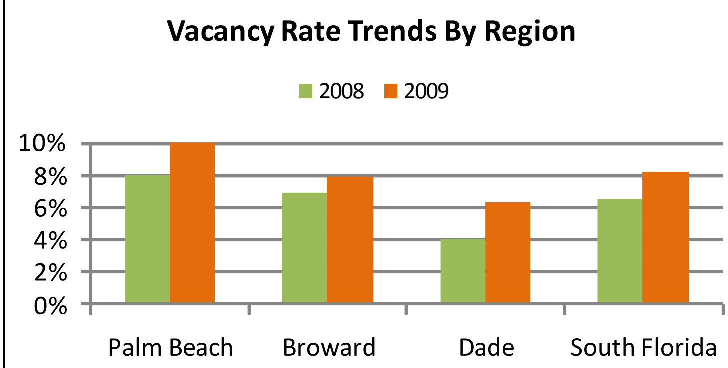
Woolbright's Mid-Year 2009 South Florida Publix Center Performance Report

"Falling rents, rising vacancy, and halted construction activity are common themes across all South Florida Publix markets."

Woolbright Development maintains its 20 year history of surveying Florida retail centers with this mid-year South Florida Publix center report. With Publix centers accounting for approximately 20% of all retail centers, their performance is a key indicator for the retail market as a whole. This collective report follows individual mid-year studies recently published for Dade, Broward, and Palm Beach county Publix anchored centers.

South Florida Publix Centers Inventory

The current economic climate has affected all South Florida Publix markets in much the same way, with rising vacancies, falling rents, and minimal construction activity. The most recent numbers show that the South Florida Publix market has grown by 1.9% since the end of 2008, and is now home to 214 Publix anchored centers totaling 26.7 million square feet of retail space. However, growth in inventory must be matched with positive absorption of the new space. Palm Beach added roughly 400,000 square feet of space, but only absorbed half. Broward did not add any new inventory. Dade added 100,000 square feet, but rather than absorbing any new space the market actually posted a net negative absorption of 200,000 square feet. Consolidating absorption figures across all three South Florida Publix markets revealed no net absorption for the first half of 2009.

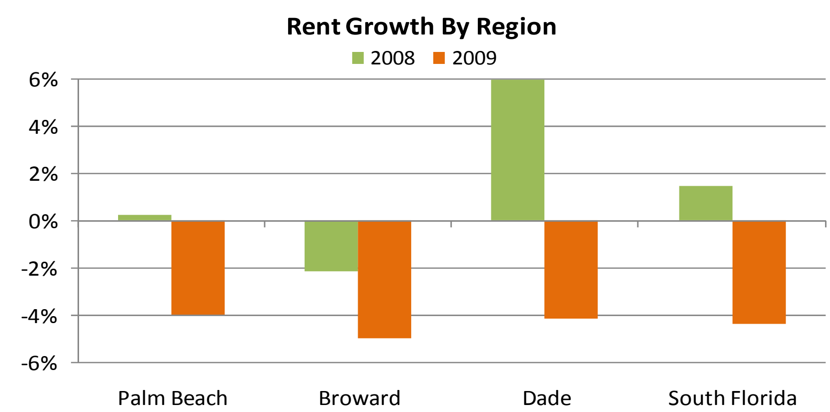


Since the end of 2008, vacancy in South Florida Publix centers has increased by 180 basis points to 8.3%. Dade Publix centers increased in vacancy after being the only market to post a decrease in 2008.

South Florida Publix Centers Vacancy

In just the last six months, total vacancy for all of South Florida Publix centers rose by 180 basis points to 8.3%. Big box anchors closing was the driving force pushing vacancy higher in all three individual markets. Linens 'N Things closed three stores within Publix centers, two in Palm Beach county and one in Dade county. Also in Dade, an Expo Design Center was closed leaving behind 81,000 square feet of empty space. Palm Beach county posted the largest increase in vacancy, rising 240 basis points, and has the highest vacancy rate of all markets at 10.2%, which is mostly attributed to the fact that two new centers opened with 50% occupancy and two Linens 'N Things closed. Positive movement in Broward showed the rate of increase in vacant space dropping by half, still vacancy rose by 100 basis points in the last six months to 7.9%, compounding the 200 basis point rise in 2008. Dade was the only market to have vacancy decrease in 2008, but in the first half of 2009 occupancy levels dropped, pushing vacancy up 180 basis points to 6.4%. While vacancy rates have risen across all South Florida markets, Publix centers continue to outperform the rest of the market. Given the strong history of performance at Publix anchored centers, Woolbright is projecting a recovery in late 2010, with vacancy across South Florida topping out around 10%.

South Florida Publix Centers Rents



After increases in rent for two of the three markets in 2008, all South Florida Publix markets posted negative changes in rent levels in the first half of 2009.

The chart on the right depicts the drastic changes in rent that South Florida Publix markets are experiencing since 2008. The average rent across all of South Florida Publix centers is $27.25, a 4.4% decline from 2008. The most disparate change can been seen in Dade county where rents dropped by 4.2% to $30.24, nearly eliminating all of the 6.0% increase from 2008. The Broward market doubled its 2.0% decline from 2008, with rents decreasing by 5.5% to $25.63. Palm Beach rents had increased by a marginal 26 basis points in 2008, but could not maintain these levels in 2009 and decreased by 4.0% to $25.88. These sharp decreases can be interpreted to mean that landlords are having to slash rents in order to keep existing tenants in their centers and attract the few tenants that may be looking for space. Woolbright expects rent cuts to continue into late 2010, dropping approximately another 10% with the majority of rents leveling off between $20 and $25 NNN across South Florida.

Outlook

The credit crisis is now moving its way through commercial real estate. Publix centers are performing better than most, but are not immune. The annual rate of growth for Publix anchored centers has slowed over the past five years to roughly 2.0%, or just 3 new projects per year. Woolbright expects new construction to remain very depressed over the next two years. Dade is the only South Florida market that has Publix anchored projects under construction at this time, with three Publix centers set to open by the end of 2009. Currently, there are only five Publix anchored projects proposed for all of South Florida, and there is no activity on any of the parcels. The extreme lack of new projects is a strong indicator that Publix and the market as a whole are bracing themselves for further weak retail sales. Unemployment in Florida is currently above 10%, and until jobs return, consumer spending along with retail sales will remain low. However, South Florida Publix anchored centers have a long history of outperforming their peers, and despite the current downturn Woolbright Development maintains a positive outlook.

About this study

Data was collected from April to July 2009 through on-site inspection by Woolbright Development and includes Publix anchored centers in Palm Beach County, Broward County, and Dade County, 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 MSF all of which is located in Florida's major metropolitan areas. Information about the firm, recent research studies and a complete listing of our portfolio can be found on our website www.woolbright.net.