continue to play a major factor. Average home prices continue their upward trajectory at 6.8% in 2005 and 4.3% in 2006.

With national rental vacancy rates increasing slightly to 2.7% in October 2004 versus 2.2% in the same period last year, and given the factors above, future rental housing starts have and will be very limited. Multiple dwelling starts will continue to moderate in 2005 to 99,000 and 92,700 units in 2006, down 4.2% and 7.2%, respectively.

Migration:

The current target range for immigration levels is between 220,000 and 245,000 new residents to Canada per year. The Department of Citizenship and Immigration has recently announced a new process to speed up sponsorship applications for parents and grandparents coming to Canada. Recovering immigration levels is expected to boost demand for rental accommodations, as this housing type is typically a first choice among new residents. Going forward, CMHC predicts that new immigration numbers will reach 245,000 new annual arrivals by 2009, which is at the upper range of the Department of Citizenship and Immigration's target. In 2004, over 235,000 immigrants came to Canada, up from 221,000 in the same period last year.

Interprovincial migration also plays a big factor among population growth, and thus overall housing demand. The province of Alberta, where over 50% of Boardwalk's portfolio is held, continues to attract the majority of interprovincial migrants. Alberta is

set to gain approximately 50,000 persons from international and interprovincial migration in 2006. The Alberta economy is projected to grow at an average rate of 3.6% for the period from 2005 to 2009, meaning the province will have the lowest unemployment rate among all provinces within the forecast period. Despite the continued growth in population, new home construction will stabilize around 28,000 units in the 2008 to 2009 period. This is down significantly from the over 111,000 starts in the province in the 2002 to 2004 period.

British Columbia, Boardwalk's newest provincial market, is expected to almost match Alberta's interprovincial migration pace by 2009. Net interprovincial migration doubled for British Columbia in 2004 and will continue to climb. Ontario is expected to see a net outflow of interprovincial migrants over the next 5 years due to a slower pace of manufacturing employment growth coupled with high housing costs which will cause migrants to look elsewhere during 2005 and into 2006. Furthermore, Ontario housing starts have outpaced household formation rates since 2001. These housing starts have peaked at 85,000 units in 2004 and are expected to fall to 65,000 units by 2009. Increases in immigration levels in Quebec have added more than 120,000 residents to the population from the period between 2000 and 2004. In addition, the provinces growing seniors population is spurring demand for multi-family type accommodations which would include rentals.

We hope that you have found this information useful as we look forward to providing further updates to all investors in a timely manner.

Please call Sam Kalias, Rob Geremia or myself if there are any questions.

Best regards.

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