

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, 2021

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

A Message to Owners

At Harshman & Co. Inc., we have more than three decades of experience selling and leasing commercial real estate in the Greater Sarasota area, and we would welcome the opportunity to apply our profound expertise for you. Buying and selling commercial real estate can be a complex process, and we believe deeply that you deserve the best counsel and attention.

2021 Forecast

Florida is wonderfully positioned to benefit in a post-Covid-19 world. Because schools and most businesses have remained open, in contrast to many states, people from New York, Chicago and California have flocked to Florida and specifically to Sarasota. Consider the region's residential real estate market today: Buyers from out of state dominate purchases and many pay cash, despite historically low interest rates. As population grows, so does the demand for all types of new businesses and services while existing businesses also expand to meet the population influx. Not too

surprisingly, population growth often also incites anti-growth arguments – some valid and some more “Not-In-My-Backyard” (NIMBY) than valid. With pent-up market demand, a growing population, continued low interest rates and the seemingly endless supply of federal Covid-19 relief dollars, the future of commercial real estate in Sarasota and the surrounding area for the foreseeable future is very bright.

Going forward, look for residential developments to proliferate to meet the market demand from new residents and because capital continues to seek a home in this market sector and in Florida. The continued purchase of income properties from well-funded out of the area investors attests to the attractiveness of our market on a national and international level.

New industrial projects also will come to market late in 2021 and into 2022 to fulfill online shopping orders and modern distribution requirements -- if developers can find adequate land for them, as many industrial sites lose out to residential developments with better yields.

State of the Market

The State of the Market is strong, though we are noticing some dynamics that, while a natural part of the real estate cycle, are cause for concern. First, the

supply of inventory is shifting from adequate to one that is lacking. This represents a natural undulation in the market and foretells several points, namely that prices for purchasing commercial real estate will increase.

Some sectors will increase at a greater rate than others, of course, but it is safe to say that prices will increase throughout the region and for the balance of 2021. However, vacant land is one sector that we predict will not enjoy dramatic appreciation in the near term. That is because construction costs, especially in the areas of labor and commodities like lumber are rising at record rates. Those increases, in turn, are shrinking some of the profits that developers would otherwise realize in selling their final product, whether it be residential or commercial property. As always, the question remains if demand will be strong enough to offset and absorb the rising prices of plywood, trusses, steel, and labor. One other caveat to our overall assessment: Office leasing remains less than robust and is strong only in the most desirable locations. Going forward, we expect talk of inflation to be more prevalent as prices increase.



John B. Harshman, Broker
jbh@harshmanrealestate.com

Request our newsletter by emailing service@harshmanrealestate.com or by visiting our website.

View our listings on our website: www.harshmanrealestate.com or on the following Multiple Listing Services: www.mfcre.com or www.crexi.com

Down the Pike

The 1980s was the decade of office building development. In every major city, and many minor cities too, across America, office buildings were constructed irrespective of any “true” potential for leasing the space; supply was created without demand. Tax laws at the time were favorable to “paper losses,” which were deemed by the exuberant marketplace to be almost as valuable as income. This clearly flawed thinking was crushed with a stroke of a pen in 1986, when laws were changed, and many tax benefits removed. As a result, many investors were left with vacant buildings. In Houston, they even had a term for it: “See-through” buildings. In some cases, they were literally that – vacant building with no interior walls, just a glass skin around the exterior of the building so one could “see through the building”.

It took several years for the market to realize the mistake of chasing tax benefits rather than real demand and more years for markets throughout the U.S. to correct those mistakes. It was the worst commercial real estate crash in my lifetime.

In downtown Sarasota, seven Class A office building were constructed between 1982 and 1989, totaling about 1,000,000 square feet. As in many places, the new inventory ignored the fact that the market required only about 300,000 square feet of new space. When the inevitable crash from this overbuilding came, it shut down new office construction in Sarasota until 2000. Between that year and 2005, five buildings were constructed totaling about 375,000 square feet. Since then, two small office buildings have been constructed

downtown, neither over 30,000 square feet. Hence, the announcement of a planned 90,000-square-foot office building on Orange Avenue just south of Ringling Boulevard was a surprise – even with the knowledge that law firm Williams Parker will likely anchor the project. While we love the idea of a new office building with modern features that existing 20- to 40-year-old buildings lack, the challenge any new office building will face is that rents are presently around \$30 per square foot, on a full service basis (which includes all operating expenses). With increasing construction costs, rental rates in any new office development will need to be around \$50 per square foot. We hope the project will be tremendously successful and will wait to see if the market accepts the anticipated much higher rental rates.

Featured Properties

1575 Main St., Sarasota



Superior Main Street office or retail site in the heart of downtown’s thriving business district. This property offers tremendous Main & Orange visibility and is close proximity to award-winning restaurants, stores, financial institutions and hundreds of other businesses. With thousands of professional and other workers in a short walking distance, 1575 Main St. is uniquely situated. A rare “can’t miss” opportunity! One of the few properties with walking access and adequate surface parking. Call now to be one of the few lucky businesses to be able to put down roots at this central commercial hub! 3,255 square feet.

For lease at \$35 per square foot, on a triple-net basis

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 and clear span 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.**

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.**

Dwindling Industrial Supply

People watching the robust industrial market activity and keeping tabs on the buying and leasing of warehouse, manufacturing or flex-space buildings tell me they are amazed at the dwindling supply. We have been reporting for over a year that the inventory in this sector has been drying up and a new market status is materializing. What does that mean? We have been living in times where these buildings have been selling at below replacement costs and lease rates have been below those needed to cash flow newly constructed, similar buildings. The times, however, are officially over – at least for now. Sales prices are eclipsing \$100 per square foot compared to the \$50 to \$80 per square foot prices prevalent in previous markets. Commensurately, lease rates are also increasing: \$10 to \$13 per square foot is now the norm. As always, well-maintained properties with quality locations achieve the highest sales prices and lease rates and larger buildings, those at 40,000 square feet and above, typically sell for less per square foot because their replacement cost is less than for smaller buildings.

Industrial Land Lacking

Several years ago, Sarasota County amended its zoning code to allow multi-family residential uses as part of major employment areas, which also includes industrial properties – properties zone ILW, PCD and PED. The idea to make multi-family land available near major employers was a sound one, but it brought forth unintended consequences. Multi-family land is valued far greater than industrial land and the demand for multi-family has skyrocketed over the past 10 years. As potential industrial land is absorbed for residential uses, the question arises where industrial uses will locate? As a result, local governments, particularly in North County, face pressure to make more land eligible for industrial uses.

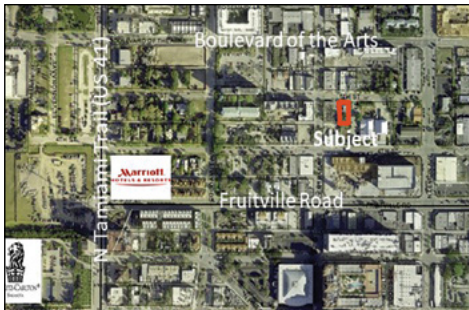
Harshman & Company Available Properties



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
 Downtown office or retail location,
 2,500 square feet, zoned DTC.
\$29.50 per rentable square foot, NNN



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



1567 Main St., Sarasota
 Superb office, bank or retail site,
 3,200 +/- square feet, zoned DTC.
\$29 per rentable square foot, NNN



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



7272 S. Tamiami Trail, Sarasota
SALE PENDING
 6,167 square feet, zoned CG.
\$739,000

Sarasota's Greatest Developer

Many people and companies have contributed to present-day Sarasota. Katherine and Daisietta McClellan, for instance, in 1915 developed the beautiful McClellan Park residential subdivision south of downtown. Other developers built iconic buildings, like Joseph Penner's One Sarasota Tower. The many developers' personalities and reputations have been as diverse as their developments – some were loud and bombastic, while others preferred a more low-key profile. Most contributed in multiple ways to the betterment of Sarasota by

supporting social, artistic, and environmental causes. Still others were more opportunistic and remembered for their work or lost in obscurity. However, no developer contributed as much to Sarasota's future as did John Ringling. Every time I visit the Ringling Museum of Art, Ca' d'Zan and the beautiful grounds surrounding them I find treasures yet undiscovered by me. What makes him unique is that he was a family man, businessman and a circus magnet before he was a developer. As a businessman, he knew his audience and that the best way to be successful was to first give. Long before Ca' d'Zan or St. Armands Circle, a shopping treasure he built

for his wife, Mable, his legacy started with all the people he encouraged to move to Sarasota. His business decision to winter his family's circus in Sarasota and later in Venice helped the region weather the Great Depression of the 1930s. His developments remain iconic – from the aforementioned St. Armands and even his failed attempt to build a Ritz-Carlton hotel on the south tip of Longboat Key. His gifts to Florida are priceless and will be enjoyed by generations to come. While it is clear he recognized value where others did not, he also displayed a great appreciation of what makes people happy.

Harshman & Company, Inc.
COMMERCIAL REAL ESTATE BROKER

Harshman & Company, Inc.
1575 Main Street, Sarasota, FL 34236

PRSR STD
U.S. POSTAGE
PAID
MANASOTA, FL
PERMIT NO. 1283

COMMERCIAL REAL ESTATE

MARKETUPDATE

View our listings on our website:
www.harshmanrealestate.com

Recent Notable Commercial Transactions

- **Military Cut LLC** sold a 14,195-square-foot industrial condominium at 7168 15th St. E., in Manatee County, to **Twin Tower Trading Realty LLC** for \$820,000 on 4/15/21.
- **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.
- **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.
- **Woonkuo Soon** sold a 5,408-square-foot lot at 2042 Fourth St. to **Millenium Trust Co. LLC** for \$255,000 on 12/31/20.
- **Monday Morning Corp.** leased 3,255 of rentable square feet at 1599 Main St. to **Phalanx Group International LLC** commencing on 12/15/20.
- **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.