

St. Johns County is Northeast Florida's hottest retail market

By Stuart Korfhage
November 26, 2018

Unless there's some kind of catastrophic economic downturn, St. Johns County is going to have more new venues for holiday shopping in 2019 than any other market in Northeast Florida.

That's the conclusion from Colliers International Northeast Florida, a real estate services and investment management company that recently released its semiannual report for retail development.

According to the report, there are only 600,000 square feet of retail under construction in the Jacksonville metro area. More than 60 percent of that construction is in St. Johns County.

Some of that comes from Durbin Park, a massive mixed-use development that is just starting to open its first phase. That's planned to have 600,000 square feet at full build-out of the phase. Much of the work is already complete with Walmart open there now and Home Depot soon to follow.

Obviously, there are plenty of smaller projects going up around the county. And they're going to keep coming as long as the housing boom continues, said Jason Ryals, executive vice president with Colliers.

"As Nocatee, Durbin and Julington Creek and all of that north St. Johns, (County Road) 210, Cimarrone area continues to add thousands of homes each year, they need more places to shop and movie theaters and things like that," Ryals said. "It's entirely based on home growth.

"The two areas you see that have opportunities for growth in the (Jacksonville) MSA are Nassau County ... then obviously the poster child for residential growth in the state is St. Johns County."

In the October permit activity report from the St. Johns County Building Services Division, there were a near-record 493 residential permits issued, bringing the calendar year total to almost 4,000 homes.

Commercial activity, which includes more than just retail, has also been vibrant and amazingly consistent. In the 2018 fiscal year, which ended in September, there were 1,080 commercial permits,

which is nearly the same number as 2017. However, the value of those permits was much higher in 2018: \$312 million compared to \$269 million.

And while there is a fair amount commercial construction here, Ryals pointed out that developers are not overbuilding as they have in the past. St. Johns County has one of the best occupancy rates in the area at 96.8 percent and the second-highest rental rates behind only the beaches in Jacksonville.

“Jacksonville, the market, is 4 percent vacancy, which was some of the lowest in the state we could find,” Ryals said. “So St. Johns is even outpacing (that). It’s a very good sector of a very good MSA, way ahead of the bell curve.

“There’s not a whole lot of supply because all the (residential) growth is relatively new, and in the last 20 years, there’s only been one or two economic cycles of growth. And so the retail is not there in big abundance.”

Considering how good the economy is going and how many new residents have moved to the area, Ryals said the retail developers have showed quite a bit of restraint.

“In the last cycle, there were a lot of the big boxes that were expanding,” Ryals said. “You had 100,000-square-foot boxes going up by the dozens. We got a little overbuilt. I think this cycle we’ve been smarter.”

Walmart’s expansion in the county is a good example. The retail superpower just added its second store in the county this year despite the fact that the county has added more than 100,000 new residents since 2000. Tourism has also greatly expanded in the area.

The Collier report noted the more cautious approach, saying: “The slower pace of construction undoubtedly reflects slower demand growth for brick and mortar stores as a result of e-commerce. But we are pleased that the market has reacted smartly, choosing to operate at high occupancy levels that can support rent growth instead of pushing the envelope with speculative development.”

While much of the retail growth is rightly pointed at north St. Johns County, Ryals said there are other limited opportunities much closer to St. Augustine or even in the city itself. One of the most sought-after retail/restaurant hot spots is still the U.S. 1-State Road 312 intersection and the surrounding area.

“St. Augustine’s downtown, one dynamic it has that Jacksonville doesn’t have — Jacksonville beaches have it some — tourism is great for retail,” Ryals said. “The nice thing about tourists is they come and go, and the restaurants get new clientele repeatedly.”