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5 TOP RESIDENTIAL SECURITY TRENDS TO WATCH IN 2023

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5 Top Residential Security Trends to Watch in 2023

This report is a Parks Associates Research Report commissioned by ESA and sponsored by Resideo to deliver the latest facts and trends to help you make informed decisions on capturing new customers through careful business strategy evolutions.

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5 TOP RESIDENTIAL SECURITY TRENDS TO WATCH IN 2023

Top Trends Include:

- Raising Rates – The Top Trend
- Trend 2: Home Security for the MDU Market
- Trend 3: Manufacturers Continue to Innovate Video and Deterrence Solutions
- Trend 4: Adoption of Vehicle Security and Solar Systems
- Trend 5: Package Theft Solutions

The security industry has gained millions of households due to the explosion of DIY offerings and COVID-19. Households sought stability and safety during COVID and were able to find low-cost solutions. In 2022 though, home security system adoption slowed with home security ownership dropping from 2021 levels. The industry's top players, however, are achieving record revenue in 2022 and that shows no signs of slowing. The rebound of professional installation since 2020 and recent solar system and service offerings have generated robust revenue growth.

Several of the top residential security companies reported double-digit YoY growth while also recording record-high total revenue. Parks Associates research on security dealers found they have expected steady growth in their revenues since 2020. Only 15% of security dealers in 2020 expected a 10% or more revenue increase in 2020 compared to 38% in 2022. Top player revenue increases over the past year point to new services such as solar and vehicle services offered by security companies as drivers to growth.

Raising Rates – The Top Trend

In 2022 inflation broke a 40-year high. There are few indications that consumers or businesses can expect inflation relief in the cost of goods and services in the near future. Security companies must find ways to increase revenue to compensate for the higher prices in materials, overhead increases, wage inflation, and the possible attrition of customers who need to “tighten the belt”. A good portion of the security industry is raising professional monitoring fees or including new services for consumers or both. Five of the 12 major home security players Parks Associates tracked in Q2 increased their monthly professional monitoring fees. The average price hike for these 5 companies was about \$12 per month. Some Companies raised the price of its basic self-monitoring service, but also enhanced basic plan features. Other companies enhanced revenue by adding new service such as professional monitoring. Price hikes for security monitoring may impact adoption rates throughout the rest of 2022 and into 2023, but security solutions have a track record of maintaining demand even in uncertain times.



15% of security dealers expected a 10% or more revenue increase in 2020, while 38% expect a 10% or more increase in 2022.



Smart cameras and smart video doorbells are two of the most highly adopted smart home products, at 13% and 14% adoption respectively.



Over 60% of MDU residents perceive receiving notifications about safety issues and activity outside their door as valuable.

Trend 2: Home Security for the MDU Market

According to the National Apartment Association (NAA), demand for apartments is at an all-time high. The demand is driven by a number of young adults aged 18 to 24 who are delaying home ownership and an aging population sometimes choosing to live in apartments. Technology product and service providers, including home security providers, increasingly target the multifamily space, offering services to both MDU residents and rental property owners.

Parks Associates research finds that 80% of property managers plan to implement smart home devices within the next 12 months, demonstrating a strong demand for automation and operational efficiency in the MDU space. Additionally, safety and security benefits top Parks’ tested value propositions among MDU residents. 64% of MDU residents said it would be highly valuable to receive notifications from connected devices about safety issues, and 62% rate activity monitoring outside of their door as highly valuable.

Trend 3: Manufacturers Continue to Innovate Video and Deterrence Solutions

Smart cameras and video doorbells have some of the highest adoption rates among smart home devices; industry players have noticed. In July 2022, 14% of US Internet households report owning a video doorbell, and 13% report owning a smart camera. Security system owners adopt these products at much

- higher rates than the average household. These are also the most common devices that security owners add to their systems if they did not include them at purchase. Recent camera product announcements in 2022 illustrate how manufacturers fighting for an edge in this competitive market. Whether for a video doorbell or freestanding camera, manufacturers are improving pixel quality, night vision, thermal vision, camera view, camera durability, battery life, and A.I. detecting capabilities. These new features are vital for improving intruder

- deterrence and porch pirates; they also improve a customer’s experience by better identifying what conditions merit alerting the customer. Companies are also innovating by putting video in new places of the home. For example, Lockly and Eufy have recently come to market with smart locks that also provide video, and Chamberlain has a garage door opening system that includes video inside the user’s garage. includes video inside the user’s garage.

Trend 4: Adoption of Vehicle Security and Solar Systems

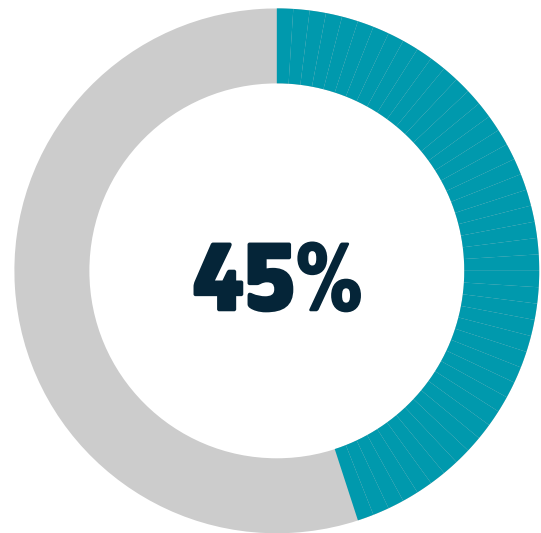
Vehicle security and energy management both present opportunities to home security providers. For example, a recent Parks Associates survey find 45% of security system owners or intenders want their security system to detect and prevent theft or damage to their vehicles. With the FBI reporting a rise in motor vehicle theft in 2020 - 2022, adoption of vehicle monitoring services is on the rise. Like the potential opportunity in the MDU market, some companies are building a mutually beneficial service that allows both brands to benefit from their partner's reputation.

Smart home/security providers have identified the usefulness of solar, storage, and battery solutions; they have or are developing models for integrating their existing smart home ecosystem(s) with solar technology. There already is evidence of solar's revenue power. In Q1 of 2022 A top security company generated \$192 million for the security company, installing 5,500 solar systems, which was an 80% increase over a smart energy companies performance in Q1 of 2021. This demonstrates that the residential security market can overlap with the smart energy market, making solar a natural add-on service for security companies.

While security system sales have dropped in 2022, revenue for the top providers continue to increase. Security companies are tapping significant opportunities for revenue growth through solar. Given the strong early success from offering solar system services and the consumer demand for vehicle monitoring more security providers will follow the major players in providing these add-on services.

Trend 5: Package Theft Solutions

Another opportunity for home security providers to evolve beyond the house walls is the protection of packages. 12% of U.S. internet households have experienced package theft, and the number is likely to rise. In 2021, the four major parcel deliverers in the US (USPS, UPS, FedEx, and Amazon) shipped 21.2 billion parcels, and e-commerce is expected to continue to increase. Pitney Bowes forecast projects a 5%-10% growth rate from 2022-2027, meaning many consumers will want package theft protection. Swiftlane's research has found that almost 50% of apartment or townhome residents report having a package theft, while over 60% of condominium residents report having a package stolen. The rates



45% of security system owners or intenders want their security system to detect and prevent theft or damage to their vehicles.

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for MDU thefts are much higher than for thefts in single-family homes. Overall, Swiftlane estimates \$6 billion worth of packages were stolen in 2020.

Package theft is a glaring issue for consumers, and the home security and access control industries want to provide solutions. In Parks Associates Q2 2022 residential security tracker, Canary (also known as the Smartfrog Group) announced its acquisition of the smart lock and in-home delivery platform company Glue. Canary will leverage the Glue technology to provide an in-home delivery platform that facilitates quick and secure delivery of goods (parcels, groceries, flowers, pharmaceuticals, etc.) and services (dry cleaning, home cleaning, handyman, facility manager, etc.) to homes by allowing access via an app that is SSL encrypted to permit one-time keys and is fully insured. The technology also provides instant notification of deliveries to its users.

Smart garage door openers also provide solutions for package security. The Chamberlain Group companies (Chamberlain, Liftmaster, and Craftsman) and Genie are partnered with Walmart and Amazon to integrate Walmart+ InHome and Amazon Key services into their myQ and Aladdin Connect platforms. This allows Walmart and Amazon delivery drivers to enter the user's garage to

ensure a secure package delivery. Also, Genie and Walmart provide porch box solutions for customers; these are permitted to be unlocked by the delivery people so they can place packages in the porch box. The boxes auto-lock once shut.

Camera and video doorbell manufacturers are also providing solutions to help in secure package delivery. In 2022 several manufacturers produced cameras that have package detection and/or porch pirate deterrents with features such as flashing red and blue lights, spotlights, and sirens. In addition, Amazon has integrated Alexa to notify customers through an Echo smart speaker and/or a smart display Fire TV if a package has been detected from a compatible video doorbell or camera. The purpose of this is to make customers aware that a package is at their home. As e-commerce continues expansion and package theft continues to rise, several players will provide solutions for package security and seek a slice of that market's revenue.



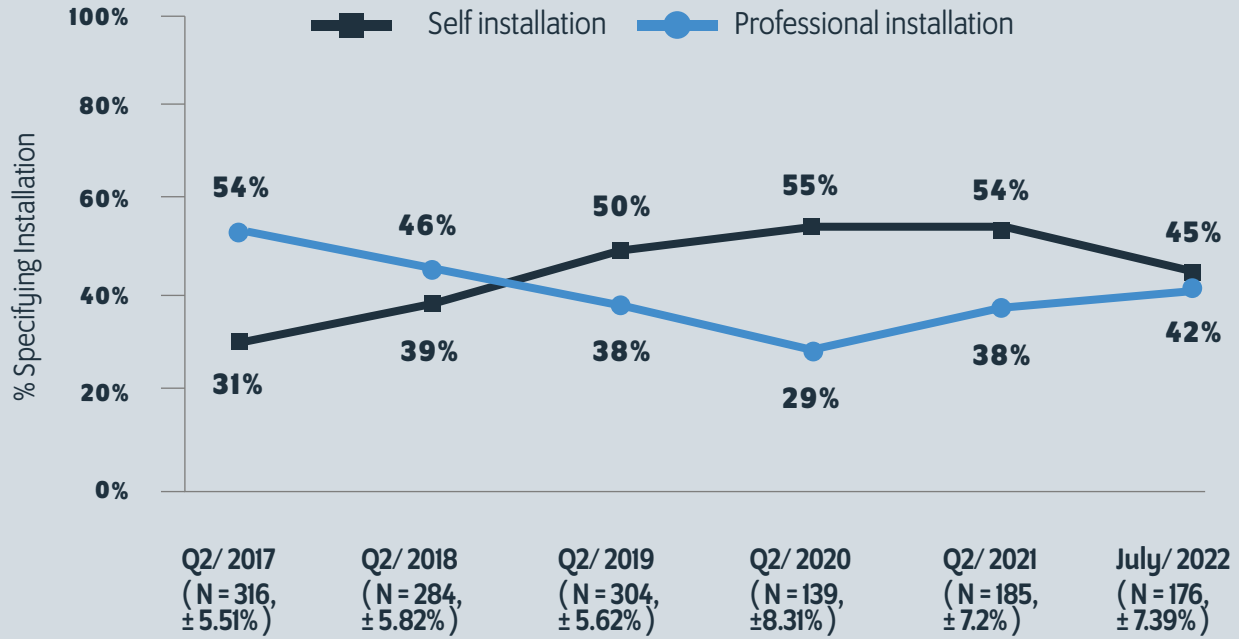
Recommendations and Implications for Security Dealers

The security industry is innovating rapidly to provide new solutions that drive revenue and customer loyalty. Product features that are cutting edge today will be expected features in base model products. Dealers need to keep abreast of the latest innovations to source products that customers will start to demand, including video, lighting, and other solutions that offer not just intrusion protection, but deterrence.

- **Amidst a growing market of DIY solutions, security dealers will benefit from focusing on use cases and segments that leverage the strengths and value of professional installation and monitoring.**
- **Energy solutions, including home battery storage, solar, and EV charging installation and support are an attractive new service area because they are less likely to become DIY solutions.**
- **Small and medium business customers are an attractive segment because they acquire systems and services like consumers, but need a premium tier of monitoring and support.**
- **Multifamily properties are attractive because property managers have strong needs of a local and reliable service provider to support both staff and tenants.**
- **Vehicle monitoring is an attractive upsell, and extends dealers' current business to a new use case.**

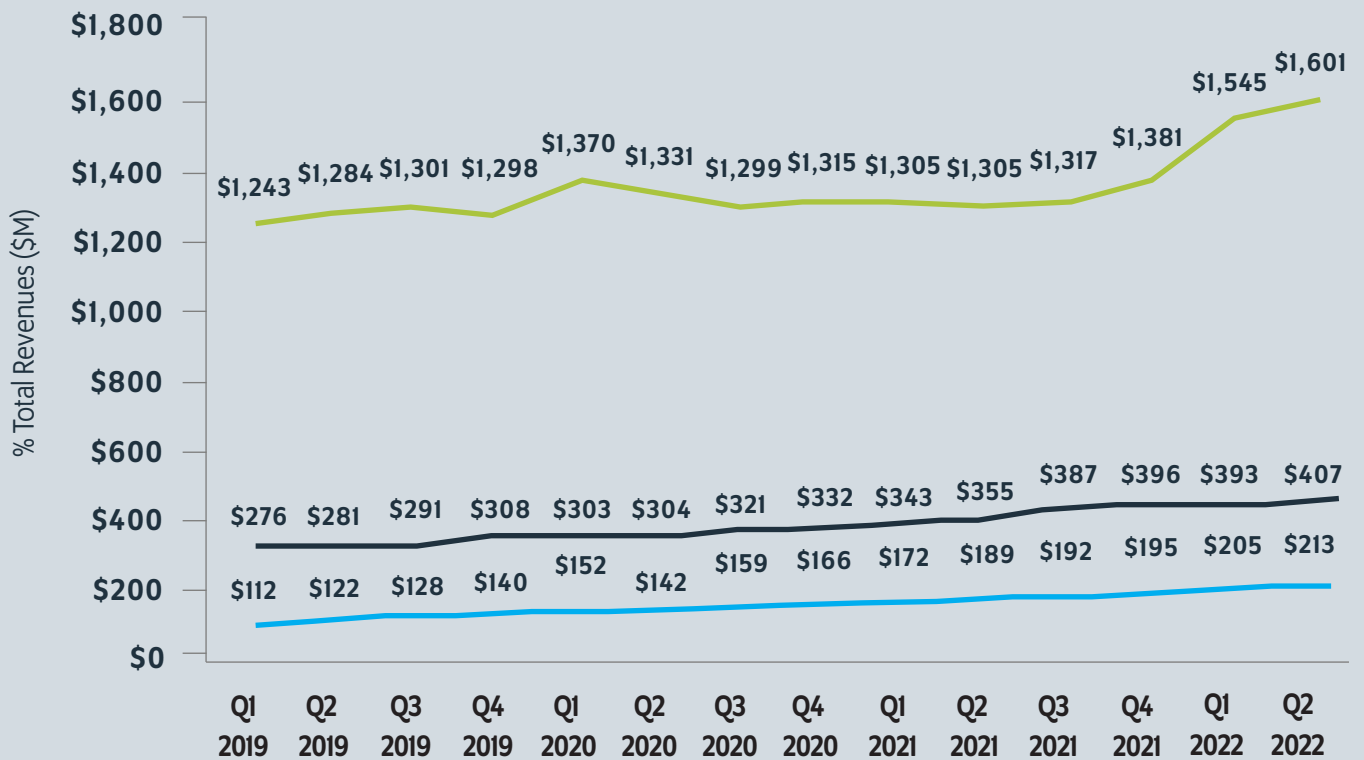
In the current unstable economic era home security adoption is slowing as prices of goods and services have increased across the board. The industry is innovating to offer new services and improve their products with new features at a rapid pace to create a better value proposition for rate increases and continue revenue growth. The impact on security dealers looks to be a net positive, as the major players in the home security space are currently seeing record highs in revenue despite slowed growth and times of economic uncertainty.

Installation Method for Home Security Systems Acquired within the Past 12 Months



Among home security system owners who acquired their system prior to 2Q 2022 © 2022 Parks Associates

Leading Security Brand Performance - Quarterly Revenue

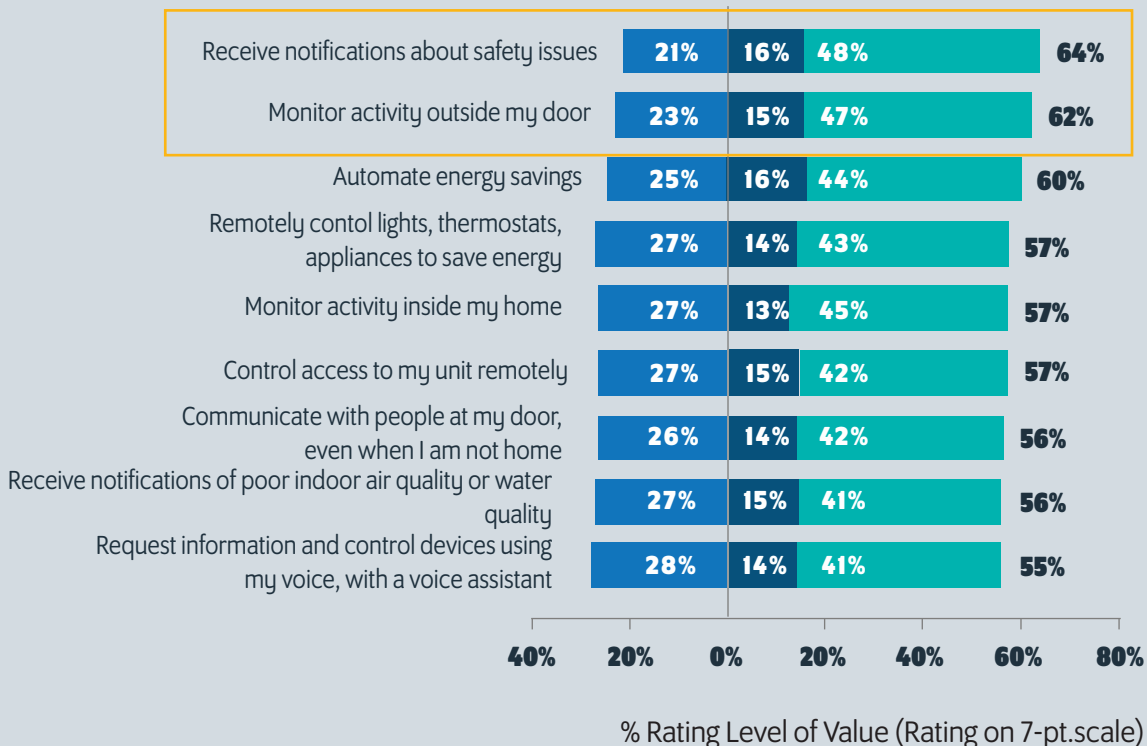


Source: ADT, Vivint, Alarm.com Investor Presentations | © 2022 Parks Associates

Valuable Benefits of Using Smart Home Devices

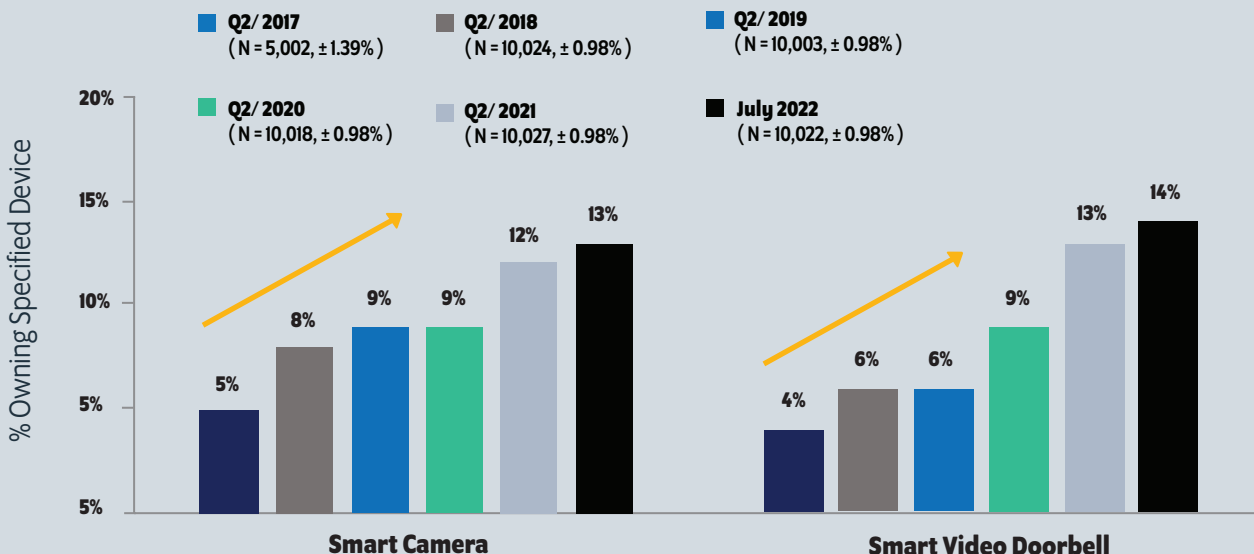
Among MDU Residents with Property-Provided Devices

■ Not valuable (Rating 1-3) ■ Valuable (Rating 5) ■ Highly Valuable (Rating 6-7)



Among MDU Residents, n = 1,672, ±2.4% | "Q3010.How valuable to you are these benefits of smart home devices in your unit? Smart devices that allow me to..." Source: American Broadband Households and Their Technologies Q2 2021 | © 2022 Parks Associates

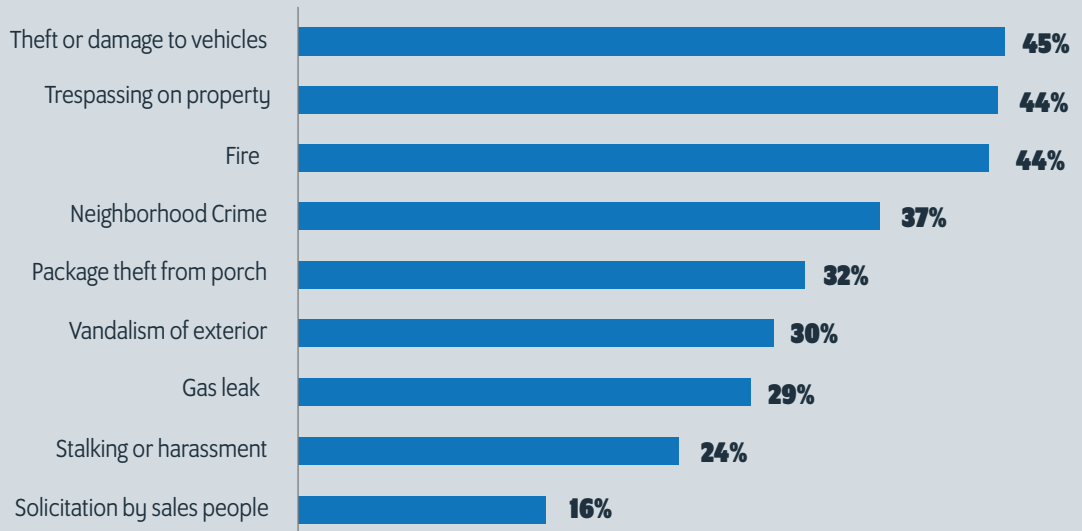
Smart Safety & Security Device Ownership



Among All US internet HHs | "ST2601. How many of the following does your home currently have?" Source: Multiple Surveys: American Internet Households and Their Technologies | © 2022 Parks Associates

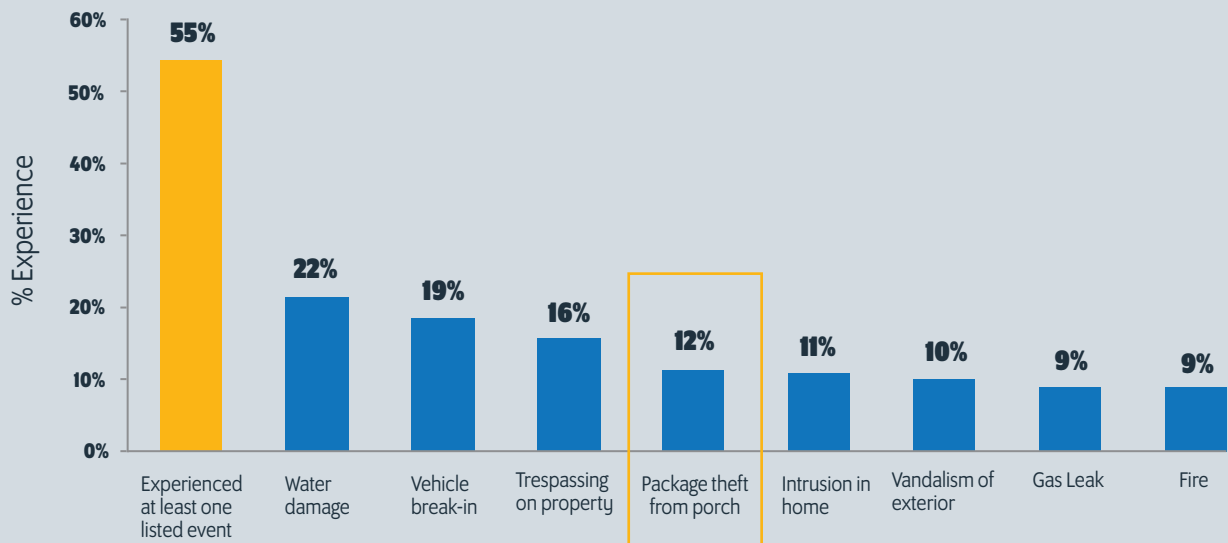
Most Important Conditions for Security System Detection (After Actual Intrusion)

% Ranking as a Top 3 Desired Detection Features Among Security System Owners and Intenders



Among Security System Owners or Intenders, n=2,473, ±1.97% | "Q7002. Beyond preventing intrusion of your home, what are the 3 most important conditions for a security system to detect or prevent?" | Source: American Broadband Households and Their Technologies Q2 2021 | © 2021 Parks Associates

Personal Security Events Experienced



Among US BB HHs Surveyed, n=5,013, ±1.38% | "Q5000. Have you ever personally experienced any of the following? Please select all that apply." | Source: American Broadband Households and Their Technologies Q2 2021 | © 2022 Parks Associates

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