

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

Summer, 2019

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

## State of the Market

Healthy and strong are two of the best adjectives to describe the state of Sarasota's commercial real estate market. It is difficult to envision a market slowdown under the fundamentals we are fortunate enough to enjoy at present. Unemployment stands at an incredibly low rate; interest rates have remained historically low and attractive to borrowers; buyers continue to demonstrate discipline and are not paying too much for properties; and probably most re-assuring, lending institutions are being responsible and disciplined in their lending practices. On a more micro level – the downtown Class A office market remains somewhat of a conundrum as available space remains at around 12%: Our market should be below 6%. There are many factors contributing to this and we invite you to call Harshman & Co. to discuss them.

## Massive Changes in Retail

Though it reportedly captures less than 15 percent of overall shopping and consumer spending, online purchasing is taking a significant toll on brick-and-mortar retail purchasing. In Sarasota, the rise of e-commerce is one factor contributing to the demise of the two Unibail-Rodamco-Westfield USA malls (Southgate and Sarasota Square) that once were formidable retail hubs sought after by merchants and heavily patronized by shoppers. Both properties were wounded significantly by

the development of the Mall at University Town Center and the former Westfield Corp.'s flawed decision to convert Southgate to a "lifestyle" center dominated by restaurants (two of which have already closed) rather than fight to keep A-list retailers in a location that continues to have broad appeal. Time has been good to Southgate in regards to its demographics; it baffles us at Harshman & Co. that the Australian mall owner has not fought harder or been more creative to keep high-end retailers or replace them with tenants that would desire such a premier location.

## The Value of Arts Organizations Downtown

For decades downtown Sarasota has been "ground zero" for the city's arts and cultural organizations – a clustering that distinguished the area from other Florida coastal communities. Now, however, The Players Theater is moving from its North Trail location to Lakewood Ranch; Mote Marine Laboratory & Aquarium is planning to leave the city in favor of Nathan Benderson Park, off 17th Street in Sarasota County; and, as of this writing, the future of the Sarasota Orchestra is unknown. City officials recently bowed to a vocal minority and nixed the idea of relocating the orchestra to a site at Payne Park that would have positively altered the character of the municipally-owned property and brought a cultural anchor to another part of the city. While the city is still home to many important arts groups – The Ringling, Sarasota Opera, Florida Studio Theater, The Asolo Theatre, Selby Gardens, The Sarasota Ballet and the West Coast

Black Theater Troupe, to name but a few – losing the orchestra would cause irreparable damage to our city's culture and reputation. Cultural organizations helped build Sarasota into what it is today, and they continue to be an integral and important component of our unique community. Perhaps the City Commission should revisit the orchestra's Payne Park plan with an aim of making it work for all stakeholders.



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## Sold – Finally

Harshman & Co. Inc. recently sold a property it maintained as a listing at 1716 N. Tamiami Trail. What made the transaction extraordinary was the duration of the listing – 15 years. Also special was the patience and sophistication of our client, who understood that while we could not "make" the market, we also could be counted on to professionally and steadfastly represent his property. Throughout the course of the multi-year listing, we experienced the overly exuberant years between 2004 and 2007, a buyer who walked away from a significant deposit and the lowest points of the Great Recession and ultimately to achieve a purchase price of \$26.91 per square foot. Through it all, our client stayed the course and Harshman & Co. displayed the grit and determination that it has come to be known for over the past three decades.

Request our newsletter by emailing [service@harshmanrealestate.com](mailto:service@harshmanrealestate.com) or by visiting our website.

View our listings on our website: [www.harshmanrealestate.com](http://www.harshmanrealestate.com) or on the following Multiple Listing Services: [www.mfcre.com](http://www.mfcre.com) or [www.loopnet.com](http://www.loopnet.com)

### Total is Greater Than the Sum of the Individual Parts

Harshman & Co. recently closed on a transaction that included four separate, unrelated property owners. The site was a city block fronting Fruitville Road, East Avenue, 4th Street and Audubon Place and was saddled with four “primary streets” (a zoning code designation that adds significant design, development and ingress/egress restrictions to a property) and a “residential only” restriction along 4th Street. Individually the parcels would have been difficult to market at any significant value, but as an “assembled block” the whole was valued greater than the sum of the individual parcels. Ultimately, each individual owner stayed with the plan and were rewarded handsomely which will help them achieve their life’s goals. This was on many levels a most gratifying transaction in which to be involved.

### Bury Those Power Lines

When I began my commercial real estate career more than 30 years ago, I focused on industrial properties.

It was an exciting time and the industrial sector seemed enigmatic. I soon realized the consistency in product and uses and, most importantly, the factors that caused the industrial real estate market to expand and contract. Over the course of my career I expanded my market coverage to include all commercial properties within a geographic area which included downtown and south. When asked, “Where should I invest in commercial real estate?” I often relay this anecdote: Thirty years ago, industrial rental rates were around \$3.50 per square foot. Today, a comparable industrial building would rent for about \$7.50 per square foot. Now compare these rates to downtown properties during a similar time frame which maintain a wide variety of uses, opportunities, densities and excludes industrial uses. Some three decades ago, Main Street retail space commanded rents of about \$6 per square foot. Today, those same storefronts rent in the range of \$30-\$45 per square foot. Want

to know why? Call Harshman & Co. and find out in greater detail why industrial space has had slower appreciation in rental rates while many Main Street properties have at the same time experienced skyrocketing appreciation.

### Lemon Ave Improvements

Main Street is experiencing the (temporary) disruption resulting from road construction, as Lemon Avenue is being improved from Main Street to Pineapple Avenue. However, based on what I have witnessed so far, contractor Jon Swift & Co. appears to be on schedule and responsibly handling any issues related to the disruption as they surface. We all will be thankful when the improvements are completed and will appreciate this quality improvement of our downtown. We also appreciate the timing of this project, particularly after enduring the construction of the Ringling Boulevard and

Orange Avenue roundabout that started the Friday after Thanksgiving and greatly impacted visitors and businesses alike during the critical winter tourism season. By comparison, the Lemon Avenue work, which is targeted for completion by December, is welcomed!

## FEATURED - Opportunity Zone Properties

### 8482 S. Tamiami Trail, Sarasota



This two-story, 10,632-square-foot multi-tenant office building offers excellent visibility and signage at the intersection of U.S. 41 and Marbeth Street. It is in close proximity to retail centers such as the Westfield Sarasota Square Mall and Pelican Plaza as well as the luxury residential enclave of Palmer Ranch. Completed in 1994, the property is being rezoned to CG (commercial general) zoning, which would allow for a greater variety of uses, including retail, restaurant and office. Located on .8 acres, the property contains 38 standard parking spaces and two designated handicapped parking spaces. Sarasota County provides water to the property and the building is serviced by a septic tank system. The building’s second floor is serviced by an elevator and two exterior stairways, while the ground floor has a pair of drive-up deposit windows and a night deposit box. The Average Annual Daily Traffic count is 37,500. Available for **\$2,109,000**.

### 100 and 180 Center Court, Venice



This 40,880-square-foot building, zoned NT, Roughly 2.35 acres of vacant land in fast-growing Venice, in Sarasota County, this property is just west of the highly trafficked intersection of U.S. 41 (bypass) and Center Road. It also holds ILW zoning, a very flexible classification that permits light industrial and warehousing operations, offices and even fast-food restaurants with drive-thru service! Come see why this property, with 9,500 Average Annual Daily Traffic count, isn’t your typical “industrial” space. Available for **\$1,230,468**.

### 2080 Ringling Blvd., Sarasota



Located in downtown Sarasota’s Legal District, near the Sarasota Police headquarters, the Sarasota County Sheriff’s Office, Clerk of the Circuit Court and the Judicial Center, this former headquarters of Global Financial represents a unique opportunity for a user or an investor. The three-story 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 near the judicial parking garage and is within a qualified Opportunity Zone. Available for **\$1.95 million**.

## Where to Invest

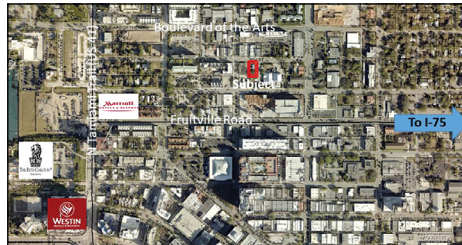
When I began my commercial real estate career more than 30 years ago, I focused on industrial properties. It was an exciting time and the industrial sector seemed enigmatic. I soon realized the consistency in product and uses and, most importantly, the factors that caused the industrial real estate market to expand and contract. Over the course of my career I expanded my market coverage to include all commercial properties within a geographic area, which included downtown and south. When asked, "Where should I invest in commercial real estate?" I often relay this anecdote: Thirty years ago, industrial rental rates were around \$3.50 per square foot. Today, a comparable industrial building would rent for about \$7.50 per square foot. Now compare these rates to downtown properties during a similar time frame which maintain a wide variety of uses, opportunities, densities and excludes industrial uses. Some three decades ago, Main Street retail space commanded rents of about \$6 per square foot. Today, those same storefronts rent in the range of \$30-\$45 per square foot. Want to know why? Call Harshman & Co. and find out in greater detail why industrial space has had slower appreciation in rental rates while many Main Street properties have at the same time experienced skyrocketing appreciation.

## Trees

Over the past few years regulations governing the removal of trees on private property has been strengthened in municipalities all over Florida. Unfortunately, in an effort to protect trees the advocates, in some municipalities, have pushed the pendulum too far in restricting and prohibiting the removal of trees. Let's be clear; we all love trees and the benefits of tree canopies are well documented. However, there are some instances when trees need to be removed and home owners should have the ability and the "right" to remove unwanted trees at minimal expense. Section 163.045 of Florida Statutes does just that, provided the home owner has documentation from an arborist or a Florida licensed Landscape Architect attesting that the tree presents a danger to persons or property.

## Harshman & Company Available Properties

**Rare Development Opportunity**  
228-Unit Multi-Family Site in City of Sarasota.  
**Call (941) 951-2002 for additional information on this confidential listing.**



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



**1575 & 1567 Main St., Sarasota**  
Office, bank or retail location,  
7,606 square feet, zoned DTC.  
**\$33 per rentable 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**

**Builders/Developers Dream**  
23 "pad ready" townhome site downtown Sarasota. All approvals in place and ready for vertical construction.  
**Call (941) 951-2002 for additional information on this listing.**



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



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



**8482 S. Tamiami Trail, Sarasota**  
3,598 square feet ground floor  
**\$19.95 per square foot, modified gross**  
4,150 square feet second floor  
**\$12.95 per square foot, modified gross. Zoned OPI**

## Down the Pike

Both the City of Sarasota and Sarasota County are deep in an “affordable housing” discussion. This tends to occur in the mature phase of a waxing market, when panic and fear drive political discourse and the mantra of “no affordable housing available.” This is not to minimize the seriousness of the problem or question the earnestness of local officials. However, simply put, local government missed a unique opportunity during the protracted economic downturn from 2009 through 2013 to put in place a

plan, policy and mechanisms for affordable housing – one that should have included provisions to buy land at lower values and “banked” that land for future affordable housing. County officials are now discussing using some county-owned land for affordable housing, which is a good start. However, the city still does not seem to understand the economic fundamentals of development. Instead, they appear to want to use affordable housing as a cudgel to bludgeon developers into producing affordable housing as part of a market-rate development. This idea is flawed and, even if it were successful, would fail to make more than a small dent

in the overall need. Unfortunately, this approach will not work on any reasonable scale to address the affordable housing need. The Rosemary District, on the heels of a successful overlay area that brought about much-needed multi-family rentals and continues to generate new fees and taxes for the municipality, appears now to be “ground zero” in the City’s affordable housing discussions. Providing “affordable housing” is a long-term process and needs long-term ideas that address the real need and targets realistic and meaningful goals.

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## MARKETUPDATE

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### Recent Notable Commercial Transactions

- Four sellers combined to sell an assembled block of 2.11 acres on Fruitville Road to **J Sarasota Hotel LLC** for a combined total price of \$2,939,000 on 7/12/19.
- **Rajendra and Pratima Pathak** sold a 40,880-square-foot lot at 1716 N. Tamiami Trail to **Jamba Mart LLC** for \$1,100,000 on 4/26/19.
- **SOF-VIII-FT Park of Commerce North Port LLC** sold two lots totaling 3.93 acres in the North Port Park of Commerce to **Dollar Tree Stores Inc** for \$408,854.16 on 4/26/19.
- **DMG Properties of Sarasota LLC** sold a 4,950-square-foot building on a 19,203-square-foot lot at 4391 Independence Court to **Richard Taugner** for \$382,500 on 4/23/19.
- **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.