

This Ex-Goldman Trader And His \$800 Million Startup Hope You'll Pay Extra For Real Estate That Aces A 'Wellness' Test

Wellness" is one of those extremely broad words that mean everything and nothing. To its adherents, it signifies more than "health," which is dismissed as merely the absence of illness. Wellness has become a giant industry, or at least a very flexible marketing term. In the grossly inflated view of one industry group, wellness is a \$4 trillion global business. Gym memberships and organic produce can be considered part of the trend. But so can incense, DNA tests and sleep aids. So why not "well" buildings?

"If you believe in the wellness trend, why wouldn't you apply it to the largest asset class there is?" asks Paul Scialla, the 45-year-old former Goldman Sachs partner and founder of [Delos](#), a New York City-based startup. "That seems to be the way to extract the most value from it."

Scialla is selling a "Well" building certification that real estate developers, employers and hotel and resort operators can display in their lobbies and use in their marketing materials. Modeled after the well-known [LEED](#) green building standard, which is administered by a nonprofit, Scialla's project differs in one key aspect: Delos is very much a for-profit company. Over the last five years, he has raised \$237 million at a valuation, most recently, of \$800 million.

Backers include Bill Gates' personal investment office and Jeff Vinik, the former manager of the Fidelity Magellan fund. The New Age celebrity doctor Deepak Chopra sits on Delos' board, as does actor Leonardo DiCaprio. Scialla even persuaded Rick Fedrizzi, a creator of LEED, to put off retirement to run the [International Well Building Institute](#), the part of Delos' business that evaluates buildings.

Scialla hopes that his customers will be as eager to pay for Well as property owners have been to embrace LEED, which has certified 76,800 projects since its inception in 2000. LEED [charges](#) \$13,000 to evaluate a new 100,000-square-foot property. In a recent study, a third of building owners said that going green added more than 10% to their properties' value.

It's too soon to say whether a Well certification gives the same boost. But developers are desperate for anything that might allow them to charge a premium for cookie-cutter condos, offices and standard-issue hotel rooms. In a city flooded with indistinguishable accommodations, the MGM Grand in Las Vegas bills 20% more for 500 rooms kitted out with Delos-approved "Stay Well" products.

A Delos evaluation for a 100,000-square-foot space [costs](#) some \$20,000. When the

Manhattan construction firm Structure Tone moved from leafy Greenwich Village to congested 34th Street, Robert Leon, who oversees sustainability at the company, thought reluctant staffers would appreciate a Well certification for the new space. Clients also like that the firm is ahead of the wellness-trend curve. “We want to be able to say we did it first,” he says. In 2017, Structure Tone spent \$90,000 to get its Well certification and make the office upgrades required by Delos.

Scialla, raised by immigrants from Italy and Holland in suburban Plainfield, New Jersey, got the idea for Delos in 2009 when he was a newly minted partner at Goldman Sachs. A passing interest in sustainability led him to wonder why so much was made of how buildings affected the planet, rather than how they affected people. It didn’t take his undergraduate finance degree from New York University for him to see the potential in the wellness trend.

The idea seemed so obvious that he spent a few years poking at it on nights and weekends to be certain no one had beaten him to it. He found decades of research linking buildings to health, but no one trying to build a brand around it. “I couldn’t find the bogeyman,” he says.

He named his nascent project after the Greek island of Delos, where, according to myth, the god Apollo was born and, he says, its inhabitants lived forever. By 2013, Paul and his twin brother, Peter, also a partner at Goldman, left the bank to focus on Delos full-time. (Peter is president and chief operating officer.) Both brothers invested in the venture (they won’t say how much). That December, Delos scored its first \$24 million in outside funding.

Delos’ certification business has ramped up slowly, but 2018 was a big year. It has now handled 1,555 projects totaling 314 million square feet in 48 countries. *Forbes* estimates that revenue came to \$20 million last year. The firm has 170 employees.

The office certification process starts with Delos assigning a concierge, who guides the customer through the more than 200 elements Delos uses to evaluate a space, including the proximity of workstations to windows, easy access to drinking water and the size of the plates in the cafeteria (10 inches or smaller discourages overeating). Then an independent reviewer comes in with a suitcase full of sensors that measure air, water and sound quality.

Scialla says wellness is a “gigantic” market and he’s not concerned about competition from [Fitwel](#), a building wellness certification service launched in 2017 by the Centers for Disease Control & Prevention and the General Services Administration. A nonprofit, the Center for Active Design, operates the service. Fitwel isn’t as comprehensive as Well but costs a lot less. Its customers pay \$8,000 for a project of up to one million square feet. Tishman Speyer, whose properties include Rockefeller Center in New York, is using Fitwel to certify its global portfolio by the end of this year.

Looking ahead, Scialla has his sights on other revenue streams, including smart homes. For a price starting at \$3,500, homeowners can buy a Delos app called Darwin that gives them wellness readings that include air and water quality. Simonds, an Australian homebuilder, is installing the system in 1,000 new houses this year, and KB Home is testing it in California. Insurance companies could use Delos’ environmental data to make smarter health-coverage decisions, he says, cutting premiums for customers who live in wellness-outfitted

homes. When pressed for details, he admits it's just a concept. "I'd like people to look back 20 years from now and think, 'Remember when we didn't consider the human condition when designing and building these spaces that we're spending 90% of our lives in?' " he says. "How did that get missed?"

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