



JENNINGS
REAL ESTATE

2023 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

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1. Notice from the General Partner

The property at 3750 N Bowesville Road (the “Property”) encompasses a 20,000 square foot building on 1.66-acres of land. Formerly the Tudor Hall, a longstanding event center with a large ballroom and commercial kitchen, the Property is strategically located near Riverside Drive and W Hunt Club Road, adjacent to Ottawa Hunt Club Golf Course.

The initial 18-month lease agreement with Mosaic Convention Centre commenced January 15, 2023, which provided short-term income and financial stability. We are pleased to announce a 5-year lease renewal with built-in annual rental rate increases, and flexibility for the Landlord to terminate the lease in the event of construction, ensuring stable income right up until the start of construction.

In its first operational year, the Property generated \$287,500 in rental revenue, resulting in a Net Operating Income (NOI) of \$84,870. NOI is forecasted to increase for 2024 to \$125,710. However, borrowing costs, which have increased due to the Bank of Canada’s increased policy rate, resulted in the Property experiencing negative cash flow.

The zoning by-law amendment application and subsequent approval from the City of Ottawa was achieved in the first quarter of 2024. The approval allows for a major increase in residential density. Authorization was received to construct 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 initially projected.

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

We plan to further the development by preparing the various studies and reports required for a site plan application and moving forward to next stages of development.

Sincerely,

Ken and Christian Jennings
Directors of the General Partner

2. The Property

Acquired in November 2022, 3750 N Bowesville Road features an approximate 20,000 square foot building on 1.66 acres of land. Formerly, at the time of acquisition this Property was used as an event centre known as “Tudor Hall”, which featured a 16,000 square foot ballroom and adjoining commercial kitchen. The Property offers future high rise development potential, being central to the city, near the corner of Riverside Drive and W Hunt Club Road, in a private area right next to the Hunt Club Golf Course.

3. Financial Performance

2023 was the first full year of operation for the Property. A new lease commenced January 15, 2023, and generated rental revenue of \$287,500, with a Net Operating Income of \$84,870.

Below is the Net Operating Income (NOI) for 2023, and a projection for 2024:

		<i>Projection</i>
	2023	2024
NOI	\$89,024	\$125,710

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.

The NOI from the Property was utilized to cover the interest expenses on the loan. In 2023, interest costs rose by nearly 18% following the Bank of Canada's policy rate hikes. The total interest amounted to \$269,968, leading to negative cash flow for the year. Such negative cash flow was expected in this Property with development potential. We foresaw reduced revenue and lower debt expenses. The value through improved zoning or full development, will more than offset this initial period of negative cash flow. Evidence of this return on investment is already observed in the property's increased value through successful re-zoning efforts.

In 2024, we expect an increase in Net Operating Income (NOI) since the Property will not experience a vacancy period as it did in 2023. Additionally, we anticipate avoiding many of the one-time deal costs incurred at the start of new leases.

4. Leasing

In the past year, the Property entered into an initial 18-month short-term lease agreement with the tenant known as the "Mosaic Convention Centre." 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.

Building on this success, a lease renewal agreement was secured during the year with the Mosaic Convention Centre. The lease extends the tenant's occupancy for an additional term of 5 years, demonstrating their commitment to the Property. The agreement includes built-in rental rate increases of 2% annually. This lease arrangement is structured to include an option for the Landlord to terminate the lease with the Tenant. This feature ensures a stable income for the Landlord up until the commencement of construction, further enhancing the Property's financial standing during the pre-development phase.

5. Property Management

Jennings Real Estate Corporation serves as the property manager, diligently conducting daily site inspections and overseeing ongoing maintenance tasks. Additionally, they meticulously manage all contracts to ensure that work is executed correctly and up to the required standards.

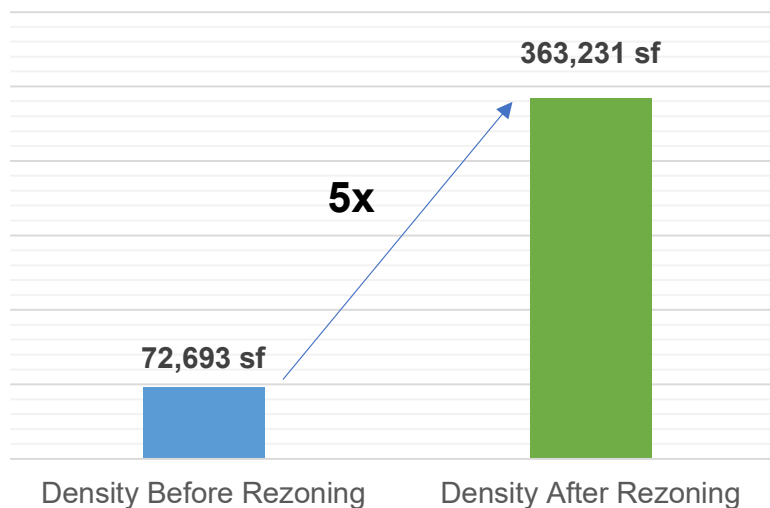
During the year, the Property encountered an unforeseen incident where a vehicle intentionally collided with the building's hydro vault, resulting in damage to the electrical system. Despite this setback, power was supplied through a backup generator while collaboration with the insurance company ensued to reinstate the hydro vault and restore permanent power to the building. A new hydro vault was successfully constructed, ultimately reinstating permanent power supply to the building during the year.



6. Asset Management

5.1 Development

The Property has undergone significant pre-development activities to achieve rezoning approval from the City of Ottawa. In Q4, we received an approval recommendation from the planning and housing committee, and we are happy to report on February 1, 2024, we received formal approval for the rezoning from the City of Ottawa from Ottawa City Council. The approval now permits 363,231 square feet of residential density at the Property, exceeding our initial estimate of 345,000 square feet.

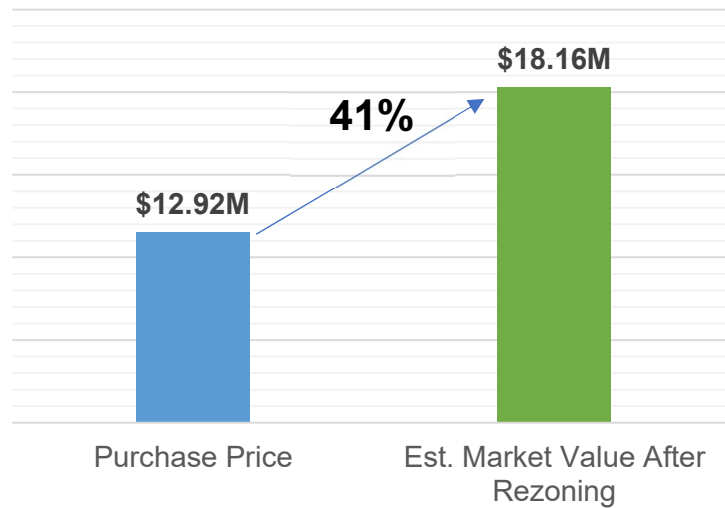


The photo below illustrates 363,231 square feet of density in a two 14 storey tower format on the Property, however is not indicative of the final finished product, which is subject to the approval of a site plan application from the City of Ottawa.



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 our original purchase, as presented below.



8. Financial Statement

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 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.

3750 N. Bowesville Limited Partnership
Compiled Financial Information
December 31, 2023

3750 N. Bowesville Limited Partnership

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For the year ended December 31, 2023

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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, 2023, 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.

March 28, 2024
Ottawa, Ontario

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

3750 N. Bowesville Limited Partnership

Balance Sheet

As at December 31, 2023

	2023	2022
Assets		
Current		
Cash	56,486	586,227
Rent and other receivables	131,756	-
Sales tax receivable	11,128	22,062
Deposits	-	1,632
Prepaid expenses	13,781	-
	213,151	609,921
Revenue producing property	6,902,316	7,009,803
Deferred leasing costs	12,182	-
	7,127,649	7,619,724
Liabilities		
Current		
Accounts payable and accrued liabilities	116,716	23,142
Tenant deposits and prepaid rent	43,500	100,000
	160,216	123,142
Due to related party	-	96,594
Mortgage payable	3,308,543	3,300,657
	3,468,759	3,520,393
Partners' Capital	3,658,890	4,099,331
	7,127,649	7,619,724

3750 N. Bowesville Limited Partnership

Statement of Loss

For the year ended December 31, 2023

	2023	4 Months Ended 2022
Rental	287,500	-
Operating Expenses		
Interest on mortgage payable	269,969	29,106
Amortization	240,655	32,724
Property taxes	60,923	10,120
Property management	60,228	8,667
Repairs and maintenance	55,759	5,992
Professional fees	18,841	36,746
Insurance	14,382	-
Utilities	8,948	1,655
Interest and bank charges	904	560
Office	759	-
Telephone, fax and internet	338	-
Advertising and promotion	-	188
	731,706	125,758
Loss before other income	(444,206)	(125,758)
Other income		
Interest	3,765	17,606
Net loss	(440,441)	(108,152)

3750 N. Bowesville Limited Partnership
Statement of Partners' Capital

For the year ended December 31, 2023

Comparative period from the date of formation of the Partnership to December 31, 2022

	2023	4 Months Ended 2022
Balance, beginning of year	4,099,331	-
Contributions	-	4,207,483
Share of net loss	(440,441)	(108,152)
Balance, end of year	3,658,890	4,099,331

3750 N. Bowesville Limited Partnership

Notes to the Compiled Financial Information

For the year ended December 31, 2023

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, 2023 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.

3750 N. Bowesville Limited Partnership
Schedule 1 - Schedule of Partners Capital

For the year ended December 31, 2023

Partner	Opening Capital Balance	Contributions	Distributions	Net Loss Allocation	Closing Capital Balance
11085794 Canada Inc.	76,892	-	-	-8,261	68,631
11085808 Canada Inc.	76,892	-	-	-8,261	68,631
1278055 Ontario Limited	96,115	-	-	-10,327	85,788
130120 Canada Ltd.	96,115	-	-	-10,327	85,788
1394804 Ontario Inc.	96,115	-	-	-10,327	85,788
2106861 Ontario Limited	96,115	-	-	-10,327	85,788
2490626 Ontario Inc.	384,459	-	-	-41,307	343,152
2534063 Ontario Inc.	96,115	-	-	-10,327	85,788
2540583 Ontario Inc.	76,892	-	-	-8,261	68,631
2707157 Ontario Inc.	48,057	-	-	-5,163	42,894
A.M. Realty Corp Ltd.	96,115	-	-	-10,327	85,788
B. Holmes Holdings Ltd.	96,115	-	-	-10,327	85,788
BC Bockstael Holdings Inc.	76,892	-	-	-8,261	68,631
Grant Castle Properties Inc.	1,817,551	-	-	-195,282	1,622,269
Jennings Investment Corporation	321,899	-	-	-34,585	287,314
McLarty Family Holdings Inc.	96,115	-	-	-10,327	85,788
Nisbet Investments Inc.	38,446	-	-	-4,131	34,315
Robert Walker	96,115	-	-	-10,327	85,788
SR (Ottawa) Investments Inc.	124,086	-	-	-13,332	110,754
Walker Family Wealth Ltd.	192,230	-	-	-20,654	171,576
	4,099,331	-	-	-440,441	3,658,890