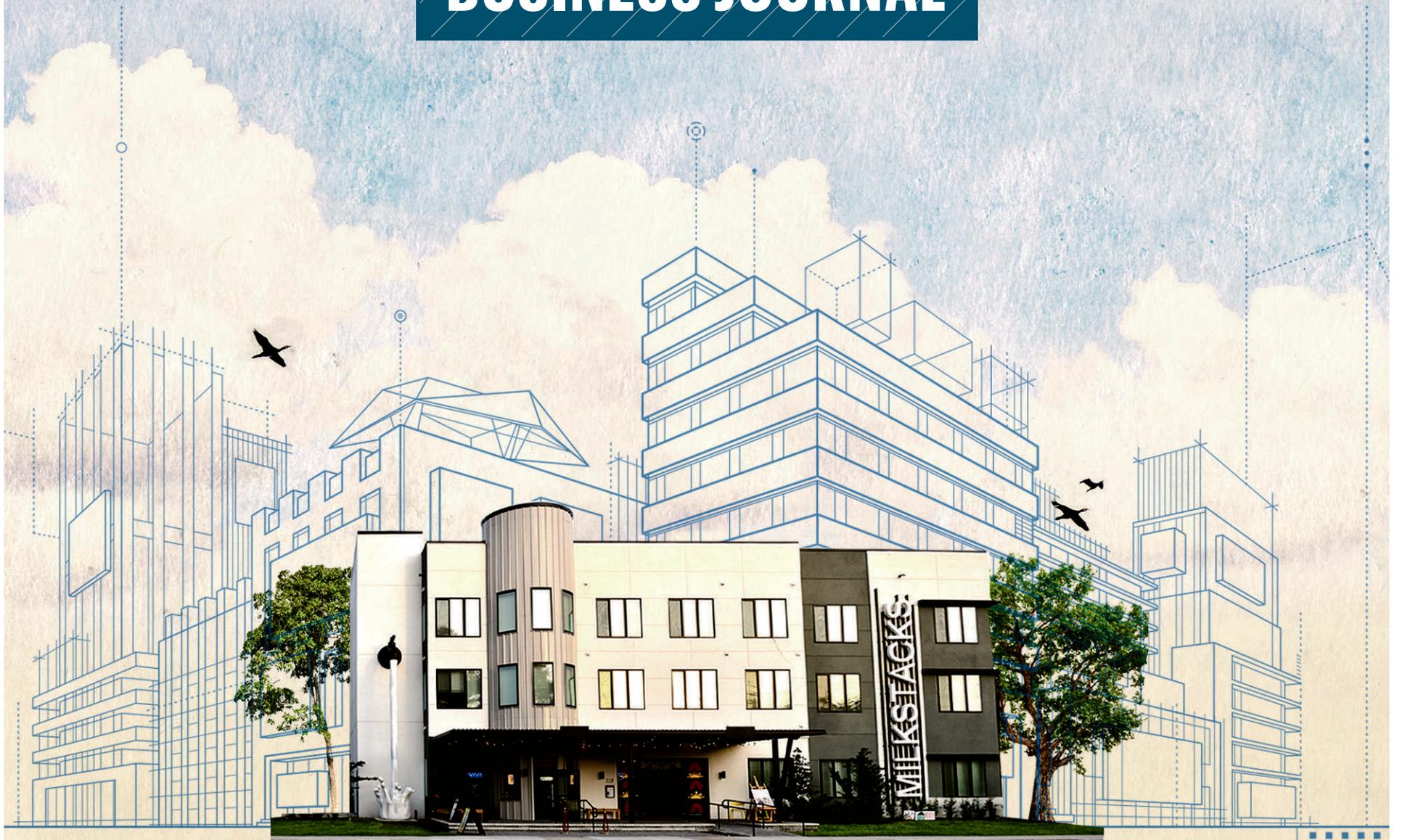


ORLANDO BUSINESS JOURNAL



COVER STORY

A RARE FIND

New construction of smaller apartment communities – like Milk Stacks in Orlando – faces an uphill battle despite appeal, need.

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L I S T**

Meet the top contractors for attractions design in the region.

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BIG DEAL

Downtown tower headlines trade

A prominent part of the Orlando skyline was part of a \$96 million portfolio purchase.

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SMALL PROJECTS, BIG HURDLES

The award-winning Milk Stacks apartments leased fast and got praise – but experts say building more like it is tough, despite their potential appeal to communities.

BY STEVEN RYZEWSKI | sryzewski@bizjournals.com

In many ways, it would seem a housing-strapped region like Central Florida could use more apartment developments like Milk Stacks.

¶ Orlando Mayor Buddy Dyer attended its groundbreaking and championed the need for projects like it. ¶ The 27-unit apartment community – whose design nods to the history of the Milk District neighborhood and the T.G. Lee milk factory for which it is named – won multiple Urban Land Institute awards, earned praise from around the development sector and was fully leased within months of its completion in 2025.

“The only people building 80 to 100, 120 units, are people like us that are doing affordable housing.”

Ryan von Weller, COO for Wendover Housing Partners



The Milk Stacks opened in September 2025 and were fully leased soon after.

And, at just three stories in height, the development from Orlando-based Atrium Development Group fits relatively seamlessly into the surrounding area, adding a small but significant volume of homes in an urban area, where infrastructure already exists.

While that would seem to be the case, it is not what is happening.

CoStar Group data shows just 36

properties of 50 apartments or fewer have been built across Metro Orlando in the past decade – fewer than four per year – adding 618 units. Expanding the scope to communities with 100 or fewer apartments, just 60 have been built over those 10 years, totaling 1,943 units at an average of six completions annually.

In comparison, about 40 apartment communities were completed



RYAN LYNCH | OBJ

in the past year alone, with an average size of 269 units.

Small infill projects – meaning those built in already developed areas – such as Milk Stacks turn out to be a bit of a rarity, despite perceived appeal.

“Not too many people you’ll run into are against the idea of the small to medium infill [project]. ... A lot of people want this, so why doesn’t

more of it get produced?” said Craig Ustler, president of Ustler Development and a longtime developer in downtown Orlando. “[It’s because] the system is essentially rigged against this type of development.”

In this special report, *Orlando Business Journal* spoke with several experts about why small apartment communities like Milk Stacks are hard to build, why the region may

want to change this and what tools, if any, exist to incentivize more of them.

Challenges include process, finance

Among challenges facing developments like Milk Stacks are matters of process, getting a project through zoning, planning and permitting with the local jurisdiction.



Craig Ustler,
president/
owner, Ustler
Development



Tara Tedrow,
partner,
Lowndes



Ryan von
Weller,
COO for
Wendover
Housing
Partners

“It is just as difficult to do infill development as it is to do green-field [development on undeveloped land],” said Tara Tedrow, a shareholder with Lowndes and one of the region’s most prominent land-use attorneys.

One of the ways this manifests itself is in processes that are just as long and arduous for small projects as they are for larger ones, Ustler said.

“It might stand to reason that if you’re doing a project that was half as big and half as expensive, it should take half the time,” he said. “But that’s not the way the system works. It takes the same amount of time, so there’s an embedded disincentive there.”

The lack of relativity holds true with costs, as well, Ustler said, particularly on what he calls the “soft costs” during the early stages of a project, spent on engineers, architects and legal professionals.

On top of this initial cost conundrum are challenges related to capital for construction.

Most commercial real estate projects are built with a mix of debt, loaned by a regional bank or some other similar lender, and equity from investors who will get their returns through their stake in ownership.

Developers told *OBJ* there is a dynamic market for lending the debt side of a commercial real estate construction project, with different banks gravitating toward different types of projects, and so there are players with the appetite to lend for the construction of smaller apartment communities.

The equity side, however, is more complicated given the preferences of the institutional equity sources that have become so dominant in the apartment construction space.

“Capital is harder to raise when it’s not in big chunks,” said Ken Polsinelli, managing partner with Winter Park-based Peacock Capital, which builds, owns and manages workforce housing communities across the region. “You go to [equity partners in] New York, and if [your project isn’t valued at] \$200 [million] or \$300 million, they’re not interested in the conversation. ... For the smaller homebuilder [or] apartment developer ... you’re raising local capital. Raising that equity is just a longer process.”

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Locally driven sector

In older parts of Orlando, one can still find plenty of apartment communities ranging from five units and up that were largely built decades ago.

This inventory reflects something about the evolutions of apartment construction and Orlando, said Darron Kattan, a Tampa-based managing director for Franklin Street who has done deals up and down the Interstate 4 corridor.

“As the construction of multifamily matured ... it didn’t make sense from a margin or economies of scale [perspective] to build a 20-, 30-, 40-unit deal – you started building 100 units-plus, because 100 is a threshold for where you can afford a property manager full-time,” he said. “Orlando didn’t really mature [as a market] until the ‘70s or ‘80s, so you don’t have quite as much inventory in that older vintage.”

As for the relatively small number of units in smaller communities that have delivered in the past decade or so, many of those have come by way of two different types of specializations – each with its own manner of making challenging math work.

“The only people building 80 to 100, 120 units, are people like us that are doing affordable housing,” said Ryan von Weller, COO for Altamonte Springs-based Wendover Housing Partners. “These 100-unit deals tend to be tax credit transactions or workforce [projects], some variation of that. ... The affordable housing realm is predicated on using some sort of subsidy.”

Adjacent affordable housing, as von Weller mentioned, are workforce projects that Polsinelli and his group have become experts at making the math pencil out for.

Despite not qualifying for tax credits or subsidies the way affordable projects do, Polsinelli said Peacock has focused on standardized projects that create efficiencies through their replicability.

What these groups also have in common in addition to their unique business models is tending to be locally based – a trait they share with the few developers doing market-rate projects of this size.

All three sectors also tend to hold the properties longer, as opposed to institutional “merchant” apartment builders that aim to sell during or after



RYAN LYNCH | OBJ

Tenants of the Milk Stacks’ retail spaces include Meredith Sand Designs Studio and Gallery as well as Phat Ash Bakes.

they’re completed and leased up.

This comes with an advantage for the community, said Joe LaFleur, founder and multifamily investment advisor with Orlando-based 100 Units.

“One advantage that smaller apartments typically have is the owner is local – it’s not owned by some hedge fund or some private equity group,” he said. “It’s a little more personal. There’s a pride of ownership.”

Large projects also can be jarring for a community. Functionally and aesthetically, Polsinelli said smaller projects integrate better into neighborhoods as they exist.

For Adam Wonus, partner with Atrium and the driving force behind Milk Stacks, this was the explanation when he was asked – frequently, he’ll note – why he was bothering with a project that was so challenging to make work.

“I think the key to having a great city is to have local developers who want to put capital into smaller infill projects,” he said. “They really make the community.”

Seeking solutions

To incentivize more projects like Milk Stacks, those interviewed had a num-



Joe LaFleur,
multifamily
investment
advisor



Ken Polsinelli,
managing
partner,
Peacock
Capital

ber of suggestions for local cities and counties which underscored a degree of understanding for the hurdles these governing bodies face even when they want to support adding more housing.

These include:

- Allowing projects of a certain size to be streamlined
- Creating more “off-the-rack” pre-approved plans and, in some cases, proactively identifying and pre-approving sites conducive to these standardized plans
- Allowing outside permitting services for smaller projects
- Embracing form-based code, which emphasizes building size and architecture and is viewed as more friendly for development since it doesn’t require rezoning by use
- More uniformity of standards across the many different governing bodies in the region

OBJ reached out to the city of Orlando and Orange County Government related to these suggestions, but officials were not immediately available for comment.

Collectively, the ideas underscore what Polsinelli said is the private sector’s desire for “certainty of outcome.” These could, in turn, function as part of a solution to creating more capital for these projects, also.

“If you had a track record where a developer could say ‘we’re going to be through permitting in three months,’ or you could get through approval before you even raise the capital because it’s pre-approved, you’re much more likely to raise capital because capital seeks certainty,” he said.

Ustler said another solution for attracting more capital in the future is to focus on projects in desirable areas first – areas like the Milk District, Thornton Park and College Park – so there are successful projects to function as a model to set the stage for a broader approach by both the private sector and local government.

“My argument would be to get some traction,” Ustler said. “Then, if you get a subset of developers like Adam who’ve shown they want to do those projects, have shown they’ve made money and the word kind of gets around in the development community that you can make money doing them, then, I think as a city, you can get more location specific and talk about ‘we’re going to offer an additional real estate tax incentive to do [more in other areas].’ ... You’ve got to get the development community interested ... and there needs to be proof of concept.” ❧