



Exhibition Place

ACTION REQUIRED

Item No. 16

May 10, 2012

To: The Board of Governors of Exhibition Place

From: Dianne Young
Chief Executive Officer

Subject: **Rental Rates for 2016 to 2020**

Summary:

The report recommends the Board approve rental rates for all facilities within the Exhibition Place grounds for the period of 2016 to 2020. The report recommends an annual increase in response to increases in operating costs and while keeping rates competitive with other venues.

Recommendations:

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 2016, 2017, 2018, 2019 and 2020, as specifically outlined in the attached Appendix “A”, which varies depending on the facility, be approved by the Board.

Financial Impact:

The increases in market adjustment will result in estimated increased revenues of \$250,000. The rental rate increases set out in this report are proposed to offset a portion of the unavoidable operating cost increases which is estimated to be \$375,000 in 2016. Increases in show services pricing will result in increased revenue to cover the remaining operating cost and maintain a competitive position in the industry.

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 July 10, 2009, the Board approved a rental rate schedule for the period of 2010 to 2015 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 price each venue prior to signing contracts. It is our understanding that the 2012 rates for competitive venues range from 15.9 to 16.6 cents per square foot. Incentive pricing and discounts are offered on move-in/out days. The 2012 Direct Energy Centre rate is 16.3 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 purchase less booth space, or order fewer 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 2016 to 2020 for Direct Energy Centre, Better Living Centre and Queen Elizabeth Hall and Grounds, as illustrated on the table 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 2012 daily rack rental of meeting rooms/ballrooms range from 58.5 to 67 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.

Contact:

Arlene Campbell
General Manager/Sales & Event Management
Phone: (416) 263-3030
Fax: (416) 263-3029
Email: acampbell@explace.on.ca

Contact:

Laura Purdy
Director of Sales & Marketing
Phone: (416) 263-3020
Fax: (416) 263-3029
Email: lpurdy@explace.on.ca

Submitted by:

Dianne Young
Chief Executive Officer

Appendix "A"

Exhibit Halls	2012 Approved	Approved Increase	2013 Approved	Approved Increase	2014 Approved	Approved Increase	2015 Approved	Approved Increase	2016 Rental	% Increase	2017 Rental	% Increase	2018 Rental	% Increase	2019 Rental	% Increase	2020 Rental	% Increase
	Rate cents/sq.ft.		Rate cents/sq.ft.		Rate cents/sq.ft.		Rate cents/sq.ft.		Rate cents/sq.ft.		Rate cents/sq.ft.		Rate cents/sq.ft.		Rate cents/sq.ft.		Rate cents/sq.ft.	
Hall A	16.3	3%	16.8	3%	17.3	3%	17.8	3%	18.3	3%	18.9	3%	19.5	3%	20.0	3%	20.6	3%
Hall B	16.3	3%	16.8	3%	17.3	3%	17.8	3%	18.3	3%	18.9	3%	19.5	3%	20.0	3%	20.6	3%
Hall C	16.3	3%	16.8	3%	17.3	3%	17.8	3%	18.3	3%	18.9	3%	19.5	3%	20.0	3%	20.6	3%
Hall D	16.3	3%	16.8	3%	17.3	3%	17.8	3%	18.3	3%	18.9	3%	19.5	3%	20.0	3%	20.6	3%
Heritage Court	16.3	3%	16.8	3%	17.3	3%	17.8	3%	18.3	3%	18.9	3%	19.5	3%	20.0	3%	20.6	3%
Hall E (West Annex) 1st Floor	8.3	3%	8.5	3%	8.8	3%	9	3%	9.3	3%	9.5	3%	9.8	3%	10.1	3%	10.4	3%
Hall E (West Annex) 2nd Floor	4.1	3%	4.3	3%	4.4	3%	4.5	3%	4.6	3%	4.8	3%	4.9	3%	5.1	3%	5.2	3%
Hall F (East Annex) 1st Floor	8.3	3%	8.5	3%	8.8	3%	9	3%	9.3	3%	9.5	3%	9.8	3%	10.1	3%	10.4	3%
Hall F (East Annex) 2nd Floor	4.1	3%	4.3	3%	4.4	3%	4.5	3%	4.6	3%	4.8	3%	4.9	3%	5.1	3%	5.2	3%
Hall G (Industry)	12.1	3%	12.5	3%	12.9	3%	13.3	3%	13.7	3%	14.1	3%	14.5	3%	15.0	3%	15.4	3%
Hall H (North Extension)	12.1	3%	12.5	3%	12.9	3%	13.3	3%	13.7	3%	14.1	3%	14.5	3%	15.0	3%	15.4	3%
Queen Elizabeth Exhibit Hall	12.1	3%	12.5	3%	12.9	3%	13.3	3%	13.7	3%	14.1	3%	14.5	3%	15.0	3%	15.4	3%
Queen Elizabeth Theatre (matinee & evening) PER DAY	2,924.96	3%	3012.71	3%	3,103.10	3%	3196.19	3%	3,292.08	3%	3,390.84	3%	3,492.56	3%	3,597.34	3%	3,705.26	3%
Queen Elizabeth Theatre (matinee or evening) PER DAY	2,317.90	3%	2387.43	3%	2,459.06	3%	2532.83	3%	2,608.81	3%	2,687.08	3%	2,767.69	3%	2,850.72	3%	2,936.24	3%
Better Living Centre - Trade/Consumer Shows	11.6	3%	11.9	3%	12.3	3%	12.7	3%	13.1	3%	13.5	3%	13.9	3%	14.3	3%	14.7	3%
Better Living Centre - Other Uses	11	3%	11.4	3%	11.7	3%	12.1	3%	12.5	3%	12.8	3%	13.2	3%	13.6	3%	14.0	3%
Exhibition Place Grounds and Parking Lot Uses	2.2	3%	2.3	3%	2.3	3%	2.4	3%	2.5	3%	2.5	3%	2.6	3%	2.7	3%	2.8	3%

Allstream Centre (MICE Rental Rates)	2012 Approved		2013 Approved		2014 Approved		2015 Approved		2016 Rental		2017 Rental		2018 Rental		2019 Rental		2020 Rental	
	Rate cents/sq.ft.	Approved Increase	Rate cents/sq.ft.	Approved Increase	Rate cents/sq.ft.	Approved Increase	Rate cents/sq.ft.	Approved Increase	Rates cents/sq.ft.	% Increase	Rates cents/sq.ft.	% Increase	Rates cents/sq.ft.	% Increase	Rates cents/sq.ft.	% Increase	Rates cents/sq.ft.	% Increase
Meeting Rooms - Over 2000 sq.ft Daily Rate (8am - 5pm)	0.52	0%	0.54	3%	0.54	0%	0.56	3%	0.56	0%	0.58	3%	0.58	0%	0.60	3%	0.60	0%
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%	
Meeting Rooms - Under 2000 sq.ft Daily Rate (8am - 5pm)	0.57	0%	0.59	3%	0.59	0%	0.61	3%	0.61	0%	0.63	3%	0.63	0%	0.65	3%	0.65	0%
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%	
Ballrooms Daily Rate (6am - 12am)	0.57	0%	0.59	3%	0.59	0%	0.61	3%	0.61	0%	0.63	3%	0.63	0%	0.65	3%	0.65	0%
Pre-Function Space	0.57	0%	0.59	3%	0.59	0%	0.61	3%	0.61	0%	0.63	3%	0.63	0%	0.65	3%	0.65	0%
Ballroom Space with Exhibits Daily Rate (6am - 12am)	daily rate plus an increase of up to 40%	0%	daily rate plus an increase of up to 40%	3%	daily rate plus an increase of up to 40%	0%	daily rate plus an increase of up to 40%	3%	daily rate plus an increase of up to 40%	0%	daily rate plus an increase of up to 40%	3%	daily rate plus an increase of up to 40%	0%	daily rate plus an increase of up to 40%	3%	daily rate plus an increase of up to 40%	0%

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, and has revenue that exceeds three (3) times the daily rent.

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.