THE ST. AUGUSTINE RECORD

In October, St. Johns County had one of its highest residential permitting months since recession

By Colleen Jones
November 13, 2018

Since the middle of the year in St. Johns County, residential impact fees have increased, labor and material costs are up, land prices are up, and interest rates are rising. Yet building is still robust.

Despite the local and national factors pushing home prices higher, residential building is still at a nearly unprecedented rate here.

The raw numbers tell quite a story.

Coming off a wildly productive Fiscal Year 2018 (which ended in September) that saw more than 4,500 home permits issued in the county, the new fiscal year got off to a screaming start in October with 493 permits issued for single-family homes.

That nearly matches the county record of 522 set in April 2018. Since October 2017 saw 432 residential building permits, there have been four more monthly totals of at least 432 new home permits in the county.

Prior to October 2017, there had not been a monthly total higher than 388 since before the recession.

But the almost perfect conditions that existed last year — low unemployment, low interest rates, pent-up demand — are subsiding somewhat.

That doesn't mean there's another housing bubble on the way, experts say. St. Johns County's real estate market is still in fine shape. In fact, it's not been affected as much as other places, and the numbers show that.

Jason Sessions, the general manager at one of the county's biggest developments that still has a lot of room left, RiverTown, is also the vice president of land acquisition and development for Mattamy Homes. He said RiverTown remains one of the company's top-performing developments.

“Overall, northwest St. Johns County is still the place to be, and we’re still seeing a great velocity in sales and having really great success,” Sessions said. “We’re really excited about where things are headed.”

It’s stayed hot despite the fact that residential impact fees have increased substantially in this county. The fees on new homes larger than 1,200 square feet have increased from 8.6 percent to 39 percent, depending on the size of the home, since July 2. (The impact fee for homes 1,801 to 2,500 square feet actually went down 5.3 percent to $13,215.)

Mattamy hasn’t been immune to the problems affecting all builders now. Prices are inching up due to a variety of factors.

“Everything from site development cost, to expectations of homeowners in respect to amenities, to direct costs of homebuilding, to impact fees, to interest rates, the culmination of all of it is certainly starting to affect affordability,” Sessions said.

One of the most obvious factors is mortgage rates. They have gone up about a full percentage point in the last 12 months to around 4.75 percent for a 30-year fixed loan.

That’s still a manageable rate, but a buyer with a $2,500 monthly housing budget lost nearly $30,000 in purchasing power this year, according to a real estate brokerage Redfin.

“Certainly the last 60 days, sales have slowed for most of the homebuildinders,” Sessions said. “I think that’s just the combination of the rising interest rates and escalation in costs of the homes.
“We have definitely seen a little bit of a drop-off, but we certainly don’t think that there’s a steep hill coming.”

That’s exactly what other experts are saying.

National Association of Realtors Chief Economist Lawrence Yun said earlier this month that he doesn’t see volatility in the overall market.

“The forecast for home sales will be very boring — meaning stable,” Yun said, according to a release from Florida Realtors.

Because the economy is good and inventory is still relatively low in many markets (less than four months supply in this area, according the Northeast Florida Association of Realtors), Yun said there’s reason to believe buying will remain strong.

“This type of activity in the economy should support the housing market, even as interest rates rise,” Yun said.