

Woolbright's Annual Miami-Dade Publix Centers Market Report

Property fundamentals improved during 2010: Positive absorption pushed rents up by \$1.00 to \$28.35 NNN, but vacancy increased by 90 basis points as new space entered the supply.

Woolbright Development continues its 20-year tradition of surveying all retail projects in Florida's major metro areas to provide decision makers real time market updates. In the Miami-Dade Publix Centers Market Report, we discuss the findings of our recent site visit in September 2010 to all 68 Publix centers located in the Miami-Dade County.

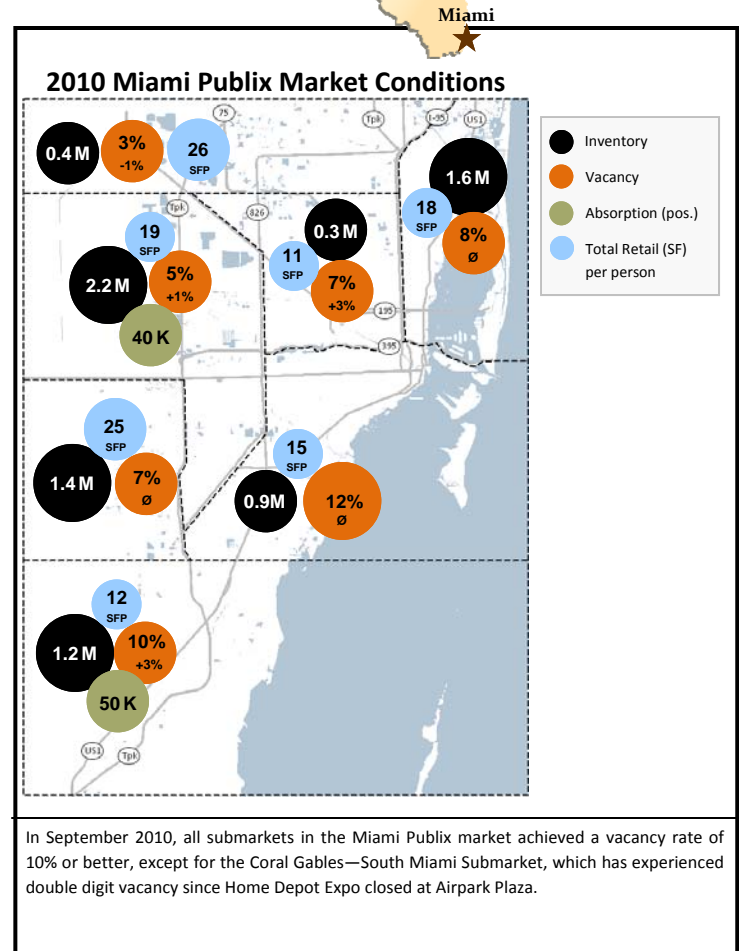
Most populated County in Florida—2.5 Million People

Miami-Dade County, the most populated county in Florida and the eighth most populated county in the United States, is estimated to grow by 19% in the next 15 years—adding 460,000 people according to a recent study by The University of Florida. Historically, the population in Florida's major metro markets has been supported by approximately 25 square feet of retail space per person. The proposed population growth will create a future demand of over 10 million square feet of new retail space in the Miami market.

Vacancy—Lowest in Florida (7.7%)

Vacancy increased by 90 basis points from 6.8% in January 2010 to 7.7% in September 2010.

In the last three years, retail sales have been off historical levels. The recession caused consumers to hold back on spending and to become value driven in their purchases. As a result, many non-discount retailers saw their sales dwindle and were forced to close underperforming stores, which led to centers losing many of their "high-end" tenants. Generally, in Florida's major markets, Publix centers were affected more than the average center, making the last three years a difficult time for many of the Publix center owners.



In September 2010, the Miami Publix center market (68 stores comprising 8.0 million square feet of retail space) continued its strong performance, boasting the lowest vacancy rate in the state at 7.7%. The Miami Publix market's vacancy increased only about 300 basis points in the last three years, while many of Florida's other Publix markets doubled in vacancy to 10-11%. In the last eight months, vacancy increased by 90,000 square feet in the Miami Publix market. The majority of the new vacancy was an effect of developers adding new shop space to supply when the market was not yet ready to absorb it. During 2010, the following three developments were completed: 1) Promenade at Silver Palm on SW 232nd Street and SW 112th Avenue; 2) Eureka Promenade on SW 184th Street and SW 147th Avenue; and, 3) The phase II renovation at The Palms at Town & Country on Kendall Drive and SW 117th Avenue.

Turning Point—Occupancy Stabilizing

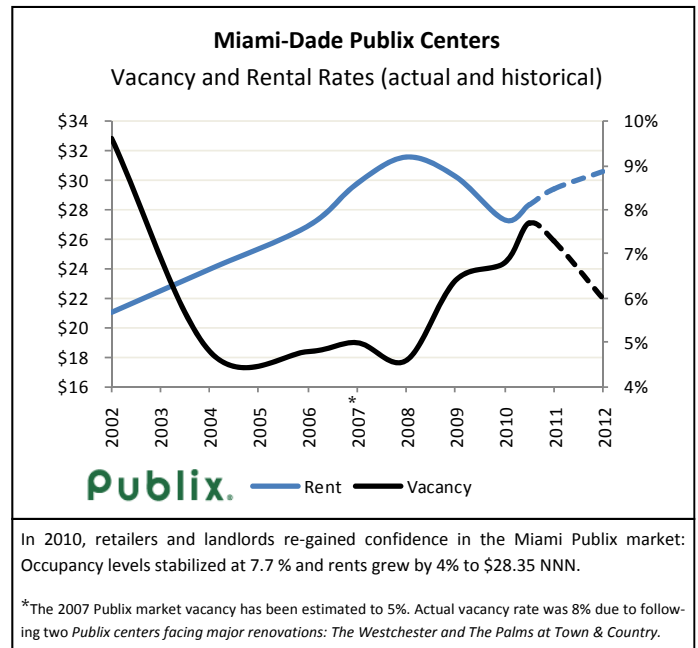
Excluding new developments, the Miami market vacancy increased only 30 basis points (7.2% in September 2010; 6.8% in January 2010).

Retailers have recognized the strength of the Miami market despite the recent uptick in vacancy (predominantly caused by the new developments). As evidence, in the last eight months, retailers have opened 150,000 square feet of retail space. As more vacant space is absorbed and little new space enters the supply, vacancy will continue to contract reaching 6-7% in late 2011.

Publix Rents Grew By \$1.00 to \$28.35 NNN

Base rent increased by 4% to \$28.35 NNN in September 2010 (from \$27.30 in January 2010).

As occupancy levels in the Miami Publix centers started to stabilize, landlords regained some of their power, which was lost during the recession, and raised rents by \$1.00 to \$28.35 NNN in September 2010. Rent levels have returned to 2007 levels after being discounted from their peak at \$31.55 in 2008. If rents continue to grow by 4% annually, owners will recover the remaining \$3.20 rent lost from the economic downturn before the end of 2013.



Development—Two New Publix Centers in the Works

130,000 square feet of new retail space to enter supply in the next two years.

Since 1957, when Publix built its first store in the Miami market, Publix has opened 1-2 stores annually, on average. The economic downturn did not stop Publix from continuing to expand its presence in the Miami market. In 2010, Publix opened two stores (Promenade at Silver Palm and Eureka Promenade). Over the next two years, Publix plans to open two new stores: 1) Market Square on SW 104th Street and SW 117th Avenue, which is under construction and slated to open summer 2011; and 2) Publix at 18Biscayne on Biscayne Boulevard and NE 18th Street, which is slated for an early 2012 completion.

Outlook—The Recovery has Started

The worst years in commercial real estate history, since the 80's and 90's savings and loan crisis, are finally behind us. In 2010, two factors show that the Miami Publix market has finally turned a corner: 1) Positive absorption and 2) Growing rents. The re-surge of retail activity (150,000 square feet) came mainly from large box tenants—Publix opened two stores, and Nordstrom Rack and Loehmann's opened one store each. The positive absorption caused some of the negotiation power to return to landlords, who in the last eight months raised base rents by 4% to \$28.35 NNN. With little new retail space planned to enter supply, vacancy levels will continue to contract to 6-7% in late 2011. Higher occupancy levels will maintain an upward pressure on rents. If rent growth continues to rise by 4% annually, rents will return to \$30-31 NNN in late 2011 and owners will have recovered the remaining \$3.20 rent loss from the economic downturn before the end of 2013. The future of the Miami market has gone from uncertainty to hopeful and confident.

About this study

Data was collected in January 2010 and September 2010 through on-site inspection by Woolbright Development and includes Publix centers in the Miami-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 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.