

Woolbright's 2010 Annual Tampa/St. Petersburg Retail Market Report

In April 2010, vacancy rates in Tampa/St. Petersburg rose by 200 basis points to 11.1% and rental rates fell by 7% to \$20.70

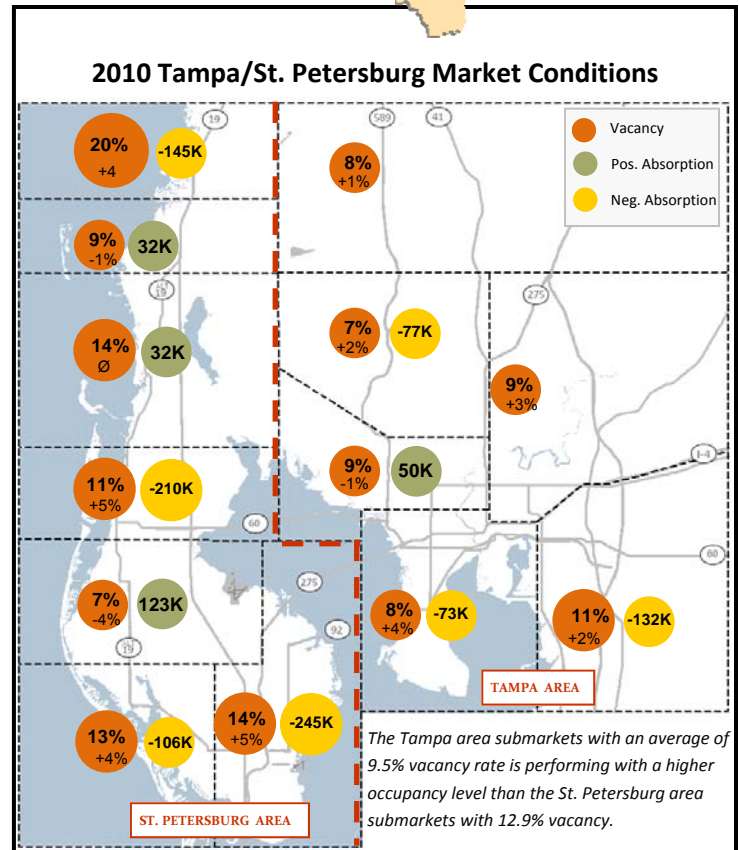
Woolbright Development is pleased to present our annual Tampa/St. Petersburg retail market report. Over the last 15 years, Woolbright has physically visited all centers with a GLA of 45,000 square feet or greater in Florida's major markets. The last on-site survey for the Tampa/St. Petersburg market was conducted during April 2010.

Tampa/St. Petersburg Overview

Tampa/St. Petersburg market consist of three counties: Hillsborough, Pasco and Pinellas and has over 2.4 million people. Pinellas County has over 3,000 people per square mile, making it the most densely populated county in Florida. In fact, Pinellas County has three times the population density of Hillsborough County and 14 times that of Pasco County. Over the next five years, the population in the Tampa/St. Petersburg market is expected to grow by an additional 40,000 people annually, resulting in a 1.6% annual growth rate.

During 2009, close to 400,000 square feet of new retail space was added to the Tampa/St. Petersburg market bringing the total retail open-air center inventory to 54.7 million square feet among 344 centers. Over the last 12 months, the Tampa/St. Petersburg market continued to experience rising vacancy rates. As of April 2010, vacancy stood at 11.1%, an increase of 200 basis points from 9.1% in 2009. Vacancy rates for the 13 submarkets range from a low of 7% to a high of 20% (see chart above).

During 2008-2009, the closing of small shop space accounted for the majority of the increase in retail vacancy. During the last 12 months, 1.1 million square feet of additional space stood vacant. Surprisingly, 80% of that amount resulted from new big box vacancies and the closings were lead by K-Mart/Sears, Circuit City, Linens 'n Things, Sound Advice, and Sweet-



bay Supermarket. Also, the increase in vacancy was also affected by Publix relocating a total of eight stores since 2009. Fortunately, we seem to have reached a bottom in small shop vacancy.

Tampa/St. Petersburg Publix Centers

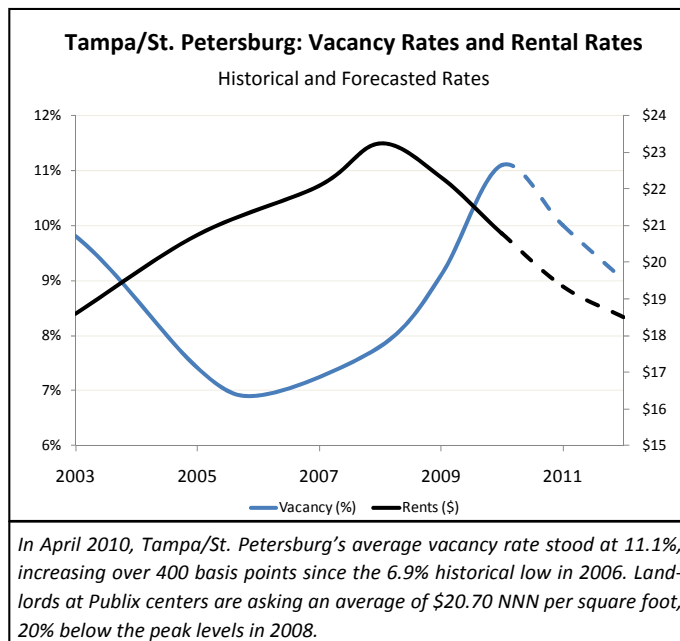
Since 2009, in Tampa/St. Petersburg, Publix Supermarkets added only one new store, but they relocated eight of their older stores into former free-standing Albertson's locations. Today, throughout Tampa/St. Petersburg, Publix has a total of 98 stores and is the largest grocery distributor in the market followed by Sweetbay Supermarket with 51 stores and Winn Dixie with 26 stores.

Publix's 98 stores anchor 11.5 million square feet of retail centers, which account for 20% of all centers in the entire Tampa/St. Petersburg market. In April 2010, the vacancy rate at Publix centers stood at 8.6%, falling 350 basis points from 12.1% in 2009. The large reduction in the vacancy rate for Publix centers is a result of Publix relocating eight of its stores from multi-tenant shopping centers into free-standing former Albertson's buildings.

Tampa/St. Petersburg Publix Centers Market Rents

Prior the credit crisis, asking rental rates at Publix centers in the Tampa/St. Petersburg grew steadily by about 5-7% annually. Beginning in 2008, rents abruptly reversed course and started falling at the same rate they were previously growing. In the last two years, rents have fallen from a peak of \$23.00/SF to \$20.70/SF.

Given the excess supply of vacant space, we expect to see continued downward pressure on rents because landlords are lowering rents in hopes of filling their empty space. We expect this “cut the rents to fill the space” mentality to prevail until the vacancy rate falls back below 9%, which should occur by late 2011. We project rents to bottom out in late 2011 at about \$18—\$19 NNN per square foot, or about 13% below the current levels and over 20% below their peak levels reached in 2008.



Tampa/St. Petersburg New Projects

Over the last decade, commercial real estate developers built about 1.5 million square feet of new retail space annually in the Tampa/St. Petersburg market. As an effect of the frozen lending market and current supply of excess space, new construction has dropped by about 80% from its normal levels. During the past 12 months, only four new centers opened adding 385,000 square feet : 1) Meres Town Center anchored by Sweetbay Supermarket at Alternate US 19 and Meres Boulevard; 2) The Shoppes at the Royale anchored by Publix at 13th Avenue and 66th Street; 3) The Cypress anchored by LA Fitness and Sweetbay Supermarket at Bruce B Downs Boulevard and County Line Road; and 4) Grand Central at Kennedy anchored by Powerhouse Gym at Kennedy Boulevard and Channelside Drive. There are only two future openings expected in the next 12 months totaling just 87,000 square feet of new space: 1) Hays Town Center anchored by Publix at State Road 52 and Hayes Road; and 2) A free-standing Aldi store at US 19 and Cinema Drive. Both of these two new projects are slated for delivery in early 2011.

Outlook— “The Recovery is Now Underway”

Two factors are showing that the commercial real estate conditions in the Tampa/St. Petersburg market are improving. First, all across Florida for the past two years, small shop tenants have been the main victims of the economic downturn and accounted for the majority of the new supply of excess space. This trend has turned as loss of small shop space operators has slowed substantially from the levels encountered during 2008 and 2009. In April 2010, the majority of the new vacancy in the Tampa/St. Petersburg market came from widely publicized store closings by large box retailers. 2010's average vacancy rate of 9.5% in the Tampa area submarkets is significant below the 13% levels seen both in the Palm Beach and Broward markets at year-end 2009. Some areas face a tough climb back, especially the St. Petersburg area with 12.9% vacancy which must work to fill vacancy left behind by K-Mart/Sears closing underperforming stores and Publix who relocated from several shopping centers into free-standing former Albertson's buildings. Second, the near cessation of new construction will help vacancy to contract. As the economic recovery proceeds, we project that the Tampa/St. Petersburg market will fall to about 9% vacancy in late 2011. Nevertheless, the current excess supply of vacant space will continue to put a downward pressure on rental rates during 2010 and 2011. Once we break through the psychological level of 9%, we can expect to see rental rates start to rise again. We forecast that rental rates will bottom out at \$18—\$19 NNN per square foot in late 2011.

About this study

Data was collected in December 2008 and April 2010 through on-site inspection by Woolbright Development and includes all centers in the Tampa/St. Petersburg market with a GLA of 45,000 square feet or greater, 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.

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