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Wareham Keeps its Discipline for the Long Run

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After 40 years, Wareham continues to shape the region and the industry

Rich Robbins, founder of Wareham Development, is a builder of community and communities. Since 1977, Wareham's high quality research and lab environments have allowed thousands of scientists and entrepreneurs in communities like Berkeley, Emeryville and Point Richmond to investigate and innovate, and countless companies to grow, with maximum benefit to the communities around them.

Rich and Wareham have also long been proud advocates and sponsors of STEM and STEAM education programs in K-12 schools along the East Shore Corridor as well as community enrichment programs such as public arts, youth sports and a broad array of social programs. His perspective on the Bay Area comes from 40 years living, working and building here.

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First, the legacy: as you approach this big [40 year] milestone, what has changed and what has stayed the same?

Wareham is kind of a unique company in the field of real estate. As you are well aware, real estate is predominantly institutional now, dominated by institutional relationships and very large entities. There are not too many companies left that have a family and a core culture that has somehow navigated at least the last 40 years with great fortune and the privilege to do what we've done. [Part of the reason we've done so well, I think] is that we've put together a very talented upper and upper-middle management team that works very effectively in ways that allow us to be nimble, collaborative and innovative. It allows us to take chances that few other companies have the privilege to take.

Do you see that evolution of the institutionalized developer being the future of commercial real estate, especially for the type of product Wareham does?

There's no question that capital providers—if you take the funds and sheer magnitude of capital that has looked for real estate as a home—have certainly profoundly changed the fabric of the industry. Back in the nineties, amongst our own independent projects, we had two or three long-term capital sources that we considered long-term partners. They trusted us and allowed us to do what we wanted to do strategically and those partners have remained to this day.

We've been blessed—and selective—in that we only want to be with long-term players. We are not normal in this industry. We build, buy and hold. So, we've built a track record in specialized lab and research projects, high end, sophisticated build-outs and unique design. A lot of big institutions can't compete with that because quite often decisions are made far away from the Bay Area in some other big city.

Given the shift of the industry toward bigger institutional developers, are there challenges for communities in this shifting landscape?

Well, you can see it now. Where we live, where everyone lives, towns, cities counties, state, feds are all trying to grab as much of the revenue pie as they can. So, whether you are talking initially about fees to develop or the “add ons” in the form of new taxes—the cost to build has grown astronomically.

You know, working hand in glove in public private partnerships is becoming less and less common. In fact, the climate is growing more and more adversarial with people in cities and states saying—“these people are making money, they should pay the freight.” I'm not saying they are wrong in doing this, I'm just saying the template used by most of the politicians today is to load costs onto commercial interests and mitigate what goes to the residential taxpayers—the voters.

I do want to get to challenges, but over 40 years you've been in business, what has stayed the same?

Let's talk basic economics. It's remained very expensive to have vacant space in real estate, so that means that anything you can do to retain good long-term relationships with tenants really helps you. Integrity and relationships. Trust. Wareham has benefitted greatly over the years from a lot of people in our industry valuing and trusting us to execute and deliver once they are in our buildings and, also, before we even build the building. That's a formula everyone should subscribe to.

When you founded Wareham, the Bay Area was just budding with innovation and technology was becoming a thing. Do you see those kernels of innovation still existing today?

Everything is different but, yes, I think it remains today. The most curious and best and the brightest still want to come here to be around the best and the brightest. The Bay Area is still considered a pilot zone where anyone can succeed, and good ideas can capture capital. That's one of the reasons we were dedicated to QB3 and built our QB3 East Bay Innovation Center in Berkeley. It's why so many of the innovation centers that have sprouted from QB3—in Palo Alto and certainly in San Francisco—still prosper, because you have to have places where people can validate their ideas and innovations. But if you don't have those environments or you fail to keep the costs down or have mentoring so these people can do the best research possible then we are going to lose that edge. No question we have it now.

The downside, of course, is the cost to live here. In general, the politicians continue to kick that can down the road because they don't want to deal with the tough issues.

And look at how little government invests in education. With many families having two working spouses or even single parents, does it really make sense that we still have a school year that stretches to just 185 days? How much more could our kids be learning with an extended school year or even enrichment classes?

As the region has become smaller, more interconnected and industries dependent on one another, have you seen that change in the commercial real estate industry? How has that affected the industry from 20-30 years ago?

Wareham hasn't played a big role in the tech sector but regionally, you have life science, technology hardware and software, personal medicine, med devices, green chemistry is coming up fast—all tie in to one single basic concept, which is how to take research and move it into commercial application. Where it is manufactured, where it is produced, we've been the beneficiaries of the fact that most of these technologies don't require massive factories—if they do, those factories are typically somewhere else. But the needs and the services to provide for those growing industries have [allowed the Bay Area] to prosper tremendously.

Looking back, is there a life science product or Bay Area market where you wish you had developed but didn't?

We've had opportunities to do projects in San Francisco and the South Bay over the years. We've been minimal players in Palo Alto, where we have a couple of smaller properties, but mostly we have focused on developing larger campuses in the East Bay. I think we might have had the chance to be much bigger as a company than we are now if we had gone to San Francisco or the Peninsula but again, what was—and still is, paramount to us is our culture and our philosophy that the buildings we develop would stay in our portfolio long term. So, could we have been bigger? Probably, but I'm glad we aren't. Smaller projects also bring about a great deal of joy for me. Bigger projects are wonderful but they can limit the amount of creativity you can bring to the dance. If I think back over the many, many projects we've delivered over the last 40 years, there is probably a building where I think we could have done better with designs and such, but overall I'm not into regret.

You addressed fees. Let's talk about construction costs. How do we tackle that issue?

There's no magic wand. It's really just being a material participant in the process and being aware of what's going on. As you know, some people use third parties to manage the process—they bid it out and let them handle it. A lot of this industry has really become about risk management. I would say that's why a lot more people rely on capital providers and large funds, but I'd say the best way to mitigate rising costs is just to be knowledgeable. There are times when we'll play commodity broker, and we'll buy steel ahead of time because we like the price, and we'll buy materials if we are already in process, but the problem is always the risk you bear. I think having senior people in construction meetings, knowing what's going on, and giving yourself as much flexibility as possible in doing TIs and tenant uses, that is key.

What data do you look at as a developer?

All kinds, it never stops. Personally, we have a vigorous process on budgeting. Wareham has a fiduciary responsibility not just to the partnership, the asset and the health of the asset but also to the tenants. We have to be tenant advocates. A lot of costs can be passed along to a tenant, but if you are an advocate for that tenant it's a tremendous plus for investment in a long-term relationship. So, I spend a lot of time looking at the financial health of the building, how much it costs to run, what expenses are passed along and what expenses are not passed along to our tenants. As I said, we are long-term holders, so we spend a lot of time and money keeping our buildings relevant. On average, we spend \$50,000,000 to \$75,000,000 a year making upgrades to buildings and tenant improvements throughout the portfolio. So, we are constantly looking at that data.

What excites you about 2018-2019?

I've never been more excited. We invest in about 30 startups right now, and many of them are in our portfolio. What's going on with green chemistry, personal medical, device technology, attacking epidemic diseases, there's so much to get excited about. You didn't ask me about the cannabis industry. A lot of people look at it purely from the dispensary angle. We look at it from the perspective that there is vital research going on to supplant opiates and other addictive drugs with more organic materials that don't have the same addictive qualities. That could be huge for many people suffering from opiate addiction. We can't put our heads in the sand, we need to make sure research like that has a home, somewhere to develop and grow. Good research has to be housed.

I couldn't be more excited about the potential and innovation I see today, which is comforting for me, at least, because I believe our planet needs innovation today more than anytime in the last 40 years.