

New lease on workplace design

Office Tower Negotiation



Client:

Shoppers Drug Mart
(Canada's largest retail pharmacy)

Location(s):

243 Consumers Rd, Toronto, ON

Industry:

Retail Services

Services Provided:

- Strategic Consulting
- Transaction Management
- Negotiation Strategy & Implementation

Size/Value:

140,000 SF

Date:

2017 – Present

CHALLENGE

In 2018, having reorganized its operations, Shoppers was occupying approximately 290,000 SF of office tower space, which included 50% surplus premises. With a lease expiry over three years away, Shoppers had a significant financial commitment in real estate for which it had no use. Further, after a recent workplace analysis, the company had a goal to adopt a more modern, open-plan work environment. The redesign of office space would require significant capital investment. Finally, while local management wanted to maintain a presence at its existing location at North America's busiest intersection, Loblaw's, the owner of Shoppers, was motivated to consolidate the Shoppers office into its own building, which was located over 40 kilometers away in Brampton, ON.

SOLUTION

After Savills had completed its due diligence for Shoppers, Savills engaged in tactical negotiations with Shoppers' landlord, leveraging the company's ability to relocate its business to Loblaw's owned real estate assets. Further, through due diligence, Savills discovered that the landlord was seeking a sale of its Canadian portfolio. Losing Shoppers as a tenant would have significantly impacted the sale value of the landlord's property. Savills' chief negotiator had a long-standing relationship with the landlord that added immense credibility to Shoppers' negotiating position.

RESULTS

In its negotiations on behalf of Shoppers, Savills satisfied all of the client's stated objectives. Shoppers was able to maintain a long-term presence in its preferred location, and simultaneously reduced its operating costs through the strategic surrender of its surplus premises. Further, Savills secured material financial contributions to its capital expenditures from the landlord to build out its workplace vision.

COMPANY DESCRIPTION

Shoppers Drug Mart ("Shoppers") is Canada's largest retail pharmacy network with over 1,300 locations, delivering personalized service and convenience through pharmacy, health, beauty and grocery offerings. Acquired by Loblaw Companies Limited in 2013, the company has undergone material shifts in operations, as synergies between subsidiary and parent continue to be implemented.