

Herald-Tribune

BUSINESS

Five questions with industrial broker on state of Sarasota-Manatee real estate



Derek Gilliam

Sarasota Herald-Tribune

Published 10:17 a.m. ET July 19, 2022

Julia Silva, a managing director with national real estate firm JLL, has been an industrial broker in the region for the past 27 years and was recently tapped to represent a project being built in Manatee County.

The Manatee County Logistics Center will be 563,000 square feet of much needed Class A industrial space at the intersection of 44th Ave. East and U.S. 301. The project is expected to be completed in the third quarter of 2023. Once complete, it could accommodate tenants seeking as small a space as 23,000 square feet, or as large as 188,000 square feet of contiguous space.

The project includes three buildings, with each building having about 188,000 square feet of warehouse space for lease. JLL has also partnered with Sarasota's Ian Black Real Estate to market the space.

Industrial space in the fast-growing Sarasota-Manatee metro area has been tough to find with a vacancy rate hovering near the lowest in the country at 1.9%, according to JLL statistics on the submarket.

Silva recently discussed the market and the project being developed by the Barron Colliers Companies with the Herald-Tribune.

What's happening in the industrial sector in Sarasota?

There's a lot going on. I'll start at the 30,000-foot view. What's happening in the region is there is a scarcity of land in the surrounding submarkets. Historical vacancy rates are leaving the tenants that need space desiring other opportunities. There's just nowhere for them to go. We are not making more land in Tampa or Pinellas counties. So, there's emerging markets in Bradenton. This area is seeing a lot of investor interest and tenant demand. This is leading to a vacancy rate in Manatee-Sarasota to boast some of the lowest vacancy rates in the country. We are tracking it at 1.9%. There are tenants in our markets that have not been able to expand and grow because there is not the available space.

How does your project address that shortage you just described?

It can accommodate smaller users as well as 170,000-square-foot users. We are seeing a little bit of both on the activity side. Some users will take smaller spaces like a cabinet company or a tile company. There has also been a flight to quality. If you look at the market, the product that's in the market in Manatee-Sarasota, is older. That product becomes functionally obsolete for the user. There are just different efficiencies in newer product. Better clear height. Better racking opportunities. More docking doors. If a user is in a functionally obsolete building, they can actually pay the same rental rate or slightly higher, to be in a Class A, state of the art facility that gives them better efficiency.

What impact has low vacancy rates had on rents for industrial space end users?

In my 27-year career history I have never seen rental rates increase at such a fast pace. But that is also in line with what we are seeing with the economy with interest rates and inflation rates climbing.

How did vacancy rates get so low in Sarasota-Manatee?

Let's go wide, back up to 30,000 feet. Pre-COVID levels, industrial experts estimated that 10 to 12% of all retail sales were attributed to e-commerce activity. We expected there would be a 10-year trajectory where we would probably hit 30% of all retail sales being e-commerce. But what happened with COVID, we condensed that trajectory into a six-month period. The consumer behavior changed at a very rapid pace. Some consumers that would never order online were forced to order online. Retailers decided “just in time delivery” was not going to work for them anymore. They are putting more inventory in warehouses. Name the retailer and they are out there looking for huge positions in the marketplace to do statewide and regional distribution to reach households quicker.

While you have not yet broken ground on your project, how has the interest been from people looking for industrial space?

We are fielding several LOIs (letters of intent) from significant users. Name brands you would know. And again, we just announced this. The interest level is so high. It's a great location.