

Does Student Housing still need a cable TV amenity?

Industry Briefing: Student Housing Vertical Cable TV & Video Programming Amenity Provisioning

Q4 2018

The future of cable TV as a traditional bulk amenity is a much discussed topic, as owners and operators try to get to grips with the transition to streaming and what it means for NOI. We provide here the current state of the industry as of the fourth quarter of 2018 to allow our clients to take appropriate planning steps.



By Andrew Marshall, Campus Technologies Inc, December 2018

Coaxial Infrastructure Is Still Required In New Construction

Although several developers have discussed the dwindling need for traditional CATV distribution by coaxial cable and the possibility for eliminating coaxial altogether for new Student Housing construction, we have not yet seen a new construction project that has done this. The move to streaming is not yet ubiquitous, and in some markets the lack of a TV amenity may disadvantage a community when viewed in competition with alternatives.

The overall incremental cost of including coaxial infrastructure in new construction is a relatively small part of the overall project cost, and we would recommend including coaxial facilities in new Student Housing Construction that is breaking ground in

2019 and 2020. Coaxial plant should however be designed to ensure that advantage can be taken of non-MSO solutions such as SmartBox due to the lower monthly per-unit costs and subsequent effect on NOI.

Premium Channels Are Being Discontinued

In some - but not all - markets, operators are reducing or discontinuing the provision of premium channels such as HBO. Many premium programming selections are available on streaming platforms, and many residents have access to streaming accounts such as HBO Go via their own or friends and relatives accounts. Unless specific competitive pressures exist in localized markets, we expect this downward trend to continue.

Copyright © Campus Technologies Inc., 2018. All Rights Reserved

Channel Numbers Are Being Reduced

A 'standard' lineup today in Class A new construction would be 80 HD channels, including local channels and a local sports network. Some operators are reducing this to 48, which reflects the decreasing use of linear TV as a medium in Student Housing.

MSO Contracts Are Dwindling

Most major owners and operators are not establishing or not renewing contracts for TV programming with MSO's – Comcast, Cox, Spectrum et al, instead deploying solutions such as SmartBox or other QAM distribution systems as a means of reducing monthly costs and thus improving NOI.

There are several reasons for the reduction of market share owned by the MSO's – cost, primarily, but also disadvantageous contract lengths and terms and the requirement to have set top boxes at each resident TV, as this places additional burden on the property at turn to manage boxes and remote controls.

A side-effect of this migration away from MSO's for video is that the MSO will no longer be able to tie up Internet services with cable, leading to increased competition in the Internet space.

Streaming Adoption Is Increasing

Overall, legal streaming accounts for between 40% and 60% of all peak hour

Internet traffic at student housing communities [See Table 1 for a typical traffic mix]. Legal (and illegal) downloads account for an estimated 10% over this, however the frequent use of VPN technology to mask traffic makes it hard to be specific.

Streaming adoption is not increasing at rates predicted by some, but it is increasing nonetheless. Although Student Housing residents utilize a significant amount of screen time, it is not necessarily screen time that involves linear TV programming.

Most Streaming Is At 1080p Or Less

Very little content is presently streamed at 4K. This is largely due to content availability and the type of device consuming the streaming, which is often a mobile device.

A 1080p HD Netflix stream consumes 4-5mbps of Internet bandwidth, whereas 4K requires 20-25mbps, so the limited use of 4K streaming helps conserve property bandwidth.

Streaming Services Do Not Yet Offer An Appropriate Billing Model To Challenge Other Amenity Services

Streaming services such as SlingTV could, technically, use IP based distribution to replace coax based TV amenities. However, their licensing model from content providers and the structure of their billing and authentication preclude this type of deployment. It is expected that this may

change as the industry matures, but is not expected in the short term.

Conclusion

Bulk amenity cable is not dead yet, and the transition to streaming is in progress but moving slowly. Owners and operators should continue to design new construction and rewiring projects with a coaxial component. However, there is an industry trend towards, reducing the richness and

number of channels in cable packages, and a sharp trend away from traditional cable company contracts. On the other side of the equation, Internet delivery is being strengthened to allow on-demand streaming by residents. Student housing owners and operators are advised to carefully review cable contracts as they come up for renewal, and to not enter into lengthy new agreements while the provision of cable as an amenity is in flux.

RANK	SERVICE	PERCENTAGE
1	Netflix	15.89%
2	YouTube	10.56%
3	iTunes	5.8%
4	googlevideo.com	4.41%
5	Hulu	3.87%
6	Instagram	3.47%
7	xBox	2.74%
8	Facebook	2.26%
9	twitch.tv	2.18%
10	Amazon	1.99%
11	web file transfer	1.82%
12	Amazon Cloudfront	1.67%
13	content-storage-download.googleapis.com	1.55%
14	Sony Playstation	1.31%
15	Hulustream.com	1.14%
16	akamai.net	1.12%
17	miscellaneous-https	1.09%
18	apple.com	< 0.1%
19	ssl/tls	< 0.1%
20	Apple Music	< 0.1%
21	web streaming	< 0.1%
22	Quick	< 0.1%
23	nflxvideo.net	< 0.1%
24	acgvideo.com	< 0.1%
25	twitter	< 0.1%

Table 1: Typical Student housing Internet traffic mix

Andrew Marshall
Campus Technologies Inc
(215) 243-7010
amarshall@campustech.net
December 2018

Campus Technologies is a national vertically integrated managed network service provider designing, building and operating highly effective wired and wireless networks exclusively in student housing. See more at www.campustechnologies.com