

Real Estate Market Update

SUMMER 2008

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Real Estate Market Update

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Harshman & Company, Inc.
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commercial & industrial sales,
commercial & industrial leases,
property management, consulting,
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Bright Spots in a Dim Market!

With so much negative news surrounding real estate; lost construction jobs, reduced property values, diminished tax revenues and abandoned construction sites one might think that all development has stopped dead in its tracks. Two major retail developments are bucking the norm and shining a light to Sarasota's future. The most notable is the University Town Center, a 1.68 million square foot (Sarasota Square is just over 940,000 sq ft) regional mall at University Parkway and I-75 that will include retail, office, residential and hotel. With anchors like Nordstrom's and Neiman Marcus, this development will add a welcome new dynamic to Sarasota's retail.

The other major development consumers are anxiously awaiting is an expansion of Westfield Southgate Mall. The owners of Westfield have been working through the tedious design and permitting process intending to expand this very popular and extremely well located mall by 250,000 square feet. Excluding St Armand's Key, Westfield Southgate Mall commands the highest retail rents in Sarasota, exceeding \$50 per square foot and boasting strong sales volumes justifying the rents.



This confidence in the Sarasota market is a pleasant relief in a difficult economy and we all will appreciate these fine developments once completed. Neighboring property owners are smiling the most; as high tides raise all boats – so too will these developments increase the value of neighboring properties.

Time to Buy

Recall the mantra "buy low and sell high." Well, this is a great time to buy Sarasota commercial real estate. Think of all the times in 2002-2006 when you heard, "I wish I had purchased that property a few years ago when the prices were lower." Now prices are lower almost across the board. Now and for the next several months is the time to act. If we are not at the market bottom we are so close we can feel the cold floor. Waiting to pick the exact floor is nearly impossible; as we only really know the bottom in retrospect.

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Harshman & Company - Available Properties

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4041 Sawyer Ct,
1.6 acres, with
20,575 +/- sq ft
warehouse build-
ing, zoned CI
(Sarasota County),
\$2,750,000



4242 Gypsy St, 2.2
acres, with 5,216
+/- sq ft office/
warehouse, zoned
CI (Sarasota Coun-
ty), **\$775,000**



725 N Lime Ave,
2,000 +/- sq ft
building on 4,250
+/- sq ft land,
zoned DTE, 6 park-
ing spaces,
\$245,000



1630 Morrill St,
1,556 +/- sq ft of-
fice building on
5,362 +/- sq ft land,
zoned RSM9, histor-
ically designated,
\$399,000-Reduced!



51 Wallace Ave,
900 +/- sq ft office
building on 6,250
+/- sq ft land,
zoned DTC, near
courthouse,
\$756,250



429 N Lime Ave,
5,000 +/- sq ft
building on 17,000
+/- sq ft land, zoned
DTE, 23 parking
spaces, **\$1,250,000**



**1716 N Tamiami
Trail, Galaxy Motel,**
4 buildings totaling
6,500 +/- sq ft lo-
cated on 40,880 +/-
sq ft of land, zoned
NT, **\$1,750,000**



1505 Dolphin St,
3,100 +/- sq ft
building on 5,250
+/- sq ft land, zoned
DTC, **\$1,190,000**



**25 N Pineapple
Ave,** 13,600 +/- sq
ft theater building
on 14,250 +/- sq ft
land, zoned DTC,
\$3,800,000



2024 Princeton St,
3,955 +/- sq ft in-
dustrial building on
10,500 +/- sq
fenced land, zoned
ILW, **\$595,000**



1445 2nd Street,
36,750 +/- sq ft of land, 14,005 +/- sq ft building, zoned DTC (permits 50 units/acre and 10 stories height), **\$10,080,000**
SALE PENDING



1620 Main Street,
Unit 10, 1,100 +/- sq ft office condominium in Downtown Sarasota, built in 1972, new a/c unit, zoned DTC, **\$330,000**



100 Wallace Ave,
Suites 205/210, 2,000 +/- sq ft office condominium, Unit 205 is presently a separate 900 sq ft unit, zoned DTC, **\$650,000**



4644 N Tamiami Trail, 6.2 acres of land, 2.8 acres zoned NT & 3.4 acres zoned RSF-3, 370 feet of frontage on N Tamiami Trail (US 41), **\$7,300,000**

PROPERTIES FOR LEASE

1561 Main St, 3,600 +/- sq ft of single-story, multi-tenant building with parking, **\$25.00/sq ft NNN**

1599 Main St, 3,200 +/- sq ft of single-story, multi-tenant building with parking, **\$22.00/sq ft NNN**

1586 Main St, 2,400 +/- sq ft single-story building, zoned DTC, **\$25.00/sq ft NNN, Lease Pending**

729 N Lime Ave, 667 sq ft of 2,000 +/- sq ft building, zoned DTE, 6 shared parking spaces, tenant pays electric, water/sewer & trash, **\$650.00/month + 7% Sales Tax**

560 N Washington Blvd, Unit A, 1,650 +/- sq ft storefront, ample parking, zoned CG, **\$18.00/sq ft NNN**

5279 Office Park Blvd (Manatee County), Peridia Office Park, 1,100 +/- sq ft office unit, ample parking, **\$22.00/sq ft NNN**

INDUSTRIAL LAND FOR SALE OR LEASE

3941-3942 Butler Avenue, 2.83 +/- acres of land, will divide, zoned ILW, **\$1,235,000** Lease at **\$1,500 per month per 1/2 acre**

Impact of Development

The near stop in the development industry is painting a broad ugly brush across the Sarasota/Manatee economy. We can sadly correlate the absence of construction cranes on the Sarasota skyline with economically strapped electricians, plumbers, masons, roofers, carpenters and all the other building trades that are impacted by the development slow down. Look a little closer and we see many more development associated businesses also suffering. Real estate attorneys, brokers, bankers, appraisers, environmental consultants, architects, engineers - civil, structural and mechanical, land planners and of course local governments are all feeling the pinch of an eviscerated economy absent of development. Look even deeper and we notice local restaurants that once depended on regular local support from a vibrant economy hurting and in some cases closing. Some health care providers who helped heal injured construction workers are also seeing a steep decline in business. These businesses and government are operated and staffed by our neighbors. Although many citizens were frustrated by the frenzied development pace and ever changing landscapes of 2002-2006; the economic consequence of an economy absent of development is extremely painful to many people.

Sampling of Commercial Transactions

■ **MAB Enterprises LLC** purchased the 6,356 +/- sq ft bank building on 21,853 +/- sq ft of land at 2704 Bee Ridge Road for \$1,843,000 from **Joseph A Costello Sr** on 4/17/08.

■ **Goodwill Industries Manasota Inc** purchased the 4,172 +/- sq ft office building on 29,883 +/- sq ft of land at 8447 S Tamiami Trail for \$1,125,000 from **Arthur F Smith Trust** on 4/17/08.

■ **Williams Parker Holdings PA** purchased the 4,994 +/- sq ft office building on 15,750 +/- sq ft of DTC-zoned land at 300 S Orange Avenue for \$2,175,000 from **Ludwig Brothers LLC** on 3/26/08.

■ **Curtiss Avenue LLC** purchased the 10,008 +/- sq ft medical office building on 30,615 +/- sq ft of land at 7147 Curtiss Avenue for \$1,635,000 from **Tai A Ly** on 3/19/08.

■ **Whitehall Hotels, LLC** purchased two parcels totaling 24,250 +/- sq ft with a total of 8,600 +/- sq ft in two office buildings at 290 Cocoanut Avenue for \$4,907,800 from **Landmark Financial Services, Inc and 290 Cocoanut LLC** on 02/07/08.

■ **Rilda LLC** purchased the 4,044 +/- sq ft store building on 10,605 +/- sq ft of land at 2001 Princeton Street for \$400,000 from **R. Harry Scott** on 01/31/08.

The Office Market

The downtown Sarasota office market still boasts a respectable vacancy rate of around 8%. Unfortunately, this vacancy rate is about 4% higher than two years ago, and with only modest demand we may see a point or two higher. Looking for a lease deal – now is the time. The high demand office locations near I-75 are feeling the economic crunch reverberating from the slow down in the development industry. The vacancy rate is reaching 15%, a high not seen in years as many development businesses downsize or vacate. The good news is that this area will recover quickly as the economy turns around and businesses again will desire to locate along the I-75 corridor with its easy access to employees.

Foreclosures

The residential market is experiencing increasing numbers of foreclosures. While most of the foreclosures are in the moderately priced homes, some waterfront mansions are being auctioned or foreclosed as developers and speculators who did not respect the market are now seeing their values plummet and buyers vanish. The commercial market is not without its pain. Expect foreclosures on some of the sites purchased for condo developments or residential developments that never happened, but there will be few foreclosures in other commercial market sectors. The foreclosure of some of the high profile condo development sites will be a positive for the community as this is the first major step in turning the many vacant sites to a productive use.

Commercial real estate prices adjusting

Lack of demand rather than over-building is the primary reason some commercial real estate prices are lowering. The exception is office/warehouse condominiums and office condominiums where some over-building occurred. Prices for office/warehouse in prime locations reached \$175 per square foot and are now lower than \$120 per square foot. Office condos downtown sold for over \$400 per square foot and now prices only flirt with the \$300 per square foot mark. The lack of demand by fewer buyers and tenants has moved prices down which makes for great buying and leasing opportunities.

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