

Harshman & Co. Inc. is a full service commercial real estate firm specializing in commercial and industrial sales and leasing, property management, consulting and site selection.

Harshman & Company, Inc.
COMMERCIAL REAL ESTATE BROKER

COMMERCIAL REAL ESTATE MARKET UPDATE

Spring, 2015

Licensed Real Estate Broker | 1575 Main Street, Sarasota, FL 34236 | (941) 951-2002 | harshmanrealestate.com

We are proud to provide this quarterly Commercial Real Estate Market Update so readers can remain up to date with current and accurate data, observations and forecasts. At Harshman & Co., we work diligently to collect notable material and cover multiple market sectors for assistance in making informed real estate decisions. We welcome suggestions for future topics and content at service@harshmanrealestate.com. Please let us know, as well, if you would like to receive this information in an electronic form.

The State of the Market

While Southwest Florida's commercial real estate market is healthier now than in the comparable quarter in 2014, it has yet to fully recover and the pace of recovery has been tepid. Office and industrial sectors continue to lag, a sign that employment growth has not yet gained significant momentum despite a series of positive job reports in the region. Still, pockets of downtown Sarasota – defined as Mound Avenue to 10th Street and from Lime Avenue to the Sarasota Bay – have rebounded extremely well, and many properties are now enjoying strong activity in the form of higher rental rates and sales prices. Development, too, has rebounded with numerous ventures under construction, including the 18-story Vue Sarasota

Bay, which will contain 141 luxury condominiums and a 255-room Westin Hotel when completed. The St. Armands Circle retail submarket, in particular, has continued to experience robust leasing activity, and property sales there have remained strong despite the Great Recession and its prolonged aftermath thanks to the addition of new tenants. Throughout downtown properties acquired for investment – especially hotel and multifamily development – continue to be in high demand. At the same time, residential sales and development, a precursor of future retail additions, remain vigorous and many established neighborhoods have seen older housing stock razed and rebuilt. Just as significantly for future market viability, most bank-owned proper-

15 YEAR DOWNTOWN OFFICE STUDY



ties seized because of borrower defaults in the previous decade have been sold to new owners, leaving fewer distressed sales and more market-rate acquisitions.

Interest Rates

Speculation regarding when, or if, interest rates will rise has dominated financial markets for much of the past four years. To date, there has been no change from the Federal Reserve, though bankers from a key Fed committee have vacillated regarding a forthcoming rate hike later in 2015 if the economy continues to generate gains in job growth and consumer sales remain healthy. While no definitive decision has been made, Harshman & Co. believes that a slight increase will likely be absorbed smoothly and with little disruption to the region's real estate market.



John B. Harshman, Broker
jbh@harshmanrealestate.com

City Zoning Changes

The City's Urban Design Studio, led by former City Planner Karin Murphy and Andrew Georgiadis, is expected to soon produce a citywide Form-Based Code to replace current zoning rules. Commercial property owners should pay close attention to any changes, as they could greatly impact future area commercial real estate activity.

Request our newsletter by emailing service@harshmanrealestate.com or by visiting our website.

View our listings on our website: www.harshmanrealestate.com or on the following Multiple Listing Services: www.mfcre.com or www.loopnet.com

Office Market

Of the roughly 1.563 million square feet of Class A, multi-tenanted office space in downtown Sarasota (within buildings of 30,000 square feet or greater), 13.73 percent remained vacant at the close of the first quarter of 2015, a slight increase in vacancy from the previous quarter brought on by further downsizing in banking, real estate and related industries and somewhat sluggish job growth. Many tenants have benefited from reduced rental rates and landlord concessions over the past years, and while significant discounts aimed at retaining or attracting businesses have largely disappeared, Sarasota office space remains a tenant's market.

Industrial Market

The region's industrial market is slowly climbing out of the doldrums brought about by the Great Recession. Perhaps the best evidence of this is that bank-owned industrial properties have been selling, diminishing the supply of distressed properties. While this market is expected to remain constrained for some time, evidence of a full recovery will only come when we see new construction. That is the point when properties will begin to trade for above their replacement costs, a sign that industrial buildings and land have recaptured past viability. There is approximately 18.74 million square feet of industrial space within Sarasota County and roughly 927,277 square feet, or about 5 percent, on the market for sale.

Downtown Residential Market

Overall, there are just over 3,330 residential units, in the form of condominiums, within downtown Sarasota. Last year, 320 of those units sold at an average sales price of \$682,385, or \$363 per square foot. That represents a 13 percent increase from the 283 sales, at average sales price of \$603,222, or \$331 per square foot, in 2013. The nearly 10 percent jump in the per square foot price reflects the growing perception that downtown living, with the host of urban amenities that Sarasota has to offer in arts, shops, restaurants and alike, is valuable. The trend also depicts the reality that downtown residential units, despite new offerings from the Vue, the Jewel, Q and others, are finite in quantity.

Retail Market

The downtown retail submarket experienced tremendous resurgence beginning in 2012-13, with the addition of new tenants such as jeweler Alex and Ani and athletic outfitter Fit2Run in space once occupied by Patrick's restaurant. Over the course of the past year, activity has largely been constrained and limited to a few new leases. But a few key downtown properties remain available, and could lead to a tremendous uptick in activity for the balance of 2015. Most notably, the owners of the former Golden Apple Dinner Theatre are offering 14,000 square feet for lease complete with a flexible floor plan that could accommodate a variety of businesses. Meanwhile, a total of 30,000 square feet is being marketed on the ground floor of the 13-story Ellis Building, where Bank of America leased space for years. Owner Benderson Development Co. is currently marketing the space to restaurants or other retailers.

The Elephant in the Room

Although the most significant downtown sale of late occurred in the final quarter of last year, it remains important for its potential to impact Sarasota's core going forward. The roughly 14-acre Sarasota Quay land was purchased for \$27 million by Greenpointe Holdings, of Jacksonville, a steep discount to the estimated \$110 million the former owner had borrowed before the property became lender controlled. While the development company has yet to unveil official plans, it has signaled that it intends to fulfill a site plan approved a decade ago entitling a mix of residences, retail, lodging and other uses to be constructed. The property possesses many positive attributes, including its water views; Downtown Bayfront Zoning that allows up to 50 units per acre in 18-story structures; proximity to the Ritz-Carlton Hotel and residences; and easy access to Fruitville Road and U.S. 41. But as former owner Irish-American Management Services Ltd. discovered last decade, the Quay also contains challenges that could stymie development, including a requirement that tens of millions of dollars of infrastructure be installed prior to vertical construction; views that would remain somewhat obstructed by the 988, 888 and Beau Ciel residences and the Hyatt Regency Sarasota hotel. Even so, the Quay land remains among the most attractive undeveloped tracts in all of Florida, and a site worth keeping an eye on.

Planned Downtown Projects

As of April 1, a total of 1,490 residential units and 1,168 hotel rooms have been proposed for the downtown area. If even 60 percent of these new units reach fruition, Sarasota would again be the recipient of a tremendous infusion of buyers and visitors, together with the new tax revenue and spin-off venues that typically accompany them.

Harshman & Company Available Properties



3808 N Tamiami Trail
93,218 +/- sq ft (2.14 acres) land,
14,286 sq ft building zoned NT.
\$1,950,000



1540 Northgate Blvd
78,408 +/- sq ft (1.80 acres),
14,700 sq ft warehouse/office
building, zoned ILW.
\$1,900,000



207 East Ave
6,212 +/- sq ft land,
zoned DTC.
\$187,500



123 East Ave
6,250 +/- sq ft land,
zoned DTC.
\$187,500



5951 McIntosh Rd
242,336 +/- sq ft (5.56 acres)
vacant land, zoned ILW.
\$3,635,040 (\$15/sq ft)



100 & 180 Center Ct, Venice
102,539 +/- sq ft (2.35 acres)
vacant land, zoned ILW.
\$1,230,468 (\$12/sq ft)



Fruitville Rd Assemblage
91,851 +/- sq ft (2.11 acres),
zoned DTE.
\$3,501,540



**599 Coconut Ave –
SALE PENDING**
31,388 +/- sq ft vacant land,
zoned DTE.
\$1,569,400



1716 N Tamiami Trail
40,880 +/- sq ft vacant land,
Permits 35 units per acre,
zoned NT.
\$1,450,000



4242 Gypsy Street
2.2 acres, with 5,216 +/- sq ft
office/warehouse, zoned CI
(Sarasota County)..
\$595,000



936 42nd Street
1,100 +/- sq ft building on 6,305
+/- sq ft of land, Commercial
catering kitchen, zoned CG
(commercial/general).
\$179,000



1620 Main Street, Unit 10
1,100 +/- sq ft office
condominium, zoned DTC.
\$149,000



7100 S Beneva Rd
3,812 RSF of two tenant building,
private parking lot, zoned OPI
(Sarasota County).
\$17/sq ft NNN



1435 S Osprey Ave, Suite 201
1,700 +/- sq ft office
condominium, medical or
medical related office
\$12/sq ft NNN



25 N Pineapple Ave
Retail Space 1 = 1,788 sq ft @ **\$35/sq ft NNN**,
Retail Space 2 = 2,360 sq ft @ **\$32/sq ft NNN**,
Restaurant Space = 6,535 sq ft @ **\$30/sq ft NNN**,
Estimated tenant expenses \$8/sq ft.

Market Forecast

Expect that Sarasota's commercial real estate recovery will continue to be led by residential and hotel land sales and development, both from projects that are already proceeding and those poised to undergo construction in the near term. If current conditions continue, look for Southwest Florida's office market to incrementally improve throughout the balance of 2015 amid decreasing vacancy rates. The same will hold true for industrial

properties. Harshman & Co. does not anticipate activity will significantly diminish existing vacancies, but incremental improvements should lead to a healthier market overall in this sector by the end of 2015. Retail activity remains the area's wildcard. While there can be little doubt that the University Park area will continue to attract retailers, as evidenced by the recent announcements regarding convenience purveyor Wawa and specialty grocer Whole Foods Market slated for Honore Avenue and University Parkway,

other pockets – including downtown – are expected to thrive as well. In addition to the often noted \$315 million, 880,000-square-foot Mall at University Town Center, which has enticed many retailers from Westfield Corp.'s Southgate Mall and at least one from downtown, St. Armands Circle has shown remarkable resiliency in the face of the Great Recession and stiff competition from UTC. Its occupancy is nearly 100 percent, while downtown also fared well, though some 58,000 square feet of retail space remains vacant.

Harshman & Company, Inc.
COMMERCIAL REAL ESTATE BROKER

Harshman & Company, Inc.
1575 Main Street, Sarasota, FL 34236

PRSR STD
U.S. POSTAGE
PAID
MANASOTA, FL
PERMIT NO. 1283

COMMERCIAL REAL ESTATE

MARKETUPDATE

View our listings on our website:
www.harshmanrealestate.com

Sampling of Commercial Transactions

- **2070-2074 Ringling Blvd, LLP** sold the 14,754 RSF building on 12,054 +/- sq ft land zoned DTC at 2070-2074 Ringling Blvd to Ringling Associates, LLC for \$1,263,000 on 3/16/15.
- **John M. Dart and Deborah G. Dart and Daniel P. Ball and Judith C. Ball** sold 5,250 +/- sq ft of DTC-zoned land at 1505 Dolphin Street to Dolphin Trust for \$600,100 on 2/23/15.
- **Sarasota County** purchased 6.2 acres of vacant land zoned NT at 4644 N Tamiami Trail from Dwayne, Inc. for \$1,200,000 on 1/15/15.
- **Sarasota Family YMCA, Inc.** sold 58,573 +/- sq ft land zoned DTC at 41 N School Ave to Sun Center Village, LLC for \$1,442,000 on 5/21/14.
- **James V. and Joanna M. Grace** sold 10,500 +/- sq ft of land zoned DTE at 1343 4th Street to Tetra Terra Development, LLC for \$425,000 2/12/14.
- **United Way Suncoast, Inc.** sold 36,750 +/- sq ft land zoned DTC with 14,005 +/- sq ft building at 1445 2nd Street to Biter Building, LLC for \$2,800,000 on 6/7/13.
- **Rosalynne Holdings, LLC** purchased 6.5 acres of land zoned DTE on Cocoanut Ave between Blvd of the Arts and 10th Street from OB Florida CRE Holdings, LLC for \$4,500,000 on 3/29/13.