



NAHB and CES: A Tale of Two Cities... and the Fiber That Connects Them

By Steven S. Ross ■ *Editor-in-Chief*

There was more than physical distance between Las Vegas and Orlando in January. The Consumer Electronics Show and the National Association of Home Builders' show were held on successive weeks in these cities. But the audience and the moods were very different, although the target was the same: The American consumer. From the point of view of a magazine that covers both camps, it's time they ramped up the dialog with one another.

At the homebuilders' show in Orlando, the mood was a tad tense. After two amazing years, the market for new homes is cooling. Housing sales fell nationwide last quarter. In fact, according to the National Association of Realtors, they've been falling for the past six months everywhere but the South (where markets are distorted due to Katrina).

The forecast for 2006 is more of the same according to NAR forecasts: Existing-home sales are likely to decline 4.7 percent to 6.74 million this year, down from a record 7.07 million units in 2005, while new-home sales are expected to fall 8.5 percent to 1.17 million from a record 1.28 million in 2005.

At the CES in Las Vegas, however, the mood was upbeat, even exuberant. New products and lower prices foretell a market that will continue to expand, even as the economy slows.

The Opportunity for Fiber is Huge

What an opportunity for fiber to the home! A weakening in the real estate market, but not a collapse, as mortgage interest rates inch up to close to 7 percent. Both the new and existing housing sectors would in fact see their third best year after the totals for 2005 and 2004.

But as buyers get more selective, builders will have to add value – to differentiate their offerings from the development next door. In short, they have to improve the

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product, just like the folks who sell HDTVs and iPods do.

Builders have historically been comfortable improving value by building bigger and adding glitz – fancy appliances, extra bathrooms, and so forth. They have not had to pay too much attention to consumer demands for broadband technology... until now.

Even in the rising market of the past few years, a market that tended to forgive mistakes and lack of vision, the presence of fiber sold homes faster and added to price. As the market cools, fiber could become the key differentiator, assuming consumers understand their own needs.

With more than 60 percent of all Internet homes now using some form of broadband, that's a pretty safe bet – and the bet has been confirmed by numerous surveys we've been publishing.

Today, many consumers know what they need. And today, builders can add fiber outside AND inside the home for almost no net cost compared to copper – about \$2,500 more, or 1 percent of the selling price. That's one month's carrying charges up front to ensure quicker sales, higher selling prices, less risk. This month, David Mei's article explains the deal in detail and a Q&A with developer Jeff Hesla shows how to put the ideas into practice.

But builders can't do this alone. They need the help of the consumer electronics folks and local broadband service providers – cable companies and telcos – to

expand the market and seal the deal.

Providers of the new gadgets, and the content that runs on the gadgets, see the need for broadband connections. They have come up with myriad ways to make those connections cheap and easy, even in existing homes that lack structured fiber or coax Ethernet cabling.

As we detail in this issue, this year's CES featured numerous new products – ways to send digital content reliably on old coax, or on a home's electrical wiring, at 200 Mbps or faster. Just after CES closed, the committee writing IEEE 802.11n, for enhanced Wi-Fi, approved the final standard. The new technology lowers the barriers to FTTH by making it cheaper to actually hook up a home once it's passed by fiber. The cost is lower if the provider does the work. And it is now possible to shift some of that cost and bother to consumers. Even the content controls – remotes and on-screen displays – are plug-and-play.

What good is a 42-inch HDTV screen, if the content is limited only to old movies, writ large? What good is FTTH without broadband distribution inside the home? And what good is all the new technology, unless builders, gadget-makers and content providers get together to sell what consumers crave? **BBP**

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