



Exhibition Place

ACTION REQUIRED

Item No. 10

June 20, 2013

To: The Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

Subject: **Rental Rates for 2021 to 2025**

Summary:

This report recommends rental rate increases for all facilities within the Exhibition Place grounds for the period of 2021 to 2025. The report recommendation is in response to increases in operating costs and while keeping rates competitive with other venues.

Recommendation:

It is recommended that for meetings, conventions, events, and exhibitions in all facilities across the grounds, including Allstream Centre, a market adjustment to increase rental rates in 2021, 2022, 2023, 2024 and 2025, as specifically outlined in Appendix “A” attached which varies depending on the facility, be approved by the Board.

Financial Impact:

This report will allow for additional revenue stream which will offset anticipated normal annual increases to operating costs and maintain a competitive position in the industry.

The market adjustment will result in estimated increased revenues of \$1.8M over the five year period which will be contained within the operating budget.

Decision History:

The Exhibition Place 2009-2012 Strategic Plan had a Business Development Goal to *Achieve our events business revenue* and as a Strategy to support this Goal we will *review our sales and marketing to ensure competitiveness* and the resultant Task; *determine long-term rental rates for MICE (Meetings, Incentive, Conventions and Exhibitions)*.

At its meeting of May 25, 2012 the Board approved a rental rate schedule for the period of 2016 to 2020 for meetings, conventions and exhibitions in all facilities across the grounds, including Allstream Centre.

Issue Background:

Rental rates are adjusted on an annual basis in response to increases in operating costs and in keeping with the practice of competitive venues.

Comments:

Toronto is one of the most competitive markets for exhibitions and events. Exhibition Place competes with two other major local facilities for this business, the Metro Toronto Convention Centre and the International Centre. It is vital to the success of the Direct Energy Centre and Exhibition Place, that our rental rates and service rates be competitive, as clients will seek to price each venue prior to signing contracts. It is our understanding that the 2013 rates for competitive venues range from 16.45 to 17.1 cents per square foot. Incentive pricing and discounts are normally offered on move-in/out days. The 2013 Direct Energy Centre rate is 16.8 cents (Hall A-D and Heritage Court).

Due to the uncertainty in the economy over the last few years it has been a challenging time for show producers especially related to the sales of space for exhibitors (a main revenue source for the major shows), and new show launches. Trade shows have seen a consolidation of exhibitors, as exhibitors have opted to participate, but are purchasing less booth space, or are ordering fewer show services. While trade shows are one of the most effective marketing tools available to companies, the economic climate has resulted in certain companies not participating/reducing participation levels in shows as they look to reducing overall budgets. Consumer shows have also experienced a reduction in exhibitor participation, especially in certain industries such as boating and manufacturing. In addition there has been a merging and compression in some of our major shows such as the National Home Show and Canada Blooms. New show launches have been minimal since 2010, and this trend may continue until the economy shows some incremental growth.

Staff recommends that the Board approve a 3% annual increase for 2021 to 2025 for Direct Energy Centre, Better Living Centre and Queen Elizabeth Hall and Grounds, as illustrated in Appendix A.

For the Meetings and Convention segment of our business, we are competing with the Metro Toronto Convention Centre, the International Centre and major local hotels such as the Sheraton Centre and Westin Harbour Castle. In addition to these local competitors, we also compete nationally with Vancouver and Montreal, and in the US with several key Northeastern cities. None of the venues in our competitive set have collective agreements for AV/stagehands, and Allstream Centre is at a competitive disadvantage due to our existing collective agreement. We have undertaken an analysis of the competitive venues, and determined that the 2013 daily rack rental of meeting rooms/ballrooms ranges from 58.5 to 68 cents per square foot. This rack rate may be adjusted based on food and beverage spend as per industry standards, and on move-in/out days.

The Meetings and Conventions industry has felt similar challenges due to the economic uncertainty. Corporations have reduced the number, size and scope of meetings, and many have eliminated the traditional end-of-year holiday party altogether. Associations, while continuing to plan their annual conventions, have reduced the number of days, and overall spend as their membership has suffered economic setbacks. Price sensitivity continues to be the dominant factor in the Meetings and Convention market. Despite these issues, the Meetings and Conventions industry planners have very high expectations of service delivery, customer service, and seek value added options as they competitively price several venues in each market.

Accordingly, staff recommend that the Board approve a 3% increase every other year for the Allstream Centre, as illustrated on the table Appendix A.

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Submitted by:

Dianne Young
Chief Executive Officer

Appendix "A"

Exhibit Halls	2016 Rental Rates		2017 Rental Rates		2018 Rental Rates		2019 Rental Rates		2020 Rental Rates		2021 Rental Rates		2022 Rental Rates		2023 Rental Rates		2024 Rental Rates		2025 Rental Rates	
	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase
Hall A	18.3	3%	18.9	3%	19.5	3%	20.0	3%	20.6	3%	21.3	3%	21.9	3%	22.5	3%	23.2	3%	23.9	3%
Hall B	18.3	3%	18.9	3%	19.5	3%	20.0	3%	20.6	3%	21.3	3%	21.9	3%	22.5	3%	23.2	3%	23.9	3%
Hall C	18.3	3%	18.9	3%	19.5	3%	20.0	3%	20.6	3%	21.3	3%	21.9	3%	22.5	3%	23.2	3%	23.9	3%
Hall D	18.3	3%	18.9	3%	19.5	3%	20.0	3%	20.6	3%	21.3	3%	21.9	3%	22.5	3%	23.2	3%	23.9	3%
Heritage Court	18.3	3%	18.9	3%	19.5	3%	20.0	3%	20.6	3%	21.3	3%	21.9	3%	22.5	3%	23.2	3%	23.9	3%
Hall E (West Annex) 1st	9.3	3%	9.5	3%	9.8	3%	10.1	3%	10.4	3%	10.7	3%	11.1	3%	11.4	3%	11.7	3%	12.1	3%
Hall E (West Annex) 2nd	4.6	3%	4.8	3%	4.9	3%	5.1	3%	5.2	3%	5.4	3%	5.5	3%	5.7	3%	5.9	3%	6.0	3%
Hall F (East Annex) 1st	9.3	3%	9.5	3%	9.8	3%	10.1	3%	10.4	3%	10.7	3%	11.1	3%	11.4	3%	11.7	3%	12.1	3%
Hall F (East Annex) 2nd	4.6	3%	4.8	3%	4.9	3%	5.1	3%	5.2	3%	5.4	3%	5.5	3%	5.7	3%	5.9	3%	6.0	3%
Hall G (Industry)	13.7	3%	14.1	3%	14.5	3%	15.0	3%	15.4	3%	15.9	3%	16.4	3%	16.8	3%	17.4	3%	17.9	3%
Hall H (North Extension)	13.7	3%	14.1	3%	14.5	3%	15.0	3%	15.4	3%	15.9	3%	16.4	3%	16.8	3%	17.4	3%	17.9	3%
Queen Elizabeth	13.7	3%	14.1	3%	14.5	3%	15.0	3%	15.4	3%	15.9	3%	16.4	3%	16.8	3%	17.4	3%	17.9	3%
Queen Elizabeth Theatre	3,292.08	3%	3,390.84	3%	3,492.56	3%	3,597.34	3%	3,705.26	3%	3,816.42	3%	3,930.91	3%	4,048.84	3%	4,170.3	3%	4,295.41	3%
Queen Elizabeth Theatre	2,608.81	3%	2,687.08	3%	2,767.69	3%	2,850.72	3%	2,936.24	3%	3,024.33	3%	3,115.06	3%	3,208.51	3%	3,304.8	3%	3,403.91	3%
Better Living Centre - Trade/Consumer Shows	13.1	3%	13.5	3%	13.9	3%	14.3	3%	14.7	3%	15.2	3%	15.6	3%	16.1	3%	16.6	3%	17.1	3%
Better Living Centre - Other Uses	12.5	3%	12.8	3%	13.2	3%	13.6	3%	14.0	3%	14.4	3%	14.9	3%	15.3	3%	15.8	3%	16.3	3%
Exhibition Place Grounds and Parking Lot Uses	2.5	3%	2.5	3%	2.6	3%	2.7	3%	2.8	3%	2.9	3%	3.0	3%	3.0	3%	3.1	3%	3.2	3%

Allstream Centre (MICE Rental Rates)	2016 Rental Rates		2017 Rental Rates		2018 Rental Rates		2019 Rental Rates		2020 Rental Rates		2021 Rental Rates		2022 Rental Rates		2023 Rental Rates		2024 Rental Rates		2025 Rental Rates	
	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase	cents/sq .ft.	% Increase
Meeting Rooms - Over 2000 sq.ft Daily Rate (8am - 5pm)	0.56	0%	0.58	3%	0.58	0%	0.60	3%	0.60	0%	0.62	3%	0.62	0%	0.64	3%	0.64	0%	0.66	3%
24 Hour Hold Rate	daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%	
Meeting Rooms - Under 2000 sq.ft Daily Rate (8am - 5pm)	0.61	0%	0.63	3%	0.63	0%	0.65	3%	0.65	0%	0.67	3%	0.67	0%	0.69	3%	0.69	0%	0.71	3%
24 Hour Hold Rate	daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%	
Ballrooms Daily Rate (6am - 12am)	0.61	0%	0.63	3%	0.63	0%	0.65	3%	0.65	0%	0.67	3%	0.67	0%	0.69	3%	0.69	0%	0.71	3%
Pre-Function Space	0.61	0%	0.63	3%	0.63	0%	0.65	3%	0.65	0%	0.67	3%	0.67	0%	0.69	3%	0.69	0%	0.71	3%
Ballroom Space with Exhibits Daily Rate (6am - 12am)	daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%		daily rate plus an increase of up to 40%	

In accordance with our present practices and the practices of all competing hotel and convention facilities, the following exceptions will apply:

NOTE: (1) Direct Energy Centre space – rent may be waived if a banquet event is exclusively Food & Beverage, generates commission revenue as per FSP agreement, and is competitive in the marketplace.

NOTE: (2) For gala and banquet bookings that require the Ballroom in Allstream Centre, rent may be waived if the Food & Beverage Revenue exceeds 1.5 times the daily rent, as identified in clause 11c. of the LOI with Exhibition Place and the FSP.

NOTE: (3) Halls F, H and G, Queen Elizabeth Exhibit Hall, and Better Living Centre will continue to offer a 25% reduction on move-in and move-out days only.

NOTE: (4) Incentive pricing will continue to be offered on move-in and move-out days in Direct Energy Centre, Better Living Centre, Queen Elizabeth Hall and Allstream Centre. For Meetings and Conventions, will continue to offer rental adjustments based on a minimum F&B spend.