

Smart Homes: An Emerging Real Estate Opportunity



Researched by
T3 Sixty

**COLDWELL
BANKER** 



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In the next decade, brokers and agents will have numerous opportunities to explore and capitalize on Smart Home technology as it increasingly permeates the market.

Smart Home Overview

The dream for a technology-powered home is not a new one. The first electric vacuum cleaner hit the market in 1907 and the first home computer prototype, the ECHO IV, was introduced in 1966. The idea of making our homes smarter by finding ways to automate appliances and activities has been around for over a century. With the advent of the internet, home technology automation and integration started to take shape in a bold new way with the emergence of the Smart Home.

Modern Smart Home technology is approaching automation in more comprehensive ways than ever before. Today, this technology focuses on connectivity, temperature and lighting, security, entertainment, energy management, appliances and voice control. The devices we use to monitor, control and enjoy these features are in the palm of our hand, anywhere, anytime. The world's biggest companies are building products and technology to support Smart Homes, including Google, Amazon and Apple.

Real estate professionals and consumers are just beginning to adopt Smart Home technology: We are clearly on the early side of a growing trend. As with the rise of the smartphone and the mind-boggling amount of technology it enables, savvy real estate brokers and agents have a big opportunity to leverage this budding trend to differentiate themselves and provide additional value to their clients.

Coldwell Banker commissioned T3 Sixty to review the state of Smart Home technology, assess where it is heading and share ways for brokers and agents to best leverage the trend. These are our findings.

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What is a Smart Home?

Smart Home systems allow homeowners to monitor and control their homes remotely using connected, smart devices. These devices facilitate automation, control, safety and convenience. For example, smart thermostats sense when owners are home, or away, and automatically set temperatures accordingly.

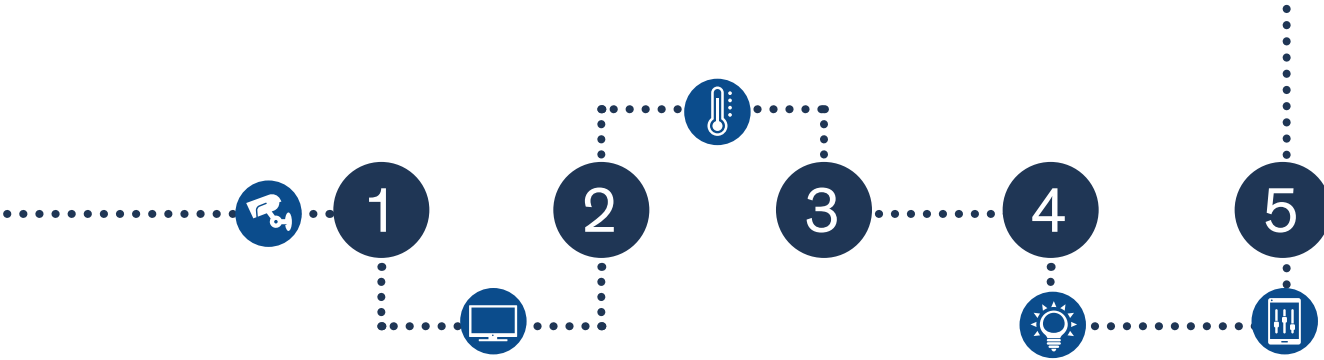
Many Smart Home devices connect with each other through WiFi, Bluetooth and similar protocols, allowing homeowners to manage their homes through an interconnected set of smart devices, forming a Smart Home hub. These devices connect in their own network, facilitating home automation and optimization of temperature, lighting, security, appliances, safety and entertainment.

New interfaces allow homeowners to control their Smart Home from one place, usually their smartphone, tablet or computer. A hub platform such as Google Home (google.com/home) allows users to manage and connect smart devices with distinct functions such as security, temperature, lighting, etc., in one place.

Coldwell Banker and CNET define a Smart Home as a home with a minimum of three smart devices, with at least one featuring a smart security or smart temperature function.

Some smart devices, however, are designed as standalone units, ones that do not connect to a larger Smart Home hub, and instead remain isolated in their control and function from other devices. For example, a standalone garage door opener may be activated by mobile app, but may not integrate with other intelligent devices.





A flood of new Smart Home devices have hit the market in the past few years. The volumes are staggering: U.S. consumers spent an estimated \$1.5 billion on smart home technology in 2017, according to statistics firm Statista. Smart devices are everywhere: light bulbs, thermostats, appliances, wall outlets, door locks, safety sensors and cameras. They can be divided into five categories:



1 Security and Video

Security is the fastest growing segment of Smart Home technology. Video feeds allow homeowners to easily check in on their home, pets and family while traveling or at work. It is also the Smart Home feature that consumers respond to most in marketing. In 2015, the U.S. Smart Home security market approached \$2.6 billion, according to statistics firm Statista; in 2017, the market grew to over \$6.7 billion, nearly a 250 percent increase in just two years. It is expected to surpass \$20 billion by 2021. [Example: Arlo \(arlo.com\)](https://www.arlo.com)



2 Entertainment

Smart Home entertainment devices include smart televisions and speakers, connected blinds and more. Devices in this category cover the home theater experience, activated by voice or mobile app. [Example: Sonos Playbar \(sonos.com/playbar\)](https://www.sonos.com/playbar)



3 Climate Control

The Nest thermostat took a boring device – the thermostat – and made it something sexy and cool that also maximizes home energy usage. Google acquired Nest in 2014, confirming the high level of attention Smart Home climate control tech has garnered. [Example: Nest Thermostat \(nest.com/thermostats\)](https://www.nest.com/thermostats)



4 Lighting

While Smart Home lighting technology was initially expensive, prices have dropped substantially in the last two years. A high-impact Smart Home technology, smart lighting is now within most consumers' reach. [Example: Lutron Lights \(lutron.com\)](https://www.lutron.com)



5 Voice Control

An increasing percentage of connected devices integrate with voice control technology such as Amazon's Alexa, Apple's Siri and Google's Assistant. This increasing connectivity contributes to the shift toward a centralized, voice-activated, brain for your home. Seventy-two percent of U.S. Smart Home device owners want voice-activated home technology, according to Coldwell Banker's 2017 Smart Home Marketplace Survey. [Example: Amazon Echo \(amazon.com/echo\)](https://www.amazon.com/echo)

Industry Survey

Methodology

In November 2017, T3 Sixty undertook a survey to determine the state of smart home adoption among residential real estate professionals.

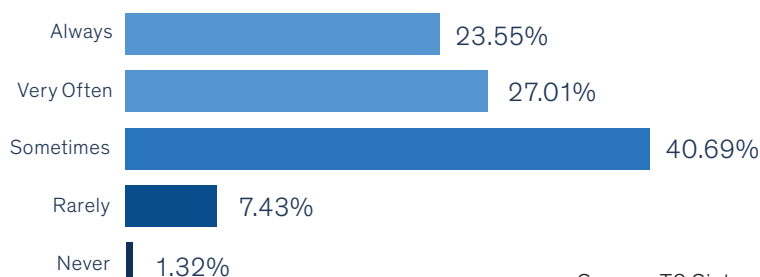
The survey was sent to U.S. residential real estate brokers and agents from Nov. 27 to Dec. 15, 2017, and yielded 3,027 responses. The survey had a margin of error of less than 2.3 percent and a 99 percent confidence level.

Smart Home technology is clearly an emerging trend for residential real estate professionals to capitalize on, according to a T3 Sixty survey of over 3,000 brokers and agents at the end of 2017.

A vast majority of respondents (91.3 percent) felt that they would benefit from incorporating Smart Home technology into the marketing of a home. Over half (50.6 percent) felt they would benefit always or very often. The graph below highlights these findings.

In addition, Smart Home technology is playing a growing role in helping brokers and agents make their listings easier to sell. More than four in five respondents (82.0 percent) said that Smart Home technology streamlines a home sale. Nearly two in five respondents (39.8 percent) said it helped a sale always or very frequently.

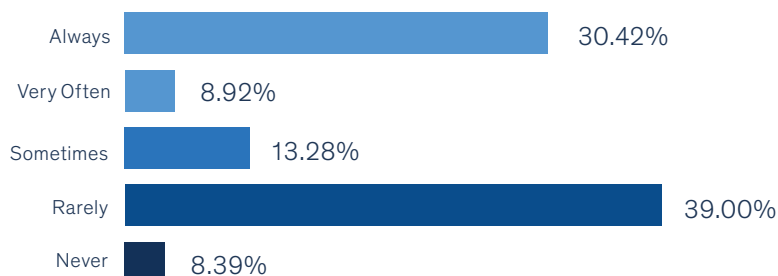
Do you think highlighting smart home features benefits real estate brokers or agents when marketing listings?



Source: T3 Sixty

Perhaps because of their increased exposure to all things home, brokers and agents are ahead of the curve on Smart Home technology. Over half of survey respondents (52.6 percent) said they use Smart Home technology. Another 39.0 percent said they do not currently use it, but would like to.

Do you use Smart Home Technology?



Source: T3 Sixty

The elements that garnered the strongest interest from consumers is detailed in the next section.



What Consumers Value Most

“Smart lighting and thermostats have become the entry point for consumers into Smart Home technology.”

In 2010, less than 0.5 percent of North American homes had Smart Home technology, according to tech industry research firm IHS Technology. By the end of 2017, that number had increased to nearly 12 percent of households, with the average Smart Home having six smart devices.

Homebuyers are catching the Smart Home fever. Nearly four-fifths (78.8 percent) of respondents to T3 Sixty's Smart Home survey said that buyers are willing to pay more for Smart Homes. Just over a fifth of respondents (21.3 percent) said they would always or very willingly pay a Smart Home premium. The survey shows that homebuyers inquired most often about Smart Home tech in the following categories: security (36.4 percent), energy management (26.7 percent) and entertainment (21.8 percent).

On the list side, more than two in five (46.0 percent) brokers and agents said they have recently worked with sellers who had Smart Home technology, or intended to install some, to increase the curb appeal of their home. First-time homebuyers, many of whom are millennials, are also showing a strong appetite for Smart Home technology.

Thirty-five percent of first-time homebuyers said they incorporated smart devices in their home renovation, according to a 2016 Houzz remodeling survey of over 100,000 residents. But they are not the only ones investing in Smart Homes; 31 percent and 27 percent of repeat buyers and long-time homeowners, respectively, included smart devices in their home renovation, suggesting the trend is generating multi-generational traction.



How to Leverage Smart Homes

“Pretty soon smart homes will be standard, [and] to stay ahead of the competition, we’re going to keep layering on new technology.”

*Adria Foley, President
Brookfield Residential Properties*

Get in on the Conversation

Smart Homes, and Smart Home technology, give brokers and agents a reason to talk about listings and homes without focusing on buying and selling. In a culture increasingly fascinated by technology, brokers and agents who become well versed in Smart Home tech and trends can start engaging conversations, demonstrate cutting-edge knowledge and win clients through blog and social media posts on the subject.

Staging Smarter

Even homes that lack smart technology can get a Smart Home spruce up with Coldwell Banker’s smart staging kit (smarthomestaging.com), which includes a smart lock, smart thermostat, smart high-def camera and smart lighting system. Since homebuyers are more attracted to Smart Homes, brokers and agents can use these additions to really increase a listing’s appeal. When buyers see a motion-activated lighting kit that automatically flicks on lights when they enter a room, a nice-looking Nest Thermostat, and an Amazon Echo Show (amazon.com/echoshow) that displays information about the home, they undeniably recognize they are in a modern home.

Smarter Marketing

Consumers desire Smart Home features. Descriptions of Smart Home technology are great additions to website and IDX listing descriptions. As this is an emerging trend, brokers and agents marketing Smart Home capabilities will stand out from the competition.

Remarkable Closing Gifts

A Smart Home technology gift is not only something buyer clients will use, it is something they will remember. An Amazon Echo Dot (amazon.com/echodot) with voice-controlled lights, a wireless security camera doorbell such as Ring (ring.com) or a Nest thermostat are thoughtful gifts that many tech-obsessed consumers will love.

Staying in Touch

We know that many consumers are interested in this technology, and that agents constantly struggle to find relevant, engaging real estate information to send to consumers. By including Smart Home technology information in their stay-in-touch marketing mix, brokers and agents can show value and a real estate focus to help keep them top of mind.



Takeaway

One in six U.S. adults own a voice-activated smart speaker, one of the most prevalent Smart Home devices and a good overall proxy for smart device prevalence. That percentage will undeniably multiply over the next decade; for example, tech research firm Gartner predicts that three-quarters of all U.S.

Practical application of Smart Home technology in networking, staging, listing marketing, and building and sustaining relationships with homeowners provides a high-value and relevant way for brokers and agents to leverage this trend.

households will have a smart speaker by 2020. We, and our homes, will be more connected than ever before.

As with smartphones, social media and CRMs, there will be early, middle, and late Smart Home tech adopters. We believe that progressive real estate brokers and agents will benefit by leveraging the Smart Home trend in their businesses and marketing. The practical application of Smart Home technology in networking, staging, listing marketing, and building and sustaining relationships with homeowners provides a high-value and relevant way for brokers and agents to leverage this trend.

It is also good to recognize that as more homeowners use smart devices, homes will increasingly have their own digital ecosystems; we are in the process of creating a new definition for what it means to have a turnkey home. Homes will have their own smart network of connected devices that homebuyers will gain access to. Home sales will not just cover the physical house but also its connected-device, digital network.

While brokers and agents indicate that homebuyer demand is rising for Smart Home technology, the trend is still early and will require a mountain of education to take off. Keep in mind that buyers compare homes, and once they encounter Smart Home technology, they will begin to anticipate it everywhere.



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