



## Commercial growth strong for St. Johns County in 2018; outlook good for 2019

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By pretty much any measure, 2018 was a good year for commercial growth in St. Johns County. There's reason to think 2019 will be the same.

A still-rising powerhouse for residential growth in recent years, retail, office and other business development has continued to thrive, relative to the size of the county.

Christian Oldenburg, managing director of real estate firm Colliers International Northeast Florida, said this county is well-positioned for commercial success in the coming year and beyond.

Like most experts, Oldenburg first pointed to St. Johns County's draw as an excellent place to raise a family because of the top-rated school system.

The county has been adding new homes at a pace of 3,000 to 4,000 per year recently, and that has made this a desirable place for retail growth. A third quarter report from Colliers said about 60 percent of the new retail construction in the region is happening in St. Johns County, thanks in large part to the opening of Durbin Park in the north.

"That has to do with the single-family growth that has taken place in St. Johns County," Oldenburg said in an interview with The Record. "When we look at St. Johns County versus everything else, the key differentiator for you guys is obviously the school district.

"And despite all the growth that has taken place down there in the last 15 years, there really hasn't been retail to support those residents."

That's quickly changing as many smaller retail developments are opening — mostly in the central and northern areas — to complement the massive Durbin Park project that's just in Phase I now.

While retail is an important part of the economy and also vital to support so many new neighborhoods, a real effort is being made at the county level to draw more diverse business interests to the county.

One gauge of that success is office space availability.

According to the Colliers third quarter report, St. Johns County has a vacancy rate of just 6 percent, which is 2 percentage points lower than the Northeast Florida average. The rental rate here is slightly higher than the regional average (\$19.63) at \$19.93 per square foot.

Oldenburg said the county has done well in recent years, especially in Nocatee. In 2015, International Management Company broke ground on a 62,751-square-foot, Class A office building near Advanced Disposal. And VanTrust Real Estate broke ground on a 125,000-square-foot office building called Park Place One near the Nocatee Town Center this year.

For a county with just more than 3 million total square feet of office space, those are major projects, Oldenburg said.

“In the shadow of Jacksonville, what’s going on in St. Johns County, with the exception of retail, oftentimes doesn’t seem all that spectacular,” he said. “But if you look at what’s going on down there as a percentage of the existing inventory, things are far more active down there than they are in Duval County.

“It’s a pretty decent construction pipeline down there.”

Despite its small amount of existing office space, Oldenburg said St. Johns County could still be a candidate for companies considering relocation.

“If you’re looking at a local-type company, St. Johns County can be very attractive because, let’s face it, everybody wants to live in St. Johns County right now,” he said.

Getting any company to open a large campus in a given community is a difficult, competitive effort. But this county does have some advantages in the fact that there is still room left for development.

“If you’re looking at significant corporate relocations, in many cases those types of tenants are going to be looking to build a new campus,” Oldenburg said. “Many times, that amount of square footage all in one place isn’t available in one place in Duval County.

“In that sense, St. Johns County has some appeal in that there’s land available.”

Commercial development has been pretty steady in recent years. The county building department reported an almost identical number of commercial building permits in the last two fiscal years — although the valuation of those projects increased by more than \$40 million from FY 2017 to FY 2018.

One of the few things holding this county back is the lack of affordable housing.

J.R. Pitcairn of Gateway Capital Development Inc. made a note of that when discussing the opening of his company's recent commercial development near Palencia.

"One area of concern that has become apparent is the lack of workforce housing," Pitcairn said in an email to The Record. "Not everyone can afford a \$300,000 home. This issue must be addressed to attract major employers and for larger commercial development to continue."

Part of that lack of affordable housing is due to the fact that very little is happening in the apartment construction sector here. There are some complexes being marketed as "luxury apartments" coming online in the city of St. Augustine. But there's been little activity otherwise.

Apartment developers often cite the county's high impact fees as the major impediment.

"The impact fees in St. Johns County are extraordinary," Oldenburg said. "If you have lower-to-middle-income employees that work for you, it's important that they have somewhere that they can call home relatively close to their office."

"If multi-family is not available in St. Johns County, then that kind of limits the options for that group of people."