Downtown Chandler Market Analysis

Prepared as part of the
Chandler South Arizona Avenue Area Plan Update

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1.0 Introduction

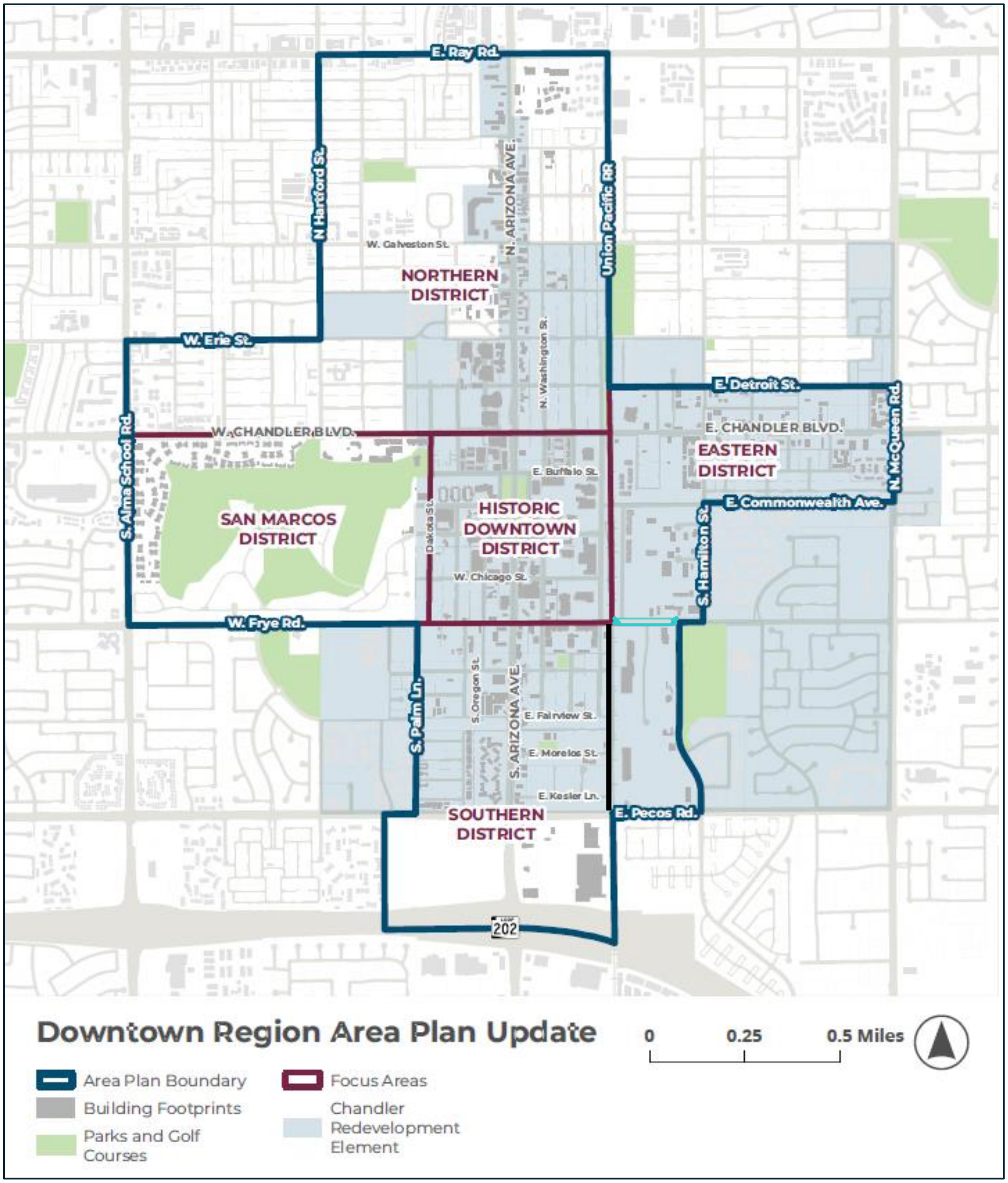
The purpose of this market analysis is to evaluate the state of the Downtown Chandler Region and how it competes in the regional economy given its current retail, cultural, and entertainment assets. The analysis is focused on determining if Downtown Chandler is continuing to expand and grow with a long-term effort to make the Downtown area a walkable place of 18-hour activity. Specifically, the study will evaluate the state of the housing and office markets which may help to stabilize and expand visitation.

The study area is known as the Downtown Region and includes five distinct districts including the Historic Downtown area along Arizona Avenue between Chandler Boulevard and Frye Road. Overall, the Region extends for more than two miles from Ray Road on the north to the Loop 202 freeway on the south. It also encompasses an area from Alma School on the west to McQueen Road on the east. The Region includes a diverse population and real estate market that includes modern apartment complexes, historic commercial and single-family properties, a golf course and resort, and manufactured housing parks among other uses.

The Downtown Region includes four districts that surround the Downtown District.

- The Northern District includes the commercial development along Arizona Avenue north of Chandler Boulevard and residential neighborhoods on the east and west sides of the road.
- The Eastern District is elongated along the eastern side of the Union Pacific rail lines. Residential development is found north of Commonwealth Avenue with industrial properties and a new apartment complex situated to the south.
- The San Marcos District includes the San Marcos Golf Course and surrounding residential properties.
- The Southern District south of Frye Road includes commercial and residential development as well as a Walmart anchored shopping center and a vacant property on the west side of Arizona Avenue that is planned for mixed use development.

The following map illustrates district boundaries.


E. Ray Rd.
N Hartford St.
N. ARIZONA AVE.
Union Pacific RR
W. Galveston St.
NORTHERN DISTRICT
N. Washington St.
W. Erie St.
E. Detroit St.
N. McQueen Rd.
W. CHANDLER BLVD.
E. CHANDLER BLVD.
EASTERN DISTRICT
S. Alma School Rd.
E. Buffalo St.
E. Commonwealth Ave.
SAN MARCOS DISTRICT
HISTORIC DOWNTOWN DISTRICT
Dakota St.
S. Hamilton St.
W. Chicago St.
W. Frye Rd.
S. Oregon St.
S. ARIZONA AVE.
S. Palm Ln.
E. Fairview St.
E. Morelos St.
E. Kesler Ln.
SOUTHERN DISTRICT
E. Pecos Rd.
202
Downtown Region Area Plan Update
0
0.25
0.5 Miles
Area Plan Boundary
Building Footprints
Parks and Golf Courses
Focus Areas
Chandler Redevelopment Element

2.0 Demographic Characteristics of the Downtown Chandler Region

The Downtown Region has an estimated population of 15,140 persons in 2024. The largest district is the Northern District representing more than one third of the Region's population. The Northern District also has the lowest percentage of renter-occupied units among all the districts. The San Marcos District has the highest percentage of rental units due to several apartment complexes situated along the perimeter of the district. The remainder of the District is primarily in single family uses within the San Marcos Country Club Estates subdivision with homes selling for upwards of $1 million and vacant lots fronting on the golf course selling for more than $400,000. The Southern District has a high level of renter-occupied units, but many of those rentals are single family homes. All the districts have a lower median age than the city-wide median of 38 years. Household incomes are also much lower than the city-wide median income which is estimated at $107,000. There is a wide disparity between the median income and average income for the San Marcos District. This indicates that the average income is skewed by those residents living in the San Marcos Country Club Estates community.

2024 Demographic Characteristics of Downtown Region By District

	Downtown District	Southern District	Eastern District	San Marcos District	Northern District	Downtown Region	City of Chandler
Population	585	3,930	3,191	2,187	5,247	15,140	285,729
Households	203	1,546	927	1,105	1,697	5,478	107,666
Families	105	723	678	516	1,175	3,197	73,755
Average Household Size	2.88	2.54	3.43	1.98	3.06	2.76	2.64
Owner Occupied Housing Units	50	369	379	186	916	1,900	71,339
Renter Occupied Housing Units	153	1,177	548	919	781	3,578	36,327
% Renter Occupied Units	75.4%	76.1%	59.1%	83.2%	46.0%	65.3%	33.7%
Median Age	31.8	31.5	28.2	34.1	33.4	31.9	38.0
Median Household Income	$56,442	$54,243	$49,736	$66,201	$51,304	$55,063	$107,339
Average Household Income	$84,045	$68,561	$68,855	$124,209	$64,075	$79,020	$140,306

Source: ESRI

Expectedly, the Downtown Region has a high percentage of Hispanic origin residents than the city-wide average. In fact, on a percentage basis, the Hispanic population in the Downtown Region is 2.4 larger than the city-wide average. The Eastern and Northern Districts have the highest percentage of Hispanic residents. Overall, the Downtown Region has a well-rounded mix of races and ethnicities.

2024 Race & Ethnicity of Downtown Region By District

Race and Ethnicity	Downtown District		Southern District		Eastern District	
	Persons	Percent	Persons	Percent	Persons	Percent
White Alone	252	43.0%	1,342	34.1%	740	23.2%
Black Alone	76	13.0%	439	11.2%	249	7.8%
American Indian Alone	21	3.6%	161	4.1%	115	3.6%
Asian Alone	32	5.5%	170	4.3%	75	2.3%
Pacific Islander Alone	3	0.5%	18	0.5%	16	0.5%
Some Other Race Alone	99	16.9%	1,012	25.7%	1,079	33.8%
Two or More Races	103	17.6%	789	20.1%	918	28.8%
Total Population	585	100.0%	3,930	100.0%	3,191	100.0%
Hispanic Origin (Any Race)	248	42.4%	2,126	54.1%	2,308	72.3%

Race and Ethnicity	San Marcos		Northern District		Downtown Region		City of Chandler	
	Persons	Percent	Persons	Percent	Persons	Percent	Persons	Percent
White Alone	1,239	56.7%	1,721	32.8%	5,294	35.0%	160,294	56.1%
Black Alone	307	14.0%	291	5.5%	1,362	9.0%	18,001	6.3%
American Indian Alone	63	2.9%	196	3.7%	556	3.7%	5,715	2.0%
Asian Alone	158	7.2%	80	1.5%	515	3.4%	36,288	12.7%
Pacific Islander Alone	9	0.4%	13	0.2%	59	0.4%	857	0.3%
Some Other Race Alone	163	7.5%	1,784	34.0%	4,137	27.3%	24,858	8.7%
Two or More Races	248	11.3%	1,161	22.1%	3,219	21.3%	39,716	13.9%
Total Population	2,187	100.0%	5,247	100.0%	15,140	100.0%	285,729	100.0%
Hispanic Origin (Any Race)	486	22.2%	3,503	66.8%	8,671	57.3%	68,004	23.8%

Source: ESRI

The demographic characteristics of the Downtown Region population are consistent with that found in the original townsite of a community where housing units are in many cases more than 60 years old. As will be seen in the following section on the housing market, the Downtown Region contains a variety of housing opportunities for all income ranges which is reflected in the modest household incomes and the younger population found in the area.

3.0 Housing Within the Downtown Region

The Downtown Region contains a small percentage of single family detached units and a much higher percentage of multifamily units than is found city-wide. Only one-third of all housing units are classified as single-family in the Region. The mix of housing is in some respects a result of multifamily housing development that has occurred over the past decade. The Northern District has the highest percentage of single-family homes while the San Marcos District has the lowest percentage due to apartment complexes that have been developed along the periphery of the District. The Southern District also has a low percentage of single-family units due to the construction of the Olympus Steelyard complex in 2015.

Housing Mix
Downtown Region & City of Chandler

Units in	Downtown District		Southern District		Eastern District	
Structure	Units	Percent	Units	Percent	Units	Percent
Total	**233**	**100.0%**	**1,581**	**100.0%**	**933**	**100.0%**
1, detached	46	19.9%	228	14.4%	307	32.9%
1, attached	40	17.4%	150	9.5%	43	4.6%
2	0	0.0%	35	2.2%	126	13.5%
3 or 4	11	4.7%	163	10.3%	60	6.4%
5 to 9	30	12.7%	201	12.7%	63	6.8%
10 to 19	38	16.5%	294	18.6%	100	10.7%
20 to 49	8	3.4%	92	5.8%	7	0.7%
50 or more	54	23.3%	324	20.5%	30	3.2%
Mobile home	5	2.1%	92	5.8%	190	20.4%
Boat, RV, van	0	0.0%	0	0.0%	10	1.1%

Units in	San Marcos		Northern District		Downtown Region		City of Chandler	
Structure	Units	Percent	Units	Percent	Units	Percent	Units	Percent
Total	**1,124**	**100.0%**	**1,890**	**100.0%**	**5,761**	**100%**	**113,370**	**100.0%**
1, detached	155	13.8%	1,161	61.4%	1,897	33.1%	78,625	69.4%
1, attached	52	4.6%	42	2.2%	327	5.5%	6,063	5.3%
2	0	0.0%	115	6.1%	276	4.7%	1,136	1.0%
3 or 4	64	5.7%	49	2.6%	347	5.9%	4,160	3.7%
5 to 9	218	19.4%	147	7.8%	659	11.6%	3,751	3.3%
10 to 19	362	32.2%	244	12.9%	1,038	18.4%	8,188	7.2%
20 to 49	78	6.9%	0	0.0%	184	3.2%	2,985	2.6%
50 or more	195	17.3%	38	2.0%	640	11.0%	6,024	5.3%
Mobile home	0	0.0%	87	4.6%	374	6.3%	2,361	2.1%
Boat, RV, van	0	0.0%	8	0.4%	18	0.3%	76	0.1%

Source: ESRI

The housing market in the Downtown Chandler Region and in the neighborhoods surrounding the Downtown encompass a variety of housing types targeting virtually all income categories. The city's Public Housing Authority has a total of 200 apartment units in five complexes situated within or immediately adjacent to the Downtown Region on the east side. In addition, the city received approval for the development of a new 157-unit public housing complex under HUD's Rental Assistance Demonstration (RAD) Program known as The Villas on McQueen at 120 N. McQueen, just outside the boundary of the Downtown Region. The complex is being built in conjunction with the city by Gorman & Company, a national affordable housing developer.

The City of Chandler also announced a second RAD redevelopment project of its public housing inventory with the development of Haven on Hamilton in partnership with Brinshore Development. The proposed 250 unit of public housing complex will replace the current apartments called Casa Bonita at 71 South Hamilton Street. Current tenants will be moving into the city's first redevelopment project, Villas on McQueen, when it is completed. The two RAD complexes will increase the city's public housing inventory by 97 units.

Two Low Income Housing Tax Credit (LIHTC) complexes totaling 180 units are situated within the Downtown Region. Two additional complexes totaling another 307 units are located north of the Downtown Region boundaries on Ray Road.

Affordable Housing Complexes
Downtown Region

Housing Type			Units
Existing Public Housing Properties			**200**
Type	**Address**	**Location**	
Public Housing Complex	130 N. Hamilton St.	Within Eastern District	
Public Housing Complex	210 N. McQueen Rd.	Within Eastern District	
Public Housing Complex	73 S. Hamilton St.	Immediately adjacent to Eastern District	
Public Housing Complex	660 S. Palm Lane	Immediately adjacent to Southern District	
Public Housing Complex	127 N. Kingston St.	Within Eastern District	
Rental Assistance Demonstration (RAD) Program			**407**
Villas on McQueen*	120 N. McQueen Rd.	Immediately adjacent to Eastern District	157
Haven on Hamilton*	71 S. Hamilton St.	Immediately adjacent to Eastern District	250
LIHTC Complexes			**180**
Chandler Gardens	300 E. Commonwealth Ave.	Within Eastern District	120
Colonia Del Rey	120 N. McQueen Rd.	Within Eastern District	60

*Under construction
Sources: City of Chandler, ADOH

The Downtown Region market-rate apartment market is comprised of eight complexes with 2,210 units. The market in general appears healthy with an overall vacancy rate of 13.0% which includes two complexes, DC Heights and Encore Novo currently in lease up. If those two complexes are excluded from the list, the vacancy rate for stabilized properties declines to 6.3%.

Market Rate Apartment Complexes
Downtown Region

Complex	Address	Year Built	Units	Average Rent	Average Sq. Ft.	Rent Per SF	Vacancy Rate
Tides at Downtown Chandler	868 S Arizona Ave	1985	374	$1,154	395	$2.93	7.0%
Fairways at San Marcos	777 W Chandler Blvd	1988	352	$1,614	965	$1.67	6.0%
Linq, The	125 S Alma School Rd	2000	324	$1,936	973	$1.99	5.0%
IMT Chandler	235 E Ray Rd	2002	221	$1,915	1,007	$1.90	2.0%
Olympus Steel Yard	155 E Frye Rd	2015	301	$1,676	890	$1.88	9.0%
Summit at San Marcos	445 W Chandler Blvd	2018	273	$1,863	927	$2.01	8.0%
DC Heights	222 W Boston St	2023	157	$1,775	767	$2.31	25.0%
Encore Novo	333 E Commonwealth Ave	2024	208	$1,706	810	$2.11	63.0%
Totals			**2,210**	**$1,673**	**830**	**$2.11**	**13.0%**
Excluding Units in Lease Up			**1,845**	**$1,660**	**838**	**$2.09**	**6.3%**
City Wide Apartment Market			24,898	$1,712	938	$1.84	8.3%
City Wide Apartment Market Excluding Units in Lease Up			23,288	$1,692	940	$1.82	6.0%

Source: RealData

For the city-wide apartment market, the overall vacancy rate is 8.3%, and 6.0% when excluding units in lease up built in 2023 and 2024. Units in the Downtown Region on average are slightly less expensive than the city-wide average. However, most of the complexes are offering rents that are at or above the city-wide average. The average rent in the Downtown Region is skewed by the rents at The Tides at Downtown Chandler which is $1,154 for a 395 square foot unit.

According to city records, another 1,381 units in five complexes have been approved within or near the Downtown Region but have not yet been constructed. More than one-half of that apartment pipeline is accounted for in one project – the District Downtown situated at the southeast corner of Pecos and Arizona Avenue.

Approved But Not Built Complexes Downtown Region	
Complex	**Units**
One Chandler	291
The Cottages	26
Greyhawk Residences	253
The Marco	16
District Downtown	795
Total	1,381
Source: City of Chandler	

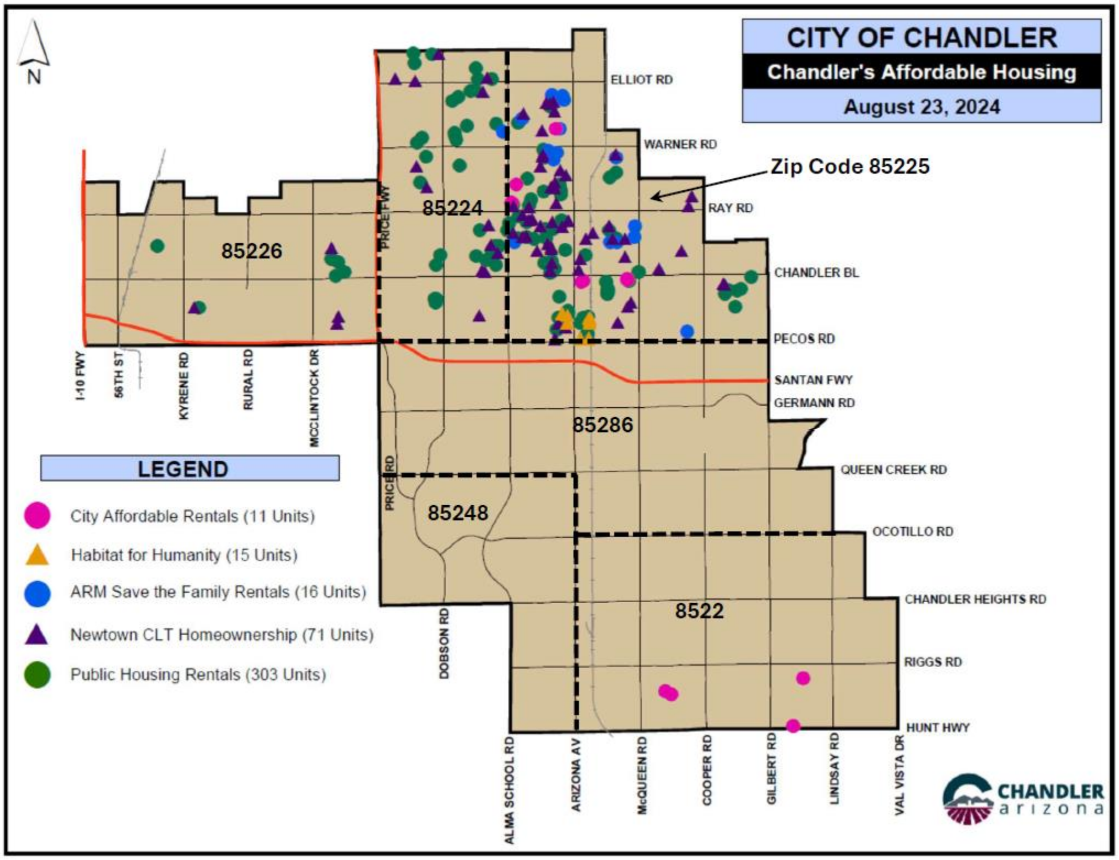
In addition, the Commonwealth Lofts townhomes project of 39 units is currently under construction along the south side of Commonwealth Avenue at Ithaca Street. The site is just outside the boundaries of the Downtown Region.

Overall, the Downtown Region market-rate apartment market appears healthy with some new complexes in lease up. Rents and vacancy rates are similar to city-wide averages although the newer complexes, DC Heights and Encore Novo, have smaller average unit sizes than the older complexes.

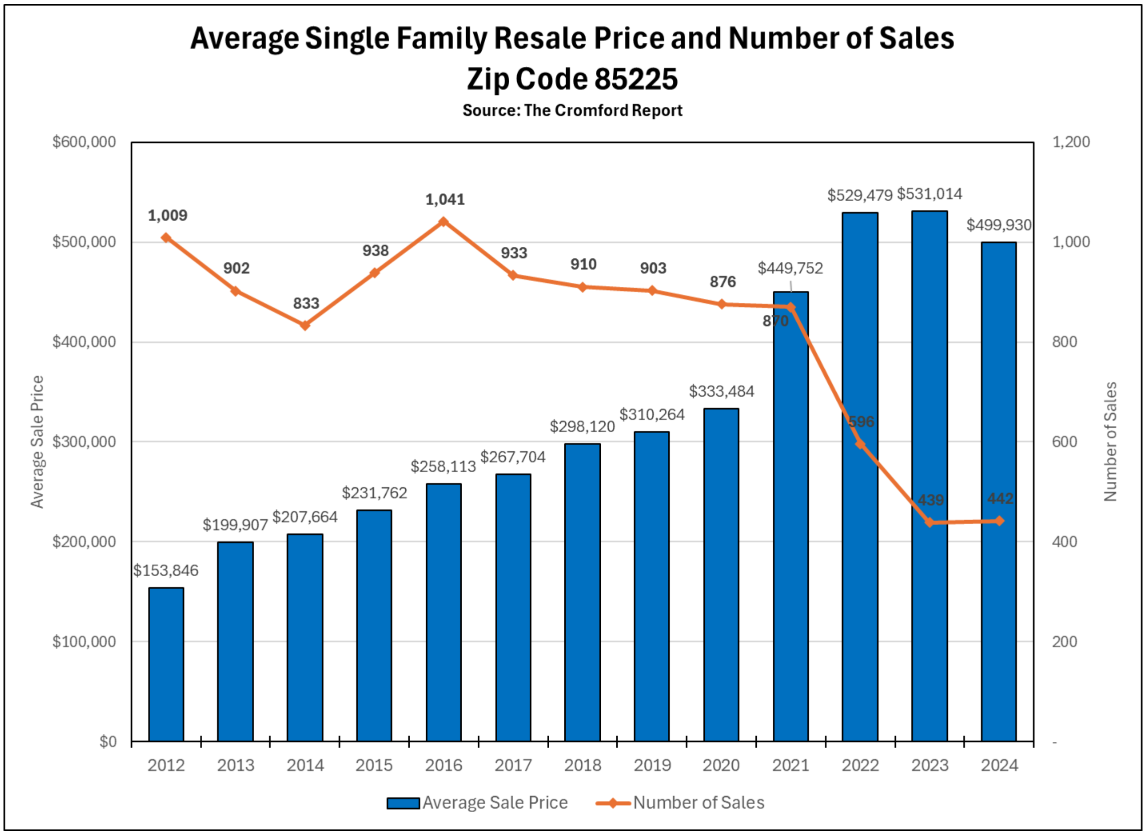
As noted previously, the rental apartment market in the Downtown Region offers a wide range of housing opportunities from public housing to LIHTC complexes to market rate properties. These complexes all contribute to making the Downtown area a walkable community center with a variety of available services to the public.

Housing Sales Trends

Detailed and timely data on housing sales for the Downtown Region is not available from the U.S. Census. Instead, data from The Cromford Report was accessed for zip code 85225 which encompasses the northeast part of Chandler north of Pecos Road and the entire Downtown Region. Zip code 85225 also includes most of the city's affordable and public housing stock, which includes both single-family and multifamily units as shown in the following exhibit.

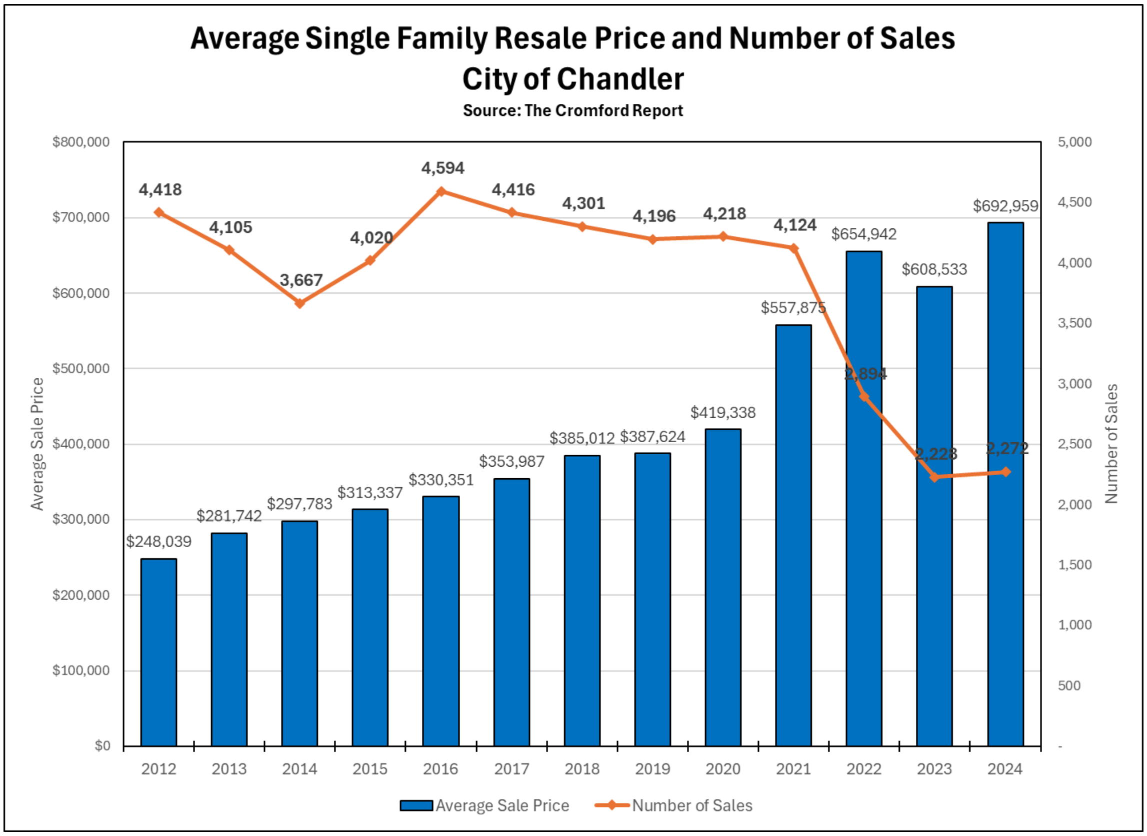


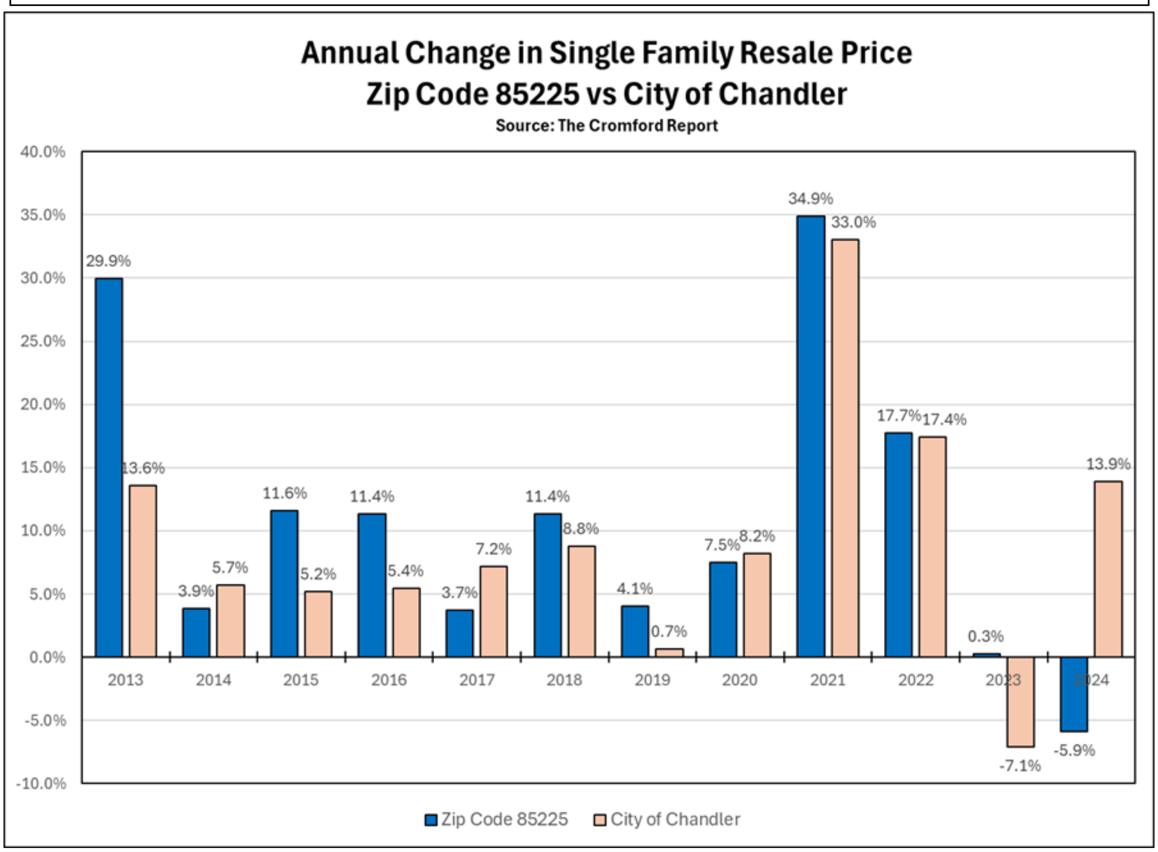
The following charts illustrate the change in single family housing resales in zip code 85225 since 2012 as well as a comparison to city-wide housing sales. In 2021, the average home price in zip code 85225 increased by 35% from $449,750 to $529,500. Prices increased by another 18% in 2022 but then declined in 2024. The chart also shows that the number of sales declined in 2022 to 2024 primarily due to increases in mortgage rates as well as the runup in prices.



City-wide, single family resale prices increase by the same percentage in 2021 and 2022, declined in 2023, but then increased in 2024. Today the average home price in the city is approaching $700,000 while prices in zip code 85225 are in the $500,000 range. The number of sales city-wide also fell off dramatically in 2023 and are now only 54% of what they were in 2020.

The condominium market within the Downtown Region exhibited a similar pattern although prices have been more variable falling by 12% in 2023. The number of sales has fallen off similar to the single-family market.


Average Single Family Resale Price and Number of Sales
City of Chandler
Source: The Cromford Report
Average Sale Price
Number of Sales
$248,039
$281,742
$297,783
$313,337
$330,351
$353,987
$385,012
$387,624
$419,338
$557,875
$654,942
$608,533
$692,959
4,418
4,105
3,667
4,020
4,594
4,416
4,301
4,196
4,218
4,124
2,894
2,228
2,272
2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024
Average Sale Price
Number of Sales


Annual Change in Single Family Resale Price
Zip Code 85225 vs City of Chandler
Source: The Cromford Report
29.9%
13.6%
3.9%
5.7%
11.6%
5.2%
11.4%
5.4%
3.7%
7.2%
11.4%
8.8%
4.1%
0.7%
7.5%
8.2%
34.9%
33.0%
17.7%
17.4%
0.3%
-7.1%
-5.9%
13.9%
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024
Zip Code 85225
City of Chandler

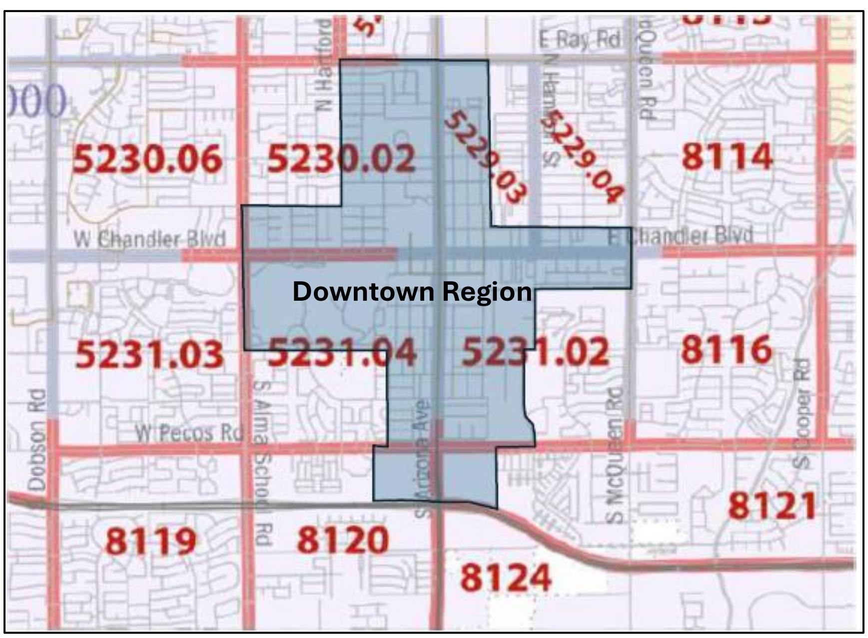
Single Family and Condo Resale Prices Zip Code 85225						
	Single Family			Condo		
	Sale Price	% Change	Sales	Sale Price	% Change	Sales
2012	$153,846		1,009	$87,170		199
2013	$199,907	29.9%	902	$111,939	28.4%	222
2014	$207,664	3.9%	833	$113,931	1.8%	196
2015	$231,762	11.6%	938	$153,429	34.7%	197
2016	$258,113	11.4%	1,041	$141,083	-8.0%	246
2017	$267,704	3.7%	933	$157,532	11.7%	262
2018	$298,120	11.4%	910	$187,858	19.3%	240
2019	$310,264	4.1%	903	$202,008	7.5%	258
2020	$333,484	7.5%	876	$249,146	23.3%	365
2021	$449,752	34.9%	870	$307,286	23.3%	358
2022	$529,479	17.7%	596	$388,963	26.6%	207
2023	$531,014	0.3%	439	$341,327	-12.2%	153
2024	$499,930	-5.9%	442	$354,620	3.9%	122

Source: The Cromford Report

Home Ownership & Rental Trends

Census data also has limited information on the type of housing units and ownership patterns for small geographic areas. In order to study the pattern of ownership and rental units, census tract data was downloaded for four census tracts that encompass the Downtown Region (data is from the 2018-2022 five-year estimates). Those tracts include 5229.03, 5230.02, 5231.02 and 5231.04. While the boundaries of the tracts are larger than the Downtown Region, the data will provide some indication of ownership patterns.

Downtown Region Census Tracts



The data demonstrates that the Downtown Region housing inventory (within the four census tracts) has, not unexpectedly, a low percentage of single family detached units at 47.4% of total units. Comparatively, single family units account for 69.0% of the city-wide housing inventory. Of further note, approximately 30% of single-family units in the Downtown Region census tracts are rented compared to 16% city-wide. Another 36% of single attached units (townhomes) in the Downtown Region are also rented compared to 24% city-wide. The high percentage of rented single family and townhome units is likely a reflection of the price of those units and their age which are prime targets of investors.

Another 34% of mobile home units are rented as well. The mobile home inventory within the Downtown Region census tracts represents about 34% of all mobile homes in the city. While mobile or manufactured homes provide affordable housing for the local population, the condition of those units may in some cases be substandard and potentially hazardous to residents if they were manufactured prior to June 1976 when HUD adopted construction and safety standards for the industry. Mobile home parks have also become targets for redevelopment which often leads to resident relocation issues. This issue, in particular, should be anticipated by the city.

Tenure by Units in Structure
Downtown Region Census Tracts

	Owner-Occupied		Renter-Occupied		Total	
Units in Structure	Units	% of Total	Units	% of Total	Units	% of Total
1, detached	2,908	70.1%	1,241	**29.9%**	4,149	**47.4%**
1, attached	287	64.2%	160	**35.8%**	447	5.1%
2	31	14.8%	178	85.2%	209	2.4%
3 or 4	27	4.1%	639	95.9%	666	7.6%
5 to 9	17	2.5%	673	97.5%	690	7.9%
10 to 19	122	11.7%	923	88.3%	1,045	11.9%
20 to 49	-	0.0%	218	100.0%	218	2.5%
50 or more	-	0.0%	607	100.0%	607	6.9%
Mobile home	474	66.0%	244	34.0%	718	8.2%
Boat, RV, van, etc.	8	100.0%	-	0.0%	8	0.1%
Total Units	3,874	44.2%	4,883	55.8%	8,757	100.0%

ACS 2022 5-Year Estimates Tables

Redevelopment Opportunities

Based on the preceding analysis, several areas of the Downtown region show potential for redevelopment.

- ***Area north of Frye Road and west of Arizona Avenue***
  The area between Boston Street and Frye Road is already going through a major transition in ownership. The area is comprised of the original townsite of Chandler

platted in 1913 and 1920. Today, of the estimated 117 parcels in the area, 66 are owned by absentee owners (many of the lots are vacant and ownership is listed as an LLC) and 9 are owned by the city of Chandler. Combined, that represents 64% of all parcels with only 42 owner-occupied properties. Further, the U.S. Census estimates there are a total of 69 single family housing units in the area and one-half of the units or 34 are rented. This indicates the area has been turning over from a predominantly owner-occupied to a renter-occupied neighborhood.

Land Ownership Patterns

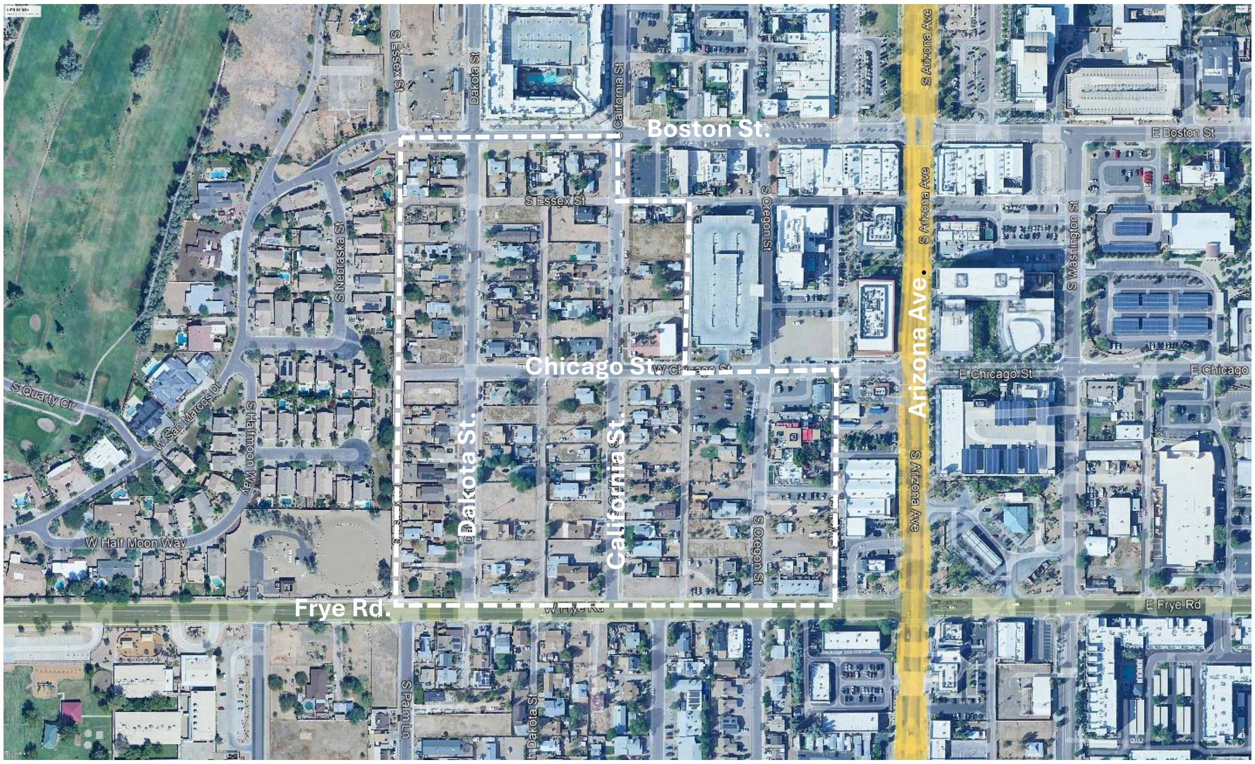
North of Frye Road, West of Arizona Avenue

Occupant Owned	Absentee Owner	City Owned	Totals
42	66	9	117
35.9%	56.4%	7.7%	100.0%

Source: Maricopa County Assessor

A similar transition of ownership occurred on the property to the north on Boston Street where the DC Heights apartment complex is located today. In 2006, the area was nearly fully developed with single family homes. By 2008, virtually all those homes were removed in anticipation of redevelopment. While the subject area is larger in size with many absentee owners, it may be redeveloped in a piecemeal fashion unless a plan for the area is prepared, or the city becomes involved in acquisition.

Potential Redevelopment Area

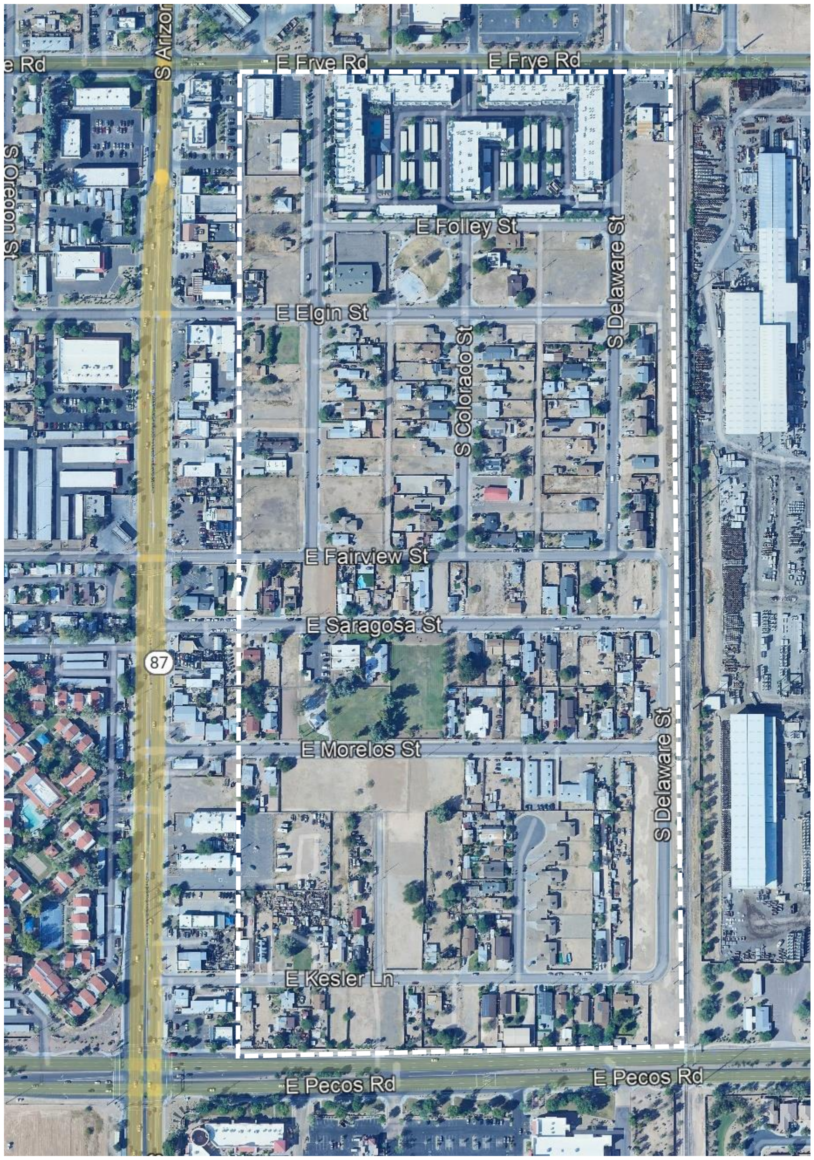


- ***South of Frye Road, east of Arizona Ave***

  This neighborhood has been in transition for a number of years and was the subject of a ULI Technical Assistance Panel (TAP) report in 2022. The construction of Olympus Steelyard apartment complex in 2015 brought attention to the neighborhood as a potential location for private investment. As of September 2024, the city owned 43 parcels in the area including scattered site public housing units. Habitat for Humanity has also built single family housing in the area. The area has also experienced new commercial development along Arizona Avenue.

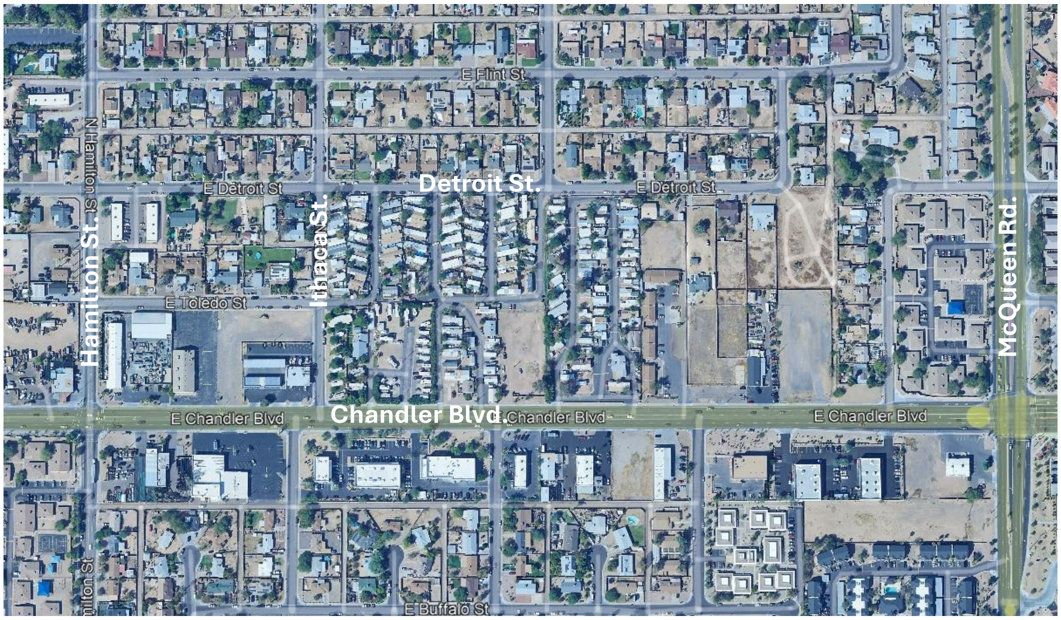
  The residential housing in the area is somewhat distant from most of the commercial activity in the Downtown area and the efforts of the city appear to be focused on retaining the historic and mostly single-family residential character of the area. The extent of city-owned property provides the opportunity to further enhance the availability of housing in the area, including intensifying densities if warranted and attracting private investment. The ULI TAP report outlined a number of strategies for this residential area.

Southeast Residential Development Area



- ***Mobile home parks in the Eastern District***
  The mobile home parks east of Ithaca Street along Chandler Boulevard may be targets for redevelopment in the future. Combined with vacant and underutilized parcels in the area, a total of about 20 acres could be available for redevelopment. The sites are zoned MF-1 which allows up to 12 units per acre in density.

Potential Redevelopment Area – East Chandler Boulevard



Summary

Overall, the housing market within the Downtown Region appears healthy and provides a mix of affordable and market-rate housing opportunities for Chandler residents. However, single-family resale prices and high mortgage rates have driven some households out of the market. Mortgage rates will likely fall slowly over the next couple of years, which may reinvigorate the market. Redevelopment opportunities abound in the Region, particularly on the west side of the Downtown District and on the east side of the Southern District. The recent construction of multifamily complexes will assist with making the Downtown District an 18-hour walkable environment for local residents. The future development of the One Chandler complex will, in particular, be a catalyst that could change the character of the Downtown District.

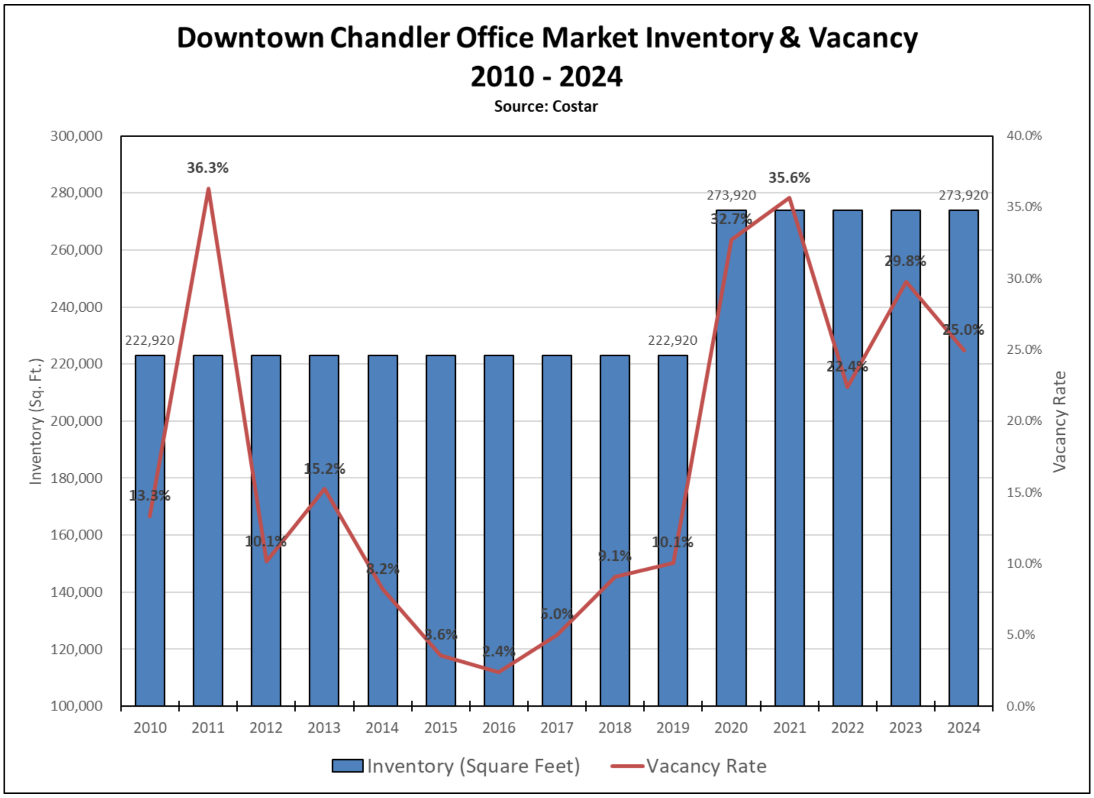
4.0 Downtown Region Office Market

The Chandler Downtown Region is an important employment center for the city which includes most of the city's administrative offices. Aside from those city offices, there are three privately owned office buildings which include:

- 55 N. Arizona Place, recently redeveloped as "The Jonathan" with 104,283 square feet of space.
- 25 S. Arizona Place, recently redeveloped as "The Alexander", a 112,070 square foot building.
- 180 S. Arizona Avenue known as "New Square", a 51,000 square foot building.

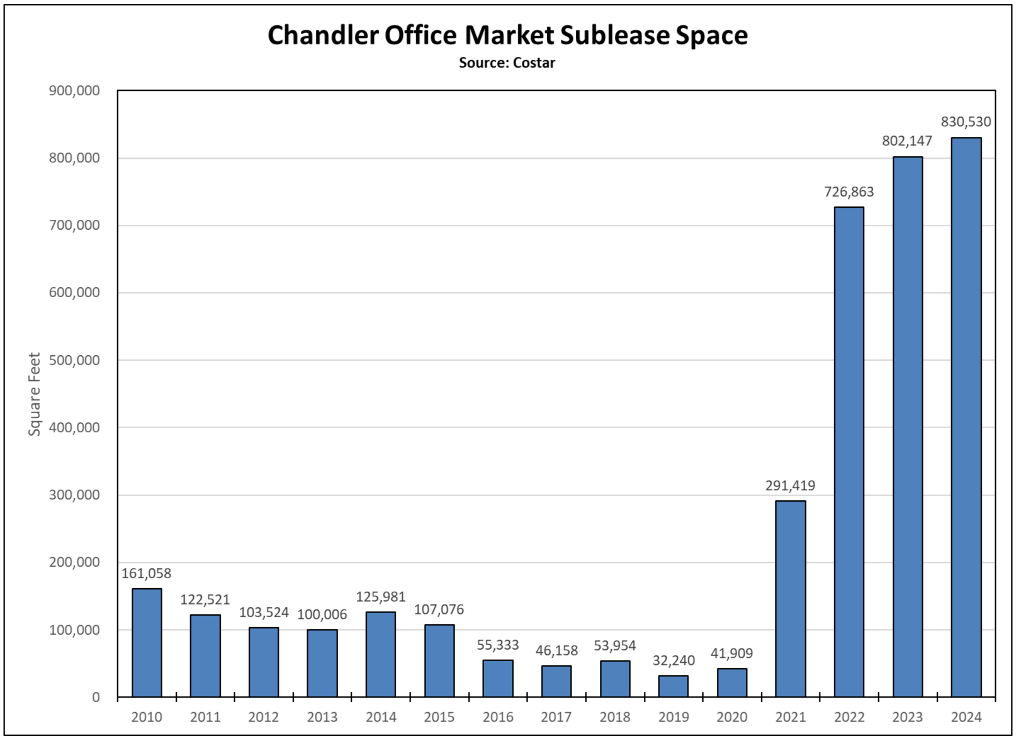
We understand the recently developed Overstreet complex includes about 19,500 square feet of office space. We have not been able to verify occupancy at the property.

The Downtown Region office market has experienced significant vacancies since the start of the COVID-19 pandemic in 2020 and today shows a 25% vacancy rate which includes subleased space that is now on the market through existing tenants. As a result of the work-from-home trend, many tenants have vacated space and vacancy rates have surged, not only in Chandler but across the country. The following chart shows the office inventory remaining flat through 2020 when the New Square office building entered the market.

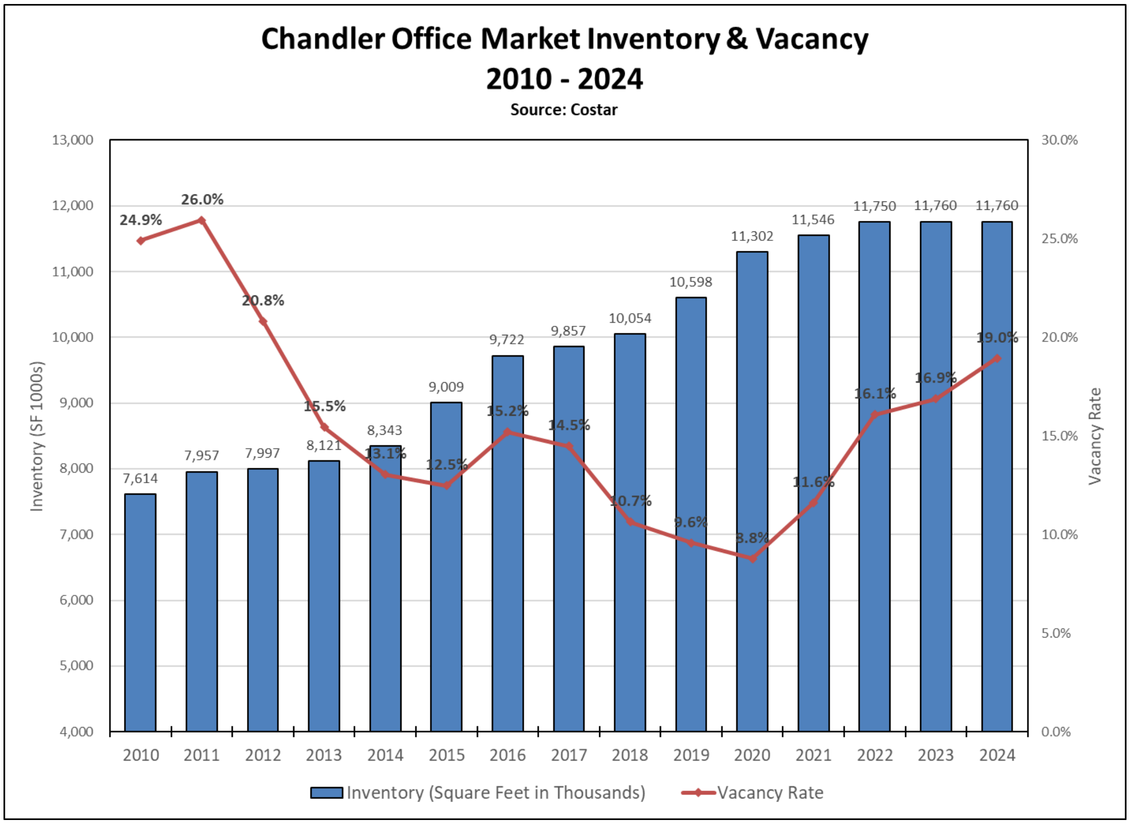


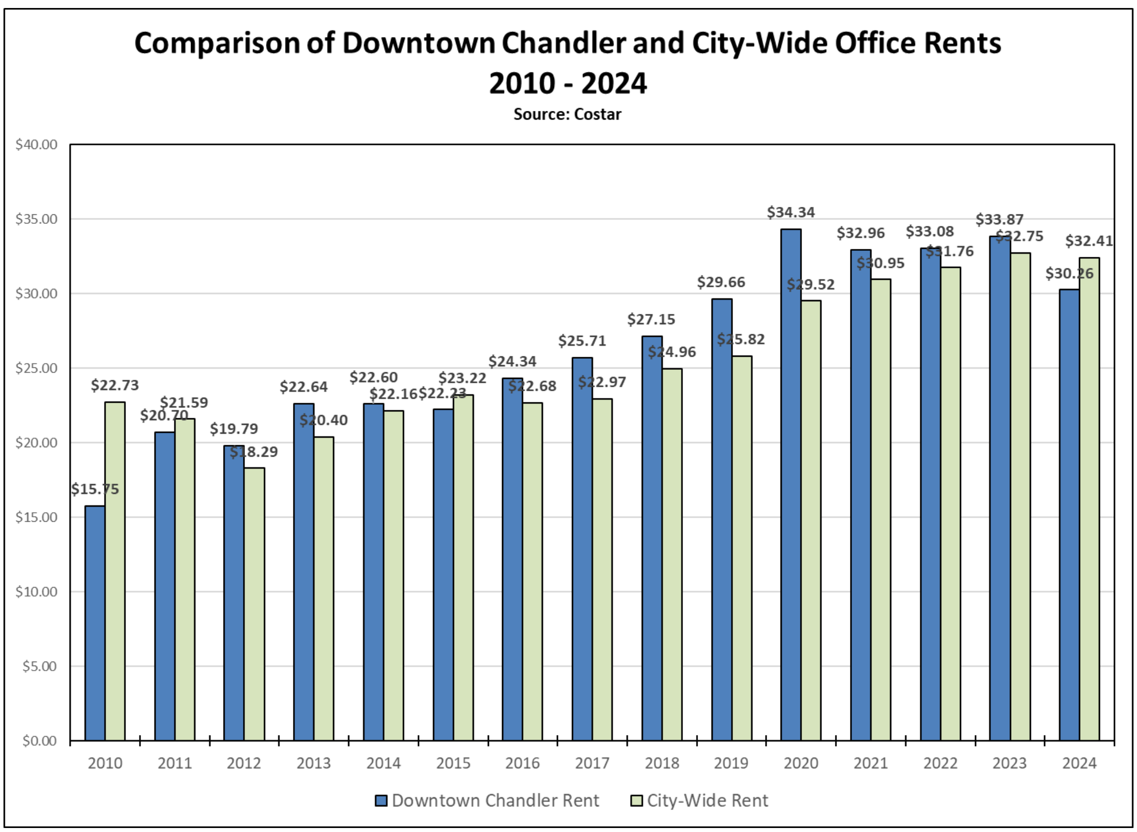
The two properties on Arizona Place are owned by the same company and are now being repositioned in the market. The vacancy rate for The Jonathan is estimated at 75% including a large amount of subleased space. An important tenant in the building is the University of Arizona that offers classes across a wide variety of disciplines. Both buildings have ground floor retail space available. The Alexander has a vacancy rate of 10.7% while New Square has a 5% vacancy rate.

Subleased space has become a significant issue for the office market as tenants vacated space over the last few years. Across the city of Chandler, subleased space has increased from just 42,000 square feet in 2020 to 830,000 square feet today. As leases expire in the future, landlords will need to fill those spaces.



The city-wide office market is showing a bit more stability than the Downtown Region market although vacancies have risen from 8.8% in 2020 to 19.0% in 2024. Most commercial real estate brokers believe the office market will begin to stabilize in 2025 with vacancies leveling off and potentially falling as companies ask their employees to return to the office. Suburban markets, however, may still be facing difficulties as tenants are flocking to the newest Class A buildings in prime locations in Tempe, Scottsdale, and the Camelback corridor. Rents in the Downtown Region have typically been higher than city-wide rents until 2024. This may be result of the high vacancy rate in 55 N. Arizona Place.


Chandler Office Market Inventory & Vacancy
2010 - 2024
Source: Costar
Inventory (SF 1000s)
Vacancy Rate
7,614
7,957
7,997
8,121
8,343
9,009
9,722
9,857
10,054
10,598
11,302
11,546
11,750
11,760
11,760
24.9%
26.0%
20.8%
15.5%
13.1%
12.5%
15.2%
14.5%
10.7%
9.6%
8.8%
11.6%
16.1%
16.9%
19.0%
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
Inventory (Square Feet in Thousands)
Vacancy Rate


Comparison of Downtown Chandler and City-Wide Office Rents
2010 - 2024
Source: Costar
$15.75
$22.73
$20.70
$21.59
$19.79
$18.29
$22.64
$20.40
$22.60
$22.16
$22.23
$23.22
$24.34
$22.68
$25.71
$22.97
$27.15
$24.96
$29.66
$25.82
$34.34
$29.52
$32.96
$30.95
$33.08
$31.76
$33.87
$32.75
$30.26
$32.41
Downtown Chandler Rent
City-Wide Rent

In summary, the office market is an important component of the Downtown Region real estate market, providing the opportunity to bring tenants and employees to Downtown Chandler in support of the retail and restaurant markets. Historically, the Downtown Region office market has outperformed the city-wide market from the standpoint of rents and vacancy rates. While it is experiencing distress today, it is expected to slowly recover as the redeveloped buildings on Arizona Place gain acceptance in the market.

5.0 Analysis of the Downtown District

The Downtown District consists of the area between Chandler Boulevard and Frye Road on the north and south and between Dakota Street and the railroad on the west and east. It contains most of the entertainment, retail, restaurant, hotel, and office space in the Downtown Region. It is also what most people refer to as Downtown Chandler.

Downtown Chandler has a variety of entertainment options that distinguish it from competing downtowns, including Gilbert's Heritage Square which is a direct competitor. Some of those competitive advantages include the LOOK Dine-In Cinemas and the Chandler Center for the Arts which includes a 1,500-seat mainstage and two smaller theaters. Overall, the Downtown area has:

- 45 restaurants and bars.
- 21 retail stores.
- 315,000 square feet of office space. Approximately 282,000 square feet are within four major office buildings, with the remainder in small office buildings.
- The University of Arizona Chandler campus.
- Arizona State University Innovation Center.
- 12 live music venues and five art spaces.
- Two hotels with 51,000 square feet of convention space.
- Five parking garages with over 3,300 parking spaces.

Downtown Chandler is also supported by an Enhanced Municipal Services District (EMSD), one of only four in Maricopa County, which provides funding for event management and maintenance through the Downtown Chandler Community Partnership (DCCP). Two other EMSDs are in Tempe and Phoenix. Mesa has established a formal improvement district for the square mile around its downtown area that assesses 529 properties. For FY 2025, the Mesa ID raised $371,000. The city contributes another $685,000, bringing the total budget for event management and maintenance to $1,056,000. The Tempe and Phoenix EMSD's, while different in size and scope, raised $917,000 and $1.65 million respectively in FY 2025.

The Chandler EMSD raised $243,500 in tax year 2024 (FY 2025). The city contributed another $131,000 in FY 2025 bringing the total budget available to DCCP to $374,500. We are uncertain if there are any other funding sources that could increase the budget of the DCCP. Many of the larger buildings in the Downtown contribute a substantial amount of funds as part of the EMSD. For instance, The Jonathan and The Alexander office buildings were assessed nearly $54,000 in 2024. The Hilton Garden Inn and the New Square office building

were assessed nearly $29,000 for the EMSD. Just these four buildings contribute 34% of the total EMSD assessment because of their high assessed values.
Downtown Chandler is also an important employment center for the community supported by the City of Chandler administrative operations. Within the entire Downtown Region, MAG estimates there are 5,960 jobs. The Downtown portion of that workforce is 2,550 employees. About 39% of those employees work for the city.

Competitive Analysis
In order to assess the competitive environment among similar downtown areas, data was collected for the Gilbert Heritage District which has evolved as a food-centered area over the past decade. Visitation data was collected from Placer.ai for both downtowns along with employment estimates from MAG.

The Gilbert Heritage District is defined as north of the Union Pacific Railroad and south of the Western Canal. To the east, residential development was included in the District beyond Elm Street which is the street that separates commercial from residential development. The area encompasses 81 acres. By comparison, Downtown Chandler is 145 acres in size.

Gilbert Heritage District

The Heritage District, according to the Town of Gilbert website, is comprised of:

- 34 restaurants
- 16 retail shops
- 82,600 square feet of office space
- 2,425 parking spaces

There are no multifamily developments directly within the boundaries of the Heritage District. A small townhome development of 32 units was constructed in 2021 in the northeast corner of the District. A 172-unit apartment complex known as District Lofts was built in 2016 just outside the District boundaries west of the railroad.

There are no hotels within the Heritage District. An educational building on Vaughn Avenue is currently used by Park University and the University of Arizona which offers bachelor's and master's degrees in nursing. The Heritage District also has the Hale Theater for live performances with a seating capacity of 372. The District does not employ an Enhanced Municipal Services District for funding.

The following table summarizes employment estimates as prepared by MAG within each of the downtowns. Chandler has twice as many employees as Gilbert, with about 34% of jobs within the government category. By comparison, Gilbert's largest employment category is consumer services at 800 employees which includes the restaurant industry.

Employment in Downtowns

	Downtown Chandler		Gilbert Heritage District	
Industry Cluster	**Employers**	**Employees**	**Employers**	**Employees**
Business Services	18	260	7	80
Construction	3	40	3	50
Consumer Goods Manufacturing	2	10	1	120
Consumer Services	24	480	28	800
Education	3	150	1	10
Finance, Insurance, & Real Estate (FIRE)	5	130	7	40
Government, Social, & Advocacy Services	14	990	3	20
Health Care	-	-	1	5
High Tech Manufacturing & Development	2	50	-	-
Hospitality, Tourism, & Recreation	6	110	1	7
Media, Publishing, & Entertainment	3	50	1	10
Retail	9	80	4	60
Transportation & Distribution	6	200	3	70
Total	**95**	**2,550**	**60**	**1,272**

Source: MAG

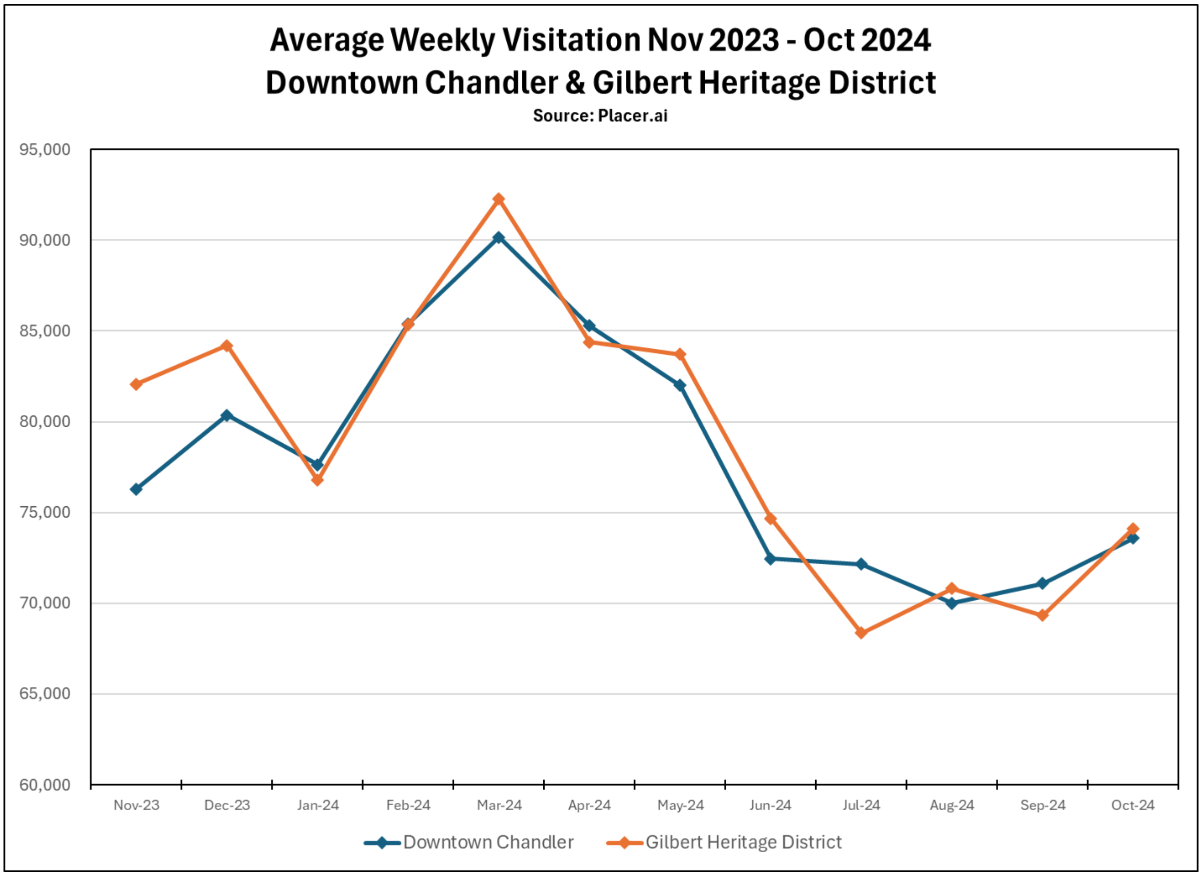
Visitation to each of the downtowns was collected from Placer.ai. Placer uses cell phone location data to track the movement of persons across the country. The data can identify where a visit originated, how long the person was at the destination, and how many times they may visit a site. Visitation to Chandler's and Gilbert's downtowns are essentially the same with more than 4 million visits each year. Gilbert has attracted slightly more visits in prior years. While Gilbert's attraction is primarily focused on restaurants, Chandler's visitation is a combination of work and recreation since it has a much larger employment base including office space that can accommodate private companies. This employment base helps drive the retail and restaurant businesses in the area.

Annual Visitation 2021 - 2024

Downtown	2021	2022	2023	Last 12 Months Ending Oct 2024
Chandler Downtown	3,572,383	4,014,942	4,002,011	4,065,498
% Change		12.4%	-0.3%	1.6%
Gilbert Heritage District	3,968,356	4,162,345	4,276,245	4,104,425
% Change		4.9%	2.7%	-4.0%

Source: Placer.ai

Visits to the two downtowns follow an expected pattern with the high season extending from February through May and the low season occurring from June through September.



Summary

Downtown Chandler competes positively against the nearby competition of the Gilbert Heritage Square. While Gilbert has created a significant attraction with its offerings of restaurants, it has a limited employment and visitor base beyond its food-centered focus. The Town attempted to grow the visitor market with the construction of an educational building. Unfortunately, the first tenant did not perform, and the property has now been backfilled with two other universities. There are few residential properties within walking distance of Gilbert Road and the District has no hotels and few office properties available for new businesses. This will likely change in the future and a mixed-use project known as Heritage Park situated north of the Western Canal may be starting construction in the near future with retail and restaurant space and 288 apartment units.

By comparison, Downtown Chandler has a more well-rounded economy with a variety of uses that will continue to support future growth including:

- The Crowne Plaza Resort with its convention facilities.
- The historic buildings and portico.
- The new Hilton Garden Inn.

- The Chandler Center for the Arts.
- More than 300,000 square feet of office space.
- Multifamily complexes within or adjacent to the Downtown area.
- An economy that is not solely based on restaurant and bar sales.

These and other assets make Downtown Chandler the preeminent downtown community in the Southeast Valley.

6.0 Conclusions & Recommendations

In order to remain competitive, the City of Chandler along with the DCCP needs to continue to be proactive to promote the Downtown and its assets. The historic buildings are a distinguishing feature that define the Downtown and elevate the area above the competition. At the same time, efforts must be taken to incentivize new development.

- The Arizona Department of Revenue lists four properties in Chandler that are subject to the Government Property Lease Excise Tax (GPLET) including 55 N. Arizona Place (The Jonathan office building), Olympus Steelyard, Overstreet, and Overstreet Cinema. Legislation passed over the last ten years has made it more difficult for property owners to benefit from the GPLET. Excise tax payments are set by statute and increase annually according to a construction cost index. However, if a property is located within a central business district and a redevelopment area, it can receive an eight-year abatement of all GPLET payments (a 2024 bill to reduce the abatement to four years was vetoed by the Governor). The city may want to consider this option of establishing a central business district and redevelopment area to further incentivize development in the Downtown.

- We understand that a strategic plan for DCCP is underway with Progressive Urban Management Associates (PUMA). This effort will help to further optimize services in the Downtown and eliminate duplication of services provided by the city or others. Funding for DCCP will also be evaluated. The strategic plan is likely overdue.

- We understand the city does not track sales tax revenue generated within the Downtown. We recommend the city establish a process to collect sales tax data which would assist in evaluating the status of the local market, the breakdown of revenue from different categories (retail, restaurants, hotels, etc.), and where efforts should be directed at attracting certain uses.

- The City of Chandler has a few incentive programs targeting redevelopment of obsolete commercial properties. The Infill Incentive Program provides fee waivers, expedited building plan review, and reimbursement of public infrastructure costs for qualifying projects within the infill incentive area which is that part of the city north of the Loop 202. The program targets existing commercial buildings at least 15 years old with high vacancy rates. While the program is well designed, perhaps it could be expanded to vacant/undeveloped commercial properties that have limited or no demand for commercial use.

The city's Adaptive Reuse Program targets buildings built before 1990 with a maximum size of 15,000 square feet within the Adaptive Reuse Overlay District which is situated along Arizona Avenue (from Pecos to Warner Roads) and Chandler Boulevard (between Alma School and McQueen Roads). The incentives for the programs are designed to reduce the cost of redevelopment and allow for flexibility in the city's building regulations such as setbacks, parking, screening, and landscaping.

We would hope that the portions of the Infill Incentive Program could also be used for adaptive reuse applications as well. Adaptive reuse projects often encounter infrastructure issues as well that may qualify for reimbursement. The city may also give consideration to increasing the maximum size of the adaptive reuse beyond 15,000 square feet and reducing the age of the building. The City of Phoenix allows adaptive reuse on buildings built before 2000 and up to 20,000 square feet in size.

- Development of additional housing opportunities in the Downtown are critical to its continued growth and success. Projects such as One Chandler will provide a dramatic entrance into the Downtown area as well as a large population base. The Downtown Region has a wide variety of housing products, from public housing to low-income housing tax credit complexes to market-rate multifamily units. The housing types that should be promoted are:
  - Additional multifamily complexes as the market dictates and as vacancy rates decline.
  - "Middle Income" housing that provides opportunities for critical service employees such as police officers, firefighters, teachers, nurses, and others. The Commonwealth Townhome complex on Commonwealth Avenue is an example of the type of ownership housing that may be available for middle income earners.

- Redevelopment plans should be developed for emerging redevelopment areas such as the area west of Arizona Avenue between Boston Avenue and Frye Road. Without some guidance, the fractured ownership pattern could lead to haphazard redevelopment of parcels that may do little to enhance the Downtown area.

  The neighborhood east of Arizona Avenue between Frye and Pecos Roads should also be the subject of a redevelopment plan to stabilize the existing housing stock and determine the future reuse of city-owned property.

- Additional marketing efforts of the city and DCCP should focus on retail development to provide better balance to the Downtown real estate market. In particular, a grocery store option should be considered. Operators such as Aldi, which builds or leases small 25,000 square foot stores, would be ideal to fill the absence of grocery services in the Downtown District.