

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, 2018

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We are proud to provide this quarterly Commercial Real Estate 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 newsletter in an electronic form.

State of the Market

All sectors in Sarasota's commercial real estate market are presently experiencing positive activity, although some geographic areas are naturally experiencing greater activity than others. The office rental market, for instance, remains sluggish but activity has been increasing over the past two quarters. Buyers for quality, Class A office buildings abound – although they are discerning in their purchases and are flocking to properties that have been well maintained and have sustained value. The industrial market, meanwhile, is steadily moving forward as trade, distribution and manufacturing businesses expand and many make moves to purchase buildings. The lack of supply has pushed rents and purchase prices alike. As the upwardly trending sales prices eclipse replacement costs, we believe that new product will be developed market wide. This is already happening in Lakewood Ranch, where Tampa's Harrod

Properties has developed several industrial and flex buildings in the Gatewood Commerce project.

Hot, hot, hot!: U.S. 41 near Sarasota Memorial Hospital

It's been said that the only constant in life is change – an adage that applies to real estate markets as well. Identifying areas that are poised to turn up or sink down and the factors behind such moves is the key to correctly anticipating the market and then making intelligent decisions. Consider the city's "Hospital Zone" enacted in the early 2000s. While it has attracted significant attention because of the anchor and economic engine of Sarasota Memorial, the superior visibility that U.S. 41 provides and the affluent demographics of surrounding neighborhoods, the area has not attracted a significant number of new businesses. Today, on the other hand, the area is one of the hottest submarkets in the entire region and demand for office and restaurant locations is strong. This trend was recently exemplified when a property at 2900 S. Tamiami Trail in the district went under contract of sale just two days after it was first listed, for the full list price. Moreover, the sale price of \$290 +/- per square foot did not include the necessary cost of updating that would typically be required to a building constructed in 1982. What attracted the buyer were the positive fundamentals possessed by the property: great visibility, excellent parking and solid construction. The quick sale and high price is indicative of the solid interest in this area and the recognition that the hospital district is a superior location.

Why Choose Harshman & Company, Inc.?

Prospective clients often ask us what differentiates Harshman & Co. from other Sarasota commercial real estate brokerages.

What makes us special, and worthy of hiring over other firms? We maintain the key to making astute real estate decisions stems from a base of accurate and timely data. At Harshman & Co. Inc., we pride ourselves on market research that is superior in both breadth and quality. To obtain accurate information requires diligence, the investigation of multiple sources and a recognition that sometimes even "facts" require further verification for authenticity. From there, we are challenged with communicating this information in a clear and concise fashion. Following the phrase "a picture is worth a thousand words," we developed what we refer to as Oh Wow! – a proprietary GIS-based interactive software program that provides unique visual market tools. For good measure, this data is displayed on an 80-inch monitor that properly conveys the often dramatic and nuanced details of the area's commercial real estate market. A focus on market research is a culture, and our data ranges from the macro to the micro, for specific site selection and particular market research. We invite you to visit and see this most impressive tool: Go ahead and try not to say "Oh Wow!" afterward.



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

Rosemary Residential Overlay District (RROD) = Success!

The tremendously successful RROD, an overlay district instituted by the city that allows residential development up to 75 residential units per acre (as compared to 25 units per acre in city code) is scheduled to sunset either on Dec. 31 of this year or when 1,775 units have been approved within the district. To date, 1,554 units have been approved or are in process, bringing new residents, new life and new economic opportunity to an area of the city that languished for years. As a result, the RROD has unquestionably been the most successful economic development effort I have witnessed in more than three decades of doing business in Sarasota. Establishing the RROD cost the City “\$0” and the triple density provision incentivized development and enabled property owners to deliver rental apartments that otherwise would not have occurred, while maintaining existing height restrictions. Today, new residents are supporting existing businesses, encouraging new businesses to take root and generating new taxes for Sarasota. It is our hope that city and Sarasota County leaders will recognize and appreciate the success of

the RROD when considering future incentives and public policy. Sarasota needs more of these types of successes.

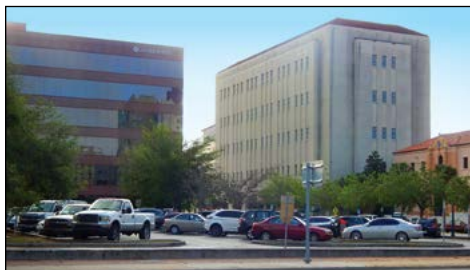
A L-O-N-G look into the future

I often tell people that I feel comfortable forecasting the commercial real estate market six to 12 months into the future, based on market experience, superior data that we collect and collate and industry trends, but after that time, there are too many variables that can cloud one’s vision. So I will acknowledge that I am going way out on a limb in envisioning Sarasota in 2028. Still, such a look forward is appropriate in light of all the developments that are changing the cityscape today. I contend that a decade from now, barring a major catastrophe, natural disaster or national economic collapse, the construction of the multitude of downtown projects planned or proposed today will largely be completed. These

will be led by GreenPointe Communities’ \$1 billion development on the 15-acre former Quay site. The city-owned, 42-acre Bayfront land adjacent to it, meanwhile, will have been transformed into a magnificent park and community feature rivaling the best cities of the world. Sarasota’s population a decade from now will top 60,000 and the city will be an even better place to live and visit, replete with an even wider array of entertainment options and amenities found in other small metropolitan locales. North Tamiami Trail will be a desired residential area, driven by consumer demand to be in close proximity to the city’s thriving downtown and fueled by the Ringling College of Art + Design’s improvements in the area. Sarasota Bay, the key to Sarasota’s success, will thrive as well, thanks to continued efforts to stop runoff, encourage seagrass growth and replace invasive vegetation on the shoreline and spoil islands with native species. Just outside the city, Nathan Benderson Park will host nearly every major rowing competition in the U.S., even as the nearby Mote Marine’s aquarium there draws thousands of visitors each year. We predict Sarasota County’s population will swell to 700,000, led by growth in South County. Already, the West Villages is among the fastest-growing master-planned communities nationwide.

Featured Properties

Downtown Development Site - 20 N. Washington Blvd., Sarasota



Located across Main Street from the historic Sarasota County Courthouse, the Sarasota County Sheriff, the Class A Center Pointe office building and the recently renovated Hollywood 11 movie theater, this 41,599-square-foot property represents a truly special opportunity. Zoned Downtown Core (DTC), which allows up to 50 residential units per acre and other uses, the nearly one-acre property also has a generous 10-story height limit. More than 31,000 vehicles pass this intersection daily. Property is subject to Sarasota County bid regulations; all bids must be submitted to the county by 5 p.m. June 19. Don’t lose out on an opportunity at the nexus of outstanding price and location!
\$3,100,000 minimum bid.

3938 S. Tamiami Trail, Sarasota



Zoned CGD in the City of Sarasota. Fantastic, fully renovated 1,500-square-foot professional office and showroom. Parking for seven vehicles on site. Vehicular traffic exceeds 56,000 per day – a true showcase! Offered at a reduced price of **\$399,995**. For Lease at \$20 per square foot, NNN.

665 S. Orange Ave., Sarasota



A significant investment property in Sarasota’s coveted Burns Court neighborhood, 4,615-square-foot office and retail building provides increasingly desired smaller commercial spaces and seventeen on-site parking spots. Currently occupied by five tenants, this building is strategically located near a wave of recently built, high-end residential condominium developments. Zoned Downtown Edge (DTE), a flexible zone classification that permits residential development up to 25 units per acre, lodging and other commercial uses downtown. **\$1,395,000**, a 5.7% cap rate.

Harshman & Company Available Properties



2080 Ringling Blvd, Sarasota
7,493 square feet of land improved with a 10,587 square-foot, three-story office building, Zoned DTC. Price: **\$1,950,000**



1420 5th St., Sarasota
5,750 square feet, zoned DTE.
\$575,000



Fruitville Road assemblage, Sarasota
2.11 acres (91,851 square feet), zoned DTE. Zoning allows for 52 residential units.
\$3,501,540



1716 N. Tamiami Trail, Sarasota
Nearly one acre (40,880 square feet), zoned NT. Zoning allows for 35 residential units per acre.
\$1,226,400



100 and 180 Center Court, Venice
2.35 acres (102,539 square feet) vacant land, zoned ILW.
\$1,230,468



7100 S. Beneva Road, Sarasota County
For Sale 8,220-square-foot building, partially leased. Zoned OPI.
\$1,520,700 – SALE PENDING



1599 Main St., Sarasota
Former physical therapy center
3,255 square feet.
\$26 per RSF NNN



5750 S. Tamiami Trail, Sarasota
Prime retail location, 1,387 square feet.
\$19.50 per square foot NNN



27 N. Pineapple Ave., Sarasota
2,250 square feet of retail space, adjacent to Sarasota Opera House, 18-foot-clear ceiling height.
\$29 per square foot, NNN



8598 Potter Park Dr., Sarasota County
8,250 square feet, divisible, zoned OPI. Construction expected to commence in August.
\$24 per square foot, modified gross

Looking for an Economic Development Annuity: Bury the Overhead Power Lines

The Town of Longboat Key recently announced that it is embarking on a three-year, \$15,000,000 project to bury FPL lines there. I cannot sufficiently express how SMART and forward thinking I believe this effort will be. Our personal experience with Hurricane Irma was not devastating, though we know of many friends who suffered many days without power in the muggy and brutal September heat and had to throw out a considerable amount of foodstuffs. On the south side of Main Street in downtown Sarasota near Harshman & Co.'s

headquarters, nearly a dozen restaurants lost electricity for more than five days, causing calamitous losses. Now, imagine if Sarasota had experienced a similar, significant weather event – but its power lines were buried. Businesses would be open, people could go to work, perishable food would be saved and electric company repair crews would not have to work ridiculous hours to restore power at considerable expense. Oxygen-supplying trees, meanwhile, would not need to be disfigured or destroyed to gain access to overhead power lines. All this is possible, together with the community aesthetic generated from the lack of obtrusive and ugly power lines. Take a gander at the west side of Orange Avenue in downtown Sarasota and you will see what I mean.

Down the Pike

We cannot emphasize enough the transformative impact that the concentration of approximately 3,000 new residential units downtown will prove to be for Sarasota. Although some questions remain as to whether demand can keep up with supply is never definitively answered until sales are complete; however we expect demand will be sufficient based on our view of current market indicators and factors. Consistent with the truism “commercial follows residential,” we anticipate an uptick in both office and retail demand in the metropolitan Sarasota area, too. We also expect continued industrial absorption to occur, another byproduct of a flourishing residential marketplace.

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Recent Notable Commercial Transactions

- **Cocanut Arts Southwest, LLC** purchased a pair of multi-family properties at 1245 and 1265 5th St. from **Florida Studio Theatre, Inc.** for \$1,988,437.50 on 5/4/18.
- **2900 Tamiami, LLC** bought a 4,176-square-foot building at 2900 S. Tamiami Trail from **Lee-2900 Trust** for \$1,150,000 on 4/17/18.
- **Florida Studio Theatre, Inc.** leased 1,078 square feet at 1234 1st St. to **Torjborg Teigland Inc.** for three years commencing on 2/23/18.
- **Canandaigua National Trust Co. of Florida**, located at 1586 Main St. for the past decade, has renewed its lease with landlord **1586 Main Street, LLC** for an additional five years.
- **Realtor Association of Sarasota and Manatee, Inc.** purchased 500-900 3rd Ave. West, a 1.18-acre tract within the City of Bradenton, from **B & G Uptown, LLC** for \$770,000 on 1/25/18.
- **Valley National Bank** has renewed its lease for 5,200 square feet at 1567 Main St. from **Monday Morning Corp.**