

Focus: Commercial Real Estate

THE NEXT BIG THING

Development corridors dispersed throughout Valley show huge potential

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The next great redevelopment opportunities are found all over the map, not just along the Valley's new freeways, industry experts say.

Not that the interest in redevelopment ever dwindled, but there are new opportunities showing up. The extensions of the Loop 202 Freeway in the East Valley and the planned Loop 303 in the West Valley are the most obvious because they encourage new development, and the Native American communities east of Scottsdale and south of Ahwatukee remain popular among developers.



Dan Colton

However, properties along the light rail system and vacant or under-utilized land along the Rio Salado are taking on a new look, said Colton Commercial Chief Executive Dan Colton.

So are the corridors along Grand Avenue in Surprise, Interstate 10 in Avondale and Goodyear, and the Sun Valley Parkway west of the White Tank Mountains, said Michael Chasse, a principal with Arizona Land Advisors.

Chasse said 10,000 lots are planned along the northern part of Sun Valley Parkway, making that area "one of the hottest markets to come along, for new homes."

North of Grand Avenue, north of Surprise, several home builders are gearing up to start work on major projects. The first builder to begin work is Lennar Homes, which is starting grading on its Asante community near 163rd Avenue, Chasse said.

LIGHT RAIL OPPORTUNITIES

In the urban core, Colton said, one primary area of new opportunity is almost any property along the light rail line, which runs from northwest Phoenix at 19th Avenue and Bethany



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Light rail construction has opened up new opportunities along the line from Phoenix to Tempe and Mesa. While many key pieces of land are spoken for, developers now are working to assemble many of the small properties into usable sites.

Home Road, south to Camelback Road and east to Central Avenue.

From there, the line goes south to Washington Street, then east to Tempe and Mesa.

"You're going to see a reuse of the properties along the light line," Colton said. "It's an adaptive reuse of properties as the light rail goes through."



Kurt Rosene

For example, a vacant lot too small for redevelopment could be combined with an adjacent obsolete building for a larger project or building.

Assemblages of several small properties into one larger parcel are expected "because all of the easy pieces are taken," Colton said.

"You're going to have to spend money to do these assemblages," he said. "They're tough, and they take time. It's not uncommon to spend five years trying to buy a piece of land."

Colton said owners of tiny parcels who price their land too high, thinking they can force a developer to pay up, "are going to learn that the smaller pieces are just not worth working on, and so they're going to miss their opportunities."

The area from downtown Phoenix east to Tempe, roughly from Van Buren Street south to the Salt River, dubbed the "Opportunity Corridor" by Phoenix Mayor Phil Gordon, is another area Colton said is ready for redevelopment.

INDIAN LANDS GAINING

American Indian lands are gaining popularity, especially on the Salt River Pima-Maricopa Indian Community east of Scottsdale, said The Alter Group Senior Vice President Kurt Rosene.

'It's not uncommon to spend five years trying to buy a piece of land.'

Dan Colton
Colton Commercial

Because Scottsdale's commercial real estate industry has been a powerhouse in recent years, "Scottsdale is a victim of its own success and is rapidly running out of commercial land," Rosene said.

"The Salt River Pima-Maricopa Indian Community will continue to benefit from Scottsdale's success and will capture most of the new commercial development," he said.

Colton said the Gila River Indian Community south of Ahwatukee is another important



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Developers are following freeway construction across the Valley, particularly along new freeway corridors such as the Loop 202 in the East Valley.

area where developers can lease land for new projects.

The Indian communities lease their property, rather than sell it. For that reason, land leasing from the Indian land owners "is going to be part of the local real estate landscape for the next 20 or 30 years," Colton said. "It's going to be a place where a lot of people are going to do business."

WEST VALLEY SHIFT

Colton and Rosene said other commercial and industrial opportunities are predicted in areas near new residential projects in the West Valley, where about 60 percent of the region's residential construction is occurring.

"The West Valley is a magnet for east Los Angeles," Colton said.

He was referring to companies that ship goods from L.A. by truck to distribution centers along Interstate 10 in Goodyear, Tolleson and Avondale.

Rosene said most of the Valley's major industrial growth will be in the southwest part of the city.

"As the municipalities reduce the amount of land available for industrial development, the developers and users will be forced farther west where there is less competition for land with retail, residential and commercial uses," Rosene said.

Rosene and others in the industry say declining land inventory in the southwest Valley and limited opportunities in the southeast Valley, will drive industrial development south to Casa Grande.

WESTGATE, ZANJERO

The West Valley's future commercial stars are taking shape near Loop 101 and Glendale Avenue.

They include Westgate City Center, which is developer Steve Ellman's project next to Glendale Arena at 95th and Glendale avenues; Zanjero Business Park, developer Rick Burton's project across the street that includes the state's first Cabela's store; and the Arizona Cardinals stadium and multipurpose facility south of the Glendale Arena.

Cabela's 160,000-square-foot store, now under construction, is projected to open by late summer. Company officials are expecting more than 3.5 million visitors annually.

At Westgate, the 505,000-square-foot retail and office first phase is to open in mid-2007. The pace of construction has been accelerating in recent months. The Ellman Cos. received a \$97.5 million construction loan from Fremont Investment & Loan in August.

The hockey arena, which opened in 2003, and Westgate City Center were the first major new developments in the West Valley in many years. The football stadium is set to open later this year, as is Cabela's.

"There are 1 million people within 10 miles of Westgate today, and the population growth in the West Valley is explosive," said Jeff Teetsel, vice president and regional manager for Fremont's Phoenix office. "There is a need for both destination retail and Class A office space in the West Valley 101 corridor, and Westgate is both the catalyst and the hub for that development."