National Affordable Housing Report

May 2025

Affordable Property Debt: Slow Burn as Market Evolves

Some $10.5 billion of commercial mortgages backed by fully affordable properties in the U.S. are set to mature over the next three years, while $21.7 billion are set to mature by the end of the decade, according to a new study by Yardi Matrix. Matrix's database encompasses 26,000 fully affordable multifamily properties with 3.5 million units, which serve as collateral for a total of $116.1 billion of loans.

The Matrix study is the first of its kind to measure loan maturities purely for affordable properties, which we define as assets in which at least 90% of units are subject to limits on rent because the property is receiving a subsidy from some level of government. The study breaks down maturities by year, lender type, owner type and market.

In recent years, other studies have been undertaken to measure the maturity schedule for market-rate multifamily mortgages to gauge potential distress stemming from the increase in interest rates in 2022. Distress in market-rate multifamily properties has increased over the past two years, owing to the difficulty in replacing low-coupon loans with higher rates. Another subset of market-rate properties that are underwater have negotiated extensions with banks.

However, while distress isn't completely foreign for affordable properties, it is not as prevalent as it is among market-rate properties, for many reasons. Some affordable properties have loans with favorable rates offered through government entities. Plus, the long terms that loans on affordable properties tend to have, of 10 years or more, give owners plenty of time to fix those with weak cash flow. What's more, because affordable housing is so much in demand, most properties have low vacancy rates and few have problems attracting tenants. Cash-flow problems at affordable properties are more likely to be due to high levels of unpaid rent than they are to low occupancy.

Banks, GSEs Top Affordable Lenders

The main sources of debt for affordable properties are:

- Commercial banks, which account for $46 billion of loans (39.4%) in the Matrix database.
- Government entities such as the federal department of Housing and Urban Development, local governments and single-asset Fannie Mae loans, which account for $37 billion of loans (32.2%).
- CMBS (which we define as conduit or single-borrower transactions and Freddie Mac pooled securitizations), which account for $29 billion (25.0%).
- Other sources ($3.9 billion, or 3.3%) that come from life companies, debt funds, credit unions and other private sources.

Over the next decade, $42.2 billion of loans on affordable multifamily properties are set to mature, per Matrix. The volume of loan maturities is relatively consistent by year. It peaks at $5.1 billion in 2032 but is not below $2.8 billion in any year. Because affordable properties have (on average) longer loan terms than market-rate properties, almost two-thirds of properties in the Matrix database carry debt that matures after 10 years.

Between now and the end of 2027, the bulk of the $10.5 billion of total loan maturities come from commercial banks ($7.3 billion, or 69.1%), followed by CMBS ($1.7 billion, or 15.8%) and government ($1.0 billion, or 9.6%). A disproportionate share of bank loans mature in the near term relative to other lender types because commercial banks are a main provider of construction loans, which have shorter terms than permanent loans. It

Maturity Volume by Year and Lender Type (in millions)

Maturity Date	Total Loan Amount	CMBS (Including Freddie Mac)	Government (HUD, GSE, Local Gov't)	Banks	Debt Funds	Other (Insurance, Credit Union, Private Lender)
2025	$3,934	$529	$345	$2,791	$240	$30
2026	$3,696	$567	$368	$2,594	$126	$41
2027	$2,870	$568	$295	$1,868	$129	$10
2028	$2,953	$1,669	$266	$992	$19	$6
2029	$4,284	$2,194	$430	$1,390	$233	$36
2030	$4,000	$3,191	$284	$486	$21	$18
2031	$4,037	$2,989	$305	$653	$36	$53
2032	$5,073	$3,802	$301	$921	$23	$27
2033	$4,180	$2,743	$372	$860	$184	$22
2034	$3,954	$2,115	$532	$1,133	$98	$76
2035	$2,817	$1,173	$550	$991	$62	$41
2036 & Beyond	$74,344	$7,499	$33,377	$31,133	$969	$1,367

Source: Yardi Matrix

also reflects the fact that banks have long been active providers of affordable housing property debt, and loans originated a decade or more ago are coming due.

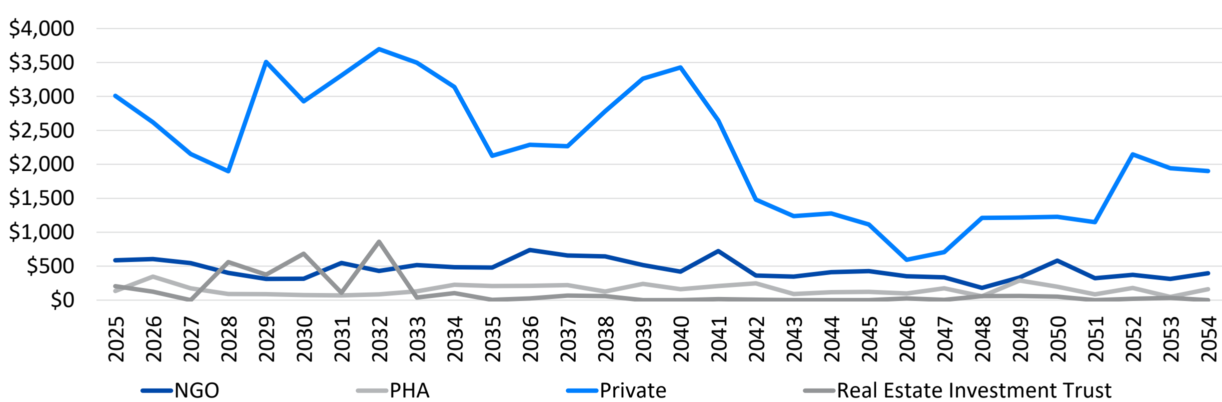
Looking at a slightly longer time frame, between now and the end of the decade, the story is a little different. Through the end of 2029, banks account for $9.6 billion, or 54.3%, of the $17.7 billion of total affordable multifamily loan maturities. CMBS/Freddie accounts for $5.5 billion (31.2%), while government sources account for $1.7 billion (9.6%). That reflects an increased role for CMBS/Freddie in affordable housing lending over the past decade. CMBS/Freddie loans show significant peaks in 2030 ($3.2 billion) and 2032 ($3.8 billion). However, these peaks in maturities are followed by decreased activity beginning around 2040 ($775 million). Bank loan maturities exhibit large peaks in 2025 ($2.8 billion) and 2026 ($2.6 billion), followed by relatively consistent values in subsequent years.

Private Firms Top Owner Types

In addition to tracking providers, Yardi Matrix identified the owners of the loans. Just over three-quarters of the loan volume ($87.4 billion, or 75.3%) encompasses properties owned by private entities, followed by non-governmental organizations (NGOs), which account for $18.1 billion, or 15.6%; public housing authorities, which account for $6.8 billion, or 5.9%; and real estate investment trusts (REITs), which comprise $3.8 billion, or 3.2%. A small balance is owned by institutional investors, public/private partnerships and merchant builders, although that amounts to less than 1% of maturing loans.

Loan maturities for private owners top $3 billion annually in all but one year between 2029 and 2034, with a peak of $3.7 billion in 2032. There is another surge of maturities in the 2050s. Maturities for NGOs are more consistent and peak at $738.5 million in 2036. Maturities for PHAs peak at $346.1 million in 2026.

Annual Affordable Housing Loan Maturities by Owner Type (in millions)



Source: Yardi Matrix. Data as of April 2025

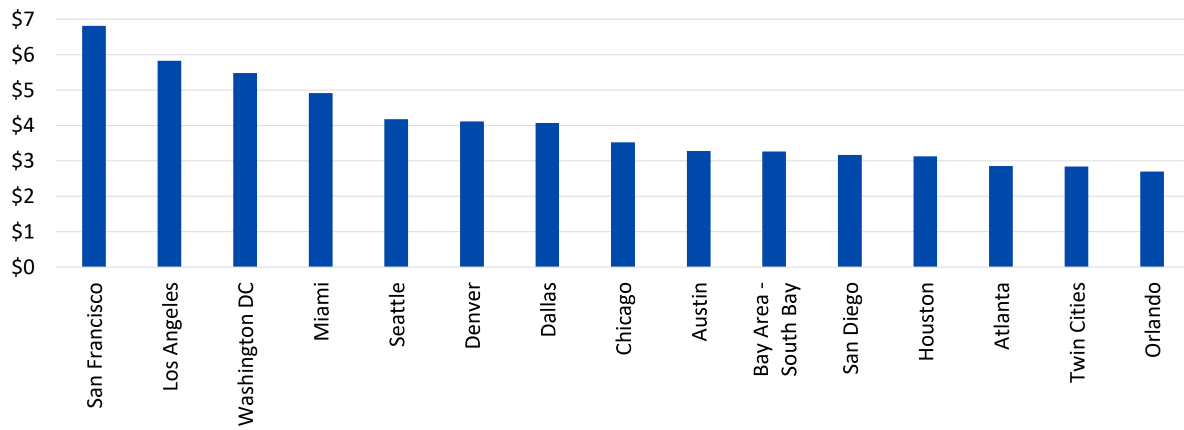
SF, LA Lead in Affordable Loan Volume

Of 140 markets with fully affordable properties tracked by Matrix, roughly 40% of loan volume is in the top 10 metros, led by San Francisco ($6.8 billion), Los Angeles ($5.8 billion), Washington, D.C. ($5.5 billion), Miami ($4.9 billion), Seattle ($4.2 billion), and Denver and Dallas ($4.1 billion each).

Over the short term, between now and the end of 2026, metros with the most affordable housing loans maturing include Washington, D.C. ($568.2 million), Miami ($462.5 million), San Francisco ($370.0 million), Atlanta ($364.5 million) and Houston ($276.9 million). Nine markets have more than $500 million of affordable housing loans maturing by the end of 2029, led by Miami ($1.0 billion), San Francisco ($878.2 million), Washington, D.C. ($776.6 million), Dallas ($752.2 million) and Orlando ($742.6 million).

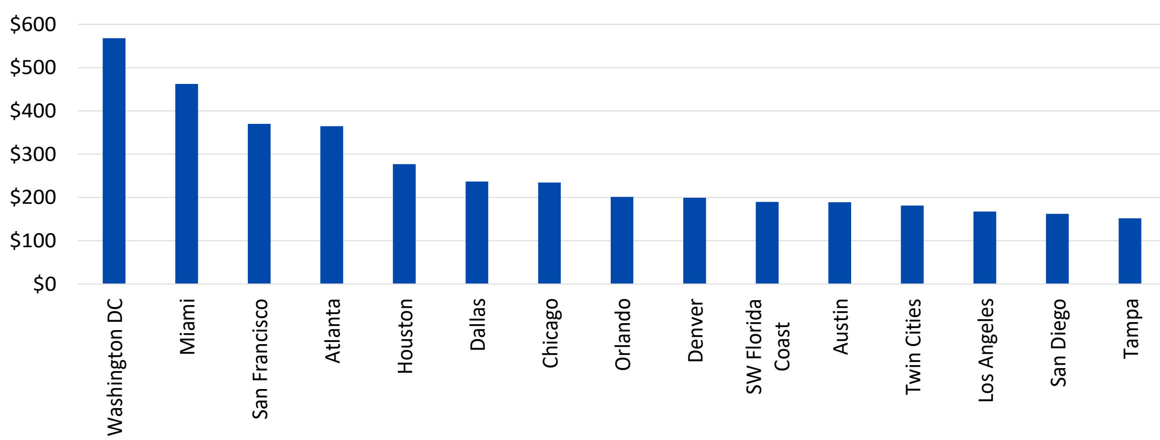
Other cities with a significant amount of affordable loan maturities include Sacramento, San Diego, Houston and Austin. The metro data reflects that California, Texas and Florida are leaders in developing affordable housing.

Total Affordable Housing Loan Volume by Metro (in billions)



Source: Yardi Matrix. Data as of April 2025

Affordable Housing Loan Maturities 2025-26 by Metro (in millions)



Source: Yardi Matrix. Data as of April 2025

Defaults Low, but Uncertainty Ahead

The affordable housing debt segment is smaller and more stable than its market-rate counterpart. Matrix's entire affordable housing universe, just over $100 billion, is a fraction of the total $2.2 trillion multifamily mortgage debt and $4.8 trillion commercial mortgage debt outstanding. The stability in affordable debt stems from strong increases in maximum allowable rents and the higher rate of collections. Since property performance is relatively stable, delinquencies are low and annual rollover remains manageable. Additionally, affordable loan terms are tilted toward longer timeframes at rates below conventional housing loans. Generally, affordable deals are financed with terms long enough to cover the 15-year initial compliance period. Furthermore, GSE affordable loan spreads, currently between 5.5% and 6.0%, are competitive with or below the market-rate equivalent. As a result, the industry is characterized by a multitude of low-coupon loans locked in at low rates.

Despite the overall stability, the segment is not without issues to solve. For one thing, government policies and initiatives play a significant role in shaping the industry, so changes in policy can lead to issues. For example, industry players are carefully watching the Trump administration's "skinny budget" proposal that would have turned federal funding for renter subsidy programs into block grants, which could potentially impact cash flow at properties whose tenants use those subsidies.

> "The affordable lending market is stable, but that stability may soon be tested by both policy and market forces."

Other areas of potential impact to the affordable debt segment include HUD funding and the privatization of the GSEs. Cutbacks to HUD staffing could be detrimental to loan servicing and property management. Reduced funding could hinder the development and maintenance of affordable housing units, making it more challenging for borrowers to secure financing for their projects. While nothing concrete has been proposed for the GSEs, it is a goal of the Trump administration to remove Fannie Mae and Freddie Mac from conservatorship. Any change to a major funding source that supports housing production in underserved and difficult development areas would impact affordable lending. The uncertainty of future federal support for affordable lending programs increases risk and is prompting investors to compensate by seeking higher returns for affordable investments.

A related area of concern for the affordable housing debt market is the increase in expenses and development costs, which means owners and developers need more equity to finance projects. Increasingly, that has led sponsors to layer funding sources such as tax credits, soft capital, mezzanine debt and preferred equity. The greater layers of capital complicate transactions and force senior lenders to negotiate with a growing number of participants. The upshot is that the affordable lending market is stable, but that stability may soon be tested by both policy and market forces.

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