

## REIT FORENSICS · INVESTMENT MEMO

## OWNER ECONOMICS

# The Long Way Back

Boardwalk REIT survived the deepest operating trough in Canadian apartment REIT history — a 27% peak-to-trough NOI collapse driven by the Alberta oil recession. It then compounded NOI at 11% annually for four straight years. The market still prices it as though the recovery never happened.

March 2026 · 24 min read

**34,576**

UNITS  
WESTERN CANADA + QC

**\$418M**

FY2025 NOI  
UP 93% FROM TROUGH

**38.4%**

DISCOUNT TO NAV  
AT 5.0% CAP RATE

**32.5%**

5-YEAR IRR  
AT \$62 ENTRY

## OPERATING & FINANCIAL HIGHLIGHTS

Boardwalk Real Estate Investment Trust (TSX: BEL.UN) | All figures in \$000s CAD unless noted | FY ends December 31

SHARE PRICE

**\$62**

P / FFO

**13.3x**

P / AFFO

**15.5x**

PRICE / IFRS NAV

**0.77x**

PRICE / CONSTRUCTED NAV

**0.62x**

5.0% cap rate

MARKET-IMPLIED CAP

**6.82%**

vs. 5.0% IFRS appraisal

**KEY FINANCIAL DATA (\$000S)**

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	
<b>Total Revenue</b>	455,313	465,572	470,531	493,272	541,503	617,064	6
<b>Property Operating Expenses</b>	(196,520)	(196,428)	(196,191)	(205,952)	(208,514)	(234,730)	(2)
<b>Net Operating Income (NOI)</b>	<b>258,793</b>	<b>269,144</b>	<b>274,340</b>	<b>287,320</b>	<b>332,989</b>	<b>382,334</b>	4
<b>Less: G&amp;A</b>	(38,645)	(36,069)	(33,282)	(33,859)	(41,172)	(44,791)	(4)
<b>Less: Cash Interest</b>	(81,673)	(85,448)	(82,951)	(87,639)	(103,084)	(113,123)	(1)
<b>FFO</b>	<b>137,179</b>	<b>146,000</b>	<b>155,894</b>	<b>161,816</b>	<b>185,139</b>	<b>220,787</b>	2
<b>Less: Maintenance Capex (mgmt)</b>	(24,060)	(19,862)	(32,287)	(31,263)	(32,255)	(33,575)	(3)
<b>AFFO</b>	<b>113,119</b>	<b>126,138</b>	<b>123,607</b>	<b>130,553</b>	<b>152,884</b>	<b>187,212</b>	2
<b>Less: Remaining Existing Capex</b>	(93,585)	(88,791)	(89,205)	(92,622)	(86,757)	(90,820)	(9)
<b>CFS-FCF (After All Capex)</b>	<b>43,098</b>	<b>32,428</b>	<b>23,508</b>	<b>26,115</b>	<b>60,988</b>	<b>85,605</b>	9

**PER-UNIT METRICS**

	FY2019	FY2021	FY2023	FY2025	FY2027E	FY2030E
<b>FFO / Unit</b>	\$2.69	\$3.06	\$3.68	\$4.66	\$5.05	\$6.14
<b>AFFO / Unit</b>	\$2.22	\$2.42	\$3.03	\$4.00	\$4.35	\$5.36
<b>CFS-FCF / Unit</b>	\$0.85	\$0.46	\$1.21	\$1.86	\$1.94	\$2.67
<b>Distribution / Unit</b>	\$1.00	\$1.00	\$1.17	\$1.60	\$1.85	\$2.00
<b>AFFO Payout</b>	45.0%	41.3%	38.6%	40.0%	42.5%	37.3%
<b>CFS-FCF Payout</b>	118%	217%	96.6%	86.0%	95.5%	74.9%
<b>IFRS NAV / Unit</b>	\$67.11	\$69.47	\$73.33	\$80.40	—	\$142.31
<b>Market Price</b>	\$42.00	\$54.00	\$61.50	\$62.00	\$68.00	\$80.00
<b>NAV Discount (IFRS)</b>	-37.4%	-22.3%	-16.1%	-22.9%	—	-43.8%

## LEVERAGE & COVERAGE

	FY2019	FY2021	FY2023	FY2025	FY2027E
<b>Net Debt (\$000s)</b>	2,706,482	2,914,137	3,263,417	3,445,395	3,761,383
<b>Net Debt / EBITDA</b>	12.3x	12.1x	11.2x	9.3x	9.4x
<b>Debt / GBV</b>	46.1%	47.1%	46.9%	45.2%	39.3%
<b>Interest Coverage</b>	2.70x	2.90x	2.81x	3.11x	2.97x
<b>DSCR</b>	1.52x	1.61x	1.63x	1.88x	1.84x
<b>WA Mortgage Rate</b>	2.74%	2.46%	3.00%	3.35%	~3.5%
<b>WA Years to Maturity</b>	4.6 yr	5.0 yr	4.5 yr	4.2 yr	—
<b>CMHC Insured</b>	~99%	~99%	~99%	~99%	~99%

## OPERATING METRICS

	FY2017	FY2019	FY2021	FY2023	FY2025
<b>Total Units</b>	33,187	33,263	33,000	34,029	34,576
<b>Occupancy</b>	90.8%	94.6%	94.7%	97.2%	98.1%
<b>Avg Monthly Rent</b>	\$1,078	\$1,105	\$1,129	\$1,388	\$1,590
<b>SS NOI Growth</b>	-15.4%	+8.2%	+0.1%	+13.7%	+9.0%
<b>NOI Margin</b>	51.1%	56.8%	58.3%	61.5%	64.7%
<b>G&amp;A / Revenue</b>	7.9%	8.5%	7.1%	7.6%	7.1%

Source: Boardwalk REIT financial statements (FY2015–FY2025), REIT Forensics pro forma model (FY2026E–FY2030E). All operating metrics from company reports. Pro forma assumes 5.0% valuation cap rate, 3.6% SS revenue growth, capex at ~35% of NOI.

## PORTFOLIO BY GEOGRAPHY (34,576 UNITS)

MARKET	UNITS	% OF NOI	OCCUPANCY	KEY DYNAMIC
<b>Edmonton, AB</b>	12,500	~43%	97.8%	Largest market; affordable vs. coastal; supply pressure easing
<b>Calgary, AB</b>	5,700	~24%	98.5%	Full occupancy recovery; development pipeline (Brentwood)
<b>Quebec</b>	6,200	~15%	~97%	Diversification anchor; regulated rent increases
<b>Saskatchewan</b>	4,400	~10%	97.5%	Tight vacancy; steady interprovincial migration
<b>Ontario</b>	2,700	~6%	~98%	Brampton JV development underway
<b>Other AB</b>	1,800	~2%	97.0%	Small-market stability



The most revealing number in Boardwalk's financial statements is not the NOI, not the FFO, not the cap rate. It is \$216 million. That was NOI in FY2017 — the bottom of the Alberta oil recession, when occupancy had collapsed to 90.8%, average rents had fallen to \$1,078 per month, and the portfolio that housed the workers of the Western Canadian energy economy was running at barely half its revenue potential. Management cut the

distribution from \$2.25 to \$1.00 per unit. The market slashed the price to \$42.50. And the question facing every unitholder was not whether the business would recover but whether the recovery would be worth waiting for.

Eight years later, the answer is documented in the model: NOI of \$418 million, occupancy of 98.1%, average rents of \$1,590, and a NOI margin of 64.7% — the highest in the eleven-year data series. The operating recovery is complete. Every metric that collapsed between FY2015 and FY2017 has not merely recovered but exceeded its prior peak. And yet the market price — \$62 per unit — implies a 6.82% capitalization rate on a portfolio that the trust's own appraisers value at 5.0%, and that a rational buyer would capitalize at no wider than 5.5%. The discount to constructed NAV is 38.4%. In an asset class where Canadian REITs routinely trade at or above NAV during periods of comparable operating performance, the persistence of this gap is the central question of the investment.

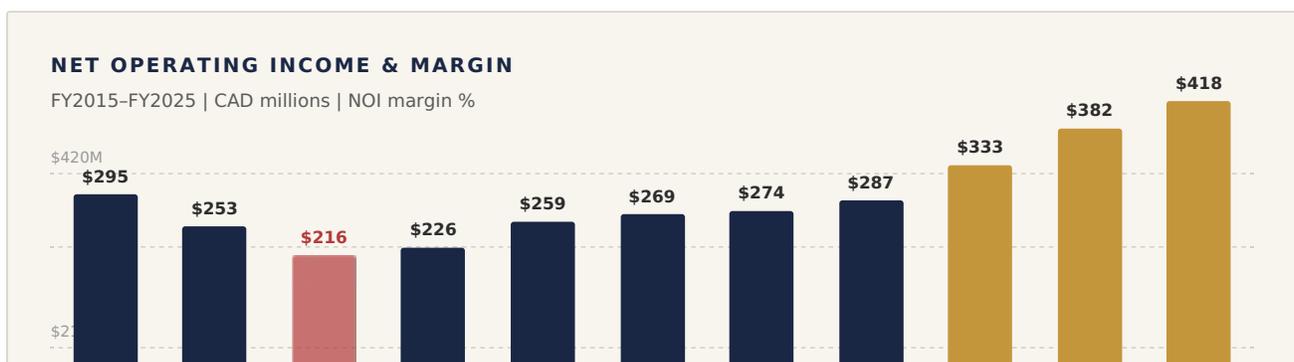
*The market is pricing Boardwalk as if the recovery might reverse. The operating data says the recovery has not merely occurred — it has accelerated. The gap between price and value is the widest it has been since the business was genuinely impaired.*

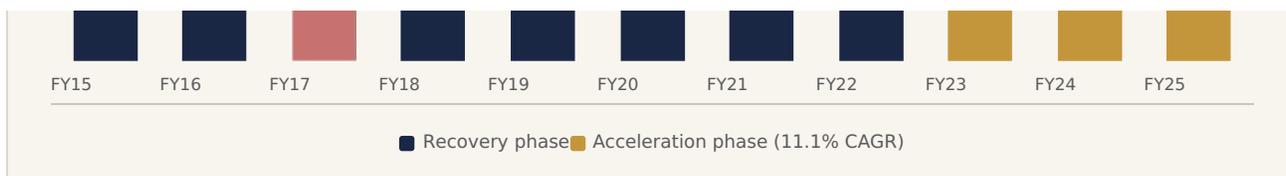
The thesis that follows is not about a discounted stock. It is about a business whose cash-generating capacity has been rebuilt through a decade of operational work — occupancy restoration, rent growth, cost discipline, balance sheet repair — and whose market price has failed to track the improvement. The question for an owner-oriented investor is whether the operating economics justify the capital deployed, whether the balance sheet is a source of strength or fragility, and whether the cash flows that the business generates will ultimately be recognized in the price — or whether structural constraints will prevent the gap from closing.



I.

## The Operating Recovery





The recovery came in two chapters. From FY2017 to FY2021, Boardwalk clawed back occupancy — from 90.8% to 94.7% — through a period of minimal rent growth (\$1,078 to \$1,129 per month over four years). NOI grew modestly, from \$216 million to \$274 million, driven almost entirely by re-occupying vacant suites at existing rent levels. NOI margin improved from 51.1% to 58.3%, but this was recovery, not expansion — the portfolio was merely returning to productive capacity after years of diluted occupancy.

The second chapter, beginning in FY2022, is where the economics shifted from recovery to genuine compounding. Same-store NOI growth accelerated sharply: 7.0% in FY2022, 13.7% in FY2023, 13.0% in FY2024, and 9.0% in FY2025.<sup>1</sup> Average rents rose from \$1,129 to \$1,590 — a 41% increase in four years — as the occupancy ceiling above 97% gave management pricing power on both renewals and turnover. Blended lease spreads for FY2023-FY2025 were 5%, 8%, and 6% respectively, with a remaining mark-to-market opportunity of approximately \$33.4 million — roughly 5% of in-place revenue still available to capture on turnover.<sup>1</sup>

General and administrative expenses — the sole management extraction cost for this internally managed trust — declined from 8.5% of revenue in FY2019 to 7.1% in FY2025. There are no external management fees, no trailer commissions, no performance allocations, no related-party fee arrangements. The cost structure is clean. It is not best-in-class — at 10.9% of NOI, it sits at the upper end of the 8-12% range for public apartment REITs — but it is transparent and improving.<sup>1</sup>



11.

## The Capex Question

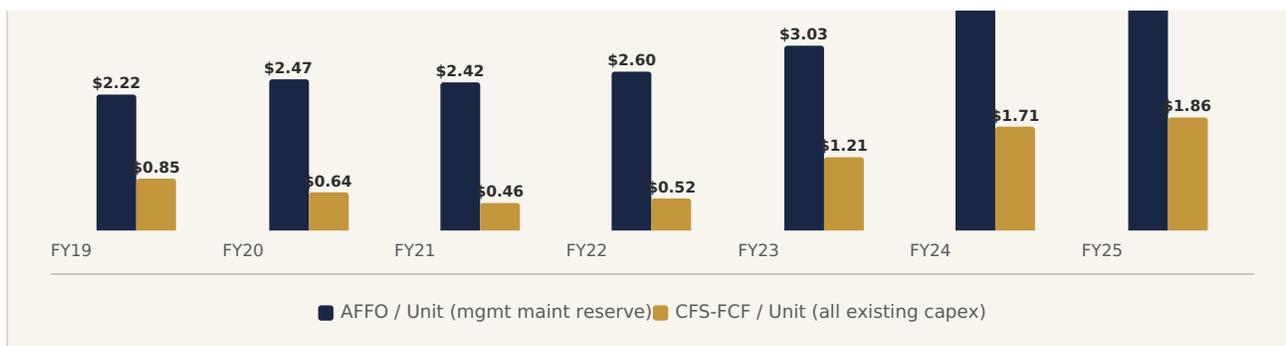
If the operating recovery tells a clean story, the capital expenditure record complicates it. Existing-portfolio capex has consumed 30-44% of NOI in every year of the data series, with a ten-year average of approximately 39%.<sup>1</sup> At \$3,791 per suite in FY2025, total capex intensity is roughly double the \$2,000-\$3,000 per unit upper range for maintenance alone in older Canadian apartment portfolios. This is the single most important forensic finding in the model — and it determines which measure of cash flow you trust.

### THE CAPEX WEDGE: AFFO VS. CFS-FCF PER UNIT

FY2019-FY2025 | CAD per diluted unit

\$3.74

\$4.00



Management classifies \$1,012 per unit as maintenance capital — the reserve necessary to sustain the current income stream. The remaining \$2,779 per unit is labelled "value-enhancing": suite renovations, elevator replacements, boiler upgrades, hallway and common area improvements. On management's basis, AFFO of \$4.00 per unit is well-covered, the distribution at 40% of AFFO leaves \$2.40 per unit of retained earnings, and the business looks comfortably self-funding.

On the hardest test — CFS-FCF, which deducts all existing-portfolio capital spending before declaring free cash flow — the picture is more strained. CFS-FCF per unit was \$1.86 in FY2025, and the distribution of \$1.60 is covered at just 1.16x. For eight consecutive years from FY2015 to FY2022, distributions exceeded CFS-FCF. The cumulative shortfall peaked at negative \$380 million in FY2022 — meaning that over those eight years, the trust distributed \$380 million more to unitholders than it generated after all property-level capital spending.<sup>1</sup> That shortfall was funded by debt. The inflection came only in FY2023, and the cumulative deficit has since narrowed to negative \$335 million.<sup>1</sup>

*The gap between AFFO and CFS-FCF is not an abstraction — it is \$2.14 per unit per year, or \$114 million annually in capital spending that management calls discretionary but the operating record suggests is functionally required. How you classify that spending determines whether the distribution is well-covered or barely covered.*

The forensic question: how much of the "value-enhancing" capital is genuinely discretionary? The FY2017 data provides a revealing test case. In the depths of the Alberta downturn — when occupancy had collapsed, rents were falling, and the business case for value-enhancing renovations was at its weakest — total existing-portfolio capex spiked to \$190 million, or 88% of NOI.<sup>1</sup> If this spending were truly optional, management would logically have curtailed it when the return on renovation was lowest. The fact that they did not suggests a meaningful portion is functionally required to maintain occupancy and competitive positioning, regardless of what the accounting label says.

The pattern classification is STRUCTURAL: existing-portfolio capex has exceeded 30% of NOI in nine of eleven years. An honest assessment treats management's AFFO as an upper

bound on recurring cash earnings and CFS-FCF as a lower bound. The truth lies somewhere in between — likely in the RF-AFFO range of \$3.36 to \$3.68 per unit, which applies a conservative \$1,500–\$2,000 per unit maintenance reserve rather than management's \$1,012.<sup>1</sup>



III.

## Does Leverage Actually Work?

The amplification test asks a simple question: when same-store NOI grows, does per-unit cash flow grow faster? If leverage is earning its keep, the answer should be yes — the fixed interest payments stay roughly constant while the incremental NOI drops entirely to the equity. At 9.3× net debt to EBITDA, the mathematical expectation is approximately 1.4× amplification: every 1% of same-store NOI growth should translate to roughly 1.4% of AFFO-per-unit growth.

### LEVERAGE AMPLIFICATION: EXPECTED VS. ACTUAL

AFFO/unit amplification ratio — how many turns of per-unit growth per turn of SS NOI growth

YEAR	SS NOI GROWTH	ND/EBITDA	EXPECTED	ACTUAL	VERDICT
FY2018	+5.5%	14.2×	~1.7×	0.69×	Shortfall
FY2019	+8.2%	12.3×	~1.7×	3.44×	Surplus
FY2020	+2.0%	12.2×	~1.7×	5.67×	Surplus
FY2021	+0.1%	12.1×	~1.7×	n/m	Inconclusive
FY2022	+7.0%	12.5×	~1.7×	1.01×	Neutral
FY2023	+13.7%	11.2×	~1.5×	1.24×	Slight shortfall
FY2024	+13.0%	9.6×	~1.4×	1.78×	Surplus
FY2025	+9.0%	9.3×	~1.4×	0.78×	Shortfall (unit dilution)

Source: REIT Forensics Amplification tab. Expected amplification interpolated from reference table. FY2021 ratio is mathematically extreme (0.1% denominator) and not analytically meaningful.

The record is mixed. Unlike a pure compounder where leverage consistently amplifies operating growth into outsized per-unit returns, Boardwalk's amplification has been volatile — reflecting the trust's passage through a full cycle of downturn, recovery, and normalization. In the recovery years (FY2019–FY2020), amplification was spectacularly positive: 3.4× and 5.7×, as NOI recovery on a fixed-cost debt base delivered outsized per-unit gains. In the normalization phase (FY2022–FY2025), the ratios have been choppy — 1.01×, 1.24×, 1.78×, and 0.78×.<sup>1</sup>

The FY2025 shortfall of 0.78× is primarily a presentational artifact. Weighted-average diluted units jumped from 50,089 to 53,176 — a 6.2% increase driven by LP Class B unit inclusion mechanics rather than new equity issuance.<sup>1</sup> The end-of-period trust unit count

actually declined from 45,674 to 44,776, reflecting continued NCIB activity. Strip out the LP B denominator effect, and AFFO-per-unit growth would have exceeded 13%, delivering amplification well above the 1.4× reference.

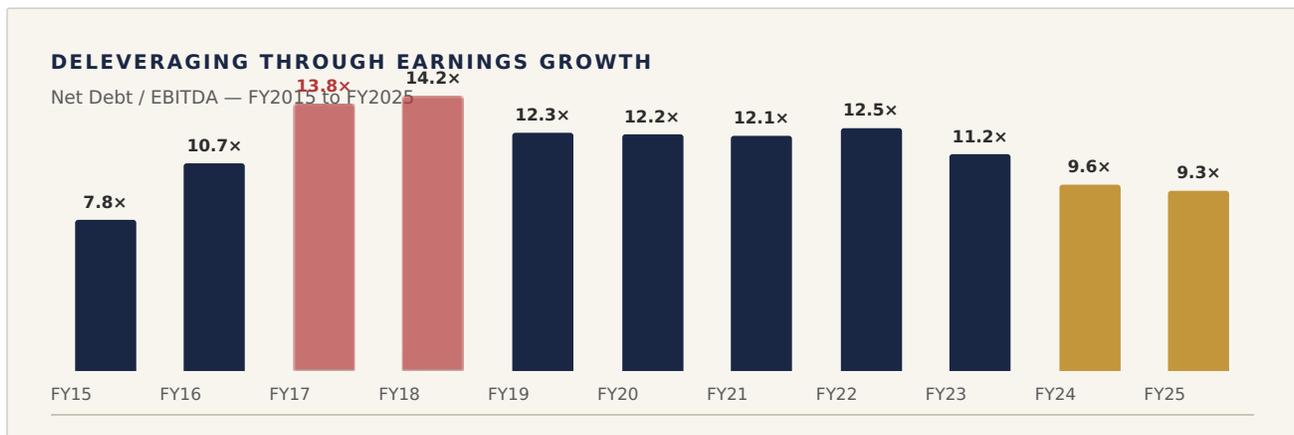
The longitudinal verdict: leverage has worked for unitholders measured over the full cycle. From the FY2017 trough to FY2025, AFFO per unit grew from \$1.67 to \$4.00 — a 13.3% CAGR — while NOI compounded at 8.5%. The 480 bps spread is the cumulative amplification effect of fixed-rate leverage applied to a growing income stream. The mechanism works. It is just noisier in any individual year than the theory implies.



IV.

## The Balance Sheet as Defensive Moat

Net debt to EBITDA has declined from a peak of 14.2× in FY2018 to 9.3× in FY2025 — achieved entirely through earnings growth outpacing debt growth, not through equity issuance or asset sales.<sup>1</sup> Net debt actually increased from \$2.68 billion to \$3.45 billion over the same period, but EBITDA nearly doubled. The balance sheet got stronger because the business got better, not because management de-risked through financial engineering.



The debt itself is structurally advantaged. One hundred percent fixed-rate, approximately 99% CMHC-insured, with a weighted-average rate of 3.35% and a weighted-average maturity of 4.2 years.<sup>1</sup> CMHC insurance is a uniquely Canadian structural feature — government-backed mortgage funding at rates that no American apartment REIT can access and that no private fund can replicate without comparable scale and operational history. Interest coverage stands at 3.11× and debt service coverage at 1.88×, both healthy.<sup>1</sup>

The forward headwind is rate resets. The model projects \$500 million of mortgages maturing in FY2026 at an expiring rate of approximately 2.50%, refinancing at 3.72% — a 122 basis point gap that will compress AFFO growth in the near term despite continued

NOI improvement.<sup>1</sup> This is the primary reason the model shows near-flat AFFO-per-unit growth of just 0.2% in FY2026 despite 3.6% same-store NOI growth. The gap narrows in subsequent years as the lowest-vintage rates roll off, but rate-reset drag will persist through FY2028.



v.

## **The Distribution Reset**

The decision to cut the distribution from \$2.25 to \$1.00 per unit in FY2018 was the single most consequential capital allocation decision in the trust's recent history. At the time, it looked like an admission of distress. In retrospect, it was the act that made the subsequent recovery possible — it freed approximately \$50 million per year in cash that would otherwise have been distributed to unitholders and instead redirected it toward maintaining the portfolio, buying back units at deep discounts, and funding the renovation pipeline that eventually drove the rent recovery.

The distribution has since been gradually restored — to \$1.17 in FY2023, \$1.60 in FY2025, with the model projecting \$2.00 by FY2030. The payout ratio on management's AFFO basis is a disciplined 40%.<sup>1</sup> This means the trust retains \$2.40 per unit annually — approximately \$128 million — to fund capital expenditures, reduce leverage, and invest in growth without relying on external capital markets.

The contrast with the pre-crisis era is instructive. In FY2015, Boardwalk distributed \$2.04 per unit against CFS-FCF of \$1.61 — a 127% payout on actual free cash flow. In FY2017, it distributed \$2.25 against CFS-FCF of negative \$1.73. The trust was paying unitholders with borrowed money. The FY2018 cut ended this structurally unsound practice, and the subsequent years of restrained distribution growth are the reason the balance sheet can sustain the current operating reinvestment rate.



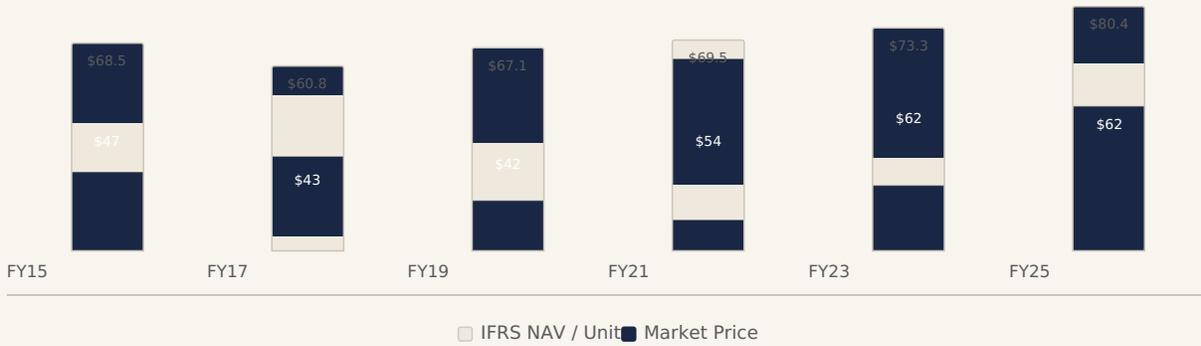
vi.

## **The NAV Disconnect**

Boardwalk has traded at a discount to its own stated net asset value in every year of the eleven-year data series. The discount narrowed from 30-37% during the downturn to 16% in FY2023 as the recovery gathered momentum, then widened again to 23% in FY2025 even as the operating results accelerated. Against the REIT Forensics constructed NAV at a 5.0% cap rate — \$100.72 per unit — the discount is 38.4%.<sup>1</sup>

### NAV PER UNIT VS. MARKET PRICE

IFRS NAV, Constructed NAV (5.0% cap), and TSX close | CAD



The multi-tier implied cap rate analysis reveals the depth of the disconnect. At the IFRS balance sheet level, the stated appraisal cap rate is 5.00%. The actual NOI yield on IFRS investment properties is 5.48% — meaning the IFRS fair values may actually be slightly conservative relative to current income, after years during the downturn when they were arguably too generous. But the market-implied cap rate — what an investor pays for the NOI at \$62 per unit — is 6.82%.<sup>1</sup> That is a 182 basis point spread between what the appraiser says the properties are worth and what the market is willing to pay.

### MULTI-TIER IMPLIED CAP RATE (FY2025)

TIER	METHOD	RATE	WHAT IT TELLS YOU
<b>1a</b>	IFRS appraisal (per MD&A)	5.00%	Management's balance sheet valuation
<b>1b</b>	Actual NOI ÷ IFRS IP	5.48%	Real return on IFRS-stated assets — now <i>above</i> appraisal
<b>2</b>	NOI ÷ Property EV (Eq + ND)	6.01%	Return implied by market + balance sheet
<b>3</b>	Market-implied (equity cap)	6.82%	What the market is actually paying for NOI

Source: REIT Forensics Implied Cap tab. Tier 1a-3 spread: 182 bps. Full discount from IFRS appraisal to market equity pricing.

Management has responded to the persistent discount with buybacks — \$183.8 million cumulatively across the series, concentrated in two windows: \$69.8 million in FY2015–FY2016 at approximately \$49.50 per unit, and \$114.0 million in FY2021–FY2025.<sup>1</sup> In FY2025 alone, 898,000 units were repurchased at an average price of \$64.95 — a 19.2% discount to IFRS NAV per unit repurchased. Every buyback in the data series was executed below stated NAV. The discipline has been consistent. The end-of-period trust unit count has declined from 46,847 to 44,776 — a 4.4% cumulative reduction — meaning existing unitholders own a proportionally larger claim on a substantially larger income stream.<sup>1</sup>

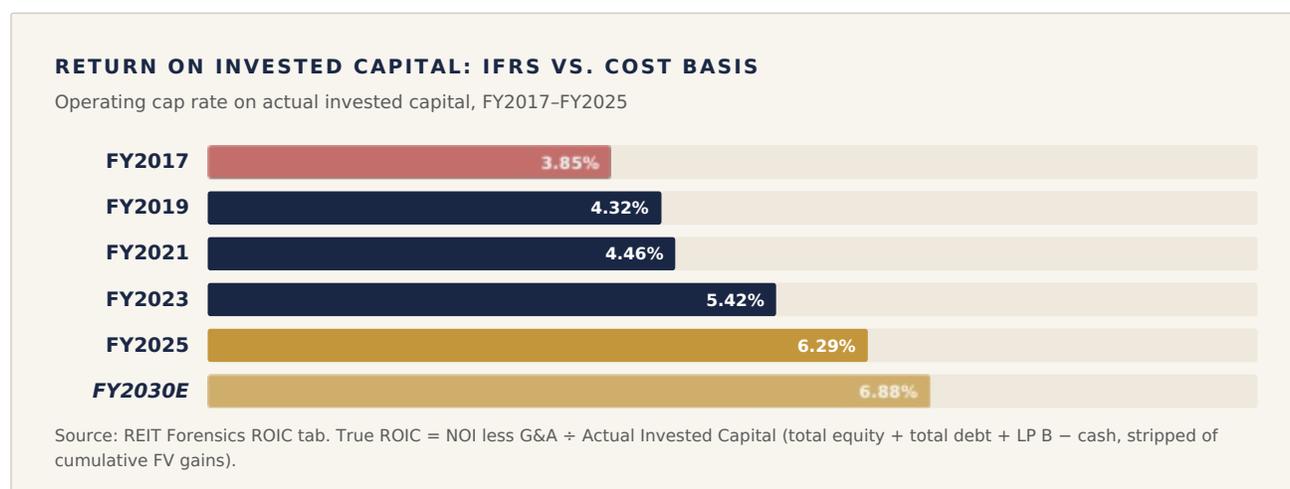


## VII.

### The Real Return on Real Capital

IFRS fair value accounting creates a specific distortion in the analysis of return on invested capital. When a property acquired for \$150 million is revalued to \$250 million based on appraised income, the balance sheet shows \$250 million in assets. The apparent cap rate on those assets looks modest. But the capital actually deployed — the capital over which management had decision-making authority — was \$150 million. Measuring the return on the capital that was actually spent, not the capital the accountant says exists, is the only honest assessment of whether management is putting retained earnings to productive use.

Boardwalk's cumulative fair value gains on investment properties total approximately \$1.6 billion — unrealized appraisal adjustments that inflate the balance sheet without any corresponding cash transaction.<sup>1</sup> On the IFRS basis, the portfolio earns a 5.48% cap rate. On the cost basis — measuring actual NOI against the actual capital deployed to acquire, develop, and improve the properties — the true ROIC is 6.29% and has risen steadily from 3.85% during the FY2017 trough.<sup>1</sup>



The trajectory is the story. ROIC has nearly doubled from its trough, driven by the combination of rent recovery, occupancy restoration, and the operating leverage inherent in the cost structure. Every year of additional NOI adds incremental earning power against a capital base that grows at the acquisition price, not the appraised value. The compounding occurs on the cost basis. For an investor focused on the cash their unit of the business generates, the cost-basis view is the correct one — and it shows a business that is steadily improving its return on the capital that has actually been deployed.



VIII.

## How You Make Money From Here

The return thesis at \$62 per unit is overwhelmingly a capital appreciation story driven by the closure of the NAV discount. Start with what you are buying: at \$62, an investor acquires one unit of a trust that generated \$4.00 in AFFO in FY2025 — a 6.5% earnings

yield on the entry price. The unit also carries a proportional claim on \$100.72 of constructed NAV at a 5.0% cap rate. At \$62, you are paying 62 cents on the dollar for those assets.

#### INVESTOR CASH FLOW: \$62 IN, \$237 OUT

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>Entry Cost</b>	(\$62.00)					
<b>Distributions Received</b>		\$1.80	\$1.85	\$1.90	\$1.95	\$2.00
<b>Exit Proceeds (Post-DTL NAV)</b>						\$235.27
<b>Net Cash Flow</b>	<b>(\$62.00)</b>	<b>\$1.80</b>	<b>\$1.85</b>	<b>\$1.90</b>	<b>\$1.95</b>	<b>\$237.27</b>

ENTRY PRICE <b>\$62.00</b>
EXIT NAV (5.0% CAP) <b>\$235.27</b>
TOTAL RETURN <b>295%</b>
5-YEAR IRR <b>32.5%</b>

The model projects five years of NOI growth at 3.2-5.2% annually — conservative relative to the 11.1% CAGR achieved over FY2021-FY2025, but realistic for a portfolio approaching full occupancy with a narrowing mark-to-market runway.<sup>1</sup> NOI grows from \$418 million to \$511 million. The NAV trajectory carries the constructed NAV per unit from \$100.72 to \$132.54 on a same-year basis, or \$235.27 on a terminal-value basis using NTM NOI capitalized at the 5.0% exit cap rate.<sup>1</sup>

At a \$62 entry, cumulative distributions of \$9.50 per unit over five years represent just 15.3% of the entry cost — this is not a yield investment. The return is overwhelmingly capital appreciation: the entry discount narrows as the market eventually recognizes the gap between price and value. Even at a more conservative P/AFFO exit of 16x, the IRR is approximately 14% — still an attractive return from a business with CMHC-insured debt, 98% occupancy, and visible earnings growth.<sup>1</sup>

#### IRR SENSITIVITY: ENTRY PRICE × EXIT CAP RATE

5-year IRR (%) at different entry prices and terminal capitalization rates

Exit Cap ↓ / Entry →	\$50	\$55	\$60	\$62	\$65	\$70	\$75
<b>5.50% (bear)</b>	22.6%	20.0%	17.7%	<b>16.9%</b>	15.7%	13.8%	12.1%

<b>5.00% (base)</b>	26.6%	23.9%	21.6%	<b>20.7%</b>	19.5%	17.6%	15.8%
<b>4.75%</b>	28.7%	26.0%	23.6%	<b>22.7%</b>	21.5%	19.5%	17.8%
<b>4.50%</b>	30.9%	28.1%	25.7%	<b>24.8%</b>	23.5%	21.6%	19.8%
<b>4.00% (bull)</b>	35.5%	32.7%	30.2%	<b>29.3%</b>	28.0%	25.9%	24.1%

Source: Pro Forma Model, Return Profile sensitivity engine. Exit method: NAV (NTM NOI ÷ exit cap rate + net other assets – liabilities). Distributions of \$1.80–\$2.00/unit/year included in all scenarios.

The sensitivity matrix reveals the floor. At a \$62 entry and a 5.50% exit cap — implying meaningful cap rate expansion from IFRS levels and a bearish stance on Canadian apartment valuations — the IRR is still 16.9%. Even at \$75 entry with a 5.50% exit cap, the return exceeds 12%. The downside is not that the investment loses money. The downside is that it compounds at 12–14% instead of 20–25%. For a levered, CMHC-insured, 98%-occupied Canadian apartment portfolio with visible earnings growth, that floor is defensible.

*The 32.5% headline IRR requires full discount closure. The more conservative case — a flat 5.0% exit cap with the market price still at a discount to NAV — delivers 20.7%. The question is not whether the asset compounds. It is whether the market will eventually price it closer to what the assets are worth. History suggests it will — but the timing is unknowable.*



ix.

## The Binding Constraint

The forward model contains a tension that demands honest treatment. The Assumptions tab produces a cash surplus waterfall that shows persistent annual deficits: negative \$143 million in FY2026, negative \$151 million in FY2027, narrowing to negative \$86 million by FY2030.<sup>1</sup> These deficits accumulate as credit facility draws that reach \$586 million by FY2030 — a significant liability against a portfolio where approximately 99% of properties are already encumbered by CMHC-insured first mortgages.

The sources of the deficit: the model assumes \$100–150 million in annual acquisitions at 50% LTV, \$5–30 million in annual development capex, capex intensity at 35–36% of NOI (consistent with historical patterns), and distribution growth from \$1.80 to \$2.00 per unit.<sup>1</sup> The combination of growth spending and existing-portfolio reinvestment exceeds internally generated cash flow. Something has to give: either acquisitions get scaled back (reducing the growth rate), distributions grow slower than projected, or total leverage rises from already-elevated levels.

This is the single biggest assumption risk in the forward model. The pro forma's 3.6% annual same-store NOI growth is conservative relative to history. The capex intensity is consistent with the structural pattern. The acquisition volume of \$100–150 million per year is aggressive relative to the historical average of \$24 million annually, though management's development pipeline (Brentwood Phase 1 and 2, Brampton JV, Edmonton) suggests the intent is real.<sup>1</sup> If the acquisition program were zeroed entirely, the annual deficit would narrow significantly but would not close in the early years due to the capex and amortization burden.



x.

## What Could Go Wrong

Four risks deserve honest treatment.

**Alberta concentration.** Approximately 67% of portfolio NOI is Alberta-sourced. The FY2016–FY2018 experience demonstrated what happens when this exposure turns: a 27% peak-to-trough NOI decline, a distribution cut, and years of recovery work. Alberta's economic base is more diversified than a decade ago — technology, agriculture, and interprovincial migration have broadened the employment base — but the correlation to energy sector activity remains the structural vulnerability. A sustained oil price collapse below \$50 would test the portfolio again.

**Capex intensity.** If the forensic read is correct — that a meaningful portion of the \$131 million in annual existing-portfolio capex is functionally required rather than discretionary — then the true free cash flow of the business is closer to CFS-FCF (\$1.86/unit) than AFFO (\$4.00/unit). At CFS-FCF, the distribution is covered at just 1.16× and the cash flow available for growth, buybacks, and debt reduction is thin. The capex question is not academic — it determines the quality of the earnings stream.

**Rate-reset drag.** The interest expense CAGR from FY2021 to FY2025 was 9.6% — faster than same-store NOI growth over the same window.<sup>1</sup> With \$500 million maturing in FY2026 at rates well below current market, and the weighted-average rate rising from 2.46% (FY2021 trough) to 3.35%, interest costs are a persistent near-term headwind. The 100% fixed-rate structure means there is no floating-rate exposure, but rate-reset risk on maturities is real and quantified in the model.

**Discount permanence.** Boardwalk has never traded at NAV in the eleven-year data series. The persistent discount may reflect the market's structural view of the trust — Alberta concentration, governance opacity (the model identifies eleven documentary gaps requiring AIF, MD&A, and trust indenture documents), and the capex question — rather than a temporary mispricing that will self-correct. If the discount is permanent, the return collapses from 32.5% to approximately 14% on a P/AFFO-exit basis. Still attractive, but a

fundamentally different proposition.<sup>1</sup>



x1.

## The Investment Decision

Strip away the noise and the decision reduces to two questions. First: is the operating recovery real and durable, or is it cyclical mean-reversion that will fade? The eleven-year data series argues strongly for durability. Occupancy has recovered to 98.1%, rents have surpassed their prior peak by 35%, NOI margins are at series highs, and the same-store growth engine has delivered 8.7% annually for four consecutive years. The remaining market-to-market runway of 5% of in-place revenue provides a modest additional tailwind. The pro forma's 3.6% growth assumption represents a significant deceleration from recent performance — conservative, not promotional.

Second: will the market eventually close the gap between price and value? This is the harder question. The 38.4% discount to constructed NAV is not the result of weak operating performance — it persists alongside record results. The market appears to be pricing a combination of Alberta risk, capex skepticism, and governance opacity that no amount of operating improvement can fully overcome as long as those structural concerns remain unresolved.

*The value of a business is the cash it will generate for its owners over its remaining life, discounted at the appropriate rate. For Boardwalk, the remaining life is long, the cash generation per unit is proven and accelerating, and the central question is whether the market will eventually price the recovery — or whether the discount is a permanent feature of an Alberta-concentrated apartment trust with opaque governance and an unresolved capex question.*

At \$62, an investor pays a discounted price for a recovered business. The entry price implies a 6.82% cap rate on a portfolio the trust values at 5.0% — a 182 basis point spread that either represents a genuine margin of safety or a market judgment that the underlying assets are less valuable than management claims. The NCIB activity — \$183.8 million in cumulative buybacks, all below NAV — suggests management believes the former. The investor must decide for themselves.

The return from here depends almost entirely on discount closure. If the gap narrows from 38% to 10% over five years — a plausible path if operating performance continues and the trust improves its governance disclosure — the IRR is north of 20%. If the gap persists, the return is 12–14%, driven by AFFO growth and distributions alone. Both outcomes are

positive. The question is whether the entry price compensates sufficiently for the risk that the market's structural discount is deserved rather than mistaken.

The operating machine is rebuilt. The balance sheet is the strongest in a decade. The per-unit cash flow stream is visible and growing. The price is cheap. What remains is the oldest question in investing: is the market wrong, or does it know something the numbers don't show?

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## SOURCES & CITATIONS

1. REIT Forensics Pro Forma Model — Boardwalk Real Estate Investment Trust. 22-tab analytical model covering FY2015–FY2030E. Tabs referenced: IS, BS, CFS, FFO\_AFFO, CFS-FCF, Ops, ROIC, Amplification, Value Leakage, Implied Cap, Capex Detail, Capital Recycling, Development Pipeline, Debt Maturity, Sources & Uses, NAV & Buyback, Return Profile. All historical data sourced from Boardwalk REIT audited financial statements (FY2015–FY2025). Pro forma projections (FY2026E–FY2030E) are REIT Forensics estimates derived from the Assumptions tab toggle-driven framework.
2. CMHC, 2025 Rental Market Report (December 2025). National purpose-built rental vacancy and regional market data for Alberta, Saskatchewan, and Ontario referenced in operating context.
3. RBC Capital Markets Quarterly REIT Review (Q4 2025), Neil Downey. Canadian apartment REIT sector trading multiples and FFO/unit comparisons used for sector context.

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## REIT FORENSICS FRAMEWORK V5

Model: FY2015–FY2025 (11 periods) · Benchmark: Deferred  
TSX: BEI.UN · \$62.00  
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