Office Renewal
65,000 sq. ft.

CASE STUDY

LCBO

The LCBO is the largest retailer of beverage alcohol in the world. It buys wine, spirits, and beer from more than 60 countries around the globe. More than 22,000 products are available to Ontario consumers through stores, special-order programs and catalogues.

The LCBO is a provincial government enterprise employing some 7,000 people, including part-time workers, with more than 600 stores across Ontario supplied by five regional distribution centres.

The Challenge

Stan Krawitz negotiated an agreement back in 2003 for the LCBO to lease office space that was not set to expire until June 2013. Stan had negotiated a number of favourable rights on behalf of the LCBO for the initial 10-year deal. Those rights included expansion rights, including rights of first refusal and rights of first offer, which allowed the LCBO to expand as required throughout the term of the lease. A key clause negotiated for the LCBO involved two termination rights. In early 2009, the LCBO had no intention of relocating from their current premises and had no specific need for additional office space but did have a termination right remaining within the agreement. As the LCBO was about to incur a rent increase for the final three years of their lease, Stan stepped in and offered an alternative.

Response

Stan initiated lease negotiation discussions with the LCBO's landlord and used the LCBO's strong covenant along with the deteriorating market conditions and selective competing market information to gauge the landlord's interest in securing the LCBO's future tenancy at reduced rates. The challenge was to successfully leverage the negotiated victories won in the initial lease negotiation back in 2003 and renegotiate a better financial deal for the LCBO for the future.

The Solution

Stan successfully negotiated a material reduction in rent that provided immediate operational savings and reduced rent throughout the remaining four years of the LCBO's initial lease. Stan also secured additional tenure for the LCBO for the next three years at rents that were below current market rates, while maintaining flexibility and expansion capability. The deal negotiated by Stan satisfied both the LCBO's short-term requirements and their long-term objectives.