
To: Mr. Neil Fritz
City of Pompano Beach CRA
From: Lambert Advisory, LLC
Date: June 1, 2010
Subject: Downtown Pompano Redevelopment Market Assessment

Lambert Advisory (Lambert) has completed a market demand analysis to evaluate the potential for retail and/or mixed use redevelopment of approximately 220 acres within the City of Pompano Beach Northwest CRA area. The Pompano Beach CRA (CRA) is currently in the process of assessing the opportunity to acquire additional property within the City's Northwest CRA, as part of developing a new downtown potentially referred to as "Downtown Pompano." The analysis undertaken as part of this process has been prepared to help the CRA assess and/or support the demand for redevelopment opportunities within the proposed Downtown Pompano area.

This memorandum provides key highlights of our assessment of market conditions and trends impacting development and investment within the Downtown Pompano area, as well as provides estimates of market potential for future development within the study area including retail, office and hotel development. Importantly, this memorandum summarizes conclusions and findings outlined within the Presentation delivered to the Pompano Beach CRA. The presentation provides all relevant maps, charts and tables corresponding to the discussion below.

Summary of Market Findings

There are several key economic and market findings that provide the basis for evaluating opportunities and making recommendations for redevelopment within Downtown Pompano, including:

Economic & Demographic

- Current Land Use in the area comprises a broad mix of residential, commercial, institutional, and government¹. Land bordering Atlantic Avenue is largely commercial use, with heavy concentration of residential land within the core area between Atlantic Avenue and N.W. 3rd Street. Government use is heavily concentrated around the City Hall site, as well as the area of N.W. 2nd Avenue and N.W. 3rd Street.
- Within the original Downtown Pompano area, approximately 31 percent of land is vacant². One of the largest concentrations of vacant land is in the southeast quadrant of N.W. 5th Avenue and Dr. Martin Luther King Boulevard, much of which is currently owned by the City/CRA. This provides considerably opportunity to expedite redevelopment and support prospective growth within certain sectors particularly considering that for most areas east

¹ Broward County Property Appraiser

² Ibid

of I-95 throughout the County, large tracts of vacant land is scarce. The City/CRA currently owns approximately 24 percent of the land within the original Downtown study area, including both the core of the area between Dixie Highway and Blanche Ely Avenue (N.W. 6th Avenue), and the existing City Hall area³.

- Although the Downtown Pompano area comprises a population base of more than 269,000 residents within a 5-mile radius, population declines to less than 18,000 residents within a 1-mile radius. Accordingly, household income within the 1-mile radius is estimated to be \$37,819⁴, which is approximately 16 percent less than that of the City's household income and 33 percent less than Broward County. Accordingly, the assessed value for the majority of single-family homes in the market is less than \$163,000; or, 37 percent lower than the County's average (\$259,500)⁵.
- In spite of current economic conditions, the State of Florida Agency for Workforce Innovation estimates that office jobs in the County will increase by roughly 15 percent by 2017, or average annual growth of 3,000 to 4,000 jobs. The NE Broward/Pompano and Cypress Creek office submarkets (as defined by CoStar) comprise a total 16± million square feet of office space, which indicates office employment of more than 50,000 persons working within these broader submarkets alone. Though the submarkets include areas well west of the subject area, there is still a large concentration of office workers proximate to the Downtown Pompano area that will help to support future retail/services and hotel development. Accordingly, within the City of Pompano Beach there is 26 million square feet of industrial space comprising more than 3,000 companies and 30,000 employees, much of which is located within (or close to) the Northwest CRA. Note, there is more than 40 million square feet of industrial space in the NE Broward/Pompano submarket.

Retail

- Downtown Pompano's location at the intersection of I-95 and Atlantic Boulevard provides excellent access and visibility for commercial uses including retail, office and hotel. According to FDOT, average daily traffic (ADT) count along I-95 both north and south of Atlantic Boulevard exceeds 200,000 cars. Atlantic Boulevard east of I-95 currently services ADT counts of approximately 45,000, which is considered to be relatively strong, though roughly 10 to 20 percent less than counts at other major east/west thoroughfares in northern Broward County (east of I-95). ADT count along Dixie Highway is approximately 24,000 both north and south of Atlantic Boulevard, while ADT count along Dr. Martin Luther King Boulevard is 12,800.
- While the Downtown Pompano area is surrounded by a large population base on a broader scale (269,000 and 737,000 residents within a 5- and 10-mile, respectively⁶), there is a considerable amount of competitive regional, big-box and grocery retail within this broader area; notably, a Super-Walmart, a Walmart, a Walmart Neighborhood, three Publix anchored centers, and a Winn-Dixie center within a 2± mile radius of the subject

³ Broward County Property Appraiser

⁴ ESRI

⁵ Broward County Property Appraiser

⁶ CBRE

area. This level of surrounding retail has significant impact on retail redevelopment opportunities for the Downtown Pompano area. Moreover, asking lease rates in most community and/or neighborhood centers in the broader area ranges from roughly \$15 to \$22 per square foot (NNN), which is well below the level to support new development (estimated to be in the range of \$25 to \$30 per square foot, NNN). Nonetheless, based upon a retail trade area analysis within the immediate market area (or within a 1-mile radius) and considering existing retail within the area, we believe there is an opportunity to support around 25,000 to 30,000 square feet of retail within Downtown Pompano during the next few years, which includes absorbing existing underserved demand. This primarily considers neighborhood retail goods and services such as a dollar store, specialty food store (such as a bakery or meat market), and limited food and beverage places as well as services such as salon and laundry. The neighborhood retail will be largely oriented to retail along Dixie Highway and Dr. Martin Luther King Boulevard.

- The opportunity to attract a unique regional retail opportunity to Downtown Pompano such as an outlet center has been considered. However, based upon discussions with industry representatives, Sawgrass Mills (at 2 million square feet) is the primary outlet center in the broader market and will be for at least the next few years. While industry representatives indicated interest in the Downtown Pompano area on a longer term horizon, it was made clear that occupancy costs (or lease rates that can be paid) for outlet centers are sensitive to land/development costs, which is one notable factor in their site selection process and the reason most outlet centers are located in outlying suburban and rural areas.

Office

- As noted, Downtown Pompano is proximate to a dense office employment base and the NE Broward/Pompano office market comprises more than 7 million square feet of office space, which is roughly 10 percent of the entire Broward County office inventory⁷. However, the NE Broward/Pompano submarket comprises only 3 percent of the County's Class A office space, which indicates a market seeking modest/competitively priced office space. Nonetheless, considering Broward County projected office employment growth, the NE Broward/Pompano submarket's long term historical capture of office development within the County, the subject area's access and exposure to the I-95 corridor, and the opportunity to leverage off of the Cypress Creek office market that is largely built-out, we believe there is a strong opportunity for the Downtown Pompano area to support approximately 120,000± square feet (and up to 150,000± square feet on an "aggressive" perspective) of office space during the next 5± year period.
- The estimated office demand for Downtown Pompano takes into the absorption of existing vacancy within the market and while we do not ascertain that if new demand is going to be absorbed in existing (or new buildings), the fact is Downtown Pompano and its adjacency to I-95 is well positioned over the next 5+/- years to capture a new modest sized office building. Importantly, because non-local market factors such as the financial markets appetite for new office development and fluctuation in construction cost impact the delivery of new office product, it may be six or seven years that the estimated demand

⁷ The CoStar Office Report – Broward County Q1 2010

is absorbed in Downtown Pompano. Nonetheless, we believe it is a location with a competitive advantage over the good majority of other potential office sites in northeastern Broward County.

Hotel

- The I-95 corridor is well represented with a mix of economy-, limited- and full-service hotels. There are more than 2,500 hotel rooms, within 17 properties, along the corridor from Deerfield Beach Boulevard to Commercial Boulevard that service a varied mix of visitor segmentation including leisure travel, business, and groups. Based upon discussion with local and non-local hotel industry representatives, the subject market area is - and will continue to be - well served with full service product during the next several years, as average daily rates (ADR) and occupancy levels remain well below that supporting new construction/operation of this product type. However, we believe that given the access and visibility to I-95, and presuming redevelopment within the Downtown Pompano area is underway, there is an opportunity to support between 200 to 250 limited service hotel rooms (one or two hotel properties) within the Downtown Pompano area during the next 5± year period. Similar to that of the full service product, performance within the limited service hotel market will need to fully stabilize during the next few years, and market-wide rate and occupancy will need to improve roughly 10 to 20 percent for new development to be considered.

Conclusions and Recommendations

Based upon the analysis summarized above and our understanding of the Downtown Pompano market area, we provide the following conclusions and recommendations as to how the CRA can continue to promote redevelopment and revitalization of Downtown Pompano over the next five- to ten-year period.

As noted above, the CRA and the Downtown Pompano market area are in a position to leverage relatively solid market dynamics and trends to capture or recapture demand for retail, office, and hotel, summarized as follows:

Retail: There is an opportunity to support 25,000 to 30,000 square feet of retail during the next few years, which includes absorbing existing underserved demand. This neighborhood retail is likely to be located along Dixie Highway and Dr. Martin Luther King Boulevard and oriented to tenants such as dollar store, specialty foods, and food and beverage places as well as demand for services such as salon and laundry. Planning for these uses should consider the placement and relationship to other uses in the area, as well as site/building orientation and design control to ensure success and desired image of Downtown Pompano.

Office: Considering both market and non-market driven development factors, there is an opportunity for Downtown Pompano to absorb in the range of 120,000 square feet of net new office demand during the next five to seven years. This represents development of a modest size office building of which a considerable amount of space may be attractive to a

larger corporate tenant(s) seeking a campus-style development that is easily accessible and visible to I-95.

Hotel: Presuming the hotel market stabilizes during the next few years, there is an opportunity to integrate limited service hotel product within the Downtown Pompano area, supporting a broad range of demand segments including leisure, business/group and civic. The level of hotel demand is estimated to be between 200 and 250 rooms over a 5± year period.

Importantly, each of the proposed uses above may serve as a catalyst for further investment and redevelopment within the area, particularly if there is a clear opportunity to effectively integrate commercial uses with existing (and proposed) civic uses.

The CRA clearly recognizes the opportunity for redevelopment within the Downtown Pompano area, namely through on-going acquisition/investment in the area as well as recent master planning efforts. As such, we recommend the CRA continue these processes and other initiatives aimed at attracting these particular uses and broadening the area's economic base.