

Vacancy rates for the Valley's industrial properties have consistently stayed between 6 percent and 8 percent during the past several quarters - a very low number - indicating the need for new industrial-property construction.

Developers like Alter Group have been scrambling to provide more space for tenants, especially in the West Valley, which has become a thriving hub for such businesses because of its proximity to freeways that provide easy access to other states, particularly California.

There was 8.2 million square feet of industrial space under construction in the second quarter, up from 4.5 million a year ago.

Warehouse park on growth spurt in West Valley

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Bolstered by pent-up demand in the Valley's industrial real-estate market, a Chicago-based developer is planning to add an additional 600,000 square feet to a warehouse park in west Phoenix.

The Alter Group broke ground recently on two more buildings in its Buckeye Logistics Center, which has the capacity to house up to 3 million square feet of distribution space.

One of the buildings will include 380,740 square feet and the other will have 303,450 square feet, said Pat Gallagher, senior vice president of the Alter Group.

The two distribution buildings, which are slated for completion in the first quarter of 2008, will join another 600,000-plus-square-foot warehouse that is already complete.

Investment firm Duke Realty Corp. bought that building from the Alter Group in June for \$27.5 million and has since negotiated a lease with Amazon.com Inc., which plans to make the facility a processing facility for shipping online orders.

The online retailer's presence should be attractive to other potential tenants of the Buckeye Logistics Center, Gallagher said.

"Having a company like Amazon in your park is such a strong positive," he said. "Big companies like to locate with other large companies."

The additions to the Buckeye Logistics Center, located near the intersection of 67th Avenue and Buckeye Road, should help feed companies' appetite for industrial space.

That appetite is evident both in major lease deals involving Amazon.com and Ulta Cosmetics, which signed a lease for a 330,000-square-foot distribution center in Phoenix, and smaller transactions like ones announced Tuesday by Grubb & Ellis/BRE Commercial LLC.

The brokerage firm's Phoenix office said it helped negotiate the sales of five smaller industrial buildings in Phoenix, Tempe and Tucson for a total of \$19.9 million.