



April 20, 2007

To: The Board of Governors of Exhibition Place
From: Dianne Young
Chief Executive Officer
Subject: Rental Rates for 2008 and 2009

Purpose:

This report recommends rental rates for the period of 2008 and 2009.

Financial Implications & Impact Statement:

The competitive market rate adjustment recommended for 2008 will be an operating budget pressure of \$150,000 which will be offset by savings in the consolidated program 2008 budget exercise in July 2007. The 2009 unavoidable operating cost increases estimated to be \$340,000 will be offset by the proposed 2009 rental rate increase and increases in show services revenues.

Recommendation:

It is recommended that the Board approve a market adjustment for 2008 rental rates and an increase in rental rates for 2009 trade and consumer shows and other events as outlined below.

Background:

At its meeting in April 20, 2006 the Board approved a rental rate schedule for 2008 as described below.

Comments:

Rental rates are adjusted on an annual basis in response to increases in operating costs and market conditions. Generally, the increases approved in April 20, 2006 for 2008 were as follows:

- (a) Increased the rental by 0.44 cents per square foot, to 15.24 cents per square foot in Halls A, B, C, and D of the Direct Energy Centre;
- (b) Increased the rental by 0.42 cents per square foot, to 14.42 cents per square foot in Heritage Court;

- (c) Increased the rental by 0.36 cents per square foot in the Automotive Building, to 12.36 cents per square foot for the first floor, and 0.20 cents per square foot for the second floor to 6.70 cents per square foot;
- (d) Increased the rental rate for Hall F to 7.73 cents per square foot for the first floor, and to 3.86 cents per square foot for the second Floor, and Hall G to 11.33 cents per square foot;
- (e) Increased the rental rate by 0.32 cents per square foot for the Better Living Centre, to 10.82 cents per square foot for Trade and Consumer shows, and to 10.30 cents per square foot plus incremental utilities for other uses;
- (f) Increased the rental rate for the Queen Elizabeth Theatre to \$2,163.00 for matinee or evening performances, and \$2,729.50 for matinee and evening performances plus charge for incremental utilities.

In addition the Board approved the policy of allowing the renewal of Multi-Year (3) Rental Contracts for one year on an annual basis and lagging of the rental rates by one year.

Direct Energy Centre rental rate for 2008 is 15.24 cents per square foot for our class "A" prime space. The 7% increase in rental rates from 2007 to 2008 was proposed to offset the unavoidable increases in hydro and other operating costs. While this 2008 increase was recommended by staff in 2006, staff have recently learned that the competitive GTA facilities will post rates below that of Direct Energy Centre for 2008.

As the Board is aware, Toronto is one of the most competitive markets for trade and consumer shows as we are competing with two other major local facilities for this business – the MTCC and the International Centre. It is vital to the success of Direct Energy Centre and Exhibition Place, that our rental rates and services rates are competitive, as clients will price each of the venues prior to signing contracts. It is our understanding that the 2008 rental rates for competitive venues range from 14.55 to 14.70 cents per square foot. Accordingly, at this time we are recommending to the Board that we undertake a market adjustment in the 2008 rental rate previously approved to maintain rental rate levels at the 2007 Board approved rate. This direction will result in a potential decrease in 2008 revenues by \$150,000. However, staff believe that it is possible to find an equivalent \$150,000 of savings within the 2008 operating budget exercise that we will be undertaking in June/July 2007. Some of these savings may be achieved because of the energy savings that are now materializing because of the energy retrofits.

Proposed 2009 Rental Rates:

The Marketing and Sales Division are actively pursuing trade and consumer shows and events for future years and because of this require a Board-approved rental rates for 2009. Due to the competitive nature of the business, Exhibition Place staff is unable to determine exactly what the 2009 increases will be in other facilities, however, increases usually range between 3% and 5%.

With respect to operating expenditures, staff are forecasting that the operating costs will increase by 2.5% for 2009 based on typical overhead increases seen in past years which translate into a cost of \$340,000.

To offset some of the above-noted increases in operating costs, the rental rate increase outlined below incorporates a 3% increase in 2009 to all rental space at the Direct Energy Centre and in exhibit halls throughout Exhibition Place. This proposed increase, if approved, would take effect for shows which are not already contracted for 2009. Due to the renovation of the Automotive Building, a separate rental rate report will be submitted to the Board following program design of this building.

Therefore, we recommend that the Board increase the rental rates by 3% for 2009 as follows by hall/building:

- (i) Increase the rental to 15.2 cents per square foot in Halls A, B, C, and D of the Direct Energy Centre;
- (ii) Increase the rental rate to 14.4 cents per square foot in Heritage Court in Direct Energy Centre;
- (iii) Increase the rental rate in Hall F to 7.7 cents per square foot for the first floor, and 4.2 cents per square foot for the second floor, and Hall G to 11.3 cents per square foot in the Direct Energy Centre;
- (iv) Increase the rental rate in the Queen Elizabeth Exhibit Hall to 11.3 cents per square foot;
- (v) Increase the rental rate in the Better Living Centre, to 10.8 cents per square foot for trade and consumer shows, and 10.3 cents per square foot plus incremental utilities for other uses;
- (vi) Increase the rental rate in Queen Elizabeth Theatre to \$2,163.00 for matinee or evening performances, and \$2,729.50 for matinee and evening performances, plus charge for incremental utilities.
- (vii) Increase Grounds rental to 0.021 cents per square foot.

The table attached as Appendix "A" illustrates the recommendation for 2008 and 2009.

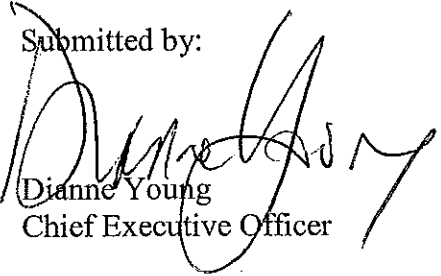
Conclusion:

This report recommends that the Board approve the following new rental structure for the Direct Energy Centre and Exhibition Place grounds for 2009.

Contact:

Arlene Campbell, General Manager, Sales and Event Services
Exhibition Place
Telephone: 416-263-3030
Fax: 416-263-3019
E-mail: acampbell@directenergycentre.com

Submitted by:


Dianne Young
Chief Executive Officer

Appendix "A"

Exhibit Hall	2007 Rental Rates/Sq. Ft.	% Increase	2008 Rental Rates/Sq. Ft.	% Increase	2009 Rental Rates/Sq. Ft.	% Increase
all A	14.8 cents/sq. ft.	7.2%	14.8 cents/sq. ft.	0%	15.2 cents/sq. ft.	3%
all B	14.8 cents/sq. ft.	7.2%	14.8 cents/sq. ft.	0%	15.2 cents/sq. ft.	3%
all C	14.8 cents/sq. ft.	7.2%	14.8 cents/sq. ft.	0%	15.2 cents/sq. ft.	3%
all D	14.8 cents/sq. ft.	7.2%	14.8 cents/sq. ft.	0%	15.2 cents/sq. ft.	3%
Heritage Court	14 cents/sq. ft.	7.7%	14 cents/sq. ft.	0%	14.4 cents/sq. ft.	3%
all F (East Annex) 1 st Floor (1)	7.5 cents/sq. ft.	7.1%	7.5 cents/sq. ft.	0%	7.7 cents/sq. ft.	3%
all F (East Annex) 2 nd Floor (1)	3.75 cents/sq. ft.	7.1%	3.75 cents/sq. ft.	0%	4.2 cents/sq. ft.	3%
all G (1)	11 cents/sq. ft.	4.8%	11 cents/sq. ft.	0%	11.3 cents/sq. ft.	3%
Automotive Building-1 st Floor (1)	12 cents/sq. ft.	4.3%	12 cents/sq. ft.	0%	Separate Report	
Automotive Building-2 nd Floor (1)	6.5 cents/sq. ft.	8.3%	6.5 cents/sq. ft.	0%	Separate Report	
Queen Elizabeth Exhibit Hall(1)	11 cents/sq. ft.	10.0%	11 cents/sq. ft.	0%	11.3 cents/sq. ft.	3%
Queen Elizabeth Theatre (nat. & evg.)	\$2,650.00/day	0.0%	\$2,650.00/day	0%	\$2,729.00/day	3%
Queen Elizabeth Theatre (nat. or evg.)	\$2,100.00/day	0.0%	\$2,100.00/day	0%	\$2,163.00/day	3%
Letter Living Centre – T/C Rows (1)	10.5 cents/sq. ft.	5.0%	10.5 cents/sq. ft.	0%	10.8 cents/sq. ft.	3%
Letter Living Centre – Other Uses	10 cents/sq. ft.	11.1%	10 cents/sq. ft.	0%	10.3 cents/sq. ft.	3%
Exhibition Place Grounds and Parking Lot Uses	2 cents/sq. ft.	0%	2 cents/sq. ft.	0%	2.1 cents/sq. ft.	5%

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