The Return of the Operator: Why Multifamily is Reclaiming its "Get Rich Slow" Roots

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1. Executive Summary

For the better part of a decade, multifamily real estate was transformed from a stable, steady and secure way to build wealth into a system hijacked by financial engineering. Cheap debt, aggressive bridge loans, and a very long run of cap rate compression created an environment where unsophisticated capital (and some bad actors) was able to drive valuations and make quick profits. The game looked easy. And, for a while, it was. The ability to raise money and obtain debt masqueraded as operational skill. New sponsors with co-mingled "track records" and flashy social media were able to attract capital. Crowdfunding sources made deals readily available to unsophisticated investors. That era has officially ended. Owning apartments has returned to the way it always was. You operate intensely and if you do a good job, you can raise your NOI over time and profit nicely through cash flow and appreciation.

As we close the second quarter of 2026, the Fed has a new, seemingly more hawkish Chair in Kevin Warsh. The market has accepted a "higher-for-longer" reality. Yet rather than a systemic crash like we saw when I started CALCAP during the GFC, we are witnessing a true market separation. The market is filtering out the financial engineers and rewarding true operators.

For institutional allocators and RIA platforms, this represents a return to normalcy. Multifamily investing is, at its core, a "get rich slow" business. It is a discipline of basis control, expense management, and execution. By focusing on workforce housing fundamentals and underwriting deals where returns are earned through operations — not borrowed from cheap debt — disciplined operators are currently positioning themselves for the most compelling acquisition vintage in over a decade.

This paper is about what it actually takes to build wealth in multifamily — and why the answer today is the same as it has always been.

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2. The End of the Financial Engineering Illusion

Over the past decade, the prevailing strategy in multifamily was simple: buy, wait for cap rates to compress, and exit. The market forgave operational missteps because asset appreciation and cheap debt consistently bailed out bad decisions. Cap rates were compressing steadily, and buyers were bidding up prices like crazy to hopefully "get awarded" the deal.

That math does not work any longer.

We are now entering a completely different period of "leverage inversion." For garden multifamily, cap rates are, in many cases, sitting below the debt rate — creating negative leverage.[1] When this happens, adding more debt no longer becomes accretive to returns.

Now in early July, the widely anticipated rate cuts have not materialized, and the debate has shifted. Persistent, energy-driven inflation — driven by the Iran war — has not only pushed rate cut expectations off the table but introduced a likely scenario in which the Fed's next move is a hike, not a reduction.[2] The market that bought on the assumption of falling rates is now underwriting into the possibility of rising ones. The clock has run out on the "extend and pretend" strategy for bridge loans originated at the peak.

You cannot finance your way out of a bad deal anymore. Period.

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3. "Get Rich Slow" — The 30-Year Reality

The current environment is not a crisis, but simply a return to the historical mean. Prior to the zero-interest-rate policy (ZIRP) era, multifamily was always understood as a defensive, long-term wealth preservation vehicle. It was a "get rich slow" business.

The syndicator mentality of 2021 and 2022 — characterized by aggressive rent growth assumptions, floating-rate debt, and short-term holds — was a complete anomaly. True institutional investing requires buying right, operating efficiently, and holding for compounding returns.

In today's market, sellers and lenders recognize this distinction. We are seeing a significant "operator premium." Sellers are heavily favoring well-capitalized, experienced operators because certainty of execution becomes extremely important when unqualified buyers are routinely falling out of contract. Capital is moving slower, and with far greater discipline today.

The market has stopped rewarding the aggressive bidder and is more focused on the capable operator.

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4. The Operator's Playbook for 2026

With market appreciation no longer acting as a tailwind, every basis point of yield must be earned on the ground. The operator's playbook for 2026 is built on three pillars:

Laser Focus on Economic Occupancy. In an environment of muted, or in many markets declining rent growth, driving economic occupancy is the most critical path to maintaining a stabilized property. We view economic occupancy (physical occupancy minus delinquency) — targeting 93% or higher — as the primary measure of an asset's health. Equally important is who occupies the building. Rigorous resident screening and proactive delinquency management are core to protecting cash flow. A unit filled with a non-paying resident is worse than a vacant one.

Predictable Expense Control. For the past three years, expenses moved faster than rents in many markets — and the operators who were not managing costs aggressively felt it in their NOI regardless of occupancy. Insurance premiums in many Sun Belt markets doubled or more between 2022 and 2024. Property taxes reset aggressively as assessed values caught up with peak-era prices. Payroll, repairs and maintenance, and utilities all moved higher. Even well-performing properties were working much harder just to hold their margins.

Expense control is not a passive outcome. It is the result of daily blocking and tackling. The vendor contract negotiated six months in advance, the maintenance issue addressed before it becomes a capital expense, the insurance claim avoided because the roof was inspected on schedule. This is the unglamorous work that does not generate headlines, but it shows up in the bottom line every single month.

Navigating the Maturities. The Mortgage Bankers Association estimates that $875 billion of commercial and multifamily mortgage balances will mature in 2026.[3] This wall of maturities (that we have been talking about for a long time) is creating an acquisition window for those able and ready to step in when the dam finally breaks — which is just starting to happen.

We have also embraced technology as a tool, not a strategy. AI-assisted leasing has cut our days-on-market and reduced our dependence on paid marketing. Resident satisfaction monitoring has become one of our most important retention tools — and in this market, keeping a good resident is worth far more than finding a new one.

Software does not fix a bad acquisition. It does not replace a leasing team that knows how to close. It does not substitute for the judgment call at 11pm when something goes wrong at a property. The firms that will win are not the ones with the best platform. They are the ones that combined the right tools with real operational discipline — and executed on both, every single day.

5. The Supply Cliff and the Workforce Housing Advantage

While the broader market digests the reset, the fundamental case for workforce housing has never been stronger.

The national narrative of "oversupply" masks a critical divergence. Yes, the market is currently absorbing a historic wave of Class A deliveries. However, the forward-looking pipeline is dropping dramatically. Multifamily construction starts plunged in May 2026 to their lowest annualized pace in six years, down 40.2% from the previous month.[4] This sets up a severe "supply cliff" in 2027 and 2028.

More importantly, the new supply delivering today does absolutely nothing to solve the structural shortage of workforce housing. The United States faces a massive housing deficit of over 4 million homes.[5] In a K-shaped economy, lower- and middle-income renters face intense affordability pressures, with 22.7 million renter households now considered "cost-burdened" — defined as spending more than 30% of gross income on housing.[6] This makes attainable, Class B workforce housing the most resilient segment of the market.

Market Segment	Current Dynamics	2026–2027 Outlook	Our View
Class A (New Build)	Heavy supply deliveries, elevated concessions, flat to declining rent growth	Supply pipeline tapers, absorption catches up, moderate recovery	Near-term headwinds from supply and concessions; returns are income-driven, not appreciation-driven
Class B (Workforce)	Stable demand, limited new supply, acute affordability pressure	Strong structural demand, tightening vacancy, pricing power returns	Highest conviction; structural demand, supply discipline, and affordability pressure converge
Class C (Older)	Cap rate expansion, heavy capital expenditure needs	Deep value-add opportunities for well-capitalized buyers	Compelling basis for the right operator; requires intensive management and strong capital reserves

6. Conclusion — The Separation of the Pack

As we move into the second half of 2026, the multifamily market has transitioned from a reset phase to a separation phase.

Not long ago, one of the more prominent voices in multifamily syndication declared publicly that "fixed-rate loans are for suckers." It was a sentiment that captured the peak exuberance perfectly — a moment when floating-rate bridge debt was cheap, rate caps were affordable, and the assumption that rates only go down made fixed-rate financing look stupid by comparison.

Today, that philosophy is unwinding in real time. The sponsors who built portfolios on floating-rate assumptions are now facing maturity walls, debt costs that have doubled or tripled, expired rate caps they can no longer afford to replace, and equity that is severely impaired or wiped out.

At CALCAP, every asset in our multifamily portfolio carries fixed-rate, low-leverage debt — by design, not by accident. We made that choice because we have been through enough cycles to know they are inevitable, and that the operators who survive them are the ones positioned to capitalize on what comes next. As those over-leveraged deals come to market under duress, we are in a position to acquire them at a basis that will look very different when the cycle turns.

Multifamily was transformed from a long-term wealth-building discipline into a short-term financial product — and it was never meant to be that. It has returned to what it always was — a get-rich-slow business, built on operations, patience, and discipline. The era of the operator has returned.

This paper is for informational purposes only and does not constitute an offer to sell or solicitation of an investment.

References

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