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# 2019



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The graphic features a teal background with a network of white and light teal circles and lines. Some circles are solid white, while others are dashed. Small white plus signs are scattered throughout the network. A large white circle in the center contains the text.

# NAIOP ROUNDTABLE 2019

By STEVE BURKS

The national economic growth cycle moved into uncharted territory on July 1, as the United States broke the record of 120 months of economic growth, according to the National Bureau of Economic Research. As of September 1, the run has reached 122 months of economic growth.

Here in Arizona, we are seeing that growth firsthand, most notably in the development of office and industrial properties. Nearly 3 million square feet of

office product and 7 million square feet of industrial space is expected to come online before 2019 ends. Absorption rates remain solid and vacancy rates are at or below record levels while rents continue to climb.

So it's safe to say that the Phoenix market is enjoying robust activity and AZRE Magazine gathered some of NAIOP Arizona's finest members to learn more about what's going on in the market, how it compares to other markets in the country and what they see in their crystal ball.

### NAIOP Roundtable participants



**MR - Molly Ryan Carson**, Senior Vice President, Market Leader, Ryan Companies US, Inc.



**DS - Danny Swancey**, Partner, ViaWest Group



**JO - John Orsak**, Vice President, Lincoln Property Company



**JW - Jim Wentworth**, Principal, Wentworth Property Company



**DP - Darren Pitts**, Executive Vice President, Velocity Retail Group, LLC



**AC - Andrew Cheney**, Principal, Lee & Associates



**CT - Cathy Thuringer**, Principal, Trammell Crow Company



**CO - CJ Osbrink**, Executive Managing Director, Newmark Knight Frank

## 1. “What has changed in our local commercial real estate industry over the past year?”

**DP:** All sectors of the commercial market have been affected by rising construction costs and the shortage of skilled tradesmen. The costs for materials, site work, labor, and rising land costs are all factors that are affecting the economics of new projects coming out of the ground. Discussion of tariffs has added additional uncertainty to this dynamic in the marketplace.

**CO:** We have continued to see more out-of-state and even foreign capital venture into Phoenix in search of best-in-class assets with attractive yields. This surge of out-of-state capital is a direct result of compressed yields in gateway markets that are seeing a much deeper and more aggressive buyer pool. If you look at the breakdown of the buyer pool over the last two years, for multi-tenant office over \$10 million, only 19 percent of the buyers are based in Arizona, whereas 81 percent are out of state and 29 percent are from California.

**JO:** Big Tenant activity! The big tenant activity started an up tick more than a year ago, but in the past year it has really picked up a lot of momentum. You see large firms dip a toe in the Phoenix market with a 7,000 – 10,000 square foot space. They see the quality of labor, the quality of life and cost of doing business and quickly decide to take a much larger position, some of which end up being several hundred thousand square feet.

**AC:** Increased confidence. The drive along Loop 202 from Gilbert through Tempe is a good example of the growing faith that businesses have in our region. New office buildings have popped up on either side of the freeway including Rivulon, Park Place, Viridian, One Chandler, Discovery Center

Rio 2100, SkySong 5, The Grand, Watermark, I.D.E.A. and Novus. It’s exciting to see brand new companies come to Greater Phoenix and occupy these buildings, or existing businesses grow here in a major way.

**JW:** The number and quality of institutional investors has changed in

in select submarkets sparked by continued positive absorption, tightening vacancy, and rates that are at or quickly approaching replacement costs.

**CT:** From an industrial standpoint, the biggest change has been the proliferation of data center users entering the market and paying significant amounts for industrial land. In addition to reducing the inventory of available land for industrial development, the pricing levels paid by data center users inflate the expectations of land sellers which, in addition to rising construction costs, equate to additional strains on spec development economics.

**MR:** This isn’t so much of a change, rather a continual, steady growth across the board for product types. Arizona continues to attract companies seeking affordable educated employment and a great quality of life; spurring continual relocations and expansions for companies in a multitude of businesses. (technology, financial, insurance and healthcare being the most active), Farmers Insurance and McKesson being two of the most recent expansions. Our business friendly/focused Governor and superior Universities continue to help Arizona be a desirable location for growing companies.

You see large firms dip a toe in the Phoenix market with a 7,000 – 10,000 square foot space. They see the quality of labor, the quality of life and cost of doing business and quickly decide to take a much larger position, some of which end up being several hundred thousand square feet.”

– John Orsak

the past year. Many of these investors are looking at Phoenix for the first time as a result of getting priced out of the tier 1 and coastal markets. Phoenix has very solid fundamentals and the investors are getting much better risk adjusted returns here. Our economy is more diverse this cycle and is giving comfort to the investors.

**DS:** More speculative development

## 2. “How would you compare our Metro Phoenix commercial real estate market to other major markets throughout the nation and specifically the Western U.S.?”

**DP:** Phoenix is one of the strongest growth markets in the nation and remains the “Bargain of the West”. We are also one of the country’s leading markets in new single family permits annually. Compared to the coastal markets of Seattle, Portland, San Francisco, Los Angeles and San Diego



and inland markets of Las Vegas and Denver, our market here in Phoenix on both the residential and commercial side remains very affordable. This coupled with a strong labor pool make Phoenix an attractive choice for corporate expansions or relocations. We provide a desirable lifestyle and affordability.

**CO:** Phoenix is well-positioned relative to other major US markets and specifically on the Western US given its attractive yield and going-in basis with the consistent and positive fundamentals we have witnessed over the last few years. When you can buy a Class-A multi-tenant office building in the low to mid \$300 per square foot (PSF) range, compare that to what we are seeing in markets like Los Angeles (\$1,400 per square foot+), Orange County (\$600 per square foot+), San Francisco (\$1,500 per square foot+), Palo Alto (\$2,000 per square foot+), and Denver (\$700 per square foot+).

**AC:** The difference in Greater Phoenix to other Western markets is simply opportunity. We have the most of it. We have the nation's most innovative university in ASU, plenty of quality real estate (both existing buildings and sites) and incredible momentum. Both investor/landlords and end users recognize we are the next best thing to a gateway market. This is because of our favorable business climate, quality of life and extensive labor force. No other western market can boast this same combination.

**JW:** For office and industrial, Phoenix was late to rebound this cycle compared to other major markets. We have finally hit our stride while still showing discipline and not overbuilding. We are currently one of the more desirable markets for institutional investors. Also, Phoenix is continuing to attract good quality companies and is seeing relocations or expansions from other Western U.S. markets. This is due to the

“The difference in Greater Phoenix to other Western markets is simply opportunity. We have the most of it. We have the nation's most innovative university in ASU, plenty of quality real estate (both existing buildings and sites) and incredible momentum. Both investor/landlords and end users recognize we are the next best thing to a gateway market.”

— Andrew Cheney

access to quality employees and a lower cost of doing business.

**DS:** Looking at most of the key quantitative and qualitative metrics that CRE folks track, Phoenix is performing extremely well on a relative basis both regionally and nationally.

**CT:** Though we still encounter those who want to view Phoenix in the rear-view mirror, our consistently steady population and job growth levels together with our pro-business focus and measured and disciplined growth this cycle are propelling Metro Phoenix

as one of the top real estate markets in the country.

**MR:** Metro Phoenix remains a strong secondary market, which I believe is a terrific place (to be). We remain attractive for the reasons I mention above.

### 3. “What are the biggest opportunities that exist in the Phoenix market over the next three to five years?”

**DP:** The Phoenix area continues to create new jobs and attract new residents. Phoenix adds 174 people daily just from inter-state migration, of these 37 percent are coming from California. Governor Ducey and GPEC have excelled in their efforts to attract companies to Arizona as we continue to be known as a pro business state. Phoenix is finally seeing significant urban renewal and infill redevelopment projects, including a new Fry's Food & Drug store in downtown Phoenix. Additionally, the long-awaited redevelopment of Park Central will develop as a vibrant new urban core adding mixed-use density in the heart of our marketplace.

**CO:** The Phoenix economy has recently posted very healthy and attractive statistics with respect to population growth, job growth, corporate migration, and cost of living relative to other gateway/primary markets. I believe we are going to continue to see these attractive fundamentals have a positive impact on rent growth, absorption/vacancy, and eventually new inventory which will provide ample opportunities for the commercial real estate industry across the board (developers, architects, leasing/sales brokers, escrow/title, etc.)

**JO:** I think that Phoenix will continue to capitalize on the population growth and in-migration to the absolute benefit of the commercial real estate industry. We are seeing new construction that is more urban and dense in nature whether it be high rise residential in downtown

or office mid-rise campuses in North Tempe. It looks like that opportunity will continue as long as the economy continues to expand.

**AC:** There's been a huge rise in Office supply in the Southeast Valley. The next three to five years there will be about 3 million square feet of office space built with more room for growth for many years to come.

The biggest opportunities that exist in our market are delivering what tenants want: a vibrant place to work with amenities and parking nearby. This can be accomplished by repositioning older buildings or delivering modern, compelling buildings at great sites.

**JW:** If we keep our costs in check, metro Phoenix will continue to see strong population and job growth over the next five years. There will still be capacity for well-located and functional office and industrial buildings. Infill locations near freeways are more and more difficult to find but those that find them at the right basis will be heavily rewarded.

**MR:** YES!

As companies continue to expand and relocate office space will continue to be in demand, IF we continue to be responsible/modest with increasing our rental rates. Select sub markets remain ripe for office development at market rents. Tempe's office vacancies remain sub 3 percent and office space is nearly non-existent in Central and South Scottsdale; speculative product would allow for expansions and new tenants looking to enter the market.

There is still strong demand for speculative Industrial at both the small and large scale. Nationwide the industrial sector remains healthy and stable, this is true for greater Phoenix. Rents remain at near all-time highs in several submarkets. A slight slowdown

could occur in late 2020 depending on how interest rates behave.

Multi Family and Senior Living are speculative by design, Metro Phoenix seems to have a long run ahead of itself in both sectors. With 50,000-100,000

of the population can't afford these rents and their neighborhoods suffer with little new product being built. If Phoenix wants to sustain this growth it must built in affordable locations with affordable product, but also needs to incentivize developers because the numbers don't normally pencil.

**Hottest submarket is the Southeast Valley (specifically Tempe and Chandler) when you look at rent growth, absorption, and office vacancy as well as depth of buyer pool. That submarket is driving over 40 percent of the workforce in the Phoenix MSA and has access to ASU.**

– CJ Osbrink

people net per year projected to move to AZ each year combined with the large number of people entering their golden years, these market sectors will continue to be successful IF we maintain market rate rents.

One of the biggest opportunities Phoenix has is affordable housing. Phoenix is projected to keep growing 50k-100k people net per year for the next 10 years. Most apartments being built are luxury high rent projects. Most

#### 4. "What is the hottest sub-market right now and what is the next hot sub-market?"

**DP:** 3 key markets on the retail side - Queen Creek, Laveen & Surprise. Queen Creek's housing growth is very attractive to retailers and is still underserved from a retail perspective. Expect a new 370,000 square foot power center to be built at the northwest corner of Ellsworth Road / Queen Creek Road along with a new Aldi-anchored grocery center on the northeast corner of the same intersection. Laveen's new regional retail intersection at the newly created diamond-interchange at Loop 202 / Baseline Road will be the focal point for more than 300,000 square feet of new retail space. Finally, Surprise continues to see strong housing growth - look for a new Costco and a new Sprouts along the Waddell and Cactus interchanges on the 303 in 2021.

**CO:** Hottest submarket is the Southeast Valley (specifically Tempe and Chandler) when you look at rent growth, absorption, and office vacancy as well as depth of buyer pool. That submarket is driving over 40 percent of the workforce in the Phoenix MSA and has access to ASU (and a young millennial workforce), multiple freeway systems, the light rail, Sky Harbor Airport, and more. I think we have already begun to see this spillover into the neighboring submarket of Gilbert, which I would call the next hot market.





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**JO:** It's hard to argue with the North Tempe story right now. With record low vacancy rates and an impressive roster of tenants that have located there, Tempe is definitely the belle of the ball.

**AC:** The hottest submarket in the Phoenix metro is Tempe. Tempe is the highest rent in the Phoenix metro and the second lowest vacancy of 8.2 percent. Chandler is the next hottest submarket. There will be about 2-3 million square feet of office buildings built within the next couple years.

Tempe then central Scottsdale, south Scottsdale and downtown. Clearly Tempe is still the darling of the entire market with the lowest vacancy, highest demand, and highest rates. The next hottest area will be either South Scottsdale, Downtown and Chandler. All of these areas have unique stories, very cool new construction and sound fundamentals.

**DS:** North Tempe continues to set the pace from an office perspective with several other core sub-markets humming along nicely. Regarding next hot sub-market, Downtown certainly has a lot of key ingredients that are attractive to tenants and I believe it will continue to increase its relative competitive position over the next few years.

**CT:** For industrial, the Southwest Valley continues to outperform given its concentration of big box product. Next hottest submarket for industrial would be the Southeast Valley communities of Chandler, Gilbert and Mesa. For multifamily, Downtown/ Midtown and Scottsdale are at the forefront in terms of overall activity. Similarly, North Tempe is the hottest office submarket given the inventory of projects underway. Chandler and North Scottsdale are both poised to see an uptick in activity over the next 2-3 years.

The more insulated markets like Tempe and Scottsdale can still handle spec buildings but the developers will need to find equity and debt that understand the metro Phoenix market. At this stage of the cycle, lenders and equity investors are increasingly cautious of spec developments.”

— Jim Wentworth

that type of product is not as broad as we have seen for the best assets in the best locations. Outside of office, we are also seeing a fairly large disconnect in supply and demand in the Power Center retail sector. There is no shortage of Power Centers in the Valley, and compared to 36 months ago, the demand for this type of product has fallen off significantly.

**AC:** After being the hot spot in the last cycle, North Scottsdale has been slower this time around...but is making a turn. The supply has not been out of balance as much as the new demand has been lacking. Stay tuned for next quarter, however, as a couple of large uses could change the momentum up there quickly.

**CT:** Probably the West Valley and availability/supply of office product. The labor story is very compelling, and rents have improved slightly, but it is still difficult to make spec development economics pencil given the rise in construction costs and land pricing expectations.

#### 6. “Is the Phoenix market still ripe for spec building? If so, where and what type of buildings?”

**CO:** We have started to see more spec office buildings pop up but in markets that can justify the rents to build and tenant demand. Markets like Tempe (i.e. The Grand). Otherwise, unless it is a submarket with high barriers to entry, attractive (and growing) rents, and high tenant demand- it feels most activity would be centered around build-to-suit or larger tenant pre-leased product.

**JO:** So far demand has outstripped supply and there has been a very healthy level of new deliveries to the market. As long as that continues, we will still see some developers building spec product. The demand side of the equation still feels really good. Likely the biggest

#### 5. “Are there any product types or submarkets where you feel supply and demand are out of balance?”

**DP:** Tenant demand for big boxes has softened while demand for visible multi-tenant pad buildings continues to be very intense. This has added additional fuel to the big box glut that plagues many shopping centers in the Phoenix area. Competition for in-fill pad sites is strong as developers and end-users compete for superior sites at prime intersections.

**CO:** It feels like there is an imbalance in supply and demand for Class-B/C office in secondary locations within the Valley. There is certainly no shortage of it, but the demand for

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deterrent to spec building will be banks' willingness to lend into this long recovery. A recovery won't die of old age, but it sure will make the lending community a little more cautious.

**AC:** Yes in several areas! Metro Phoenix demand is on track to outpace supply in 2019. Again, tenants crave vibrant new places in which to work and relax. Multi story class A office will continue to do well in Tempe, South & Central Scottsdale and Chandler. The surprisingly tight area that could also use new product is Peoria. Whoever gets a new office project up in the Arrowhead area will be handsomely rewarded.

**JW:** Metro Phoenix still has capacity for spec office buildings in select locations. The more insulated markets like Tempe and Scottsdale can still handle spec buildings but the developers will need to find equity and debt that understand the metro Phoenix market. At this stage of the cycle, lenders and equity investors are increasingly cautious of spec developments.

**DS:** There are definitely submarkets where both industrial and office spec development pencils. The challenge for many developers as it relates to spec office is the lack of attractive debt solutions. Many lenders are still not keen on spec office without substantial pre-leasing and/or heavier recourse. This can create challenges when large tenants' have shorter-fuse timing requirements and cannot wait for a build-to-suit.

### 7. "What is the current state of the retail market in metro Phoenix? What changes do you expect to see for retail over the next few years?"

**DP:** The retail market has returned to a healthy vacancy rate of 7 percent which is the lowest it has been since 2008. New construction is

minimal with most projects being fully committed prior to the start of construction. The market has averaged about 1.35 million square feet of new construction post-recession compared to 7 million square feet pre-recession. New construction in retail is a fraction of what it has been historically.

Retailers continue to evolve. To survive today, they must provide value and instant convenience to the consumer. Delivery options are plentiful and allow the consumer to get what they want when they want and where they want. Retailers are

Retailers continue to evolve. To survive today, they must provide value and instant convenience to the consumer. Delivery options are plentiful and allow the consumer to get what they want when they want and where they want. Retailers are embracing omni-channel options and revising stores to accommodate the demands of the consumer.

– Darren Pitts

embracing omni-channel options and revising stores to accommodate the demands of the consumer. We will see more of these operational and physical changes in the coming cycle as retailers continue to channel data, use geo-locating, and provide targeted offers to customers. Also look for significant changes in restaurants and their food delivery networks & systems.

### 8. "How have the needs of industrial occupiers changed with the acceleration of the e-commerce trend in recent years?"

**JO:** There is no doubt that industrial is hot! E-commerce has fully transformed the industry. The needs of industrial occupiers are much different now. Long gone are the days of hot, dusty industrial buildings with a crew of forklifts grinding away the day. Occupiers today are employment centers. They need to attract skilled labor and RETAIN that labor. The buildings are now fully air-conditioned and will let with the latest LED lighting packages. There are cafeterias and break-rooms full of arcade games, TV's and fitness facilities. The high-ceiling warehouse space is still a necessity, but the approach to the employee experience has made a complete shift.

**CT:** The need for facilities closer to consumer bases is, for some users, resulting in establishing multiple smaller footprints across targeted MSAs. In climates such as Phoenix, most facilities are trending to all A/C environments based on product needs, but also to attract and retain labor. Material handling technologies continue to advance to get product in and out quickly and more efficiently. When designing speculative projects for potential e-commerce users, primary project attributes need to



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### 9. “Do you see industrial cap rates increasing, decreasing, or remaining stable over the next year?”

**JW:** It is obviously interest rate dependent, but I believe they will be stable over the next 12 months and may even go down for some of the best product. Obviously, the credit of tenants and lease terms factor into this. Industrial is currently the most favored product type amongst institutional investors across the country and it is very difficult for them to get enough of it. Most of them are “under-weight” on industrial and are willing to stretch on pricing for it. This is particularly true when it comes to newer and functionally relevant industrial buildings. We are still considered a good value compared to the coastal markets.

**DS:** For multi-tenant product, I believe you’ll see them remain fairly stable as you’ll likely have improving operating fundamentals offsetting any mild upward interest rate pressures.

**CT:** Cap rates will decrease on best-in-class newer product that is brought to market in 2019 and 2020 if interest rates remain stable and cap rates for like-kind product in gateway markets continue at current levels of compression. For all other industrial product, cap rates should remain stable over the next year given the amount of capital seeking investment in industrial projects.

### 10. “How have co-working spaces changed the market? Do you expect this trend to accelerate or have we

Co-working operators have made big moves in metro Phoenix over the past 12 months and have signed major leases in downtown Phoenix, Tempe and Scottsdale. This has happened in metro Phoenix later than other major markets. Corporate America sees co-working spaces as a flexible way to expand or contract in markets and are becoming larger users of the co-working spaces.”

– Jim Wentworth

### maxed out on the number of co-working facilities?”

**JO:** Co-working spaces have changed the office landscape by offering what is now so important to tenants... short term flexibility. For a Landlord, we begin to wonder if co-working is a benefit or a competitor for our business. I think the answer is both, so long as there is balance. It remains to be seen how much of this type of operation the market can absorb. At some point, there will be winners

and losers, but I don’t think anyone can really tell when that might happen. There will likely be some sort of consolidation event that will eventually start to set that boundary and answer the question of how much is too much.

**AC:** Co-working groups are competing for more significant users, not just small companies like they have done in our market previously. They are doing this through flexibility- chasing after users who typically would look at longer term leases and offering them significant amounts of space at a healthy premium, but at much shorter terms. We expect all the players here to continue to grow. And I wouldn’t be surprised if WeWork doubles in size over the next two years.

**JW:** Co-working operators have made big moves in metro Phoenix over the past 12 months and have signed major leases in downtown Phoenix, Tempe and Scottsdale. This has happened in metro Phoenix later than other major markets. Corporate America sees co-working spaces as a flexible way to expand or contract in markets and are becoming larger users of the co-working spaces. The co-working spaces are no longer just for the startups and small businesses. As a result, I would expect them to continue to expand in metro Phoenix.

**DS:** One of the primary impacts of co-working is tenants now have an option that provides term flexibility, albeit at a premium. For high-growth tenants this is often important so there are some pressures on traditional landlords to consider shorter-term leases to compete with co-working. The flip side is that landlords are benefiting from tenants becoming more accepting of less-customized tenant improvements which can significantly lower upfront leasing costs. ■■■



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# GOODS TIME

## Phoenix becoming a magnet for distribution and warehouse facilities

By STEVE BURKS

**A**s the Phoenix Market grows, so does the demand for goods and places to sort, store and ship them. At the same time, the cost of doing business in coastal markets is becoming unmanageable for some companies, so Phoenix is a very attractive (and much more affordable) alternative. This double whammy has turned Phoenix into an emerging hub for new warehouses and fulfillment and distribution centers.

“There are several factors positioning Phoenix as a distribution/warehouse leader in the region,” said Mike Sacco, vice president of the Western Regional office for EastGroup Properties, a major industrial developer in the U.S. “Major factors include its geographic location in relation to other major markets, an overall favorable business environment, the lack of natural disasters, reliable and relatively cheap energy and the climate, which virtually eliminates weather related transportation delays.”

About 35 million consumers in the Western United States are within a day’s truck haul from warehouses in Phoenix, one of the hottest industrial markets in the country right now as developers rush in to meet e-commerce and third-party logistics demand. Phoenix is well positioned not just because of its location, but also because it has a robust freeway system. New freeways like the Loop 303 and the South Mountain Freeway have opened up new areas of development that will put more square footage within close proximity to major freeways.

According to the Colliers International Q4 2018 Industrial

Market Report, developers delivered 7.8 million square feet of new industrial space to the Phoenix market in 2018. Of that space, 5.4 million (or 70 percent) was warehouse space and 1.6 million was distribution space.

The figures for 2019 are trending in a very similar fashion, according to Cushman & Wakefield’s 2019 Q2 Industrial Market Report. As of the end of Q2, there was 7.6 million square feet of industrial product under construction in the Greater Phoenix market and 4.1 million square feet of that is distribution related space. The majority of this new distribution space is centered in the Southwest submarket, with 2.6 million square feet in the pipeline. Glendale has 1.5 million square feet under construction and the Gilbert/Gateway Airport submarket and the Chandler submarket combine for 2 million square feet.

This new burst of distribution space is not like the old school warehouses. Past warehouses were tiny compared to the modern industrial buildings, and the new generation of distribution center is more efficient, both in functionality and in cost to operate.

“The old buildings had low clear height, tight coverage ratios, little car parking, little to no trailer parking, old metal halide lighting, maybe evaporative cooling, if any cooling, and were located in more infill areas like Sky Harbor Airport, Grand Avenue, Tempe/Chandler/Mesa,” said Will Strong, executive managing director for Cushman & Wakefield, whose focus is industrial sales. “New buildings have 30-feet to 40-feet clear height,



**Michael P. Sacco**



**Will Strong**

generous all concrete truck courts, heavy car and trailer parking, or just more functional layout. Now, areas like Tolleson, Goodyear, Deer Valley, and far Mesa are booming.”

Modern distribution centers are breaking barriers when it comes to energy efficiency. In 2016, the REI distribution center, located in Goodyear, achieved LEED (Leadership in Energy and Environmental Design) Platinum certification, the highest level in the U.S. Green Building Council’s (USGBC) green building rating system. It was the first distribution center in the U.S. to achieve both LEED Platinum certification and Net Zero Energy. The facility is the first distribution center to earn Platinum certification in 2016 and, at 400,000 square feet, is the second largest Platinum-certified distribution or warehouse facility in the U.S.

“Major efficiencies as it relates to sustainable features in EastGroup’s new Phoenix development projects include full LED lighting with motion sensors, R-38 insulation at the roof deck, white reflective 60 mil TPO roof membranes, insulated loading



doors, low shading coefficient glass and drought resistant landscaping with smart sprinkler timers,” said Sacco, whose company is currently building the 317,978 square foot Gilbert Crossroads Business Park just south of the Loop 202 in Gilbert. “These physical design features coupled with the fact that EastGroup’s buildings are generally located in in-fill locations near major transportation features such as freeways and airports create a synergy helping our customers operate efficiently and quickly move product.”

Inside many of the new distribution centers are miles and miles of conveyor belts to move the products and floor-to-ceiling storage racks to hold them. There are also high-tech sorting and retrieval systems. Amazon has five fulfillment

**AMAZON:** The modern distribution and fulfillment center, below, is a maze of conveyor belts and chutes that move and sort products. In some facilities, robots are taking on greater roles in the product retrieval and sorting process.



centers in Maricopa County and another recently built facility in Tucson. Some of these facilities feature robotic, automated retrieval and stacking systems that are state-of-the-art and rely less and less on human handling of products.

Current major distribution projects underway in the Phoenix market span the entire Valley. The 539,000 square foot Central Logistics Center is being developed just south of Downtown Phoenix, the SM202 Commerce Park is bringing 700,000 square feet of space to the newly opened South Mountain Freeway corridor and in the Southeast Valley, the Lotus Project, which will feature both manufacturing and warehouse and distribution space, is nearing completion in Chandler.

The biggest cluster of new distribution space is being built in the Southwest Valley market, in cities like Avondale, Buckeye, Goodyear and Tolleson. There are several projects in various stages of development in the Southwest Valley and Goodyear added to that list in late August when it was

**SKYBRIDGE:** Air cargo hub to house both U.S. and Mexican customs and become a premier destination for auto parts, food processing, manufacturing and e-commerce businesses.

announced that Quetico, LLC and The Fullmer Company, LP are teaming up to build a 719,520 square foot logistics building. Quetico Logistics is moving its California operations to the new Goodyear facility when it is completed late in 2020.

“We looked at many other markets during our search to move and expand our operations,” said Tom Fenchel, CEO of Quetico Logistics. “Goodyear just made sense. The location is near the Phoenix–Goodyear Airport and major interstates with coast-to-coast connectivity. The site has Foreign Trade Zone possibilities which, combined with the competitive cost of doing business in Arizona, made our decision easy.”

Founded in 1994, Quetico Logistics provides specialized wholesale, inventory management, and third-party logistics services of consumer products (mainly apparel and soft goods) to big-box retailers and brand name manufacturers in North America and abroad. In addition, Quetico has smaller facilities in Canada, Mexico and Panama.

Strong sees the Loop 303 corridor and Goodyear submarket as areas that will continue to see strong industrial development in the next few years, as long as the investment dollars continue to get deployed in the market.

“I see a ton of investment coming into this market, it’s not slowing down,” said Strong. “There are a few factors working against continued development. Cap rates have come down a lot and it’s getting really expensive to buy here. It used to be a good alternative to primary markets. But as long as California cap rates push down we will see the same thing happen here. Also, it’s harder to find good land sites for new development, especially infill.”

Sacco is looking to the east for future distribution facility development. He sees the East Mesa/Gateway Airport submarket as a hotbed for new projects, much of which will be centered around the Skybridge Arizona project. Skybridge will be located at Phoenix Mesa Gateway Airport and will be the first air cargo hub to house both U.S. and Mexican customs officials. It is expected to be the primary entry and exit point for goods traveling by air between Mexico and the United States.

The project is in the early stages of development, but if it reaches its full potential, it will have more than 3.5 million square feet of industrial space, much of which will be distribution space for the tons of goods expected to pass through. ■■■



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# High times for high tech

## Phoenix office market adjusting to influx of technology companies

By STEVE BURKS

Arizona is in the midst of a stellar economic growth cycle, much of which is being driven by companies relocating to or expanding their footprint in the market. In 2018 alone, Greater Phoenix welcomed three new corporate headquarters and 42 businesses that opened offices in the market or expanded their current operation. According to numbers released by the Greater Phoenix Economic Council, the economic impact was \$1.18 billion in capital investment and more than 8,600 new jobs.

All of these new companies require office space, and the property owners and brokers in the Phoenix market are learning what these companies desire in an office. While the most vital of these demands are universal, each company has their unique requirements and budgets.

“A focal point of most modern companies is attracting and retaining

talent which means that they will typically be willing to pay more for locations, buildings, and suites that allow them to have a leg up in the war for talent,” said Danny Swancey, partner at ViaWest Group, which develops, purchases and manages office properties in the Western U.S. “On the other end of the spectrum, warehouse tenants with low-margin business that may be heavily automated might be more price sensitive when it comes to their occupancy costs.”

So who are these new companies moving into the Valley and what unique demands do they bring with them? Over the past 10 years, Phoenix has seen a huge influx of financial tech and other high-tech related companies. Some of these companies have been drawn here by Arizona’s Regulatory Sandbox Program (RSP), which was created in March of 2018. Companies like Early Warning Services, LLC,

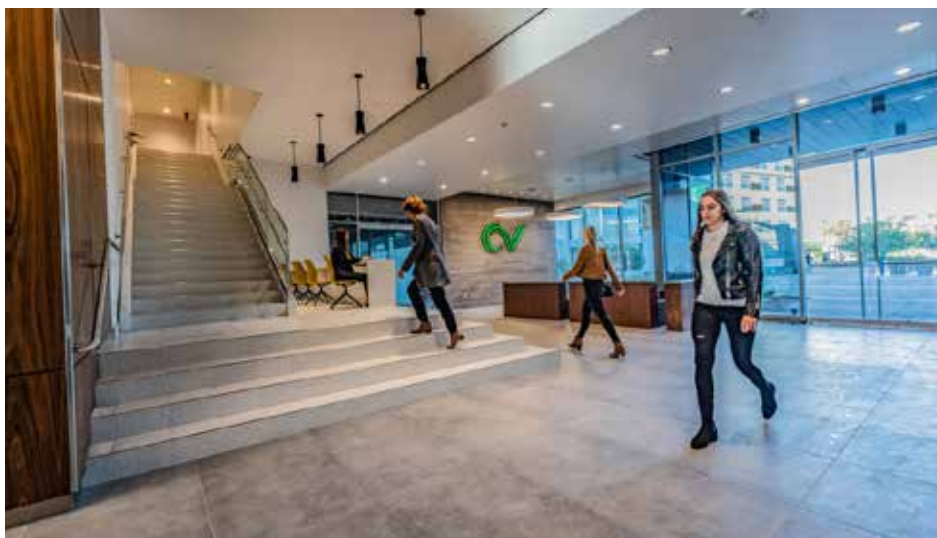
the creator of Zelle online payment system, and Verdigris Holdings, have large workforces located in the Greater Phoenix market as a result of the RSP. This “FinTech Sandbox” allows financial services companies to test innovative products and technology in the market for up to 24 months without obtaining a license or other authorizations that might otherwise be required.

Along with financial technology, Phoenix is seeing a variety of technology-related companies set up shop in the market.

“With ASU as one of the top ranked engineering schools in the country, that has in turn drawn tech companies to the area for a high talent pool of new graduates,” said Alissa Franconi, associate principal, RSP Architects, and one of her firms’ top office interior designers. “This has caused other industries in the Valley to renovate or explore new workplace strategies to

**CHANDLER VIRIDAN:** Stantec, a high-tech engineering and architectural firm, was the first tenant at the Offices at Chandler Viridian.

**RIVULON:** Deloitte will employ more than 1,000 at its Gilbert location.





**Adrian Evarkiou**



**Alissa Franconi**



**Bryan Taute**

recruit and retain the top talent.”

In just more than a year, the Phoenix market has witnessed many high-tech companies set up roots in Arizona, including: Airbotics, Creighton University, Deloitte, Nationwide Insurance, Nikola Motor Company, Oscar, Prenexus Health, Scheidt & Bachmann USA, Inc., Sends and Voya Financial, Inc. These companies will require space for just a few dozen employees to more than 1,000 employees like Voya Financial expects to hire in the next 5 years.

While new companies are coming into the market at a high rate, office brokers are seeing some drop off in certain, long-standing tenant classes.

“I’ve seen a consistent increase in nearly all sectors, but law firms and other professional service firms are shrinking,” said Bryan Taute, executive vice president for CBRE and NAIOP’s 2019 Office Broker of the Year winner. “They

require less support and are providing more flexibility to work from home.”

The financial tech and high tech companies have similar office demands. They want Class A space with ample amenities and prefer the open office concept, but not too open.

“They are still cramming a lot of people in smaller spaces,” said Adrian Evarkiou, partner at The Boyer Company, which has developed office projects like Freedom Financial, Benchmark and Rio 2100 in Tempe. “They want open floor plans with not many offices, except for on the interior. They are looking for custom design, open office, more amenities expected in the park or building.”

“We are seeing an increased request for more amenities, both internal and external,” added Franconi. “From work cafes, walkable amenities to their office, pickleball courts, quiet library focus areas, more choice in how and where they work. The reason to create these amenities is to

keep employees engaged with each other in the office environment.”

One of the ways that some companies are dealing with the move into the market is by utilizing co-working spaces. This allows them access to the kind of Class A spaces they want, but with flexible terms and the ability to expand or contract quickly.

“The biggest difference is often determining the best way to handle future growth or lack thereof,” said Swancey. “The unknowns of tenants in dynamic industries often make it challenging to predict head counts, configuration, and overall space needs. This is one of the reasons why flexible office, aka co-working solutions, can be a great stopgap for companies during seasons of their life cycle where there may be less predictability.”

For office brokers, these new tenants are looking for flexible lease terms, along with the aforementioned amenity

**THE GRAND:** Tempe development is close to completion of second building.



filled buildings. Also, they are focused on locating in urban settings, if financially feasible. And if not located in an urban setting, an office that has an urban feel.

The current office products under construction reflect that desire for the urban work environment. Of the 1.6 million square feet of office space under construction in the first half of 2019, just under 1 million square feet

**OFFICES:** Above, The Department; below, Chandler Viridan.

of that is in the Tempe North (near Arizona State University and Tempe Town Lake) submarket. Projects like The Watermark, 777 Tower, I.D.E.A. Tempe, The Grand Phase 2 are best-in-class type products that will be leased up quickly. Downtown Phoenix is second on that list with 328,402 square feet of office space under construction, 200,000 square feet of that in one project, Block 23. Since 2016, Downtown Phoenix has leased more than 620,000 square feet of office space to tech companies as they are drawn to

the Central Business District.

“Yes, some companies have recognized that the ‘cool clubhouse’ (new build in good buildings) is helping with employment retention,” said Evarkiou.

On other factors, there are some difference in opinions from office experts. Two of those are customization or tenant improvements, as well as open vs. drop-tile ceilings.

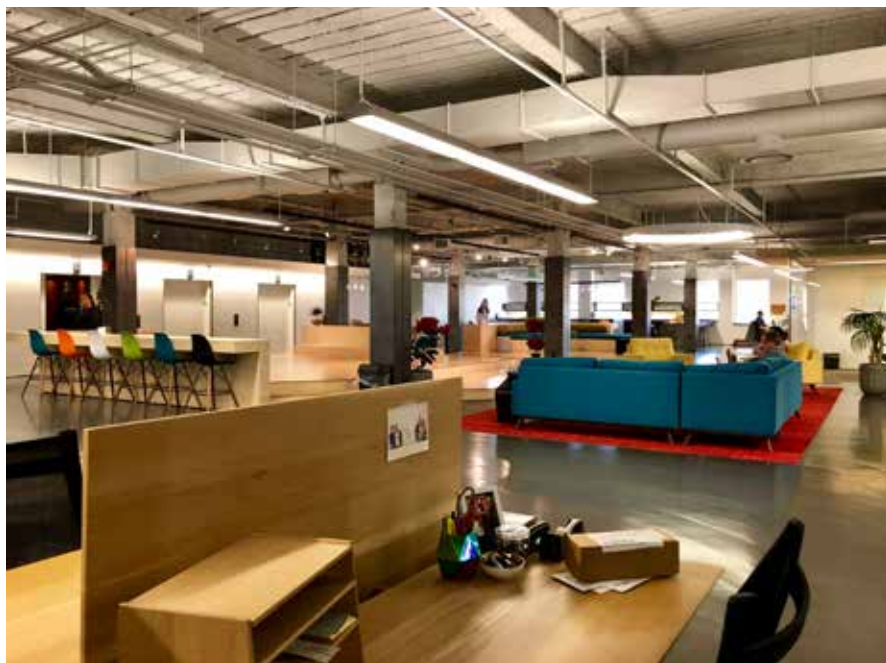
“Most prefer open ceilings, but noise concerns are causing more clouding or dropped ceilings in portions of the space,” said Taute. “Outside of professional services firms, almost all spaces are laying out very similarly. Tech company, insurance companies, financial services, etc. all tend to look very similar. Most users are not looking to customize.”

“Due to a more competitive talent pool, we are seeing an increase in office customization,” said Franconi. “Companies are using their space as a tool for recruitment and creating an experience as a potential candidate comes in for an interview.”

Other factors new tenants to the Valley must deal with are the rising asking rents in the market. Overall vacancy in the Phoenix market was 15.3 percent in the second quarter of 2019, according to the Q2 Office Market Report from Cushman & Wakefield. This was more than two percent below the historical five year average and was a major factor in pushing asking rents up to \$26.25 per square foot. For Class A office product, the overall asking rent was \$30.56. In the past, human resource staff was not heavily involved in the selection process for a new office but modern companies are seeing the value of having the HR point of view when deciding what kind of office space fits their workforce.

“Human resources definitely has more influence today than ever before,” said Taute. “It’s a combination of real estate, HR and finance. You need to appeal to all to have the most success.”

“There’s no doubt that more tenants are incorporating HR into real estate decisions,” echoed Swancey. “For larger companies, we often see committees comprised of HR, finance, facilities, and executive team personnel.” ■■■



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### 200 EVB

**Developer:** ViaWest Group

**General Contractor:** Stevens Lienweber

**Architect:** RSP

**Location:** 200 E. Van Buren St., Phoenix, AZ 85004

**Size:** 240,000 SF (building size) approx. 75,000 SF in redevelopment

**Brokerage Firm:** Colliers - Ryan Timpani

**Value:** Withheld

**Start/Completion Date:** February 2019/ Q4 2019

**Subcontractors:** Adobe Drywall, RCI Systems, Wholesale Flooring

**Project Description:** The repositioning of this iconic building includes rebranding, a new signage plan, full renovation of the lobby, and floors two and three, including restrooms. Spec suites will be built out on the second floor and a full floor spec suite is planned for the third floor, a 25,000 SF floor plate. In addition to upgraded aesthetics, the lobby will feature a new security command center and upgraded security access to the elevators. Press Coffee Roasters has signed a lease to open up a location in the lobby, which will have a patio accessible from street. The parking garage is undergoing a LED retrofit and the addition of new security gate access.







### 777 TOWER AT NOVUS

**Developer:** Ryan Companies US, Inc. & University Realty LLC

**General Contractor:** Ryan Companies US, Inc.

**Architect:** DAVIS

**Location:** 777 S. Novus Plc., Tempe, AZ 85251

**Size:** 169,000 SF

**Brokerage Firm:** JLL

**Start/Completion Date:** April 2018/July 2020

**Subcontractors:** Kraemer Consulting Engineers, Meade Engineering, Speedie & Associates, Suntec Concrete, Sun Tech Glass

**Project Description:** The six-story office building will feature an open floor plan with penthouse office space, retail on the ground floor and an urban plaza; activating the public space for Novus employees, residents and visitors. The architectural design of the building is designed to convey a high-quality, contemporary and sustainable aesthetic which is technologically sophisticated; complimenting the state-of-the-art office core of Novus Innovation Corridor. The building is walking-distance from dining options, sports venues, ASU's Tempe Campus, downtown Tempe and the Rural Road light rail station.



### AIRPORT 40

**Developer:** Conor Commercial Real Estate

**General Contractor:** McShane Construction Company

**Architect:** Ware Malcomb

**Location:** 3030 S. 40th St., Phoenix, AZ 85040

**Size:** 320,700 SF

**Brokerage Firm:** Cushman & Wakefield

**Value:** \$35 million

**Start/Completion Date:** March 2019/May 2020

**Subcontractors:** Jenco, Suntec, SDC, Progressive Roofing, Ikon Steel

**Project Description:** Airport 40 is an assembled 18.8 acre infill industrial development in the land-constrained Sky Harbor Airport submarket. The two-building spec development will feature 320,700 SF of class A rear-load industrial space with 32' clear, ample auto parking, and yard and trailer parking available to tenants. For more information please visit [www.airport40.com](http://www.airport40.com)

## AIRPORT GATEWAY

**Developer:** Baker Development Corporation  
**General Contractor:** Layton  
**Architect:** Butler Design Group  
**Location:** 224 N. 143rd Ave. & 215 N. 143rd Ave. – Goodyear, AZ 85338  
**Size:** Lot 1 – 113,153 SF & Lot 2 – 213,229 SF  
**Brokerage Firm:** JLL  
**Value:** \$15.2 million  
**Start/Completion Date:** Q4 2019/Q2 2020  
**Project Description:** The project is located in the airpark gateway master plan and will be developed by Baker development based out of Chicago, Illinois. The project consists of two, single-story industrial shell buildings of 112,000 SF (lot 1) and 220,000 SF (lot 2), and associated truck court areas. The anticipated uses include light manufacturing and warehouse distribution with supporting office components. The design of the



elevations will provide flexibility to create the primary tenant entries at either of the building corners. Corner design elements

include 14' tall glass, reveals, punched openings and stepped parapets.



## ALLRED PARK PLACE – BUILDINGS 15 & 16

**Developer:** Douglas Allred Company  
**General Contractor:** Willmeng Construction  
**Architect:** Balmer Architectural Group  
**Location:** 1650 and 1700 S. Price Rd. Chandler, AZ 85286  
**Size:** 302,000 SF  
**Brokerage Firm:** CBRE  
**Value:** \$83 million  
**Start/Completion Date:** Q1 2018/Q2 2019  
**Project Description:** The project consists of two separate three-story buildings at the southwest corner of Willis and Price Roads, totaling 302,000 SF. Both buildings will have three-story lobbies and share an exterior courtyard centered in-between each. The site will also include landscaping and a parking structure.

## ANDERSEN WINDOWS

**Developer:** Opus Development Company, LLC.  
**General Contractor:** Opus Design Build, LLC.  
**Architect:** Opus AE Group, LLC.  
**Location:** 4395 S. Cotton Lane, Goodyear, AZ 85338  
**Size:** Phase I (of a two phase project) will consist of a 550,000 SF manufacturing, assembly, and distribution facility.  
**Brokerage Firm:** JLL (Landlord) and Cushman & Wakefield (Tenant)  
**Value:** Phase I total costs of \$105 million inclusive of land acquisition, building construction, exterior improvements, interior tenant improvement build-out and fixtures & equipment.  
**Start/Completion Date:** January 2019/ March 2020  
**Subcontractors:** Hunt Electric Corporation, Horwitz, Inc., Suntec, Saguaro Steel Industries, LLC.  
**Project Description:** The Opus Group is acting as



lead developer, designer and contractor on a 550,000 SF manufacturing facility for Andersen Windows. The facility will

represent Phase I of a two phase project and will be fully operational by the first quarter of 2020.

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### BANNER IRONWOOD MEDICAL OFFICE BUILDING II

**Developer:** Ryan Companies US, Inc. & Plaza Companies

**General Contractor:** Ryan Companies US, Inc.

**Architect:** Butler Design Group

**Location:** 37200 N. Gantzel RD., Queen Creek, AZ 85140

**Size:** 61,837 SF

**Start/Completion Date:** November 2018 / August 2019

**Subcontractors:** Schuff Steel Management Co., Commonwealth Electric Co of the Midwest, Commercial Air Inc, McKinney Glass, CDS Framing Inc.

**Project Description:** Following the success of our first project with Banner Health, we were selected to build a medical office building on the Banner Ironwood Medical Center campus in Queen Creek, Arizona. Ryan Companies US, Inc.



is co-owner, co-developer and general contractor. Plaza Companies is co-owner, co-developer and is managing the leasing efforts. This three-story, multi-tenant, steel-shell building will add almost 62,000 square feet of office space to the

campus, providing a convenient, comfortable setting for healthcare practices. Queen Creek is looking forward to enhanced medical services, while we look forward to continued partnerships within this community.



### CENTRAL LOGISTICS CENTER

**Developer:** ViaWest Group

**General Contractor:** Nitti Builders

**Architect:** DEUTSCH

**Location:** 111 E. Buckeye Rd., Phoenix, AZ 85004

**Size:** 272,973 SF Existing 267,000 SF New Development

**Brokerage Firm:** CBRE

**Start/Completion Date:** Q4 2019/Q3 2020

**Subcontractors:** Kimley-Horn

**Project Description:** Located at Central Avenue and Buckeye Road, just south of downtown Phoenix. This 25-acre site includes over 12-acres of vacant, developable land in addition to an existing fully leased 196,672 SF 30' clear, cross-dock warehouse, and a vacant 76,301 SF freezer storage facility. ViaWest's plans include renovating the freezer building and developing two new 32-foot clear height buildings on the vacant land including a 94,000 SF building divisible to two tenants, and a 71,000 SF industrial warehouse adjacent to the cold storage building. Ultimately, the combined projects (Superior) will add over 650,000 SF of industrial space.

### CREIGHTON UNIVERSITY HEALTH SCIENCES CAMPUS

**Developer:** Plaza Companies

**General Contractor:** Okland Construction

**Architect:** Butler Design Group

**Location:** Central Avenue (Park Central), Phoenix

**Size:** 200,000 SF

**Brokerage Firm:** N/A

**Value:** \$100 million

**Start/Completion Date:** July 2019 / Spring 2021

**Project Description:** Creighton University will build a new 200,000 square foot health sciences campus at Park Central in Phoenix. The building will be located along Central Avenue and is expected to be complete in spring of 2021. When completed, the building will be home to nearly 900 students seeking



degrees in medicine, nursing, pharmacy, physical therapy, occupational therapy and physician assistant programs. Plaza Companies

is the developer and Okland Construction will be the general contractor for the building; Butler Design Group is the architect.

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### DAIMLER

**Developer:** Merit Partners, Inc.

**General Contractor:** The Renaissance Companies

**Architect:** Butler Design Group

**Location:** 17017 W. Indian School Rd., Goodyear, AZ

**Size:** 263,606 SF

**Brokerage Firm:** CBRE

**Value:** \$24 million

**Start/Completion Date:** January 2019 / August 2019

**Subcontractors:** Suntec, King Insulation

**Project Description:** Daimler is a 263,000 SF build to suit on approximately 13.7 acres in the PV303 West II area. The project is defined by Indian School, Cotton Lane and the 303 freeway. The facility will be used for the storage and distribution of product including 8000 SF of office in addition to the warehouse area. Building will be 36' clear with all dock doors located on the south side, away from the Cotton and Indian school street frontages. The dock area will be further screened by an 8' high masonry wall with decorative sliding gates.



### DONOR NETWORK OF ARIZONA

**Developer:** Donor Network

**General Contractor:** Wespac Construction, Inc.

**Architect:** Shepley Bulfinch

**Location:** 2010 W. Rio Salado Pkwy., Tempe, AZ 85281

**Size:** 70,944 SF

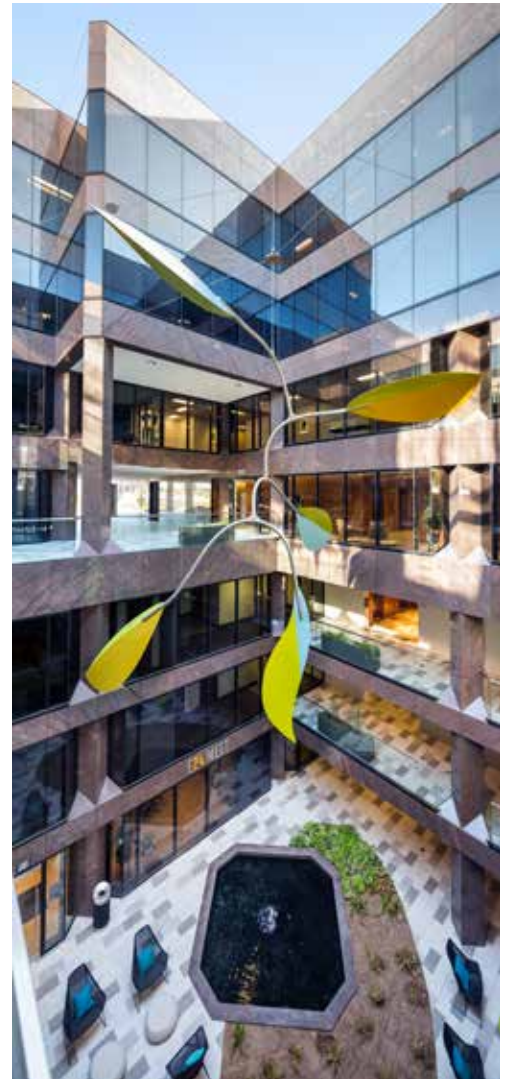
**Brokerage Firm:** Lee & Associates

**Value:** \$18,517,107

**Start/Completion Date:** March 2019 / May 2020

**Subcontractors:** Suntec Concrete, Schuff Steel, Wilson Electric, Integrated Masonry, Alpine Mechanical, Ryan Mechanical

**Project Description:** Providing a much needed expansion for its 200+ incredibly dedicated staff, this unique, two-story, 70,000 SF building will consist of new office, support and laboratory spaces. As the nonprofit, federally designated organ procurement organization for the state of Arizona, Donor Network of Arizona is dedicated to working with healthcare and community partners to support donor families; while encouraging people in our community to donate life! Scheduled for completion in 2020, Wespac is proud to partner with Cresa Phoenix, Shepley Bulfinch and Donor Network of Arizona on this very important and exciting project!



### ELEVATE 24

**Developer:** Regent Properties

**General Contractor:** Brycor Builders

**Architect:** Krause

**Location:** 4722 & 4742 N 24th St., Phoenix, AZ 85016

**Size:** +/- 130,000 SF

**Brokerage Firm:** CBRE

**Value:** \$4.5 million

**Start/Completion Date:** Q4 2017/Q1 2019

**Project Description:** Re-positioning of the entire 2 building campus, with a new drop off including 14 surface parking stalls added to enhance the 24th street address that was previously overlooked. Contemporary Landscaping has been added throughout the entire property for greater user connection between the two buildings while making the raised plaza a new found destination for tenants. A new conferencing center, tenant amenity rooms, fitness center, and Café have been overhauled within the 2 buildings. Including a custom kinetic sculpture designed by Arizona local artists at the buildings center atrium.

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### FARMERS INSURANCE AT 17 NORTH CORPORATE CENTER PHASE II

**Developer:** Ryan Companies US, Inc.

**General Contractor:** Ryan Companies US, Inc.

**Architect:** Butler Design Group

**Location:** 23800 N. Farmers Way, Phoenix, AZ 85085

**Size:** 150,000 SF

**Brokerage Firm:** Landlord Rep: CBRE; **Tenant Rep:** JLL

**Start/Completion Date:** August 2018

/September 2019

**Subcontractors:** Hardrock Concrete, Wilson Electric, Cutting Edge Fabrication, Tpac

**Project Description:** After completing a 150,000 SF build-to-suit for Farmers Insurance in 2017, Farmers continued to grow and needed more space. To accommodate this, Ryan is developing and constructing an additional 150,000 SF of office space and a parking structure at the 17 North Corporate Center. The campus is a positive, productive and exciting workplace for Farmers employees and our team was honored to bring the campus to life. The three-story campus includes a gym, full-service kitchen and outdoor gathering areas.



### FIRST PARK PV 303 WEST III BLDG. 1

**Developer:** Merit Partners, Inc.

**General Contractor:** Layton Construction Company

**Architect:** Butler Design Group

**Location:** 3600 N. Cotton Lane, Goodyear, AZ

**Size:** 643,798 SF

**Brokerage Firm:** CBRE

**Value:** \$60 million

**Start/Completion Date:** April 2019

/December 2019

**Subcontractors:** SECON, Suntec Concrete

**Project Description:** First Park @ PV 303 West III Building 1 is a single building development proposed for the Southwest corner of Osborn Road and Cotton Lane. The project is located on approximately 39.26 acres in the PV303 West III area, defined by Indian School, Cotton Lane and the 303 freeway. First Park @ PV 303 West III Building 1 will be approximately 644,000 square feet in size. This facility's anticipated uses are for distribution of product for Ferrero Rocher Candy. The building will be 40-foot clear height and have dock doors on the north and south sides, away from the Cotton street frontage, screened by 8' high masonry walls with decorative sliding gates.



### GILBERT CROSSROADS BUSINESS PARK, PHASE I

**Developer:** EastGroup Properties

**General Contractor:** Willmeng Construction

**Architect:** Butler Design Group

**Location:** 425 & 435 E. Germann Rd., Gilbert, Arizona

**Size:** 139,732 SF (Phase I) - 317,978 SF at full buildout

**Brokerage Firm:** Colliers International

**Value:** \$12.5 million (Phase I)

**Start/Completion Date:** 2Q 2019/4Q 2019

**Subcontractors:** Hardrock Concrete, Hawkeye Electric, Apache Pipeline & Structures Group


**Project Description:** Gilbert Crossroads is a new state-of-the-art light industrial development located  $\frac{3}{4}$  of a mile southeast of Gilbert Road and the 202 Freeway. The project is being constructed with sustainable features including

R-38 roof deck insulation, white reflective 60mil TPO roof membranes, drought tolerant landscaping, insulated loading doors and full LED lighting. With 1,600 lineal feet of Germann Road frontage, highly desirable demographics, proximity to the 202 Freeway and building depths ranging from 130 feet to 180 feet, the project is well positioned to accommodate showroom, will-call, light manufacturing and last mile distribution requirements.





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## GILBERT GATEWAY COMMERCE PARK

**Developer:** Trammell Crow Company & Principal Real Estate Investors

**General Contractor:** Layton Construction Company

**Architect:** Ware Malcomb

**Location:** Loop 202 & Power Road, Gilbert

**Size:** 416,377 SF

**Brokerage Firm:** CBRE (Evan Koplan, SIOR, Serena Wedlich, Mitch Stravitz)

**Value:** \$40 million

**Start/Completion Date:** July 2019 / January 2020

**Project Description:** Gilbert Gateway Commerce Park is a Class A Industrial Project delivering January 2020. The project is comprised of three (3) buildings totaling 416,377 SF with clear heights ranging from 28 feet to 32 feet, grade level loading and truck wells, ESFR, concrete truck



courts, Loop 202 freeway visibility and divisible to approximately 8,000 SF. Gilbert Gateway Commerce Park is located immediately off the

full diamond interchange at Loop 202 & Power Road with less than a two minute drive to Gilbert Gateway Towne Center.



## GLEN HARBOR BUSINESS PARK

**Developer:** Creation

**General Contractor:** LGE Design Build

**Architect:** LGE Design Group

**Location:** SEC of 107th Avenue and Northern Avenue, North of the NWC of Glen Harbor Blvd.

**Size:** 355,500 SF

**Brokerage Firm:** Lee & Associates Arizona

**Value:** \$42 million

**Start/Completion Date:** Q2 2019 / Q4 2019

**Project Description:** NW101 Commerce Park is 355,500 sf of state of the art industrial

space with best of market clear height, parking ratio, and loading area dimensions. Strategically located to serve the needs of the growth in the West Valley within Glen Harbor Airpark. NW101 Commerce Park will boast an atmosphere that enhances the working environment for all of the employees to enjoy. Surrounding retail and entertainment developments include numerous restaurants, the Arizona Cardinals Stadium, Westgate Mall, Tanger Outlets and Desert Diamond Casino, all which will support the recruitment of employees for companies that are located there.



## HANGAR 37 @ PMGA

**Developer:** Wetta Ventures, LLC

**General Contractor:** Fleming Complete

**Architect:** Larson Associates Architects

**Location:** 6253 S. Sossaman Rd., Mesa AZ 85212

**Size:** 53,000 SF

**Brokerage Firm:** None

**Value:** \$12 million

**Start/Completion Date:** July 2019 / June 2020

**Project Description:** Construction of a 53,000-square foot commercial aircraft maintenance, repair, overhaul ("MRO") hangar with two bays and two office suites with runway access at the Phoenix-Mesa Gateway Airport ("PMGA"). The hangar can accommodate two Boeing 737 aircraft and is under a long-term lease to Belgium-based Aerocircular. The property is located within an Opportunity Zone, and is the first private development at PMGA in over ten years.

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**LOTUS PROJECT**

**Developer:** Conor Commercial Real Estate  
**General Contractor:** McShane Construction Company  
**Architect:** DLR Group  
**Location:** 6511 W Frye Rd., Chandler, AZ 85226  
**Size:** 473,516 SF (Phase I)  
**Brokerage Firm:** CBRE  
**Value:** \$55 million (Phase I)  
**Start/Completion Date:** August 2018  
 /September 2019

**Subcontractors:** Scott Diversified Construction, Suntec Concrete, CJS, Structures Group, Roofing Southwest, Ikon Steel, Olympic Fire West, Jenco

**Project Description:** The Lotus Project is a 53-acre mixed-use employment park consisting of over 650,000 SF of Class A industrial and office space built in two phases. The site is situated off the Loop 202 freeway in the City of Chandler. Phase I is being developed on a speculative basis, which includes four industrial buildings totaling 473,516 SF. Phase II will consist of either two office buildings totaling 200,000 SF or three industrial buildings totaling 216,000 SF. Phase I of construction began August 2018 with completion slated for September 2019.

**MERIT DEER VALLEY**

**Developer:** Merit Partners, Inc.  
**Architect:** Butler Design Group  
**Location:** W. Pinnacle Peak Rd. & 16th Drive  
**Size:** 116,000 SF  
**Brokerage Firm:** DAUM Commercial  
**Value:** \$14 million

**Start/Completion Date:** October 2019/Q2 2020  
**Project Description:** MERIT DEER VALLEY is a two building, 8.4 acre development located on the Southwest corner of the Pinnacle Business Park P.A.D. area, defined by Pinnacle Peak Road, 15th Avenue, Williams Drive, and 19th Avenue. Building "A" will be 60,000 square feet in size on a 4.5 acre site. Building "B" will be 55,000 square feet on a 3.9 acre site. Both facilities will be constructed as shell structures. Anticipated uses are for storage and distribution and office uses in addition to the warehouse areas.

**NIKOLA MOTOR CO.**

**General Contractor:** Okland Construction Co., Inc.  
**Architect:** Architectural Nexus  
**Location:** 4141 E. Broadway Rd., Phoenix, AZ 85040  
**Size:** 154,250 SF  
**Brokerage Firm:** Unknown  
**Value:** \$75 Million

**Start/Completion Date:** August 2018 /May 2019  
**Subcontractors:** Comfort Systems USA Southwest  
**Project Description:** The \$75M Nikola Motor Co. Phoenix headquarters and research and development facility is 2-stories and 150,000+ square feet. It is a place for the hydrogen-electric truck company to show off its vehicles, design, and test new features and designs, and manufacture limited production runs.

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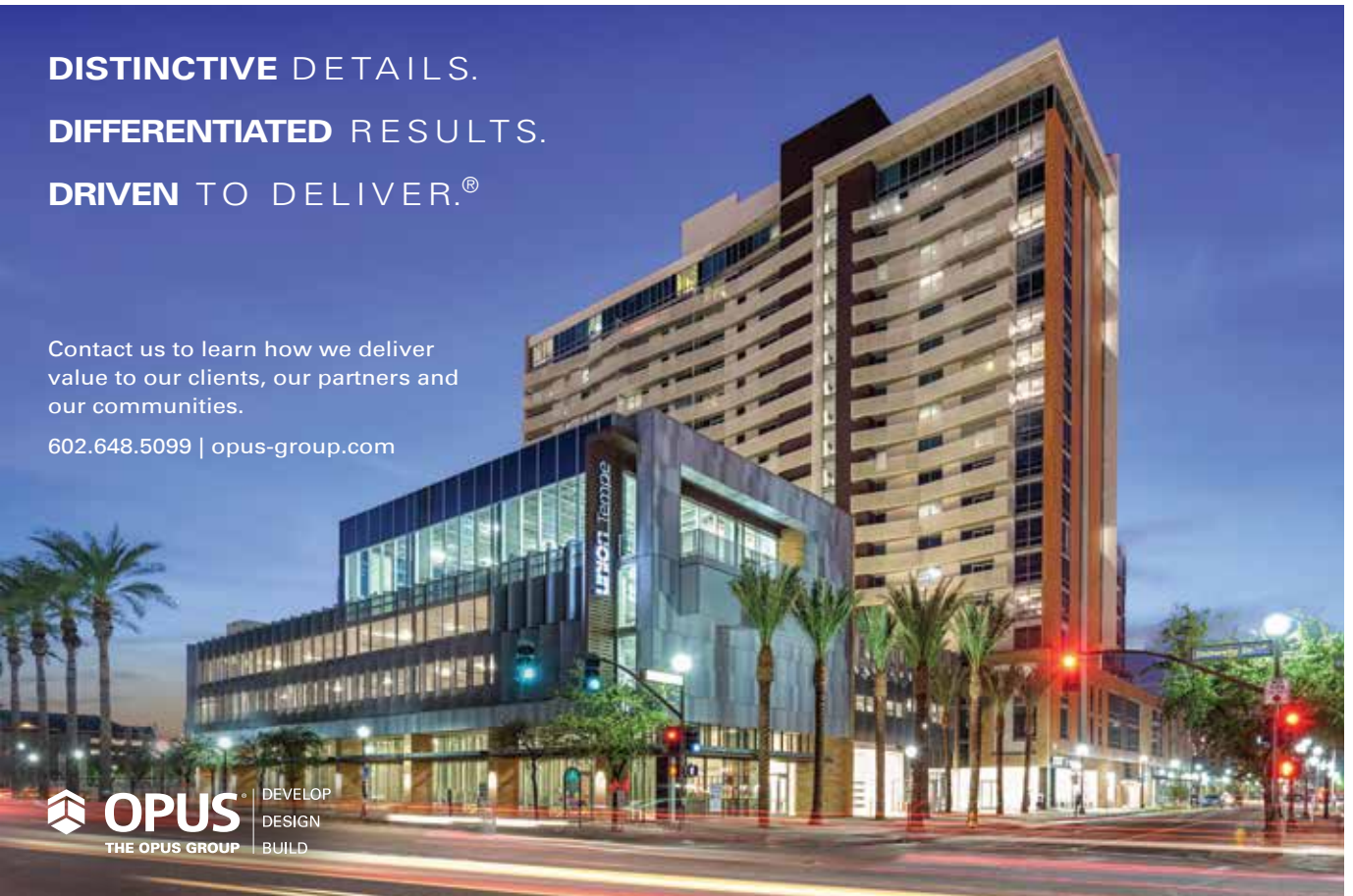


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## OGAN & WEBB ALMA 202

**Developer:** Andy Ogan & Webb Management  
**General Contractor:** Okland Construction  
**Architect:** Butler Design Group  
**Location (exact address):** NEC of Loop 202 & Alma School Road, Chandler  
**Size:** 155,000 SF  
**Brokerage Firm:** Lee & Associates  
**Value:** \$50 million  
**Start/Completion Date:** October 2019/ December 2019  
**Subcontractors:** Clayton Floor Coverings  
**Project Description:** Alma 202 is a mixed-use, 4 building development located at the northeast corner of Alma School Road and loop 202 in Chandler, Arizona. The 12 acre site has primary access off Alma School Road and secondary access from Pecos Road. Plans include a 3-story and 2-story office of approximately 60,000 SF and 50,000 SF



respectively, a 2-story fitness center and one restaurant pad with a drive-thru. Cross-access and parking agreements, combined with a strong

network of pedestrian walks and architectural compatibility, will create a connected campus development to serve the regional sub-market.



## RIO 2100 EAST

**Developer:** The Boyer Company  
**General Contractor:** Wespac  
**Architect:** Butler Design Group

**Location:** 2142 E. Rio Salado, Tempe, AZ  
**Size:** 174,000 SF  
**Brokerage Firm:** CBRE  
**Value:** \$24.9 million

**Start/Completion Date:** January 2019 /March 2020  
**Subcontractors:** Coreslab, Saguaro Steel, Spectrum Mechanical, DP Electric  
**Project Description:** Rio 2100 / EAST is a four story, approximately 174,000 SF Office building located on a 285,040 SF (6.54 Acre) site. A single-level-over-grade parking structure has 888 parking spaces in addition to 101 surface parking spaces for approximately 6:1000 parking. The primary wall structure for the building is EIFS over steel framing with linear and punched window openings. Further articulation around the building will include masonry veneers, metal wall panels, exposed steel or similar elements that together combine to provide an elegant design solution.

## RIVULON COMMONS

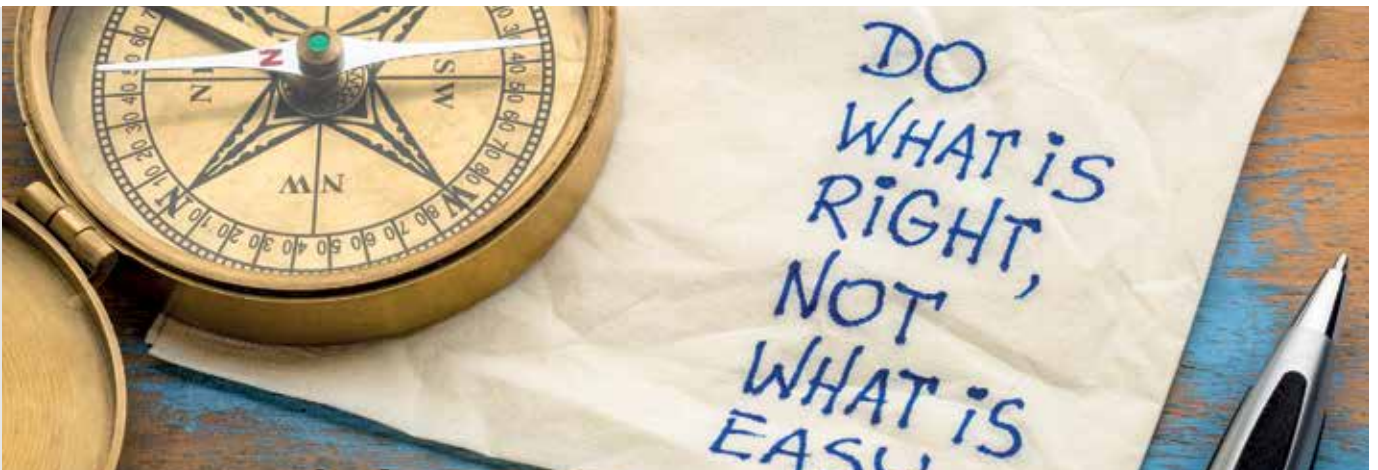
**Developer:** Nationwide Realty Investors  
**General Contractor:** Layton Construction Company  
**Architect:** Butler Design Group  
**Location:** 400 & 410 E. Rivulon Blvd., Gilbert, AZ 85297  
**Size:** (2) 2-Story Office, 100,000 SF EA  
**Brokerage Firm:** Lee & Associates  
**Start/Completion Date:** January 2019/October 2019  
**Project Description:** This second phase of the Rivulon Commons project adds two tilt-up office buildings, organized around and extending a central courtyard that encourages outdoor tenant engagement.





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## SKYSONG 6 AT SKYSONG, THE ASU SCOTTSDALE INNOVATION CENTER

**Developer:** Plaza Companies  
**General Contractor:** DPR Construction  
**Architect:** Butler Design Group  
**Location:** 1355 N. Scottsdale Rd., Scottsdale  
**Size:** 340,000 SF  
**Brokerage Firm:** Lee & Associates  
**Value:** \$54 million  
**Start/Completion Date:** Q1 2020 / Summer 2021

**Subcontractors:** Suntec, Saguaro Steel  
**Project Description:** SkySong 6 will be located at the northwest corner of SkySong, The ASU Scottsdale Innovation Center, fronting on both Scottsdale and McDowell Roads. The new Class A office will include approximately 340,000 square feet of leasable space in six



stories with adjacent structured parking. This new development joins neighboring restaurants, hotel, high-density residential and more than

750,000 square feet of existing office in a vibrant, collaborative environment.



## SUPERIOR LOGISTICS CENTER

**Developer:** ViaWest Group  
**General Contractor:** Nitti Builders  
**Architect:** DEUTSCH  
**Location:** 4240 E. Superior Ave., Phoenix, AZ 85040  
**Size:** Approx. 150,000 SF planned  
**Brokerage Firm:** CBRE  
**Start/Completion Date:** Q4 2019 / Q3 2020

**Subcontractors:** Kimley-Horn  
**Project Description:** ViaWest plans to develop 2 Class A, mid-bay industrial buildings totaling ±150,000 SF divisible to ±18,000 SF on the 9.17-acre vacant land site located just south of Sky Harbor Airport. The property is one of the last sizeable vacant land sites in the submarket, these projects will bring much needed space to the Sky Harbor Submarket, which has an industrial base over 75 million SF, and vacancy rate of only 6.85%.

## THE HUB

**Developer:** Creation  
**General Contractor:** LGE Design Build  
**Architect:** LGE Design Group  
**Location:** SSEC Van Buren Street / Bullard Avenue, Goodyear, AZ  
**Size:** 793,000 SF  
**Brokerage Firm:** Jones Lang LaSalle Americas, Inc. (JLL)  
**Value:** \$50.3 million  
**Start/Completion Date:** Q2 2019 / Q4 2019  
**Subcontractors:** Denny Clark Masonry & Concrete, Phoenix Commercial Electric, Inc., Suntec Concrete Inc, Arc Steel LLC  
**Project Description:** A flagship

project that showcases the full-service approach offered by LGE Design Build. The streamlined, modern aesthetic is designed to captivate and brand its future tenant. With a layout designed to accommodate both single and multiple tenants, elements like 40-foot clear height and 190-foot deep truck yards allow for maximum circulation of industrial vehicles inside and out. Office suites sit between the stretches of metal panel and glazing brings in natural daylighting at the entrances. The design brings a fresh, playful approach to common tilt-panel concrete construction with a lengthy list of features that include energy efficiencies and occupant-centric amenities.





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**THE WATERMARK I TEMPE****Developer:** Fenix Development**General Contractor:** Okland Construction**Architect:** Nelsen Partners**Location:** 410-430 N. Scottsdale Rd.,  
Tempe, Arizona**Size:** 1,900,000 SF**Brokerage Firm:** CBRE**Value:** \$150 million**Start/Completion Date:** Q3 2017

/October 2019

**Subcontractors:** Nelsen Partners, Erickson & Meeks, ESD Mechanical, Design Workshop, Civil & Environmental consultants, Trademark Visual, Suntec**Project Description:** The Watermark is Tempe's newest premier mixed-use development located on the north shore of Tempe Town Lake. Watermark offers the most unique mixed-use environment in the Phoenix Metropolitan Area and contains over 1.9 million square feet of thoughtful development. Total square footage is ±600,000 square feet of Class A office space which includes ±265,000 square feet in Phase I and ±340,000 square feet in Phase II.**WEST 80 INDUSTRIAL****Developer:** Wentworth Property Company**General Contractor:** Willmeng Construction, Inc.**Architect:** Butler Design Group**Location:** 8001 W. Buckeye Rd., Phoenix, AZ**Size:** 379,828 SF**Brokerage Firm:** Cushman Wakefield – Will Strong**Value:** \$26.7 million**Start/Completion Date:** Q4 2018/Q2 2019**Subcontractors:** Suntec Concrete, Inc., Hawkeye Electric**Project Description:** West 80 is a 379,828 SF state-of-the-art cross dock distribution center situated on 22.038 acres. The building features 36-foot clear height, 4 potential office locations, excellent loading, an ESFR sprinkler system, over 100 dock doors, 2% skylights and a gated concrete truck court with trailer parking. The property is located in the heart of the Southwest Valley, at the intersection of Buckeye Road and 79th Avenue.**WILLIS PHASE II****Developer:** ViaWest Group**General Contractor:** Nitti Builders**Architect:** McCall & Associates**Location:** 1600 S. Hamilton St., Chandler, AZ 85286**Size:** Building A: 65,892 Building B: 74,480 Total: 140,372 SF**Brokerage Firm:** Cushman & Wakefield: Andy Markham, Mike Haenel, Phil Haenel**Start/Completion Date:** August 2019/February 2020**Subcontractors:** CEG Applied Sciences**Project Description:** ViaWest Group controls 7.741 acres in the Chandler Airport submarket and is developing two general industrial buildings totaling 140,372 SF. These buildings, likely divisible to 16,000 to 35,000 SF and feature 28-foot clear heights, ESFR sprinklers, mix of dock-high and grade doors, and a 180' shared concrete gated truck court. These buildings will complete AZ 202 Commerce Park, ViaWest delivered the first phase, a build-to-suit for PODS, in April of 2018. Phase II has a planned delivery of February 2020. ■ ■ ■

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NAIOP works to  
*shape public  
policy* both locally  
and nationally

By STEVE BURKS



It's easy to take notice of all of the events and programs that the Arizona Chapter of NAIOP has going on. While the mixers and Night at the Fights are popular and enjoyable for the NAIOP membership, it's the work that the members don't see that is perhaps the most vital part of NAIOP's mission.

NAIOP's work locally at the Arizona Legislature and nationally in Washington, DC promotes the interests of the commercial real estate industry. NAIOP's Arizona Chapter president Suzanne Kinney works closely with the NAIOP board of directors and public policy committee members to develop policy positions and strategy to address those issues with Arizona officials.

"NAIOP's public policy positions at the state level are developed based on a view toward helping Arizona's economy thrive in a manner that drives demand for commercial real estate development," said Jeffrey Sandquist, director at Veridus LLC, a government relations advocacy firm in Phoenix that assists NAIOP with governmental affairs.

In Arizona, the large influx of new residents has provided a great deal of opportunities for commercial real estate companies. That population shift, however, has had other effects that NAIOP has watched closely at the Arizona statehouse.

"In the last five to 10 years, the voters have moved Arizona from a consistently conservative state towards the middle," Sandquist said. "You can see this in the makeup of the Arizona Legislature, the congressional delegation moving to a 5-4 Democrat to Republican split and by the 3-2 Republican to Democratic split among the five, major statewide offices.

"This shift has required organizations like NAIOP to be even more mindful of the importance of bipartisan support where possible and building coalitions to advance or defeat legislation."

Sandquist said that NAIOP's top priority continues to be opposition to new taxes, fees and other regulatory burdens for the commercial real estate industry. NAIOP has worked hard to protect the GPLET economic development tool and ensuring

it is utilized property. NAIOP is also focused on promoting initiatives that will improve education in Arizona, as well as workforce training.

“A qualified, high-skilled workforce is key to attracting and growing businesses in Arizona,” Sandquist said. “NAIOP supports policies that increase education funding and improve K-12 and university outcomes, provided they do not increase costs on the commercial real estate industry.”

Education funding remains a looming issue for NAIOP in Arizona, and the organization is active in helping come up with solutions that do not stifle development. Sandquist also noticed that NAIOP is working to ensure that the enacted reforms to the municipal Speculative Builders tax are effective.

Sandquist did point out that, by and large, Arizona’s political climate is very positive for developers, but more can be done.

“Arizona is indeed very business-friendly and we applaud Arizona’s leaders for their focus on this goal,” Sandquist said. “However, we can

“NAIOP supports policies that increase education funding and improve K-12 and university outcomes, provided they do not increase costs on the commercial real estate industry.”

– Jeffrey Sandquist

always improve. Commercial property taxes remain very high compared to residential property taxes, and NAIOP members have had to wrestle with complicated and opaque local taxes. We encourage our elected leaders to continue to improve in these areas while preserving the great progress the state has already made.”

While Kinney, with ample help from

Veridus, monitors and works on policy for the Phoenix market, NAIOP is very active in Washington to promote the interests of the group on a national scale. NAIOP’s Government Affairs office is led by Aquiles Suarez, the vice president for government affairs, Toby Burke, senior director of state and local affairs, Alex Ford, director of federal affairs, and Richard Tucker, director of public policy communication.

On national level policy issues, NAIOP strives to identify policies that will help the membership succeed and seeks the consultation from standing committees that are made up of NAIOP members.

“If a member identifies a problem, we can go to the committee and find out how members in other states are dealing with the same thing,” said Tucker. “Sometimes, that may be obvious: lower tax rates and a reduction in regulatory red tape are two things that are important to anyone in business, so we’ll advocate for those.

“Those committee members play a key role in helping us understand the



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**I-17 and Pinnacle Peak**  
(Photo courtesy ADOT)

real-world implications of proposed legislation, and ultimately formulate a position that is beneficial to the industry as a whole.”

Tucker said that on a national level, the key issues for NAIOP are Infrastructure and transportation, tax policy and energy efficiency and the environment.

“The first two issues are primarily congressional, and the third is a mix between legislative and executive branch,” Tucker said. “On the first two, we meet with members of Congress and their staff to discuss what good policy should look like. We also host fly-ins, where NAIOP members from particular states come to D.C. and meet with representatives and senators from their state to provide a firsthand account of how these issues impact them.”

On energy and the environment, Tucker noted that NAIOP will participate in the regulatory review process by drafting letters to EPA and other agencies that explain what good policy, that protects the environment while also allowing necessary development, looks like. NAIOP will also advocate for laws that

## NAIOP knows that an effective infrastructure network is crucial to boosting property values and improving supply-chain operations and productivity

provide incentives for sustainability and energy efficiency in buildings, rather than those which impose unachievable mandates. In all three cases, NAIOP works to shape public opinion. The organization can do that by writing blog posts and op-eds to run in important states and districts and educate the public about these issues.

Another national level issue that NAIOP has been helping advance is transportation and infrastructure initiatives. NAIOP knows that an effective infrastructure network is crucial to boosting property values and improving supply-chain operations and productivity. Tucker said NAIOP

is in support of federal funding for important projects and the expanded use of innovative funding mechanisms, such as public-private partnerships.

“Just before the August recess began, the Senate Committee on Environment and Public Works voted unanimously to advance a \$287 billion highway bill,” Tucker said. “The measure also has support in the House of Representatives and the White House. When lawmakers return after Labor Day, the Senate Finance Committee will consider ways to pay for the highway bill. NAIOP will encourage lawmakers to fully fund crucial projects.”

With national elections quickly approaching in 2020, Tucker said NAIOP does not see the need to alter its approach to advocacy as the political parties trade control from election cycle to election cycle.

“The leadership in the White House or Congress may change from election to election, but that doesn’t alter NAIOP’s approach,” Tucker said. “We work with members of both parties and with career regulators in the executive branch to advance good policies that support a healthy American economy in a responsible, balanced way.” ■■■



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# Preparing to prosper



## NAIOP's Young Professionals Group and AZ Connections program aim to foster Developing Leaders

By ANE PULU

Arizona's NAIOP chapter is breaking ground with constructive programs for young people in the real estate industry. The highly esteemed commercial real estate development association is a national organization that has thousands of members across the U.S. Among the many programs NAIOP boasts, AZ Connections and the Young Professionals Group (YPG) are two distinctive programs that members of the Arizona chapter were inspired to initiate to mentor and foster developing leaders in the state. Comprehensively, NAIOP provides eminent networking and educational

opportunities for its members, while branch programs like AZ Connections and YPG provide focused opportunities for individual participant development.

Coinciding with the national organization in Washington D.C., the Young Professionals Group was established in Arizona in 2011. The six-month program entails the commitment of Developing Leaders (DL) spending time skill building with other young professionals and career coaches. The YPG program is designed to educate, develop, connect and elevate the next generation of commercial real estate leaders. This is accomplished through education,

a case study, networking, mentoring, leadership training, and accessibility. To become a DL, interested candidates must be a NAIOP member under the age of 35. Candidates are directed to the online application that is found on the NAIOP YPG website. A maximum of 16 students are admitted into the program per term and are then guided through the six month journey by a mentee. The educational aspect of the program includes panels about brokerage, marketing, development, finance, architecture, construction and other real estate disciplines. Throughout the six months, the DL work in groups on a case study that revolves around



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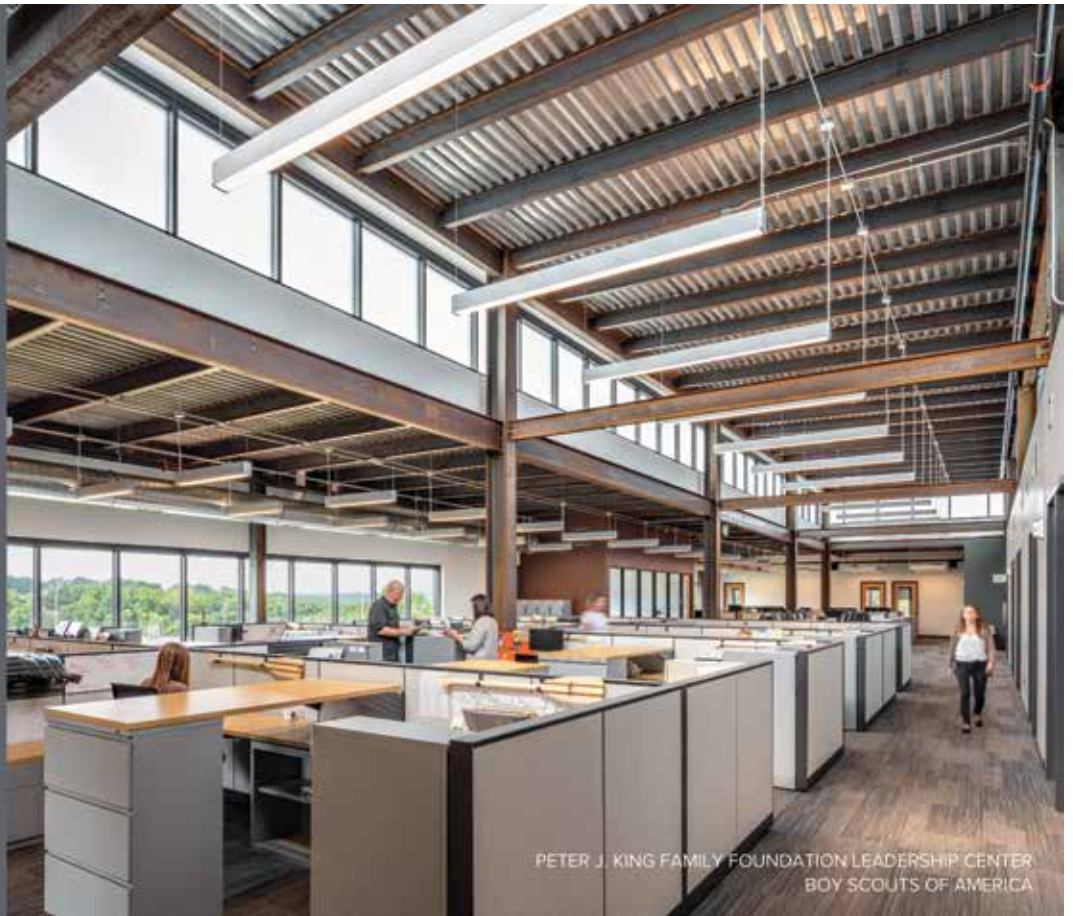
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building the necessities of a completed development plan.

“The program is all about teaching how a development deal comes together, what things developers think about and what’s important as you’re planning projects working through city entitlement processes and then ultimately, completing a successful project,” said YPG vice chair, Josh Tracy. Amid the process, students will be expected to meet with their assigned mentors at least six times throughout the span of the program. The hopes are that they develop a connection that will last a lifetime. Tracy, who is the director of development with Ryan Companies US, Inc., was a mentee in YPG for two years. He reflected on his experience with the program saying he “saw it as an opportunity to learn more about the industry as well as connect with other industry professionals and start building relationships that

The YPG program is designed to educate, develop, connect and elevate the next generation of commercial real estate leaders.

would hopefully last a career while in commercial real estate.”

More recently NAIOP adopted and launched a new program called AZ Connections. The unique program aims to foster confidence in DL by connecting them with industry professionals. Chair of AZ Connections, Chelsea Porter, recalled when she first started in the field and would walk into events, intimidated by the crowd of faces she was unfamiliar with.

“I honestly think I was shaking. I’m not 100 percent outgoing,” said Porter, who is the director of marketing for The Renaissance Companies. “I’ve learned, adapted and forced myself to become like that, but if I had this program back in the day I would’ve been so much more comfortable.”

Inspired by Toronto’s chapter, NAIOP board member Cathy Thuringer decided to kickstart the exceptionally concentrated program in Arizona to help DL get acquainted with professionals and encourage exposure to various aspects of the field. Also a six month program, AZ Connections supported 200+ DL this past session by providing the opportunity to meet individually with their choice of industry leader among the 30 mentors listed. Dissimilar to YPG, NAIOP members interested in joining AZ Connections do not have to undergo an application process, but simply sign up



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	BLDG. A	BLDG. B
BUILDING SIZE:	92,261	132,210
BUILDING CONFIG:	Rear Load	Front Load
DIMENSIONS:	126' - 176' x 630'	158' x 944'
CLEAR HEIGHT:	28'	28'
FIRE PROTECTION:	ESFR	ESFR
TRUCK COURT:	175' (Shared Concrete)	175' (Shared Concrete)
DOCK DOORS:	26	36
DRIVE-IN DOORS:	8	6
TYPICAL COLUMN SPACING:	52' x 50'	52' x 52'
CAR PARKING:	1,271,000	1,271,000

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ARIZONA CHAPTER

**SIGNATURE  
SPEAKER SERIES**

**THURSDAY,  
OCTOBER 24**

**AGENDA**

3:00pm - 4:30pm Registration & Networking  
4:30pm - 5:30pm Alice Cooper "Unplugged"  
5:30pm - 6:30pm Networking Reception

**PRICING**

Developing Leader: \$65  
Member: \$75  
4 Member Tickets: \$275  
Non-Member: \$125

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**Cathy Thuringer**

and reserve a session with a mentor on the online portal.

“Creating this, we wanted developing leaders to become more involved, we wanted them to have a place where they can go and easily reserve some of the top people in construction, architecture, development, brokerage, and law; where they can expand their knowledge and ask mentors questions,” Porter said. “They’ve been doing exactly what we want them to do, they’re meeting with people outside of their field.” Although the program just launched this year, members expect growth and continued success for future DL and mentors.

The YPG and AZ Connections programs have proven to be a great success for NAIOP members. The programs have helped mold and develop young professionals, who find themselves returning to reinvest their time and energy into up and coming leaders in the industry.

“After I participated as a mentee, I was asked to be co-chair of it this last year. Now I’m helping lead the program,” Tracy said.

Thuringer, a principal at Trammell Crow Company, has been a mentor for YPG for the past four years and has found her personal commitment enriching.

“The mentors are there really to kind of help guide the mentees. We’re there to be a backdrop, to help with our expertise,” Thuringer said. “I think the greatest impact it has on mentees is, it opens their eyes a little bit more to the complexities of the development business. It’s complicated. I think people who have been exposed to the development process really open their eyes to all of the things that are involved in a project.” ■■■

#### NAIOP: Mentorship events.





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