

Woolbright's 2009 Annual Broward Retail Market Report

"During 2009, vacancy rates in the Broward market increased by 250 basis points to 12.7% and rental rates fell by 11% to \$24.00 NNN/SF."

Woolbright Development is pleased to share the results of our annual Broward retail market report. The on-site survey was conducted by Woolbright in December 2009.

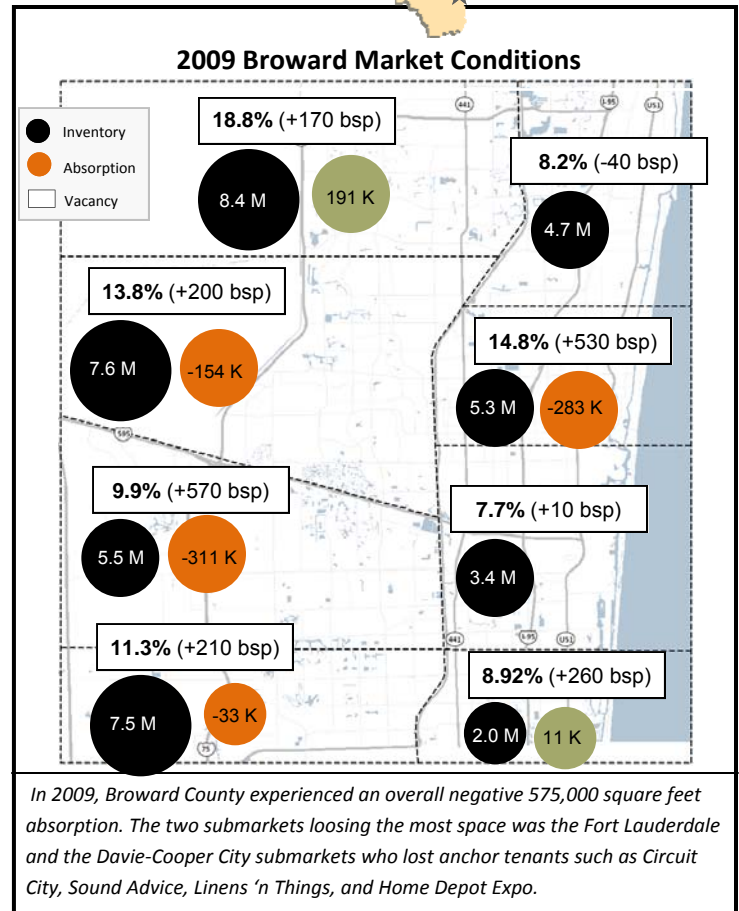
Broward All Centers

Broward County is the second largest populated county in Florida with 1.9 million people, exceeded only by Dade with 2.4 million. During 2009, just over 600,000 square feet of new retail space was added to the Broward market bringing the inventory to 44.4 million square feet in 333 centers.

In 2009, the Broward market experienced its second consecutive year of rising vacancy rates. At the end of 2009, vacancy stood at 12.7%, an increase of 250 basis points from 10.2% at the end of 2008. The 1.2 million square feet of new vacancy is mainly due to two factors. First, the Broward market could not absorb about 200,000 of the 600,000 square feet of new space built. Secondly, the weak economy forced an excessive number of existing stores to close. Store closings in Broward added approximately 700,000 square feet of new small shop vacancy and another 300,000 square feet among big box tenants.

Many will remember 2009 as a dark year in the commercial real estate business, but we are much better off today than when we had 20% vacancy after the Savings and Loan crisis of the early 1990's. Last year, a typical shopping center in Broward County lost 4,000 square feet on average. Nevertheless, over 200 centers, or 60% of Broward's inventory have a vacancy rate below 10%. In fact, only one out of five centers have a vacancy rate exceeding 20%.

As expected Broward's class "A" centers are doing much better than average, and as a group they are 90% leased. Surpris-



ingly, class "B" centers were the most affected by the economic downturn. The class "B" centers were pounded more than any of the other projects during 2009 when they experienced a reduction in occupancy by 300 basis points. At the end of 2009, a typical Broward class "B" center had an average occupancy level of just 85%, which has the same level as class "C" centers.

Broward Publix Centers

Last year only one new Publix Supermarket opened in Broward County, and it was located at Pine Lakes Plaza in a former Albertson's location. Publix now has 79 stores in Broward anchoring centers containing 10.3 million square feet of retail space. Approximately every one out of four shopping centers in Broward is anchored by a Publix Supermarket. During 2009, the vacancy rate at Publix anchored centers increased by 250 basis points to 9.7%, rising from 7.3% at the end of 2008. As a group, Publix centers have an occupancy level that is much better than the market average, but last year they still lost tenants at the same rate as a typical shopping center in Broward County.

Broward Publix Centers Market Rents

The drop in rental rates for small shop space at Publix centers in Broward County accelerated during 2009. After reaching a peak of \$27.60 NNN in 2007, rental rates have now fallen by 13%. Most of the rent decline occurred during 2009 as Publix center landlords slashed rents by \$3.00/SF to \$24.00 NNN. Given the pricing pressure created from the excess supply of vacant space, we expect Broward's Publix center rents to continue to decline a further 10% over the next two to three years before bottoming out at \$20.00— \$21.00 NNN per square foot which was the level last reached back in 2003.

Broward New Projects

After nearly a decade of 3.0% annual growth, construction has come to a standstill in Broward with just over 600,000 square feet of new space added in 2009. Those brave enough to build a new project found it quite difficult to lease small shop space during 2009 and as a result the new space opened with only a 70% occupancy rate inclusive of anchor space, resulting in the majority of shop space sitting empty. Sixty percent of the space built in 2009 involved the expansion of an existing project. Last year, only two new projects opened: 1) Promenade Coconut Creek at Lyons Road and Wiles Road; and the 2) Eldorado Shopping Center at Lyons Road and Sawgrass Expressway. Also, there were three large expansions built in 2009: 1) Phase II at Coral Landings III at Sample Road and NW 62nd Avenue; 2) Phase II at Miramar Square at Miramar Parkway and Flamingo Road; and 3) Phase II at Home Depot Center on US 441 and Pembroke Road.

Currently, the Broward market has only two projects under construction containing about 500,000 square feet of new space all of which is projected to open in early 2010. The two new projects are: 1) The Village at Gulfstream Park at Federal Highway and Hallandale Beach Boulevard; and 2) Cobblestone Plaza at Pines Boulevard and Interstate 75. There are no proposed projects currently announced for 2011.

Outlook—"The Recovery is Now Underway"

Last year will be remembered as one of the worst years for Broward retail projects; values plummeted by 30-40%, rents fell by \$3.00/SF and vacancy rates jumped to 12.7% , their highest levels in over a decade. Yet, Broward is still in much better shape today than it was after the Savings and Loan crisis in the early 1990's. Many observers would have guessed that the large increase in vacancies during 2009 came from the highly publicized big box closings of retailers like Circuit City and Linens and Things. Instead, the recession took its toll on the small shop tenants which accounted for 75% of the new vacancy created during 2009. As a result of the increase in vacant space last year, the rental rates in Broward fell by 13% to \$24.00 NNN. Unfortunately, given the excessive amount of vacant space, we expect that rents will continue to decline over the next few years and drop to about \$20.00 NNN. Based on historical absorption patterns following a recession, it should only take 2-3 years for Broward's vacancy rates to return to pre-crisis levels, but it will take a great deal more time for rents to surpass their peak. Fortunately, Broward's retail property market's recovery will be helped by the cessation of new retail construction.

About this study

Data was collected in October 2008 and December 2009 through on-site inspection by Woolbright Development and includes all centers in Broward 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.

