

The Industrial Edge

Available land and increased infrastructure are propelling industrial development in the Valley's southeastern and western peripheries

By KYLE BACKER

The past few years have seen unprecedented growth across Greater Phoenix. A favorable business environment, mild winters and an overall high quality of life have attracted corporations from across the nation and globe to the Grand Canyon State. As a result, farmland and empty plots throughout the Valley have rapidly become the sites of large manufacturing and distribution facilities.

"Industrial has been the darling of the recession and the COVID response. It's the one use that excelled above the

rest and had the most energy, money and interest behind it," says Adam Baugh, partner at Withey Morris.

Both the East and West Valley have received the lion's share of industrial investment. According to Baugh, there's been nearly 20 million square feet of ground broken so far in 2021. The trifecta of high demand, investor interest and available land have led to atypical behaviors in the market.

"You typically wouldn't build until you got a user, but demand is so hot that people are willing to build on

speculation. Traditionally, developers wouldn't spend that amount of money because of the risk," Baugh notes.

In particular, Mesa to the east and areas along the Loop 303 to the west have attracted the majority of new structures and expansion projects. John Orsak, vice president of real estate development at Lincoln Property Company, believes the Loop 303 will continue to attract large mega-users with million-plus-square-foot projects because of the area's availability of land and ease of access to California's ports



Adam Baugh



Brian Friedman



Randy Huggins



John Orsak



Jeanine Jerkovic



William Jabjiniak

via Interstate 10. Cities on the east side of the Valley, such as Mesa, primarily will carry on with building smaller to midsize projects.

"There are different product types and users when you compare East Valley versus West Valley. You may find a huge Amazon distribution center in the West Valley, and you'll see a last-mile distribution center in the East Valley. Both regions are experiencing booms in different kinds of product types," explains Orsak. "It's a testament to the overall Greater Phoenix market — the affordability, housing opportunities, available labor and the amount of people moving here who need jobs."

WEST SIDE STORY

About 5 miles of the Loop 303 passes through Glendale. In 2018, there were no buildings along that stretch, but now about 14.8 million square feet of industrial space are either under construction, recently completed or in the early stages of development.

"A lot of people struggle with envisioning the scale of 14.8 million square feet because it's not like a house that is 3,000 square feet," says Randy Huggins, economic development officer for the City of Glendale. "To put it into perspective, regional malls generally are a million square feet. So there are 15 Arrowhead Towne Centers that exist

out where there was nothing at all two years ago."

Lincoln Property Company developed Park303 in Glendale's New Frontier District with flexibility in mind. It was originally designed as two separate buildings that could be combined if desired. Orsak says that Park303 was created with a Class A office approach rather than as just a big box, complete with nearly 5,000 square feet of outdoor space with design flourishes and architectural flair on the building's exterior.

"Ultimately we leased the structure to one tenant and are wrapping up our building combination. It's nearly 1.3 million square feet, which is 29 acres

PARK 303



303 LOGISTICS



INDUSTRIAL DEVELOPMENT

under one roof," Orsak remarks. "The driving lanes around the building were arranged to keep cars and trucks separated so employees and the vehicles that are bringing product in and out aren't mixing in traffic."

On the west side of the Loop 303, just south of Glendale Avenue, Barclay Group and W.M. Grace Companies built a structure, known as 303 Logistics, that also sold before construction completed. "The stories keep coming of people building on spec, and before they're finished, they have an end user. It's great to have shovel-ready sites, but it's even better to have people consuming the buildings," Huggins points out.

The intense demand has precipitated a sharp increase in land prices. Huggins notes that in 2002, the large 80-acre plots many developers sought were selling for 23 cents per square foot. In 2016, that price point had increased to 75 cents. Today, costs hover around \$6 per square foot. "There's been a tenfold increase in three years, and prices are still going up," says Brian Friedman, director of economic development at the City of Glendale. "It's due to demand but also to having the proper infrastructure in place."

Friedman further places the growth in context: "The City of Glendale was founded in 1910. It took 111 years to build about 14 million square feet of industrial buildings citywide. In the last three years alone, we've doubled it."

Close to where the Loop 303 meets Interstate 17, Taiwan Semiconductor Manufacturing Company (TSMC) is investing \$12 billion on the development of a new factory, a move that will attract other companies within its supply chain to the Valley. The City of Surprise is in a prime position for related businesses to locate.

"Taiwan Semiconductor Manufacturing is going to bring many talented people and companies to the area. We've already had great conversations and meetings with companies that are in the TSMC supply chain," says Jeanine Jerkovic, economic development director for the City of Surprise. "We have an opportunity to curate our future employment corridor and attract head-of-household jobs and quality employers."

SOUTHEAST SPREAD

On the opposite side of the Valley, Mesa has experienced a similar deluge of activity.

"Industrial development in Mesa has been white hot," says William Jabjiniak, economic development director for the City of Mesa. "By our calculation, there's a bit more than 10 million square feet of industrial space either in the planning stage, under construction or nearing completion. And much of it is being leased before it's finished."

In northeast Mesa, near Falcon Field Airport, an array of industrial projects is in motion.

"There is industrial spec development by Majestic Realty right at Greenfield Road and the Loop 202. That's about 150,000 square feet combined between two buildings that will be completed by the end of the year," Jabjiniak notes. "One of Amazon's first last mile distribution facilities also is in the Falcon Field area. Boeing is expanding its operations nearby. And just south of the airport, we've seen industrial developments that include Mitsubishi Chemicals."

The Elliott Road Technology Corridor, which runs between Signal Butte Road and Hawes Road, plays a strategic role in Mesa's aim for high-tech manufacturers, according to Baugh. "The corridor has power, land,

water, natural gas, fiber, market access, quick entitlement process, Foreign Trade Zone and a willing municipal partner with Mesa," he explains. "Under an existing zoning overlay, the City of Mesa has been able to streamline its process for potential developers and applicants, which reduces the entitlement time down to weeks instead of months for qualifying properties."

Facebook recently announced that it's locating an \$800 million data center in the corridor, joining other industry leaders, including Apple, Amazon, Google, Edgecore and Dignity Health.

Farther south, near Phoenix-Mesa Gateway Airport, electric vehicle manufacture ElectraMeccanica broke ground in May on its first U.S.-based assembly plant and technical center on 18 acres of land. The \$35 million, 235,000-square-foot facility will bring an estimated 500 technology jobs to the area. According to Jabjiniak, much of the industrial activity in the city is concentrated in the southeast — a trend he sees continuing in the coming years.

"About a year ago, CMC Steel announced a \$300 million investment in deep southeast Mesa," Jabjiniak recalls. "The vast majority of industrial

development is taking place in that area because that's where we have the most open land."

Baugh points out that noise contours, areas with potential significant aircraft noise exposure, limit the type of buildings that can be constructed near airports. "But industrial developments work really well on those sites," he says, adding that "today's modern industrial is not like anything in the past. The buildings are highly designed, they're extremely efficient, and they work for both manufacturing and distribution."

Much like Glendale, part of what makes Mesa attractive is the available land and quality infrastructure, including the completion of the southern portion of the Loop 202, which bypasses Phoenix and reduces travel time to the Los Angeles Basin and its ports. "Thousands of acres are ready for development," Jabjiniak explains. "We've come to a point where our investment in infrastructure is paying off."

To complement the existing infrastructure, Mesa is working on bringing rail to the southeastern part of the city. "We're planning for what we call PIRATE, which stands for Pecos

Industrial Rail and Train Extension," Jabjiniak says. "That has created a lot of interest from employers who need access to rail, and it helps us keep big trucks off the roadways to let residents move around."

Jabjiniak concludes that Mesa and the Loop 303 areas share many strengths that will continue to attract further investments. "Why are both areas so strong? A few things to come to mind," he says. "There's a lot of developable land as well as a tremendous transportation system in place. But there's one more thing we do in Mesa, which has helped not just developers but also end users: streamlining the entitlement process. Time is money. The ability to move quickly has been one of the hallmarks of this city in general. Mesa is a big city, but it can turn on a dime."

In just a few short years, Greater Phoenix has become one of the nation's fastest growing hotbeds of industrial development, with areas along Loop 303 and in Mesa seen by developers and users as diamonds in the desert. While those two regions flourish, the entire Valley benefits from the jobs, tax revenue and networking effects that come with increased investment. ■

MAJESTIC FALCON FIELD



ELECTRAMECCANICA

