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The Future of Multifamily

THE MULTIFAMILY PARADOX

Why the Strongest Fundamentals in a Decade Are Hiding Behind the Biggest Hesitation

What This Guide Is

America needs more rental housing than at any point in modern history. Long-term demand is locked in by demographics, affordability math, and a generation that may never buy. Yet the multifamily industry is largely standing still — despite abundant capital.

Developers are waiting. Capital is cautious. Projects that should pencil don't.

In some U.S. metros, regulation alone now accounts for up to 40% of development costs, while interest rates and uncertainty make the math even harder to close.

That's the paradox — and it's the engine of this guide.

We're not writing another market outlook. We're telling the story of an industry caught between the strongest fundamentals in a decade and the deepest hesitation in just as long. The pause may be temporary, but the decisions being made right now — the deals pursued, the technologies adopted, the capabilities built — will determine who leads multifamily for the next ten years.

Ivy Zelman, Executive Vice President at Zelman, a Walker & Dunlop company, captures the mindset required for moments like this in three words: **"Be a pioneer."** The pages ahead make the case for why that isn't just aspirational advice — it may be the only viable strategy.

Structure Three Parts, One Arc

PART 1
The Paradox

Why is everyone frozen despite the strongest fundamentals in years?

PART 2
What's Actually Changing

The transformation happening beneath the surface — in operations, digital infrastructure, and design.

PART 3
The Pioneer's Playbook

Where to move, what models are emerging, and why the window won't stay open.

PART 1

The Paradox

Everyone sees the opportunity. Nobody's moving. Why?

Capital is Ready. Feasibility isn't.

On paper, multifamily should be surging. Capital wants exposure. Renters are multiplying. Housing shortages remain acute across the country. But between interest rates, regulatory costs, and the fragile math of development, the projects that should move forward increasingly stall before they begin.

NMHC's Q1 data paints a clear picture: there is no shortage of capital interest in multifamily — the problem is that economic uncertainty and interest rates have made deals impossible to pencil. As Chris Bruen, Senior Director of Research at NMHC, noted, plenty of capital is actively seeking multifamily deals; it simply can't find ones that work in the current environment.

Demand, meanwhile, is structural — not cyclical. Zelman's analysis points to a decisive tipping point: the math of homeownership has shifted so far that renting isn't just a fallback; it's the rational choice for a growing share of American households.

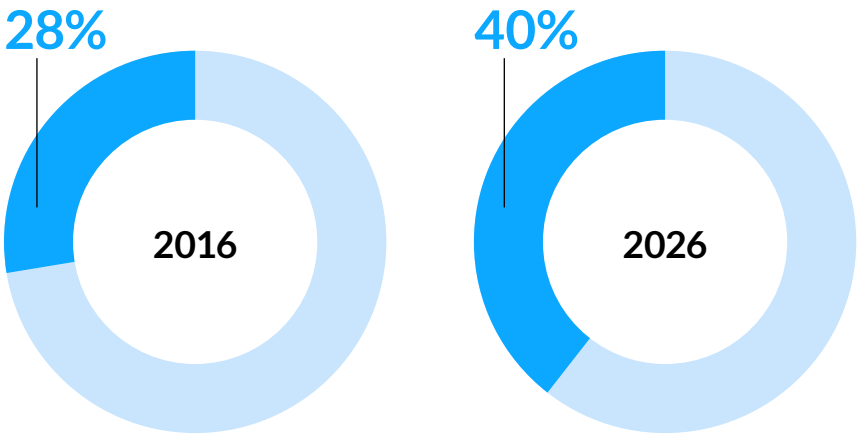
"Right now, there's no question you're better off renting than owning."

— Ivy Zelman, Zelman

But the shortage isn't units in aggregate — it's the right kind of units, at the right price point, in the right places. And the households that would have formed simply haven't, because the industry didn't build for them.

The Regulatory Tax

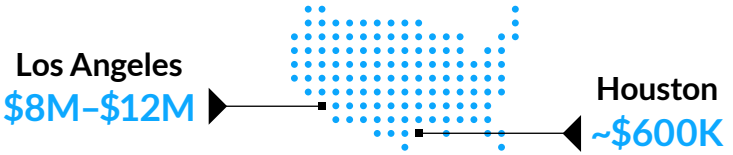
Regulatory Cost (Multifamily Development)



$93,870 **Regulatory Burden per Single Home**

Our own research quantifies the friction. Across the top 10 U.S. metros, **regulatory costs now consume up to 40% of multifamily development costs — up from 28%** a decade ago. NAHB data pegs the average **regulatory burden at $93,870 per single-family home**. For multifamily, the picture is worse:

Permitting timelines range from 8 days to nearly a year for the same type of project, depending on jurisdiction.



Total regulatory costs for a 100-unit multifamily development. **LA's affordable housing linkage fee alone — $960,000 — exceeds Houston's entire regulatory burden.**

Building code changes alone account for 11.1% of multifamily development costs nationally — the single largest regulatory line item.

This isn't just market sentiment. The system itself is creating friction. Both Houston and Los Angeles build housing successfully, yet one regulatory regime costs roughly ten times more than the other in total development burden.

DIVE DEEPER INTO THE DATA

This section draws from our three-part analysis of regulatory costs across America's 10 largest metros.

PART 1: The National Landscape
PART 2: City-by-City
PART 3: Reforms That Work

An Industry That Knows It Should Be Further Along

The regulatory burden isn't the only friction slowing multifamily's transformation. There's an internal one too — and the industry is remarkably candid about it.

The clearest signals about multifamily's AI maturity didn't come from surveys. They came from the conversations we had on our Real Estate Meets AI podcast, where we asked operators, investors, and technology leaders the same simple question:

Commercial real estate leaders from AvalonBay, Waterton, OpticWise, and Shadow Ventures all landed in the same narrow band — somewhere between a 2 and a 3.

No one claimed leadership. Several drew a pointed distinction between the enthusiasm on display at industry conferences and the reality on the ground, suggesting the trade show circuit has a habit of flattering the industry's actual progress. Others noted the gap between corporate and community-level adoption, with the front lines often outpacing the boardroom.

What the Numbers Actually Say

Ten independent leaders. Nine separate companies. One narrow band of answers, implying an industry average of around 2.5 out of 5.

Highest rating given	3.5
Lowest rating given	1
Consensus range and implied industry average	2.5

That's not early adoption. That's middle-of-the-pack, leaning cautious. The industry doesn't believe it's leading. It knows it's behind.

And yet the conditions for transformation have rarely been better. Strong balance sheets, structural demand, and a growing suite of tools that are already delivering measurable results for the operators willing to use them.

The hesitation, as more than one voice on the podcast noted, isn't denial — it's the same rational caution that greeted the early internet, when the potential was obvious but the use cases, economics, and internal alignment were still forming.

That framing matters. An industry at 2.5 on AI adoption isn't behind — it's early. And early is exactly when it pays to move. Doug Pearce, EVP of IT at Waterton, and Bill Douglas, CEO of OpticWise, captured that advantage:

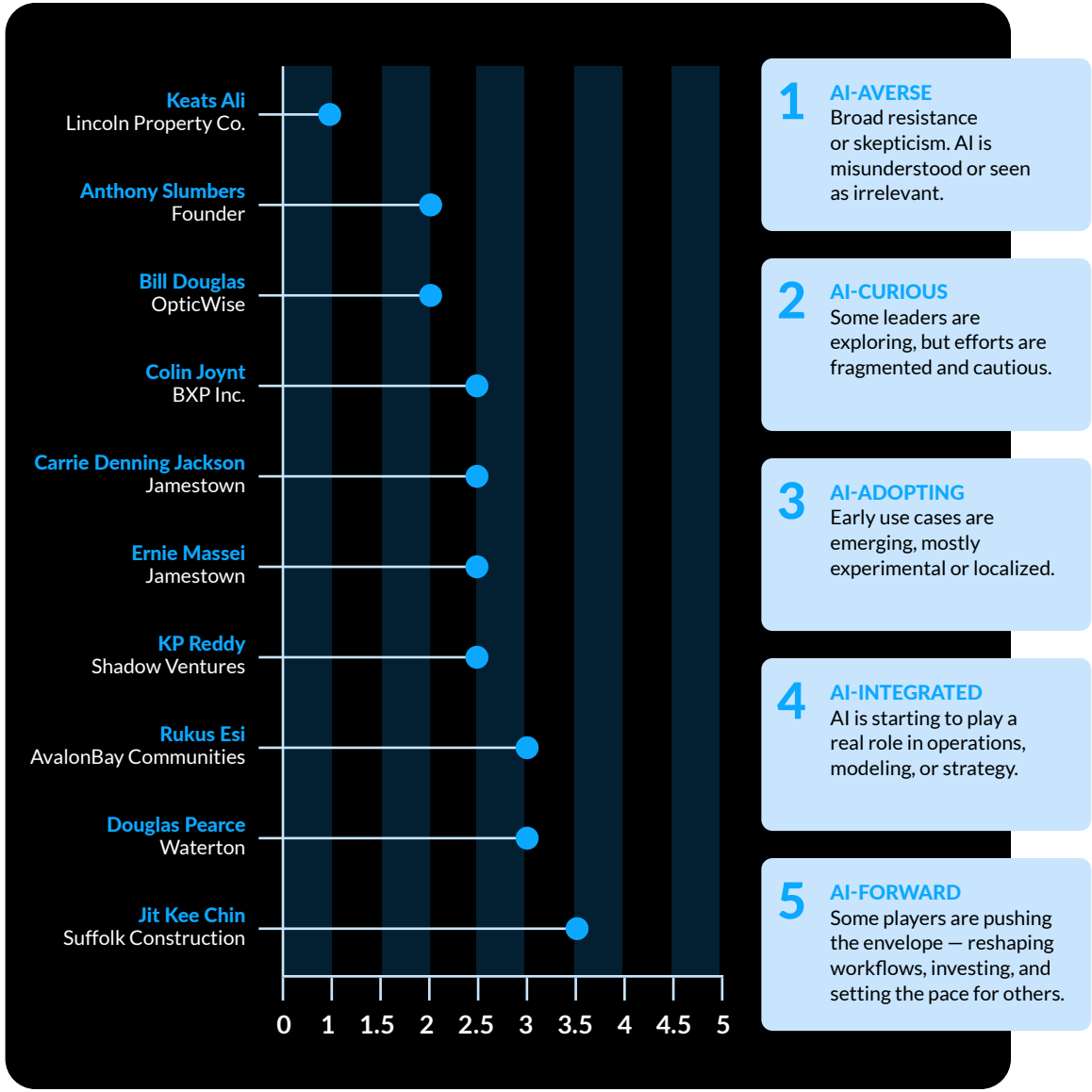
"At the communities, a solid three. At the corporate level, a solid 1.5."

— Doug Pearce, Waterton

"A two, maybe a three if we're being generous. The trade show buzz might have it at a three, but in reality we'd have to stretch to get a two."

— Bill Douglas, OpticWise

Where the Real Estate Industry Actually Stands on AI and Technology Adoption



PART 2

What's Actually Changing

While the industry hesitates, a quieter transformation is underway.

The Self-Serve Revolution

The operators furthest ahead aren't experimenting with AI as a side project. They've restructured their entire operating models around it — and the results are already measurable.

AvalonBay
Rethinking the Model from the Customer Backward

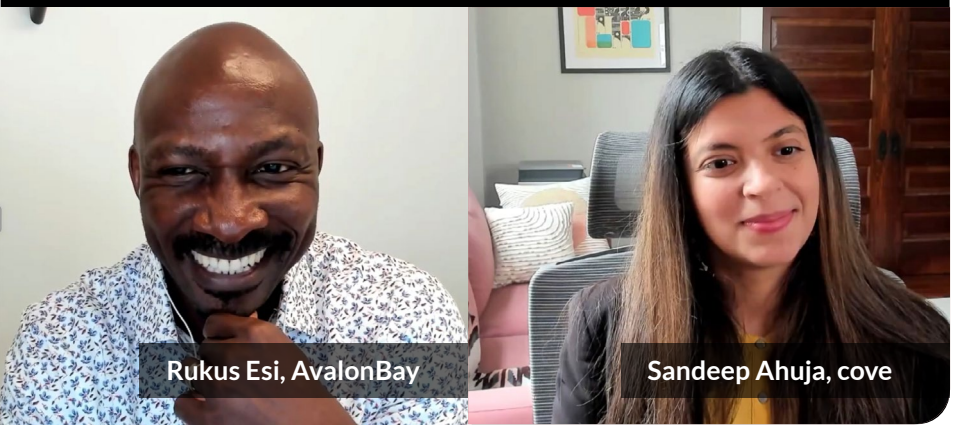
Under Rukus Esi, Chief Digital Officer at AvalonBay Communities, the transformation started with a deceptively simple question: what do residents actually need a human for? The answer, it turned out, was far less than anyone assumed.

The company built a three-tier framework: self-serve digital experiences handle the bulk of resident interactions, AI automation intervenes where self-serve falls short, and human associates serve as the backstop for the small percentage of issues that require judgment or empathy. An automated leasing agent now manages prospect Q&A, tour scheduling, and follow-ups. Self-guided tours are standard. Properties are managed in clusters rather than with dedicated on-site teams — a model AvalonBay calls "neighborhooding."

The impact has been significant: a 15% reduction in associate count across the entire portfolio. Renewal pricing is now driven by machine learning models trained on resident behavior data, with measurable improvements in retention.

And critically, none of this was deployed on faith. Every initiative started with a hypothesis, aligned stakeholders, and a specific community for testing before portfolio-wide rollout.

> **"We redefined our north star with a customer-back perspective — how do we improve the customer experience and by doing that how do we improve operations in general."**
>
> **— Rukus Esi, AvalonBay**


Rukus Esi, AvalonBay

Sandeep Ahuja, cove

Waterton
The Mid-Market Playbook

Waterton's story matters because it proves this isn't a big-REIT-only transformation. As a mid-size operator without a massive internal development team, Doug Pearce has taken a vendor-led approach — but with the same discipline AvalonBay applies internally.

After centralizing their back office functions (accounts receivable, accounts payable, renewals), Waterton layered AI on top. The system now reaches out to residents for late payments and lease renewals via SMS, email, and phone. Collection rates are up. Renewal timelines have shortened. The pilot ran at a dozen communities and has since gone portfolio-wide. On the maintenance side, a newer pilot across four properties walks residents through self-fixes before dispatching a technician — and even when it can't resolve the issue, it automates the ticketing and scheduling workflow.

The on-site impact was immediate. Teams noticed foot traffic to the leasing office dropping as residents handled routine requests digitally. And the AI didn't just shift work — it freed people to focus on the interactions that actually require human judgment. Rather than adding three to four new positions to handle routine workload, Waterton was able to redeploy that capacity toward higher-value work.

Pearce's philosophy is instructive for mid-market operators who feel the pressure to keep pace without the resources of a top-20 REIT: don't try to be first, don't be afraid to move, and go steady. It's a pragmatic middle path — and for most of the industry, it's the realistic one.

The Building's Digital Backbone

Bill Douglas makes a provocative case that most building owners are sitting on a profit center they don't control. The culprit: fragmented vendor networks and ISPs who own the digital infrastructure inside buildings that belong to someone else.

His framework starts simple — clarify what you own, connect your systems, start collecting data — and the early wins require almost no capital outlay. Dynamic parking pricing. Lighting optimization. HVAC scheduling that accounts for actual occupancy instead of running the same algorithm on a holiday.

At one 200-unit apartment complex, consolidating 12 networks down to 6, connecting operating systems, and collecting data produced $830 per door in NOI — not revenue, bottom line. And the data itself has begun to carry transactional value:

"I have watched a building with a data lake of operating history trade and the buyer paid a premium — over $200,000 — because it had a history of this data. It reduced their risk."

— Bill Douglas, OpticWise

The implication is clear: digital infrastructure isn't an IT conversation. It's an NOI conversation. And the operators who own their backbone now will have a compounding advantage.

AI in Design and Development

The transformation isn't limited to how buildings operate — it's changing how they get designed and financed in the first place.

The Speed Advantage

Our own work provides the proof points. Using real-time AI modeling, we've reduced feasibility and pre-design cycles by 70% — zoning constraints, density limits, parking requirements, egress, and preliminary cost impacts, all modeled before a single dollar is committed. **The results aren't theoretical:**

Fort Lauderdale Luxury Multifamily: AI uncovered **7,000** additional buildable SF, **$7M** in added property value, and **$805K** in hard-cost savings. Increased projected profit by **$3.08M**.

Ralph David Abernathy Infill (Atlanta): Originally feasible for **8–9 units**. AI-driven layout analysis doubled density to **16 homes**, fully code-compliant.

Himes Multifamily (Frederick County, MD): **150** affordable units across **7 acres**. All-electric, ASHRAE **189.1** performance, **1MW** solar array. **~$650K/year** in projected NOI from sustainable systems.

The throughline across every project: AI doesn't just speed up design. It surfaces value that traditional processes miss entirely — buildable square footage, regulatory thresholds that trigger unnecessary fees, entitlement paths that shave months off timelines. For developers operating on tight margins, especially in affordable housing, this is the difference between a project that pencils and one that dies in feasibility.

But Speed Isn't the Point

This is where most conversations about AI in architecture stop — at the efficiency gains. Pierluca Maffey, Int. Assoc. AIA, OAR, our Design Principal, pushes the argument further.

The real opportunity, Maffey argues, isn't that AI makes the process faster. It's that speed liberates everyone involved — lenders, owners, architects, contractors, and consultants — from the friction created by uncertainty. Every decision that used to stall a project because stakeholders lacked information to evaluate their options? AI makes those decisions informed, fluid, and collaborative. The time reclaimed from that friction isn't just time saved. It's time reinvested in the work that actually matters: design quality.

Maffey's framework is deliberate. AI excels at the aspects of architectural development that are identifiable, quantifiable, and repeatable — code analysis, massing studies, cost modeling, regulatory compliance. By offloading those tasks, architects can refocus on the dimension of design that no algorithm can replicate: its impact on the people it serves.

"The responsibility of architecture is to positively affect the people it will serve and the environment it will be part of. When that is successfully achieved, the financial return is not only for the developers but for the whole community at large. That is the purpose of design."

— Pierluca Maffey, Int. Assoc. AIA, OAR, Design Principal, cove

This isn't a soft argument. It's a financial one. Buildings that are designed with genuine attention to how people live in them — how light moves through a unit, how shared spaces invite interaction, how a project fits the texture of its neighborhood — perform better over time. They lease faster, retain residents longer, and contribute to the kind of neighborhood-level momentum that drives property values for everyone, not just the developer.

The industry tends to frame AI as a tool for doing the same work in less time. The architects using it most effectively are doing different, better work — and using the efficiency gains to make the case for design decisions that would never have survived a traditional timeline.

PART 3

The Pioneer's Playbook

The case for moving now — and where to look.

Overlooked Markets, Overlooked Models

Zelman's pioneer thesis is the anchor for this section. She argues the industry's geographic orthodoxy — only invest where there's population growth — is leaving real opportunity on the table:

"Be a pioneer and think about markets where the historic rule is 'if there's no population growth, I don't want to be in those markets', and I think that might not be your biggest markets, but there are opportunities that probably should be looked at that might not have been on your radar before."

— Ivy Zelman, Zelman

The question, as Bruen frames it, isn't whether demand exists — it's what policies will enable or incentivize builders to actually build for it. That's a different question than the one most developers are asking, and it reorients the entire site-selection calculus.

Follow the Artists

Maffey offers a complementary lens drawn from pattern recognition across markets worldwide. His advice to developers evaluating sites: follow the artists.

The pattern is remarkably consistent regardless of culture or geography. Artists gravitate toward affordable neighborhoods, and they inevitably bring character and uniqueness with them. What was once considered the edge of a city becomes a destination — a place people want to visit first, then move to. Developers who identify these neighborhoods early typically acquire sites at a fraction of what the end value will be after development.

AI can accelerate this instinct. The signals that artists are reshaping a neighborhood — shifts in retail mix, social media activity, permit applications for studios and galleries, foot traffic patterns — are all readable in publicly available data. Developers who build AI processes to identify these trend lines aren't replacing intuition; they're giving it a head start.

But Maffey is quick to add a critical caveat: the opportunity comes with an obligation. Developing successfully in these neighborhoods requires fitting into their texture — being honest to the values and character that made them interesting in the first place. Anything that feels manufactured or disconnected from the community will fail. This is where design plays its most important role: tuning into the same creative wavelength that attracted people to the neighborhood to begin with.

"Choosing the right site to develop is not only about maximum FAR, maximum coverage, or maximum height — it is about choosing a place where life, of every kind, generation, and culture can thrive and unfold with safety and inspiration to grow."

— Pierluca Maffey, cove

The Venture Capital Signal

As a seed-stage investor in built-environment tech, KP Reddy, Founder of Shadow Ventures, offers a different lens on where multifamily is headed. His core thesis: the industry is shifting from transformation to disruption. The startups that will win aren't selling tools to incumbents anymore — they're becoming the incumbents.

Shadow Ventures is already practicing this through what Reddy calls the "AI rollup strategy" — acquiring the companies that would normally be customers, then deploying technology inside them. In one case, they're buying grading contractors and replacing traditional equipment with autonomous EV machinery from portfolio company Luminina. The playbook isn't to serve the old industry. It's to rebuild it from within.

Reddy's critique of the current development system is sharp. When he talks to capital allocators about the flow of a dollar allocated to a real estate asset, the number that shocks them is this: only 70 cents actually makes it to the asset. The rest is consumed by a chain of intermediaries, inefficiencies, and coordination overhead that the industry has simply accepted as the cost of doing business.

"If I spend $250 million to build a building, nobody can tell me what my operating and management costs will be before I build it. That's like buying a car and not knowing how many miles per gallon it'll give you."

— KP Reddy, Shadow Ventures

The implication for developers: the partners and tools available to them are about to change dramatically. Reddy's vision of the AI-enabled "master builder" — architecture firms bringing structural engineering, MEP, and other specializations back in-house using AI tools that give one person the capacity of a 50-person department — means the firms developers work with will become faster, cheaper, and more vertically integrated. The developers who embrace that shift in their partner selection will deliver projects with less coordination overhead and fewer surprises.

The Affordability Unlock

Our research on regulation and AI in affordable housing feeds directly into this argument. The core insight: affordable housing is as much a design and feasibility problem as it is a policy problem — and technology can address the design side now.

87.5% of developers avoid markets with rent control (NMHC data). Uncertainty is the enemy of affordable housing investment. AI reduces that uncertainty by modeling regulatory thresholds, fee triggers, and entitlement paths in real time — turning opaque jurisdictions into navigable ones.

Feasibility in minutes, not months. Unit yield, height limits, parking, egress, and cost — all modeled before commitment. Developers stop avoiding jurisdictions and start finding paths through them.

Regulatory tripwires become visible. Adding a few units can trigger inclusionary zoning. A slight height increase can trigger design review. Impact fees jump at invisible thresholds. AI makes these visible before they cost money — and in affordable housing, where every dollar in the pro forma matters, visibility is the difference between a viable project and an abandoned one.

Adapt or Fall Behind

The leaders we spoke with converge on a single idea: this is not something you can wait out, and it's not something you can delegate.

The firms that will lead multifamily over the next decade aren't waiting for the technology to mature or the market to stabilize. They're building the muscle now — testing AI in leasing, in feasibility, in maintenance workflows, in site selection — knowing that most of what they try won't scale and that the learning itself is the advantage.

"If you are unwilling as the leader of the company to tinker, have intellectual curiosity, and do it yourself, then you need to fire yourself."

— KP Reddy, Shadow Ventures

As architects, our role in this shift is clear. We align AI-supported technical and creative capabilities to serve the developers and the communities they want to deliver to — not by replacing judgment with automation, but by ensuring that the decisions which shape how people live are made with better information, faster feedback, and more room for the design quality that makes buildings worth inhabiting.

Zelman believes 2026 will be a better year. The fundamentals support it. The question is whether you'll be ready to move when the window opens — or still waiting for someone else to go first.

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