

Fiber Broadband Is Pure Gold for MDUs

Why aren't all MDU developers installing and marketing fiber in new buildings?

By Michael Render / RVA LLC

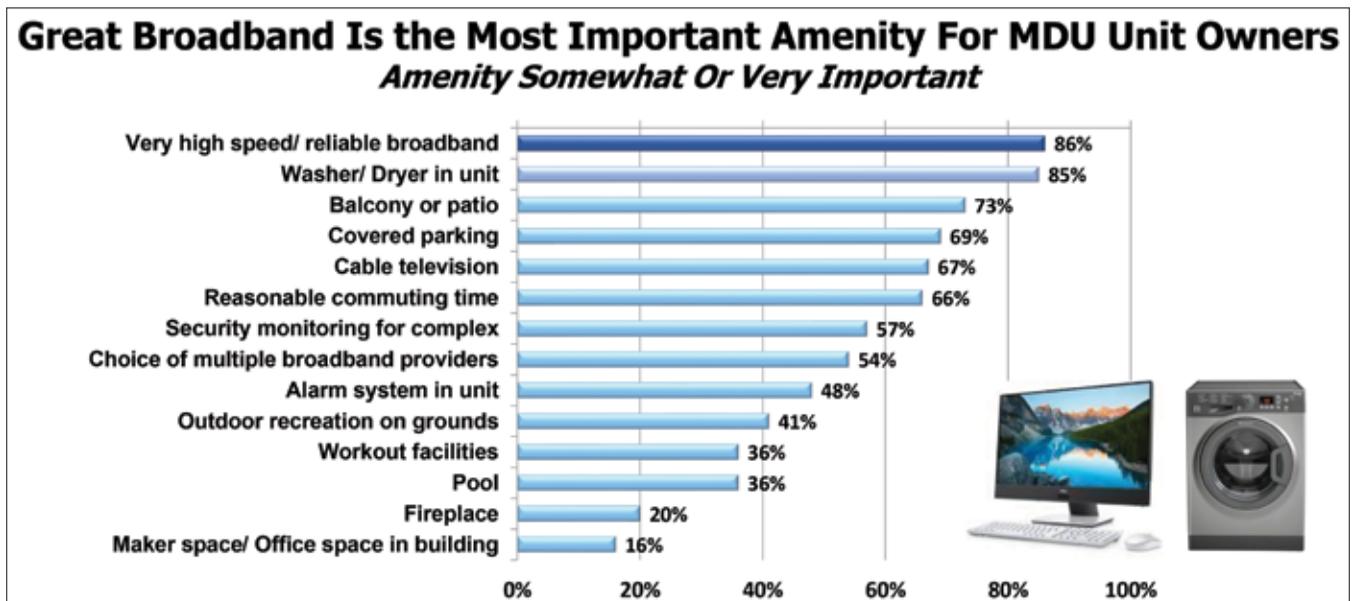
Fiber broadband may be the best multiple-dwelling-unit (MDU) amenity ever invented. In surveys of MDU residents, very high speed, reliable broadband has been flirting with the top amenity spot for several years. A new study by RVA Market Research conducted for the Fiber Broadband Association shows that broadband is unequivocally entrenched as the No. 1 amenity for both apartments and condominiums.

Survey respondents rated 14 commonly advertised features for apartments and

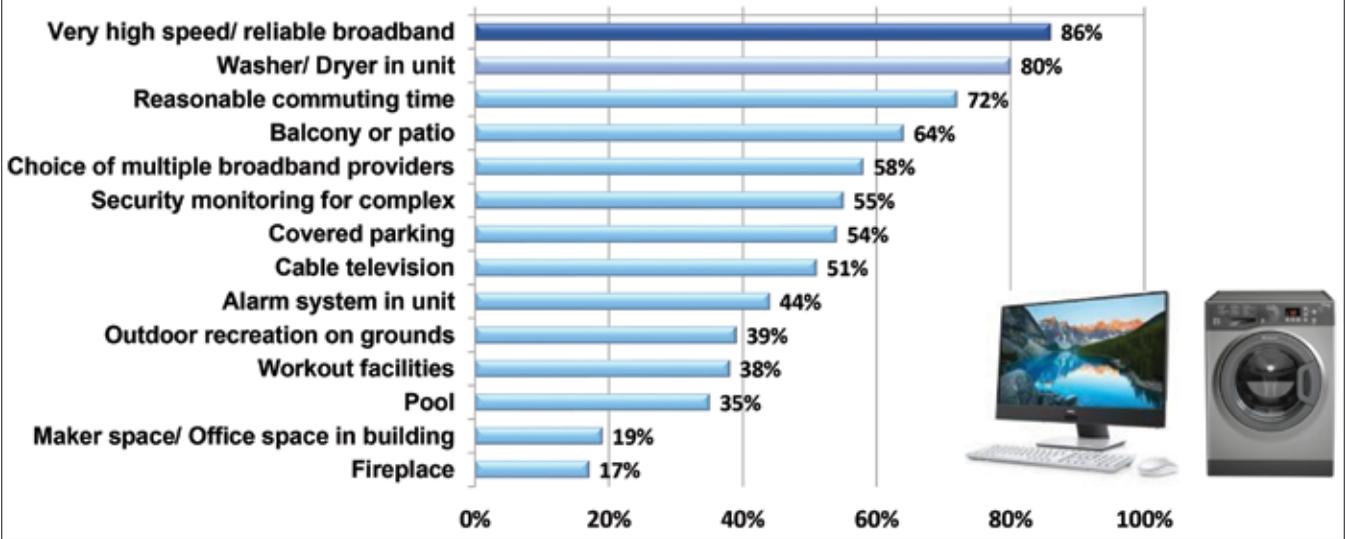
condominiums. Great broadband beat out other necessities such as in-unit washers and dryers and perks such as balconies and patios. It even surpassed one of the central tenets of real estate value – “location, location, location” – in this case, measured as commuting distance.

Further, based on RVA research, fast, reliable broadband (which in most cases means fiber) adds 2 percent to the value of a condo and 8 percent to the rental price of an apartment.

Superior user satisfaction with fiber versus other broadband delivery technologies is



Importance Of Amenities For MDU Renters *Amenity Somewhat Or Very Important*



also clear. For renters, the level of broadband dissatisfaction is clearly correlated with (and probably helps cause) dislike of the apartment home. The same correlation is not statistically significant for condominium owners. Perhaps because owners are more invested in their homes, they are slower to find fault with the property itself, even though the same broadband dissatisfaction curve is evident.

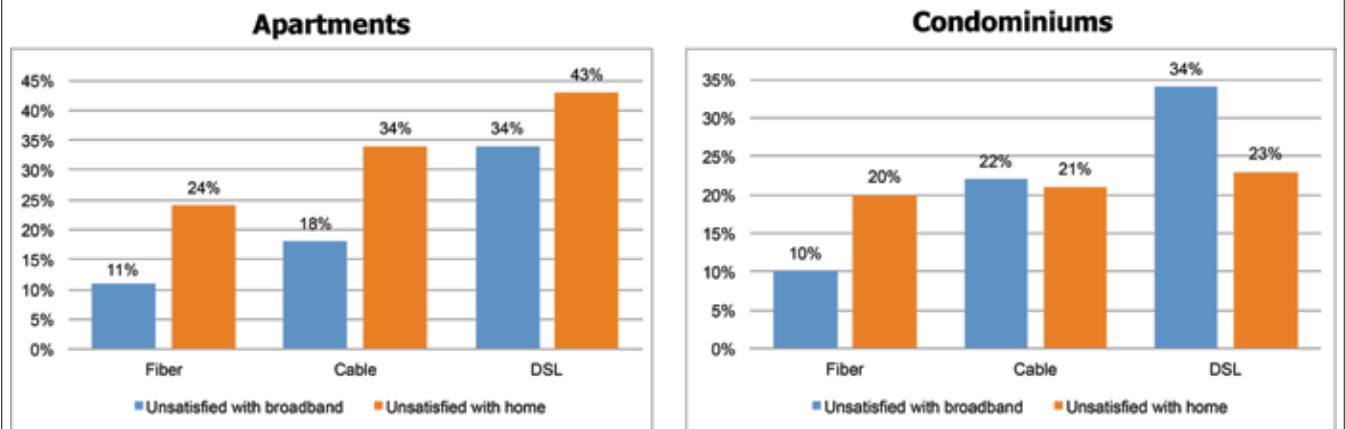
The difference in broadband satisfaction is driven by more than

download speed. Even cable “gigabit service” in MDUs does not represent real competition to fiber gigabit service. Every survey RVA conducts shows that even when users receive nearly a gigabit download speed from their coax service, other attributes of coax, such as upload speed and reliability, are inferior, and satisfaction is far lower. Although cable gigabit systems have about the same download speeds as their fiber counterparts, they usually register upload speeds below 25 Mbps.

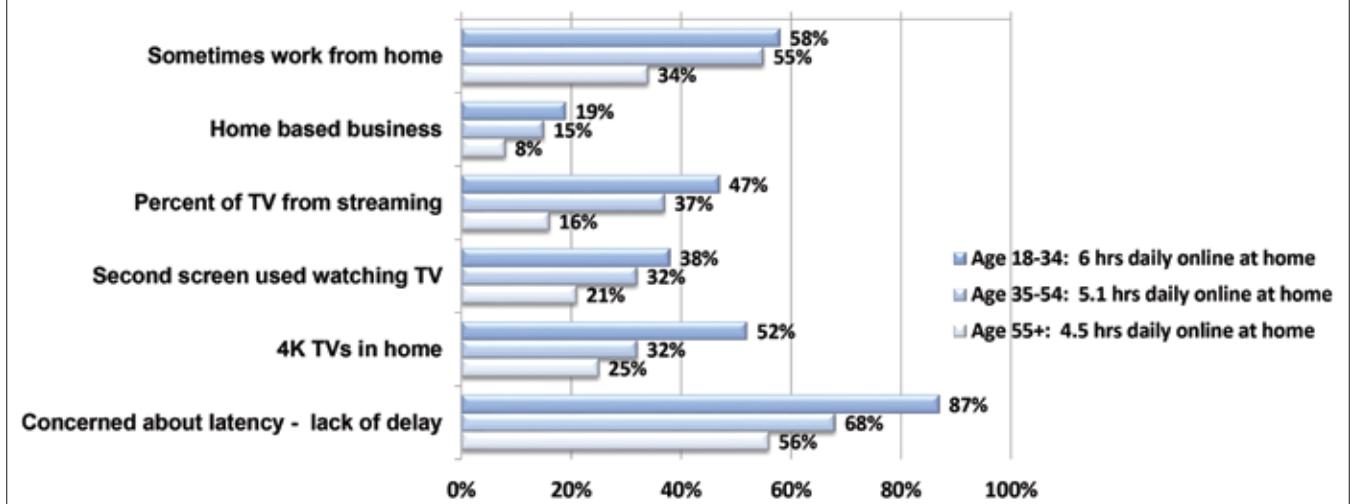
Further, reported reboots and calls to customer service are about 60 percent higher for cable gigabit than fiber gigabit. Finally, 54 percent of fiber gigabit users indicate they are very satisfied, versus only 36 percent of cable gigabit users.

The reason for MDU residents’ love affair with fiber optic broadband seems fairly clear when one digs into the numbers and understands the underlying need. MDU renters

Dissatisfaction With Broadband Versus Dissatisfaction With Home



Why Broadband Is Important to MDU Unit Owners



and owners tend to be younger and less family oriented than those in single-family homes. They are more likely to work from home (helping mitigate commute time), own a home-based business, use two-way videoconferencing, get most of their entertainment video from streaming, use second screens while watching TV, be active gamers (also concerned about latency), and own ultra-high-definition 4K TVs.

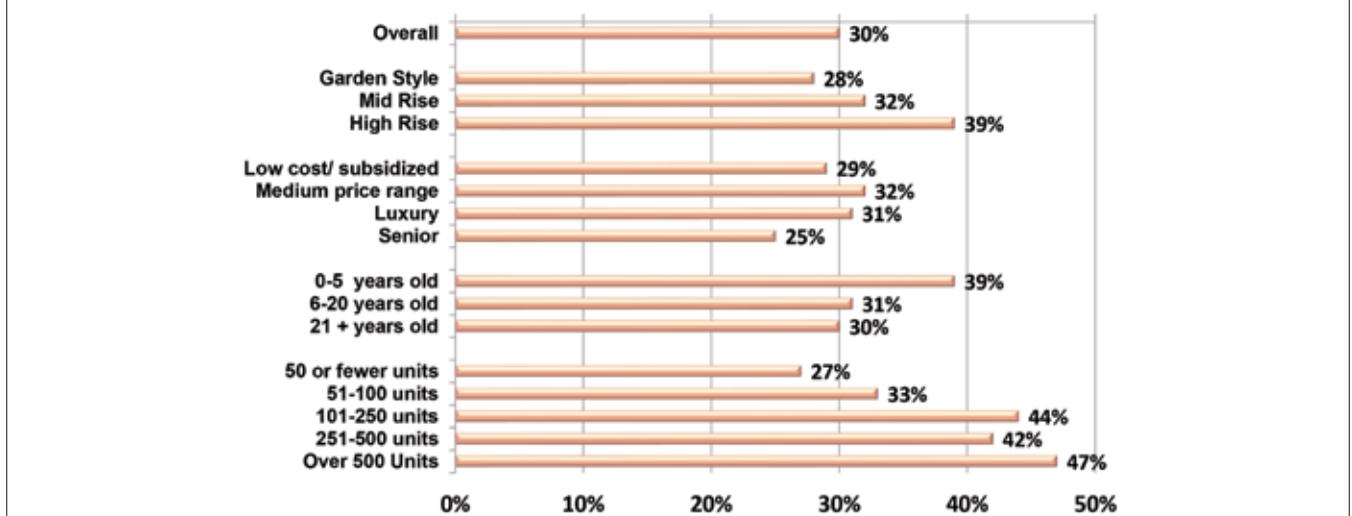
IMPACTS ON PROPERTY OWNERS

The benefits to property owners are impressive. Consider an apartment operator as an example. A 2016 white paper for the Fiber Broadband Association, “The Tangible Value of Advanced Broadband to MDUs,” reported a conservatively estimated 11 percent increase in net income per unit with fiber broadband, due to a projected revenue increase of 6 percent

and a projected 1 percent decrease in operating expenses. The revenue increase resulted from higher rental prices and lower vacancy rates because of better word-of-mouth marketing and lower resident churn.

The cost decrease projection was based on lower marketing and administrative costs because of lower churn and more word-of-mouth promotion, as well as lower repair and maintenance costs, also due to lower

Reported Fiber Broadband Availability By Apartment Characteristics



churn and the related unit repair and preparation for new renters.

WHY THERE ISN'T MORE FIBER BROADBAND

The question of the century is this: Given the value of fiber broadband, why isn't it being installed into MDUs faster?

Based on RVA's 2018 annual consumer study, fiber is available to only about 30 percent of all U.S. apartment units and 33 percent of all U.S. condominiums. This percentage is quite similar to RVA's estimate of fiber availability to all other U.S. residences (based on both consumer and network operator RVA industry surveys).

For greenfield MDU projects built within the past year, conversations with industry experts suggest that penetration may now be closer to 50 percent.

Nonetheless, there is clearly room for more deployment in greenfield MDU provisioning and in retrofitting

Owners of rental properties can earn 11 percent more net income per unit if they have fiber broadband. FTTH increases revenue and decreases operating expenses.

older MDU properties. In one sense, the low incidence of fiber rollout is understandable, in that only certain U.S. communities are currently building out fiber throughout their service areas. (The number of active builds in major communities is lower than many may perceive. Some large providers announce many more communities than they are actively building out. In many metros, they are currently provisioning only the "low hanging fruit" – residences very close to existing fiber terminations.)

If more apartment and condominium builders and operators truly recognized the extreme value of fiber to the residence, they would demand fiber, and more network operators would rise up to fill the need. This activity is certainly occurring in some areas where incumbents are building out larger MDU projects with fiber, even if fiber is not being built throughout the entire city.

Second, in some areas, competitive third providers arise, such as Wave Broadband (now part of RCN) and

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Hotwire, which are happily providing service to MDU units of almost any size. But this same dynamic should be occurring in all communities.

Unfortunately, MDU builders, owners and managers do not always fully appreciate this opportunity and the demand for fiber. Past RVA studies for both the Fiber Broadband Association and **BROADBAND COMMUNITIES** magazine have shown that top executives in these groups tend to be a few years behind their customers in fully understanding fiber's value. When consumers first recognized the vital importance of broadband, many owners and managers still imagined that residents were primarily interested in cable TV.

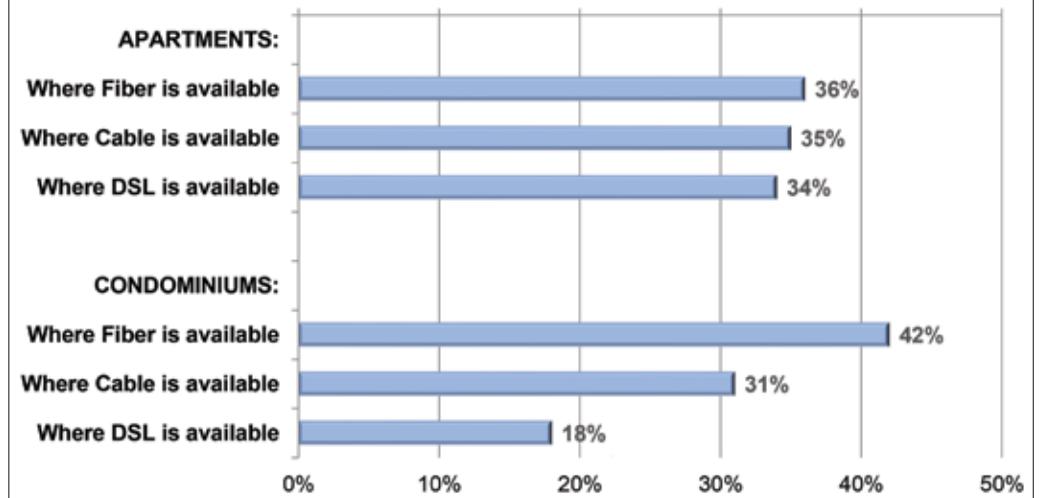
MORE MARKETING IS NEEDED

Installing fiber broadband in an MDU is just the first part of the story. Another apparent current disconnect is in marketing.

To obtain maximum benefit from fiber broadband, MDU operators need to actively promote the service. This marketing need exists for two reasons. First and foremost, those who have an amenity advantage always need to trumpet it to gain the upper hand over competitive properties without this amenity.

Second, although consumers greatly value broadband, connectivity is by

Broadband Discussion Recalled Among Those Who Moved In Past Four Years



nature a less visible benefit than many other features. When prospects first inspect an MDU property, they see the granite countertop and patio view but not the broadband. For broadband to be fully actuated as a benefit, its virtues must be promoted via sales discussion, promotional materials and social media and should also be demonstrated via an in-unit television and a laptop complete with speed tests.

Is this marketing of MDU fiber occurring? The answer from research is, unfortunately, no – or certainly not to any great degree. To test the amount of marketing, we asked consumers whether they recalled discussing broadband when they first moved to an MDU. These responses were compared to the type or types of broadband available in the MDU property. (Only those who had moved to their current MDU home in the past four years were considered.)

The results show that only 36 percent of apartment dwellers recalled discussing fiber before move-in. Further, this recall of fiber marketing is only slightly higher than recall of DSL and cable internet marketing, indicating that few apartment owners truly understand, or at least act on, fiber's marketing advantage. Marketing of fiber versus other broadband technologies is slightly more evident in the case of condominiums, but still only 42 percent recalled active marketing of fiber.

TWO NEEDED CHANGES

In summary, the research shows that two factors should change. First, more MDUs should install fiber broadband, starting with new construction projects. Second, the presence of this amenity, when available, should be shouted from the rooftops.

In the world of MDUs, fiber is absolute gold. Mining this precious resource is not that hard for those who truly make the effort. ❖

Research shows that more MDUs should install fiber broadband, starting with new construction projects – and the presence of this amenity should be shouted from the rooftops.

Michael Render is the CEO of RVA LLC, a market research and consulting firm that has tracked the FTTH market since its inception. Contact Mike at MRRender@rvallc.com.