

## SIGHTS ARE SET ON SPEC OFFICE



**S**peculative office buildings are making their way back into the market, says Lee & Associates' Andrew Cheney.

"As of the end of Q1, 18 percent of the 2 MSF we had under construction is speculative," he says. "Since then, a few notable projects including Hayden Ferry Lakeside III have kicked off 100 percent speculative. Where markets are tight, like Tempe and Chandler, developers are going spec. South Scottsdale is the only other place speculative office is happening. I lease SkySong 3 which is delivering 70 percent pre-leased in July."

These buildings are attractive to tech companies and financial and professional services, says Cheney. When it comes to speculative office suites, Hines Managing Director Chris Anderson says small businesses are flocking to building in the Camelback Corridor for economic and time-saving purposes.

Generally, small business owners and smaller tenants do not have the time or resources to endure the process of designing space, selecting finishes and absorbing any cost overrun. Hines' spec suite at 2375

E. Camelback Road is currently attracting several users who need less than 5KSF... Smaller tenants are trying to build or rebuild their businesses and want a fresh new look that matches their business image."

Hines recently completed a 3,500 SF speculative suite at 24th at Camelback I and leased it prior to completion of construction. With that success, Hines started another 2,900 SF speculative suite on the third floor that Anderson says will be delivered by summer's end. Tenants are ignoring office suites in buildings that are not central to employment pools, says Cheney, adding that speculative suites are more attractive between the two. Speculative office suites have faster leasing velocity and a reusable design, however, Cheney says, tenants may still require changes from a finished spec suite. It's a leap of faith for the landlord, Anderson agrees. ■■■

ABOVE: SkySong III, a 145KSF, four-story office development. BELOW: Jobing.com remodeled its office suite as an environment that would appeal to a younger workforce.



WHAT IS YOUR BEST ADVICE FOR THOSE WHO ARE CONSIDERING SPEC OFFICE SUITES?



**CHRIS ANDERSON**  
HINES

"My best advice is to spend money wisely. Pick a few areas to add some 'wow' factor, such as upgraded lighting in the conference room or wall coverings that stand out from the crowd. Keep other areas like offices, open work areas and break rooms generic so tenants can add their own furniture and customized touches later."



**ANDREW CHENEY**  
LEE & ASSOCIATES  
"Build them and tenants will come, and make sure they are cool spec suites."