

Get Ahead of the Curve

Service providers can address the trifecta of high prices, substantial growth and strong demand by offering bulk internet plans to their multifamily customers.

By Bryan J. Rader / *UpStream Network*

Have you taken an economics course in a while? Do you remember those supply-and-demand charts, price elasticity and marginal propensity to consume curves? OK, I won't get carried away, but from time to time, it's great for multifamily broadband providers to look at some of the economic figures in their businesses, analyze market forces and chart the future. They should first explore the marketplace, then examine how core products are performing.

Many years ago, I had an economics professor who stood in front of a large white board to illustrate a bunch of graphs. I can still remember the squeakiness and smell of his black magic marker!

My lecture won't be so difficult.

POST-PANDEMIC RECOVERY

Let's start by looking at the multifamily marketplace as it recovers from the pandemic. The good news, according to NMHC's Rent Payment Tracker, is that more than 95 percent of residents are paying their rent each month as the economy resumes normalcy. Yes, there was \$50 billion in rental assistance, but the multiple-dwelling-unit (MDU) market held steady. This is a particularly good sign.

Second, single-family home prices are going up so quickly that the gap between home ownership and renting is tilting in favor of apartment living being more affordable once again – even with rising rental rates.

Here's better news: According to the Pew Research Center, 26.6 million 18-to-29-year-olds still live at home (this figure went up during the past year). Demand for apartments will rise as many people in this age group start moving out and entering the MDU space.

It gets better still. Even with the increased costs of lumber and labor, apartment construction is still expected to grow between 300,000 and 400,000 new units in 2021. That's a tremendous jump in new "supply." (Can you smell my magic marker as I draw *this* chart?)

Clearly, multifamily broadband providers are selling into a

market on solid footing with a strong future in front of it. It's a good time to be a multifamily vendor.

BROADBAND DEMAND, PRICES REMAIN HIGH

Now for broadband. According to [statista.com](https://www.statista.com), the overall U.S. broadband penetration rate stands at 84 percent today, after a 4.7 percent increase in 2020. That's interesting but somewhat deceiving. Why?

Statista.com's analysis of broadband penetration by age group shows penetration is more than 98 percent for groups between 18 and 49 years of age. These are the same age groups most likely to rent – more than 72 percent of all renters are younger than 44. Wow.

Almost all apartment renters are paying for the product providers offer today. Demand is high. And they pay a lot. Based on public filings, Charter customers pay an average of \$66 for broadband connectivity, Comcast (\$80) and Altice (\$90).

High prices, substantial growth, strong demand.

BULK INTERNET POSSIBILITIES

This is where the lecture gets interesting. Broadband providers can improve these economics, according to all these charts and graphs, by offering bulk internet in their MDU communities. This data suggests that apartment owners should be offering bulk broadband everywhere.

Providers can cut broadband costs in half for residents, help drive revenue growth, and increase occupancy levels in new and existing MDU communities. That's a win-win-win.

It's textbook economics. I would show you my "marginal propensity to bulk" chart to prove my point, but it's hard to illustrate in this column. But trust me, the numbers are clear.

It's time to join the bulk internet crowd and get ahead of the curve! ❖

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