Ned Spieker:

In order to differentiate yourself when you're young. I think you have to just be the absolute very best in a small, pick an area that you really feel you can be good, because then you can differentiate yourself. Just anything that you can say, "I can do this as well or better than anybody.", rather than try to be too many things to too many people or too many endeavors, because then you will be in a position to, shall we say grow and to expand. If you can perfect one particular area or product type, you can transfer that knowledge and that, let's call it process to another and you can grow yourself. But I think the mistake many people make is that they try to do too many things to learn too broadly.

Matt Slepin:

Hi, this is Matt Slepin and welcome to Leading Voices in Real Estate. Today's episode, recorded live on October 6th at his office on storied Sand Hill Road in Menlo Park is a conversation with real estate legend, Ned Spieker. Ned, who came out of the Trammell Crow organization, where he was then the youngest partner ever, and then started up and ran Crow's West Coast, formed his own company in 1987, took it public in 1993 and then sold it to Sam Zell's Equity Office at the market top in 2001. And they'd performed well through their life cycle. As one of Ned's former colleagues told me, "If you'd invested in Spieker Properties at the 1993 IPO and held it through the sale, there was a 22.7% IRR over that eight year hold period, best in the office sector and one of the tops in REIT land.

Ned and I talked a lot about their team and partnership oriented corporate culture, first set at the Trammell Crow organization, and then at Spieker Properties. I'm friends with many of his former executives. To a person, they speak wistfully and with reverence about those days, that team, that culture and about Ned. Well before Ned sold Spieker Properties, he'd started up a company, Spieker Senior Development Partners to develop large CCRC senior projects, the business where he still spends most of his time. We start our conversation talking about the dynamics of, of that business and how they fared through COVID. This interview with Ned is a continuation of our series of conversations with industry legends, which has included interviews with Sam Zell, Gerald Hines, Ron Terwilliger, Art Gensler and others. A common theme in these legends conversations is partnership. These people built their businesses to scale based on the partnership model, hire great folks, put them in charge of a region or a property type, let them do their things, support them, and then everyone shares in the wealth creation.

That was the basis of the Trammell Crow model replicated again and again throughout the industry, and the story once again told in this episode by Ned Spieker. It's interesting in our recruiting work at Terra Search Partners to work in this continuum with companies that are primarily based on the partnership model and others that have a more top down corporate approach. Most companies find a balance between corporate and distributed function, and you'll hear Ned and me get into it on that subject on the podcast. As we consult with clients to help them flex their corporate model through the discipline of our search practice, this tension between corporate and distributed function is one of those ever evolving dynamics, idiosyncratic to each company as they continually adjust their models to meet their current and future goals. I hope that you're joining Leading Voices.

I'll repeat my birthday wish from the last episode, please share your favorite episodes with a friend, colleague or mentee this library of podcasts that are out there to be shared and inform people across the industry. And if you have some time, go back to the archives and pick through a few episodes you haven't heard yet. And if you have comments, advice, or guest suggestions, feel free to email me at matt@terrasearchpartners.com. I hope that you enjoy the conversation with Ned Spieker.

First of all, Ned Spieker, I am in your office here on Sand Hill Road, the famous Sand Hill Road, and I'm thrilled to be with you in person live, even during COVID talking on Leading Voices. So thank you for coming to the podcast.

Ned Spieker:

My pleasure.

Matt Slepin:

Today, we're going to talk really about two things. One, we're going to start with the present and then we're going to go to the past and tell your story, because you're running a wonderful company that provides seniors housing. So talk about seniors housing first, then we'll come to Spieker Properties and office and all that later on.

Ned Spieker:

Well, Spieker Properties, excuse me, we call it Spieker Senior Development Partners, which is a subsidiary of our company, we build, own and operate seniors communities. These communities are relatively large. They provide service to 800 to 1,600 residents. In effect, they are small cities or villages, let's call them villages because we have food service, recreation, healthcare, all sorts of services in the village, if you will. And our program is very simple. We invite people to buy in on an entrance fee model. They give us a substantial deposit, which is basically partially refundable to them on their demise or to their estate on their demise. And then we agree to take care of them for life. So it is also called life care.

Matt Slepin:

Or CCRC.

Ned Spieker:

Well, continuing care retirement community. Yeah, and life care is the under the state's designation part of the model because we agree to take care of them no matter what happens to them from a housing standpoint. We don't take care of the doctor bills or the hospital or an operation, but we agree to keep a roof over their head.

Matt Slepin:

And that could mean nursing homes, so the continuing care could be nursing or memory care alongside. And it starts with independent living?

Ned Spieker:

Our levels of care are independent living, assisted living, skilled nursing, memory care and home care. So five basic levels of service.

Matt Slepin:

And let's just make this real, first of all, how many of these communities do you have presently?

Ned Spieker:

Right now we have six open and operating. We have two that are in the, let's call it entitlement approval stage. They're all in California. And there's a reason for that, but I don't, I can go into it if you wish, but we, I think are probably the largest provider in the state doing this kind of service.

Matt Slepin:

And what's the average entrance fee? I know it depends on the size of unit.

Ned Spieker:

Yeah, you could get a studio for say 300,000, one bedroom. The typical is a two bedroom for say about 500,000 to 800,000 and then you can get penthouses and town homes for upwards of a million or more.

Matt Slepin:

And this is living in semi single family homes up to multifamily type properties?

Ned Spieker:

Well, they're basically apartments, which house our studios and our one bedrooms and two bedrooms. Then we have detached villas we call them, and also town homes.

Matt Slepin:

And why did you choose this version of seniors housing in this model versus just apartments or just nursing? And do you have any other properties in your world that are just nursing or whatever?

Ned Spieker:

First, we have no other properties. All we do is CCRCs. And the reason for that is I think, and we all think that that is the, shall we say best solution for seniors. Because if you do a single product, let's say an assisted living or a skilled nursing, you're basically providing a partial solution to an immediate health issue. What we want to do is provide a total life solution for people who want to be able to plan and not have financial insecurity.

Matt Slepin:

It's interesting. And we've talked about this on the podcast before my mom moved into a Sunrise CCRC in the Philadelphia area called The Quadrangle and her word was, "I'm in the right place." In the moment she moved in, we all relaxed as did she about insecurity stuff. And then the second moment after she moved in, she fell and had to be in nursing, but we knew it was covered. We didn't have to worry about getting, we got people in there too, because we had to get home healthcare, but it was the right place.

Ned Spieker:

Yeah. Well, and that's it. The right place is important for peace of mind, but we have two customers. We have the resident and we have the resident's family. So it's very important to communicate too with the resident's family on a continuous basis.

Matt Slepin:

And these are operationally intensive. So in some ways you have two communities or three communities because the third are your employees, which is much more in depth than anything you ever did back in the office business.

Ned Spieker:

Correct. Oh, absolutely. This is a management business. This is not a real estate business. It has a real estate component, but the major part of it is operating and our employees are our biggest asset. So training and nurturing, taking care of our employees is huge, because if you have happy employees, you'll have happy residents and customers. When we were considering hiring someone, I or one of our other senior people would interview them and so on and so on. And then we had kind of a very exhaustive for them interview process because not only would the senior people interview someone, but we would have many of our people in our company and interview them because I felt that they were the best culture preservers. And so if you could have someone who was a maintenance person or let's call it a property manager or whatever, they could detect whether person would be, shall we say, open to our culture. And so we didn't just hire someone with two or three senior people interviews. We would have maybe half a dozen or more interviews from different places in the company.

Matt Slepin:

That matters for culture. It's interesting. Since I interview for a little living, I don't trust myself and I don't trust my interview process. I trust multiple interviews with a client and multiple interviews that aren't interviews because interviewing means one thing, but walking a property or rolling up your sleeves and having a meeting with your future colleagues and preparing for it, that tells a whole lot of different things and having drinks and dinner, all those are data points.

Ned Spieker:

Right. Well, we would also meet if the person were married. We'd ask if we could say, get together with their spouse for a lunch or something, because that tells a lot about the person too.

Matt Slepin:

It's true. How did you deal with COVID in your communities?

Ned Spieker:

Well, I mean that's a book in itself, but let me give you an example, employee wise. So our employees during COVID had of course stresses at home. Their children were home because schools had been closed. They had very little time to shop and they couldn't go shopping because of COVID restrictions. So what we did is we provided, for instance, care. We paid for care for their children. In other words, no cost to them. If they had a child at home, we would pay for that care. They would just submit us a bill at the end of the month or week or whatever it was and pay. We'd also provide shopping services for them, grocery, dry cleaning. So we hired people to basically support our people. And that was an important part in retaining our employees, not just keeping them happy, but retaining them because if they couldn't work and feel, let's call it, liberated enough to come to the community, then they couldn't do their jobs.

Matt Slepin:

Right, because COVID interrupted all of their support systems, which then you had to replace or else you would've lost your support system at the properties.

Ned Spieker:

Exactly.

Matt Slepin:

Wow. And were you ready from tracking and protocols? I mean, no one was ready, but maybe you were.

Ned Spieker:

We weren't ready. No one was ready because one of the biggest problems with COVID, it was a moving target. Government would change what the restrictions are. One day you could have visitation. One day you could have meals in a community setting. For instance, we would in just a single community, and it depended on what the county you operated in. So let's say you were in San Diego County, they would mandate that you could have no community dining. So let's say relatively overnight, we had to shift from feeding, pick a number, 800 people in a community setting to serving meals in their apartments. That is a huge, let's call it inflection. We had to take our people who were table servers, figure out how to in effect, get food to the residents. One of the biggest problems you'll find that's interesting I think is there was a huge shortage of disposable or non-disposable food containers. Imagine, overnight, restaurants were doing all to go food. We were doing a lot of to go food and the industry was just not prepared to provide styrofoam containers or let's call it washable, reusable containers overnight. So we had to figure out a way to do that.

Matt Slepin:

And who is we in the case of that kind of thing? Because you must have like the general manager of the whole business or the COO or someone who wakes up and knowing how to do all these operational things.

Ned Spieker:

Well, we are what I'd call a decentralized business from an organizational standpoint, as we were in our real estate business. So each community runs on its own. We have an executive director, we have a small hierarchy, onsite accounting. So if, for instance, a resident pays their bill and if they have a problem, they can go right onsite to solve the situation. So we have onsite and then we have, let's call it a central that does a lot of the accounts payable. A lot of the, what I call we could functions, personnel, HR, et cetera, that we could do centrally more efficiently without disturbing the operating autonomy of the individual community.

Matt Slepin:

But did you have six executive directors or whatever the general manager's called, did you have six of them figuring out what to do about COVID or did you have someone here?

Ned Spieker:

We had both. We had, obviously we have the central was a support group. So rather than have six people try to figure out an independent situation, we had coordination from our central group in Carlsbad.

Matt Slepin:

And talk about how this affected marketing and residents wanting to come in because the headlines at the beginning of COVID are these are dangerous places.

Ned Spieker:

Well, the problem with the headlines were these are dangerous places referred to a couple of what I'd call nursing homes, not CCRCs, but we're all painted with the same brush from, unless you read between the lines. What happened initially in COVID and it continued for about two to three months is we could, as one of my heads said, the back door was opened, but the front door was closed. So people were passing away, and we couldn't replace them because we couldn't show units, we couldn't show the community. We were basically stopped from basically any sort of interaction. So we designed a video program. We had remote, let's call it Zooming type of presentations. But for three months, our occupancy, which was always in the high 90s, went down to say 95, 94, 93, depending on the community. But that was for say, three or four months. Then we figured out with testing that we could show units. There were people who wanted to move in, but we just couldn't accommodate them because of the, let's call it the municipalities' laws. But we finally figured out through testing that we could move people in, but that took three months, and so our occupancy dropped. We are back to let's call it stabilized now because we've figured it out. And we still have a very strong market and demand.

Matt Slepin:

That's great. And talk about your obligation as the owner of a CCRC. And I think some CCRC owners are nonprofits that have a different tenor of perpetuity in stewardship, but talk about that and how that works in your company and long term. What happens to these things in 20 years? Who owns it?

Ned Spieker:

Well, I consider the for profit, let's call it nomenclature a little bit disingenuous, because those communities have to make money in order to, shall we say continue. If you don't make money, you're going to be out of business. And the let's call it profits or excess goes to their, let's call it nonprofit, like the Methodist something, they've set up a subsidiary.

Matt Slepin:

Right, different religious groups do this.

Ned Spieker:

Episcopalian, Methodist and so on. Now we are a for profit. And I tell people who ask me, "Why aren't you nonprofit?" I say, "We do a better job being for profit because we're motivated. If we don't do a good job, you won't be happy with what we're providing." So our for profit is just as economical and just as, if probably more efficient, because we are there to provide a value oriented service.

Matt Slepin:

But the question I'm asking is slightly different, which is the question of long term stewardship. I'm curious about stewardship in the long term viability of these.

Ned Spieker:

Well, we have a contract with each of the residents, and the contract is secured by basically the ownership of the community. Basically in our communities, we have zero debt. So here's a $400 million, $500 million asset cost wise that we have no debt on. So the contract with the resident is secured by that ownership in the community.

Matt Slepin:

In succession for you or your company in the next generation, do these CCRCs sell? Do they sell to stewards that are then have to be approved of as to their ownership capability to manage because you are managing on behalf of people in a very different way, making promises around actuarial things like nursing that one doesn't in a condo or one doesn't in a rental property.

Ned Spieker:

Well, first let me give an aside. The governing body in this state is called the Department of Social Services, and they basically approve our contracts. Our operations, residents can go to them and let's call it, pose objections or issues. So the Department of Social Services is the governing body. And frankly, they over govern because they want to be perceived as a vigilant watchdog. Now we have been doing this for well over 30 years. We have had no problems with the Department of Social Services. We've never had an issue. And frankly, that's one of our biggest assets because our residents are our best sales group. They bring in their friends, they bring in whatever. And the first thing we do when we get a new person is they say, "Well, tell us about yourself." We say, "No, go have lunch with a couple of residents." So that is our biggest sales service. So I don't know if I'm addressing your question, but we own the property, the partnership. Myself, I'm a majority owner. I have partners in the management team that own what we call class B partnerships.

Matt Slepin:

You said you've been doing this for 30 years.

Ned Spieker:

We owned our first one in 1990 in Orange County.

Matt Slepin:

Wow, and you were doing that alongside Spieker Properties?

Ned Spieker:

Correct, Spieker Properties. We didn't even, hadn't even gone public then. We were still a private company and I started the business, which is another interesting story. And then we have done, as I say, six. These are very, very difficult communities to build and operate. I know the California landscape real estate wise pretty well. We need a minimum of say, 25 or 30 acres. Each of our communities is probably much larger than that in acreage. One is 200 acres. One might be 150 acres, but finding that kind of land next to an urban or let's call it suburban area is not easy. And then getting it entitled is not easy. We have a community in Pleasanton we developed. We were in the entitlement phase for over 10 years. Before we knew we were going to get approval, we had over $10 million invested. That wasn't including the land. That was just in EIRs and in approval process.

Matt Slepin:

This is the story of development in California, not CCRCs. It's just in general.

Ned Spieker:

Well, but CCRCs, all the governing bodies say, "Oh, we want CCRCs." Whey don't say, "We want shopping centers or whatever." But they're very, shall we call it vocal about wanting CCRCs, but NIMBY takes over.

Matt Slepin:

And NIMBY's not nicer to you than they are to-

Ned Spieker:

They are nicer.

Matt Slepin:

But they're' still NIMBYs.

Ned Spieker:

Oh yeah. One of the things we do is we specialize in entitlement impaired property. So let's say a home builder, Pulte or somebody came in and wanted to do a big subdivision. They got turned down. We then are an ideal buyer for that land because our traffic is much, much less. We have no school pressure. We have no police security issues. We are quiet, et cetera, et cetera. So those are the kind of properties we end up buying after they've usually failed through the normal process.

Matt Slepin:

I love it. They're quiet until our generation gets in. Last question about this because I'm curious is I think as seniors, first of all, what's the average age of someone moving in?

Ned Spieker:

Oh, well let's say about 80.

Matt Slepin:

Okay, cool. That's young actually. Right? So that's younger than-

Ned Spieker:

And since we started, it used to be about 77 or 78. Now it's 80.

Matt Slepin:

Yeah. So the two questions then let's move on, because we, I want to hear your story more generally about the business. But when I was in this business years ago, the average age in a congregate care was like 86 and it was all women.

Ned Spieker:

Okay. But that's the average age. So they've entered in there. See, this was coming in. Well congregate care is a higher intensity use care.

Matt Slepin:

So you're able to market to people who still feel young and they're thinking about this stuff.

Ned Spieker:

The independent living is 80%, 90% of our population.

Matt Slepin:

Right. And they're just thinking ahead, they're being a little bit insecure, but they do want, they do come in for the lifestyle versus fully the security.

Ned Spieker:

Well, it's not only the lifestyle, but it's the guarantees that they'll be taken care of at the same price. So if somebody comes in, they pay their monthly fee. If they need memory care, which is far more costly, their monthly fee does not go up.

Matt Slepin:

That's huge. My mom's deal, her CCRC, I think she got 30 days of nursing. And then all of a sudden it was Medicare and we had to start-

Ned Spieker:

Medicare doesn't meet the bill.

Matt Slepin:

Yeah. Well, let's come back to this at the end of the conversation, but I want to talk about you and your career and how you got into the fat part of your career, which would be Spieker Properties. Tell me where'd you grow up? College was Berkeley.

Ned Spieker:

Yeah, I was local. I grew up locally in the Bay Area. I went to Berkeley. And the quick story of how I got of real estate is I was president of my fraternity group in Berkeley. They were, of course, as most fraternities broke, always broke. And over the summer, I figured if I didn't figure out a way to raise some money, that we would not be able to open the doors the next fall. So I said, "Well, I'll figure out, maybe I can rent the house." So I went and started cold calling. I didn't even know what cold calling was, but at that time and I came across a group called, a newly formed government group called the Peace Corps. And the Peace Corps was looking for a living and training facility. Long story short, I made a deal with them. I hired my fraternity brothers to do food service, et cetera, et cetera. So that was all a very big positive. We had enough money to open the doors, but even better for me was an alum who is in real estate, observed this and said, "Boy, that's really quite clever of you. Have you ever thought about into real estate when you graduated?" I said, "No, I haven't." He said, well long story short, he was one of the senior people at Dillingham. He hired me and Dillingham was my first employer in real estate in Hawaii.

Matt Slepin:

And Dillingham, general contractor or an owner? What was Dillingham?

Ned Spieker:

Dillingham was general contractor, but they were also in the real estate field and they had certain, the Wells Fargo building in San Francisco. They developed Ala Moana Shopping Center. I then led the way to develop two properties in California while I was with them, one called Palo Alto Square and just down the road on Page Mill and the other, Walnut Creek Plaza, which is a big twin tower project in Walnut Creek.

Matt Slepin:

Got it, got it. We've had a couple stories on Leading Voices, Sam Zell also famously who got his started in real estate in college buying and selling apartments or renting for people. So kind of same stuff. So how did you get from Dillingham to meet Trammell Crow? Was that the next step?

Ned Spieker:

Well, I was doing pretty well at Dillingham and Trammell had a friend in the real estate, Coldwell Banker friend. And he said, "I'm looking for a young guy. I don't have an office in the San Francisco in the Northern California area. I'd like to hire one." And he said, "Who is a potential kind of up and comer?" And this person mentioned my name to Tramme;l. We had lunch with him and with Trammell when he was out here on his infrequent visits.

Matt Slepin:

Out here? In Honolulu or here?

Ned Spieker:

No, in San Francisco, in San Francisco, sorry. We got along fine. He said, "Come to Dallas." I came to Dallas over a weekend and I was in Dallas about, I don't know, eight hours, 10 hours. He hired me on the spot. We negotiated or not negotiated. He said, "The deal is I'll pay you $18,000 a year and you'll get 20% of the deal." I said, "Great." We shook hands. I went and I probably didn't see him then for a few months.

Matt Slepin:

Hang on. What year was this? When was this?

Ned Spieker:

This was in 1970. So I was 25 years old and I rented an apartment because I didn't want to rent office space. It was too expensive. I operated out of a small apartment for the first, I think three years of my partnership with him.

Matt Slepin:

Wow, and he gives you, and you're Northern Cal, is that what this was?

Ned Spieker:

Well, it was unclear. Just be my partner. He had nothing in California or anywhere in the West Coast. So I just started in California and over time it grew to Nevada, Oregon, Washington and Idaho.

Matt Slepin:

Wow, and talk about, I'm just curious of either that first meeting or the beginning, of course, in retrospect, you're with Trammell Crow and you're Ned Spieker. So the two thuds there kind of echoes in the comment, but did you know what he was building?

Ned Spieker:

Yes, it was warehouses. And the warehouse market here was okay, was pretty good. But I introduced office buildings. I said, "Hey, we could.", I had, because I'd done office buildings at Dillingham, I said, "I can really do very well building, developing office buildings." Hence I started with office buildings and warehouses and flex space. R&D space was unheard of in Texas, and R&D space, Trammell kind of didn't understand, which was basically a warehouse with high improvements in it for Silicon Valley. And this was the beginning, basically 1970, early '70s, the beginning of the development of Silicon Valley. So I got in on that.

Matt Slepin:

Wow, and talk about the story. So think about the story of the Trammell Crow company growing nationally. Think about the story of Silicon Valley growing and then thinking about growing your business, because they all happened concurrently from germinated seats, right?

Ned Spieker:

Correct. Well, it was just Trammell. I mean, Trammell was the hub of the wheel and he had partners like me, Ron Terwilliger, who you know in Atlanta, Bob Kresko in St. Louis, Allen Hamilton in Chicago, so he would be basically select partners and they'd do their thing.

Matt Slepin:

And this is an unfair question. What did he see in you that would say it could grow and build as it did?

Ned Spieker:

I have no idea, but I'm thankful. I'm thankful. I mean, it was a great run. I was with Trammell 17 years and it was mutually profitable, very profitable for him and for me. Over time, I went from 20% to more than half ownership, which I shared with my other partners who worked with me. And he got basically an annuity because what happened was when I originally joined him, I didn't have the means to build buildings and develop, and he introduced to me a thing called his master lease. I don't know if you ever heard about that.

Matt Slepin:

A little bit. Talk about it.

Ned Spieker:

Okay. He would, we would build a building and as security for the loan, he personally would master lease 100%, the whole building back. Now to a lender, it looked like a credit lease type of deal. So we could go to the bank and get the financing to build the building on this master lease. Well, that worked for quite a while until the banks and the lenders started figuring out that this master lease was, let's call it like toilet paper.

Matt Slepin:

Yes, that's true.

Ned Spieker:

He was signing master leases everywhere in the country and more banks, as they started comparing notes, figured out that this master lease was let's call it not as secure as they thought. And so by that time though, I had become credible and financially stable, financially able to borrow just on my own without a master lease.

Matt Slepin:

So we talked about three things of three trails at the same time. One is how Trammell Crow company grew. And it did what it did here elsewhere using master lease and other techniques.

Ned Spieker:

And partners.

Matt Slepin:

And partners to do it in each region. And then Silicon Valley was nascent, so it started to grow. Talk a little bit about that and then we'll talk about your company.

Ned Spieker:

Yeah, it grew dramatically. And I probably did a number of a dozen or two projects in Silicon Valley, but I also did projects in Oregon, Washington. So basically what I just, I would take on another partner and I would say to that partner, "Okay, your area is going to be Silicon Valley north, and your area is going to be Portland, Oregon, and your area is going to be Seattle, Washington." And I would in effect, take my ownership share and share it with them. And these are people that I'd either met in the day to day business or came across and with Dennis Singleton, one of them, offices about 30 feet from where we're sitting. And he and I have been together for what? 50 years, almost 50 years. And I'm very close to my old, to the old partners, see them and we're John Foster and others. So it's been not only a great business situation, but a personal additive to my life.

Matt Slepin:

Yeah, of course. And the concept of partners and partners beneath you works for everybody.

Ned Spieker:

Yeah. Now you see, I'll correct you there, Matt. They're not beneath me. We don't have somebody works for somebody.

Matt Slepin:

Fair deal.

Ned Spieker:

Somebody works with, that's part of the culture. We're a very flat organization. We have different jobs, different responsibilities, but we're a flat organization. There's no boss in our organization.

Matt Slepin:

Got it. And of those folks, how many partners did you have who had geographies over time?

Ned Spieker:

Well, geographies and product types. I probably had eight or nine.

Matt Slepin:

Yeah, and then you left Trammell Crow Company. So when was that? What happened? And how did things change?

Ned Spieker:

Trammell in 1987 was getting older. So he wanted to basically slow down a little and do other things. So he brought in this attorney guy who I didn't get along with. He tried to be "the boss". And Trammell was always very egalitarian. He was never flexing his muscles. His philosophy was share the spoils and share the credit. And he always made you feel like you're a better person than you were. I mean, that's the one thing I always admire about Trammell. Well, the attorney came in and said, "Well, here's how we're going to run things. And by the way, send all your money to Texas and da, da, da, da, da." They had an annuity going and here's this guy telling me to send the money and what I'm going to do and how I'm going to do it. And I just said, "Trammell, I'm not going to go along with this. I think I should withdraw from the partnership."

Matt Slepin:

Now, '87 was also right after TEFRA, which was the SNL crisis was about to begin. So there were changes in partnership laws at the same time as-

Ned Spieker:

Those weren't an issue for us. The real issue was the management of who was I going to interface with Trammell. Trammell I saw rarely. When I saw Trammell, he would come out and he'd say, "Let's go to Gump's. I want to buy some jade or let's do this." I mean, it wasn't business wise because the business run was running great. So Trammell and I had more of a friendship, more of a father son relationship. And this new guy was not going to-

Matt Slepin:

Two things happened though. I think one is that when you become stronger and more credible on your own, you need the central organization less. You need their economics.

Ned Spieker:

We had our own central organization.

Matt Slepin:

So you were fine without him. So then it's hard for these organizations not to have people spin out when they become as self-sufficient as you had become.

Ned Spieker:

But I didn't spin out, and people said to me, "Why did you wait so long? You didn't need Trammell." I said, "Well, I had an obligation to him." Basically, P or the organization caused me to say that's enough, but I could have left years earlier if I had wanted to.

Matt Slepin:

Any last story about Trammell just to make it real, that besides Gump's, that one of the founders of our industry. So any other comments about what enabled him to grow such a strong company and actually the industry, invented the industry?

Ned Spieker:

He invented the partnership model and industry. It was his personality, the strength of his personality. And I'd say one principle, sharing. Not just share another, he would give you, or he would, we'd allocate a piece of the deal and we'd share that. Never discussed it, but also he would credit wise, when we ever were in meetings or whatever, he always would make me, a junior partner or whatever, feel like we were real, as I say better than we were. And it was so I had just a respect for the way he treated people.

Matt Slepin:

And you've become that way. Right?

Ned Spieker:

Well, hopefully, hopefully I've adopted what I'd call the positive parts of Trammell Crow.

Matt Slepin:

Yeah. So then you start your own company and then talk about the growth of that. Talk about IPO and then we're going to get to what it became before you sold the company.

Ned Spieker:

Well, in '87, let's call it eight or nine partners, I never forget, I sat down with my partners. I think it was on a Sunday after I had met with Trammell and this guy, Don, anyway this other, the new guy.

Matt Slepin:

I met Don.

Ned Spieker:

And I said, "Guys, here's the deal." I said, "I'm going to leave. And you're welcome to join me or you're welcome to stay with the Crow Organization. You decide." And I said, "Don't decide in a group. Come to me over the next week or so, and decide what you want to do personally." And to a person, all let's call it nine partners said, "I want to stay with you." And so I went back to the guy and his group and I said, "I'm sorry, but I'm going to have to withdraw and I'm happy to work on whatever basis you want, to interface so you can continue an organization here." And I did that. One of our nine partners decided to stay with and become the head of the Crow Organization there. The other, let's call it myself and other eight in effect formed Spieker Properties. And we, Spieker Properties kept doing exactly what Trammell Crow was doing, but just under another name.

Matt Slepin:

And was both at Crow and then at Spieker, something's going to change here because merchant build may not be the theme going forward at some point.

Ned Spieker:

We weren't merchant builders.

Matt Slepin:

Okay, talk about that.

Ned Spieker:

We were more long term holds. When I left Trammell, we had, let's say $1 billion worth of real estate, of which I owned almost half. And it was me and my partners. And we were holders. We weren't sellers. Trammell, a lot of the other partners chose to be merchant builder sellers. But it was each partners, but when we left, I said to Trammell or to the organization, and I said, "I'll tell you what, we'll put a value on every property because you don't even know the properties." They couldn't find it with a roadmap. So I put a value on every property and I said, "You choose which ones you want." Pretty easy, "You choose. I'll take the rest. We'll just balance the books." It was a non argumentative, no pain type of separation.

Matt Slepin:

Were there properties in process that needed to be finished up that therefore someone had to finish?

Ned Spieker:

Yeah. And the one partner, the one Crow partner who, one of our partners who stayed with Crow was part of that decision making process. So it was an absolute straightforward separation. Whereas in other areas when partners left, it became somewhat acrimonious and legalistic.

Matt Slepin:

Right, I understand. It's interesting though, one thing you've opened my eyes to is that it wasn't a merchant build before for you or after, but the rest of that organization I think was largely merchant build, and that has different dynamics to how you separate or move forward to do the business.

Ned Spieker:

Right.

Matt Slepin:

Okay, so talk about your company as it then developed and how did it change in terms of day to day, how it changed in terms of culture and business model?

Ned Spieker:

Well, the culture didn't change because I had established the culture, let's call it on behalf of the Trammell Crow Company. And we can discuss that if you wish, but that didn't change. The business model didn't change. We kept doing exactly what we were doing with Crow. Times were changing because you mentioned the SNL crisis. Banks and lenders were getting very conservative. They knocked on the door a lot of times and they said, "By the way, we need this loan paid off, paid back." And of course in the two years earlier, they were saying, "Take more money, take more money." And now all of a sudden they wanted it back, which was one of the reasons why we said, "Well, what's our alternative here?" And we started setting up or discussing potentially going public so we could pay off all of our bank debt and get them off our backs and have capital to take advantage of what we saw as a coming opportunity, because a lot of people couldn't pay the banks back, there were foreclosures and so on. So between '90, so then we went public, paid the banks off, did the IPO.

Matt Slepin:

Hang on before public. So just to put for our listeners to put kind of some time on this, you started in '87. The crash didn't really hit California until a little bit later than the rest of the country.

Ned Spieker:

Early '90s.

Matt Slepin:

Yeah. So you have a year or two of wind at your back, but then a wind at your face.

Ned Spieker:

Correct.

Matt Slepin:

And now you have to restructure because you had a portfolio, not a hey, we're starting a new merchant building business.

Ned Spieker:

Yes. But we didn't have to really restructure. We just had to figure out to keep the banks at bay. And one solution was to go public. So in '90, I think it was '93, we went public and we took part of that money and paid off all the banks. We had a kitty so we could in effect buy what they call it, distressed real estate. So it was one of the great growth opportunities was we were buying properties at 30, 40, 50 cents on the dollar. So we were growing our Spieker Properties public company dramatically. And we were patient enough when you bought a property for say, 40 cents on the dollar to reposition it, so on and so on. And in two or three years, it was worth 100 plus cents on the dollar.

Matt Slepin:

So your accretion in terms of your business was huge.

Ned Spieker:

Yes.

Matt Slepin:

A couple of questions around that. One is you were one of the first companies in this iteration of REIT land to go public, so that was a little bit early in the process.

Ned Spieker:

Yes. And it was quite stressful.

Matt Slepin:

I bet it was. So what was the IPO process like for you? And then the process of did you have to become a different person to be the CEO of a REIT than it was to be the partner of Spieker Properties in the Crow world?

Ned Spieker:

Yes. Instead of being a real estate entrepreneur and a real estate person working with partners, I had to become a public face. Because basically, we were always from a verbal and from a promotion standpoint under the radar, because that's just, there was no reason to go beat our chests. Well, I wouldn't say we beat our chest, but we had to become in effect a public entity and part of being a public entity is you wanted your stock to be well thought of. In order to do that, you had to sell, let's call it futures. Where are we going, what's good about us and so on. Well, I had to become that public face, which was not my personality. I was really more comfortable with just doing what we did and let our actions speak more than our words. But then I had to get on the trail and do road shows and do investor conferences and all that sort of stuff. So it was a different role for me and I learned it, but it was not something that I would've chosen given the choice, but it really set the seeds for in effect our new public company.

Matt Slepin:

It's interesting. I think of you, I don't know you that well, but I know you publicly and a little bit privately, you seem like central casting for this in a way. And also the first generation of REIT leaders may have been more real estate entrepreneurial in how they approach the public. And you're so credible and thoughtful. And so I think there's a different way that you embody that role that really had just a huge amount of credibility. I don't know if I'm saying it right.

Ned Spieker:

Well, thank you. But anyway, it worked, I mean, I even went to the extent of there's a National Association of Real Estate Investment Trusts. I became the head of that. I mean, that would've been the farthest thing from my mind because I considered myself a real estate person, not a government type bureaucratic person.

Matt Slepin:

Absolutely, so talk about the organization. Talk about culture. Talk about development versus acquisitions as you grew.

Ned Spieker:

Well, development and acquisitions were mixed. I mean, we were opportunistic. If there was a development opportunity, we did it. It was all cost of capital. Where could we get the best return on our capital? So that's how we made those decisions. And they would change from one year to the next. So that was just how we worked.

Matt Slepin:

But you were able to do both? You had the skill set to do either side.

Ned Spieker:

Our people were equipped to do either. We were setting up a management organization because we ended up, I think we started with pick a number, after we'd split with Crow, 6 million square feet total. Well, by the time we sold the company, we were 42 million square feet. That's a lot of growth, a lot of it being office space, which is much more management intensive. Our warehouse component was a small portion of it. Well, we also had retail. I had a partner that was in charge of retail and he ran that part of the business. And so culture, I'm a big culture guy and I've tried to work with our seniors business to in effect incorporate the culture, a little more difficult because our seniors business has thousands of employees. Whereas we had, let's call it 20 senior people in our organization as a public company, and probably another several hundred, but the culture trickled down in that size of an organization where it's much harder to do when you have thousands of employees in our seniors business.

But basically the culture is share, compensate well. The organization is flat. We don't have a hierarchical type of organization. Also, my philosophy is lead a balanced life. So if you're a workaholic, I think that's a dull life, an adult person. I want a balanced person. And family always comes for me first. It was my priority. And I instilled in all of our employees, I still do, that your family should come first. And for instance, if you have to take off to go to a Christmas play or go to a child's soccer event, do it. I said, "This will be just a small part of your life. I'm not concerned. We weren't concerned about getting the light, getting your job done. You have to get your job done, but don't feel you have to be there nine to five. Your family should take priority from a time perspective."

Matt Slepin:

I'm going to come back to balance. I'll be curious about that. Talk about centralization versus decentralization. We hit that a little bit with seniors, but now talk about it at Spieker Properties.

Ned Spieker:

Well, clearly decentralization is our byword. We would give people a lot of authority and a lot of responsibility. And we said, "Hey, you do it. And you basically, if you can succeed, great. But if you make a mistake, just don't make that mistake twice." That was kind of our byword. Don't make the same mistake twice. And we would share a lot among ourselves, we'd have off campus or offsite meetings and sharing information. And it was a very, as I say, flat organization with a lot of sharing among our group.

Matt Slepin:

At the time, before you sold, that's when I moved to California, I became a recruiter. So I talked to a lot of your people and still do. And they're friends. One comment is your former partners are intensely loyal to each other and to you, and you build a network that really has a lasting impact on those folks. And decentralization gave them the broad tools and skillset to then go run their businesses, which many of them have done incredibly successfully.

Ned Spieker:

Yes.

Matt Slepin:

It also comes at a cost of scale. So there's a balance between centralization and decentralization at scale and in some of the public company requirements. And I think you guys, I'm going to be pushy, but I think you struggled a little bit with that balance as the company got really large.

Ned Spieker:

I would argue that if you decentralize in real estate, the key to that was staying close to the customer, the tenant. And if you centralize, it's much harder to stay close to the tenant. I argue that you can scale better and stay close to the customer by decentralization.

Matt Slepin:

It's interesting, because I think in our business, we've seen it both ways. And you saw Sam Zell, to whom you sold your company, had this centralization model that I don't think ever met its aspiration. You probably see it at Prologis where in some ways it does meet its aspiration.

Ned Spieker:

Well, that's because the ratio of let's call it management to customer is much smaller. In other words, I know Hamid very well, and he and I worked together or been together for years. And with industrial, a lot of your customers are institutional. They're not individual. They're not small companies and so on, like a lot of our customers were. And so you can have a customer, General Motors and that customer is you can deal with one customer in many cases rather than dozens and still have them in dozens of locations. I think there's a different component because of the type of business that industrial is.

Matt Slepin:

I think that makes sense. And in offices, I suggested the promise, I don't know, really delivered. It does with some customers in some ways, but I don't care who owns my office.

Ned Spieker:

Sam never delivered on his promise that I can have great efficiencies, the bigger I get. Well you can, if you decentralize and give your people authority, but if you don't, your decision making time is lengthened and that's not good in a customer relationship.

Matt Slepin:

Yeah. Certainly on the customer side, on capital side, it may be beneficial. And then in some of those things like dealing with COVID, okay someone needs to figure this out. Now let's implement it. But it's a balance. It's a fascinating part about this business. So talk about then selling the company and selling it to Sam. So what caused that? When did that happen? How did that feel?

Ned Spieker:

Well, we sensed that in 2000 whatever, that the markets were getting very toppy, especially Silicon Valley. We were concerned about the next chapter. So we said, I never forget, sat with Craig Vought and John Foster, my co-CEOs and myself. And we decided that this would probably be a good time to explore selling the company. And we set out a six month timeframe and we said, "Who could buy it?" We said Boston Properties or EOP, those two. Well, we gave a subtle hint to each one and we had I'd call a phantom bidding war, telling the other that the other was involved and so on and so on. Long story short, Sam would not be denied because he is who he is.

Matt Slepin:

And this was right after Boston Properties got Embarcadero Center?

Ned Spieker:

Correct.

Matt Slepin:

Good timing.

Ned Spieker:

It was good timing. So they were now here and we lost Boston Properties, excuse me, we won. We bid for it also, but didn't see it quite as valuable as they did. Anyway, so Zell won. The great news is we took stock and we had a very low basis. I'm talking now about the principals, not the shareholders. We took OP units, operating partnership units. So I had a very, very substantial gain and I got Sam to guarantee that he would never do anything to accelerate my gain, i.e. sell to a third party because he was a REIT. You see, you could take OP interests as a REIT. But if you ever sold to a private company, Blackstone, it would trigger the gain.

Matt Slepin:

So how did that work?

Ned Spieker:

So I got Sam to guarantee and my partners that if you ever accelerate our gain, you pay the tax.

Matt Slepin:

God bless you.

Ned Spieker:

God bless. We lucked out. And Sam, kind of his temper said, "Well, we won't ever sell a company." Well, we sold the company for this much and eight years, eight years, whatever, something later, I think it was more like five years, Sam sold to Blackstone for another big whack. And I'll never forget, I knocked on the door and said, "Congratulations, I'm really happy for you. But this is not a public company. It's a private company. Therefore my tax is triggered."

Matt Slepin:

Yeah, big number.

Ned Spieker:

Big number. So I knocked on the door and said, "I'll expect to square it up." Well, Sam, smart guy that he is, transferred that call it obligation to Blackstone. Jon Gray at that time was running Blackstone. I had never forget having a meeting in my conference room with Jon Gray and attorneys on his side and attorneys on my side. And I said, "You can pay my taxes or I can litigate. And in this document, it said, any litigation you pay for." So I said, "You can pay my taxes and all that of all my partners and pay litigation costs. Or you can just write me a check, us a check." He did the latter.

Matt Slepin:

And I forgot to ask you this before, but you had co-CEOs, so John and Craig. So what was the model of your being chair and there being co-CEOs and how does that work? And you were then a young man when you did that transition to them. So talk about that.

Ned Spieker:

Well, first of all, I wanted to give them opportunity and they had somewhat, shall I say very skillful in finance. Craig was with Wall Street and John was very skillful with people and organizational. So I said, "This is a wonderful, shall we call it match?" And plus I didn't need any more, I mean, I checked off. I'd done a great thing by going public and so on. And I was doing the seniors business. I had other things I was doing. So I could do that. And it was a win-win.

Matt Slepin:

Many eagles don't allow that. And it's not because you need more it's because you need to be that person you'd become. And it's hard to let go that and share that.

Ned Spieker:

It was easy for me.

Matt Slepin:

Congratulations.

Ned Spieker:

I enjoyed it.

Matt Slepin:

Yeah, and then talk about therefore letting go of the company. And what was that like for you and the team and the different party after that?

Ned Spieker:

Well, it was difficult, mostly because of the people, because the people really enjoyed being with us and the culture we had. And I got a lot of let's call an emotional response. I'm so sorry. I said, "Well, you're going to be able to stay with EOP and I'm sure they'll keep the same da, da, da, da." But I was hopeful anyway, but it was monumental for them. And I think you've talked to some of them subsequent and we had a good thing going. We had a really good thing going. So I was sad to sell it, but it was the right thing to do for the shareholders. It was the right thing to do for the partners. The employees also got, shall I call it financially rewarded. We spread that out. We didn't just say, "Here you are, goodbye." So it was the right thing to do, even though it was the hard thing to do.

Matt Slepin:

Yeah. I think it also comes back to that word balance, both letting go and becoming chair and sharing with co-CEOs and then selling the company. That word balance comes back to it because you must have been.

Ned Spieker:

I tried to be, and I still was not, and I'm still today still "engaged". I don't call it work. I call it engaged because I just love doing it.

Matt Slepin:

So let's come back to the work part in a second, but talk about those other things that keep you balanced that aren't work and that make you special that way. You're special, but you know what I mean.

Ned Spieker:

Well, first of all, I have a wonderful wife and four children and 15 grandchildren.

Matt Slepin:

Congratulations.

Ned Spieker:

So that's busy right there. I have a lot of other interests. I like to do a lot of outdoor interests, skiing, fishing, I race car, vintage race cars. I like to keep physically fit. So I just, I do a lot of things. My days are very full and yet I still, whenever I'm in town, I like being here because I'm still engaged business wise.

Matt Slepin:

And you had started the seniors housing business well before Spieker Properties sold.

Ned Spieker:

Correct.

Matt Slepin:

So talk about how you got into that, why you got into that and were there other things alongside Spieker Properties?

Ned Spieker:

Well, I did other little things too but the seniors has obviously persisted. My mom and dad came to me in the late '80s and they said, "We're getting of the age. What should we do with our house? Where should we live?" And so on. I said, "I don't know, but I'll go look." Well, I looked and I said, "There's an opportunity here." I said, "This whole real estate sector is sorely undersupplied, number one. Number two, the demographics, you didn't have to be a genius to figure out that this was going to get better." So a long story short through another story, which is not necessary, I bought, I took over a property in

Orange County. It was an old oil field. So that was yeah, complicated. And I built our first community called Morningside there and I still own it. We still own it.

Matt Slepin:

And do you do this with your son? Was that part of this?

Ned Spieker:

No, my son who is now 50, 51 years old, he about 15 some odd years ago from business school. He'd been in the investment business and the then CEO of the seniors company hired him. So he kind of did everything from start at the bottom and then he worked up and then that CEO, Rick retired, and Warren, my son stepped in and is now the managing partner.

Matt Slepin:

Okay, that's great. And talk about the other things that have you engaged. You said it's I think engaged or involved, not running, leading, but work really matters in the intellectual elements of this business are hard to let go of.

Ned Spieker:

Well, I just enjoy, it's a game, it's a giant game. It's a challenge. And I work very closely with our seniors people. The capital necessary for the seniors business is very substantial. So if you're doing a 400 million or 500 million project, you need to put up 100 million cash or more. So I'm very involved with banks because we only finance these properties short term, while we build them, then after that, the entrance fees pay them off and we own them free and clear. So I'm very involved in financing the properties. And from a treetops level, I'm involved in operations, mostly on a personnel basis, who do we hire and who do we promote, all that sort of thing.

Matt Slepin:

And are there other involvements that you have in commercial real estate and/or you have multiple choice question, observation on where a business is at today?

Ned Spieker:

Okay. Yes, I am involved in the hotel business through my nephew, Tyler Morse, MCR Development, the fourth largest hotel owner operator. I've been working with him for quite a long time. Notably, he has a hotel in New York City called the TWA Hotel.

Matt Slepin:

Oh, he just did that?

Ned Spieker:

Well, he just did, I mean he did it probably 3, 4, 5 years ago, but I've invested with him. I'm investing with my nephew T. Spieker in apartments. So I've invested with, I'm passive in all of these deals, but I pick people and if the people are right, I'm happy to invest with them and see them flourish.

Matt Slepin:

I'd want a passive investor who knows their stuff.

Ned Spieker:

Yes.

Matt Slepin:

So that's a big deal.

Ned Spieker:

Well, they get some advice they appreciate and some they don't.

Matt Slepin:

Of course, sometimes you do. Any observations, particularly in the office business today and what that might look like with COVID? Did COVID accelerate things that were going to happen anyhow? Talk about that a little bit.

Ned Spieker:

Well, I think yes, COVID did accelerate the work from home, obviously movement, as did commutes and a lot of other challenges. And I am very pleased that I don't own office buildings. This project that we're in right now, I mean Sand Hill Road is fabulous. But all these people who are Woodside, Atherton, Menlo Park residents, they can work from home and they've proven it. So I'm glad I don't own a lot of office space because I think it's going to be problematic.

Matt Slepin:

Yeah, I bet problematic, I bet it does not end, but when it stabilizes to a place, it will certainly be a different place than it was before the pandemic.

Ned Spieker:

Yes, I agree.

Matt Slepin:

But in a big way and our cities will be different because of that too.

Ned Spieker:

Right.

Matt Slepin:

So last question is always career advice, but I'm going to ask this in two parts. So one is advice for a young person getting into the real estate business. And the second is for a young entrepreneur who's starting a real estate business.

Ned Spieker:

Well, I'll go for the first question first. In order to differentiate yourself when you're young, I think you have to just be the absolute very best in a small, pick an area that you really feel you can be good, because then you can differentiate yourself.

Matt Slepin:

Is that area a function or is that area a product type or both?

Ned Spieker:

It can be either. It can be anything. Just anything that you can say, "I can do this as well or better than anybody." Rather than try to be too many things to too many people or too many endeavors, because then you will be in a position to, shall we say grow and to expand. If you can perfect one particular area or product type, you can transfer that knowledge and that, let's call it process to another and you can grow yourself. But I think the mistake many people make is that they try to do too many things to learn too broadly. Now you have to learn broadly, but I think you have to apply on a more specific basis.

Matt Slepin:

It's interesting. As a recruiter, I believe that 100%, you broaden later after you have foundation and the foundation has to be pretty stable of knowledge, because then you got your stuff and you go from the stuff to this broad thing that real leaders have to go broad. What about for entrepreneurs, someone starting a business?

Ned Spieker:

Well you better have a firm foundation in whatever business you're starting. I wouldn't have started from scratch. I mean, even you see it in Silicon Valley, you don't go and just start a company because you think it's a good idea. You better have the right engineering or the right background. So foundation is critical, foundation and reputation. One thing I've always felt culturally is you only have one reputation, one reputation and that can be destroyed with one act. For instance, letting a property be foreclosed. Trammell always said, "I'm never going to let a property be foreclosed." Well, he wasn't able to live up to that. And so from then on, anybody can look and say, "Well, he will give it back if it's convenient." We have, and I'm proud to say never ever given a property back ever. And I've done thousands of real estate things and I've been through some tough times, but if you meet your obligations, that's what helped us go public. If you've always met your obligations, your reputation is intact and that can pay benefits in the long run.

Matt Slepin:

It's interesting because you hadn't used those words before. We talked a lot about partnership sharing, generosity of team, but that reputation is exactly what comes out of that, so they're all together.

Ned Spieker:

Yes.

Matt Slepin:

Hey, Ned. Thank you very much for getting together.

Ned Spieker:

Matt. My pleasure. These are questions in old history that are fun to recollect. I appreciate your taking the time and selecting me.

Matt Slepin:

Thank you. Thank you for listening in to Leading Voices. And I hope that you enjoyed today's episode. I have a request. If you enjoyed the episode and found it to be valuable, please share it with a friend or two. If they're podcast wary, take their smartphone in your hand and subscribe for them and teach them to listen. You'll change their life. Seriously, thanks for listening and keep in touch. You know you could reach me at matt@terrasearchpartners.com. See you next time.