

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

Fall, 2019

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State of the Market

Industrial properties are the latest commercial real estate sector in the Sarasota area to experience positive momentum. Driven by low unemployment, job gains and population in-migration, the types of properties that “house jobs,” namely warehouses, distribution and logistics centers and “flex” space – a mix of both office and industrial space, typically occupied by small businesses, start-up entrepreneurs and sole proprietors – are enjoying a decided uptick in activity. Most notably this economic cycle, health care-related tenants have begun occupying industrial spaces, which until the past year or so have lagged behind other sectors in regards to growth, such as multifamily rental communities, offices, retail and restaurant space and hospitality projects. Industrial rental rates have inched upward over the past 18 to 24 months and now many properties command rental rates of between \$8 and \$12 per square foot. Even more glaring than the hike in rents, however, is the considerable lack of availability of industrial buildings and land. Although absorption of existing space in the Sarasota area has grown stronger, there have been very few new industrial

properties that have been constructed and added to overall market inventory. That, in turn, has pushed rents upward. Several new projects are being contemplated, but when or if they are built, don’t expect rental rates to dip. Instead, they will likely take another hike upward as construction costs for labor and commodities have skyrocketed for all construction. Also, if you’re looking for vacant industrial land, don’t be surprised by the relatively few solid options available in this market.

Be Careful About Your Market Data Sources

Collecting and properly organizing commercial real estate market data is fundamental to accurately understanding the nuances of the market. We would challenge you to ask your real estate broker, agent or lender what they use as data sources, and then have them explain the veracity of that data. If they are only referencing one source, we would urge you to look elsewhere. “Three-dimensional” market data is critical to making sound real estate decisions and cross referencing several data sources is the only way to achieve an accurate read on the market. That’s why we at Harshman & Co. are constantly gathering and analyzing data

from multiple sources to provide clients a thorough and authoritative view of the Sarasota market.

Down the Pike

The velocity of newly announced projects is quieting a bit – particularly in the downtown Sarasota area. But that is by no means a sign that the market is edging toward recession. If anything, it would be hard to keep up the pace of development of the past three years, and a respite that allows for approved projects to be constructed, delivered and absorbed by the market is welcomed. The notable exception to this is the Quay Sarasota development by Jacksonville-based GreenPointe Holdings LLC, which is planning a \$1 billion project to be built over the next five to seven years. Already, Kolter Group is constructing a 73-unit, Ritz-Carlton-tied condo tower and Lennar Communities is scheduled to build apartments on the site. With those two projects set to be completed in 2021, retail, park land and other amenities are anticipated.



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History Revised

Having lived in Sarasota for 46 years, I have seen seemingly tectonic changes occur in our community. Accurate recording and reporting of the historical changes helps us at Harshman & Co. to view Sarasota from the valuable lens of history, understand the present and then project a vision into the future. The latter is the only view that is suspect as No One can predict the future. That said, reading past events and trends accurately is paramount for building our community identity. I smile when I hear that the “Duany/Plater-Zyberk 2020 Downtown Master Plan” plan was “the reason” for downtown development – actually all the

development that has occurred within the downtown core was permissible under pre-Duany CCBD zoning. Around 1999, the countrywide wave to move back to urban areas started and Sarasota rode that wave. It was coincidental that the Duany plan was adopted just after the wave started, in 2001, and by that timing I can see how people credited our development wave to the Miami urban planner. Another common misconception is that the city’s highly successful Rosemary District Overlay was implemented to address a lack of affordable housing. That is total bunk. It was formulated, presented and adopted to encourage residential development in the Rosemary District. Period. It was tremendously successful in numerous ways, namely that it brought residents and subsequent commercial

tenants and business to an area that had suffered economically for years. It was only after its success gained traction that the idea of affordable housing became a topic of interest. Yet another popular misconception is that development causes Red Tide. There are historical accounts of massive red tide algae blooms and resulting fish kills in Sarasota Bay dating back to the 1890s – long before Sarasota grew into a city from a fishing village. When I first came to Sarasota in March 1974, in fact, the area was experiencing a horrible Red Tide outbreak that lasted eight months. History is precious and while the temptation is always there to color it one way or the other, I contend we are best served with accurate historical accounts regardless of their pleasantness or lack thereof.

Featured Properties

1565 State Street, Sarasota



Extremely well located in the heart of downtown Sarasota and across from a new 400-space, municipal parking garage featuring ground-floor retail space occupied by Dimmitt’s luxury automotive showroom, BBQ restaurant Brick’s Smoked Meats and Daily Bird, this two-story property enjoys close proximity to numerous art galleries, restaurants and professional offices, interior design and fitness studios. The property also is close to The Mark, a sold-out mixed-use residential, office and retail development nearing completion early in 2020. Zoned Downtown Core, which allows for developments of 10 floors, this property represents a tremendous opportunity to make a cohesive statement with two buildings for one or multiple office, retail or restaurant businesses in a tight market where storefronts rent from \$29 per square foot to \$53 per square foot, triple net, and vacancy is just 3 percent. Fifteen on-site parking spaces come with the property, and the State Street municipal garage is nearby. From a development perspective, 18 residential units would be permitted on this roughly 15,000-square-foot property. **\$2,700,000.**

4625 S. Tamiami Trail, Sarasota



This eye-catching retail space, totaling 7,632 square feet, has 45,000 vehicles pass by it daily on average – ensuring high visibility! Renting for \$16 per square foot triple-net for a term of a minimum of three years, this Commercial, General-zoned property would be ideal for either a home furnishing store, an electronics or appliance retailer or an office user. With more than 20 private surface spaces on site, this property offers more than sufficient parking. Under terms, tenant will pay for electric usage, janitorial services, water/sewer/recycling and waste removal, HVAC maintenance and repairs, landscape maintenance and any light bulb replacements. Monthly rent, excluding sales tax, is estimated to be just over **\$13,000 monthly.**

7005 S. Tamiami Trail, Sarasota



Surrounded by affluent residences in established neighborhoods, this free-standing, two-story property at the intersection of South Tamiami Trail (U.S. 41) and Bispham Road also contains excellent signage and enjoys more than 215 feet of frontage along busy U.S. 41. Moreover, this Commercial, General-zoned site is within close proximity to home furnishing stores, a veterinarian practice, restaurants and automotive sales. Measuring 3,856 square feet on a 14,617-square-foot lot, the property’s zoning allows a wide variety of uses, including retail and restaurant space, day care facilities, offices, churches, day care centers and medical-relates uses. With 17 on-site surface parking spaces, this building is ready for occupancy! A bargain at **\$965,000 or available for lease at \$19.50 per square foot, on a triple-net basis. Terms to be negotiated.**

Expect a New Fruitville Road

Sarasota's "Gateway" is rapidly changing – for the better. Blink and your drive at least from Beneva Road west will soon be forever changed. A significant multi-family community just east of Tuttle Avenue is well on its way to completion, ground has been cleared and foundations dug for a Wawa convenience store at Lime Avenue and, soon, a 123-room extended-stay Residence Inn hotel will be constructed from Audubon Place to East Avenue. All these developments are on the north side of Fruitville Road, which will help clean up and further define the Gateway to Sarasota. Stay tuned for more.

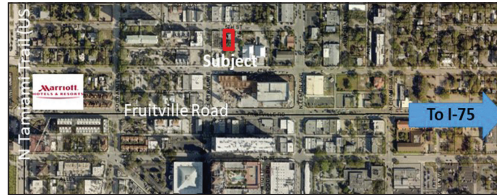
Bury Those Power Lines!

Gov. Ron DeSantis is expected to sign into law a bill passed by the Florida Legislature this spring that would allow Florida Power & Light to hike electric utility rates to consumers to harden Florida's power grid. This is great news as some of the "hardening of the grid" will involve burying power lines – as we at Harshman & Co. have encouraged for some time. The benefits are many: Less power outages due to storms, fewer funds needed annually to fix equipment damaged by power outages, general aesthetic improvements that, in turn, will increase real estate values and bring an influx of people to areas with buried power lines. While we welcome the news that lines may soon go subterranean, we wish as well that the phrase "harden the grid" might also somehow prevent the proliferation of massive concrete power poles that now line our streets and thoroughfares. Sadly, we will still have occurrences of vehicles hitting the poles and will continue, in many places, to have to endure the unsightliness of these poles and the wires that emanate from them.

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/Rosemary Residential Overlay District. **\$575,000**

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 confidential listing.



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



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



8482 S. Tamiami Trail, Sarasota
 10,632-square-foot two-story office building on 34,971 square feet of land, zoned CG. **\$2,109,000**



1567 Main St., Sarasota Office, bank or retail location, 5,330 square feet, zoned DTC.
\$27 per rentable square foot, NNN



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



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

Historically Low Interest Rates – Part of the Story

Whenever we discuss commercial real estate financing issues in these pages we invariably talk primarily about interest rates and the availability of money to fund various ventures. For their part, interest rates have remained extremely low by historic standards throughout this decade, and at the same time, the availability of credit has remained high. At least part of this latter trend can be attributed to private

equity and other such sources, which have in many cases supplanted traditional banks and life insurers as primary providers of commercial real estate capital. But less noticed and equally important is that lenders have remained very disciplined, even as the spreads on lending have compressed. Both factors set a solid positive foundation for commercial real estate markets. When I speak of lender discipline, I am, of course, referring to lenders declining to lend to questionable borrowers and for questionable projects. Lender scrutiny of borrowers has

remained keen in this economic cycle and, as a result, I do not anticipate a devolution – a phenomenon that, in part, ushered in the Great Recession. Meanwhile, owner-occupied buildings remain the preferred lender target to finance, and for those types of properties, interest rates in the 4% range are often obtainable, depending on a borrower's credit history and other factors. By contrast, investor lending typically requires a higher borrower equity position, and interest rates on those types of deals are usually about 5%.

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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.