



All of the sectors within the Toledo commercial real estate market are seeing low prices and high capitalization rates. With the population not expected to grow much and with the unemployment rate higher than state and national levels, there is minimal new demand for commercial real estate.

Demographics & Economy

Population:

2006 (est.): 666,000
2011 (proj.): 669,000

Unemployment Rate:

Toledo - 6.0%
Ohio - 5.4%
National - 4.5%

Office

- RERC's transaction analysis indicates the average selling price of Toledo office space is \$102 per square foot, lower than the regional and national averages of \$111 per square foot and \$167 per square foot, respectively.
- The average transaction-based capitalization rate for Toledo office properties is 7.4 percent, midway between the regional rate of 7.6 percent and the national rate of 7.2 percent.

With the unemployment rate high, demand is not expected to increase for office properties. Capitalization rates may increase over the coming quarters.

Industrial

- Industrial space in the Toledo area has an average sale price of \$44 per square foot, slightly lower than the regional average of \$49 per square foot, and about half the national average of \$83 per square foot, according to RERC's transaction analysis.
- Toledo industrial properties have an average capitalization rate of 7.9 percent, higher than the regional

and national averages of 7.8 percent and 7.4 percent, respectively.

The Toledo industrial market is seeing a high average capitalization rate and a low average price per square foot. This trend will most likely continue if demand for industrial space does not increase.

Retail

- The average price for retail space in the Toledo area is \$120 per square foot, slightly lower than the regional price of \$126 per square foot, and much lower than the national average price of \$169 per square foot.
- The average transaction-based capitalization rate for retail properties is 7.5 percent, higher than the regional and national average rates of 7.2 percent and 6.9 percent, respectively.

The price of retail property in the Toledo market is low and the capitalization rate is high when compared to the national averages. With the population unchanged and if unemployment remains high, the demand for retail space will further decline, and as a result, fundamentals may decrease even more.

Apartment

- RERC's transaction analysis indicates the average selling price of Toledo apartment properties is \$38,934 per unit, lower than the regional and national averages of \$67,913 per unit and \$107,833 per unit, respectively.
- Apartment properties in the Toledo area have an average capitalization rate of 8.5 percent, drastically higher than the regional rate of 6.9 percent and the national rate of 6.3 percent.

The capitalization rate for apartment properties in the Toledo area is much higher than the regional and national market, reflecting the great amount of risk involved with investment in the market.

National Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)						
	Office	Industrial	Retail	Apartment	Hotel	Total
Volume (in millions)						
<\$2 million	\$2,307	\$4,047	\$4,070	\$5,669	\$220	\$16,312
\$2-5 million	\$3,910	\$5,701	\$6,222	\$5,910	\$926	\$22,668
>\$5 million	\$155,131	\$32,581	\$50,896	\$87,663	\$33,689	\$359,961
All	\$161,348	\$42,328	\$61,188	\$99,242	\$34,835	\$398,942
Unit Price Averages						
<\$2 million	\$103	\$68	\$103	\$92,566	\$53,998	-
\$2-5 million	\$167	\$96	\$216	\$128,810	\$59,767	-
>\$5 million	\$209	\$104	\$250	\$126,410	\$137,649	-
All	\$167	\$83	\$169	\$107,833	\$110,713	-
Median of all	\$137	\$66	\$123	\$86,170	\$82,776	-
Capitalization Rates (All)						
Range	4.7 - 10.5	4.8 - 11	4.4 - 10.4	3.8 - 10.6	5.7 - 12.3	3.8 - 12.3
Average	7.2	7.4	6.9	6.3	8.7	7.3

Midwest Region Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)						
	Office	Industrial	Retail	Apartment	Hotel	Total
Volume (in millions)						
<\$2 million	\$366	\$734	\$802	\$793	\$27	\$2,721
\$2-5 million	\$511	\$1,012	\$1,071	\$559	\$173	\$3,325
>\$5 million	\$20,592	\$3,963	\$8,580	\$5,780	\$3,268	\$42,183
All	\$21,449	\$5,669	\$10,417	\$7,097	\$3,463	\$48,095
Unit Price Averages						
<\$2 million	\$72	\$43	\$80	\$67,512	\$26,791	-
\$2-5 million	\$125	\$61	\$196	\$56,865	\$38,901	-
>\$5 million	\$146	\$60	\$199	\$74,944	\$106,884	-
All	\$111	\$49	\$126	\$67,913	\$77,324	-
Median of all	\$95	\$41	\$89	\$53,063	\$57,292	-
Capitalization Rates (All)						
Range	5.3 - 10.5	5.3 - 11	5 - 9.5	4.1 - 10.6	6.3 - 12.3	4.1 - 12.3
Average	7.6	7.8	7.2	6.9	9.1	7.7

Toledo Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)						
	Office	Industrial	Retail	Apartment	Hotel	Total
Volume						
<\$5 million	\$23	\$14	\$37	\$35	-	\$109
>\$5 million	\$48	\$21	\$37	\$88	-	\$194
All	\$71	\$35	\$75	\$123	-	\$304
Unit Price Averages						
<\$5 million	\$96	\$41	\$125	\$36,748	-	-
>\$5 million	\$129	\$63	\$94	\$43,703	-	-
All	\$102	\$44	\$120	\$38,934	-	-
Median of all	\$95	\$34	\$90	\$30,990	-	-
Capitalization rates (all)						
Range	5.6 - 9.3	5.9 - 9.9	5.6 - 9.4	6.4 - 10.6	-	6.4 - 11.4
Average	7.4	7.9	7.5	8.5	-	8.1

Noteworthy Transactions

- The 7,200-square-foot retail property located at 1722-1734 West Laskey Road sold for \$975,000, or \$135 per square foot, slightly above the average price of \$125 per square foot for retail properties in the area selling for less than \$5 million.
- Hunters Ridge, a 362-unit apartment property, sold for slightly under \$8 million, or \$23,000 per unit, slightly more than half the average price of \$43,703 per unit for apartment properties in the area selling for more than \$5 million.
- Miracle Manor, a 219-unit apartment property, sold for slightly more than \$5 million, or \$23,000 per unit, well below the average price per unit for properties in the area selling for more than \$5 million.
- The 6,308-square-foot retail property located at 3750 Monroe St. sold for \$432,000, or \$68 per square foot, slightly more than half the average price of \$125 per square foot for retail properties in the area selling for less than \$5 million.