Woolbright Development Research

Miami-Dade Retail Market Summary and Outlook

2010 Jan

Woolbright's 2010 Annual Miami-Dade Retail Market Report

In 2010, vacancy rates in Miami-Dade County rose by 90 basis points to 7.5% and rental rates fell by 13% to $27.30 NNN.

Woolbright Development is pleased to present our annual Miami-Dade retail market report. Over the last 15 years, Woolbright has physically visited all centers with a GLA of 45,000 square feet or greater in Florida's major markets. Last on-site survey in the Miami market was conducted in January 2010.

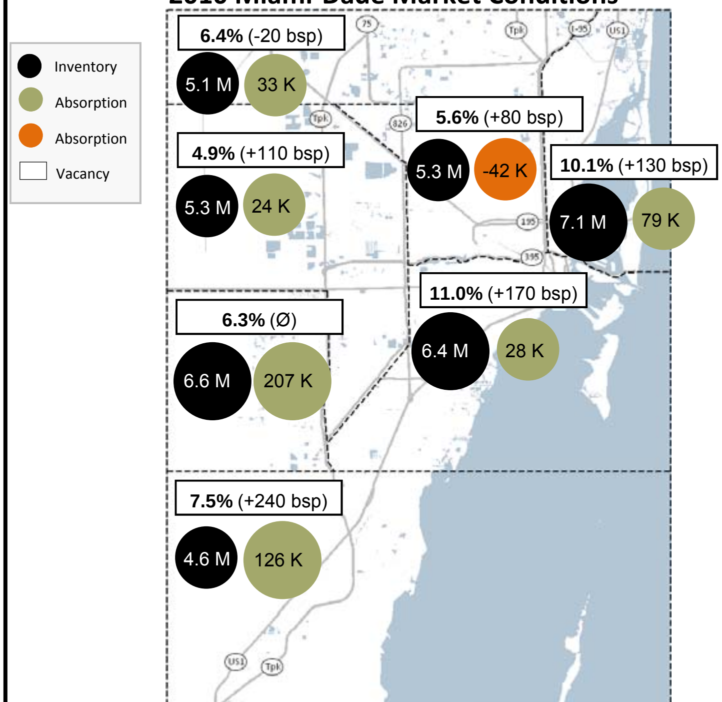
Miami-Dade All Centers

Miami-Dade County has over 2.4 million people, making it the most populated county in Florida and the eighth most populated county in the United States. The Miami market contains 40.3 million square feet of total retail space and is the best performing market in Florida. As of January 2010, two full years after the credit crisis started, the Miami market boasts the lowest vacancy rate in Florida— 7.5%. While last year was very difficult for most markets, Miami vacancy was up just 90 basis points from the end of 2008. Furthermore, the market has broad strength with 215 or 66% of its 324 centers operating at an occupancy of 95% or higher.

All across Florida, small shop tenants have been the main victims of this economic downturn. Over the past year, Dade added 400,000 of square feet vacant space as underperforming small shop tenants closed their stores. As of January 2010, an average retail center in the Miami market had 9,000 square feet of small shop space vacant as compared to 8,000 square feet vacant at the end of 2008.

In addition, last year many large box retailers including Circuit City, Home Depot Expo, Office Depot and Sound Advice shuttered underperforming stores in the Miami market. Yet, surprisingly, an equal amount of large box space was leased to large users, resulting in essentially no net change in Miami's vacant large box space.

2010 Miami-Dade Market Conditions



2010's average vacancy rate in the Miami market stands at a single digit rate of 7.5%. However, submarkets along the county's coastal line are experiencing a two-digit vacancy rate between 10-11%. The higher vacancy rate in the Miami-Beach and the Coral Gables-South Miami submarket may be explained by the decline in the tourism industry.

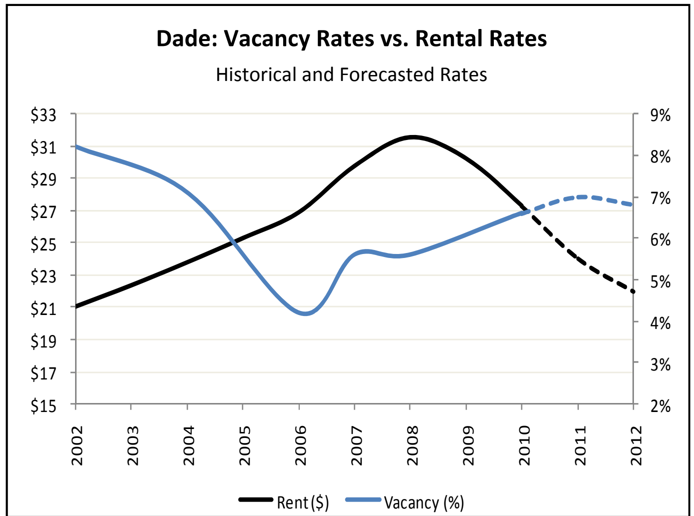
Miami-Dade Publix Centers

Dade's first Publix store opened in 1957. Today, Publix has a total of 67 Miami area stores. In 2003, Publix made a large expansion push when they opened nine new stores of which four were free-standing in-fill locations. Publix is the largest grocery distributor in the Miami market followed by Winn Dixie with 42 stores and Sedano's Supermarket with 25 stores.

Publix stores anchor 7.8 million square feet of retail space or about 20% of the centers in the entire Miami market. In terms of occupancy, Publix centers in the Miami market are performing only slightly better than the average Dade center. Publix centers' vacancy rate in January 2010 stood at 7.1%, which is up 250 basis points from the 4.6% level they had at the end of 2008. Over half of the 200,000 square feet of new vacant space in Publix centers last year came from big box closings—the 90,000 square feet Home Depot Expo at Airpark Plaza and the 20,000 square feet Office Depot at Cutler Bay Towne Center. The other 100,000 square feet of new vacancy resulted from small shops closing .

Miami-Dade Publix Centers Market Rents

While the Miami retail market's occupancy level is holding up far better than the rest of Florida's markets, the Miami market is now experiencing the same rate of deterioration in rental rates as the rest of Florida. From the rent peak reached in 2008 of $31.55 NNN per square foot, rental rates for shop space at Publix centers in the Miami market fell last year by 13% to $27.30 NNN per square foot. We forecast that the current excess supply of vacant space will continue to put a downward pressure on rental rates over the next two years. Rental rates are likely to decline another 10-15% and bottom out at around $22—$24 NNN per square foot.



Miami's vacancy rate continues to rise and now stands at 7.5%, up 90 basis points in the last 12 months, and rental rates have fallen $4.25/SF to $27.30 NNN per square foot.

Miami-Dade New Projects

Over the last decade, the Miami market typically opened about 1.0 million square feet of new retail space annually. Last year, openings in the Miami market kept in line with the historical average as the market added just over 900,000 square feet of new space. The following eight projects opened or expanded in 2009 in Dade: 1) Fifth & Alton Shopping Center at Alton road and Fifth Street; 2) West Sunset Square at Sunset Drive and 17th Avenue; 3) Everglades on the Bay at Biscayne Boulevard and NE 3rd Street; 4) Eureka Promenade at 184th Street and SW 147th Avenue; 5) Homestead pavilion (Phase II) at Campbell Drive and State Road 821; 6) Mary Brickell Village (Phase II) at Miami Avenue and SW 10th Street; 7) London Square (Phase II) at 137th Avenue and 120th Street; and 8) The Westchester on Coral Way and SW 87th Avenue (redevelopment). In 2010, the addition of new space will fall by half. Today there is only about 400,000 square feet of new space under construction. The projects under construction are as follows: 1) South Beach Fresh Market at West Avenue and 18th Street; 2) Causeway Square at Federal Highway and NE 123rd Street; 3) Market Square at SW 104th Street and SW 117th Avenue; 4) Promenade at Silver Palm at SW 232nd Street and SW 112th Avenue; and 5) The Palms at Town & Country (Phase II renovation).

Outlook— "The Recovery is Now Underway"

During this economic downturn, the Miami retail market has fared better than all the rest of Florida's retail markets. For example, today Miami's retail centers have a vacancy rate of only 7.5%, which is only about half of the 13% levels seen in the Palm Beach and Broward markets. Miami's "historical low" in vacancy rate came in 2006, and since then, Miami's vacancy rates have climbed by approximately 100 basis points annually. The average rental rates for shop space at Publix centers peaked at $31.55 NNN per square foot in 2008 and they have since then fallen by 13% or $4.25 NNN per square foot.

The Miami retail market was the last market in Florida to give in to the recession, yet, it will most likely be the first market to recover. The recovery will get most of its help from the low growth rate of new space—construction in 2010 will be half the normal levels and in 2011 the growth will likely be even lower. We expect that the national retailers will announce far less store closings in 2010 as compared to 2009. Finally, we project that the Miami market's vacancy will start to level off in late 2010, followed by rental rates bottoming out at Miami's 2003 rent levels of $22—$24 NNN per square foot just one year later.

About this study

Data was collected in November 2008 and January 2010 through on-site inspection by Woolbright Development and includes all centers in the Miami-Dade County with a GLA of 45,000 square feet or greater, and is the exclusive property of Woolbright Development, Inc. For more information about Woolbright's research please send an email to lhoyer@woolbright.net or call Liz Hoyer, Research Director at 561-989-2247.

Woolbright Development

Woolbright Development Inc., a real estate investment firm based in Boca Raton, Florida, acquires and develops retail grocery and basic needs shopping centers throughout the state of Florida. Founded 22 years ago, Woolbright is now one of Florida's largest investors in Florida shopping centers and is partnered with some of the US's largest real estate investors. The keys to our success are extensive area research, industry knowledge, client commitment, and vision. Woolbright currently maintains a retail portfolio of 3.5 million square feet all of which is located in Florida's major metro markets. Information about the firm, recent research studies and a complete listing of our portfolio can be found on our website www.woolbright.net.

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