

MARKET VIEW

TOLEDO
INDUSTRIAL

RK

ENDYEAR 2021

HOT TOPICS

Vacancy continues to decline as demand grows.

Market continues to favor owners and challenge those looking for space.

The market absorbed a further 819,868 square feet of space in the second half of 2021

Demand continues to encourage new construction - primarily build-to-suit.

NorthPoint Development to acquire and develop former North Towne Mall site - adding over 800K SF

OVERVIEW

It's hard to believe that the Toledo, Ohio area industrial space market could get much better than reported at the end of 2020 or at mid-year 2021, but it has – if you are a landlord, an owner or don't happen to need any space. For these players, the market just keeps getting better and better. If you are a user and need space or a tenant with a lease expiring, this market is a challenge and is only getting more challenging. It features very few space/building options, drastically increasing rents and long wait times for new space to be delivered.

The difficulties for users start with availabilities. The Reichle Klein Group's year end 2021 survey of the industrial space market found the market tightening further as overall market vacancy fell to 3.05% while the market absorbed a further 819,868 square feet of space in the second half of 2021 after having absorbed 802,274 square

QUICK STATS

Arrows indicate change from mid year 2021 (left) to end year 2021 (right)

3.1%
vacancy

▼ ▲
Mid '21 End '21

\$3.91
avg. lease rate

▲ ▲
Mid '21 End '21

819,686
net absorption

▲ ▲
Mid '21 End '21

3,341,400 SF
new construction

▼ ▲
Mid '21 End '21



ENDYEAR 2021

feet in the first half of the year. Vacancy among Class A buildings, which is where the greatest demand is occurring, fell to .73%. With few spec buildings being built, for many users that can't simply wait, build-to-suit new construction is the only alternative. There are virtually no small space options available.

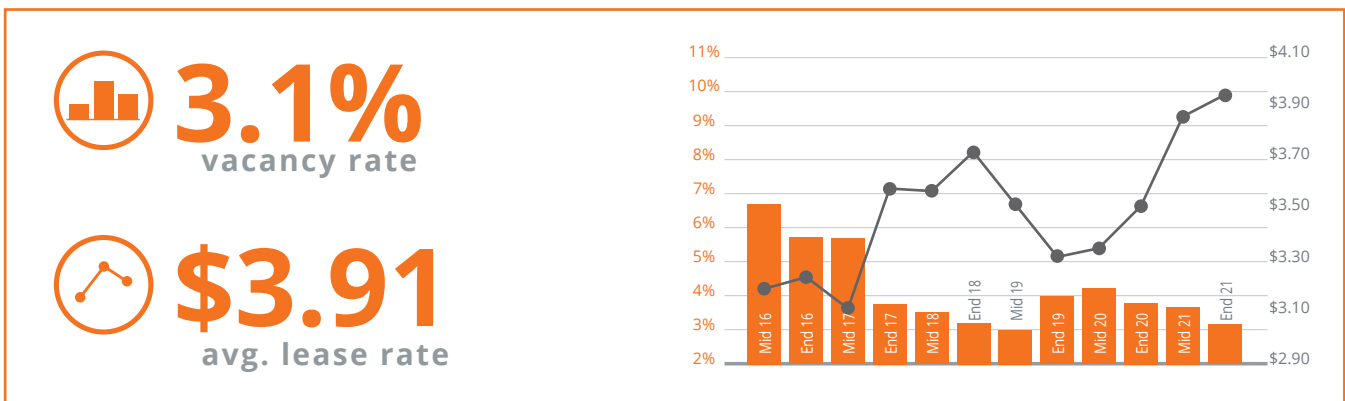
Rental rates are where the pain for users is getting sharp. The average asking rental rate for the overall market continues to rise, reaching \$3.96 per square foot, net, in December 2021. However, among Class A buildings the average asking rate stands at \$6.80 per square foot at year end, up from \$5.28 at mid-year and \$5.24 at the end of 2020. The \$6.80 rate represents the average asking rate for existing space and doesn't reflect the rates required to support new construction or build-to-suit options. Transactions for new construction are occurring at much higher rates of \$7 and higher. Further, developers tell us that rates for buildings started today could be as much as 25-35% higher by the time the buildings are delivered due to escalating construction costs.

Activity with users in the market for space remains very high. Most of the new demand is from non-automotive users, sustaining a trend that has emerged over the past decade. This is not to suggest that the auto industry isn't still a big factor in the Toledo market, merely that it's his-

torically outsized role as the prime market driver in the Toledo region is diminishing because of the growing demand from other sectors, which is a good thing. The Toledo area is clearly benefiting from the growing on-shoring/build it here mindset for which its longstanding prowess in manufacturing is a strength. The area is also benefiting from the rapid changes taking place in distribution and supply chain management because of its location, transportation assets and access to population centers and markets.

The demand has led to another big spike in new construction in the second half of 2021, nearly all of it build-to-suit. The year end survey captured 3,341,000 square feet under construction in the immediate Toledo area. Two projects, the Peloton manufacturing facility, and yet another manufacturing plant for First Solar, comprise most of that total. Fortunately, the activity in the market has attracted several very capable developers from outside the market that have taken control of significant sites where they propose to develop new industrial parks. The latest of these is NorthPoint Development which in the fourth quarter of 2021 announced its plans to acquire and redevelop the former North Towne Mall site in North Toledo with over 800,000 square feet of new industrial space.

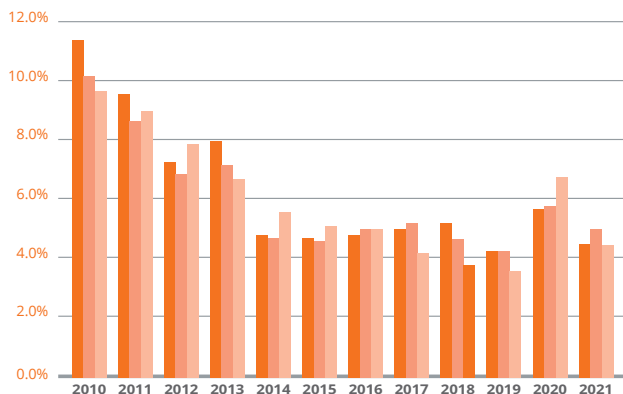
VACANCY RATE vs. LEASE RATE





MARKET STATISTICS

	Rentable Area	Vacancy Rate (%)	Net Absorption (SF)	Under Construction (SF)	Average Asking Lease Rate (SF/YR)
CBD	7,549,780	4.75%	17,456	0	\$4.82
E. Toledo/Oregon	4,786,846	0.52%	0	0	-
North Toledo	23,781,449	4.03%	102,430	262,000	\$3.69
Perrysburg/Northwood	27,765,220	3.22%	357,104	2,982,000	\$3.93
South/Southwest	18,678,879	1.77%	373,919	97,400	\$3.95
West Toledo/Sylvania	8,260,317	2.47%	-31,041	0	\$3.96
Market Total	90,822,491	3.05%	819,868	3,341,400	\$3.91
Class A Totals	18,201,345	0.73%	342,500	0	\$6.80



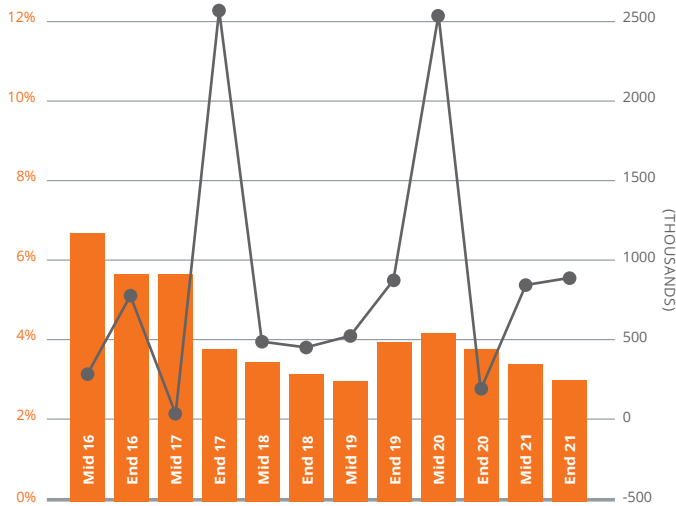
2021 Endyear Unemployment Rates

As of November 2021, Bureau of Labor Statistics states the unemployment rate for the Toledo MSA is 4.2%, down from 7.0% at mid year 2021. Ohio’s overall unemployment rate also saw a decrease. The U.S. unemployment rate of 4.2% dropped from 5.7% at the end of 2020.



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

Source: Bureau of Labor Statistics, bls.gov

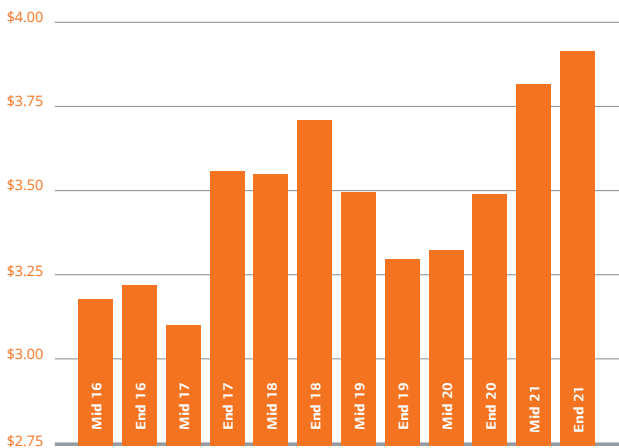


Vacancy/Net Absorption

Except for the Central Business District which saw a modest increase in vacancy and East Toledo/Oregon which at .52% vacant was flat, all submarkets registered declines in vacancy in the second half of 2021. Perrysburg/Northwood and the South/Southwest submarkets notched the largest drops in vacancy during the period. All the submarkets are under 5% vacant. Correspondingly, Perrysburg/Northwood at 357,104 square feet and the South/Southwest at 373,919 square feet recorded most of the overall market net absorption of 819,868 square feet.

Vacancy
3.1%

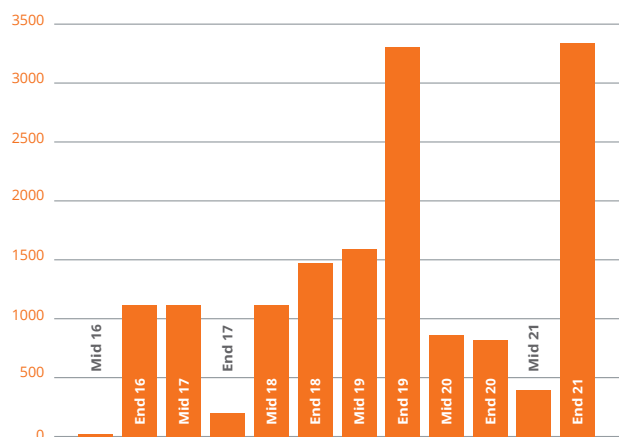
Net Absorption
819,868



Average Asking Lease Rate

The overall market average asking lease rate increased to \$3.91 from mid-year 2021 and \$3.49 at year end 2020. In the second half of 2021 all submarkets recorded increases or were flat, except the South/Southwest submarket which declined. The average asking rate for Class A space jumped to \$6.80 per square foot from \$5.28 at mid-year 2021.

Average Lease Rate
\$3.91



New Construction

The amount of space under construction increased dramatically from midyear and the end of 2020 and stands at 3,341,400 square feet at year end 2021. Nearly all space under construction is being built-to-suit and most is located in the Perrysburg/Northwood in the form of two large manufacturing facilities.

New Construction
3,341,400 SF

TOP TRANSACTIONS

1. 29440 Glenwood Road	
SIZE 182,000 SF	BUYER/TENANT UPS Mail Innovations
2. 315 Matzinger	
SIZE 131,261 SF	BUYER/TENANT Howard Ternes Packaging
3. 150 J Street	
SIZE 83,000 SF	BUYER/TENANT Newell
4. 7401 Fremont Pike	
SIZE 80,000 SF	BUYER/TENANT FedEx Inc.
5. 1670 Indian Wood Circle	
SIZE 44,720 SF	BUYER/TENANT Bottomline Ink

OUR PURPOSE

To make real estate work for our clients and customers

OUR VALUES

**Trust.
Service with a Warrior Spirit.
All in.**



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SUBMARKET MAP



GLOSSARY OF TERMS

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 full-service gross 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 office 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

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.