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September 27, 2012

LEXINGTON REAL ESTATE HOLDINGS LTD.

70 Lexington Park
Winnipeg, Manitoba
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Attention: Ms. Diane Dawiskiba, Manager, Corporate Administrative Services

RE: MARKET ANALYSIS – STUDY ON EFFECT OF REZONING FROM INDUSTRIAL USE TO MULTI-FAMILY USE ON SURROUNDING RESIDENTIAL PROPERTY VALUES

Stevenson Advisors have been engaged to carry out an analysis to determine the impact on surrounding residential housing prices due to re-zoning of the Springfield Road/Lexington Park lands from the current M1 industrial zoning to an RMU zone in conjunction with the North Kildonan Town Square concept plan.

The scope of our study includes the selection and examination of four test cases where similar land use re-zonings were achieved to accommodate multiple family developments. Neighbourhood house price statistics were collected from Winnipeg Real Estate Board MLS records for years both preceding and subsequent to the re-zoning and pricing trends compared between the overall neighbourhood and the sub-market area in closest proximity to the re-zoned development lands.

Our conclusions regarding potential impacts on housing prices are based upon the findings of this analysis.

Case No. One - Fort Rouge Yards Re-Zoning

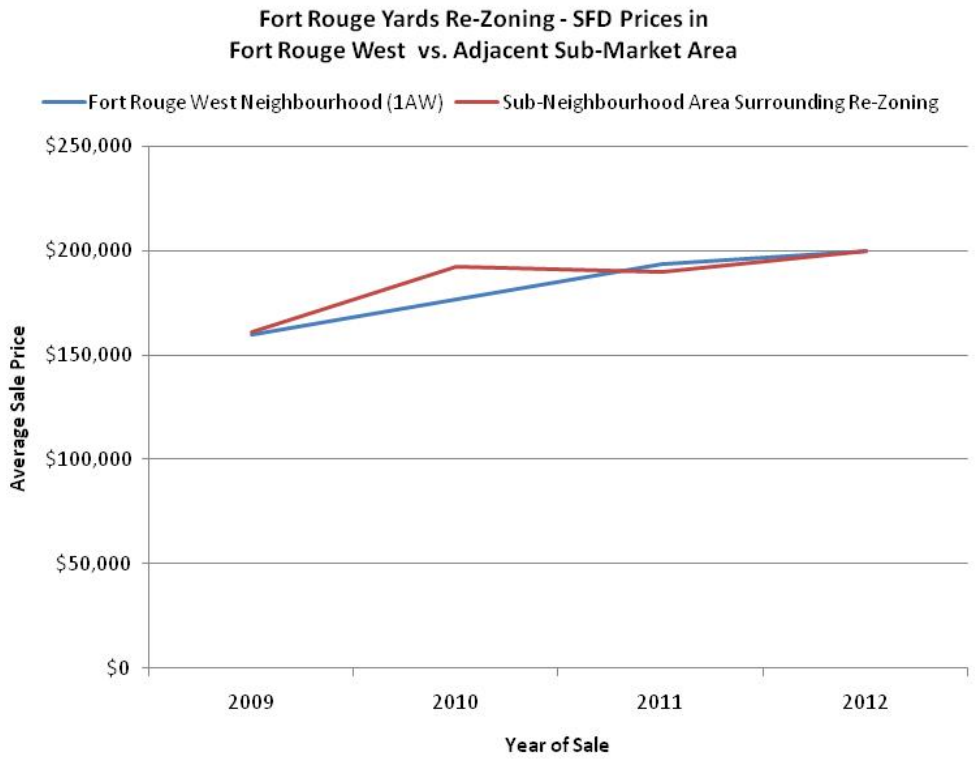
In December 2010 the City of Winnipeg approved an application to re-zone the former Fort Rouge Rail Yards to allow for future planned medium density multi-unit residential development.



Single family house prices for the Fort Rouge West (west of Osborne Street) neighbourhood were analyzed from 2009 through 2012 (year to date). In addition, the sub-market area in closest proximity to the Fort Rouge Yards site (west of Daly Street) has been analyzed and compared to price trends and metrics of the larger neighbourhood area. The results of our findings are summarized below.

FORT ROUGE YARDS RE-ZONING	**2009**	**2010**	**2011**	**2012**
Fort Rouge West Neighbourhood (1AW)				
Average Residential SFD Sale Price	$159,522	$176,525	$193,660	$199,823
Year/Year Change		10.7%	9.7%	3.2%
Avg SP per Square Ft	$156.18	$175.19	$193.49	$198.47
Year/Year Change		12.2%	10.4%	2.6%
No. of Sales	55	66	95	66
Avg DOM	16	15	15	17
Avg SP/LP Ratio	104.4%	104.0%	105.4%	107.4%

Sub-Neighbourhood Area Surrounding Re-Zoning				
	2009	**2010**	**2011**	**2012**
Average Residential SFD Sale Price	$160,973	$191,935	$189,797	$199,731
Year/Year Change		19.2%	-1.1%	5.2%
Avg SP per Square Ft	$156.99	$184.14	$196.08	$206.21
Year/Year Change		17.3%	6.5%	5.2%
No. of Sales	15	23	38	16
Avg DOM	15	15	16	10
Avg SP/LP Ratio	103.3%	102.2%	104.1%	110.3%



Conclusions - Fort Rouge Yards Re-Zoning

It appears that there was a general softening of prices in the sub-market area in proximity to the Fort Rouge Yards in 2011 in comparison to the general Fort Rouge marketplace. House prices generally remained flat from 2010 to 2011 in the sub-market area while the marketplace advanced approximately ten percent. However it should be noted that average prices within the sub-market and the neighbourhood were closely aligned in both in 2009 and after 2010. The apparent stalling of prices in 2011 within the sub-market area may be more a function of a particularly strong performance in 2010 (average price increase of 19.2 percent) in comparison to the greater marketplace, than the measured effect of the re-zoning.

Subsequent to the re-zoning, average price increases within the sub-market have exceed the general market in 2012 (5.2 percent versus 3.2 percent) and marketing periods (measured by days on the market or DOM) were less (10 days versus 17 days). Sales price to listing price ratios in 2012 were also greater within the sub-market in 2012.

Case No. Two - Sterling Lyon Parkway & Paget Street Re-Zoning

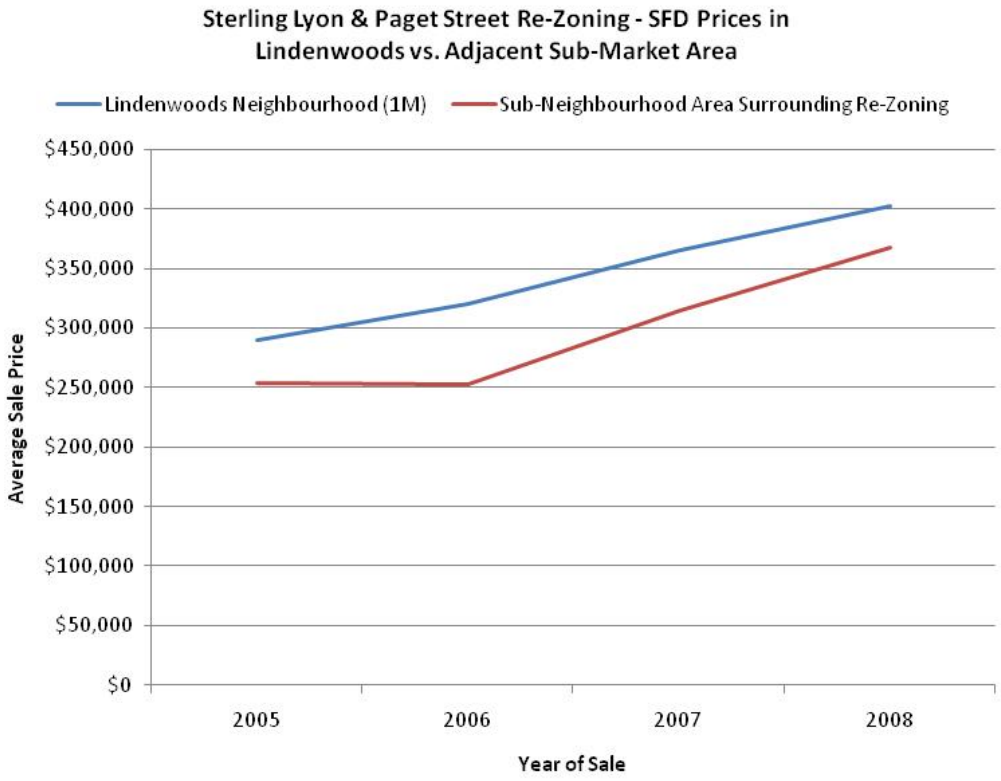
In December 2005 the City of Winnipeg approved (DAZ 247/2005)an application to re-zone the former industrial-use lands to allow for future planned medium density multi-unit residential development.



Single family house prices for the adjacent Lindenwoods neighbourhood (south of Sterling Lyon Parkway) were analyzed from 2005 through 2008. In addition, the sub-market area in closest proximity to the redevelopment area has been analyzed and compared to price trends and metrics of the larger neighbourhood area. This area was defined to include the properties on Tweedsmuir Drive, Hawkesbury Crescent, Whidden Gate and Wellesley Court.

STERLING LYON/PAGET ST RE-ZONING Lindenwoods Neighbourhood (1M)		**2005**	**2006**	**2007**	**2008**
Average Residential SFD Sale Price		$289,988	$320,615	$365,073	$402,185
	Year/Year Change		10.6%	13.9%	10.2%
Avg SP per Square Ft		$140.94	$161.59	$179.09	$198.69
	Year/Year Change		14.7%	10.8%	10.9%
No. of Sales		163	173	130	128
Avg DOM		28	27	22	23
Avg SP/LP Ratio		99.6%	99.6%	101.1%	101.7%

Sub-Neighbourhood Area Surrounding Re-Zoning		**2005**	**2006**	**2007**	**2008**
Average Residential SFD Sale Price		$254,376	$253,073	$315,082	$368,070
	Year/Year Change		-0.5%	24.5%	16.8%
Avg SP per Square Ft		$122.39	$152.89	$158.19	$180.34
	Year/Year Change		24.9%	3.5%	14.0%
No. of Sales		9	11	11	10
Avg DOM		25	19	17	26
Avg SP/LP Ratio		98.7%	101.4%	99.9%	100.9%



Conclusions - Sterling Lyon-Paget Re-Zoning

Similar to the Fort Rouge Yards case, prices within the smaller sub-market area in proximity to the re-zoning appear to stall or flatten for six months subsequent to the re-zoning. It should be noted that prior to the re-zoning and redevelopment plan, the average prices within the sub-market analyzed were lower than the larger Lindenwoods market - the sub-market area represents an older phase of the Lindenwoods build out and average prices would not benefit from higher end properties and newer homes found within other areas of the neighbourhood.

After the initial six-month lag noted above, the price trend within the sub-market area generally mirrors or exceeds the general marketplace. Average house price growth within the sub-market exceeded the neighbourhood average in both 2007 (24.5 percent versus 13.9 percent) and 2008 (16.8 percent versus 10.2 percent). On average, marketing periods are shorter within the sub-market area and sale to list price ratios are similar.

Case No. Three - Bison Drive Re-Zoning

In April 2011 the City of Winnipeg approved (DASZ 20/2010) an application to re-zone the commercial-use lands to allow for future planned medium density multi-unit residential development.

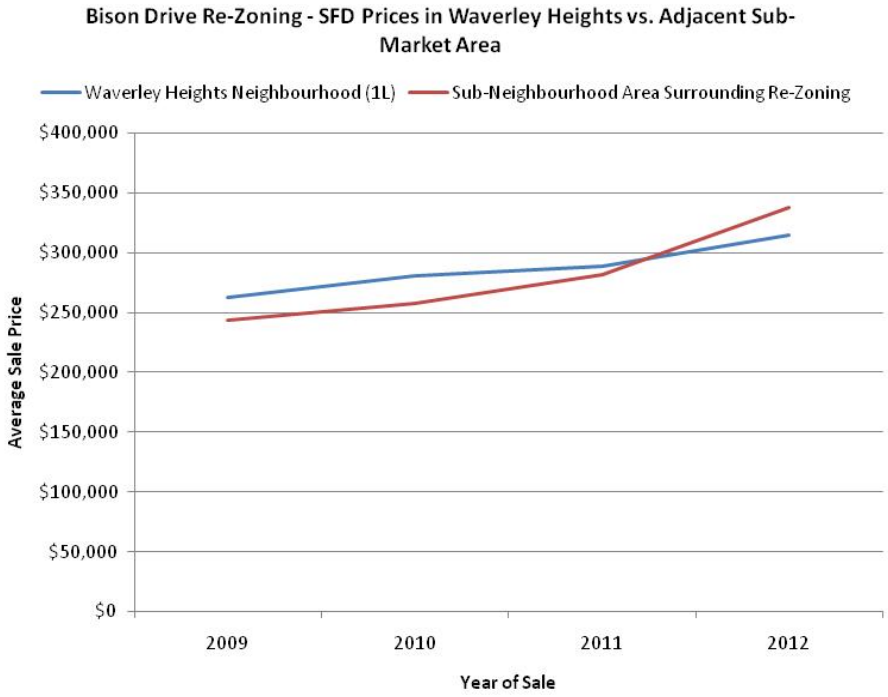


Single family house prices for the adjacent Waverley Heights neighbourhood (north of Bison Drive)were analyzed from 2009 through 2012 (year to date). In addition, the sub-market area in closest proximity to the redevelopment area has been analyzed and compared to price trends and metrics of the larger neighbourhood area. This area was defined to include the properties on Chancellor Drive (1400-1700 blocks), Montclair Bay, Alumni Place, Greensborough Bay and the 1200 block of Markham Road.

Conclusions - Bison Drive Re-Zoning

BISON DRIVE RE-ZONING	**2009**	**2010**	**2011**	**2012**
Waverley Heights Neighbourhood (1L)				
Average Residential SFD Sale Price	$262,499	$280,132	$288,181	$314,369
Year/Year Change		6.7%	2.9%	9.1%
Avg SP per Square Ft	$199.21	$217.59	$235.38	$247.70
Year/Year Change		9.2%	8.2%	5.2%
No. of Sales	75	58	59	43
Avg DOM	15	16	20	11
Avg SP/LP Ratio	101.1%	103.1%	103.3%	105.5%

Sub-Neighbourhood Area Surrounding Re-Zoning				
	2009	**2010**	**2011**	**2012**
Average Residential SFD Sale Price	$243,622	$257,667	$281,751	$337,500
Year/Year Change		5.8%	9.3%	19.8%
Avg SP per Square Ft	$194.74	$193.73	$197.36	$211.82
Year/Year Change		-0.5%	1.9%	7.3%
No. of Sales	9	4	2	2
Avg DOM	8	3	17	16
Avg SP/LP Ratio	101.5%	99.8%	100.7%	104.8%

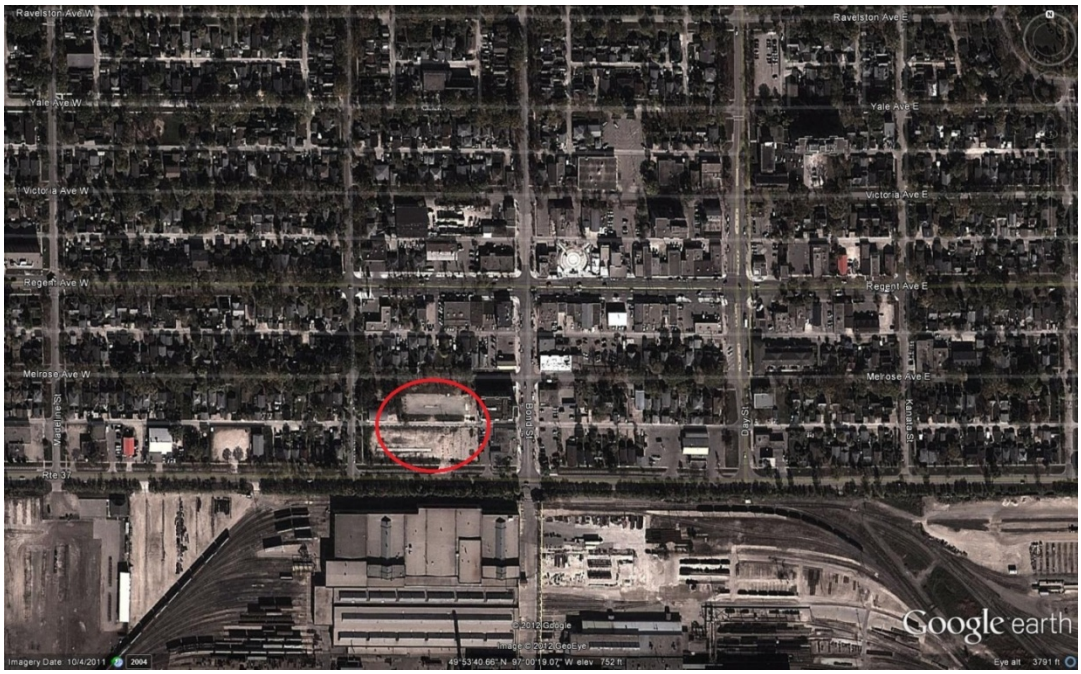


Prior to the re-zoning (2009 and 2010) house prices in the sub-market area identified generally fell slightly below the larger Waverley Heights market averages. During this period the general price trends within the two markets exhibited similar growth metrics. Subsequent to 2011 price growth within the sub-market has exceeded the larger market (19.8 percent versus 9.1 percent in 2012). We would be reluctant to suggest that any advantageous pricing resulted from the re-zoning of the Bison Drive site but rather attribute the price fluctuations to variances experienced when working with small sample sizes.

In terms of marketing periods and sale to list price ratios there are no indications evident that any form of detrimental impact was experienced on the neighbourhood housing stock with the re-zoning and introduction of multi-family development on the Bison Drive site.

Case No. Four - Bond Street and Pandora Avenue Re-Zoning

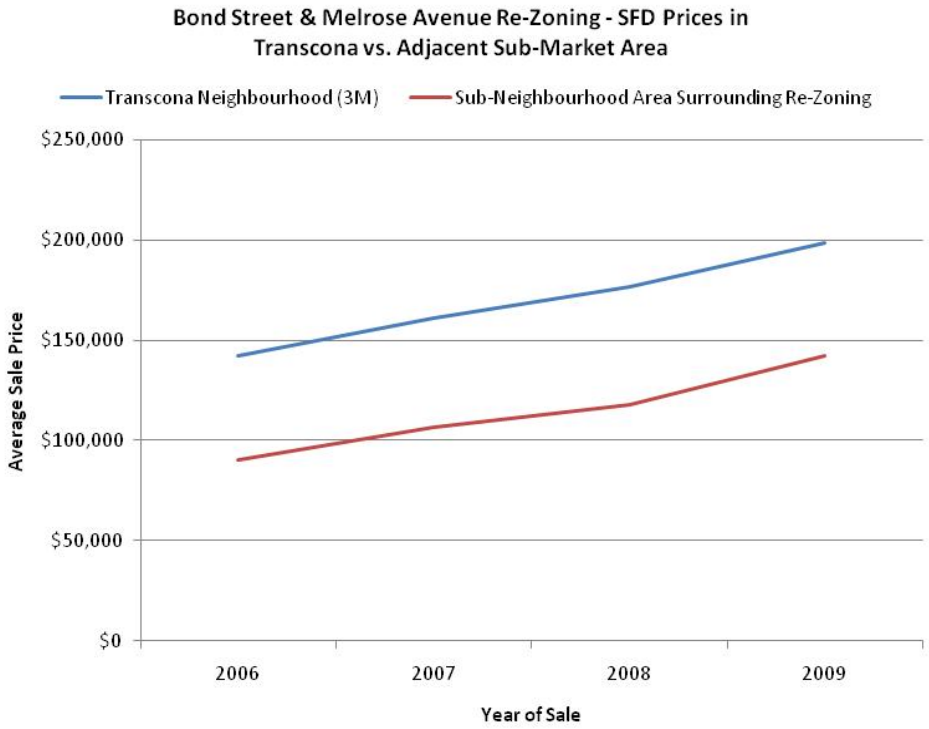
In March 2007 the City of Winnipeg approved (DASZ 04/2007) an application to re-zone the industrial-use lands to allow for future planned low and medium density multi-unit residential development.



Single family house prices for the surrounding Transcona neighbourhood were analyzed from 2006 through 2009. In addition, the sub-market area in closest proximity to the redevelopment area has been analyzed and compared to price trends and metrics of the larger neighbourhood area. The sub-market area was defined to include properties on the 100-300 blocks of Melrose Avenue West, Regent Avenue West, Victoria Avenue West and Pandora Avenue West.

BOND STREET RE-ZONING	**2006**	**2007**	**2008**	**2009**
Transcona Neighbourhood (3M)				
Average Residential SFD Sale Price	$142,510	$160,977	$176,712	$198,419
Year/Year Change		13.0%	9.8%	12.3%
Avg SP per Square Ft	$141.40	$157.44	$176.55	$184.19
Year/Year Change		11.3%	12.1%	4.3%
No. of Sales	220	239	248	217
Avg DOM	23	17	18	21
Avg SP/LP Ratio	101.8%	104.0%	106.6%	101.1%

Sub-Neighbourhood Area Surrounding Re-Zoning				
	2006	**2007**	**2008**	**2009**
Average Residential SFD Sale Price	$90,308	$106,769	$117,754	$142,517
Year/Year Change		18.2%	10.3%	21.0%
Avg SP per Square Ft	$100.34	$120.64	$129.63	$136.28
Year/Year Change		20.2%	7.5%	5.1%
No. of Sales	19	16	14	12
Avg DOM	24	22	23	16
Avg SP/LP Ratio	99.1%	102.1%	103.0%	101.5%



Conclusions - Bond Street and Pandora Avenue Re-Zoning

Both prior to and subsequent to the re-zoning, house prices in the sub-market area generally follow the trend exhibited by the larger neighbourhood area.

Similar to the Lindenwoods neighbourhood analysis in Case No. Two, it is notable that prior to the re-zoning and redevelopment plan, the average house prices within the sub-market analyzed were lower than the larger Transcona neighbourhood market. Acknowledging the price differential between the two market areas, what becomes important in this analysis is the relative movement of these markets during the period surrounding the re-zoning.

It is apparent from the graph and table on the previous page that the house price trend in the sub-market area closely aligns to the price trend exhibited in the larger neighbourhood area both before and after the re-zoning of the Bond/Pandora site. In fact, year over year average price growth within the sub-market actually exceeded that of the neighbourhood in each of the years analyzed. In addition, marketing periods and sale price ratios are closely aligned between the markets.

Again, in this case there is nothing to suggest that the re-zoning and subsequent multi-family residential development have any detrimental effect on the neighbouring housing prices.

Conclusions

In the four cases that we have analyzed, it is consistent that no lasting detrimental impact is created on surrounding residential property prices through re-zoning of lands from Industrial or Commercial use to Multiple Family use categories. In two instances we observed a short-term flattening of prices in sub-market areas surrounding the rezoned areas, but in both instances, prices regained strength and either matched or exceeded the general neighbourhood market performance shortly after.

Stevenson Advisors have extensive experience in the valuation of both residential and commercial property. Based on our experience with development lands, the results of this analysis are not surprising. While the rezoning of lands from agricultural or residential use to commercial or industrial might be expected to be detrimental to surrounding neighbourhood residential property values due to noise, traffic, or increased density, the reverse transition from industrial or commercial use to multi-family residential use would be expected to be seen as more compatible with the existing residential development and less impactful on the neighbourhood and ultimately property values.

In many new residential developments, multiple family development is used as a transition from the low density single family development that comprises the core, to a higher density of development on peripheral areas, transitioning the neighbourhood area to surrounding commercial or industrial development.

I trust that this information is sufficient for your requirement. If further discussion is required, please call the undersigned at 204-934-6242.

Respectfully submitted,

STEVENSON ADVISORS LTD.

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Vice President