



Forecasting the future



Let us point you in the right direction -
There are signs everywhere if you know where to look.

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DYNAMIC GROWTH FORECAST



The Southeast Valley cities of Tempe, Chandler, Gilbert, Mesa and Queen Creek have a combined current population of approximately 1,047,692 residents. In the year 2020, this population will increase by approximately 424,090 new residents, for a total population of 1,471,530.

Most of this growth will occur in the cities of Gilbert, Mesa and Queen Creek. Tempe is landlocked with the majority of its future growth resting on in-fill development and re-development to higher density residential projects. Chandler is anticipating meeting maximum residential build-out in 2012 with only in-fill development and higher density residential development to grow the city by another 10,070 residents in the subsequent eight (8) years.

Therefore, Gilbert, Mesa and Queen Creek anticipate seeing the bulk of future housing activity. Approximately 11,300 new housing units will be required annually if you factor an estimated 28,272 new residents locating in these Southeast Valley cities, with 2.5 residents per household. This means that approximately 2,825 acres (\pm 4.4 square miles) of residential land will be absorbed annually to satisfy current population projections. (Calculated using an average of four (4) dwelling units to the acre).

FAST FACTS

► POPULATION GROWTH

	Pop. 2005	Pop. 2020	Growth
Tempe	160,735	196,096	22%
Chandler	236,601	285,048	20.5%
Gilbert	178,100	280,048	57.2%
Mesa	452,856	617,800	36.4%
Queen Creek	19,400	92,538	477%
TOTAL	1,047,692	1,471,530	

► SOUTHEAST VALLEY INDUSTRIAL BUILDING INVENTORY

2006 - 77 million sf 2020 - 108 million sf

► CHANDLER MUNICIPAL AIRPORT

297 acres owned by Airport

Runway length: 4,840 ft. maximum	Take off and landings: 2006 - 269,000 2020 - 400,000 (est)
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Private Land for Industrial Developments: \pm 1,600 Acres

► CHANDLER AIRPARK INDUSTRIAL BUILDING INVENTORY

2006 925,000 sf	2020 9.3 million sf
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► WILLIAMS GATEWAY AIRPORT

4,052 acres owned by Airport

Runway length: 10,401 ft. maximum	Take off and landings: 2005 - 251,000 2020 - 400,000 (est)
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Private Land for Industrial Developments: \pm 12,500 Acres

► WILLIAMS GATEWAY INDUSTRIAL BUILDING INVENTORY

2006 1.2 million sf	2020 9 million sf
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FACTORS IMPACTING SE VALLEY INDUSTRIAL GROWTH

- Population growth due to existing freeway infrastructure.
- The Valley has grown to cover such an extensive area that many companies now consider it vital to have two, or even three, locations to serve their customer base.
- Southeast Valley employment base continues to be one of the strongest in the Valley.
- Industry supports residential market growth.

SOUTHEAST VALLEY INDUSTRIAL MARKET

Job and population growth combine to fuel the construction of industrial facilities within a reasonable commute for the labor force. Currently, there are approximately 77 million square feet of industrial buildings in the Southeast Valley. Based on current population projections, a minimum of 31 million square feet of industrial facilities will need to be constructed over the next 14 years at an average of 2.25 million square feet per annum to maintain pace with population growth.

Land developers have been slow in reacting to satisfy the seemingly insatiable appetite for industrial zoned, fully serviced, vacant lots in the Southeast Valley. The majority of the existing industrial parks have sold out, resulting in industrial zoned land prices doubling in the past couple of years. New, fully serviced industrial parks are badly needed as absorption has outpaced supply and city approval process times have increased delays in delivery times.

Industrial vacancy rates have been driven near historic lows in recent months due to a robust economy and rental rates are surging upward in response to the tightening supply. Rental rate increases are necessary for the feasibility of new construction, as both higher land and construction costs have increased dramatically over the past couple years.

The bulk of future construction in the Southeast Valley will be focused on the nascent industrial areas of Chandler Airpark and Williams Gateway Airport area. All other areas within the Southeast Valley are, in effect, in-fill development sites.

CHANDLER AIRPARK AREA

The Chandler Airpark area's focal point is the 297-acre Chandler Municipal Airport, which is the 51st busiest airport in the nation. Approximately 790 acres have been General Planned for light and general industrial development. The four full diamond interchanges to the Loop 202 Santan Freeway make it one of the most easily freeway accessible industrial parks in the Southeast Valley.

It is anticipated that by 2020, the Chandler Airpark area will be built-out and will be the employment source for approximately 65,000 people. The Chandler Airpark area is projected to have 4.2 million square feet of retail, over 9.3 million square feet of light and general industrial buildings and over 7.2 million square feet of office buildings within this nine (9) square mile area.

Chandler Airpark currently has an industrial building inventory of 900,000 square feet. The most significant is the 300,000 square foot Cardinal Health distribution building. At present, there are 555,000 square feet of facilities under construction and another 1,150,000 square feet planned over the next 24 months.

Some of the new employers entering the Chandler Airport market in the next couple of years are Covance, Whitton Plumbing, Foresight Systems, Waxie Sanitary Supply, Black Hat and Boeing.

Significant industrial land stakeholders in the area include First Industrial Development, Rockefeller Development, Harsch Investment, and Schraeder Farms.

WILLIAMS GATEWAY



In 2005, Airport operations (take-offs and landings) serviced 25,000 passengers. By 2020, airport operations could be projected to increase to two million annually. Vision Airlines, which currently flies passengers to Las Vegas, is adding service to include Gary/Chicago International Airport.

GROWTH OF EDUCATION FACILITIES

- ▶ Williams Gateway Campus currently has 8,500 students.
- ▶ Anticipate campus to increase by an estimated 235% to 20,000 students in 2020.
- ▶ Campus includes five institutions: ASU Polytechnic, Chandler-Gilbert Community College, Embry-Riddle University, Mesa Community College and UND Aerospace.

The recently completed Urban Land Institute Report recommends that the campus potential should be revised upwards and plans made to accommodate 65,000 students at build-out. ASU Polytechnic received \$103 million in funding in June 2006, to construct 180,000 square feet of new facilities that will accommodate an additional 8,000 students.

Williams Gateway Airport area currently has an industrial building inventory of approximately 1.2 million square feet. There are over 500,000 square feet of facilities planned over the next 24 months. The Urban Land Institute recently reviewed the Williams Gateway Airport area. ULI recommendations include the construction of approximately 640,000 square feet of industrial space per year in order to capture its share of the Southeast Valley growth.

Some of the new employers who have announced plans to locate to the area are Brazil's Embraer, United Rentals, Schwan's Food Service, Border Products, GST Industries, Jade Grading and Dupuy Construction, to name a few.

Significant industrial land stakeholders in the area include the Williams Gateway Airport Authority who controls approximately 1,000 acres on the airport site for industrial development outside of airport operations, Paragon Properties with approximately 915 acres under its control, the Morrison Family with over 800 acres, Pacific Proving, LLC, with 589 acres earmarked for industrial uses and First Industrial Development with 475 acres.

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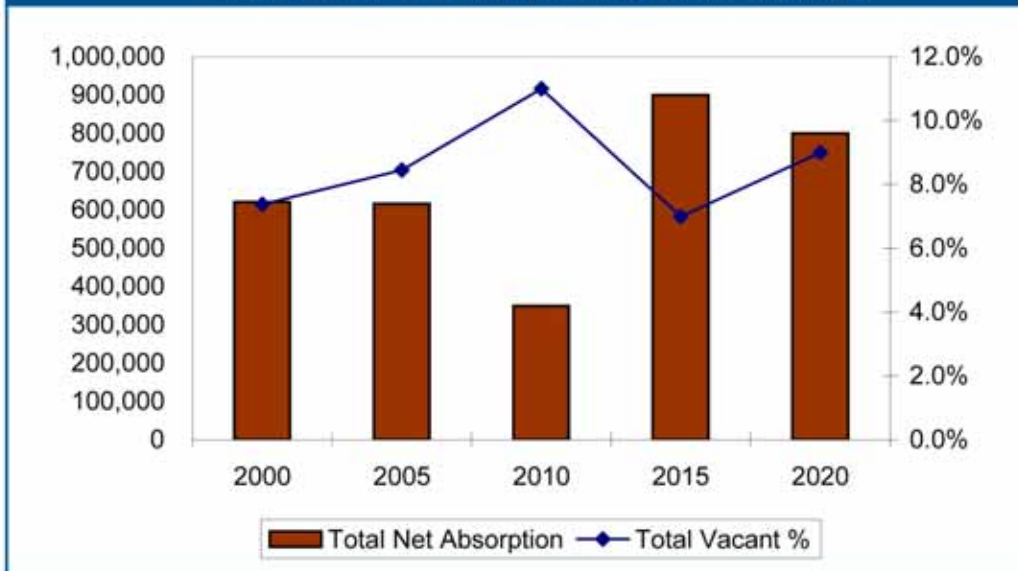
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MAJOR COMPANIES IN THE SOUTHEAST VALLEY

Air Products
Armor Holdings
Armor Works
Avnet
Bashas
Boeing
Cardinal Health
Caremark – RX
Countrywide Mortgage
DHL
Freescale
General Dynamics
Hensley Distribution
Honeywell
Intel
Microchip Technology
Milgard Windows
Medtronics
Motorola
TRW
Wells Fargo

ULI recommendations for the Williams Gateway Airport area include the construction of approximately 640,000 square feet of industrial space per year in order to capture its share of the Southeast Valley Growth.

▶ **FIGURE 1: INDUSTRIAL BUILDING VACANCY AND NET ABSORPTION RATES - SOUTHEAST VALLEY**



Sources: Colliers International / CoStar

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