



There are smart devices that can track pretty much everything today, depending on what you're looking to do.

Many devices that monitor also allow you to control the devices being monitored. You can make adjustments to help you optimize your building to understand and reduce your expenses, as well as tracking the long-term health of various components of the building.

## 2. Limiting Access

The right smart setup can help you keep your tenants safer while simultaneously making it easier to get things done. Tenants can have access to specific areas by interacting with smart lock devices. These devices can help to limit access and measure the occupancy in a certain space.

The other way these devices can be helpful is in allowing temporary access. Smart mailboxes allow packages to be delivered without fear of theft while smart door locks can give one-time access codes for unit viewing, maintenance, or repairs. For example, a plumber can be given a one-time access code to enter a tenant's unit to make a fix. When they leave, the code becomes invalid.

## 3. Health Benefits

In the COVID era, [smart building systems](#) can help to protect both tenants and building management staff. You can set up, monitor, and control everything from occupancy to air quality and automatic sanitization.

## 4. Usage Measurement

Related to monitoring, usage management means you can set up your building in a way that resource usage from each individual machine, appliance, or fixture can be measured and understood. This allows you to see how your consumption is spread between different outputs, so you can make wiser choices when you're renovating or upgrading in the future.

## Breaking Down the Costs

The benefits might be obvious for you, but the costs to get those benefits are substantial. Smart systems aren't an impulse purchase you can just tack onto any multifamily purchase. There are a few significant costs involved in making smart upgrades.

### Retrofitting Vs. New Builds

If you're doing a ground-up build, it's easier plan for smart systems from the start. You can build the infrastructure you need directly into the framework of the building as it goes up. This means that device installations can happen at the same time as all the finishing work on, and you can use smart devices as the default.

Retrofitting smart systems into existing buildings is much more difficult and usually more expensive. The older the building, the more you're likely to pay to install systems. With existing buildings, changes might need to be made to the building itself, or existing fixtures may need to be removed and replaced, adding to the installation timeline and cost. The more you're doing, the higher the cost will be.

These costs are all upfront. If the benefits are substantial enough, it may still be worth considering a high upfront installation cost. Do the math for your multifamily to see where the breakeven point is.

## Devices & Installation

Talking about smart systems requires some nuance. There are an enormous number of possibilities for you to consider. Systems can range from simple utility monitoring devices to full security systems with cameras, smart locks, and alarm systems.

The best way to know the cost of the devices is to research the type of system you are interested in and find industry averages. As long as the devices you get are compatible with each other (both hardware and software), you can look for devices that fit your budget better. If you're comfortable with the devices you've found in your research, look for a quote for installation.

For a large enough multifamily, you have a lot of wiggle room for negotiation on the price of both the devices and installations.

## Security Audit

Before you can start using a new smart system, you need to do a security audit. This helps to protect your building and tenants from outside interference. IoT devices connect to the internet, so they are at some risk of being hacked. However, you can minimize this risk with the right security measures.

## Maintenance

Smart devices are not a one-and-done affair. But then, what part of multifamily is? You will need to budget for regular maintenance to keep the devices performing as they should. The budget for this will be based on the number and type of devices connected to your system.

## Cost-Benefit Analysis

The right IoT and smart building systems should provide [quick payback](#) for your investment, either by reducing your operating expenses or allowing you to charge a higher rent for added services to tenants.

Before you move forward with any type of smart building systems, you need to ask a few simple questions from the perspective of an investor:

### Do Your Tenants Want It?

Tenants broadly fall into one of [two categories](#): renter by necessity or renter by choice. Renters by necessity would prefer to own a home, but they are unable to for reasons such as low income, low credit score, or inaccessibility. These tenants can be anyone from a single-person household with a young professional, a blue-collar working family, a retired household, or even a family with multiple small incomes.

Renters by choice are those who could buy a house, but they would prefer to rent instead. This preference sometimes has to do with keeping a lower housing budget, but it could also be because of lifestyle preference, mobility, amenities, or living in a more urban and walkable area.

Renters by choice and those of necessity are often looking for different types of units. Necessity renters are more interested in reasonable accommodations with a good price. They are not often looking for extras and amenities unless those extras will help them reduce their own costs of living. Smart systems that help them to reduce power or water usage or give security benefits are more attractive to this type of tenant.

Households who rent by choice might be looking for a place with more extras and modern amenities. The idea of smart systems in the building and individual units may be more appealing to them in general because of quality of life improvement rather than specific cost reductions.

Depending on your target tenant, you need to decide if the upgrades you want to do will be worth it to them or not. Even if you see the benefits, they may not matter to the types of tenants your building will attract.

### Does It Make Sense for Your Asset Type?

The cost of installation and management for smart systems can be difficult to manage. You need to look at the types of units you're building/retrofitting/value-adding to understand what makes sense for that investment.

If you're building low-income housing, you probably won't make back your investment in anything that's not directly related to reducing your costs. There's very little wiggle room for rent increases in low-income housing, so it makes more sense to put in systems that reduce YOUR costs without affecting overall rents.

Other asset types offer a little more wiggle room, as long as you consider the price of purchasing, building, or renovating the asset and balance it well with the cost of purchasing and installing smart devices.

### Can You Recoup the Costs?

The most important consideration with a cost-benefit analysis of this nature is whether or not you'll be able to make your money back to cover the added cost of smart systems. Are they worth the money for your project? Will they affect your NOI enough to make the additional investment worthwhile?

If your initial estimates look promising, look to do a more complete audit to get a final price quote. Use this figure along with estimations of cost savings or rent increases to figure out how long it would take to break even, then to profit.

## Final Thoughts

Depending on who your target market is, where your property is located, and which asset class you're operating in, smart devices can be a useful addition to your property. Higher end class A buildings might be able to draw in more tenants or increase rents with the right systems, while class B or C buildings might be able to reduce costs with an efficiency-focused smart system.

Is it right for you? That's your decision. With the way the market is going and the growing usefulness of tech in construction, you might want to look at your options to see if there's anything that could make your property management easier.

## About the Author



Ismael "Rey" Reyes has been actively investing in residential real estate since 2005 and has focused exclusively on multifamily since 2016. He has led [MI Real Estate](#) in investing in 11 multifamily properties in Alabama, Florida, and Tennessee, totaling 401 units, and valued at over \$28 million. Rey also provides independent consulting to multifamily investors and is the international bestselling author of

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