



NationWide
SELF STORAGE & AUTO WASH

2337 KING GEORGE BOULEVARD

SOUTH SURREY



20 | South Surrey
23 | Semi-Annual Review

NATIONWIDE IV SELF STORAGE & AUTO WASH

We are pleased to provide you with a review and update as of December 31, 2023 for NationWide IV Self Storage & Auto Wash (the “South Surrey Property” or “Property”). As reported previously we received our partial occupancy permit on October 31, 2023. We received our full occupancy permit on January 18, 2024.

The Property is located at 2337 King George Boulevard. The 51,345 sq. ft. Property is in a high-profile and very visible location with easy access from the King George Blvd and 24th Ave intersection, one of the fastest growing neighborhoods in Canada.

The property features an 80,000 sq. ft. self-storage facility with 3 above-ground levels (including the ground floor) and 2 levels of brightly lit basement.

In addition, one of Canada’s most technically advanced and environmentally friendly, 4,000 sq. ft., 140’ EDT (Exterior Detail Tunnel) system is also located on the Property and called Express Auto Wash.

04/2019

Property Purchased

08/2021

Development Permit Received

01/2024

Full Occupancy Permit Issued

687

Storage Lockers



Report on Self-Storage

The industry wide delays due to COVID-19 had a significant impact on both the issuance of the building permit and the timeline for construction. But despite these delays we were granted partial occupancy on October 31, 2023, and were granted full occupancy in January 2024. As of January 2024, there were a total 687 lockers available for rent.

All lockers have the Noke System which allow modern architecture and design, enterprise-level built-in security and a keyless smart access system controlled via an app on your smartphone. This has proved to be a major asset of the Pender, Kamloops, and Boundary properties. The system has been extremely well received by customers and has been a great selling point of our lockers compared to the old padlock and key facility.

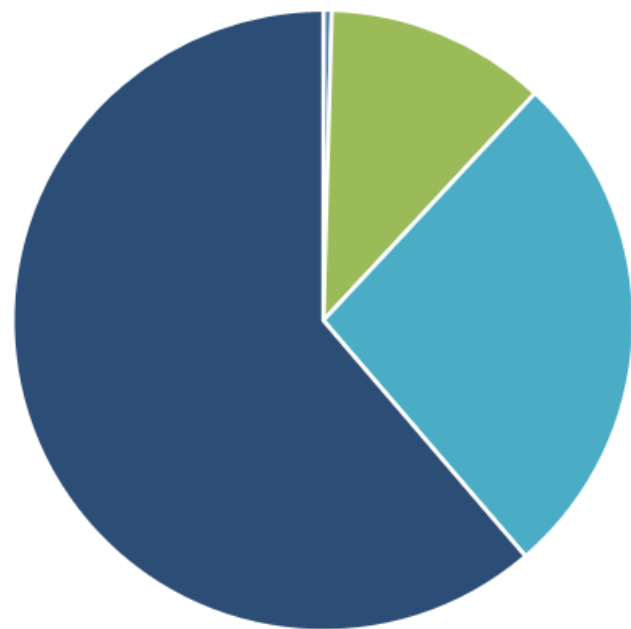
Current Occupancy as at December 31, 2023 is at 5% after two months of operations. As we head into Spring the plan is to increase marketing of the smaller lockers through SEO, local marketing, referral programs and targeting the many business in the area.

“Occupancy rates of self-storage facilities range from 70% to 95%. With a facility that is newly constructed or that’s being repositioned, a new owner often will face a lease-up period of 18 to 36 months before a facility reaches occupancy stabilization.”

Storable.com
July 26, 2021



Locker Types



■ Extra Large ■ Large ■ Medium ■ Small



Report on Car Wash Operations

A defining feature of the Express Auto Wash tunnel system is its environment-friendly footprint. The tunnel design includes a complete water treatment process under the wash tunnel to recycle water and minimize waste. The tunnel system also has a sophisticated computer- controlled metering process that dispenses the precise volume of water and cleaning agents. This provides an exceptionally clean, cost effective, efficient, and convenient 3-minute car wash – with no wasted water.

Since opening October 31, 2023 we have washed 5,866 cars.

The Unlimited Wash Club memberships have been implemented and structured with a view to retaining customers and providing reliable recurring income. The program provides a recurring revenue that is not dependent on seasonal changes like a classic pay by use model.

Industry data (mostly in the US) suggested that on average, members only use the wash 3 times a month making this model extremely profitable. We found this to not be the case for some of our membership programs where during the summer people were washing their car on basic memberships very frequently making it less profitable and adding to long line ups, which in turn negatively affected sales. The decision was made to streamline the memberships into two family plans and a corporate plan.

140' EDT

140 ft. Exterior Detail Tunnel

1/3

1/3 less water used that a home car wash

5,866

Cars washed, Dec, 31, 2023

3

3 minute time efficient car wash

100%

We recycle 100% of our water



Report on Car Wash Operations

As originally anticipated the car wash has been extremely well received by the community in South Surrey.

On December 2nd-10th, 2023 we held our Grand Splash Fundraiser where we offered a free Platinum-level car wash in exchange for a donation to Surrey Christmas Bureau, raising over \$6,000. Surrey Christmas Bureau helps local low-income families with toys, stocking stuffers and grocery cards, making a world of difference in letting them create a memorable holiday for their children.

The car wash has already hit 119 Google reviews, with an impressive 4.9-star rating and the feedback from the community has been amazing.

We look forward to the upcoming busy period for the car wash. Our main aim for the start of 2024 is to continue to target fleet growth. There are a large number of car dealerships in the area and we are targeting this as a key market driver.



4.9 ★

Rating on Google (119 Reviews)

★★★★★ 3 months ago

Finally an awesome car cash in South Surrey! Just stopped my and pleasantly surprised by the overall service here. Different packages of car washes including very reasonable monthly memberships with up to 1 wash per day included & vacuuming.

Customer service is 10/10, all the staff I talked to were very professional and friendly. They offered their suggestions for which wash to use as well as inform me about their facility.

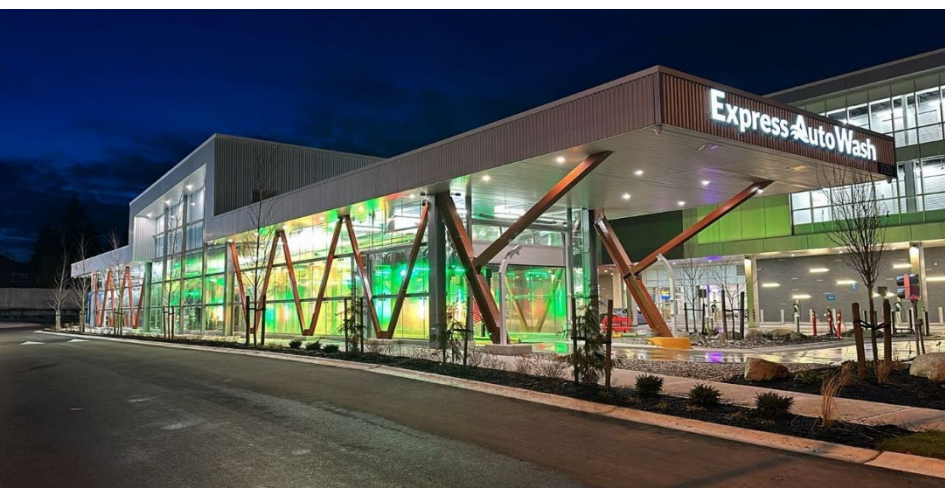
★★★★★ 6 days ago **NEW**

Amazing staff service. Very approachable and friendly. The carwash itself was superb. My son enjoyed the carwash it was like universal studios for him. Overall. Good place for a good carwash. We will be coming back for more. Thanks and keep up the good work.

★★★★★ 2 months ago

Absolutely best car wash in South Surrey White rock area. Finally a car wash location that offers memberships. I run a small Turo fleet of vehicles and I have never had a cleaner fleet than after I signed up with Express Auto Wash. My vehicles come out, spotless and need minimal wipe down afterwards.

I would highly recommend not only stopping by for a wash, but signing up for their amazing membership!



Project Recap & Review

We are very happy to report meaningful progress and good news to investors in relation to the South Surrey property.

Over the last number of years, we have faced several very big challenges in bringing the South Surrey project to completion.

The first hurdles were delays by the City of Surrey during COVID-19. Our permit issuance was delayed due to The City of Surrey getting shut down at the start of COVID-19. Even after the City went remote, this caused major delays for our project permit and all construction permits in Surrey. The property was purchased in April 2019 before the pandemic and it took until August 2021 to receive the Building Permit.

We then completed construction of both the car wash and the storage building in just over 2 years. This is an impressive achievement considering many other projects in the Greater Vancouver Area can now take and have taken 5+ years to complete.

Another huge challenge we faced was construction started in the second year of COVID. Building costs increased more than 60% during the pandemic due to supply chain bottlenecks. As the supply chain snags linked to COVID eased, completing construction was a huge achievement given the persistent labor shortages and rising material costs. Additionally, rising interest rates have escalated from sub 3% to over 11% for construction financing for developers.



Like construction cost inflation outlined above, interest rates have also increased significantly. Bank of Canada Prime interest rates increased from 2.70% on July 13, 2017, all the way to 7.2% on July 13, 2023, an increase of over 166% in 6 years. Construction loans are typically prime + 4-5%. (see: [historicaleffective-prime-rate.pdf \(gov.bc.ca\)](#))

Bank of Canada's overnight interest rate vs. inflation rate (%)

Current overnight rate is 4.75% as of June 27, 2023. May 2023 inflation rate is 3.4%

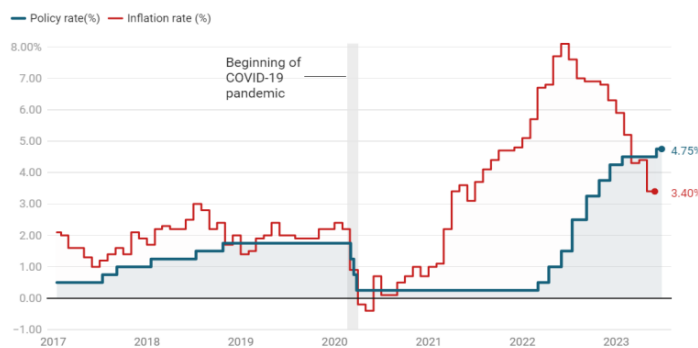


Chart: CTVNews.ca • Source: Bank of Canada and Statistics Canada • Created with [Datawrapper](#)

NAV of Trust Units

As the property is now complete and operating there will be a property appraisal completed. The estimated fair market value should be available and included in the next investor update in July 2024.

Conclusion

As of early 2024, the inflation rate in Canada, is expected to remain a challenging aspect of the economy. The Bank of Canada's decision to maintain its key overnight rate at a 22-year high of 5% reflects ongoing concerns about stubborn inflation. This decision is based on the inflation rate rising to 3.4% in December 2023, up from 3.1% in November, indicating that inflation is proving more resilient than expected. Although the headline inflation has slowed from its peak of 8.1% in June 2022, it still remains above the central bank's target of 2%.

Conclusion

The current rate environment has a dramatic impact on operating business cash flows required for debt serving. Newly built and opened storage facilities can typically only term out their construction financing once they achieve mature occupancy, which is typically about 85%. Achieving mature occupancy normally takes, on average, 3 years in Canada. Currently South Surrey has \$18.7 million Bank Financing at approximately 7.85%.

Despite all the above challenges we have deftly brought to opening a thriving business, in an amazing state-of-the-art building in a highly coveted location in South Surrey.

We thank all investors for their patience during the period it has taken to get this project to completion and operational. We look forward to providing continued capital appreciation for your investment and dividends once we achieve 85% occupancy, term out our construction loans and meet the bank lending covenants. Our next update will be July 2024.

