

## **The Impact of E-commerce on Industrial Real Estate**

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Selected remarks by Scott Elliff, Capital Consulting & Management, Inc. (CCMI):

### ***On the importance of logistics today:***

... There is a big myth out there, that e-commerce is this magic and mystery that you click your mouse and the product automatically shows up at your doorstep. There is a tremendous increase in the importance of logistics and inventory fulfillment, and so forth, in the success of all of these start-up companies. There is going to be a tremendous upsurge in space requirements associated with dot-coms, because a lot of them rely on very quick delivery. But to do that you have to be in a metro area and you have to be close to the customer which is sort of the opposite what has happened over the last 10 years where people have been closing smaller regional warehouses and going to bigger, more centralized, nationally managed type of warehouse fulfillment space. So maybe it's swinging back the other way...

### ***On business-to-business vs. business-to-consumer:***

... B-to-B is about 10 or 15 times bigger than business-to-consumer today. The amount of intermediate product, raw materials, sub-assemblies and so forth that are shipped from one business to another for later assembly dwarfs all the books and records and so forth, and has a lot of more time critical delivery than business to consumer. As individuals, we've become used to having it show up the next day. But it's more important for a plant because if that plant shuts down as a result of not getting the delivery the next day, it wreaks total havoc on the whole supply chain and that company's operations. So, I think there is some balance here. We talk about business to consumer, and I think that has a lot of impact, especially local geographic markets because of the need for replenishment deliveries. But the business to business aspect is still going to grow and continue to be a much bigger part of the overall economic landscape...

### ***On services and tenant needs for dot-com companies:***

... It's almost the commercial equivalent of a funky Soho loft. Some of these guys want to go into these spaces because it's great to have a completely

unfit-out space, and they don't care if there are wires all over the floors and wooden desk tops and boxes; that's kind of cool, as part of being a start up! (laughter) ... Landlords and service providers have to know a lot more about what those companies are doing in that space and why they are in that physical space, and how they are evolving. Security, three shift operations, good lighting for parking for people who are driving in to run the night call center, truck storage and turn-around and cafeteria and food service. All kinds of things that you think are way beyond the sort of traditional square footage and how high is it and how flat the floors are, and so forth. That's the part that really is going to become drastically much more important for a lot of tenants...

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