

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

Fall, 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](mailto: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 commercial real estate market continues to be very active, the result of a multi-year growth cycle that has been marked by low interest rates and a robust capital market. Sarasota, in particular, is experiencing strong pockets of growth – especially downtown – even as some areas continue to be buffeted by challenges. Several high-profile recent office transactions – including the \$15.9 million sale of the PNC Building on Ringling Boulevard downtown; the \$23 million deal for the BMO Building at Ringling Boulevard and Pineapple Avenue, also downtown; and the \$37.1 million purchase of the four-building Gateway Professional Centre, on Cattlemen Road in Sarasota County, have demonstrated considerable investor interest. Additionally, the development of roughly 800 new hotel rooms downtown and the recent \$16.77 million acquisition of the 95-room Indigo Hotel, at U.S. 41 and Boulevard of the Arts, show that the city is becoming a year-round and multi-faceted destination in which stellar beaches are just one of many draws. Retail rental rates, meanwhile,

have risen to about \$30 per square foot for first-generation space – a long way from the \$17 per square foot to \$19 per square foot rates of a decade ago. The much anticipated delivery of some 3,000 new residential units under construction in and around downtown will bring new consumers and are expected to boost retail demand and hike rental rates.

## Down the Pike

Despite some community opposition over fears of increased traffic, Benderson Development Co. intends to move forward within the next year with Siesta Promenade, a mixed-use project at Stickney Point Road and U.S. 41. When completed, the project would add retail space and residences to a 25-acre, vacant tract. Benderson also continues to add space to the University Town Center area in North Sarasota County, with new restaurants and shops bordering the nearly two-year-old, \$315 million mall that anchors the area. The developer's "West District," an entertainment-centric project with a movie theater, restaurants and office, is likely to start construction within the next year. Downtown, the One Palm project – containing an aloft Hotel and 139 new apartments – is now open. Reservations in the hotel have been brisk and the apartments are fully leased, a sign that the apartment rental market in Sarasota is strong and deep. Later this year, the first phase of the CityPlace apartments will come online in the city's Rosemary District, the first of more than 1,400 units to be delivered north of Fruitville Road in the coming 18 months. As a result, commercial demand for more retail, offices and industrial space is expected to wax

in Sarasota through 2018 as commercial space follows rooftops. On the office front, there are some high profile lateral moves, including the Sarasota Herald Tribune's move in 2017 to smaller space in the 10-story SunTrust building. Michael Saunders' move to the Ellis Building will fully occupy the long-vacant ground floor. The vacation of the 9th floor of Five Points Tower by Buchanan Enterprises, Direct Energy and Baird may add up to 33,000 square feet to the Class A office vacancy.



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## Foreign Money

Like their domestic counterparts, foreign investors are flocking to U.S commercial real estate for yields not being realized in more traditional investments. Although South Florida has been a primary repository for foreign capital – mainly from Central and South America – that trend is now spreading to other parts of the Sunshine State. Harshman & Co. predicts that in the coming 18 to 24 months, if current economic conditions hold, investor jitters over the so-called "Brexit" vote in the United Kingdom, along with negative interest rates in Germany and Japan and potentially other European countries, will drive additional offshore money into Southwest Florida properties. Consider, too, that in comparison to cap rates in Miami and Fort Lauderdale, in particular, Sarasota and Bradenton commercial properties offer higher-than-average returns at "bargain" prices.

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## Selecting the Right Commercial Real Estate Broker

Chinese military strategist Sun Tzu, in his widely admired “The Art of War,” wrote that victory in battle is usually won or lost by the very first move a combatant makes. The same can be said of commercial real estate. Many times, the first move in that arena involves retaining a commercial real estate broker or adviser. Selecting a qualified broker, however, is often a task taken too lightly, and that error can be costly. Over my 30-year career as a commercial real estate specialist, I’ve seen the business become more sophisticated and complicated, as developments have evolved, market needs have changed and government regulations have become increasingly complex. The evolution to the increasing complexity has meant that there are now – more than ever before – hidden opportunities to make poor or uninformed buying or selling decisions that can hamper profits or result in losses. The small

investor who participates in perhaps a handful of commercial real estate transactions in their lifetime simply cannot afford the risk of receiving poor or uninformed advice. Following is a suggested process to select a qualified real estate professional to meet your needs.

- Seek sound proven advice. This is critical. Don’t trust your commercial real estate to a golfing buddy, a neighbor or the agent that sold your home. Instead, research commercial real estate brokers who specialize in the product type or area you are interested in or targeting.
- Verify, through online searches or independent sources that the brokers you are interviewing have sold or leased similar properties to the one you own or intend to purchase.
- Interview a few. Shy away from a broker who claims to be an expert in residential and commercial real estate. The complex nature of commercial real estate, and the volume of information associated with various individual product types, requires focus. Ask about

market specifics, such as zoning, the entitlement process, and recent sales and leases. Is the broker able to explain market dynamics in depth? Ask about the broker’s marketing plan, and specifically how the broker would feature your property. Ask to see sample property fliers and detailed offering memorandums, and ask them to be explained in detail.

- When buying property, make certain your potential broker presents a site selection agreement. Property site selection is a time consuming and detailed process, reputable and professional brokers will insist on working with you exclusively.

At Harshman & Co., we strive to exceed these industry standards with each and every client, every day. We believe it’s why we’ve been successful for more than three decades – and why we can help you attain your commercial real estate goals.

## Featured Properties

### High-end Downtown Office Building

Supremely located near the Sarasota County Judicial Center, the Sarasota County Sheriff’s Office, Payne Park, Sarasota Police Department headquarters, several law firms and restaurants, this three-story office building sits at the intersection of East Avenue and Ringling Boulevard. The former headquarters of financial services firm Global Financial, the 10,587 square feet of office space is well appointed and modern. Zoned Downtown Core and on nearly 7,500 square feet of land, this property is aggressively priced at \$1.95 million.



### Attractive Redevelopment Opportunity

This versatile 14,286-square-foot building at 3808 N. Tamiami Trail was constructed for a restaurant operator, but following an extensive renovation and conversion, it is now home to the Far East Medical College with a mix of offices and classrooms. The 2.14-acre property, zoned NT and priced to sell at \$1.75 million, is also entitled for 72 condominiums or rental apartments, should a new owner consider redevelopment as an option.



### Superb Suburban Office Space

Take advantage of new construction! This 1,400-square-foot office suite is the only remaining block in a 10,000-square-foot building, conveniently located near Clark Road in beautiful Palmer Ranch. Adding to its value, the space will be built-out to meet tenant needs.

**Building: 1,400 sq ft**  
**Zoning: ILW**  
**Price: \$18 per sq ft**



**Harshman & Company Available Properties**



**4041 Sawyer Ct, Sarasota County**  
20,575-square-foot industrial building  
On 1.6 acres, zoned CI.  
**\$1,800,000**



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



**500-900 3rd Avenue W, Bradenton**  
1.18 acres (measuring 51,253 square feet),  
zoned T6 Urban Core in the City of Bradenton.  
**\$870,000**



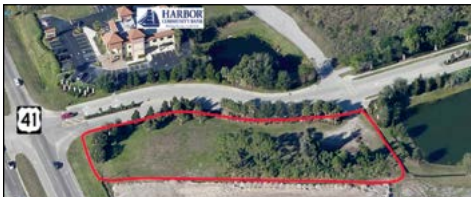
**Fruitville Road Assemblage**  
2.11 acres (measuring 91,851 square feet),  
zoned DTE. Zoning allows 52 units.  
**\$3,501,540**



**East Avenue & Audubon Place**  
1.68 acres (measuring 73,305 square feet),  
zoned DTC. Zoning allows 84 units.  
**\$2,995,000**



**1716 N. Tamiami Trail, Sarasota**  
Nearly 1 acre (measuring 40,880 square feet),  
zoned NT. Zoning allows 35 units per acre.  
**\$1,350,000**



**1401 S. Tamiami Trail, Osprey**  
1.46 acres (measuring 63,597 square feet)  
of vacant land, zoned CG.  
**\$699,457**



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



**12750 S. Tamiami Trail, North Port**  
60-plus acres of vacant land, zoned PCD.  
Zoning allows 15 units per acre.  
**\$4,250,000**



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



**25 N Pineapple Ave, Sarasota**  
2,250 square feet of retail space  
**\$29 per square foot, NNN**  
(Tenant expenses estimated  
**\$5.50 per square foot**)



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

## Multi-family is Sizzling

Multi-family properties across Southwest Florida have benefited from macro-economic trends that show few signs of waning. Reduced home ownership, now at the lowest level in the U.S. since the 1960s, has fueled apartment occupancies and rental rate gains statewide. Additionally, millennials and baby boomers alike are gravitating toward newer rental properties in urban areas that offer significant amenities. While some investment sales have reached the \$175,000 per unit level in the current cycle, most complexes in Bradenton and Sarasota have traded in the \$85,000- to \$110,000-per unit

price range. With occupancies averaging 97 percent throughout the region – a statistically zero vacancy rate per industry metrics – this asset class will likely remain strong as the remnants of the last decade's foreclosure crisis fade.

## Focus on Downtown Sarasota

Downtown Sarasota is comprised of five real estate components: Office and retail space, including restaurants, lodging and residences. Churches and cultural draws are also integral parts of the larger mosaic. In downtown Sarasota today, there exists roughly

2 million square feet of office space; 3,000 residential units divided among apartments and condominiums; some 700 hotel rooms; about 500,000 square feet of retail space; and 190,000 square feet of restaurant and related entertainment space. Over the next 18 months, however, 3,000 new residential units and 1,000 hotel rooms are scheduled to be delivered. While many of these properties will contain ground-floor retail or restaurant/club space its impact will be marginal. Downtown needs to protect the equilibrium of retail to entertainment in a market when entertainment uses looking at our market eclipses retail uses looking.

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## Recent Notable Commercial Transactions

- **Sagacity Media Inc., d.b.a Sarasota Magazine**, leased the 2nd floor of a soon-to-be constructed mixed-use building at 1500 State St. in downtown Sarasota, from **State Street Properties LLC**. 9/23/16
- **The Estate of Anders Ebbeson** sold a 16,838-square-foot warehouse and office building on 1.80 acres at 1540 Northgate Blvd. to **MCM Commissary, LLC** for \$1,600,000. 9/23/16
- **SOF-VIII-FT Park of Commerce North Port LLC** sold a 13.2-acre tract of industrial zoned land at 2401 Commerce Pkwy, in North Port, to **Anvil Land and Properties, Inc.** for \$625,000. 9/12/16
- **Cadence Bank N.A.** sold a 1.46-acre tract of land zoned CG at 1401 S. Tamiami Trail, in Osprey, to **TNJ Business Ventures LLC** for \$159,000. 6/29/16
- **Sarasota LLC** sold a 2,772-square-foot building on 17,224 square feet of land zoned OPB at 3150 S. Tamiami Trail, in Sarasota, to **Professional Resource Development Inc.**, an affiliate of Heartland Dental Inc., for \$800,000. 6/14/16

## Harshman & Co. Website 2.0

Our website, [www.harshmanrealestate.com](http://www.harshmanrealestate.com), provides more comprehensive data and information than any other commercial real estate brokerage and services firm in Sarasota. Our user-friendly format also contains unique market insights and expert analysis, which have become the hallmarks of Harshman & Co. and has differentiated us from others over the past 30 years.

