

## Quick Stats

	Current	Change from	
		End 12	Mid 13
Vacancy	13.2%	↓	↘
Lease Rates	\$7.62	↓	↘
Net Absorption*	377,150	↑	→
Construction	72,440	↓	↓

\* 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

- Retail market continues recovery
- Anchor-space vacancy shrinks to 9.8%, marking first time since 2004 vacancy in this segment is less than 10%
- Big driver of improvement remains the redevelopment and repurposing of commercial sites
- Asking rental rate fell again, a drop stemming from the lack of new construction, better locations filling while marginal spaces remain on market

Toledo's regional retail real-estate market continued its recovery in the second half of 2013. The highlight was the overall market vacancy rate, which shrunk another 10-basis points during the period to 13.2%. The vacancy rate among anchor spaces declined to 9.8%, marking the first period since the middle of 2004 that vacancy in this segment has been in the single digits. Impressively, the market absorbed 377,150 SF in the in the last six months and a total of more than 729,000 SF for the year.

A big driver in this improvement remains the redevelopment and repurposing of commercial sites throughout the area while greenfield-site new construction remains muted. This last period saw the delivery of Art Van Furniture in Holland, a new Kroger in Maumee, Aldi in West Toledo and several Dollar Generals. Three noteworthy projects currently under construction are Mattress Firm in Spring Meadows, Rite Aid in Waterville and Camping World adjacent to Bass Pro Shops in Rossford. Still active, though reaching the end of their rapid expansions in the market, are Dollar General, Family Dollar and Dollar Tree.

Gabe's also made a high-profile entry into the market. This low-price-point retailer chose a relatively high-end Monroe Street location for its store, backfilling a vacant box. TJ Maxx and Marshall's have announced plans to join Gabe's in Devonshire REIT's recently acquired Franklin Place, on the site formerly occupied by a cinema. Looking ahead further, Kroger will continue with more store repositioning as well as selective new-store construction.

Overall market average asking rental rate fell yet again, a drop stemming from the lack of new construction and the fact that the better locations which command higher rent are filling while the

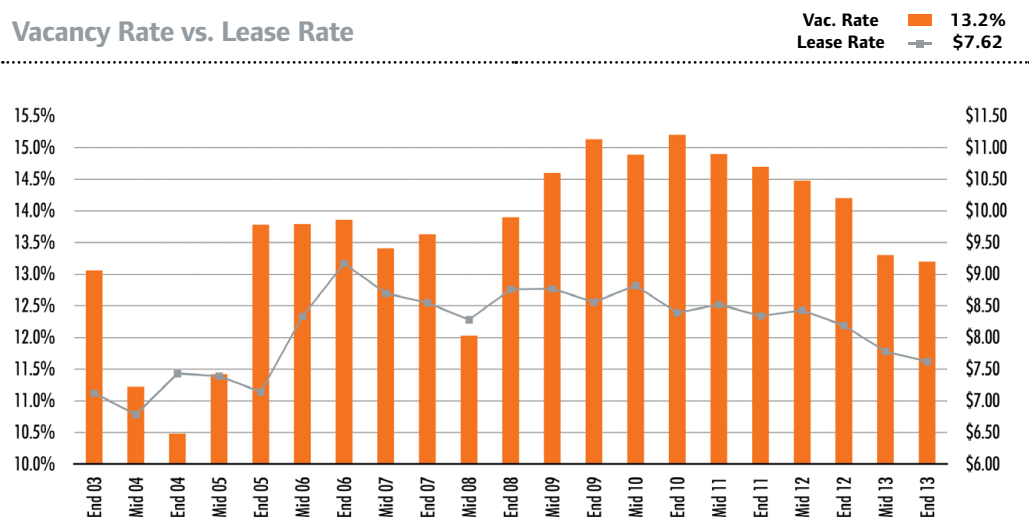
marginal lower-rent locations remain on the market and disproportionately influence the average. The average asking rental rate for inline space actually moved counter to the overall trend, increasing by \$0.11 per SF in the second half of the year.

A relatively high vacancy rate in the Perrysburg/Northwood submarket begs for some scrutiny, not only because it is nearly 500-basis points higher than the market average, but because it does not seem to comport with the perception Perrysburg is a particularly strong submarket. In fact, the challenged area in the submarket is Northwood, specifically the Woodville Road corridor. By example, Northwood has approximately 210,000 SF of anchor vacancy whereas Perrysburg has only 90,000 SF or one building vacant. It is safe to say that, if Perrysburg was to be considered separately, its metrics would better align with perceptions of the area and score similarly to the West and South Toledo submarkets where vacancy is approaching single digits. In reality, Northwood and Perrysburg are two distinct market areas and, in the future, our reports will begin to treat them as such by reporting their statistics separately.

North Toledo, like Northwood, also continues as the only other submarket of any scale which substantially lags overall market performance. Here the legacy of overbuilding of large boxes and power centers has not yet been overcome by the market rebound.

We do not generally comment in these reports on the market for retail-investment properties. However, it is worth noting that interest in this property type, which has been perhaps the least favored by investors since the market crash, is also rebounding. Transaction activity is up measurably and, with it, so are values for these properties.

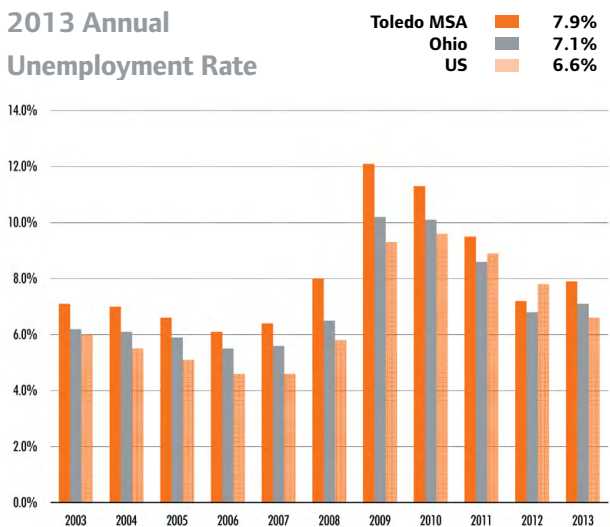
## Vacancy Rate vs. Lease Rate



## Market Statistics

Market	Submarket	Rentable Area	Vacancy Rate %	Net Absorption SF	Under Construction SF	Average Asking Lease Rate SF/YR	Availability Rate %
CBD	Anchor		46.2%			\$ 3.39	46.2%
	Strip Inline		6.4%			\$7.66	10.3%
	<b>Total</b>	<b>683,466</b>	<b>31.4%</b>	<b>58,400</b>	<b>10,000</b>	<b>\$3.61</b>	<b>28.6%</b>
E. Toledo/Oregon	Anchor		8.0%			\$5.06	8.0%
	Strip Inline		7.0%			\$12.11	8.0%
	<b>Total</b>	<b>1,592,273</b>	<b>7.6%</b>	<b>8,739</b>	<b>—</b>	<b>\$6.80</b>	<b>8.0%</b>
North Toledo	Anchor		18.7%			\$5.76	18.7%
	Strip Inline		25.9%			\$7.96	26.2%
	<b>Total</b>	<b>2,763,702</b>	<b>21.3%</b>	<b>-34,264</b>	<b>—</b>	<b>\$6.96</b>	<b>21.4%</b>
Perrysburg/Northwood	Anchor		11.1%			\$3.92	15.8%
	Strip Inline		22.7%			\$13.31	22.7%
	<b>Total</b>	<b>2,869,574</b>	<b>18.0%</b>	<b>6,259</b>	<b>36,440</b>	<b>\$6.60</b>	<b>18.1%</b>
South/Southwest	Anchor		6.6%			\$6.40	8.4%
	Strip Inline		14.2%			\$10.29	14.3%
	<b>Total</b>	<b>6,443,836</b>	<b>10.5%</b>	<b>181,384</b>	<b>21,000</b>	<b>\$8.03</b>	<b>11.0%</b>
West Toledo/Sylvania	Anchor		4.9%			\$6.22	5.5%
	Strip Inline		14.9%			\$ 11.26	16.2%
	<b>Total</b>	<b>6,967,904</b>	<b>10.0%</b>	<b>156,614</b>	<b>5,000</b>	<b>\$9.93</b>	<b>10.9%</b>
Market Total	Anchor		9.8%			\$5.26	11.3%
	Strip Inline		15.8%			\$10.72	16.6%
	<b>Total</b>	<b>21,320,755</b>	<b>13.2%</b>	<b>377,150</b>	<b>72,440</b>	<b>\$7.62</b>	<b>13.6%</b>

### 2013 Annual Unemployment Rate



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

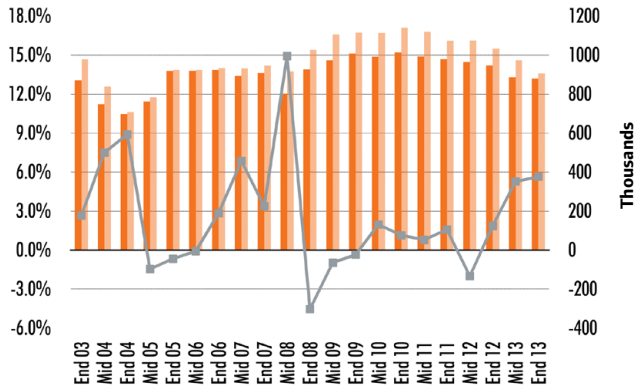
As of November 2013, the most recent information states the unemployment rate for the Toledo MSA is 7.9%, slightly higher than the last month's recorded rate of 7.7%. Ohio's unemployment rate of 7.1% is slightly higher than the last month's rate of 7.0%. The U.S. unemployment rate of 6.6% is lower than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

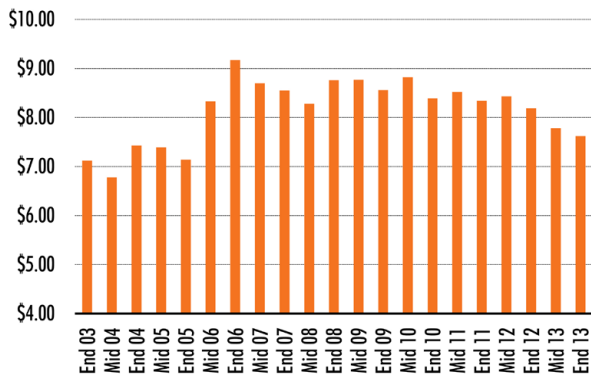
Vacancy 13.2%  
 Availability 13.6%  
 Absorption 377,150 SF



Overall market vacancy and availability are both down from midyear and from the end of 2012. All submarkets recorded improvements with the exception of North Toledo and Perrysburg/Northwood. Anchor vacancy declined 160-basis points in the second half of 2013. The overall market absorbed 377,150 SF of space as every submarket except North Toledo registered positive net absorption.

### Asking Rental Rates

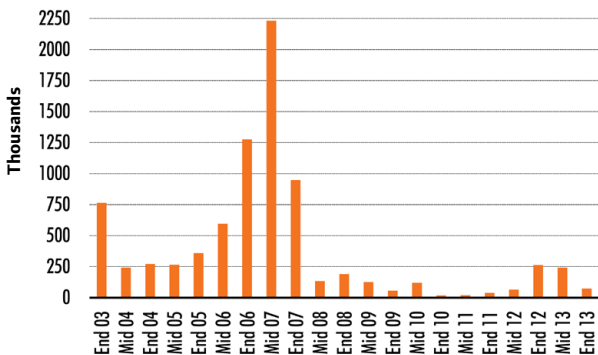
Rental Rate \$7.62



Overall average asking rental rate fell by \$0.16 per SF in the second half. This decline is largely the result of the ongoing lack of new construction and the fact that the better spaces are leasing while the marginal spaces languish.

### New Construction

New Construction 72,440 SF



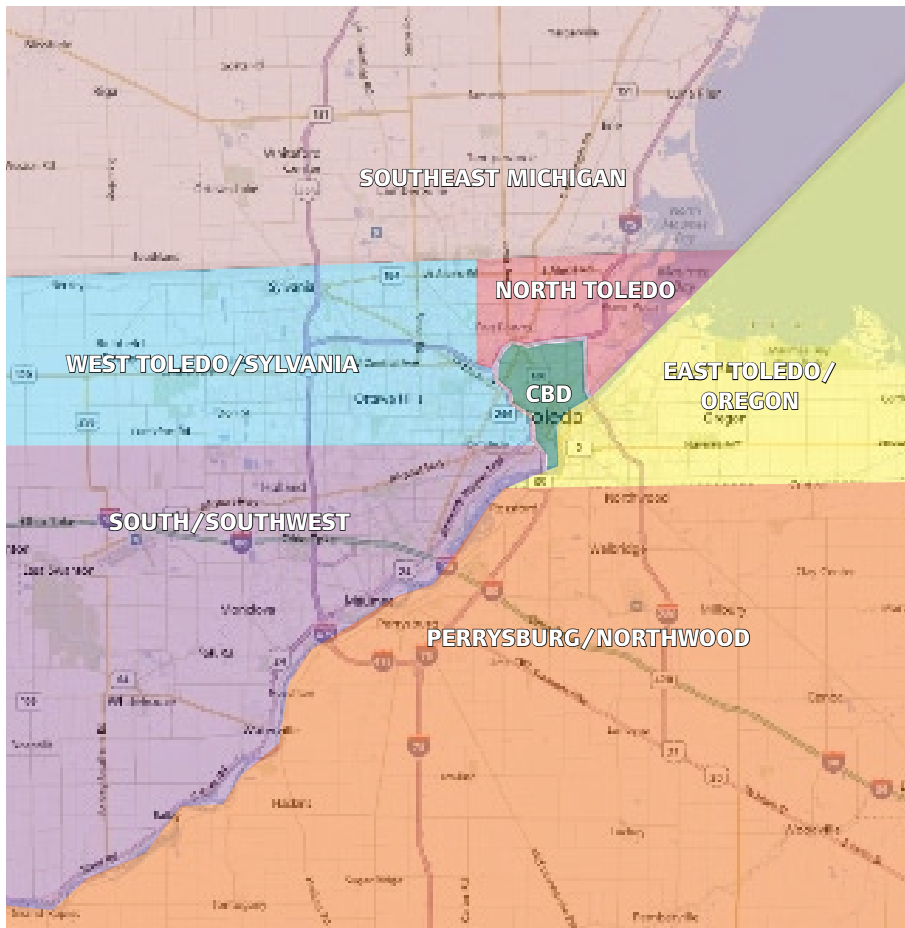
Construction square footage fell from midyear due to deliveries of several large-scale buildings. Activity seems poised for an increase in the coming period as several projects are teed up for ground breakings.

## MarketView Toledo Retail

### Top Transactions

Size (SF)	Buyer/Tenant	Submarket
1,200,000	Franklin Park Mall	W. Toledo/Sylvania
220,871	Starlite Plaza	W. Toledo/Sylvania
30,000	Camping World	Perrysburg/Northwood
13,500	Rite Aid	South/Southwest
12,608	Dollar Tree	W. Toledo/Sylvania
10,263	Family Dollar	W. Toledo/Sylvania
10,000	Dollar Tree	W. Toledo/Sylvania
9,000	Dollar General	Various Markets (Five Stores)

### 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 retail 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.

**For more information regarding the MarketView, please contact:**  
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