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BALA TECH IN FIVE

Untangling Internet Decisions
in Multifamily Properties

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UNTANGLING INTERNET DECISIONS IN MULTIFAMILY PROPERTIES

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Historically, multifamily residents purchased internet service directly from local cable or telecommunications providers under individual retail agreements. Building owners would negotiate building access and separate marketing or compensation arrangements. Those agreements, including revenue sharing terms, sometimes included local regulatory restrictions and provided nominal cash flow. Eventually any associated revenues declined entirely as tenants chose alternatives to cable and telecom providers for coverage.

Bulk internet offered another approach using similar cabling plants and technologies. An Owner negotiates service pricing for an entire building under a property level agreement. Charges for internet are recovered through rent or, where permitted, a separate facility fee. Often the internet carrier continues to maintain the building infrastructure and provide technical support to residents. While bulk internet can provide owners with predictable revenue and favorable service pricing, it can limit tenant choice and lock properties into long-term agreements that reduce flexibility as technology and market conditions evolve.

MANAGED INTERNET BECOMES MAINSTREAM

Managed Internet offers a different operating approach where a managed network provider operates a property-wide wired and wireless network, with centralized monitoring, resident onboarding and technical support included in the managed network provider's services. Building infrastructure is often owner-funded, although some providers

offer financing or bundled service agreements that reduce upfront capital costs. From an infrastructure and equipment standpoint, Managed Internet is very similar to building out a corporate building-wide network and has similar management requirements including requiring ongoing supervision for resident network segmentation, network policy management and device onboarding.



This is a CapEx forward approach and, while property specific, an owner who plans to hold onto a property for a notable length of time can realize monetization and Net Operating Income (NOI) benefits to providing Managed Internet to tenants. To make this evaluation, Owners should compare between Retail, Bulk and Managed Internet for the total cost of ownership, including the initial infrastructure costs, bandwidth and management fees, support, equipment replacement. In addition to projected revenue and leasing benefits of each format.



While initially championed by properties offering concierge style service, temporary stay/furnished apartments or student housing, Managed Internet has moved into every multifamily housing type and market. We are seeing adoption across a wide range of projects including affordable housing developments where funding programs or local requirements may encourage, or require, internet connectivity. Also, senior living facilities and any property looking to streamline the tenant experience are considering this option.

Following is a list of **FIVE QUESTIONS** to you should be asking to make an informed decision:

- ONE** What is your target tenant, what type of community are you building and is there a leasing and retention benefit to Managed Internet for your specific property?
- TWO** How do Retail, Bulk and Managed Internet compare for upfront investment, operating costs, revenue potential and long-term financial commitments?
- THREE** How competitive are local retail providers on price, speed, reliability, fiber availability and support? Would a managed internet approach deliver a meaningful advantage?
- FOUR** What is your risk tolerance and are there outside market trends, investment or regulatory pressures that might impact your decision?
- FIVE** Do you have the right internal technology champion and staffing format to manage your solution?

Managed Internet can have benefits for tenant retention and experience, NOI, and Internet of Things (IoT) device deployment. However, understanding the impact to development, leasing, and operations teams needs to be a critical factor in deciding if Managed Internet is the right choice for your property. And as always, project economics remain important.

Unfortunately, there is no one-size-fits-all format for internet delivery. There are many factors that should be considered when you're building a new multifamily complex, and it needs to be more nuanced than focusing on what the property across the street is offering or continuing with past decisions on tenant internet.

SUMMARY

Managed Internet will not be the right option for all properties and markets, and these are simple evaluation questions that can tease out the full list of pros and cons to deploying managed internet at your property.

Teaming with a technology partner that is well-versed in available internet service options, and the decision-making process, can provide the peace of mind that your tenant internet strategy is part of the overall residential product you are offering.

WANT TO KNOW MORE?



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