



We are an industrial real estate brokerage that is supported by deep supply chain experience. Our expertise goes far beyond finding buildings and negotiating lease agreements. LIDD's integrated platform aligns your real estate decisions with warehouse design, material handling and WMS/ERP optimization.

We do not take listings or represent landlords. Our unbiased approach to real estate negotiation allows us to remain focused on your best interests and to stay clear of any opposing agendas.

**Capital is Precious
Make Better Decisions.**



Market Facts

821,718,051 SF

Total GTA Inventory

17,050

Total Buildings In the GTA

12

Immediately Available
Properties Over 100,000 SF

1.3%

Vacancy Rate

\$8.10

Average Net Asking Rent

ADVICE FOR TENANTS

Recently, our real estate advisory team worked with a 110,000 SF manufacturer who was the very definition of a captive tenant.

Air lines, machine trenches, anti-static rooms and heavy cranes were all critical to this user's operation – needless to say, the ticket on a facility relocation would have been onerous. This tenant's lease was expiring in the fourth quarter and we had only begun lease renewal and extension dialogue with the landlord in the first quarter.

Given the timeline to lease expiry, and the sophistication of this landlord, it was no surprise when the landlord issued a five-year extension proposal on the building. It was a bullish rental rate increase delivered from a position of strength!

Before our next meeting with the tenant, we found out one of the reasons why: one week before the landlord submitted his proposal, someone from the tenant's team had called the landlord to obtain approval to install solar panels on the roof and T5 energy efficient lighting in the warehouse.

The greatest signal you can give to a landlord that you are not planning on leaving is to make a significant investment in your building shortly before a lease expiry.

HOW TO CREATE LEVERAGE

The representatives who make leasing decisions for your landlord are sophisticated, educated and compensated based on the pro forma of a lease deal. Everything is often modelled on a computer before they even interact with you.

Leverage is not easily created in these scenarios. The key to winning an industrial lease negotiation is to come at it prepared and to introduce a fact-based argument showing that you are not as captive as your landlord believes. This is not easily done, but certainly possible if navigated by the appropriate team.

LIDD uses a combination of design, engineering, and real estate to provide clients with a unique and invaluable service. LIDD's real estate team works with the design team who has modeled every line item transaction in and out of an operation using algorithms that define the operations optimal needs in terms of throughput, storage, and pick line.

So, LIDD's real estate team doesn't just know that "taller is better" or why "40' column spacings are ideal for single-deep racking," they know why each client's particular needs match a building or not. Furthermore, they can demonstrate what true relocation options are available in the marketplace and just what the CapEx might be to relocate.

By showing the landlord community that you are not a captive tenant and you have fact-based relocation information, you enhance your negotiation leverage and improve your ability to secure a favourable lease.

LESSONS LEARNED FROM A WAREHOUSE LEASE RENEWAL

* By Jesse Micak

Jesse Micak is the principal of LIDD's real estate advisory practice. Jesse has worked in real estate and facilities consulting services since 2011, and has successfully completed assignments for food, automation, government, and consumer packaged goods organizations. He was recognized by CoStar as one of Toronto's top industrial real estate professionals in 2018.

Earlier this year, we partnered with a 100,000 SF lawn and garden supplies distributor to evaluate the merits of extending the lease in their current facility versus relocating to another.

The requirements for this distributor were basic, and with some capital investment they could relocate without too much disruption.

For LIDD, this assignment was straight-forward:

- ◆ **Analyze the current distribution center to determine the optimal size**
- ◆ **Evaluate relocation options vs. status quo**
- ◆ **Determine the CapEx to relocate**
- ◆ **Complete lease negotiations with a landlord to understand long-term rental rates**
- ◆ **Make a decision to stay or go**

Following our analysis, we all agreed that the existing building was too large. In fact, through a warehouse reset, the tenant could eliminate up-to 16% of its existing square footage. At \$10.00 per SF that would be a meaningful savings.

By looking at the CapEx required to relocate and set-up at a new facility, we determined a rental rate threshold that could justify renewing the lease in the poorly sized building.

Supported by facts and data, we began lease extension discussions with the existing landlord for a 7-year lease term. The landlord quickly demanded a take-it or leave-it increase of \$1.00 PSF. This was particularly concerning as our data model required rental relief, not a rate escalation.

Unfortunately negotiations broke off. We were thrust into the marketplace and began to look seriously at new options. Since the tenant had taken a proactive approach to securing a lease, an appropriate building was easily sourced and the relocation was completed smoothly.

While there is nothing unique about this series of events, it is a simple reminder of the benefits of beginning your leasing decisions early.

A good rule of thumb is to imagine that you had to relocate your entire operation to another building within another city. Think of all the planning, construction, administrative and execution that would be required to seamlessly pull this off. Once you've road mapped this, allow yourself that much time plus an additional 6 months to successfully execute a reasonable lease agreement.

Like the tenant above, you may begin your real estate assignment with a conceptual idea of how it will play out, but outside influences can always complicate the process.

As consultants in supply chain infrastructure, LIDD's mandate is to help organizations make better decisions in their real estate, material handling & IT systems.

As a licensed real estate brokerage, LIDD works exclusively with users of space to protect precious capital from going to waste.

LIDD'S COMPLIMENTARY LEASE REVIEW PROGRAM

You only get one or two chances a decade to make the right leasing decision. It is crucial that tenants understand the strengths and weaknesses of their lease in order to create a game plan for a renewal or relocation.

As an industrial real estate advisory firm, LIDD helps tenants avoid the exposures of a poor lease agreement. Throughout 2019, LIDD's real estate advisory team is offering a complimentary lease review program to industrial users.

Our team of advisors will comb through your lease and provide you with the following:

- ◆ **A summary of your current situation**
- ◆ **A lease abstract highlighting important dates and figures**
- ◆ **How your rent compares to today's marketplace**
- ◆ **What clauses work for you and why?**
- ◆ **What clauses work against you and why?**
- ◆ **A suggested negotiation strategy as you approach expiry**

GET IN TOUCH
LIDD REAL ESTATE
416-548-8659
WWW.LIDDREALESTATE.CA

Q3 2019 Lease Metrics

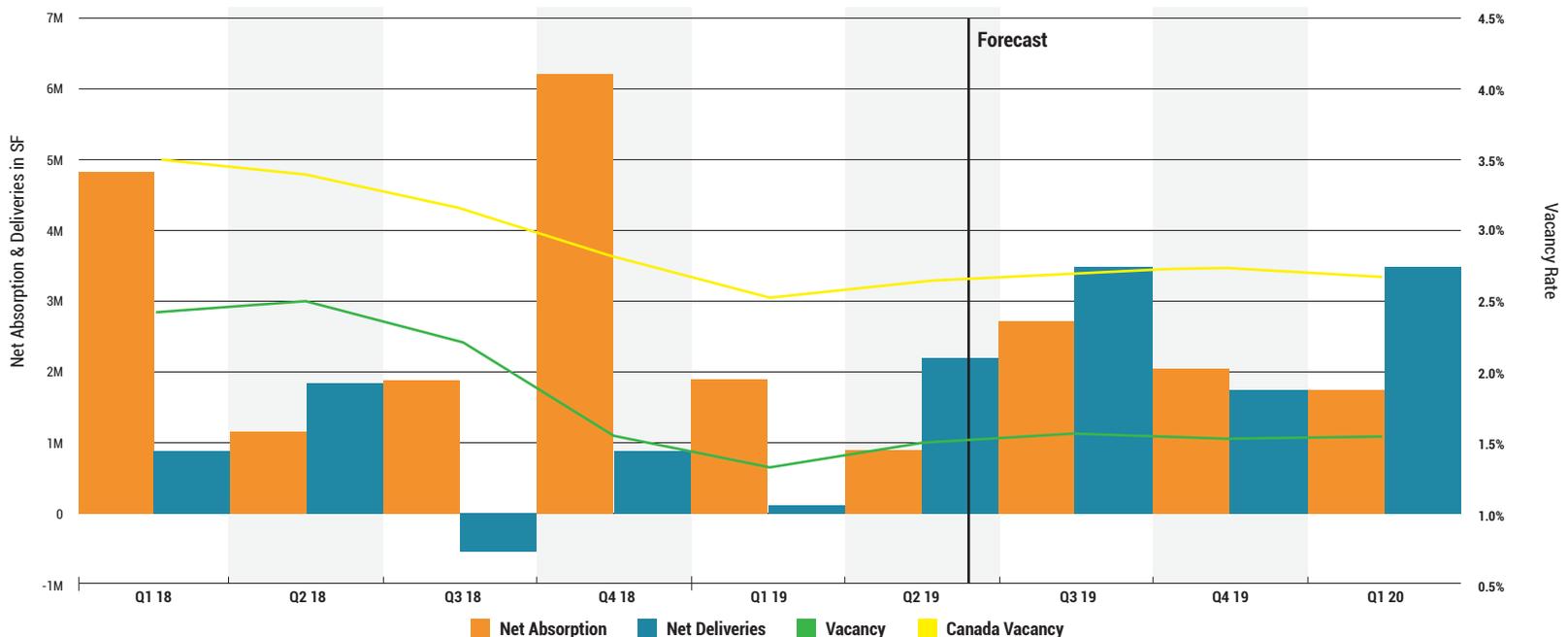
AVAILABILITY	MARKET	NATIONAL INDEX
Market Ren/SF	\$8.10	\$10.10
Vacancy Rate	1.3%	2.5%
Vacant SF	10.5 M	40.5 M
Availability Rate	2.4%	3.7%
Available SF	19.7 M	61.2 M
Sublet SF	1.6 M	4.9 M
Months on Market	3.9	5.7

Q3 2019 Inventory Metrics

INVENTORY	MARKET	NATIONAL INDEX
Buildings	17,050	38,592
Inventory SF	822 M	1.6 B
Average Building SF	48.2 K	42.5 K
Under Construction SF	13.3 M	24.5 M
12 Month Delivered SF	2.4 M	13.3 M

* All data gathered from CoStar Group, Inc.

Net Absorption, Net Deliveries & Vacancy:



Trivia

- In Paraparaumu, New Zealand, police issued a ticket for the following offense:
 - A A contractor built a warehouse with a 6' clear height to spite a tall business owner
 - B An apparel company tried to use service dogs to deliver packages
 - C A forklift was clocked going down a highway at 74.5 MPH
 - D A real estate agent tried to sell burial plots, arguing that it was 'a final dwelling place'
- Henry Ford's moving assembly line reduced the time it took to make the Model T from 12 hours to...
 - A 2 hours and 30 minutes
 - B 4 hours
 - C 6 hours and 30 minutes
 - D 8 hours
- Henry Ford got his idea for the moving assembly line from...
 - A Mary Shelley's Frankenstein and the idea of creating something 'whole' from many separate parts
 - B A slaughterhouse in Chicago where the carcasses were butchered as they moved along the conveyor, referred to as the 'disassembly line'
 - C A debate with John D. Rockefeller over how the pyramids were built
 - D Studying the ways tanks were built in Romanian ammunition factories during WW1
- In 1867, the United States purchased Alaska from the Russians in exchange for...
 - A 6 revolutionary iron clad naval ships
 - B \$7.2 million USD – approximately \$0.02 per acre
 - C 318 lbs of gold
 - D \$150 million USD – approximately \$0.40 per acre
- The FM Global Resilience Index ranks the resilience of supply chains across the globe. The score is based on infrastructure, political stability, supplier quality, and natural hazard exposure. Which country took first place in 2019?
 - A Norway
 - B The United States
 - C Switzerland
 - D Australia

TRIVIA ANSWERS:
1C; 2A; 3A; 4B; 5A

LIDD CASE STUDY:



Company: Global Plas Inc. is a automotive manufacturer located Vaughan. The organization supports many of Canada's leading import automotive manufacturers through the production of interior and exterior plastic parts.

Challenge: Already occupying a 50,000 SF facility, Global Plas had been awarded a sizable multi-year contract that would require growth. Faced with few opportunities that lent themselves to heavy manufacturing, Global Plas engaged the services of LIDD Real Estate to evaluate consolidating their existing manufacturing plant into one larger building (150,000 SF+) or decentralizing the operation with the acquisition of a second facility.

Response: LIDD Real Estate undertook a comprehensive evaluation of Global Plas' needs and objectives over a ten-year time frame. On market and off market opportunities were uncovered that met the company's physical infrastructure requirements.

Solution: LIDD Real Estate ran a competitive process with multiple landlords that included both consolidated and decentralized leasing arrangements. Ultimately, the decision was made to maintain lease term flexibility and thus, a decentralized approach was pursued.

A new manufacturing facility was secured in Vaughan which allowed Global Plas to occupy 130,000 SF of manufacturing space. The facility was acquired with significant landlord improvements, as well as favourable tenant inducements.

LIDD SERVICES



Real Estate Advisory



Real Estate Brokerage



Operational Audit/Engineering



Facility Engineering



I.T Services

TEAM :



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