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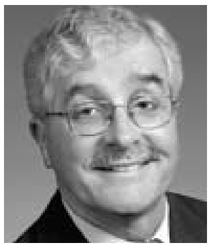
Contributors



Steve Atkinson

Fee Abatement to Stimulate Development, pg. 19

Steve Atkinson specializes in land use and development law, including the California Environmental Quality Act and local, state and federal development entitlements. His primary focus is San Francisco. He has successfully represented developers of residential, office, hotel and retail projects. Major accomplishments include Myers Development's 101 Second Street, The Pacific Center renovation, The Infinity and Crescent Height's 10th and Market project. His practice includes advising San Francisco clients on affordable housing requirements, historic preservation and transferable development rights. Earlier in his career, he was an attorney for seven years with the Environmental Protection Agency in Washington, D.C., specializing in toxic substances, hazardous substances remediation and waste incineration. He helped to develop the EPA's new chemical review project under the Toxic Substances Control Act and the EPA's Superfund program.

Charles Edwin Chase, AIA

Piering Into the Future, pg. 32

Charles Edwin Chase, AIA, is an architect with more than 30 years' experience in architecture and historic preservation. He currently is director of planning for Architectural Resources Group Inc., in San Francisco. Prior to joining ARG, he was executive director for San Francisco Architectural Heritage for nine years. Chase served on the Port of San Francisco's Central Waterfront Advisory Committee for eight years and was an advisor to the port on the nomination of three miles of historic waterfront resources to the National Register of Historic Places in 2006. He currently serves on the Executive Board of the California Preservation Foundation, the AIA California Council and is president of San Francisco's Historic Preservation Commission. He holds master's and bachelor's degrees from the University of Florida.

Rob La Eace

Where's the Uptick?, pg. 32

Responding to emergencies as a firefighter in a variety of uncertain situations and diverse neighborhoods taught Rob La Eace a lot about how people should be treated, not only during a crisis, but also in everyday problems. Today, these same skills are an asset to those who work with this San Francisco native in his career as a broker associate with McGuire Real Estate. The tools he puts to work as a firefighter are what makes the difference to the clients Rob works with as an agent. While it may help that Rob is the type of guy with a warm smile and a friendly attitude, his professionalism, organization and drive to succeed are what make him stand out in his career. Working in his fifth year in the industry, Rob is in touch with his clients' needs and with the city–putting a local's perspective to work.

Joe Lewis

The Coming Storm, pg. 21

Joe Lewis entered the commercial real estate business in 1980 as a broker with Cornish & Carey Commercial in Palo Alto following service as a U.S. Navy pilot. He was voted Silicon Valley investment broker of the year in 1988 and named president of Orchard Properties in 1996. He founded Orchard Commercial in 2000 and is responsible for all operations including property management, construction, leasing and maintenance. The company has 45 team members and services a commercial portfolio measuring eight million square feet with 500 tenants.

Matt Slepin

Power to the People, pg. 24

Matt Slepin is managing partner of Terra Search Partners, a San Francisco executive search and human capital consultancy focused on the real estate industry. Slepin has over 20 years experience in leadership, management and functional roles within real estate. His extensive career in executive search has given Slepin a unique and rich perspective on the ever-changing landscape of commercial real estate. ■

THE COMING STORM

Property managers should dedicate themselves to several years of ownership distress by committing to the community.

BY **JOE LEWIS**

The commercial property management profession as we know it in Silicon Valley was created in the chaos of the mid-1980s by an economic Big Bang. The commercial real estate industry now faces another defining natural event, what some might call an economic tsunami. While many market participants will experience tremendous pain and some will be washed away, property managers should have the means and responsibility to hang on.

In 1982, economic forces brought the following conditions to a beautiful valley south of San Francisco: acres of entitled land in master-planned industrial parks, concrete tilt-up construction, tax law that dramatically shortened depreciation schedules for real estate, bank deregulation and a rapidly growing electronics industry.

Local developers controlled the Silicon Valley real estate world at this time. These relatively small, nimble firms built the master-planned industrial parks; they sold lots to other developers and corporate users. Meanwhile, contractors refined the techniques of rapid concrete tilt-up construction.

From 1982 into 1987, millions of square feet of new buildings were built, fueled by lots of easy credit. The professional commercial brokerage community emerged to serve the business created by developers and their prospective tenants. Commercial brokerage ranks swelled to 900 brokers. Out of these firms came many of the leaders of the next generation of real estate players. The San Jose office of Grubb & Ellis spawned so many real estate luminaries that it was referred to as Grubb Prep School.

By 1987, overbuilding was rampant and vacancy up dramatically. The overcapacity combined with tax law changes to create a recession that decimated the industry for nearly a decade. Buildings built with 100 percent financing earned the nickname neutron bomb because the developer was gone but the building remained. Tenants, developers and lenders went under. The brokerage ranks thinned to less than 400.

Lenders, financial institutions and the government crisis agency known as the Resolution Trust Corp. emerged as commercial real estate's new ownership class. These new owners discovered what so many new owners of real estate discover: The property has to be managed. But they did not have staff or expertise. A new class of professional property management companies and individual property managers emerged to meet this need.

This new professional class reported to a financial institution, and the new owner wanted reports, lots of reports. Fortunately, this period coincided with the development of the personal computer and spreadsheet programs enabling these managers to produce the kind of detailed and statistical information sought. At the same time, the brokerage community rose to the occasion by collecting its own statistics and producing regular market reports for the first time.

Not until the mid 1990s did the industry recover. By then the professional property manager was well entrenched, and the new class of developers were largely institutions themselves or strongly influenced by institutional partners.

Today, Silicon Valley contains nearly 300 million square feet of office and industrial buildings constructed over the last 30 years. Based on an average property manager handling a million square feet, there are approximately 300 professional managers in the business. Property management firms fall into three large categories: owners, brokerage firms and boutique firms. Of the 10 largest firms in the valley, four are owners, three are brokerage firms and three are boutiques. Like in any other industry, in this one, too, the top 20 percent of the firms have the majority of the business and the top 20 percent of individual managers lead the industry.

Property managers now face such stormy conditions as rising vacancy and unemployment, declining economic conditions and maturing building loans that cannot be refinanced. It is becoming obvious that this storm is bigger than most we have experienced and may last quite a while. The owners and lenders of many properties will go away, some voluntarily, some not. However, once again, the buildings will remain and must be managed. Not only are the financial interests of owners, lenders and tenants at stake, but also the well being of the community is at issue. The property manager has the opportunity to be a port in the storm for the greater good. We also have the chance to mine the situation for new lessons and better business practices akin to those learned and adopted in the late 1980s and early 1990s.

During the equipment failures of Apollo 13 in April 1970, a sentiment of imminent disaster began to build. Mission Control's veteran Lead Flight Director Eugene F. "Gene" Kranz changed the tone when he said, "Failure is not an option." Those who care for buildings now face a similar moment. The owner may not be able to hang on. The lender may not refinance, but the building will still be there. In a few years, we will look back on this storm and tell our stories. It would be nice to be able to say it was our finest hour. ■

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