



REIAC June breakfast program highlights 3 property types making headlines: industrial, data centers, and self-storage

Make room multi-family, there are three other vibrant property types in the Valley making headlines: industrial, data centers, and self-storage.

The REIAC Southwest Breakfast Series for June at CoStar brought together panelists with experience in each of those market sectors who shared their expertise with 30 attendees:



Andy Markham, Executive Managing Director, Industrial, Cushman & Wakefield; Mark Bauer, Senior Executive Vice President, Data Centers, JLL; and Denise Nunez, Senior Vice President, Self-Storage, NAI Horizon.

Markham's concentration is in the Southwest Valley, Southeast Valley, and Phoenix Sky Harbor Airport submarkets. His team handles landlord leasing, tenant rep, and capital markets.

"As e-commerce becomes more popular with consumers, how we build and deliver warehouses has changed. Amazon has changed the future of the industrial warehouse. It has 6 million square feet in Arizona. At the ULI Spring Meeting in Detroit, all everyone wanted to talk about was industrial and self-storage."

Trends in the Valley's industrial market: "Industrial vacancy in Metro Phoenix is below 8 percent for the first time in 15 years," Markham said. "There are some constraints on land. We will get our fair share of users. Our biggest ally continues to be California. The outlook is sunny for our industrial market. Phoenix tells a better story than most of the markets in the U.S."



Challenges the industrial market is facing: "Phoenix has a history of overbuilding," Markham said. "We find new places to build. However, we have never seen the demand like we are seeing today. Barring anything on a national scale, all the signs point in the right direction. Labor might be an issue, but the fundamentals of industrial are still strong."

Bauer has been with JLL since 1987. In the mid-90s he began working with telecom clients. With the cost of power and the chances of natural disasters both relatively low, the Valley is a good market for data centers. Data processing companies are finding it a highly attractive market.



“Phoenix possesses two of the main necessities for data centers,” Bauer said “One is power, the other is fiber. The Phoenix market started centralizing all the fiber located in the Valley. The network produced the revenue and tech is fueling the demand. Uber and Amazon – they’re here. Phoenix looks good. A lot of companies in California are tired of doing business there. Right now, about 75 percent of data center business is coming from California. With APS and SRP working together, large cloud providers are coming in negotiating with both. This is a real positive thing for Phoenix.”

Trends in the Valley’s data center market: “Cloud providers coming into this market are taking huge chunks of space,” Bauer said. “Now data center development is big. Users are buying campuses near power lines. Cyrus One in the Southeast Valley is a great example of that.”

Challenges the data center market is facing: “Everybody wants a data center,” Bauer said with a laugh. “Everybody got the message from the City of Chandler. That is a hot spot for data centers. Data center development will be looking West pretty soon.”

Nunez made her entry into the market as publisher of a national self-storage magazine. She began her real estate career in 2010 and entered the Arizona market in 2015. In her role at NAI Horizon, she focuses on developing deals. Clients bring her a site and she assesses it.



“Self-storage is presenting a lot of opportunities,” Nunez said. “There are approximately 17 projects under construction in the Metro Phoenix and Tucson markets. The East Valley housing boom is a driver as income continues to support that market. Maricopa and Casa Grande are also seeing activity.”

Trends in the self-storage market: “The conversion of empty big box facilities, like an old Target building, to self-storage is one trend we’re seeing. Also, a lot of times it’s hard to get a seller to sell. There are so few facilities for sale and lots of buyers. Owners whose phones didn’t ring are now getting three calls a week. People want to get into self-storage.”

Challenges the self-storage market is facing: “Steel prices could be an issue,” Nunez said. “Self-storage is a big user of steel. Also, a labor shortage could present some challenges as new supply comes online.”