



Builders And Developers Are Tech-Enabling New Homes

By Amy Cravens ■ *InStat/MDR*

The residential housing market in the US is extremely competitive, especially among new Greenfield developments. The list of amenities made available to lure potential homebuyers continues to become more elaborate. With increasing frequency, listed among those amenities are certain technology features, particularly technologies to broadband enable the home. These solutions, occurring both inside the home and in the community at large, are gaining more attention from builders and developers alike.

Real estate developers have traditionally relied on creative tactics to differentiate their community and attract potential homebuyers. Community amenities ranging from parks to golf courses to restaurants and shopping are integrated into these developments to help drive home sales. Recently amenity offerings have moved beyond landscaping, with many developers now identifying leading-edge telecommunications infrastructure as a key community differentiator.

A growing list of developers have taken the initiative to introduce broadband to their communities, with many requiring that their residents be connected to the Internet and/or to a branded community Intranet. This type of initiative is often occurring in a Master Planned Community (MPCs) where the developer maintains a central role in planning the community development, from roads, to parks, to broadband. In many new Greenfield developments, not only is broadband connectivity available, but it is a cornerstone of the community. The basic con-

cept behind a connected community is to enable every home within a development with a high-speed connection over which any combination of data, video, and voice services will travel.

Many developers are extending the concept of a connected community beyond the termination box at the resident's home. Developers are partnering with builders to ensure that the concept of advanced connectivity extends throughout the home, whether it is through structured wiring, wireless access, or Internet appliances. Builders in these communities are often required to introduce advanced wiring solutions and service distribution centers, such as residential gateways.

Builders take an especially active role in introducing these solutions. Compared with other in-home broadband technologies, such as wireless access or residential gateways, which can be introduced at any time after the home's completion, it is really only cost effective to introduce structured wiring during the home's construction, and thus it is very important for builders to be aware of and on board with this solution. The need for structured wiring has largely been stimulated by the growing presence of the Internet, the expansion of PCs into the home, and the growing sophistication of entertainment, which has resulted in drastic changes in residential wiring needs. The copper wiring installed for POTS (Plain Old Telephone System) service in the 1950's is no longer sufficient to meet the high bandwidth requirements that these modern applications necessitate. To meet the bandwidth needs, a

market has developed for the design and deployment of residential wiring solutions.

Enter structured wiring. A structured wiring solution allows for the integration of voice, data, and video services into a central, manageable distribution center or hub. High-grade cable, such as CAT 5 or RG-6, carries services from the distribution center throughout the home. Modular wall plates or receptacles are the final system component allowing for multi-service access from a single location.

According to a February, 2003 InStat/MDR survey, it is becoming common practice for builders and developers to incorporate these various technologies into new homes. The InStat/MDR survey, a web-based survey with a total of 579 respondents, targeted residential builders and developers across the US. The survey focused on developers plans to introduce broadband into new communities and builders plan to introduce structured wiring and other technologies into new and retrofit homes.

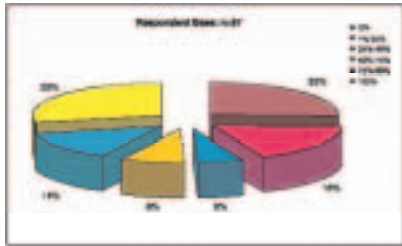
As consumers have become more attuned to and demanding of in-home connectivity, residential developers and builders have begun to focus on introducing the necessary infrastructure to enable broadband services in new developments. Broadband in master planned communities is being used to attract new residents with high-speed connections and robust service packages. These networks are also the modern answer to creating a sense of community, tying every resident to a community Intranet for news, interest

(Continued on page 10)

(Continued from page 8)

groups, and even parent-teacher dialogue.

Figure 1. Approximately, what percent of your planned developments/communities include broadband access (i.e., high speed Internet access, such as cable modem, DSL, fiber-to-the-home, etc.) to every home?



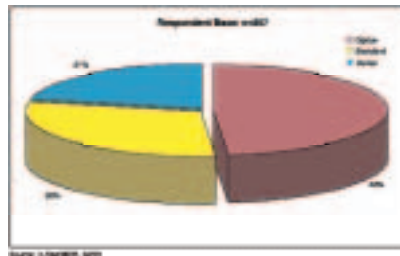
The In-Stat/MDR survey discovered that approximately 75 percent of developer respondents had introduced broadband access into at least a portion of their master planned communities. Furthermore, over 50 percent of respondents included broadband to every home in at least half of their developments, and over 28 percent included broadband to every home in all residential developments. These figures indicate that the concept of a connected community is no longer a rarity, but is increasingly becoming a standard in new communities.

Broadband connected communities occur across the range of home prices, from low to mid-range on up to exclusive high-priced communities. Certainly, the prevalence of broadband is higher in the higher priced communities as compared to those communities with homes priced under \$150,000. Furthermore, while these services are being implemented throughout the market in terms of home price and geography, price and location of the home does influence the type of network implemented, whether it be FTTH, DSL, or cable.

While the majority of developers are introducing broadband access to their communities, they do not necessarily view broadband as a critical success factor. Just over 50 percent of

those developer respondents that had introduced broadband were using broadband availability as a key promotional point in selling the community. Furthermore, only 4.6 percent of those respondents believed that broadband access would be a critical factor to potential homebuyers.

Figure 2. Is structured wiring offered as an option or is it standard in the single-family homes you build?



Similar to developers, approximately 74 percent of the 482 builder respondents indicated they offered structure wiring in homes they build. Nearly one third of those respondents that did install structured wiring, offered it as a standard in all new homes, and an additional 20 percent offered structured wiring as a standard in certain communities.

The In-Stat/MDR survey not only found that broadband and structured wiring are increasingly common, but also discovered that these solutions were being made available across the board in terms of home prices. Not only are the \$1 million properties receiving these solutions, but the sub \$250,000 homes are also a principle target. The In-Stat/MDR survey also explored issues such as cost for deployment as well as impetus to deploy these solutions and the business models surrounding this market.

Builders have the choice of either making structured wiring an option or an upgrade to a new home, or it can be included as a standard in the homes. Whether structured wiring is an option or a standard often depends on the de-

veloper's requirements or the home price. While structured wiring is not a standard in all homes, in those homes priced over \$250,000, it is included as a standard more frequently. In homes priced over \$350,000 structured wiring is standard for 33.8 percent of developer respondents.

It is evident that developers and builders have become much more proactive in introducing broadband technologies into their communities and homes. Developers view broadband as a competitive benefit in attracting homebuyers, but they do not heavily exploit the availability of broadband in promoting the community. The majority of builders, 74.1 percent of respondents, are implementing specialized wiring. Builders too are very actively deploying structured wiring solutions, and generally see a greater number of applications, from entertainment, to networked PCs, to security, that is driving the demand for this solution. It is expected that as the cost for these solutions continues to lessen, an increasing number of homes and communities will be equipped with broad-

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band services, and will be equipped with increasingly robust broadband offerings. ■

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