

October 25, 2004

Dear Investor,

We thought we would share with you some recent information published by TD Economics and BMO Financial Group.

The first report, by TD Economics entitled "Room for Rent", touches on various fundamental issues affecting rental markets such as condominiums, declining affordability in home ownership due to interest rate increases, effect on rental investment returns and demographic trends.

Overall the report reflects our second quarter discussions with respect to overall revenues flat at best to slightly negative in our biggest market, Edmonton. This is compared to prior record years of course. It would be reasonable to expect overall expenses to increase as per the report. One significant factor the report misses is the savings landlords have and will continue to realize with interest rates. Renewals are, for the most part, much lower than most mortgages that have been locked in many years ago, of which many have and will be renewed at much lower rates, and thus helping the returns. We continue to be surprised as to how many reports miss this as a landlord's biggest expense still remains to be interest. Marking all of our debt to market and assuming an overall 5 year rate of 4.25% (bonds today plus 40-50 bps, we would save about \$13 million or approximately 25 cents per unit.

The report also tends to generalize the rental market, overlooking some significant factors in respective markets. For example, the province of Alberta (in particular Calgary and Edmonton) continues to lead the country with in migration and economic growth (see attached BMO report). Quebec also continues to have the lowest home ownership rates in the country as well as the lowest vacancy rates.

Affordability for new home-buyers will continue to erode as interest rates rise and prices continue to climb. While we agree with this, it is also important to note that there is currently a gap of over 50% on average between renting (avg. two bedroom) and owning if you consider maintenance, condo fees etc., in addition to principal and interest payments. This gap will only widen as rates rise, and will also impact those buyers who are using variable rate mortgages and who are slow to lock in rates. Condo investors in turn will also be affected as higher rents needed to justify a return will continue to diverge from rental market rents. We continue to hear from our local CMHC analyst in Calgary who sees the rate of new condo investors declining rapidly, with sales to listings ratios trending down due to these same units now competing with ones being built.

We agree in time, that higher interest rates will be a net benefit for landlords. Higher interest rates will make home ownership more expensive, increasing demand for lower priced rental units, lowering vacancy, increasing pressure on rents. We agree we will have to wait for this. 2006 would be nice, it could even be 07/08 due to oversupply of new condos.

The second report is by the economics department at BMO Financial Group, and has regional info by province as well as outlook info on the U.S. economy, world and oil price outlook.

If you have any further questions, please feel free to contact the Investor Relations department at 403-531-9255 or by email at: investor@bwalk.com.

Best regards,

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