

Friday, August 14, 2009

Wareham Development buys into Palo Alto

Silicon Valley / San Jose Business Journal - by [Katherine Conrad](#)**MEDIA**

Wareham Development Inc., builder of labs in the East Bay for Bayer and the state of California, has established a beachhead in **Stanford Research Park** with the recent purchase of two buildings.

The San Rafael-based developer paid **IDT Corp.** \$62.7 million for the 120,000-square-foot properties on Hillview Avenue in Palo Alto. The 7-acre development was built in 1999 and is fully leased and occupied by **Stanford University** and its hospital.

According to the offer package, IDT paid \$71.5 million for the buildings, which had \$58.5 million in debt. Purchases in the 700-acre park owned by Stanford and established in the late 1940s do not include the land, just the structures. In the deal, both buyer and seller were represented by Steve Hermann, a broker with **CB Richard Ellis** in San Francisco, and **Sterling Champ**, a broker with CB's office in Universal City.

Despite the current state of the market, Wareham President Rich Robbins emphasized the property he spent the past six months negotiating for was not a low-ball sale.

"This was no distress; it was a great opportunity for Wareham, but it was no huge bargain, I assure you," Robbins said. "I'll be candid — we've been looking in Palo Alto for some time, and we're looking to do more."

Wareham believes in nurturing strong relationships with the **University of California, Berkeley**, and is interested in doing the same with Stanford, he said.

"UC Berkeley, UCSF and Stanford are the three engines that fuel the Bay Area economy, and the Bay Area economy fuels the global economy on search technology and innovation," he said. "This is a challenging environment, but opportunities are there. Our goal is still critical mass, and we are looking for more acquisitions. We build campuses. We don't do onesies, twosies."

For more than 30 years, Wareham has built 1.75 million square feet of lab space for tenants in Berkeley, Emeryville and Richmond that include **Bayer HealthCare**, **Amyris Biotechnologies Inc.**, **Ernest Gallo Research Institute**, **California Department of Toxic Substances Control** and **Nanomix Inc.**

Lab space is not cheap, costing from \$550 to \$750 a square foot to build, but as Robbins put it, "It's been good to us." For the past five years, his vacancy has ranged from 1 percent to 5 percent.

Mike Raffetto, a broker with CB Richard Ellis in Oakland who has handled leases for Wareham in the East Bay, called Robbins a maverick who has steadily grown his portfolio of laboratory and office space to the current total of 4 million square feet.

“Real estate investment is risky, and biotech real estate investing is riskier,” Raffetto said. “There’s a reason there’s very few players in the market.”

He noted that several investors including **Biomed Realty Trust** and **Alexandria Real Estate** have built the amount of Bay Area laboratory space over the past five years to the point where vacancy has climbed. But he did not question Robbins’ decision to expand.

“It is important to understand life science market dynamics on both sides of the bay, so it makes sense to have inventory on both sides of the bay. That’s why (Robbins) is over there,” Raffetto said. “And owning real estate on the San Francisco peninsula is a good long-term strategy.”

Mike Cobb, a broker with **Colliers International** in Redwood City, said it’s tough to go wrong with an investment in Stanford Research Park.

“That’s a great piece of real estate,” he said. “Stanford Research Park is a long-term safe bet that will outperform the broader market. You will get better rents and lower vacancy over the long haul.”

Cobb agreed a dismal market has affected the 10 million-square-foot park, where vacancy is 15 percent in office space and 7.5 percent in R&D. But, he said, “Having immediate access to Stanford University and a Palo Alto address is still a draw. Also, there are very few business parks with good access to I-280.”

Robbins is well aware of the down cycle, but he said he’s a believer in the Bay Area and life sciences.

“Of course it’s been hit. And the scarcity of capital has killed startups and forced people to tighten their belts,” he said. “But by and large, life sciences is doing remarkably well relative to the challenged times. This sector is not going anywhere. All of us are feeling pain, but this sector will bounce back faster for the planet’s sake.”

At-a-glance

Wareham Development Inc.
Location: San Rafael
CEO: Rich Robbins
Real estate portfolio: 4 million square feet
Founded: 1977
Employees: 60
Web site: www.warehamdevelopment.com
Phone: 415.457.4964

Katherine Conrad can be reached at 408.299.1820 or kconrad@bizjournals.com.