MarketView

Toledo Industrial

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Midyear 2014

Quick Stats

	Current	Change from Mid 13	Change from End 13
Vacancy	7.5%	↘	→
Lease Rates	$3.08	↘	→
Net Absorption*	-91,690	→	↓
Construction	1,725,000	↑	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Lease rates remain relatively flat as vacancy slightly declines due to shrinking supply of buildings
- New construction rises again with 10 projects underway
- Users more sensitive to locations because of logistics and transportation costs
- Vacancy rate for Class A buildings drops to 2.6% from 5.6% since endyear
- Flat-to-declining average asking rental rate continues

Reichle | Klein Group
Commercial Property Brokers, Managers & Investment Advisors

A relatively flat performance of the Toledo-area industrial-space market in the first half of 2014 is largely attributable to the shrinking supply of buildings. Demand rebounded from the soft patch the market found itself in last year, but that demand cannot be satisfied because the users are not finding satisfactory space. The harsh winter also hit the transaction activity. In spite of these impediments, vacancy is down modestly from year end, though rents are flat. The market did record a small amount of negative net absorption due to a new vacancy in Rossford. Not surprisingly, new construction is up again with 10 projects underway as of this report.

Users are demonstrating far greater sensitivity to location as logistics consideration and transportation costs become bigger drivers in the site-selection process. Properties with ready access to the interstate system are more desirable whereas buildings that require extensive use of surface streets to get to the interstate are struggling to attract buyers or tenants. Building age, condition and features such as ceiling height, column spacing, openness, flexibility and the number of truck docks are all significant to companies in the market today. In most cases, these users are not willing to move or are putting decisions on hold because they cannot find what they want. Alternately, new construction or expansions of existing facilities are getting greater consideration.

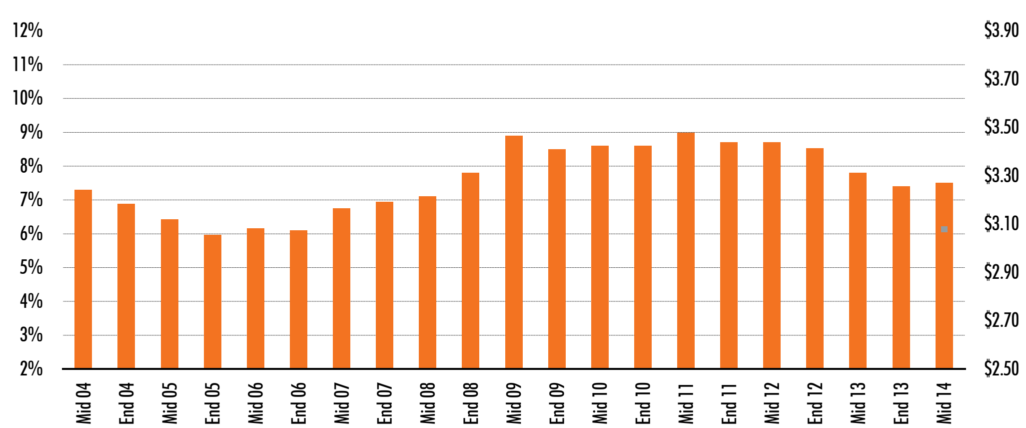
Perhaps the best illustration of the dynamic described above is the disparity between overall market vacancy, which stands at 7.5%, and vacancy among Class A buildings, which stands at 2.6%, having fallen from 5.6% at endyear 2013. This fall would suggest that any positive absorption of space that occurred in the first half of 2014 took place in Class A space and was offset by negative absorption in lower-quality buildings. Unfortunately, Class A buildings make up only 10% of the total inventory of space at this time and remain a relatively small component of the market – too small to meet current demand.

Another manifestation of the low level of vacancy in Class A buildings and the fact that Class A buildings make up so little of the inventory is the continuing flat-to-declining average asking rental rate. Our index is calculated based on the asking rates for vacant space. As the amount of vacant Class A space shrinks in relative proportion to the amount of vacant space in older, obsolescent properties, the lower asking rents on the older stock weighs more and more heavily on the index. In the current environment, the index conveys something of a false impression of the condition of the market. In reality, achieved rents in the better-quality buildings that are in demand are markedly higher than the index suggests.

Active user types in the market currently are those related to the oil, gas and refinery industry driven, in part, by work being done at local refineries. Recyclers also remain very active in the market. We are also seeing quite of bit of organic growth from local companies of all types.

Vacancy Rate vs. Lease Rate

Vac. Rate 7.5%
Lease Rate $3.08

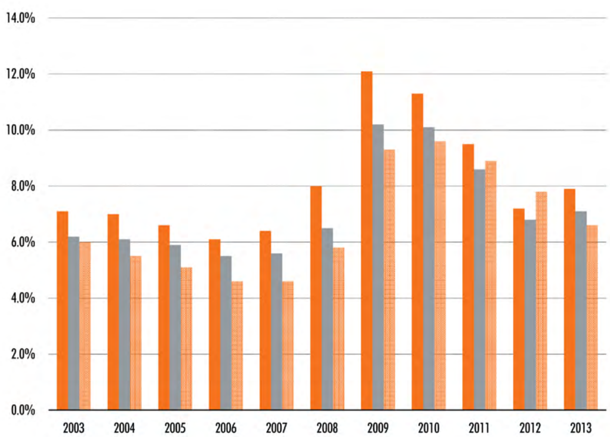


Market Statistics

Market	Number of Buildings	Rentable Area	Vacancy Rate %	Net Absorption SF	Under Construction SF	Average Asking Lease Rate SF/YR
CBD	226	8,607,970	7.9%	-19,053	100,000	$2.27
East Toledo/ Oregon	91	4,721,863	6.7%	-	-	$2.37
North Toledo	369	23,498,429	10.2%	7,200	36,000	$2.74
Perrysburg/ Northwood	327	22,594,249	6.7%	-93,590	1,600,000	$3.51
South/Southwest	435	17,524,316	6.9%	-5,049	130,000	$3.72
West Toledo/ Sylvania	240	8,770,642	3.7%	-18,802	9,000	$3.65
Market Total	**1,688**	**85,717,469**	**7.5%**	**-91,690**	**1,775,000**	**$3.08**
Class A	**51**	**9,278,585**	**2.6%**	**-69,000**	**0**	**$3.34**

2013 Annual Unemployment Rate

Toledo MSA 7.9%
Ohio 7.1%
US 6.6%



For these estimates: Toledo MSA consists of Lucas, Fulton, Ottawa and Wood counties.
Source: Regional Growth Partnership

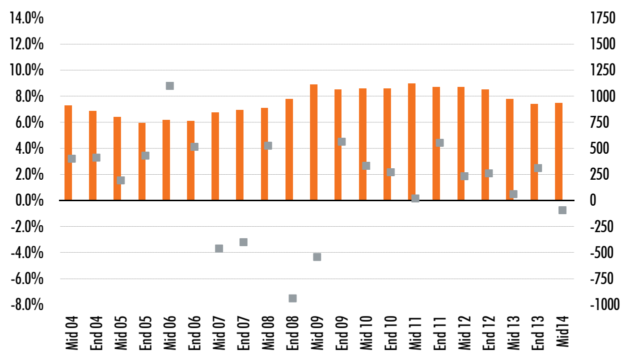
As of November 2013, the most recent information states the unemployment rate for the Toledo MSA is 7.9%, slightly higher than the last month's recorded rate of 7.7%. Ohio's unemployment rate of 7.1% is slightly higher than the last month's rate of 7.0%. The U.S. unemployment rate of 6.6% is lower than last month's rate of 7.0%.

The average sale price for a home in the Toledo MSA, as of November 2013, is $108,953, a decrease of 0.4% from the previous month's price of $109,419. The current average home sale price increased by 5.6% from last year's price of $103,150.

Manufacturing employment for the Toledo MSA, as of November 2013, is 41,500, a decrease of 0.9% from last year's manufacturing employment of 41,900.

Vacancy/Net Absorption

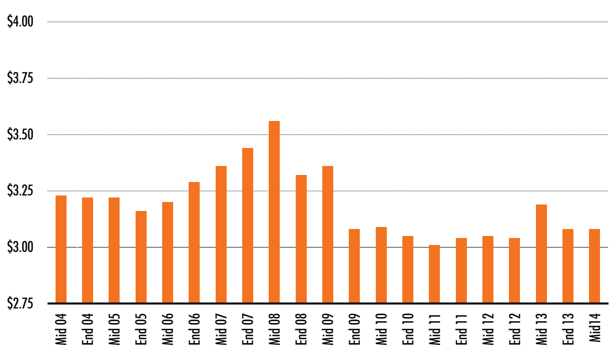
Vacancy 7.5%
Absorption -91,690



Overall vacancy declined slightly from endyear 2013 to 7.5%. Vacancy fell in the East Toledo/Oregon, North Toledo and Perrysburg/Northwood submarkets while increasing in the CBD, South/Southwest and West Toledo/Sylvania. The market notched 91,690 SF of negative net absorption, the first time the market has registered a period of negative absorption since the middle of 2009.

Asking Rental Rates

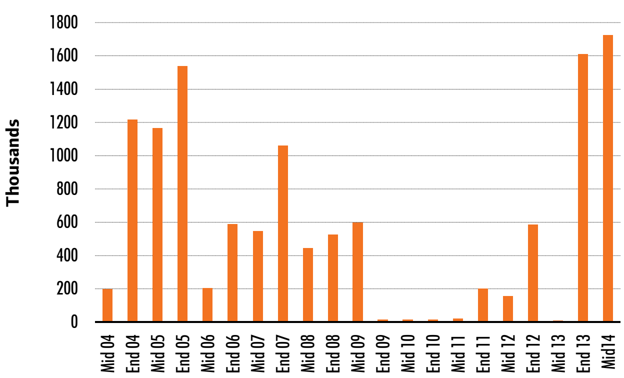
Rental Rate $3.13



The average asking rental rate is relatively flat from the end of 2013. As is pointed out elsewhere in this report, the index is being driven disproportionately by vacancy in older, more obsolescent space that comprises the majority of the current vacancy. Consequently, the flat rate is not a good indicator of existing market dynamics. In reality, rents for those properties most in demand and in shortest supply are much higher.

New Construction

New Construction 1,609,000 SF



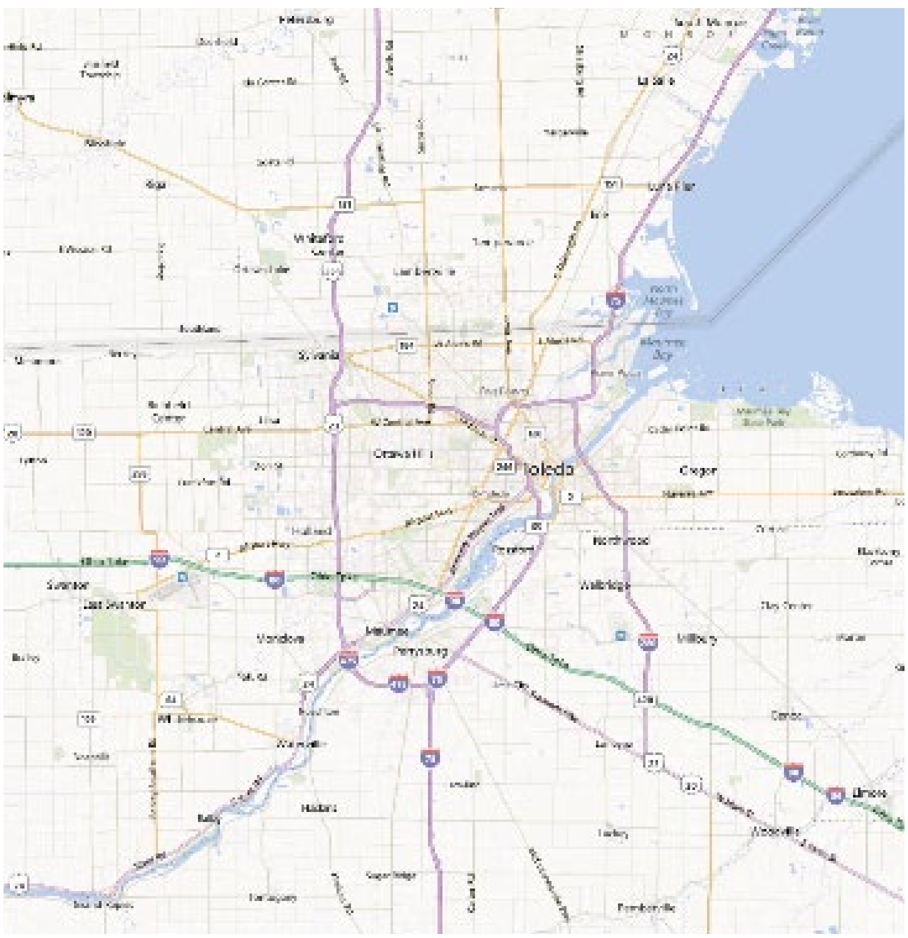
Square footage of space under construction has reached a new high, largely comprised of a single project, the 1,600,000 SF Home Depot warehouse under construction in northern Wood County. There are nine other projects currently underway, most of which are expansions or build-to-suit projects. Notably, the spec building at the Port Authority's Jeep Parkway development has also broken ground.

MarketView Toledo Industrial

Top Transactions

Size (SF)	Buyer/Tenant	Address
187,000	Excel	6100 Benore Road Toledo
135,000	Fresh Products	30600 Oregon Road Perrysburg
96,000	Toledo Refinery	29870 Glenwood Road Perrysburg
51,000	Egglehof	2010 Brent Drive Toledo
47,000	Midwest Environmental	28747 Glenwood Road Perrysburg

Submarket Map



Average Asking Lease Rate
Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage
Includes all competitive industrial buildings 5,000 square feet and greater in size.

Net Absorption
The change in occupied square feet from one period to the next.

Net Rentable Area
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Area (Square Feet)
Building area not considered vacant.

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

Available Area (Square Feet)
Available Building Area which is either physically vacant or occupied.

Availability Rate
Available Square Feet divided by the Net Rentable Area.

Vacant Area (Square Feet)
Existing Building Area which is physically vacant or immediately available.

Vacancy Rate
Vacant Building Feet divided by the Net Rentable Area.

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. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

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