

NAIOP REX AWARDS SUBMISSION – INDUSTRIAL LEASE DEAL OF THE YEAR



Rendering of 125 Madill Blvd



Groundbreaking attended by Mayor & Veritiv CEO

Project

Veritiv Canadian Headquarters and Warehouse

Building

125 Madill Boulevard, Mississauga, Ontario

Parties

Veritiv Canada, Inc., Orlando Corporation, Savills Studley, Inc.

Brokers

Stan Krawitz and Paul Kay, Savills Studley, Inc. (represented Veritiv)

We are pleased to present the lease transaction between Orlando Corporation (“Orlando”) and Veritiv Canada, Inc. (“Veritiv”), with tenant brokerage services provided by Savills Studley, Inc. (“Savills Studley”) for Veritiv. The unique and complex transaction involved the negotiation of two existing leases, the disposal of one owned property, and the consolidation of all three facilities into one efficient, built-to-suit solution.

BACKGROUND

Business-to-business distribution solutions companies Unisource Worldwide and xpedx merged to form Veritiv in 2014. Veritiv Corporation, a Fortune 500® Company, has a global team of about 8,800 people with approximately 180 distribution centres throughout the U.S., Canada and Mexico. Its Canadian subsidiary employs approximately 950 Canadians operating in 16 warehouses across the country. Following the merger of these two large organizations there was an opportunity to improve efficiencies in markets with multiple facilities, which included their operations in the Greater Toronto Area (“GTA”). Veritiv occupied three relatively equal-sized facilities within the GTA, two leased facilities (both owned by Orlando), and one wholly owned by Veritiv, for a total GTA footprint of approximately 630,000 SF. Veritiv brought Savills Studley on board to come up with a solution that would bring the company’s GTA operations together under one roof and simultaneously increase efficiency, drive synergistic savings, strengthen the culture of the organization and support growth of its operations.

The key challenge for any transaction would be to coordinate the exiting of existing facilities so as to avoid the duplication of any real estate costs. This would require the sale disposition of Veritiv’s owned facility, and coordination of lease term expiries for its leased facilities. The importance and opportunity for success of this project was further heightened by the fact that this would be the first such consolidation in Canada for Veritiv post-merger.

THE DEAL

Savills Studley evaluated over twenty-five facilities and sites in the GTA West, including in the municipalities of Mississauga, Brampton, Caledon, Halton Hills, Milton and Oakville, and landed on the site at 125 Madill Boulevard in Mississauga. Located at the intersection of Hurontario Street and Highway 401, the most traveled highway in North America, 125 Madill Boulevard would offer Veritiv premier accessibility and visibility.

The plan was to build a brand new, state-of-the-art facility for Veritiv. By increasing ceiling heights and designing towards ideal column spacing and bay sizes, Veritiv was able to significantly reduce its warehouse footprint to approximately 410,000 SF. Together with 40,000 SF of office space to serve as the company’s Canadian headquarters, the new consolidated facility totals approximately 450,000 SF. The building is being designed with consideration to future growth, allowing for expansion by an additional 10% as well as incorporating sustainable design and materials. The design

calls for a brand new HVAC system in the warehouse that will improve airflow and along with new LED lighting throughout the property will result in significant energy savings. The offices were designed to regulate interior temperatures and therefore reduce energy consumption, and will incorporate carpet tile made from recycled materials throughout.

Through skilled and detailed negotiations with Orlando, the brokers simultaneously completed: (1) the lease of a new approximately 450,000-SF built-to-suit facility at 125 Madill Boulevard, which agreement provided for continuous tenant advocacy throughout the design and construction process; (2) an early lease termination at one of Veritiv's leased facilities; and (3) a short-term lease extension for the other facility that, with both leases aligned with the lease commencement for the new design built facility. With the timing on these three facilities aligned, Veritiv could begin the marketing and disposition of their owned facility, which in turn was completed to align with Veritiv's occupancy of 125 Madill Boulevard.

CONCLUSION

Veritiv's new facility at 125 Madill Boulevard will help achieve the company's business goals. It will allow for the company to improve the efficiency and grow its GTA operations by consolidating their real estate footprint from approximately 620,000 SF to approximately 450,000 SF, enhance company culture by bringing about 350 GTA employees under one roof, and provide state-of-the-art warehouse and office space built to maximize productivity as well as space and energy efficiency. The transaction will contribute to a critical economic stimulus within the city of Mississauga. The lease at 125 Madill Road additionally enabled Orlando to kick start development of three additional properties north of Highway 401.

The significance and success of the project is best highlighted by the well-publicized ground breaking ceremony held in August of 2016, which was attended by Mississauga Mayor Bonnie Crombie, Mississauga Board of Trade CEO David Wojcik, Jason Alderman, Regional Vice President, Canada and most significantly, Veritiv Corporation Chairman and CEO Mary Laschinger who was quoted as saying, "Bringing together Veritiv's Toronto-area team in this new, state-of-the art facility in Mississauga is an important strategic investment for our company, and it aligns with one of our business goals to integrate our operations and strengthen collaboration throughout our organization. Canada is an important market for Veritiv, and we are delighted to renew our commitment to this city and accelerate our growth across the country."

The current real estate assets in the GTA added a unique complexity to this lease. The ingenuity and skill required to coordinate four different transactions to consolidate the company's footprint in a win-win solution for Veritiv and Orlando to make this deal worthy of receiving the Industrial Deal of the Year award.

TRANSACTION SUMMARY

Savills Studley and Orlando Corporation coordinated and executed a complex transaction to consolidate Veritiv's Greater Toronto real estate footprint from approximately 630,000 SF spread across three facilities to one built-to-suit, approximately 450,000-SF warehouse and office facility.