

# *Flexing* ITS MUSCLE

## Nontraditional workspaces are heading for the Airpark


By Jimmy Magahern

If you're among the approximately 59,132 Arizonans employed at one of the 3,233 companies spread throughout the Scottsdale Airpark, the next time you get to work, take a look at the building you're checking into.

If it's getting a little aged (say, 30 years old or so), has a bit more space than needed for the current workforce and—pro tip here—if it happens to have low ceilings, chances are your workplace may be next in line for the wrecking ball.

That's one of the more dramatic takeaways in this year's Greater Scottsdale Airpark 2030 Report, the annual market summary and development forecast put out by commercial real estate company Colliers International. According to the report, roughly 3,250 of the area's 3,300 acres have already been developed, leaving companies still looking to land in the Airpark little choice but to tear down and refurbish obsolete buildings for their new development projects.

"You're not going to see an abundance of new buildings going up," says Jim Keeley, founding partner of Colliers' Scottsdale office. "So that leads to the next thing we're going to see: mixed-use developments where they're going to



Jim Keeley's predictions for 2030 include an increase in employment throughout what is already one of the Valley's largest job centers. Keeley is the founding partner of Colliers' Scottsdale office. (Photo courtesy Colliers')



tear down some buildings and create new projects in their place."

Keeley has been authoring the report since 1981, when his annual list of predictions was called the "2010 Report" and published by his own Classic Real Estate Corp., which Colliers acquired in 1998. He says he collects information on local growth trends during the year and supplements that with inside tips he hears through the grapevine.

"I collect articles and throw them in a file and then at the end of the year I kind of put the pieces together," he says. "I also hear a lot of stuff on the street, just in my day-to-day brokers business."

### Generation Flex

This year, the emerging trend around the Airpark is flexible workspaces, where employees are offered opportunities to work outside their company's main location. Long the lair of the self-employed portfolio builders and startup incubators, so-called "co-working" spaces, which allow anyone with a laptop to share desks and basic office equipment with other like-minded nomads, have lately been gaining popularity with traditional business owners, who are embracing the flexible workspace as a great way to reduce overhead while attracting top talent.

In a recent international survey of more than 15,000 business people conducted by leading workspace provider IWG, 80 percent of workers in the United States said they would choose a job that offered flexible working over a job that didn't. The study noted that 62 percent of businesses worldwide already have a flexible workspace policy, with 85 percent of business owners directly attributing an increase in productivity to that greater flexibility.

"It's a newer version of the office environment geared more toward the millennial mindset," Keeley explains. "People today like to work on the road, often in smaller spaces, and they're finding they can do more collaboration in that type of environment

than they can do in the traditional executive suites. So those type of spaces are coming on strong now."

Keeley predicts that as the Airpark's more antiquated office buildings are demolished and repurposed as mixed-use developments, more companies will opt to lease flexible workspace rather than entire buildings.

"For years, large corporations would always boast about securing a 10-year lease on a building and they would call that an asset, because they controlled the space," he says. "But because of the new tax law that's coming in, that 10-year lease is looking to become a liability instead of an asset. So these companies would now prefer to control some co-working space on a short term lease because it's less of a liability to them. It's all the result of new accounting changes that businesses have been talking about for around 10 years that are finally being implemented."

Flexible workspaces also appeal to workers in tech and other high-wage markets, sectors that the Airpark has seen a lot of growth in over recent years. But Keeley cautions that because these types of working environments have only arisen in the wake of the late 2007 to mid-2009 recession, their performance during an economic downturn is untested.

"If and when the economy slows way down and we lose jobs, that kind of workspace is probably going to be hurt sooner than some of the other spaces," he says — particularly for highly-leveraged providers, if office rents start to decline.

### Mixing it up

Expect to see groundbreaking on at least one or two more large mixed-use developments in the Airpark before the end of 2019, Keeley predicts.

"We've already seen Nationwide Insurance Company purchasing 134 acres up around the 101 Loop and Hayden Road, with plans to build a 950,000 square-foot mixed-use development," he says. "The

first phase of that, building a 460,000 square-foot regional headquarters along with restaurants and a hotel, will be one of the bigger projects under construction that we have seen in a lot of years. And we're seeing some other big deals too."

On the redevelopment side, Keeley points to YAM Circle, Bob Parsons' new 17,800-square-foot shopping and dining complex located at the roundabout at Hayden Road and Northsight Boulevard, which opened in December on the grounds of the old Harley-Davidson of Scottsdale—now occupying larger digs just across the street. Other new developments include the new At Home megastore, being redeveloped at the site of the former Sam's Club on the east side of the airport, and an adjacent 13.10-acre site being repurposed into a "mini" mixed-use development combining apartments with some self-storage units, retail shops and restaurants.

Keeley says the Airpark in general has become one giant mixed-use development, with apartments and condominiums springing up alongside retail, dining and office facilities. He doesn't expect a scarcity of unused land to slow the area's development.

"There's not a lot of runway left to start building on," he says, tossing in a little airport jargon to suit the unique area. "But the Airpark has seen a steady absorption of space over the last 10 years, and I expect that will continue."

Keeley's predictions for 2030 include an increase in employment throughout what is already one of the Valley's largest job centers — from roughly 59,000 to 82,000 employees — along with a conversion of about 53 million square feet of office space into mixed-use developments that will bring more retail, multi-family housing, hotels, industrial and office space to the area.

"Even the tightening of interest rates shouldn't impact the Airpark much," Keeley assures. "The future looks good." ■