

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

1st Quarter, 2020

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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

Sarasota's commercial real estate market can best be described as healthy, strong, patient and changing. As we have stated previously in these pages, with historically low unemployment rates, our commercial real estate markets are active and robust. But not every property succeeds, even in an up market. Some struggle because of what surrounds them. Consider Westfield Corp.'s Sarasota Square Mall. Despite a multimillion dollar renovation and the inclusion of an internal movie theatre more than a decade ago, and more recently the addition of a Costco Wholesale discount warehouse, it has been dying a slow but almost certain death, as have many enclosed shopping malls across the country. Unfortunately, neighboring businesses and investment properties have suffered along with the decrease in mall traffic. Banks, too, have changed their business models and impacted

the real estate they occupy. As such, many vacant buildings that once counted banks as primary tenants of 6,000 square feet or more have sat fallow. Banks today occupy just 50% of the space they did a decade ago. Meanwhile, retail merchants continue to be challenged by online sales and the promise of convenient and fast delivery – a phenomenon that is good for the consumer but presents challenges for retail landlords. This is the dynamic nature of our market place.

About Rising Real Estate Prices...

The market always pushes prices – slow markets push prices down and strong markets push prices up. What slows pricing in a strong market, like the one we're in now, is discipline on the part of buyers and lenders. When a business needs or wants a new headquarters and their "right" property is available, but the price is 30% to 50% above what they believe they are able or willing to pay, a buyer faces a dilemma: Pay "over market" or pass? Many factors come into play in this scenario, and there are situations where buyers should "set new market pricing" and pay "above" market. Leading up to and contributing to the Great Recession of 2008 through 2012, buyers often disregarded pricing discipline. Many a naïve investor believed that "properties always increase in value" and at the time it was relatively easy to find a lender willing to go along with that

ridiculous rationale. History and prudent business practices, however, clearly illustrate that real estate values do not always increase. Purchasing property based primarily on anticipated or prognosticated appreciation is at best folly and at worst an avenue for financial ruin. In nearly every case, there is a price above market that prudent buyers should consider based on several internal and external criteria. Over the past three decades we at Harshman & Co. have honed the skills necessary to properly advise potential buyers regarding the "sweet spots" for purchases – and we can do the same for you.



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Leased Investment Properties Remain in High Demand

A recent downtown Sarasota sale reflects increased interest and confidence in the city's future commercial real estate market. Harshman & Company, Inc. recently sold two Main Street storefronts as one property in late December 2019 for \$361 per square foot. This transaction was listing to closing in 28-days (near record time) and with two quality offers. What distinguished the property to attract such attention? Simply it was a leased investment in a quality location with long term local tenants; a commodity difficult to find in our marketplace.

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or on the following Multiple Listing Services: www.mfcre.com or www.loopnet.com

Down the Pike

Last quarter we discussed how the velocity of planned downtown residential projects appeared to be slowing. Since then, however, in a sign of just how dynamic the Sarasota market is, multiple downtown residential projects have either been announced or will be shortly, we are told. Most significant among the new offerings is a 418-unit, multi-family rental project planned for the recently sold Main Plaza site (sans the Hollywood 11, bank and pizza café), bounded by Main Street, Links Avenue, Fruitville Road and U.S. 301. We believe this long-anticipated redevelopment will enliven the entire eastern Main Street area and turn an uninviting eyesore into a productive asset. Additionally, projects are being considered and planned for east of North Washington Boulevard. While the east of U.S. 301 projects are still being planned, the pending redevelopment of Main Plaza in the wake of its \$20 million sale to a Connecticut-based real estate

1st Street/East Avenue/Audubon Place, Sarasota



This 73,305-square-foot site represents a rare opportunity in downtown Sarasota for development of a multi-family complex, hotel or office building. Zoned DTC, which permits 10 stories of development and 50 units per acre – 84 units for this location – this site is in the heart of the east Main Street downtown core. Home to government and professional offices and multiple residential projects that are either planned or under construction, this area is fast becoming a thriving mixed-use neighborhood and Sarasota's next hot place to live, work and play.
Site: 1.68 acres of land; Price: \$4,200,000

investment trust is real. Furthermore, it's our belief that more residential projects are on the horizon.

Stick Vs. Block

So-called "stick" construction involves building with wood frame, whereas "block and plank" construction uses concrete block and flooring systems in its construction. Each has its benefits. Wood is less expensive and easier to renovate than concrete systems. Conversely, concrete block feels more solid than a wood frame because it is – the sound insulation factor is significantly greater and it results in a higher quality structure overall which is why concrete block is deemed a superior material. Visit any apartment project, for instance, that has been built

using block and then one that has utilized stick construction and you will feel the difference. Long term, the higher cost of block will always pay dividends in the form of higher rents and higher occupancy rates.

The Lure of 1031 Exchanges

"Exchanging" or purchasing a like-kind commercial property for a property that has been sold is common and an excellent way to defer capital gains taxes generated by the property that has been disposed of. Such 1031 exchanges require caution and market knowledge, however. We advise our clients to always buy based on location and don't just jump into a purchase just to defer taxes. Growing your investment is the ultimate goal here. Don't buy a property that may look good but is out of an area's growth pattern or in an area that has demonstrated a lack of market attention and appreciation. And remember: You will be far better off paying taxes now rather than making a mistake that is only realized in the future.

Featured Properties

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 the reduced price of **\$795,000 or available for lease at \$19.50 per square foot, on a triple-net basis.** Terms to be negotiated.

27 N. Pineapple Avenue, Sarasota

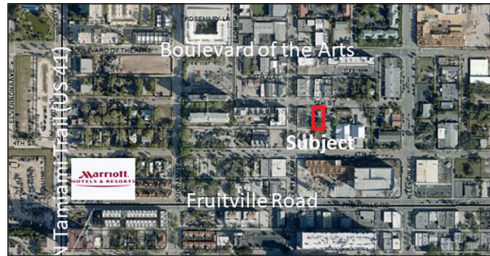


The former Morrison Cafeteria and Golden Apple Dinner Theatre building, in the heart of Sarasota's flourishing downtown, is today a fully renovated space embarking on its next act. Uniquely located near the historic Sarasota Opera House, Five Points Park and several quality restaurants, the building represents an ideal location for either a retail or office tenant, with nearby parking in a municipal garage. A single 2,250-square-foot unit remains uncommitted. Recently reduced for lease at **\$26 per square foot, on a triple-net basis.**

A Downtown Sarasota Icon Almost Gone – Thankfully!

Constructed in 1986 during a boom market that resulted in no less than six major office buildings downtown, the aforementioned Main Plaza never achieved its anticipated goals and was foreclosed on around 1990 by a lender that, in turn, subsequently failed. The property was then sold at auction by the Resolution Trust Corp. (the entity the federal government created in 1989 to sell real estate assets from failed lenders nationwide). Over the next almost 30 years, Main Plaza was home to various government offices and businesses, a YMCA branch and an assortment of restaurants. Rental rates in the Plaza were relatively low and parking was abundant, but the project couldn't overcome design flaws and as such, never reached its potential. The Hollywood 20 (now 11) movie theater provided a boost in the mid-1990s, as did the presence of investment house Legg Mason Wood Walker and later a series of banks at Main Street and U.S. 301. Main Plaza still struggled, though, from a mall-inspired design that has fallen out of favor with shoppers and restaurant patrons and for all intents and purposes failed. Today, though, Main Plaza is poised for rebirth, following its \$20 million sale. The property is expected to be re-envisioned with two 10-story residential towers and ground-floor commercial space. This redevelopment will bring a welcome infusion of population to an under-performing section of downtown and remove an eyesore from Main Street. Our only recommendation for the design is to consider razing the very uncomfortable multi-level parking garage on the property.

Harshman & Company Available Properties



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



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



1565 State St., Sarasota – SALE PENDING
12,655 gross square-foot office building, 15,750 square feet of land, zoned DTC.
\$2,700,000



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 rentable square foot, NNN



1516 Main St., Sarasota
Office or retail location, 2,500 square feet, zoned DTC.
\$29.50 per rentable square foot, NNN



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



4625 S. Tamiami Trail, Sarasota – LEASE PENDING
7,632 square feet of retail space, zoned CG.
\$16 per square foot, NNN

Where We Were...

Remember 30-years ago when Main Street was a one-way street from Orange Avenue and terminated at Gulfstream Avenue? I do. We loved our town then as we love it now, but the point is, the good ol' days weren't always as good as we like to believe they were. All the changes and developments that have occurred downtown are, in my opinion, welcome. Some of what happened in the last 30-years – the opening Main Street to U.S. 41, the redevelopment of Island Park, multiple improvements to

Marina Jacks, the creation of 5-Points Park, opening Ringling Boulevard to U.S. 41 and the many condominiums, hotels, retail spaces and restaurants that have been built or opened have made downtown a truly remarkable place to live, work, dine, shop and be entertained. How have values been impacted? In 1990, downtown C-CBD (Central City Business District – now Downtown Core and Downtown Bayfront) zoned land sold in the \$20 per square foot range. No one looked to develop condos, hotels or apartments. Beginning in 2001 and seemingly overnight the mass national

movement of residents moving back to City living grabbed hold in Sarasota and the Ritz-Carlton Sarasota opened the door for many other projects as condos and hotels sprung up and land values skyrocketed to \$100-plus per square foot. Retail shops and restaurants followed the influx of residents. There remain many positive ways we can still change our community, I for one look forward to the growth and reinvention of the next 20 years, just as I've enjoyed witnessing Sarasota's transformation over the past two decades and beyond.

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Recent Notable Commercial Transactions

- **William N. & Carol S. Stelcher Living Trust** sold a two-unit building totaling 2,280 square feet, on a 5,509-square-foot lot at 1776 and 1778 Main St., to **Dark Eyes LLC** for \$825,000 on 12/27/19.
- 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.