

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

2nd Quarter, 2022

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State of the Market

The state of the Sarasota commercial real estate market is intense. All for sale well-located properties are receiving significant attention from qualified buyers. Still dominating the demand are multi-family residential sites. Leasing is a bit more measured, but even leasing is stronger than in the past several years, and lease rates across the board have generally increased. I try not to be too effusive about a market as every hot market eventually cools or collapses. This heated market is different from markets I have seen in the past – the purchases are in cash and the buyers are from all over the country and the world. Some buyers will put debt on the property post-closing, but I have not seen any accepted contracts contingent upon conventional financing.

Down the Pike

One of the latest residential projects to achieve City approvals is the Luxe on Tenth located on the former John Chamberlain properties at 10th Street and Coconut Avenue. Once completed, this will be the first true privately developed affordable housing projects in the City. Making this project possible was achieving City approval for a rezoning that permitted 157 units on the 2.94 acres. This rezone made the project feasible for “affordable housing” by increasing the density thereby reducing the contracted per unit

land purchase price to \$18,757 per unit. The developer had the vision and absorbed the rezoning expense/risk and was rewarded. Market rate per unit land cost is \$40,000-\$60,000 per unit and at under \$20,000 per unit land cost it is clear how this project is in a better economic position to address the rent standards for an “affordable housing project”. On the other end of the scale and joining the 149-unit 18-story Bayso at the former Quay site is another 18-story, 149-unit luxury condominium, One Park Sarasota, also at the Quay site. Numerous other new residential projects are moving forward throughout Sarasota County and to list each would fill this Market Update. This strong residential trend looks to continue as more projects are being planned and all vacant or under-utilized downtown sites are in the cross-hairs of residential developers. Demonstrating the power of the arts in Sarasota coupled with astute leadership at the executive director and governing board levels, Florida Studio Theatre is planning its 11-story Arts Plaza on its 1st and 2nd Street property. This is a tremendous addition to downtown as it further enhances a thriving arts contributor and adds key artist residences.

The Best Time to be a Seller in Years

As mentioned in the State of the Market article, the Sarasota commercial real estate market is sizzling! Not quite reaching the frenzy of the residential market, but it is not unusual to see multiple buyers bidding on the

same property.

The competition for quality commercial properties is intense and pushing prices to new record highs. 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. The market is seeing increased sales prices (maybe even too high) and shorter market time. If you are contemplating selling your commercial property, please call us for a valuation and assessment of your property.



John B. Harshman, Broker
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Record Multi-Family Land Sales

A noted successful and locally experienced developer has assembled all the single-story storefront properties on Palm Avenue across from the Palm Avenue garage and fronting Bay Plaza Condominium. The site is approximately 12,377+ sq ft site and under the DTB code is entitled for 14 residential units and 18-stories. At \$270,000 land cost per residential unit, this sale is a new record for an off-water downtown residential site sale. The site selling point – Palm Avenue and the surrounding neighborhood. This is a clear demonstration of the impact that a quality neighborhood has on real estate values and demand for the real estate.

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The Impact of the Crossings Sale

Known historically as the Southgate Mall, The Crossings recently sold to Benderson Development. At Harshman & Company we believe this is wonderful news for the neighborhood and the City in general. I anticipate a strong turn-around for this former tremendously successful mall and, like a rising tide raises all boats, Benderson's action will uplift the neighborhood. Originally developed out of orange groves in 1961, Southgate Mall was a strip retail center with Kress Co, Woolworths and the Brown Derby Restaurant as an out parcel at the corner of Siesta Drive and US 41, with Publix located in the southwest corner next to Johnny's Car Wash. The famed real estate investor Sam Zell owned the mall for a time along with City Center and Ellis Building as components

of his acquisitions from the government receiver, the Resolution Trust Corporation, in the early 1990's. Westfield owned the mall after Zell as the mall continued its transformation from a tired strip center into its current "indoor mall" configuration and attracted many quality retail tenants - Sax Fifth Avenue, Williams-Sonoma, Pottery Barn, Victoria's Secret and many other AAA retail tenants. With the support of the area's strong economic demographics, the mall flourished until several of the big-name retailers relocated to UTC (a Benderson Development) and the mall started to lose the quality smaller retailers who depended on the draw of the larger retail tenants. The next transition was to its current "life-style" mall configuration as more tenants left "The Crossings" for UTC. The restaurants, CinéBistro, LA Fitness and Lucky's Market

had some success, but Covid and other factors doomed The Crossings. I always questioned the transition from a proven successful retail mall to a lifestyle center – the surrounding demographics only got better over time and the travel time to "Southgate" from Longboat Key, Lido Key and Siesta Key is much shorter and more pleasant than the hike to UTC. With the recent changes in the City Code and the movement away from brick-and-mortar retail, one could anticipate that the new owners will partially redevelop the site to include some multi-family or hotel coupled with a mix of quality retail and lifestyle uses. Benderson has a proven track record, is locally based, and tests the pulse of the local market as well as any development group – the future is bright for the mall. The burning question: will Benderson retro to the historic Southgate Mall name or create a new name and brand?

Harshman & Company Available Properties



1776 Ringling Blvd., Sarasota
4,106 square foot office building on 10,529 square foot lot, zoned DTC.
\$1,750,000. SALE PENDING



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



4625 S. Tamiami Tr., Sarasota
1,444 square feet of retail space, zoned CG.
\$26 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.

Perimeter Properties at Play

In all active commercial real estate markets, the geographic perimeters of market areas are flexed. In some markets increasing the building heights helps address increased demand, but most markets expand geographic boundaries horizontally. Before the mid-1990's, the downtown market was generally defined

as properties with water views and the 1400 block of Main Street. State Street properties garnered little interest and the 1500 block was a no man's land as some negative users helped keep quality businesses away. The strong economy of the 1990's pressured the markets and new businesses expanded perceived boundaries to include State St., all of Main St., Pineapple Ave. and Palm Ave. The current expanding real estate market is

seeing buyers reach into markets otherwise ignored, saving a few savvy investors. The market east of N. Washington Blvd. is very active now and the face of this area will soon change. Blink and some long-time vacant and unimproved properties will change hands and hopefully be redeveloped to positively contributing properties that will enliven an area that only survived on anticipation.

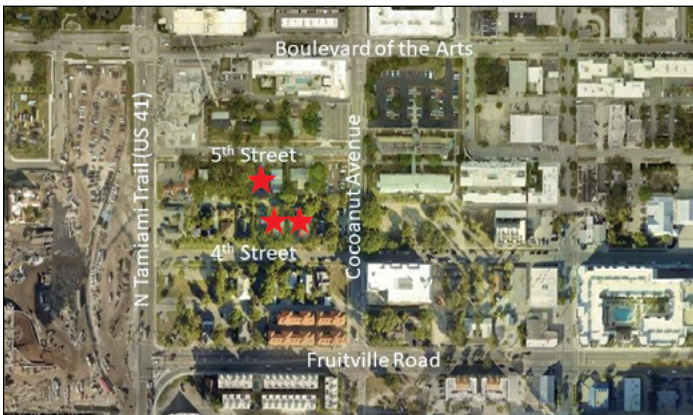
Featured Properties



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. SALE PENDING



1256 5th St., 1259 and 1271 4th St., Sarasota

Three parcels with residential structures. The two parcels on 4th Street are adjacent and the 5th Street parcel is non-contiguous. The structures are old and the seller makes no warranty of condition. All three parcels are currently zoned Downtown Edge (DTE), but are eligible for rezoning to Downtown Core (DTC) within City of Sarasota. Post-closing, and for an immediate term of 3-years, the owner will retain possession of the properties as a "Sale Lease Back" for the sole purpose of providing housing for its artists. This neighborhood is poised for massive redevelopment with the Blvd Condominiums and Sarasota Modern Hotel, both on Blvd of the Arts.

For sale at \$3,990,000 (\$190/square foot).



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 is 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.**

Office Market Looking Up

Arguably the slowest real estate market to rebound has been the downtown office market. Hit hard by the recession in 2007, the office market never fully recovered and only recently has the availability rate dropped below 20% to its present 17%. Many factors impacted the office market, but two key factors are banking changing how it does business requiring less office space and the realization that many employees are

just as productive working remotely. As our population grows the office market demand will continue, but just not as intensely as other commercial real estate markets.

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 buildings recently purchased by Miami investor Tricera

Capital. 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 he cared for his tenants, so his tenants cared for him. The new management team is working hard to continue the quality of management.

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Recent Notable Commercial Transactions

- **Danny L. Wendell, Trustee** sold the 4,840-square-foot industrial building at 530 Mango Avenue, to **1710 8th Street, LLC** for \$720,000 on 7/1/22.
- **Heart Specialists of Sarasota, P.L.** leased the 3,000-square-foot office suite at 1435 S. Osprey Avenue, Suite 100 from **Martin Management LLC**.
- **Sarasota Opera Association Inc.** sold the 4.86 acre vacant industrial lot at 4554 19th St. E., in Manatee County, to **Bradenton Industrial LLC** for \$1,275,000 on 3/31/22
- **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. Fergeson, 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.
- **Compass Florida, LLC** leased 7,600-square-feet of office space at 1567 & 1575 Main Street from **Monday Morning Corporation**.