

A Z R E

ARIZONA COMMERCIAL REAL ESTATE

Outlook on Health

Growth challenges healthcare development in Arizona



Advanced Real Estate Resources developed Avondale Integrated Medical Services, a 60,000-square-foot medical spec suite complex in Avondale.

Marketing a Million
2007 Greater Tucson
Real Estate Report, p. 82



VALLEY
PARTNERSHIP

BROKERAGE

- Logan Commercial Advisors • VP Commercial • SAXA
- By Tom Ellis



Mondo Condo

Expert condo advice—buy now

Brad Logan has advice for anyone thinking of buying an office condo—do it now. Logan, president of Logan Commercial Advisors, and Rob Curtis, director of sales for VP Commercial, say the cost of buying an office condo in the Valley has increased dramatically, and price hikes will be the way of the future.

"Today, you're buying at the top of the market, but so has every other guy for the last nine years," Logan says. "If you don't buy now, it will be more expensive next year." Curtis and Jim Riggs, president of SAXA, both agree that now is a good time to buy—if an office condo is a good fit for the business' needs and if it's in the right location.

Simple Economics

More Demand, Higher Prices

There is no doubt office condos are far more expensive



today than in the past. Logan sold his first office condo in 1997 for \$135 per square foot. When Riggs sold his first office condo five years ago, it fetched \$150 per square foot. Now Riggs says that same property would sell for \$250 to \$275 per square foot, and he pegs the average price today at between \$160 and \$300 per square foot, depending on the location. "There are projects in the market that are asking for \$400 per square foot," Logan says. "They are not the norm, but that shows you where the pricing can go." High-end submarkets such as the Camelback corridor, the Loop 101 corridor and Scottsdale definitely demand higher prices, Curtis says.

Boiling Point

Questioning of Rising Prices

The price run-up has been fueled by the cost of land and construction materials, higher interest rates and demand. Office condo vacancy rates were 7 percent Valleywide last year, when Phoenix absorbed the majority of the 4.5 million square feet of new office condo product, according to Logan. "The product type is attractive for the type of people we deliver it to," Logan says. "Sixty percent are medical professionals and 40 percent are medium-size service companies."

Office condo buyers are interested in numerous features including buildings of 5,000 square feet or less with no more than two owners, having their name on the building, covered or underground parking, a parking ratio of at least five stalls per 1,000 square feet of purchased space, architectural appeal and proximity to retail amenities. Office condos are often a

part of an owner's retirement plan because they build wealth.

Speculative Demand

Possible Oversaturation of Spec Development

While some brokers see significant spec development of office condos and others don't, all agree that the market is not overbuilt. Banks are not requiring developers to pre-sell a certain percentage of their projects to obtain financing, unless the developer lacks a strong local track record.

Industrial condos are also growing in popularity. These condos are owned by occupying businesses and typically have office space or a showroom in the front and a warehouse in the back. Industrial condo buyers look for a 10,000 to 25,000-square-foot building with bays ranging in

“Banks are not requiring developers to pre-sell a certain percentage to obtain financing. Industrial condos are also growing in popularity.”

size from 3,500 to 5,000 square feet, a parking ratio of at least three stalls per 1,000 square feet of purchased space, close proximity to freeways for deliveries and shipping, a storage yard and a loading dock they can share with other condo owners in the building. Brokers say industrial condos are ideal for light manufacturing, small high-tech companies such as computer designers and contractors serving home builders.

The industrial condo market is relatively new in Phoenix. Curtis says there is a lot of spec construction occurring on the outskirts of the Valley. According to Riggs, most industrial condos are 10 to 20 percent sold before ground is broken. "A lot of product is coming on line. It's a matter of how much absorption comes through," he says.



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PEORIA

Happy Valley & Lake Pleasant Pkwy.

18 +/- acres Auction No: 53-110188

Auction Date: May 31, 2007

Opening Bid: \$9,500,000

Zoning: City of Peoria SF-43 (RP 2.5 du/ac)

Website: www.azstate.gov Auction: 11/20/2007



DESERT RIDGE SUPERBLOCK 1H

NBC of Deer Valley Dr. alignment & Salm Street

26.82 +/- acres Auction No: 53-110086

Auction Date: May 31, 2007

Opening Bid: \$10,000,000

Zoning: City of Phoenix S-1, Desert Ridge Specific Plan Overlay HDX (10-18 du/ac)

Website: www.azstate.gov Auction: 11/20/2007



27TH AVE, NORTH OF DEER VALLEY RD

10.82 +/- acres Auction No: 53-109117

Auction Date: 5/31

Opening Bid: \$2,600,000

Zoning: Mixed-Use (MUP)

Website: www.azstate.gov Auction: 11/20/2007



FRANK LLOYD WRIGHT & 100TH STREET

Auction No: 53-111279 10.89 +/- acres

Auction Date: June 14, 2007

Opening Bid: 3,151,100,000

Zoning: City of Scottsdale, PNC (PUD)

Website: www.azstate.gov Auction: 11/20/2007



HAPPY VALLEY & LAKE PLEASANT PKWY

Auction No: 53-111279

GROUND LEASE 17.59 +/- acres

Auction Date: June 19, 2007

1st Year's Rent: 2% of Appraised

Street Frontage: 4.5 mi

Opening bid: \$4,151,400,000

Zoning: City of Phoenix, PNC (PUD)

Website: www.azstate.gov Auction: 11/20/2007

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