

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, 2022

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Forecast 2022

Forecasting the succeeding year is always the article I most enjoy writing. The longer I witness history in the making the more I appreciate the occurring changes whether dramatic or nuanced. Increasing population and an open business environment are the driving forces behind Florida's/Sarasota's commercial real estate. I always pause and remind readers that unforeseen national and international occurrences may dramatically impact our market, but absent a major economic downturn, natural or international disaster, the Sarasota commercial real estate market is poised to continue to thrive in 2022. The increased demand is squeezing supply and elevating pricing to the top of the graph. Apartments, condominiums, and single-family homes have been selling and renting at record prices over the past 4 years and the increasing population demands services that are housed in commercial buildings. Warehouse pricing has soared as businesses scramble to find a home from which to deliver services. Retail and office buildings for sale receive tremendous attention as users believe in Sarasota real estate and want to invest in their future rather than rent. The one area that remains soft is the office rental market, but even that is curving upwards as businesses

needing office space scramble and are absorbing the best deals. Tampa and other office markets are seeing \$40 per sq ft NNN office rents which supports the cost of new construction. Will Sarasota follow? It looks like we are heading in that direction, but I don't anticipate office rents that high in 2022.

Down the Pike

The long-awaited Residence Inn is under construction at Fruitville Road and East Avenue meeting market demand for moderately priced temporary lodging. On the former Main Plaza site, cranes are poised to install foundation pilings for two apartment buildings and ground level retail. These are both dramatic improvements for their respective neighborhoods melding Sarasota ever closer together as they link somewhat disconnected neighborhoods. Multiple condominium projects are well under construction west of Orange Avenue adding to the inventory of over 4,000 residential condominium units. The ALF project, aka 307 S Orange Avenue, is processing plans for 155 assisted living, independent living, and memory care units to be developed on the approximate 2-acre site on Orange Avenue from Laurel St. to Morrill St. This project will address the

market demand for service provided elderly care housing downtown. It will however be developed on the surface parking lot the Burns Square neighborhood has enjoyed for customer parking – expect some complaining when this parking lot is closed.



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Tangible Indicators of Market Confidence

In the past three months Harshman & Company has leased office space to two national investment grade residential real estate companies. One leased 2,500 square feet and the other 7,600 square feet in downtown locations with high visibility. This is significant news for Sarasota – why? Simply because these companies do not casually invest in markets. They do their research, forecast and plan. Their data sources are detailed and complete and the result of the research is that they see Sarasota as a growing market for residential sales and a market in which they want to invest. These companies are betting that the real estate market will remain strong!

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

**Harshman & Company, Inc.
Has Moved!**

Harshman & Company, Inc. has moved back to its roots to 1800 2nd Street Suite 957, aka The Spector Building. The red brick building was recently purchased by Tricera Capital who is investing in significant improvements to an extremely well designed and developed office building. The late Ron Spector told me years ago that he, and architect Don Lawson, designed a building with no functional obsolescence and the test of time has proved him right. Functionally and foundationally, the Spector Building is one of the best, but the real key to its success was Ron and his sons as property managers. Ron was known

as a “tenant’s” landlord and as he cared for his tenants, so his tenants cared for him. The new management team is working hard, but Ron set a high bar.

State of the Market

The state of the Sarasota commercial real estate market is strong! Anticipating INFLATION has poured gasoline on the already inflamed real estate market. Population growth and monied population transfer from the northeast and California is the primary driving force of Florida’s growth, and the reality of inflation only makes real estate a more attractive investment. As I have stated in previous Market Updates, usually

when addressing the ubiquitous question, “when will this market cycle end”; I remind readers that the differentiating factor in this market runup is stability. Stability translates to cash in the market and low leveraged or cash purchases. Clearly, at some point this commercial real estate market will slow as markets cycle, but don’t anticipate slowing to occur in 2022. When the market does slow, it is difficult to envision a market flooded with bank owned properties as we experienced in 2009 when the flippers and highly leveraged buyers got pinched. The difference today is that the buyers are cash buyers or low leverage purchasers, a position fortified to withstand downturns.

Harshman & Company Available Properties**5774 S. Tamiami Trail, Sarasota**

Excellent retail or office location, 1,168 square feet.

\$19.50 per square foot, NNN

**29 N. Pineapple Ave., Sarasota**

6,500 square feet of retail space, adjacent to Sarasota Opera House, includes a/c storage area and mezzanine.

\$24 per square foot, NNN

THINKING ABOUT SELLING YOUR COMMERCIAL PROPERTY?

The current commercial real estate market is as strong and stable as I have experienced in my 40-years as a commercial real estate broker. That translates to increased sales prices and shorter time on the market. If you are contemplating selling your commercial property, please call us for a valuation and assessment of your property.

Real Estate Investing

I firmly believe in investing in Sarasota commercial real estate. I also believe that investing should be based on a long-term strategy. Market research and history have taught me that there is a lot of real estate

other people should own. My basic strategy is – buy income and location. I'll go a step further by saying that well located properties with the clear potential for income production are usually very good investments. Personally, I do not invest in vacant land or residential single-family as the only upside for both is appreciation – and present times excluded

– appreciation does not always occur and the carry of no-income or low-income producing properties can be drowning weight. Following these basic strategies with discipline, has delivered success and kept me out of destructive investments. Always seek competent advice when investing.

Featured Properties



1809 Ringling Blvd., Sarasota

Rarely do I find small development sites in this highly charged development market. If you need an office site downtown with excellent visibility, check out this property. If you want a small development site for 14-residences thinking townhouses or condominiums this is the perfect site. Located in heart of downtown with all the amenities of downtown but not the noise, this is a great site that commands the Ringling Blvd and Osprey Ave intersection. Great price and great value! **For sale at \$1,750,000.**



4554 18th St E., Manasota Industrial Park

In a highly competitive industrial real estate market this is a hard-to-find vacant industrial lot with an approved site plan. The parcel is 4.87 acres, serviced by Manatee County water/sewer and has a recent clean Environmental Report. This property will not remain on the market long. **For sale at \$1,275,000 (\$6/square foot). SALE PENDING**



1561 Main St., Sarasota

Superior Main Street office or retail site in the heart of downtown's thriving business district. This property offers tremendous Main Street visibility and in 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, 1561 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! 3,660 square feet for lease at **\$40 per square foot, on a triple-net basis.**

Unanticipated Consequences

Life is full of unanticipated consequences – most often thought of as well-intended actions that birth unanticipated and often negative consequences. A few unintended consequences relative to commercial real estate come to mind. Sarasota County endeavored to address worker housing by permitting residential development up to 25-units per acre in some major employment future land use districts (with conditions). On the surface, this made a lot of sense as workers could live near offices or

light-manufacturing businesses thereby limiting travel time, etc. What was not anticipated was the tremendous market demand for residential multi-family which quickly absorbed much of the major employment designated parcels that were available for apartments and at prices far exceeding what the office/industrial would pay. The unintended consequence – a shortage of industrially zoned land. Another was the City's approval of a residential development on the former Bath & Racquet site. Again – the demand for residential land and high price developers will pay for residential sites vs. the value of the site as a tennis, racquet ball

and fitness club ruled the day. The site plan approval was not guaranteed but ultimately was granted. The unintended consequence in this case is that an extremely well-located tennis club is gone – where do the players go? Well, miles away – the convenience of a nearby club is gone and all the tennis, racquet ball and fitness members will now have to drive often to a distant location. The lesson here is: zoning changes must be carefully thought through as rezones with the best intentions may surface a negative impact on another market segment.

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Recent Notable Commercial Transactions

- **Medallion Holdings, LLC** sold a 7,700-square-foot office building on an 8,170 square-foot lot, at 107 S. Osprey Ave. to **PerPrice2, LLC** for \$2,100,000 on 12/31/21.
- **James O. Ferguson, Jr., Trustee** sold 2.35 acre lots at 100 & 180 Center Ct. in Venice to **180 Center Court LLC** for \$1,200,000 on 12/2/21.
- **William Raveis-Florida, LLC** leased the 2,500-square-foot retail storefront at 1516 Main Street from **1516 Main Street, LLC** commencing on 10/1/21.
- **Compass Florida, LLC** leased 7,600-square-feet of office space at 1567 & 1575 Main Street from **Monday Morning Corporation** with a targeted commencement of 6/1/22.
- **El Rancho Partners Ltd.** sold a 211,952-square-foot (4.8657 acres) industrial lot at 4554 18th St. E., in Manatee County, to **Sarasota Opera Association, Inc.** for \$625,000 on 6/25/21.
- **The Anthony J Lingrosso Sr Trust**, sold a 6,200-square-foot retail building on a 12,218 square-foot lot, at 7272 S. Tamiami Trail, to **The Constance Paoli Zacker Revocable Trust** for \$720,000 on 6/9/21.