

March 28, 2005

## EXHIBITION PLACE

To: The Board of Governors of Exhibition Place

From: Dianne Young  
General Manager & CEO

Subject: **Rental Rates for 2006 and 2007**

Purpose:

This report recommends rental rates for the period of 2006 and 2007.

Financial Implications & Impact Statement:

The rental rate increases set out in this report are aimed to meet the unavoidable operating cost increases estimated to be \$600,000 in 2006 and \$475,000 in 2007.

**Recommendation:**

**It is recommended that the Board approve increasing rental rates for 2006 and 2007 trade and consumer shows and events as outlined below.**

Background:

At its meeting in June 2004, the Board approved a rental rate schedule for 2005 which incorporated a rental rate increase as described below. At the September 24, 2004 meeting of the Board, the Board approved an increase in 2005 rental rates for the National Trade Centre by half a cent per square foot, per hall, for only events which fall within the "unidentified new business event" booking category.

Comments:

Rental rates are adjusted on an annual basis in response to increases in operating costs and market conditions. Generally, the increases approved in 2004 for 2005 were as follows:

- (a) Increased the rental by 0.05 cents per square foot to 12.5 cents per square foot in Halls A, B, C, and D of the NTC; (for new unidentified business 13.0 cents).
- (b) Increased the rental by 0.05 cents per square foot to 12.0 cents per square foot in Heritage Court (for new unidentified business 12.5 cents).
- (c) Increased the rental by 0.05 cents per square foot in the Automotive Building to 10.5 cents; (for new unidentified business 11.0 cents).

- (d) Maintained the rental rate for the Queen Elizabeth Theatre, the Queen Elizabeth Exhibit Hall and Hall F second floor (East Annex) at 2004 levels;
- (e) Increased the rental by 0.05 cents per square feet in Hall F (East Annex) first floor to 6.5 cents per square feet (for new unidentified business 7.0 cents).
- (f) Increased the rental rate by .05 cents per square feet for Hall G in the NTC to 9.5 cents (for new unidentified business 10.0 cents).
- (g) Increased the rental rate by .05 cents per square feet for the Better Living Centre for Trade and Consumer shows to 9.5 cents.
- (h) Held on decisions re: rental rates for Bandshell Restaurant, Bandshell Park, and Horticulture Building, pending the outcome of the long-term tenancy RFP for each building.

As noted in the 2004 report, the rates were raised in response to an anticipated increase in the cost of doing business at the rate of inflation (CPI) that did actually occur.

For 2006 and 2007, the NTC anticipates that operating costs will increase at an above-average inflation rate of at least 6.0% mainly due to increases in utilities. In addition, as the NTC will be entering its 10<sup>th</sup> year of operations, costs will increase due to the age of the building. Utility costs are likely to increase in 2006 and 2007 given that the City/Board agreement with Toronto Hydro expired in March 2005. The City has renewed the hydro purchasing agreement to December 2006 and increases are anticipated at 8% during this present period. Overall, operating costs for the NTC are anticipated to increase by \$600,000 in 2006 and \$475,000 in 2007.

It is our understanding that the 2005 rental rates for competitive venues range from 12.5 to 13.0 cents per square foot and that these competitors are proposing increases for 2006. Due to the competitive nature of the business, the NTC is unable to determine exactly what the increases will be however, previous year increases range between 7% and 9%.

To offset some of the above-noted increases in operating costs, the rental rate increase outlined below incorporates an increase to all rental space at the NTC and in exhibit halls throughout Exhibition Place when in use for trade or consumer shows. This proposed increase, if approved, would take effect for shows which are not already contracted for 2006, commencing January 1, 2006.

Therefore, we recommend that the Board for 2006:

- (i) Increase the rental by 1.30 cents per square foot to 13.8 cents per square foot in Halls A, B, C, and D of the NTC;
- (ii) Increase the rental by 1.0 cents per square to 13.0 cents per square foot in Heritage Court;
- (iii) Increase the rental by 1.0 cents per square foot in the Automotive Building to 11.5 cents per square foot for first floor and 0.05 cents per square foot for the second floor to 6.0 cents per square foot;
- (iv) Increase the rental in Hall F to 7.0 cents/s.f. for the first floor and hold at 3.50 cents/s.f. for the second floor and Hall G to 10.5 cents/s.f. in the NTC.

- (v) Increase the rental by 0.05 cents per square foot for the Queen Elizabeth Exhibit Hall to 10.0 cents per square foot for trade and consumer shows and by 1.0 cents per square foot to 10.0 cents per square foot for other uses;
- (vi) Increase the rental by 0.05 cents per square foot for the Better Living Centre to 10.0 cents per square for trade and consumer shows and hold at 9.0 cents per square foot plus incremental utilities for other uses;
- (vii) Hold the rental rate for the Queen Elizabeth Theatre at \$2,100.00 for matinee or evening performances and \$2,650.00 for matinee and evening performances plus charge for incremental utilities.
- (viii) Waive decisions re: rental rates for Bandshell Restaurant and Horticulture Building, as they will be removed from rental inventory due to long-term tenancy agreements.

The following table will illustrate the above increases:

Exhibit Hall	2005 Rental Rates/Sq. Ft.	2006 Rental Rates/Sq. Ft.	% Increase	2007 Rental Rates/Sq. Ft.	% Increase
Hall A	12.5 cents/sq. ft.	13.8 cents/sq. ft.	10.4%	14.8 cents/sq. ft.	6.8%
Hall B	12.5 cents/sq. ft.	13.8 cents/sq. ft.	10.4%	14.8 cents/sq. ft.	6.8%
Hall C	12.5 cents/sq. ft.	13.8 cents/sq. ft.	10.4%	14.8 cents/sq. ft.	6.8%
Hall D	12.5 cents/sq. ft.	13.8 cents/sq. ft.	10.4%	14.8 cents/sq. ft.	6.8%
Heritage Court	12 cents/sq. ft.	13 cents/sq. ft.	8.3%	14 cents/sq. ft.	7.1%
Hall F (East Annex) 1 <sup>st</sup> floor (1)	6.5 cents/sq. ft.	7 cents/sq. ft.	7.7%	7.5 cents/sq. ft.	6.7%
Hall F (East Annex) 2 <sup>nd</sup> floor (1)	3.5cents/sq. ft.	3.5 cents/sq. ft.	0%	3.75 cents/sq. ft.	6.7%
Hall G (1)	9.5cents/sq. ft.	10.5 cents/sq. ft.	10.5%	11 cents/sq. ft.	4.5%
Automotive Building-1 <sup>st</sup> floor (1)	10.5 cents/sq. ft.	11.5 cents/sq. ft.	9.5%	12 cents/sq. ft.	4.2%
Automotive Building-2 <sup>nd</sup> floor (1)	5.5 cents/sq. ft.	6 cents/sq. ft.	9.1%	6.5 cents/sq. ft.	7.7%
Queen Elizabeth Exhibit Hall- T/ C Shows (1)	9.5 cents/sq. ft.	10 cents/sq. ft.	5.3%	11 cents/sq. ft.	9.1%
Queen Elizabeth Exhibit Hall - Other Uses (1)	9 cents/sq. ft.	10 cents/sq. ft.	11.1%	11 cents/sq. ft.	9.1%
Queen Elizabeth Theatre (mat. & evg.)	\$2,650.00/day	\$2,650.00/day	0.0%	\$2,650.00/day	0.0%
Queen Elizabeth Theatre (mat. or evg.)	\$2,100.00/day	\$2,100.00/day	0.0%	\$2,100.00/day	0.0%
Better Living Centre - T/C Shows (1)	9.5 cents/sq. ft.	10 cents/sq. ft.	5.3%	10.5 cents/sq. ft.	4.8%
Better Living Centre - Other Uses	9 cents/sq. ft.	9.0 cents/sq. ft.	0.0%	10 cents/sq. ft.	10.0%

(1) Note: Halls F, G, Automotive and Queen Elizabeth Exhibit Hall will continue to offer a 25% reduction on move-in and move-out days only.

Staff will continue to monitor the Tradeshow and Consumer show industry growth and the local economy and submit a final Rental Rate report in 2006 for 2008.

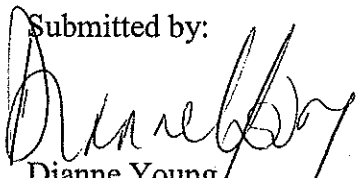
Conclusion:

This report recommends that the Board approve the following new rental structure for the NTC and Exhibition Place grounds for 2006 and 2007 as recommended by Ms. Arlene Campbell, General Manager of The National Trade Centre.

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Submitted by:



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