

The Growth of Multi-Family Housing: An Unexplored Trend Affecting Media Companies

The Shift in U.S. Housing Preferences: A Little-Known, but Material, Factor Behind the “Cord-Cutting” Numbers

Amidst all the industry conversation about “cord-cutting,” there exists an often overlooked aspect to Pay TV subscriber numbers that may be skewing estimates of disconnections affecting MVPDs and programming networks: **the shift in housing preferences by Americans from Single-Family Homes to Multi-Family Housing**. Understanding this phenomenon will result in more informed forecasts of revenues for MVPDs and programmers alike.

Section One: Overview

Since the mid-2000’s, Americans have increasingly demonstrated a clear and material change in their housing tastes. As a nation now, we are much more likely than in previous years to reside in multi-family housing (MFH) such as apartment buildings and other “multiple dwelling” living complexes, and less likely to opt for single-family homes (SFH) – the rate of homeownership has decreased from 69% to 63% since 2005, with an acceleration of this trend in the last five years¹

As a result, based on an evaluation explained in Section 4 of this report, two salient, heretofore little examined trends have come to light: 1) this general shift in American housing preferences itself could account for a significant share of subscriber loss for Pay TV platforms (our estimate is 3-6% of subscribers over the next decade), and 2) subscriber losses attributed to simple “cord-cutting” may be materially overstated, as many of these viewers may simply be consuming in a different type of residence whereby their subscription is not counted or counted in whole.

This shift of housing preferences is pronounced, and is driven primarily by the two age groups at either end of the demographic spectrum: Millennials and Baby Boomers. Multiple studies cited in this paper suggest that over the next 10 years this trend will continue, and may even result in a “new normal” in this country’s residential patterns rather than proving to be a temporary deviation that will revert to the previous housing market equilibrium.

More to the point for the media industry, and particularly for MVPDs (Multiple Video Programming Distributors) and programmers that collect license fees based on subscriber numbers, this trend toward

¹ US Census. “Quarterly Residential Vacancies and Home Ownership, First Quarter 2017.” <https://www.census.gov/housing/hvs/files/currenthvspress.pdf> (accessed June 30, 2017).

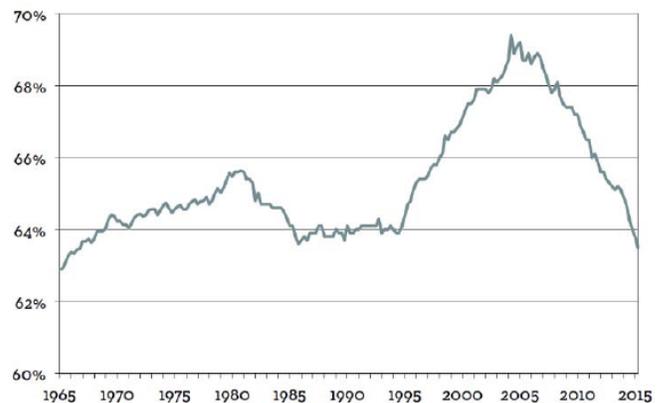
MFH from SFH will impact their reported subscriber bases. This is because, as Peter Litman, a media industry consultant points out in his blog by way of example (and referenced later in this report),

“...if a building gets a package of service that costs \$15,000 per month and a residential subscriber with the same package would pay \$100 per month, then the building has the equivalent of 150 residential subscribers, irrespective of the number of actual units in the building who are receiving service. Typically, bulk-billed accounts get a rate break, in exchange for providing service to every unit (where the cost is bundled into the building’s maintenance fees to the tenants). The cable operator will charge the building”² something less than the full retail price (since it doesn’t have to market the service to each apartment individually).²

As a result, the number of reported subscribers from each MFH unit for both, MVPDs and programmers, is lower – so instead of each subscriber paying a “whole” price, MFH units subscribing to Pay TV enjoy a discounted price, whereby each tenant effectively becomes a “fractional subscriber.” It is the omission of these accounts’ growing share of total subscribers that we suspect results in an over-estimation of the effects of simple “cord cutting.”

The Bottom Line: Firms deriving significant revenue from Pay TV subscriptions may be omitting a key component in their forecasting exercises. While “cord-cutting” is a much discussed, top-level concern³, the increase of fractional subscribers in MFH vs. whole subscribers in SFH may in reality explain a material portion of the “cord-cutting” numbers (and perhaps the phenomenon of “cord-cutting,” as we have traditionally defined it, isn’t as strong as we think). Affected media industry participants should become more fluent in housing data to assist in their forecasts of future performance.

Figure 1
Homeownership Rate Continues to Edge Down



² Litman, Peter. “Counting Bulks with Comcast’s CFO.” <http://www.peterlitman.com/2013/05/counting-bulks-with-comcasts-brian.html> (accessed June 30, 2017).

³ Breznick, Alan, “Cord-Cutting Hits New Heights.” <http://www.lightreading.com/video/ott/cord-cutting-hits-newheights/d/d-id/730836> (accessed June 30, 2017).

⁴ Obrinsky, Mark. “NHMC Update on Economic and Housing Market Trends.” Nmh.org. http://www.nmhc.org/uploadedFiles/Meetings/Individual_Meetings/Wed%20830%20-%20Updated%20Obrinsky%20slides%20for%20Apartment%20Strategies%20Panel%20Sep%202015.pdf (accessed June 30, 2017).

Section Two: Shifts in Housing Preferences

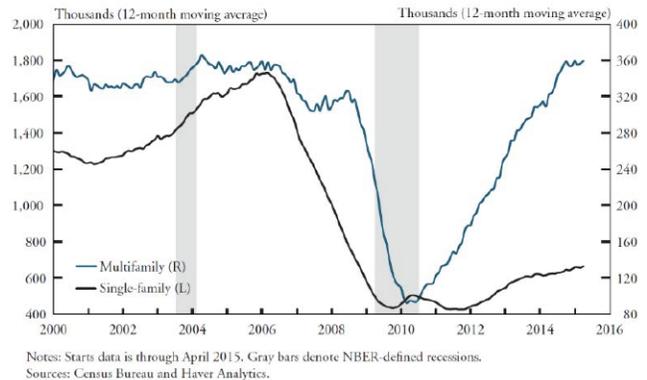
A housing trend began in 2005 that may have been triggered by homes reaching unaffordable levels, and then accelerated during The Great Recession of 2008 and subsequent weak recovery: more Americans began to rent instead of owning their own homes (Figure 1⁴).

In response to this increased demand in MFH, builders increased construction of multiple dwelling buildings for both renters and owners. Data as recent as indicate that housing starts for MFH were expected to almost triple the rate of single-family home construction, a sharp departure from historical data (Figure 2⁵).

Closer to the heart of the media industry, the pronounced increase in MFH starts vs. SHF began in 2010 and coincided with SNL Kagan's first reported observation of a decline in Pay TV subscribers in the same year.⁶ Since then, these trends have continued, resulting in a changed mix of occupied housing in this country.

Data also shows continued low-vacancy rates in multi-family housing complexes coupled with high rents. This suggests that demand for such housing is still quite strong compared to its corresponding supply (Figure 3⁷). And as long as vacancy rates for multi-family housing remain low, new residential construction will likely continue to be skewed toward multi-family complexes versus SFH. Indeed, as increased, new supply of MFH (and especially if builders "overshoot," and provide too much new supply) comes to local markets and subsequently lowers future rents, the increased affordability of this housing may, in turn, further sustain and accelerate the current trend toward MFH consumption by those groups driving these trends. (See Section 3 for more information.)

Figure 2
House Starts



⁵ Rappaport, Jordan. "The Demographic Shift from Single-Family to Multifamily Housing." <https://www.kansascityfed.org/publicat/econrev/pdf/13q4Rappaport.pdf> (accessed June 30, 2017).

⁶ James, Meg. "812,000 pay-TV subscribers cut the cord in the second quarter of 2016." <http://www.latimes.com/entertainment/envelope/cotown/la-et-ct-cord-cutting-accelerating-20160829-snapstory.html> (accessed June 30, 2017).

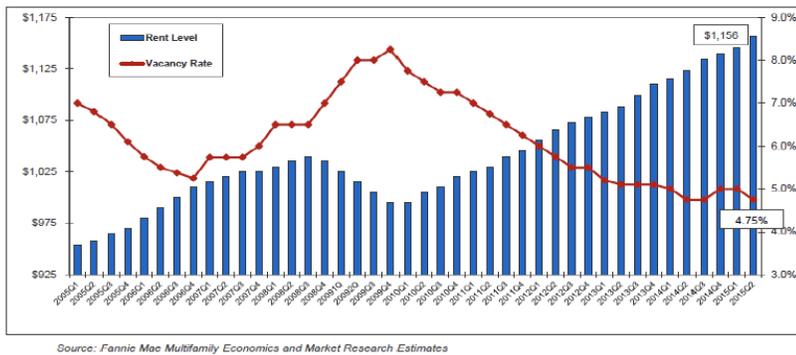
⁷ Betancourt, Kim. "Multifamily Economics and Market Research Multifamily Mortgage Business." Nhhmc.org. http://www.nhhmc.org/uploadedFiles/Meetings/Meeting_Presentations/Wed%20830_Betancourt_Apartment%20Strategies-Sep%202015.pdf (accessed June 30, 2017).

⁸ Dietz, Robert. "Renter's Paradise?" usnews.com. <http://www.usnews.com/opinion/economicintelligence/2015/10/22/growth-and-change-for-multifamily-housing-development> (accessed June 30, 2017).

And there is still more data pertinent to media content owners and distributors that suggest another salient trend: most of the MFH increase can be attributed specifically to large-scale complexes of 50 living units or more (Figure 4⁸). This is a finding relevant to the media industry as one can reasonably conclude

Figure 3
National estimated multifamily vacancy rates are at their trough

Estimated National Rent Level and Vacancy Rate



Source: Fannie Mae Multifamily Economics and Market Research Estimates

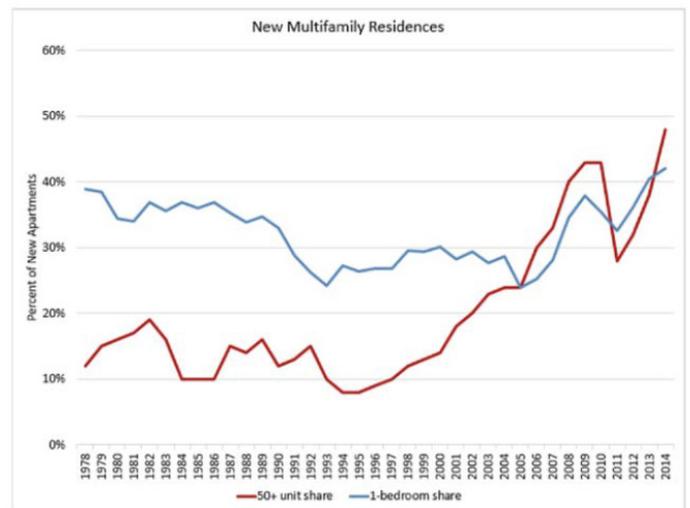
that these larger sized residential complexes are more likely than smaller ones, given their scale and management sophistication, to arrange for the bulk-billing arrangements (referenced in the Introduction of this report) with MVPDs that result in “fractional” subscribers.

Various content owners and distributors have pontificated about what, precisely, are the driving forces behind this recent, pronounced, sustainable trend. MAI reviewed various sources of publicly available data and has found that many sources point to two age groups as those largely

responsible for this shifting preference for Multi-Family Housing: Millennials and Baby Boomers. Some of the reasons provided seem quite logical, while others are less intuitive (unless, perhaps, one has intimate experience with either demographic cohort). But virtually all sources of data suggest that the trend toward consumption by Americans, and by Millennials and Baby Boomers in particular, is to persist for the near future.

What follows is an in-depth, data-based look at each group and the drivers behind their changes in housing preferences. The factors listed are those which our research has found to be the most commonly cited to be contributing to the aforementioned housing trend; however, they are by no means collectively exhaustive in nature. We anticipate more data over time will reveal other factors behind this phenomenon, and some reasons such as local tax regimes that could disproportionately affect housing decisions toward or away from one type of housing are not considered.

Figure 4



CENSUS BUREAU/ROBERT DIETZ

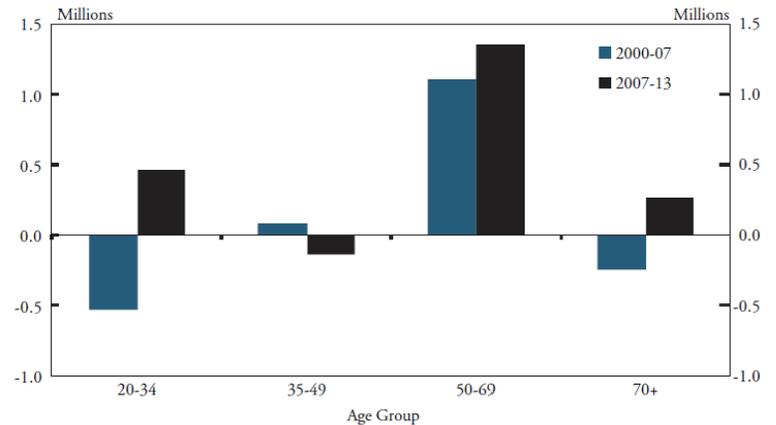
Section Three: Comparing the Two Cohorts

Together, Millennials and Baby Boomers make up approximately 150 million of the 324 million U.S. population today, or 46%. They also comprise 150 million of the 250 million U.S. residents who are at least 18 years old, or 60% (those aged 18+ are cable television subscriber candidates)⁹.

On the surface, Millennials and Baby Boomers are groups with little in common. Millennials (defined as those born between 1981 and 1997 and the first generation to come of age in the new millennium⁶) grew up with smart phones and internet service. Boomers (defined as those born between 1946 and 1964) grew up using rotary and corded phones. Some Boomers didn't even have remote controls or color TV sets when they were young.

However, despite their differences, these two generations now share a strong preference for multi-dwelling units, and evidence exists that this shift in housing tastes will persist. One difference is that while Baby Boomers' demand for MFH has accelerated over the years, Millennials' shift to MFH housing are more recent and represent the reversal of a prior trend (Figure 5¹⁰).

Figure 5
Change in Occupied Multifamily Units by Age



Sources: Census Bureau, Ruggles, and author's calculations.

⁹ Fry, Richard. "Millennials overtake Baby Boomers as America's largest generation." Pewresearch.org. <http://www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/> (accessed June 30, 2017).

¹⁰ Rappaport, Jordan, "Millennials, Baby Boomers, and Rebounding Multifamily Home Construction." Kansascityfed.org <https://www.kansascityfed.org/~media/files/publicat/econrev/econrevarchive/2015/2q15rappaport.pdf> (accessed June 30, 2017)

Millennials

Since the financial crisis of 2007-09, Millennials have exhibited a clear preference for MFH. Many factors have conspired to discourage these young adults from home ownership in favor of renting, and, more specifically, living in MFH structures that are large complexes.

What is surprising is the velocity of this shift and its severity, however (Figure 5). This was a sharp reversal of the preference of their immediate predecessors, and may persist (or even accelerate) as the 20-34 year-old cohort experiences dramatic growth over the next 25 years (Figure 6¹¹). Indeed, Council of Economic Advisors research indicate that Millennials are significantly less likely to become homeowners than any previous generation.¹²

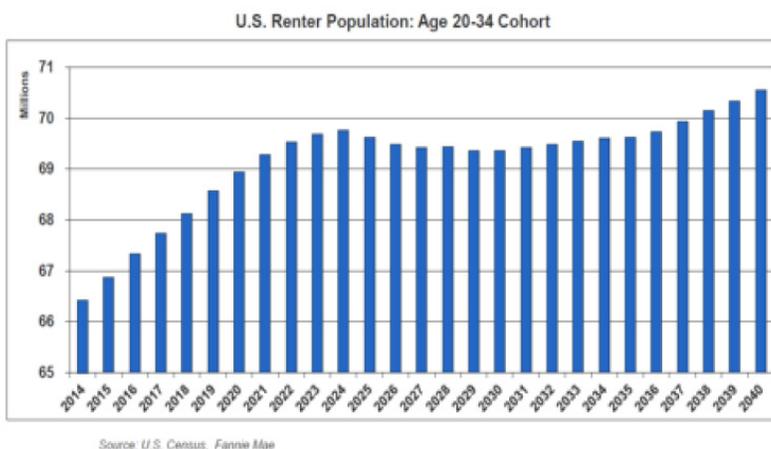
What is driving the current and likely future desire of this demographic group to prefer MFH? There are both “push” and “pull” factors in play. These include, but are not limited to:

- **Onerous college student loan obligations:** student debt has grown to \$1.3T, up 170% from 2006 and is the fastest-growing type of consumer debt; average student loan balances are now approaching \$35,000 per borrower, up nearly 70% from 10 years ago, and the Federal Reserve Bank of New York recently summed up in a report that “higher debt balance (is) associated with lower home ownership rates.”¹³

Figure 6

Demographics are in Multifamily's favor over the long term, especially in the younger aged cohort..

U.S. Renter Population: Age 20-34 Cohort



¹¹ Betancourt, Kim. “Multifamily Economics and Market Research Multifamily Mortgage Business.” Nihmc.org. [http://www.nihmc.org/uploadedFiles/Meetings/Meeting_Presentations/Wed%20830_Betancourt_Apartment%20Strategies-Sep%2015.pdf](http://www.nihmc.org/uploadedFiles/Meetings/Meeting_Presentations/Wed%20830_Betancourt_Apartment%20Strategies-Sep%202015.pdf) (accessed June 30, 2017).

¹² Council of Economic Advisors. “15 Economic Facts About Millennials.” Whitehouse.gov. https://www.whitehouse.gov/sites/default/files/docs/millennials_report.pdf (accessed June 30, 2017).

¹³ Federal Reserve Bank of New York. “Press Briefing on Household Debt, with Focus on Student Debt” <https://www.newyorkfed.org/medialibrary/media/press/PressBriefing-Household-Student-Debt-April32017.pdf> (accessed April 4, 2017).

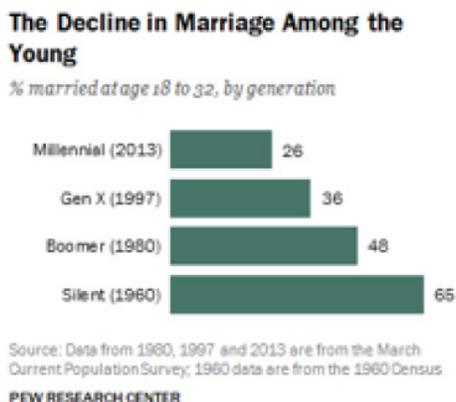
> **Older age at first marriage:**

- > In 1990 the median age at first marriage was 26 for males, 24 for females; in 2014 it was 29 and 27, respectively.^{14,15} As marriage and children are typical catalysts to home ownership, delayed household formation en masse will naturally favor MFH occupancy.
- > Fewer Millennials are marrying at all. Just 26% of Millennials are married. In comparison, 36% of Generation X, 48% of Baby Boomers and 65% of the Silent Generation (born between 1925 and 1945¹⁶) were married when they were the age that Millennials are now (Figure 7).¹⁷

> **Desire for proximity to urban centers and social activities:** According to Nielsen, growth in U.S. cities is greater than growth outside of them for the first time since 1920, nearly a century ago.¹⁸ Nielsen also explains that 62% of Millennials prefer to live in urban centers, and 40% indicate they'd like to live in urban centers in the future (MFH is often built in densely populated areas).

> **Changing values, which place socialization and experience above home ownership:** One interesting study performed by Harris polling for Eventbrite arrived at a conclusion that may seem logical to many who are intimately knowledgeable with Millennials: more than three quarters (76%) of these Americans prefer to spend money on experiences instead of material things (the proportion of Baby Boomers that show the same preference is 59%¹⁹). While admittedly a difficult phenomenon to measure, this phenomenon does seem validated by other data such as growth in purchasing behavior and social media consumption. Similarly, desire for experience-based leisure may be better satisfied for Millennials in MFH versus SFH.

Figure 7
The Decline in Marriage Among the Young



¹⁴ Info Please. "Median Age at First Marriage, 1890-2010." Infoplease.com. <http://www.infoplease.com/ipa/A0005061.html> (accessed June 30, 2017).

¹⁵ Twenty Something Marriage. "In Brief." <http://twentysomethingmarriage.org/in-brief/> (accessed June 30, 2017).

¹⁶ Williams, Yolanda. "The Silent Generation: Definition, Characteristics & Facts." <http://study.com/academy/lesson/the-silent-generation-definition-characteristics-facts.html> (accessed June 30, 2017).

¹⁷ Pew Research Center. "Millennials in Adulthood." Pewsocialtrends.org. <http://www.pewsocialtrends.org/2014/03/07/millennials-in-adulthood/> (accessed June 30, 2017).

¹⁸ Nielsen. "Millennials prefer Cities to Suburbs, Subways to Driveways." Nielsen.com <http://www.nielsen.com/us/en/insights/news/2014/millennials-prefer-cities-to-suburbs-subways-todriveways.html> (accessed June 30, 2017).

¹⁹ Eventbrite. "Millennials. Fueling the Experience Economy." Eventbrite.com. https://eventbrites3.s3.amazonaws.com/marketing/Millennials_Research/Gen_PR_Final.pdf (accessed June 30, 2017).

- **Negative perception of SFH based on recession:** less quantifiable but another very intuitive factor is that Millennials don't necessarily aspire to home ownership compared to previous generations. Forbes contributor Blake Morgan concisely summed up this phenomenon, theorizing that "Millennials don't necessarily see home ownership as stabilizing. Values were shaped by the troubling experience of watching parents and coworkers lose jobs, homes and life savings during the recession."²⁰
- **Increased college enrollment and growing installment debt:** Both of these factors contribute to Millennials' preference for MFH over SFH. SFH may be perceived as "more financially burdensome and socially limiting."²¹

Baby Boomers

Press and investor attention have often focused on the Millennial generation and what its tastes and media consumption habits portend for the future. However, in reality it is the Baby Boomer generation that is the larger, current driver of the biggest change in this country's living tastes. Boomers are also opting for multi-family housing, but, as would be expected, for different reasons. In fact, according to a study from Harvard, senior renters are expected to increase 40% by 2023.²²

Not surprisingly, there are various studies supporting the rather logical hypothesis that retirees contemplate downsizing from SFH to MFH for reasons such as wage-based income decreases or its cessation. The larger size of SFH is also less relevant to their lifestyle, and the mobility into and around a traditional house can be seen as an impediment. Freddie Mac projects that over 5 million Baby Boomers expect to rent their next home by 2020,²³ and the Federal Reserve Bank of Kansas City reminds us that downsizing increases significantly with age.^{24,25} It is also natural to expect that as Baby Boomers age into their 70's and 80's over the next 10+ years, the share of this group residing in MFH will increase significantly²⁶. Indeed, the surge in MFH occupancy for Baby Boomers has only just

²⁰ Jones, John. "Millennials Help Drive Multifamily Construction?" Buildingsolutions.com. <http://www.buildingsolutions.com/industry-insights/millennials-help-drive-multifamily-construction> (accessed June 30, 2017).

²¹ Council of Economic Advisors. "15 Economic Facts About Millennials." Whitehouse.gov. https://www.whitehouse.gov/sites/default/files/docs/millennials_report.pdf (accessed June 30, 2017).

²² Harvard University Joint Center for Housing Studies. "America's Rental Housing. Evolving Markets and Needs." http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf (accessed June 30, 2017).

²³ Freddie Mac. "Over 5 Million Baby Boomers Expect to Rent Next Home by 2020." Freddiemac.com. http://www.freddiemac.com/research/consumerresearch/20160628_five_million_boomers_expect_to_rent_next_home_by_2020.html (accessed June 30, 2017).

²⁴ Rappaport, Jordan. "The Demographic Shift from Single-Family to Multifamily Housing." <https://www.kansascityfed.org/publicat/econrev/pdf/13q4Rappaport.pdf> (accessed June 30, 2017).

²⁵ National Association of Realtors. "Strong Demand from Baby Boomers to Continue to Drive Multifamily Home Construction." <http://economistsoutlook.blogs.realtor.org/2015/09/22/strong-demand-from-baby-boomers-to-continue-to-drive-multifamily-home-construction/> (accessed June 30, 2017).

²⁶ Rappaport, Jordan, "Millennials, Baby Boomers, and Rebounding Multifamily Home Construction." Kansascityfed.org <https://www.kansascityfed.org/~/-/media/files/publicat/econrev/econrevarchive/2015/2q15rappaport.pdf> (accessed June 30, 2017).

begun and can be expected to continue for at least the next decade (emphasis ours). In fact, senior renter numbers are expected to double by 2030.²⁷

In sum, what is driving the current and likely future desire of this demographic group to prefer MFH contains “push” and “pull” factors as in the case of Millennials. These include, but are not limited to:

- **Downsizing:** as Boomers surpass age 70 and beyond, downsizing increases dramatically.²⁸
- **Affordability:** Upon retirement, Baby Boomers look for ways to reduce monthly expenses to help offset sometimes-insufficient retirement savings and a decrease or cessation of monthly wage-based income (in fact, only 60% of Boomers report having any retirement savings^{29,30}). The move to MFH, with lower purchase prices and where many maintenance and living costs are shared and amortized across many residents, is a natural response. These costs include a variety of taxes and assessments that may be higher in SFH than in MFH, as well as maintenance expenses.
- **Lifestyle:** amenities and luxuries are often more available in MFH than a SFH, such as communal activities and services as well as a walk-able community environment.³¹
- **Flexibility:** MFH living is accompanied by various other benefits such as less burdensome housework and fewer maintenance concerns. And without the burden of a long-term mortgage, Boomers are able to live on short-term leases, giving them more freedom of movement.³²

To be sure, it is certainly not unprecedented for older generations to downsize. However, this cohort's actions today leave an outsized effect on the U.S. economy due to its size. It wasn't until 2016 that Millennials overtook Boomers as the largest living generation, but Boomers still comprise 74.9 million

²⁷ Urban Institute. “Explosion in senior households by 2030 demands housing and community adaptations.” Urban.org. <http://www.urban.org/urban-wire/explosion-senior-households-2030-demands-housing-andcommunity-adaptations> (accessed April 5, 2017).

²⁸ National Association of Realtors. “Strong Demand from Baby Boomers to Continue to Drive Multifamily Home Construction.” <http://economistsoutlook.blogs.realtor.org/2015/09/22/strong-demand-from-baby-boomers-tocontinue-to-drive-multifamily-home-construction/> (accessed June 30, 2017).

²⁹ Rappaport, Jordan. “The Demographic Shift from Single-Family to Multifamily Housing.” <https://www.kansascityfed.org/publicat/econrev/pdf/13q4Rappaport.pdf> (accessed June 30, 2017).

³⁰ National Association of Realtors. “Strong Demand from Baby Boomers to Continue to Drive Multifamily Home Construction.” <http://economistsoutlook.blogs.realtor.org/2015/09/22/strong-demand-from-baby-boomers-tocontinue-to-drive-multifamily-home-construction/> (accessed June 30, 2017).

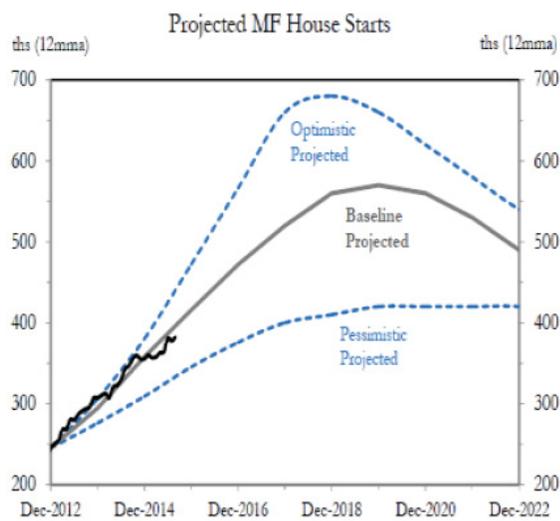
³¹ Machak, Linday. “Baby Boomers Want Space, Lifestyle Amenities in Retirement.” Multifamilyexecutive.com http://www.multifamilyexecutive.com/design-development/baby-boomers-want-space-lifestyle-amenities-inapartments_o (accessed June 30, 2017).

³² Schreck, Niccole. “6 Reasons More Baby Boomers are Renting.” USNEWS.com. <http://money.usnews.com/money/blogs/my-money/2015/04/08/6-reasons-more-baby-boomers-are-renting> (accessed June 30, 2017).

Americans.³³ As this significant portion of the U.S. population continues to age, it's reasonable to expect more and more Boomers will continue to opt for MFH – either for luxury (e.g. lifestyle, flexibility) or necessity (e.g. affordability).

Media industry participants may look for guidance on how dramatic the housing trends may become. One source for such information is with the Federal Reserve Bank of Kansas City, which in a recent seminal research paper presented three scenarios for MFH growth.

Figure 8
Demographics suggest MF construction will remain strong for many years



From Jordan Rappaport, "The Demographic Shift From Single-Family to Multifamily Housing," Federal Reserve Bank of Kansas City *Economic Review*, 2013 Q4
 Actual Start through August 2015 (Source: Census Bureau)

The Reserve Bank used data related to construction starts as a proxy for growth – a “baseline” (most likely) projection of MFH starts and an optimistic and pessimistic projection (for more and less MFH starts, respectively) over the next several years (Figure 8^{34,35}). In the “Baseline” projection, MFH will continue to rise sharply for several years before experiencing a decrease.

Most importantly, the Bank’s projection, suggests that we will see MFH starts increase by almost another 25% between December 2016 to December 2019.

³³ Fry, Richard. “Millennials overtake Baby Boomers as America’s largest generation.” Pewresearch.org. <http://www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/> (accessed June 30, 2017).

³⁴ Rappaport, Jordan. “The Demographic Shift from Single-Family to Multifamily Housing.” <https://www.kansascityfed.org/publicat/econrev/pdf/13q4Rappaport.pdf> (accessed June 30, 2017).

³⁵ National Association of Realtors. “Strong Demand from Baby Boomers to Continue to Drive Multifamily Home Construction.” <http://economistsoutlook.blogs.realtor.org/2015/09/22/strong-demand-from-baby-boomers-tocontinue-to-drive-multifamily-home-construction/> (accessed June 30, 2017).

Section Four: Financial Impact Possibilities for Media Industry Members

As referenced before, those living in Multi-Family Housing units typically pay less on a perunit basis than their Single-Family Home counterparts for equivalent monthly Pay TV service. The effect on video service, for example, is illustrated in an online primer offered by media industry consultant Peter Litman that was referenced in the opening section of this document.³⁶

Litman explains the mathematical derivation of changes in the calculation of Pay TV subscribers counted as “bulk billed,” such as MFH (referred to below as “Multiple Dwelling Units”) as well as his own estimates of the result of this calculation. This provides insight into the impact that changes in housing preferences may have on companies within the Pay TV ecosystem whose performance is affected by subscriber numbers. Specifically, Mr. Litman states:

The industry-standard method for paying programmers is that Multiple Dwelling Units (MDUs) are paid on an “EBU basis.” EBU stands for equivalent billing unit (or equivalent basic unit). The concept is that if a building gets a package of service that costs \$15,000 per month and a residential subscriber with the same package would pay \$100 per month, then the building has the equivalent of 150 residential subscribers, irrespective of the number of actual units in the building who are receiving service. Typically, bulk-billed accounts get a rate break, in exchange for providing service to every unit (where the cost is bundled into the building’s maintenance fees to the tenants). The cable operator will charge the building something less than the full retail price (since it doesn’t have to market the service to each apartment individually). Historically for cable operators, the bulk discount was 30% – a building with 100 units would be charged at the equivalent of 70 residential subscribers.

While various factors may affect this calculation, Mr. Litman offers further explanation of one particular, passive cause of decreasing subscriber numbers: inflation. In this example, the numerator in the calculation (the fixed price of service to a MFH complex) does not change over the course of the service agreement to a housing complex, whereas the denominator (the then-prevailing, inflation-adjusted price of an “equivalent” level of service offered to SFH customers in the same area) would increase over time; the product of which naturally results in a decrease of subscribers. Such a decrease does not reflect diminishing subscribership per se, but nevertheless results in fewer paying accounts reported by, and paid to, both, Pay TV operators and programmers.

³⁶ Litman, Peter. “Counting Bulks with Comcast’s CFO.” <http://www.peterlitman.com/2013/05/counting-bulkswith-comcasts-brian.html> (accessed June 30, 2017).

Section Five: Conclusion

The shift in U.S. housing trends suggests that what is thought to be “cord-cutting” behavior may not solely be attributable to cancelled Pay TV subscriptions by dissatisfied consumers; instead, there is likely a combination of factors affecting subscriber numbers that includes a macro-level trend related to shifting housing preferences in this country, especially by members of the Millennial and Baby Boomer cohorts. This trend, which began in the middle of the last decade, has shown signs of acceleration and is likely to persist to some degree into the future.

Much data exist for further study. But as the Pay TV industry evolves, encompasses new and different providers, and responds to industry changes with its own innovations in programming, technological enhancements and an expanded range of service offerings, the need to address a new landscape of American housing will need to be taken into account by all parties.

We encourage media industry participants to include housing data in their business strategies and forecasting going forward. We also welcome further research studies from other independent observers to add to this field of study.

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