

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

3rd Quarter, 2022

Licensed Real Estate Broker | 1800 2nd Street, Suite 957, Sarasota, FL 34236 | (941) 951-2002 | www.harshmanrealestate.com

State of the Market

Even with the headwinds of crushing inflation and steadily rising interest rates the Sarasota commercial real estate market remains strong. Downtown properties continue to receive attention as buyers flock to Sarasota from all over the USA and Europe. The velocity of sales surprises even the most seasoned real estate professionals and our market consistently eclipses historic sales prices with record sale after record sale. In September, a vacant 8,179 SF vacant DTC zoned lot between Main St and Ringling Blvd on Osprey Ave sold for \$230 per SF to the adjacent property owner. The Rosemary District is also receiving frenzied attention as demonstrated by the sale of the 10,500 SF vacant lot at Central Ave and 4th St purchased for \$2,000,000 or \$190 per SF, a record for DTE zoned Rosemary District land. Many of the sales prices are driven by money looking for a place to reside rather than a clear analysis of the development potential. While development sites garner significant attention, it is income producing properties that are most in demand. We are seeing sales of cash flow properties in the low 4% cap rate provided there is a realistic upside.

User buyers are paying over \$450 per SF for well-located office and retail properties and then investing in renovations. It seems everyone wants to own a piece of Sarasota. Will time validate these purchases as smart investments or will we view this exuberance as a portent of a market downturn.

Still lagging the pace of property sales, leasing activity has also picked up in most sectors. Industrial/warehouse rental rates have increased to \$12-\$15 per SF and finding available warehouses is difficult. Class A office space availability rate remains in unimpressive double digits however most of the choice spaces are leased and full-service rental rates have steadily inched upward and now consistently exceed \$30 per Sq Ft. Harshman & Co. believes that the increase in the leasing market is the most positive single indicator of a healthy state of the market.

Down the Pike

To be succinct - more Development is on the horizon. Numerous properties in all areas of Sarasota have changed hands in the past year and as development encourages and supports more development, we anticipate some of the formerly questionable locations

that now are serendipitously near new developments to receive greater attention. One of the most consequential development incentives is the recent City

Commission approval of the Future Land Use change to Urban Mixed Use for properties fronting major roads and the potential to increase downtown densities to 4-times the current residential density. This Future Land Use change and accompanying Zoning Text Amendments will clearly incentivize development and usher increased land values. Some of the struggling shopping centers will be redeveloped under the new Mixed-Use land use once the zoning classification is fully amended over the next 6-months. Paxton Kinol as Park District Manager, LLC purchased much of the vacant land east of US 301 between Fruitville and Main with conceptual plans for more residential development. Stay tuned as final development plans are awaiting the new Text Amendments.



John B. Harshman, Broker
jbh@harshmanrealestate.com

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Good Works Recognized!

Finally, a serious answer to some of the affordable housing needs in the City. Lofts on Lemon, the 128-unit affordable housing project developed by the Sarasota Housing Authority, has opened its doors in the Rosemary District and is delivering “affordable” units to the marketplace with 52 of the 128-units specifically reserved for teachers, firefighters, law enforcement and nurses. This project is a prime template for future “affordable” residential projects. The fuel that drove this project is the availability of subsidies. The projected \$1100 per unit monthly rent per would not come close to cash flowing a project that had to purchase the land on the open market and utilize conventional financing. The project just would not happen. Step in the subsidies – firstly the Housing Authority owned the land which I value on the open market at \$8,000,000-\$12,000,000. Helping to ignite the economic engines, several local non-profits stepped up with critical financing assistance to lift this project off the ground. Lofts on

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.

Lemon is a clear testament that the only method for delivering affordable housing in a meaningful way is with significant subsidies – inclusionary zoning is a tool but will not deliver the number of units to help address the issue. Excellent job to all those involved in bringing this project to fruition.

The Best Time to Be a Seller in Years

Florida continues to be the shining star featuring a strong economy. Why is this – leadership at the state level has helped tremendously. Florida handled COVID-19 better than most states and kept our economy moving. Crime prevention is also a strong focus of Florida leaders which encourages more people to come to the Sunshine State. A quote from a New York client, “New Yorkers used to come to Florida for the low taxes and sunshine, now they come for low taxes, sunshine and escaping crime infested cities.” The influx of newcomers has increased demand on our real estate and makes this the best time to be a seller in my career.

Bury the Lines

Firstly, a big thank you to all the linemen who came from afar to help southwest Florida restore power after Hurricane Ian – THANK YOU. Harshman & Company has been a strong advocate for any effort to bury FPL power lines. Hurricane Ian put an exclamation point to the statement. How much money was lost due to power outages - businesses closed, schools closed, and residents left in the lurch with no lights, refrigeration, or hot water? Suffering with no electricity, residents reached to gas-powered generators emitting grinding noise through the neighborhoods and noxious fumes. News reports reveal that areas with buried lines fared 5-times better than areas with overhead lines. It seems like good business practice to bury the lines.

Signs of Changes

The Michael Saunders' Family recently sold two downtown properties 2051 Main St - \$1,900,000 and 307 S Orange Ave - \$9,775,000, its former headquarters at 1801 Main St is under contract and the company is vacating the long-time leased building at 100 S Washington Blvd (US 301). The owner of a premiere nationally recognized real estate company, Michael Saunders as a seller recognizes the opportunity this strong market offers and appears to be streamlining her office use and consolidating in the Ellis Building.

Featured Properties



534 S Pineapple Ave., Sarasota

Located in the tony Burns Square neighborhood, this leased investment has tremendous potential. The building is fully leased with eight tenants including the owner's business who will stay or vacate depending on the buyer's needs. All tenants enjoy below market rental rates and most have been in place for several years. The 90 feet of frontage on Pineapple Avenue and private parking gives this DTC zoned property frontage, parking and excellent geometry for any future development. This property will not last long on the market. **For sale at \$3,800,000.**



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 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.**



6561 Palmer Park Circle, Unit A, Sarasota

A must-see gem of an office suite located just off Clark Road in the thriving Palmer Ranch. The 3,500-square-foot of office space is beautifully appointed with 9+ foot ceiling, crown molding, large offices, open area and conference room. Include ample parking and you have a fantastic value at **\$22 per square foot, Mod. Gross**



4625 S. Tamiami Tr., Sarasota

This undivided unit is a portion of a 7,600-square-foot retail building fronting S. Tamiami Trail just north of Proctor Road. At 1,444-square-feet, this is a prime location for your financial, professional office or retail business. Plenty of parking for the "right" tenant. **\$24 per square foot, NNN**

Affordable Housing

One unwelcomed indicator of the health of a real estate market is the lack of supply of “affordable housing”. Why? Competition for properties in a market drives prices to points that eclipse what is deemed as “affordable”. Sarasota and other highly desirable areas are challenged to address housing for service providers, i.e., teachers, medical personnel, EMT’s, police officers and hospitality support.

Sarasota’s affordable housing problem is basic economics – not simple but basic. The market rent or condo sales prices are higher and often much higher than what is deemed “affordable” to some necessary service providers. The raging question is how do we provide housing that services all strata of the economic ladder? Affordable housing is a growing conundrum that requires a variety of actions to help lessen the impact. Groups like Habitat for Humanity are part of the solution as

is “government housing.” Additionally, inclusionary zoning can help but this only provides a few units at a time. Bottom line is that if the County really wants to provide the amount of “affordable” housing needed then they must heavily subsidize the development. Government purchasing land and partnering with a developer to build a product that is affordable to the end user as with Lofts on Lemon is a proven workable solution.



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Recent Notable Commercial Transactions

- **RL 107, LLC and Medallion Holdings, L.L.C.** sold the 12,610-square-foot +/- vacant lot at 1809 Ringling Blvd. to **Ringling Development, LLC** for \$1,700,000 on 10/18/22.
- **The Marilyn K. Paderewski Revocable Trust** sold the 8,170-square-foot vacant lot located at 101 S. Osprey Avenue to **Perprice 2, LLC** for \$1,500,000 on 9/30/22.
- **Golden Coast of Sarasota, LLC** leased the 6,653-square-foot office suite at 29 N. Pineapple Avenue, to **West Florida Distributors Inc. dba Design Works** on 9/12/22.
- **BHMC Law Group, P.L.** sold the 4,100-square-foot +/- office building at 1776 Ringling Blvd. to **PFI 721 Development LLC** for \$1,750,000 on 8/1/22.
- **Northeast and Audubon, LLC** sold 7 lots totaling 73,305 square feet at 1st Street, N. East Avenue and Audubon Place to **Park District Manager, LLC** for \$6,597,450 on 7/15/22.
- **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.