

Harshman & Company, Inc. is a full-service commercial real estate company specializing in commercial & industrial sales, commercial & industrial leases, property management, consulting and site selection.

**Harshman & Company, Inc.**  
COMMERCIAL REAL ESTATE BROKER

# COMMERCIAL REAL ESTATE MARKET UPDATE

Spring, 2014

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At Harshman & Company, Inc. we are proud to continue our Commercial Real Estate Market Update. Our goal is to provide readers with current accurate commercial real estate market data, observations and forecasts. We work hard collecting content for the Update and endeavor to cover multiple sectors of our commercial market. Suggestions for content and topics are welcomed and you may contact us at [service@harshmanrealestate.com](mailto:service@harshmanrealestate.com) with suggestions or to let us know you would like to receive the Update electronically.

## The Market Today

The commercial real estate market is better today than last year but not fully recovered. Some areas of downtown have rebounded extremely well and are experiencing strong activity, increased rental rates and high sales prices. St. Armands didn't seem to miss a beat as leasing activity and property sales remained strong throughout the recession. Investment properties and multi-family properties continue to be in high demand. Lagging are the office and industrial sectors

which translates to; job recovery is not yet where we need it to be for a healthy commercial real estate market.

## Downtown Retail

In short downtown retail is booming! Soon downtown Sarasota will welcome Alex and Ani (a national lifestyle jeweler) and Fit2Run to our already strong downtown retail mix. We are building the retail environment downtown we have always wanted. Why now? Strong sales are attracting the attention of retailers. The future looks even brighter as the many new residential and hotel projects planned for downtown will help encourage more quality retailers to locate to our downtown.

## Real Estate – Home Run!

In June of 1997 Harshman & Company, Inc. (as agent for the owner) sold a 10,500 square foot lot at 1367 4th St., in the heart of the Rosemary District for \$36,000 and subsequently sold the same parcel in February 2001 for \$78,500. In 2004, property values and interest in commercial real estate began

to sky-rocket. During the unrealistic “boom” time from 2004-2008 offers as high \$750,000 were received on this same parcel - none of which closed.

In 2008 interest from buyers stopped as the Great Recession began. Many properties purchased during the “boom” time and at unrealistic prices were foreclosed, flooded the market with distressed sales and property values plummeted. Fortunately, there is a happy ending to this story as the market has slowly recovered and in January 2014; Harshman & Company, Inc. sold the same parcel for \$425,000. If you choose wisely; Sarasota real estate a great investment.



**John B. Harshman, Broker**  
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## Interest Rates

A best friend of commercial real estate is low interest rates and we are still experiencing the lowest interest rates in my 30 year career. If you qualify to borrow – the time could not be better.

Request our newsletter by emailing [service@harshmanrealestate.com](mailto:service@harshmanrealestate.com) or by visiting our website.

View our listings on our website: [www.harshmanrealestate.com](http://www.harshmanrealestate.com) or on the following Multiple Listing Services: [www.mfcre.com](http://www.mfcre.com) or [www.loopnet.com](http://www.loopnet.com)

## The Importance of Downtowns

Much of what I write in this Market Update is focused on downtown real estate. While increasing or declining real estate values are indicative of the health of a community, downtowns are in general a barometer of our economy, society and marketplace. Healthy downtowns are the foundation of healthy communities. Aside from having a strong economy and thoughtful leadership, what are the key components to a healthy downtown? Attractive and “interesting” buildings, clean safe public spaces, ease of travel, many residential options and a variety of uses all of which attract vitality and tax dollars!

## Flipping, Speculation and Investing

All three of the above real estate terms share a common goal of maximizing profits but the methodology is vastly different. Flippers are essentially gamblers buying real estate with the hope of a quick profit, with little or no market research and often using other people’s money. All flipping requires is the gut of a gambler. There are professional flippers as there are professional gamblers; but in the end there are few standing with a profit. Speculating is viewed somewhat less pejoratively than flipping and differs in that often there is market study or indication other than a gut feeling that a property is likely to increase in value. The speculator buys anticipating some change to the market. He may know of some area of improvement, new road, shopping mall, rezoning etc., and speculate that the property values in that particular area will increase. Investing can be short term but is

more often associated with holding the asset long term. Fundamental in real estate investing is recognizing that real estate is often not a liquid investment and timing of selling the asset determines maximum profit. Investing is often more analytical and less emotional, however, most really good real estate investors do listen to their intuition while following solid market fundamentals. The investor respects and recognizes the market, values sound research and understands that the passage of time does not change value other forces do. Which one are you?

## Planned Downtown Projects

As of April 1, 2014, there are 1043 residential units and 964 hotel rooms planned for the “downtown” area described as 10th St to Mound and Lime Avenue to the Bay. Developers are purchasing sites, working through the complicated development process and are processing plans for City approvals. There are always planned projects that for a variety of reasons are not completed. However, if 60% of the planned projects reach fruition, downtown will experience a tremendous infusion of buyers, tax payers and new venues!

## Downtown Office

Of the 1,563,322 square feet of class “A” multi-tenant office space downtown approximately 13.22% is vacant. While this is a significant improvement over the 16% of last quarter it is not indicative of a healthy market. Over the past year, many tenants benefited from reduced rates and landlord concessions to keep tenants. While many of the “great” deals in office space have been absorbed it remains a tenant’s market.

## Industrial Market

Slowly our industrial market is climbing out of the doldrums. Many of the bank-owned industrial properties have been purchased at prices as low as \$30 per square foot when replacement is over \$75 per square foot. The next phase of recovery will be new construction followed by the sale of industrial buildings above replacement cost – our market will have then recovered.

## Density

There has been much community discussion regarding increasing residential density in the downtown. Some believe that increased density will negatively impact our quality of life. Others believe increased density is positive and supports the urban environment by providing a diverse housing base that supports mass transit, restaurants, retail and entertainment that otherwise would not be available. While some properties are physically accepting of significant increased density without adjusting any other conditions such as height; not all properties are candidates for more units. Often the property shape, parking, step-backs, primary street conditions etc. renders increased density as impractical. It is also important to know that increased density is not a silver bullet for solving the “affordable” housing dilemma. Increased density can offer our community the opportunity to create a more active and vital urban area with a wider range of housing options, better mass transit and new retail and entertainment opportunities, and concentrating population in urban areas relieves stress on all infrastructure and eases the strain on suburban and rural areas.

## Harshman & Company Available Properties



**5951 McIntosh Rd**  
242,336 +/- sq ft (5.56 acres)  
vacant land, zoned ILW.  
**\$3,635,040 (\$15/sq ft)**



**100 & 180 Center Ct, Venice**  
102,539 +/- sq ft (2.35 acres)  
vacant land, zoned ILW.  
**\$1,230,468 (\$12/sq ft)**



**2125 Fruitville Rd**  
56,901 +/- sq ft (1.31 acres)  
vacant land, zoned DTE.  
**\$2,276,040 (\$40/sq ft)**



**Audubon Place/East Ave/1st St**  
73,305 +/- sq ft (1.68 acres)  
vacant land, zoned DTC.  
**\$2,520,000 (\$34.38/sq ft)**



**41 N School Ave – Sale Pending**  
53,573 +/- sq ft (1.34 acres) land,  
3 buildings totaling 16,681 sq ft,  
zoned DTC.  
**\$1,550,000**



**599 Coconut Ave**  
31,388 +/- sq ft vacant land,  
zoned DTE.  
**\$1,569,400**



**51 Wallace Ave**  
900 +/- sq ft office building on  
6,250 +/- sq ft land, zoned DTC,  
near courthouse.  
**\$489,000**



**1716 N Tamiami Trail**  
40,880 +/- sq ft vacant land,  
Permits 35 units per acre,  
zoned NT.  
**\$1,450,000**



**4242 Gypsy Street**  
2.2 acres, with 5,216 +/- sq ft  
office/warehouse, zoned CI  
(Sarasota County).  
**\$595,000**



**936 42nd Street**  
1,100 +/- sq ft building on 6,305  
+/- sq ft of land, Commercial  
catering kitchen, zoned CG  
(commercial/general).  
**\$275,000**



**1620 Main Street, Unit 10**  
1,100 +/- sq ft office  
condominium, zoned DTC.  
**For Sale \$159,000**  
**For Lease \$950/month**



**7100 S Beneva Rd**  
3,812 RSF of two tenant building,  
private parking lot, zoned OPI  
(Sarasota County).  
**\$17/sq ft NNN**



**25 N Pineapple Ave**  
10,000 +/- sq ft building, for office/  
retail/entertainment/restaurant, will  
have new storefront, new a/c and  
new roof after renovations.  
**\$30-\$35/sq ft, NNN**

## Quick Facts

	Sarasota City	Sarasota County	Florida
Population, 2013 estimate	not available	390,429	19,552,860
Population, 2012 estimate	52,811	386,109	19,320,749
Persons per household 2008	2.19	2.21	2.58
Per capita income 2008-2012	\$30,659	\$32,764	\$26,451
Median household income 2008-2012	\$40,813	\$48,900	\$47,309

Source: US Census Bureau

## Ups and Downs of Commercial Real Estate - Sarasota

Here is a sampling of transactions that reveal the shocking reality of the recession after the unbridled exuberance, unqualified borrowing and “everyone can be a developer” mentality of 2004-2008.

- 1750 Ringling Boulevard – this 2.1 acre parcel was acquired for \$12,361,000 in 2005 for the planned Atrium Condominiums. It then sold (bank-owned) in 2012 for \$1,500,000; down 88%.
- Southwest corner Blvd of the Arts and Coconut Avenue – this parcel was purchased for \$6,772,500 in 2007 as part of the ill-conceived Proscenium development and was sold (bank-owned) for \$687,500 in 2010; down 90%.
- 6.5 acres from Coconut Avenue to Florida Avenue and Blvd of the Arts to almost 10th Street – was assembled for the planned City Pointe condominiums and retail for approximately \$16,500,000. It sold (bank-owned) in 2013 for \$4,500,000; down 73%.
- 1st Street, East Avenue and Audubon Place – was assembled for condominiums in 2006 for \$5,775,000. It sold (bank-owned) in 2012 for \$750,000; down 87%.
- Southeast corner of Fruitville Road and Coconut Avenue – was purchased for \$4,630,000 in 2008 for a proposed hotel and then sold (bank-owned) in 2013 for \$1,040,000; down 78%.
- West side of Coconut Avenue between 4th Street and 5th Street – sold for \$1,600,000 in 2005 and then sold (bank-owned) in 2012 for \$310,000. This parcel was also included in the Proscenium project; down 81%.

The staggering loss for the previous owners is a tremendous gain for the new owners.

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Every year Sarasota is blessed by the annual tarpon run just off our beaches. Any tarpon fisherman will attest that there is nothing like the experience of landing a Silver King! Few fish equal the tarpon for power, action, acrobatics, beauty and thrill. My best fishing day – on the water before sunrise, in the office by 10:30 am after landing two tarpon in excess of 100 lbs. Days like that are one big reason why I love Sarasota.