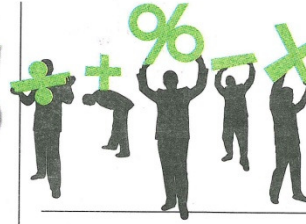




# Business JACKSONVILLE Journal



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## Recovery is near, but it will be slow with more pain

BY CHRISTIAN CONTE  
STAFF WRITER

JACKSONVILLE — The commercial real estate market may be in for a long and bumpy recovery in Jacksonville, according to brokers and developers in the market, but it may not be as long or as bumpy as other parts of the state.

By the third quarter of 2009, some analysts were already starting to predict that the recession was officially over, but Jim Thompson, managing director of Regency Centers Corp. (NYSE: REG), a Jacksonville-based national owner, operator and developer of grocer-anchored shopping centers, said that's not necessarily true for the commercial market, on the national scale or locally.

"I think people are under the misconception that, just because analysts say we're coming out of the recession, that means things will get better immediately," Thompson said. "I think the commercial market is going to see some more pain before you see gains."

After coming off an 18-year growth streak, Thompson said the lack of access to capital has stifled the retail development market to the point that even those retailers who would like to take advantage of the market to move ahead are not able to do so.

Monte Merritt, president of Jacksonville-based Merritt & Co. Real Estate Advisors, said Jacksonville's subleased space is getting eaten up by industries able to expand during the downturn — mortgage refinancing companies and law firms that handle foreclosures and bankruptcies —

but not without a lot of free rent and other concessions.

There is still some construction under way in Jacksonville. Work started in June on a 17,000-square-foot retail center called The Urbana on North Third Street in Jacksonville Beach. That \$6 million project, expected to be completed in late 2009, is a scaled-down version of the original 45,000-square-foot project that had a price tag of more than \$11 million that lenders would not fund.

The development partners decided to move forward with the project now, in part, because they didn't want to keep paying interest on the \$3 million loan for the purchase of the property, which they bought at the height of the market in 2006. The interest varies from \$12,000 to \$22,000 each month depending on the variable rate.

The good news for Jacksonville, said Bob Warren, president of the Jacksonville commercial real estate company Warren & Co., is that because Northeast Florida doesn't typically see the economic highs or lows of other Florida markets, the area will likely recover from this low more quickly than the other major markets in the state.

And there are a few bright spots in the market, including owner-occupied medical offices and medical development projects.

Warren is marketing space for a 75,000-square-foot, mixed-use medical office, professional office and retail village called Doctor's Village now under construction in Julington Creek in northwest St. Johns County.

The project is being developed by Jacksonville-based AccuBuild Development

Corp. and the company's president, Mark Rubin, hopes it will be just the first of three in the area. Two more are planned for the Riverside area World Golf Village.

Another bright spot, military construction, is keeping local contractors busy. The Haskell Co., a design/build firm based in Jacksonville that does work all over the nation and internationally, was recently awarded \$100 million worth of government projects, and Stellar, another design/build firm based in Jacksonville, expects to bring in \$80 million to \$100 million worth of military projects during its fiscal 2010.

Jacksonville's strong military presence as well as a large medical market and the construction of one Asian shipping line terminal and plans for a second, are expected to help bolster the local job mar-

ket in the short term. And as the city's economy starts to recover over the next three to five years, Warren expects more businesses and new residents to migrate to the area from other states harder hit by the economy.

But in the meantime, progress in Jacksonville, as in many other markets, will be tempered with fewer development projects that will occur at a slower pace.

"As in many communities across the U.S. and the country as a whole, the entrepreneurial spirit is very strong in Jacksonville and this will ensure that we not only get through this challenging time, but also benefit from the lessons it forced us to learn," Warren said.

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### PUTTING UP A FRONT

The storefronts at The Markets at Town Center are filled with finely dressed mannequins, sale signs and shoppers, but looks can be deceiving. A portion of the vacant space at the 270,000-square-foot retail center has full size banners filling the storefronts to give the impression that they are occupied.

"You kind of feel a fullness through the graphics," said Barrett Howell Jr., a partner at Pinehill Development Co., which developed and owns the center. "They're pleasing, I think, from the street."

Pinehill contracted with an Atlanta area graphic design company to have the banners installed earlier this year. Those empty storefronts that don't yet have banners soon will.

Tenants and shoppers seem to appreciate them, Howell said. And while their overall effect on filling space is not tangible, Howell thinks the banners also give prospective tenants the opportunity to imagine what a space might look like filled.



CHRISTIAN CONTE

— Christian Conte