

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, 2018

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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

Strong and stable are terms I happily use to describe our current commercial real estate market. Those adjectives will change at some point, but for now, we can enjoy the confidence, stability and anticipation of a positive future that a healthy market imparts. Historically low unemployment levels, rising wage and overall confidence in the national economy all support a strong commercial real estate market, in Sarasota and elsewhere. Couple these conditions with reasoned, stable lending practices and you have a recipe for success. True, some areas and sectors are outperforming others, but the underpinnings of residential development and investment real estate – from single-tenant, triple net lease properties to those that require more hands-on management – continue to push commercial real estate as an investment class ahead.

Down the Pike

On a quarterly basis of late, hotels and multi-family rentals have jockeyed for the No. 1 position in development activity in Sarasota. What this tells us about our community is nothing new – this area is a wonderful place to visit and live. This quarter hotels have again captured the top spot, as three new projects are in process. Two of the new lodging properties are being planned on Fruitville Road, while the third is in the embryonic planning stages for a Sarasota County-owned surface parking lot at Main Street and North Washington Boulevard. All the projects seem to have solid financial foundation and are being developed by groups who have weathered the financial storms of oversupply and past recessions. The other real positive is the diversity of product being planned – from a five-star, high-end hotel to more affordable short-stay offerings. Though we are often asked “who will occupy all these new hotel rooms?” we’re not overly concerned. The nation’s demographics are changing, and people are traveling more often. Baby boomers are retiring in full force and checking off bucket list travel to places like Sarasota, fueled by Siesta Key Beach’s repeated designation as the best in the U.S. Millennials, too, seem to be traveling more than their parents did, as they make experiences and travel more a priority.

Downtown Retail

Buoyed by a couple really strong tourist seasons, the commercial retail market downtown is hitting on all cylinders. There is some general hesitancy in every brick-and-mortar retail market as the impact of online sales continues to be felt, but resort areas tend to buck this global trend to a degree. That’s because vacationers enjoy shopping as a recreational activity and seeing the local color of an area. Don’t get me wrong: Year-round residents are the foundation of successful retailers and restaurants everywhere but having a reliable annual financial infusion from a strong tourist season helps make merchants much more viable.



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Apartment Market

This is a segment of our market place that just keeps going. If you own an apartment complex from 10-500 units there are multiple buyers ready and willing to purchase your property. The buyers are looking for income and the cap rate must be within the market range (generally above 6%) so there is a limit to how much the buyers will pay, but the market will quickly respond and if priced correctly you will achieve a sale. If you would like a professional assessment of the value of your apartment complex – please call us.

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.loopnet.com

When to Invest in Sarasota Real Estate?

This is an excellent question given the historic peaks and valleys of Florida's real estate markets. People often suggest buying "at the next downturn" but we consider that a flawed strategy. The Chinese philosopher Sun Tzu believed a military victory lies in the first step one takes, and so it is with real estate investing, too. The first step should be to establish a sound strategy. Identify your goals and then discuss those goals with experienced, successful investors or advisors to determine whether they appear reasonable. Keep in mind that "flipping" real estate should not be a goal; flipping is not a strategy, it's gambling. Generally speaking, positive yield from real estate is attained on a long-term basis. Real

property is not a liquid asset and shouldn't be treated as such. Occasionally investment goals can be met on a relatively short-term horizon, but that shouldn't be counted on when evaluating a property. I always recommend the basics – income, location and functionality. Not every commercial property is a "good" investment but if it produces an income then the investment is at a minimum covered. Location is king and quality locations are always in demand; they appreciate the fastest, lease up the quickest and are the last to be hurt in a downturn. If you have questions regarding your real estate strategy or investment goals, please call us. We'd be happy to discuss them with you.

Disciplined Buyers

With all the commercial real estate transactions occurring I occasionally hear concerns that the market is too exuberant, and that buyers are now paying too much for properties. At Harshman & Co., our thirty-plus years of experience working in this market tells us that is not the case at the present time. Although some buyers are paying premiums for highly desired locations, in almost every transaction we've investigated buyers knew what they were doing, had a solid plan for the property and were not highly leveraged. In many cases, buyers today are utilizing little or no debt and are paying cash for their investments. In less desired locations, buyers are walking away from deals that don't seem to make sense or where sellers are seeking what is perceived as inflated prices. This discipline is good for our market.

Featured Properties

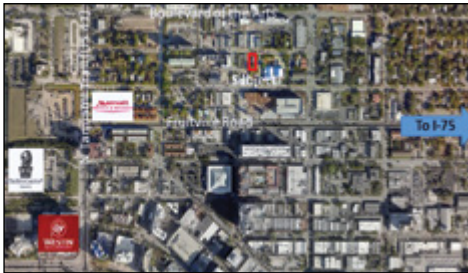
665 S. Orange Ave., Sarasota



A significant investment property in Sarasota's coveted Burns Court neighborhood, this 4,615-square-foot office and retail building provides an ideal commercial space together with seventeen on-site parking spots. Currently occupied by five tenants, this building is strategically located near a wave of recently built, high-end residential condominium developments. The property also is zoned Downtown Edge (DTE), a flexible zone classification that permits residential development up to 25 units per acre, lodging and other commercial uses downtown.

\$1,395,000, a 5.7% cap rate.

1420 5th St., Sarasota



Measuring just over one-eighth of an acre, at 5,750 square feet, this lot zoned Downtown Edge in the city's red-hot and growing Rosemary District would be ideal for the development of residential duplexes. With a density bonus granted under the city's Rosemary Residential Overlay District – a designation that will sunset December 31, 2018 – this lot could be improved with up to nine residential units. Act now, as this parcel is sure to attract widespread attention!

\$575,000

3938 S. Tamiami Trail, Sarasota



Zoned CGD in the City of Sarasota. Fantastic, fully renovated 1,500-square-foot professional office and showroom with parking for seven vehicles on site. Vehicular traffic passing this section of Tamiami Trail exceeds 56,000 per day – making this property a true showcase!

Offered at a reduced price of **\$395,000**. For Lease at \$20 per square foot, NNN.

**Why Development
is for the Pros**

\$49,800,000 – that was the amount a jury recently awarded Buck-Leiter Development in a lawsuit stemming from the City’s 2005 pullout of an agreement with the company to construct a parking garage, hotel and condominiums on the then-City-owned site downtown on Palm Avenue. Meanwhile, the Sarasota Herald-Tribune reported that the land the Gulf Coast Community Foundation purchased for over \$24.6 million and carried for over 10 years for a planned low-income housing community, The Bridges, was sold to residential developer John Neal at a significant loss for \$18 million. These two recent examples illustrate belief that I have often stated: Real estate development is a very complicated “high risk” business, and those without the experience and expertise should stay far away as the consequences of failure can be tremendous. Moreover, the inexperienced who also are entrusted with community money should not engage in the development business. Too often, ego and delusions of grandeur drive developments, spurred on by often slick “trusted” consultants who benefit and encourage until the market changes or “unforeseen” circumstances derail plans leaving investors – or taxpayers – with empty promises and less money. The final outcome of the City/Buck-Leiter litigation has yet to be determined, but in our opinion even if the City should ultimately prevail the City will have lost if only with the money spent on litigation and the time spent dealing with the legal action – not to mention the besmirched reputation of the City. Unfortunately, many people involved a dozen years ago failed to acknowledge at the time the inherent difficulty and complexity that comes with development and instead only saw the proposed finished project – without any understanding of or acknowledging of the challenging path or potential pitfalls along the way.

Harshman & Company Available Properties



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



Fruitville Road assemblage, Sarasota
2.11 acres (91,851 square feet), zoned DTE. Zoning allows for 52 residential units. **\$3,501,540 – SALE PENDING**



1716 N. Tamiami Trail, Sarasota
Nearly one acre (40,880 square feet), zoned NT. Zoning allows for 35 residential units per acre. **\$1,226,400**



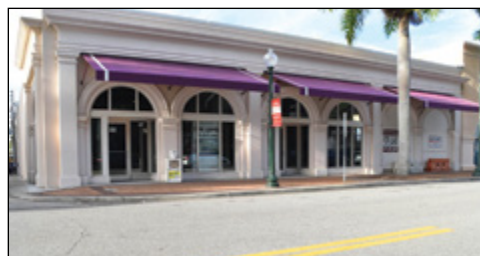
100 and 180 Center Court, Venice
2.35 acres (102,539 square feet) vacant land, zoned ILW. **\$1,230,468**



1599 Main St., Sarasota
Former physical therapy center, 3,255 square feet **\$26 per RSF NNN**



5750 S. Tamiami Trail, Sarasota
Prime retail location, 1,387 square feet **\$21.50 per square foot NNN**



27 N. Pineapple Ave., Sarasota
2,250 square feet of retail space, adjacent to Sarasota Opera House, 18-foot-clear ceiling height. **\$29 per square foot, NNN**



8598 Potter Park Dr., Sarasota County
8,250 square feet, divisible, zoned OPI. Construction expected to commence in August **\$24 per square foot, modified gross**

Bury the FPL Lines!

I have to admit that I was initially heartened to read a newspaper article on June 1 that outlined a Florida Power & Light plan to make power-line adjustments as a response to the significant loss of power during Hurricane Irma. However, the FPL response seems primarily to be one that calls for installing stronger power poles, upgrade lines and remove trees that might fall during storms and cause annoying and costly power outages. FPL only gave lip service to burying power lines – a topic Harshman & Co. has passionately endorsed. Unfortunately,

upon further investigation, it appears that FPL more likely is rationalizing why they will not initiate a long-term effort to bury almost all of its power lines. Curiously, FPL seems to advocate burying power lines tied to new developments including new single-family homes but doesn't at the same time endorse retrofitting established neighborhoods – seemingly not good policy. Like many issues I suspect this boils down to money. Yes, burying existing overhead power lines would cost mega dollars but the benefit of surviving storms without downed power lines would be tremendous and, in my opinion, well worth the investment.

Long term, it would seem that such a practice would generate savings for FPL and consumers while helping to alleviate one major annoyance caused by storms. The City of Sarasota seems to be trying to do their part as they are burying lines in conjunction with the construction of the St. Armand's Parking Garage and at no cost to the beneficiaries. So the question remains: If the City is burying their lines on City property and burying lines is required for most new development, why won't FPL and the City establish a long-term plan to bury the lines along our road ways and retrofit existing neighborhoods with buried lines?

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Recent Notable Commercial Transactions

- **Glennlauren, LLC** sold an 8,220-square-foot office building, at 7100 S. Beneva Road in Sarasota County, to **7100 Beneva LLC** for \$1,345,000 on 5/30/18.
- **Cocoonut Arts Southwest LLC** purchased a pair of multi-family properties, at 1245 and 1265 5th St. in Sarasota, from **Florida Studio Theatre Inc.** for \$1,988,437 on 5/7/18.
- **2900 Tamiami LLC** bought a 4,176-square-foot building, at 2900 S. Tamiami Trail in Sarasota County, from **Lee-2900 Trust** for \$1,150,000 on 4/17/18.
- **Florida Studio Theatre Inc.** leased 1,078 square feet, at 1234 1st St. in Sarasota, to **Torjborg Teigland Inc.** for three years commencing on 2/23/18.
- **Canandaigua National Trust Co. of Florida**, located at 1586 Main St. in downtown Sarasota for the past decade, has renewed its lease with landlord **1586 Main Street LLC** for an additional five years, with options
- **Realtor Association of Sarasota and Manatee Inc.** purchased 500-900 3rd Ave. West, a 1.18-acre tract within the City of Bradenton, from **B & G Uptown LLC** for \$770,000 on 1/25/18.