



The Williams Centre: An Oasis of Activity

Phil Skillings • published in the September 2011 issue

The slowdown in the economy and the downturn in the commercial real estate industry have been well documented in recent years. However, this article will not focus on the lack of job growth, government budget deficits and sluggish performing real estate. As in all cycles, there are bright spots and exceptions that are achieving results greater than the prevailing market.



Aetna leased 12,239 square feet at 5431 E. Williams Blvd

In Tucson's commercial real estate sector, the Williams Centre has proven to be one of those bright spots accounting for over 80,000 square feet of leasing activity this year, a significant office investment sale and the upcoming grand opening of a 124 room Town Place Suites by Marriott. The Williams Centre has long enjoyed a "landmark" status as a premier property. Its central location within Tucson's main financial district continues to drive interest by corporate office tenants looking to open an office in Tucson or relocate an

existing facility. The Williams Centre was one of the city's first master planned, mixed use developments allowing for high density development of office buildings, hotels, restaurants, specialty retail and single family housing creating synergy not present in other single purpose stand alone developments.

While most of Tucson's office space is concentrated in buildings with multi-tenant floor plates designed to accommodate mid-size to smaller tenants, the Williams Centre has a cluster of unique buildings, commonly known as the Williams Centre Technology Campus which caters to companies requiring larger contiguous floors and higher parking ratios than offered in traditional multi-tenant office buildings. In addition, the buildings within the Williams Centre Technology Campus include features such as raised floors for computer and telecommunications wiring, high ceilings, emergency back up building generators, high performance glare resistant exterior windows and above standard electrical power. These combined features are generally not offered by most multi-tenant buildings. Consequentially, the Williams Centre Technology Campus buildings are positioned to secure leases with a significant amount of companies that desire these types of amenities.

Activity this year kicked off in March with the sale of a 125,000 square foot facility leased by Texas Instruments. This 125,000 square foot complex is comprised of two of the existing 50,000 square foot buildings that are part of the Williams Centre Technology Campus, which were redeveloped and connected to create a 125,000 square foot contiguous building. The entire building sold for \$32 million, at a price per square foot of \$256 per square foot, nearly a record-setting price for a non-owner investment sale property.

Leasing activity geared up with AFNI, committing to a lease for 50,000 square feet in one of the Williams Centre Technology buildings located at 5451 E. Williams Boulevard. Like most tenants within the campus, AFNI was drawn to the building because of its large continuous floor plates, technology integration and its parking ratio.

Accommodating AFNI's 50,000 square foot requirement precipitated a fairly extensive tenant realignment. The first step to freeing up space for AFNI was to relocate a technology company called IFS into 10,561 square feet in the 250 S. Craycroft building located within the Williams Centre. Another tenant in the building was willing to consolidate a portion of their space that ultimately created 100% leased building. AFNI is a leading provider of contact center and management receivable solutions to many of the nation's largest companies. The company headquarters are located in Bloomington, Illinois with facilities nationwide and near shore.

In addition to IFS, the 250 S. Craycroft building also saw the addition of Aerotek, a leading provider of technical, professional and industrial staffing services. Aerotek leased 7,500 square feet on the building's top floor. These two additions have increased the 250 S. Craycroft building to a 94% occupancy level.

In August, Aetna leased 12,239 square feet in the building located at 5431 E. Williams Boulevard, also a part of the Williams Centre Technology Campus. They were drawn to the building because of its modern, upscale design, floor plate size and high parking ratio. Aetna is planning to occupy the building in October of this year, which will bring the occupancy level to 100%.

In addition to the strong office leasing, the Williams Centre is also seeing additional hotel activity. Western International is developing a Town Place Suites by Marriott on property that they acquired in 2009. The Texas based hotel operator also developed the Courtyard by Marriott and Residence Inn both located within the Williams Centre and two additional Marriott Hotels at the Tucson Airport. The Town Place Suites will feature 124 rooms and is scheduled to open this October. Western International's decision to build a third hotel within the Williams Centre was based upon the long-term successful operation of the Courtyard by Marriott and Residence Inn.

As the national and local economy improves in the next several years, Tucson is poised to experience an overall rebound in its office leasing and sales sector. The city's office base is relatively small compared to similar metropolitan cities and consecutive years of even relatively modest net absorption will decrease supply more rapidly than a city with larger office base. For the most part, Tucson's overall increase in vacancy was a result of diminished demand rather than a combination of excessive overbuilding and a lack of demand prevalent in many other cities. The Williams Centre is fortunate to have a product type, image and location positioned to meet the leasing needs of active tenants seeking space within our community at a time when overall performance of the office sector has been lackluster.

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