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Gilbert industrial vacancy rate improves

by [Parker Leavitt](#) - Jul. 12, 2011 02:26 PM
The Arizona Republic

A drive down tree-lined Fiesta Boulevard in northwest Gilbert reveals the town's well-hidden industrial corridor with its docking bays, warehouses and "incubator" space.

Also nestled among the canopy trees and parked semitrucks are several "for lease" signs, posted by landlords seeking to shake of the rust of the recession and entice new tenants.

Of Gilbert's 5.1 million square feet of industrial space, about 673,000 square feet is sitting vacant, according to first-quarter statistics compiled by real estate company Cassidy Turley.

While Gilbert's 13.2 percent vacancy rate looks good compared with neighboring Mesa (19.7 percent) and Chandler (14.8 percent), the town still lags behind hot spots like Tempe, Scottsdale and central Phoenix, where vacancy rates are closer to 10 percent.

Most of Gilbert's industrial zoning is along the Union Pacific Railroad lines near the town's limits with Chandler and Mesa. The Fiesta Tech Center and El Dorado Tech Center near Guadalupe Road and Country Club Drive are home to companies like Orbital, ViaSat, Benson Systems and Infusionsoft.

Town officials have referred to the area as Gilbert's "Fortune Corridor."

But the industry parks are also rife with vacant buildings, where windows are caked in dust and water features gather moss and garbage.

Many of the big-box buildings were built more than a decade ago and have seen tenants come and go. Real estate listings for dozens of industrial



Parker Leavitt/The Arizona Republic

Clockwise from top left: A vacant industrial building in the Sunrise Business Park near Elliot and McQueen roads, a sign rusts outside an unused industrial building near Guadalupe Road and Country Club Drive, a parking lot gathers leaves and dirt at a building near Guadalupe and Country Club, where there are several for-lease signs.

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How Gilbert stacks up

Gilbert

- Industrial buildings: 136.
- Vacancy rate: 13.2 percent.
- Square footage: 5.1 million.

West Mesa

- Industrial buildings: 239.
- Vacancy rate: 17.5 percent.
- Square footage: 7.4 million.

East Mesa

- Industrial buildings: 101.
- Vacancy rate: 23.6 percent.
- Square footage: 4.1 million.

Chandler

- Industrial buildings: 379.
- Vacancy rate: 14.8 percent.
- Square footage: 19.5 million.

properties for lease or sale can easily be found on the Internet.

CB Richard Ellis lists two large buildings in Gilbert. The company is looking to sell the Fiesta Office Center, a 41,200-square-foot research-and-development

building, for \$2.5 million. Another large building just one block to the south has 83,600 square feet available to lease at \$12 per square foot per year.

Cassidy Turley lists 10 industrial buildings available for lease and 20 properties, many unbuilt, for sale.

Overall, Gilbert has 136 industrial buildings, according to Cassidy Turley. Of those, 51 are classified as general industrial, 41 are considered incubator space and 40 are designated as warehouse and distribution.

Incubator properties are typically smaller, multitenant buildings less than 10,000 square feet, said Andy Markham, executive vice president for Cassidy Turley's industrial division.

Industrial vacancy rates across the Valley have dropped recently, aided by a few large-scale projects such as [Amazon.com](#) and numerous small-business expansions, Markham said.

"One of the true tests for the Phoenix market is what's happening with the smaller companies," he said. "In the last two quarters we've seen that come back with positive absorption with the smaller users."

That trend has been mirrored in Gilbert, where industrial vacancies have dropped from 14 percent in early 2010.

"Gilbert has some good land opportunities," Markham said. "It's a nice community with a great retail amenity base. So, it's probably going to attract the higher-end user."

With its proximity to Chandler's high-tech giants Intel and Microchip, the Gilbert market would be attractive to smaller suppliers for technology-based businesses, he said.

"It's a great market for owner-users, a place where they can maintain a high standard of living and work close to where they live," Markham said.

Permissible uses within Gilbert industrial zoning districts include manufacturing, general offices, satellite stations, warehouses and call centers, according to the land development code.

Although a high vacancy rate can be seen as an alarming sign of decline in an area, it can also be an asset to business development specialists working to attract new companies.

"It's kind of a fine line," Markham said. "You don't want vacancy rates so high people will think what's wrong with it. On the other hand, there is enough vacant space in Gilbert to attract companies."

Generally, a vacancy rate should be in the low double-digits or in single digits to be considered healthy, Markham said.

Gilbert Business Development Manager Dan Henderson agreed vacant space can be treated as an asset when recruiting business expansion leads.

Roughly 85 percent of companies in Gilbert's "pipeline of activity" are seeking existing space, Henderson said.

According to the corporate survey by *Area Development* magazine, the "availability of buildings, availability of appropriate zoned land, occupancy and construction costs and expedited or fast-tracked permitting are considered very important or important factors in the site selection and facility planning process," Henderson said.

Tempe

- Industrial buildings: 1,006.
- Vacancy rate: 10.5 percent.
- Square footage: 41.1 million.

Scottsdale

- Industrial buildings: 105.
- Vacancy rate: 9.4 percent.
- Square footage: 4.5 million.

Central Phoenix

- Industrial buildings: 81.
- Vacancy rate: 11.4 percent.
- Square footage: 2.8 million.

Valley-wide

- Industrial buildings: 6,096.
- Vacancy rate: 13.9 percent.
- Square footage: 274.1 million.

Source: Cassidy Turley first-quarter statistics.

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