

Palm Beach County Retail MarketView

Q3 2013

CBRE Global Research and Consulting

VACANCY
8.0%

ASKING RATE
\$17.74

ABSORPTION
57K

CONSTRUCTION
62 K

COMPLETIONS
0

UNEMPLOYMENT
7.5%

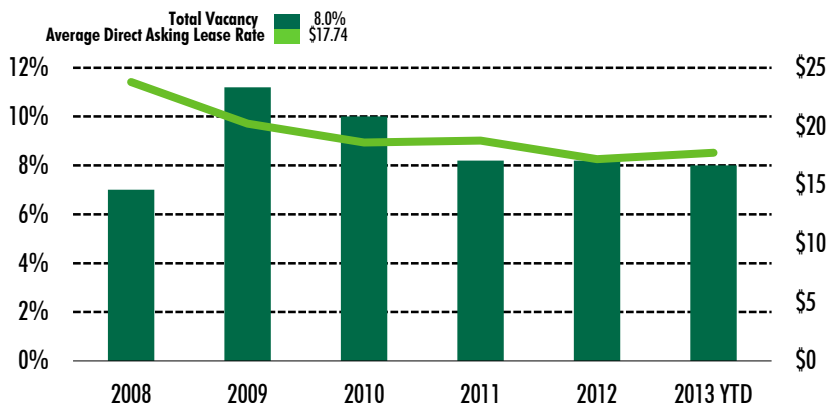
*Arrows indicate change from previous year.

NEW SHOPPING CORRIDORS; PRIME LOCATIONS BECOMING SCARCE; INVESTMENT ACTIVITY SOFTENING

Hot Topics

- 225 Worth Avenue, a street front retail property occupied by Brooks Brothers (6,000-sq.-ft.) and Juicy Couture (4,000-sq.-ft.) in the prime "high street" retail district of Worth Avenue in Palm Beach sold for \$28.1 million.
- The 500,000-sq.-ft. Palm Beach Outlets, on the grounds of the former Palm Beach Mall, is set to open Q1 2014.
- Retail sales are projected to increase 4.5% this holiday season, as a rise in home prices and decline in joblessness keeps consumers spending.
- Holiday hiring by U.S. retailers may fall about 6.9% this year as stores implement more efficient hiring for seasonal workers and account for a decline in consumer confidence. Retailers will hire about 700,000 temporary staff this year, down from 751,800 last year.
- Consumer sentiment among Floridians declined by one point in September to 76 points. July reading (78) was among the first economic indicators to show what now appears to be a slowdown in both Florida and U.S. economic indicators.

Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q3 2013.

Leasing Activity

The Delray Beach submarket, which includes Atlantic Avenue, Linton Boulevard and a section of Federal Highway, has become a regional retail trade area, which is attracting southeast Palm Beach County's coastal population. The area is going through extensive redevelopment and beautification. The submarket by design is becoming a destination for unique fashion boutiques, shopping and dining.

The corridor of Linton Boulevard and Federal Highway is active with two competing specialty grocers making inroads. Trader Joe's is planning to occupy 10,000 sq. ft. of Delray Place, a proposed shopping center at the southeast corner of Linton Boulevard and South Federal Highway that will start construction in Q4 2013. Fresh Market will occupy 20,000 sq. ft. in Q4 2013 in the existing Harbor Plaza shopping center on the northeast corner which was extensively

renovated. LA Fitness is replacing Regal 18 Cinema on the northwest corner in the Plaza at Delray and will occupy 55,000 sq. ft. in Q4 2013. Restaurants such as Bonefish Grill, Pei Wei and Chic-fil-A also are competing for position at the intersection.

The overall Palm Beach County retail market is 92% occupied. The market is holding steady from Q3 2012, dipping 20 basis points to a current vacancy rate of 8%. Palm Beach County posted 56,806 sq. ft. of positive absorption for Q3 2013, year-to-date it has posted 259,346 sq. ft., most of which occurred during Q1 2013. Some recent lease transactions include: TJ Maxx leased 20,388 sq. ft. at The Plaza at Delray and Taverna Opa leased 4,000 sq. ft. on Atlantic Ave. in Delray Beach. Delray Beach was the most active submarket, posting 239,852 sq. ft. in year-to-date absorption.

Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Total Vacancy (%)	Occupancy (%)	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Boca Raton	6,973,532	4.4	4.4	95.6	20,483	0	\$25.76
Delray Beach	3,993,941	7.3	7.3	92.7	239,852	0	\$21.66
Boynton Beach/Lantana	6,335,182	7.6	7.8	92.2	46,729	0	\$16.64
Lake Worth	4,893,928	11.7	11.7	88.3	39,980	0	\$12.17
Royal Palm Beach/ Wellington	5,131,085	8.4	8.8	91.2	(41,850)	61,500	\$17.31
West Palm Beach	7,113,100	7.6	7.6	92.4	(3,569)	0	\$16.75
Palm Beach	756,079	4.3	4.3	95.7	3,238	0	\$25.33
North Palm Beach	6,312,773	9.6	9.8	90.2	19,662	0	\$17.22
Jupiter	2,883,248	7.8	7.8	92.2	(65,179)	0	\$17.20
Total Market	44,392,868	7.9	8.0	92.0	259,346	61,500	\$17.74
Total Before Freestanding	38,442,112	9.1	9.2	90.8	259,346	61,500	\$17.75
Shopping Centers	34,936,057	9.4	9.5	90.5	79,171	0	\$16.87
Mixed-Use	3,506,055	5.9	5.9	94.1	180,175	61,500	\$32.80
Freestanding	5,950,756	0.1	0.1	99.9	0	0	\$12.00

Source: CBRE Research, Q3 2013.

There is a general stabilization in average asking lease rates in the Palm Beach County retail market. From Q3 2012 to Q3 2013, the overall average asking lease rates increased \$0.11 from \$17.63 per sq. ft. to \$17.74 per sq. ft. which is a 0.6% increase year-over-year. The Boca Raton submarket posted the highest average asking lease rate of \$25.76 per sq. ft. and Palm Beach came in at \$25.33 per sq. ft.

According to market professionals, lease rates have seen increases in the upscale active submarkets such as Boca Raton, Delray Beach and North Palm Beach while other submarket rates have grown steadily. In addition, tenants are upbeat on opening new stores and are willing to pay the increases in rents. Landlords are starting to see the overall market change from a tenant market to a landlord market, less concessions and solid five and ten year terms are being brokered.

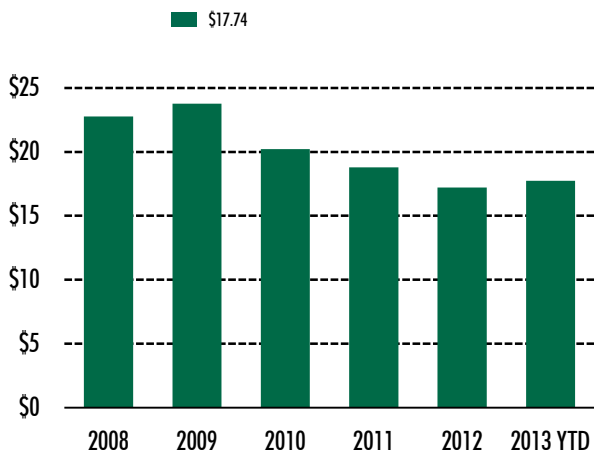
Investment Sales

Investors continue to seek quality, well-positioned assets in Palm Beach County. There were 13 retail investment sale transactions reported year-to-date, for a total of 1,414,034 sq. ft. with a dollar volume of over \$234 million. One recent transaction was the acquisition of

Boynton Promenade shopping center in Boynton Beach by IMC Property for approximately \$6.9 million, or \$125 per sq. ft., from Max Developers Inc. The property was 95% occupied at the time of sale. Tenants include Big Lots, Palm Beach Vocational Institute and Coldwell Banker. The Shoppes in the Gardens in Palm Beach Gardens was also sold to David Associates by Abbey Road Plaza LLC for \$4.4 million, or \$142 per sq. ft. The property was 87% occupied at the time of the sale. Notable tenants include Charlie's Gourmet, Crossroads Market, PGA Chiropractic and Lutina's.

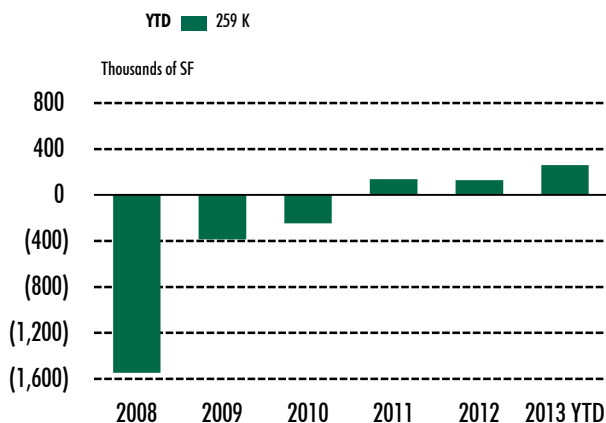
Sales volume for Q3 2013 compared to the previous two quarters has slowed. In Q3 2013 there were two transactions, 86,618 sq. ft. changed hands and \$11.4 million in volume. Q1 2013 posted six transactions, 863,016 sq. ft. was traded and \$168.2 million was exchanged while Q2 had less activity with five transactions, 464,400 sq. ft. and \$55 million trading. Slower sales activity is also due in part of owners selling in 2012 before the increase in capital gains tax that took effect Q1 2013. In Q3 2013, interests rates rose, potentially diminishing returns for investors, which may have made investors cautious. Trading is expected to pick up in Q4 2013 as we approach the end of the year.

Average Dir Asking Lease Rates (NNN)



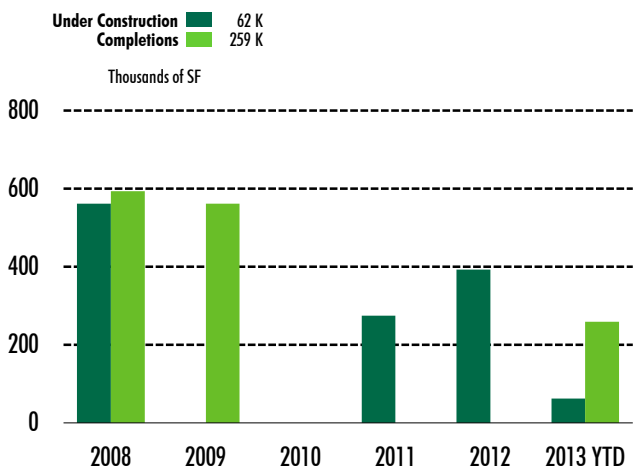
Source: CBRE Research, Q3 2013.

Net Absorption



Source: CBRE Research, Q3 2013.

Under Construction and Completions



Source: CBRE Research, Q3 2013.

Development

There has been 259,245 sq. ft. delivered as of Q3 2013, with new development activity unchanged from Q2 2013 at 61,500 sq. ft. Low levels of construction and heightened demand for quality assets is creating a scenario for rising lease rates and lower vacancy.

The Village Green Center, a 61,500-sq.-ft. project in Wellington Green, is expected to be completed Q4 2013. Currently, State Farm and an Italian restaurant are occupying and operating 3,000 sq. ft. of the total development. Trader Joe's will occupy 17,000 sq. ft. with a planned move in by the end of Q4 2013 to open for business Q1 2014.

Economic Influence

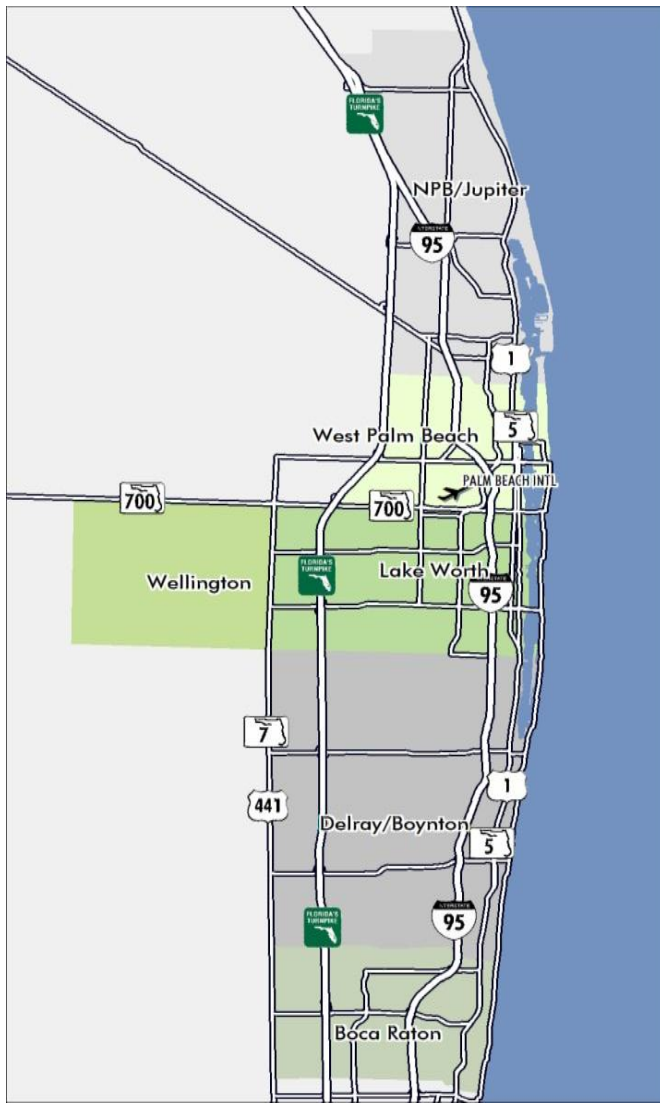
The national unemployment rate (non-seasonally adjusted) decreased 0.9 percentage points from the 8.2% recorded last year at this time to the current rate of 7.3%. Florida's statewide unemployment rate decreased 1.9 percentage points to 7.1% from August 2012. Palm Beach County's jobless rate of 7.5% is 1.9 percentage points lower than the August 2012 rate of 9.4%.

According to information provided by Workforce Alliance and the Florida Department of Economic Opportunity, Palm Beach County gained 9,500 jobs over the year and local unemployment continues to be among the lowest in five years. Employment growth has been concentrated in five industry categories: retail trade added 4,300 jobs; professional/business services added 3,400 jobs; education/health services added 1,900 jobs; leisure/hospitality added 1,400 jobs; and government added 700 jobs.

Outlook

Quality retail in Palm Beach County is becoming harder to come by. Recent trends show that investors want to acquire developments that are anchored by national tenants. Minimal construction of new developments will likely increase lease rates and lower vacancy.

Investment activity has slowed compared to the first half of 2013, due in part of owners selling in 2012 before the increase in the capital gains tax that took effect Q1 2013. In Q3 2013, interest rates rose which may have made investors more cautious. According to market professionals trading is expected to pick up again as we close 2013.



Market Coverage: Includes all competitive retail buildings 30,000 square feet and greater in size in Palm Beach County.

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