



Realty Check: The Modern Streetcar and Its Impact on Property Values by Jason Brown • published in the March 2010 issue

Having lived in Portland, Oregon for a little over a year, I was exposed to the charm and convenience of the modern streetcar and light rail system. I would ride the red line from home to work five days a week, and just about any other time I wanted to get around the downtown area. There was no doubt that this was a selling point for where I lived, and the fact that it stopped a hundred feet from the art store I worked at certainly lent itself to the store's success.

Now that Tucson has received the okay for a federal grant that will round out the funding for our own streetcar, the question remains for local business and property owners—how will the streetcar affect downtown and university area properties? While the addition of a streetcar typically has a positive impact, the extent of the impact is somewhat difficult to define as several variables are at play.

With funding for the streetcar in place, work is expected to begin in the next few months, although a definite timetable has not yet been established. The new streetcar is expected to carry approximately 4,200 passengers a day along a 3.9-mile route from the west downtown area to the UMC. The general route begins west of the Santa Cruz River on Congress Street, from where it heads south and east under the freeway at the future Cushing Street bridge, then heads north again to Broadway and Congress, east to 4th Avenue, north to University and then east across the University campus, eventually terminating at the UMC. The immediate areas impacted by the streetcar will essentially be downtown, 4th Avenue, and the university district.

Most notable is the inclusion of the streetcar line west of the Santa Cruz River, which presently does not receive the same level of traffic and commercial activity as other areas along the route. Even so, the Gadsen Company has already developed the shell of the Mercado San Augustin, an approximate 15,000 square foot multitenant retail building at the terminus of the streetcar line. The company intends to further develop approximately 14 acres within the Convento neighborhood with mixed uses that will include retail, lodging, housing, and office. The scope and success of the project is based largely in anticipation of the streetcar line to the area, without which development would likely be forestalled. Additionally, Phase 1 development of the Cultural Plaza and Tucson Origins Heritage Park has begun south of Cushing Street, also along the streetcar route on the west side of the river. With these projects underway, the traditional “downtown” area may very well expand west in lieu of the continuity provided by the new streetcar line. This is not an unprecedented effect and brings to mind the revitalization of the Pearl district in Portland, a former run-down warehouse district that transformed to a high-end residential and retail area during and following the addition of the streetcar in 2001.

According to Don Mortensen of 1st USA Commercial Properties, LLC, who specializes in selling properties with streetcar and light rail frontage, properties along the streetcar corridor are at a competitive advantage over those that are not, particularly in areas with limited parking. Additionally, those with proximity to a station sell for much more than properties that do not have a station nearby. This is further substantiated by a study on Santa Clara County transportation conducted by the University of California, Berkeley, which indicated that properties

located within half a mile of a light rail commanded higher lease rates than other properties in the area. Additional studies in other markets indicated a marked increase in rental rates for properties within ¼ mile of a station.

Currently, the economic downturn has put a strain on business in the area. A review of the University Main Gate and 4th Avenue Districts indicates that overall retail sales were down about 10% for 2009 as compared to 2008 sales. The hardest hit businesses were apparel stores, with restaurants being impacted the least. Conversely, the downtown area, which historically has been lean in terms of retail and residential uses, has had some new development activity, including approximately 10,000 square feet of retail space along the floor level of One North Fifth, the construction of the 286-space parking garage and multi-story residential building along 5th Street, and site preparation for the new Unisource Headquarters at Broadway and 6th Avenue. The 4th Avenue underpass was also completed last year, improving pedestrian access between the downtown and 4th Avenue areas. With the addition of the modern streetcar, other potential developments proposed as part of Rio Nuevo, including the Convention Center Hotel and the Museum of Contemporary Art, can now count on an additional mode of transportation to supplement overall success, a factor that may provide the extra push needed to propel these projects forward.

While much of the economic impact of the streetcar is yet to be seen, the fact that it will be a definite addition to the Tucson infrastructure will likely increase nearby property values and lease rates, as anticipation for improved visibility and access becomes a reality. Furthermore, expect to see new development that would otherwise not have been completed without the streetcar, as well as the potential expansion of the downtown area to the west. As these corridors expand, new jobs will likely follow, making the streetcar an important factor in the overall growth of the area.

Jason Brown is an Apprentice Appraiser at AXIA Real Estate Appraisers, and received his Bachelor's degree from the University of Arizona in 2006. Jason can be reached at (520) 545-0000 or via email at jbrown@axiaappraisers.com.

TREND
report

Tucson Real Estate + New Development

Subscribe online at
www.trendreportaz.com

For Quotes on Corporate Subscriptions and Advertising Programs,
Contact **Lucinda Smedley**
at 520-603-2175 or lucinda@trendreportaz.com