

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, 2019

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The Blossoming of Downtown

In the past 20 years downtown Sarasota has certainly blossomed into an active and vibrant place to live, work and play. The question is why? The answer is simple – residents. Beginning in about 2000, tremendous interest nationwide erupted by those who wanted to move back to urban areas. Sarasota also rode that wave. Just prior, the only new residential developments in 25-years downtown were Sarabande,

1,678
Number of
new downtown
residences added
between 2001-2010

Tessera and the Palm Avenue Villas, which were built in the late 1990s. At that time, demand

for downtown living was minimal, and that, coupled with the financing difficulties of the 1990s kept downtown largely barren of new residents. Enter the early 2000s, when more people wanted an active downtown lifestyle and perhaps a beautiful view of the water. In response, developers built residential projects like Marina Towers, The Renaissance, the Ritz-Carlton and others. Collectively, they transformed our downtown by bringing new customers for shops, restaurants and entertainment venues. The new residents garnered attention as they became an economic and political force, as

well. Prior to 1990 there were approximately 1,588 residences in the downtown area, including Golden Gate Point. Between 1991 and 2000 only 81 residences were added to the same area. From 2001 to 2010, however, a staggering 1,678 units were added in less than a decade, ramping up buying power, political power and community power.

Those same residences became a catalyst for an unprecedented wave of revitalization and repurposing of our commercial space, in the form of added retail, restaurants and upgraded storefronts that we enjoy to this day attracting tourists and potential future residents. The city's Downtown Master Plan did play a part, as the Rosemary District and Burns Square areas were rezoned to one of the new downtown zones. The core was less impacted by the new master plan as the C-CBD zoning that was replaced by a very similar DTC permitted the mixed-use so popular with new urbanism. And 1,335 residential units were added from 2011-2018.

State of the Market

Sarasota is healthy and robust. As Steinbeck put it, "the world is once again spinning in greased grooves," and that saying certainly applies to our commercial real estate market. Reasoned-based developments are coming out of the ground such as Cityside, DeSota, Valencia Townhouses, Sarasota Modern and The Westin. Some sectors, such as office and industrial, are still lagging behind in

their performance compared to the highly charged residential and hospitality components, but we believe this market sagging is more of a statement on the changing nature of how business

is conducted and less a reflection on the economic health of the Southwest Florida market. The market is presently flush with well-funded buyers, which has added some pressure to pricing, but generally speaking, buyers are smart and disciplined – and not willing to pay highly inflated prices for properties. The biggest change has occurred in Class A office space availability: The rate has dropped precipitously in the past six months from 16% to 11%, driven mostly by Sarasota Memorial Hospital's purchase of the three-story 1741 Main St. office building. Another indicator of health was New York Life Insurance's recent purchase of the Whole Foods Market-anchored Shoppes at Sarasota Row on 1st Street and Central Avenue. The seller indicated the cap rate on the transaction was 5.15%, and over \$400 per square foot – a testament to the vibrancy of our market. It also speaks volumes when an institutional buyer such as NYL demonstrates confidence through their investment dollars.



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SMH Move Downtown is Win-Win-Win

The recent purchase of the former Sarasota Herald-Tribune building at 1741 Main St. by Sarasota Memorial Hospital for \$10.85 million is significant on multiple levels. First, the hospital needed more space and this building will address that demand at a price

11.9%

Amount of available Class A office space downtown after the SMH purchase

significantly lower than the cost to develop a new building, which the healthcare provider

reportedly contemplated. Taxpayers, like Harshman & Co. who help fund the hospital, certainly appreciate that savvy business move. Second, this purchase removes 72,400 square feet from the “available” market of downtown Class A office space, which drops the “available” rate from 16.4% to 11.9%.

Finally, and perhaps most importantly, the hospital’s relocation of non-clinical operations to downtown is projected to bring hundreds of well-paid SMH employees to Main Street, increasing the vitality of the entire surrounding area and providing consumers for nearby shops and restaurants. All in all this is a three-way win!!!!

Opportunity Zone Spells Opportunity

Have you sold art, jewelry, stocks, real estate or other valuables and realized a significant gain – along with a substantial capital gains tax bill? To defer taxes on such gains, consider purchasing and improving property in an Opportunity Zone. Formed as part of the 2017 federal tax overhaul, rules for such zones are still being formulated. It appears investors will need to own Zone property

for a decade to unlock their full potential as an investment, such holdings could still generate considerable yield from shorter hold periods, especially if development occurs within them. A word of caution, however: having lived thru the famed 1989 recession that began with corrections to bad tax law, I am always concerned when government adds tax incentives to the market. One potential concern here is that Opportunity Zones will increase property values and property will be purchased as part of a tax plan rather than on pure market fundamentals. I applaud the effort but the final cake is not yet baked. I often discourage laymen from venturing into the development realm, but in this case, the potential benefits of such Opportunity Zones are significant. As always, we encourage investors to seek competent advice from tax and real estate professionals before

committing money. Should you have questions about Sarasota’s four designated Opportunity Zones or other real estate investments, please call us at (941) 951-2002. We at Harshman & Co. would be happy to assist you.

FEATURED - Opportunity Zone Properties

2015 Fruitville Road, Sarasota



These five parcels, fronting 4th Street and Fruitville Road, also are located within an Opportunity Zone and could generate significant tax and other benefits. Located at the north side of Fruitville Road, this property is in the downtown district and is a highly visible location with easy access to downtown Sarasota and Interstate 75. Totalling 47,576 square feet and zoned Downtown Edge (DTE), this property is entitled for up to 25 residential units per acre and hotel, office, retail and restaurant. Height is limited to five stories (four stories along 4th Street). Current improvements include a 6,500-square-foot office building fronting 4th Street and a 1,400-square-foot office building fronting Fruitville Road, which will be vacated prior to sale closing. With more than 33,500 vehicles passing by this site daily, according to the Florida Department of Transportation, this is a tremendous opportunity for the right developer. **\$3,568,200 (\$75 per square foot)**

1716 N. Tamiami Trail, Sarasota - SALE PENDING



This 40,880-square-foot building, zoned NT, is located in one of four federally designated Opportunity Zones within the City of Sarasota. Zoning allows for 35 residential units per acre, and because of its inclusion in an Opportunity Zone, investment interest has been high. Research the benefits of owning property within an economic development Opportunity Zone and you’ll understand why this property has considerable potential for appreciation and yield, together with tax benefits. Consult a tax professional for details, and call (941) 951-2002 with questions. **\$1,226,400**

2080 Ringling Blvd., Sarasota



Located in downtown Sarasota’s Legal District, near the Sarasota Police, Sheriff, Clerk of the Circuit Court and the Judicial Center; this former headquarters of Global Financial represents a unique opportunity for user or investor. This building at Ringling Boulevard and East Avenue is professionally appointed and maintains an attractiveness rivaling any class A office building. The 10,587-square-foot building is across from the judicial parking garage and is available for **\$1.95 million**.

Orchestra Movement

It shouldn't be a surprise that, like most of Sarasota, the Sarasota Orchestra is growing, and to accommodate that growth and future need it has proposed relocating from the Bayfront to city-owned land at Payne Park, to build a new 1,700-seat hall. We at Harshman & Co. like the idea. Keeping our cultural icons downtown is important for our community and for their longevity. We cringe at the thought of the Orchestra leaving the city as it appears The Players Theater and Mote Marine Laboratory are doing.

Down the Pike

Look for more residential projects and more hotels to gel in Sarasota throughout 2019. On the residential side, The Richman Group's 222-unit apartment project at the former Ringling Shopping Center site is rapidly progressing, and David Weekley Homes has broken ground on its Payne Park Village condo and villa project. Together they will offer living opportunities with close proximity to downtown and Payne Park. Richman's plan for a pair of commercial buildings fronting Ringling Boulevard, meanwhile, will house businesses that complement the growing area. Expect occupancy of Richman Group's project in 12 to 14 months.

122

Number of hotel rooms planned for East Ave. and Fruitville Road

The Ritz-Carlton Residences and The BLVD condo projects are well under construction on the other side of downtown, and the Bold

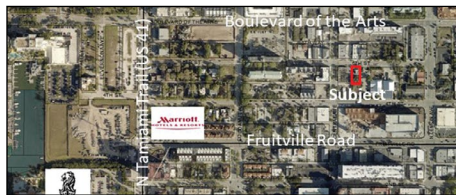
Apartments on Fruitville Road are leasing. The luxury Epoch and Auteur condo towers may not be far behind, either. Plans for a new 122-room hotel touting a Residence Inn flag at East Avenue and Fruitville Road have been submitted to the city – a welcome use of a mostly vacant site on the north side of Fruitville Road. Additionally, Jebco Ventures and Choice Hotels both maintain sites that have been slotted for hospitality projects carrying the Hampton Inn and Choice flags, respectively.

Harshman & Company Available Properties

Confidential Listing

CONFIDENTIAL Multi-Family Site

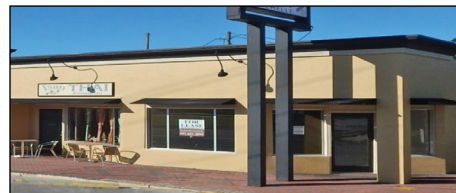
City of Sarasota | Potential for 228 units
Call (941) 951-2002 for additional information.



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 – SALE PENDING



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



1444 1st St., Sarasota
3,260-square-foot office, zoned DTC.
\$22 per square foot, Modified Gross



4391 Independence Court, Sarasota - Sale Pending
4,950 square-foot building, Northgate Business Park, zoned ILW. **\$425,000**



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



1567 Main St., Sarasota
Office, bank or retail location,
5,200 square feet, zoned DTC.
\$27 per RSF 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**



544 S. Washington Blvd., Sarasota
6,300-square-foot former bank and restaurant building, zoned DTE.
\$25 per square foot, NNN

The Demise of Sarasota's Form-Based Code

Many real estate professionals and neighborhood residents have for months been anxious over pending massive changes to the City's zoning code that were expected to occur when the City adopted a form-based code. Form-based codes, unlike most zoning regulations, are most concerned with the aesthetics or form of a building, rather than its use or density. Now, however, after three years of work and more than \$1,000,000

spent in consulting fees, it appears that the City is moving to let the proposed form-based code quietly die and keep existing zoning ordinances from 2003 in place.

This is probably for the best. While I admired aspects of the form-based proposal, much of it was overly complicated

and incongruous – a classic case of too many cooks in the kitchen or that of a committee created to design a horse only to end up with a hippopotamus.

Thank You Sarasota County

The long-awaited resurfacing of the streets in Northgate Business Park is finally complete. One of the premiere business parks in Sarasota/Manatee, Northgate looks better kept and is safer to drive.

\$1,000,000

Estimated amount the City spent on the form-based zoning code

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MARKETUPDATE

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Recent Notable Commercial Transactions

- **Regent Group LLC** leased 1,451 square feet at 238 S. Links Ave. to **Petal In Pots (dba Florida Homes Magazine LLC)** commencing on 3/1/19.
- **Gulf Shore Media LLC** leased 6,160 square feet of office space at 1258 Palm Ave. from **Bay Plaza Investments FL LLC** for 10 years commencing on 8/1/19.
- **Your Fitness Instructor LLC** leased 3,255 square feet at 1599 Main St. from **Monday Morning Corp.** commencing on 11/29/18.
- **665 S. Orange Avenue LLC** purchased a 4,615-square-foot building at 665 S. Orange Ave. from **Sarasota Outdoor Properties LLC** for \$1,260,000 on 10/24/18.
- **Winifred A. Hobson Trust, Michael Hobson, Trustee** leased a 1,100-square-foot retail storefront at 1310 Main St. to **Breaking Wave Coffee LLC** commencing on 10/11/18.
- **Glennlauren LLC** sold an 8,220-square-foot office building at 7100 S. Beneva Road in Sarasota County to **7100 Beneva LLC** for \$1,345,000 on 5/30/18.