JENNINGS
REAL ESTATE

2024 ANNUAL REPORT

3750 North Bowesville Road

Presented to: **The Limited Partners of 3750 N. Bowesville Road Limited Partnership**

Jennings Real Estate
Unlocking Potential, One Property at a Time

141 Laurier Avenue West, Suite 1000
Ottawa, ON K1P 5J3
www.jre.ca

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1. Letter to the Limited Partners

3750 N Bowesville Road (the “Property”) is a 1.66-acre development parcel. Formerly the Tudor Hall, a longstanding event center, the Property is the only high-rise site that is adjacent to a golf course within the greenbelt of Ottawa. It is directly adjacent to the Ottawa Hunt and Golf Club.

As noted in quarterly reports, in Q1 of 2024, we received approval from the City of Ottawa for the rezoning of the Property. The approval allows for the construction of up to 363,231 square feet of residential density, which is a fivefold increase from the density at the time of purchase, and more than the 345,000 square feet that we initially projected.

We estimate that due to the increased density, the property's value has now increased to between $15,200,000 and $22,800,000.

The uncertainty and added costs of the high-interest rate environment of the past 24-months slowed progress of this development. That period appears to be over, with interest rates declining rapidly in the latter half of 2024 and early 2025. As such, we expect development progress to move at a faster pace in 2025 / 2026.

To provide carrying income during the pre-development phase, the Property entered into an 18-month short-term lease with an event center commencing January 15, 2023. A lease renewal secured later in 2023 extended the term by five years with 2% annual rental increases and included a landlord termination right for redevelopment. In 2024, after reviewing the development timeline, a lease amendment was negotiated, increasing the average annual rental escalation to 10.6% in exchange for adjusting the landlord’s termination right to not be before June 30, 2026. This modification increased immediate holding income and is expected to support future NOI growth.

In 2024, the Property’s second operational year, the Property generated $304,500 in rental revenue, resulting in a Net Operating Income (NOI) of $134,305. This is an increase of $45,251 or 50% when compared to 2023. NOI is projected to increase for 2025 to $150,869.

NOI was allocated to cover debt service. Interest rates remained elevated in the first half of the year, but began declining as the Bank of Canada lowered its prime rate throughout 2024. Total interest expenses amounted to $271,063, resulting planned negative cash flow. The expected value increase through improved zoning or full development more than offsets this period of negative cash flow. In 2025, cash flow is anticipated to improve due to the forecasted lower interest rate environment and increased rental revenue from the tenant.

Sincerely,

Ken and Christian Jennings
Directors of the General Partner

2. The Property

Acquired in November 2022, 3750 N Bowesville Road features a 20,000 square foot building on 1.66 acres of land. At the time of acquisition this Property was used as an event centre known as “Tudor Hall”. The Property offers high-rise development potential, being the only high-rise site that is adjacent to a golf course within the greenbelt of Ottawa.

3. Financial Performance

Below is the NOI for 2024, and a projection for 2025, and 2026.

				Projection	
	2023	**2024**	***Change***	***2025***	***2026***
NOI	$89,024	$134,305	*$45,251 or 50%*	*$150,869*	*$191,508*

Net Operating Income (NOI): Total income generated by the Property subtracting its operating expenses, excluding capital expenditures, debt service, and professional fees associated with the redevelopment.

In 2024, NOI increased $45,281 or 50% when compared to 2023. The increase in NOI is attributed to the following factors:

1. Full occupancy in 2024;
2. One-time lease deal costs incurred in 2023 that did not apply in 2024; and
3. Favorable lease terms negotiated with the Tenant, resulting in a rent increase effective September 2024.

Future NOI growth is expected to be driven by the contractual rent increases outlined in the lease agreement.

NOI from the Property has been used to cover interest expenses on the loan. In 2024, interest costs began declining in the latter half of the year as a result of reductions to the Bank of Canada's prime rate. Total interest expenses amounted to $271,063.

This negative cash flow was anticipated, as the Property was acquired for its development potential rather than rental income. The value increase through improved zoning more than offsets this initial period of negative cash flow.

In 2025, cash flow will improve due to:

1. Lower interest rate environment, following the Bank of Canada’s recent prime rate decreases; and
2. Increased revenue from the re-negotiated lease agreement, which provides for contractual rent increases in 2025, and 2026.

4. Leasing

The Property entered into an initial 18-month short-term lease agreement with the tenant known as the "Mosaic Convention Centre" comencing January 15, 2023. This arrangement provided valuable short-term holding income, effectively offsetting various expenses associated with the operation of the building and debt servicing costs. This ensured financial stability during the pre-development phase.

A lease renewal agreement secured in 2023 extended the Tenant's lease for an additional five-year term, with built-in annual rental increases of 2%. The renewal also included a provision allowing the Landlord to terminate the lease in the event of redeveloping the Property

In 2024, following an evaluation of the development timeline, a lease amendment was negotiated, increasing the average annual rental escalation to 10.6%, compared to the original 2%. In exchange, the Landlord's termination right was adjusted to not be available until June 30, 2026. This adjustment increased immediate holding income during the pre-development phase and is anticipated to contribute to increased NOI in the future.

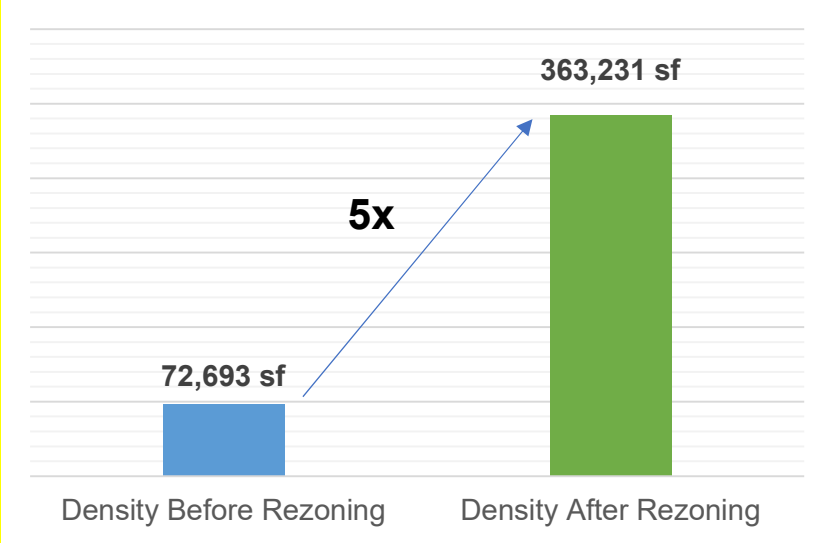
5. Property Management

Jennings Real Estate Corporation serves as the property manager, diligently conducting daily site inspections and overseeing ongoing maintenance tasks. Additionally, managing all contracts with 3rd party vendor to ensure the Property is properly maintained.

6. Asset Management

5.1 Development

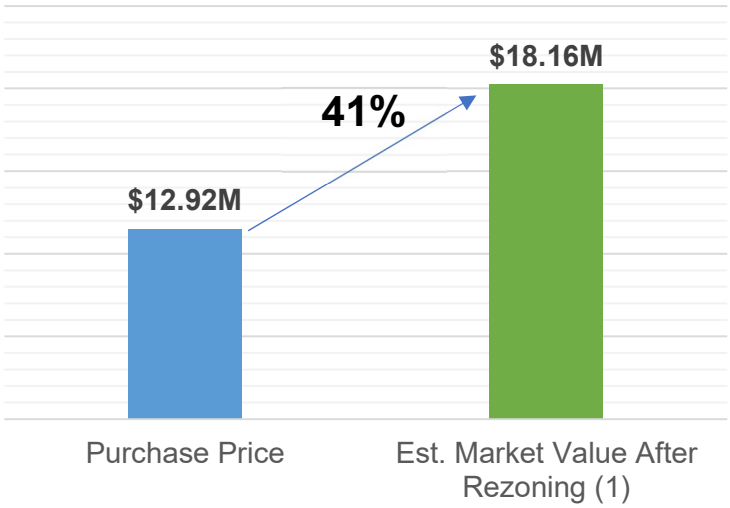
In Q1, 2024, we received formal approval for the rezoning from Ottawa City Council. The approval permits 363,231 square feet of residential density at the Property, exceeding our initial estimate of 345,000 square feet by 18,291 square feet or 5%.



The photo below illustrates 363,231 square feet of density in a two 14 storey tower format on the Property.

7. Valuation

Based on comparable sales, and communication with appraisers, we believe that the successful rezoning has increased the Property value to $15,200,000 – $22,800,00. This is based on an estimated value per buildable square foot of $40 - $60. This increased the Property value well beyond the initial investment valuation, as presented below.



(1) Estimated Market Value based on $50 per square feet of buildable area

8. Financial Statements

Enclosed you will find the reviewed engagement packaged prepared by MNP.

9. Disclaimer

Certain statements contained in this report may contain forward-looking statements and forward-looking information (collectively, “forward-looking statements”). In some cases, forward-looking statements can be identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "potential", "continue", "target", "committed", "priority", "remain", "strategy", or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties. Such forward-looking statements contained in this report may include, among other things, statements regarding: the general partner’s expectations with regard to market demand and rent growth; the partnership’s growth strategy; planned growth of the property portfolio; future acquisitions; including the amount expected to be invested in such acquisitions, the location of such acquisitions, improvements in profitability or rent growth of the portfolio, property developments, including cost and timing of completion thereof, and the general partner’s expectations regarding capital improvement costs; portfolio growth, debt maintenance or reductions, and return on investment; maintenance costs; the effect of completed developments on the portfolio; uncertainties and risks arising as a result of the spread of the COVID-19 pandemic, including uncertainty surrounding disruptions to financial markets, regional economies and the world economy; interest rate fluctuations; credit availability; financing costs; market values; pace and scope on future acquisitions, construction, development and renovation, renewals and leasing. Readers should be aware that these forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward-looking statements. Given these uncertainties, readers are cautioned not to rely upon any forward-looking statements contained, or incorporated by reference, in this report. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events contained therein may not occur. Although the general partner believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. While the general partner anticipates that subsequent events and developments may cause it’s view to change, the general partner does not intend to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors that affect this information.

The general partner makes commercially reasonable efforts to ensure the information presented in this report is accurate, but it is not responsible for any errors and omissions contained in the information included in this report.

3750 N. Bowesville Limited Partnership

Compiled Financial Information

December 31, 2024

3750 N. Bowesville Limited Partnership
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For the year ended December 31, 2024

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Schedule 1 - Schedule of Partners' Capital

Compilation Engagement Report

To the Management of 3750 N. Bowesville Limited Partnership:

On the basis of information provided by management, we have compiled the balance sheet of 3750 N. Bowesville Limited Partnership as at December 31, 2024, the statements of loss and partners' capital for the year then ended, and Note 1, which describes the basis of accounting applied in the preparation of the compiled financial information.

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, *Compilation Engagements*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Ottawa, Ontario

March 30, 2025

3750 N. Bowesville Limited Partnership
Balance Sheet
As at December 31, 2024

	2024	*2023*
Assets		
Current		
Cash	**231,247**	56,486
Rent and other receivables	**-**	131,756
Sales tax receivable	**-**	11,128
Prepaid expenses	**-**	13,781
	231,247	213,151
Revenue producing property	**6,695,412**	6,902,316
Deferred leasing costs	**-**	12,182
	6,926,659	7,127,649
Liabilities		
Current		
Accounts payable and accrued liabilities	**29,065**	116,716
Sales tax payable	**6,957**	-
Tenant deposits and prepaid rent	**43,500**	43,500
	79,522	160,216
Mortgage payable	**3,566,428**	3,308,543
	3,645,950	3,468,759
Partners' Capital	**3,280,709**	3,658,890
	6,926,659	7,127,649

Approved by 3750 N. Bowesville Inc.

e-Signed by Christian Jennings
2025-03-30 19:57:27:27 EST

Director

3750 N. Bowesville Limited Partnership
Statement of Loss
For the year ended December 31, 2024

	2024	*2023*
Rental	**304,543**	287,500
Operating Expenses		
Interest on mortgage payable	**271,064**	269,969
Amortization	**234,201**	240,655
Property taxes	**61,942**	60,923
Property management	**60,000**	60,228
Repairs and maintenance	**33,720**	55,759
Insurance	**13,923**	14,382
Professional fees	**5,738**	18,841
Interest and bank charges	**1,754**	904
Telephone, fax and internet	**382**	338
Office	**-**	759
Utilities	**-**	8,948
	682,724	731,706
Loss before other income	**(378,181)**	(444,206)
Other income		
Interest	**-**	3,765
Net loss	**(378,181)**	(440,441)

3750 N. Bowesville Limited Partnership
Statement of Partners' Capital
For the year ended December 31, 2024

	2024	*2023*
Balance, beginning of year	**3,658,890**	4,099,331
Share of net loss	**(378,181)**	(440,441)
Balance, end of year	**3,280,709**	3,658,890

1. Basis of accounting

The basis of accounting applied in the preparation of the financial information of 3750 N. Bowesville Limited Partnership as at December 31, 2024 is on the historical basis, reflecting cash transactions with the addition of:

- Rent and other receivables booked based on the terms of the tenant leases
- Prepaid expenses
- Revenue-producing property amortized in accordance with amounts allowable for income tax purposes
- Deferred leasing costs recognized over life of lease
- Accounts payable and accrued liabilities
- Tenant deposits are recorded as revenue when realized
- Mortgage payable

3750 N. Bowesville Limited Partnership

Schedule 1 - Schedule of Partners Capital

For the year ended December 31, 2024

Partner	Opening Capital Balance	Contributions	Distributions	Net Loss Allocation	Closing Capital Balance
11085794 Canada Inc.	68,631	-	-	-7,094	61,537
11085808 Canada Inc.	68,631	-	-	-7,094	61,537
1278055 Ontario Limited	85,788	-	-	-8,867	76,921
130120 Canada Ltd.	85,788	-	-	-8,867	76,921
1394804 Ontario Inc.	85,788	-	-	-8,867	76,921
2106861 Ontario Limited	85,788	-	-	-8,867	76,921
2490626 Ontario Inc.	343,152	-	-	-35,468	307,684
2534063 Ontario Inc.	85,788	-	-	-8,867	76,921
2540583 Ontario Inc.	68,631	-	-	-7,094	61,537
2707157 Ontario Inc.	42,894	-	-	-4,433	38,461
A.M. Realty Corp Ltd.	85,788	-	-	-8,867	76,921
B. Holmes Holdings Ltd.	85,788	-	-	-8,867	76,921
BC Bockstael Holdings Inc.	68,631	-	-	-7,094	61,537
Grant Castle Properties Inc.	1,622,269	-	-	-167,677	1,454,592
Jennings Investment Corporation	287,314	-	-	-29,696	257,618
McLarty Family Holdings Inc.	85,788	-	-	-8,867	76,921
Nisbet Investments Inc.	34,315	-	-	-3,547	30,768
Robert Walker	85,788	-	-	-8,867	76,921
SR (Ottawa) Investments Inc.	110,754	-	-	-11,447	99,307
Walker Family Wealth Ltd.	171,576	-	-	-17,734	153,842
	3,658,890	-	-	-378,181	3,280,709