

Toledo Apartments

Quick Stats

		Change from last	
		Current	End 12 Mid 13
Vacancy	7.4%	↗	→
Rental Rate	\$626	↑	↗
Construction	0 units	↓	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value.

Hot Topics

- Steady performance continues in Toledo area
- Rents increasing in virtually every segment and submarket
- No units currently under construction
- Cash flows improving and values rebounding
- Trading cap rates remain 200-basis points higher than those in most of the larger markets in Ohio and Michigan, attracting interest from outside buyers

Steady performance continued in the Toledo-area apartment-rental market in the second half of 2013. Vacancy stands at 7.4% for the overall market and is up slightly from midyear and from the low point reached at the end of 2012. Rents, however, continued to increase in virtually every segment and submarket, increasing on average 2% in the second half and just more than 4% through the entire year.

During the past several reporting periods, there were wide disparities in vacancies at the submarket level. These disparities have narrowed considerably in the second half as some of the submarkets that had been significantly underperforming saw dramatic improvement and others which had been outperforming fell back to the pack. At 3.9% vacant, newer properties in the Perrysburg/Northwood submarket continued to perform particularly well while the CBD, which had been among the market leaders for several periods, softened a bit as vacancy there stands at 7.7%.

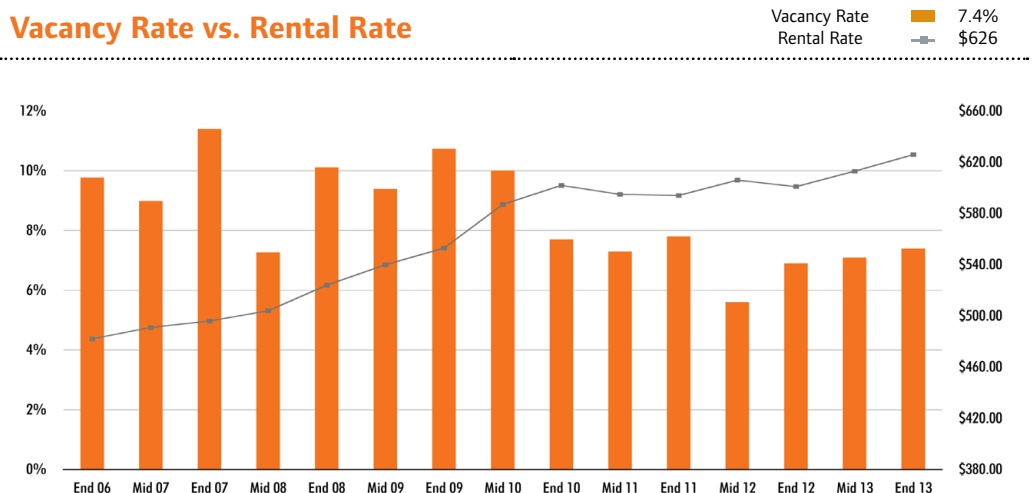
Construction activity has hit at least a momentary pause as there are currently no units under construction, though at least three projects are nearing ground breaking. The number of developers actively searching for sites has increased, suggesting that yet more new construction could be on the horizon.

Good news for most apartment owners in the market is that cash flows are improving and values rebounding nicely. Obviously improved NOI is a part of the story. But a factor as big

or bigger is the demand from apartment buyers driven by financing, which has become more readily available and at still historically low interest rates. Further, trading cap rates in the Toledo area, while compressing, remain in the range of 200-basis points higher than those in most of the larger markets in Ohio and Michigan. This occurrence has attracted interest from a host of outside buyers who see a window of opportunity in the Toledo region. Sale activity picked up in the second half and per-unit prices are markedly higher than was the case even 12 months ago. If interest rates continue to increase, however, it will slow or halt the rate of the property-value increase that we have been seeing.

On the other hand, we are observing continued pressure on many owners who acquired properties in the period leading up to the market crash in 2008. These owners are facing pressure from several fronts. In many cases, values have not yet rebounded to the prices that they paid. Many are over leveraged and/or underwater. Because of the tight cash-flow situation these owners are often struggling with, they have been unable to make the same sort of capital improvements to their properties that many of their competitors have been making. Most can't borrow more to make the improvements. The result is that they have been unable to either improve occupancy or increase rents and, thus, have not shared in the market rebound. For owners in this situation, there is light on the horizon, but tough choices in the near term.

Vacancy Rate vs. Rental Rate



CBD			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$653	640	\$1.02
2 Bed	\$740	918	\$.81
3 Bed	\$753	1,400	\$.54
# Units: 1,508		Weighted Vacancy: 7.7%	

North Toledo			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$443	624	\$.71
2 Bed	\$601	938	\$.64
# Units: 3,013		Weighted Vacancy: 6.5%	

South Toledo			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$475	633	\$.75
2 Bed	\$585	935	\$.63
3 Bed	\$812	1,216	\$.67
# Units: 4,530		Weighted Vacancy: 7.0%	

East Toledo/Oregon/Walbridge			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$443	652	\$.68
2 Bed	\$623	994	\$.63
3 Bed	\$685	1,076	\$.64
# Units: 1,741		Weighted Vacancy: 4.4%	

West Toledo/Sylvania (1)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$450	618	\$.73
2 Bed	\$569	875	\$.65
3 Bed	\$829	1,204	\$.69
# Units: 5,413		Weighted Vacancy: 8.9%	

West Toledo/Sylvania (2)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$672	634	\$1.06
2 Bed	\$775	1,085	\$.71
3 Bed	\$934	1,342	\$.70
# Units: 2,660		Weighted Vacancy: 4.5%	

Holland/Maumee (H1)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$490	610	\$.80
2 Bed	\$624	906	\$.69
3 Bed	\$764	1,134	\$.67
# Units: 1,889		Weighted Vacancy: 8.0%	

Holland/Maumee (H2)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$630	734	\$.86
2 Bed	\$726	1,085	\$.67
3 Bed	\$801	1,222	\$.66
# Units: 2,077		Weighted Vacancy: 6.8%	

Perrysburg/Northwood/Rossford (P1)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$490	632	\$.78
2 Bed	\$631	942	\$.67
3 Bed	\$836	1,160	\$.72
# Units: 1,140		Weighted Vacancy: 5.6%	

Perrysburg/Northwood/Rossford (P2)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$769	703	\$1.09
2 Bed	\$986	1,100	\$.90
3 Bed	\$1,314	1,424	\$.92
# Units: 2,284		Weighted Vacancy: 3.9%	

University of Toledo			
Average Per Bed		\$415	
# Beds: 2,084		Weighted Vacancy: 8.6%	

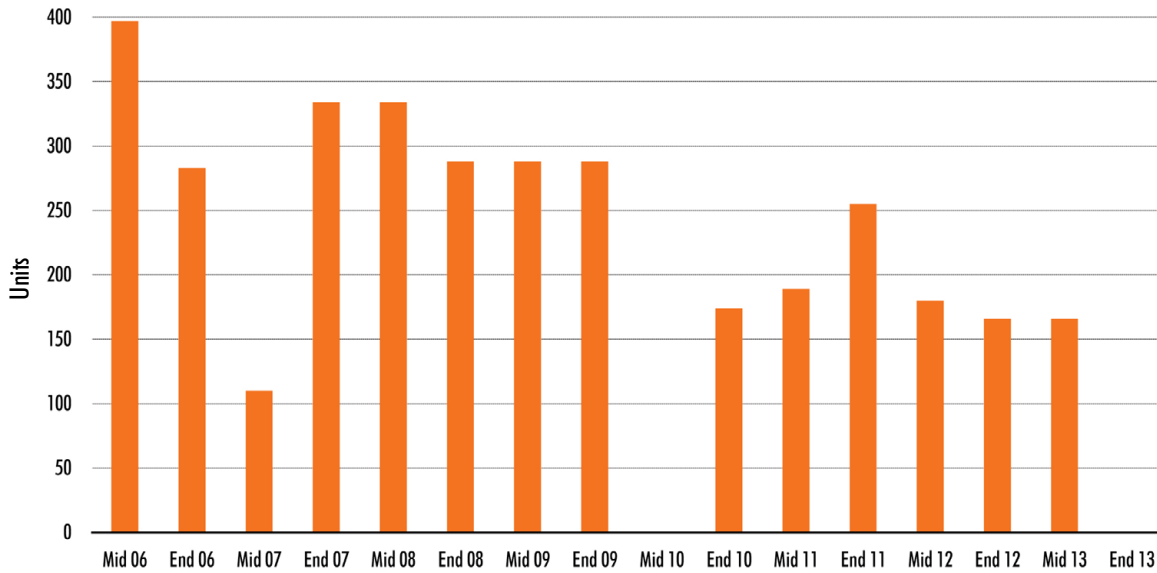
Toledo Overall*			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$531	648	\$.82
2 Bed	\$681	978	\$.70
3 Bed	\$832	1,242	\$.67
# Units: 21,292		Weighted Vacancy: 7.4%	

(1) Built prior to 1980 (2) Built post 1980

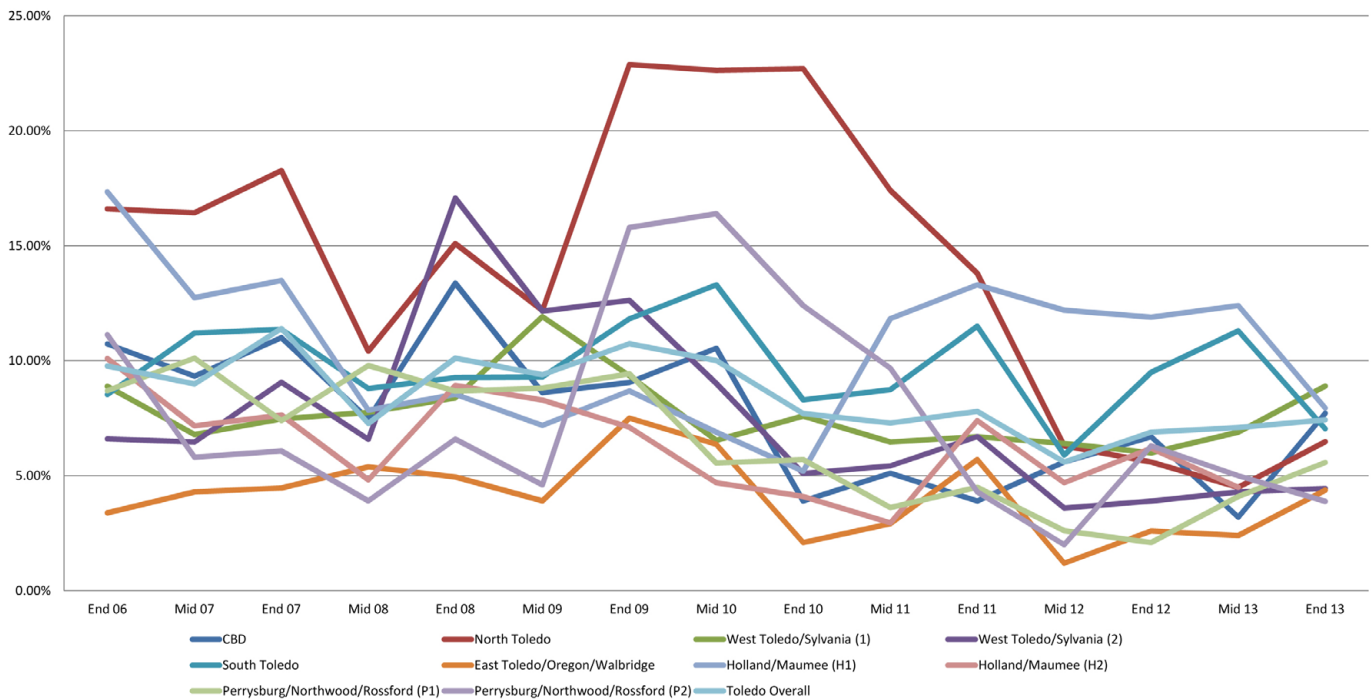
* Excludes University of Toledo student housing properties

Construction Activity

Units Under Construction ■ 0



Vacancy



MarketView Toledo Apartments

Select Apartment Transactions

Address	Year Built	# Units	Sale Price	Price/Unit	Price/SF	Sale Date
1101 S. Holland Sylvania Road	1987	506	\$20,437,483	\$40,390	\$52.71	12/23/13
1024 Hilltop Lane	1990	316	\$13,919,564	\$44,049	\$52.06	12/26/13
2423 Cheyenne Blvd.	1973	150	\$5,112,987	\$34,087	\$30.44	12/23/13
1801 Brownstone Blvd.	1972	88	\$2,761,341	\$31,379	\$25.05	12/23/13
2707 Pickle Road	1968	101	\$2,700,000	\$26,733	\$34.67	12/5/13
1435 Bernath Pkwy.	1974	90	\$2,550,000	\$28,333	\$32.94	8/1/13
5301 Hill Avenue	1978	208	\$2,400,000	\$11,538	\$20.45	9/17/13
1926 S. Holland Sylvania Road	1989	51	\$1,165,000	\$22,843	\$27.15	8/29/13

Submarket Map



Average Asking Rental Rate

Rate determined by multiplying the asking rental rate for each unit by its available space, summing the products, then dividing by the sum of the available space for all buildings in the summary.

Market Coverage

Includes all market rate and mixed market affordable properties of 20 units or more.

Net Absorption

The change in occupied units from one period to the next.

Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

Vacancy Rate

Vacant units divided by the total number of units.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Vacancy figures for those buildings have been adjusted in previous quarters.

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