



Independent Research

September 2005

LEX Retail Property Trust

RESEARCH CREDENTIALS

Under Corporations Act 2001, Property Investment Research Pty Ltd ("PIR") ABN 97 006 425 083 holds an Australian Financial Services Licence (No. 252599). Established in 1989, PIR is Australia's leading independent specialist research group on property related investments. PIR is the major supplier of independent property research to Investment Managers and Financial Advisers. Financial Advisers are required by s945A(1)(b) of the Corporations Act 2001 to properly research the financial products they recommend. PIR's independent research plays a vital compliance role for ASIC licensed Investment Advisers and Securities Dealers in that it: provides adequate knowledge of investment promoters, their track record, the investment market and the risks involved; and ensures, where specialised in-house research is not available, reliable and impartial research is obtained.

STATEMENT OF INDEPENDENCE

Property Investment Research (PIR) has received fees from **LEX Property Management Limited** for the preparation of this report. PIR is a property investment specialist and applies a strict and rigorously independent process for production of research reports and has no direct or indirect vested interest in the success or otherwise of any investment offer evaluated by PIR.

Under section 923a of the Financial Services Reform Act there are restrictions and penalties relating to the misuse of the word 'independent'. Neither PIR nor its directors, its employees or associates receive success fees, commissions, or remunerations based on transaction volume, gifts or any other peripheral benefits that may materially influence the direction of reports.

Additionally PIR's independent ownership means it has neither potential conflicts nor vested interests, such as those arising through ownership by real estate, stockbroking, financial planning or fund management organisations. Furthermore PIR has a policy of not entering into any agreements or alliances with product providers.

Neither PIR Directors nor PIR personnel or PIR consultants directly connected with the production of this report hold substantial interests (if any) in the securities analysed in this report.

DISCLAIMER

This independent research report was not prepared for inclusion in, or in connection with any Product Disclosure Statement or other offer document and should not be relied upon to provide all the necessary information for investment decisions. Although great care has been taken to ensure the accuracy of this report, PIR gives no warranties in relation to the statements and information contained herein and disclaims all liability arising from any persons acting on the information and statements in this report. PIR reserves the right to change its opinion, ratings and/or withdraw the report at any time on reasonable grounds. PIR research provides general opinion and not personal securities recommendations. All investors are strongly advised to consult professional financial advisers whose role it is to provide appropriate investment advice, taking into account an individual investors' investment objectives, financial situations and particular needs. PIR assumes no responsibility or obligation to provide updates on this published report. This report is prepared and issued by PIR for the purpose of the assessment of securities in this scheme. This assessment is valid for capital raising purposes for a period of six months on the provision that no material changes are effected. Please consult the Responsible Entity or your financial adviser for further information.

Yours faithfully, Richard Cruickshank, Managing Director.

To find out more about Property Investment Research (PIR), visit <http://www.pir.com.au>

For information on PIR's Investment Evaluation Process go to <http://www.pir.com.au/pdf/guidetopirsIES.pdf>

LEX Retail Property Trust

Summary

Offer Overview

LEX Property Management Limited (LPML), the Responsible Entity (RE), seeks investor equity of \$18 million for the purchase of a purpose built centre currently under construction in Adelaide, South Australia. This property is located close to Adelaide Airport and is sited on land under long term ground lease from the Airport.

Evaluation Summary

The Syndicate features a relatively high starting income return of 9.4% and a high forecast tax deferred component over the first four years. The tenant is to be an IKEA concept store designed around an operating model already established in international markets. The building is currently under construction and occupation is expected from March 2006. Investors' income returns are expected to be stable given the long term lease and the lease covenant offered. Capital returns however may be affected by the ground lease (rather than freehold ownership) and the above market rental.

Management

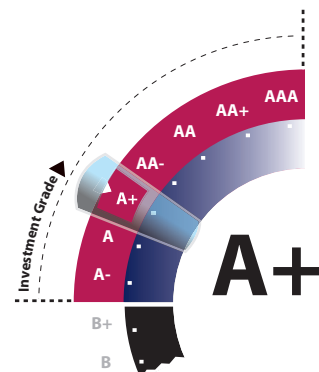
LPML is a newly established entity owned by three major shareholders. Whilst the RE is a new entity, the executive team has property investment management experience through investing and managing property assets in Australia.

Major Considerations

- ▲ Brand new building with internationally recognised tenancy.
- ▲ Well located site on Airport land not constrained by local planning requirements including trading hours.
- ▲ Lease term extends well past syndicate sunset.
- ⚠ The RE is a new entity although it has property funds management experience. Two directors are under a 12 month executive services agreement, set to expire in September 2006. The RE is however incentivised through 17% interest in Syndicate units.
- ⚠ Construction costs have been limited under a guarantee, reducing, although not fully eliminating, Syndicate risk.
- ▼ The Syndicate has a ground lease on the site, not freehold. This may impact on the terminal value of the property.
- ▼ A lack of diversification, with a single tenancy / single asset profile heavily dependant on consumer retail spending.
- ▼ Higher than average on-going management fees despite fee waiver by the RE.

Overall Investment Rating

Ratings vary with investor profile and option – refer Page 2.



Scheme Details

LEX Retail Property Trust	
ARSN 115 789 243	PDS dated 9 September 2005
Fund type	Property Syndicate
Duration of investment	7 years
Unit price	\$1.00
Minimum investment	\$20,000
Distribution frequency	Quarterly
Liquidity	Nil
Adviser Commissions	Undisclosed

Responsible Entity (Manager)

LEX Property Management Limited (ABN 53 111 779 689)

Custodian

Trust Company of Australia Limited (ABN 59 004 027 749)

Investment Profile

Number of properties	1		
Property locations	Adelaide SA		
Property sector	Retail		
Future borrowing commitments	Nil		
Gearing ratio (% of Total Assets)*	57.0%		
Gearing ratio (% of Purchase Price)	62.6%		
Construction cost: total funds	93.6%		
Equity sought †	\$18.1m	Property Price	\$41.0m
Debt	\$25.7m	Related costs	\$2.8m
Total funds	\$43.8m	Total funds	\$43.8m

* After repayment of Cebas loan facility.

† Includes existing equity of \$140,000

Returns forecast by the Responsible Entity

Year end 30 June	2006*	2007
Income return	9.4%	9.5%
Tax Advantaged	100%	100%

* Annualised

This report, dated 20 September 2005, expires after 6 months or if there are any material changes in relation to the information contained in this report. This report was not prepared for inclusion in any offer document and investors must only rely on information contained in the offer document and other associated information. PIR reserves the right to change its opinion, ratings and/or withdraw the report at any time on reasonable grounds.

Conclusion

Qualitative Criteria	Star Ratings Assessment (0 – 5)				
Quality of assets	★	★	★	★	
Strength of relative property markets	★	★	★	★	
Quality of income stream	★	★	★	★	
Potential upside for vehicle	★	★	★		
Diversification	★				
Investor's initial value	★	★	★	★	
Level of fees	★	★	★		
Capital structure and debt management	★	★	★		
Quality of disclosure	★	★	★	★	
Track record and capacity of Management	★	★	★		

Table i

The RE is seeking to raise investor equity of a minimum of \$18 million which is in addition to 2.8 million units (\$140,000), that the parent body of the RE (LEX Property Management) holds, will be utilised to fund the construction of the IKEA store and establishment of the Syndicate. The capital raising will also be used partially to repay borrowings by the Syndicate from Cebas, the IKEA franchisee for the site. These borrowings from Cebas were utilised to fund construction of the site prior to the release of this offer.

The construction of the property is anticipated to reach practical completion by 31 March 2006. Risks involving cost sensitivity have been minimised, with one of the RE's shareholders having provided a Deed of Guarantee

minimising the Syndicate's exposure to any cost overruns. In the period between the commencement of the Syndicate (anticipated to be 26 October 2005) and the date of practical completion, the RE intends to distribute returns to investors at a rate of 9.0%. After this point, investor returns will be derived from rental returns.

The tenant, Cebas, has a 15 year lease over the property, which effectively largely mitigates income risk during the anticipated course of the Syndicate (unless the tenant defaults). The interest in the property tenure is held by the Syndicate via a ground lease to Adelaide Airport Limited (AAL). The Syndicate will recover ground lease rental from Cebas, as well as property rental income. The lease to the franchisee is for 15 years and as such, minimises volatility to the income of the Syndicate.

The term of the ground lease to AAL is an initial lease of 43 years expiring March 2048 with an option to renew for a further 49 year period. The renewal of the lease option is dependent on AAL renewing its head lease with the Commonwealth of Australia for the same period, a factor out of the control of the occupying lessee or the RE.

The RE has secured a loan facility from the National Australia Bank (NAB) for \$27.1 million and the RE is forecasting an interest rate of 6.86% p.a. The loan facility will be drawn down in two phases.

PIR Investment Ratings by investor profile*				
		Investor's risk tolerance		
		High	Average	Low
Tax rate	48.5%	A+	A+	A+
	31.5%	AA-	A+	A+
	15.0%	AA-	AA-	AA-

PIR's investment ratings are derived directly from estimates of after-tax IRRs adjusted for risk. Because this system determines a rating for specific tax rates and levels of risk tolerance, it recognises that investors have different attitudes. For an investor profile, it also enables direct and valid comparison with any other offer rated on the same basis for the same specific profile. The investment grade ratings range is: A-, A, A+, AA-, AA, AA+, AAA.

* For further explanation refer to the back page of this report or visit www.pir.com.au/investors

Table ii

Key Assessment Issues

The Syndicate has several advantages relating to specific property issues such as the tenant's business (IKEA), which is one of the largest furniture retailers in the world, a good location for the business type, relative proximity to the city and links to major roads and a triple net lease to the franchise operator. The property will be newly constructed with relatively high depreciation benefits to investors and should have minimal capital expenditure items over the term of the Syndicate.

However, the nature of the development is that of a specific single purpose site which, if the tenant were to default or vacate, is likely to have a substantial impact on the value of the property. The starting rental level is high, and while a benefit to unitholders in the Syndicate initially since rent reviews are a mixture of CPI and ratcheted market reviews, may be unsustainable from another tenant if replacement was necessary.

A ground lease is less attractive to buyers than a freehold entitlement, so may place limitations on the level of capital growth which may be achievable to the Syndicate. The exercise of the ground lease option is reliant on AAL renewing their head lease on similar terms, and there is no assurance that AAL would renew their head lease to the Commonwealth due to alterations to be undertaken to Adelaide Airport in keeping with the Airport Master Plan. AAL have the option to terminate their ground lease under this provision. In such case, this could have a material impact on the terminal value of the property. In addition, if the tenant (Cebas) defaults on the terms of their lease, the Syndicate will still be required to meet payments of the ground lease. PIR notes that within the airport itself, there is a new \$260 million combined domestic and international passenger terminal under construction which is due for completion in October 2005 although whether this will impact on lease renewal issues by AAL is unknown.

Income Returns

PIR has examined the financial projections of the RE based on the valuations and supporting evidence and is satisfied that the properties being purchased are able to generate a sufficient yield to enable the RE to distribute the proposed 9.4% yield, subject to best practice corporate governance being undertaken by the RE's Directors, consultants and staff.

The Syndicate shows negligible expected volatility to rental income during the anticipated seven year term. The lease to tenant Cebas is for 15 years from completion of the property, with an additional three options of five years each. The tenant's lease is structured with rental reviews linked to CPI plus 1% with a review to market six years after commencement and every 5 years thereafter. This lease is a triple net lease which negates any impact to income which might have arisen from unrecovered outgoings from the tenant.

The lease also provides for full recovery of the ground rent from the tenant by the Syndicate, although it is noted that if the tenant defaults, ground rent will still need to be paid.

The valuer has noted that the proposed level of rent for the property is well in excess of that of existing bulky goods stores in Adelaide (and Australia) however, it is also noted that the property will have specifications which are closer to that of a department store than traditional bulky goods developments. While the Syndicate property will have areas utilised for offices, a restaurant and storage and so in some ways is more akin to a DDS or department store, this rent is well above any comparable bulky goods retail centres in Adelaide, and is at the upper end of DDS or Department Store rents analysed.

The RE is maintaining a certain level of retained earnings in the Syndicate which PIR have allowed for in the financial modelling. PIR assumes that any retained earnings in the Syndicate will either be used for any unforeseen capital expenditure or will be distributed at the termination of the Syndicate.

Financial forecasts and projections (PIR expected case)

Year ended 30 June	2006*	2007	2008	2009	2010
Net Property Income	1,266,000	5,217,900	5,390,408	5,568,713	5,753,013
Other income	11,000	15,000	15,000	15,000	15,000
Total Income	1,277,000	5,232,900	5,405,408	5,583,713	5,768,013
RE Fees	219,100	339,700	349,891	360,388	371,199
Other Expenses	355,300	1,108,879	1,135,634	1,163,070	1,191,205
Interest on Borrowings	382,000	1,769,000	1,769,000	1,769,000	1,769,000
Total Expenses	956,400	3,217,579	3,254,525	3,292,458	3,331,404
Net Operating Income	320,600	2,015,321	2,150,883	2,291,255	2,436,609
Available For Distribution	320,600	1,714,321	1,885,883	2,026,255	2,161,609
Equity Invested	18,140,000	18,140,000	18,140,000	18,140,000	18,140,000
Return On Equity	1.77%	9.45%	10.40%	11.17%	11.92%
Tax Advantage	100.0%	100.0%	100.0%	100.0%	90.0%
After-tax Distribution					
48.5 % Tax rate	1.77%	9.45%	10.40%	11.17%	11.34%
31.5 % Tax rate	1.77%	9.45%	10.40%	11.17%	11.54%
15 % Tax rate	1.77%	9.45%	10.40%	11.17%	11.74%

* 3 months annualised

Table iii

Capital Returns

Under the expected scenario, the annual average capital growth in the value of the portfolio is assumed to be 1.7 % p.a. Thus, capital growth is likely to be in line with or above levels of inflation throughout the forecast period. The growth rate required to return \$1 by the end of the seven year forecast period is approximately 0.8% (Table iv). The likely capital growth is estimated to range between 0.6% p.a. under the downside scenario, to 2.6% p.a. in the upside scenario.

Current Realisable Value	7 years	Standardised 6 year term
Growth rate required to return \$1 at end of period:	0.6%.	0.7% p.a.

Table iv

The Syndicate property has an independent valuation from Knight Frank stating an "as complete" value of \$45.1 million.

Any positive difference in the valuation of the property when complete and the construction cost will be accrued to the benefit of the Syndicate. Based upon this valuation, the RE anticipates a positive revaluation increase of \$4.1 million.

The percentages provide figures for use as benchmarks and replace the former NTA calculation, the true meaning of which has dissolved with the increased application of accounting convention. For further analysis and benchmark comparisons of transaction and establishment costs, subscribers should visit www.pir.com.au.

Application of Funds	\$000	%	Source of Funds	\$000	%
Maximum guaranteed cost of the property	41,000	93.60%	Investor Equity	18,000	41.09%
Transaction costs (property acquisition costs e.g. stamp duty, legals and due diligence)	266	0.61%	Existing equity	140	0.32%
Initial payments to RE/advisers/underwriter	1,390	3.17%	Debt (NAB)	25,664	58.59%
Other offer & establishment costs	550	1.26%			
Cash/contingency	598	1.37%			
Total Funds Employed	43,804	100%	Total	43,804	100%

Table v

Debt

The RE has secured a finance facility for the Syndicate from the NAB for a maximum of \$27.1 million. The facility has two phases, the Construction Facility and Term Facility which replaces the Construction Facility following Practical Completion of the property. The current facility offer contains a number of conditions which the Syndicate is required to satisfy prior to the first draw down of the Construction Facility. This first draw down is scheduled for mid September 2005. NAB has approved the Facilities on the basis that: (a) the Borrower will raise investor capital of not less than \$16,540,000 by 15 December 2005; (b) the proceeds of the capital raising will be applied in reduction of the Cebas Loan Facility; and (c) if the capital raising does not proceed or raises less than \$16,540,000, the Lender may review the Facilities and the terms on which they are provided to the Borrower. The Construction facility has an interest rate of 6.86% p.a. (including margin), while the Term facility rate is 6.81% p.a. At this time, the RE has not hedged interest rates relating to the two loan facilities.

The RE, in its capacity as trustee for the Syndicate, has entered into an unsecured loan facility agreement with Cebas up to the value of \$17,200,000 for the purpose of developing the lease and the development of the property. The Cebas Loan Facility is subordinated to the loan facilities provided by NAB and the proceeds from the capital raising under the offer will be applied to reduce the Cebas Loan Facility. Any balance left unpaid will either remain subordinated to the Monies Owing or will be converted to equity.

The Construction Facility includes a Bank Guarantee facility to allow the Borrower to meet the rental guarantee requirements of the Ground Lease. The Term Facility is a bill facility to re-finance the Construction Facility following Practical Completion.

The loan facilities state in their material terms that some of the entities who have shareholding in the RE must retain 17% of the Syndicate's units, thereby aligning the interests of these parties (and the RE) with that of investors.

Taxation

Income tax: there are taxation benefits available to investors in the way of a tax-advantaged component which represents a percentage of 'tax deferred' income. This tax-advantaged component is due to allowable deductions, such as building allowance and depreciation of the property, plant and equipment and certain establishment costs. Australian investors can expect to receive an income stream which is tax-advantaged to an average of 100% for the three-years (based on the RE's financial forecasts and assuming no change to the property portfolio).

Capital Gains Tax: tax paid on accumulated tax deferrals as well as on increase in property value (net of sale costs). PIR understands that under current law the taxable income of the Syndicate will include any capital gains made on the sale of assets owned by the Syndicate. The cost base used in calculating such capital gain will be reduced by any amounts already claimed as a deduction.

The taxation implications of investing in the Syndicate may vary according to the investment structure adopted by investors and potential changes to the Taxation Act.

It is strongly recommended that investors seek/obtain professional and independent financial advice before choosing to purchase units in this or any investment property vehicle.

Risk and Total Returns

As the Syndicate involves elements of construction and development, there is an inherent risk in such projects encompassing over-running of cost estimates and delays in the completion of the development. The RE as trustee for the Syndicate, has entered into a Deed of Guarantee (“Guarantee”) with Delarge Investments Pty Ltd as trustee for The Queensgate Trust (“Queensgate”) and Zina Corporation Pty Ltd (“Zina”). Queensgate has guaranteed to the RE, to pay any over runs of the total cost of completing the lessor’s works under the Ground Lease that exceeds \$41,000,000 (the maximum guaranteed cost as advised by the RE).

While this provides a level of comfort to investors, this guarantee is not unconditional, and exclusions may be applied on the basis of delays and increased costs caused either by force majeure (Acts of God, e.g. fire, flooding), or industrial disputes. The terms of the guarantee are conditional upon Zina guaranteeing the performance and obligations of Queensgate under the guarantee. Should Queensgate default, Zina will be responsible to the RE for Queensgate’s obligations.

Syndicate risk relating to income during the anticipated term of the investment is mitigated by given the term of the lease for a 15 year period over a seven year Syndicate, as well as the presence of a triple net lease and the expectation of minimal short term capital expenditure.

A ground lease is less attractive to buyers than a freehold entitlement. The exercise of the ground lease option is reliant on AAL renewing their head lease to the Commonwealth on similar terms, and there is no assurance that AAL would renew their head lease. However, in the event that AAL requires a resumption of the site for specific aeronautical purposes during the lease term, AAL has an obligation to provide an equivalent store to the Trust at AAL’s cost during the initial term. In the option period, any resumption of the site requires AAL to reimburse the Trust an amount equivalent to the market value of the Ground Lease and the Ground Lease Tenant’s property and all subunderleases entered into in relation to the premises.

The Syndicate also holds a first right of refusal over two adjoining smaller parcels of land. When available, these areas of land may be leased under separate lease arrangements and used either as additional space for the IKEA franchise or alternatively offered to other parties interested in being located close to an IKEA store. The Syndicate has no obligation to lease these additional parcels of land when they become available, and PIR has not included these in the assessment of the Syndicate.

There are several issues which may come into play should the term of the investment be extended past the proposed seven years. Investors need to be aware that PIR’s rating has been based on the initial seven year term only.

Syndicate estimated after-tax IRRs	Downside	Expected	Upside
48.5%	8.31%	11.48%	14.19%
31.5%	9.20%	12.54%	15.42%
15%	9.83%	13.29%	16.29%

Table vi

Assumptions

PIR’s cashflow analysis uses alternate assumptions (where warranted) in accordance with the standard PIR methodology.

This analysis assumes that there is no change to the portfolio in the form of forced or other deleterious sale or expansion not assumed in the RE’s current forecasts during the investment period.

PIR assumptions	Downside	Expected	Upside
Tenancy rental growth p.a.	3.00%	3.50%	3.75%
Ground rental growth p.a.	2.00%	2.50%	2.75%
Average rate of capital appreciation p.a.	1.06%	2.40%	3.60%
Construction cost overrun (outside scope of the Maximum Guaranteed Cost)	(\$500,000)		\$500,000
Interest Rates			
Construction facility	7.55%	6.86%	6.17%
Term Facility	7.49%	6.81%	6.13%

Table vii

Offer Structure

The Syndicate is a managed investment scheme structured as a unit trust with a Responsible Entity, constitution, compliance plan, custodian, and public offer for units achieved by way of Product Disclosure Statement. The prime responsibility of the Responsible Entity is to safeguard the interests of investors and to manage the Syndicate to ensure that it achieves its objectives. This is a closed-end syndicate with an expected duration of seven years. The minimum subscription is \$20,000, thereafter in multiples of \$1,000. The RE has stated that consideration may be given to expanding the Syndicate's assets by acquiring further properties in the future.

Prior to the date of this PDS, 2.8 million units were issued at a subscription price of \$0.05 in August 2005. The Directors and other related parties of the RE may hold Units in the Syndicate from time to time which will be acquired on the same terms as for any other Unitholder in the Trust.

The Tenant of the Property is Cebas, as a holder of the franchise for IKEA, which has also provided the Cebas Loan Facility to the Trust. Mr Alan Tribe, a Director of the RE, has an indirect interest in Cebas as a beneficiary of a discretionary trust that indirectly controls Cebas. The RE has entered into a Deed of Guarantee with Delarge in its capacity as trustee for Queensgate as the first guarantor under the Deed of Guarantee and Zina as the second guarantor. Mr Tribe is the sole director and beneficial controller of both Delarge and Zina. Mr Tribe is also the beneficial controller of Queensgate. The terms of the Facility Letter from NAB require Cebas or Queensgate to maintain a minimum of 17% ownership of the Units in the Trust after the Offer. Cebas or Queensgate will subscribe for a minimum of 1,060,917 Units, which when added to the 2,475,100 Units held by Queensgate prior to the Offer will satisfy the 17% ownership requirement. PIR has not undertaken due diligence on Queensgate, Zina or Delarge as entities and therefore investors should satisfy themselves regarding the substance of these guarantees.

Liquidity and Exit Mechanism

An investment in this syndicate should be considered long term and illiquid. The RE has no obligation to purchase or redeem the value of an investor's units and there is no secondary market. The RE has indicated that it will hold a unitholder meeting in October 2010 to determine the future of the Syndicate, which is voted to terminate, and sell the property by October 2012.

There is no guarantee, should 75% or more investors vote to extend the Syndicate in October 2010, that investors will receive their capital return earlier than in seven years' time.

Fees

The RE is entitled to several fees, which have been included in the financial forecasts. The principal fees (exclusive of GST) are outlined below:

- An Issuer Fee of up to 5% of monies raised for the Syndicate payable to the RE for establishing the Syndicate and facilitating the commencement of the project. The RE has waived a portion of this fee and agreed to accept a fee of 3%.
- An annual Management Fee of up to 1% of the gross asset value of the Syndicate. The RE has waived a portion of this fee and agreed to accept a fee of 0.75%.
- An exit fee of 1% of the gross sale proceeds provided that the net proceeds of the sale are greater than the cost base of the assets.
- The RE is entitled to recover costs of establishing and administering the Syndicate. The RE has estimated that establishment costs will be \$550,000. Operating costs of the Syndicate are projected to be 0.175% p.a. of gross assets.

The initial fees associated with the Syndicate are somewhat lower than the industry average of 5% of the value of the asset. Ongoing management fees however are somewhat higher than the average of 0.65% despite the fee reduction accepted by the RE.

Capacity of Manager

The Trust will be managed by the Responsible Entity, LEX Property Management Limited (ABN 53 111 779 689), whose shareholders at the time of the offer are Queensgate, The Bridgewater Trust and Macro Funds Limited. Whilst the RE is a new entity which was formed in November 2004, the executive team has property investment management experience through investing and managing property assets in Australia.

Directors of the RE are as follows;

Alan W Tribe CPA FCCA (Non Executive Director and Chairman): Alan has 27 years experience in commercial business both within in Australia and overseas. He became Managing Director of Cebas in 1997 (holder of the franchise license for IKEA) and maintains overall control of retail operations and the performance of the retail business with specific responsibility for the planning and development of Cebas' franchise expansion opportunities. He has broad experience in corporate matters in both the public and private sectors. He is an Associate of Queensgate which is the major shareholder of the Responsible Entity and a Unitholder of the Trust.

Nicholas C Wyatt BA (Hons) ACA (UK) (Managing Director): Nicholas has a background as a Chartered Accountant, who has worked in commerce and industry for 15 years gaining an exposure to a range of industries. He is an Associate of The Bridgewater Trust which is a shareholder of the Responsible Entity and a Unitholder of the Trust.

Peter M Morrison CPA (Non Executive Director): Peter is a CPA with 22 years experience in the funds management industry. Joining Armstrong Jones in 1980, he gained experience across funds management business units including listed and unlisted property trusts, mortgage funds, life insurance, superannuation, retail and wholesale managed investment funds. Following roles at Oakvale Capital Limited and Settlers Lifestyle Limited, he was a founding shareholder and director of Macro Funds Limited, a shareholder of the Responsible Entity.

Stephen R Dixon BBus, CPA (Director - Funds Management): Stephen is a CPA with broad experience in various aspects of funds management with 16 years experience in managing listed property trusts, unlisted property trusts, property excluded offers, life insurance, superannuation, retail and wholesale managed funds.

He has gained experience through a variety of previous roles with Armstrong Jones, Guardian Funds Management Limited and Acumen Capital Limited. He was a founding shareholder and director of Macro Funds Limited, a shareholder of the Responsible Entity.

PIR conducted a compliance review of the RE on 25 August 2005. LPML is currently still in its start up phase of the business and as such it is therefore not possible to conclusively state that LPML has a sound compliance framework at this time. However, the Directors and external committee members individually have strong backgrounds spanning property funds, real property,

financial services, law, business development and corporate governance. Further, the business is supported by quality service providers. The documents reviewed reflected the quality of the business team and their advisers. Given the strength of the team, and the quality of the documentation, it is likely (although cannot be guaranteed at this stage) that LPML will implement a robust compliance system once the scheme becomes operational.

There are two areas for potential conflicts of interest. One director, Mr Alan Tribe, is also the potential lease holder. It is therefore possible that Mr Tribe may act to prefer the interests of the lease holder over those of the Syndicate investors. This risk is however, mitigated by the consideration that the terms of the lease have been disclosed in the PDS, and that the actions of LPML is subject to oversight by the Compliance Committee.

Another potential conflict is that the other two Directors, Mr Morrison and Mr Dixon, are also Directors of Macro Funds Limited. This business also has interests in developing their own property schemes. Again, it may be possible that these Directors may prefer the commercial interests of Macro over the Syndicate. However, this risk is mitigated for the same reasons given above. Mr Stephen Dixon has informed PIR that Macro Funds Limited will not undertake schemes which directly compete with the Syndicate.

In summary, the compliance framework for LPML is well considered. However, it is yet to be implemented and tested in practice.

Property and Location Analysis

IKEA Development, Sir Richard Williams Avenue, Adelaide, SA					
% of Portfolio	100%	Completion Date	March 2006		
Ownership	100%	Purchase Price	\$41,000,000		
Title	Leasehold	Vacancy	0%		
Type	Retail/Bulky goods	Gross Lettable Area	23,487m ²		
Location	Adelaide	Total Site Area	70,000m ²		
Major Tenants	Lease Terms		% Area	% Rental	
IKEA (Cebas)	15 years, expiring November 2020 (5 + 5 year options) Rent reviews annually to CPI + 1%		100%	100%	
Valuation Date	\$ Value	Valuer	Initial yield	Cap rate	\$/m²
August 2005	\$45,100,000	Knight Frank	10.0%†	9.75%	\$1,920/m ²

*As if complete †Based on income from IKEA as a percentage of the construction cost.

Table viii

The development under construction will become an IKEA store with a gross lettable area of 23,487m² with approximately 940 parking bays to be provided in car parking around the development. The subject property was previously predominantly a vacant site. The proposed IKEA development is located to the north western sector of Adelaide Airport, adjacent the intersection of Sir Donald Bradman Drive and Sir Richard Williams Avenue, the main entry road into the Airport grounds in reasonably close proximity to the new combined international and domestic terminal, currently nearing completion, anticipated to be in October 2005.

Current development within the area includes retail (particularly bulky goods) and industrial land uses. Land to the north and east of Adelaide Airport is generally of a residential nature, including low and medium density

development, generally of reasonable to good quality and medium socio-economic status. The premises will be over two levels and is intended to be purpose built to the international IKEA design standard. Being on Commonwealth property, the proposed development is not subject to State planning law. The development is proposed to comply with the standard architecture and layout of more recent overseas IKEA stores. The store itself will comprise a furniture showroom, market hall, self serve warehouse, food services, offices and administration and parking and outdoor areas. On completion the improvements will be in new condition.

The property will be the first of its type in Adelaide. IKEA is an international furniture retailing business which commenced trading in the 1940's and is now represented through franchises in 29 countries throughout the world.

There is a further IKEA store at Osborne Park in Perth, which is operated as a franchise by Cebas. Cebas holds franchise rights for IKEA stores in South Australia and Western Australia. Accordingly the tenant is a related party to the lessor, and there is a common director, Mr Alan Tribe, who holds a director's position within the two companies.

The location is as yet untested for this type of property, however there are already high levels of airport traffic, as well as arterial road traffic, and the new airport terminal in close proximity to the subject development is also likely to be a positive factor.

The property is to be held on a ground lease as opposed to freehold terms. The terms of the ground lease is until expiry of the Adelaide Airport Limited (AAL) lease in May 2048.

There is a right of renewal of a further 49 years if AAL exercises the right of renewal provided for in the head lease. There is a disadvantage of leasehold in comparison to freehold as ownership is for a finite period, as opposed to in perpetuity. Therefore, ownership under such circumstances is of a depreciating asset compared to freehold title, where the land component would be expected to experience capital growth.

According to the valuer, the occupation rent is well above any comparable bulky goods retail centres in Adelaide, and is at the upper end of DDS or Department Store rents analysed.

Due Diligence

Property Investment Research Pty Ltd (PIR) advises that in the compilation of this report, we have not conducted a full due diligence on this offer. Investors would be well advised to consult the offer document dated 9 September 2005, conduct their own inquiries, and receive professional advice. This report was not prepared to form any part of any offer document. PIR has relied upon information contained in the offer document. PIR has carried out its own independent inquiries and has met representatives of the Responsible Entity.

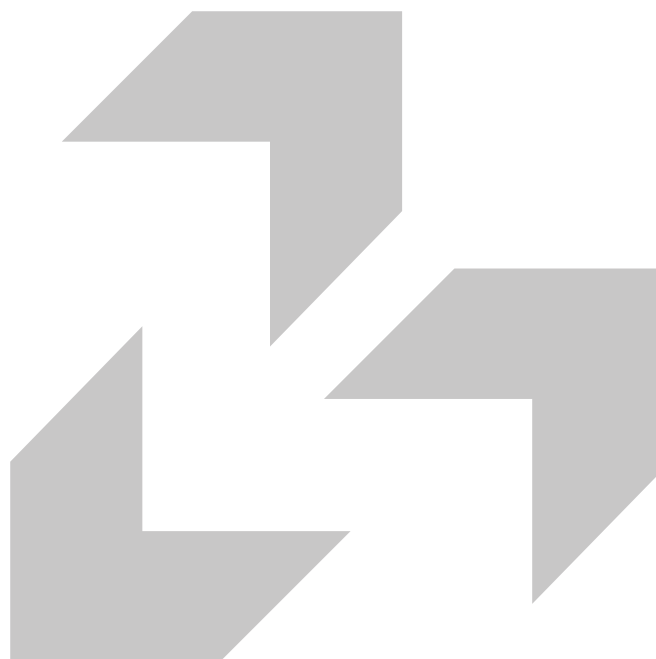
There were no issues apparent from discussions with the Responsible Entity, that would have a detrimental impact on an investment in the LEX Retail Property Trust, other than those identified in the offer document or other material received or identified in this report.

PIR has received copies of the RE's evaluation model, PDS, Trust Constitution and the Compliance Plan which have been registered by the Australian Securities and Investment Commission (ASIC). PIR have also received copies of the valuation and other supporting documents.

PIR has reviewed copies of the following documents during the compliance review:

- Product Disclosure Statement v.8
- Constitution
- Compliance Plan
- AFSL (draft)
- AFSL application proofs
- Business Continuity Plan
- IT Strategic Plan
- Complaints Handling Procedure
- Resume - Peter Morrison
- Resume - Alan Tribe
- Resume - Nick Wyatt
- Resume - Steve Dixon
- Resume - Robert Jenkins (Compliance Committee)
- Resume - Derek Parkin (Compliance Committee)
- Certificate of Currency, AIG Insurance

Please note: This page has been left blank intentionally



Explanation of Investment Rating

The Investment Rating Financial Model (patent pending) provides a single measure of the overall investment merit of this vehicle for various investor profiles. It incorporates the level of expected returns (IRRs) from the investment and adjusts these for both illiquidity and risk associated with this investment, presenting them across the three main marginal tax rates. The Investment Rating is based on the premium of the estimated risk-free, after-tax IRR adjusted for illiquidity over the prevailing 10-year bond rate. This measure enables the valid comparison of an investment with any other for nine (tax rate and risk tolerance) investor profiles. This facilitates the task of tailoring investment selection to the needs of the individual investor. Further, it provides ratings in which the advisers and investors can have unprecedented confidence. The ratings presented in the risk tolerance/tax rate matrix are only a representative sample of those available on PIR's unique individually tailored on-line investment selection system.

Visit www.pir.com.au or phone (03) 9670 7767 for assistance.

Except when investor gearing is involved, a lower marginal investor tax rate would normally attract a higher rating because investors on higher tax rates (nearly) always pay more tax. An investment which rates AA- for a 48.5% tax rate investor may be relatively better for that investor profile than for a 15% taxpayer for which the rating is AA+. A high rating for a higher marginal investor tax rate is generally less common than the same rating for a lower marginal investor tax rate.

Comparison across investor tax rates is not meaningful, nor is comparison across investor risk tolerances.

For ease of comprehension, the Investment Rating uses symbols similar to those applied by credit rating agencies. These ratings should not, however, be confused or compared with those used by credit rating agencies. The seven published Investment Ratings from lowest to highest are: A- A A+ AA- AA AA+ AAA. Projects with ratings below A- are not considered investment grade and reports on such projects are not published by PIR.

Investors should visit pir.com.au to view and download a detailed explanation of the PIR Investment Rating System or phone (03) 9670 7767 for a complimentary copy.

RESEARCH CREDENTIALS

Under Corporations Act 2001, Property Investment Research Pty Ltd ("PIR") ABN 97 006 425 083 holds an Australian Financial Services Licence (No. 252599). Established in 1989, PIR is Australia's leading independent specialist research group on property related investments. PIR is the major supplier of independent property research to Investment Managers and Financial Advisers. Financial Advisers are required by s945A(1)(b) of the Corporations Act 2001 to properly research the financial products they recommend. PIR's independent research plays a vital compliance role for ASIC licensed Investment Advisers and Securities Dealers in that it: provides knowledge of investment promoters, their track record, the investment market and the risks involved; and ensures, where specialised in-house research is not available, reliable and impartial research is obtained.

STATEMENT OF INDEPENDENCE

Property Investment Research (PIR) has received fees from **LEX Property Management Limited** for the preparation of this report. PIR is a property investment specialist and applies a strict and rigorously independent process for production of research reports and has no direct or indirect vested interest in the success or otherwise of any investment offer evaluated by PIR. Under section 923a of the Financial Services Reform Act there are restrictions and penalties relating to the misuse of the word 'independent'. Neither PIR nor its directors, its employees or associates receive success fees, commissions, or remunerations based on transaction volume, gifts or any other peripheral benefits that may materially influence the direction of reports. Additionally PIR's independent ownership means it has neither potential conflicts nor vested interests, such as those arising through ownership by real estate, stockbroking, financial planning or fund management organisations. Furthermore PIR has a policy of not entering into any agreements or alliances with product providers. Neither PIR Directors nor PIR personnel or PIR consultants directly connected with the production of this report hold substantial interests (if any) in the securities analysed in this report.

DISCLAIMER

This independent research report was not prepared for inclusion in, or in connection with any Product Disclosure Statement or other offer document and should not be relied upon to provide all the necessary information for investment decisions. Although great care has been taken to ensure the accuracy of this report, PIR gives no warranties in relation to the statements and information contained herein and disclaims all liability arising from any persons acting on the information and statements in this report. PIR reserves the right to change its opinion, ratings and/or withdraw the report at any time on reasonable grounds. PIR research provides general opinion and not personal securities recommendations. All investors are strongly advised to consult professional financial advisers whose role it is to provide appropriate investment advice, taking into account an individual investors' investment objectives, financial situations and particular needs. PIR assumes no responsibility or obligation to provide updates on this published report. This report is prepared and issued by PIR for the purpose of the assessment of the investment in this scheme. This assessment is valid for investment purposes for a period of six months on the provision that no material changes are effected. Please consult the Responsible Entity or your financial adviser for further information.

Richard Cruickshank, Managing Director.

To find out more about Property Investment Research (PIR), visit <http://www.pir.com.au>

© Property Investment Research Pty Ltd, 2005. Reproduction in whole or in part is not permitted without the permission of PIR.