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Opportunity Corridor knocked by recession

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Four years ago, Phoenix Mayor Phil Gordon announced he wanted to rehabilitate run-down areas along the 12-mile stretch from the Arizona Capitol through

downtown Phoenix to Arizona State University in Tempe. Dubbed the Opportunity Corridor, it was to be filled with new office, residential, biomedical and industrial developments. Today, inopportune times have stalled those plans.

Van Buren and Washington streets east

of downtown still are dilapidated and, in some cases, are worse off because of the recession and real estate crash.

"It's just in the tank," said Mark Dioguardi, a real estate expert and attorney

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CORRIDOR: Mayor now more concerned about outlying areas hit by recession

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with the Scottsdale law office of Dioguardi Flynn LLP.

Like much of the Phoenix commercial real estate market, Dioguardi said the Opportunity Corridor is plagued by foreclosures, unsold vacant lots, shuttered businesses and almost zero transactions, financing and construction.

"There is nothing going on anywhere, including distressed properties," he said.

Van Buren Street, once considered Phoenix's red-light district, has not been spared by the downturn. Sections of Van Buren east of downtown, toward Phoenix Sky Harbor International Airport, are littered with vacant lots, empty buildings, graffiti-stained structures and "for sale" signs. A number of used-car dealerships, including a former DriveTime location, closed as car sales dropped, and the local immigrant population left because of immigration enforcement and the lack of jobs.

Gordon said the recession has stalled

development and redevelopment activity throughout the region.

"It has certainly stopped any development at this point in time," said the mayor, who is concerned about vacant lots and empty buildings.



Gordon

Gordon expects it to take "several years" for the economy to fully recover, and he now is more concerned about the future of outlying parts of the city. He said the Opportunity Corridor's proximity to the airport, downtown, ASU and the light rail give it some advantages.

The mayor expects more central areas to recover from the real estate crash sooner than outlying submarkets. He points to some success along the corridor, including the conversion of the former Le Nature's bottling plant off the Loop 202 into a data center.

"I'm not overly concerned about the corridor," he said.

A few projects have come to fruition since Gordon's 2005 Opportunity Corridor announcement. Those include the expansion of ASU's downtown campus, some industrial construction along Van Buren and the opening of a private airport parking facility on Washington. Still, other projects, including development plans proposed by GateWay Community College, have been delayed or shelved.

Paul Johnson, a former Phoenix mayor turned real estate developer, now is CEO of Old World Communities LLC. He had planned to break ground next year on a 1 million-square-foot mixed-used development at 32nd Street and Van Buren.

But he said his Celebrity City development — which would surround the Celebrity Theatre with offices, retail and housing — will be delayed one to two years because of the economic downturn. He said the real estate doldrums will continue until the



Johnson

financing picture improves.

"(Lenders) are all shell-shocked," he said.

Johnson said redeveloping areas along Washington and Van Buren comes with some challenges, including assembling small, older parcels into larger blocks to accommodate new projects. Those efforts are made doubly tough when financing is minuscule and redevelopment is stalled.

The Opportunity Corridor push came with city promises to expedite zoning approvals and help with the consolidation of parcels for desired developments.

Johnson also said there may be more interest in vacant land that could be bought cheaply right now. That could make it harder for older areas to rebound.

"It's a little bit of a race to a bottom," he said.

Dioguardi said demand for industrial space is down, but it is faring better than other segments, especially retail. That could mean the industrial sector might rebound more quickly, which could help get the Opportunity Corridor off the ground.