



**JENNINGS**  
**REAL ESTATE**

# 2024 ANNUAL REPORT

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302 LEGGET DRIVE

Presented to: The Limited Partners of 302 Legget Drive  
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](http://www.jre.ca)

# 2024 HIGHLIGHTS

This large industrial building includes numerous dock and grade level loading doors, excellent highway access, ample parking and large turning radius for trucking access.



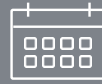
**85,092**

Leasable Area



**100%**

Occupancy



**3.0 YR**

Weighted Average  
Lease Term



**\$1.24M**

Net Operating Income



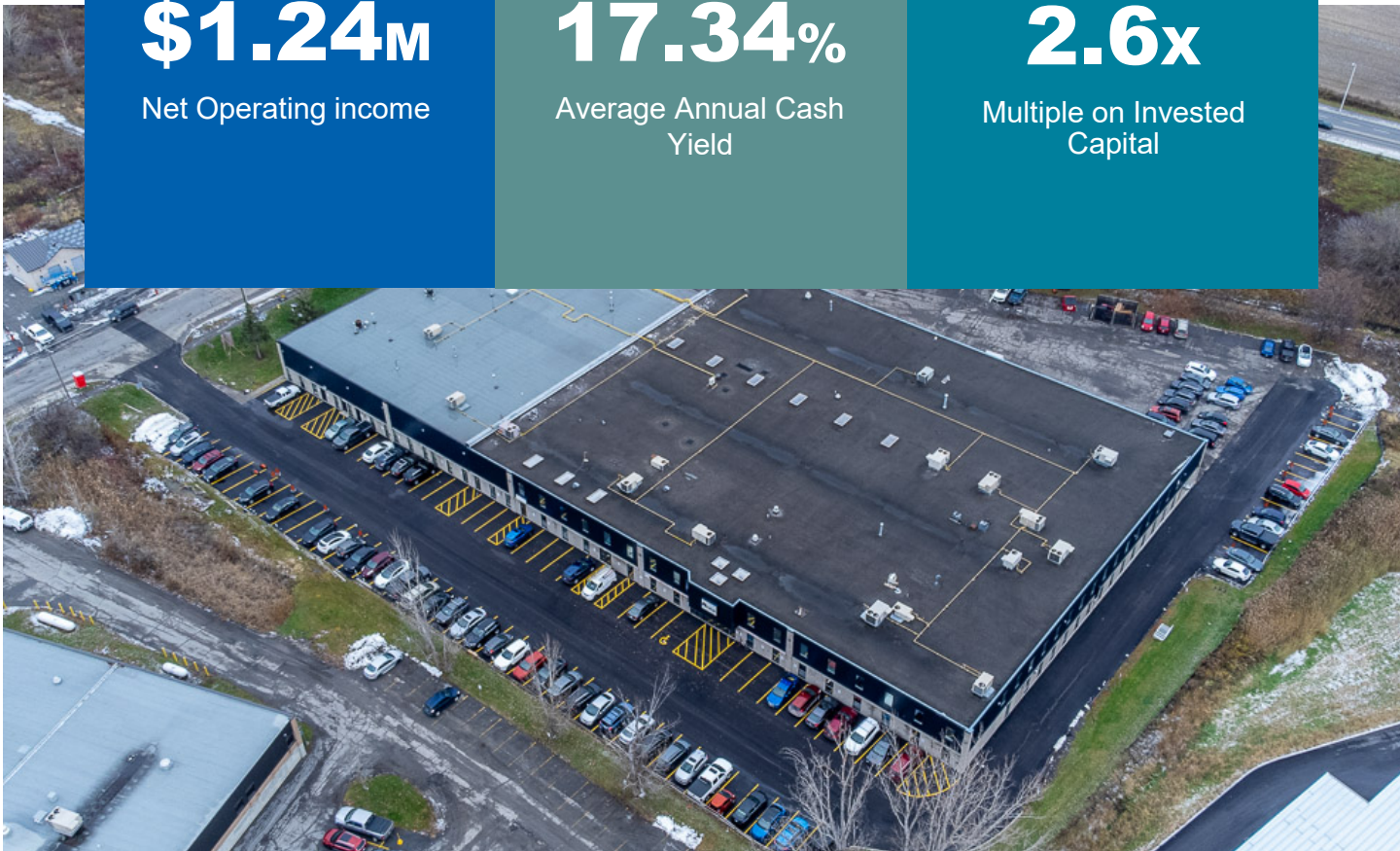
**17.34%**

Average Annual Cash  
Yield



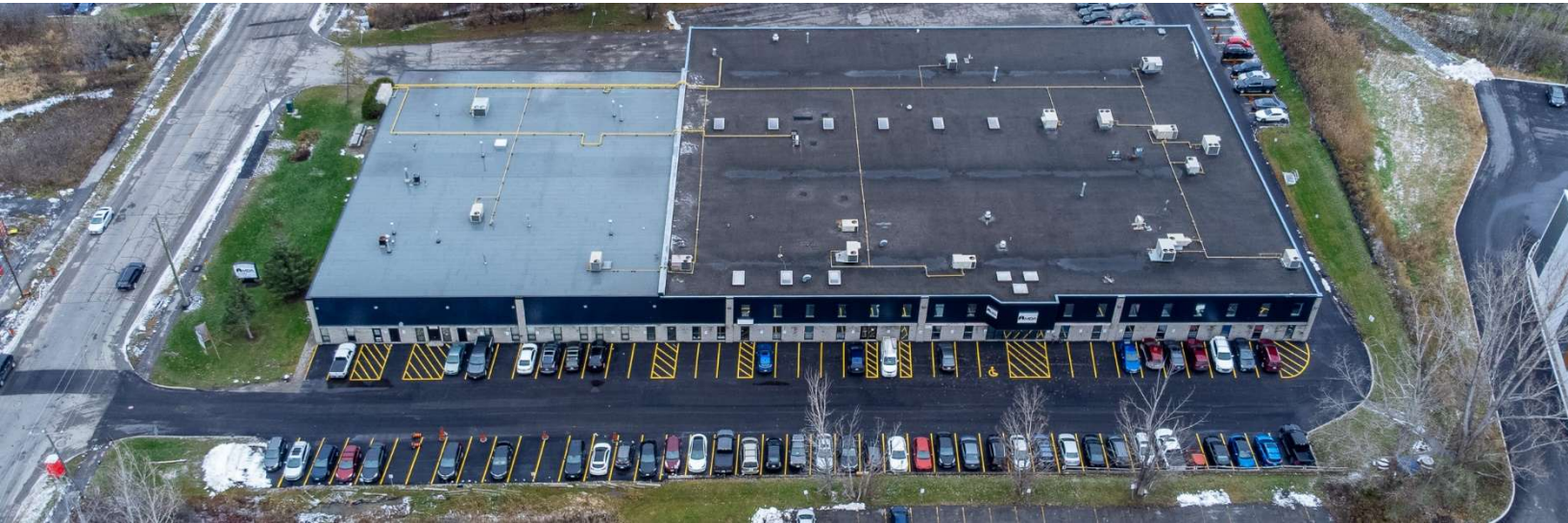
**2.6x**

Multiple on Invested  
Capital



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## 1. Letter to the Limited Partners

302 Legget Drive (the “Property”) remained fully leased throughout 2024, delivering a strong year of financial performance. Net Operating Income (NOI) reached approximately \$1.24 million, reflecting a 4.1% increase over 2023. This was primarily driven by a completed lease extension that experienced a 57% positive rental rate increase. Future NOI growth is forecasted to continue through contractual rental escalations in the current lease agreements.

We are pleased to announce a lease renewal has been secured with a tenant representing 17% of the Property’s gross leasable area (GLA). The rental rate is set to increase by 13% when the agreement takes effect in 2026, with annual escalations thereafter. This renewal improves the lease expiry profile of the Property.

The weighted average lease term of the Property is 3.0 years. Weighted average rent for the Property is \$14.68 per square foot.

Further, a Tenant representing 15% of the GLA has agreed to a conditional lease extension at an increased rental rate. Details to follow in later updates as conditions are released.

The last valuation of the Property was completed in Q1, 2024. Upon completion of the above conditional lease extension, we will proceed with an updated valuation. We are hopeful, that with the recent Bank of Canada interest rate cuts, together with increased NOI achieved at the Property, will lead to an increase in the estimated market value in comparison to 2024.

The Property’s current mortgage balance is \$10.93 million with an interest rate of 3.21%, until 2029. This long-term mortgage is more favourable than the current market interest rates.

Capital improvements in 2024 included finalizing the design for the building’s front façade as well as a scheduled HVAC replacement in 2024, which was deferred to spring 2025 to minimize tenant disruption.

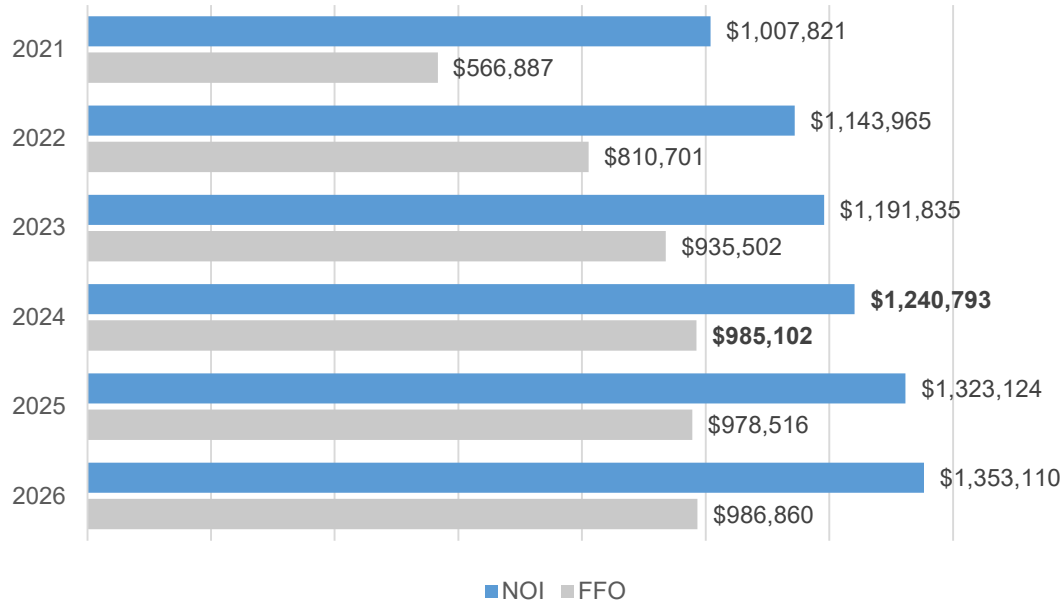
We will be making a distribution of **\$245,000** at this time, bringing total distribution for the year to \$470,000. When added to prior distributions, this brings cumulative distributions since acquisition to \$5.3 million, equalling 113% of the original investment returned.

Sincerely,

Ken and Christian Jennings  
Directors of the General Partner

## 2. Net Operating Income and Funds from Operations

The table below presents the NOI and Funds from Operations (FFO) for the last three years and a projection for 2025 and 2026:



**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 2024, the Property's NOI increased \$48,959 or 4.1%, compared to the prior year. The largest contributing factor to NOI is the commencement of a lease extension in Q2, 2024, that had a rental rate increase of 57% over the previous rental rate.

NOI is forecasted to increase through 2025 and 2026, supported by contractual rental escalations and market rent being achieved upon lease renewals or turnovers. Current rental rates reflect the prevailing landlord market conditions, further details on market conditions are outlined in the leasing section later in the report.

### 3. Distributions

2024 was another successful year for the Property as it remained fully leased throughout the year. We will be making a distribution of \$245,000 at this time, which when combined with all previous distributions since the acquisition of the Property, results in an Annual Average Cash Yield of 17.34%.

A summary of this year's distributions is set out below along with a projection for 2025.

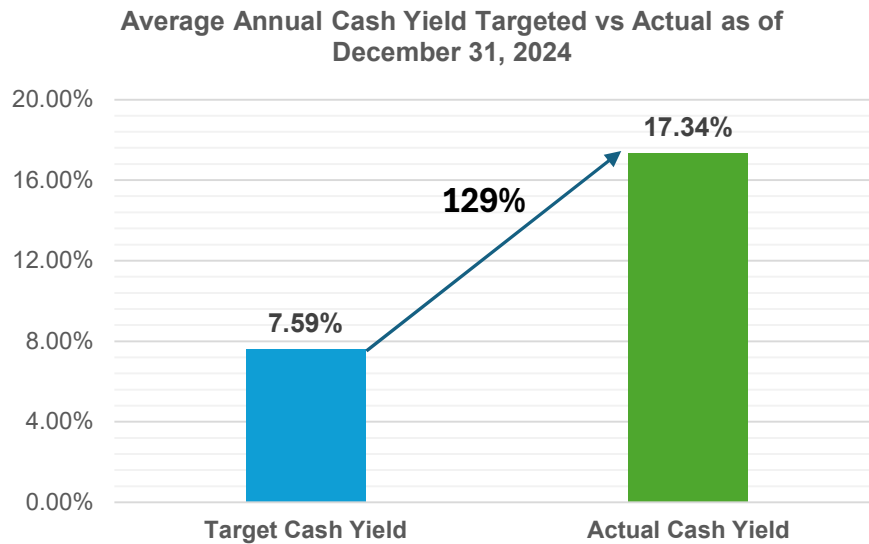
Year	Q1	Q2	Q3	Q4	Total	Cumulative Distributions (including refinancing)	% of investment Returned
<b>2018-2022</b>	\$65,000	\$215,000	\$167,669	\$3,970,942	\$4,418,612	\$4,418,612	94%
<b>2023</b>	\$70,000	\$70,000	\$70,000	\$200,000	\$410,000	\$4,828,612	103%
<b>2024</b>	<b>\$75,000</b>	<b>\$75,000</b>	<b>\$75,000</b>	<b>\$245,000</b>	<b>\$470,000</b>	<b>\$5,298,612</b>	<b>113%</b>
<b>2025 Outlook</b>	<b>\$80,000</b>	<b>\$80,000</b>	<b>\$80,000</b>	<b>\$260,000</b>	<b>\$500,000</b>	<b>\$5,328,612</b>	<b>123%</b>

The loan at the Property currently sits at \$10.93M with an interest rate of 3.208%. The term of the loan extends until 2029, and as such, the Property is well-positioned with the current interest rate environment.

## 4. Key Performance Metrics

### The Average Annual Cash Yield

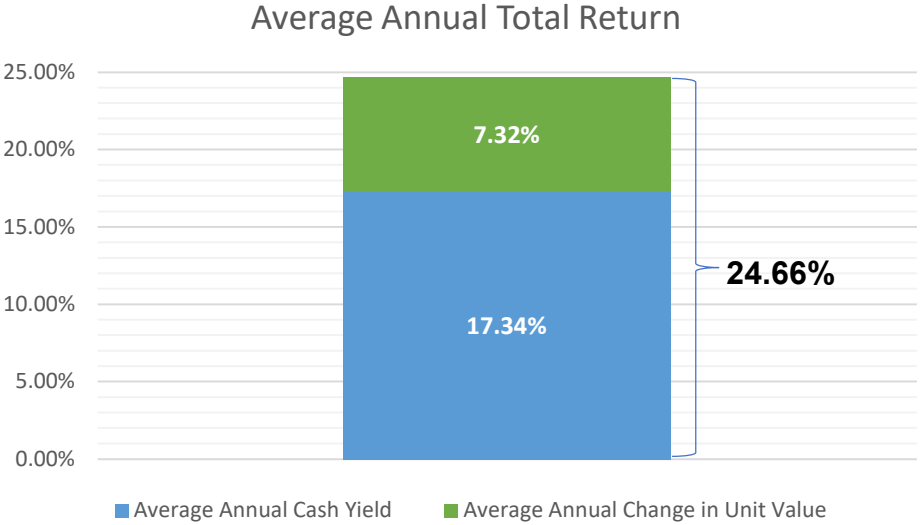
The below graph showcases the Average Annual Cash Yield as of December 31, 2024, compared to the targeted cash yield set out initially during acquisition. The target for the Average Annual Cash Yield was 7.59%. The actual Average Annual Cash Yield to date reached 17.34%, exceeding the target by 9.75% or 129%. This achievement can be attributed to a combination of strategic leasing decisions to increase revenue, diligent management efforts to keep expenses in check, and seizing opportunities for advantageous financing.



**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, 2024).

### The Average Annual Total Return

In addition to generating an Average Annual Cash Yield, this investment has also experienced an Average Annual Appreciation in Unit Value of 7.32%. The growth has resulted in an Annual Average Total Return of 24.66%.



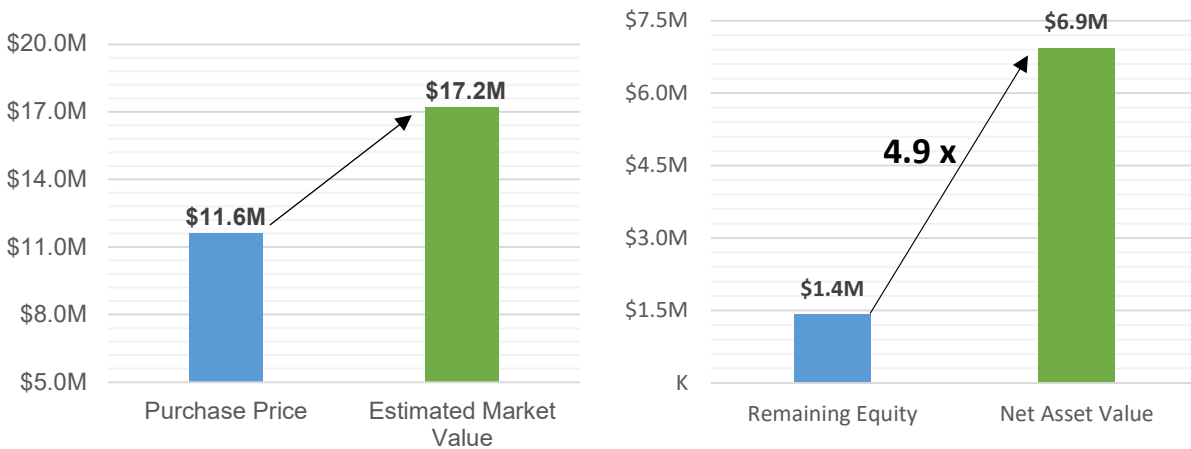
**Average Annual Change in Unit Value** is calculated by dividing Net Asset Value (NAV) by initial equity invested, which is further divided by the holding period (from acquisition to Dec 31, 2024).

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

## 5. Valuation

The last valuation of the Property was completed in Q1, 2024. Upon completion of the above noted conditional lease extension, we will proceed with an updated valuation to reflect the increased rent and lease term achieved on 32% of the Property's GLA. We are hopeful that, with the recent Bank of Canada interest rate cuts, together with increased NOI, will lead to an increase in the Estimated Market Value in comparison to 2024.

The Q1 2024 valuation was completed by Juteau Johnson Comba Inc, an independent third-party appraisal firm. The Q1 2024 valuation concluded by the appraiser is compared to the purchase price paid for the property in 2018. 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 \$17,220,000.

**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, 2024, and (ii) all current liabilities as of December 31, 2024. Any cash on hand as of December 31, 2024 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

## 6. Property Summary

### The Property

302 Legget Drive is an 85,092 square foot industrial building located in Kanata, Ontario, a suburb located in the west end of Ottawa.

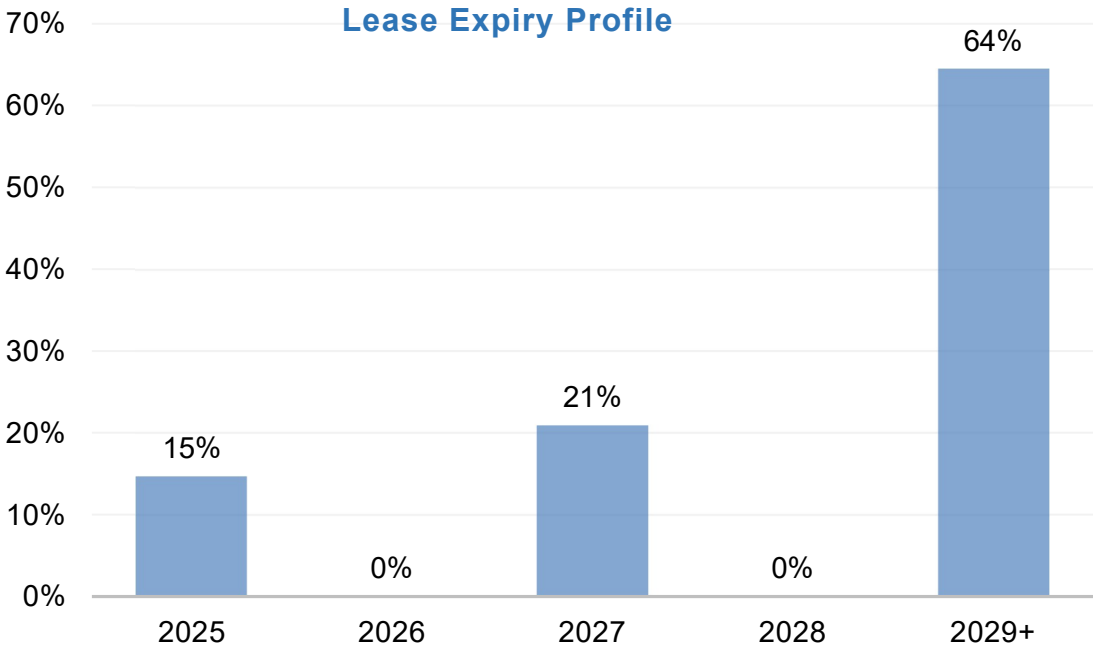
### Leasing

Throughout 2024, the industrial market in Kanata continued to be in demand, due to limited leasing opportunities. The vacancy rate saw an increase of 2.7%, rising from 1.8% in Q4 2023 to 4.5% in Q4 2024 (CBRE Industrial Market Report Q4 2023 and Q4 2024). Despite this uptick, average rental rates increased by \$2.13 per square foot, from \$15.60 to \$17.73 per square foot.

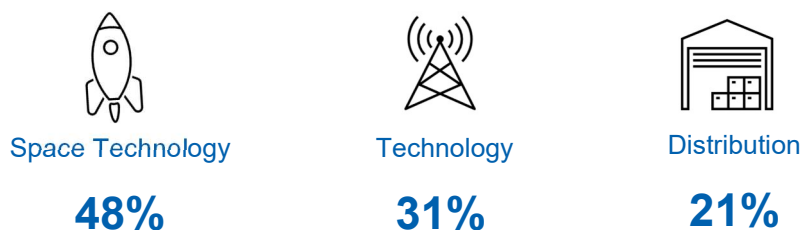
The increase in vacancy and asking average rental rate is skewed by one development delivering 250,000 square feet to the market. This listing represents 81% of the available space in the market and is oriented towards tenants who can occupy 50,000 square feet or more. As such, this vacancy is believed to not be a direct competitor to the Property.

A lease renewal has been secured with a tenant representing 17% of the GLA. The renewal involved a 13% increase over the previous rental rate, with annual rent escalations of 3%. This renewal improved the lease expiry profile for the next 5 years, mitigating the risk of multiple vacancies at the same time.

Below is the breakdown of lease expirations as a percentage of GLA over the next 5 years:



The weighted average lease term of the Property is 3.0 years, with an average weighted rent of \$14.68 per square foot, with tenants in the following industries:



## 7. Asset Management and Leasing Forecast

### Leasing Forecast

Despite the increase in vacancy in the submarket from 1.8% in Q4 2023 to 4.5% in Q4 2024, the industrial market continues to push all time high average asking rent. The average asking rent across the city of Ottawa is at \$16.62 per square foot.

Over 4.4 million square feet of industrial space is in various stages of development in the National Capital Region. High construction costs have pushed required rents above the current market rents, causing many projects to pause. Development is primarily targeting large bay users, where economics justify construction. Small to mid-bay industrial space (the classification of the Property) is rarely being built, resulting in limited new supply of this product type.

With opportunities for small and mid-size industrial space remaining scarce, discussions have been initiated with an existing tenant whose lease expires in 2025, representing 15% of the GLA. The tenant has agreed to a conditional lease extension at a positive rental rate spread. Conditions are currently being addressed; an update will follow in the coming quarters.

### Capital Expenditure and Improvements

In 2024, the capital plan for the Property included replacing aging HVAC equipment to improve operational efficiency by reducing maintenance costs, and utility consumption. However, due to conflicting tenant operational requirements, the replacement was put on hold and is now scheduled for completion in spring 2025.

Additionally, an updated design for the building's front facade has been finalized. This will modernize the Property's exterior that would align with current preferences and maintain the Property's competitiveness in the market.

## 8. Financial Statements

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

## 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.



**302 LEGGET DRIVE LIMITED PARTNERSHIP**  
**FINANCIAL STATEMENTS**  
(Unaudited - see Compilation Engagement Report)  
for the year ended December 31, 2024

The Bookkeeping Bureau Ltd.

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302 LEGGET DRIVE LIMITED PARTNERSHIP  
for the year ended December 31, 2024  
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## COMPILATION ENGAGEMENT REPORT

To Management of 302 Legget Drive Limited Partnership,

On the basis of information provided by management, we have compiled the balance sheet of 302 Legget Drive Limited Partnership as at December 31, 2024 and the statement of earnings and statement of partner's equity 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 28, 2025

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The Bookkeeping Bureau Ltd.

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302 LEGGET DRIVE LIMITED PARTNERSHIP  
**BALANCE SHEET**  
for the year ended December 31, 2024  
(Unaudited - see Compilation Engagement Report)

	2024	2023
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 961,135	\$ 828,086
Accounts receivable	8,716	1,604
Prepaid expenses	270	19,027
	<u>970,121</u>	<u>848,717</u>
<b>LONG-TERM</b>		
Deferred finance charges (note 5)	81,236	121,854
Deferred leasing commission (note 4)	265,790	340,122
Property, plant and equipment (note 2)	10,744,060	11,142,316
Security deposits	12,671	16,600
	<u>11,103,757</u>	<u>11,620,892</u>
	<u>\$ 12,073,878</u>	<u>\$ 12,469,609</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 240,070	\$ 391,022
Construction holdback	-	25,881
Current portion of long-term debt	258,451	250,355
Deposits	20,000	-
Government remittances payable	53,638	11,950
	<u>572,159</u>	<u>679,208</u>
<b>LONG-TERM</b>		
Deposits	11,127	31,127
Long-term debt (note 3)	10,673,057	10,931,508
	<u>11,256,343</u>	<u>11,641,843</u>
<b>PARTNERS' EQUITY</b>		
	<u>817,535</u>	<u>827,766</u>
	<u>\$ 12,073,878</u>	<u>\$ 12,469,609</u>

Approved on Behalf of the Partners:

Signed by:

*Christian Jennings*

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302 LEGGET DRIVE LIMITED PARTNERSHIP  
**STATEMENT OF EARNINGS**  
for the year ended December 31, 2024  
(Unaudited - see Compilation Engagement Report)

	2024	2023
<b>REVENUE</b>		
Rental income	\$ 2,072,390	\$ 1,971,374
Interest income	65,896	65,799
	<u>2,138,286</u>	<u>2,037,173</u>
<b>EXPENSES</b>		
Amortization of deferred finance charges	40,618	40,618
Amortization of leasing commissions	74,332	70,314
Bank charges	1,714	1,566
Depreciation	419,536	451,391
General and administrative expenses	122,203	134,235
Insurance	19,185	17,824
Interest on long-term debt	352,704	330,208
Property management	87,645	73,725
Professional fees	2,792	10,888
Property taxes	256,515	252,981
Repairs and maintenance	160,193	105,657
Utilities	186,084	174,588
	<u>1,723,521</u>	<u>1,663,995</u>
<b>NET EARNINGS</b>	<u>\$ 414,765</u>	<u>\$ 373,178</u>

302 LEGGET DRIVE LIMITED PARTNERSHIP  
**STATEMENT OF PARTNERS' EQUITY**  
for the year ended December 31, 2024  
(Unaudited - see Compilation Engagement Report)

Name	Balance, beginning of year	Net earnings	Withdrawals	Balance, end of year
Chrisken Realty Investments Inc.	(50,172)	35,209	(36,077)	(51,041)
DH (Ottawa) Investments Inc.	(46,928)	9,493	(9,728)	(47,162)
TH (Ottawa) Investments Inc.	(55,258)	6,403	(6,560)	(55,416)
AYM Real Estate Inc.	84,154	31,241	(32,012)	83,384
BC Bockstael Holdings Ltd.	65,893	24,462	(25,066)	65,290
B. Holmes Holdings Ltd.	65,893	24,462	(25,066)	65,290
Adam Mills Holdings Inc.	65,893	24,462	(25,066)	65,290
Walker Family Wealth Ltd.	74,002	27,473	(28,150)	73,324
1394804 Ontario Inc.	74,002	27,473	(28,150)	73,324
2490626 Ontario Inc,	74,002	27,473	(28,150)	73,324
Grant Castle Properties Inc.	134,805	50,049	(51,283)	133,571
Maissonneuve Investments Inc.	74,002	27,473	(28,150)	73,324
Carol Holmes	65,893	24,462	(25,066)	65,290
McLarty Family Holdings Inc	74,002	27,473	(28,150)	73,324
A.M. Food Services Ltd.	127,583	47,158	(48,321)	126,419
11189450 CANADA Inc.	1.08	(0.13)	(0.00)	0.95
Limited Partners' Equity	\$ 827,766	\$ 414,765	\$ (424,996)	\$ 817,535

302 LEGGET DRIVE LIMITED PARTNERSHIP  
**NOTES TO FINANCIAL STATEMENTS**  
for the year ended December 31, 2024  
(Unaudited - see Compilation Engagement Report)

## 1. LIMITED PARTNERSHIP AND NATURE OF ACTIVITIES

The limited partnership came into agreement on June 5, 2018 pursuant to laws of Ontario and is managed by its General partner, 11189450 Canada Inc. It manages a commercial rental property in Kanata, ON.

## 2. PROPERTY, PLANT AND EQUIPMENT

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

Land	NIL
Building	4% diminishing balance
Building improvements	4% diminishing balance

	2024			2023
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land	\$ 1,826,045	\$ -	\$ 1,826,045	\$ 1,826,045
Building	10,347,586	(2,329,439)	8,018,147	8,355,086
Building improvements	1,143,282	(243,413)	899,869	961,186
	\$ 13,316,912	\$ (2,572,852)	\$ 10,744,060	\$ 11,142,316

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

## 3. LONG-TERM DEBT

### BANK LOANS

The Partnership refinanced its first mortgage with CMLS Financial on December 31, 2021 with principal of \$11,640,000 over a term of 84 months at current interest rate of 3.208%, repayable in blended monthly instalments of \$50,255, amortized over 30 years. This mortgage is secured with a first priority fixed charge over the land and building, and general security agreement.

**4. DEFERRED LEASING COMMISSIONS**

	<b>2024</b>			<b>2023</b>
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Leasing commissions	\$ 509,345	\$ (243,555)	\$ 265,790	\$ 340,122

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

**5. DEFERRED FINANCE CHARGES**

	<b>2024</b>			<b>2023</b>
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Financing fees	\$ 203,090	\$ (121,854)	\$ 81,236	\$ 121,854

Finance charges were incurred at the time of the mortgage refinancing and are amortized on a straight line basis over the seven year term.