

Quick Stats

		Change from last	
	Current	Mid 13	End 13
Vacancy	5.8%	↓	↓
Rental Rate	\$628	↑	↗
Construction	424 units	↑	↑

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

Hot Topics

- Market fundamentals continue strengthening
- Overall market vacancy falls to 5.8% from 7.5%
- Units under construction reach new high
- Low number of sales due to relative shortage of available properties
- Trading cap rates for best quality properties compressing
- Value-appreciation limit fast approaching with cap-rate compression

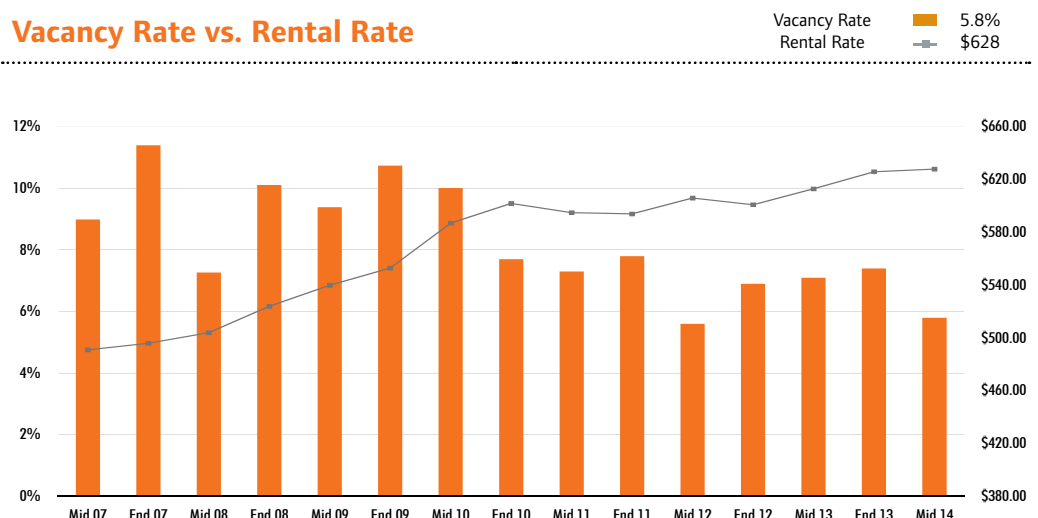
Toledo-area apartment market fundamentals continue to strengthen. At midyear 2014, overall market vacancy among surveyed communities has fallen to 5.8% from 7.5% at end-year 2013. At the submarket level, the CBD, West Toledo/Sylvania, Holland/ Maumee and Perrysburg saw the biggest improvements in occupancy. East Toledo/Oregon and Perrysburg continue to perform exceptionally well and remain the market leaders in terms of occupancy. Rents ticked up slightly in the first half to an average of \$628 per unit. Given the strong occupancy, it is actually surprising that rents are not rising at a fast rate. The number of units under construction reached a new high in our survey with communities being built in Monclova Township, Sylvania and near the University of Toledo. We are unaware of specific plans for any additional projects at this point and would expect the level of construction to taper off moving into 2015.

While the few property trades recorded in the first half of the year belie the level of interest in the market on the part of buyers, in fact, there continues to be very strong interest from a growing pool of buyers from across the country. The bigger factor in the low number of sales is the relative shortage of available properties. Given the level of buyer interest relative to available properties, not only in Toledo, but throughout the region, trading cap rates for the best quality properties are compressing further

and look poised to close the gap on trading cap rates in the larger Ohio cities. Cap rates for B and C properties are also improving, but not at the same rate as those for Class A properties. Further, buyers of B and C properties remain very focused on the condition of the properties and are pricing in the cost of required capital expenditures and deferred maintenance.

It is hard to imagine that we are not approaching the limit of value appreciation due to cap-rate compression. Certainly, the rate of increase has to flatten. Each passing day is one day closer to an unavoidable increase in interest rates and, with it, a rise in cap rates. Those owners thinking about sales have to be sensing that we are at or near the top of the market. Hopefully, all owners, but particularly those thinking about future sales, are taking advantage of the robust market fundamentals to improve their properties' performances and position them for maximum valuation. Increasing occupancy, increasing rents and reinvesting in the property to strengthen curb appeal, freshen units, address deferred maintenance items or required capital improvements will all increase cash flow and add value. Focusing on these priorities is smart if the plan is a long-term hold or a near-term sale. Fortunately, the rental market conditions are making it easier for most every owner to implement these improvements.

Vacancy Rate vs. Rental Rate



CBD			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$652	642	\$1.01
2 Bed	\$740	918	\$.81
3 Bed	\$753	1,400	\$.54
# Units: 1,508		Weighted Vacancy: 6.3%	

South Toledo			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$475	633	\$.75
2 Bed	\$585	927	\$.63
3 Bed	\$812	1,216	\$.67
# Units: 4,530		Weighted Vacancy: 7.1%	

West Toledo/Sylvania (1)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$454	618	\$.74
2 Bed	\$570	872	\$.65
3 Bed	\$829	1,204	\$.69
# Units: 5,431		Weighted Vacancy: 6.0%	

Holland/Maumee (H1)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$493	560	\$.88
2 Bed	\$624	906	\$.69
3 Bed	\$764	1,134	\$.67
# Units: 1,889		Weighted Vacancy: 6.2%	

Perrysburg/Northwood/Rossford (P1)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$491	632	\$.78
2 Bed	\$631	942	\$.67
3 Bed	\$836	1,160	\$.72
# Units: 1,140		Weighted Vacancy: 5.4%	

University of Toledo			
Average Per Bed		\$466	
# Beds: 1,501		Weighted Vacancy: 3.0%	

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%	

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: 3.9%	

West Toledo/Sylvania (2)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$675	634	\$1.06
2 Bed	\$776	1,085	\$.72
3 Bed	\$934	1,342	\$.70
# Units: 2,660		Weighted Vacancy: 4.1%	

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 (P2)			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$772	703	\$1.10
2 Bed	\$987	1,100	\$.90
3 Bed	\$1,314	1,424	\$.92
# Units: 2,284		Weighted Vacancy: 2.6%	

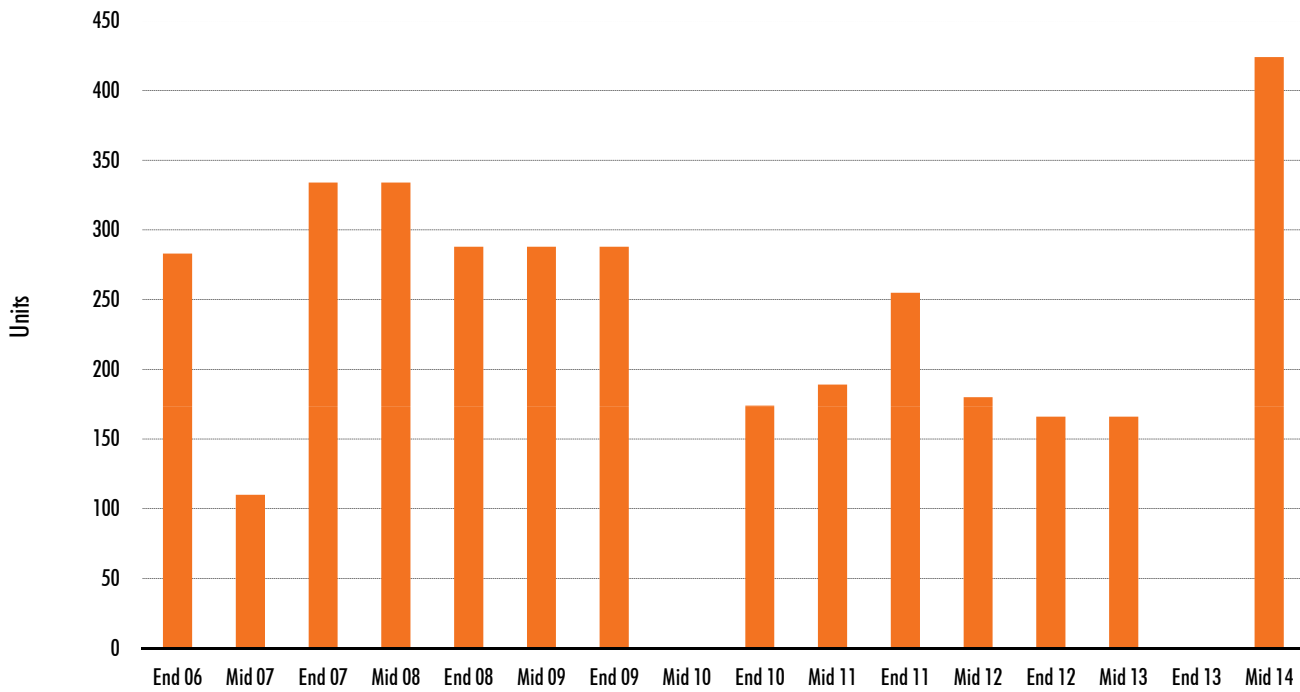
Toledo Overall*			
Unit Type	Rent	SF	Rent/SF
1 Bed	\$533	643	\$.83
2 Bed	\$682	977	\$.70
3 Bed	\$832	1,242	\$.67
# Units: 21,044		Weighted Vacancy: 5.8%	

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

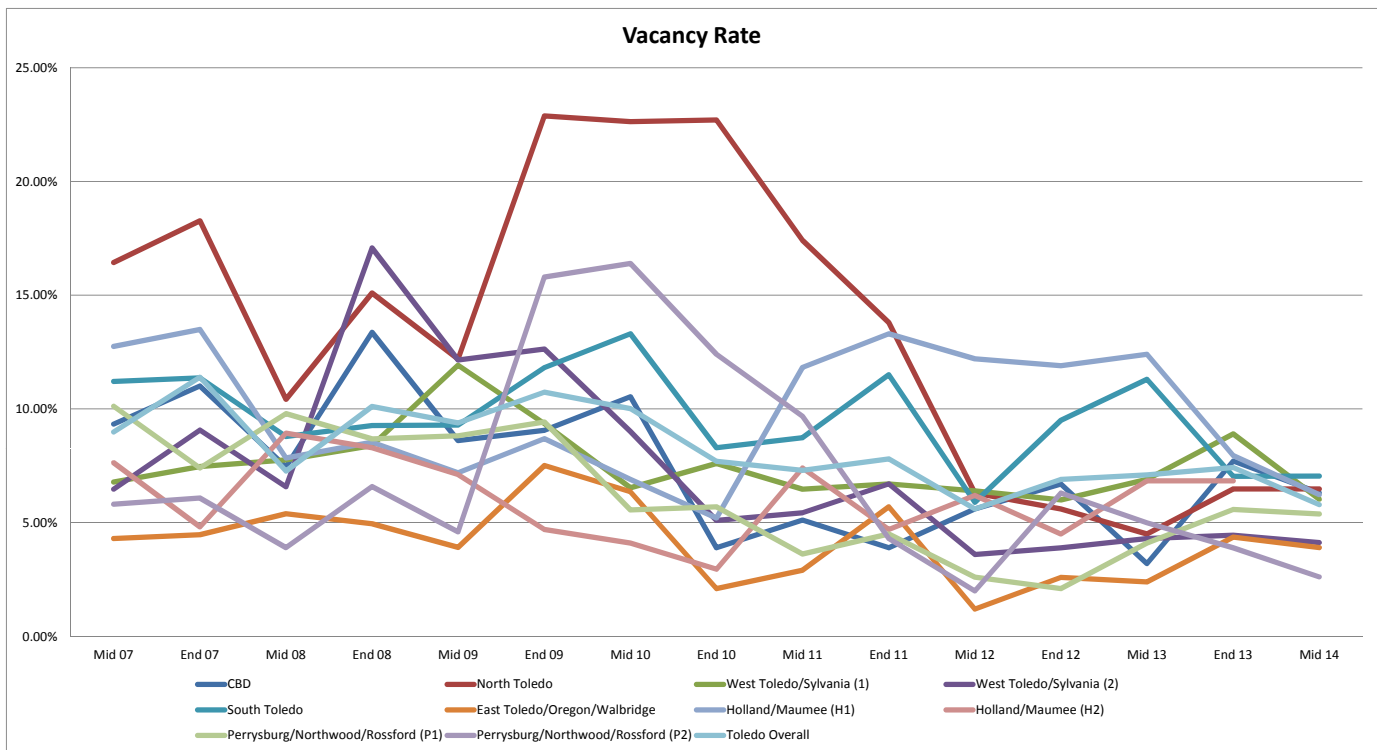
* Excludes University of Toledo student housing properties

Construction Activity

Units Under Construction ■ 424



Vacancy

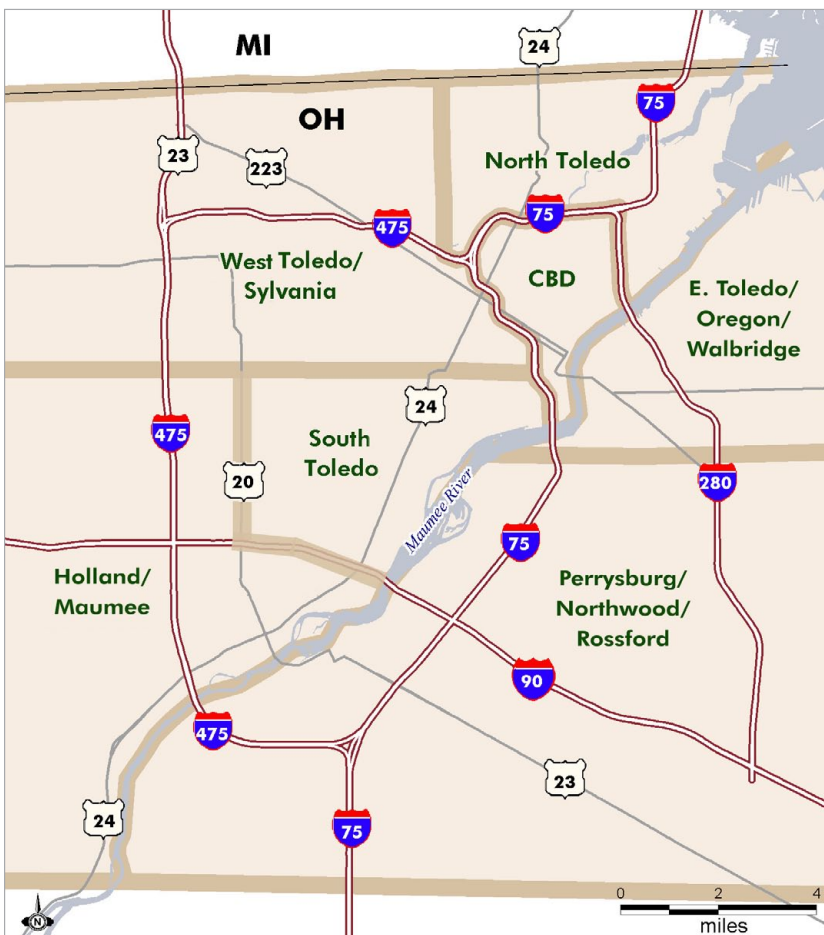


MarketView Toledo Apartments

Select Apartment Transactions

Address	Year Built	# Units	Sale Price	Price/Unit	Price/SF	Sale Date
2830 131st St.	1972	56	\$1,935,000	\$34,554	\$44.07	6/6/14
2301 University Hills Blvd.	1968	156	\$7,640,000	\$48,974	\$47.22	5/28/14
2241 W. Laskey Rd.	1963	47	\$1,300,000	\$27,660	\$35.44	4/23/14
2221 N. Reynolds Rd.	1966	24	\$300,000	\$12,500	\$21.73	4/9/14
28820 Oregon Rd.	1981	48	\$1,900,000	\$39,583	\$41.23	1/1/14

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.

The Toledo Apartment Group is:

Harlan Reichle, CCIM, SIOR
President and CEO
419.794.1122
hreichle@rkgcommercial.com

Walter (Tony) Plath
Vice President
419.794.3960
tplath@rkgcommercial.com

Evan G. Riggle
Sales Associate
419.794.1120
eriggle@rkgcommercial.com

For more information regarding the MarketView, please contact:

Harlan Reichle, CCIM, SIOR
President and CEO
Reichle | Klein Group
One SeaGate, Toledo, OH 43604
419.794.1122 t 419.794.6060 f
hreichle@rkgcommercial.com