

Southwest Florida Bank Owned Duplex & SFR Investment Program

Scott Allan - Cozza Investment Group, Inc.

www.MyRealtySource.com

12660 World Plaza – Ft. Myers, FL – 33907 – (239) 278-0028 or Stallan54@Gmail.com

Real Estate Investor:

Thank you for your interest in our SW Florida Bank Owned Property Program. This memorandum is offered to give some insight as to how we provide distressed assets as investment income property to domestic and international buyers. Our firm purchases small bulk from local banks and institutions, break them into individual assets, rehab if needed, and sell to investors for a turnkey real estate opportunity.

Population forecast for the area for the period of 2008 through 2030 is expected to increase by over 400,000 people. Most of the increase is due to the Baby Boomer generation retiring to warm weather locations and the increase in population due to the expected economic upturn. Located in a metropolitan area, Lee County has some of the least expensive land and property taxes in the state. This will be favorable for new industry and corporations looking to relocate or start their businesses.

Lee County is currently experiencing a stagnation in prices. We have not seen major value declinations recently and this is largely due to the fact that our housing inventory levels have dropped to 9 months, down from 33 months just a year and a half ago March 1st. Due to the foreclosure halt in October 2010, banks are pulling many listings off the market. This allows other distressed assets to sell first, such as bank approved short sales. Although this may slow the recovery a bit, it provides a significant opportunity to buy. Once banks begin trickling out their shadow inventory, they will release those at prices to compete with current inventory. Due to a shrinking amount of inventory, we believe prices will slowly climb throughout 2011. Most of the shadow inventory in SW Florida is already sold, but the assets that remain in the government or institution hands will provide us a great opportunity as a real estate investor.

In November of 2008, over 920 homes sold. The following month in December, over 1,000 homes, not even to mention the pending sales that nearly hit 2,000. These sale numbers are an increase of nearly 400% from a year ago. During the peak of 2006, our median home price for the county was \$330,000. At its lowest in February 2009, the median hit \$82,000. As of November 1, 2010, our median has risen to \$98,000 as investors and homeowners are taking advantage of historically low prices. According to industry experts, SW Florida is expected to be one of the most demanded real estate areas for foreign investors in 2011.

Lee County is a Gulf of Mexico Coastline region. Its geographic location is the reason for the recent growth projections. Due to many homeowners walking away from their homes, these former homeowners are now forced to rent. Due to current economic times, most are moving into areas closer to numerous areas of industry. Eastern parts of the county have become very popular because of this. Located only 5 miles east of the Interstate 75 Junction, anyone in our targeted area can drive to a vast number of important locations. (See area map for driving times below).

Owning a home in Lee County can be passive for out of area investors. Our third party Property Management firm allows you to manage a profile that would include picture updates, monthly accounting, invoices, and all other features needed to handle your property management online. Additionally, calling by phone is also recommended.

Recommendation: Buy and Hold for 5 years.

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Introduction:

Cozza Investment Group, Inc, is a local and licensed real estate brokerage firm providing real estate opportunity for local and out of state investors. With a strong domestic and international following, we have sold income property to investors since 2003. Our firm's partners and agents consist of those experienced in banking, asset management, portfolio diversification, and micro housing market analysis. Bridging Wall Street to Main Street is important knowledge to have when analyzing real estate investment opportunity. For instance, for multiple reasons, you will not see us invest today in commercial real estate dealing with storefront, retail, industrial, etc. However you will see us investing in multi-family housing of any type of quantity.

My personal opinion of real estate and where prices are heading in Southwest Florida:

There is a significant phenomenon happening. As more and more homeowners lose their homes due to foreclosure or short sale, many are forced to transition to renting. Multi-family residential property values have stabilized and are increasing at about 1% per month. Multi-Family is proving to be a very hot attraction to investors recently. Rental rates have stabilized and for the first time in over 6 years, we should see the traditional 3% rental rate increase in the area.

Domestic and International investors are lasered in on SW Florida for good reason. We are one of the only counties in the country that reported 10% Year over Year gains in 2010 in our median home values.

Single Family homes are typically rented by families and those as well have stabilized in both prices and rental rates. It is more clear today than it was last year to project a solid pro forma on real estate investments. We are personally invested in this area and we believe that the income producing assets in SW Florida provide one of the best Return on Investments out of anywhere else in Florida.

On a side note, I would challenge anyone to find me something providing a higher Capitalization Rate in Florida than Lee County ☺

Professionally Yours,

Scott Allan
Cozza Investment Group, Inc

Licensed by the Division of Business & Professional Regulations

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This duplex was built in 2005. We bought this in January 2010 and this is exactly what it looked like when we bought it "As-Is" which are standard terms when buying REO property. The grass can be brought back to a lively green during the rainy season or by irrigation. (I don't have a current picture today of this exact one). We bordered the driveway with railroad ties, and threw down sod seed to bring back color to the lawn the quickest. We also extracted the shrubs along the front of the duplex and re-planted hardy shrubbery and planted a nice triple-palm in the front.



This is one of our first duplexes (built 2006). We finished in January, the start of our program. This was a personal investment. I re-sodded the front lawn and put in some shrubbery where conducive.

We power-washed the house using a third party company.

This type of cosmetic repair would be a little bit more, likely pushing you toward \$85,000. We ripped out the carpeting and laid ceramic tile throughout the interior.

We have a criteria of 2005 built and newer as that will ensure you are up to the most recent code enforcements. All duplexes are built using CBS Construction (Concrete Block & Steel, Stucco Exterior)



Pictured is the back of a duplex. Most have back sliding doors for backyard access. Lots measure approximately 100' street-front and 120' deep.

This duplex needs only minor landscaping.

This is what your typical duplex will look like in the back. We do not recommend getting fancy back here. Tenants don't care. I would plant maybe a tree or two a year before you plan to sell to spruce it up a bit, otherwise we would leave alone.

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Pictured is the bedroom (1 of 3 per side) at the front of the unit. We replaced the floor with earth-tone ceramic tile. Cost to re-tile entire floor surface in both units of the duplex: \$7,500 to \$8,000. It is a good option to use as you don't have to worry about carpet cleaning or replacement for the life of your ownership.

Double bi-fold closet. Secondary and Third bedrooms dimensions are roughly 10' x 11' not including closet.



Each duplex half comes with 2 full bathrooms. Standard specifications include tub/shower combo, formica countertops, vanity mirror, linen closet.

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Standard kitchen. Formica countertops, white appliances include fridge/freezer combo, electric range (not shown), dishwasher. Plenty of cabinet space. Breakfast bar allows countertop eating space.



Picture taken from middle of the living room.

You can't notice in this picture, but this duplex has cathedral ceilings. Most duplexes built post 2004 have cathedral ceilings.

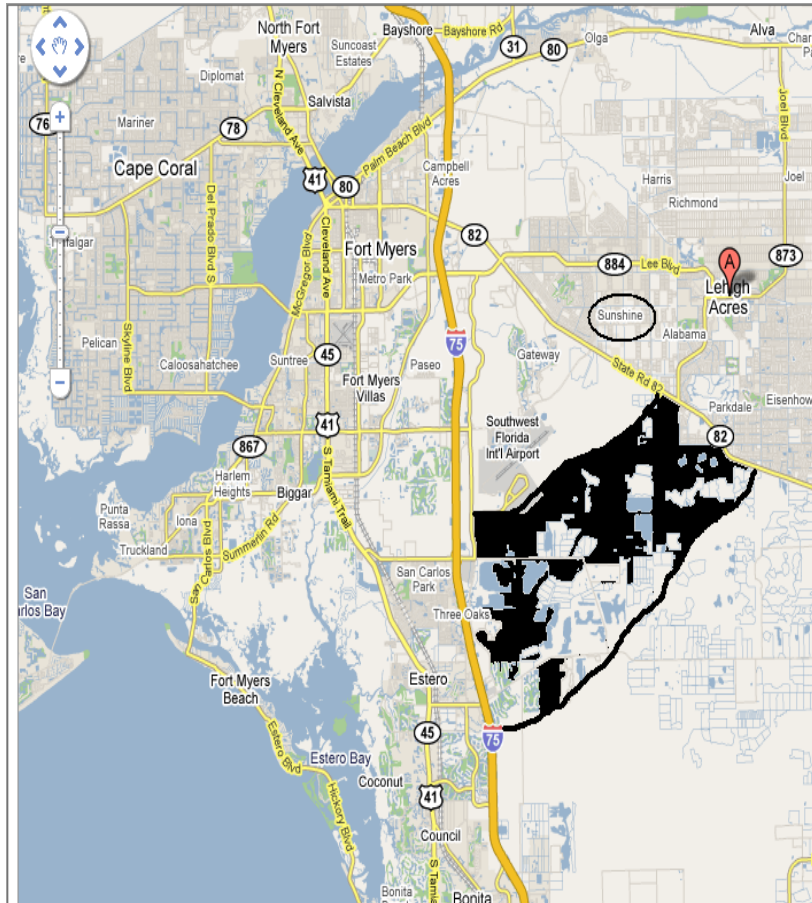
See area map below or download attachment to this e-mail. If this has been mailed to you, see separate piece.

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Notice the RED pinpoint locating the center of Lehigh Acres. Our targeted area is the section just west of the pin labeled "SUNSHINE". In most cases our duplexes are within the parameters of the yellow colored roads.

The black shaded region to the east of Interstate 75 experienced tremendous growth. Some of Florida's most high end shopping, dining, and entertainment is in this area. Subdivisions such as Miromar Lakes, Grandezza, and Stoneybrook are high end homes where homes range from \$500,000 to over \$5 million. Professional athletes typically live in these developments. You will also find the famous Coconut Point and Gulf Coast Town Center Plazas. They include huge outdoor malls, classy entertainment and dining.

Just west of Sunshine is an area labeled "Gateway". This is one of the largest golf course subdivisions in the state and separates Lehigh Acres from Ft. Myers.

Lee County Population: 554,467

Driving Times from Sunshine section of Lehigh:

Ft. Myers Beach: 30 Minutes

Sanibel Island: 30 Minutes

Gulf Coast Town Center: 10-15 Minutes

Bell Tower Shops: 15 Minutes

SW FLA Int'l Airport: 10 Minutes

Naples: 30 Minutes

Tampa: 2 Hours

Miami: 1.5 Hours

Orlando: 3 Hours

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This home pictured was purchased and has never been lived in. This is approximately 4 weeks after we acquired from the lender. Trust me, it was in rougher condition when we bought it. We purchased this home for \$70,000. Going into our bank negotiations, we already know that this home has an open market value at approximately \$110,000. Going in, this home needed new interior cabinets, some doors, paint, and appliances. On the exterior, we we fertilized the lawn, planted new shrubs, paint touch up and powerwash.

Our rehab cost was \$7,000. So our total price was \$77,000. Our re-sale to our investor was \$85,000, so with a value of approximately \$110,000, the investors equity was about 23%. Most investor purchases average about 15-20% equity at time of purchase. This home was located in Cape Coral, Florida.

Our firm selectively chooses from strict criteria requirements which include built in 2004 or newer, concrete block and steel construction, no defective structural issues.

See a sample video of our duplex here: <http://www.youtube.com/watch?v=36utQfM0K7I>

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Average Prices:

Lee County is divided into numerous cities including Fort Myers, Cape Coral, Lehigh Acres, Sanibel & Captiva Island, etc. Our targeted are for single family homes are Lehigh Acres and Cape Coral. Naturally, Cape Coral has higher values due to its peninsula location and convenience to intercoastal waterways. Repossessed home investing is a great value in both cities and differs on price by nearly 30%.

In Cape Coral, the average turn-key price of a single family home is \$85,000 to \$95,000 in the south part of the city, which is your intercoastal territory. In the north part of Cape, homes start in the low \$80,000. Locations are just as convenient, however in the north part of the Cape city water lines are not accessible, therefore most homes are on well water.

In Lehigh Acres, a landlocked city, only 15 miles from the beaches, well systems are the norm also, however prices start considerable lower in the upper \$50,000 to low \$60,000 range.

Duplexes or 2 Family Homes are available predominately in Lehigh Acres. Lehigh Acres was appropriately zoned to maintain a quality bedroom community. Two Family home duplexes are becoming increasingly popular due to its low overhead, and lesser cost of living expenses and substantial capitalization rate of about 13-14% net on a \$80,000 purchase price. From an investment standpoint, 2 family duplexes provide a higher Net Operating Income, however single family homes have historically increased in value greater than duplexes, although not by much.

Almost every 2 family home is separately metered and code enforcements will normally allow homeowners or investors the capability to condo convert the 2 family home into separate sellable condominiums. This is a HUGE equity advantage in the homes and provides an additional exit approach.

Our turn key system provides all necessary components to this including real estate professionals, tax professionals, finance professionals, builders, property managers, and attorneys.

We look forward to hearing from you. Once again, if you would like to review our website, please do so at www.MyRealtySource.com

Conservative Rental Rates for single family homes in Cape Coral are \$850 per month on comparable homes.
Conservative Rental Rates for Single family homes in Lehigh Acres are \$750 per month on comparable homes.
Conservative Rental Rates for DUPLEX 2 family homes in Lehigh Acres are \$1,200 total.

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Lehigh Acres DUPLEX Pro Forma

Avg. Purchase Price	\$75,000
Avg. Annual Gross Rent Income	\$15,000
Avg. Operating Expenses	\$4,200
Net Operating Income	\$10,800
Capitalization Rate	14.40%
Operating Expenses Include - Property Taxes, Insurance Coverage, Property Management @ 8%, and 5% Vacancy Factor	

SINGLE FAMILY HOME	Lehigh Acres	Cape Coral
Avg. Purchase Price	\$60,000	\$90,000
Avg. Gross Rental Income	\$9,000	\$10,200
Avg. Operating Expenses	\$3,120	\$3,616
Net Operating Income	\$5,880	\$6,584
Capitalization Rate	9.8%	7.3%
Operating Expenses Cover taxes, insurance, property management.		

The **Capitalization Rate** or **Cap Rate** is a ratio used to estimate the value of income producing properties. Put simply, the cap rate is the net operating income divided by the sales price or value of a property expressed as a percentage. Investors, lenders and appraisers use the cap rate to estimate the purchase price for different types of income producing properties.

A market cap rate is determined by evaluating the financial data of similar properties which have recently sold in a specific market. It provides a more reliable estimate of value than a market Gross Rent Multiplier since the cap rate calculation utilizes more of a property's financial detail. The GRM calculation only considers a property's selling price and gross rents. The Cap Rate calculation incorporates a property's selling price, gross rents, non rental income, vacancy amount and operating expenses thus providing a more reliable estimate of value.

Your **Net Operating Income** is your rental income leftover after paying your property expenses. This does not include paying debt on a mortgage however.