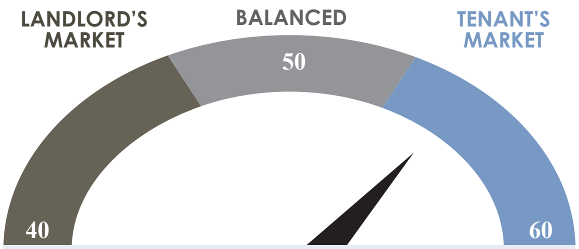
Q4 2020

56

An index of 56 indicates that we are in a **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"

ELLINGTON INDEX - FACTORS/VALUES		RANK
Current Availability Rate (GTA)	12.4% ▲	5
Current Availability Rate (Downtown)	9.4% ▲	5
Change Availability Rate since last Quarter (DT)	1.9% ▲	5
Available Sublet Space - % of Direct Space (DT)	3.4%	5
New Supply (buildings under construction) (DT)	18 ▲	4
Space Leased since last Quarter (DT)	-1,687,197 sf ▼	6
Tenant Confidence (DT)	Weak	9
Landlord Confidence (DT)	Medium	5
Forecasted Rental Rates over next 3 months (DT)	Decreasing	5
Tenant Deal Velocity in Market (DT)	Low	7
TOTAL		**56**

ELLINGTON TURNS 10!

Ellington Partners is celebrating its 10 year anniversary! When we opened in January 2011, we were a team of 5 specializing exclusively in the office leasing sector as advisors and project managers. Today we are a team of 17 and have expanded our services into the industrial and investment sectors locally and across Canada.

What's very interesting is that 10 years ago when we founded the firm, the Toronto office market was similar to today's market. In 2011 the vacancy rate for the Greater Toronto Area was 10% whereas now, its 12.5%. For the Downtown market, the 2011 vacancy was 8.9% and today its 9.6%. Relatively speaking the key market indicator was approximately the same in 2011 as it is in 2021. So what does this mean? We distinctly remember in 2011 advising our clients that the market was considered "balanced" meaning neither in favour of Tenants or Landlords. Balanced markets are great for office tenants as there are typically a variety of good real estate options which puts landlords in the position of competing for your tenancy. Does this mean we are in a balanced market now?

First some context. Since 2011, the office market transitioned to the landlord's favour to a point where, just before Covid vacancy rates were in the low single digits. Recent Covid events have created a significant quick shift in the market with vacancy rates increasing in the last 8 months. By definition we should be in a "balanced market". Certainl;y, demand for office space remains quite weak. However, some institutional landlords still have very low vacancy and their professional services, technology and financial services tenants are paying their rents. This means some institutional landlords are targeting close to pre-Covid rates in recent and current lease negotiations.

Overall, we at Ellington Partners feel the overall market will move in the favour of tenants throughout 2021. We expect tenants will experience a bifurcated market with very different rates and activity levels in the sublease market compared to the direct space market.

Notable Transactions - Q4, 2020

Tenant	Address	Size (SF)
Amazon	18 York Street and 120 Bremner Blvd.	100,000
Sporting Life	7777 Weston Rd	35,388
Aviso Wealth Inc.	151 Yonge St.	29,000
Rose Rocket	35-39 Front St. East	26,324
Echelon	161 Bay Street	25,968
Moody's	200 Wellington St. W	23,582
Alphawave	70 University Ave.	20,547
Apex Fund Services	6725 Airport Rd.	18,552
TBD	191 The West Mall	15,138
Skypower	199 Bay Street	10,758

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