

Trafalgar Square Shopping Center – Trafalgar Square required a huge amount of attention in 2006 as a result of the hurricane damage we sustained from hurricane Wilma. We replaced the roof at the property and did work on the façade, landscaping, parking lot, drainage, interior store improvements and the like. There is still work that remains. We were surprised not to receive a fair settlement from our insurance carrier and have pursued a claim against them in court which will eventually be resolved, we believe, in our favor. The neighborhood around Trafalgar Square continues to add additional housing increasing the density of population around this property year after year.

Bird Bay Plaza – The Bird Bay Plaza is the oldest property in our portfolio and is now in need of the kind of upgrade that the other properties have been given. Although we have finally managed to lease our former gym space for a Farmer's Market there was a loss of several tenants in the last year to bankruptcy and other business failure. We have managed to replace the A & S Decorator store with Florida Home Furnishings which ties in well with our Batteries Plus and Keystone Lighting store giving that end of the center a pretty nice synergy. We're working diligently on replacing our bar and real estate office. This property will now be treated over the next several years to some significant improvements. We will need a new roof a few years down the road and are budgeting for that. During the interim we are preparing for the greater plan by moving forward with putting in proper handicapped ramps in the sidewalk and refinishing the sidewalk to eliminate the painted surface. We will also move forward with a frontal façade painting to freshen up the property and do a seal coat and striping to bring the best out of the parking lot improvements we made some years ago. We were also able to replace our Coastal Credit Union with First Priority Bank which is in the middle of their buildout at the time of this writing. We expect to move forward with the roof replacement in three to four years as it will be a major project with the tear off all the way down to the metal deck and in many places even deck replacement where corrosion has deteriorated the metal decks lifespan.

Tavernier Towne Shopping Center – Winn-Dixie emerged from bankruptcy during 2006 and assumed our leases at both of our Winn-Dixie centers, the Tavernier Towne Shopping Center and Trafalgar Square. We are currently in the process of relocating our liquor store and adding both Dunkin Donuts and Hungry Howies to our roster of fine tenants at Tavernier Towne. The property has been maintained in impeccable condition.

Commodore Plaza – We have grown to enjoy thoroughly the occupancy of our new building on Key Biscayne which has provided a terrific home for our associates and created a great work environment. Our other tenants in the building have prospered and are good neighbors.



Commodore Realty, Inc. – We've enjoyed a lot of success in our associate relationships this year. We've added both Leslie Sanchez and Antonio Rosales to our accounting department. Luis Garcia left our employ and Sandy Turner after 13 years in leasing has also moved on to another opportunity. We nevertheless have built up a terrific leasing department with Nicole Christodoulou and our new leasing agent, Stella Cugno, both working under the guidance of Michael Courtney as our Director of Leasing and Tenant Relations. Dimitri Vorona has done a great job now as our west coast facility manager. We are currently trying to hire a few additional people to set the stage for what we believe will be our opportunity for new purchases coming up at the end of 2007 and during 2008 as the real estate market adjusts and provides a buying opportunity. During the interim we will continue to work with our staff and our tenants in order to enhance the value of the properties at every opportunity. I'd like to take this opportunity to once again provide a big thanks to my son, David, who has added a great deal to our organization through his many talents.

Max D. Puyanic
Chief Executive Officer

REPORT FROM THE BRIDGE

Annual Report
May 2007



Sarasota Commons



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The American consumer has continued to spend freely throughout 2006 bringing prosperity to the retail segment of the real estate market in spite of the inevitable decline in residential real estate values and the growing crisis in the mortgage market. To date most of the articles call it a crisis in the sub-prime lending market and although something like 13% of sub-prime loans are currently in default nationwide I think its fair to say this will only be the tip of the iceberg. Real estate trends tend to move more like a slow motion train wreck as compared to stock market trends which often move at the speed of a crashing airplane.

The real problem involves a lot of creative financing which permitted people to buy beyond their means with teaser interest rates and adjustments that were postponed yet inevitable. As those inevitable adjustments come to pass more and more segments of the market will be impacted by the inability to make the new payment. Since the value of real estate is always ultimately based on a coefficient between the price and terms as the new terms are presented to the owners and future buyers the price will accordingly have to be adjusted downward. As people find themselves more in debt than the value of their homes, prices will adjust. With these conditions existing, it won't take much for the crisis to deepen. If productivity declines, unemployment increases or the credit crisis broadens to consumer loans, automobile loans, and potentially even to investment loans such as in the leveraged buyout industry, the problem will inevitably spread. I don't believe there has ever been a time where a credit crisis has not spread to impact the entire credit market once begun and therefore the current "sub-prime" credit crisis if it does so will be a unique situation in history.

The Florida residential real estate market has already been significantly impacted by all of this, particularly the condominium market. There is a tremendous oversupply of newly built and unfinished condominiums coming to market just as demand has all but disappeared and as a result at this time it is our belief that selling prices are at least 30% less than asking prices as a general rule in the Florida market. Of course we've seen a much larger increase in values than other parts of the country as well and so there remains plenty of room for adjustment. The hurricane season of 2005 has not yet been forgotten and as a result we have escalating insurance costs in Florida that have added to the burden of home ownership and because of increased values ad valorem real estate taxes have soared as well.

With all of this we expect that the commercial real estate market will ultimately be affected too since all boats tend to rise and fall with the tide. We feel nevertheless very secure with our properties and enjoy a terrific competitive advantage because of their condition and our solid tenant base.

Insurance -- We were impacted by Hurricane Wilma and have learned a lesson about the insurance business as a result of the poor settlement received from our insurance carrier on the damage incurred at the Tralfalgar Square Shopping Center. In addition, insurance costs have increased greatly. We have therefore begun the process of incorporating a captive insurance company which will help to provide coverage to our properties. We are currently unable to obtain some coverage and have deductibles that are larger than before Hurricane Wilma. This reduced coverage has shifted the risk to our properties. By insuring through our captive we will be able to reduce the level of risk retained by the landlord and continue to pass on about 67% of the cost of insurance to our tenants who pay increases on this coverage through the provisions of their leases. We therefore consider the captive insurance alternative as clearly the best alternative available for us.

Brickell Properties -- We have continued to market our Brickell properties during 2006 for sale. We feel like we have missed the market for the condominium boom but there continues to be demand for new sites for office buildings and hotels in the Brickell area and we are currently in negotiations with a public company in the hotel business which might result in a sale. In the meantime the sites all around us are under construction and we remain one of the most desirable sites in the neighborhood with the new Mary Brickell Village opening across 10th Street and 760 unit condominium well underway in the block to the south of us.

Harbor Plaza Shopping Center --The Harbor Plaza Shopping Center is owned by our good friends and associates and they asked us to manage this property once again. It's a wonderful little property right in our neighborhood and therefore we took on the third party management project. We've already made significant improvements to the physical plant and also turning around the rent structure at the property so dramatically that it's possible within a few years we'll have doubled the rent role. It is a worthy project for our capable staff.

Sarasota Crossings Shopping Center -- The Sarasota Crossings Shopping Center has been a star performer in our portfolio. We've enjoyed significant rent increases and ever improving tenant base. Our new DaRuMa Steakhouse opened with more than \$2,500,000 expended on tenant improvements resulting in one of the most beautiful restaurants in the Sarasota market. They're doing a good business and bringing new patrons into the Sarasota Crossings Shopping Center. Our Publix store has nearly completed their interior remodel and the movie theatre has enjoyed a good year as well.

Marietta Square Shopping Center -- The Marietta Square Shopping Center has greatly improved since our acquisition. The new Autozone Store we rented to on a land lease has opened and is now fully operational. We replaced the Movie Gallery with J.L. Trent Seafood Restaurant which will be opening sometime this month. The neighborhood around the Marietta Square Shopping Center has continued to prosper and improve and there is at present plans to create a new interchange off of I-10 which will only be a few hundred feet west of the property on Beaver Street. This should result in more accessibility and opening the area for more consumers as well. We have an additional outparcel and development land available and continue seeking tenants for these sites.



Sweetbay Supermarket --Our Sweetbay exercised their option for an additional five years under their lease and continues to have strong sales and experience significant growth. The store remodeling was completed last year.

Sarasota Commons Shopping Center -- The Sarasota Commons remodel is now complete and Publix has also completed their \$1,300,000 million store remodeling. Several new tenants opened at the property including Wing Junction and T & J Hobbies. We have one significant vacancy remaining at the property and are currently engaged in negotiations with a New York Stock Exchange tenant. The property looks great and has enjoyed a renaissance of new activity since the remodel completion.

