

## Deer Valley office market takes off

### Area near Loop 101, I-17 attracts large firms to north Phoenix

by **Andrew Johnson** - Apr. 8, 2008 04:55 PM  
The Arizona Republic

Big-name developers and a slew of Fortune 500 companies have descended on Deer Valley in recent years, transforming the once-sleepy corner of north Phoenix into one of the region's up-and-coming office corridors.

The activity has put the area, which surrounds the intersection of Interstate 17 and Loop 101, in the same realm as such employment hot spots as the Camelback Corridor, North Scottsdale and Tempe's Rio Salado Parkway.

With lower asking rents, ample freeway access, proximity to the Deer Valley Airport and the arrival of new shopping centers and hotels, existing Valley employers are putting Deer Valley on their short list of relocation options, and companies new to the metro area are considering leasing space there, too.

The interest has led some of the Valley's biggest commercial developers and employers to snatch up what limited land is left to build sprawling business parks.

- Ryan Cos. US Inc. is finishing preliminary road work on 45 acres northeast of Interstate 17 and Pinnacle Peak Road it bought in 2006 for its 17 North Corporate Center, which eventually could include 750,000 square feet in a dozen office buildings. The company plans to break ground in May on the first phase, a three-story for-lease building.
- Nearby, The Alter Group is adding to its 80-acre Corridors-Phoenix business park. It already contains 427,000 square feet of office space. Alter most recently completed a 132,000-square-foot office building for the Arizona State Credit Union last year.
- W.L. Gore & Associates bought about 40 acres in Deer Valley last year for a new campus for its medical-device division. The Newark, Del.-based company, which already has employees in Flagstaff, Tempe and north Phoenix, plans to build five buildings over the next several years on the site to house as many as 1,000 workers, according to corporate counsel Eve Ross.
- Financial-services firm USAA continues to add to its massive campus, which it began construction on in 2000. The company has built 880,000 square feet of space on 447 acres since then, according to spokesman Clayton Allen. The company's real estate division, USAA Real Estate Co., has also co-developed the Shops at Norterra retail center with Red Development on an adjacent 128-acre parcel.

The presence of such big-name employers and the growing number building options has helped Deer Valley attract companies in other high-end office clusters to relocate.

In January, pizza chain Peter Piper Inc. said it was moving its corporate headquarters from Scottsdale to the North Loop 101 Business Center at Seventh Avenue and the Loop 101 later this year.

Traffic-camera company RedFlex Traffic Systems also plans to move its from space it leases in Scottsdale to

Deer Valley, according to Ashley Brooks, a senior vice president with commercial real-estate brokerage firm CB Richard Ellis Inc.

There is currently 2.8 million square feet of multi-tenant office building space in Deer Valley, up from 1.6 million square feet five years ago, according to CBRE data.

That number excludes government buildings, medical offices and buildings that are owned by tenants. CBRE defines the area's boundaries as Anthem Parkway to the north, Cactus Road to the south, 59th Avenue to the west and 12th Street to the east.

"Before the Loop 101 was completed, (Deer Valley) was kind of the outskirts of town," Brooks said. "Now that's Main and Main . . . for a lot of people."

## **Transportation benefits**

As the Valley continues to sprawl, transportation has become a bigger concern for many companies who want to be centrally located.

Deer Valley surrounds the confluence of I-17 and Loop 101 - two of the metro area's biggest freeways. Roadway projects aimed at expanding I-17 lanes and adding new interchanges is expected to help ease the flow of traffic in and out of the area.

Ross said the Gore liked the area's proximity to freeways and existing utilities that its site offered.

"It meant that commercial development could occur in a reasonable time frame," Ross said. "We looked at a number of places, and this site just seemed to have everything we were looking for."

Lease rates for Class A, or high-end, office space in Deer Valley currently ranges between \$24 and \$29.50 per square foot, according to CBRE. That's a bargain compared with downtown Phoenix, Camelback Corridor, North Scottsdale and other established office markets where such space often starts around \$28 per square foot and goes up to \$40 per square foot in some areas.

Commercial real estate brokers also point out that the amount of available housing has grown, providing more options for companies concerned about attracting top-quality executives.

They also say dining and shopping options have caught up with the other development, giving the nine-to-five office dwellers places to eat lunch and run their errands without having to drive for miles.

The result is big-name companies now view the area as a place where they can easily draw in employees from all directions.

## **Hub of activity**

Another major draw is the Deer Valley Airport, the busiest general aviation relief airport in the country, has been a major catalyst for much of the industrial construction that has taken place there. In the airpark, in particular, there is about 17.2 million square feet of retail, office and industrial space, according to a report from real-estate brokerage firm Colliers International called 2020 Vision.

Colliers defines the area's borders as Happy Valley Road to the north, Loop 101 to the south, Seventh Street to the east and 35th Avenue to the west.

By 2020, the area will likely have 29 million square feet of buildings and 81,000 employees, according to the report.

Deer Valley's proximity to the Scottsdale Airport to the east has also helped the area attract employers, according to Chris Keeley, an associate vice president with Colliers International.

"Scottsdale Airpark doesn't have the available space that we saw 10 years ago," Keeley said.

Darren Tappen, a Colliers International associate vice president who brokers land sales, said he knows of at least "three or four big users deals" jockeying the Deer Valley submarket.

"I would say in the next 12 months we will probably see 80 acres of land absorb a half-million square feet of owner-user buildings," Tappen said.

## **Major employers**

Deer Valley's reputation as a haven for companies that want to build and own their facilities has grown extensively over the years.

While other Valley employment mainstays - such as Honeywell International Inc. - have owned their digs in Deer Valley for dozens of years, many real estate and economic development officials cite Texas-based financial-services firm USAA's decision to build there as the spark that has prompted the latest wave of office development.

Arizona State Credit Union owns its building at 2355 W. Pinnacle Peak Road, which The Alter Group developed for the company on its site.

Kurt Rosene, senior vice president with Alter, said the company has the ability to add five or six additional offices buildings on the site and plans to break ground this year a 100,000-square-foot structure.

Rosene said the company has had discussions with a handful of potential tenants interested in leasing between 30,000 and 40,000 square feet.

"Our goal is to just stay ahead of the market a little bit, but not put too much space up there," he said.

Another major appeal for developers like Alter and Ryan is that there is not much developable land left in the Deer Valley submarket.

Tappen, the Colliers broker, estimates there is about 450 acres of undeveloped land still available in Deer Valley that isn't part of the state land trust.

"As a developer, you want to make sure if you build your project, can 10 others go do it across the street," said Todd Holzer, vice president of development for Ryan. "It's a tight land market."

Still, it appears as if the construction will continue through the near future.

"What we're currently seeing right now is . . . an influx of zoning requests for commerce parks and industrial-type developments around the Deer Valley Airport," said Megan Neal, a Phoenix village planner who oversees Deer Valley and Desert View.

**Reach the reporter at andrew.**

**johnson@arizonarepublic.com or 602-444-8280.**