

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

3rd Quarter, 2020

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Data Herein:

We endeavor to deliver timely and accurate market data. Therefore, unless otherwise stated, all market data and information referred to in this Market Update was obtained within the past 90 days.

State of the Market:

The uncertain cloud of COVID-19 has settled over commercial real estate in Sarasota and across the globe, which has resulted in a state of suspension. Economic uncertainty has resulted in few businesses looking to move and both sellers and buyers pausing to find some balance amid the ripples of COVID-19. The one notable exception to the overall lack of activity is found in Southwest Florida income producing real estate: Apartments, self-storage facilities and triple-net lease properties are all receiving significant attention and buyers are continuing to scour desired markets like Sarasota for investment-grade real estate that generates steady cash flow. Additionally, we have seen an uptick in the number of investors searching the Sarasota/Manatee market for distressed properties – another potential fallout from the uncertainty that the coronavirus has created. While this is a testament to the long-term attractiveness of the region and the sheer amount of capital that is available to acquire income-producing properties, we at Harshman & Co. have, to date, not witnessed an abundance of distressed properties coming to market, save for a lone exception. This speaks to owners'

confidence that the Sarasota/Manatee market will recover in short order and to the staying power of investors' holdings here.

Major Difference Between Then And Now:

As I read the economic history of Florida, what stands out more than any other single factor throughout the late 20th Century is the availability of cash. Historically, the vast amount of wealth in the state and in the U.S. was held by a few families, while the masses struggled for the most part at differing points on the economic scale. However, beginning shortly after World War II, wealth began to be accumulated by many more people. The Greatest Generation came home from war, worked hard and their investments grew with the nation as an unprecedented "Middle Class" took root. Upon retirement, the Greatest Generation had accumulated wealth unheard of by past generations of Americans. Baby boomers born between 1946 and 1964 perpetuated the trend both by creating more wealth and increasing their consumption. Today, their children do the same. The explosive growth in fields like technology and medicine has allowed more and more people to create larger estates; at the same time, millions of dollars have been generated by investing both in real estate and the stock market. Juxtapose today's economic reality with the times decades ago when a few pivotal families with names like Palmer, Albee, Abbe and Ringling came to Sarasota with money to invest and built

the foundation of the city we have today. Their scale of land investment was colossal compared to the present day and the competition then was clustered among only a few other wealthy families.



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Down The Pike:

More residential is planned for downtown Sarasota and land adjacent to it – albeit at a slower pace than during the years 2015 through 2019. The Sarasota Quay site, where The Kolter Group is developing the 73-unit Ritz-Carlton Residences, continues to be a hot spot. Miami-based Lennar Corp. is expected to begin work soon on a 400-unit apartment project there, and Kolter is planning another 149 condominiums, "Bayso", also on the former Quay site. The new owners of the majority of the Main Plaza property downtown also are expected to move forward soon with plans for a major, residential-led overhaul to the retail and office complex anticipating 400 apartments in two buildings. We expect continued condominium unit sales activity over the next year as condo projects such as BLVD, Echelon and others reach fruition and sell their remaining units. Market demand for residential remains strong and we anticipate the announcement of more projects.

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A Lesson From The Changing Banking Industry:

Until recently, banks strived to command a huge physical presence in prominent locations. Impressive buildings and lobbies full of granite, marble and brass evoked strength, confidence and security. Customers formed in teller lines to transact deposits and withdrawals and loan officers had large offices with multiple support staff. Often, downtown banking headquarters utilized 30,000 square feet to 50,000 square feet. Fast forward to today – a time

of online banking, mobile deposits and personal online transfers from account to account. The need for humongous lobbies and imposing downtown footprints is gone, and this shift has had a tremendous impact on commercial real estate markets in Southwest Florida and nationwide. Banks now more often only require 2,500- to 5,000-square-foot office locations. Many are now operating branches without drive-thru banking lanes – a concept that would have been unheard of a decade ago. Consequently, landlords who own buildings with drive-thru lanes and vaults

historically occupied by banks are finding it very difficult to backfill their space when vacancies occurs. We at Harshman & Co. expect this “downsizing” to continue. Landlords who own special-use bank buildings must see their properties for what they are – special-use buildings that have become somewhat passé as downtown horse stables from decades ago. The lesson to investors is to buy flexibility – look for locations that are attractive to a wide variety of businesses, so if one type of use vacates an easy retrofit for another, more contemporary use will follow.

Featured Properties

100 and 180 Center Court, Venice



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 has 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 an Average Annual Daily Traffic count of 9,500, isn't your typical “industrial” space. Available for **\$1,230,468**.

7168 15th Street East, Sarasota (Manatee County)



A must see! Warehouse condominium unit in the secured Newcraft Business Park. At 14,195 square feet, with approximately 1,200 square feet of office within, this building offers tremendous flexibility. The office space contains three individual offices, a conference room and two handicapped-accessible restrooms. The building also has a full sprinkler fire suppression system, one-ton crane, a pair of -12X14 grade-level overhead doors, 14-foot eave height and approximately 26-foot peak height. LM (light-manufacturing) zoning allows for a wide variety of industrial, warehouse and business uses. **Price: \$851,700**

27 & 29 N. Pineapple Avenue, Sarasota



Do yourself a favor and check out this centrally located retail, office, restaurant or club space in the heart of Sarasota's flourishing downtown – adjacent to the historic Sarasota Opera building. The property's 18-foot ceiling height and clear span offers a dramatic aesthetic and a special place for your business.

27 N. Pineapple contains 2,218 square feet vanilla shell space for lease at **\$26 per square foot, on a triple-net basis.**

29 N. Pineapple has been recently renovated offering 6,500 square feet, plus a/c storage area and mezzanine space, for lease at **\$24 per square foot, on a triple-net basis.**

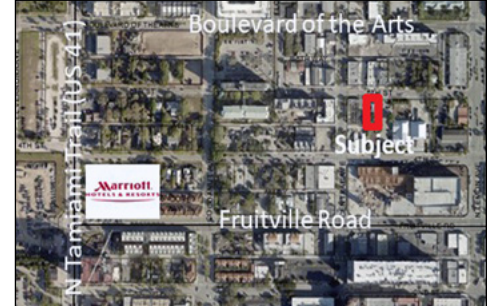
Moving The County Administration Building:

It appears the Sarasota County Commission is considering a relocation from its long-time headquarters at 1660 Ringling Blvd. in downtown Sarasota to a site within the Interstate-75 corridor. Such a potential move is understandable: I wasn't in favor of the 1993 purchase of the former GTE Building by the county. However, at that time I did believe that it was prudent that the County Administration remain downtown and I was heartened that the County Commission did not bow to pressure and relocate to a more central county location. Now, though, downtown Sarasota has a much more diversified economic base than in the early 1990s. And while the loss of any employer downtown is never welcome, the downtown Sarasota market is in a much better position to weather the loss of County employees if the administration were to relocate. North Port is booming and fast becoming the largest city in Sarasota County, and it would follow that providing reasonable access for North Port to county government is appropriate for all Sarasota County citizens. Therefore, we at Harshman & Co. support a potential relocation – particularly if the County were to relocate to property it already owns. We will caution, however, the County not to rely on the assessed value of its office building when selling 1660 Ringling Blvd. on the open market. We believe there will be very few buyers interested in a 168,000-square-foot, vacant office building downtown. Additionally, the County must be aware that the property is encumbered by three different zoning classifications, with the smallest section being zoned Downtown Core (the most valuable of the trio). Lastly, in part because of the zoning complications, the land value (which is what a developer will pay) is significantly less than the assessed value of the building.

Harshman & Company Available Properties



7005 S. Tamiami Trail, Sarasota
3,856-square-foot building, zoned CG.
For sale at **\$795,000** or lease at **\$19.50**
per square foot, NNN



1420 5th St., Sarasota
5,750 square feet, zoned DTE.
\$495,000



1435 S. Osprey Ave., Sarasota
Medical office or lab location,
Suite 100 = 3,000 square feet,
Suite 200 = 2,500 square feet,
zoned OPB.
\$14 per square foot, NNN



1567-1599 Main St., Sarasota
Office, bank or retail location,
3,255-11,000 square feet, zoned DTC.
\$24-\$33 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

The Office Market And COVID-1919:

Since my last office survey in January 2020, the amount of downtown Class A office space that is available has increased from 12.4% to 16.4%. Still, we really won't know the full impact of COVID-19 on area office space until about the end of the year. Hopefully, the shakeout is over and office users who are in place will remain so, and employees will return to their quarters. An interesting dynamic is occurring in that businesses have had an opportunity to experiment with working from home. Some businesses have excelled with their employees working

remotely – while others can't wait for the day when all employees are once again in an office together. Truly, no one can accurately predict in which direction our office market is heading. Suffice it to say the office market is changing and evolving as a result of the virus. Of late, we have heard anecdotal evidence that many employees will ultimately return to offices because productivity has dipped. Time will tell. The single dynamic that has not changed and will help all of Florida is that population growth is continuing. For downtown Sarasota, which continues to add new residents, that will remain especially true.

Industrial Real Estate Market:

Slow and steady is the mantra of the industrial sector. It was slow to recover from the Great Recession of a decade ago, but in the past two years, especially, it has witnessed steady progress. As has been the case nationally, industrial space has outpaced other sectors despite the onset of COVID-19. As we write this newsletter, several high-profile industrial property sales are pending and the availability of quality, modern warehouse/industrial space is shrinking. Moving forward, look for both property prices and rental rates to increase.



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MARKETUPDATE

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Recent Notable Commercial Transactions

- **Martin Realty Investments Inc.** leased the 7,632-rentable-square-foot retail building at 4625 S. Tamiami Trail to **Half Price Mattress West Inc.** commencing on 6/24/20.
- **Coastal Behavioral Healthcare Inc.** sold a 12,655-square foot, two-story office building on a 15,750-square-foot lot at 1565 State St. to **Sharon Carole** for \$2,700,000 on 3/31/20.
- **GFA Capital Management LLC** sold a 10,243-square-foot, three-story office building on a 7,493-square-foot lot at 2080 Ringling Blvd. to **2080 Ringling LLC** for \$1,500,000 on 2/28/20.
- **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 comprising 2.11 acres on Fruitville Road to **J Sarasota Hotel LLC** for \$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.