

Deconstructing and Reconstructing the Silicon Valley

By Sharon Simonson



At 35, Dan Amend epitomizes the regional commercial real estate industry's next generation of young leaders. Young people are suffering in this recession, perhaps disproportionately, as commercial real estate companies and their clients turn to the most-seasoned executives to carry them through. The Registry asked Amend, who is president of the Silicon Valley chapter of NAIOP Commercial Real Estate Development Association, to share his thoughts about the downturn and what he has learned about survival in this deeply cyclical business. Amend is a senior vice president for Toeniskoetter & Breeding Inc. Development and became president of the newly created Toeniskoetter Construction Inc. in January of this year; both companies are San Jose-based. Toeniskoetter Development and its property management arm oversee the operation of two million square feet of commercial properties in Silicon Valley. All but about 200,000 square feet are owned by company principals and their investment partners.

What is your history at Toeniskoetter & Breeding Inc. Development?

I started delivering gift baskets to clients while I was a junior at Bellarmine College Prep in San Jose (just a block from our office) during Christmas 1990. I worked after school as a gofer for the construction group. After my freshman year in college, development company founder and Chairman Chuck Toeniskoetter asked me if I would be interested in development work. I interned under company President and Chief Executive Officer Brad Krouskup during my college summers. I was hired full time directly after school and have been here for 13 years moving from project development manager to vice president to senior vice president. Over the years, my responsibilities have included the acquisition of investment properties, the negotiation of new leases and lease renewals, the procurement of permanent financing for all investment properties, the management of city entitlements and the maintenance of relationships with existing tenants, investment partners and third-party management clients.

How many downturns in the industry have you witnessed?

I entered the industry full time as Silicon Valley was coming out of the 1991 recession. Our company was still working through the effects of that when I started, so the guidance of my mentors Chuck Toeniskoetter and Brad Krouskup reflected the lessons learned during those years. I was fully in the swing of my career for the 2001 dot-com crash.

What do you think is unique about this downturn?

What has been most interesting to me is the extent to which debt markets have driven the real estate industry, both residential and commercial, in this cycle. Even though on the surface, this downturn differs strongly from that of the early 2000s, there are also some startling similarities. The downturn of the early 2000s was caused by a bubble in equity markets, with investors almost throwing money at Internet-related startup companies that ultimately did not have viable business models. That excess drove new construction of office space in Silicon Valley. When the bubble burst, many of those new offices ended up vacant, driving vacancy to dramatic highs—30 percent in some submarkets. This time the downturn is also the result of investor excess and a surplus of capital, but it manifested itself mostly on

the debt side. Again, money was thrown at real estate, though obviously without much forethought or attention to business and real estate fundamentals. Huge vacancy rates have again been the result. Different this time is the global nature of the downturn.

What did you learn about your personal finances, the business world or the world of commercial real estate after seeing and being in your first industry downturn and observing its effects on yourself and peers?

The attitude that came out of the dot-com era really bothered me. I was raised to be a student of the game, to work really hard, and if you got some luck, you could be successful. There seemed to be a lottery-winner attitude around the time of dot-coms that undermined the value of hard work. Instead, you just had to be with the right company when it had its initial public offering, and you were rich. A sense of entitlement lingered. My career growth has been steady and without any great highs or deep lows. In this downturn, I have seen talented friends lose their jobs. If they lived conservatively, they are surviving. But those who got caught up in big lifestyles, typically funded by debt, are hurting.

What does membership in industry organizations like NAIOP do for you professionally and are there any particular benefits during trying economic times like these?

NAIOP, particularly the Silicon Valley chapter, provides great camaraderie, informative panel-discussion luncheons and events. They allow me to hear from my peers about how they are handling issues and transactions, including in the current economic climate. Three years ago we started doing an annual Hall of Fame dinner to honor the region's industry titans. This year we are recognizing David J. Brown, a prescient developer in San Jose's famed North First Street corridor, which is now home to Cisco Systems Inc., Brocade Communications Inc. and other Silicon Valley corporate icons. Hearing what I like to call the genesis stories of Silicon Valley commercial property developers who had the vision to take what was an agricultural region and help to transform it through their developments is very valuable for someone who was not here in the 1960s and 1970s when it all began. These developers allowed Silicon Valley to come into existence by supporting what have become global companies. We learn so much by understanding history. ■