

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 MARKETUPDATE

4th Quarter, 2020

Licensed Real Estate Broker | 1575 Main Street, Sarasota, FL 34236 | (941) 951-2002 | www.harshmanrealestate.com

Retail Vacancies

The retail industry has been evolving over the past decade primarily because of the widespread and growing acceptance of online shopping. Malls are slowly becoming endangered species – if not dinosaurs. Still, a wide variety of large and small retailers thrive through brick-and-mortar platforms – particularly merchants that focus on jewelry, women’s clothing, furniture and guns. The bargain retailers – Walmart, Home Depot, Costco, Target and others – also continue to thrive. Covid-19 has had its impact on retail by helping push online retail purchase acceptance further. The service-oriented retail sector – hair and nail salons, fitness centers and, of course, restaurants – have been hit the hardest by Covid-19 shutdowns and reduced occupancies. Excluding malls, the storefront vacancies created over the past nine months are starting to be occupied and it appears a new face is taking shape within our marketplace, one that will have more service-oriented retail, specialty retail and entertainment uses.

Lift Station 87

Perhaps you’ve driven by the new, two-story, brick building on the south side of Mound Street, just west of the U.S. 301/ U.S. 41 intersection in the middle of Luke Wood Park, and wondered “what is

that out-of-place thing?” Taxpayers, that is a Sarasota Public Works Department sewage “lift station.” Yes, you read correctly. In May 2008 – yes, 13 years ago now – the City Commission in its collective wisdom concluded that the park would be the best location for a relocated lift station from Pomelo Avenue. Originally, the project was scheduled to take 18 months to complete. Today, not only is the site a terrible aesthetic, but it’s also the latest in a series of city capital projects marred by a considerable cost overrun. The original cost estimate for the project came in at \$8.5 million. Now, though, the cost has exceeded \$61 million! I imagine city taxpayers – this one included – could think of MANY other ways to spend \$61 million. *The Herald-Tribune* (September 10, 2020) says the City Commission should not waste their time in a forensic analysis as to why this project was so far over budget both in time and treasure. We think differently. The commissioners and city managers involved in this fiasco all must accept responsibility and rather than blame each other they should work to identify the mistakes and learn the following simple truths: (1) building anything is complicated and the potential for failure exists from the start to finish, (2) construction of a lift station is incredibly complicated by itself, but by adding jacking and boring under Hudson Bayou into the mix, the city increased the potential for problems tremendously (3). Commissioners need to understand that just because they are elected, they may not have the experience or expertise to make esoteric and complicated decisions innate in a project of this magnitude.

Further, they may not have sufficient expertise to choose the right advisors and consultants to work with. In my more than 30 years in Sarasota, I cannot think of a more botched development project done by the City. Even worse, it’s not completed yet!



John B. Harshman, Broker
jbh@harshmanrealestate.com

New Downtown Storefronts

While some of the familiar downtown stores – Sur la Table, Reason’s Shoes, Penzeys Spices, Barnacle Bill’s Seafood Restaurant, Black Bird and Bohemian Bliss – are only memories, other businesses are being welcomed to the area and are adding to the vibrant fabric of downtown. For instance, Justin and Day McQuown, owners of Phalanx Group International LLC, a Brazilian Jiu Jitsu academy, recently signed a lease at 1599 Main St., bringing an internationally respected, martial art expert to downtown. Elegant Real Estate, meanwhile, has opened at 1540 Main St., Lucile Pizza & Wine Bar has debuted at 1660 Main St. and GC Flooring from Naples is moving to 27 N. Pineapple Ave. Add these to the new BMO Harris bank location in The Mark mixed-use development on State Street and one sees a downtown blossoming with growth and new potential.

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Demolition Downtown

The Main Plaza and DeMarcay Hotel are being demolished. The Main Plaza, on Main Street and Links Avenue, will be replaced with two apartment towers with ground-floor restaurants and retail. The DeMarcay, on Palm Avenue, is being razed to make way for 39 luxury condominium units with ground-floor retail. Both projects have been long awaited and over the years, many questions have swirled as to whether redevelopment of these sites would ever materialize. But now that both are moving forward, they provide continued evidence of the strong demand for downtown living. The DeMarcay boasts a prime location and is expected to contain luxury amenities, addressing a demand for condominiums in that niche market. The Main Plaza project, in contrast, will feature 400 rental units in two towers, one priced on the higher end of Sarasota's apartment spectrum while the other is expected to be more moderately

priced. Both projects serve a unique role in refining downtown. Apartments introduce more people to an area and their collective buying power often drives retailers and others' investment decisions about whether to locate in an area or not. New condos, on the other hand, typically bring fewer people, but they often have a high net worth and will likely contribute to the arts, environmental preservation and social not-for-profits. Best of all, these two projects represent only a small fraction of all that is helping to change the face, landscape and character of the City of Sarasota.

Down The Pike

All prognostications point to a strong commercial real estate market in 2021. Barring any new catastrophe and the smooth delivery of a Covid-19 vaccine, Florida and much of

the U.S., should boom. The sheer number of new residents flocking to Florida from poorly managed northern states adds fuel to our market and increases demand. Residential remains very strong and with a strong growing residential market so grows the commercial market. We're already seeing storefronts and small office buildings that had been on the market throughout the pandemic being leased and purchased. Medical and dental offices are sprouting up to serve the new residents. In addition, interest rates aren't expected to rise greatly in 2021, and we at Harshman & Co. believe modest hikes would be absorbed easily. We are also hopeful that the federal government doesn't try to enact a tax increase, which would be impactful for commercial real estate and potentially have a slowing effect on the market, especially if jobs are driven overseas and business perceives that the government is extracting more of its earnings.

Featured Properties

7168 15th St. 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 fully-sprinklered fire suppression system, one-ton crane, serviced by two 12X14 grade-level overhead doors, clear span with 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**

29 N. Pineapple Ave., 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 offers a dramatic aesthetic and a special place for your business. Recently renovated, this remarkable space contains 6,500 square feet, plus a/c storage area and mezzanine space, for lease at **\$24 per square foot, on a triple-net basis.**

7272 S. Tamiami Trail, Sarasota



Looking for a commercial property with excellent signage and visibility from South Tamiami Trail near Stickney Point Road? Well, look no further! 7272 S. Tamiami is a single-story, 6,167-square-foot building in the Coral Cove Plaza. Built with concrete construction, the free-standing building is perfect for either retail or office. Completed in 1987, roughly 44,500 vehicles pass this property every day! Current tenant Florida Furniture & Patio's lease term runs through April 30 with an option to remain for an additional year. **Price: \$739,000**

2020 In Review

In January, the commercial real estate market was strong, fueled by low interest rates, low unemployment, a robust stock market and a tremendously healthy level of consumer confidence. Overall, the U.S. economy and our nation's place in the world was sound. Buildings were being sold, multi-family developers were knocking each other over searching for quality sites and office space was being leased. All that stopped, however, in March. Covid-19 derailed much of the U.S. economy, except for some multi-family developers who continued to search our market for sites. Downtown was an eerie place at noon – many of the usual office workers who had frequented restaurants were absent and likely working from home. Parking spaces were widely available, too, and the few people who walked the streets seemed overly cautious and maybe even suspicious of others. Tamiami Trail lacked its familiar rush-hour jams and frustrating drive times. The town seemed stopped in time, until social unrest and related protests and some threats of violence broke the silence. With many thanks to the Sarasota Police Department's fine job of maintaining peace, law and order, protests in Sarasota did not devolve into violence and looting as it did in places like Portland, Baltimore or elsewhere. That said, the unrest added an uncertainty and instability that is bad for any market at any time, and worse so for one suffering through a pandemic. In August the prospect of a vaccine became real and the market started picking up. The stock market continued to rebound and money started flowing again into Sarasota commercial real estate. Several multi-family projects under construction were completed and new projects broke ground. Boom! Then to add more buying fuel, people and their money started fleeing high-tax cities and states with increasing crime rates to places like Florida, Texas and Tennessee. Florida, with its bright future, reducing crime rate and lower taxes, captured a strong portion of this market movement. As I write this in mid-December, our market is firing on all cylinders. As one example, industrial real estate was the last market segment to recover from the Great Recession, and it is typically the sector that is most susceptible to market uncertainty. Today, it has recovered and is vigorous, held back only by a relative scarcity of sites to develop on. The word I'd use in describing Americans this year is RESILIENT!

Harshman & Company Available Properties



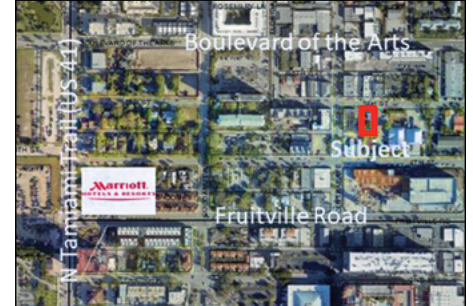
100 and 180 Center Court, Venice
2.35 acres (102,539 square feet)
vacant land, zoned ILW.
\$1,230,468



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



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



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



1567-1575 Main St., Sarasota
Office, bank or retail location,
7,000 +/- 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

The Last 40 Years Of Sarasota Commercial Real Estate

We are only now emerging from a commercial real estate crisis caused by the Covid-19 pandemic. Like all crises, living through it was difficult – and for some, agonizing. With time, though, the pain will almost certainly fade, markets will bloom again and people will move on. History shows us this lesson. In April 1980, for instance, the Prime Lending Rate was 20% – yes 20% – and it stayed in double

digits through 1999. That was a very painful time to try to conduct business, certainly, but we worked through it and emerged stronger, hopefully smarter and more resilient. Seller financing was one option. The Savings & Loan crisis of 1989-1994 was also devastating to commercial real estate nationwide and hit our local market like a freight train. In downtown Sarasota, 15 of the 18 major properties fell into foreclosure, and many lenders saddled with non-performing properties ultimately failed. As a saving parachute, the Federal Resolution Trust Corp. was created to sell those assets at rock-bottom prices – which

then created opportunity for those financially capable of stepping up and taking a risk. The “dotcom” bubble crash of 2001 and the terrorist attacks of Sept. 11, 2001 hung a cloud of uncertainty over all markets. In 2007, the “Great Recession” destroyed residential markets nationwide and holders of sub-prime and toxic mortgages lost everything as iconic banking institutions failed. However, our markets and economy not only survived, but rebounded into prosperity. We at Harshman & Co. believe our market will emerge even stronger after the devastating pandemic of 2020.



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MARKETUPDATE

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Recent Notable Commercial Transactions

- **Woonkuo Soon** sold a 5,408-square-foot lot at 2042 Fourth St. to **Millenium Trust Company LLC** for \$255,000 on 12/31/20.
- **Holly Beck, Successor Trustee**, sold a 3,856-square-foot office building on a 14,617-square-foot lot, at 7005 S. Tamiami Trail, to **Tachel & Tobert LLC** for \$717,000 on 12/21/20.
- **Monday Morning Corp.** leased 3,255 of rentable square feet at 1599 Main St. to **Phalanx Group International LLC** commencing on 12/15/20.
- **Golden Coast of Sarasota LLC** leased a retail unit with 2,218 rentable square feet at 27 N. Pineapple Ave. to **Giuseppe Candela Inc., dba GC Flooring**, commencing on 12/1/20.
- **Elizabeth K. Meyer** sold four vacant lots totaling 42,186 square feet at 10th Street and Florida Avenue to **10th and Florida LLC** for \$1,150,000 on 11/30/20.
- **Vandyk Sarasota-Orange Avenue Inc.** sold a 1,408-square-foot retail condominium unit at 645 S. Orange Ave. to **Non Compos Mentis LLC** for \$355,000 on 6/19/20.