WHITE PAPER

Resident Demand for Technology: Evaluating Amenity Fees

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Resident Demand for Technology: Setting Amenity Fees

Multifamily properties are investing in smart technology amenities in order to better attract and retain residents as well as serve as a source of incremental revenue. However, different demographics and geographies have varying appetites when it comes to smart technologies. To maximize the benefits of smart technology deployments, owners and operators must understand the specific needs and preferences of their target residents.

This white paper examines the rising demand for technology amenities in multifamily rentals, along with how properties are funding these amenities through the use of amenity fees. It covers evolving state regulations, resident perceptions of value and willingness to pay, and market variations across different metro areas. It also provides actionable insights for property owners, property managers, and investors to optimize amenity offerings and fee structures.

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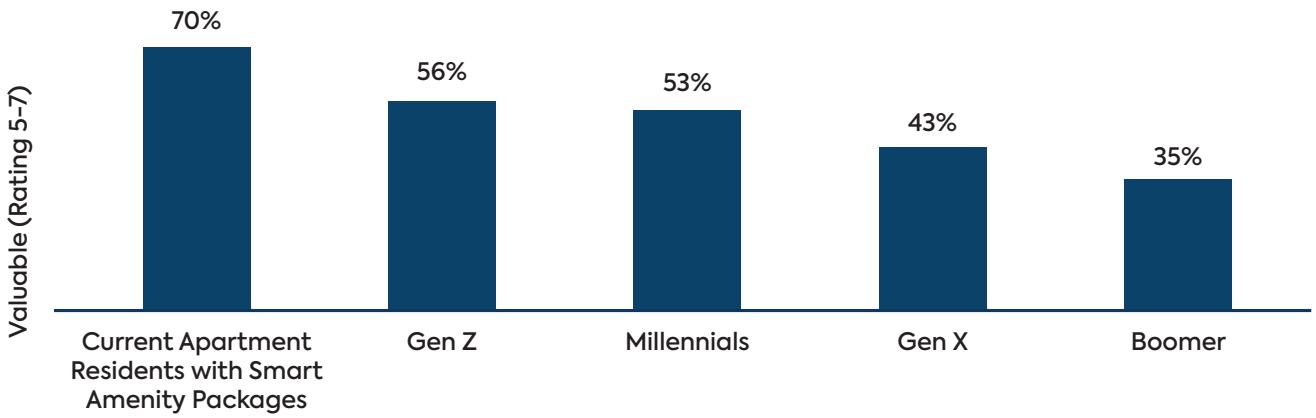
Resident Demand for New Technology

Competition is rising in the multifamily housing market. A wave of new builds started during the COVID-19 pandemic is in the process of hitting the market, putting pressure on existing properties to compete for residents and upgrade their amenities. To meet this demand, multifamily properties are increasingly offering smart technology amenities to their residents, including a wide variety of technologies such as in-unit smart device amenity packages, access control and smart safety and security solutions, and increasingly bulk internet and managed Wi-Fi.

Parks Associates' *Smart MDU Market Estimates: Apartments and Condominiums* estimates that as of 2024, approximately 13% of apartment residents live in an apartment with an in-unit smart amenity package. These packages include popular smart home devices such as smart thermostats, smart door locks, video doorbells, smart lighting, and connected smoke detectors, among others. These devices allow residents to perform tasks such as automatically or remotely setting their home to a preferred temperature, admitting guests or delivery services, avoiding being locked out of their homes, and enhancing their overall security and well-being.

Residents are interested in smart device use cases, but are less likely to report seeing the value in the actual devices themselves – it is not enough for properties to advertise smart amenity packages as a collection of devices; they must also make an effort to communicate the lifestyle benefits and actual impact to residents. Select demographics report higher levels of interest than other demographics, indicating that smart amenity packages are more in demand in certain communities: resident age and tech affinity are particularly impactful. Other communities may see more benefit from treating these devices as operational and cost-saving tools.

How Valuable Do You Consider the Benefits of a Resident App to Control Smart Devices in Your Unit, Like Lights, Locks, and Thermostats?



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Funding Resident Amenities

Property technology investments, as with all investments, require funding – initial funding as well as funding for ongoing maintenance, SaaS fees, and hardware replacement costs. Properties use various financing and funding mechanisms for their technology amenities, with specific technologies sometimes falling under multiple umbrellas – as both a resident amenity and as a cost-saving and operational tool.

The ways these financing mechanisms are structured commonly depend on the age of the property, the hold length, and the owner type, as well as the market segment being targeted:

NEW CONSTRUCTION

The cost of adding in technology investments is covered under a specific line-item in the overall budget, with the cost of maintenance commonly incorporated as part of an ongoing amenity fee and/or an assumed renovation schedule. Property technology investments are included as part of overall NOI calculations & are reflected in the property sale price.

ACQUISITION

Properties may be acquired with technology already in place, in which case both the property infrastructure and existing solutions are evaluated during a technology review process. Depending on the results, technology may be replaced, upgraded, or maintained. Technology renovations of acquired properties are most commonly part of a larger renovation budget, with the priorities and the amount earmarked depending on the length of the hold and desired resident demographics. If comparable sales in the area charge technology amenity fees, then this is likely expected in this market.

RENOVATIONS

Properties will commonly renovate units on a regular timescale, such as every five years, during the resident turnover process. These renovations may come out of a renovation budget, may be financed via a property improvement or green loan, or may be partially or fully covered via government incentives and grants.

Essentially, modern technology deployments require both an initial and subsequent investment and ongoing budgeting. In order to determine if these investments are worthwhile, properties examine the amenities offered by nearby competitors, conduct analyses of their desired residents, and evaluate the impact on property ROI and NOI. It is important to note in evaluations that unlike one-time features like granite countertops, smart technology delivers ongoing value. Smart tech increases resident satisfaction, reduces utility costs, and increases portfolio efficiency month after month.

Resident Amenities as a Source of Incremental Revenues

Resident amenities are commonly funded via amenity fees. These fees pay for ongoing SaaS and hardware financing costs, as well as for future hardware replacement cycles. These fees can also serve as a source of incremental revenues, further boosting property NOI and leading to a higher valuation. They are important for the long-term sustainability and competitiveness of the property and its technology investments. Not all properties break their fees out separately from rent – there are pros and cons to having a separate fee structure.

PROS OF SEPARATE AMENITY FEE STRUCTURE

1. **Transparency** – residents prefer knowing what their money is going towards and report that they prefer having separate itemized fees as compared to a higher base rent.
2. **Flexibility** – having separate line items allows properties to offer unique technology packages at a variety of price points and/or adjust fees based on changes in technology costs or market conditions without having to alter the rent.
3. **Taxes and Incentives** – technology amenities may fall under a different taxation structure than base rent or otherwise benefit from financial incentives such as grants or tax credits. Having a separate itemized fee makes accounting easier.
4. **Budgeting and Forecasting** – separate line items make it easier to track and allocate costs related to technology amenities, forecast revenues, & evaluate ROI.

CONS OF SEPARATE AMENITY FEE STRUCTURE

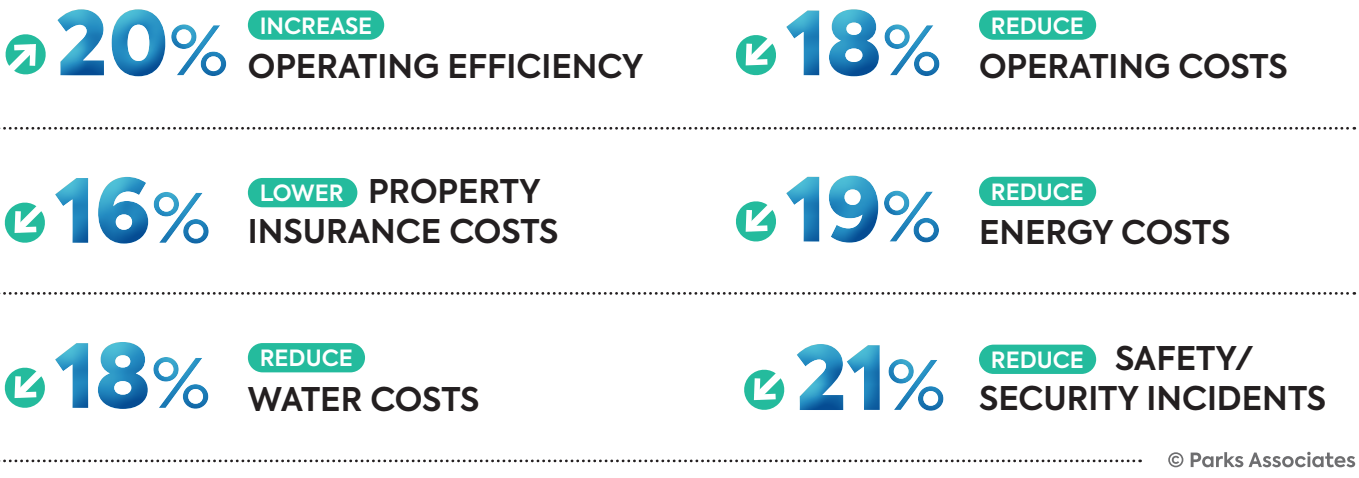
1. **Pricing Confusion and Sensitivity** – prospective residents will commonly shop for leases by evaluating monthly rental costs; if amenity fees are not transparently communicated up front, they may experience sticker shock and feel as if they have been "bait and switched." Some residents may additionally view separate amenity fees as an additional cost rather than an added value, leading to dissatisfaction, especially if these fees are not common in the market.
2. **Administrative Complexity** – accounting solutions must be updated to track these separate line items and report accordingly. For smaller owners and operators, this is an additional expense and adds to the complexity.
3. **Regulatory and Legal Considerations** – state and local regulations may include requirements about when fees are shown in the leasing process. "Junk Fee" regulations in states such as Colorado may additionally limit how much can be charged via amenity fees, depending on what is included in the fee package.

Beyond Amenities: Improving Operational Efficiencies & Driving Cost Savings

Smart building technologies, in addition to their value as amenities, offer various operational efficiency gains and may deliver considerable cost savings to owners and operators. These solutions cannot solely be evaluated by their ability to attract/retain residents and drive incremental revenues – key decision makers and accountants/underwriters must also take into account the expected savings from solutions deployment.

Smart building technologies such as electronic access control and smart door locks, smart water meters and water leak detectors, smart thermostats and smart heating/cooling, among others, generate various operational improvements and cost savings. Over the past several years, as pilot projects have progressed into full scale rollouts, owners and operators have collected data on the actual impacts experienced by these investments. Generally, key decision makers report an overall average of 20% savings from smart building technologies. Some – including water leak detectors and smart thermostats – are able to save hundreds of thousands to millions of dollars in losses across a portfolio by preventing catastrophic damages associated with leaks and burst pipes.

Average Reported Impact of Smart Building Deployments

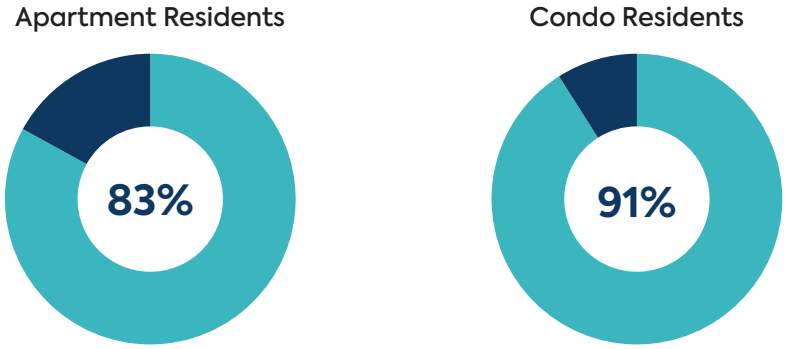


These solutions offer the greatest ROI when they are part of an enterprise level system or platform, offering administrative controls, full system views and dashboards, the ability to set alerts, and real-time visibility, among other benefits. Consolidating point solutions under a single or limited number of enterprise platforms offers additional benefits: combating fragmentation, streamlining the training and support process, and simplifying the budgeting process.

Resident Willingness to Pay

Parks Associates consumer surveys find that roughly 14% of US apartment residents report paying an amenity fee for technology, rising to 21% of condo owners paying such a fee to their HOA. The average technology amenity fee paid by renters totals $75 per month, or $80 per month among condo owners. This amenity fee may include bulk internet (defined as property-provided internet), smart apartment amenity packages, smart security packages, valet trash, package management, or any number of services.

Tech Amenity Fee is Worth the Cost



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Generally, residents feel that the price they pay is worth the cost, with 83% of apartment renters and 91% of condo owners reporting that they feel these amenity fees are worth it. Smart apartment amenities also improve resident perception of their property, and charging for smart amenities separately may clearly communicate their value. A higher percentage of residents who pay amenity fees report being satisfied with their property-provided smart home devices and services than those without such fees – 77% versus 68%, respectively.

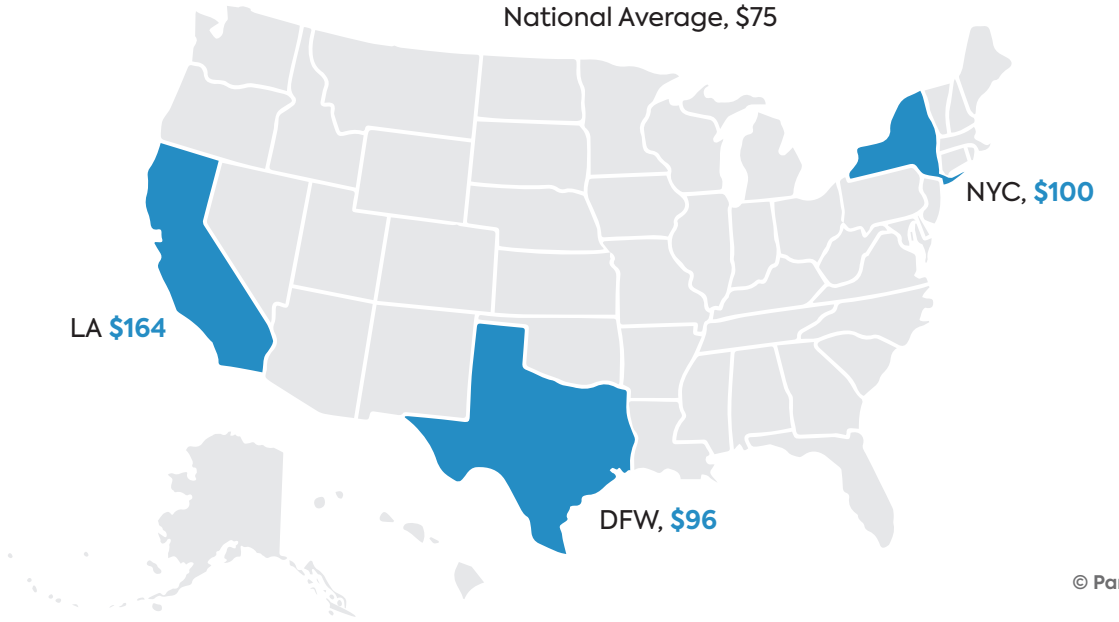
However, one potential frustration for apartment residents is if they have to pay above-average amenity fees to compensate for lower rent prices. Renters whose rents are advertised as market average report paying a median average of $100 per month in amenity fees, while those in communities with rents positioned as "above average" (i.e., luxury) reported paying an average of $73 per month. Properties need to find the right balance when charging separate amenity fees versus incorporating the costs into the baseline rent.

A Dive into Top US Markets – Understanding the Differences

Smart building technologies offer many benefits to property owners, operators, and managers. These benefits range from the financial, to the operational, to the qualitative. Parks Associates' surveys of MDU owners, operators, and managers find that the vast majority of those that have already deployed smart building solutions expect benefits from these solutions, such as increased operating efficiencies, reduced operating costs, and directly reducing the cost of utilities.

Of course, in real estate and in multifamily housing, each market is unique. Different metro areas have different wants and needs when it comes to amenities. Rules and regulations, building codes and conventions, weather and climate, energy and insurance costs, as well as labor, will also vary. New York City, Los Angeles, and the larger DFW and Houston areas are some of the largest metros in the United States and speak to the diversity of approaches and results companies may face.

Average Reported Technology Amenity Fees



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New York City, New York

New York City is one of the most population-dense cities in the US, with a population of nearly 8M. Demand is high, supply is limited, and the market is highly regulated with price controls in place. Rent stabilization drives many of the market dynamics in NYC: owners and operators in this city focus their investments on technologies that increase operational efficiencies and lower costs, as well as technologies that track regulatory compliance, in order to increase their ROI and NOI. NYC is also one of the US's oldest cities, with older buildings constituting a large amount of the housing stock. This means that many communities may not be appropriately wired for large-scale technology deployments, or be easy to retrofit. However, new methods of retrofitting connectivity are easing the way.

In NYC, technology amenities are desirable in luxury communities, with a focus on elevating resident lifestyles. In addition to smart convenient automation, residents expect services such as dog walking, laundry, and valet trash. While NYC is safer than it has been in the past, security is of great interest, with many buildings having restricted access. With the high cost of labor in this market, market-rate communities and even some luxury communities are examining the use of automation tools to reduce the need for doormen and other positions during non-peak hours.

In NYC's high rises, water leaks are capable of causing catastrophic damage, where many units are impacted at the same time. Older buildings especially are likely to experience leaky pipes and burst lines, and even newer properties may suffer faulty clothes washers and other appliances. Water leak detectors are a significant source of cost savings for NYC owners.

The larger New York City metro area boasts a population of 20.1M, with 11.3M living outside of the city proper. This area is more affordable than NYC, with larger living spaces. Many multifamily households are families that commute into NYC for work via the subway system & other forms of public transportation. Zoning laws limit density & development costs are high.

In the NYC metro area, apartment residents with technology amenity fees report paying an average of $100 per month. In addition to in-unit smart devices, this may include bulk or property-provided internet. Please note that properties in the NYC metro area may advertise their rental units as "no fee" to better appeal to price sensitive renters.

LA is a city of approximately 3.8M people and is the second largest in the US. Much as with NYC, demand for housing is high, supply is limited, and the market has rent control measures in place to limit price increases. Unlike NYC, LA is less population-dense, largely due to zoning, with smaller communities and newer buildings. This market focuses on smart technologies for both operational improvements and cost savings, as well as for desired resident amenities, improving ROI while also appealing to tech-savvy residents. California owners and operators are also interested in opportunities to leverage amenity fees for incremental revenues, given that rent increases are capped at 5% plus inflation, or a max of 10% annually.

The cost of energy is high in California. Although residents pay electrical costs for their own units, owners and operators pay the cost for these units when sitting empty – as well as the cost for community areas. Smart thermostats and other energy-saving devices are in high demand, promising a significant ROI. Owners and operators in this market – as well as their residents – stand to benefit from solutions that tie into electrical utilities' demand/response programs, solar energy initiatives, and more traditional energy savings measures such as improved insulation, window awnings and canopies, and reflective window coating.

In the LA metro area, apartment residents with technology amenity fees report paying an average of $164 per month. In addition to in-unit smart devices and security solutions, this may include EV charging access.

Dallas/Fort Worth, Texas

Dallas and Fort Worth collectively comprise a large metro area in North Texas, called the "Metroplex," consisting of over 8.1M people. Much of the total population of this area is outside the city limits of Dallas and Fort Worth, and the housing stock is dispersed across many suburbs. In these markets, much of the multifamily housing stock is in garden-style apartment communities, while dense high-rises are largely reserved for downtown areas. A boom in population has also led to rapid construction of new housing starts, aided by a lower regulatory environment and a lack of price controls. Many of these newer communities are luxury mid-rises that emphasize smart amenities and a convenient lifestyle as a way to differentiate from numerous older garden-style properties that may boast larger floor plans.

Garden-style communities face different economics when it comes to deploying smart building technologies. In the DFW and Houston markets, older communities are wired with DSL or coaxial cable for resident internet service, and many will not have the wiring running to community areas. However, many of these properties are gated and are in the process of upgrading their existing intercom and gating solutions to smart, app-based solutions that incorporate package management support for delivery services. Similarly, smart technologies that work well in dispersed settings are ripe for adoption in this increasingly competitive market.

In the DFW area, residents in communities that charge technology amenity fees report paying an average of $96 per month. In addition to technologies such as smart thermostats and video intercoms, this fee commonly includes valet trash and may include a package management solution such as Fetch.

Conclusions

Smart technologies offer multifamily owners, operators, and residents many benefits. Residents increasingly expect convenience, security, and control in their living environments. Owners and operators seek ways to automate labor-intensive tasks, reduce unnecessary spending, and offer valuable benefits to their residents. The adoption of smart amenities not only enhances the quality of life for residents but also positions property managers and owners at the forefront of innovation, enabling them to better compete with comparables in the markets that they serve while increasing overall NOI and ROI.

Setting amenity fees for these technologies requires a strategic approach that balances the cost of these deployments with the value they bring to residents and to the property itself. Owners and operators must understand the specific needs and preferences of their target demographic and local market conditions. By doing so, they can price these amenities appropriately and ensure that residents perceive the added cost as an investment in their comfort and security. Transparent communication about these fees, as well as their benefits to residents, can help smooth the way.

For many prospective residents, especially younger residents, smart technology isn't a luxury anymore – it's what they expect. While demographic interest in smart technology may vary, properties that delay adoption risk falling behind on both resident expectations and operational performance. The data is clear: technology amenities have become table stakes in new construction, and even older properties are looking at ways to cost-effectively bring in smart technologies to better serve their residents and operational needs.

About Parks Associates

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Parks Associates, a woman-founded and certified business, is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. Founded in 1986, Parks Associates creates research capital for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

The company's expertise includes new media, digital entertainment and gaming, home networks, internet and television services, digital health, mobile applications and services, consumer apps, advanced advertising, consumer electronics, energy management, and home control systems and security.

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