

Real estate experts weigh in on fate of US Air's Tempe HQ

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The possible merger of [US Airways Group](#) Inc. with Fort Worth, Texas-based [American Airlines](#) has professionals from a multitude of industries weighing in on the "what ifs," and the local real estate industry is no exception.

The US Airways headquarters has been located in a nine-story Class A office building at 111 W. Rio Salado Parkway since 2005, when the airline — then based in Pittsburgh — merged with America West Airlines and relocated here.

Even if a merger left the Tempe building partially vacant, the available space would appease the Valley's notable shortage of large blocks of upscale office, especially in north Tempe, local professionals say.

Any discussion of the future of the headquarters building is premature, said US Airways spokesman [John McDonald](#), as that wouldn't even be on the table until after a merger agreement is reached.

US Airways also maintains its position that, even in the event of a merger, the airline would maintain its hub in Phoenix.

"We would also continue to have a significant corporate presence here," McDonald said.

However, he refused to elaborate on what such a corporate presence might look like in that case. He also would not disclose information on the size of the headquarters space or the number of employees working there, among other details requested.

But according to the airline's [U.S. Securities and Exchange Commission](#) filings, US Airways has about 220,000 square feet of office space in the building.

[Andrew Cheney](#), a principal of [Lee & Associates Inc.](#) in Phoenix, said Class A space in north Tempe recently has posted notably low vacancy rates because of scarcity and location in a high-demand submarket.

As for the Valley, overall office vacancy rates remain high — about 26.2 percent in the second quarter, according to Lee & Associates, largely because the available space is in chunks well under 100,000 square feet, he said. Thus, the only real option for companies looking for large, upscale office space is to have it built.

The problem, he said, is that builders won't launch any projects without preleasing at least 50 to 65 percent of planned spaces, yet the still-unstable market has many companies wary of locking themselves into nonreversible agreements.

However, a fully or partially vacant US Airways building would provide a solution.

"For real estate in particular, it would be a unique opportunity in downtown Tempe," Cheney said.

It would be sure to draw interest from various businesses looking to locate in that area, which is flush with technology companies. But the million-dollar question, he said, is who actually would fill it?

"The first preference indeed is to get a headquarter location there," Cheney said.

But metro Phoenix has long been considered a regional HQ market rather than a main headquarters market, so demand for more than 200,000 square feet is rare, he said.

The US Airways building, therefore, probably would be occupied by several companies, which could take two or more years to do so.

Former Tempe Mayor [Hugh Hallman](#) said whether the headquarters is sold or leased by the airline in the event of a merger, US Airways wouldn't lose money on the building, which he speculates is worth close to \$50 million.

"It's one of the most valuable pieces of property at one of the sexiest intersections in the state," he said.

Kristena Hansen covers residential and commercial real estate.

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