

10

May 10, 2004

EXHIBITION PLACE

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: Rental Rates for 2005

Recommendation:

It is recommended that the Board approve increasing rental rates for 2005 trade and consumer shows and events as outlined below.

Background:

At its meeting in January 2003, the Board approved a rental rate schedule for 2004 which incorporated a rental rate increase as described below.

Discussion:

Rental rates are adjusted on an annual basis in response to increases in operating costs and market conditions. For 2005, the NTC anticipates that costs will increase at an average inflation rate of at least 3.0%. In addition, as the NTC will be entering its 9th year of operations, costs will start to increase due to the age of the building.

Generally, the increases approved in 2003 for 2004 were as follows:

- a) Increased the rental by \$0.05 per square foot to \$0.12 per square foot in Halls A, B, C, and D of the NTC;
- b) Increased the rental by \$0.05 per square foot in the Automotive Building;
- c) Maintained the rental rate for the Queen Elizabeth Theatre, the Queen Elizabeth Exhibit Hall, Heritage Court and Halls F and G at 2002 levels;
- d) Approved no increase in rates for rental of Hall E (West Annex) based on construction in the Ricoh Coliseum;
- e) Maintained the rental rate for Halls F and G in the NTC at 2002 levels;
- f) Held on decisions re: rental rates for Bandshell Restaurant, Bandshell Park, Horticulture Building and Better Living Centre, pending the outcome of the long-term tenancy RFP for each building.

As noted in the report, the rates were raised in response to an anticipated increase in the cost of doing business at CPI (increase did occur) and to respond to the insurance cost

increases for large, public facilities (post September 11/01). In addition to increased building costs noted above, utility costs and insurance costs are likely to increase again in 2005 given the City/Board agreement with Toronto Hydro will expire March 2005. Overall, operating costs for the NTC are anticipated to increase by \$300,000.

It is our understanding that the competitive venues which charge 12 to 12.5 cents per square foot are proposing increases between 7% and 9% for 2005.

In order to remain competitive in the GTA trade and consumer show market and to offset some of the above-noted increases in operating costs, the rental rate increase outlined below incorporates a \$0.05 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 2005, commencing January 1, 2005.

However, post-event evaluations and lost business tracking of non-trade & consumer show business (i.e. special events, charity functions, sports tournaments, examinations, etc.) indicate that it would be advisable and competitive to hold rental rates at their current level in the Better Living Centre and the Queen Elizabeth Exhibit Hall for these types of events. Therefore, a two-tier rental rate based on "trade/consumer show use" and "other uses" could be implemented based on type of event.

Therefore, we recommend that the Board:

- a) Increase the rental by \$0.05 per square foot to \$0.125 per square foot in Halls A, B, C, and D, of the NTC;
- b) Increase the rental by \$0.05 per square to \$0.12 per square foot in Heritage Court (not increased in 2004 due to Ricoh Coliseum construction disruption);
- c) Increase the rental by \$0.05 per square foot in the Automotive Building to \$0.105 per square foot for first floor and \$0.055 per square foot for the second floor;
- d) Keep the rental rate the same for the Queen Elizabeth Theatre at \$2,100.00 for matinee performances and \$2,650.00 for matinee and evening performances.
- e) Increase the rental in Hall F to \$0.065/s.f. for first floor and \$0.04/s.f. for second floor and Hall G to \$0.095/s.f. in the NTC. These spaces have not been increased since 2002;
- f) Increase the rental by \$0.05 per square foot for the Queen Elizabeth Exhibit Hall (to \$0.095 per square foot) for trade and consumer shows, and hold the rental at \$0.09 per square foot for other uses;

- g) Increase the rental by \$0.05 per square foot for the Better Living Centre to \$0.095 per square (first increase since 2002) for trade and consumer shows, and hold the rental at \$0.09 per square foot for other uses;
- h) 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	2003- 4 Rates/Sq. Ft.	2004 Rental Rates/Sq. Ft.	2005 Proposed Rates/Sq. Ft.	% Increase
Hall A	11.5 cents/sq. ft.	12.0 cents/sq. ft.	12.5 cents/sq. ft.	4.2%
Hall B	11.5 cents/sq. ft.	12.0 cents/sq. ft.	12.5 cents/sq. ft.	4.2%
Hall C	11.5 cents/sq. ft.	12.0 cents/sq. ft.	12.5 cents/sq. ft.	4.2%
Hall D	11.5 cents/sq. ft.	12.0 cents/sq. ft.	12.5 cents/sq. ft.	4.2%
Heritage Court	11.5 cents/sq. ft.	11.5 cents/sq. ft.	12.0 cents/sq. ft.	4.4% 2.2% avg./yr.
Hall F (East Annex) 1 st floor (1)	6 cents/sq. ft.	6 cents/sq. ft.	6.5 cents/sq. ft.	8.3% 4.1% avg./yr.
Hall F (East Annex) 2 nd floor (1)	3 cents/sq. ft.	3.5 cents/sq. ft.	3.5 cents/sq. ft.	0%
Hall G (1)	9 cents/sq. ft.	9 cents/sq. ft.	9.5 cents/sq. ft.	5.5%
Automotive Building- 1 st floor (1)	9.5 cents/sq. ft.	10 cents/sq. ft.	10.5 cents/sq. ft.	5.0%
Automotive Building- 2 nd floor (1)	5 cents/sq. ft.	5 cents/sq. ft.	5.5 cents/sq. ft.	10% 5% avg./yr.
Queen Elizabeth Exhibit Hall- T/ C Shows (1)	9 cents/sq. ft.	9 cents/sq. ft.	9.5 cents/sq. ft.	5.5% 2.7% avg./yr.
Queen Elizabeth Exhibit Hall – Other Uses (1)			9.0 cents/sq.ft.	0%
Queen Elizabeth Theatre (mat. & evg.)	\$2,650.00/day	\$2,650.00/day	\$2,650.00/day	0%
Queen Elizabeth Theatre (mat. or evg.)	\$2,100.00/day	\$2,100.00/day	\$2,100.00/day	0%
Better Living Centre – T/C Shows (1)	9 cents/sq. ft.	9 cents/sq. ft.	9.5 cents/sq. ft.	5.5% 2.7% avg./yr.
Better Living Centre – Other Uses			9.0 cents/sq. ft.	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.

The NTC are however recommending that they monitor the tradeshow and consumer show industry growth and the local economy (i.e. Tourism and SARS recovery) prior to submitting a Rental Rate report for 2006.

Conclusion:

This report recommends that the Board approve the following new rental structure for the NTC and Exhibition Place grounds for 2005. Ms. Arlene Campbell, General Manager of The National Trade Centre has reviewed this report and is in agreement with this recommendation.

Contact:

Arlene Campbell, General Manager

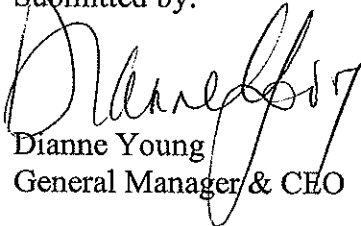
O&Y SMG Canada

Telephone: 416-263-3030

Fax: 416-263-3049

E-mail: acampbell@ntc.on.ca

Submitted by:



Dianne Young
General Manager & CEO