



A Warehouse of Investment Opportunity

Whenever e-commerce retailers promise fast, cutting-edge delivery times, they often rely on physical warehouses to complete the sale. The demand for e-commerce-linked facilities can create opportunities for investors. But choosing the right company is critical, says investment professional Dante Pearson, who covers the warehouse industry at T. Rowe Price. "Warehouses are essential to facilitating e-commerce. Delivering goods to consumers faster often means storing them closer to their destinations." Many retailers do not own their own distribution centers, instead preferring to rent space from real estate companies. To determine which real estate companies are best positioned, Dante takes to the road to meet with brokers, managers, employees, and tenants and tours warehouses to gain better insight into workplace culture, the quality of the facilities, and the proximity to population hubs. He finds that observations on the ground level can be different from the narrative in the stock market. "Narratives often drive stock performance. I try to figure out if the narrative is right, wrong, or if the narrative is about to change entirely."

Going beyond the numbers reveals the full story

At T. Rowe Price, our investment approach is to go beyond the numbers when evaluating which companies offer the best future investment potential. By meeting with executives and employees firsthand, we can ask the right questions to get a deeper understanding of where



Talking with
Dante Pearson

Investment Professional, Warehouse Industry,
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a company stands and where it could go in the future. This rigorous research strategy is integral to Dante's investment process within the real estate sector.

Field research helps build insight

Meeting people is arguably as important as seeing the buildings, says Dante. People are deploying the capital, buying the buildings, and renting them out. "There are companies that I would be cautious investing in because I don't appreciate how they talk about their tenants, their process, or their competitors. Corporate governance is important, and you have to think about the culture of a company as a source of risk," he says.

On the other hand, there are management teams with whom he has met who have a demonstrated record of being prudent with shareholder capital and who he believes over time should generate better risk-adjusted returns for shareholders. These are the management teams he gets excited about. Ultimately, the key piece of information that he looks at is location quality. He believes that

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the location of a warehouse may help limit downside potential for the value of the underlying real estate. “If the market softens, it is essential to find the portfolios of warehouses that will still see demand. In the past, there has been a flight to quality.”

Positioning for change

As the need for warehouses to facilitate e-commerce grows, Dante keeps a watchful eye on the industry to get ahead of change for the firm’s clients. Combining fundamental

analysis with his on-site research allows Dante to gather deeper insight that can help him make better informed investment decisions.

INVEST WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

To learn more, please visit troweprice.com.

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