

# The Greater SCOTTSDALE AIRPARK 2010 REPORT



**December, 2007**  
 Jim Keeley, SIOR, CCIM  
 Founding Partner,  
 Scottsdale Office

## Location:

### The "Greater Scottsdale Airpark" Boundaries:

**North Boundary:** Loop 101 Pima Freeway  
**South Boundary:** Thunderbird Rd.  
**West Boundary:** 64th St.  
**East Boundary:** 96th St.  
 (between the CAP Canal and Bell Rd)

## Zoning:

Commercial Office; Light Industry; Hotel;  
 Commercial Retail

## Size:

2,950 ± Acres  
 Approximately 28,454,277 ± SF of Buildings

## Currently Developed:

Approximately 2,925 ± Acres

## Number of Companies:

Approximately 2,779

## Business Categories:

Approximately 110 (i.e., accountants, auto, publishing, stock brokers, etc.)

## Number of Employees:

Approximately 52,500

## Number of Buildings (including Hotels)

BUILDING USAGE	SQ. FOOTAGE	PERCENTAGE
<b>Total</b>		<b>100%</b>
Office	9,442,646	35%
Industrial	9,058,936	33%
Hangar	533,850	2%*
Retail	6,118,017	22%
Hotel	2,200,000	8%

## The Greater Scottsdale Airpark 2010 Report

- **Why does 2007 look a lot like 1987?**
- **Which industries are affected by the housing slump?**
- **Go vertical – up to 8 stories!**
- **Have you heard about LEED Certified Buildings?**
- **Why has it taken so long for MXD's to make sense?**
- **Where are the opportunities in 2008?**

### Why does 2007 look a lot like 1987?

Historically Arizona has experienced boom and bust real estate cycles. 1983 to 1987 followed that pattern when absorption of space leveled off and values increased up to 1987. The Greater Phoenix area had a downturn from 1988 – 1993.

There was an up turn from 1994 - 2000. Despite a minor dip in 2001-2002, there has been rapid growth, new job opportunities, large net in-migration of new residents to the Valley and escalating land prices. 2006 and Early 2007 was the high water point in values whereas the second half of 2007 showed a leveling off period in the absorption of space, particularly with the ripple effect of the housing slump, which affects the rapid job creation we had experienced.

Although we don't anticipate a repeat of the late 80's we are anticipating a slow-down in 2008.

### Which industries are affected by the housing slump?

The ripple effect from the residential housing slump began to show its affect in 2007 on many retail and professional businesses from car dealers, mortgage brokers and Title companies, but the hardest hit has been the home furnishings business. Many of these companies bought buildings larger than needed and now have to sublease some of their space and/or leaving some developers empty-handed as far as finding tenants or buyers for their new buildings. The mortgage brokerage industry has pulled back as well as many of the local and national homebuilders. We are seeing large amounts office space that had been occupied now being vacated and/or looking for sublease tenants in and around the Scottsdale Airpark.

### Go Vertical – up to 8 stories!

In 2006 one of the finest developers and projects located in North Scottsdale went to the City Council seeking a height variance up to 89 feet along the Loop 101 Freeway and Scottsdale Road. DMB was denied and has continued to proceed forward on their exciting One Scottsdale project. In the last 6 months there have been numerous articles and numerous discussion points to increase

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## Major Companies:

Air Services International  
Airpark Chrysler / Jeep  
Allied Waste  
Ashley Furniture  
Best Western  
Biltmore Bank  
Cahners In-Stat Group  
Chase Bank  
Colliers International  
Corporate Jets, Inc.  
Costco  
Cox Cable of Scottsdale  
D.H.L. Worldwide Express  
Danny's Family Businesses  
Dial Corporate Headquarters  
Dial Tech. R & D  
Dillon Precision Industries  
Discount Tire Company, Inc.  
Ed Moses Dodge  
Expo Design Center  
Fairmont Scottsdale Princess  
Farmers Insurance  
General Electric / FFCA  
General Mills  
Giant Industries  
Go Daddy Software  
Go Video  
Golden Genesis  
GTCO CalComp Input Technologies Division  
Hacienda Harley Davidson  
Home Depot  
IKON  
Interface, Inc.  
JDA Software  
Knowledge Net  
Kohl's Department Store  
KYOCERA Solar  
La Petite Academy  
Legends Cadillac  
Lou Grubb Ford  
Martin Buick Pontiac GMC  
Lowes Home Improvement Warehouse  
Metris Company  
Mobile Electronics  
North Scottsdale Lincoln Mercury  
Nautilus Insurance Co.  
Pegasus Solutions  
Peter Piper Corporate Headquarters  
Phase 2 Solutions  
Pinnacle Nissan  
Prudential Insurance  
Pulte Homes  
Qwest  
ReMax  
Rental Service Corp.  
Right Toyota  
Robb & Stucky  
Ryland Homes  
Saturn of Scottsdale  
Schumacher European, Ltd. (Mercedes-Benz)  
Scottsdale Honda  
SonicAir  
State Farm Insurance  
Sun Genesis Systems  
Target  
The Tech Group / Tech Poulson  
Thomasville Home Furnishings  
Trader Joes  
Trivita  
U.S. Postal Service  
U-Haul  
Unison Health Care  
Van Chevrolet  
VanGuard  
Wace Imaging Network Offset Separations  
Wal-Mart Supercenter  
Westin Kierland Resort  
Wilson Electric Co.  
XYTERRA

the height and density in the Greater Scottsdale employment base. This should be a no-brainer. This employment base should have 7-8 story buildings due to its proximity to the freeway and intense business core that is not close to residential neighborhoods and will not affect views. We should see some zoning applications in the near future to increase the heights. This positive change would continue to make the Greater Scottsdale Airpark one of the finest employment bases in the country, if we have the political courage.

## Have you heard about LEED?

More and more developers are applying for LEED (Leadership in Energy Environmental Design) Certification on their projects. Buildings qualify for LEED Certification based on construction projects that meet recycling, conservation and energy efficiency benchmarks. Here in the Scottsdale Airpark the Vanguard Building constructed in 2006 was the first new large LEED Certified building. As we move closer to 2010 we will see more and more developers and existing building owners directing their redevelopment, new construction and remodeling of the facilities to meet these guidelines and to be better long-term neighbors to the environment. You will hear more about this in the future.

## Why has it taken so long for MXDs to make sense?

MXDs or what is commonly referred to as Mixed Use Developments fuel urban expansion, redevelopment and economic growth. These projects are dubbed "environmentally friendly" because they take people out of their cars which promotes an environment of live, work, shop and recreate all in one area. The Kierland Commons is a mixed-use development as well as the One Scottsdale Project under construction and the redevelopment of the former Dial facility, now called "The Scottsdale Quarter".

The success of these mixed-use projects around the Airpark, will continue to incorporate diversity and need height in order to be financially viable.

## Where are the opportunities going to be in 2008?

Scottsdale invested \$10 million to redevelop The TPC Scottsdale Champions Course, formerly known as the TPC Desert Course this year. We celebrate the 20-year anniversary of Costco, which then drew in the Wal-Mart Supercenter and Sam's Club. All of these consumer retail giants are doing well.

Business education continues to abound in the Airpark area with four highly respected colleges and universities offering a variety of curriculums tailored for working adults. These include WP Carey School of Business of Arizona State University offering MBA's and graduate degrees, The Eller College of Management of the University of Arizona, The Keller Graduate School of Management of

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*\*If you are a major company and we missed placing your name on this list, please contact us and we will correct it for next year.*

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DeVry University and Scottsdale Community College Business Institute. These are tremendous opportunities for consuming space and educating our working adults.

The real estate investment opportunities in 2008 will be those companies that can negotiate less expensive space from the sublease space becoming available. Also, there will be opportunities to purchase some office condominiums for lower than replacement costs.

It is anticipated that most of the opportunities will occur in late 2008 – 2009. Out of state companies will no doubt read about the opportunities and look for a way to move to the Airpark.

While many could claim there's no bargain basement deal in Scottsdale it could certainly be argued there will be some red tag sales.

## What Will the Airpark Look Like in the Year 2010?

In 1989 we published the first 2010 Report. We predicted that the Airpark would have over 50,000 employees and over 3,000 companies occupying 25 million square feet by the year 2010. At this point we have exceeded 50,000 employees and are well over 25 million square feet. The number of companies has not grown as rapidly as we predicted, primarily due to the fact that there are many more large companies than we had in the 80's and 90's.

Our predictions for 2010 are hereby revised to estimate 60,000 employees and 2,900 companies occupying 30 million square feet.

## Scottsdale Airpark Total Square Footage

Existing Buildings:	27,353,449
Buildings Under Construction:	1,100,828
<b>Total Square Footage:</b>	<b>28,454,277</b>

*\* John Meyer of Airpark Property Specialists provided us with all of the most current aviation and hangar information*

A special thanks to Colliers International brokers for their input and in particular, Nancy Rossman for her talented editing, Gabriel Chavez for his graphic and desktop publication work, Rebecca Johnson for her research efforts and Jamie McClellan for pulling it all together. Jim Keeley, SIOR, CCIM, founded Classic Real Estate Corporation, now known as CC Partners, L.L.C., DBA Colliers International in 1983. The firm conducts the majority of its commercial brokerage business within the Scottsdale Airpark and the loop 101 employment base and has concluded over 3,780 transactions and \$2,109,265,550 of business. Colliers International Scottsdale is located at 14080 N. Northsight Blvd, Scottsdale, Arizona 85260; Phone 480.596.9000; Fax 480.948.0502 [www.colliers.com/scottsdale](http://www.colliers.com/scottsdale)



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## The Greater Scottsdale Airpark Growth

June 1981 - December 2006				
Date	Square Feet	Vacancy	Number of Employees	Number of Businesses
Jun. 1981	1,580,611	13.9%	3,320	268
Jun. 1982	1,720,210	10.1%	3,680	289
Jun. 1983	1,900,188	6.1%	4,038	316
Jan. 1984	2,288,439	10.9%	4,504	383
Jun. 1984	2,587,000	10.5%	5,320	460
Jan. 1985	2,683,394	11.8%	5,345	480
Jul. 1985	3,206,670	17.3%	5,500	517
Jan. 1986	3,673,589	18.7%	5,861	534
Jan. 1987	4,419,226	19.4%	8,661	733
Aug. 1987	4,811,007	19.0%	8,912	841
Aug. 1988	4,881,979	16.0%	9,802	957
Aug. 1989	5,234,493	17.2%	10,355	930
Aug. 1990	5,396,211	14.3%	10,120	943
Aug. 1991	5,868,194	14.2%	10,654	1,082
Aug. 1992	6,141,078	12.6%	11,345	1,076
Nov. 1993	6,146,866	6.7%	13,402	1,237
Sep. 1994	6,569,987	3.5%	13,846	1,257
Sep. 1995	6,932,228	2.3%	14,132	1,332
Dec. 1996	8,126,066	3.1%	17,275	1,477
Dec. 1997	9,697,203	3.2%	19,837	1,624
Dec. 1998	11,085,954	4.1%	25,891	1,708
Dec. 1999	14,626,300	6.0%	30,344	1,807
Dec. 2000	15,657,920	7.6%	31,992	1,868
Dec. 2001	16,282,920	9.8%	33,015	1,907
Dec. 2002	17,356,120	12.9%	41,265	2,198
Dec. 2003	18,562,463	11.9%	44,815	2,288
Dec. 2004	20,553,975	11.5%	47,218	2,397
Dec. 2005	21,403,975	9.9%	48,634	2,481
Dec. 2006	22,350,975	9.7%	50,450	2,554
Dec. 2007	28,454,277	12.9%	52,500	2,774

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## Greater Scottsdale Airpark Hotels and Resorts

Name	Rooms	Size SF
Best Western Scottsdale Airpark Suites	120	72,392
Courtyard by Marriott	153	82,179
Extended Stay America	120	41,902
Fairfield Inn Marriott	132	44,508
Fairmont Scottsdale Princess	651	600,000
Hampton Inn Suites	123	83,688
Scottsdale Marriott at McDowell Mountain	270	270,000
Sleep Inn	108	42,000
SpringHill Suites Marriott	123	64,392
Westin Kierland	735	700,000
Wingate Inn & Suites	114	56,000
Hilton Garden Inn	122	154,775
Residence Inn	120	136,299
Scottsdale Thunderbird Suites	102	84,071
<b>TOTAL</b>	<b>2,854</b>	<b>2,432,206</b>

All figures are approximations.

### Building Sales (2007)

Type	# of Sales	Sales Volume	Total/SF	Avg Price/SF	High/Low
Office	43	\$483,929,417	1,918,473	\$266.51	\$497.11/\$190.00
Industrial	36	\$77,574,961	561,050	\$192.60	\$278.30/\$141.93
Retail	8	\$84,683,168	143,084	\$408.08	\$657.66/\$222.69
<b>TOTAL</b>	<b>87</b>	<b>\$576,370,046</b>			

### Building Sales (2006)

Type	# of Sales	Sales Volume	Total/SF	Avg Price/SF	High/Low
Office	88	\$586,838,589	2,796,648	\$209.84	\$384/\$127
Industrial	46	\$154,699,071	999,128	\$154.83	\$220/\$88
Retail	33	\$376,096,610	1,561,732	\$315.00	\$615/\$195
<b>TOTAL</b>	<b>167</b>	<b>\$1,117,634,270</b>			

### Building Sales (2005)

Type	# of Sales	Sales Volume	Total/SF	Avg Price/SF	High/Low
Office	49	\$271,919,371	1,455,937	\$192.21	\$398/\$101
Industrial	43	\$154,540,144	1,068,722	\$147.15	\$168/\$61
Retail	18	\$244,437,675	433,160	\$303.76	\$598/\$206
<b>TOTAL</b>	<b>110</b>	<b>\$670,897,190</b>			

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## Land Sales (Last 2007)

#of Lot Sales	Sales Volume	Total/SF	Avg Price/SF
16	\$55,896,182	2,227,873	\$30.93

## Land Sales (Last 2006)

#of Lot Sales	Sales Volume	Total/SF	Avg Price/SF
15	\$104,307,018	4,718,714	\$23.33

## Land Sales (Last 2005)

#of Lot Sales	Sales Volume	Total/SF	Avg Price/SF
12	\$55,203,275	2,549,240	\$21.65

