

Are we there yet? All of the news you read says that the recession is ending and the recovery has begun. They also assure us that there is no inflation. Tell that to the additional unemployed, now up to 12% in Florida and just under 10% nationally. Don't be fooled there is no real recovery for the unemployed until those jobless numbers begin to decline.

We have a great improvement for our financial institutions, but it's hard to do too badly when you get all that government bailout money- don't take the losses on your bad loans – increase the interest rates you charge and reduce those you pay out. Nevertheless the key here is the bad loans and bad investments and although the FDIC has taken over more than 100 banks and propped up everyone's confidence by increasing the amount of FDIC insurance coverage on bank deposits there still remains a lot of bad loans, speculative and bad investments, investments in derivatives and credit default swaps on the books of many of these institutions, including many of the largest that were of questionable value before the crisis hit and remain of questionable value today.

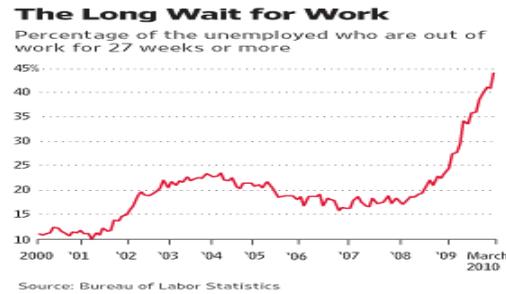
So what has really been taking place over the last two years. The 90 percent of the population that never lost their jobs got scared that they would, stopped spending money and retreated from risk by reducing debt and becoming more conscious of their investments and personal economics. Those same people are now feeling a little bit better about life and have started to loosen their purse strings which is the grease the economy needs to improve, but not much has really changed except their attitude. The consumer economy remains the largest engine that drives America because Americans still like to go to the store and buy things that they need or feel like they need. Let's face it that's a hard habit to break. At Commodore Realty that's our business, we supply the environment for those consumers to go out and shop. Although they have loosened their purse strings ever so slightly, it's our take on things that it is still selective and with a fair amount of caution and the consumption economy still has a long way to go before it will be back anywhere near where it was two years ago.

The housing market remains in shambles. That storehouse of value that we saw in our homes is no longer full to the brim with equity to borrow against in order to purchase something else. Credit remains tight for borrowers for homes and small businesses. Yet there is just a ton of money out there that has been created by all of the bailout programs and it appears that the financial institutions and hedge funds have been able to tap into it with no problem and continue engaging in highly speculative and leveraged transactions, leaving the economy at risk for another bubble. Sooner or later the law of supply and demand must govern so if you have too much money chasing the same amount of things, the prices will have to increase and therefore inflation.

It's politics as usual. Government continues with so much rancor and animosity between the political parties that the public is aghast.

Notwithstanding all of this there has been some significant progress, including the historic health plan which will ultimately do a great deal to lessen the risks that the average American will face to file bankruptcy as a result of getting sick. It remains pretty easy to criticize whether the health plan will be good or bad for America or whether the services that will be delivered to Americans will rise to the occasion or sink to the lowest common denominator, so we'll all be sitting in the halls of hospital wards waiting to be seen by a doctor but something had to be done; so nothing ventured, nothing gained.

It also appears that Congress will soon pass new regulatory legislation that is sorely needed to put Wall Street in check. Let's hope that it includes putting back on the books another version of the Glass-Steagall Act, including limitations on bank holding companies owning other financial companies which was repealed in 1999. Hopefully there will be regulation of derivatives and credit default swaps so these investments will be backed up by adequate collateral so that the traders won't be taking their risks on the basis of they've got nothing to lose anyway. We need to put some rules back into risk evaluation.



The problem of no new jobs remains and the solution has not come easy. It remains clear nonetheless, if we export our jobs as we have over the past decade then we'll all have to get used to the new economy – the one that has failed to generate new jobs since 1999. Education is the answer. A new paradigm for health care will also stimulate the need.

Let's not lose sight of rewriting the rules on energy production and sources just because a barrel of oil has dropped for now to what seems a bit more reasonable.

Finally, let's see some campaign finance reform so that candidates can only take contributions from the population they represent (the Supreme Court recently put a hatchet into this idea). A bit of acrimonious debate won't hurt democracy if the debaters represent their constituents and go home to face them afterwards.

The commercial real estate market remains in stress but has not been forced to go through a normal cleansing cycle due to the lenders circling the wagons and pretending things will soon be better. This logjam should break in 2010.

Our properties all continue to operate at a profit. Sure we have been working a lot harder with our tenants to keep them, but we have also been filling some vacant space as well. We have also increased our distribution to partners at one-third of our properties this year.



BIRD BAY PLAZA: We reorganized the Bird Bay Plaza, buying out 65% of our partnership and reselling those partnership units to a new group of owners. We've worked diligently at making new deals at the property and have now landed a deal to replace Boater's World with Advanced Discount Auto, and brought in a new upscale burger joint to replace the Wendy's. We were able to finally open the Cotton's Farmers Market which is a popular spot for our health conscious aging population, and the Fortunes Arcade providing computerized gaming as entertainment in the neighborhood. We increased our partner's distribution at the Bird Bay Plaza.

We've also undertaken our long list of improvements to the property and have done a fair amount of remodeling of vacant spaces, getting them ready for new tenants. We are about to embark on a roof replacement, which is the single largest line-item in the plan.

Meanwhile, our anchors have done extremely well in these trying times. Big Lots is among the big winners in retail for 2009.



SARASOTA CROSSINGS: We completed the redevelopment of the east wing of this property during 2009, more than \$700,000 under budget. The new hhgregg store opened with outstanding sales and the property took on a new look with the addition of the new anchor spaces as well as the other exterior improvements, including the seal and striping of the parking lot, the stone veneer on the front of the property and the landscaping upgrades.

We are pleased to welcome hhgregg to our portfolio. The Office Depot store has commenced paying rent, but Office Depot is holding back on opening new stores during these difficult economic times. We're anxious to see them move forward with the grand opening. Income improved as a result of the new stores, and we increased our distribution to our partners.



SARASOTA COMMONS SHOPPING CENTER: The Sarasota Commons remains in great physical condition and operating well. There was a limited amount of capital improvement at the Sarasota Commons this year, as we only re-landscaped the property to give it a fresh look. In 2010 we'll be sealing and striping the parking lot. We lost one major tenant, Aaron's Rental Purchase, and gained a few small ones.



MARIETTA SQUARE: We replaced the roof at Marietta Square's Food Lion at the end of 2009, and also secured an extension of the Food Lion lease by their exercise of a 5-year option. We're sealing and striping the parking lot during 2010. The property remains fully occupied, with the addition of the new Arden's Café and Catering whose business is booming. We remain ever cautious of turnover and are dealing aggressively with the renewals that come up during 2010.



TAVERNIER TOWNE SHOPPING CENTER: During 2009 Winn-Dixie completed a major renovation to the inside of their store and also added a generator sufficient to power the entire store during a power outage. Our plans for Tavernier during 2010 involve replacing the roof over a large portion of the shopping center and some façade remodeling. We will also hook up to the new Key Largo sewage treatment plant; this will involve a water line and sewer line replacement for the entire property. Our movie theater was sold to a new operator who has immediately taken steps to upgrade the theater to digital projection. As a result, Tavernier now plays all the animated and 3-D movies such as Avatar.



TRAFALGAR SQUARE: Trafalgar remains almost fully occupied with only one vacancy. Some tenants have faced challenging times, but we have been able to keep things on an even keel. We completed a remodel of the Winn-Dixie store entrance which opened the field of parking for better utilization in 2009. During 2010, we will complete interconnections with both the adjoining Exxon Gas Station and Wal-Mart, which will make it possible for patrons from these properties to visit Trafalgar Square without the need to go back on the roadway. Trafalgar is located on a corner that has extremely high traffic. We added Triple A Beauty Supply, and had a change in the Sports Bar and Grill owner during 2009 – both of which have been upgrades to the property. Both CVS Pharmacy and Family Dollar stores exercised 5 year options at the property during 2009 as well. We were able to increase our partnership distribution at Trafalgar Square.



HARBOR PLAZA: Although the loss of a few tenants occurred during 2009, Harbor Plaza marched forward with the completion of the final capital improvements needed to overcome the deferred maintenance. Income increased notwithstanding the tenant loss as a result of the increased rents and new leases. We have just completed a build out in one of the vacancies, and the result will be the addition of one new tenant, Lincoln Shoe Repair and Alterations and the completion of a new bay now ready for new tenant occupancy. The Farmer's Market changed owners and the new owners seem to be ramping up their effort to improve the operation.



BRICKELL PROPERTIES: The change in the Brickell area, as a result of all of the development, may not be exactly what the condominium developers envisioned, but it's there nonetheless. The community has a vibrant new look and is busy both day and night. We've been working diligently to land a long-term credit tenant to replace our residential tenants at this property and are now in negotiations with a tenant that we deem acceptable for this purpose.

INSURANCE: Our Captive Insurance Company once again escaped having to pay any claims as a result of no windstorm damage during 2009, and continues to build cash reserves to be able to meet the needs of the inevitable day when there will be a storm affecting one of our properties.

We had to change our primary insurance carrier this year, as a result of our existing carrier pushing us for too large of a rate increase. We believe the insurance market is becoming more competitive and hope to improve upon this situation in 2010.



COMMODORE PLAZA: Our office building remains in great condition. We have one small vacancy and are working on filling it. We're pleased with the streetscape parking improvements that were made by the Village of Key Biscayne which have added a surplus to the parking needs of the neighborhood, as well as the beginnings of a beautiful new streetscape for West Mashta Drive.

COMMODORE REALTY INC.: Our associates have worked hard this year in order to retain tenants, find new ones, and deal with problems in an economical way. We have been able to shrink down our costs as a result of rebidding contracts, appealing property taxes, and negotiating cost reduction so as to keep our tenants overall occupancy expense down. As a result, in most of our properties we've been actually able to reduce our operating costs.

Our properties remain better occupied than most of our competitors and we have every hope of continuing in that direction for the coming year.

We have been actively seeking acquisitions and have made a number of offers but there have just been no deals yet. All of these bank takeovers have involved the FDIC retaining any losses on the mortgages and as a result the new banks that takeover failed banks are not motivated to foreclose and sell assets. There are many distressed properties, and more distressed owners, but few bargains in the marketplace at this time. The last few months have seen a significant increase in properties coming to the market, but it's too soon to say whether this is the break in the logjam or not. Ultimately these assets will have to change hands in order to bring the market back into equilibrium.

REPORT FROM THE BRIDGE

Annual Report April 2010



SARASOTA CROSSINGS SHOPPING CENTER



NAVIGATING THE WORLD OF REAL ESTATE

**30 W. Mashta Drive, Suite 400
Key Biscayne, Florida 33149
Phone (305) 365-2600
Fax (305) 365-0800
www.CommodoreRealty.com**