

Palm Beach County Retail Continues to Recover

Average occupancy levels stand flat at 90% over last year; however, average base rental rates are growing at 2-3% to \$24.40 NNN per SF. A continued constriction in new market supply will lead to higher occupancy levels as the year progresses.

Woolbright Development continues its 20-year tradition of surveying all retail projects in Florida's major metro areas to provide decision makers with real-time market updates. In the Palm Beach Market Summary and Outlook, findings come from data collected during physical site visits in January 2014 to all 271 shopping centers located in Palm Beach County.

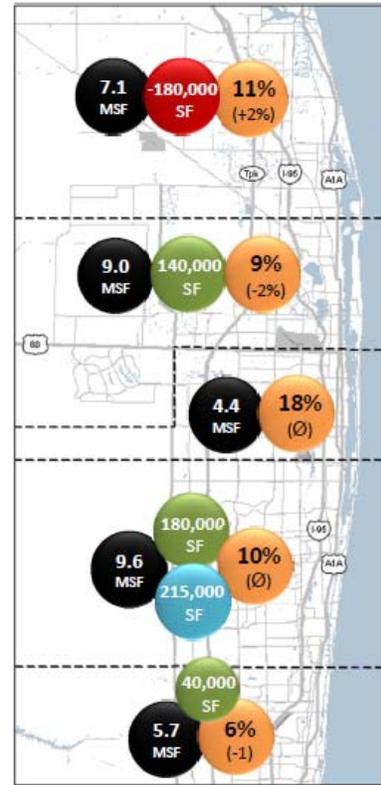
The Palm Beach Market Population on the Rise

Occupancy remains flat despite the return of population growth. The Palm Beach market is the smallest of South Florida's three major markets. It is home to 1.3M people and 271 shopping centers, which total approximately 35.8M SF of retail space, or about 28 SF per person. Palm Beach County boasts steady population growth. Between 2013-2014, Palm Beach County grew by an estimated 1.2%, adding about 16,000 people to its population this year. After the recession saw population constriction, the return of population growth to Palm Beach County is a sign that a healthy market is returning to the region.

Vacancy rates in Palm Beach County remain steady at 2008 levels of 10%, remaining flat over last year. The Palm Beach market currently has about 2.0M SF of excess supply in 2014 compared to 2006, when the market was at its optimal performance.

This means that Palm Beach County still has a way to go before reaching a full recovery. As retailers begin to build up their store networks once again, and with no new supply being added to the market in the foreseeable future, contracting vacancy rates will continue to drive up asking rents even further.

2014 Retail Conditions



Highlights:

- Vacancy rates remained flat at 10% from January 2013 to January 2014, returning back to 2008 levels
- The Palm Beach Market absorbed 0.2M SF, all of which came from one project, Delray Marketplace Phase II
- 2014 absorption levels are down 70% from 2007 levels.
- 2014 construction levels are down 90% from 2007 levels.

- Inventory
- Vacancy
- Absorption (positive)
- Absorption (negative)
- New retail space

Groceries Leading the Way

Five new store openings slated for 2014

Palm Beach County has 74 Publix-anchored centers. At a vacancy rate of 9.3%, these centers continue to perform stronger than the average center, which has a vacancy rate of 10.4%. While average vacancy rates at Publix-anchored centers remained flat from January 2013 to January 2014, this number doesn't tell the whole story.

Across Palm Beach County, over half of all shopping centers over 45,000 SF in Palm Beach County have between no and up to 5% vacancy. In contrast, nearly 60% of Publix-anchored centers have a vacancy rate of 95% or better. This means more Publix-anchored centers are seeing higher occupancy levels.

This year saw the opening of several major retailers in Palm Beach County. Grocery Stores are leading the way, with Monterrey Supermarkets opening 2 stores last year. In addition, by the end of the year, Trader Joe's opening 2 locations, Aldi opening 1 store, Fresh Market opening 1 store, and Wal-Mart Neighborhood Market opening 1 store.

As Available Space Contracts, Asking Rents at Publix Centers are Growing

Average base rental rates at Publix centers stand at \$24.10/SF NNN, up 240 basis points, or about \$0.60 from January 2013

Rental rates continued to increase in the last year, rising \$0.60 to \$24.10. Prior to the recession, rental rates peaked at almost \$27.00/SF NNN in 2007. This year saw the second-consecutive increase in rental rates, representing a \$1.00 increase from the 2012 rates of \$23.10/SF NNN.

With almost no new developments scheduled for 2014-2015, supply will be driven further down, driving rental rates even higher at a projected growth rate of 3-5%. At this rate, the Palm Beach Market can expect to reach pre-recession rental rates within the next 3-4 years.

Construction Rates Remain Low

Historically low construction rates bode well — rental rates and occupancy is expected to continue to rise

For the fifth consecutive year, construction rates in Palm Beach County remain at historically low at <1%, down 90% since 2007 pre-recession levels.

Since Q1 2013, Palm Beach County added one ground-up project, Phase II of Delray Marketplace in Delray Beach. This Publix-anchored center added 200,000 SF of new retail, including a Frank Theaters. In addition, Palm Beach County is expected to add 4 new projects by YE 2014, totaling 340,000 SF of new retail space. Harbourside will be a 98,000 SF unanchored project opening in September 2014 in Jupiter; Village Green Center will be a 61,000 SF center anchored by Trader Joe's slated to open June 2014 in Wellington; Delray Place will open by YE 2014 and at 110,100 SF will feature a Trader Joe's and a Steinmart; and finally, Wal-Mart Neighborhood Market is slated to open a 40,000 SF store in West Delray Beach by the end of the year.

Forecast

The recovery continues, but it won't come all at once

The Palm Beach market finds itself in the fourth year of a recovery, regaining 30% of its occupancy levels and rental rates that were lost during the recession. The road back has been slow and bumpy. As 2014 progresses, Woolbright's data shows that the Palm Beach Market will continue to improve. This is based on the following two facts: 1.) New construction continues to remain at historically low levels of less than 1% (as compared to the average 2-3%) and 2.) Retailers continue to expand their networks (by YE 2014, over 300,000 SF of large-box retail space will be filled in the market, 100,000 SF of which will be comprised of grocery stores). Woolbright projects that during 2014, occupancy levels will continue a slow but steady recovery of about 1% and base rental rates will continue to grow 3-5%. The market's better days are ahead.

About this study

Data was collected in January 2013 through on-site inspection by Woolbright Development and includes all shopping centers over 50,000 SF in Palm Beach County. This report is the exclusive property of Woolbright Development, Inc. For more information about Woolbright's research please email Liz Hoyer, Research Director, at lhoyer@woolbright.net or call her 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 largest real estate investors in the United States. The keys to its success are extensive market research, industry knowledge, client commitment and vision. Woolbright currently maintains a retail portfolio of 4.0M SF, all of which is located in Florida's major metro markets. Information about the firm, recent research studies and a complete listing of its portfolio can be

