Regulatory shifts redefine multifamily sustainability

by Cassandra McFadden

Amid ongoing market volatility, the U.S. multifamily industry is contending with growing legislative shifts and a patchwork of evolving regulations redefining the environmental landscape. These changes offer a pivotal moment for multifamily players to define how sustainability drives and protects long-term value and to develop self-regulating standards. Operators maintain that consistent investments in sustainability performance, regulatory readiness and resilience not only protect assets but also unlock opportunities for growth and long-term competitiveness.

In 2025, the Environmental Protection Agency's (EPA) ENERGY STAR program emerged as a headline topic in multifamily. Legislative budget cuts nearly phased out the program, which had long enabled owners and operators to track energy usage, drive energy efficiency, and meet local energy transparency and compliance policies. Though the program remains intact as a result of intense industry pushback and ongoing legislative funding, the multifamily industry responded to the potential loss of industry standardizing tools by backing up historical data, strengthening systems for ongoing data capture, and evaluating mitigation strategies for potential operational and financial disruptions. While the future of the ENERGY STAR program remains unclear, the multifamily industry demonstrated its ability to adapt in seeking alternatives to measuring and driving efficient asset-level performance.

In 2025, a budget reconciliation bill was signed into law. For multifamily, this meant the acceleration of phaseouts for clean energy tax incentives and the

introduction of new constraints. For owners with decarbonization pathways that assumed specific incentives and economics, several leaders had to rethink strategies.

More recently, in February 2026 the previous determination from 2009 that classified greenhouse gases as a threat to human health was repealed. This reversal removes the legal authority for greenhouse gas emission standards, which, if not successfully challenged, will have material impacts on energy compliance, insurance costs and investment strategies for large residential buildings.

The ongoing uncertainty sends a clear signal to multifamily to adapt, innovate and create value specifically tied to profitability. Operators and owners are integrating sustainability-related metrics into investments and asset-management strategies, leveraging data analytics and adopting innovative performance tools and repositioning properties to stay ahead of compliance timelines. These efforts should then be translated into value creation language that extends beyond environmental benefits, for example improved cash flow, increased property valuations, higher net operating income, faster lease-ups and lower vacancies, avoided compliance costs and greater access to capital.

Multifamily leaders must prioritize advanced scenario planning to account for potential changes in tools, regulations and funding that have played a significant role in sustainability initiatives for a considerable amount of time. In addition, as evidenced by the impact of the industry's response to the potential defunding of the ENERGY STAR program, it is critical that industry leaders foster transparent engagement to co-create solutions. By leveraging this moment as an opportunity to innovate and potentially establish new industry-led standards, investments can be safeguarded while operational resilience is strengthened against regulatory uncertainty.

Sustainability is experiencing a “great reset.” Multifamily leaders have an opportunity to pause and reimagine how sustainability can drive greater value creation and determine how to optimize sustainability practices. Moving forward, a robust integration of strategic foresight, interdisciplinary collaboration and innovation will be required. By doing so, the sector can navigate the present landscape while redefining the future of sustainable multifamily real estate.

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