



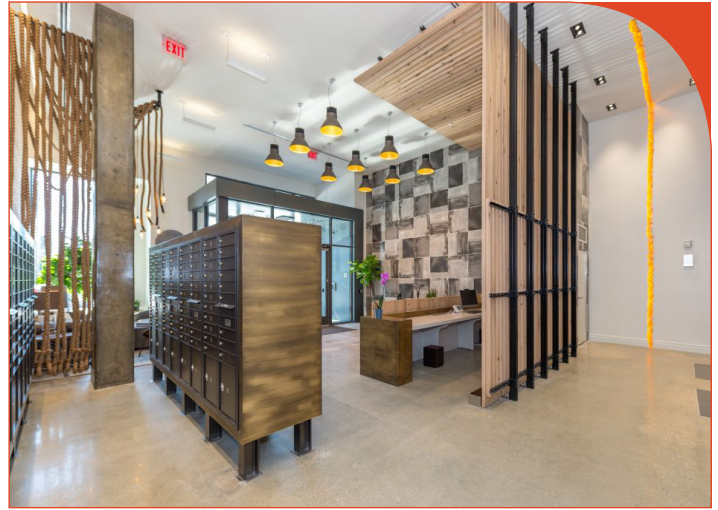
CASE STUDY: ELAUWIT & LCOR

LCOR's Edison Invents New Connectivity Model

Disrupting Conventional Multifamily Telecom

Building "what tomorrow needs" delights not only residents, it also delights the owners who can capture annual cash-on-cash yields of over 25%

ELAUWIT.COM



Just as Thomas Edison's inventions led to the creation of electric utilities and the early beginnings of telecommunications, so too has a multifamily community named in his honor inspired a new ground-breaking solution for connectivity in commercial real estate. And the disruption doesn't just give residents an excellent experience; it generates return on investment for apartment community owners that can approach 30 percent or beyond.

This study features a multifamily telecom initiative which has led to a host of discoveries for the owner:

- A resident adoption rate over 80%
- An annual yield on investment exceeding 15% (for a property with only 187 units)
- A large savings in monthly operating expense
- Reinforcement of their brand among residents by delivering and controlling a world-class resident experience in Internet connectivity

The owner has glowingly declared that this telecom initiative "can stand on its own as a separate investment even outside of the project".

LCOR is a build-to-core, transit-oriented, multifamily development company focused in major East Coast urban markets. With a 40-year history, it has comprehensive expertise with fully integrated investment management and development strategies in more than 300 large-scale, mixed-use projects. LCOR specializes in finding opportunities, charting a path, navigating adversity and delivering with distinction.

Harmar Thompson, executive vice president and principal at LCOR, is charged with making sure the developer looks forward and fulfills one of its mantras: "We build what tomorrow needs."

THE BUSINESS NEED

LCOR, with a 40-year track record, is a multi-billion dollar multifamily and commercial real estate developer. It felt compelled to find an innovative connectivity and Internet solution for a new build urban community – a solution that was convenient, secure, fully managed by a customer-focused white-label partner, and having rock-solid ROI potential.

A long-simmering need came to a boil in the early process of planning for the first luxe residential building in Washington DC’s Union Market District – the 6-story, 187-unit Edison at Union Market. Consistent with its namesake, it is a project designed for the working professional and resembles the industrial warehouses surrounding it. And Thompson thought it the ideal project to implement a solution to a major challenge for LCOR and its communities – establishing an integrated Internet service that is owner-controlled and fully recognizes connectivity as the new fourth utility.

The traditional multifamily real estate telecom model is antiquated. A major cable company installs its own infrastructure while the building owner pays for and installs in-unit wiring. Yet despite the fact that the services are being provided to the owner’s residents, the traditional model comes with key limitations:

- ⊗ The owner has no real significant economic participation compared to the value created by the service.
- ⊗ The owner has little to no control or influence over the quality and performance of the Internet service or customer experience.
- ⊗ Bad service reviews in the community lead to a negative reputation, with no recourse or options for the owner.
- ⊗ Future-proofing telecom and its evolving needs are outside of the owner’s control.

“What ends up happening is you give away the customer experience, you’re giving them free access to your building, into your electrical closets, and

you really have no control over the experience,” Thompson points out.

“You can’t force [the major cable companies] to upgrade their equipment long term. It doesn’t give you the ability to continue to meet your residents’ needs.”

It was evident to LCOR that a new model was needed, and that such a new model represented a big opportunity for the company and its residents.



THE EDISON AT UNION MARKET

187 luxe residential units

1240 4th Street, NE

Washington, DC 20002

edisonunionmarket.com

edisonsol.com

THE PARTNERSHIP

After a long and frustrating exploration, LCOR discovered Elauwit, a commercial-grade multifamily connectivity company with resident experience at its core, and the flexibility to adapt and create new and disruptive solutions. In concert with LCOR, the companies partnered to bring Speed of Light Internet to life at The Edison.

Thompson began to explore the telecom provider environment and look at available options for multifamily services. He believes that most of his peers and competitors think “the safe thing to do is turn over their connectivity service to a cable company.” He even encountered that within his own company. Yet he disagrees: “The safe thing isn’t the cable company, not if the customer experience is part of your goal.”

After employing the usual consultants and interviewing multiple vendors, LCOR found plenty of service providers and vendors doing some of the things they wanted, but none of them were an integrated one-stop solution – they weren’t competent enough to actually manage the network and support end users. And none of them had true residential tenant experience – they were serving commercial buildings, common areas and institutional needs, not residents within their homes.

After almost a year’s journey to find a market-differentiating solution for controlling the end-to-end telecom experience at The Edison, frustration began to set in for Thompson and his project leader for The Edison, Matthew Hard, LCOR’s Vice President for DC Metro Development.

Hard points out, “I was tasked with taking what we saw as the idea – delivering a gigabit passive optical network solution to the Edison, and how we could do it within a reasonable budget and a way that would be successful both for LCOR and for our residents. We quickly found out that it was not as easy as

obvious as we thought it was going to be. One of the biggest challenges was finding the right group to partner with for every element that needed to be handled – which is the design of the system, the installation of the system, and the management of the system.”

And then the pair discovered Elauwit Networks. “The reason we were intrigued by Elauwit was because they have a good relationship with their residents in the student housing business. Those are our future tenants and it’s a similar setup to any conventional apartment community,” says Thompson.

Hard continued, “We quickly realized that Elauwit’s approach was more as a long-term partner. Someone who would be riding in the car with us into the future after the project was delivered. We wouldn’t have to worry about quality issues. Elauwit would be living with this system along with us. Our interests were aligned.”

This was the turning point that allowed LCOR to realize its vision.



DESPITE THE ODDS, A NEW TELECOM APPROACH EVOLVES

LCOR's Thompson and Hard found a great deal of knowledge along their journey to discover a solution worthy of The Edison, and had finally found an ally to help solve the problems they were facing.

Elauwit is an experienced Internet service provider that has designed, installed and continues to manage connectivity services in more than 40 states, with a reputation for meeting the needs of a demanding resident base of college students in private, off-campus housing communities. It turned out that Elauwit was just the ally LCOR required for a luxury urban apartment solution.

Together, Elauwit and LCOR applied their trust in partnership and their appreciation for the resident experience in order to create a new approach. They designed a model that creates value for both the owner and the resident – the LCOR model for conventional multifamily telecom was built and deployed into service at The Edison by Elauwit.

For Elauwit, the model required flexible adaptation of the Community-Wide Wi-Fi (CWW) model it deploys in student communities. Contrasted with the student housing business model, the service deployed at The Edison is a participation-based service – Opt-In CWW. It is a variable cost model that mitigates and shares risk between the owner and service provider. It is designed and specifically suited to the general multifamily developer, owner or property manager.

For The Edison, LCOR had Elauwit design, source and install all of the components of the network and system, including wireless access points in every unit.

According to Peter Pollak, LCOR Regional Property Manager, “LCOR's experience with Elauwit has been fantastic. The communication has been very clear,

concise and seamless. Getting the installation scheduled and completed was a positive experience. We're extremely happy with the end product.”

THE OPT-IN COMMUNITY-WIDE WI-FI MODEL

- Owner invests in its own GPON fiber-optic network, equipment and electronics
- Elauwit designs, installs and manages the services provided over term
- Resident opts-in for the monthly service and pays a fee to owner, choosing among custom speed tiers
- Owner pays Elauwit for bandwidth, and management fees for residents adopting the service
- Owner retains branding and pricing, the white-label service is customized to the community and powered/serviced by Elauwit
- Owner can monitor & audit all resident issues in order to intervene if deemed necessary
- Owner earns incremental NOI from service, plus operating cost savings

Opt-In CWW is a success-based model – the more residents that adopt and subscribe to the network, the better ROI for owner. Both owner and Elauwit are incented to deliver a quality experience for each and every resident.

THE SPEED OF LIGHT SERVICES DEPLOYED AT THE EDISON

The service is uniquely marketed as Speed of Light Internet – a brand belonging to LCOR, which markets and sells the opt-in service to residents.

Elauwit manages and provides all support on a 24/7 basis. To avoid confusion, residents are made aware that the service is Elauwit’s responsibility, but is an experience and value delivered by The Edison.



FEATURES

- Commercial grade electronics built around a Gigabit Passive Optical Network (GPON)
- High-speed fiber optic Internet with three tiers of speed
- Professionally managed safety and security – much higher standards than residents deploying a personal wireless network
- Wireless access points wired into every unit, routers not necessary
- Amenity space wireless (pool, fitness, lounge), every part of the community has wireless access, and every resident carries their unit account services regardless of where they are in the community – their unit access follows them and resident don’t have to sign in again
- First month of service free
- Convenient and immediate plug-and-play, no appointment or technician needed
- No contract, no extra fees, no surprises, month-to-month service
- All residents receive free over-the-air local television channels (taking advantage of the FCC’s MATV exemption from retransmission fees)

And LCOR retains the ability to leverage the Internet of Things, from sensor-based systems to property access and security. Thompson takes note, “We see the network we’ve worked with Elauwit to develop in our buildings is such that the building becomes your apartment. With the network we have throughout the entire building, wherever you

go it is part of your apartment. That same network also gives us the ability to future-proof our building. It’s all plug-and-play with our existing system that now paints the entire building. We don’t know what that next great technology is, but we know we’ll be able to adapt to that as it comes.”

GAME CHANGING RESULTS

With a resident adoption rate exceeding 80%, LCOR has more than doubled the break-even adoption rate deemed necessary. The annual yield on investment for The Edison exceeds 15%. And this is for a community with 187 units. Projections for larger properties are exceedingly better.

As residents began moving into The Edison in the fall of 2017, it became quickly apparent that Speed of Light was a winner!

“We’ve had great feedback from all of our residents. We currently have an adoption rate of 82%, which has exceeded expectations. And we’re very happy with the customer service,” says Claudia Cortez, Property Manager of The Edison. “All the residents have had a great experience with Elauwit. There has been response to any concerns very, very quickly.”

As LCOR anticipated, the right marketing approach and staff training will yield high penetration rates for adoption of the service. Plus the quality of service provided by Elauwit is right on point for the LCOR brand. Regional Manager Pollak also points out, “It’s a big focus for LCOR and a huge bonus to be able to improve the customer experience overall when it comes to Internet service and offerings. Not being locked into a contract and having the quality of service with different speeds available. It does set us apart from others.”

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ROI

The Speed of Light project has doubled the projected break-even resident adoption rate required, and annual yield exceeds 15%.

TENANT SATISFACTION

Over 80% of residents have adopted the monthly subscription service. Tenants love the move-in/plug-in convenience, as well as the cost, and they report positive experiences with reliability, speed and support.

EFFICIENCIES GAINED

On-site staff saves time and expense not having to manage utility/cable vendor installations and repair calls.

SAVINGS GAINED

More than \$1,500/month has been trimmed from the cost to deliver common-area and building management connectivity services for Internet and TV.

MARKETING EDGE

In a hip, urban, professional market, LCOR provides a differentiating service that directly reinforces their brand of creating forward-looking, future-proof living.

NEW HORIZONS FOR LCOR AND ELAUWIT

It has been such a financial success for LCOR, that it can stand on its own as a separate investment even outside of the project.

Thompson makes it clear, “We’ve had a great return on our investment, because it not only offsets the cost that we already have at the property for our operations in terms of telco expenses, but we’re also getting a return on each user that comes on the system. To us, there is a whole separate ROI model that makes it worthwhile outside of and pays back the first cost that we are putting into our properties.”

It has been such a financial success for LCOR, says Hard, “That it can stand on its own as a separate investment even outside of the project. The economics are such that it has been well worth the initial investment.”

More so, it differentiates The Edison by signaling to the customer that LCOR as the landlord and the owner cares about the resident experience. Hard emphasizes, “What it says is we are willing to try new things, we are attentive to details, we really pride ourselves on disrupting business models, we have to find new ways of innovating.”

Next up for LCOR and Elauwit? Kingston in McLean, Virginia – a 319-unit property; and Altaire in Arlington, Virginia – a 451-unit site, both with annual yields projected to exceed 25%!

Elauwit is proud to have been instrumental in helping the great team at LCOR undertake the first successful step of many on its telecom journey. Together we’re generating value through innovation, just as it should be for a community called The Edison.

WHAT OTHERS ARE SAYING

““ The [Edison’s] best perk is its private high speed Internet network, which means residents don’t have to deal with Comcast.””

Washingtonian Magazine
“DC’s 6 Most Exciting Residential Developments of 2017”
Marisa M. Kashino
12.26.17
washingtonian.com

““ The [Edison’s] most prominent work-from-home feature is its privately managed fiber-optic Internet network – a first for a multifamily building in the U.S.””

Multifamily Executive
“10 Beautiful Telecommuter-Friendly Apartments”
Jennifer Goodman
1-25-18
mutifamilyexecutive.com