Dear Fellow Shareholders:

In CTO's second full year as a REIT, we outperformed the RMZ REIT Index for the second year in a row, so we're two for two, and given CTO is not in the RMZ REIT Index, those that owned CTO were rewarded for investing with us.

Our outperformance was driven by our progress in taking advantage of challenging market conditions by acquiring large lifestyle retail and mixed-use properties at high yields, below replacement cost, and in strong markets that have benefited from demographic changes since the COVID-19 global pandemic. We are following the population migration because the tenants are also following this population growth. This allowed us to deliver record leasing activity at very attractive comparable leasing spreads.

Given the continued challenging market conditions, we hope to do more of the same in 2023. However, we are hearing that we aren't the only people who think buying high quality assets below replacement cost at high going-in yields makes a lot of sense. The investors who feasted on industrial and multifamily properties at 4% to 5% cap rates no longer think that it is such a good idea with new construction deliveries still coming and higher costs of capital muting returns. Why not buy retail real estate below replacement cost, with in-place rents below market rates, and with virtually no new supply?

Think about it. There has been and will continue to be very little development of power and lifestyle centers. Why? Because the economics do not work for new construction. Land, building and tenant-specific build-out costs would be over $300 per square foot and the rents anchor tenants are willing to pay does not justify a new development.

Late last year, our $66 million follow-on common stock offering, which was the first in our company's history dating back to our IPO in 1969, allowed us to purchase The Collection in Forsyth County, Georgia, for $96 million. The 560,000 square foot life-style retail center is in a desirable suburb north of Atlanta and this affluent area has experienced dramatic population growth in recent years. Our ability to purchase the property at an attractive going-in yield, at less than half the replacement cost, with significant lease-up opportunity, is an exciting opportunity for us, and all of this is in addition to exciting developments happening next to our property which will drive additional traffic to our location.

Our other two major acquisitions last year were in Richmond and Atlanta, and they were very high-quality properties in very strong locations. The assets emphasized the grocery-anchored part of our strategy, allowing us to add Whole Foods and Publix to our tenant roster. We also bought assets with a good amount of vacant space, which we prefer, as these properties provide a better opportunity to grow cashflow by leasing the acquired vacancy. Following these investments and the progress we've made on our vacancy lease up, our portfolio composition is now 90% retail and mixed-use properties, and our top markets are Atlanta, Dallas, Richmond, Raleigh, Jacksonville, and Phoenix.

Our CFO, Matt Partridge, did a terrific job in orchestrating the inaugural follow-on offering in a short time period in a challenging market. In addition to our equity offering, Matt got our company in good financial shape by securing a $565M credit facility with a terrific group of strong banks. I also want to acknowledge our CIO, Steven Greathouse, for his herculean efforts in not only investing $373 million into an excellent collection of assets at CTO, but he and his team did an additional $187 million at Alpine!

Speaking of Alpine, it's important I highlight our ownership in Alpine Income Property Trust, Inc. (NYSE: PINE). Not only do we externally manage Alpine, which has been an attractive revenue stream for us with a management fee that grew 15% in 2022, but we also own approximately 15% or 2.3 million shares and units in the company, representing a market value of approximately $37 million. This ownership creates strong alignment with Alpine shareholders, while also delivering a nice 7% dividend yield in the process, which also grew 7% in 2022.

Some additional highlights from CTO's activities in 2022 include:

- Invested $314 million in properties located in metro Atlanta, Richmond, and Houston at 7.5% cap rate
- Originated $59 million of structured finance investment at a yield of 8.2%
- Raised $98 million of common equity
- Core FFO grew by 35%
- Grew our dividend by 12%
- Grew same property NOI by 13%
- Fixed 93% of our debt and extended all of our debt maturities to 2025 or beyond
- Sold $81 million of income-producing real estate assets at a 6.2% cap rate
- Sold our wetlands mitigation bank and mitigations credits for $12 million
- Signed 60 leases for 217,000 square feet

Performance Scorecard:

	Total Return/Dividend Reinvested	
	CTO	**RMZ**
2022	(4.0%)	(24.4%)
2021	56.9%	43.1%
2020	(6.8%)	(7.5)%
2019	15.7%	25.9%
2018	(17.0%)	(4.5%)
2017	19.3%	5.1%
2016	1.6%	8.6%
2015	(5.4%)	2.5%
2014	54.0%	30.4%
2013	17.2%	2.5%
2012	14.7%	17.9%
Annualized/Dividend Reinvestment	**11.1%**	**7.5%**

While all of the portfolio improvement and operational execution this past year has its benefits, CTO is still the Rodney Dangerfield of shopping center REITs, as we trade at one of the lowest FFO multiples in the group at around11x 2023 estimates, and as of this writing, our most recent quarterly dividend of $0.38 per share puts our dividend yield at 9%, one of the highest in the REIT sector. We think with a little more cleanup of our portfolio to complete the transition to a pure play retail REIT, and with our current portfolio of assets that are located in some of the best markets in the country, you will see a better multiple down the road, and you'll receive an attractive yield in the process.

This year, in order to enhance our portfolio further, we intend to sell our smaller assets in Fort Worth, Santa Fe, and Winter Park so we can be more efficient as we focus on larger, more institutional properties. These dispositions should be accretive, as we expect to transact at lower cap rates than what we are currently seeing on the acquisition opportunities. Our goal is to be the go-to shopping center REIT that has pure exposure to the fastest growing markets in states that are business-friendly and have either lower, or no state income tax. Other investors may prefer exposure to California and the northeast; not us.

Finally, with such an active year of investments, operational improvements, strong balance sheet management and total return outperformance, I want to say thank you to our entire team and to our Board of Directors for all your passion, determination, and commitment. 2023 will be another year full of opportunities and challenges, and I know we look forward to meeting them with enthusiasm and passion and continuing to deliver value to our shareholders.

John P. Albright
President and
Chief Executive Officer