

## Woolbright's Mid-Year Dade Publix Centers Market Report

*"Rents drop 4.2% to \$30.24 NNN/SF and vacancy increases by 180 basis points to 6.4% as the economic downturn hits the historically strong Dade Publix market."*

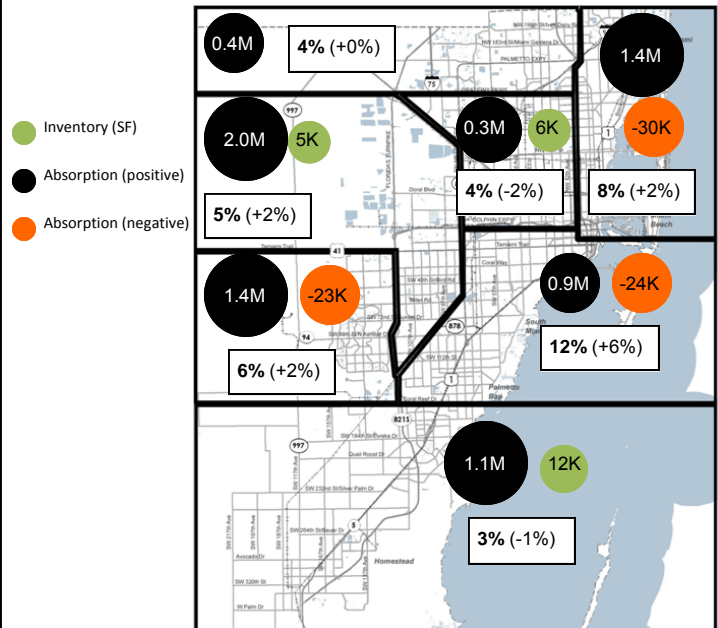
Building upon a 20 year tradition of examining the state of retail shopping centers in Florida, Woolbright has prepared this mid-year market study for Publix centers in Dade County. At Woolbright, we have found that Publix anchored centers, which account for roughly 20% of all retail centers, serve as a strong barometer for the retail market as a whole. Therefore, in addition to our annual full market census, we survey just the Publix centers every six months to provide up to date data to commercial real estate professionals, enabling market driven decisions during the current downturn.

Dade county continues to be one of the strongest retail markets in Florida. The Dade market is home to 65 Publix centers and serves a population of roughly 2.4 million people, which is projected to grow by 5.7% over the next five years. The current Dade Publix vacancy rate at 6.4% remains lower than Palm Beach at 10.2% and Broward at 7.9%. The same holds true for rents in Dade, which at \$30.24 are about 18% above levels reported in April for Broward at \$25.63 and in June for Palm Beach at \$25.88. The majority of Publix centers in Dade are maintaining strong occupancy levels, with 49 out of the 65 Publix centers experiencing net positive or stable occupancy during the first half of 2009. On the other hand, severe weakness is uncommon, with only 5% of Dade's Publix centers having vacancy levels greater than 20%.

### Dade Publix Centers Vacancy

The vacancy rate of 6.4% is an 180 basis point increase from the November 2008 level. This is a drastic change when compared to the 140 basis point decrease in 2008, a sign that effects of the recession have finally hit Dade. Total vacant

### 2009 Dade Market Conditions — Publix Centers



Only two out of seven submarkets posted decreases in vacancy for Publix centers.

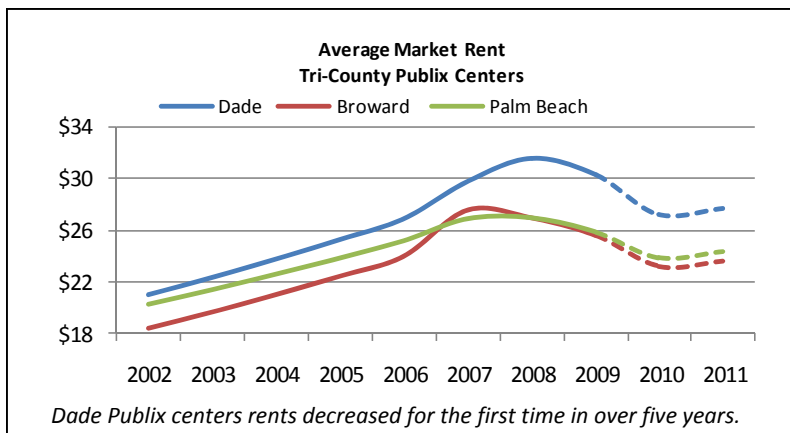
The 12% vacancy rate in the Coral Gables/South Miami submarket is skewed by the closing of an 81,000 square foot Expo Design Center.

space has increased by 140,000 square feet to nearly 500,000 square feet. Yet, most of the new vacancy is due to anchor closings. In the last six months, an 81,000 square foot Expo Design Center and a 31,000 square foot Linens 'N Things closed. Excluding the newly vacated anchor spaces, an average Dade Publix center lost only about 400 square feet of shop space. Without the big box closings Publix center vacancy would have been just 5.0% in Dade, by far the lowest level for any market in Florida.

The map above reveals the breakdown of vacancy in the seven Dade submarkets. Opa Locka-Miami Springs and Cutler Ridge-Homestead were the only two areas boasting decreases in vacancy. The largest disparity can be seen in the Coral Gables-South Miami area with an increase of 610 basis points to 12%, which is attributed to the closing of an Expo Design Center. Eastern Kendall vacancy rose 220 basis points to 5%, the second highest increase, due to a Linens 'N Things closing along with a significant rise in shop vacancy. Miami Beach posted the third highest increase, up 210 basis points to 8%, due to increases in shop vacancy and two centers with vacancy greater than 20%.

## Dade Publix Centers Market Rents

In the first half of 2009, rents fell 4.2% to \$30.24 in Dade reversing nearly all of the 6.0% increase in 2008. Following a sharp jump in 2007 and continual increases at rates nearly three times CPI from 2003-2006, Dade was Florida's only major market that increased rents in 2008. However, Dade was not immune to the recession and in the first half of 2009 Dade joined Palm Beach and Broward in posting declines in rents. Rent cuts are expected to continue into late 2010, before stabilizing around \$27 NNN, a 10% drop from current levels.



## Publix Centers New Projects

One new Publix opened, located at Mary Brickell Village in the Coral Gables-South Miami submarket. There are two renovation projects. A Publix Sabor replaced a demolished Publix center at Westchester Mall in Eastern Kendall, and The Palms at Town & Country, a three phase, 300,000 square feet project, is underway in Eastern Kendall. Phase I anchored by Nordstrom Rack and Loehmann's is set for completion this fall, followed by phase II in the fall of 2010 and phase III in the fall of 2012. Three new projects are under construction in the Dade market totaling 340,000 square feet. The Promenade at Silver Palm in Homestead is in progress with Publix expected to open in November 2009, and the remaining retail opening between November 2009 and January 2010. Eureka Promenade, also in the Cutler Ridge-Homestead submarket, has a Publix set to open in November 2009 and retail space opening between November 2009 and January 2010. In Miami Beach, the Fifth and Alton Shopping Center is nearly complete and scheduled to open in August 2009. Only two projects are proposed at this time. In Coral Gables, a stand-a-lone Publix is planned at the intersection of South Douglas Road and West Flagler Street, and in Cutler Ridge a Publix is intended to be part of the 125,000 square feet Vista Del Lago project. Currently there is no activity on either parcel.

## Outlook

Dade's Publix centers are finally feeling the effects of the current economic crisis. Rents have decreased for the first time in over 10 years, and vacancy has risen to its highest level in five years. As this is the first period with negative movement in Dade, the extent of the decline is difficult to measure. However, the mid-year reports for Palm Beach and Broward demonstrate that the rate at which rents have been decreasing is already slowing, giving evidence that a bottom may occur soon. Woolbright expects rents to drop to \$25 NNN, which is near 2005 levels. In five years previous, vacancy ranged from 4.6% to 5.5%. The current rate is 6.4%, an increase of 180 basis points from 2008. Vacancies are expected to rise through the end of 2009 and into 2010, peaking around 9-10%. Yet, given some historical perspective, these rates are moderate compared to the 15-20% levels witnessed in 1993 when the market was burdened with a massive oversupply of product. Moving forward, as rents are slashed by landlords to 2005 levels, and consumer confidence returns, vacancy levels will decrease. Given the historical strength of Dade Publix centers and the limited space for new supply, Woolbright maintains a positive outlook for stabilization in late 2010.

## About this study

Data was collected in July 2009 through on-site inspection by Woolbright Development and includes Publix anchored centers in 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](mailto: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](http://www.woolbright.net).