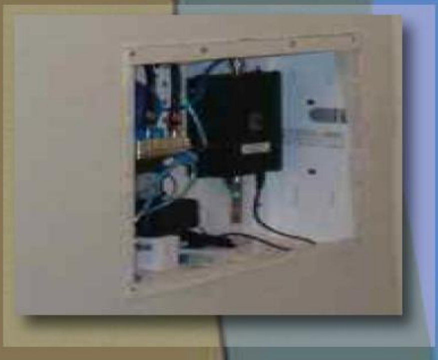

Can You Hear Me Now

Without proper wiring, frustrated residents might re-connect with housing by leasing with a competing community.

BY JASON SCUTT

One of the nation's largest real estate investment trusts (REITs) had a serious problem—one that many REITs representing multiple dwelling units also face today. While preparing to lease-up a new 12-story, A+ property in Southeast Florida, the owner/developer watched as its prospective residents were checking the signal strength of their mobile devices—or lack thereof—while walking through the building.

Given the world's thirst for more, better, stronger Internet access, particularly among apartment residents who are weighing their options on where to lease, some stated they would not rent in a building that limited their use of smartphones and tablets.

Others complained that having the choice of only one cable TV, phone and data provider being made available in the building could also be a deal-breaker.

Such deals can be the result of the property having exclusive wiring and marketing arrangements between the owner and provider. Worst of all for this developer, the local municipality refused to allow the owner to open the building because first responders were unable to get 800-megahertz signals throughout the building. These signals are what fire and police departments use to communicate with each other.

The above scenario encapsulates a tipping point in the delivery and use of TV, Internet and phone services to multiple dwelling units in the United States. Trends show increasing numbers of "cord cutters," people choosing the Internet and mobile for their entertainment and communication needs over traditional providers. In fact, in the typical apartment demographic of 25 to 35 year olds, these residents are being called "cord-nevers," because they never pay a monthly TV service.

(Left) Antennas and Wi-Fi-boost equipment for apartment buildings.

Major Disruptions

This shift poses a significant challenge for owners, service providers and residents alike. Take owners: Should they continue to build a traditional infrastructure of copper, fiber and coax and also install Wi-Fi and distributed antennae systems (DAS) for wireless coverage? How do owners recover lost revenues typically generated from provider revenue share programs if residents choose to ignore the provider's marketing efforts?

Likewise, how do providers who invest billions of dollars in infrastructure and marketing recover their investment, particularly if the resident bypasses their system and service altogether? Finally, how do the residents ensure that the buildings of their choice support their lifestyle (paperless) and technology requirements?

Prior to 2005, it was not uncommon for a given property to be represented by one provider for television and another for telephone.

Every unit had phone service from the phone company and most units had TV from the cable company. Internet services and cellular coverage were almost an afterthought.

Infrastructure construction and management were simple. Marketing agreements were valueless to providers in lieu of de facto exclusivity. Providers made billions. Resident expectations were basic.

As the Internet took off, providers began offering competing services. Residents benefitted from expanded choice and more value, and the owners benefitted financially by capitalizing on providers who bid for exclusive marketing rights. Yet, cellular coverage was still spotty with limited to no Internet access.

Additionally, building and managing the infrastructure became more complicated, as competing interests vying for exclusive use of wire and new fiber optics promised unparalleled speed and "future smartness."

More Change Coming

Today, the Internet and smartphones have become nearly universal for certain demographics—yet there's often no comprehensive plan by the owner or providers to efficiently deliver the services. Landline telephones are gradually becoming extinct, while more and more content is consumed via the Internet, be it land-based or mobile. Satellite providers are firmly entrenched, much to the dismay of some owners, with regard to their balconies.

New players continue to reshape the market, as well. Google Fiber, for instance, is now "lit" in Kansas City in what is widely viewed as the Google Android Platform, and potentially an open source for TV and telecom. Google and others also purchased large swaths of wireless spectrum. This development, in conjunction with the Obama Administration's recent announcement of "Wi-Fi for all," shows more change is coming.

At the same time, today's tech-savvy renters demand more. They expect online paperless leasing, ubiquitous Wi-Fi and cellular coverage, online service requests and so forth. In the near future, they will be more likely to consume content via the Internet than any other method.

Just as residents demand wireless coverage, so do first-responders, such as fire, medical and police. The Federal Communications Commission is considering a ruling requiring wireless coverage availability (FirstNet) and a growing list of municipalities, including California and Florida, now require total coverage to issue a certificate of occupancy. It is widely presumed that the National Electrical Code may soon mandate this coverage, similar to Fire & Life Safety Code requirements.

A Solution Going Forward

To properly plan for these changes, consider the solutions used by the owner mentioned earlier in this article.

The first solution was to negotiate an agreement with a second provider of TV, data and phone services. This provider installed new cabling for the building and a sizable door fee with ongoing revenue share, which subsequently gave residents the choice many demanded. The new provider also offered the residents discounts for bundling mobile services with traditional services. This included offering the residents a variety of services, such as pick-up set-top boxes, via a local mobile store.

Next, a Wi-Fi and cell boosting service provider was utilized to expand wireless coverage, all while existing within the confines of current marketing and access agreements at the property. Finally, rooftop rights were leased to a cellular tower provider, generating new revenues for the owner.

From the owner's perspective, residents are happier now that they have the services and coverage they need with competing choices. The owner can open the building and be assured of resident satisfaction. In the future, the owner will better understand the infrastructure requirements and revenue opportunities. The providers, particularly the provider with a cellular product, also benefit from enhanced exposure opportunities with the residents—translating to more revenue.

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