



Opportunities And Challenges In The U.S. Multifamily Market

CHAPTER 31: ADDRESSING TENANT DEMAND FOR GREEN AND SMART HOMES FEBRUARY 17, 2025 | JASON D. BEAKLEY, CERTIFIED GENERAL APPRAISER

As sustainability and technology reshape the real estate landscape, multifamily investors, developers, and property managers face increasing tenant demand for green and smart homes. Residents prioritize eco-friendly features, energy efficiency, and smart technology integration to reduce costs, enhance convenience, and support environmental responsibility. This trend not only influences leasing decisions but also impacts property valuation, operational expenses, and long-term investment viability.

This article explores how multifamily professionals can address this demand, the challenges involved, and best practices for integrating sustainable and smart home solutions to enhance tenant satisfaction and asset performance.

The Growing Demand for Green and Smart Multifamily Living

1. Sustainability as a Tenant Priority: Tenants—especially Millennials and Gen Z—are increasingly eco-conscious, seeking residences that align with their sustainability values. According to the National Multifamily Housing Council (NMHC), renters are willing to pay higher rents for green-certified buildings with energy-efficient appliances, solar power, and water-saving systems. LEED-certified or ENERGY STAR-rated buildings also benefit from lower vacancy rates and faster lease-up periods.

Key sustainability features tenants prioritize:

- Energy-efficient lighting and appliances (e.g., LED bulbs, ENERGY STAR-rated HVAC systems)

- Solar panels or renewable energy options
- Water conservation measures (e.g., low-flow fixtures, smart irrigation)
- Eco-friendly building materials (e.g., non-toxic paints, recycled flooring)

2. Smart Technology Integration in Multifamily Housing: Smart home technology is no longer a luxury—it's an expectation. Tenants seek connected living environments that enhance convenience, security, and energy efficiency.

Popular smart home features include:

- Smart thermostats (e.g., Nest, Ecobee) for optimized energy use
- Smart locks and keyless entry for enhanced security
- Voice-activated controls for lighting, temperature, and appliances
- EV charging stations to support the shift toward electric vehicles

According to research by RentCafe, 60% of renters consider smart home features when choosing a residence, with many willing to pay a premium for these amenities.

Challenges in Implementing Green and Smart Home Features

1. Upfront Costs and ROI Considerations: One of the biggest barriers to integrating sustainable and smart technologies is the high initial investment. Upgrading older buildings with smart thermostats, solar panels, or energy-efficient appliances requires significant capital. While these investments reduce long-term operational costs, owners must carefully evaluate

ROI through energy savings, rental premiums, and property value appreciation.

2. Retrofitting vs. New Construction: For existing multifamily properties, retrofitting can be complex and expensive. Challenges include:

- Wiring limitations for smart systems in older buildings
- Structural constraints for solar panel installation
- Regulatory hurdles in implementing green upgrades

Developers of new multifamily projects have the advantage of designing sustainability from the ground up, incorporating green building standards, smart infrastructure, and energy-efficient layouts.

3. Data Privacy and Cybersecurity Risks: With smart home integration comes the challenge of data security. Tenants are concerned about how smart devices collect, store, and share their personal information. Property managers must ensure strong cybersecurity measures, encrypted networks, and compliance with privacy regulations to protect tenant data.

Best Practices for Meeting Tenant Demand

1. Leverage Green Certifications and Incentives: Multifamily owners can pursue green building certifications such as:

- LEED (Leadership in Energy and Environmental Design)
- ENERGY STAR for Multifamily Housing
- WELL Building Standard (focuses on occupant health and wellness)

Additionally, governments offer tax incentives, rebates, and grants for energy-efficient upgrades, solar installations, and EV charging stations.

2. Invest in Smart and Sustainable Upgrades with High ROI: Prioritizing upgrades with the best return on investment (ROI) is key. High-impact, cost-effective solutions include:

- Smart thermostats (reduce HVAC costs by 10-15%)
- LED lighting (70-80% lower energy consumption)
- Low-flow water fixtures (30-50% reduction in water use)
- Solar panels (long-term energy savings, tax incentives)

3. Enhance Tenant Engagement and Education:

A sustainable and smart home strategy is most effective when tenants understand and use the features. Property managers should:

- Host workshops or webinars on smart home tech and energy-saving habits
- Provide app-based controls for smart home features
- Offer green living incentives, such as discounts for energy-conscious behavior

4. Partner with Technology and Sustainability Experts:

To efficiently implement green and smart solutions, multifamily owners should collaborate with:

- Energy consultants to assess efficiency improvements
- Proptech companies for seamless smart home integration
- Sustainability experts to meet certification requirements

Case Study: A Multifamily Development Leading the Way

A prime example is The Pearl, a LEED Platinum-certified multifamily development in San Antonio, Texas. The property integrates:

- Solar panels and rainwater harvesting systems
- Smart locks, thermostats, and app-controlled lighting
- EV charging stations and bike-friendly infrastructure

The result? Higher tenant retention, reduced energy costs, and increased asset value, proving that sustainability and technology-driven properties are financially viable.

Conclusion

Tenant demand for green and smart multifamily homes is reshaping the real estate industry. While upfront costs and implementation challenges exist, the long-term benefits—higher rents, reduced vacancies, and operational savings—far outweigh the risks.

By prioritizing energy efficiency, smart home technology, and green certifications, multifamily investors and developers can enhance property value, attract eco-conscious renters, and future-proof their assets in an evolving market.

For owners and operators, the next step is evaluating their current portfolio and strategically implementing high-impact upgrades to meet the growing demand for sustainable and tech-forward living spaces.



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