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Airpark News



MENTAL HEALTH
DURING A
PANDEMIC

PROGRESS *on* **PAUSE**

Keeley: The Airpark always pulls through

Andrea Davis

COMMERCIAL REAL
ESTATE ISSUE

Progress on PAUSE

The pandemic has shaken U.S. business, but the Airpark always pulls through

By Jimmy Magahern

As the founding partner of Colliers International's Scottsdale office, Jim Keeley has earned a reputation as kind of an Airpark oracle, a prophetic prognosticator of future developments around the Scottsdale Airport.

He began publishing his annual predictions in 1981, in what he then called the "Greater Scottsdale Airpark 2010 Report," eventually updated to the "2030 Report," and it's become a reliable forecaster of market conditions.

But even this runaway Nostradamus was thrown for a loop by the global outbreak

of the coronavirus COVID-19, which in March forced companies worldwide to indefinitely cancel business travel, shutter offices and mothball events.

Keeley expresses "resilient caution" that Airpark businesses will persevere post-pandemic. But he predicts employees granted the opportunity to work from home may find it hard to forgo telecommuting once things return to normal.

"This may be the tipping point," he says.

"We've been talking about telecommuting for at least the past 10 years and predicting that the demand for office space will shrink. And I would say to a certain degree that's been happening: One reason we're not seeing as much office space being built is because of companies using telecommuting and coworking spaces like WeWork, which give them more flexibility.

"But this place we're in right now is interesting. I think more and more companies may say, 'Well, this did work, our employees love it, and looking ahead to how we plan our office demand in future, we may continue to watch this evolve and take this model more into consideration.'"

Power in the pause

The business reset forced by the pandemic actually follows a pattern of pauses the Airpark economy has already weathered, according to Keeley—although not everybody has noticed.

"A lot of people say, 'Wow, it's been over 10 years since the big recession of 2008-2009 and we haven't had another downturn yet.' But the reality is we actually have had some mini-recessions."

He points to 2011, when investors, fearing a double-dip recession, "tapped the brakes" on purchases and growth, followed by the federal rate hike in December 2015, which coincided with a marked slowdown in industrial production. Pre-pandemic, Keeley says lowered CEO confidence and manufacturing slowdowns caused another pause, which for some companies came to a near full stop after the outbreak.

"This is a bigger pause," Keeley admits. "Hopefully it passes. For the most part, though, these many little bumps have actually helped the Airpark grow modestly."

18-hour city

The increase in Airpark employees working from home fits in somewhat with

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Jim Keeley is the founding partner of Colliers International's Scottsdale office. (Photo by Pablo Robles)



the Airpark's live-work-play lifestyle, another trend Keeley predicted years ago that has gained real-world traction. There are now more than 9,000 apartment units mixed in among the new retail and office spaces, many occupied by young workers and entrepreneurs who favor flexible work hours and a robust nightlife.

That lifestyle has, in turn, given birth to what Keeley calls the "18-hour city," with breweries and restaurants doing brisk business late into the night. If not exactly 24-hour party people, the Airpark's new millennial masters enjoy burning the candle at both ends, which Keeley says creates a lively "urban character" attracting both employers and job seekers.

"Ten years ago, most of the buildings around the Airpark were empty after 6 p.m., after the employees in the various

industrial parks went home," he says. "The restaurants in the middle of the Airpark tried to survive, but they didn't do so well after dark. Now, with the addition of the newer apartments and different types of retail and restaurants, you see people out milling around all day and all night. Maybe not at midnight, but at least until 10 p.m."

And it's not all millennials, either. "We also have a lot of 55- to 65-year-olds who are selling the house and they want to live, work and play in the same place. They don't want to have to drive. They'd rather rent an apartment or condo in the area and just walk around and enjoy all the activity."

Nationwide on our side

Construction of new office space has slowed down compared to previous

years, but there are a few big projects in the making.

"The Axis Raintree by Trammell Crow is under construction at Raintree and the Loop 101, which is one of the first spec buildings that's been done in 10 years," Keeley says. "That's a 175,000-square-foot building, and I think they'll fill it up during construction and you'll probably see another project follow that. But we're not seeing five of those going up at once, like we did before," he adds, citing escalating land prices as the cause.

"But then we have the new Nationwide Insurance campus under construction at Hayden Road and the Loop 101, and that's an exciting project. That's 134 acres, which will include a Choice Hotel, and they're going to eventually add more hotels and

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...continued from page 19

more apartments to that project. That's going to revitalize that whole area."

Still in the planning stages is the CrackerJax redevelopment, where a yet-unnamed developer will bulldoze the popular 27-year-old family fun park and construct a mixed-use project on the land, which measures roughly twice the size of the Scottsdale Quarter. "That'll be a good infill project in the middle of all the commerce going on in the Airpark to complement Kierland Commons and Scottsdale Quarter. So there's still lots to be excited about."

Tech tenants

Gone is the hype about the Airpark becoming a Silicon Valley suburb, although the ed-tech company Shmoop University moved into the area last July and Tesla recently opened a 40,000-square-foot service center on Raintree Drive, nearly four times the size of its previous imprint in the Airpark.

The addition of the tech companies brings the attendant tech workers, who lean toward the non-9-to-5 lifestyle the Airpark offers.

"We definitely have more tech companies here now than we did five years ago, and those employees tend to work in shifts that fit in with that 18-hour day. Some will start at 6 a.m. and knock off at 2, while others will come in at noon and work till 8 o'clock at night. So those industries fit in well here."

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As for Keeley's actual predictions for 2030, he envisions autonomous cars, electric planes and "always-on" virtual assistants doing the bidding of on-the-go CEOs.

"The Southeast Valley—Tempe, Mesa, Chandler—has more going on with the autonomous vehicles at the moment," he admits. "But I expect we'll eventually see more of them here, too."

Plus, if the work-from-home boom continues after the coronavirus "flattens the curve" between health care system capacity and caseload, we may just see some tech entrepreneurs telecommuting to Cupertino from the Quarter.

"We get so many calls from California companies that come here and they just rave about how nice and affordable it is," says Keeley, always the Airpark cheerleader. "I see no reason why more industries won't want to come here and keep the area growing." ■



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