



2014 CORPORATE ACHIEVEMENTS  
President's Message



JANUARY 2015

This was intended to be my 2014 inaugural year end shareholders letter complete with our list of our accomplishments in 2014. As we started listing off last year's achievements, and by the time I realized we were already 6 pages deep, I suggested to the team that we (attempt to) abbreviate our list to one page

With that being said, it was certainly a year of major mile stones and significant accomplishments as listed below:

**HAIKU LIMITED PARTNERSHIP  
(PROJECT LAUNCH: 2010)**

- In Q1, 2015, the ASI finance team worked on and secured the refinancing for Haiku and we will be returning 100% of the original investment capital back to our partners. This capital is being repatriated within the 5 year timeline we originally committed to. The result is triple digit cash-on-cash returns and the continuance of high single digit annual distributions. We were also able to increase our total NOI over 30% from the previous 5 year period for the next 5 year term.
- ASI successfully negotiated a new lease for the former Montauk space, which lease came to term Q1, 2015. The building's profile will be amplified with the change in use (gastro pub) as we welcome our new well established tenant, the Concorde Group to the space. The Concorde Group currently own well known concepts including National, Double Zero, Clive Burger, Flames Central, Local 002/510/522, etc., to name a few.

**8<sup>TH</sup> AVENUE LIMITED PARTNERSHIP  
(PROJECT LAUNCH: 2012)**

- We fully completed all T.I.s, tenanted the building and wrapped our ASI 8th Avenue LP project, driving higher returns than we originally projected and creating a triple digit cumulative ROIE year to date.
- Along the way, we picked up some industry awards for this project, and the building looks spectacular both inside and out.

**BRITANNIA BLOCK LIMITED PARTNERSHIP (THE WINDSOR)  
(PROJECT LAUNCH: 2012)**

- Through the process of Land Use and market appreciation, we were able to generate an increase of over 45% of the original appraised value of the land held by Britannia Block LP.
- We also successfully secured both the Development Permit and Building Permits within the original timelines we expected, clearing the way for the commencement of construction.
- As of Q1, 2015, all of the original buildings on site have been remediated and demolished and we began the process of shoring the site; a major milestone for the construction phase.

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## **ASI SCOTIA BLOCK (PROJECT LAUNCH: 2013)**

- We are in the final throws of completing a repositioning for ASI Scotia Block as the building's current Tenant; American Apparel's lease comes to term in Q2, 2015.
- We will be announcing the new tenant and its application in our Q1 update.
- The site will also directly benefit from the purchase of ASI Sentinel Block, (as per the below), which is situated directly across the intersection from ASI Scotia Block.

## **ASI SENTINEL BLOCK LIMITED PARTNERSHIP (THE SENTINEL) (PROJECT LAUNCH: Q4, 2014)**

- We successfully closed on this highly sought after block of buildings formerly known as the "Condon Block" which sits in the NW intersection of 17th Avenue and 14th Street SW and masses across 16th Avenue.
- During the Due Diligence phase, we increased the buildings' in place value by strategically negotiating and securing favorable market lease rates and terms with the existing tenants.
- We purchased the assets at a land cost we believed to be below market based on what we knew about existing comps in the immediate area and based on the significant value we would achieve through the process of development. Unbeknownst to us, in Q4, there were 2 additional sales transactions that occurred within 3 blocks of our site. These assets had a smaller land mass with little to no development opportunity and sold at a land cost of over 25% more than what we purchased our lands for.

## **ASI HIGH STREET LIMITED PARTNERSHIP (PROJECT LAUNCH: Q2/Q3 2015)**

- We initiated land use for our ASI High Street project and engaged a well-known Architect, Walker McKinley care of McKinley Burkart, to be the lead architect for this project.
- We, and several key stakeholders in the immediate precinct, as well as our Architect, believe that this development will be the most important future development for the 17th Avenue High Street corridor between 4th and 8th Street S.W.. We completed some preliminary drawings and are looking forward to displaying them in the coming months in anticipation of our launch.

## **ARLINGTON STREET FOUNDATION SCHOLARSHIP**

- In 2014, the ASFS Board attended the University Graduation ceremony for our program's first ever recipient award winner, Lin Ruttan, who graduated with her Bachelor's Degree and is now a fully certified teacher.
- The team at ASFS hosted the Foundation's first ever annual fund raiser held at the Food Studio in Winnipeg, Manitoba. The event saw several political dignitaries and local business leaders who were both extremely impressed and emotionally connected to the program, its mandate as well as our wonderful student recipient award winners who also all attended the event.

# President's Message

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These are the main highlights of 2014 but most importantly, and what I'm most proud of is that our entire ASI team performed like **Champions** in a very dynamic 12 month period of growth and momentum. I thank our entire team for their extremely hard work, integrity and core dedication to fulfill our corporate goals both internally and externally.

2015 started with our annual "All hands on Deck" Operations strategy session held at ASI's Head Office January 12th. As we started the session, we all acknowledged the reality of the precipitous slide from \$95 to \$45 BOE and that this has, and **will** create both challenge and **Opportunity throughout the year.**

I've been in no less than 5 market forecast sessions since coming back from holidays after Christmas break; from home builder association meetings, to on-line conference calls with industry leading energy analysts. I have spoken to no less than 15 executives that I respect greatly and I'm certain of ONE THING, no one has the right answer!

ASI will do what it has always done and what it was created to do; take advantage of and capitalize on market opportunities, and this significant pull back in the energy sector is exactly one of those opportunities.

I will not pontificate my thesis of how this plays out. There are a lot of people far better positioned to do that than I; however, I will say this... in 2009, we bought 3 buildings with a small group of investors. All of the buildings were situated in the same areas we have always focused on (i.e. Downtown core and beltline) with the same profile, value characteristics, and multiple exit opportunities we have always adhered to in our investment filter. During the 2007-2009 downward cycle, the drop in the BOE was far more dramatic than what we have thus far experienced in 2015. The BOE peaked at \$146 and dropped to its bottom at \$38 and the vacancy rates went from 1% and were trending upwards towards 20%. Of course, the greatest obstacle was that the banks were not lending because of the global financial crisis.

This quarter represents a full 5 year cycle for two of our properties that we purchased during that time. This is important because it is a testament of the success of our business model and the understanding that you cannot get caught up in the immediacy of the volatility, but instead, have to maintain a long term view on things. Today, these same properties are fully leased, have been cash flowing, are strategically situated directly in the path of growth, and have therefore experienced significant densification all around them which naturally assists in driving their intrinsic values. The Year-to-Date returns on these projects are nothing short of impressive.

As a great friend of mine, and an extremely accomplished entrepreneur used to remind me all the time when I first started in business; never let a crisis go to waste. We are not in a crisis yet, but if we maintain the current trend there will be far more panic and market volatility. If I have one regret from 2009, it's that I didn't buy more of our targeted asset types.

We will be launching 3 separate initiatives to be announced in the coming months with each created to firstly, mitigate risk and secondly, take advantage of an incredible market opportunity.

Keep your feet on the ground, focus straight ahead, and don't be consumed by the immediacy within the volatility of the market.

In closing, I welcome you to visit our new website [www.arlingtonstreet.ca](http://www.arlingtonstreet.ca) to be launched within the next 30 days. Amongst other things, this new site will be positioned to provide you with your own personal portal to track reports and updates in real time.

All the best

Frank L Lonardelli  
President and CEO