

Michael Saunders & Company

Commercial
LICENSED REAL ESTATE BROKER

June 1, 2009

Jeffrey Rizzo
Fowler White Boggs P.A.
501 East Kennedy Blvd. Suite 1700
Tampa, FL 33602

Re: Broker Price Opinion for 599 Lime Ave. (aka 2258 6th St.)

Mr. Rizzo,

Thank you for the opportunity to assist your firm in the valuation and potential disposition of the subject property location at 599 Lime Ave. As you know, Lee Sr and I have extensive knowledge of the subject property. We were responsible for the listing and marketing of the property, representing the then-owners, Ron Carter and James Neal. We are also the transaction brokers-associates of record for the sale contracted by Arthur and Marguerite Nadel (aka Lime Avenue Enterprises, LLC.).

The subject property is a step up two-story masonry block structure with a tar and gravel flat roof. The building is 4467 Gross SF consisting of 3571 SF on the first floor and mezzanine style 896 SF second floor. The building's current use is that of a retail flower shop called Mr. Florist. It is located at the SW corner of Lime Ave and 6th St. It faces Lime Ave but has a 6th St address. Lime Ave is a two lane road bisecting north-south thru both lower income residential neighborhoods and a mix of retail and industrial commercial. It is within the city limits and approximately 1 mile outside of the city of Sarasota's downtown core.

The subject property is zoned Downtown Edge (DTE). It is part of a tiered zoning code established within the city of Sarasota approximately 5 years ago. In the buildings current state, the opportunities are in retail or office use. However, a potential buyer could consider demolishing the building to make way for more of an efficient building. Please see the paragraph below taken directly from the city zoning code. Please see also the more detailed excerpt attached.

The Downtown Edge (DTE) district is a densely mixed-use area typically located along a pedestrian way or a thoroughfare road within a neighborhood. Residential dwellings may be single family or multiple-family and may include mixed-use structures that provide for live-work opportunities. Residential dwellings may be built to a maximum density of twenty-five (25) dwelling units per acre. A variety of non-residential uses are allowed everywhere with ground floor retail mandatory on designated streets. Building heights shall be limited to a maximum of five (5) stories.

DTE zoned properties were used as a frame of reference for the sales comparables and actively marketed comparables. Please see attached Broker Price Opinion and excel spreadsheet. The spreadsheet is separated by two tabs: land only and improved. Using the sales comparison approach, we reviewed sales from the approximate sales date of the subject (Aug 2006) to Present. Reviewing the land only sales tab, we arrived at an average of \$20/SF for DTE zoned land. Carrying this number over the improved property tab, we subtracted out the land value using the \$20/SF and arrived at an average building value of \$117/SF. Combining these values gives us the following value for the subject:

\$20/SF x 11,900 SF land = \$238,000
\$117/SF x 4467 SF building = \$522,639.
Total land and building = \$760,639.

I am not so inclined to accept this building figure as pure value due to a number of factors, ie: multi-story structure, age depreciation, and location. Also, as an aside, based on general contractor estimates, we know the cost to construct a concrete block building is approximately \$75/SF. This would bring the subject building value from down to \$335,025 and the total to \$573,025. To further review these same sales comparables, please see the attached Broker Price Opinion. In our BPO, we reviewed both closed sales and active listings. We also took into consideration any adjustments needed as they relate to location and age.

Based on our BPO valuation, we found the numbers to be more in line with the market. Once adjusted against closed sales comparables, we found the subject property value to be \$518,000. As a further cross reference, we also reviewed properties currently being marketed on the active market. Again, adjusted for market factors, the subject came in at an even lower value of approximately \$491,000. Typically, the active listings comparison value comes in higher to allow for negotiations. The reversal of values could very well be due to motivated sellers recognizing the market slowdown. In any case, we recommend a quick close market value of \$499,000. Or as high as \$599,000 if your time to carry the property is that of six to twelve months.

A final means of valuing the subject, and a viable cross reference, is the income approach. One aspect of the property we are not aware of is if there was a monetary lease arrangement made between Ron Carter and the Nadel's. Presuming there is a lease in place, I would have to speculate the lease rate is higher than the current market. In a review of the currently active leasing opportunities in the area, we found lease rates to be approximately \$7 to \$12/SF. Using an average of \$9.50/SF lease rate; we calculate a potential annual income of approximately \$42,000 ($\9.5×4467 SF). As property values decrease, requested capitalization rates increase. A typical requested cap rate today is 8.5%. Taking the annual income of \$42,000 capped at 8.5%, we are at a potential sales value of \$494,000.

Recapping our valuation, we find our research findings to be in line with an approximate market range of between \$499,000 and \$599,000. We hope you will find this valuation letter and supporting documents to be helpful.

Thank you again for the opportunity. We look forward to hearing your feedback.



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