



As commercial development booms in St. Johns County, balance in offerings becomes important

By Stuart Korfhage
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For those who follow business news, it's well known that some of this country's venerable retail outlets are fighting for life — like Sears — while others have already slipped away — Toys “R” Us, for instance.

But despite those troubles and the increased pressure from online retailers like Amazon, commercial development, which includes but is not limited to retail, is thriving in St. Johns County.

According to the county building department report, the market valuation of commercial building in the last quarter of 2018 was \$55.5 million, which was more than twice the amount in the fourth quarter of 2017.

A report by industry leaders in November pegged this county as the hottest destination for retail growth in Northeast Florida, which coincides with its residential surge. The population was about 125,000 in 2000 and is almost twice that today, according to the U.S. Census.

With the rapid growth, this area doesn't have a lot of tired old shopping centers relying on fading anchor tenants to bolster traffic.

“St. Augustine and St. Johns County have below state average vacancy rates and above state average rental rates,” said Jason Ryals, of the Colliers International Northeast Florida retail team.

“That is because it's a high-growth market. You don't have 40 and 50 years of second-, third- and fourth-generation retail that's turning over.”

Even in a place that does have a thriving economy, out-of-date commercial centers can struggle. The perfect example is the St. Augustine Mall, which started losing its interior tenants about a decade ago once the movie theater closed — due to the fact that the Epic Theatres opened off State Road 207. Now just the end anchor stores remain.

Another advantage to this county is that commercial developers are discovering the importance of balance between big national stores and restaurants and local or niche businesses.

A December article for National Real Estate Investor said that as customers are losing interest in some national stores, local/regional retailers are taking advantage of the opportunity.

“Traditional big-box stores and malls are not what the consumers demand anymore,” the article says. “Customers want local tenants that understand them and offer experiential, social and engaging experiences.

“Mom-and-pop retailers who provide an experience that cannot be shipped to a consumer in a cardboard box in two days are in heavy demand.”

Because of that trend, St. Johns County, with its many unique offerings, already has something of an advantage.

“St. Augustine has a wonderful local vibe, which is what creates such a cool touristy city,” Ryals said.

Eric Yi, senior associate and retail specialist at NAI Hallmark commercial real estate company, compared parts of St. Johns County to the Riverside area in Jacksonville. He said that area is doing well with a mix of local flavor and trusted brands.

“We still have some mom and pops that have that local boutique feel that consumers still prefer over the bland, traditional, cookie cutter-stuff,” Yi said.

Added Austin Kay, VP and retail specialist at NAI Hallmark: “There’s a good mix in St. Augustine, and a lot of it has to do with tourism.”

J. R. Pitcairn of Gateway Capital Development, Inc. just opened a new commercial development near Palencia that’s anchored by a large Circle K gas station but also has a collection of smaller businesses with local appeal. It’s not in a tourist area, so it is aimed more toward residents.

“The mix of tenants in the submarkets serve the communities very well with a mix of grocery-anchored retail centers and strip centers filled with local restaurants and retail services,” he said in an email to The Record. “These types of centers offer ease of access, plenty of parking and local flavor. They become part of the fabric of the community, and there is demand for additional development in many areas.”

Closer to the concept mentioned in the National Real Estate Investor article, Yi pointed to Riverside Center in St. Augustine at the intersection of U.S. 1 and State Road 207 as a concept that's a little different from the norm.

Rather than a Publix or Winn Dixie as the main draw, local store Diane's Natural Market is the centerpiece.

"I think that's a good example of making that mix and doing it successfully," Yi said. "That looks like a local brand that's pretty much anchoring that center. I think it works perfectly for that market down there."

But no matter how well the local businesses do in the county, all of the commercial real estate leaders agreed that there are going to be more and more national brands positioning themselves here. There's just too much growth and too much wealth as St. Johns County enjoys the state's highest median household income.

"You're still going to see national retailers in those high demographic areas," Kay said.

In fact, residents in some areas of the county are still looking for national retailers and other businesses to find them. At the start of the 2000s, the county didn't have so much as a Target, Home Depot, Lowe's or even a modern movie theater.

All that has finally been alleviated, and now the northern part of the county is going to be served by the major retail project called Durbin Park.

"This has a very good chance to match the success of St. Johns Town Center in Jacksonville," Pitcairn said. "As the population in the county has grown to 243,000 residents with plenty of disposable income, the missing link has been a regional shopping in the county."