Woolbright Development Research

South Floria Publix Market Summary and Outlook

2010

3rd Quarter

Woolbright's Annual South Florida Publix Market Summary and Outlook

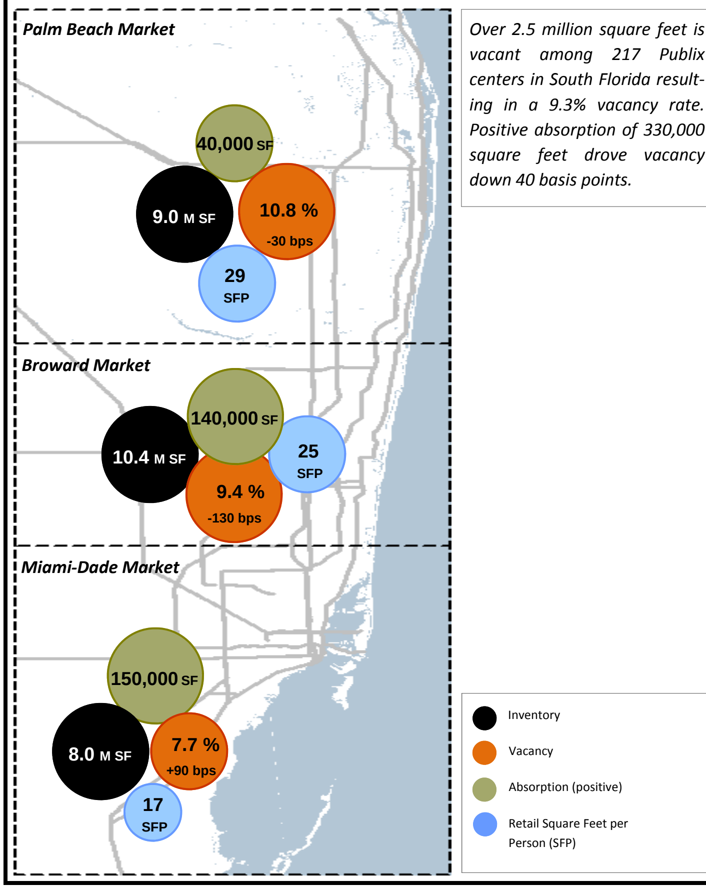
Asking base rents increased by almost 1% to $25.10 as a result of the market absorbing over 330,000 square feet from January 2009 to September 2010.

South Florida has hit the bottom in terms of occupancy and base rents and now begins its gradual climb out of the abyss. The Woolbright Market Research team can, with high levels of confidence, report how bad the figurative storm was and forecast the industry's recovery because of Woolbright's Florida retail experience and its wealth of market data.

2010 Retail Conditions

South Florida Publix Market

Over 2.5 million square feet is vacant among 217 Publix centers in South Florida resulting in a 9.3% vacancy rate. Positive absorption of 330,000 square feet drove vacancy down 40 basis points.



Retail Real Estate Industry Hits Bottom—Recovery Imminent

Positive absorption, vacancy down and base rents up

Palm Beach, Broward and Miami-Dade counties ("South Florida") contain 217 Publix-anchored shopping centers comprising over 27 million square feet of retail space. At the end of Q3 2010, Publix-anchored shopping centers in South Florida had over 2.5 million square feet vacant resulting in a vacancy rate of 9.3% (down 40 basis points from January 2010). Landlords raised asking base rents from $24.90 to $25.10 as significant positive absorption occurred (330,000 square feet) and empty space in their centers was filled. In the near future, South Florida will only see three (3) new Publix-anchored centers in 2011 and three (3) potential centers in 2012—if no additional construction occurs. All of these positive indicators have set the stage for recovery in South Florida retail.

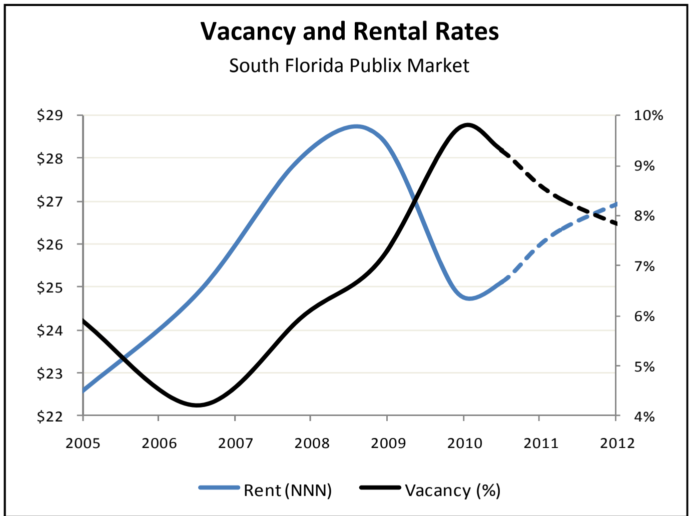
Vacancy Continues its Decline

Down 40 basis points in eight months

As the classic adage goes, Rome wasn't built in a day. Similarly, real estate recoveries don't happen overnight, rather, they take time. South Florida is in the early stages of recovery—as evidenced by an increase in occupancy and asking base rents, but still has at least two to three years until it reaches historical occupancy and rent levels. Overall, vacancy decreasing by 40 basis points (or shedding over 70,000 square feet) to 9.3% is a step in the right direction, but does little to mitigate the 2.5 million square feet of vacancy that currently robs shopping center owners of profitability month after month. Broward County led the way with a decrease in vacancy by 130 basis points to 9.4% in September 2010 and Palm Beach County followed with a 30 basis point reduction in vacancy to 10.8%. Miami-Dade County experienced an increase in vacancy of almost 100 basis points to 7.7%—mainly due to new retail space (140,000 square feet) being added to its supply.

Increase in Asking Rents Signals Recovery

Tenants have recently seen the negotiating power, which swung their way as a result of the "Great Recession," begin to swing back to the other side of the pendulum, as landlords began asking for more base rent in South Florida. Asking base rent increased to $25.10, and although the increase was relatively nominal ($0.20 from January 2010 to September 2010), it portends continued base rent increases as vacancy decreases further with little additional supply slated to hit the market in the next two years. As one might expect, Miami-Dade County was a large contributing factor to South Florida's increase in asking base rent due to its relatively supply-constrained nature and its significant population density. Retailers, seeking to tap into the thriving, urban retail market, were, in a sense, at the mercy of retail landlords to pay the going rate to rent space in their centers. So great was the demand by retailers to enter—or remain in—Miami-Dade County, that asking base rents rose nearly 4% while Palm Beach County rents remained flat and Broward County rents decreased marginally.



South Florida's retail real estate industry has bottomed out. During 2010, asking base rents among South Florida's Publix centers increased by 1% to $25.10 and vacancy decreased by 40 basis points to 9.3%.

Limited New and Proposed Construction

Since Publix opened its first store in South Florida in 1957, it has averaged four (4) store openings a year with the vast majority (80%) occurring during the last three decades. In fact, from 1995 to 2010, Publix opened nearly 100 stores and averaged six (6) store openings per year. However, in 2010, only three (3) new Publix centers entered the supply: Eureka Promenade in Miami Heights, Promenade at Silver Palm in Homestead and Frenchman's Crossing in Jupiter. Currently, three (3) projects are under construction and slated to hit the Broward and Miami-Dade markets in mid-2011: Market Square in Miami, Coral Gables Publix in Coral Gables and Publix at The Galleria in Fort Lauderdale. Three (3) Publix centers are currently proposed and have plans to be developed in Palm Beach and Dade counties, but are not currently under construction: Publix at Riviera Beach in Riviera Beach, Lake Worth Publix in Lake Worth and Publix at 18Biscayne in Miami.

Forecast—Recovery Started

Retail landlords of Publix-anchored shopping centers in South Florida should expect vacancy to continue to decrease to 8.5% (80 basis points less) and asking base rents to rise to $26.00 by the end of 2011. This will occur as a result of retailers becoming more certain about the future of their business propositions in South Florida coupled with limited new supply entering the marketplace. Furthermore, the South Florida Publix market, at its peak in 2006-2007, absorbed 1.0 million square feet. While absorption of that magnitude is not expected, within the last eight (8) months, South Florida absorbed 330,000 square feet after having experienced negative absorption in 2008 and 2009.

Population growth in South Florida is also expected to return to historical levels as housing becomes more affordable and the economy recovers. Although Florida has recently seen some citizens leave the state, over the last four decades it has grown by 300,000 residents a year (3 million new residents each decade). And, according to a recent University of Florida population forecast, South Florida is expected to grow by 18% (adding close to 1 million people) by 2035. The logic chain for the South Florida retail market is simple: more people = increased demand for retail; more demand for retail = lower vacancy and higher rents. From our vantage point, the forecast—both for weather in Florida and for the Publix market in South Florida—looks sunny.

About this study

Data was collected at year-end 2009 and third quarter 2010 through on-site inspection by Woolbright Development and includes Publix centers in the Miami-Dade, Broward, and Palm Beach counties, 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.