

# Woolbright's 2010 Annual Jacksonville Retail Market Report

*In July 2010, vacancy rates in the Jacksonville market increased by 210 basis points to 12.6% and rents among Publix centers grew by 2% to \$20.80 NNN.*

Woolbright Development continues its 20-year tradition of surveying all retail projects over 45,000 square feet in Florida's major metro areas to provide decision makers real time market updates. In the Jacksonville Market Report, we discuss the findings of our recent site visit in July 2010 to all 217 centers located in the Jacksonville market.

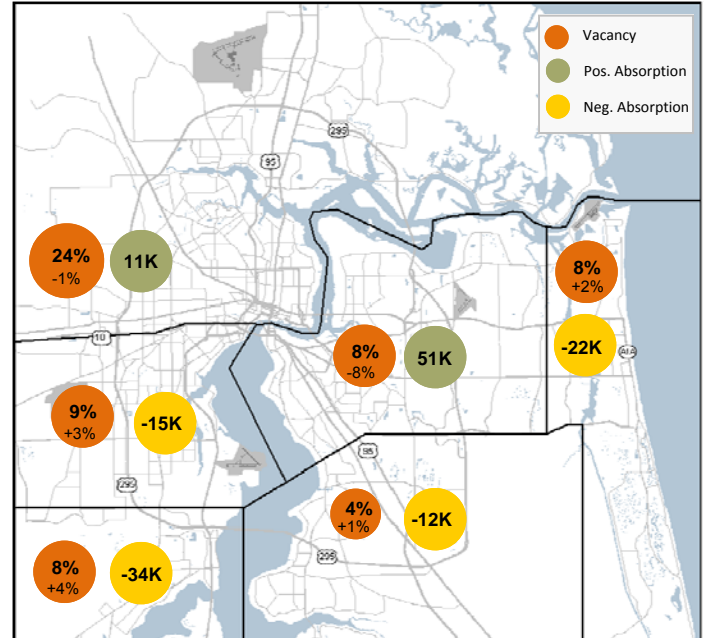
## Jacksonville Overview

The Jacksonville market—with 1.1 million people and almost 30.0 million square feet of retail space—is the smallest retail market among Florida's six major metro markets. In the last decade, the Jacksonville retail market has grown by over 1.0 million square feet of new space annually, but in the last 12 months, new construction has almost been non-existent, only 50,000 square feet of new space was added.

Occupancy levels in the Jacksonville market continue to fall. In July 2010, the average vacancy rate stood at 12.6%, increasing 210 basis points compared to last year's vacancy rate. "Top-performing" centers, those with an occupancy level of 95% or better, continued to perform with high tenancy, but "struggling" centers still experienced falling occupancy levels. In fact, in July 2010, a quarter of Jacksonville's retail centers had a vacancy rate of 20% or greater.

Jacksonville is experiencing a challenge common throughout the state as retailers work to close underperforming locations. In the past 12 months, Jacksonville's vacant space increased by over 600,000 square feet. Departing large box retailers, such as K-Mart, Sound Advice, Sticks N Stuff, Powerhouse Gym, and Cost Plus, accounted for 60% of the total store closings—or 400,000 square feet. Store closings by small shop tenants have slowed and accounted for 200,000 square feet of space in the last 12 months.

## 2010 Jacksonville Retail Market Conditions



In July 2010, vacancy rates in the Jacksonville market range from 4-9% except for the Northwest Jacksonville submarket which stands at 24%, which may be an effect of the 25-35% lower household income this area is experiencing compared to its neighboring submarkets to the south.

## Publix Centers

Publix, with 36 stores, is the largest grocery distributor in the Jacksonville market (closely followed by Win Dixie with 30 stores). In the last 6-8 months, performance among Publix centers has stabilized throughout several markets in Florida, including the Jacksonville market. In July 2010, the vacancy rate at Publix Centers in the Jacksonville market stood at 10.2%, only increasing 40 basis points in the past year (9.7% in July 2009).

Publix is working vigorously on improving the efficiency of its network of stores throughout Florida. In the past year in Jacksonville, Publix relocated its inline store at University Center to a stand-alone location across the street at Shoppes San Jose (a location formerly occupied by Row's Supermarket). By the end of 2010, Publix will open three more locations in Jacksonville: 1) Regency Centers is re-developing a 80,000 square foot shopping center on Atlantic Boulevard and Seminole road. This location used to be home to Food Lion, Big Lots and Scotty's, but the center has been 100% vacant for the last three years. 2) Publix will re-open its store on Atlantic Boulevard and University Boulevard, which is temporary closed. At this location, Publix is expanding its store by taking over the adjacent drug store space. In addition, 3) Publix plans to open a new stand-alone store on Atlantic Boulevard and Henricks Avenue.

## Publix Centers Market Rents

After the recession ended in the summer 2009 according to The National Bureau of Economic Research, rental rates at Publix centers in the Jacksonville market bottomed out at \$20.40 NNN and have since started to grow. In July 2010, the average rent at Publix centers in the Jacksonville market stood at \$20.80 NNN, up 2% or \$0.40.

Rental rates at Publix centers peaked in 2008 at \$21.95 NNN and fell 7% or \$1.55 during the recession. Rental rates have since started to grow at a rate of 2%, which is close to the 3% average rent increase that Publix centers in the Jacksonville market experienced in the five years leading up to the credit crisis. If rental rates continue to grow at a rate of 2-3% annually, the Jacksonville market will return to its 2008 rent level within 2 years.

## New Projects

As an effect of the frozen lending market and current excess supply, new construction of retail space in the Jacksonville market is almost non-existent. Historically, the Jacksonville market added more than 1.0 million square feet of new space annually. However, in the last year, only 50,000 square feet of new space entered the supply. The newly constructed retail space included: 1) Shops at Julington Creek on San Jose Boulevard and Julington Creek Road anchored by Fresh Market, which relocated its store from San Jose Plaza, less than three miles north on San Jose Boulevard; and, 2) Liberty Centers on Blanding Boulevard and Belmont Boulevard added 10,000 square feet of new space. The construction volume for future developments in the Jacksonville market remains low with just 150,000 square feet of space currently under construction in the following centers: 1) Seminole Shoppes on Atlantic Boulevard and Seminole Road, which will be anchored by Publix; and 2) The Fountains on Atlantic Boulevard and Kernan Boulevard, which will be anchored by Academy Sports & Outdoor (67,000 square feet). The Fountains is a mixed-use project, which will be built in several construction phases, with a finished project size of 385,000 square feet of retail space.

## Outlook — The Recovery has Started among Publix Centers

After the recession ended in summer 2009, Jacksonville's retail real estate market started to see improvements among Publix centers. In July 2010, Publix center's occupancy levels stabilized at 10.2%, rising only 40 basis points from 9.7% a year ago. As a result of vacancy leveling off, rental rates at Publix centers in the Jacksonville market increased (rising 2% or \$0.40 in the last 12 months). In July 2010, rental rates at Publix centers stood at \$20.80 NNN, up from \$20.40 NNN in July 2009. As a group, Publix centers in Jacksonville have started to see increasing rents and improving occupancy levels, but tenancy in Jacksonville's overall market continues to deteriorate. In July 2010, the overall Jacksonville market held a vacancy rate of 12.3%, which is about 250 basis point higher than vacancy rates at Publix centers in Jacksonville. Vacancy levels in the overall market increased by 210 basis points from 10.5% in July 2009. The new vacant space was largely accounted for by large box retailers closing underperforming stores. Surprisingly, large lifestyle centers throughout Florida offering shopping, dining, living and entertainment have been resilient to the recession. In fact, the shopping destination St. John's Town Center in Jacksonville has kept an impressive 99% occupancy level throughout the last three years.

The 2007-2009 recession, the longest slump since the Great Depression, is over. Unfortunately, there will be no "V-shaped recovery" or quick fix for Florida's real estate markets. In July 2010, the Jacksonville market experienced a negative absorption of 550,000 square feet and now has a total of 3.8 million square feet of vacant space. The Jacksonville market faces a tough climb back to pre-recession levels where vacancy in 2007 stood below 7% and the market absorbed about 2.7 million square feet annually. The almost non-existent growth of new space over the next few years will help the Jacksonville market to absorb current vacant space. Vacancy in the Jacksonville market will contract to 11% in late 2011 and rents at Publix centers will reach \$21-22 NNN per square foot.

### About this study

Data was collected in July 2009 and July 2010 through on-site inspection by Woolbright Development and includes all centers in the Jacksonville market 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 [hoyer@woolbright.net](mailto:hoyer@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](http://www.woolbright.net).

