

Woolbright's Annual Palm Beach Publix Centers Market Report

The downward trend in occupancy levels and rental rates has leveled off among Publix centers in the Palm Beach market. In July 2010, occupancy levels were flat at 11% and rents firmed up at \$23.40 NNN.

Woolbright Development continues its 20-year tradition of surveying all retail projects in Florida's major metro areas to provide decision makers real time market updates. In this mid-year market report, we discuss the findings of our recent site visit in late July 2010 to all 69 Publix centers located in the Palm Beach County.

Population to Grow by 300,000

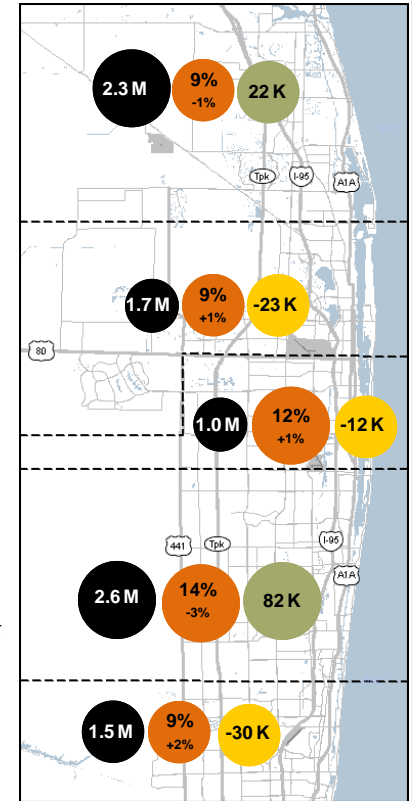
South Florida's rapid population growth is returning, and according to a study by The University of Florida, Palm Beach County is projected to grow by more than 300,000 people by 2035, an increase of 25%. The Palm Beach population growth will be one of the largest increases in Florida over the next 25 years, surpassing Broward at 11% growth and Miami-Dade at 19% growth.

Occupancy Levels have Stabilized

Today, Publix serves 1.3 million residents in the Palm Beach market with 69 stores containing 9.0 million square feet of retail space. (Boca Gardens Shops at Palmetto Park Road and Powerline Road has been excluded from the survey since Publix is temporary closed and under construction.)

Over the last eight months, occupancy levels have stabilized among Publix centers in the Palm Beach market. In July 2010, the vacancy rate dropped to 10.8%, declining 20 basis points from 11.0% in November 2009. Over half of all Publix centers (42 out of 69) in the Palm Beach market filled vacancy or kept occupancy levels the same.

2010 Palm Beach Market Conditions — Publix Centers



In July 2010, occupancy levels were flat at 11%, compared to eight months prior. The Boynton Beach-Delray Beach submarket was the most improved submarket due to Ross opening at Plaza at Delray and Woolbright Development filling over 30,000 square feet of shop space at Shoppes at Woolbright.

While occupancy levels among Publix centers in the Palm Beach market have stabilized in the last eight months, small shop vacancies continue to rise, increasing 30,000 square feet. The rise in shop vacancy was offset by the following large box tenants opening a total of 50,000 square feet: 1) Petco opened at Legacy Place on PGA Boulevard and Alternate A1A, taking part of the former Linens' n Thing's box; 2) Ross opened at Plaza at Delray on Linton Boulevard and US1, filling the former Linens' n Thing's box; and 3) Dollar Tree opened at Nassau Square on Lake Worth Road and Nassau Road, taking the former Bealls Outlet's space. Today, Publix centers in Palm Beach have a total of 1.0 million square feet vacant, of which 900,000 square feet is small shop vacancy and 100,000 square feet is anchor vacancy. If a large size retailer is interested in opening a new store in a Publix center in the Palm Beach market, there is limited amount of space, only seven boxes between 10,000—25,000 square feet are currently available.

Publix Rents are Flat at \$23.40 NNN/SF

Rental rates at Publix centers in the Palm Beach market peaked in 2008 at \$27.00 NNN per square foot, but during the recession landlords slashed base rents by \$3.60 or 15%. The downward rent trend in the Palm Beach market has finally stopped, and in the last eight months, rents have stabilized at \$23.40 NNN per square foot.

Over the next 6-12 months, rents at Publix centers in the Palm Beach market are expected to continue to strengthen. Rents should grow to \$24-25 NNN by late 2011. As the economy continues to strengthen and vacant space in Publix centers continues to contract further, rent levels will grow at a faster rate, recovering the \$3.60 rent loss from the recession within the next 2-3 years.

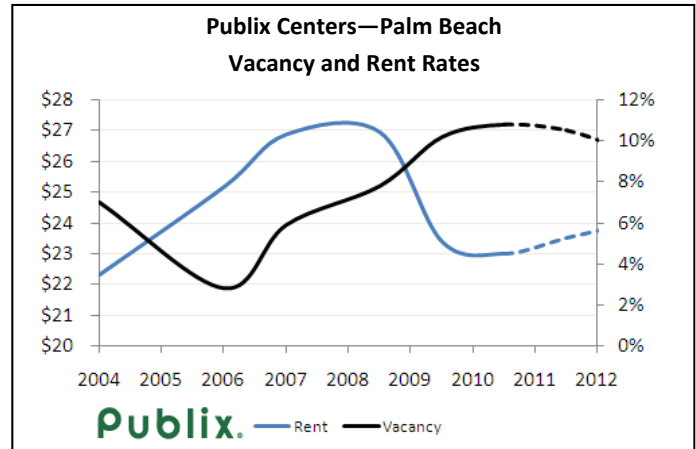
Development—Four New Publix Centers Planned

In the last decade leading up to the 2007-2009 recession, Publix added 2-3 new stores annually to the Palm Beach market to support the growing population. However, during 2009, Publix has not built any new stores in the Palm Beach market. As the economy continues to strengthen, Publix has plans to add the following new stores: 1) Frenchman's Crossing on Alternate A1A and Hood Road, a 62,000 square foot center, which is slated for an October 2010 opening; 2) Riviera Beach Publix on Lake Shore Drive and Blue Heron, a free-standing 29,000 square foot store; 3) Lake Worth Publix on Dixie Highway and 2nd Avenue, a free-standing 28,000 square foot store; and 4) Delray Marketplace on Atlantic Avenue & Lyons Road, a 400,000 square foot mixed-use development.

Outlook - The Recovery has Started

In the last four decades, Florida has been growing by 300,000 residents a year, but in 2008, total population dropped by 60,000 people. Much of the population loss was a result of the housing boom, which peaked in 2005-2006, where residents were forced to leave their now unaffordable homes. The sun is still shining in Florida and population has started to grow again. A study by The University of Florida showed that Florida gained 20,000 new residents from April 2009 to April 2010. Over the next 25 years, Palm Beach County is expected to grow by 25% to a population of 1.6 million in 2035.

During 2010, property fundamentals among Publix centers in the Palm Beach market have started to stabilize. In the last eight months, vacancy levels held at 11% and rents stayed at \$23.40 NNN per square foot. The little, or almost non-existent, new space being built will help vacancy levels to contract further. Publix centers in the Palm Beach market will again absorb 300,000-350,000 square feet annually and reach an occupancy level of 97% as they did in 2006 when the market was at its historical low of vacancy.



The subprime mortgage crisis in late 2007 triggered tenant fall out and caused rents to stand still at Publix centers in the Palm Beach market. During the recession, rents declined 15% and occupancy levels fell 3.2%. The downward trend has finally leveled off, and in the second half of 2010, property fundamentals among Publix centers stabilized - vacancy levels held at 11% and rents stayed at \$23.40 NNN per square foot.

About this study

Data was collected in July 2010 through on-site inspection by Woolbright Development and includes Publix centers in Palm Beach 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 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.