



JENNINGS REAL ESTATE

2022 ANNUAL REPORT

310 HUNT CLUB ROAD

Presented to: The Limited Partners of 310 Hunt Club Road
Limited Partnership



Jennings Real Estate
Unlocking Potential, One Property at a Time

141 Laurier Avenue West, Suite 402
Ottawa, ON K1P 5J3
www.jenningsdevelopments.com

2022 HIGHLIGHTS

High Quality Class A Office and Life Science property located directly across from the Ottawa Hunt and Golf Club



52,370

Square Feet



100%

Occupancy



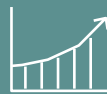
13 YR

Weighted Average
Lease Term



\$765K

Net Operating Income



19.61%

Cash on Cash



29.88%

IRR

310 Hunt Club Road,
Ottawa, ON

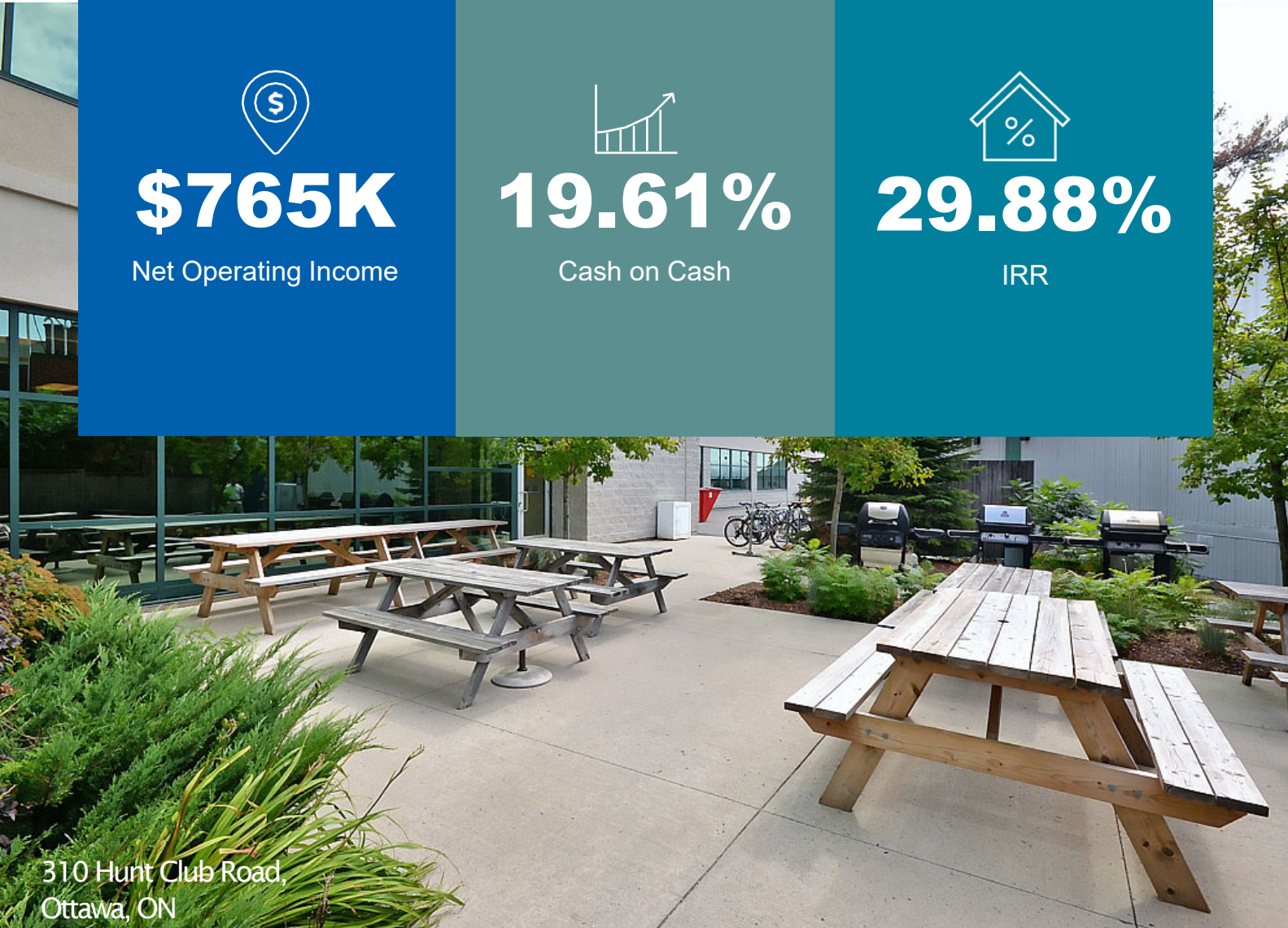


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APPENDIX A



PART A – NOTICE FROM THE GENERAL PARTNER

On behalf of the general partner of 310 Hunt Club Road Limited Partnership, we will set out below:

- a) A summary of financial performance:
- b) A property summary for the 2022 fiscal year; and
- c) An overview of our asset management plan and a 2023 tenancy forecast.

2022 Financial Performance

2022 was another successful year for this investment. Despite the much-reported difficulties in the office market, this fully-leased property continues to be in high demand and the leasing profile has strengthened further this past year. We will be making a distribution of **\$200,000** at this time, which when added to the other distributions made in respect of the 2022 year, provides an annual cash-on-cash return exceeding 20%.

A summary of this year's distributions is set out below for your review along with our projections for 2023.

Year	Q1	Q2	Q3	Q4	Total	Cumulative Distributions (including refinancing)	% of investment Returned
2020				\$293,250	\$293,250	\$1,658,250	51%
2021	\$45,000	\$50,000	\$50,000	\$200,000	\$345,000	\$2,003,250	62%
2022	\$60,000	\$50,000	\$57,000	\$200,000	\$367,000	\$2,370,250	73%
2023 Outlook	\$76,000	\$76,000	\$76,000	\$152,000	\$380,000	\$2,750,250	85%

Highlights from this year include the lease extension with Genvira who extended their lease to 2030 at an increased rent rate, and a further lease renewal of VBI Vaccines premises until 2026. Combined, these renewals account for 34% of the space at the building. Each renewal came with an increased rental rate and will contribute to steady and increasing revenue over the long-term at this property. The current weighted average lease term at this property exceeds 13 years, which far exceeds the market average.

The existing loan at this property is steadily reducing and currently sits at \$6.12M with an interest rate of 2.61%. The term of the loan extends until 2025, and as such, we believe we are well-positioned with the current volatile interest rate environment.

Prepared below is a summary of key performance metrics along with our projection for 2023.

Key Performance Metrics: Cash-on-Cash Return and IRR for the last three years, as well as 2023 estimates

Cash on Cash Return			IRR		
Year	Estimate	Actual	Year	Estimate	Actual
2020	9.41%	9.06%	2020	13.36%	9.06%
2021	11.00%	18.43%	2021	15.10%	28.44%
2022	11.13%	19.61%	2022	15.40%	29.88%
2023	20.30%		2023	30.83%	

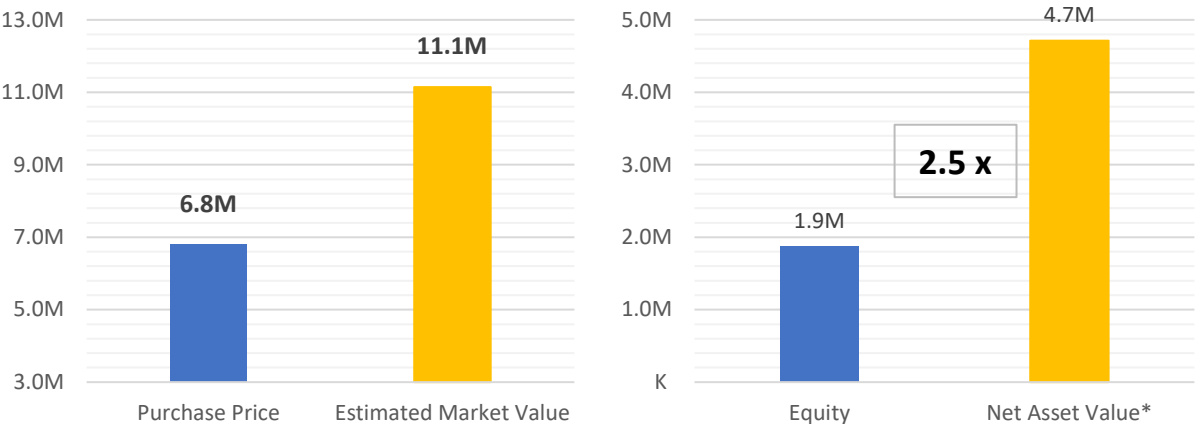
Cash-on-cash return is calculated by dividing the annual distribution for the year by the remaining equity in the partnership. IRR factors in the principal paydown on the mortgage in addition to cash-on-cash calculation.

Results of Operations: The Net Operating Income (NOI) and Funds From Operations (FFO) for the last three years and our projections for the next two years:

	2020	2021	2022	Change	Projection	
					2023	2024
NOI	\$473,764	\$738,317	\$765,013	\$26,696	\$738,864	\$797,856
FFO	\$474,336	\$567,128	\$608,725	\$41,596	\$580,882	\$645,288
FFO Payout Ratio			63.6%			

The increase in NOI was largely due to increase in occupancy and existing tenant's base rent.

Valuation: The estimated current market value of the property compared to purchase price paid for the property in 2019 and Net Asset Value of the Partnership’s assets (less liabilities) compared to remaining invested capital (equity):



(*) The Net Asset Value (NAV) has been calculated by dividing the 2023 net operating income, by the average midpoints of the market capitalization rates from each of the following reports: CBRE Q4 2022 Ottawa Cap Rate Report; Cushman & Wakefield Q4 2022 Ottawa Cap Rate Report; and the Colliers Q4 2022 Ottawa Cap Rate Report. The outstanding principal amounts as of December 31, 2022, and current liabilities were then subtracted and any cash on hand as of December 31, 2022 was added. Note that these figures do not reflect any future capital expenditures, nor do they incorporate any tax attributes of the units. Further, the cap rates used are not property specific and may not accurately reflect the cap rate that a purchaser would assign to this specific property. NAV is an estimated value and should not be perceived as the actual value of the property and may not be reflective of future values.

See Appendix A for breakdown of Net Asset Value by Limited Partners.

PART B – PROPERTY SUMMARY

The Property

310 Hunt Club Road is a 52,370 square foot Class “A” office building located on the South-West corner of Hunt Club Road and Paul Benoit Driveway.

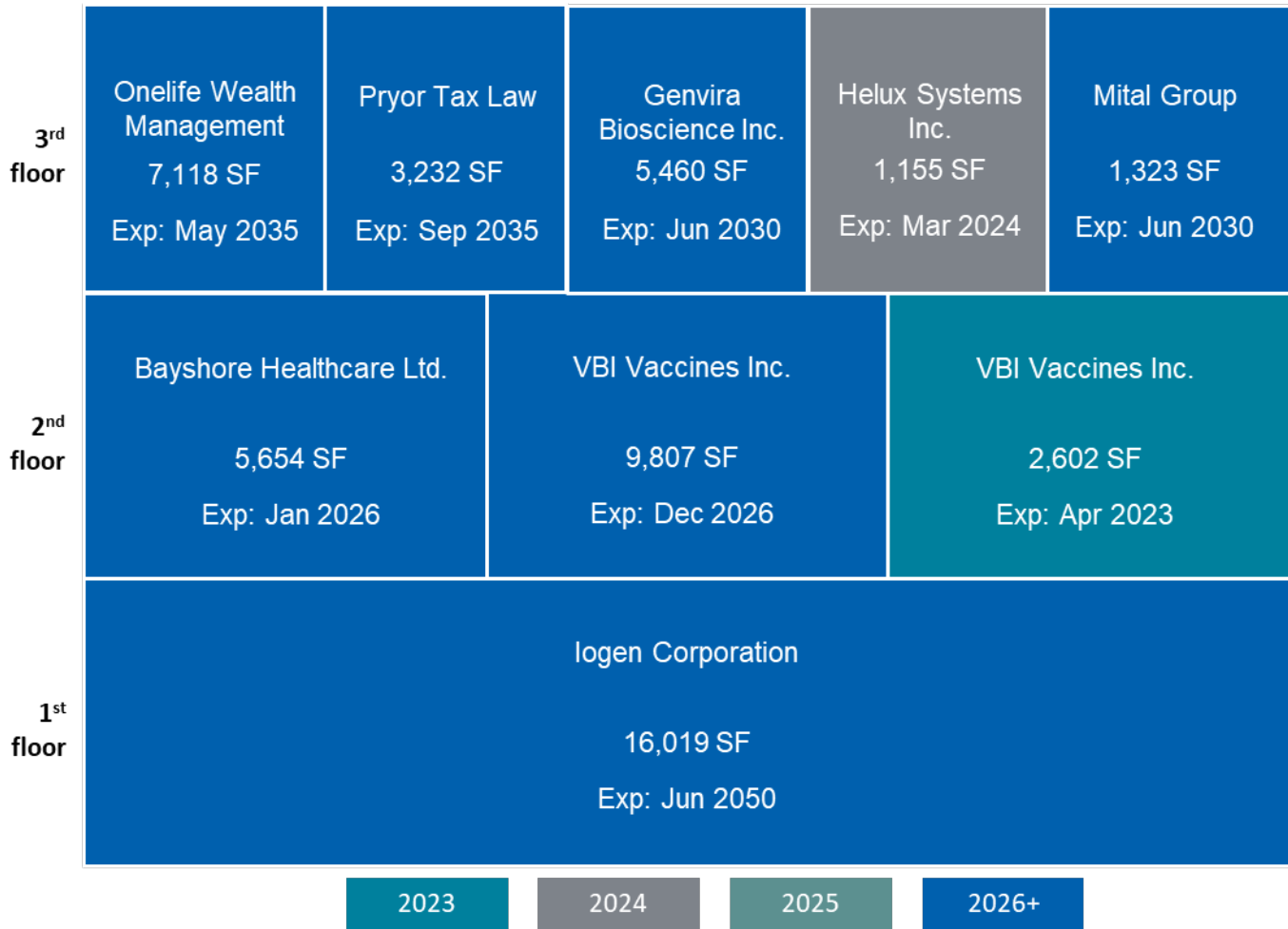
Tenant / Leasing Update

Through a proactive leasing program, 310 Hunt Club continues to maintain 100% occupancy as of December 31, 2022. Two lease extensions, representing 34% of the space at the building, were completed in 2022.

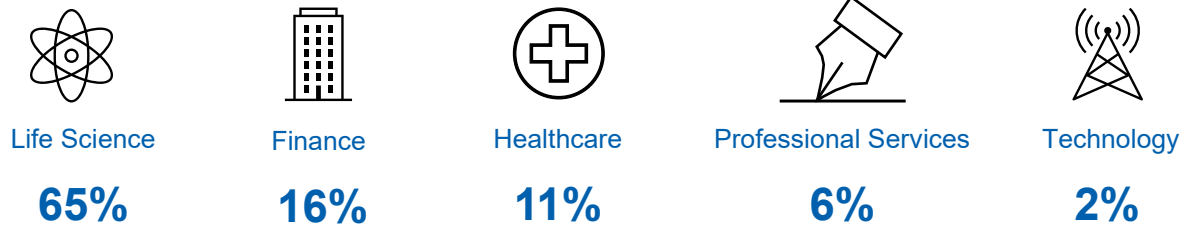
The first extension agreement was successfully negotiated with Variation Biotechnologies Inc. (VBI) for their 9,807 square foot premises. The lease was extended to April 30, 2026, at a starting net rental rate of \$15.09 per square foot, with contracted increases in rent throughout the term. No inducements were provided to the tenant as part of the lease renewal.

We have also extended Genvira Biosciences Inc.’s lease for their 5,460 square foot premises. The new lease will expire on April 30, 2030. Net rent will commence at \$17.00 per square foot, which represents 17.24% increase over their existing rent, the tenant also has a contracted increase during the term to \$18.00 per square foot. As part of the lease extension, the landlord will provide an improvement allowance of \$25,000 upon successful completion of the tenant’s renovation project.

Please see stacking chart below outlining each tenant's square footage and lease expiration followed by a summary of existing leases.



Tenant allocation by Industry:



Tenant Profiles

Unit 101: Iogen Corporation. Iogen Corporation is an Ottawa-based, Canadian company that develops biofuel technology. With over \$500 million dollars invested into research, 310 Hunt Club is Iogen's global headquarters.



Start Date	Term	Expiry	\$/PSF	Square Feet
31-Aug-19	31 years	30-Jun-50	\$14.86	16,019

Unit 201-A & B and 203: Variation Biotechnologies Inc. VBI is a publicly traded commercial-stage biopharmaceutical company. They occupy 12,409 sf of space on the second floor, which is a mix of office and laboratory space.



Start Date	Term	Expiry	\$/PSF	Square Feet
01-Jan-23	3.3 years	30-Apr-26	\$14.79	9,807
01-Oct-20	2.6 years	30-Apr-23	\$14.79	2,602

Unit 202: Bayshore Healthcare Ltd. Bayshore Healthcare Ltd. is a leading provider of home and community healthcare services. They have over 100 locations across Canada, 310 Hunt Club is one of their two Ottawa locations.



Start Date	Term	Expiry	\$/PSF	Square Feet
01-Feb-21	5 years	31-Jan-26	\$13.50	5,654

Unit 301: ONELIFE Wealth Management. ONELIFE is a wealth management company founded in 2005 that works in all aspects of wealth management including tax planning, wealth transfer strategies, retirement income and more.



Start Date	Term	Expiry	\$/PSF	Square Feet
01-Jun-20	15 years	31-May-35	\$14.71	7,118

Unit 302: Pryor Tax Law. Pryor Tax Law is a boutique law firm with expertise in Canadian, U.S. and international tax and estate planning services.



Start Date	Term	Expiry	\$/PSF	Square Feet
01-Oct-20	15 years	30-Sep-24	\$14.00	3,232

Unit 303: Helux Systems. Helux is an Ottawa-based Microsoft Gold Partner and a Microsoft Preferred Partner in Content Services.



Start Date	Term	Expiry	\$/PSF	Square Feet
01-Apr-21	3 years	31-Mar-24	\$17.00	1,155

Unit 304: Genvira Biosciences Inc. Genvira Biosciences Inc. is a research group specializing in customized DNA and RNA for gene therapy, vaccinations, and cancer immunotherapy.



Start Date	Term	Expiry	\$/PSF	Square Feet
07-Apr-20	10 years	30-Apr-30	\$14.50	5,460

Unit 305: Mital Group. The Mital Group is a diversified group of Ottawa-area businesses.

Start Date	Term	Expiry	\$/PSF	Square Feet
01-July-20	10 years	30-June-30	\$13.50	1,323

Property Manager

Jennings Real Estate Corporation is the property manager and completes daily site visits and ongoing maintenance of the property, as well as oversees all contracts to ensure work is being completed correctly and up to standard.

Building Improvements

The following improvements were made to the property in 2022:

- The common outdoor patio was upgraded with new BBQ's, picnic tables and a bike rack to create an outdoor area for all tenants;
- A new card system was installed;
- A number of trees were removed as a result of damage from the derecho of May 2022; and
- New visitor parking signs and an after-hours directory were installed at the front of the building.

PART C – ASSET MANAGEMENT AND TENANCY FORECAST

Capital Expenditures

In 2023, we plan to invest in the property to enhance both the interior and exterior curb appeal, the major projects that are planned to be undertaken include:

- Lobby flooring to be removed and replaced for a modern aesthetic;
- Art work to be installed in common areas; and
- Improved landscaping throughout the property.

Tenancy Forecast

The only lease expiring in 2023 is the 2,602 square foot office space currently occupied by VBI Vaccines Inc., which expires in April 2023. We have been provided notice that VBI Vaccines will not be renewing the lease for suite 203, but will continue to maintain their larger unit 201, for an additional term of 3 years, as mentioned previously.

Originally, VBI expanded into suite 203 in 2020 shortly after the COVID-19 pandemic when they received additional funding to begin research on a vaccine. Since the official end of the pandemic in 2022, funding for COVID-19 research disappeared, and the need for the space was no longer required.

We are currently negotiating with Genvira Biosciences on leasing suite 203, and have initiated a marketing campaign to promote the space. We expect the unit to be leased in 2023.

PART D – FINANCIAL STATEMENTS

See attached.

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.

310 HUNT CLUB LIMITED PARTNERSHIP
FINANCIAL STATEMENTS
(Unaudited - see Compilation Engagement Report)
for the year ended December 31, 2022

310 HUNT CLUB LIMITED PARTNERSHIP
for the year ended December 31, 2022
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COMPILATION ENGAGEMENT REPORT

To Management of 310 Hunt Club Limited Partnership,

On the basis of information provided by management, we have compiled the balance sheet of 310 Hunt Club Limited Partnership as at December 31, 2022 and the statement of earnings and, statement of partner's capital for the year then ended. The accrual basis of accounting was 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 the 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 have not performed 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.

The Bookkeeping Bureau Ltd.

The Bookkeeping Bureau Ltd.
Ottawa, March 22, 2023

The Bookkeeping Bureau Ltd.
200 - 2618 St-Joseph Blvd | Ottawa | Ontario | K1C 1G3 | T 613 424 1101 | F 613 424 5299
W bookkeepingbureau.ca | E info@bookkeepingbureau.ca

310 HUNT CLUB LIMITED PARTNERSHIP
BALANCE SHEET
for the year ended December 31, 2022
(Unaudited - see Compilation Engagement Report)

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 468,404	\$ 487,721
Accounts receivable	40,599	6,150
Current portion of tenant improvement loan	5,941	5,596
Prepays and deposits	16,099	15,050
	<u>531,043</u>	<u>514,517</u>
LONG-TERM		
Tenant improvement Loan	100,260	106,201
Investments in GIC	76,544	76,544
Deposits	31,794	31,794
Deferred finance charges (note 6)	39,000	52,000
Deferred leasing commissions (note 5)	436,094	432,080
Deferred tenant inducements (note 4)	399,195	439,223
Property, plant and equipment (note 2)	6,439,126	6,709,463
	<u>7,522,013</u>	<u>7,847,305</u>
	<u>\$ 8,053,056</u>	<u>\$ 8,361,822</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 138,448	\$ 101,406
Current portion of long-term debt	197,200	192,158
Government remittances payable	25,200	30,237
Deferred revenue	-	6,596
Tenant deposits	357,287	357,287
	<u>718,135</u>	<u>687,684</u>
LONG-TERM		
Long-term debt (note 3)	5,923,398	6,120,598
	<u>6,641,533</u>	<u>6,808,282</u>
PARTNERS' EQUITY		
	<u>1,411,523</u>	<u>1,553,540</u>
	<u>\$ 8,053,056</u>	<u>\$ 8,361,822</u>

Approved on Behalf of the partners:

DocuSigned by:
Christian Jennings
A864FCDF37504E2...

310 HUNT CLUB LIMITED PARTNERSHIP
STATEMENT OF EARNINGS
for the year ended December 31, 2022
(Unaudited - see Compilation Engagement Report)

	2022	2021
REVENUE		
Rental income	\$ 1,798,391	\$ 1,707,681
Interest income	10,393	11,198
Other income	2,295	1,850
	<u>1,811,079</u>	<u>1,720,729</u>
EXPENSES		
Advertising	4,769	-
Amortization of leasing commissions	45,022	44,250
Amortization of tenant inducements	18,983	12,832
Bank charges and interest	17,050	18,641
Depreciation	294,585	309,432
General and administrative expenses	217,427	183,802
Insurance	15,274	13,412
Interest on long-term debt	173,194	178,118
Leasing expense	78,632	77,387
Management fees	56,312	56,612
Professional fees	4,530	20,372
Property taxes	201,774	195,884
Repairs and maintenance	242,354	180,590
Utilities	216,189	253,936
	<u>1,586,095</u>	<u>1,545,268</u>
NET RENTAL EARNINGS	<u>\$ 224,984</u>	<u>\$ 175,461</u>

310 HUNT CLUB LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' EQUITY
for the year ended December 31, 2022
(Unaudited - see Notice to Reader)

Name	Balance, beginning of year	Transfer of Ownership	Net earnings	Withdrawals	Balance, end of year
Grant Castle Properties Inc.	579,834	-	87,588	(142,877)	524,545
2490626 Ontario Inc.	65,954	-	8,689	(14,174)	60,469
2708333 Ontario Inc.	290,202	(116,137)	22,592	(37,162)	159,495
1394804 Ontario Inc.	65,954	-	8,689	(14,174)	60,469
AYM Real Estate Inc.	79,142	-	10,427	(17,009)	72,560
BC Bockstael Holdings Inc.	65,954	-	8,689	(14,174)	60,469
Chrisken Realty Investments Inc.	29,825	-	14,007	(22,849)	20,983
McLarty Family Holdings Inc.	65,954	-	8,689	(14,174)	60,469
Maisonneuve Investments Inc.	65,954	-	8,689	(14,174)	60,469
SR (Ottawa) Investments Inc.	44,277	-	6,951	(11,339)	39,889
Walker Family Wealth Ltd.	65,954	-	8,689	(14,174)	60,469
A.M. Realty Corp Ltd.	-	134,538	15,641	(25,514)	124,665
Anil Mital	67,269	(67,269)	-	-	-
Monica Mital	67,269	(67,269)	-	-	-
B. Holmes Holdings Ltd.	-	116,137	15,641	(25,205)	106,574
Limited Partners' Equity	\$ 1,553,540	\$ -	\$ 224,984	(367,000)	\$ 1,411,523

310 HUNT CLUB LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2022
(Unaudited - see Notice to Reader)

1. LIMITED PARTNERSHIP AND NATURE OF ACTIVITIES

The limited partnership, came into agreement on June 8, 2019 pursuant to laws of Ontario and is managed by its General partner, 310 Hunt Club GP Inc. It manages a commercial rental property in Ottawa, ON and operations began on July 24, 2019.

2. PROPERTY, PLANT AND EQUIPMENT

Fixed assets are accounted at cost. Amortization of fixed assets is calculated using the following rates and methods:

Building	4%	diminishing balance
Building improvements	4%	diminishing balance
Furniture	20%	diminishing balance

	2022			2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Building	\$ 7,024,593	913,265	\$ 6,111,329	\$ 6,365,967
Building improvements	359,596	35,310	324,286	338,620
Furniture	6,184	2,672	3,512	4,876
	\$ 7,390,373	\$ 951,247	\$ 6,439,126	\$ 6,709,463

Amortization of fixed assets is pro-rated on a monthly basis

3. LONG-TERM DEBT

BANK LOANS

The Partnership has a non-revolving term loan of \$5,100,000 for 60 months at a fixed interest rate of 2.64% per annum with Royal Bank of Canada. This credit facility is secured by a first charge on real property, general security agreement with a guarantee of all limited partners and assignment of rents. The partnership also secured an additional financing in 2020 amounting to \$1,400,000 at a fixed rate of 2.49% per annum.

310 HUNT CLUB LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2022
(Unaudited - see Notice to Reader)

4. DEFERRED TENANT INDUCEMENTS

	2022			2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Tenant inducements	\$ 499,189	\$ (99,995)	\$ 399,195	\$ 439,223

Deferred tenant inducements are amortized on a straight line basis over the term of corresponding leases.

5. DEFERRED LEASING COMMISSIONS

	2022			2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Leasing commissions	\$ 581,014	\$ (144,920)	\$ 436,094	\$ 432,080

Deferred leasing commissions are amortized on a straight line basis over the term of corresponding leases.

APPENDIX A

Investor	Remaining Equity*	Net Asset Value
1394804 Ontario Inc.	\$72,281	\$206,030
2490626 Ontario Inc.	\$72,281	\$206,030
2708333 Ontario Inc.	\$190,822	\$543,920
AYM Real Estate Inc.	\$86,737	\$247,236
BC Bockstael Holdings Inc.	\$72,281	\$206,030
Chrisken Realty Investments Inc.	\$116,517	\$332,121
McLarty Family Holdings Inc.	\$72,281	\$206,030
Grant Castle Properties Inc.	\$728,593	\$2,076,787
Maisonneuve Investments Inc.	\$72,281	\$206,030
SR (Ottawa) Investments Inc.	\$57,825	\$164,824
Walker Family Wealth Ltd.	\$72,281	\$206,030
Anil Mital and Monica Mital	\$130,106	\$370,855
B. Holmes Holdings	\$127,215	\$362,614
Total	\$1,871,501.00	\$5,334,539.46

(*) Equity remaining is calculated by subtracting the refinancing proceeds distributed in Q4 of 2020 from the original investment.