

Proposed Gaylord resort prompts interest in nearby land

by **Angelique Soenarie** - Sept. 24, 2008 10:37 AM

A proposed resort and convention center by Gaylord Entertainment in southeast Mesa has developers and investors scouting and buying nearby properties.

Chicago-based First Industrial Realty Trust, one of the nation's largest industrial real estate developers, bought 300 acres at the northeastern corner of Ellsworth and Elliot road two years ago for \$40 million. The company recently sold nearly 60 acres to two developers.

"We heard this might be a possibility four to five months ago, and within the last 30 to 45 days, it became much more of a reality," said Brent Moser, executive vice president of Grubb & Ellis Company, one of several brokers aware of the Gaylord resort deal. "So it definitely impacted those transactions."

The commercial real estate broker represents thousands of acres in the Southeast Valley and expects by November to close the deal on another 300 acres near Phoenix-Mesa Gateway Airport, he said.

Other deals in the area:

- Rucker Group of Washington and Parke Corp. of Pennsylvania recently bought land from First Industrial Realty Trust. The companies plan to work together to develop a mixed-used development of high-end retail and offices in the next 18 months. Rucker Group purchased about 20 acres for \$7.4 million a few months ago and within the last two weeks Parke Corporation purchased 35 acres for \$11 million near Elliot Road and 96th Street, Moser said.
- Southwest Gas Corp. also bought 10 acres north of Rucker Group and Parke Corp. property for \$3.5 million six to eight months ago, Moser said.
- Demko Investment Group of California is contracted within the next three months to buy 10 acres at Pecos and Ellsworth roads for \$3 million from a private investor. Demko plans to put a gas station and retail along Ellsworth Road.
- De Rito Partners Inc. of Phoenix bought 130 acres six years ago across from the General Motors Desert Proving Ground, just northwest of DMB at Elliot and Ellsworth roads. He plans to build a mixed-used area of retail, hotel and office space.

"The hope would be to land a Paradise Bakery, sit-down restaurants, a four-star hotel and Class A office space," Moser said of Rucker Group's planned development.

Moser said it's hard to tell whether property in the Gateway area could quickly get pricey, but said, "If anything, this area is holding value as opposed to going up dramatically. That wouldn't be the case had it not been for what DMB is creating across the street."

First Industrial Realty Trust originally envisioned a business park but scratched the idea after the announcement of a Gaylord resort across the street.

"Now, it's turning more into a mixed-used boutique, higher finish almost like a Kierland (Commons) type theme," Moser said of the outdoor Westcor shopping center in north Phoenix. "It's fairly early, but we think it will have similar uses."

He believes the build-out of the two developers over the next seven years will produce 2,500 to 3,000 jobs.

"This whole area has been going through a critical-thinking mode of what it wants to be in the next five to seven years, and that has been driven by DMB. This announcement is beyond our wildest expectations," Moser said. "To build 2,000 rooms is tremendous. It's double of what we've seen in the whole metro Phoenix area ever."

Gaylord and another planned resort nearby, the name of which has not been disclosed, would have a combined 2,000 rooms.

Mike Demko, partner and vice president of Demko Investment group, who will soon own land near the resort is looking forward to "the already exciting Williams Gateway area," he said. Like others, the company had been exploring opportunities associated with Phoenix-Mesa Gateway Airport and real estate developer, DMB Associates.

"People have known DMB has controlled 5,000 acres for a long time, but I think the news about Gaylord exceeded everyone's expectations as far as the initial phases of the development."

Marty De Rito of Phoenix-based De Rito Partners Inc. agrees.

"We always figured that the property was underutilized as a proving ground and that someone someday would buy it and build a master-planned community," De Rito said.

"And honestly, it was pure luck on our behalf that DMB, one of the biggest and best developers in the United States, bought it."