



January 25, 2013

Real Estate Sector

Edmonton Oilers' new home: a potential 'hockey stick' event for Mainstreet Equity's Edmonton assets

Event:

- Wednesday afternoon, the city of Edmonton and the Katz Group announced that they had come to an agreement to develop an 18,559-seat arena in downtown Edmonton (to be the new home of the Edmonton Oilers).

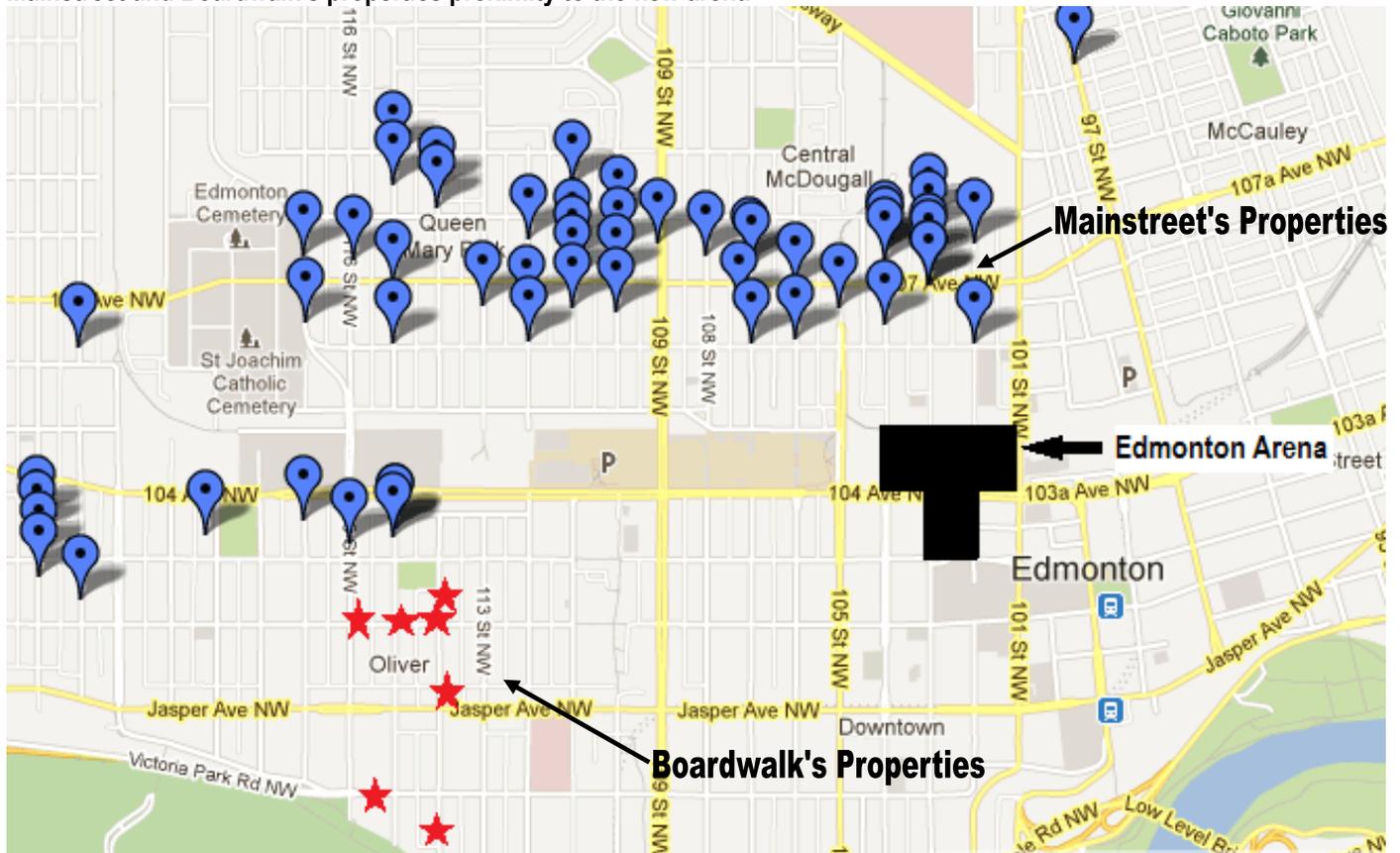
Details:

- The 7.5 hectare site will include; the arena, a Winter Garden pedestrian bridge, a pedestrian corridor, a community rink and a link to the MacEwan LRT station for a cost of \$601 million.
- The 'arena district' is at the corner of 104 ave and 101 street.
- The Katz Group and WAM Development Group plan to develop the surrounding area to include; a 26-floor luxury hotel, 2 office towers, 6 additional buildings and a plaza to be connected to the arena for an additional estimated cost of \$2 billion.
- Construction is to begin in late summer/early fall with an expected completion of 2016.

Implication:

- Although difficult to quantify, we don't believe that the market fully appreciates how materially positive this announcement is for Mainstreet Equity Corp.⁷ (MEQ-T) and to a lesser extent Boardwalk REIT⁷ (BEI.UN-T) over the long term.
- Approximately 1/3 of Mainstreet's portfolio is in Edmonton and of this, we estimate 60-70% is highly clustered in close proximity to the proposed revitalization area (see map below).
- For Boardwalk, we estimate that 2% of their overall portfolio is located in the vicinity.
- The revitalization plans appear significant enough that we believe the long term value appreciation of properties in the area could be equally significant. In addition to the arena, there are plans to build new hotels, new office towers, new retail plazas all of which are hugely positive for real estate values in close proximity.
- There are many case studies of the positive impact of downtown revitalization with a new sports/entertainment venue, such as the Staples Center in Los Angeles.
- It's also important to note that in many instances, Mainstreet owns apartments in a contiguous fashion, which should facilitate any potential rezoning for higher density in the long term.
- For both Mainstreet and Boardwalk, we don't expect that this news will be immediately reflected in the valuation of the properties. However, as the revitalization plan evolves, we expect that property valuation will increasingly reflect the higher long term value.

Mainstreet and Boardwalk's properties proximity to the new arena



Source: Company Reports, Google Maps, GMP Securities
Mainstreet's properties are denoted by flags, Boardwalk properties are denoted by stars



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³ non-voting

⁴ subordinate-voting

⁵ restricted-voting

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⁷ The analyst who prepared this report has viewed the material operations of this issuer.

⁸ The analyst who prepared this research report owns this issuer's securities.

⁹ limited voting

¹⁰ GMP Securities L.P. owns 1% or more of this issuer's securities.

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