



**JENNINGS**  
**REAL ESTATE**

# 2023 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

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[www.jenningsdevelopments.com](http://www.jenningsdevelopments.com)

# 2023 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



**13.3 YR**

Weighted Average  
Lease Term



**\$705K**

Net Operating Income



**18.45%**

Average Annual Cash  
Yield



**15.94%**

Average Annual Total  
Return

310 Hunt Club Road,  
Ottawa, ON

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## 1. Notice from the General Partner

310 Hunt Club Road (the “Property”) bucked the general office market narrative in 2023, once again improving the tenancy profile. We successfully navigated the departure of a long-term tenant who occupied 5% of the Property’s gross leasable area (GLA). Through an aggressive leasing program, the space garnered interest from four prospective tenants, and we ultimately negotiated an expansion and extension with an existing credit-worthy tenant for the vacated space. This tenant now encompasses 16% of the GLA, secured on a ten-year lease. Further, the space commanded an 8.1% increase in rent compared to the previous tenancy, along with annual rent escalations of approximately 2% per year. In addition, we successfully renewed another tenancy representing 2% of the GLA. The Property remains 100% occupied.

Further, the Property underwent significant capital improvements, including the refurbishment of 8,256 square feet of office space for the expanded tenant and a modernized lobby. Looking ahead to 2024, further enhancements such as replacing the fire pump system and updating common areas are planned.

The Property’s current valuation, assessed by an independent third-party appraiser noted an increase in value of 35% to \$9.2 million when compared to the original purchase price of \$6.8 million.

Despite the brief occupancy gap and associated costs, the Property’s overall performance remained robust in 2023. We are pleased to announce a distribution of **\$150,000** in connection with Q4, 2023, culminating in a total of \$269,125 distributions for the year. Looking ahead, we project an increase in distributions to \$385,000 for 2024, reflecting the Property’s stable outlook.

Sincerely,

Ken and Christian Jennings  
Directors of the General Partner

## 2. Net Operating Income and Funds from Operations

The table below presents the Net Operating Income (NOI) and Funds from Operations (FFO) for the last three years and our projection for 2024 and 2025:

	2021	2022	2023	Change	Projection	
					2024	2025
<b>NOI</b>	\$738,317	\$765,013	<b>\$705,138</b>	<b>-\$59,875</b>	\$784,184	\$814,777
<b>FFO</b>	\$567,128	\$608,725	<b>\$554,241</b>	<b>-\$54,483</b>	\$632,945	\$668,047
<b>FFO Payout Ratio</b>			<b>48.6%</b>			

**Funds From Operations (FFO)** = net income + amortization + depreciation - capital gains from property sale

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

In 2023, a fluctuation in the Property's Net Operating Income (NOI) is noted. This variance primarily resulted from the unforeseen departure of a tenant, accounting for 5% of the Property's gross leasable area. The temporary gap in occupancy when compared to other periods, coupled with the necessary time for renovations before welcoming a new tenant, temporarily impacted the revenue stream, leading to a decrease in NOI.

Looking forward, there is a positive outlook for the Property's financial performance in 2024 and 2025. The current projection indicates that NOI will not only recover but exceed the levels achieved in 2022 and 2023. This forecast is underpinned by two key factors: the scheduled rental rate increases outlined in existing leases, and the Property's full occupancy, which has been secured until 2026 at this time. For further details on leasing, and how they influence the financial projection, please refer to the leasing section.

## 3. Distributions

Despite the temporary vacancy, 2023 was another successful year for the Property. Contrary to the much-reported difficulties in the office market, this fully leased Property continued to be in high-demand and the leasing profile has further strengthened this past year. We will be making a distribution of \$150,000 at this time, which when added to prior distributions since acquisition of the Property, provides an Annual Average Cash Yield exceeding 18%.

A summary of this year's distributions is set out below for your review along with a projection for 2024.

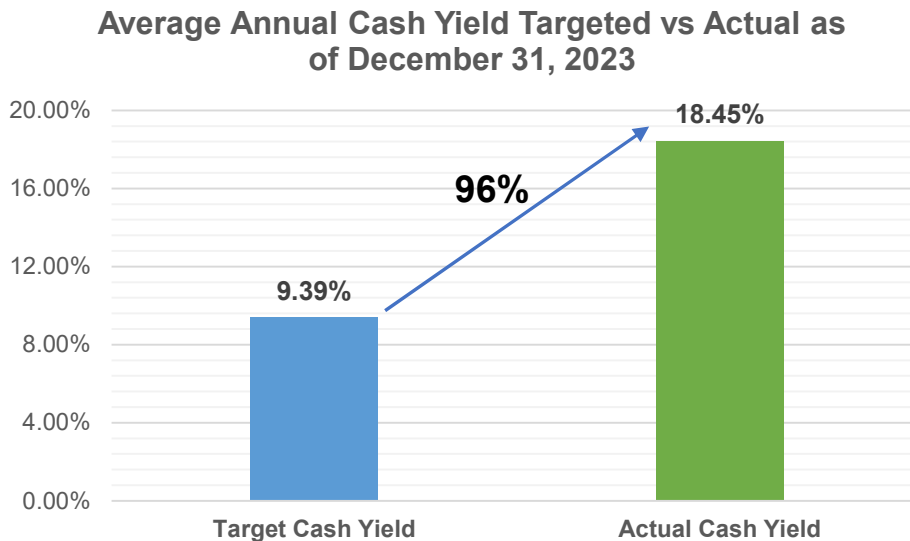
Year	Q1	Q2	Q3	Q4	Total	Cumulative Distributions (including refinancing)	% of investment Returned
<b>2020-2021</b>	\$45,000	\$50,000	\$50,000	\$493,250	\$638,250	\$2,003,250	62%
<b>2022</b>	\$60,000	\$50,000	\$57,000	\$200,000	\$367,000	\$2,370,250	73%
<b>2023</b>	<b>\$43,125</b>	<b>\$38,000</b>	<b>\$38,000</b>	<b>\$150,000</b>	<b>\$269,125</b>	<b>\$2,639,375</b>	<b>82%</b>
<b>2024 Outlook</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$235,000</b>	<b>\$385,000</b>	<b>\$3,024,375</b>	<b>93%</b>

The existing loan at this Property currently sits at \$5.92M with an interest rate of 2.61%. The term of the loan extends until the end of 2025, as such, the Property is well-positioned to remain resilient given with the current interest rate environment.

#### 4. Key Performance Metrics

##### The Average Annual Cash Yield

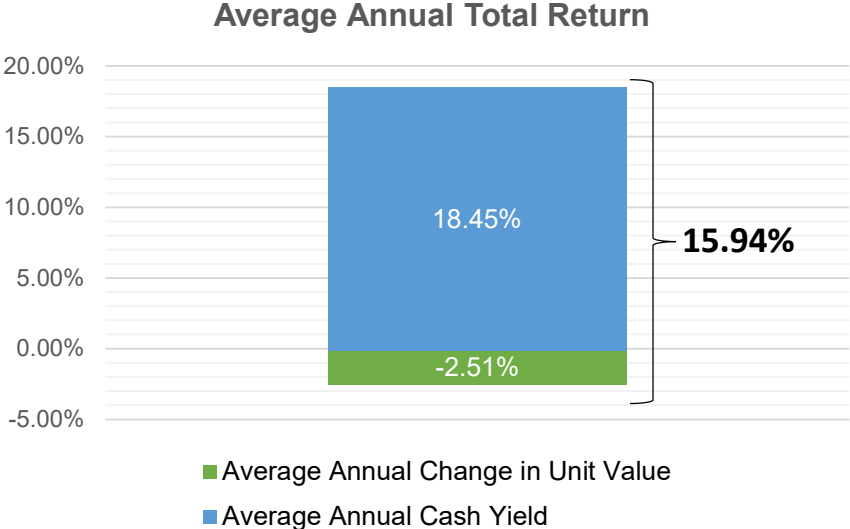
The below graph showcases the Average Annual Cash Yield as of December 31, 2023, compared to the targeted return set out initially during acquisition. The initial target for Average Annual Cash Yield was 9.39% on this investment. Actual Average Annual Cash Yield to date is 18.45%, exceeding the target by 9.06% or 96%. This achievement can be attributed to a combination of strategic leasing decisions, diligent management efforts to keep expenses in check, and seizing opportunities for financing when they presented themselves.



**Average Annual Cash Yield** is calculated by dividing total cash distributed (which includes income, refinancing and capital distributions) by the initial equity investment and then further divided by the holding period (from acquisition to Dec 31, 2023).

### Average Annual Total Return

The Average Annual Total Return remains strong at 15.94%, even though the Average Annual Change in Unit Value is -2.51%. This decrease reflects the large repayment of capital that was made upon refinancing in 2021 (which drew down the equity), along with the valuation of the Property decreasing since last year as a result of increased interest rates. Further details related to the valuation is set out in the valuation section below,

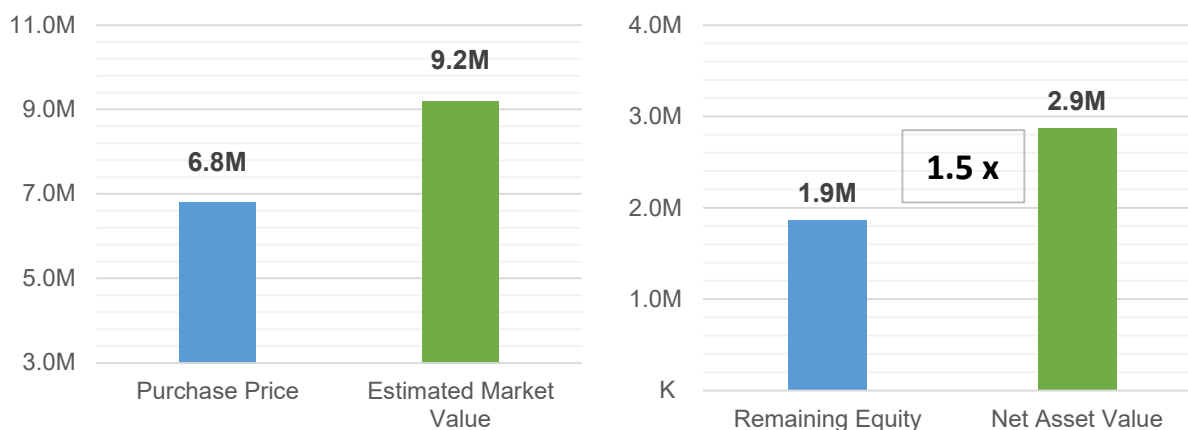


**Average Annual Change in Unit Value** is calculated by dividing Net Asset Value (NAV) by initial equity invested, which is further divided by the holding period (from acquisition to Dec 31, 2023).

**Average Annual Total Return** is calculated by adding the Average Annual Cash Yield and the Average Annual Change in Unit Value.

## 5. Valuation

The Estimated Market Value was completed by Juteau Johnson Comba Inc, an independent third party appraisal firm. The valuation concluded by the appraiser is compared to the purchase price paid for the property in 2019. The Net Asset Value of the Partnership's assets (less liabilities) compared to remaining invested capital (equity):



**Estimated Market Value** On March 1, 2024, Juteau Johnson Comba Inc. issued an appraisal of the Property which valued the Property at \$9,200,000.

**The Net Asset Value (NAV)** has been calculated using the Estimated Market Value and subtracting (i) the outstanding principal amounts of all loans as of December 31, 2023, and (ii) all current liabilities as of December 31, 2023. Any cash on hand as of December 31, 2023 was added. Note that these figures do not reflect any future capital expenditures, nor do they incorporate any tax attributes of the units. 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.

The Estimated Market Value of the Property experienced a decrease, declining from \$11.1 million in 2022 to \$9.2 million in 2023. The reduction can be attributed to the impact of rising interest rates which have led to an increase in the capitalization rate (cap rate) applied to the income of the Property.

The Property remains fully occupied, with NOI on a continued upward trend. When compared to the initial purchase price of approximately \$6.8 million, the Property's value has increased an approximate 35% increase to \$9.2 million.

## 6. Property Summary

### The Property

310 Hunt Club Road is a 52,370 square foot Class "A" office building located in the South of Ottawa at the corner of Hunt Club Road and Paul Benoit Driveway.

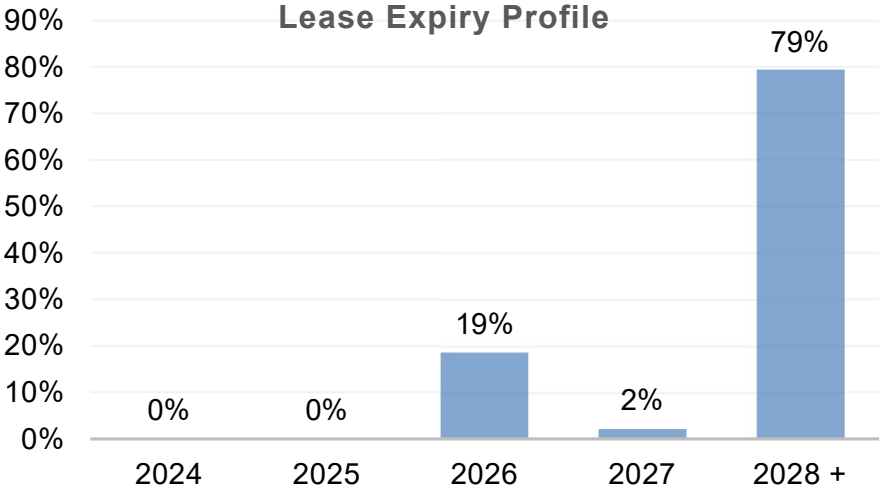
### Leasing

The market for office space in Ottawa South has shown significant resiliency throughout the pandemic as indicated by a steady vacancy rate of 6.0% at Q4, 2024, a slight increase of 0.1% to 5.9% in Q4, 2019 (CBRE Office Market Report Q4, 2019 and Q4, 2023). This steady vacancy rate has also led to stable average asking rents.

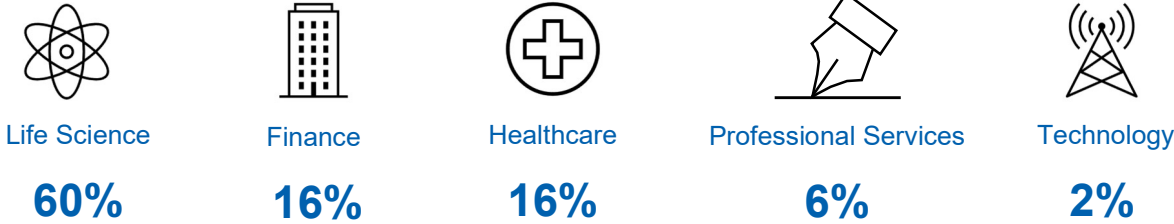
In 2023, approximately 5% of the total leasable area temporarily became vacant due to a long-term tenant's departure. Through a proactive marketing initiative, we attracted four prospective tenants who expressed interest. Ultimately, we successfully negotiated a substantial lease extension and expansion with an existing tenant. This tenant now encompasses 16% of the total gross leasable area, secured under a ten-year lease. Further an 8% increase in rent was achieved, compared to the previous tenancy, with average annual rental rate escalations of 2% per year.

A three-year lease extension for approximately 2% of total gross leasable area was completed, with rental rate increases of 2.6% year over year. The extension was completed on an "as is" basis, and no inducements were provided to the tenant.

After completing these extensions, the lease expiry profile has significantly improved, with the majority of the leasable areas expiring in 2030 and beyond. The chart displayed below illustrates the upcoming lease expirations at the Property, broken down as a percentage of the total square footage, spanning the next five years:



The Property's weighted average lease term is an impressive **13.30 years**, with an average weighted base rent of \$14.85 per square foot, with rent being derived on a percentage basis from the following industries:



## 7. Asset Management and Leasing Forecast

### Leasing Forecast

Despite the concerning narratives surrounding office space, the South Ottawa office market has displayed resilience throughout the pandemic, sustaining pre-pandemic vacancy rates and stable rental rates.

Moreover, the Property possesses state-of-the-art medical and life science laboratory facilities, distinguishing it from conventional office spaces. This segment represents 60% of the total gross leasable area of the building. This not only adds diversity to tenancies, but also serves as a unique competitive advantage, considering the substantial expense associated with constructing such specialized lab spaces for medical and life sciences research.

Additionally, leasing risks in the short term have been minimized, with over 79% of all square footage having lease expirations beyond 2028.

### Capital Expenditure and Improvements

The major capital expenditure completed in 2023 were the leasehold improvements associated with the extension and expansion of an existing tenant. 8,256 square feet of traditional office space was refreshed with new flooring, paint, and LED lighting, which enhanced the quality of the office space, and reduced overall operational costs.



In addition, the lobby was improved by installing a new tile floor throughout. The project was substantially completed in 7 days with minimal disruption to tenants.

### Future Capital Expenditure and Improvements

As we look ahead to 2024, the capital plan for the Property encompasses several essential projects aimed at enhancing safety, functionality, and overall tenant satisfaction. One significant undertaking involves the replacement of the fire pump system. This critical component is integral to the property's fire suppression system, ensuring swift and effective response in the event of an emergency.

In addition to the fire pump replacement planning is being undertaken for further upgrades to the Property's common areas. This includes enhancements to the elevator systems and back hallways, areas that experience high traffic and play a key role in the overall tenant experience. By modernizing these spaces, we aim to create a more inviting and functional environment for tenants and visitors alike.

Planning has begun for the replacement of the roof and HVAC systems. We expect to undertake these replacements in the medium term. These major infrastructure projects are crucial for maintaining the property's structural integrity and operational efficiency.

## **8. Financial Statements**

Enclosed you will find the notice to reader package prepared by the Bookkeeping Bureau.

## 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 its 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, 2023**

310 HUNT CLUB LIMITED PARTNERSHIP  
for the year ended December 31, 2023  
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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, 2023 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 7, 2024

The Bookkeeping Bureau Ltd.

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310 HUNT CLUB LIMITED PARTNERSHIP  
BALANCE SHEET  
for the year ended December 31, 2023  
(Unaudited - see Compilation Engagement Report)

	2023	2022
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 249,467	\$ 468,404
Accounts receivable	44,844	40,599
Current portion of tenant improvement loan	6,308	5,941
Prepays and deposits	13,680	16,099
	<u>314,299</u>	<u>531,043</u>
<b>LONG-TERM</b>		
Tenant improvement Loan	93,952	100,260
Investments in GIC	78,167	76,544
Deposits	30,681	31,794
Deferred finance charges (note 6)	26,000	39,000
Deferred leasing commissions (note 5)	510,224	436,094
Deferred tenant inducements (note 4)	359,167	399,195
Property, plant and equipment (note 2)	6,274,626	6,439,126
	<u>7,372,817</u>	<u>7,522,013</u>
	<u>\$ 7,687,116</u>	<u>\$ 8,053,056</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 121,451	\$ 138,448
Deferred revenue	295	-
Current portion of long-term debt	202,375	197,200
Government remittances payable	18,665	25,200
Tenant deposits	357,287	357,287
	<u>700,073</u>	<u>718,135</u>
<b>LONG-TERM</b>		
Long-term debt (note 3)	5,721,022	5,923,398
	<u>6,421,095</u>	<u>6,641,533</u>
<b>PARTNERS' EQUITY</b>		
	<u>1,266,021</u>	<u>1,411,523</u>
	<u>\$ 7,687,116</u>	<u>\$ 8,053,056</u>

Approved on Behalf of the partners:

310 HUNT CLUB LIMITED PARTNERSHIP  
STATEMENT OF EARNINGS  
for the year ended December 31, 2023  
(Unaudited - see Compilation Engagement Report)

	2023	2022
<b>REVENUE</b>		
Rental income	\$ 1,764,602	\$ 1,798,391
Interest income	13,484	10,393
Other income	-	2,295
	<u>1,778,086</u>	<u>1,811,079</u>
<b>EXPENSES</b>		
Advertising	-	4,769
Amortization of leasing commissions	53,521	45,022
Amortization of tenant inducements	20,313	18,983
Bank charges and interest	18,398	17,050
Depreciation	281,633	294,585
General and administrative expenses	225,020	217,427
Insurance	15,913	15,274
Interest on long-term debt	168,140	173,194
Leasing expense	79,877	78,632
Property management	56,312	56,312
Professional fees	5,335	4,530
Property taxes	209,230	201,774
Repairs and maintenance	242,622	242,354
Utilities	228,149	216,189
	<u>1,604,463</u>	<u>1,586,095</u>
<b>NET RENTAL EARNINGS</b>	<u>\$ 173,623</u>	<u>\$ 224,984</u>

310 HUNT CLUB LIMITED PARTNERSHIP  
STATEMENT OF PARTNERS' EQUITY  
for the year ended December 31, 2023  
(Unaudited - see Notice to Reader)

Name	Balance, beginning of year	Net earnings	Withdrawals	Balance, end of year
Grant Castle Properties Inc.	524,545	67,593	(124,238)	467,900
2490626 Ontario Inc.	60,469	6,706	(12,325)	54,849
2708333 Ontario Inc.	159,495	17,435	(32,046)	144,884
1394804 Ontario Inc.	60,469	6,706	(12,325)	54,849
AYM Real Estate Inc.	72,560	8,047	(14,790)	65,817
BC Bockstael Holdings Inc.	60,469	6,706	(12,325)	54,849
Chrisken Realty Investments Inc.	20,983	10,810	(19,868)	11,924
McLarty Family Holdings Inc.	60,469	6,706	(12,325)	54,849
Maisonneuve Investments Inc.	60,469	6,706	(12,325)	54,849
SR (Ottawa) Investments Inc.	39,889	5,365	(9,860)	35,393
Walker Family Wealth Ltd.	60,469	6,706	(12,325)	54,849
A.M. Realty Corp Ltd.	124,665	12,070	(22,185)	114,550
B. Holmes Holdings Ltd.	106,574	12,070	(22,185)	96,458
<b>Limited Partners' Equity</b>	<b>\$ 1,411,523</b>	<b>\$ 173,623</b>	<b>(319,125)</b>	<b>\$ 1,266,021</b>

310 HUNT CLUB LIMITED PARTNERSHIP  
NOTES TO FINANCIAL STATEMENTS  
for the year ended December 31, 2023  
(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

	2023			2022
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Building	\$ 7,024,593	1,156,258	\$ 5,868,335	\$ 6,111,329
Building improvements	453,985	49,876	404,109	324,286
Furniture	6,184	4,003	2,181	3,512
	\$ 7,484,762	\$ 1,210,136	\$ 6,274,626	\$ 6,439,126

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, 2023  
(Unaudited - see Notice to Reader)

4. DEFERRED TENANT INDUCEMENTS

	2023			2022
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Tenant inducements	\$ 499,189	\$ 140,022	\$ 359,167	\$ 399,195

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

5. DEFERRED LEASING COMMISSIONS

	2023			2022
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Leasing commissions	\$ 655,321	\$ 145,096	\$ 510,224	\$ 436,094

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