



RESOURCE

Multifamily home technology: what investors can learn from luxury buildings

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The number of home renters has [increased by over four million since 2010](#) and investors of all levels have become increasingly interested in multifamily buildings as a result. As more “empty-nesters” seeking to downsize and Millennials hoping to save money on housing search for their ideal homes, multifamily real estate is predicted to continue to be one of the most active segments in CRE for many years to come.

But today’s tenants are looking for more than just an apartment. Soon, they’ll be looking for more sophisticated technology than just fast wi-fi and smartphone-controlled building entry. Investors with stakes in multifamily CRE should begin looking to the future of their investments as tenant demand for “luxury” technologies—from virtual reality to driverless cars—changes.

What can your clients learn from luxury buildings and how should they expect to invest in these technological developments to meet future standards?

Virtual reality

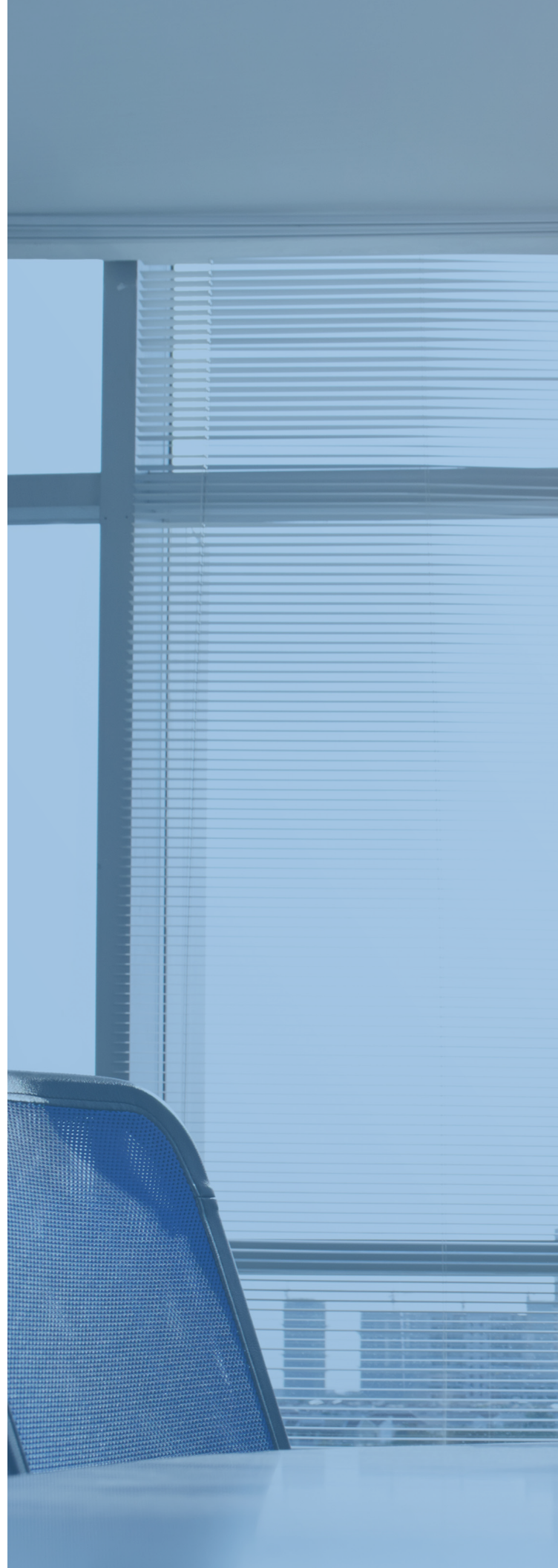
Today's lifestyle-focused renters often seek buildings with gyms and pools, but soon, they'll be looking for virtual reality exercise and leisure amenities as well. One luxury apartment building in Maryland already [offers tenants access to an HD virtual golf simulator](#).

Working from home will also change with widespread use of VR. Instead of traveling to the office, employees will be able to "plug in" to meetings and engage with co-workers or clients as if in person. Virtual reality will facilitate a better collaboration than conference calls or Google Hangouts. To turn commute times into more productive hours, "virtual commuting" through VR will be more popular than ever. Multifamily tenants will be seeking spaces that can better accommodate remote work.

WHY THIS MATTERS TO INVESTORS

When pursuing the development or redevelopment of multifamily buildings, investors will likely choose to approach units in a different way. Instead of planning a three-bedroom unit, they may opt for two bedrooms and a flexible office/multimedia space. Virtual co-workspaces, similar to co-working spaces as we know them today, will also be highly sought after in apartment buildings for those who want to leave their units for work but avoid lengthy commutes.

Additionally, investors will need to consider the demographic shift surrounding multifamily homes they currently own or are in the process of buying. Proximity to major downtown office buildings will be less of a concern for apartment residents, and multifamily buildings further away from those office-focused downtown areas will likely see an increase in value based on their proximity to other amenities like shopping and restaurants.



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Smart buildings and the Internet of Things

Today, many high-end multifamily buildings offer residents [Internet of Things-connected package management apps](#) that allow them to efficiently control deliveries and personal mailroom lockers. When packages arrive, tenants receive immediate notifications on their smartphones and can retrieve their packages at their convenience without concern they'll be misplaced or stolen. This is just a taste of what's possible in the near future with IoT technology.

Soon, the most coveted multifamily buildings will be customized with IoT-connected light switches,



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electrical outlets, door sensors, motion sensors, thermostats, door locks, ceiling fans and more. All of these settings will be connected to an individual's smartphone to allow tenants to control and monitor their units, even when away from home.

WHY THIS MATTERS TO INVESTORS

If multifamily properties implement IoT technology and innovate at a faster rate than single family homes, they'll be competitively positioned to attract tech-savvy residents. Some families might even be

interested in migrating from houses to condos and apartments in order to take advantage of superior tech, and investors should be ready for this shift.

Like all other types of technology, implementing the latest versions will increase property values. However, investors should also recognize the risks, in 10 years, a building equipped with an older iteration of a smart thermostat could be viewed as obsolete, and therefore, less valuable.





Artificial intelligence

Imagine a virtual assistant connected to your smart lights, thermostats, doors and more that allows you to change settings by simply talking out loud. That will soon be possible through natural language processing—a function of AI that allows you to communicate with a technology by speaking to it as if you would another person. Amazon's Alexa is an early example of this.

Virtual assistants are far from the only AI technology that will impact multifamily buildings. Cameras and sensors equipped with [behavior tracking and predictive analytics](#) will also leverage AI to create better apartment and building security. Residents and guests will be able to enter private residences through facial recognition and those without access will be denied entry. We've recently come a step closer to this on our personal devices with [iPhone's new facial recognition technology](#), and it could soon roll out to buildings as well, with natural applications for package delivery lockers like the ones we discussed above or access for a pet sitter while you're away.

Smart building technology will also be taken a step further through machine learning and predictive analytics. AI-enabled smart building amenities will be able to recognize patterns in resident preferences and, without user action, adjust a unit's specifications like lighting and temperature based on time of day, exterior temperature and light and more.

WHY THIS MATTERS TO INVESTORS

As residents begin to more actively seek buildings with cutting-edge security, AI-powered security systems will be a top priority for investors. Like smart building technology, better AI-powered security systems will increase property values as well.

But also like smart building technology, investors and developers should use caution when seeking to implement the latest security or other AI home technology because it could become outdated in a short period of time. [Advances in artificial intelligence are accelerating](#) at a rate previously unforeseen by experts, so if there's a possibility an AI multifamily technology will be very different in just a few years, it may not be the best immediate investment choice.



Autonomous vehicles

Google has predicted that driverless cars [will be commercially available by 2020](#), and once they're widely used, everyday transportation will shift dramatically. Instead of individuals owning their own driverless cars that get parked when they're not in use, [autonomous vehicles will be a utility](#), much like public transportation.

Those who do choose to commute to work (even with potential advances in VR discussed above) will be more willing to travel greater distances because autonomous vehicles will allow workers to be productive in transit and because driverless cars will travel much more efficiently than human drivers.



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Perhaps most importantly for those in the multifamily space, personal parking spaces will no longer be on resident wishlists, because many individuals will no longer own their own cars.

WHY THIS MATTERS TO INVESTORS

Investors should learn from the mistake [Apple made with its new headquarters](#) and seek buildings where parking areas can be converted to other uses in the future. Additionally, investors should think about how properties will be equipped to handle driverless car pickups and dropoffs. With access to easy pickup and dropoff hubs, driverless car accessibility will be

a marketable amenity for investors and buyers of multifamily buildings.

Even if driverless cars become ubiquitous, multifamily residents will always be interested in the walkable neighborhood lifestyle. The urban sprawl driverless cars facilitate will result in a growth in development or redevelopment of multifamily properties in traditionally suburban locations, opening more opportunities for investors in previously unpopular locations for apartment tenants.





What should CRE professionals expect?

As a broker, remind your investor clients that while it may be tempting to jump on the latest technology for a multifamily building immediately, they're better off making well-considered tech investment decisions. When an investor client is in doubt about whether a new tech addition for a multifamily building will be beneficial in the long run, help them analyze trends and current demographic preferences and discuss how you foresee that data shaping the future.

Technology changes very quickly, so carefully assess which investments are most likely to withstand the test of time and produce the best for ROI. Technology is fluid, but a building is forever.

Want to learn more about how to effectively market buildings based on what investors are looking for? [Contact Buildout today.](#)

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