

# St. Petersburg Times

## Shopping centers share grocers' pain

**Stores like Albertsons and Winn-Dixie are major anchors at shopping centers. Their exit is testing landlords' ingenuity.**

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LAS VEGAS - Albertsons confirmed last week it is pulling out of the Jacksonville market. Winn-Dixie will soon reveal plans to shutter hundreds of stores through its bankruptcy.

The only big chains gaining market share and building lots of stores in Florida are Publix and Wal-Mart Supercenters. As the top and bottom segments of the grocery market solidify, the scramble to survive in the middle only grows more frenzied.

"Over the next year the supermarket landscape in Florida is going to change dramatically," said Tom Meredith, senior vice president of Equity One, a North Miami Beach real estate investment trust that owns about 133 shopping centers.

And since the traditional supermarket anchors more shopping centers than any other form of retailing, the Florida grocery industry's latest ills are causing a lot of hand wringing at the annual International Council of Shopping Centers convention in Las Vegas.

Discount stores such as Wal-Mart and Target have made deep in-roads into grocery shopping markets with their huge supercenters. Wholesale clubs and dollar stores have walked off with a big chunk of the food business.

That's left weak players such as Winn-Dixie Stores Inc. to purge unprofitable stores in a Chapter 11 bankruptcy the chain filed in February.

"Winn-Dixie is circling the wagons," said Stephen Bittel, chairman of Teranova, a Miami Beach real estate firm.

Indeed, rumors are flying among shopping center landlords here about just how many waves of store closings Winn-Dixie will need to right the ship. Everybody seems to have heard about hit lists of stores likely to close, but nobody admits to seeing one.

Many expect the chain of 918 stores to shrink to as few as 600, to pull out of several states and possibly even change names before emerging with new owners. That's because Winn-Dixie's deteriorating sales have yet to hit bottom since the bankruptcy. In the 12 weeks ended April 6, sales in Winn-Dixie stores open more than a year slumped 6 percent, according to court filings.

The Jacksonville chain said it hopes to re-establish a beachhead in its home state. But many developers say no unprofitable Florida store, and there are plenty of them, is safe as long as the bankruptcy case gives the chain the right to ask a judge to rewrite or cancel lease terms.

Winn-Dixie landlords say many of the least profitable stores are the larger, newer-looking ones, which are having trouble generating the sales needed to pay the higher rents. Shopping center developers have not been waiting for the other shoe to drop, at Winn-Dixie or Albertsons.

Equity One sold an Albertsons in Kissimmee recently, then bought a Publix across the street that's been turned into a Publix experiment called Sabor that caters to the Hispanic market. Other developers are flocking to fill empty spaces with Save-A-Lot and Sweetbay Supermarkets, the new look for an overhauled Kash n' Karry.

The trouble is Kash n' Karry officials aren't looking for many new locations, they're spending most of their money transforming existing stores to Sweetbay and won't be done with that job in the Tampa Bay area until 2007. The chain, which pulled out of Central Florida last year by closing 35 stores, is only signing leases for a handful of new Sweetbay stores on the West Coast.

Regency Centers Inc., a Jacksonville real estate investment trust that once was among Winn-Dixie's biggest landlords, has scaled back its exposure

to only four. With more than 400 grocery-store-anchored shopping centers in its portfolio, Regency is now the nation's biggest supermarket landlord but has diversified its portfolio with more discount stores.

The industry is debating whether the traditional supermarket can change quickly enough to adapt to a nation that spends less than a half hour a day preparing meals and finds food shopping a chore. While gourmet/natural food chains such as Wild Oats, Whole Foods and Fresh Market are signing leases in Florida, they stick to a few high-income neighborhoods.

Some say less expensive and speedier forms of retailing, from online grocers to the cheap prices at Wal-Mart, will walk off with enough customers to ensure more and more of the middle income market continues looking beyond supermarkets to stock the pantry.

"There is no middle market anymore. The supermarket is an antiquated business model that has not changed since the Eisenhower administration," said Peter Sealey, a University of California Berkley business professor. "They make you go through these loyalty card and coupon deals to save money. If I wheel up a whole cart of groceries, they make me stand in a long and slow line at checkout. Yet if I only buy a quart of milk they give me express service. Makes no sense."

The lack of competing supermarkets to sign up has stymied some developers and left the shopping center business crossing its fingers the industry's other biggest chains, Safeway or Kroger Co. will come in and bring fresh cash.

"In my area, if you can't get a Publix, there's nobody left," said Robert Crego, a real estate broker in Clermont, west of Orlando, who specializes in retailing. "There's going to be a Publix every other mile."

News of Albertsons departure from Jacksonville was no surprise to developers. The Boise, Idaho, chain has been retrenching nationally for the past few years. It has not signed a new lease in Florida for three years and pulled out of Miami-Dade County a year ago.

This came after Larry Johnson, a former General Electric executive brought in to revive the 2,500-store chain's fortunes, changed strategy. In Florida, Albertsons relied on cherry picking only selected, high-volume

sites for three decades. Johnson is switching to a market saturation model nationally.

If Albertsons is not one of the two top chains in a major market and has no chance of becoming one, the chain bows out. Albertsons' hold on grocery sales in Jacksonville slipped from a high of about 9 percent to less than 5 percent in 2004. Albertsons is selling all seven stores in the Jacksonville area to Robert Rowe, a 42-year-old former Winn-Dixie executive who is starting his own chain. The sale is expected to be completed in July.

After the dust settles, Albertsons will have 40 stores in Florida, most of them scattered from coast to coast in the middle of the state. Albertsons recently converted 12, including one in Brandon, to a bargain price, no frills experiment called Super Savers that is designed to be similar to Save-A-Lot.