

CALGARY OFFICE MARKET - TENANT OPPORTUNITY

Although crude oil prices have recovered from a new low earlier this year, the Calgary market still faces significant challenges which will likely take at least 18 months to stabilize. In addition to increased vacancy rates caused by contraction in the local economy, Calgary also has added approximately 1,000,000 square feet of new, unleased office space; buildings that were launched prior to the economic downturn.

What does this mean for tenants leasing space in this market? Vacancy rates for Class A buildings are in the low 20% range and for lesser quality buildings, the vacancy rate is in the low 30% range. For a tenant who requires new space or simply has a renewal coming up, this represents a great opportunity to lock in rental rates and lease terms in the trough of a market cycle.

Ellington is managing a number of projects in the Calgary market and elsewhere in Alberta. What we are finding is that in some cases landlords are no longer posting asking rental rates as they are concerned about the downward cascade effect of a competing landlord then reducing their rates and so on. What this means for a tenant is that they have more control of lease negotiations and ultimately, creating exceptional lease terms for their businesses.

NOTABLE TRANSACTIONS - Q2, 2016

TENANT	ADDRESS	SIZE (SF)
Infrastructure Ont.	315 Front St. West	283,751
Infrastructure Ont.	438 University Ave.	191,053
RSA	2 Prologis Blvd., Miss	175,000
Shopify	620 King St. West	110,271
Metrolinx	10 Bay Street	80,267
Sony	115 Gordon Baker	73,250
Wells Fargo	1290 Central Pkwy	52,000
Blue Art Media	130 Merton St.	39,000
Trillium Gift of Life	483 Bay Street	30,666
Vena Solutions	2 Fraser Avenue	30,000
Fuller Landau	151 Bloor St. West	28,000
Weston Foods	5945-5955 Airport Rd	23,259

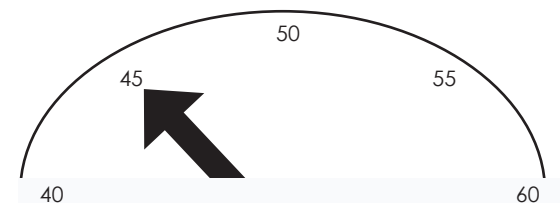


ELLINGTON INDEX Q2, 2016

FACTOR	VALUE/DESCRIPTION	RANK (1-10)
Current Availability Rate (GTA)	11.4% ↓	6
Current Availability Rate (DT)	8.4% ↓	5
Change in Availability Rate since last Quarter (DT)	1.0% ↓	4
Sublet Space Availability as % of Direct Space (DT)	1.1% ↓	4
New Supply (DT)	7 buildings under construction	4
Space Leased since last Quarter (DT)	775,132 sf	4
Tenant Confidence (DT)	Medium	5
Landlord Confidence (DT)	Strong	4
Forecasted Rental Rates over next 3 months (DT)	Up slightly	5
Tenant Deal Velocity in Market (DT)	Medium	4
Total		45

An index of 45 indicates that we are in a Landlord's market.

Landlord's Market Balanced Tenant's Market



THE ELLINGTON INDEX is designed to take into consideration a variety of factors which influence the market. We do this on a quarterly basis. The higher the individual factor is ranked means it influences the overall market in a positive way for the tenant or in other words, contributes to a "Tenant's Market". Conversely the lower the rank the more the factor contributes to it being a "Landlord's Market"

GTA-Greater Toronto Area

DT-Downtown Toronto

Ellington Real Estate Ltd., Brokerage 172 King Street East, Suite 200 Toronto M5A 1J3

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