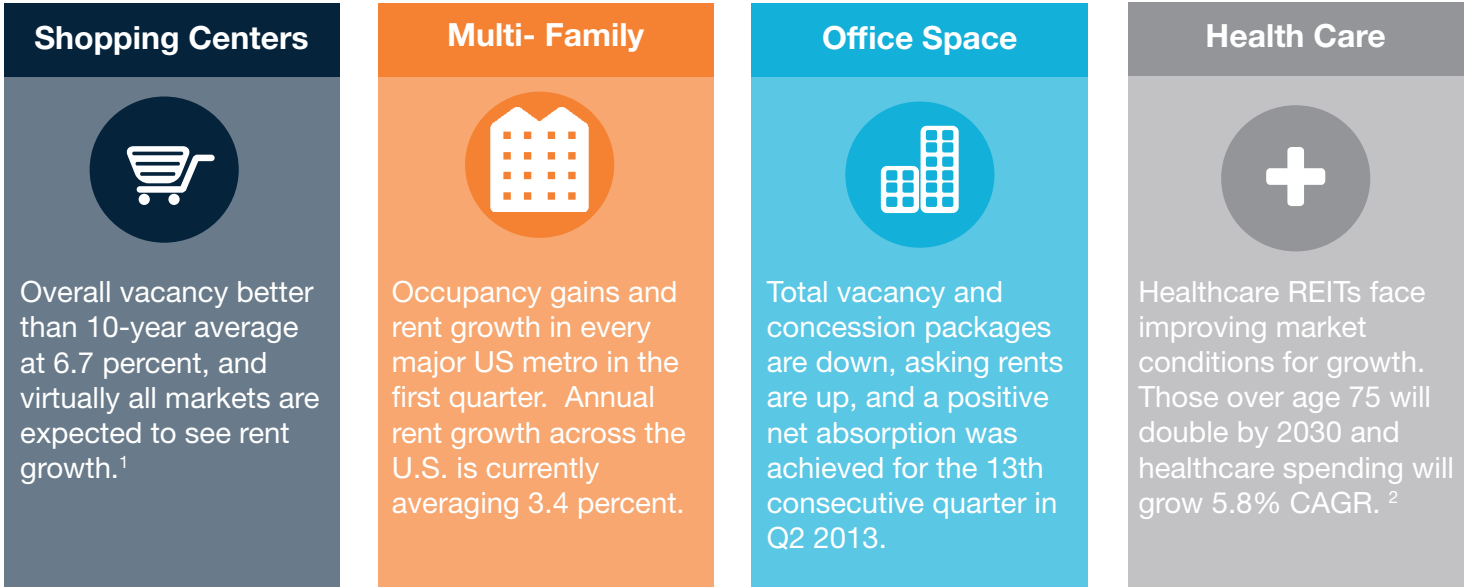# Smart Buildings: Future-Proof Your Properties' Networks and Drive Revenue
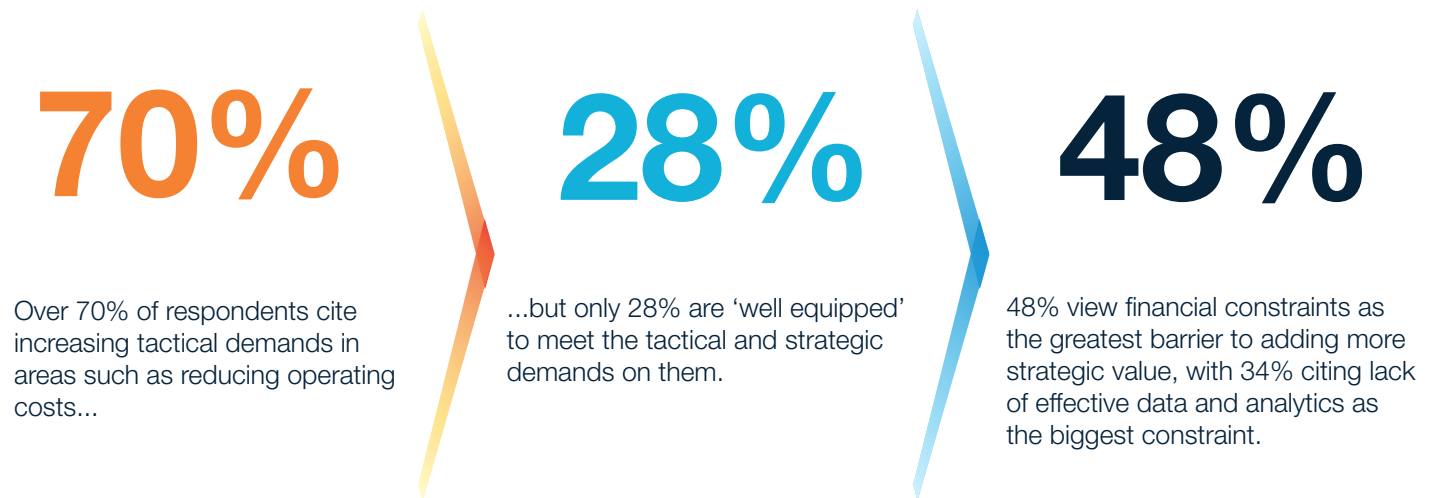
By Scott Michaud, Chief Operations Officer

Approaching 2014, positive signs are all across corporate real estate:

Shopping Centers	Multi-Family	Office Space	Health Care
Overall vacancy better than 10-year average at 6.7 percent, and virtually all markets are expected to see rent growth.[1]	Occupancy gains and rent growth in every major US metro in the first quarter. Annual rent growth across the U.S. is currently averaging 3.4 percent.	Total vacancy and concession packages are down, asking rents are up, and a positive net absorption was achieved for the 13th consecutive quarter in Q2 2013.	Healthcare REITs face improving market conditions for growth. Those over age 75 will double by 2030 and healthcare spending will grow 5.8% CAGR. [2]

Across all sectors, REITs have improved income. Un-depreciated book value of property has risen by 35% since 2007, while operating costs have risen by only 22%.[3]

However, short term cost sensitivity has obscured the view of more pressing strategic issues. A huge majority of real estate executives surveyed in a 2013 study[4] report being stuck in the tactical weeds at the expense of tackling strategic opportunities :

70%

Over 70% of respondents cite increasing tactical demands in areas such as reducing operating costs...

28%

...but only 28% are 'well equipped' to meet the tactical and strategic demands on them.

48%

48% view financial constraints as the greatest barrier to adding more strategic value, with 34% citing lack of effective data and analytics as the biggest constraint.

These data suggest that leaders feel pressure to reduce costs while still building competitive advantage for their properties - and value for their shareholders - but are ill prepared to do so. IT teams are stretched incredibly thin. They need a new strategic approach. Prerequisites to that approach are better data, analytics, and greater financial freedom.

Unlock the Building's Untapped Potential

The two things that can help these leaders add the most strategic value –information and revenue– remain trapped in their networks.

Reams more data exist within networks with the advent of greater user mobility and social connectivity.   In fact, some CIOs now oversee marketing to ensure that all data is analyzed and that the brand is represented consistently over social media. They create real-time dashboards of financial, occupancy, and building management data for their teams to accelerate the leasing process and to enable tenants to make better use of bandwidth or office space.

However, many properties' networks are outdated and fractured, consisting of several different networks. (That is, if they have a network at all.) Service providers (e.g. Security, Back Office, EMS) all have networks. Not only is this inefficient and costly, but it makes it difficult to have full visibility or transparency into network data. This handcuffs IT's ability to add strategic value and provide competitive advantage to tenants.

While data help executives act more strategically, there is one thing that owners care about even more: revenue.

The Solution: Smart Buildings

While some look at "Smart" Buildings in terms of energy efficiency, we look at it slightly differently. Our definition of a Smart Building is one that maximizes the network to ensure that tenants, and property owners, maximize revenue.

The solution begins with the network itself. The network infrastructures in many retail and commercial real estate buildings are made of copper. It's difficult to provide high quality services over copper. So, the first step in building a modern network is to replace the existing copper with an ultra-fast, secure, and highly reliable fiber optic Technical Communications Backbone (TCB) across the property. The TCB - an open, multi-tenant, multi-service backbone - integrates all internal and external tenants and provides new analytics. Now, instead of multiple networks throughout the building – energy management systems, security systems, and so on – there is **one network** that runs all building systems and tenants. It is important, however, to lock down the campus and let a network operator manage all closet and network access. Integrating all networks on one backbone and locking down the campus ensures that a common set of standards are followed. This drastically reduces outages and reliability problems.

What Makes a Building Smart?

Would you buy a Smartphone that just allowed you to make phone calls and surf the web? No, of course not – we buy Smartphones for the access they provide to the wide array of value-added applications.

The same is true for Smart Buildings. The most high-quality fiber-optic network is worthless if it is not connected to anything.

To really make your building Smart, you need a SmartCircuit. A SmartCircuit is a private circuit (Metro E or Fiber, depending on property needs) which extends the standards of the network all the way into the cloud. By connecting your building to Single Digits' data centers through a SmartCircuit, you and your tenants have the ability to connect to private cloud services such as:

Moving applications to the cloud. Single Digits hosts and manages tenant applications (e.g. PBX) in our redundant data centers. With a secure connection, tenants save the CapEx to implement these applications as well as the physical space to install and resources to maintain.

Interconnecting sites. Through Single Digits' Layer 2, nationwide backbone, tenants connect privately and securely back to their corporate office, their data center, or other offices.

Having a high quality voice solution at lower cost.   Single Digits offers a robust enterprise VoIP and hosted PBX solution. Flexible bandwidth control layers voice over the network IP, prioritizing voice traffic to ensure a dedicated quality of service.

Providing service provider options. For tenants with a national contract with a carrier, we can provide cross connects with carriers through our data centers. They can extend their MPLS to the premises over the infrastructure and we manage the common platform to extend Quality of Service.

Access to an ecosystem of application providers. Through our Open Network Exchange, we connect your network to a variety of partners who can help you monetize your Wi-Fi. The options are limitless - and easily configurable.

DAS systems – Carriers and DAS can meet the MPOE in the cloud, connecting all of your DAS systems, providing significant cost savings.

So, a Smart Building is a competitive advantage your tenants and for you, the property owner, in recruiting and retaining those high-quality tenants.

But the competitive advantage does not end there. By taking owner-ship over the fiber-optic network, you become the "Last Mile" provider to tenants for data and VoIP services. This means that you, as the property owner, now provide high speed, scalable internet bandwidth and voice to tenants over your network. More to the point: all of the monthly data and voice payments tenants previously paid to AT&T or Comcast now go to you.

While you own the network, Single Digits operates it. As network operator, we handle all of the technical challenges for which your team is likely not staffed to handle. We ensure that these applications get the right quality of service. We monitor and manage the network. We deploy people to get your network back up quickly in the event of problems. We handle the billing, tax, and regulatory issues and even have relationships in place to quickly get the right circuit directly into your property.

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ALL of the monthly data and voice payments tenants previously paid to AT&T or Comcast now go to **YOU**

Finally, in the case of buildings with more transient guests such as airports, malls and casinos, dense Wi-Fi networks are installed throughout the building. Wi-Fi is not only a desirable amenity, but it provides two key benefits for your building and tenants:

+ **Information:** The ability to learn more about your users and provide the data retailers need to deliver advertising messages to customers with pinpoint accuracy.

+ **Revenue:** As mentioned earlier, we connect your building to many third parties through our cloud-based and open-architected software. These partners - carriers, social media services, applications, and advertisers –improve end users' experience and property revenue.

In addition to significant revenue opportunities, your building will be perceived as having higher-quality ownership and property care and become a highly desirable location for tenants. This will yield direct financial return in the form of increased rents, increased occupancy percentage, and higher resale price.

Several leading REITs have already begun to unlock the trove of information and revenue locked up in their networks. To these groups, the ROI of the Smart Building is clear. Contact Single Digits at **603.580.1539** or **SD-info@singledigits.com** to learn more about how we can make your network work for you.

Sources

1. Retail Outlook. United States Q2 2013. A tale of two centers: the yawning chasm between competitive and non-competitive retail. Jones Lang LaSalle
2. The REIT Elife: Top REITs for the Long Haul.
   http://seekingalpha.com/article/1321041-the-reit-elite-top-reits-for-the-long-haul
3. SNL Financial, analysis by EY
4. Risks Ahead: Global Corporate Real Estate Trends 2013. Jones Lang LaSalle

Single Digits is the white label network operator for property owners. We help our clients connect consumer devices to their private networks and position them to take advantage of emerging revenue opportunities. Based on our partnerships with clients and innovative solutions, Single Digits was honored to receive Gaming and Leisure's 2013 Platinum Award in Gaming & Hospitality and the New Hampshire High Technology Council's 2013 Product of the Year.