Open

And so if I think of e-commerce, my life cycle...

E-commerce started when I was 30 and it was like this amazing thing. You buy something on your phone. I had a BlackBerry then so it didn't work as efficiently as an iPhone. And it was like amazing. So it got delivered in five days. Now you watch the next generation, which are going to be the biggest buying cohort in the country very soon, if not there. They don't wait three days. I've watched them like, oh, it's going to be three days. I don't want it. They want it. They want that in the next 24 hours. The only way they can solve of that, Zon's

gone to eight regions, it's more infill, they've grown out their sub-same-day facilities, Walmart use their store. Speed is sort of the frontier everybody's chasing. And even if you're a HVAC provider, you want to be able to come out and service like that afternoons. That speed is solved with proximity.

Matt Slepin (intro)

Hi, this is Matt Slepin and welcome to Leading Voices in Real Estate. Today's episode recorded live at their office on Park Avenue in New York on September 5th is a conversation with Luke Petherbridge and Nick Pell, the CEO and President Chief Investment Officer of Link Logistics, Blackstone's U.S. industrial platform. This is in many ways a follow-up to the conversation that I had with Ben Harris, then the CEO of Link and Nick's former partner and colleague at Gramercy and then Link, and the conversation

the head on the pod last May with Hamid Moghadam from Prologis. These conversations taken together feel a little bit like bobbing and weaving across the real estate business. Let's go back to the conversation with Deb Kofaro, one of the leading REIT CEOs about investing in a specialty asset class through the REIT structure.

Talk with Luke and Nick about investing in industrial vert via the mammoth fundraising and scale strength of Blackstone, really the giant manager in our business. Compare that with a conversation with Hamid, very differentiated from Link, as both global and largely through the read structure. Or the next podcast, which will be at the very other end of the spectrum with the total boutique manager, Grace Ada Partners, which invests in apartments in industrial and secondary and tertiary markets in the Western states.

Or our recent conversations about solar with Dave Reese from Wonder, the discussion with the former head of FEMA, Pete Gaynor, or Funnel talking about PropTech, bobbing and weaving across the real estate landscape. I find each of these conversations to be fascinating and to be expanding and deepening my worldview of what we do as professionals in the real estate world. And I am most certainly hoping that you're finding similar value from the bob and weave and these awesome guests as I am.

And in that context, and I'll admit to kind of loving all of my babies, I guess on the show, I love them all equally. And this one with Luke and Nick really blew me away.

It was both on the obvious stuff that you hear through the conversation on the business that they and Blackstone have built. What you don't hear directly, but I bet will come through. So listen for it, was the dynamic of Luke and Nick's co-leadership, which at least in my hour and a half, an interaction with me was warm, creative, dynamic, comfortable, smart, thesis driven and fun. You know, you meet with these guys at Blackstone on Park Avenue and you kind of expect one thing and then you get this stuff.

I'm not in the business of blowing smoke on the show, so this was the real thing. Very clear and another reason I love to do the bobbing and weaving in person when I can do it on the show.

Please enjoy today's episode, which I know you will. As always, if you have a few minutes, please rate our show on your podcast app and please follow and subscribe to the show and share your favorite episodes with colleagues and friends. I encourage you to visit the archive on your podcast app or on the CRG website where you can go back and check out the library. If you like this episode, definitely go back and listen to the conversation with Hamid and Ben as well as others in the archive.

If you have comments on the show or if you'd like to talk about how ZRG can help your business on the talent side, including search, consulting or advisory in the real estate space, please contact me at msleppin at zrgpartners.com. I hope that you enjoy this conversation with Luke and Nick.

Matt Slepin (04:19.255)

Luke and Nick, welcome to Leading Voices in Real Estate. I am here with you in New York on Park Avenue and thrilled to have you both on the podcast to talk about the industrial logistics business generally and also about your leadership within the Blackstone ecosystem and what it means for Blackstone to have an operating company in a business like this.

For our listeners, I had a conversation with Nick, your prior partner, came over with Ben back in 2020. And that was just as Link was getting started. So we have a little bit of history on the show in the library to take a look at. And also as a counterpoint to this, we talked to Hamid and maybe there's a little avis and hurts, but Hamid from Proloches was on the show about a year ago. So we have a lot of touch points in the library to think about and a lot of talk about.

where the present state of your business is and your business itself. So why don't you both introduce each introduce yourselves and Luke, maybe you start.

Yeah, well, firstly, thanks for having me. And we really appreciate being here. And those other episodes, I would encourage people to listen to. I got to listen to Hamid's and Ben's. But I'm Link Petherbridge. the CEO of Link. I've been with Link since 2020, so the middle of COVID. I joined, which is an interesting time to join a business. And I've been inside the Blackstone ecosystem now for nearly a decade, actually, working with other portfolio companies.

The concept of portfolio companies when you started was not known to be what it has become on betting.

Luke Petherbridge (05:54.862)

Yeah, I think that's right. 2016, it started with Shop Core. At that time, there was probably like four or five portfolio companies in real estate. with Blackstone's incredible growth and their growth of their core business, like core capital and long term capital, every year, it seems like there's two or three or four more portfolio companies that appear in the real estate business. And obviously, in their private equity business, now they have 250 companies that they invest through or something like that.

It's a very different business model for Blackstone and it's very different for a portfolio company today.

What the portfolio company meant then might not have had the permanent sense from Blackstone that it does now. Maybe that's the.

I think point. Yeah. And that's sort of with the rise of their core capital business. Like they have so much perpetual capital inside the real estate business here in the U.S. and globally that these businesses and we can talk a little bit about our funding structure and Nick can specifically talk to it. But we have lots of different pools of capital with Blackstone. Some of it is opportunistic and then some of it is is long term evergreen core. And I think that's right. These businesses are evergreen. So you build these enormous these platforms and links become very large.

We know we have half a billion feet of real estate. We have 1,100 people all around the country. We get to invest in the platform. I've been so fortunate to work with Nick on building the company to manage real estate that we actively invest and dispose of.

Matt Slepin (07:21.102)

Okay, we're gonna talk all about that. Nick.

Yeah, thank you. Thanks for being here in our office and yeah, Nick Pell and president and CIO here at Link and I joined in 2019 or really through the privatization of Gramercy Property Trust in 2018 with Ben as you mentioned and so help build Link up from its early days here and I've been working with Luke since mid 2020 on building out the platform.

And if you think of the headline of what you do versus what Luke does, how do you divvy up? How do you yin and yang your jobs?

Yeah, so I spend most of my time focused on our new investments. So capital deployment across the different funds that Luke alluded to, our portfolio management from a disposition standpoint. So where we're returning capital to investors and curating the different portfolios to monetize as well as our development business. I'm sure we'll get into that too. But from the early days at Link here, we felt it was very important to

to be an active developer and take advantage of that opportunity across the country. So I oversee that and then work with Luke and the rest of our senior leadership team to help oversee and steer the business.

Luke Petherbridge (08:38.126)

I would say Nick undersells that a little bit. If I think about what we've done together, the business we had was like 300 or 400 people. We're now 1,200. We had 150 million feet. We now have nearly 500. We had 3,000 customers. We now have nine. That's really hard. There's really big decisions that you make. I would just say, from my point of view, it's so great to have a partner and a counterpoint that we catch up all the time.

I'm thinking about something, whether it's HR or technology or data structure, to have someone that we can like, I think of Nick as like, he's been a great counterpoint as we thought through these decisions. you know, building businesses is really hard as you probably I mean, you've done 203 of these and they talk about building businesses. It's I'm so fortunate to have a counterpoint that we can just debate things instead of debating rattling around in your head. It's Nick is Nick's fingerprint is throughout

every part of the food.

Well, and thank you, Luke. also appreciate the partnership and it's been...

You said you did it.

Matt Slepin (09:43.144)

that hate this guy

It's been great. And I would also add, you an important part of our platform is the fact that, you know, we're part of Blackstone too. so, you know, managing that dynamic and how Blackstone interacts with us is such a key part of having success here. And so, you know, that partnership with Luke as we work through that, you know, is so important. And so I think that's, I love working with partners. I always have. I've with Ben for many years and

you know, it's to your point, it's great to be able to run ideas past each other and, you know, I think drive to the right outcomes.

Let me draw down on one question about that. We should save this for later, but I'll ask it now. Because I work with a lot of companies that have kind of co-heads in some way. And one thing I believe, and tell me if this is true, is that there aren't things that happen at a high level that you don't both know about all the time. But you each have a lane, but you check in with the other on the lanes. So there's a way to run because you're not all doing the same thing. There's no replication, duplication between you.

think that's right. where there is it's intentional duplication. It's, hey, you know, we're going to go make a series of decisions here. this is what we're this is the path we're headed down. Like we're all in agreement here. Right. And then and then again, that debate, that healthy, you know, tension about thinking through key decisions. So, yeah, I do think I rely on Luke tremendously for that. I like to think that, you know, the inverse is true. And I think that's really healthy. But you do also have to

Nick Pell (11:17.9)

to pick some lanes too.

So I think that's right. think the three things I'd say is one have a common goal. think Nick and I like we drive value to our real estate. have tremendous amounts of real estate. Our premise of everything we do, every decision as we build a firm is we want to create the most valuable portfolio for our investors. So I think we both completely align on that. I think the second thing is implicit trust. Like if you are going to divide, it's autonomy and execution and trust.

I think we both have that in one another. And then the last thing is transparency and collaboration. think we, again, your point is exactly right. There's nothing that goes on that we don't know about it. Like everything that's material, we share with one another. So then we feel like you have a holistic view of what's going on. And it also, back to my original point, it just helps make the decision. It's hard for Nick to opine on an issue I want to solve if he doesn't know the whole landscape of everything that's going on.

I think it's just open collaboration is probably.

It's a wonderful thing. Yeah. OK, so Todd, what is your portfolio like? Where do you play within the industrial space? Talk about that and we'll talk about a little bit of the dynamics of the business, maybe a one on one course on what kinds of industrial are out there, where you specialize, where you don't, where you choose not to for some reason. So talk about that a little bit.

Nick Pell (12:40.44)

Sure, I can take that. So we have, as Luke said, around 500 million feet across the country and it's about 3,400 buildings. And I would say on the real estate spectrum, on the smallest suite size you have, what I would characterize as business parks.

P.S. Business Parks was in acquisition.

It was an acquisition. So we have a number of business parks. And again, it's characterized by smaller suites of smaller tenants, a higher tenant count. think we doubled our customer count with the acquisition of PSB. So it's a very granular business. As you move up the spectrum, you have what I would call sort of light industrial and then, know, shallow or mid bay as you move up size segments, and then you move up into the sort of bulk size segment at

let's say 250 or 300,000 feet or in above. And then we really think about it in terms of suites. So again, you could have a hundred thousand foot building with five tenants in it, or you could have a hundred thousand foot building with a single tenant in it. And so when we're trying to build a portfolio and address value proposition across the landscape, we're really thinking about how our buildings are demised and how we're meeting the market size wise within our respective geographies. And so our portfolio at link really has everything from

some of the PS business park style business park assets where we operate what we branded as Link Parks, a significant portfolio of parks all the way up to million and a half square foot bulk warehouses. But I would say what the thread, the singular thread through all of it is we're infill oriented, meaning we wanna own real estate in.

Nick Pell (14:26.254)

more supply constrained locations and key geographies across the country. So think big MSAs, but within those MSAs, it's quite nuanced what sub markets we want to be in, what size buildings we want to have within those sub markets to serve customers within those geographies. So we're perfectly happy owning larger format warehouses, bulk warehouses, but we want them to be in supply constrained markets, in key distribution hubs that that's a very market appropriate building to have in that market. More so than a million and a half.

square foot building in the middle of a cornfield somewhere, which is just a different business.

I think the other way to think like I think what's happened with industrial over the last and and by the way and Ben's podcast he talks about it is proximity matters more now like this proximity to the end consumer or the end consumption point and we've really sort of invested around that and curated and Nick specifically and the team curated a portfolio but

E-commerce is the easiest thing. E-commerce used to be delivering a week, delivering two days, delivering two hours. The only way you can solve that is closer in. But then there's also just think of where employees live. You want to be around employee nodes. And then it's like HVAC suppliers or window installs. They want to be in fill, and they don't really take million foot buildings. This proximity is, I think, really important as we think of the forward trajectory of the supply chain.

And we've really tried to invest around that, which means in inadvertently, end up with sometimes smaller suites. And it's hard to build a business around that. that's, you know, we've now got critical scale of mass and we have great data and insights on that, but it's owning that proximity is what we think is the higher value.

Matt Slepin (16:15.07)

Is there in the hubs of distribution, like Amazon will have a huge distribution logistics warehouse and then there may be two or three places it goes to before it gets to my house. Are you at that end of the spectrum or only at the not last mile, but closer to that or both?

skew more towards the latter, like own the nodes like the sub same day facilities or the facilities close. It does mean we can't own the bigger ones, but we generally, mean, the stat we use is 87 % of our portfolio has 2 million people living within an hour of it.

Wow, okay.

And if we do own a sort facility or some larger box servicing at MSA, it's in a mature submarket.

you know, it's a, we think it has scarcity value in terms of, you know, it's, it's expensive and hard to deliver new product. And so you're to have some, pricing power and some value proposition to customers who want to be in that sort of key, key node to service in MSA. we did, we do own a bunch of larger format buildings too, but they're very, you know, intentional about where they are. And, look, we've, we've sold, Nick Pell (17:24.814)

I think about $35 billion of real estate over the last five years through I think over 300 transactions. So it's thousands of buildings. So we're we're curating, you know, deal by deal, building by building what what we want to own and how we can again have the have the most successful value proposition within these markets. And doesn't mean we don't sell some great real estate to sometimes it's time to return capital to investors on on great and class eight buildings. But we

You know, we've been, again, very focused on delivering this network of infill industrial real estate at massive scale.

And when we talk all the time on the podcast about the meaning of a business platform and I try to differentiate the meaning of a business platform between the stuff you owned and then how you own it what you do with it. And I think of industrial as light need on business platform as say the apartment business, which you know well from live core where services intense, but maybe industrial. It's very not intense, but at the part of the industrial spectrum that you play.

It is more intense. So what does business platform mean around making this work even better?

Yeah, I I think it's a fair point. I do think more and more real estate asset classes, particularly when you get to scale, the platform matters. And I just even think of simple things of, you know, customers being able to access information on themselves, pay rent, like we built a whole platform link plus for our customers. It's offering energy solutions. We have 1500 customers that we procure and manage.

Luke Petherbridge (19:06.65)

their utility bills and makes it easier for them. Because if you really think about whenever you build a platform, you're trying to make it easier for your customer to do business with you. So residential, retail. So everything we've been designing from a platform point of view is to make it easier for our customers to do business with us. And then the second part of that is we have now, would argue, have accumulated one of the largest data sets of industrial real estate.

performance and what customers want and why they want to be in these locations, which allows us to be a smarter and more intelligent investor. so you can't do that. Platform is connecting all these dots to create better desired outcomes for customers, for investors and flywheeling that to actually create additional sources of ways to make real estate value. But I think when we thought of platform, it's we have nine thousand

businesses in our spaces all around the country, there is an opportunity to do this better. And I think, you know, there's only a few platforms that operate at this scale. And a lot of it, we had to sort of pioneer and build it ourselves. And now we think it actually allows customers to be flexible in our space and then extract that insight and information to be a better investor in next business.

Uh-huh. Uh-huh. And is there on the platform side for that when you is it to get to those customers and it's both to have them retain them, get new ones, have them pay a little bit more. One thing was clear in the conversation with Hamid is there a logistics advisor. They know more about logistics than any one of their customers do. Maybe not Amazon, of course, but they know more than they do. So therefore they can help make them go better.

given your size and scale.

Luke Petherbridge (20:56.962)

think we I mean, our primary goal is driving value to that real estate. So you're right, whether it's a little more retention, higher occupancy, rent, you know, you could argue, could you get a pre, I think it's providing services like you want to do things really well. So then when they grow, they actually like, look, we have so many customers that are like, when I'm growing in a new market, I'll call link, they look after me, they do the right thing, they help me out.

I'm sure they say that about other competitors. You just don't want to be a market participant. It's where can we be better because we're so large. And then it's offering flexibility. Customers grow and shrink all the time in markets. We do our portfolio and platform. We can actually help them do that as well. On the advisory side, I think we have more insights and information. We sit with our customers. We share information. It's a business. We built a customer solutions business where we sit with customers.

hear what they need, what can we do to help them, whether it's capital, whether it's real estate. But we are in the real estate business and having the best real estate is really the desired outcome.

most important part. And any other comments on where this industry is going, where the industrial industry is going, what becomes obsolete, what changes are coming that either you wouldn't want to invest in or where you want others to buy your property so they can have those?

Yeah, I think that automation, robotics, autonomous, there's a lot of talk about all those themes. You touched on it in your podcast with me too. I do think those things are evolving kind of day to day. We track very closely the investment in automation across facilities. As you think about last mile and smaller buildings, you see less of it.

Nick Pell (22:46.974)

And I think, I think so as you think about where that investment's going to happen, like larger format, big buildings that are going to serve, you know, high throughput products to to an MSA, you know, we see the investment happening there. The automation equipment is still extremely expensive. So it's a massive investment for customers or for real estate owners to extent that they want to make that investment. And so there's still this, you know,

tension between like who's going to actually put up the money and build these things out. And so I think we're, seeing that continue to evolve. I think what we really like about our, our thesis is, you know, what we're looking at in Phil locations to Luke's earlier point, like that's where the customers need and want to be. And so I think as long as you own the, the, the real estate with the right attributes for that respective customer, um, I think there's actually less obsolescence risk if, if,

you're a HVAC service person who has to service that trade area, then if you're a large format million square foot building, maybe with building attributes or site attributes that aren't conducive to the next generation.

I think the other way, the way I sort of simply think about it, probably because I'm not smart enough to think of it, I don't envisage a world that my kids will want things slower. Everyone wants it faster. my kids will want it faster. I see it real time with, with our teenagers, how quickly they, so if you believe that speed is a constant chase and Amazon, even the most recent earnings call talk about how they're to speed things up, how they're getting into grocery now at speed.

If you believe speed is here to stay and it's just the final frontier and Walmart talk about it, the real notion of speed is proximity and we're sort of investing around that proximity theme as well.

Matt Slepin (24:45.55)

Yeah, it's interesting. live in the country, so Amazon would take me to take take two days to get to where I live in the country in Sonoma County. But now it's like I could get it to you in three hours and I want to say no. And I say, yeah, I really want that tonight.

It's I would even argue I watch my teenage children. And so if I think of e commerce, my lifecycle of e commerce started when I was 30. It was like this amazing thing. You buy something gone on your phone. I had a BlackBerry then so it didn't work as efficiently as an iPhone. Yeah. And it was like amazing. So I got delivered in five days. Now you watch, you know, the next generation, which are the biggest are going to be the biggest buying cohort in the country very soon. If not, they're they

don't wait three days. I've watched them like, oh, it's going to be three days. I don't want it. They want it. They want that in the next 24 hours. the only way they can solve of that, Amazon's gone to eight regions. It's more infill. They've grown out their sub same day facilities. Walmart used their store. Speed is sort of the, is the frontier everybody's chasing. And even if you're a HVAC provider, you want to be able to come out and service like that afternoon. So

That speed is solved with proximity.

And it continues to be harder to build in the locations where all these users want to be. So replacement cost inflation is real. If you have speed in the continued e-commerce penetration, which I think we can all agree continues. There's some secular tailwinds that we think continue and maybe not at the same pace that it was happening sort of post-COVID with that lift.

Nick Pell (26:25.922)

We think there are real secular tailwinds here. We're at a moment in the cycle where new starts for development are at an all-time low. it'll be interesting to see over the next couple years as we watch. It's been a slower leasing market too over the last couple years, but we believe there's an inflection coming. And I think you'll see,

I think you'll see a lot of the tailwinds that we enjoyed going into sort of 22 start to resurface.

And what's the tailwind or headwind about de-globalization? What does all that mean? Tariffs? How does that affect your business or your planning for the future?

Yeah, look, in general, uncertainty is not good for anyone. So we've all had a lot of uncertainty around that this year. But wherever that levels out, do think we started to see, even before the latest sort of tariff discussions, an effect from reshoring. And we've seen that in particular markets across the country. Where we focus are markets that are enjoying some of this reshoring, but also are mature population centers or where there's demographic growth that we can support. So Phoenix and Austin and the Carolinas and Atlanta and, you know, Columbus and places where they're mature, you know, industrial markets, but you're also seeing these manufacturing wins come in and you do see spillover demand in these markets from, you know, whether it's parts or, or, you know, different users coming in to support the manufacturing. So we think that's a positive, obviously.

Nick Pell (28:10.79)

we'll see where the whole tariff landscape ends up. But my guess is it just gets digested and it comes in the form of potentially some inflation.

Well, terrorists mean one thing, but reshoring means a different thing because reshoring is that's a trend that will keep happening even if the terrorists disappear or go back to some normal stuff. The reshoring was happening after Covid because it maybe had to.

Yeah, I think some of it was resilience, supply chain resilience. But I think since 21, there's been over $700 billion of announced investments, whether that's factories or plants and throughout. So then just think of the flywheel of that. So even if you just go to the micro level of TSMC, North of Phoenix, they build out their fab plant, but then there needs to be HVAC providers and they have to build houses for the 20,000 workers. It flywheels.

demand, and we call it spillover demand. I don't think we're going to be owning the factory itself, but the inputs that flow around these factories, Austin's a great example with Tesla's Gigafactory, there's multiple million feet of supplies that sit around that to feed the machine. But this has been happening now for four or five years with government inducements like the Chips Act, but now companies are rethinking just supply chain globally.

And just some of that is resilience. They want more here in the US to avoid port strikes or pandemics or boats going sideways in the Suez Canal. All this creates disruptions.

Matt Slepin (29:42.668)

Which helps your business. helps the man for your business.

Yeah, but then on the counterpoint of that, Nick's opening line was right. Uncertainty is not good for business. Like, it's just for no business. Like, if you're trying to make big decisions, big capital, CapEx spend, uncertainty makes it harder. So, you know, right around April, there was maximum uncertainty. That was a tough month. But what we found is it's re-accelerated and normalized every month since then. And we've seen customers sort of thinking through this, playing through it.

This isn't the first time we've had tariffs. had furniture tariffs in 2017. If you go back that far and before that. So businesses reorientate themselves pretty quickly, but just uncertainty creates some level of decision making. know, I guess it's hard to make decisions when there's a huge amount of uncertainty. But as you get further away from that uncertain moment, businesses sort of re-engage. And that's what we're seeing real time today. Like, know, leasing is still sort of remaining fairly resilient.

fingers crossed and think about your sector where you sit in your sector and the clock. I go to all these real estate conferences. There was a clock. OK, what's the clock for industrial? And it's a sector that 20 years ago was under invested in. You grew the company during the heyday of this and maybe the sector got either overbuilt or over invested or prices got crazy. I don't know that. And then you got huge and you.

got huge alongside Prologis and the next largest owner is pretty far behind in terms of size and scale. So that's like a multiple choice question. But think about both the cycle, the clock and kind of size and scale of your company, what that means.

Nick Pell (31:27.31)

Yeah, look, I think we refer to as sort of a super cycle and industrial that happened, you know, from 19 to call it 22, where, you know, rents grew 70 % across the country. and, and we were very fortunate to be able to have acquired, we've acquired, like $65 billion of industrial over the last six years. So, and then, you know, delivered about $5 billion of new developments into that. So from a timing standpoint, that's been fortunate. But as we've gone through it, guess, again, we've sold about 35 billion and harvested some of that capital to return in our closed end funds. And I think refined our lens a ton in terms of how we can invest and where we can find those incremental opportunities to create value. I do think the whole

landscapes institutionalized quite a bit over that time period too with more sophisticated investors and capital sources coming in. So where that puts us today is I think, we're again, as you said, the second largest operator. And I think with a ton of data and insights to be able to leverage, you know, in a very nuanced way where to find value across the country. And so with these secular trends that we've covered, we think that there's still, you know, a ton of value to create.

deploying new capital into industrial. I think when you look back, it's been a pretty good investment asset for, an asset, pretty resilient. look, interest rates have moved a lot since 2022, there's been a lot of uncertainty, and it's been pretty resilient through that, right? And so I think when you look back at that from a risk adjusted return basis,

That's pretty amazing.

Nick Pell (33:21.294)

I do think it's still a very attractive asset class to invest in for a bunch of Blackstone's different funds and their goals. So yeah, I think we're very well positioned given the scale and be able to leverage the benefits that come from scale and continue to invest around these more nuanced themes across the country. In 2020 or 2021, you could almost buy anything and friends are going up that much and cap rates are compressing.

Right. Everything looks like a successful investment, no matter what you bought. I think it's going to be much more nuanced and, you know, with sophisticated competition and everything else out there. And it's going to be maybe a little bit harder to find alpha and outperformance. But I think if you have the right platform and team and cost of capital, you can go at it.

It's souped. mean, Nick touched on the platform and that the nuance of it. One of the things that, you know, just as I think through other asset classes, if you think we're sitting here in an office, users of office, they're all the same. Like you have desks and you have people and your employees turn up and you fit out. If you think of a residential building, it's the user wants the same thing. want to have their family sleep there. It's their evening place, data centers.

The difference with the one of the nuances here is the user is what it could be someone that's printing Starburst rappers. So every Starburst rapper in the United States is printed inside a link owned facility, which is I think my kids think that makes me cool. We have people building drones. We have packages moving around. We have the smaller Nick talked about Link Parks, these little incubators that are building firms. We just had

totally different

Luke Petherbridge (35:10.286)

you know, a small business challenge, it was a robotic firm. So it's just when you think of the use case of our buildings, it's just so wildly different, which means the nuance of the user is even very broad. It's the US economy. having the platform that can extract, you know, what is e-commerce doing? What is manufacturing doing? What is light assembly doing? It's just very broad and having it's a local business, right, Nick? It's local people. We have local investment.

partners all around the country, which have local leasing payments. That nuance is very, very challenging to build. But once you have it, it's this incredible amount of insight and it allows us to be really thoughtful about driving that Nick touched on the word alpha. Like we, I think we have one of the better chances to drive that alpha because of the

And it changes, know, it changes every few months you have a different view. And so you go into one MSA and everyone paints it with one brush and you have to go in and look at every sub market and every different type of building in that sub market and you say, well, how is that performing? What is the prospect for that size range and that building in that market? know, we do a bunch of these.

maps and stuff around what we own and the rest of the market. the one we use a lot is Phoenix. And there's a lot of big buildings that get built out west. every time there's leasing, there's a ton more big buildings built because there's land available. But when you look in the Southwest Valley, it's a lot tighter for smaller space. And it's a completely different market, like a 30,000 foot tenant.

near the airport or something in Phoenix has nothing to do with a million square foot building out west. And so it all gets painted with the same brush. like, wow, Phoenix is a lot of supply. it must be scary. Well, it just depends what you have there and what you want to own. again, I do think you can sharpshoot and there are great investors out there that do so and you can merchant develop and build big buildings and get a lease done and sell it. And there's all different ways to make money in industrial real estate.

Nick Pell (37:20.696)

But if you want to deploy capital at scale, I do think it's going to be a much more data-driven and again, a very asset market-specific view. if it's changing a lot, the ability to pull those insights in and translate them into action and investible outcomes within your portfolio very, very quickly.

you is how you outperform and like that's our goal every day is to try and translate that as fast as possible.

It's a bottoms up data as well as it's got to be top down macro data. But what you just described about specific markets was funny because I was wondering if the trend might be that it's really hard for small business right now. But the trend that you went to was it's really interesting for small business in this part of Phoenix where those small business want to be. And what's the supply? It's a real estate overlaid with the rest of that.

Yeah. I mean, the small and middle market business segment has been so resilient. It was resilient during COVID. I mean, we in in March of 2020, we were very concerned that the small business was was was going to have challenges. And they did. They tremendous challenges. The government played a huge role in supporting that. But it ended up being like extremely resilient, both in terms of collections and performance. And it stayed that way really for the last five years. And so

I think we really like that. think the status we have around five or 6 % of the US GDP running through our buildings. These are the local economies in Atlanta and Tampa and Miami that are in our buildings. And then we also obviously have the big users. so, again, think that we can spot these trends and translate them into action quite quickly.

Nick Pell (39:20.17)

know, meet the market, whether it's a new development, a service, some trends that we see locally, you know, potentially sometimes we're, selling down pieces of our portfolio around some weakness that we see in the market too.

Okay.

And the benefit of having a team on the ground, we speak to these customers, these 8,000 customers regularly. So we get a good pulse of what we're seeing at the local level. But back to the point of the macro, that's where we have a view, but also the benefit of being inside the Blackstone ecosystem. You get incredible access to information and insights. And our partners at Blackstone are very, very helpful as we think through that. you get the best of the.

Back to your comment earlier about portfolio companies, you get the gamut from the John and the Steve global view, which is so in power, all the way down to we get to talk to the 20,000 foot user in Phoenix and what are they saying? And you get to distill that. And I think that is the, like if I say what's the hardest challenge, is trying to distill all these signals into investment ideas.

Right. And there's some data around how you manage data because when you said, hey, we have all these boots on the ground. What I've always found in companies, I got boots on the ground, but no one's talking to each other. So to be able to get the kernels of information from people is really, really hard.

Luke Petherbridge (40:38.882)

I would say the biggest, so when I was able to join Ling, it was, I think we just had Yardi and Excel. think that was like our two systems, and Excel. And which is like kind of scary, this business was growing at speed and so that was its biggest challenge. Its biggest opportunity or benefit was it only had Yardi and Excel. You got to build everything.

knowing you're going to be at massive scale. Normally when you build a business, I think of real estate business, you start small. So you only think, and then you just keep bolting things. And that was probably our biggest benefit. When we sat together, I still remember a meeting, it was during COVID and we had it in New Jersey because it meant people in New York weren't quarantined. And I remember sitting there and we said, like, imagine if our business doubles, what would we do? And like,

You know you're gonna get there.

Luke Petherbridge (41:34.514)

That's just to challenge yourself on we're going to and we're already really big, we're going to double. So then you build a data platform the right way, then you build a CRM the right way, then you build tools and analysis and dashboards and insights, because you know you're going to be it's not an afterthought. It was a central pillar day one. And then what it allows is like the information that flows around our firm. And it's uber transparent, like anyone in our firm can access all the information.

I think it drives better inclusivity, it drives better collaboration and ultimately drives better decision.

Yeah.

Double in two or three years. And look, on the data side, mean, again, we got to do it from scratch. So we have a couple billion data points now fully scrubbed, which is very important. Our data set is clean. So we can run all these different analytics, whether it's, we have several data scientists that sit here in New York with us that we've been working on for several years, some sort of machine learning, you

different analytical tools to think about ways to think about our real estate and how to price it. And we got to build this from scratch. it's, we think, know, quite, you know, forward leaning in terms of where the market is and being able to use this data. And then every day we listen to our people across the country and Luke and I and the rest of the senior team think about

Nick Pell (43:04.152)

how do we get this information in the analytics and into people's hands so they can use it like real time during the day? And then we're constantly adding new tools and thinking about how to add better interfaces and push information up to people instead of having people pull information out of the systems. And so, I mean, we really do, I mean, it's a central theme as we think about the platform is arming our team every day with these.

Let's drill into that a little bit. And one comment, so it's funny, because you started with Yardy and what real estate did is it was accounting information. That's what we cared about. Accounting and reporting. We didn't know we had data. We didn't know how to manage data. I did a data project 30 years ago. It's too early in the business. So collecting data or clean data, it's just it was a pipe dream. It didn't didn't and couldn't exist. But now you can do that. Give.

a couple of examples of a thing that is actionable that that when on what those data points are that would deliver information just. In his AI involved, that's the other last.

Yeah, Questions. Yeah, I would say so. So we we we've invested in a system where we are trying to determine what what attributes of a building drive value for that building drive value for a customer, which then drives value to the building. Right. And so and it could be different across different types of buildings. It could be a dot count. It could be a proximity to a transportation node. It could be.

just the specific location. could be the clear height. could be a hundred different attributes for a building. Traffic jams nearby.

Matt Slepin (44:42.072)

Gams nearby.

proximity to a FedEx facility, proximity to UPS facility are things that drive value in certain markets, but not other ones.

But not others. So there's really like hundred different attributes you could put in. so, and we do this for every building in the country, whether we own it or not. And we're looking at, and then you know what happened for rent in that building. And so we're looking at over time, know, what were the key attributes and how did that translate to value creation for the owners of those buildings? so, but again, you need to have the clean data around all of this real estate. And then you need to have the benefit of

the latest rental information that's happening, the leasing information that's happening across the market in real time in your system. And then the system needs to interpret that on an hourly basis and then be able to represent what the value creation potential could be in that building. So we use that information every day when we're running the portfolio to think about what's the right benchmark for rent in this market?

And it's, it's not a perfect science, but it gives you, I think, a very good sense of directionality at the local and micro level. so, yeah, but it requires you having, again, clean data at massive scale to be able to use that.

Matt Slepin (46:01.998)

And it's the leverage of your scale because without skill, you can't do it. Although some of those data sets are available out there for folks, but not proprietarily, which is huge.

Correct. And I think, and we use the word scale. Like I think there's two things like this size and scale sizes. Anyone that has tremendous amounts of money can have link size. You can go buy 500 million feet of industrial. Like you can literally go and buy it if you want. Scale is then connecting all the dots. So when there's a discussion with a customer in Atlanta that we track.

that feeds a machine that then it's like, wow, actually what we've been hearing and when you think of AI, extracting these nodes, sentiment in the Northeast of Atlanta, small bay customers is incrementally getting more positive. That's a really great signal. And then it's like, wow, seeing rents haven't started to move, rents are gonna start to move, we can invest early. So Minneapolis is a good example of how we use signals early and became a great landlord there and we've done really well.

You asked about AI, I think of AI, it's early. So I would say super early here at Link, we're using it in certain spots. I think of AI in three different buckets. It's process automation, which is the low hanging fruit. How can you automate parts of your business, lease abstraction or accounting or treasury? You know, a lot of that is going to come with systems. We use it Clover, we use to do coding. Then it's the second one is like cognitive engagement. And that's

you know, quite simply the chat bot online with Link Parks, you can write to it and tell it what you need and it'll deliver spaces to you. I think of cognitive engagement also internally, we use a lot of dashboards. I believe in the next year that will transition to natural language. So at Link, you'll be able to say, what's our largest vacancy? How long has it been vacant? Who toured at last? What's the broker? What other leases were done in the same market for the same size?

Luke Petherbridge (48:03.726)

it'll just naturally allow you to swim through our information. So that's cognitive engagement. And then the one that I think is the hardest but most valuable and Nick's team in research look at is cognitive insights. Like how do you use the machine learning and AI to actually derive insights from, because your point, I mean, it's like 20 billion data points, Nick's right, so 2 billion clean, there's

There's so much in how do you get the insight from the data? Like you can almost overdo the data. This cognitive insight and how do you geo locate things and this market's good in this size range. And that's the nuance component, which I think is really hard. we're spending a lot of time investing around that building tools that can do that. And then even when you get all this right, you still need great people.

that buy into it and use that information to make great decisions. At the end, it's still a people first business. They make the decisions. We're just trying to arm with the best.

I just want to say thank God to that last point, not as a headhunter but as a human being because we're not being replaced but we're being armed like really well.

I heard a great phrase, you're not going to be replaced by AI, you're going to be replaced by someone that uses AI. So we want to we want I mean, one of the things we've done as a leadership team is we've challenged ourselves, every single person needs to find an implementable use of AI in our business over the next year. Not all of them are going to be great. But it's like, you want leaders to just be naturally wanting to learn about it and infuse it in our firm. I think it makes you incredibly more precise and accurate and insightful and

Luke Petherbridge (49:42.338)

We ideally our business is making great decisions, great decisions with customers, great decisions on leasing, great investment decisions.

One of the key sort of cultural elements at Link, and I think it's something we share with Blackstone, is a relentless improvement cycle. mean, we move really fast, we do a lot, we ask a lot of our people, but we do it with a relentless pursuit of improvement. And so as I think about AI, like the human component, it's not easy sometimes plugging in new tools and ways of thinking about rate or space or value creation.

with humans, like it's just not, it's not an easy thing, because we're humans. But if you focus on, you're gonna be better at your job. Like you're gonna win against your competition. You're gonna improve in your job, in your career growth. Like you're gonna be much more satisfied being a better asset manager or a better property manager or whatever with these different tools. I think that allows us to attract the right talent, retain the right talent, you know.

really focus on getting and building the right people in these roles across the company. So much so that if you were to think about going somewhere else that didn't have these tools and commitment to this, you might say, I don't know if I'd want to be part of that ecosystem. And so I think that's what we're trying to create here is that culture around relentless improvement and depending and

and appreciating all these different tools that we provide. Not all of them are perfect either. Like it is, you have to try stuff and fail at it. But you know, some of these are working and they're gonna continue to work.

Matt Slepin (51:27.31)

I'm change the subject, but one observation to what you're saying, I'm kind of listening hard to everything you're saying. And when you run a company like this, you have the broadest and most, I want to use word perfect, which is an odd word, but you have a view of the industry that is so multifaceted and understanding and strategic that there's almost no one else who could have that. Like the best broker knows it in Atlanta.

There might be the best industrial broker knows it all over the country. I don't know that guy or gal, but but the view from all of those perspectives is so deep. It's just fascinating to hear you talk about this.

Yeah, we hope that's the case. Yeah, I mean, our our that's our job. think our job is to is to have that bottoms up expertise at massive scale. Yeah.

take that for granted. mean, and also, others have like, it's a competitive advantage. We don't rest on our laurels and say, we've got all this, like, there's still, you know, there's still nuances in a market. We don't have every kernel, like our broker partners, our people, you know, people that we hired to have great insights as well. But yeah, it is a huge competitive advantage that we lean on every single

And when that broker partner knows more about that market than you do, but you're in that conversation, absolutely. You're you're a smart buyer of that information because you have the context.

Luke Petherbridge (52:51.706)

I'd like to think, you know, one of the things I'd say about our people, I think we hire really, I mean, everyone, every CEO would say it, but I think we hire really good people that are humble and we partner with people, we partner with our customers, we partner with our brokers, actually, of the, like Nick talks about the relentless improvement cycle, we are relentless in feedback too, to the detriment, like when we ask for feedback, it's what works well, I would say we're not

rate it hearing what works well, we sort of gloss over that's like, what can we be better at? Like we constantly focus on the 5 % we can improve on. And that's what drives this relentless. So we take feedback, I think it's probably one of the few firms I've worked at that want feedback and actually want constructive criticism, we actually seek it. Which at times is not nice. But it makes us better. think that's a

something we do and we ask all our partners, our customers, what can we do better? And I think they appreciate it. And then we try to work on it. It doesn't mean we're to be perfect at all. Like we're still going to make mistakes, but it's constantly seeking feedback that allows us to improve.

Also, there's no place you get to. There's no, okay, we got to that place. Now we're like GE of 30 years ago and now it's going to work. I could coast on this for 10 years. There's no coast.

Yeah, Blackstone doesn't let you coast. Just to be honest, like our own episode of Forces that don't coasting too.

Matt Slepin (54:18.638)

OK, so that's the segue. So I want to talk about Blackstone and what it's like to be a portfolio company and where your dollars come from because you have different sleeves of dollars. And the context of that I want to have in my mind, how is that different than a REIT environment? And how is the behavior different than a REIT environment at one end of the spectrum? We think of prologists, of course, but there's other REITs in the space. And then at the other end of the spectrum, there's investment managers who

invest deeply in industrial, but they do it through third party operators. And then you're kind of in the middle of those two in some way. So talk about what flavors of money you have, what Blackstone's direction means and then how it different from those other two.

Maybe I'll just talk a little bit, and because I've done this is sort of a few businesses with Blackstone. And then I'll let Nick talk specifically about the capital and how we think about that. I think we've touched on, I think the one thing I'd say about Blackstone, I mean, they're great partners, they're great people, anyone that deals with them, they're great to do business with. They're huge, they have counterparties everywhere. I would say we talked about the no-coasting, it's this continuous improvement.

they want to say yes to constantly challenging the way you do business. I remember we talk about the large language model that we built. I remember having the discussion about building it with Blackstone and it was with senior partners there. I mean, we were asking for real money to do something that had never been done in our space. And they walk in like, this makes so much sense. Let's do it. It's like, well, it may not work. Like, that's OK. Well, we'll get like, it's not that there's not rigor and prudence there because there is. It's just

They allow you to do things like, could we have built Link in five years without the Blackstone apparatus? No way. Reits, like big public reits of work for one. It's just hard to move you in quarterly earning cycles. You're just shifting the business model takes time. And it's not that that's bad. It's just Blackstone is an accelerant on business change and continuous improvement. So that would be the first thing. And it's not for everyone because it's relentless.

Luke Petherbridge (56:29.91)

And then the second thing is, which has changed in the last decade is this focus on platforms. Like they really invest around the people and the platforms. So they can be an investor throughout the cycle because their capital is different, which Nick can talk about. I think investing, they've invested heavily in multiple platforms. As we talked about earlier, they've built out all these platforms and all these asset classes. Because instead of just being a capital allocator, which is one of the other options,

They really said we want to be the allocator and the operator. We think there's this synergistic benefit. then the data flywheel, if you get that right, it then creates this opportunity to deploy and create great alpha. So they're the two things, continuous improvement and then platform creation and data have been the two things that.

So and I get the accelerant because you couldn't have had the vision to invest in a company that's going to be as at this scale. And let's go for it. Let's build the backbone for it. One thought about that is that the platform stays. The assets, because of the capital needs, what you're going to talk about in a sec, they come and go through this platform. But there's always going to be a base of stuff that the platform therefore has knows it has.

You don't have an accordion, the old private equity model. There's an accordion, right? Got a big company. Oops. Now it's a tiny company. I was going to be big again later. How do we keep enough of it there? But you'll always have enough of it there.

think that's correct. And I think that's where this core permanent capital, which is the change, like in the last decade, Blackstone has been very specific about growing their core permanent capital business. So if we were talking in the early, you know, 2000s or 2010, it would be harder to do this because it's an accordion grows and then you sell the business. Now I think like

Luke Petherbridge (58:22.574)

40 to 50 % of our business is core capital that the assets will be sort of longer term holds.

Yeah, and I think so that so there's there's core core plus capital from institutional investors. There's B REIT, which is the non traded REIT. That's a diversified vehicle. There's the closed end funds, which are the traditional sort of flagship opportunistic funds that Blackstone has. We've got prep eight, nine and 10 invested in our portfolio.

There's there's separate accounts for for some insurance clients that we have as well that acts as a bit of a core, you know capital So and then we have the the first sector specific fund real estate fund that's ever been raised at Blackstone I believe was a North American logistics fund That that was raised last year and we've been invested It's it's a longer duration closed closed-end fund

set an open or closed.

Matt Slepin (59:24.14)

What's Longer?

It's a few years longer. If you think of an opportunistic fund traditionally being a five-year hold, we're more seven, eight-year hold on the BAL fund. There's all these different forms of capital. Over half of our portfolio is in open-ended vehicles. There is that very significant asset base that can help support the platform for the longer term in that.

that the opportunistic capital gets the benefit of as it's invested in. And it just so happens that we bought and built so much during the last cycle. So we're selling a little bit more now than we're actually adding because, you know, so we're selling five to 10 billion a year, let's say now, and buying several billion based on the opportunity set. And I actually could see that switching here. But like, you know, I think the idea is that this platform continues to grow.

as you look out over the longer term, medium term. And so I think the key difference is to your question about, was the CIO of a public read at Gramercy before we were privatized. And you do kind of look at your portfolio like you're gonna own it forever. And so you think about it, it's probably not the right way to run a real estate portfolio. You should think about what real estate you wanna own and when you wanna own it and where the asset is in its life cycle with the

customers that are in those buildings. And so, we do ascribe a hold period in how we think about completing an asset management business plan on every single building. And in theory, those would be slightly different for a closed end fund than an open end fund. But in practicality, it's really not. You're trying to get the best.

Matt Slepin (01:01:04.45)

Huh.

Nick Pell (01:01:16.558)

leasing decisions happening on the ground in every asset. just is once you get, if you've owned it for a certain amount of time and you've done a certain amount of value add on it and it's in a closed end fund, you'll look at it and say, it's time to return the capital to the investors so that the next fund can get raised. And if it was in an open ended fund, you might say, okay, we've done this business plan and now it's stabilized and it's great and it's cash flowing and it's going to, you know, that value is going to accrue to the investors of that open ended fund.

So I think practically it actually doesn't matter that much from a platform standpoint unless you're just constantly selling more than you're buying and then you're

But let's play it out a little bit. So what's the average hold period? Is that a number that...

On the closed end fund, it's probably around five years.

What's the average hold period in your portfolio or expected average hold period? that?

Luke Petherbridge (01:02:13.838)

It's probably five years. mean, if you think we've bought the bulk of it in 1920, we still own a big chunk of it. Yeah. And then if you think of the, you know, like the B-read hold, it could be a decade. I think you could hold that for much longer.

Right.

Matt Slepin (01:02:27.822)

Except that could be the longer view. One thing they spires tell me in the apartment business is if we buy from a rate, they were they were somewhat passive owners and that more of an investor owner, which is you, are less passive every minute. And I have a picture in my mind. You said we think of hold period. So you can hold something in your hand open like with your open palm.

And then you can hold it and you're squeezing what you're holding every second. I have the sense from Blackstone is that when you're holding this, you're squeezing in every second. And maybe some others are a little more lax about that behavior pattern. Is that is that a metaphor that fits how you run this stuff?

I think they're good operators and less good operators across the country for real estate. think anyone who buys something thinks the last person didn't extract enough value out of it, right? And that they were a passive landlord. I think, you know, we're, to use your term, extracting value. think we're trying to optimize the value creation of a building through our ownership cycle. I hope that we are for our investors. Like that's our job, stewards.

It also doesn't mean that you can buy a building from us after owning it for five years. If we have to return the capital to the investor to go raise our next fund, could still be a great, I a lot of people buy real estate from us that make money on the real estate too, because that's just the type of capital it is. And so I think that's a hard part for people to get both when they're buying from us or thinking about this model.

I can tell you just in my seat, sometimes I'm selling real estate that like I'd love to own for the long haul, right? mean, yeah. And like we like to think we're getting, you know, a great outcome in our disposition process. And I think we do in every case, but it doesn't mean it can't also be a great buy for someone. And I think that's the beauty of our business. And we're doing transactions with every counterparty and every broker across the market because we're

Matt Slepin (01:04:15.95)

It's your babies.

Nick Pell (01:04:37.09)

We're more transactional than anyone else across the board by far. So it creates a ton of connectivity across the market with our competition slash peers. But yeah, it's just different models.

And I've heard from other Blackstone companies that those decisions in that buying and selling happens over there, not here. Sounds like it happens here, but it happens both. What's that dynamic look like?

I'd say it's like, it's a partnership. Blackstone owns the business. Like they make the final decision about, about what happens on that. I think it's a super collaborative process where again, we're very bottoms up. So we're in the trenches, you know, figuring out, you know, again, collaborating with them, like what, what assets to take out and sell and what price and you know, who to sell it and to, and how all those decisions go. But like day to day executing of that is all, is all, is all with us.

And again, you know, it's super collaborative, like they're a very engaged, involved owner and partner to us. I spend my week on calls all week long with them and various aspects of their business. So it's a super collaborative thing. But but yeah, at end of the day, they own they own the business.

And is very engaged. You might have said very, very, engaged.

Nick Pell (01:05:54.422)

Very, very, very engaged. And look, it is what it is. Like they're very, very engaged. Like that's a that's how they run the business. And, you know, it's worked well.

They're good partners. I think that's for you. work with good people, they're good partners. You can see their office, they're right.

Yeah, I they are right next door. I will change the subject again. And I want to hear Luke, your story. You're you're not from here. So unless you made up this accent, which would be really cool.

It's worked for me, I'm just gonna run with the fake accent.

But I want to talk a little bit about what got you into this business generally, what got you to the States. But I really want to understand your journey through Blackstone. What has worked and why has it worked? And then why change the from retail to multifamily to industrial? I'm really curious about that. What are the differences that you've seen?

Luke Petherbridge (01:06:42.104)

Yeah, I think it's no, I mean, I fell into real estate when I was in Australia, we I worked for a small firm. And we, we took a few businesses public. One was a US real estate Japanese, European business public in Australia. So I fell into it, then I went to Macquarie Bank, and my partner, the firm, the company I worked on was DDR. So they were based in Cleveland. So I did the

auspicious move from Sydney, Australia to Cleveland, Ohio. The most beautiful city in the world to the second most beautiful city in the world, I'd like to say, but Cleveland was great. We had our third child there. And it was a really great place to live. I'm a Browns fan that has not worked out as well as my real estate career, I don't think not yet anyway. And then I got to know Blackstone. And so I helped build shop core from 2016.

The shop core was DVRs.

No, no, no, we built a brand new business. I left the ER, moved to Chicago. We built Shopcore, which was, I mean, very small compared to Ling. But it was a great business. And then after that, Blackstone said, hey, we've got Livcore. We'd love you to work on that. So I moved in and took on the apartment business and Livcore. And Livcore's growing dramatically post my departure. And then there was the Ling opportunity. I think the thing that what's made it work was the question.

I would say it's just surround yourself with great people. And I know people say that, but if I go through all these businesses, the thing that makes it work with Blackstone is hire great people. And Nick's right, hire great people that want to improve continuously, are curious, and use information as an advantage. And that's kind of been our model here at Link. Hire great people, give them great tools and access, and they do great things. And that's as simple as that.

Matt Slepin (01:08:33.976)

So let me ask some questions about that. So one is what is your skill set? How would you describe it that works within that ecosystem to have run three portfolio companies? You said it through the conversation, but I want to think about is there you got some patience, you got the ability to deal with the very, very, very, very engaged partners. Like, what do each of those things mean?

Um, you know, I, I never really thought about what, mean, I think, look, I'm financial. Like, I think you've got to, like, I was a CFO. Um, so you've got to be numerical. I think Blackstone is just Uber finance focus. So I think that's sort of my background. Um, I think, you know, from a leadership style, I'm very collaborative. I'm super interesting what Nick would say about me, but I'm very collaborative. I think I'm generally pretty positive as a person. Um, and I really believe in.

starts with

Luke Petherbridge (01:09:31.553)

You know, if I watch, you know, just any sport, like if you hire great people, let great people do great things, get out of the way. My, my child, the thing I see most from younger managers is they hire someone and then they want to control it. Like I've really taken the view and it, you know, hire great people and then let great people do great things. And you sort of sit back and I'm just here to sort of provide guidance, but you, think we've really got a empowered execution model here at link. We empower people to go execute.

We hold them accountable. Don't be like people are accountable. But if you do that, it's worked really well.

And what to talk about the difference between live core business, I know well and link. So being in the apartment business and there are two darlings of real estate investment over the cycle period we've talked about. And one of those apartments and one's industrial. It's not those other asset classes, but talk about the shift from why the shift from there to here. And then what has that meant between those different asset classes?

Yeah, I mean, I data centers would fall into like, I think that's a darling.

But that's now a door. That's true. Hopefully it will stay a darling because there could be, you know, crash time. But I don't think so. We don't see any trends in that direction. But the low to the two low volatility asset classes for the last 20 years has been.

Luke Petherbridge (01:10:47.15)

Look, think...

Luke Petherbridge (01:10:54.156)

No, no, no, I agree. think, you know, there's difference in business models. We're fully integrated. have property managers, you know, that deal with customers. Live Corp, you know, has partners that they worked through when I was there, although they're revisiting that. But, we we really have built a model. So there's there's a lot of similarities. They commodity real estate in a sense, you know, building apartments very similar. The thing I would say just about all three, I think when I was at Shop Corp,

it's customer centric. Like you care deeply about the retailer. Not only do you care about the retail, you care about the retailers customer. So it's the customer's customer. So when you design a shopping center and invest in it, you're thinking about curation. And then in apartments, it was very data centric. Like you think of all the information and rents and data. And that was something that I think when I came to link, it was something we sort of really infused of like, we're going to be in property management, we're going to build customer solutions, we're going to build a customer experience.

thing, we're going to build an app. Like really, let's get to know our customer and be a first choice of real estate. Let's try to decommoditize what we offer. And then it was how do we harness and I never envisage we'd be this advanced in data, but how can we build a data module and use that to be a better investor, a better manager, a better partner for our customers. there's lessons in all these asset classes that learn from one another.

Coming from multifamily, thinking about the customer in the way that you did, the customer is really different. It's a family, it's a couple, it's a single person, but customer orientation might be somewhat different or new to industrial to have that.

I think it's a little, think most people, when I joined Link, the first thing I thought of is like, this is, it's DHL, Amazon, Walmart, Home Depot. What you find out is our top hundred customers are about 30 % of our rent. You are dealing with middle market America, small, medium sized enterprises. It's really small business and they're not, while these are people running businesses that are looking for real estate partners to help them manage their business. So.

Luke Petherbridge (01:13:02.84)

There's a lot of more similarities in the people you deal with than differences, honestly.

And I want to go back to when you started and you together got in a room and said, OK, let's imagine this is double your size, although now you might be 10 times your size. I know what the numbers are about that. But the vision for what you would create and then Blackstone's letting you get to that vision. Talk a little bit again about that moment and where how much further you have to go to make that dream reality.

Yeah, I maybe I'll start. mean, I think first it was by necessity, not by some grand vision. There was parts of it, like we talked about getting closer to the customer, getting more data and insights, but some of it was just, this thing's going to get really big, really fast. We need to be able to operate at rapid speed. And some of it was just like, we have to fix things and get it right. Cause remember, you know, there was a Nick can talk specifically about 2019. It was just huge bolt on acquisition. you, you,

and so.

Luke Petherbridge (01:14:04.088)

You have to be able to do that. But then it was like, what do we think this business will look like if you believe in the investment thesis of owning infill product, small abay, you then have to start saying, all right, so we're to have all these customers. We have thousands of customers. How do we manage those customers? Because no one really does that. So then the customer insight or customer side of our business started to be envisaged. And then when you're doing that, you're like, wow, we're going to get all these data points and points. Like, how do we capture that and use that?

And that's when our research analytics concept and things. look, I think it's a journey. Like we talked earlier, nothing's ever done. You're always progressing and continuous improvement. But it was more like the way the business was set up. Some of these became quite apparent. And just because it's easy to see it, it's really hard to do it.

Let me play out an image I have in my mind. I have an image of an avalanche and you could be right in front of the avalanche running your butt off or you could be on top of the avalanche like you're surfing and you had the opportunity to surf that avalanche because you knew it was coming. And maybe Blackstone said, hey, you, you know this business. I'm pointing it, Nick.

for our listeners here. And Luke, you know how to work with us and you know how to ride an avalanche. Let's take all the learnings you've done in growing these other things to get ahead of this thing so we can be planful about this business.

Yeah. And I would just say like at that moment in time in, in mid 2020, we had bought $27 billion of industrial, which no one had ever done before in over several transactions at the time. And, and we had, I think in early COVID we had 250 people or something and we were wildly understaffed for the type of operation and

Nick Pell (01:15:52.014)

level of excellence that we would all expect us to operate the platform at. You then have COVID, which was disruptive for the whole world, maybe a massive understatement. And we're trying to build a business during that time and scale up. I think we hired 300 people in 2020. That's lot. It's doubling our workforce. And then Luke comes in and really, you know, like, look, I think you can tell Luke's an excellent communicator and leader, but he was brought in to build the enterprise up, right? Like we had

We actually had scale at the time, but he was brought in to help us build the enterprise and lead this big platform expansion to then serve this growing, already quite substantial. mean, we always talk about like, it's a startup. It was a startup at the time, but we had all this real estate. Several hundred people already. so.

Big as anything.

It was pulling all together, like, do you have the right people in the right seats? Do you have the right systems? Do have the right technology? Do you have the right vision? Do you have the right, right amount of people? Do have the right operating model? You know, fully integrated, not fully integrated. Like, do have all these things that need to get done and they need to get done yesterday? Because we already own all the real estate and our customers expect every day to already be built. And then you go into 21 and I think we bought $15 billion more real estate in 21 and we built this massive development business and

We go in and we say, hey, we're going to build a billion dollars in development. Blacks is like, double it, double it. You know, and it's like, it's always it's always bigger and do it faster. And, you know, sometimes it feels frenetic, but you look back and it's exciting and it's rewarding. And so, yeah, that partnership when Luke came in, it's been great, you know, and that's by the way, that's how you get to know how to work with someone is like.

Luke Petherbridge (01:17:39.938)

Be under the avalanche.

Exactly. Fix the planes, you know what?

But also, they got it covered with your buying all this stuff. But someone needs to catch all this stuff and do something with it. So that partnership is really critical. And if you moved your attention from buying to the catcher's mitt, you wouldn't have been buying. You just can't do both.

Yeah, mean, you know, we again, hire great people and, and, put the right people in the right seats so that you can be an excellent portfolio manager and asset manager. And you can also have excellent investment people and, and, know, P you know, HR people and legal, like we had, had to build out all these different functions, you know, communications people, everyone. And, and, yeah, it's, not, it's not.

Change subject. You, Luke, you created a nonprofit called Core Giving that focuses on hunger. This is a right hand turn in the conversation here, but we're about to wrap up. And it's an organization I you to talk about a little bit. It's something close to my heart. I am a founding board member of a group in Marin County called Extra Food Mariners, the food recovery organization. We work with food banks and but hunger's like.

Matt Slepin (01:18:55.05)

It's amazing how many people are food insecure. So talk a little about that organization and what that means.

Yeah, and I won't take the credit for this. There's so many hands involved in call giving, it was years ago. have this like Lynx big and Livecore was big and Shopcore was big. We have this huge portfolio. But you touched on the point, like food insecurity, like one in five children in America don't know where their next meal is coming from. And if you let that sit with you, think of all the ongoing impacts of that. the way I

liking it to myself. Remember when you're at school and you'd have the long weekend, the Monday was off and you were so excited to go to not have school. One in five children want school because that's when they get fed. And that's everywhere. It's not just in Marin County. It's not just in, you know, lower socioeconomic markets. It's every single market has a food pantry and just like, wow, this is really something we as a firm and not only just as a firm like Shopcore, then Livecore, then Link.

with like 14 or 15 portfolio companies are now involved. Our broker partners, we do business with are involved. And I'm really proud to say we funded and enabled over 70 or 80 million meals around the country in the last five years. have Cool Giving Day where we have four or 5,000 people a year. Now it's global. It will start in New Zealand and Australia and this year will be global. But I think it's more, I mean, this one here is obviously near and dear to me and obviously you as well, but

to a lot of people, but it's just, think we are a local business owner. We own real estate all around the country. We have a community grants program. I think it's our job to actually leave communities better than we found them. And I think that's something we really take to heart. And wherever we can, we try to support our local communities. And this is just one way. And I know companies and our customers do it and our employees do it in their own time, but that's core giving. it's something that's been really impactful to me.

Matt Slepin (01:20:57.454)

I want to run through a comment that you made because you said, you know, they're not just you said not just Marin County has this issue. Twenty percent of people food insecure. The not just Marin is fascinating statement because Marin is one of the wealthiest. That's right. In the country. And there's still in the numbers the same. It's about 20 percent of the population. Kids like a third of the kids at Marin Community College. Are.

homeless right I mean these numbers are bizarre in the wealthiest parts of our country as well as everywhere else yeah.

I doing like Lakeview or Lincoln Park is that in Chicago. I remember working at a food pantry and you're the shopper and these families, they're working and their kids are at school. They just need a hand. And this is just, I just think of it as if you don't eat, if you're worried about where your next meal is coming from, how do you learn? How do you then, you know, prosper? It's just, it's something that, you know, I started to, I personally used to it, but you saw it. I was like, wow, this is something and we can do it everywhere.

Like every county, every market, and we've got, yeah, it's been great.

Thank you. So now we're talking about prosperity as we wrap up. So prosperity, the last question on Leading Voices is always, what is your advice for a young person getting into the real estate business? One of the things that's truth about the real estate business is everyone getting into the real estate business knows who Blackstone is. Right? I mean, there's like this disorder of, my God, OK, there, there. Now, what does that mean for me? So maybe the question is,

Matt Slepin (01:22:34.104)

Does a young person want to come to Blackstone and if they do, what does that look like as a path? But then also generally, if they don't go to Blackstone or if they go to Blackstone and then have a rest of a career somewhere else, any advice for young people getting into real estate business? And this is for each of you.

Yeah, look, mean, Blackstone is a tremendous place to work. everything culturally that we've said about Link, I think is shared over there with attention to detail, pursuit of excellence. And, you know, it's the largest asset manager, alternative asset manager in the world. yeah, like I think they're great careers there and they're great careers here for young people. think what I would say maybe uniquely about Link is, you know, we have a

a diversity of roles. And I'm sure Blackstone does too across different entry level points. you know, we have all these different functional areas. We're a fully vertically integrated company. So we have investment analysts here that are probably very similar to many investment analysts at Blackstone. But then we also have, you know, sustainability teams and communications teams and, and, and leasing teams and property manager teams. And so we have all these different functional areas across the, the like nuts and bolts of, the real estate business that is probably just a different

like opportunity set of roles. It's a longer range of opportunities within the like operating real estate space and and but look, they're all different great paths and and yeah, there's a lot of young great people out there and so I longer range of options.

Luke Petherbridge (01:24:03.566)

I think the one thing I totally agree with that. think just be curious, like even like in our real estate career, the world changes. I data centers are new. mean, just think about how big that has become. And there'll be something in a decade we talk about. think that like my advice to a younger me, just be super curious. Don't just have this myopic view of, you know, we talked earlier before he's a commercial real estate 15 years ago, commercial real estate was office. That's all people

Right.

If you said commercial real estate, they thought it was office. I just think be really curious. There's just all these avenues inside real estate, whether it's the hard asset investing, whether it's other departments. mean, we've got a PhD that works here, like data scientists like this just, I think my advice would just be be curious, read a lot, learn a lot. And, just the it's quite a broad aperture.

And I would just add like when you're young and you're in a role, just say yes to everything. Come in with great attitude, energy every day. Be a good colleague. Be someone that people want to be around, collaborate with, show up on time. You know, be present. early. Be early maybe even great. That's great. But, you know, just say yes. Like someone says, hey, you know, there's a

Right it's-

Nick Pell (01:25:24.322)

dinner with other young people and you're like, I'm really busy. I don't know if I can do this for an hour. It's like, go show up. You just never know. My whole career, it's like, you never know what happens when you say yes to stuff. so.

one thought that you're saying this and you're the deal guy. So you're the investment professional and people looking at this and people listening to the show. They're probably all wanting to be an investment professional. And I think one of the curious points to this becomes you start somewhere and you go, you know what? I may be the best asset manager in the world. I may love asset management versus the pure deal side. I may love property management. I love leasing. I might be a data person.

curiosity extends to find being open to where your pathway takes you.

Yeah, totally agree. Be open to yes. I mean, if I didn't say yes to Cleveland, I wouldn't be sitting here. Just be open to yes. be open. Nick's comment on an attitude is really important. Be positive. Like just be positive. That if you're positive, curious and open to yes. That's what I tell my kids.

Everyone wants to manage positive energy people.

Luke Petherbridge (01:26:30.988)

Totally

Every year. my god be one Fair deal. Okay guys. Thank you very much. This is great conversation Okay, I'm gonna hit stop and then you're gonna say like three great

Great, really enjoyed it.