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State record: \$312 million land sale

30,000 homes, retail envisioned for West Valley proving grounds

Glen Creno
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Two home builders and a mall developer are planning what amounts to a small city on a vast piece of West Valley land used to test cars.

As many as 30,000 homes could go up on 5,500 acres of desert that DaimlerChrysler has held as a proving grounds since 1958. The carmaker sold the land for a little more than \$312 million this week in a deal that ranks as the top land sale in state history.

The buyers are builders Toll Bros. and Meritage Homes and mall developer Simon Property Group. They are just now putting together plans for a mixed-used project that would include a variety of housing, employment and shopping, and possibly one of Simon's trademark big malls.

The land is between Arizona 74 and U.S. 60 near the small community of Wittmann on the way to Wickenburg. It still retains the remote characteristics that persuaded the company, then known as Chrysler, to set up shop there, but it is squarely in the path of the growth wave that has transformed the West Valley from a farming hub to one of metropolitan Phoenix's most important housing markets.

Fast-growing Surprise expects to annex the property, perhaps by the end of 2007. The land needs water and sewer lines and better roads to handle an influx of residents.

"Several years from now that will be the heart of Surprise," said Kevin Duermit, president of Pennsylvania-based Toll's Arizona division.

The land sale easily beats the previous record of \$250 million that Newland Communities of San Diego paid for a chunk of Estrella Mountain Ranch in Goodyear this year. A previous deal to sell the proving grounds to Las Vegas and California interests for about \$400 million unraveled, and the new buyers stepped in. Scottsdale land broker Nate Nathan, who helped negotiate the deal, declined to comment.

"In any real estate transaction, there are buyers who may have had offers that at the time may have been more attractive than our first offer," Duermit said. "But there are times when buyer and seller choose to go in a different direction. We were interested (in the property) from the very moment this came out."

The West Valley has quickly shed its reputation as a metro Phoenix also-ran. The area sports some of the region's most acclaimed master-planned communities, including Verrado in Buckeye and Vistancia in Peoria. These communities are changing the expectations of buyers looking for more than the plain stucco boxes that dominated Valley housing in the 1980s and '90s.

"We expect state-of-the-art architecture and home design," said Scott Chesney, Surprise's planning manager.

Simon, the Indianapolis real estate investment trust, couldn't be reached Thursday. However, the city and people involved in the deal said the company could consider

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building a regional mall on the site even though mall developer Westcor is planning a big center elsewhere in Surprise.

Plans for the project are tentative and will change in the roughly two to three years that it will take to prepare the site for development and begin construction. But the buyers say the property could contain 17,000 to 30,000 homes. They expect to build everything from apartments to entry-level houses to more expensive move-up homes in an area that is home to Sun City West and Sun City Grand and is near the soon-to-boom Sun Valley area of Buckeye.

"The northwest Valley has been a very hot area over the last few years," said Larry Seay, executive vice president of Scottsdale-based Meritage. "A lot of major players have taken major positions in the corridor along Grand Avenue."

Amended city plans call for a big commercial component that could include office, light industrial and retail development. A couple of other housing projects must be annexed by Surprise before the city's boundaries extend to the edge of the proving grounds.

DaimlerChrysler will lease back the facility at least through the end of 2007, spokeswoman Mary Beth Halprin said. The company is scouting for new locations.

The proving grounds are essentially flat desert crisscrossed by washes. Housing analyst R.L. Brown, publisher of the *Phoenix Housing Market Letter*, said it does not have the natural features that Verrado and Vistancia enjoy. He said the developers will have to create amenities with such things as lush vegetation or recreation, something he said East Valley developers did long ago in projects like Dobson Ranch in Mesa.

"It's going to be interesting to see what the developer creates to make his marketing dream come true," Brown said.

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