

# 2018 Year End Statement

15 & 17 Fitzgerald Road

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Presented to: **the Limited Partners of the Fitzgerald Road Limited Partnership**



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**Part A - Notice from General Partner**

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

- a) A summary of financial performance;
- b) A property summary for the 2018 fiscal year; and
- c) An overview of our asset management plans and a 2019 tenancy forecast.

**2018 Financial Performance**

We are pleased to confirm that the property performed well during the 2018 year. As such, we will be issuing a distribution of **\$187,500.00** (equal to **\$18,750.00** for each partner). Cheques will be mailed to you in the coming weeks.

For your review below, please see our accounting of the return on investment, broken out by “cash on cash” return, and the total investment (IRR) return (which factors in the principal pay-down on the mortgage). We are including both the actual returns, as well as those projected in the investment package that we distributed prior to your investment. The higher than expected returns are the result of (i) the purchase price reduction of \$55,000 that was negotiated on closing, (ii) an additional \$100,000 payment from the vendor after closing to compensate the partnership for tenant issues post-closing (which issues have since been resolved), (iii) better than projected financing terms, (iv) 0% office vacancy (we projected 10% vacancy), and (v) the investment in the 302 Legget Drive Limited Partnership.

	<b>Projected cash on cash return</b>	<b>Actual cash on cash return</b>	<b>Projected IRR</b>	<b>Actual IRR</b>
Year 1 (2017)	8.20%	12.00%*	12.63%	16.62%*
Year 2 (2018)	6.63%	<b>10.00%</b>	11.12%	<b>16.18%</b>

\*Note that as the closing date of the property was June 7, 2017, we have annualized the 2017 calculation period for the returns accordingly (such that the 7-month period of calculation is annualized over 12 months).

**Part B - Property Summary**

The Property

The Bell’s Corners office market has continued to improve and there is presently very limited vacancy in the office market, which has continued to provide upward pressure on rental rates.

With the DND move-in to the Carling Campus on Moodie Drive is underway, the nearby amenities continue to develop. This is quite apparent when visiting the property, as the neighbor is currently in the process of constructing a 124-room hotel and 3,000 square foot restaurant at the neighboring property. We see this as providing significant benefit to the property in the long term (as the previous neighbor was a thrift store, a garage and an auto parts distributor).

Tenant Update

Since acquiring the two properties in June of 2017, both properties have been 100% occupied by four tenants. To date, rent has been paid in full from all tenants.

In 2018, we completed two lease extensions:

- i. An extension of John G. Cooke’s premises, which extends their term until February 2024 and provides measured rent increased throughout the remaining term; and
- ii. An extension of a 900 square foot ground floor premises by TCC Canada (their primary space is on the second floor), extending the term of such premises until April 30, 2022.

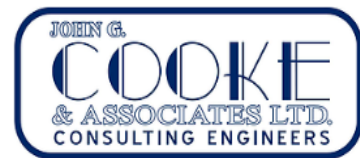
The below is a summary of the existing tenancies:

**17 Fitzgerald - Unit 102: Advanced Engine Technology LTD.** AET has been a tenant in the building since before we took ownership. AET researches, develops and tests diesel engines, engine components and transportation instruments. They also do research in exhaust and emissions analysis.



Start Date	Term	Expiry	\$/PSF	Square Feet	Annual Rent	Monthly Rent
01-Oct-11	10 Years	30-Sep-21	\$ 12.75	9,604	\$ 122,451.00	\$ 10,204.25

**17 Fitzgerald - Unit 200: John G. Cooke & Associates LTD.** John G. Cooke & Associates is another original tenant to the building. They are an engineering consulting firm which was established in Ottawa in 1992. They specialize in historic conservation and structural rehabilitation. They have worked on many notable heritage buildings in Ottawa and across Canada. We recently extended this tenant until 2024.



Start Date	Term	Expiry	\$/PSF	Square Feet	Annual Rent	Monthly Rent
01-Mar-11	13 Years	29-Feb-24	\$ 14.00	3,509	\$ 49,126.00	\$ 4,093.83

\*note that the rent increases at 2.5% per annum commencing in 2021.

**15 Fitzgerald - Unit 100: Revision Electronics and Power Systems Inc.** Revision Military was a tenant of the building at the time of acquisition. They are a international corporation that provides specialized protective military equipment for soldiers. Revision has delivered over 1.1 million helmets to the US army and is a leader in their field. They are an internationally recognized brand for the high quality and very reliable products.



Start Date	Term	Expiry	\$/PSF	Square Feet	Annual Rent	Monthly Rent
01-Apr-15	10 Years	31-Mar-25	\$ 10.00	7,400	\$ 74,000.00	\$ 6,166.67

\*note that Revision’s rent increases to \$12 per square foot commencing in 2020.

**15 Fitzgerald - Unit 101, 200: TCC Canada.** The Corporate Centre Canada was a tenant at the time of acquisition. They provide fully managed office and meeting spaces available for people to rent for short- and long-term purposes. They have multiple locations across Canada and the shared / co-working office space is a growing industry.



**TCC Canada**

Start Date	Term	Expiry	\$/PSF	Square Feet	Annual Rent	Monthly Rent
01-May-15	7 Years	30-Apr-22	\$ 11.75	8,820	\$ 103,635.00	\$ 8,636.25
01-May-15	7 years	30-Apr-22	\$ 12.50	900	\$ 11,250.00	\$ 937.50

Storage Space

In addition to the above ground office space, there is approximately 5,688 square feet of below grade storage / office space in 15 Fitzgerald Road. This space is partially rented to the office tenants and is being actively marketed for new tenants. The previous owner had been leasing the space until June 2018, which had the storage at 100% occupancy. As expected, there has been some vacancy in the storage space in 2018. We note that our initial projections allowed for 50% vacancy of the storage space.

Building Improvements

Since acquiring the properties, we have undertaken measures to continuously improve the buildings, including the replacement of the interlock walkway, minor roof repairs at 15 Fitzgerald, and other minor day-to-day items.

## **Part C - 2019 Asset Management Plans and Tenancy Forecast**

### **Asset Management Plans**

In July 2018, we undertook a refinancing of the property and used such funds to acquire 1,502,032.86 Class B Preferred partnership units in the 302 Legget Drive Limited Partnership. Such units are valued at \$1 each and provide a 6% preferred annual return. This investment has provided additional return to the Fitzgerald Road Limited Partnership in 2018. We anticipate the repurchase of a number of such units in 2019, which, in addition to the ongoing 6% return, will provide additional capital into the Fitzgerald Road Limited Partnership.

Further, in line with the building condition report and our ongoing review of the property, we plan on undertaking certain minor capital projects over the course of 2019 and 2020.

### **Tenancy Forecast**

Of the 30,200 square feet of office space, there are no leases expiring in 2019, and we anticipate continued steady cashflow from the property. As noted above, the Bell's Corners leasing market continues to improve (in large part as the result of the continued move of DND to the area) and we anticipate upward pressure on rents, which bodes well for future tenant expiries and turnover.

In relation to the storage space, as noted above, we will continue to actively market the space in search of additional tenants.

**Part D – Financial Statements**

Financial Statements are enclosed below.