Woolbright Development Research

Sarasota/Bradenton Retail Market Report

2009

Woolbright's 2009 Annual Sarasota/Bradenton Retail Market Report

"In the third quarter of 2009, vacancy rates in the Sarasota/Bradenton market doubled to 13% and rental rates fell by 18% to $19.90 NNN/SF."

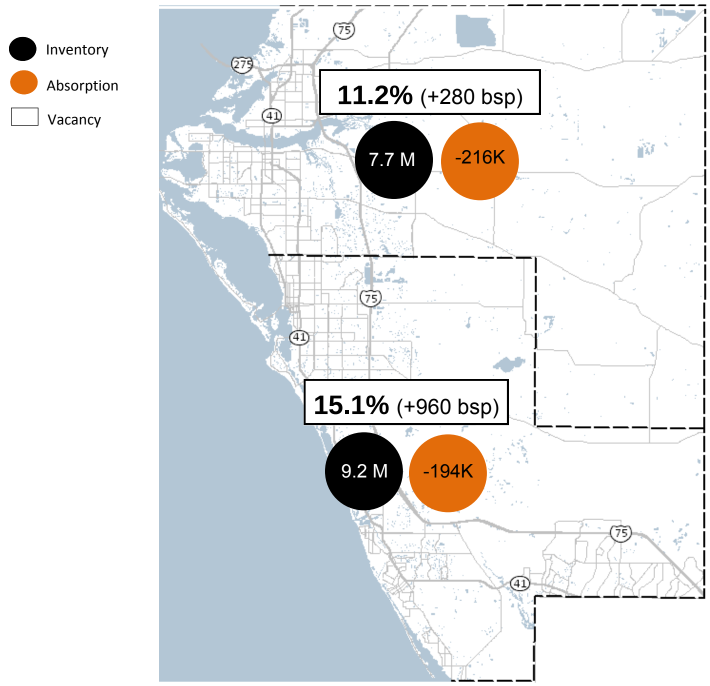
Woolbright Development is pleased to share the results of our annual Sarasota/Bradenton retail market report. The on-site survey was conducted by Woolbright in September 2009.

Sarasota/Bradenton All Centers

The Sarasota/Bradenton market has close to 17.0 million square feet of retail in 133 centers supporting a population of 700,000 people. Since 2008, Sarasota/Bradenton has added 738,000 square feet of new space to its inventory of which all opened in the Sarasota submarket. Vacancy rates in Sarasota/Bradenton increased by 640 basis points, rising from 6.9% in the second quarter of 2008 to 13.3% in the third quarter of 2009. Sarasota/Bradenton now has 2.3 million square feet of vacant space, an increase of 1.1 million square feet.

The increase in vacancy in the Sarasota/Bradenton market is mainly due to two factors. First, the Sarasota submarket did not absorb all of the 738,000 square feet of new space that opened in 2008 and 2009. The new projects were initiated prior the credit crisis, and the economic downturn allowed Sarasota to only absorb 70% of the new space built. Second, the Sarasota/Bradenton market is demographically distinctive from the South Florida Market. Consumers in Sarasota/Bradenton are older. About 30% of the Sarasota/Bradenton's population is at the age of 65 or older compared to 20% in Palm Beach. Consequently Sarasota/Bradenton is lacking the buying power found among young adults forming families, an important force in the economy. As a result, the retail industry in Sarasota/Bradenton has experienced major effects of the recession where retailers were forced to close underperforming stores. Shopping center owners were affected more by store closings by anchor tenants than shop tenants. Since 2008 anchor vacancy tripled to 9,000 square feet on average per center and shop vacancy increased by 30%, or on average, by two additional bays per center. The number of weak centers, defined as those with a vacancy rate exceeding 20%, tripled in 2009, from 13 to 35 centers.

2009 Sarasota/Bradenton Market Conditions



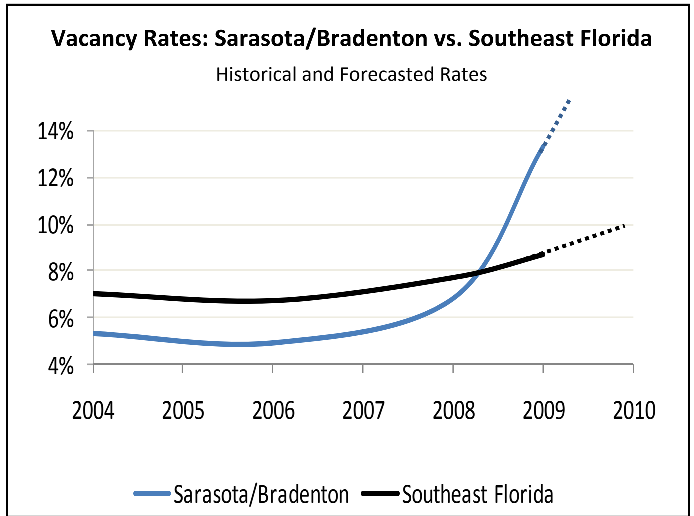
In 2009, both the Sarasota and the Bradenton submarkets experienced negative absorption. Vacancy rates at Bradenton's centers increased on average by 280 basis points to 11.2%, and vacancy rates at centers in Sarasota tripled from 5.5% in the second quarter of 2008 to 15.1% in the third quarter of 2009.

Sarasota/Bradenton Publix Centers

In the Sarasota/Bradenton market, 30% of all centers are anchored by Publix Supermarkets, with 38 stores totaling 4.7 million square feet of retail space. Since 2008, only two new Publix centers opened adding 142,000 square feet of retail space to the market. Like the overall market in Sarasota/Bradenton, Publix centers doubled their average vacancy rate. Publix centers' vacancy rate increased by 460 basis points, from 5.6% in the second quarter of 2008 to 10.2% in the third quarter of 2009. In a healthy economy, Publix centers are stable and attract "higher-end" retailers, but since its higher-end retailers are most impacted by the recession, Publix centers are now seeing the same increase in vacancy rates as the overall market.

Sarasota/Bradenton Publix Centers Market Rents

With retailers' sales volume under pressure from the recession, tenant demand is no longer driving up rental rates as they had over the last decade. The market has turned from a landlords' market to a retailers' market. Rent concessions from landlords are increasing, and average base rents at Publix centers in Sarasota/Bradenton are down to $19.90 NNN per square foot in the third quarter of 2009, a decrease of 18% or $3.55 in just a year.



Vacancy in the Sarasota/Bradenton market doubled to 13.3% in the last 16 months while Southeast Florida's rate grew to 9.0%. This demonstrates the secondary markets are being affected much more than primary markets during the recession.

Sarasota/Bradenton New Projects

Since 2008, Sarasota/Bradenton added five new centers or 750,000 square feet of new retail space to its inventory of which 80% was anchor space. In these new centers most of the anchor space was filled but the shop space, or locals was not, resulting in an average 70% occupancy level for new centers. Over the last decade, Sarasota/Bradenton has on average added just about half a million square feet of new space annually, a construction growth rate of 3.6%. Today the Sarasota/Bradenton market has 23 square feet of retail space per person, which is inline with the average square feet for the major metro markets of Florida. Publix Supermarkets opened two new stores since 2008: 1) Jacaranda Commons at Jacaranda Boulevard and Venice Avenue; 2) Publix at Bee Ridge located at Bee Ridge Road and Iona Road. Publix is also relocating existing stores into the following former Albertson's locations: 1) Parkwood Square Shopping Center at US Highway 301 and Old Tampa Road; 2) The Landings at US Highway 41 and Proctor Road; 3) Bradenton Commons at Cortez Road and 43rd Street. Proposed new developments in Sarasota/Bradenton have come to a sudden halt until the credit market un-freezes and retail demand for new sites return. We do not expect to see construction growth above 1% for the next three years.

Outlook

Centers in the major metro markets of Florida have taken a hit by the recession, but these centers' occupancy and rental rates have not deteriorated as much as the centers in secondary retail markets. The Sarasota/Bradenton market doubled its average vacancy rate in the last 16 months, from 6.9% in the second quarter of 2008 to 13.3% in the third quarter of 2009. Sarasota/Bradenton is feeling the effects of retailers scaling back their presence in less profitable areas by closing underperforming stores. Of the 1.1 million square feet of new vacant space, 67% or 770,000 square feet is new anchor vacancy. The new anchor vacancy is equivalent to 38 retailers closing a 20,000 square foot store. The additional 380,000 square feet of new shop space is equivalent to each center on average closing two 1,000 square foot stores. Publix centers also doubled its vacancy rates in the last 16 months increasing by 460 basis points, from 5.6% in the second quarter of 2009 to 10.2% in the third quarter of 2009. Not only is the gap of occupancy levels widening between major and secondary markets, but also rental rates are falling more noticeably in secondary markets. Rental rates at Publix centers fell 18%, from $22.45 in the second quarter of 2008 to $19.90 in the third quarter in 2009.

About this study

Data was collected in May 2008 and September 2009 through on-site inspection by Woolbright Development and includes all centers in Sarasota/Bradenton 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.