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S.F. based John Malcolm rises high by digging deep

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The condo tower Malcolm Properties built with Lennar at 631 Folsom St. rises 22 stories in the air, but CEO John Malcolm made his fortune going the other direction: deep into the earth.

With rigs capable of drilling holes that are 18 feet in diameter and 300 feet deep, the low-profile, San Francisco-based Malcolm has become a national leader in deep excavation drilling. Malcolm Drilling Co., one of a group of companies Malcolm owns, employs more than 700 workers and had \$300 million in annual revenue last year. Malcolm said the company could reach \$500 million in the next few years.

The size of the projects Malcolm Drilling takes on is mind-boggling. In Las Vegas, Malcolm constructed shaft foundations on the 76-acre City Center, a 16.7 million-square-foot project by MGM Mirage on the Las Vegas Strip. The job required digging 2,500 shafts up to 120 feet deep. The company has the nation's largest collection fleet of rotators, oscillators and top drive drills.

A Palo Alto native, Malcolm started the company 46 years ago at the age of 21 with a single truck-mounted drill rig. Malcolm said he still has the first employee he hired and that many of his workers have followed their fathers and even grandfathers into the business. He said the "secret of any success in any business is lack of turnover of your people."

"It's a very interesting business, and it's very specialized," said Malcolm. "Going underground is high risk at all times. So I've been a man who has always dealt with risk in my life. It's never been an easy road, but once you know your trade and do it well and have all the equipment and personnel, you take a lot of the risk out."

In recent years, Malcolm has become involved in a different risky venture: condo development. He was part of a joint venture that built 200 Townsend St., as well as the 114-unit Blu at 631 Folsom St. Blu is opening during one of the worst housing markets in history and has slashed prices in an effort to move inventory. Yet, Malcolm said he has no regrets about Blu and that he is looking for new sites for multi-family housing projects.

"If you never took a chance, you never had a chance," he said. "In my life, I've always taken chances and things seem to work out. If you build a good product, the end result will be success. The margins might not be where you want them, but you'll still fare in the thing and come out with something you're proud of."

Polaris Group partner Chris Foley, who has worked with Malcolm on his housing ventures, called him an "amazing, charismatic individual."

"He can take a very complicated situation and drill down into it and make it very simple in a very short period of time," said Foley.

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