Kevin Marchetti:

I think it's more just the part of the story is the institutionalization of the asset class and the journey we've been on and how it's gone from we've had real estate investors personally to infrastructure, to institutional real estate people, obviously with Americold going public. So I think that walk is critical, especially in the story of, I mean, you mentioned it, but real estate, there was the four food groups, right? It was office, retail, I forget what they are these days, but anyway, there was always-

Matt Slepin:

Multifamily.

Kevin Marchetti:

Yeah, multi-industrial, right? Then now there's either sub-segments or 20 other things and I think people, real estate investors, I mean, that's part of the story is they were forced to become intelligent and, historically, everyone just viewed real estate as assets, "I own these five buildings." The idea of having a company that is self-sustaining. Blacks don't call it platforms, but my joke I normally make is in the normal world, we call these companies, and they're functioning organizations, and they hire, retain, develop talent.

Matt Slepin:

Hi, this is Matt Slepin, and welcome to Leading Voices in Real Estate. Today's interview is a conversation with Kevin Marchetti, the co-founder and co-CEO of Bay Grove, a real estate private equity firm based here in the Bay Area that owns Lineage Logistics, the world's largest owner/operator of cold storage facilities and logistic services helping to store, move, and process frozen and perishable food worldwide.

I first met Kevin about 12 years ago in his office in San Francisco when he and his partner at Bay Grove, Adam Forest, had just acquired their first properties and were just then moving up the food chain of capital to pursue a consolidation strategy in the cold storage warehouse business. Kevin will tell the story, but Bay Grove has been one of the most prolific users of capital in the real estate business during that timeframe, raising over seven billion and amassing a portfolio of 450 properties in 20 countries and building a world class innovative operating company lineage along the way.

It's the story we hear again and again in our business. Kevin built a company in a niche of real estate dominated by smaller family businesses ripe for consolidation, raising huge amounts of capital, diving deep into the substance of an industry, in this case the perishable food industry, and creating a world class innovative and institutional operating company. I think this is a story of real estate industry over the past 25 years, really institutionalizing an asset class, and you think it's been done and then along comes someone like Kevin finding a new niche, ripe, pun intended, in which to build an industry-changing business.

That's today's conversation. We get to bite down on food granulars in his business like the life cycle of a strawberry, matching the berry up with peanut butter, getting strawberries into Uncrustables, using frozen strawberries to actually power the grid. His attending the upcoming Global Chicken Conference, dare we compare that to a ULI fall meeting, probably better in ICSC and his experience as the business manager for the Duke basketball team under Coach K. Really cool conversation.

We keep exploring the different niche sectors and the leaders who've created great operating businesses to complement their roll-up of real estate assets. Check out our conversations with Joe Margolis and Ken Woolley, who built Extra Space management into the industry leader in self-storage and who, like Kevin, I first met when they had a handful of properties and are now industry dominant.

Bill Stein from Digital Realty on the data center side, again, someone I got to watch go from startup to industry leader, John McLaren from Sun Communities in manufactured Housing, Bill Ballast from American Campus Communities, and Paul Smithers from Innovative Industrial Properties on cannabis, a business we're going to have to return to again on the show.

Another interesting dynamic of the niche property types is that the expertise to lead these businesses is less about real estate expertise than it is to be able to work strategically with a client base, again, far different than in the main food groups this time, no pun intended, in real estate, and that's one of the strengths for me at doing search at a firm like ZRG, which covers all sectors of the economy so that we can bring together that broader thinking and expertise and connections than just my real estate mindset to our clients. That's really critical as real estate reaches into these non-traditional real estate asset classes.

This is yet another of those episodes to share with a friend since indeed most everyone will appreciate both the lifecycle of the strawberry and the business that Kevin and his team has built. If you like the show and if not, please subscribe or follow us on your favorite podcast app. If you have five minutes, please rate us. If you have comments or questions or interested in partnering with ZRG on a human capital endeavor, please email me at mslepin@zrgpartners.com. I hope that you enjoy the show.

Kevin Marchetti, I'm in your office here in downtown San Francisco. Welcome to Leading Voices in Real Estate.

Kevin Marchetti:

Thanks, Matt. Great to be here.

Matt Slepin:

Yeah, I'm thrilled to have you, and I'm remembering 10 or 12 years ago, you and I sat in an office about two blocks from here and you gave me a thesis of what you were about to do. Maybe you'd bought one cold storage warehouse, I'm not sure. Now, you have 450 warehouses and 85 million square feet in 20 countries with over five billion of annual revenue, and you're the biggest cold storage player by a factor of two or three. What a fascinating story over those 10 or 12 years.

Kevin Marchetti:

Yeah, thanks, Matt. It's been a wild run and a lot of fun. I think you're right. When we started out, we may have had two or three different buildings in Seattle and South Georgia. Now, like you said, we've got 450 around the world. So it's been quite a run. When we started, my colleague, Adam, and I bought a warehouse in Seattle and we were fortunate to spend the first year learning the business by spending time in the warehouse and learning the industry. Our industry is a global cold chain alliance and it's a global industry. A lot of the founders of these great companies we got to know and took us under their wing and they were trying to figure out ... They had one to five warehouses in a region of the country and they were trying to figure out their long-term planning.

So as we embarked on this industry consolidation, we saw an opportunity. At the time, there was Americold. They were still at this point, Vornado and Crescent were still minor partners, but Yucaipa had taken over for the most part. The business had attempted to go public and there was a demand to have another number two player primarily in the US. So we thought, "You know what? If we can get a couple of these family companies over time, maybe 10, 15 years we could build a nice portfolio, maybe 20 million square feet, maybe in US and a couple other countries," and it's obviously turned into a lot more.

Matt Slepin:

Yeah, we're going to talk about that. I'm assuming when you thought you might build a portfolio of 20 million square feet or whatever, you're thinking you're going to own real estate of that size and of that number of assets, and now you have a company and not real estate or you have real estate that becomes a company, which is a totally different thing.

Kevin Marchetti:

Yes. It's funny. Adam and I came out of a more traditional operating company world and everyone inherently understands real estate, but really, the investor side of it is a different animal. I think the fascinating part for us was misunderstanding. We were buying these companies. Our industry, historically, owns and operates. So I like to explain for simplicity, it's Prologis and XPO together. So you own the warehouse and you operate the forklift.

Matt Slepin:

What's XPO?

Kevin Marchetti:

XPO is one of the larger global logistics players. So it's a well-known roll-up consolidation, but you could take Excel, any of these large DHL, and of these large logistics companies, but the idea that you own the real estate and operate it is unique. So I think when we saw that, you were able to buy businesses for EBITDA multiples and separate the real estate out.

Matt Slepin:

So let's talk about how this got started as a concept for you because when I saw you, I'd heard of cold storage, I knew that Vornado and Crescent were in it as the sideline and sidelines don't work in REITs anymore, so that was starting to change, but anyhow, so you got the concept. What brought you to the concept of this space in the first place?

Kevin Marchetti:

So my partner and I had founded Bay Grove, and our thesis was to create long-term platforms. When I had worked at Yucaipa, I had spent a little bit of time on the Americold investment. So the then CEO and a couple board members had said, "Hey, this is now fall of '08. Lehman had just melted down. Barrett had already melted," and they're like, "There was a great asset. Originally, it was tied up for 30 million bucks. Seller lost financing given the world. We had it tied up for 20, but we have another their large deal." They were working on acquiring number two player, and their comment was, "Why don't you go buy this? The Seattle market is fragmented and maybe consolidated. Who knows five years down the road, maybe we'll buy that from you."

So it was a single asset, and for real estate people, they'll get it kicked. It was a ground leased asset with the port of Seattle. It was on a Superfund cleanup site on the Duwamish River. It was actually built on Boeing's original headquarters with a little red barn. We had a union and we had to raise debt and equity. So we had five negotiations going on, the port, the union, our debt, equity, and obviously a seller. We had to get that done in about eight weeks in 2008. So we learned a lot, and if you can get something done, then you can get something done anytime.

Matt Slepin:

2008 with all of that?

Kevin Marchetti:

With all that.

Matt Slepin:

We're going to drill down on all of this, but just a global question is, when did it occur to you that you weren't creating a collection of assets, that you were going to create a company that was in the middle of this industry?

Kevin Marchetti:

So I think the interesting part, and I ask everyone because a lot of people referenced the Americold, Vornado, Crescent, obviously, at the time. Vornado and Crescent were two of the greatest real estate investors, and that was at the peak of their power with Steve Roth, Mike Fascitelli, John Goff, Jerry Crenshaw. So everyone's like, "This doesn't make sense." Our core thesis was, "Do people need to eat food? Yes. Do they need to store food? Yes." So this is an asset class that needed exists, so what was wrong?

I think if you actually look at where industrial real estate was in the late '90s, early, it wasn't exactly the hottest asset class. So what really happened was supply chains became more complicated. Warehouses and industrial land became more expensive. Warehouses became more valuable, and it became a more core asset that people had to have.

In the case of cold storage or frozen food warehouses, most food companies, I say similar to data centers, it's expensive and complicated to own. So the Cargill's, Unilever, Nestle, any large food company and, by the way, if it's half full, unlike a dry warehouse, there's no additional cost per se, but a cold storage now you have to keep it cold also. So it's actually more inefficient to have it half empty. So all that stuff makes it a great asset to outsource like data centers. So you take those variables and all that came together to create the right time to build a number two player and to help institutionalize an asset class.

Matt Slepin:

Understood. So we're going to get into this and talk more about that part. Talk about the structure of your company and you're with Bay Grove, which is a holding company where you are going to do multiple verticals, but maybe we will talk about more later on, but you did this. There's a CEO of the company. The company structure is a REIT but your private equity. Wait, how does all that work and why is it structured this way?

Kevin Marchetti:

Great question. So you are correct. When we formed Bay Grove, I think the one thing we told our original, call it 30 investors, was we'd be opportunistic, and we thought opportunistic meant investing 9.9% in a bank and owning a cold storage company and maybe making another growth equity, but having multiple platforms. So we've stayed true to our focus of being opportunistic, and it's been opportunistic in one asset class.

I think what happened was after we made the first two to three investments in cold storage, I went on the board of the industry and my partner Adam and I realized that we're trying to do all these other deals, but there's 40 deals sitting in front of us. So why stray a field where we've actually built a reputation and an intellectual capital where we were actually getting proprietary deals, which that's, I'd argue in almost any industry, that's the most valuable thing.

Matt Slepin:

When you said you went on the board of the industry, what's that mean?

Kevin Marchetti:

So our industry, it's the Global Cold Chain Alliance. There's the IARW, which is the International Association of Refrigerated Warehouses in the WFLO, World Food Logistics Organization. So pretty much, you get all the families who own all these companies together twice a year. So anyway, you have your M&A environment. I mean, everyone's laughed since because probably two-thirds of those are now companies we've acquired or the families have been investors in Lineage, but it was pretty amazing to be in a room twice a year with the target rich environment of friends and partners who honestly helped mentor us through the industry. As they helped mentor us and grow and they saw that we were actually committed to the industry and just not your traditional financial players, they really developed a respect for us and realized we took care of their employees, we took care of their assets, the communities they were involved with. When it came to doing a deal, they just picked up the phone and called us.

Matt Slepin:

Right. When you're discovering this business and then you're discovering family that had a bunch of assets, were they operating companies anywhere near what your operating companies become? Did they know it was more than real estate and were they operating it that way at that point in time and could they have because technology's different in everything else?

Kevin Marchetti:

Yeah, and the answer, I'd say, 95% was no. Last five years, I'd say that's evolved, especially once Americold went public, and some more larger institutional people entered their space. We had Blackstone, Oaktree. We had some of these other funds came in, and then we had some real estate players, but I think I remind everyone, I tell a great stor. There was a wonderful entrepreneur, and everyone thought about, "I have employees, I run a business," and I'd say in most of America, running a company is a cool thing, "I'm the CEO, I have a business."

So they thought, and that is where they spent 80% of their time. The rent collecting portion of a business is pretty easy. You collect a rent check, I pay you. So people don't think about that, but the managing food and the forklift drivers, that's complicated. So they always thought about that even though 80% to 90% of the value of their company was in the real estate.

The other issue was if you built a building in 1990 in the Inland Empires or '80s or even early 2000s, you built it, you depreciated it, and you didn't really think about the long term. It didn't appreciate that much. Well, fast forward the last 15, 20 years, Inland Empire Real Estate is appreciated a massive amount. So people didn't think about themselves as owning real estate. They thought that as a asset to run their business. Obviously, that's flipped itself. If you look at a lot of companies and even supermarkets, retailers, all these companies, I mean, there's more value in the real estate than actually the operations.

Matt Slepin:

Yeah, and also, actually, it's funny, where I thought you were about to go was if you build a refrigerated warehouse in the '80s or '90s in the Inland Empire, I'm also thinking that technology would have leapfrog in terms of efficiency in that warehouse and you better keep up with just the refrigeration part of technology, maybe solar panels, let alone logistics.

Kevin Marchetti:

Yeah. I would tell you, it's funny, we have some warehouses, not many anymore, but given you have a portfolio of 450 that are 100 years old, every warehouse conserve its own purpose. I remind people, everyone, of course, loves to buy the beautiful trophy asset per se, but as most real estate people know, sometimes it's that older gem that you buy for 10% of the price that can make more money.

So you're correct, the newer assets are a lot more efficient, especially for the modern day business, but you can buy, I'd say, assets that are 10, 20, even 30 years old. They're still extremely efficient, serve a purpose. If you put the right type of business or product in there, they can be immensely profitable.

Matt Slepin:

We're bouncing around still in the introductory section before we think about what the global food chain looks like, but talk about capital. Talk about your business. You've mentioned data center several times. We've mentioned industrial several times. How does it distinguish itself for real estate investors to be in with you versus those other businesses? Is there a premium for cold storage like there is for data centers versus warehouse? Just to think that through a little bit.

Kevin Marchetti:

Sure. So I think the intellectual debate, and we had actually, my partner Adam, and we met with John Gray at Blackstone about seven or eight years ago. I'll tie it back to earlier comment. His comment is, "Intellectually, I love the idea of cold storage, but Iowa real estate doesn't really get me excited. Southern California does," and he's like, "If I were you guys, I would really focus on building in core industrial markets," which obviously was Blackstone's thesis in the industrial space, be it the top 20 MSAs and globally similar idea. So that really resonated with Adam and I.

At the time, you could buy a company in Iowa or in Southern California for roughly the same operating company multiple. Lo and behold, you now own real estate in Vernon versus Iowa. I would tell you from the business standpoint, you need both Iowa and SoCal operations because there's a lot of chicken, pork, beef, other stuff-

Matt Slepin:

In Iowa.

Kevin Marchetti:

... in Iowa, and it's great and it feeds the rest of your global network, but from our standpoint, we really focus on those core industrial markets. So if you look at Southern California, New York, New Jersey, Miami, the Bay Area, the Seattle, the best industrial markets, we have amazing market share and an amazing network of assets. So that was really a differentiated point in our thesis to create a great business.

Matt Slepin:

Another question because you mentioned this a few minutes ago, I just want to imagine this. You go to the industry meetings, you meet these families that own assets, and they take you under their wing. I'm imagining they own five, eight, 10 properties and they have a business. What does that look like, and are these people about to retire? Are they people who need to capitalize, monetize, and bring you in, and that's an easier play for succession planning and all that?

Kevin Marchetti:

So yeah, it's a great question. I mean, it's a range of just great, I call it, iconic American entrepreneurs. Most of these peoples, as you mentioned, had won the eight warehouses. They were in Richmond, Virginia. They were in Northwest. They were in Southern. So once again, using an analogy, someone at the car dealer business. They all knew each other, they all respected. If you were Unilever and you needed to distribute Dreyer's ice cream or Nestle around the country, you would use six of these players, one in Southern California, one in Atlanta, maybe one of them crossed two markets.

So they would get together. They tended to be some were first generation, but a lot were second, third industry generation. They knew each other. I think, candidly, they respected the fact that we had learned the industry and cared about the industry and all the nuance of the industry, which is a phenomenal industry, but they also realized we had the financial sophistication.

Most of these entrepreneurs, every three to five years, would double down, lever up, expand the building, buy another asset, do something else. A lot of them were there in the '60s and '70s, and the question was, "Do my children want to run the company? Do I even want them to run the company," or, "Is this industry consolidating so quickly?" Technology is really changing. I mean, everyone used to run a warehouse with a clipboard and that stuff with scanners and warehouse management systems and just automation, all this technology evolution and then regulatory, they were the head of sales operations, IT, technology, and that was quickly changing. So I think a lot of them said, and we created a solution, Lineage, I think one of the cool things. That stands for the lineage of our family-owned companies.

So we were early on in our M&A. We'd bought five companies and we said, "Do we want to be a collection of brands like Procter & and Gamble and have Seafreeze, City Ice, Richmond Cold Storage or create a real company in the name?" So we came up with Lineage to respect the heritage of the family-owned companies. We have our Lineage Shield, which stands for each of those companies. It's grown a lot more.

That really, I think, created something that these families could be proud of. They were selling their business, I would say 90% of rolled equity and actually stayed involved in some capacity as an advisor, as just an investor, and just a wise sage. The cool part is I think we have now 17 former industry chairman who are involved and 10 zerocrats, which is the hall of fame for cold storage. So they are either investors or partners in the business in some form.

Matt Slepin:

Oh, that's a wonderful story. It's funny, I'm smiling and I'm also thinking of other sectors in real estate. I'm thinking of self-storage. The data centers are too new for that, but you keep going across the industry. Manufactured housing has much the same experience as well. Those are all industries where there's, we call them mom and pops, but these are bigger mom and pops in your world, but they have to pass the baton in an increasingly sophisticated business. So if they're not going to grow to become like you, they better become part of you.

Kevin Marchetti:

I think if you look at their business, most of these operators develop a niche industry expertise. Seattle, it was primarily seafood. In the southeast, it was poultry, pecans, and blueberries, and they all developed these niches, and what they ended up with, the great thing was they knew an industry, the bad thing was they had a commodity concentration and a customer concentration.

So while as we like to say, no one loses weight in a bad economy, I mean, food is extremely stable across calorie consumption, but if you're in a very small region or you have a customer who has 40% and they know it, they can once in a while wave a little pressure. So we were able to create a diverse platform. So we're diverse by customer, commodity, and region. So if, God forbid, there's ever a drought or some regional event, it doesn't affect the broader company. Likely, if you see it with protein consumption, if beef's down, pork and poultry are up, and so where we may hurt one place, we're benefiting somewhere else or we're importing more of that protein or exporting more. So that's the beauty of being diversified in food.

Matt Slepin:

Last question before we talk about global food chain, which I'm curious about is over this period of time as you've grown to the size and scale that you are, you've raised a lot of money. Maybe get some ballpark numbers so we get a sense of this and then maybe compare to others in real estate if you're able.

Kevin Marchetti:

Sure. So I think we are in a capital-intensive business. We've grown probably 80%. Our growth, 70%, 80% historically was through M&A, but we actually spend a lot of money, probably close to a billion dollars a year now building, expanding assets and investing in technology.

So since 2020, I think we've raised, depending on what set of data, the third most capital for a public or private rates, close to seven billion dollars. I think Alexandria and Realty Income are the only two who've raised more capital, and amongst private companies, even in the technology world, we've actually raised more capital than SpaceX. I think we're third and fourth. So it's been a ton of equity capital.

We've also been one of the largest issuers of CMBS. We have our infamous ice transactions and so we've done four large single bars CMBSs. So we've definitely been an active capital user, and then we have great bank partners who've been huge sponsors too.

Matt Slepin:

The way you structure that is through the holding company while the Lineage is structured as a REIT itself that holds the assets?

Kevin Marchetti:

Correct.

Matt Slepin:

Do you, like Blackstone with their operating companies, do you do the capital decisions and allocation stuff and they run this all? How does that synergy work?

Kevin Marchetti:

Yeah, no, it's a great question. We brought in a phenomenal CEO, Greg Lehmkuhl, here, God, probably seven, eight years ago now. Greg, Adam, and I have a great partnership and it's really, we collectively work together, build the business strategy. Greg runs the company day-to-day. He's the CEO and it's his business. Adam and I really work with Greg on the capital raising strategic role work, co-executive chairman of the board. We really mutually agree and devise a strategy.

Obviously, given the M&A element, we've been somewhat opportunistic over the years, but we have a core focus and plan which Greg executes and run and Adam and I spend a lot of our time on capital raising, M&A. A lot of these families, the time to build the race slip is very time-intensive. We want Greg and Greg wants to run the company and deal with day-to-day and we can spend the time nurturing those relationships, building that rapport, and doing the diligence. Then the Lineage team, we actually have a team now of about 20 people, who all they work on is M&A, capital deployment. So we work closely together with them on doing all that.

Matt Slepin:

Yeah. Sounds like a perfect way for everyone to be most functional because, otherwise, the tail wags the dog.

Kevin Marchetti:

100%. I can just say I have a phenomenal partnership with my partner Adam, with Greg, with our whole executive team and the Bay Grove team and other partners, Dave and Ed. I mean, everyone understands their role, they're focused, and that's really critical. The focus we have, I think, as an investor, Adam worked at KKR, which is a phenomenal firm, they've been actually a great partner of ours too, but the ability to focus and not just in a single asset class in real estate but in a single part of real estate has really allowed us just to build greater and greater knowledge.

Matt Slepin:

Yeah. So talk about this business and talk about maybe it's the food service business or the frozen. What part is frozen? What part is not frozen? Talk through this to get a sense of size and scale.

Kevin Marchetti:

So if you think about the industry, I would say we play in the ... It's used to be called cold storage frozen food warehouse. It's really temperature controlled. It's probably the broader term. I would say 42 degrees and below is where you think you start needing specialized assets. If it's above that, you can put air conditioning in a traditional dry warehouse, maybe a little more insulation, but when you get below 42 and especially 32 and below, you have to put special floors in. They have to have under floor heating systems. Obviously, insulation has to be greater. There's all sorts of, and then just the equipment you run the warehouse and all that changes.

So it's really 42 degrees and below, which is really the perishable world. So if you just think about your supermarket, for instance, as easiest way, I say I think about it anything that's perishable. The interesting part about the perishable world is a lot of that stuff has maybe four days to three-week, maybe four-week shelf life, all this stuff in the perishable section. Prepared meals have become huge, obviously, all this grab and go stuff. Then you have the frozen food section of the warehouse, which is obviously both the supermarket but also restaurants. So we are that infrastructure.

So our client base tends to be this consumer packaged good companies, the CPG companies, the Nestle's, Tyson, Unilever, Lamb Weston, and French fries. Think about anything that you would see in a freezer, whether that goes in a restaurant or supermarket, that's the core customer base. Then the retailers, the Krogers, Safeways, Walmarts, Targets, they have their own infrastructure. They may use us for overflow. They may use us selectively in a region. They tend to have their own infrastructure. Some of those we actually manage also for them, but they tend to have their own stuff.

Then the US foods and Ciscos, the food service companies who do more restaurant work, they have their own supply chains and they also use us selectively, and those customers use us selectively, but they tend to have their own. So 80% of our business is with that, the company who I like to say, you get the strawberry, comes out of the ground, you got to take it and freeze it, we provide that infrastructure, and then you got to turn it into ice cream or a smoothie or all this. You'd be amazed how many things a strawberry can turn into. Once they turn it into that, then they got to store that product before they sell it down the road.

Matt Slepin:

Talk about the strawberry because I'm curious. Strawberry comes, they take it and freeze it. You say you help with that.

Kevin Marchetti:

Correct.

Matt Slepin:

Then they do something with it. That's them, not you. Then you move it along the supply chain.

Kevin Marchetti:

Exactly.

Matt Slepin:

So talk about all that.

Kevin Marchetti:

Yeah. So the life of a strawberries is a fascinating one. So 80% of strawberries in the US, believe it or not, are grown in Oxnard, Watsonville and Santa Maria, up and down the coast. We have the right climates. You'll find this with a lot of commodities around the world. We've found out where they're best grown. So the efficiency of French fries in Central Washington and Idaho is massive. It's like 80%, once again, same, similar stat there of a particular type we eat. So that strawberry is frozen. Well, they send it to us and it comes off the field realtime at like 75 degrees. We take it, we blast freeze it. So that's-

Matt Slepin:

You do that?

Kevin Marchetti:

We do that. We blast. So blast freezing is a core service we provide, and it's really just the warehouse at a really cold temperature and throwing air at it. So that takes it from 70 to frozen. We then give that back to the customer. They may come in Smucker's. Guys make some jam and some other stuff. They'll take that strawberry and then they'll turn it into something else. So they could turn it into-

Matt Slepin:

When you get it from you to them, does it go in a truck and does it go on a frozen truck?

Kevin Marchetti:

Yup. That's great. Sometimes in a situation, we just freeze it in our warehouse. It stays there. They may have someplace. We have a processor on site or next door. So to your point, they truck it to their facility, they turn it into that. So they could do it locally or they could actually ... In the Smucker's case, they put it on a giant rail cars. Some of which we now help own and manage. So we've got into the supply chain management for them and they ship that back to Oroville and they turn that into a jam or maybe an Uncrustable sandwich. For people who have young children, these are the hottest things.

So a frozen peanut butter and jelly sandwich that you throw in your kids' lunch pale and buy the middle of the day, it's defrosted and it's perfect PB&J. So they then turn that into an Uncrustable. That Uncrustable sandwich then goes to our distribution warehouses in Atlanta, Chicago, Allentown, Southern California to then be sold to the supply chain. So we joke that strawberry may touch 10 different warehouses in our network between coming out of a field to being turned into a finished good that then is sold to a consumer.

Matt Slepin:

That's not just moving the strawberry itself because I'm just repeating what you said because this is just fascinating. Strawberry comes to you, you freeze it. You then send it back to them, so there's a transportation thing.

Kevin Marchetti:

Correct.

Matt Slepin:

Is it more efficient if you do more of the stuff in the same place that you have your thing?

Kevin Marchetti:

Yes, and I think in a perfect world, you locate all this stuff closer and if you look at just generally speaking in the food supply chain and the logistics cost of that, two-thirds is transportation, one-third is warehousing. So clearly, a big focus is consolidating all this so it can happen more together, but like anyone else in the world, there's these networks of production. They've acquired companies. These are really expensive assets. So do you spend $100 million building a new plant with everything there or have an older asset you already own and make that work? So a lot of this stuff just depends. In many cases, they're bringing four to five variables together. So it may be good for the strawberry but bad for the peanut butter because that's in Georgia. So how do you get the peanut butter and the strawberry together in any event?

Matt Slepin:

You said the word perishable before versus frozen. Is perishable 42 and below or that's above 42?

Kevin Marchetti:

Well, so a perishable, generally, is a very finite. Frozen's actually funny because once it's frozen, let's just say the requirement is zero, it can be zero, it can be negative two, negative four, negative 10, negative 20. The food doesn't care once it's frozen. So actually, our food can be a battery, which is another story we can talk about later. It can store energy and you can super cold the food, so let the temperature go from zero to negative 10, and when power prices in California spike 300%, you can turn off our freezers and the product will hold temperature. That's huge for the energy efficiency, which is a huge focus of us.

Matt Slepin:

So the strawberries are now powering the grid.

Kevin Marchetti:

You're exactly right. The strawberries are now powering the grid. They store energy. It's whole set of physics. We have a whole data science team that spends tremendous amount of time, has a bunch of patents studying this. So perishable we do. It's a much more finite temperature zone. So it may want to be in the two to three degree range to optimize. If you accidentally freeze a perishable item, it could screw up the food structure, depending on what it is. So a lot of that product, if you start dealing with berries, you think about my wife or anyone in my house, if they leave a strawberry out of our fridge, I start going into paralysis because I know that the shelf life is ... You wonder why those berries get mold in your fridge. It's someone probably left them out, they got a little warm, and it accelerates the aging rapidly. So for a Driscoll strawberry, I mean, you want to get that stuff the shelf life, have the best shelf life as possible. And

Matt Slepin:

Then do the suppliers and your customers also have boxes or cereal that even though it doesn't have to be frozen would be too expensive for you to put it in a frozen place, they're still logisticing it around, so wouldn't they ask you to put it on the same truck sometimes? Does it spill over to the other goods and services?

Kevin Marchetti:

So it can. I would say, this is when you start getting the nuance, I'd say that 90%, if you think about it, and take Walmart because they're probably the easiest way to think about it or a Safeway. We make the food in our warehouses, in our distribution warehouse. We may have Nestle, Unilever, Tyson, and they're all sending product to Walmart. Well, we can fill up one truck and send it to their DC. When Walmart distributes out, so they then distribute to their stores, and in that format, they generally have a perishable DC or a frozen perishable and a dry DC. So those are generally two different truckloads go into the ... They have such large scale.

Now, if you're going to 7-Eleven, they're going to actually have a tri-temp truck and they're just going to have a frozen section, a cooler section, and a dry section. They just may hang some tarps because they're only going out for a few hours and they deliver a rack of product, but the large retailers, they have enough demand. They have a truck of cold and perishable and they have a dry truck going to their store or multiple dry trucks.

Matt Slepin:

Fair deals. Okay. Talk about international. So how does this fit when you go to other countries and is the story different?

Kevin Marchetti:

Yeah. So globally, at the end of the day, everyone eats. So we are starting from a common fundamental need, right? The trickier part is the US, we are such a large dense market. If you think about where we exist, it's where population exists, so where people consume food, but also where it's produced. So the US is a phenomenal market because there's a lot of food produced and distributed here. It's actually one of our last great exports is our chicken, pork, and beef, and we sell to the rest of the world, and our technology, one of the last things we, quote, unquote, "manufacture".

So the international world, when you start getting into Europe and Asia, those are different countries, different rule of law, but everyone still eats. I would say probably half our customer base, the large food companies are international. So a lot of the best practice and technology and scale is able to leverage there. So in Europe, where the largest player have a huge presence, some of those markets product moves easily through. In other markets, it's more just each country has its own supply chain, but the skill, the technology, the infrastructure, the knowledge, and the scale still benefits there. The US is probably the best market. Those become trickier because you get different rule of law and right different languages. So stuff crosses borders in Europe, but not the same way it does from California to Nevada.

Matt Slepin:

Talk about seafood because I'm thinking most of it's done on the ocean and you freeze it right then and there. So just talk about that infrastructure as well.

Kevin Marchetti:

So seafood is a fun one that, once again, it's funny. You get in this space, that's a generic term. If you go, "We learn the business from the Alaska seafood trade," which it's the bearing. That's a whole market, and there's probably 20 different types of crab. We just say, "Oh, it's crab." Well, there's a opilio, there's king crab, there's three different season of crabs. The deadliest catch boats, a lot of those product comes off. Those boats comes to our warehouse in Seattle.

Historically, just the seafood market, the Alaskan one, and then you have the whole salmon trade, and you've got 10 different types of salmon and salmon seasons also, but a lot of different types of seafood. Seattle used to be the market where it all consolidates. So maybe 20%, 30% would leave from Alaska or Alaska region and directly and go to Asia or Europe. Most of it would come to Seattle and then go across the world and be sold. That's just one type of seafood.

Then there's obviously a lot of stuff in Asia that's grown. You have the tilapia, you've got shrimp, you've got ... I mean, there's all these different global seafood and how they're mixed sourced and then distributed around the world is unique. A lot of the stuff we export, a lot of the stuff we actually import. So ports for us have been a really critical part of our focus. Again, to core industrial markets, chokehold's a commerce. Ports is another area, where we have some irreplaceable real estate.

Matt Slepin:

Yeah, it's interesting. You've been describing this across the board in terms of cold storage foods and what that means. At what point do you become a company and not a bunch of warehouses, and at what point you become an industry player where you're the expert in this space and then value is created, in fact, the additional marginal value is created? Just talk about that going up that food chain, no pun intended.

Kevin Marchetti:

Yeah, no, no, it's a great question. I think it's funny because when you come from an operating, call it the private equity side of the world, you always think about stuff in operations, and we spent a lot of time talking about that. The irony in real estate, if you look at the evolution of real estate, it was owners, entrepreneurs, primarily families for thousands years who just owned assets, and they thought of it as, "I own this building, I own this building."

To your point, Blackstone's created this novel term called a platform. I always joke, we just call that a company. They've been around forever, they run things, they develop talent, they make stuff. So having a company allows you to take advantage. I always found it interesting. We got in the space that no one really cared whoever owned 555 California. I mean, maybe someone could operate it a little better than the other, but it was still the asset value.

The reality is, in our business, I mean, two people could own the same asset but they can run it better, they can make more money, create more value. So I think that was the first thing. Intellectually, owning assets that work together well, they create massive synergies. The food space, I guess in office and some of these other retail, I think you saw a synergy across Nordstroms or maybe Simon had a relationship. They could bring customers no one could. We can clearly do that. Because of our global relationship, we can take customers and have share business and do stuff that no one else could do. So we can create value in assets where someone else. So that's hugely valuable.

I think the other comment and spending time with Hamid and people in the dry space and they're starting to understand this. I mean, Hamid's built one of the greatest real estate companies or in the real estate world, and I think if you hear them talking now, as you mentioned, they're starting to provide value added services at the logistics business.

I had an investor out the other day. I said, "Well, we have this great asset in the port of Oakland. We store all this product. That's how we make 70%, 80% of our money," but if someone said you can get a truck for a hundred bucks and you can charge 300 bucks to take the product across the street, would you do that? Sounds like a pretty good ROI. Okay. I'll do that. At the same time says, "By the way, my pallet just came off. Can you shrink wrap it for me and count it and I'll pay another 20 bucks and that costs you five bucks." I'd do that, right?

So I think you're hearing Prologis. I think they realized they have this massive scale, "Can I help a customer buy forklifts and make a little bit more money?" Sure. It's interesting to watch that evolution. I know we go to customers and they're like, "Life's gotten really complex, scale's gotten really big. The more you can do for me, the better." The challenge for us is it's all based on, "I have to have the product in the warehouse and that's where I make a lot of my margin, but then can I add a few more things and get paid for that and make a good return?" The customer is stickier and everyone's happier. I think every real estate asset class you see in that office, everyone's, "Hey, can I help you? How do I do more and make it stickier?"

Matt Slepin:

I'm thinking of a forklift. I'm in a warehouse and I have a quarter of a warehouse and I have a forklift because I need it, but I only use it a quarter of a time. I'll pay double what I'm going to pay for the whole forklift to use half of it, but I only need a quarter still. So all of a sudden, there's a margin there. It's huge.

Kevin Marchetti:

That's the story of our business. I mean, that is the whole reason our industry exists, Matt. I think the most important thing with any business and any real estate is, do you need to exist? I mean, the service you provide, is it add value? If those are true, then you should be able to create a great company around that. People have to store and eat food. They have to distribute food. That all makes sense, right? Then the question is how they do it. To your point, a lot of people, we always joke turkeys. Who wants to store turkeys from January, February, March? There's some demand, but not a huge demand, but come October, November, warehouses fill up full of turkeys, but if you're a turkey guy, you don't want to own a warehouse year around because volumes may grow tenfold before Thanksgiving. So how are you able to offset that and rent the space seasonally as needed or a lot of guys may have commit to a part of the volume but not all the volume?

Matt Slepin:

Talk about the company and what the company does and your website and material say, "Hey, your goal is to build a truly great company." So I want to know what a great company needs in this case, and we'll talk about the technologies and services offered, but also you've got a lot of people and you've got people all levels, so it's a different dynamic. You also have environmental headwinds or dynamics associated with your business. So I want to unwrap both of those.

Kevin Marchetti:

Sure. So I think for us, our thesis from day one is everyone ask, "You're trying to flip it, you're trying to build it, to sell it, take it public," and our comment and the mandate we've told our team is just build a great company. I mean, build something you're proud of that you want to own forever.

One of my mentors, a gentlemen, Ron Burke, I work for had the same. That's the truth. If you think that way, you will build a great business, and the market loves great companies. I mean, I joke, if someone said In-N-Out was going public tomorrow, we would all go run crazy and buy. They've just created great business, deliver great value, and they've never worried about going public or not. They just create a great company. So I think that mentality has been critical and, for us, to your point, a great company is having the best real estate in the best location.

So for us, having the best warehouses in the best locations, serving our customer, and I think you're right, we have 25,000 employees, so intellectual capital is absolutely critical, so building the best team, developing talent. I think one of the great things about being in a niche asset class is most people don't wake up in the morning getting excited about building cold storage, distributing food, running food around. So we're fortunate that we're in a niche sector and we love it and we get really excited and we can add a ton of value for our customers.

Then you start layering on food safety, technology, all the other great things we do. I think I'll flip to the other side of the world. I'll leave the real estate world and talk about this guy, Warren Buffett, pretty famous, pretty successful, and he talks about creating moats. By doing that, you really create a moat because I think the first thing I say to most real estate people is you have 25,000 employees, their head explodes. I mean, they just couldn't imagine that, and that's a moat for us. I mean, the intellectual capital we've built with our people, having the best warehouses and the best talent, that's a moat most people don't want to replicate or don't even know how to or can think how to replicate.

Matt Slepin:

Just back to real estate for just a moment because the real estate disappears in that you have a great company and the assets that you own may come trade in and out of that group. Do you sell assets as well as buy them?

Kevin Marchetti:

I would say for the most part we don't. We've sold very few assets. I'd say if we sold them, they were generally bought as part of a portfolio and said, "Hey, they were either older, ironically they were maybe dry." That's the whole ... "They were dry assets that didn't fit our portfolio," but very infrequently, I would say generally we've acquired stuff. We prune things from time to time, but I would say 95% of our time we've been acquirers and 5% of the times we've been sellers.

Matt Slepin:

Yeah. It's interesting because when I think about a real estate company, if I think of a collection of assets, then every asset matters, and if they sell up, there's a, "What's that mean?" Then when I think of Prologis or Equity Residential or Digital Realty, they're probably trading assets all the time. No one looks. They're looking at whether the margins are getting better or the capitalization's getting better, but the company still continues.

Kevin Marchetti:

Yeah. I think as we get bigger and you just get bigger and more mature, the pruning makes more sense. As you look at different countries, different markets, you need to have the scale. So scale's important, but once you got scale, then I think we will go through a cycle over time where you prune different assets. They don't fit the core strategy. Maybe they are better owned by a regional operator or someone smaller, but I think that's always going to be a small piece. Generally speaking, the portfolio and company we've built, the assets make sense, that's why we bought them. They create value and we can generally make more cash flow out of them than anyone else.

Matt Slepin:

Talk about environmental. How has that changed over these years? How's that changed in different international markets because there's different rules in Europe in particular that are more stringent, and where do you see the future?

Kevin Marchetti:

The first part of the environment is if you just look at where our warehouses operate. We've had a huge focus, especially with the data science team, we've actually won a number of wards for better plants. I mean, at the end of the day, our goal is to reduce our refrigeration footprint. We've done a phenomenal job. We've committed to the 2040 climate pledge to having the zero carbon footprint. I think, unlike most companies who do it by buying carbon credits or other stuff, we can do it by actually running warehouses more effectively.

It's amazing some of the technology that's happening right now in warehouses and the ability, like I mentioned to you. People think about not using energy. That's obviously in reducing energy in which we've done tons and tons of stuff on that to reduce our energy footprint. We have high speed roll-up doors. There's just a million things you can do, VFDs.

Matt Slepin:

What's VFD?

Kevin Marchetti:

Variable frequency drive, so your engines in your warehouses aren't running as hard all the time, but I think one of the simplest things you can do is now we have all these solar and wind. So where peak energy prices used to be in the middle of the day, now they're not. So we have this abundance of energy. So if we can suck down and use energy when it's going to go to waste, quote, unquote, it's going to rot, and we can use that energy now because we can super cool our warehouse and use our food as a battery, that's creating a huge opportunity because the goal of the grid is not to create new production, not to use the dirty peakers, and if we can suck that down and then we can use that power when everyone else is cooling their homes at night, now we've created a huge asset for the grid.

So we actually have run a warehouse with a negative power bill for a month, which is pretty cool. So our cost center has become a profit center. So there's a lot of stuff we can work with. We're honestly probably one of the only heavy users of power. I mean, any other manufacturer, if you stop using power, you can't make a widget. We actually can keep producing our product. So it's pretty unique that we can offer that to the grid.

So we've had a huge focus on solar. We're the third largest, third or fourth largest rooftop solar player in the US. So we've had a huge commitment to solar. The interesting thing there is a lot of dry warehouses don't have the transformer. They don't actually have just the pure infrastructure to take advantage of that. We have that ability. So in California, there's a huge focus on electrifying trucks. So we actually have the electrical infrastructure to put those charging stations in place at our building. So that's really exciting.

So I think there's a huge thing on the environmental front that we're making a difference on in just the energy reduction, all this stuff. It's really exciting. Our company's passionate about it, our employees are, and we want to make the world a better place, and that's a really core focus for us.

Matt Slepin:

Let me push back against that for a second. Just think of a couple different things. One is it feels like the climate footprint, the carbon footprint of America is so much higher than second or third world countries.

Kevin Marchetti:

Correct.

Matt Slepin:

We're now exporting, in your concept, more frozen food stuffed to people who don't have freezers yet. So if I think of the future for a lot of the globe, will they not be using this? Will it be used in warehouses but not in the home? Are they then buying the American lifestyle, which is ultimately carbon-intensive?

Kevin Marchetti:

So it's a really good question. I mean, I think this is a little bit, and I don't have all these answers.

Matt Slepin:

Yeah, of course.

Kevin Marchetti:

It's like the Tesla, "Oh, you're saving all this energy, but now you got to produce the battery here, and the car here, and mine this and do that," right? There's a real efficiency to doing stuff in scale in certain location, right? If you say, "Where's stuff most efficiently grown?" well, now, theoretically, you're using the least amount of inputs because it's grown.

If you look at food production, it's really taking water and energy and turning it in. I mean, that's why everyone says beef versus pork versus poultry versus fish, what's the most efficient transfer of energy? Beef is obviously the most complex. You have the methane issue. So there is some nuance to that, but if you're going to do it and people are going to consume it, there is a benefit to finding the most efficient place to turn that and to leverage that, and then the debate then is, "Okay. Now you have to transport this stuff around the world."

If you look at the extreme other answer is India, where 40% of food is just wasted because they can't get it out of the fields, there's not proper infrastructure, there's not proper storage, and then people go hungry and die, that's not the best. That's the other extreme, right? So I think, and obviously, we're in California in places that's cutting edge. I think the answer to all this is somewhere in between at some level, really believe in local, but there are still to make sure stuff doesn't rot, you got to put it in your fridge. I mean, there is a refrigeration element and energy use that balances the best of both those words.

Matt Slepin:

I think you do. It's interesting. So the next question I was going to ask you is this words you might hate, which is farm to table, but it's an and, not an or. So you got to do both.

Kevin Marchetti:

Yeah, and I think that's what I would tell you. If you think about the world, again, it's like this whole clean energy thing. If you look at all the energy companies, the Chevrons, we should be the best in however you're consuming your food if that's where the world goes. First of all, we do a lot of farm to table stuff. It comes through our warehouses locally, right? I mean, that stuff still needs to consolidate, be distributed out. I mean, you can only feed so many people at the local garden, and not everyone's just going to eat at a local. I mean, there's going to be the need for proteins and other pieces that get added to those meals or meal kits or consumption.

Then there's a supply chain that needs to be created there. So I think our core competency and value, well, we will contribute to build that. The reality is a lot of the country doesn't have the time or energy for that. I think Dr. Oz, I'll leave you the really interesting comment, that the healthiest and most efficient way to feed the poor inner cities is through frozen food. So if you freeze that organic strawberry, it's a frozen organic strawberry. It's the healthiest preservative, right? There's no past, there's no other preservatives or sugars or salt. It's just a frozen organic strawberry.

So that is actually the healthy ... and arguably, when you freeze it, that's healthier than five days later when you eat that organic strawberry at home fresh. So that frozen strawberry is the healthiest way to feed the lower income, lower class, and it's the most cost-effective. So if you really get to it, frozen food is the healthiest, cheapest way. If you freeze in that organic Amy's kitchens thing, it's still that organic thing. So you lock in whatever natural state it's in.

Matt Slepin:

Fair deal. You mentioned your data science team several times. What does data science team in your business do?

Kevin Marchetti:

The answer is a little bit of everything. So we've got a team. We have a data science team. We also have our general operational and technology, Sid Arson to Ty, our CIO, helps run all that with a gentleman, Elliot Wolf who sits downstairs, but we had a thesis that there's a lot in supply chain logistics. I think being in the Bay Area, leveraging technology is huge. They've really been on the cutting edge of just making sure every problem we're thinking about it from a technology and how do we optimize, how do we automate, how do we use algorithms.

So they brought data center algorithms to how we store a product in our warehouse. The old warehousing 101 was slow movers in the back, fast movers in the front. That's common knowledge for everything in life, but back to my turkey, a turkey around Thanksgiving is a really fast mover. In January, it could sit around for six or nine months. So knowing when to put that product there and writing the algorithm and understand or maybe on Tuesdays, strawberry and jellies, I mean, strawberry and peanut butter goes together, so making those two commodities.

So the data science team thinks about our most complicated problems, solves them, and really thinks revolutionizing our industry. They're just a fascinating group. Like I said, we've attracted people from Apple and Google and people with their PhDs in physics and a gentleman who works with NASA. They're solving, I mean, this is one of the most rewarding and exciting things.

Matt Slepin:

I bet.

Kevin Marchetti:

So there's a real passion around reducing food waste and optimizing supply chain.

Matt Slepin:

It's interesting. I'm on the board of a group called extrafood.org, which is a nonprofit in Marin County that tries to eliminate food waste in Marin County, where it's one of the wealthiest counties in the country, but we have 20% of the people in Marin who are food insecure. If we could take that food waste and get them to those people, huge, huge upside. Plus, it helps the atmosphere, the carbon as well.

Kevin Marchetti:

You're spot on. So in the emerging world, 30% of food waste happens in the field. In a developed world, 30% of waste happens after it's been produced, to your point, whether it's at stores or restaurants. We're actually, with the Lineage Foundation for good, that is one of our core passions. So we work with customers now and say, "Hey, you have all this food about to go out of date cold that you're going to have to spend money destroying or we can try to give it to a foundation or work with the food bank." So we're doing a ton of work around that. Once again, that's the stuff that gets people excited, and makes them passionate.

Matt Slepin:

That's correct. We're going to pick that conversation up later. Okay. We're going to have about five minutes to talk about your life, which isn't fair. You went to Duke, and you were the manager in the Duke basketball team under Coach K. Talk about that and what that means for you today, what the ripples are for that. Had to be fascinating.

Kevin Marchetti:

Yeah. Coach, he's obviously one of the greatest basketball, arguably the greatest college basketball coach there's been, but he's even a more amazing leader. I think a lot of that's come out and I learned a lot in the Xs and Os, but he's been a mentor and a friend my entire life. How I saw him develop, manage people, I mean, his ability, if you think of all from the '80s winning championships to now in the players, how they change, and he was able to evolve and change. His mentor was Bobby, and I didn't have the same success evolving, but Coach, just being an amazing leader, a person and the skills he taught there, they work in any industry or any business.

Matt Slepin:

Gosh, you're lucky. How did you get that job while in college? What was it that distinguished you to be the MJ of the business side?

Kevin Marchetti:

I thought I wanted to be a college basketball coach. I went to a big sports high school, DeLaSalle High School, and played on a great championship team and broke my ankle my senior year and realized I wasn't going to play. That probably was for a lot of reasons, but that helped realize that, but coaching, so to get a great academic school and obviously the best basketball program, and Steve Lavin, who was a coach at UCLA, I'd known for years and he called up Coach, said, "I got a great one here for you," and Coach and Quinn Snyder, who was actually there at the time, who's the coach of the Utah Jazz, took a bet on me and it was just a phenomenal experience.

Matt Slepin:

Oh, that's great. We're going to skip a couple jobs, but just mention briefly the roles here because you're at Morgan Stanley and then you work with Ron Berkel. Just talk about that and then how you and Adam came together.

Kevin Marchetti:

Yeah. I guess the quick fun story at Morgan Stanley, John Mack, who's also been a mentor and investor, he was CEO at Morgan Stanley, he's a big Duke guy. So I met him because I used to have to, one of my jobs was taking CEOs and large benefactors for tours. So John's like, "What are you doing after school?" I told him I want to get in a bank, and he is like, "Really?" So he got a couple of us internships and got us at Morgan Stanley. Gordon Dean and Mark Bradley were great mentors.

So it was in the sponsor coverage M&A group there, and then once you worked for Ron at Yucaipa, who's a fascinating entrepreneur, built some amazing companies including Fred Meyers, Smiths and Smitty's, which is the Kroger West Coast business and just a great owner/entrepreneur. Adam and I worked together at Morgan Stanley. He then went to go work for KKR and the George Roberts in the West Coast office here.

So we both had the thesis to come together, and long term, we wanted to create great long-term platforms. We didn't want to build some giant private equity firm. While we really enjoyed our experiences at Yucaipa and KKR and George has actually been a great mentor to Adam and myself and an investor, I mean, we've been fortunate to have these just great partners who just bestowed their wisdom and supported us, we just wanted to create a business and have a smaller infrastructure. That's what we felt we enjoyed more because once you create a big company, now you're spending a lot of time managing people and not investing. We just really enjoyed the investing business building part of.

Matt Slepin:

You've got to do that because you have the CEO for Lineage. So therefore, you can still keep your eye on the ball that you and Adam wanted to do in the first place.

Kevin Marchetti:

Yeah. I mean, Greg, everyone jokes like, "Well, you guys are young. Don't you want to be CEO one day?" Adam was CEO for half a minute before we were able to get Greg. I think we both recognized the talent. I mean, Greg is so far superior. The talent he has and what he can do, we could never do. I mean, it's just such a different skillset. His ability to build and organize and create structure and mentor, I mean, he's ... Anyway, it's just a different skill structure and I think we see this a lot in business and sports and anywhere else. Just because you're a great player doesn't mean you're a great coach. Just because you're a great talent ... I think we realized our talent is different than Greg's and that's why we have such a great partnership.

Matt Slepin:

How do you and Adam split up what you do? What's your yin and his yang?

Kevin Marchetti:

We clearly have both our different strengths. Adam can do anything. I'm probably more ... We split the world from an M&A standpoint. He's done a lot of the European stuff. I've done a lot of Asia, and then the US, it's who's got bandwidth. We are pretty active in transactions. So with our junior team who's become really senior and our other partners, we've split up the M&A. I would say I've done more financing, he's done more tax and structuring and obviously capital raising. Again, we've got a lot of investors. We split it up, and depending on who's got bandwidth at the time, we go back and forth. I'm lucky talking to a lot of people to have had such a great partnership here going on 15 years with Adam and now with Greg, but it's just been amazing.

Matt Slepin:

Yeah, and you've dived so deep into this business and your goal was to do multiple platforms. Will there be multiple platforms?

Kevin Marchetti:

You never say never. I think for the next five, 10 or even maybe 20 years, we see there's just still a huge opportunity. The fun part now is that you have the size and scale and you're really good at it. One of our early investors was a gentleman, Jeff Ubben, who runs ValueAct Capital. He said, "The greatest companies are people who spend all their time in one industry. They're reasonably smart and they've made all the mistakes. So they're reasonably smart that they make the mistake once or twice but no more, and once you've done that, you become really efficient."

So whether it's coming to capital allocation, doing a deal, you just have that native sense. So we have that in the industry. Then also, candidly, we're able to create value for the customer. We're able to do stuff that we can see, and that's fun too because at the end of the day, if you can create value for the customer or the partner, you can buy assets right, you can really do well.

Matt Slepin:

It's interesting. One of the more recent podcasts was with Ross Perot, Jr. We talked about the evolution of his business. At each point of evolution, his eyes lit up and he talked about the learning curve, and each time he learned a new thing, he created a business around that to bring that learning into the marketplace. That's what I experienced talking to him. I'm experiencing the same thing talking to you because each corner you come to in this business, you discover there's more deeper to go.

Kevin Marchetti:

He's one of the great. The industrial space is definitely the world we play in, even though we're 10% of that market. So I look at Hamids and Ross. They're just talent talented and brilliant people, but you're exactly right. I mean, and many times in business, it's not only what you do, it's what you don't do. We buy these companies and everyone goes, "Oh, the owner, he's not involved anymore." I'm like, "He may not be in the warehouse." Some of them are. By the way, they can tell you every employee's name and where stuff is. Some of the guys, they sit up top, but they've done it for 50 years, and it's the five things they decide not to do that year. Don't waste time on that customer. Don't waste time in that commodity. Doesn't make sense. Don't build a building there because you're going to have X, Y, Z problem or change that refrigeration around it, and they do that in one hour, but it saved thousands of hours of work.

That's what people, I think, learn sitting back in the seat. That's really valuable. So we really try to keep that intellectual capital because when there's a tough question, it's nice to go back to Tom who ran the business and go, "We're thinking about this. What would you do?" and he may go, "Well, here's why it didn't work for me. Now maybe technology's different so it may work," or "No, that customer, they're never going to work because they'll tell you one thing and they'll do 10 other things." So that wisdom is really, really valuable.

Matt Slepin:

Yeah, totally true. Last question on Leading Voices is always advice for a young person getting into the real estate business.

Kevin Marchetti:

So I actually heard a great, I guess, YouTube thing on Bill Gurley, and I think I like a lot likes of the wisdom. He said, "It's just learn and be deep in knowledge." His comment was the internet information is readily available, so you can learn and be an expert pretty quickly at almost any industry. Now, you may not have the practical experience, but you can learn a lot about any industry online. So you have to first find your passion, but once you do that, just learn and be extremely knowledgeable because that's pretty unique.

A long time ago, the knowledge wasn't available, but if you want to learn about industrial real estate or cold storage or data centers, you can learn a lot right now in a really short amount of time. So if you have a passion, learn deeply, and I think that'll just create opportunities.

Matt Slepin:

It's interesting. I think people wonder where that passion will be. I don't think you thought your passion would wind up being in cold storage, but it's really true because you go, "Okay. How am I going to find it?" I think it's random the thing that you wind up finding. Now, your genius was to find this space and then drill down, but then once you find that space, then you develop the passion around it is my belief versus, "In my inner nature, I'm going to be a cold storage human being." Is that true?

Kevin Marchetti:

I think there are some people who early on find that in-

Matt Slepin:

Medical.

Kevin Marchetti:

... I thought sports or medical, they find that. You're pointing a lot of other people. Success at intellectual curiosity begets if this asset class didn't perform, would you love it as much? I don't know. I think you're right. A lot of times, and that was the case for my partner and I, we developed a real respect for the people, for the industry, and then we just found intellectual ... I think the fun part for us is we're global, we're in technology, we're in people. I go to a lot of industry conferences. I mean, you'd be amazed next week they have the Global Poultry Show in Atlanta. I mean, there's like 20,000 people, actually, maybe it's 50,000 who come down on Atlanta and talk of everything about building chicken coops to freezing the chicken and selling it around the world. In any event, it's a great space to be in, and enjoyed the time here today, Matt.

Matt Slepin:

Totally thank you. I really appreciate it.

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