

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

Summer, 2016

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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

Southwest Florida's office market continues to be sluggish, but its performance is improving overall. Sarasota's industrial market, meanwhile, is exhibiting incremental gains fueled largely by population influx and a perception of economic health. The area's retail sector has mirrored a national trend. In affluent areas shopping centers, malls and retail outparcels have demonstrated resiliency amid sustained consumer confidence. In more marginal areas where housing has failed to rebound and wages have remained stagnant, however, stores have languished overall. The restaurant sector throughout Sarasota remains a healthy sub-segment, pushed forward by greater discretionary income and consumer demand for new offerings. That, too, follows a national trend in consumer spending.

In short, the market is on the weak side of healthy. There are notable exceptions, though, that belie overall trend lines. Benderson Development Co. has formally unveiled plans for Siesta Promenade, a mixed-use development consisting of residences and retail space at the

intersection of South Tamiami Trail (U.S. 41) and Stickney Point Road. The project's timing is significant in large part because it was a casualty of the Great Recession a decade ago. If Benderson is able to bring Promenade to fruition, it would demonstrate a market depth in south Sarasota that has to date been felt primarily in areas like University Town Center (UTC), Lakewood Ranch and certain city neighborhoods. Also significant are a pair of self-storage projects under construction on South Tamiami Trail, in response to the more than 3,000 new residents slated to live in Sarasota by the end of 2017.

Benderson also continues to add commercial space to UTC. The "East District" is being designed to eventually contain an iPic upscale movie theater and additional entertainment and restaurants when completed, according to company plans.

Over the next several months, look for A-quality retail spots to fill and backfill quickly upon vacancy and rental rates to inch upward. Office rental rates are rising with vacancy shrinking to 9 percent in Sarasota, as businesses vie for high-caliber space in proven locations. Harshman & Co. contends speculative industrial space could be on the horizon in Sarasota County, the result of higher sales prices that have reached replacement costs – a critical metric for development.

Down the Pike

To streamline the city's zoning code and bring it more in line with the intentions of the New Urbanist Downtown Master Plan 2020, the City of Sarasota has contracted with former

City Planning executive Karin Murphy to create a "Form-Based Code." It is envisioned this will eventually supplant the current zoning code. Form-based codes are regulations that are intended to foster predictable results and encourage high-quality public spaces by using physical form rather than a separation of uses. In advance of City Commission approval, Murphy has held a series of meetings with residents and stakeholders to gain input and to educate the public on the proposed changes. Although the code remains in draft form and will almost certainly undergo significant changes before adoption, some themes have arisen. Look for a much better organized code, one that is easier to navigate and containing important changes to residential density in traditionally commercial areas. We anticipate, as well, an entirely new nomenclature, with zoned districts eliminated or renamed "transects." For instance, the current Downtown Core zoning might come to be known as a T-10 transect. In some areas, density, height, setback and other requirements may change significantly. Harshman & Co. hopes city leaders will consider potential unintended consequences from the new code, as well. The canyon effect along Tamiami Trail and Gulfstream Avenue stemming from the construction of the twin-towered Vue Sarasota Bay, by way of example, could have been avoided had planners studied the impact of the now decade-old zoning code as it applied to specific parcels.



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An Abundance of Caution

Commercial real estate prices throughout the U.S. and in Sarasota have gone up and capitalization rates down in large measure because there are few alternatives for generating comparable yield in today's environment. Most buyers either are eschewing leverage or they are unable to secure it, resulting in many all-cash transactions.

Sarasota also has been buoyed by an ever-increasing number of tourists and a lack of development, which has boosted occupancy levels for various asset classes. More than 1,500 new rental and condominium units are under construction and will come online by 2018, which will further broaden the market and create new demand for services, goods and experiences. While overall absorption remains unknown, it appears fairly certain

that Southwest Florida will not be flooded with bank-owned properties as the region was a decade ago, a phenomenon that depressed prices temporarily (but also led to solid buying opportunities over the past five years).

Still, some ominous signs give us pause. Direct Energy's plan to consolidate its Sarasota offices from the Plaza at Five Points building downtown to Houston by October will be a blow to office absorption, and result in a loss of more than 100 professional, white-collar jobs. Meanwhile, the sale of an interior lot on Golden Gate Point recently for \$2 million -- or \$250,000 per entitled unit -- strikes us as excessive, as does the investment of \$3.5 million for land at Boulevard of the Arts and Coconut Avenue in the Rosemary District for a boutique hotel -- at a time when more than 700 new hotel keys are under construction and poised to come online downtown by 2018.

St. Armands Resilience

St. Armands Circle, by contrast, continues to demonstrate its resilience as a retail node, decades after circus magnate John Ringling first developed it. No area rivals it, including downtown Sarasota. Vacancies are backfilled quickly and efficiently without a lengthy lapse in time, and rental rates have remained largely steady despite economic conditions. While the growth in tourism has helped -- as has an improvement district comprised of motivated landlords -- the area has performed exceptionally well in no small measure because residents and visitors consider it safe and clean. Dedicated merchants seem to continually strive to cultivate the circle's unique setting and ambiance. If downtown Sarasota ever hopes to fully reach its potential as a shopping and entertainment destination, it will have to emulate much of what has made St. Armands a success.

Featured Properties

Stellar Downtown Development Opportunity

This 73,305 square-foot site represents a rare opportunity in downtown Sarasota for development of a multi-family complex, lodging property 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, including the 37-unit Artisan on Main townhome project, 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: \$2,995,000



High-Growth Area on the Edge of Downtown

Well located at Fruitville Road and East Avenue on the edge of Sarasota's vibrant downtown, this location would be ideal for a variety of uses, including restaurant or retail, offices, or residential condominiums for rent or sale. Bounded by East Avenue, Audubon Place, 4th Street and Fruitville Road, the property comprises an entire block that is primed for development. With easy access to both downtown and Interstate 75, this property represents a unique opportunity that won't last long! DTE zoning also provides flexibility, permitting up to five stories in height and 25 units per acre -- up to 52 units on this site.

Site: 2.11 acres of land
Price: \$3,501,540



Enticing North Port Development Opportunity

Located between River Road and Sumter Boulevard on Tamiami Trail in fast-growing North Port, this property is zoned for up to 15 residential units per acre and retail space. It also benefits from proximity to Thomas Ranch, an upscale, master planned community, and tourist haven Warm Mineral Springs. It is also near Benderson Development Co.'s Cocoplum Village Shops, a retail hub occupied by Publix Super Markets, Chico's, Hobby Lobby, Starbucks, First Watch Restaurant and Chipotle Mexican Grill.

Site: 60+ acres of vacant land, zoned PCD
Price: \$4,250,000



Harshman & Company Available Properties



2080 Ringling Blvd., Sarasota
7,493 square feet of land with a 10,587 square-foot 3-story office building, Zoned DTC.
Price: \$1,950,000



1940 S Tamiami Trail, Venice
28,500 square feet of land with a 6,842 square-foot retail building, Zoned CG.
Price: \$1,025,000



3808 N Tamiami Trail, Sarasota
93,218 square feet (2.14 acres) of land with a 14,286 square-foot building, zoned NT.
Price: \$1,750,000



500-900 3rd Avenue W, Bradenton
51,253 square feet (1.18 acres) of vacant land, zoned T6 Urban Core (City of Bradenton).
Price: \$870,000



4041 Sawyer Ct, Sarasota County
1.6 acres of land with a 20,575 square-foot industrial building, zoned CI.
Price: \$1,800,000



1620 Main St Unit 10, Sarasota
1,100 square foot office condominium, zoned DTC.
Price: \$149,000



North Port Park of Commerce, North Port
7 lots ranging from 1.25 acres to 2.15 acres, zoned PCD.
Price: \$260,000 to \$675,000 per lot, or \$4.78 to \$7.22 a square foot



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



1716 N. Tamiami Trail, Sarasota
40,880 square feet of vacant land, Permitted for 35 units per acre, zoned NT.
Price: \$1,350,000



2401 Commerce Parkway, North Port (SALE PENDING)
13.2 acres of vacant land, zoned ILW.
Price: \$650,000 (\$1.89 a useable square foot)



1540 Northgate Blvd, Sarasota County (SALE PENDING)
78,408 +/- square feet (1.80 acres) acres of land with a 14,700 square-foot warehouse/office building, zoned ILW.
Price: \$1,750,000



25 N Pineapple Ave, Sarasota
Retail space from 2,360 square feet to 6,250 square feet (Can be subdivided)
Price: \$22 per square foot to \$30 per square foot, NNN (Estimated tenant expenses \$5 per square foot to \$5.50 per square foot)



7100 S Beneva Road, Sarasota County
3,812 rentable square feet with private parking, zoned OPI.
Price: \$13 per rentable square foot, NNN



6561 Palmer Park Circle, Sarasota County
Newly constructed 1,500 square-foot office, zoned ILW.
Price: \$17 per square foot

Changing Tamiami Trail

Change is constant in life and commercial real estate. Consider Sarasota's South Tamiami Trail, which is constantly undergoing rebirth and renewal. Australian-based Westfield Corp. is working to rebrand its Southgate Mall as a lifestyle center, with Cinebistro and anticipated tenants such as LA Fitness replacing long-time merchants like Saks Fifth Avenue that departed in favor of the Mall at University Town Center. The pair of self-storage projects, at Sandrala Drive and adjacent to the former Kalin's Furniture store, will provide extra space for the hundreds of new residential units being built. At the same time, retailers ranging from Verizon to Pier One to furniture consigner Posh Plum have recently opened on the South Trail,

adding to the diversity of offerings. South Trail office buildings also are trading at higher prices. A pair of offices at 2940 S. Tamiami Trail and 3150 S. Tamiami, respectively, sold recently for roughly \$300 per square foot, a testament to the importance of a highly visible location that is also surrounded by solid demographics.

Still, not all of the activity has been positive. The Landings shopping center has struggled to retain tenants and attract new users – despite abundant surface parking, a high traffic volume and a location near a vibrant residential area with stellar demographics. Look for the center either to be sold or revamped in the next year or so to a buyer with a renewed commitment to leasing, marketing, landscaping and property management efforts.

Broadening Services

To better serve clients, Harshman & Co. has expanded its portfolio of offerings to include receivership services for lenders, government or other entities. Most recently, we were retained to be the court-appointed receiver for a high-profile property in Lakewood Ranch. As part of the assignment, Harshman & Co. stabilized 10,000 square feet of improvements and maintained the integrity of a 4.5-acre site while a necessary foreclosure process was initiated and completed. If a need for receivership arises in your dealings, please let us demonstrate our expertise and capabilities in this specialized arena to enhance and maintain value during transition.

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Recent Notable Commercial Transactions

- **Cadence Bank N.A.** sold a 63,597 square foot tract of land, at 1401 S Tamiami Trail in Osprey, to **T N J Business Ventures LLC** for \$159,000. 6/29/16
- **Sarasota, LLC** sold 17,224 square feet of land that is zoned OPB with a 2,772 square-foot building, at 3150 S. Tamiami Trail in Sarasota, to **Professional Resource Development Inc.**, an affiliate of Heartland Dental Inc. for \$800,000. 6/14/16
- **Sarasota Ellis Associates LLC** leased 1,539 square feet of office space, at 1605 Main Street, Suite 904 in Sarasota, to **Hightower Holding LLC**. 6/1/16
- **James O. Ferguson, Jr., trustee**, sold 5.56 acres of land zoned ILW, at 5951 McIntosh Road in Sarasota, to **Becca Properties LLC** for \$2,500,000. 5/12/16
- **Culverhouse Ltd. Partnership** leased 2,500 square feet of office space, at 6561 Palmer Park Circle, Suite B in Sarasota, to **Zenith Realty Partners LLC**. 4/5/16

Have You Seen Our New Website?

Earlier this year, Harshman & Co. unveiled an improved website that has received rave reviews from clients and other viewers! The new www.harshmanrealestate.com features even more comprehensive data than ever before, along with listing information in a more user-friendly format and expert analysis and market insights that are the hallmark of the firm and differentiate it from others. Take a look if you haven't already, and let us know what you think.