



# AFFORDABLE HOUSING OUTLOOK

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JUNE 2025



# AGENDA

- Opening Remarks
- Contextual Overview
- Intro to the Affordability Problem
- Affordable Housing's Competitiveness with Conventional Multifamily
- Affordable Housing Investment Strategies:
  - New Development
  - Preservation
  - Employer-Driven and Naturally-Occurring Affordable Housing
- Affordable Housing Property Performance
- Yardi Matrix Affordable Housing Product Overview

## PRESENTERS

**Jeff Adler**  
Vice President,  
Yardi Matrix

**Paul Fiorilla**  
Director of Research,  
Yardi Matrix

# OPENING REMARKS

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# Yardi Matrix House View – June 2025

## MACROECONOMIC UPDATE

- U.S. GDP contracted at an annualized rate of -0.2% in Q1 2025, following steady growth in 2024; economic outlook remains uncertain
- The Federal Reserve has kept interest rates steady after a 1 percentage point cut in H2 2024
  - In a “wait and see” mode, monitoring the impact of trade policy changes on inflation and employment
- Inflation is holding between 2.4% and 3.0%, driven by reduced global trade; further declines depend on energy prices and regulatory changes
  - May inflation came in cooler than expected, suggesting tariff effects on prices may not be fully realized yet
- Lower-income households are under financial stress; consumer sentiment continues to weaken
- The labor market remains resilient, though job growth slowed in May; higher productivity is needed to offset lower immigration
- With immigration policy decided, a new policy mix is emerging, with deregulation and lower energy costs aiming to counterbalance trade and labor cost pressures
- The economy is projected to grow at a modest ~1% pace
- Large federal deficits (>\$1.6 trillion) are dampening the effects of monetary policy
- The U.S. 10-year Treasury yield has risen to 4.3%+, up from 3.6%, though down from 4.7% in January

# Yardi Matrix House View – June 2025

## AFFORDABLE HOUSING UPDATE

- The U.S. faces a persistent housing shortage unlikely to be resolved within the next decade due to underproduction, building regulations, zoning restrictions and permitting delays
- Renter-by-Necessity rents have outpaced AMI growth, deepening affordability challenges for lower-income Americans
- Affordable housing is highly competitive with conventional multifamily in some markets
- Key strategies for affordable housing investment include:
  - **New Development:** Leverages tax credits and incentives but faces funding gaps and regulatory challenges
  - **Preservation & Renovation:** Aims to maintain affordability as compliance periods expire
  - **Employer-Driven & Naturally-Occurring:** Includes employer-sponsored housing, workforce housing preservation and conversions of market-rate units
- Quality underwriting and benchmarking are more important than ever:
  - Since 2019, income for affordable units has grown 32%, while operating expenses have risen 38%
  - Despite rising costs, NOI growth remains positive nationally
- Yardi Matrix's Affordable Housing platform tracks over 27,000 affordable properties across 175 markets, supporting underwriting, benchmarking and strategic planning for affordable housing investments

# CONTEXTUAL OVERVIEW

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# Contextual Overview – June 2025

## TREND

- Geopolitical/economic deglobalization
- Demographics – aging population
  - Declining birth rates
- COVID aftershocks
  - Hybrid work, more remote work
  - Higher gov't debt/GDP ratio
- Housing shortage – compounded post GFC
  - Stunted supply response – zoning, permitting, building code, etc.
- Political polarization
  - Rising local political risk, operational regulation

## IMPLICATION

- Near-shoring, U.S. re-industrialization, and sticky inflation
- Slow to no population growth absent immigration – tight labor markets, pick the migration winners
- Spreading U.S. population, suburbanization, smaller future urban cohorts, higher LT interest rates
- Absent significant state & local changes, supply surge ('24-'25) will pass without resolving housing shortage
- Local response to shortage matters – enable abundance or allocate shortage

# U.S. Public Policy Discussion – Trump’s “Revenge of the Physical World”

## TRUMP PRESUMED POLICY MIX

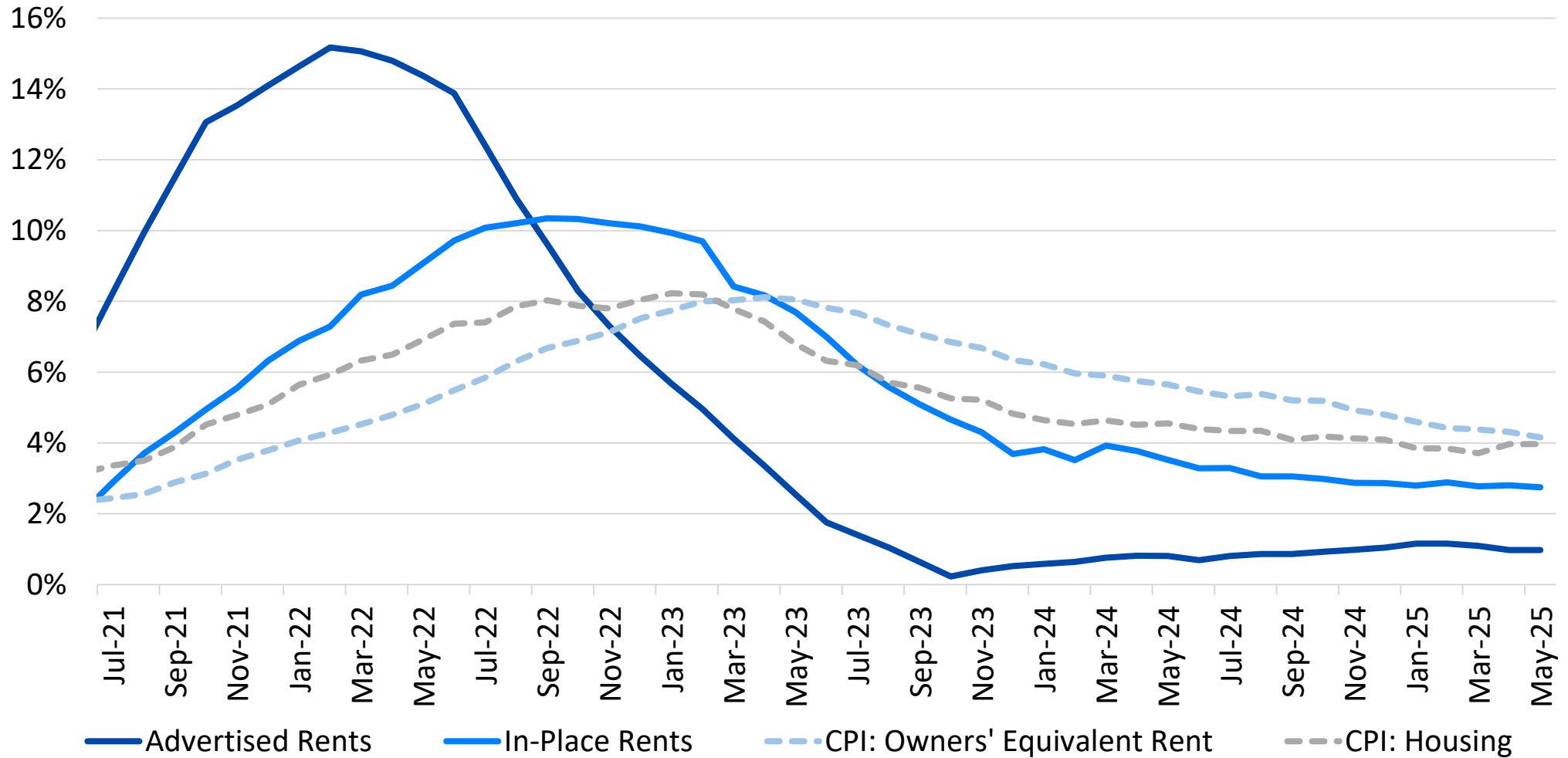
- Energy production - high levels of domestic production & transmission to reduce inflation and export to Europe and allied Asia
- Gov’t de-regulation as back-ended tax cuts; driven by government staff reductions/department closures; shows up in productivity increases
- Lower taxes - retain 2017 taxes and other tax cuts
- Trade & China policy - further restrictions to shift production out of China
- Immigration - very restrictive; results in higher labor costs but benefits political base, offset by other factors above
- Government spending - Still high, don’t touch entitlements
- Slowing short-term interest rate reductions
- Long-term rates based on expectation of future debt/GDP ratio; requires GDP growth in excess of entitlement spending

## HOUSING POLICY- SECONDARY PRIORITY

- Federal rent control off the table; shifts to states
- Federal regulation of revenue mgmt & Fees - shift to states
- Continued LIHTC program, extend Opportunity Zone program
- Encourage GSEs toward mission lending - workforce housing; outside caps, special partially affordable programs
- Encourage supply of SF & MF & MH
  - Tie LIHTC/QCT/DDA/MIHTC/ New OZs/Transport/Infrastructure funds to local pro-growth changes in
    - Zoning
    - Permitting
    - Design Reviews
    - Land & Infrastructure Investments
    - Grow the New Rochelle Model

# Housing CPI Tracks Closely to U.S. Multifamily In-place Rents

## Annual Growth in Rents vs Housing CPI and Owners Equivalent Rent CPI

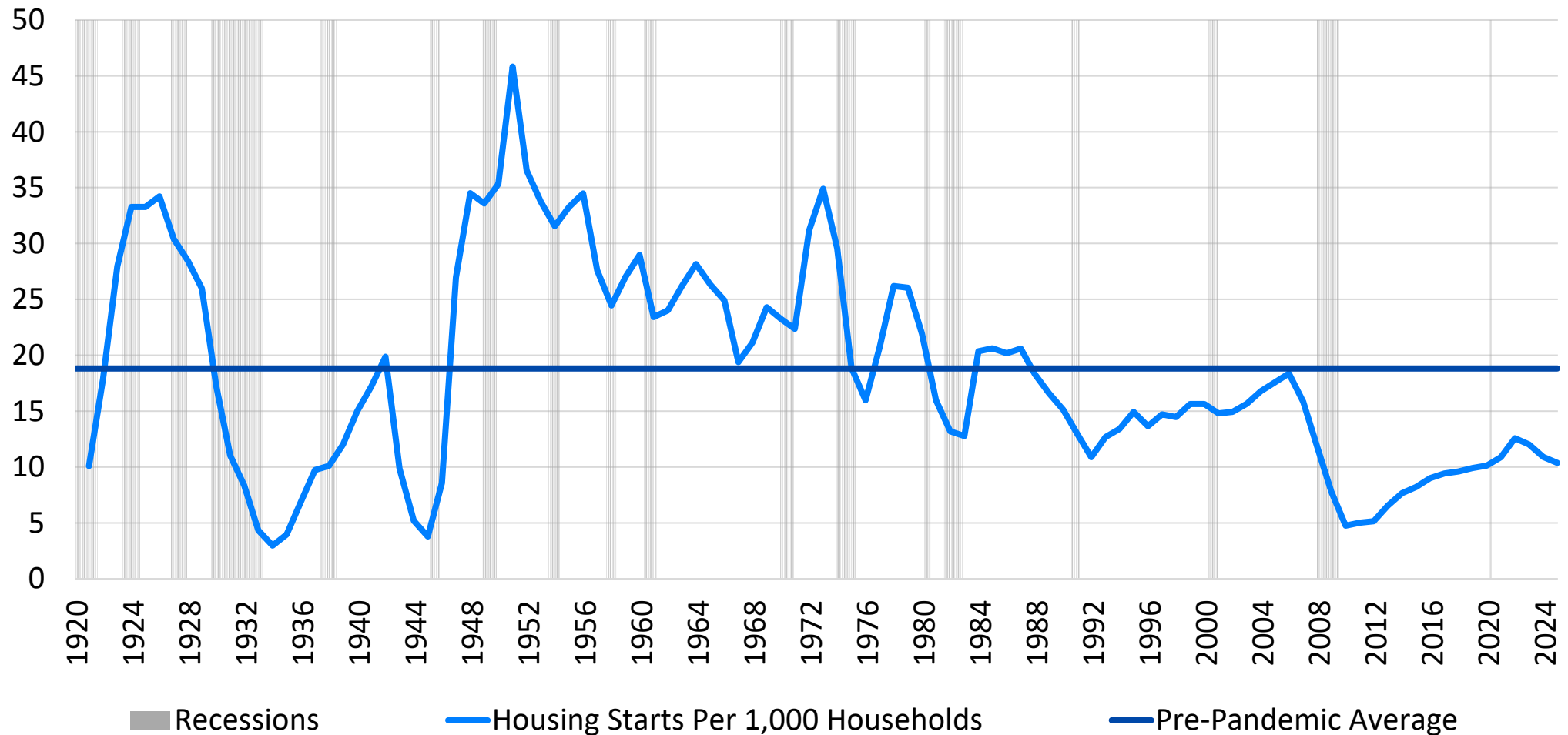


# INTRO TO AFFORDABILITY PROBLEM

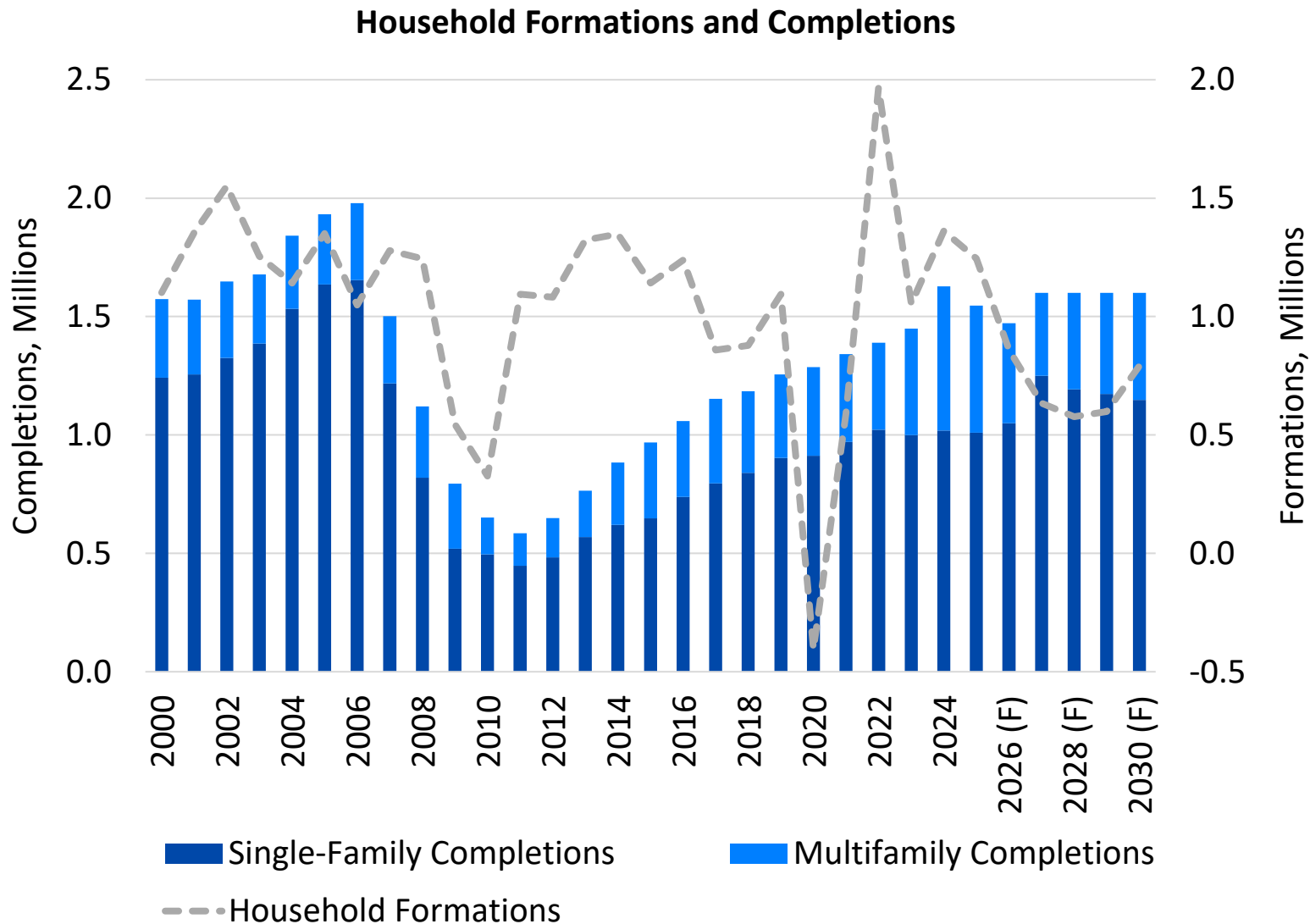
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# There has Been Significant Underbuilding in the Last Decade, with Most Recent Data Showing Only 10 Housing Starts per 1,000 Households

## The Big Building Short: Housing Starts Per 1,000 Households



# Housing Deficit From the Great Recession Pushed Prices Up

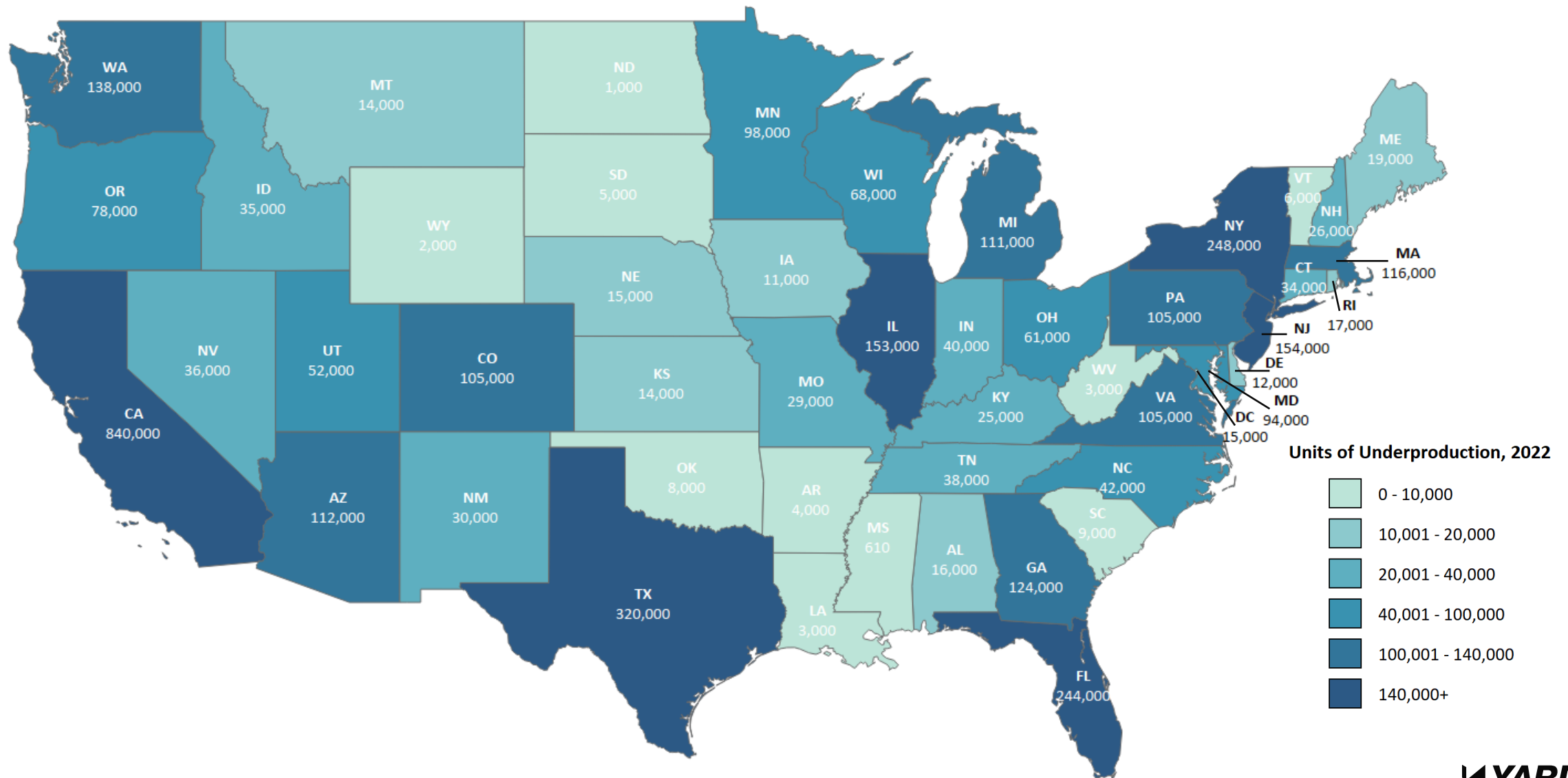


- Regulatory costs account for 40% of multifamily development costs; high-cost jurisdictions seem oblivious to this
- Supply constraints are growing across markets
- Mortgage rates remain high
- First time homebuyers are being priced out of the market, encouraging renting
- The political will to address the shortage of housing is beginning to turn

Source: Yardi Matrix; Moody's Analytics; National Association of Realtors (NAR); U.S. Census Bureau (BOC); GlobeSt; Wall Street Journal; Marcus and Millichap; National Apartment Association; The Harvard Joint Center for Housing Studies

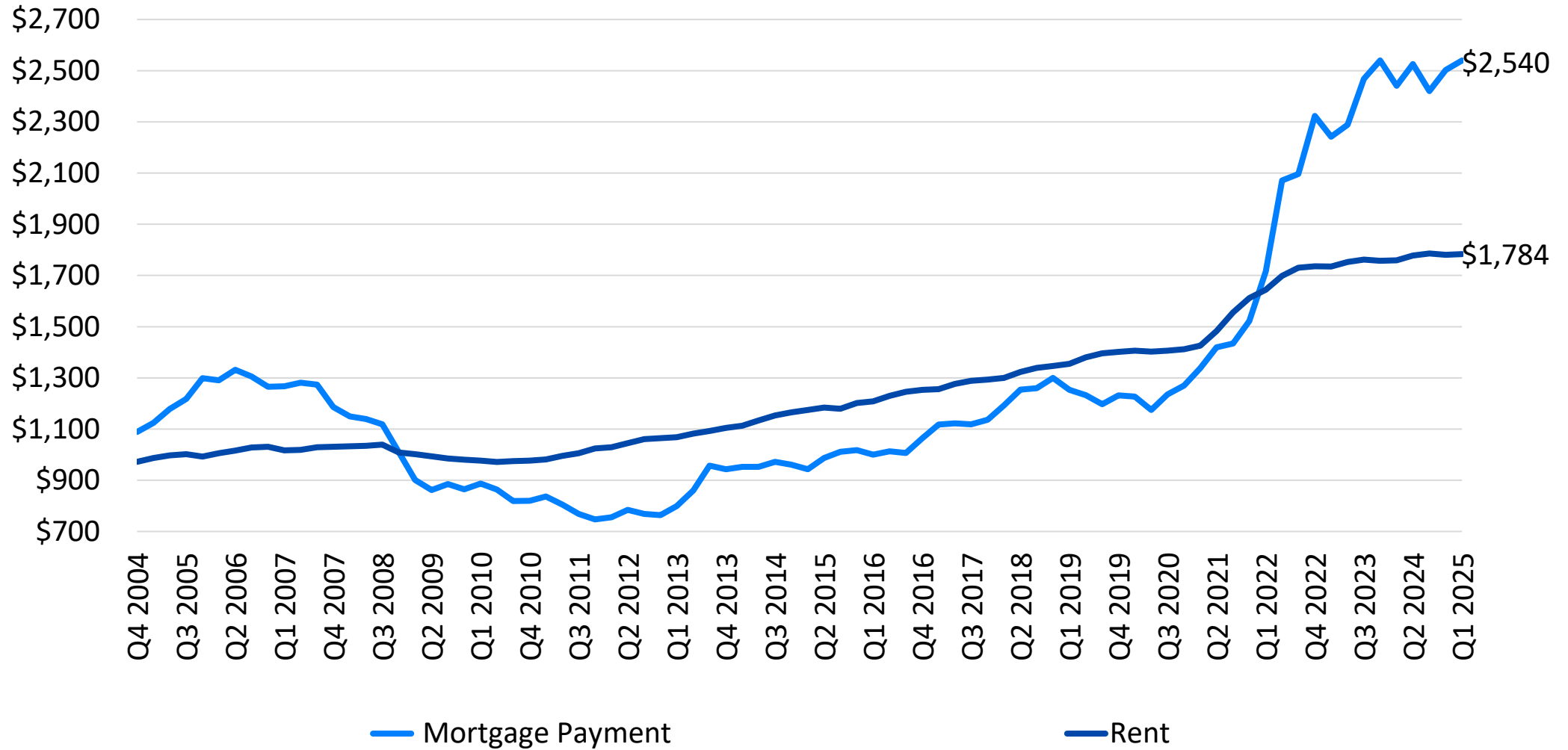


# New Housing Supply is not Meeting Demand, Leading to Underproduction in Every State

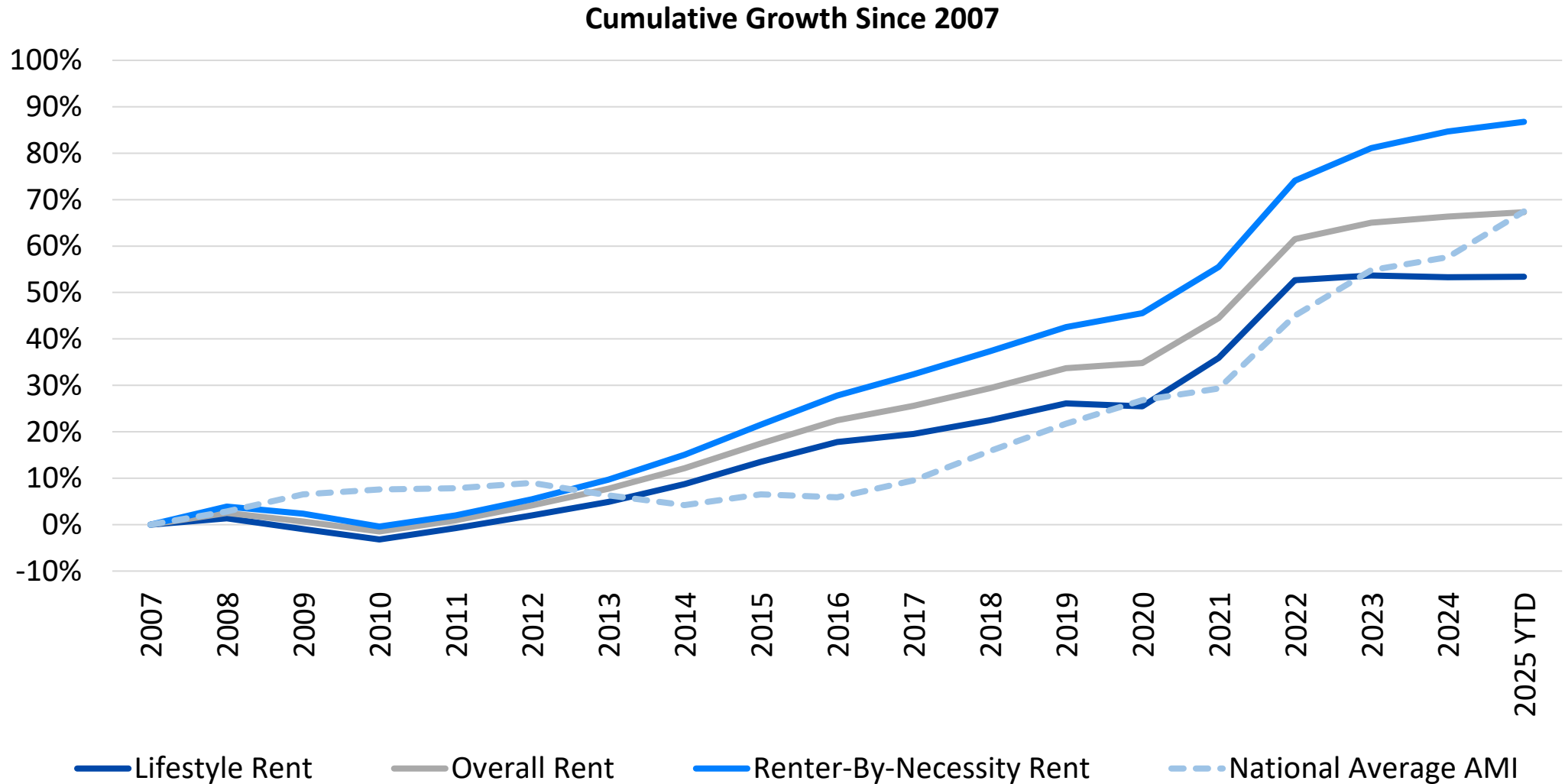


# Renting Is Still a Better Deal Compared to the Cost of Owning

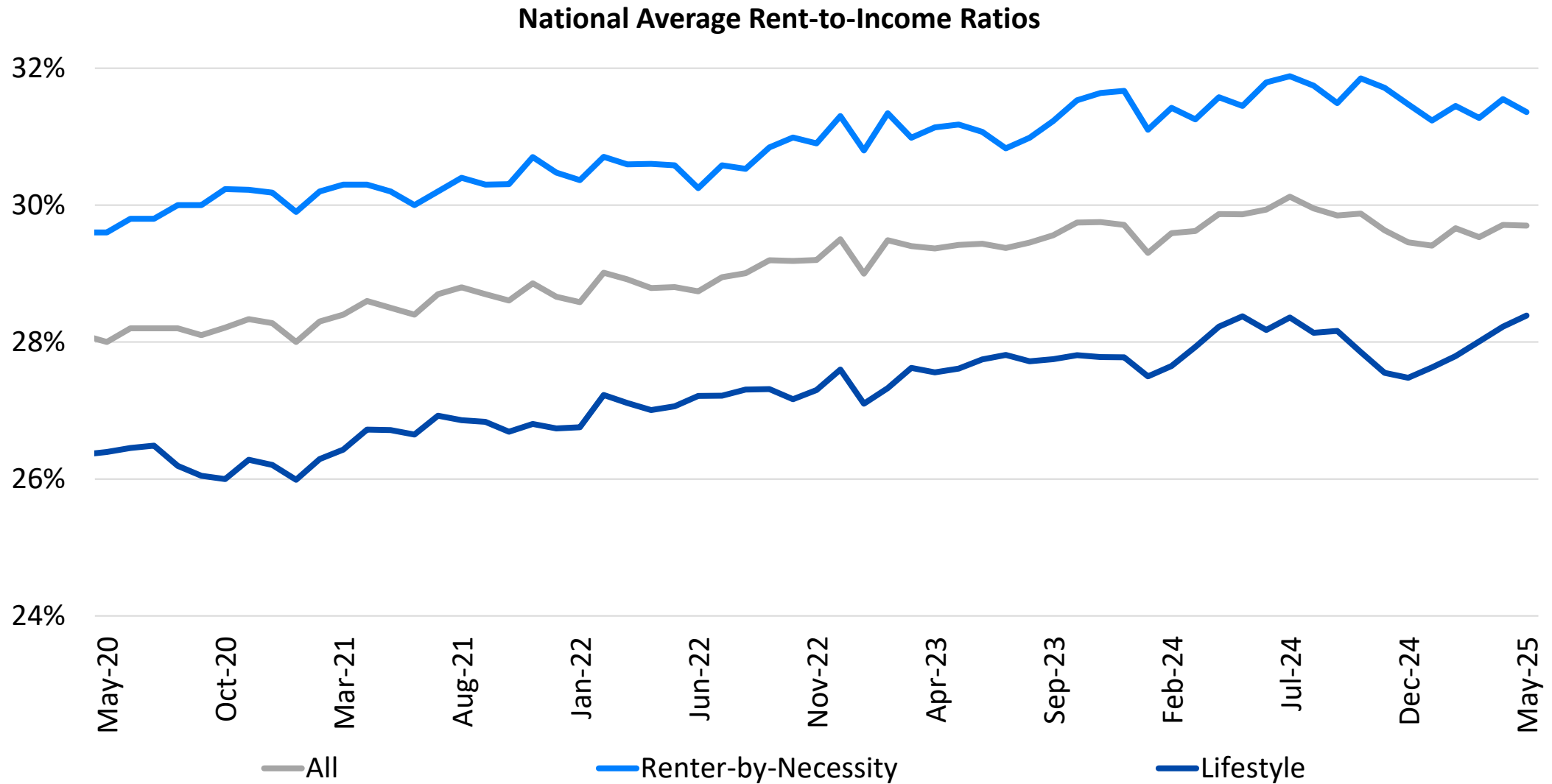
## Home Mortgage Payment vs. Rent



# The Cumulative Increase in Renter-By-Necessity Rent has Outpaced AMI, Adding to the Affordability Problem Impacting Lower Income Americans



# Rent-to-Income Ratios Highest in Renter-by-Necessity Class

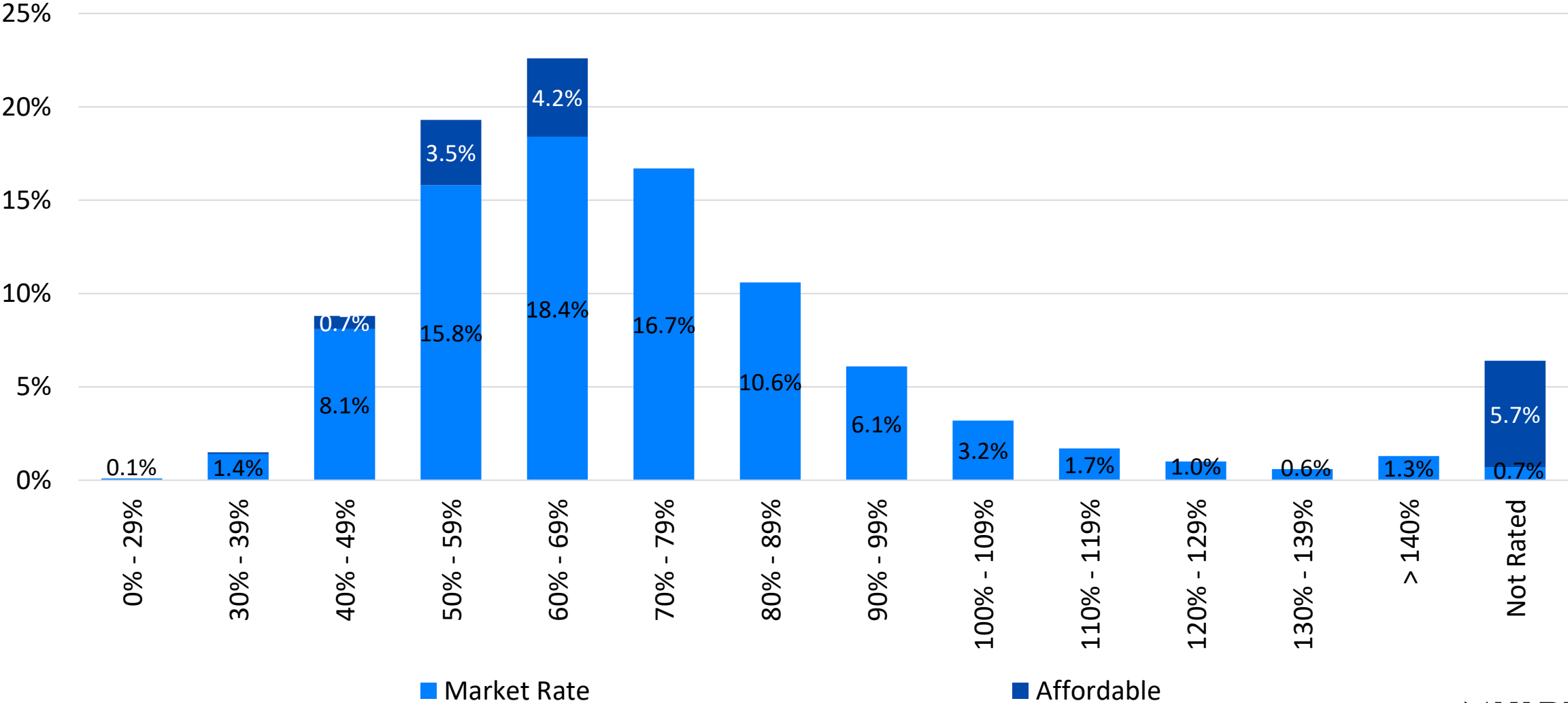


# High Rent-to-Income Ratios at the Lower-End Put Pressure on Those Already Cost Burdened

Market	Lifestyle Units			Renter-by-Necessity Units		
	May 2024	May 2025	Change	May 2024	May 2025	Change
McAllen	27.0%	27.0%	0.0%	50.1%	50.2%	0.1%
Worcester – Springfield	30.8%	31.5%	0.7%	45.4%	45.2%	-0.2%
Northern New Jersey	26.2%	26.8%	0.6%	41.7%	40.5%	-1.1%
Boise	30.1%	27.9%	-2.2%	38.7%	40.2%	1.5%
Pensacola	26.7%	26.0%	-0.7%	42.7%	39.9%	-2.8%
Long Island	34.9%	49.9%	15.1%	43.7%	39.3%	-4.4%
Madison	31.5%	30.7%	-0.7%	38.2%	38.2%	0.0%
Memphis	30.3%	29.0%	-1.3%	40.6%	37.9%	-2.7%
New York	33.0%	32.7%	-0.4%	39.9%	37.8%	-2.1%
Bridgeport - New Haven	33.4%	31.3%	-2.2%	37.1%	37.0%	-0.1%
Spokane	31.5%	32.5%	1.0%	37.0%	36.8%	-0.2%
San Diego	30.8%	31.0%	0.3%	37.2%	36.5%	-0.6%
Central Coast	30.8%	29.4%	-1.4%	36.1%	36.2%	0.1%
Knoxville	34.9%	35.0%	0.0%	36.5%	35.8%	-0.7%
San Francisco	26.1%	25.6%	-0.5%	37.6%	35.8%	-1.8%

# Market Inventory Affordability Report: Affordable and Conventional Stock

## U.S. Multifamily Inventory and Distribution of Population by AMI % Range



Data may be different than total coverage due to filtered data | Inventory Data as of June 2025 | Source: Yardi Matrix

# Responses to Affordability

## MARKET RESPONSES TO AFFORDABILITY

- 1) Co-living – Minor Impact
- 2) Short-term Rentals – Minor Impact
  - a) Airbnb Sublet Deal with Apartment Landlords
- 3) Conversions – Small Nationally, Relevant Locally
  - a) Office to Apartments
  - b) Hotels to Apartments
- 4) BUILD! – But cost to build must be reduced

## PUBLIC POLICY RESPONSES TO AFFORDABILITY

- 1) Curtail Demand – Slow Economic Growth & Household Formation; **NOT OUR desired path**
- 2) Encourage Supply – Market Rate, Partial AFF, Fully AFF
  - a) **Zoning Reform – State & Local- NO COST**
  - b) Tax Incentives – State & Local
  - c) Tax Incentives – Federal
    - i. Maintain LIHTC - \$25B between 9% and 4% Tax Credits for <=60% AMI Households
    - ii. PAB allocations estimated at \$42.8B in 2025
- 3) Federal – Explicitly Cross-Subsidize Certain Populations
  - a) Housing Choice Budget already \$32B
  - b) Project Based Sec 8 Budget already \$16B
  - c) HUD Budget Flat in 2025
    - a) **Reserve for Truly Indigent (<30% AMI), otherwise it promotes dependency**
- 4) Regulate/Suppress Market Forces: Rent Control, etc.
  - a) New York, Calif, Oregon- **never works**

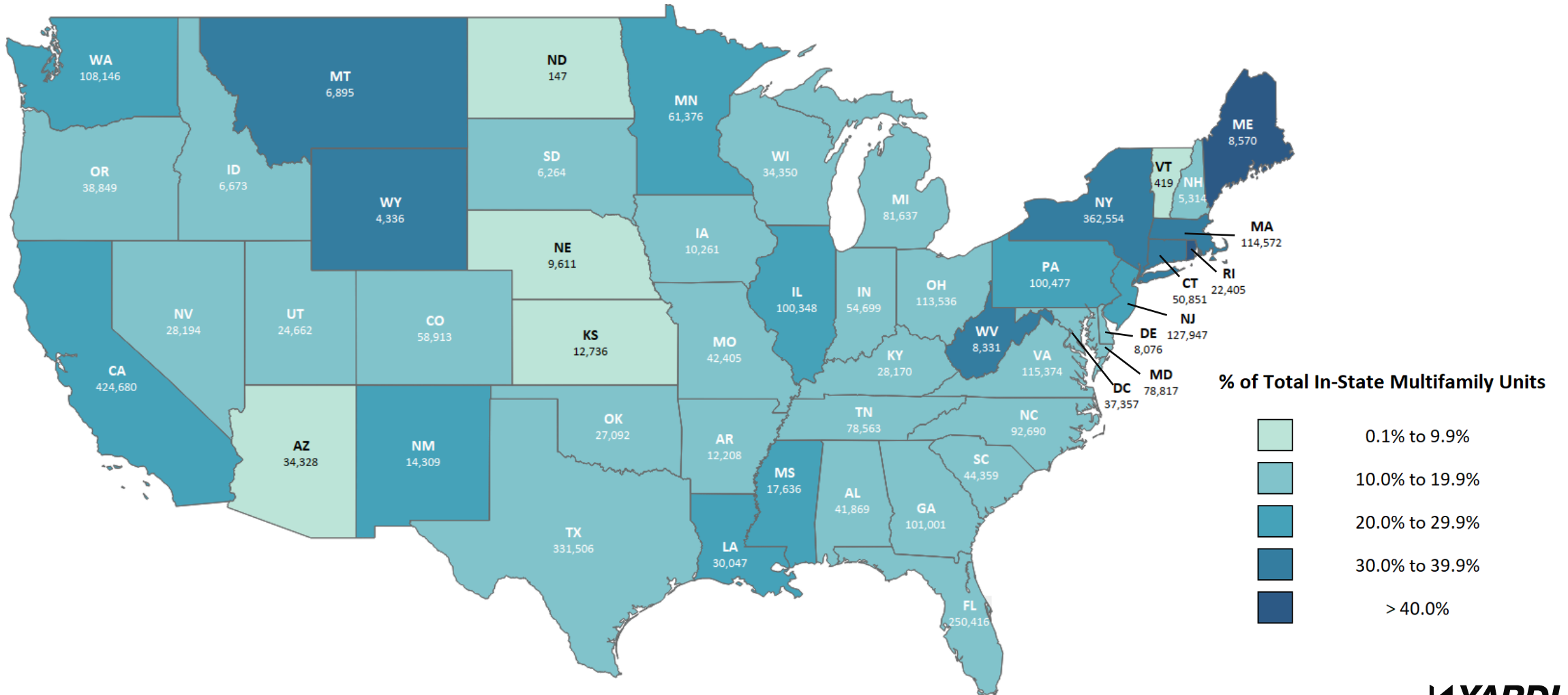
# Yardi Matrix Fully Affordable Housing Coverage

## Completed Properties, =>50 Units, a Total of 3+ MM Units

Fully Affordable Status	# of Properties
<b>Private Sector</b>	<b>12,934</b>
Tax Credits	9,957
PB Section 8	2,302
Other Regular	621
Other Special	54
<b>Total Non-Profit</b>	<b>9,411</b>
Public Housing Authority (PHA)	3,887
Non-Governmental Organization (NGO)	5,524
<b>TOTAL Market Coverage</b>	<b>22,345</b>

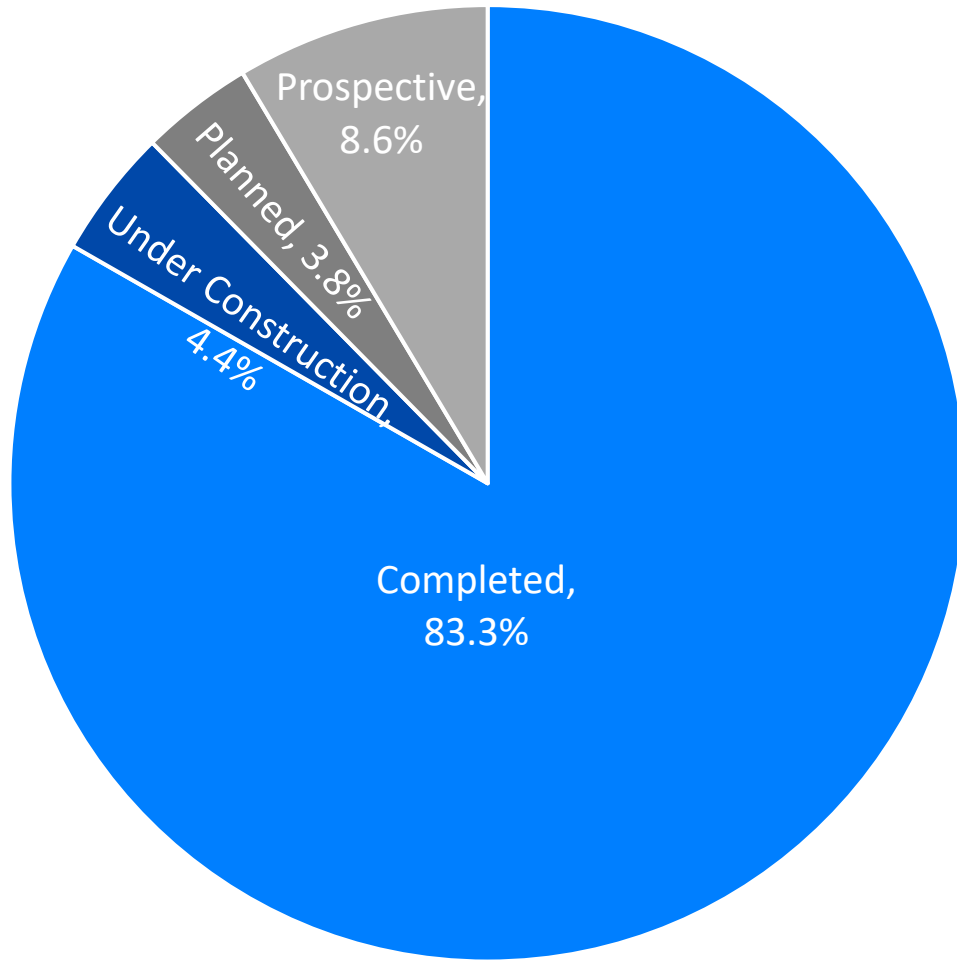
# Northeastern States Lead the Nation in Fully Affordable Units as a Percent of In-State Housing

Number of Fully Affordable Units as a Percent of Total In-State Multifamily Units

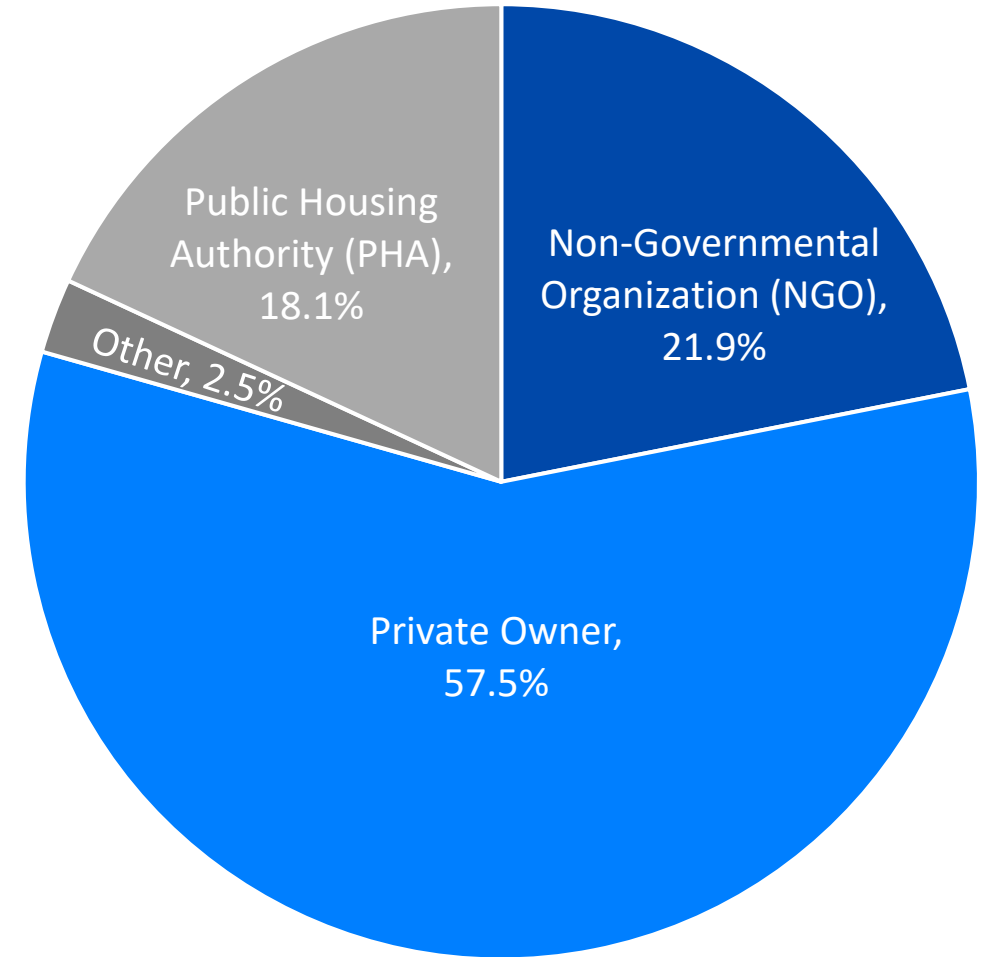


# Fully Affordable Properties by Inventory Composition and by Owner Type

## Fully Affordable Inventory Composition



## Fully Affordable Developments by Owner



# AFFORDABLE HOUSING'S COMPETITIVENESS WITH CONVENTIONAL MULTIFAMILY

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# Average AMI (Area Median Income) Percent Metric is the Basis for the Analysis

Number of Units	304
Address	14115 North Highway 183 Austin, TX 78717
Website	<a href="#">View</a>
Market	Austin
Submarket	3 - Cedar Park

“Affordability” is defined as housing costs that consume 30% of gross household income

Actual rents are used to determine the AMI level where housing costs would be considered affordable

Phone
Improvements Rating
Location Rating
Location Class
Completion Year

Property Unit Breakdown

**Collapsed** | Expanded  Include Bedroom count and rates

Unit Type	Unit		Size (SqFt)		Actual Rent
	Count	% of Total	Unit	Total	Per Unit
One Bedroom	217	71.38%	767	166,546	\$1,377
Two Bedroom/One and Three Quarter Bath	87	28.62%	1,158	100,761	\$1,963
	<b>304</b>	<b>100.00%</b>	<b>879</b>	<b>267,307</b>	<b>\$1,545</b>

Occupancy	94.7%
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Average AMI Percent 56%

On average, the rents at this property are "affordable" to households earning 56% of the county's Area Median Income (AMI)

<b>Owner</b>	<b>Manager</b>
Security Properties	Security Properties Residential
Jason McKinley	Tali Reiner
(206) 622-9900	(206) 787-8481
701 5th Avenue #5700 Seattle, WA 98104	701 5th Avenue #5700 Seattle, WA 98104



# Austin's Affordable Housing is Highly Competitive with Conventional Multifamily

The AMI percentile where rent equals 30% of income, the affordability standard

Average AMI Percent for each asset class minus the Average AMI Percent for Fully Affordable

Grouping Title	Average AMI Percent	Total Units	% Stock by Unit	AMI % Premium to Affordable	Competitive w/ Affordable
Discretionary	67%	70,264	22%	10%	-
Upper Mid-Range	58%	145,626	46%	1%	46%
Low Mid-Range	47%	56,595	18%	-10%	18%
Workforce	45%	14,945	5%	-12%	5%
Fully Affordable	57%	30,894	10%	-	-
Total/Average	57%	318,324	100%	-	~69%

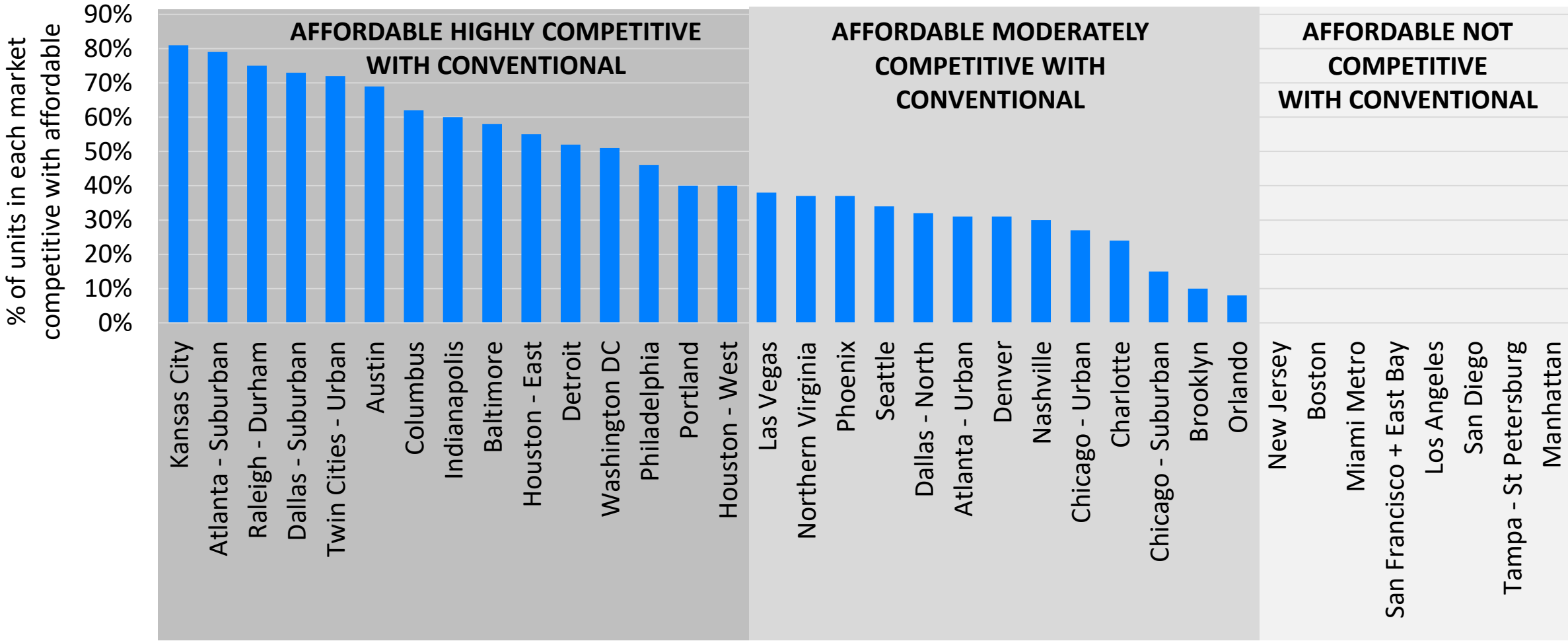
% of stock competitive with affordable housing

AMI % Premiums less than 10% are considered competitive with Affordable



# In Some Markets, Affordable Housing is Highly Competitive with Conventional

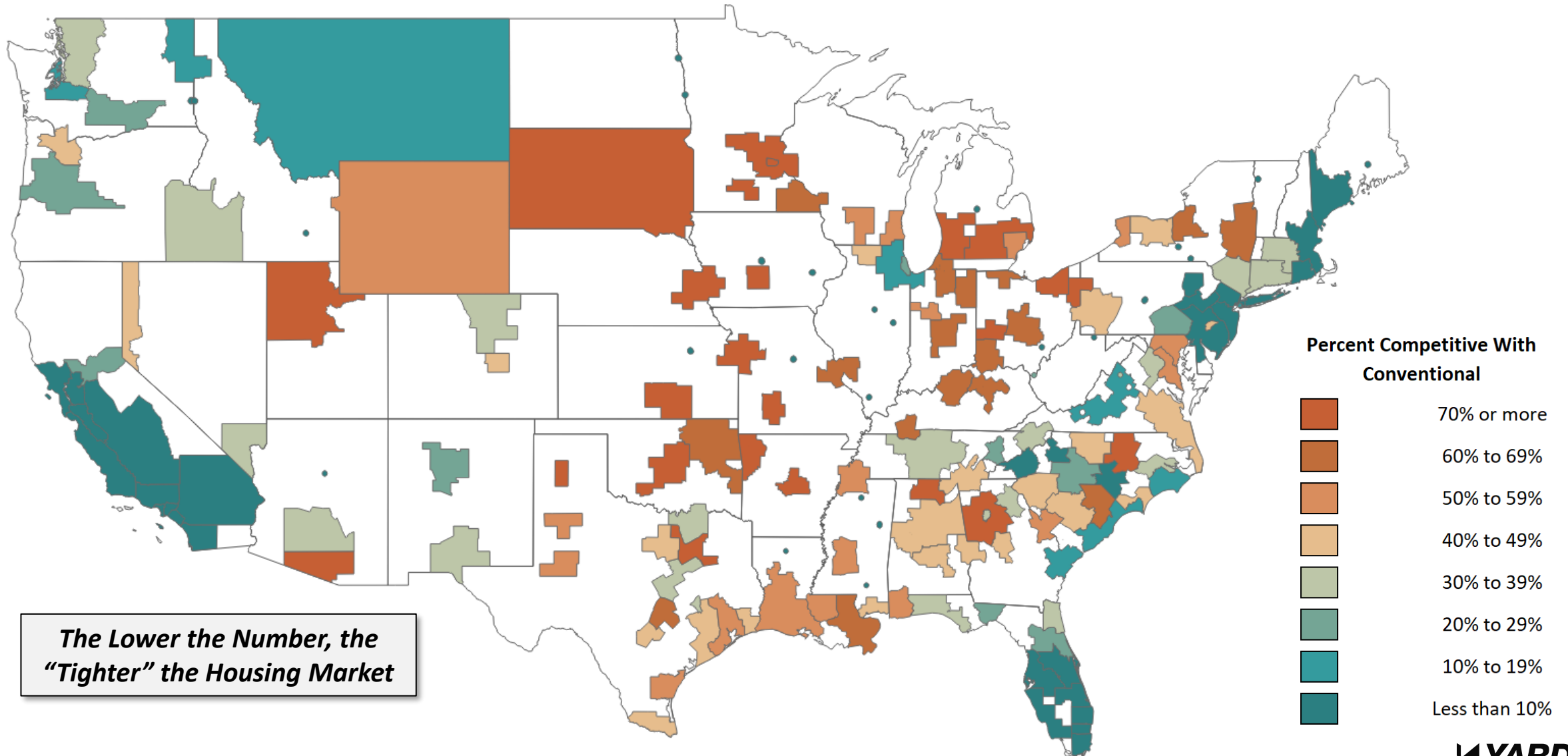
Percentage of Market-Rate Stock in Competition with Fully Affordable Developments



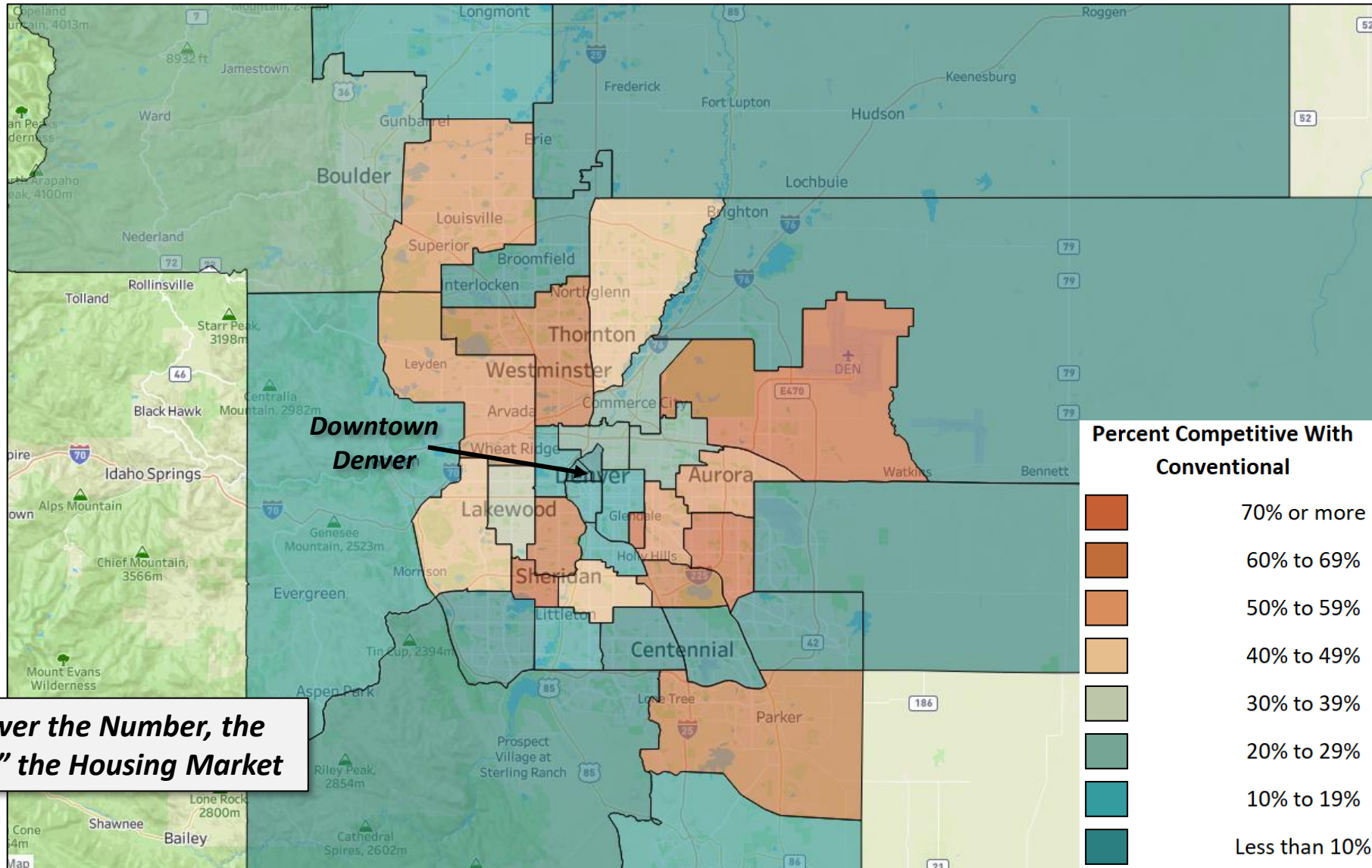
Percentage of stock is by number of units. Competing units are defined as a <10% difference in AMI% Premiums between market-rate and fully affordable – private sector properties | Data as of June 2025 | Source: Yardi Matrix



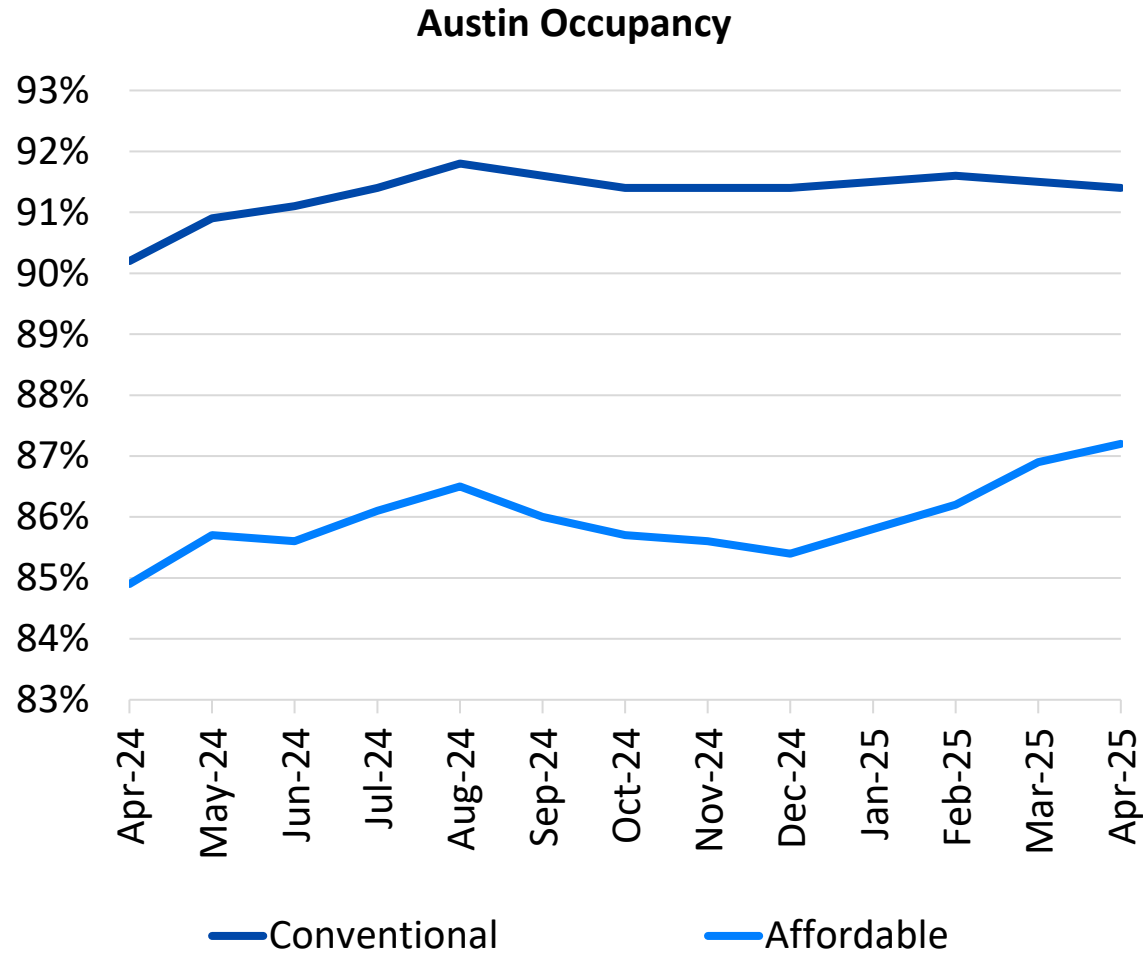
# Heavy Migration and Delayed Supply Response Has Created a New Affordability Problem in NC and FLA



# Elevated Incomes in Denver's Inner Suburbs Push Affordable Rents Close to Conventional Rates



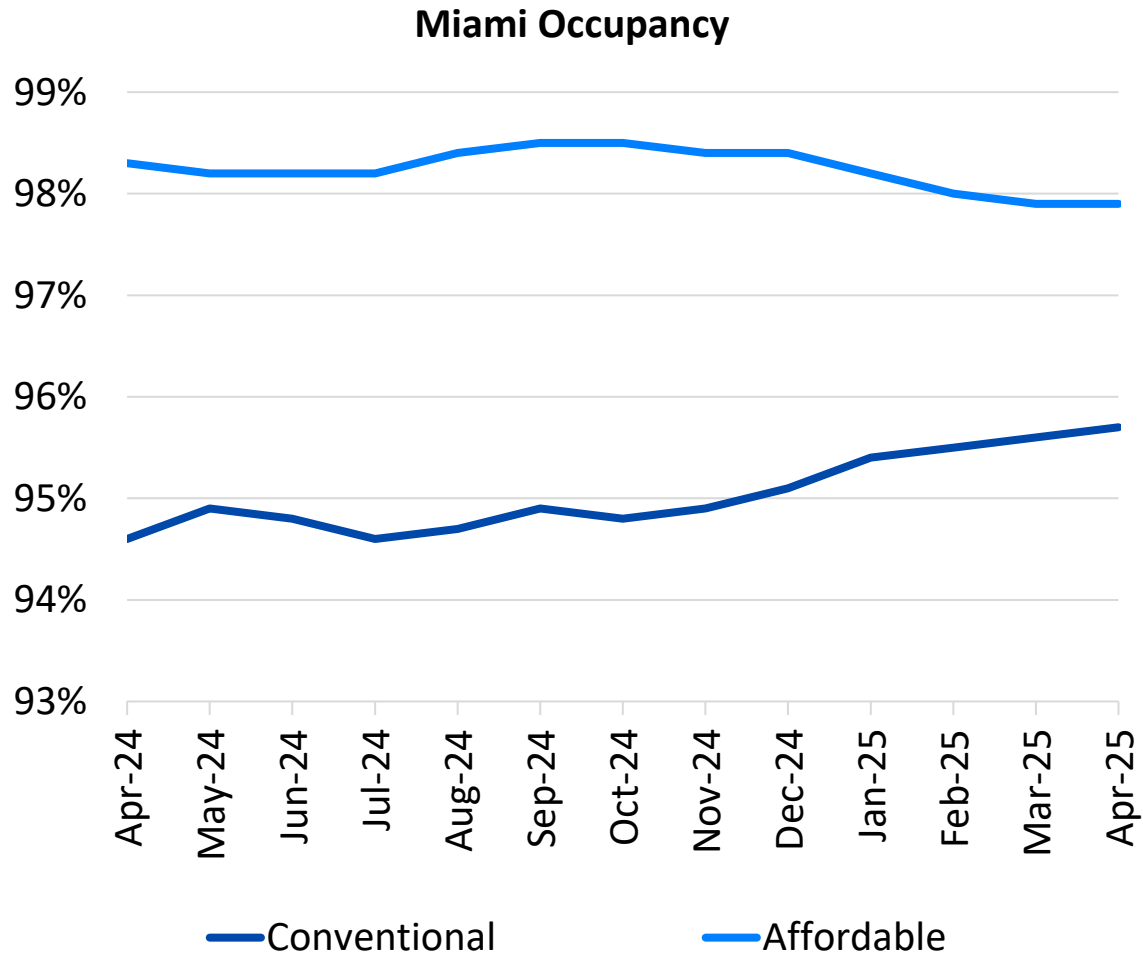
# Austin's Affordable Housing Occupancy is Below Conventional, Since it's Highly Competitive and Conventional Requires Less Compliance



	Conventional	Affordable
<b>Operating Income</b> (Annual per unit)	\$18,892 (-3.3% YoY)	\$13,681 (-1.5% YoY)
<b>Operating Expense</b> (Annual per unit)	\$10,150 (-0.9% YoY)	\$7,899 (+8.8% YoY)
<b>NOI</b> (Annual per unit)	\$8,742 (-5.9% YoY)	\$5,782 (-11.8% YoY)
<b>Turnover %</b>	49.2%	37.2%



# Miami's Affordable Housing Occupancy is Higher Than Conventional Since There's Not a Lot of Competitive Stock in the Market



	Conventional	Affordable
<b>Operating Income</b> (Annual per unit)	\$30,411 (+3.8% YoY)	\$17,908 (+10.8% YoY)
<b>Operating Expense</b> (Annual per unit)	\$13,570 (-0.5% YoY)	\$7,975 (+0.9% YoY)
<b>NOI</b> (Annual per unit)	\$16,841 (+7.5% YoY)	\$9,933 (+20.8% YoY)
<b>Turnover %</b>	38.4%	13.2%



# AFFORDABLE HOUSING INVESTMENT STRATEGIES

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# Affordable Housing Investment Strategies

## 1. NEW DEVELOPMENT

- Add to supply, compete for 9% credits, responsible for all up front costs prior to award
- Often have to defer development fees if properties run into trouble; can be lucrative
- Use wide array of federal, state, local and charitable funds and incentives

## 2. PRESERVATION

- Purchase and hold to preserve affordability
- Often “mission-driven” organizations

## 3. RENOVATION

- Purchase properties near end of compliance or extended use period
- Apply for 4% credits to renovate properties
- Look for wide array of credits and incentives

## 4. EMPLOYER-DRIVEN PRIVATE SECTOR AFFORDABLE HOUSING

- Hospital, municipalities, universities, theme park owners (Disney)
- Contract with developers to build income restricted/restrained housing with deed restrictions

## 5. PRESERVATION OF MARKET-RATE WORKFORCE HOUSING (Naturally-occurring Affordable Housing)

## 6. PROJECT-BASED SECTION 8 ONLY

# Uncertainty on Affordable Housing Funding Poses Challenges to Development and Preservation

## FUNDING FREEZES & LEGAL CHALLENGES

- **DOGE** froze the \$1B **Green and Resilient Retrofit Program (GRRP)**, which awarded funding for ~25K affordable units since 2022
- **HUD** faced a court-ordered injunction to resume GRRP funding (April 2025); **DOJ has appealed**
- **Section 4 contracts** with nonprofits (Enterprise, LISC) were initially cut by HUD, *leaving pending affordable housing grants in limbo*
- Habitat for Humanity's contract was not reportedly cut, and as of May 2025, contracts with Enterprise and LISC were reinstated

## STAFF REDUCTIONS

- **FHFA** cut ~10% of staff, closing two divisions
- **HUD** is closing its **Office of Field Policy and Management**, cutting ~150 jobs
- More staff reductions expected due to budget constraints

## IMPACT

- Hundreds of affordable housing projects in limbo
- Rehab financing harder to secure, impacting preservation of affordability
- Workforce cuts signal future program funding challenges

AFFORDABLE HOUSING  
INVESTMENT STRATEGIES:  
*NEW DEVELOPMENT*

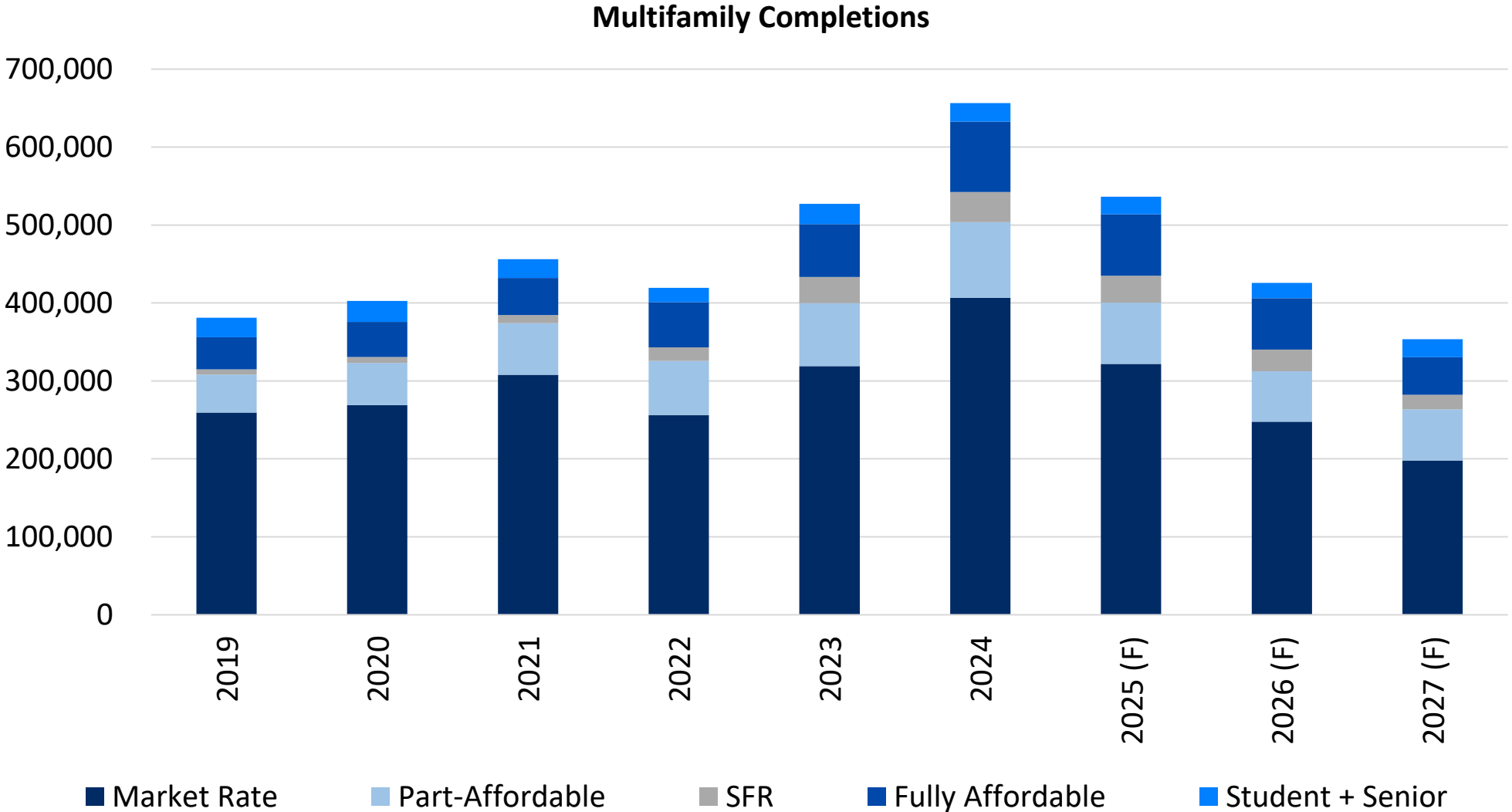
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# Delivery Forecast is Lower for All Multifamily Segments, and Niche Sectors Will Comprise a Greater Share of Deliveries Over the Next Few Years

	<<< Actual Completions						Forecast Completions >>>			
	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Market*	310,379	323,784	374,982	325,109	401,348	515,358	402,896	312,761	264,419	
Fully Affordable	41,436	44,834	47,491	57,385	67,930	94,291	78,660	65,347	47,457	
Senior**	9,853	11,576	10,457	10,046	13,230	12,639	10,303	7,891	10,365	
SFR	6,510	7,575	10,707	17,675	33,130	40,909	33,074	28,135	18,779	
<b>Total</b>	<b>368,178</b>	<b>387,769</b>	<b>443,637</b>	<b>410,215</b>	<b>515,638</b>	<b>663,197</b>	<b>524,933</b>	<b>414,134</b>	<b>341,020</b>	

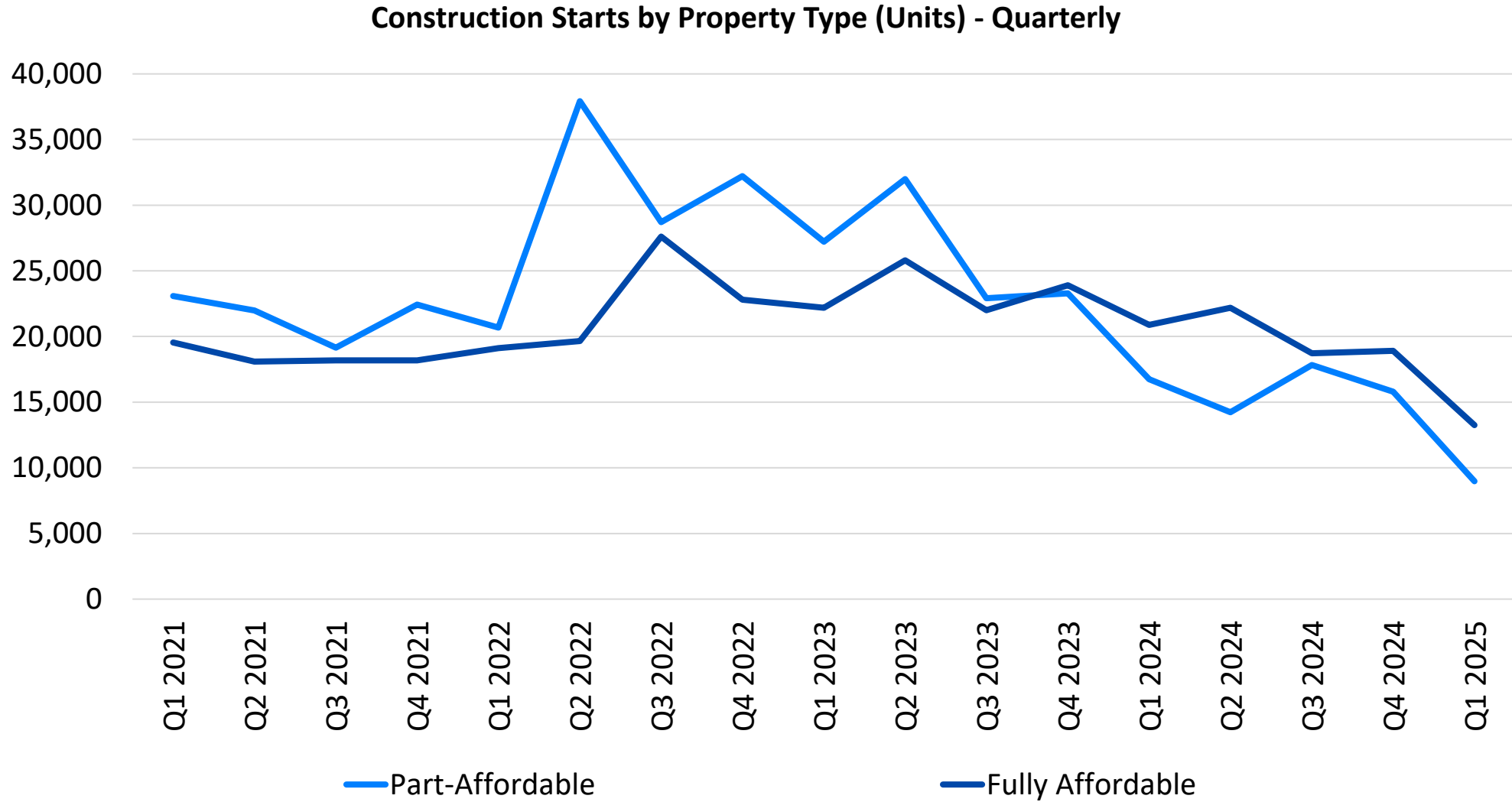


# New Multifamily Supply is Expected to Decline After 2024's Peak



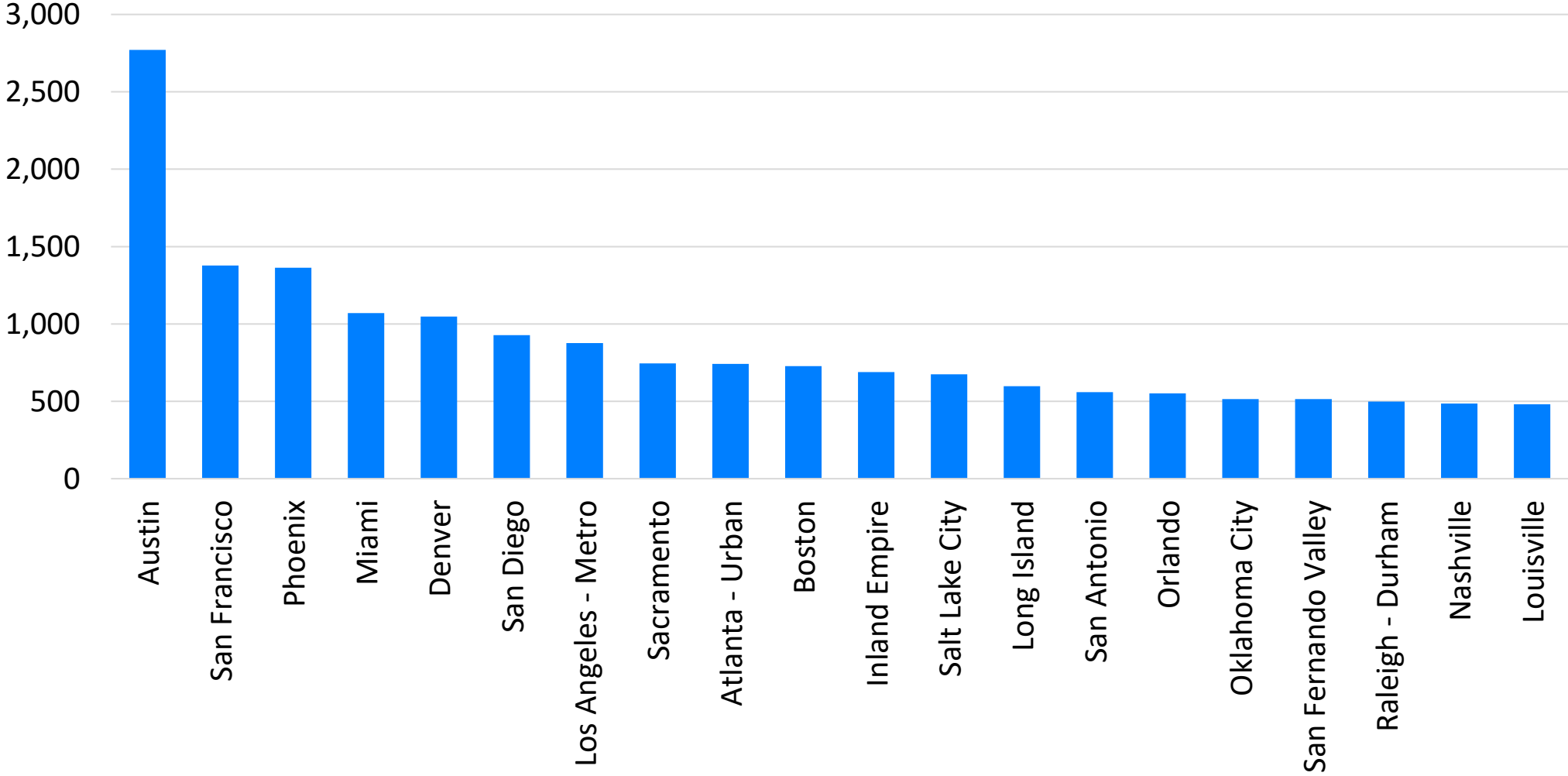
Source: Yardi Matrix

# Fully and Partially Affordable Multifamily Starts Declining



# Relative to the Need, the Amount of Fully Affordable Units Under Construction is Minor

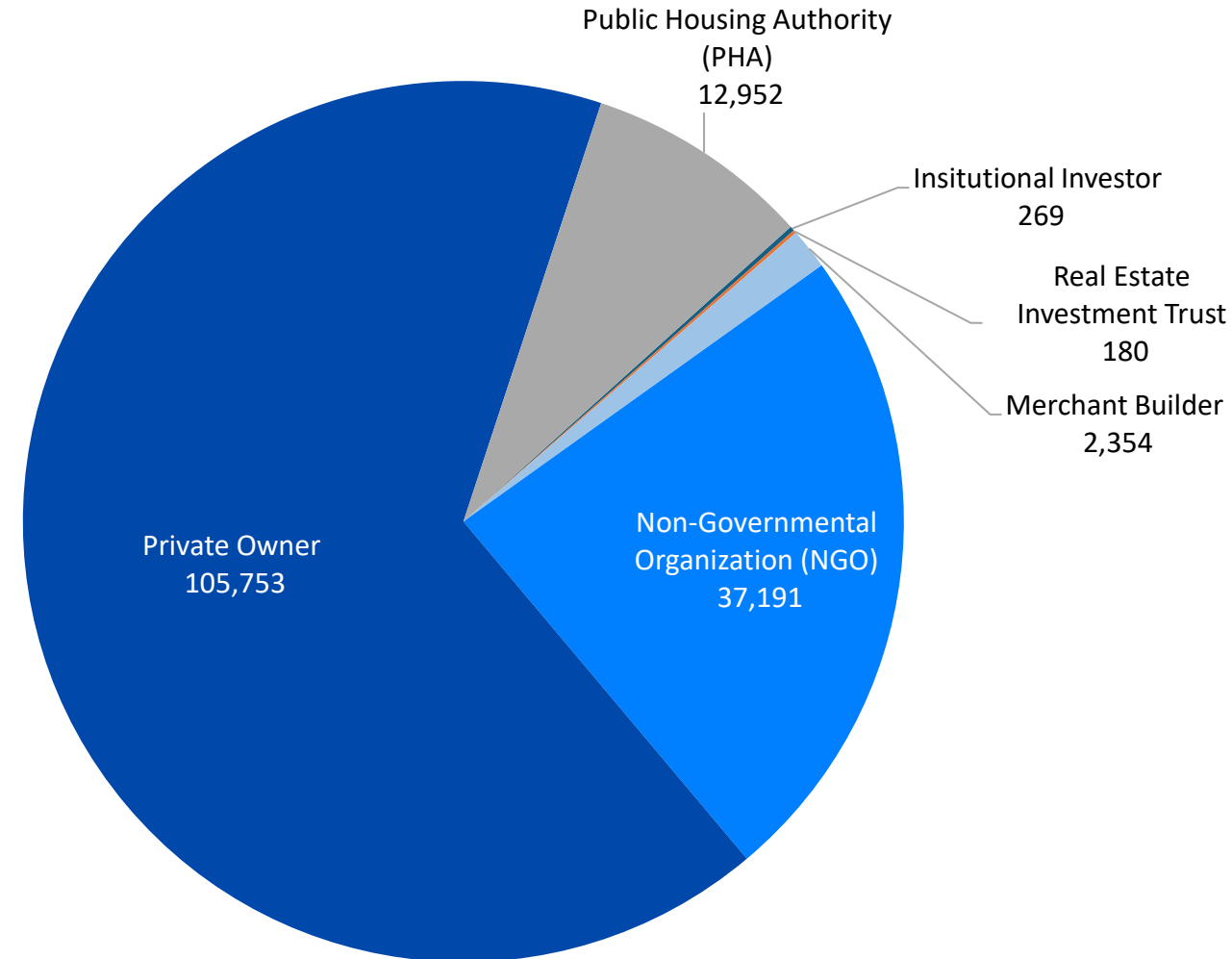
Markets with Most Fully Affordable (Private Sector) Under Construction Units



# Fully Affordable Ownership Composition by Number of Units Under Construction

Top 10 Owners	Units Under Construction	% of National Units Under Construction
Lincoln Avenue Capital	4,525	2.9%
The Pacific Companies	3,064	2.0%
LDG Development	2,945	1.9%
Dominium	2,852	1.8%
Mercy Housing	2,106	1.3%
Palladium USA	1,913	1.2%
Related Companies	1,827	1.2%
Travis County Housing Finance Corporation	1,732	1.1%
Pedcor Companies	1,658	1.1%
Housing Trust Group	1,531	1.0%

Fully Affordable Ownership Composition by Number of Units



# States & Localities Could do a Lot More to Increase Housing Production, Both Market Rate and Affordable

## THE CURRENT PROCESS IS 5+ YEARS, AND REQUIRES FUNDING BY PRIVATE & NON-PROFIT DEVELOPERS ALIKE

### Soft (but Real) Costs: Time & Uncertainty – Cut Time from 5 to <1 year, reduce uncertainty:

- *Zoning Process – Currently ~2 years*
  - Change to By-Right Zoning, with possible preference to affordable/partially affordable housing
  - Align with preapproved HUD QCT/DDA Tax Credit Bonus Areas (Qualified Census Tract/Difficult Development Area)
  - Real estate tax exemptions – tax exemptions ALONE may not be sufficient
- *Permitting – Currently ~2 years*
  - Change to enable pre-approved permitted housing product designs
  - Expand 30-day "War Room" all department process – stop paper shuffling
- *Prioritize Inspection Process to Speed Completions and Reduce Holding Cost*
  - Inspections need to be expedited and focus on how to get to “Yes” versus self perpetuating complexity
- *Tax Credit/Public Activity Bond Application Process – Currently <1 year, often multiple years*
  - Staff to process Tax Credit/PAB applications is expensive
  - Change process to create multiple application rounds each year
  - Prioritize QCT/DDA sites
  - Harmonize state and local agency requirements

# States & Localities Have a Large Number of Tools to Increase Housing Affordability

## HOUSING CAN BE VIEWED AS AN INFRASTRUCTURE ITEM

**There's a Wide Range of Tools Available to Facilitate Production and Preservation, if Desired, Subject to Local Resources:**

- Money
  - Hard equity/cash grants
  - Soft equity – tax credits
  - Soft debt – shared appreciation notes;
    - Credit enhancement/subsidized debt
  - Operating subsidy – housing vouchers
  - ***Tax relief – property & sales tax***
  - Subsidized utilities
- Land
  - Zoning & density – both vacant and repurposed (offices, h/motels, municipal, industrial)
  - Trunk infrastructure
  - Site infrastructure



# Experimentation to Reduce Costs to Build

- Some companies are attempting to reduce build costs by completely reconfiguring the supply chain
  - Source their own raw materials, move their own crews, etc.
  - Essentially vertically-integrated construction companies
- Deliver brand new, market rate product up to a 30% discount off normal costs because they control the entire supply chain
- **Hillpointe** is a fully integrated real estate development and investment management firm focused on the development of market rate workforce housing across the Sun Belt
  - Currently developing in Florida, Georgia and South Carolina
- Experimentation going on in this area, but it hasn't scaled

# Developers Leverage Resources to Access Additional Capital for Affordable Developments

- **PREDEVELOPMENT FUNDING**

- Securing funding for predevelopment is often more difficult to obtain than for construction, which hinders development
- The New York State Housing Development Fund Corporation (HDFC) aims to address this gap with a revolving loan fund for predevelopment and site acquisition
- Additionally, the Volunteers of America–Greater New York launched a \$20 million Housing Innovation Fund to support early-stage financing for affordable housing projects

- **PROPERTY TAX ABATEMENTS**

- Property owners agree to rent restrictions in exchange for significant property tax savings on qualified affordable housing
- In Texas, eligible affordable properties can receive a 100% property tax exemption by limiting rents according to household income requirements

- **RECYCLED VOLUME CAPACITY**

- Developers identify repaid or unused tax-exempt bonds to supplement new financing sources
- Recycled volume cap doesn't count against the current year's limit, enabling access to additional tax credits
- When combined with new bond issuances, larger projects become more financially feasible

- **PARTNERSHIPS**

- Strategic partnerships help make complex deals achievable
- Municipal governments offer reliable, stable financing, making them increasingly valuable partners
- While local budgets may be smaller, public partners can provide critical early-stage funding and support

# Federal Programs Aim to Address the Affordability Problem, but a Shortage of Housing Still Persists *(Top 8 of >300 We're Tracking)*

Program	Type	# of Properties	Program Requirements
Tax-Exempt Housing Bonds	Federal Financing	3,288	20% of units at 50% AMI or 40% units at 60% AMI.
Public Housing	Federal Grant	1,850	Funds units at 80% AMI or below, elderly residents, and those with disabilities. Priority given to extremely low incomes (30% AMI).
HOME Investment Partnerships Program	Federal Financing	1,710	20% of units at 50% AMI and up to 80% AMI
Supportive Housing for the Elderly Program	Federal Financing	1,360	Interest free capital to fund age-restricted housing at 30% to 50% AMI. Capital advance does not have to be repaid if the requirements are met for 40 years.
Rental Assistance Demonstration	Federal Program	677	Facilitates the conversion of public housing and HUD-assisted properties to long-term, Section 8 rental assistance.
Rural Rental Housing	Federal Financing	527	USDA loans to build, rehab, or acquire rural properties that serve households at 50% to 80% AMI.
Affordable Housing Program (AHP)	Federal Financing	278	20% of units at 50% AMI. Funds only available through Federal Home Loan Bank of Chicago (FHLBank) members.
Community Development Block Grant	Federal Grant	255	CDBG loans for low income (30% to 50% AMI) and moderate income (50% to 80% AMI) households.



# State & Local Initiatives Seek to Promote the Development and Preservation of Affordable Housing

Top Financing Program per Location	Location	# of Properties	Program Requirements
State Apartment Incentive Loan Program	FL	165	Subordinated loans to develop properties with at least 20% of units at 50% AMI or 40% of units at 60% AMI
Multifamily Housing Program	CA	157	Long term loans with low interest for construction and rehab of affordable housing <= 60% AMI
Housing Development Assistance Program	OH	78	Supports affordable housing projects <= 50% AMI
Housing Development Grant	CO	64	Loans/Grants for construction and rehab <= 100% AMI
Rental Production Program	NC	62	Gap loans for LIHTC awarded developments <=60% AMI. Must comply with HOME program regulations
New York Housing Trust Fund	NY	46	Loans/grants for housing developments <=90% AMI
Massachusetts Affordable Housing Trust Fund	MA	44	Loans, grants, subsidies, and other financial assistance to serve the creation and preservation of housing <=110% AMI
City of Seattle Affordable Housing	WA	41	Financial assistance to developers or non-profits to build, acquire, or rehab single and multi-family units. Rents may be restricted from 30% to 80% AMI
Housing Production Trust Fund	DC	38	Special revenue fund that provides gap financing for low (50%-80% AMI), very low- (30%-50% AMI) and extremely low-income (30% AMI) households.



# Federal Policy Attempting to Reduce Barriers to Development

## AFFORDABLE HOUSING CREDIT IMPROVEMENT ACT OF 2025

- *Credit Allocation Increase:*
  - Restores a 12.5% increase in credit allocations for 2025–2029 (originally expired in 2021)
- *Private Activity Bond (PAB) Threshold:*
  - Lowers the required PAB financing from 50% of project costs to 25% in order to qualify for the 4% LIHTC
- *Rural Boost:* Increases the Historic Tax Credit from 20% to 30% for projects in rural and Native American areas
- *Zoning Reform:* Encourages local zoning and land use reforms to reduce barriers to new affordable housing development

## OPPORTUNITY ZONES

- *New Designation Periods:*
  - Extends current O.Z. designations to 2028 and adds a new round through 2033
- *Updated Eligibility Criteria:* Redefines “low-income community” as a census tract with:
  - Poverty rate  $\geq$  20%, or
  - Median family income  $<$  70% (previously 80%) of metro or state median
- *Rural Inclusion:* Allows new OZ designations in entirely rural areas
- *Tax Incentive Adjustments:*
  - Updates capital gains deferral and tax benefit timelines for 2026–2033
- *Enhanced Oversight & Transparency:*
  - Increases reporting standards from OZ participants and the Treasury Department

# Good Intentions Don't Deliver Results in Affordable Housing

## SAN FRANCISCO CASE STUDY

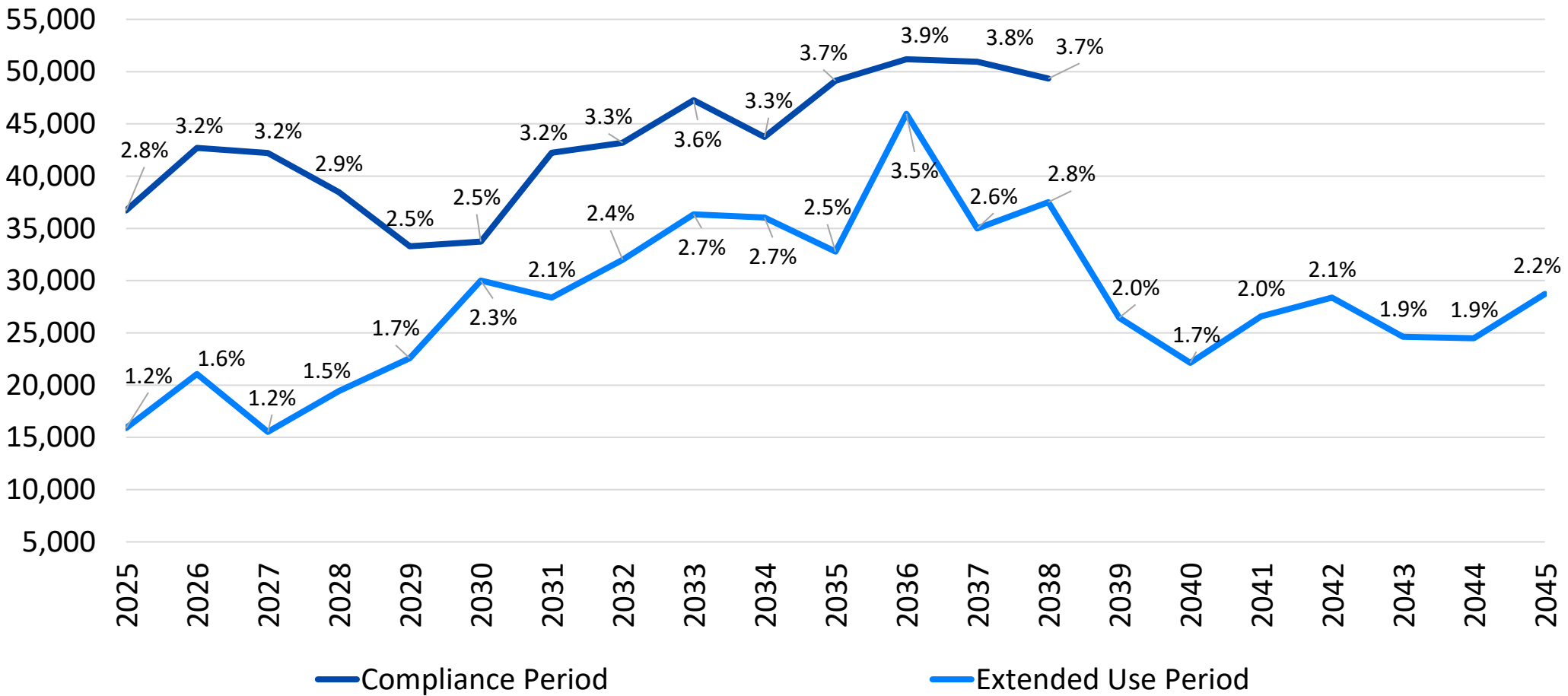
- **Regulatory Hurdles**
  - Despite substantial public funding, San Francisco struggles to deliver affordable housing efficiently
  - Complex zoning, environmental and compliance regulations can hinder rapid development
  - Policies that prioritize small contractors exclude larger, more efficient firms—resulting in a limited labor market, project delays and inflated costs
- **Impact**
  - In 2023, it took an average of 523 days for project clearance and another 605 days for permits
  - Affordable housing projects cost between \$600k-\$700k per unit and take up to 6 years to complete
  - Strict compliance standards often force developers to leverage multiple financing sources, including private capital
    - Searching for additional funding adds extra time and costs to projects
  - Projects that overcome these standards need to be profitable to justify the increasing costs
    - As a result, developers may opt to build luxury condos instead of affordable housing
- **San Francisco vs Houston**
  - In 2023, Houston, with minimal zoning laws, issued 70,000 new housing permits
    - San Francisco issued only 7,500 permits, far fewer than current demand
  - Housing costs per homeless person totaled \$12k in Houston and \$35k in San Francisco

AFFORDABLE HOUSING  
INVESTMENT STRATEGIES:  
*PRESERVATION*

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# As Affordable Units Reach the End of Their Compliance Periods, a Need for Preservation Strategies is Evident, Especially in Tight Housing Markets

**Number of Private Sector Units with Expiring Compliance and Extended Use Periods and Percentage of Total LIHTC Units**

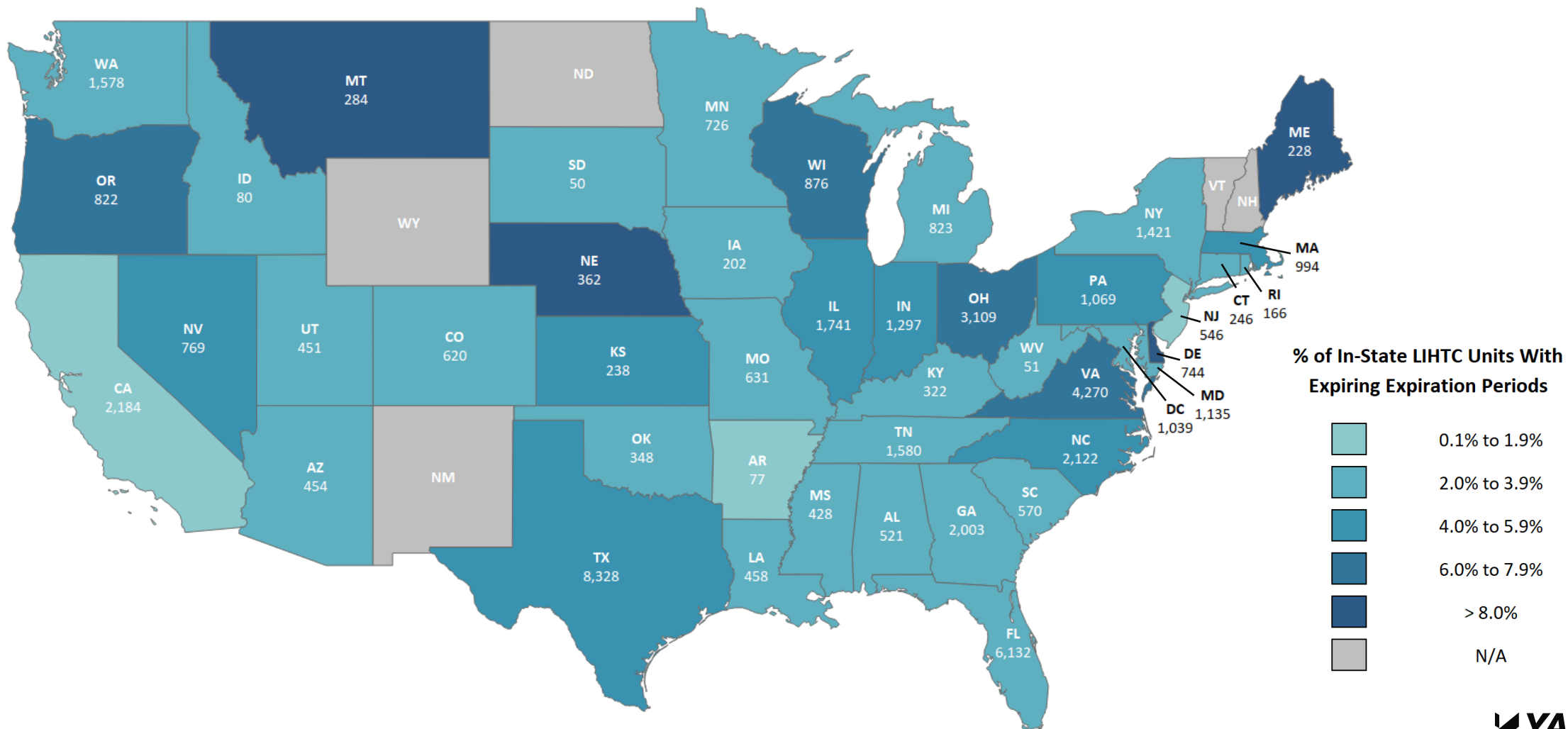


Only Fully Affordable - Private Sector Units are included. Percentage values calculated as number of private sector units expiring divided by total LIHTC units  
 Data as of May 2025 | Source: Yardi Matrix



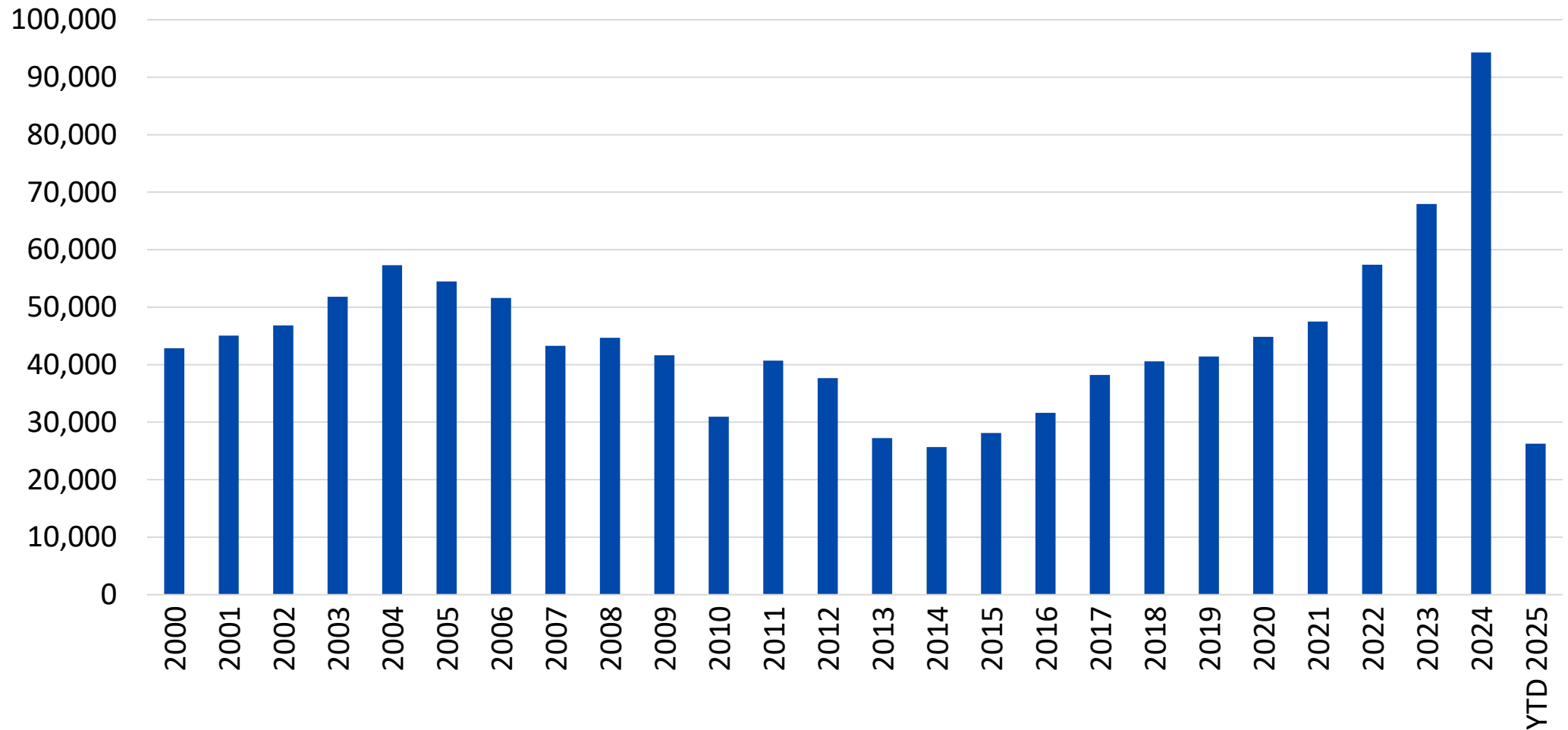
# Texas and Florida Have the Most Affordable Units Nearing the End of Their Extended Use Periods

Number of Private Sector Units with Expiring Extended Use Periods (2025-2027) and Percentage of Total LIHTC Units

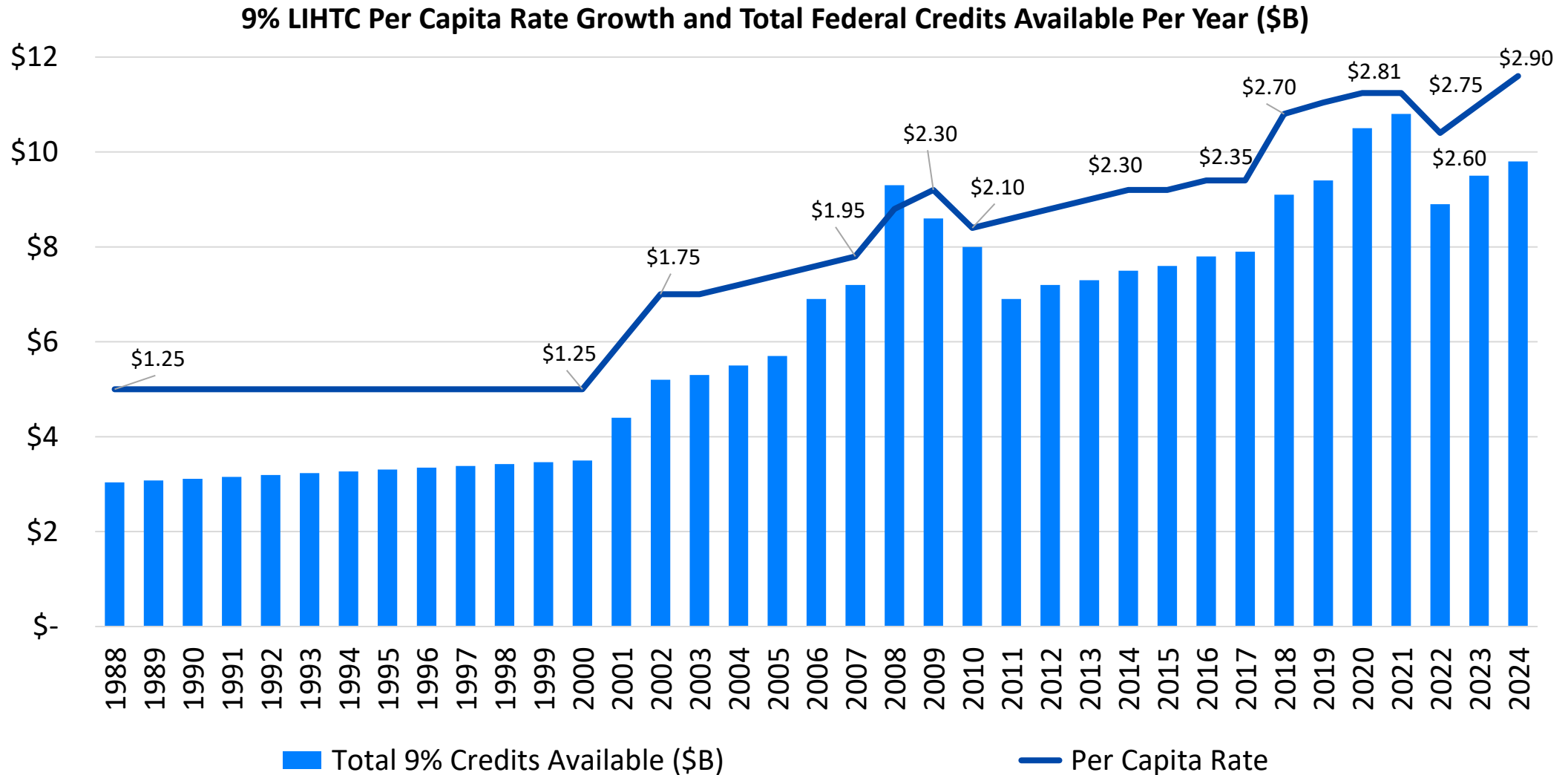


# Affordable Housing Deliveries Have Picked Up in Recent Years, but It's Still Not Enough

## Fully Affordable Housing Completions (Units)



# Per Capita LIHTC Rates Have Steadily Increased

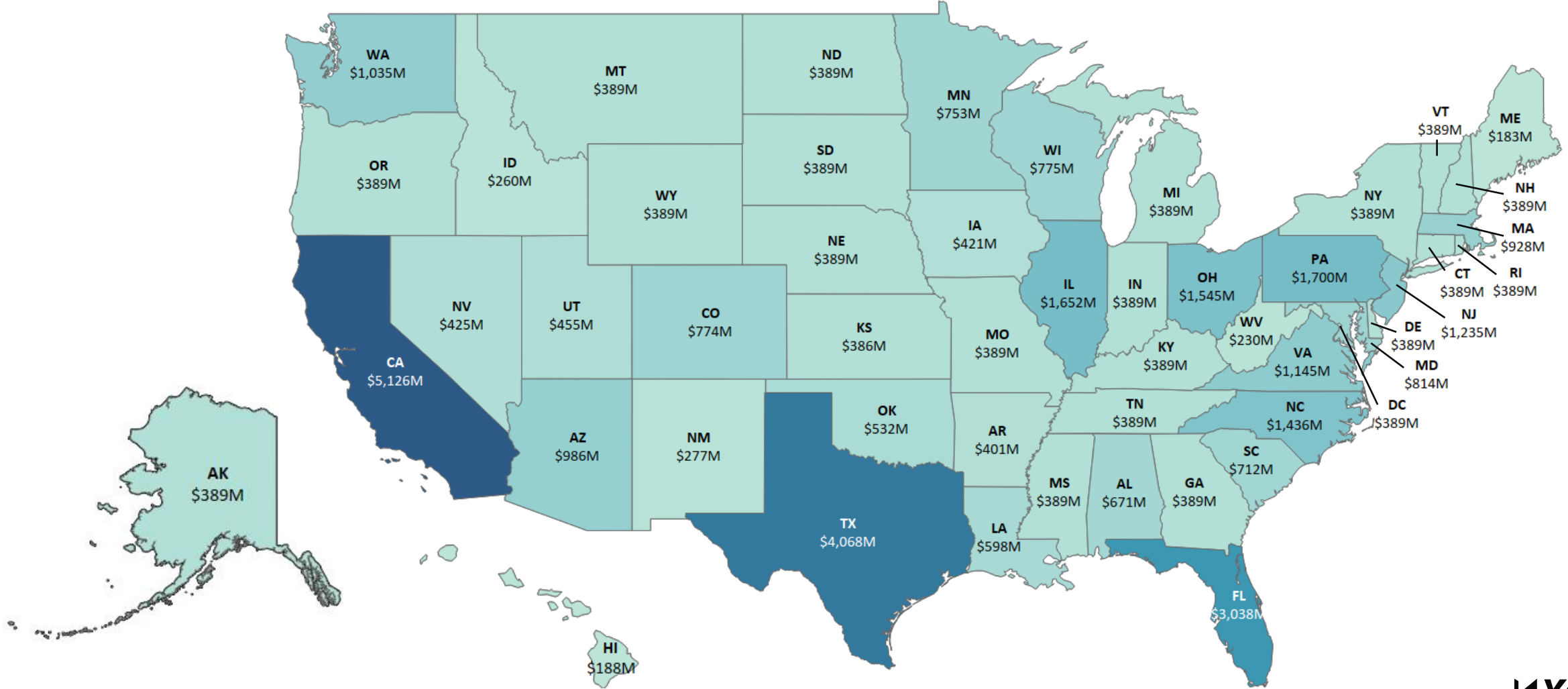


The total credits available are not a running balance but are annual LIHTCs multiplied by the 10-year credit period. Excludes unused balances and exchanges under the Section 1602 cash grant program. | Source: Yardi Matrix; Novogradac



# A Total of \$42.8 Billion in Private Activity Bonds Are Available in 2025, Over Four Times the Amount of 9% LIHTC

Private Activity Bond Capacity (in Millions of Dollars, 2025)



# Affordable Housing Preservation is Essential

- There is a problem, *and we know how to size it*
- In the long-term (through 2038):
  - Compliance periods expire for **600K** private sector LIHTC units
  - Extended use periods expire for **400K** units
- In the short-term (through 2027):
  - Texas, Florida and Virginia have the most units with expiring extended use periods
  - Nebraska, Montana and Maine have the most units with expiring extended use periods as a percent of total LIHTC units
- Fully affordable housing completions peaked at **94K in 2024**, but it's still not enough
- We need capital not just for **development**, but we need capital for **preservation**

AFFORDABLE HOUSING  
INVESTMENT STRATEGIES:  
*EMPLOYER-DRIVEN & NATURALLY-OCCURRING*

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# A Growing Number of Employers Are Taking a More Direct Role in Solving the Affordability Crisis

- **Some employers are developing affordable housing for their employees to recruit & retain their workforce**
  - *Employees* gain access to below-market housing in high-cost areas
  - *Employers* can attract and keep talent that might otherwise relocate
- In **Florida**, multiple employers are building housing to overcome their employee's affordability issues
  - **Tampa General Hospital** plans to build a 160-unit complex with below-market rents for employees earning 80%-120% AMI
  - **Walt Disney Company** developing 1,369 units near Walt Disney World for families at ~80% AMI (delayed as of May 2025)
  - **Pinellas County Schools** plans to convert the Tomlinson Adult Learning Center into units affordable for its workforce
  - **Miami-Dade Public Schools** working to build affordable apartments for staff earning <80% AMI
  - **Jackson Health System** wants to replace two office towers with 800 apartments, targeting those earning 50%-120% AMI
- In **Austin**, **Tesla** is developing a town called Snailbrook of over 100 rental homes with rents starting as low as \$800/month

# Converting Market-Rate Deals to Affordable Housing Through Tax Incentives and Mission-Driven Capital

## KIRKLAND, WA

- **BRIDGE Housing** acquired **Vue Kirkland Apartments** (200 units)
  - 75% of units for households earning  $\leq 60\%$  AMI; Remaining units for those earning 50–80% AMI
  - **City of Kirkland & ARCH (A Regional Coalition for Housing)**: Helped secure a property tax exemption (up to 100%)
  - **Amazon's Housing Fund**: Provided a \$22 million loan to support the purchase
  - **Morgan Stanley & National Equity Fund**: Backed BRIDGE via a \$250 million revolving credit facility enabling acquisitions

## DALLAS, TX

- **LEDG Capital** converting **Paradise Gardens Apartments** (113 units) to 100% affordable housing
  - **90 units being converted** to affordable; 23 already affordable. All units will be affordable for those at 30% to 80% AMI
  - \$5.2 million renovation over 10 months
  - **Dallas Housing Finance Corporation (DHFC)**: Issued tax-exempt bonds; **River City Affordable Housing**: Provided equity; **Walker & Dunlop**: Equity partner bridge financing; **CBRE**: Lender

## PORTLAND, OR

- **Portland Housing Bureau (PHB)** is acquiring **Paramount Apartments, Goose Hollow Lofts, & Acqua Apartments** (226 total units) to convert into fully affordable housing
  - Most units to serve households earning  $\leq 50\%$  of AMI
  - Total PHB funds:  $\sim$ \$26 million; total development cost:  $\sim$ \$51.3 million
  - Projects selected via PHB's Rapid Acquisition Request for Proposals
  - **Goose Hollow Lofts** awarded **Metro Affordable Housing Bond** funding while the others used **Tax Increment Financing (TIF)**

# AFFORDABLE HOUSING PROPERTY PERFORMANCE

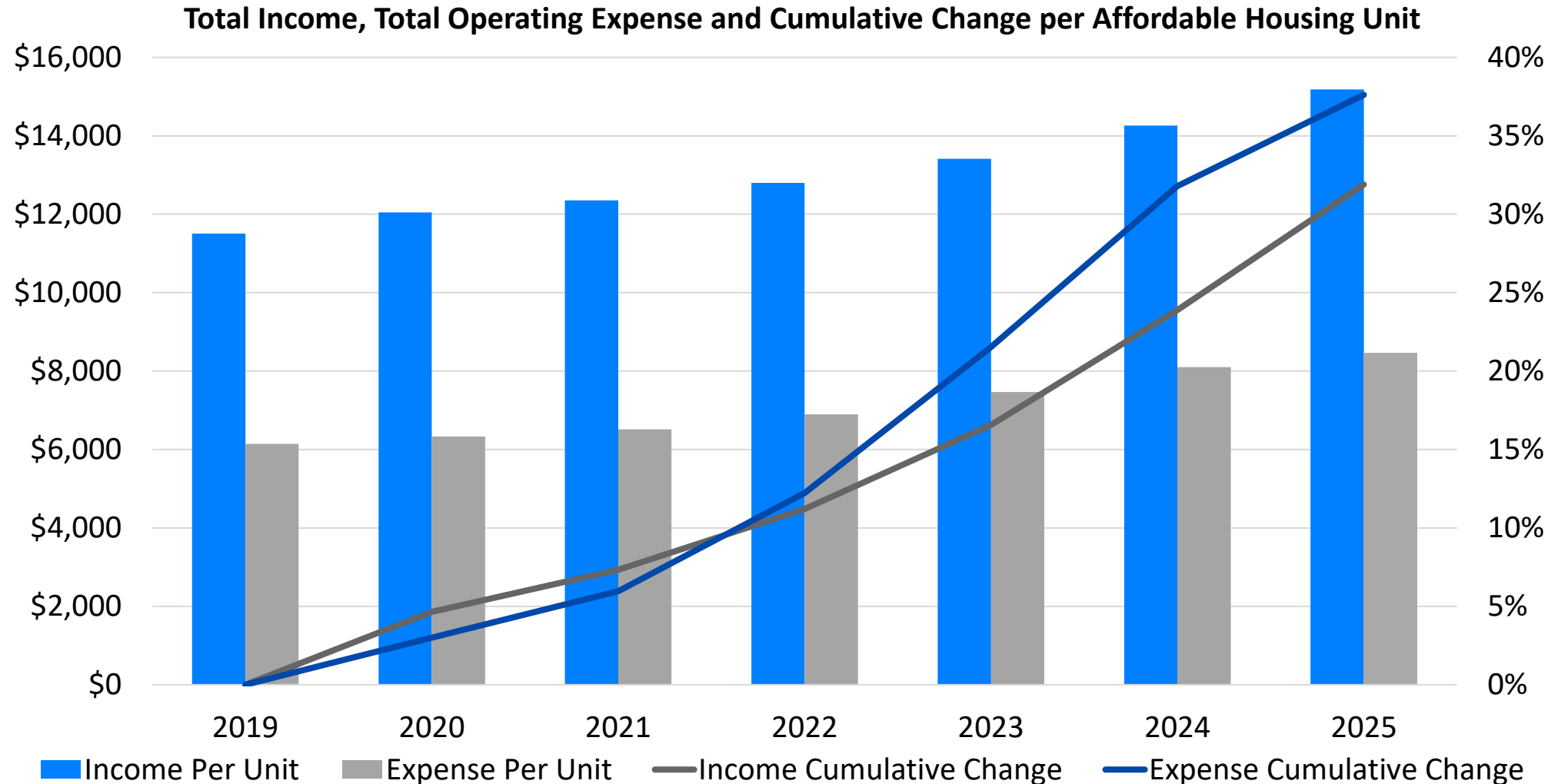
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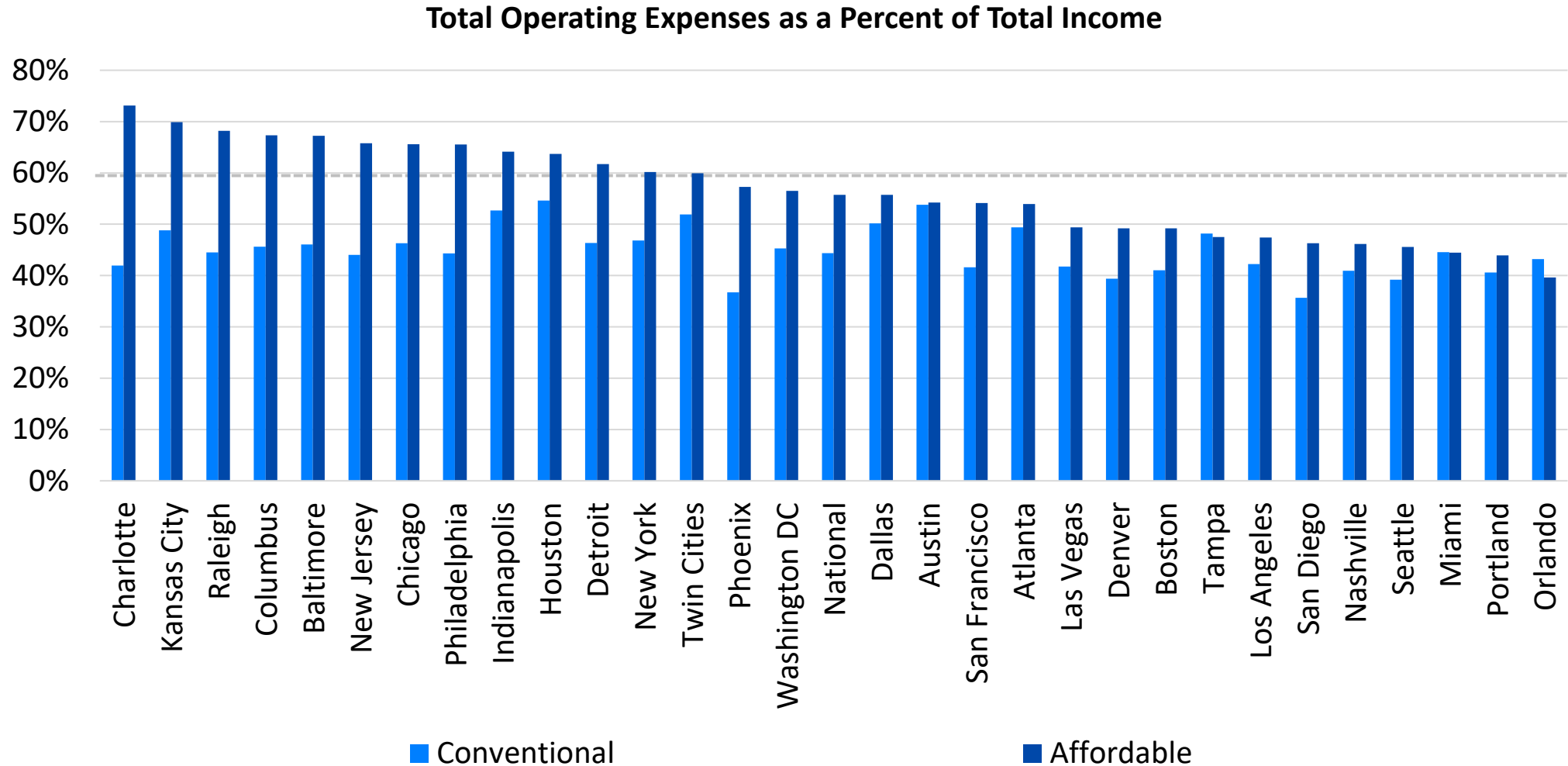
## WHY IS THIS IMPORTANT?

It's important to understand operating revenues and expenses to do quality underwriting and benchmarking, and **Yardi Matrix** has the information you need to do that

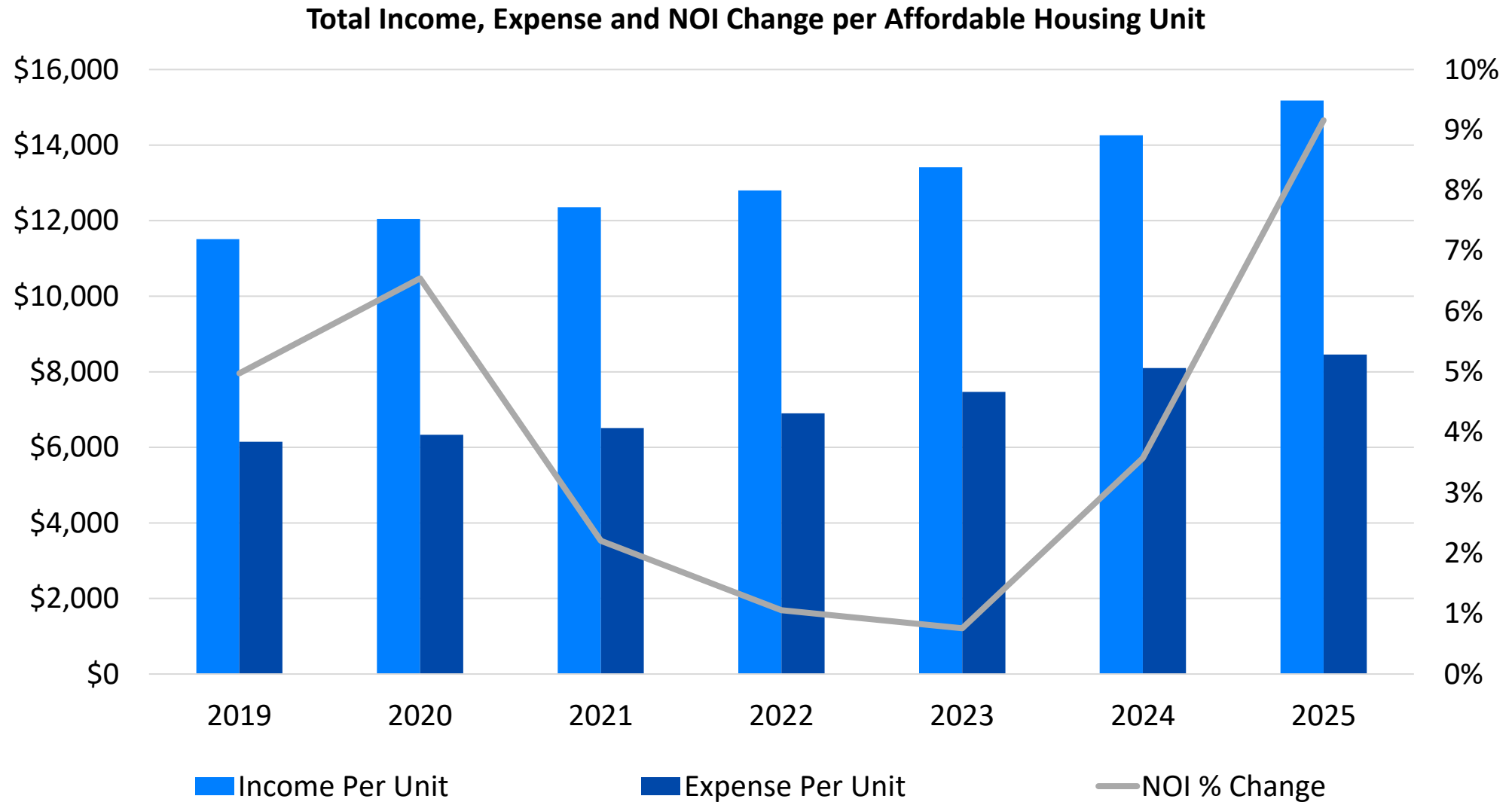
# Income for Affordable Units Has Grown 32% While Total Operating Expenses Have Grown 38% Since 2019



# Affordable Units Have Higher OpEx as a % of Income Than Conventional in Most Markets, with Twelve Above 60%



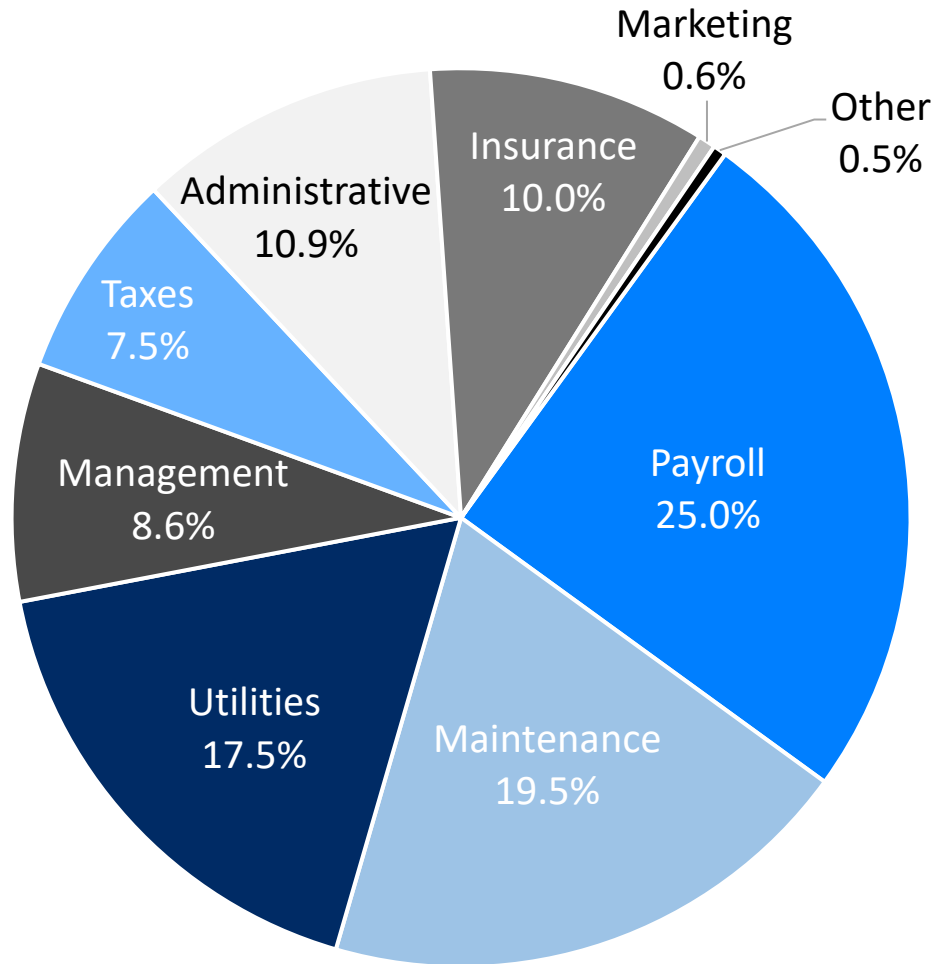
# NOI Gains for Affordable Units Are Also Positive Despite Rising Expenses



# Total Operating Expenses by Category for Affordable Housing

## Total NOI Growth Was Positive Despite Significant Increase in Insurance Costs

% of Total Expenses per Affordable Housing Unit by Category

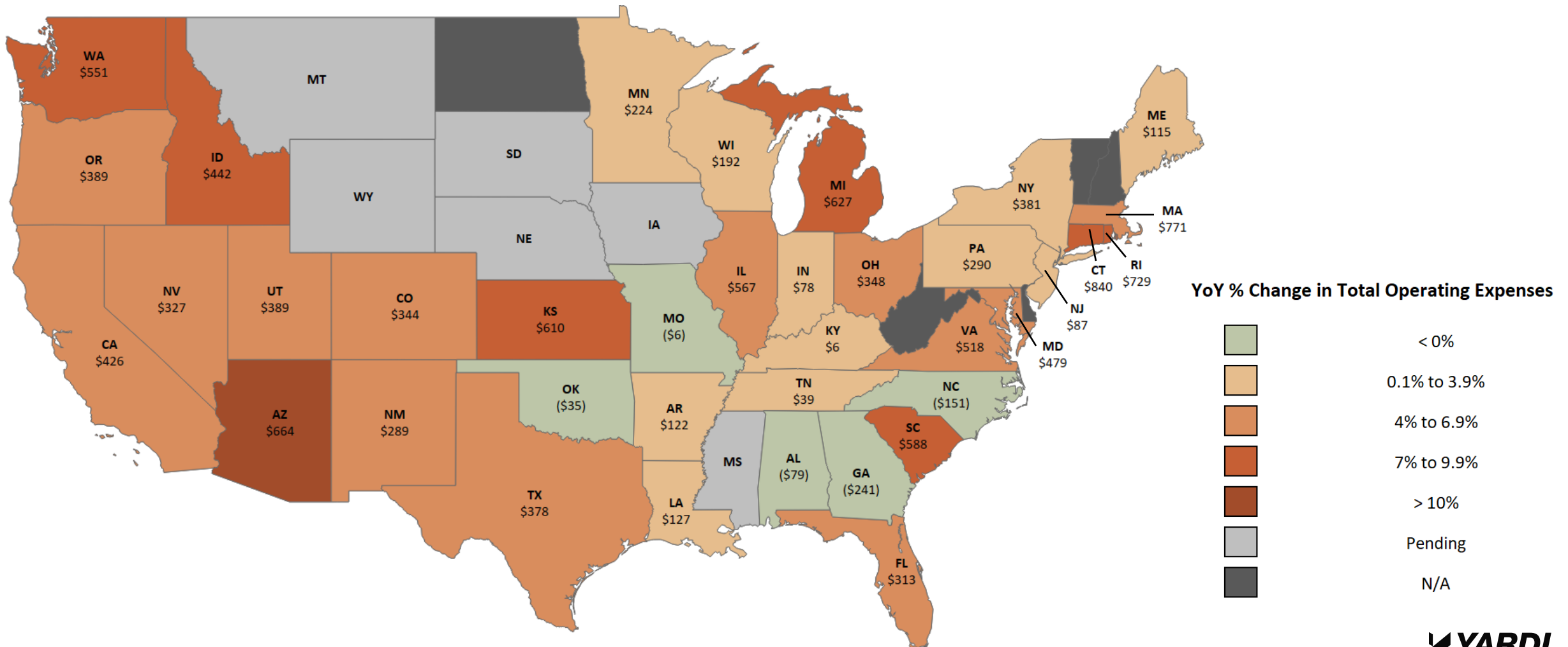


Category	Annual Value Per Unit	YoY % Growth
Payroll	\$2,114	4.7%
Maintenance	\$1,649	2.8%
Utilities	\$1,481	4.5%
Management	\$724	4.8%
Taxes	\$631	0.6%
Administrative	\$920	5.2%
Insurance	\$846	8.3%
Marketing	\$53	15.5%
Other	\$40	-1.0%
<b>Total Expense</b>	<b>\$8,459</b>	<b>4.4%</b>



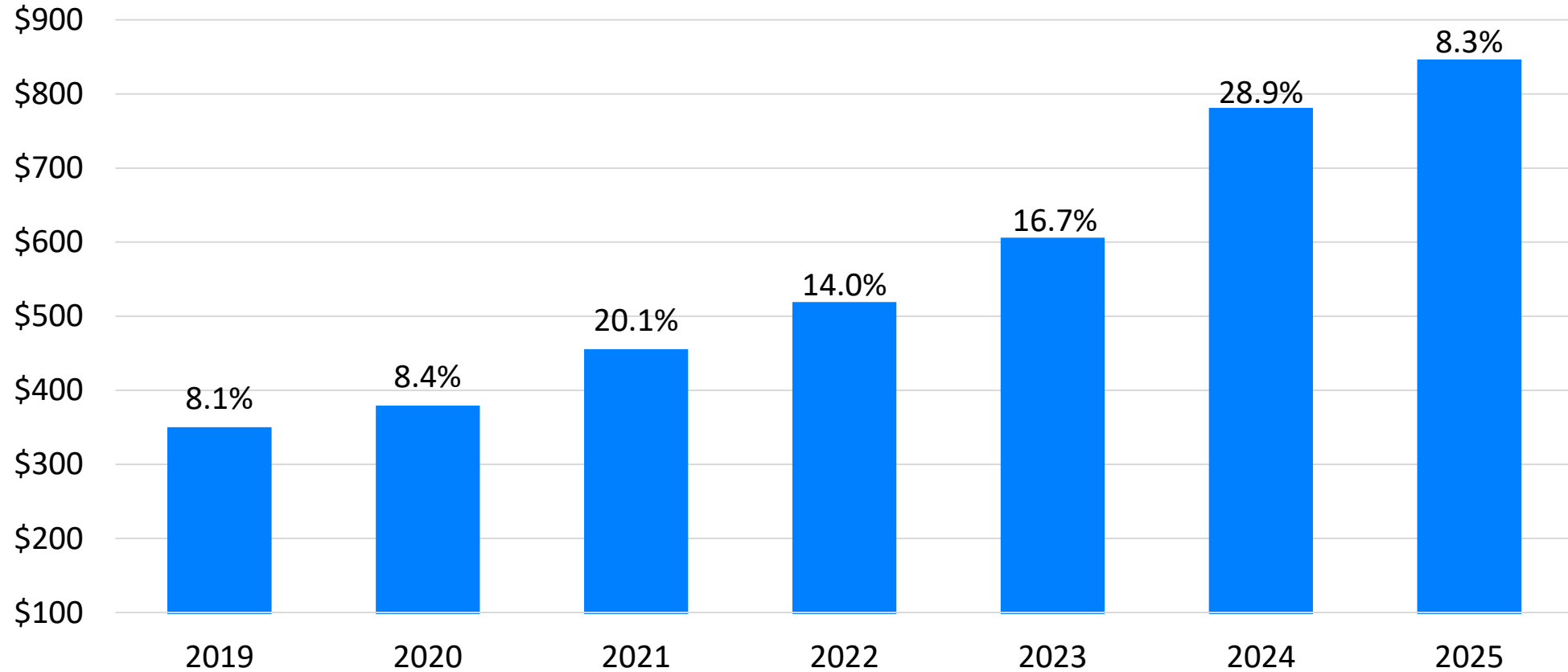
# Sixteen States Saw Operating Expenses for Affordable Housing Units Increase by 5% or More Year-Over-Year

YoY \$ and % Change in Annual Operating Expenses per Affordable Unit



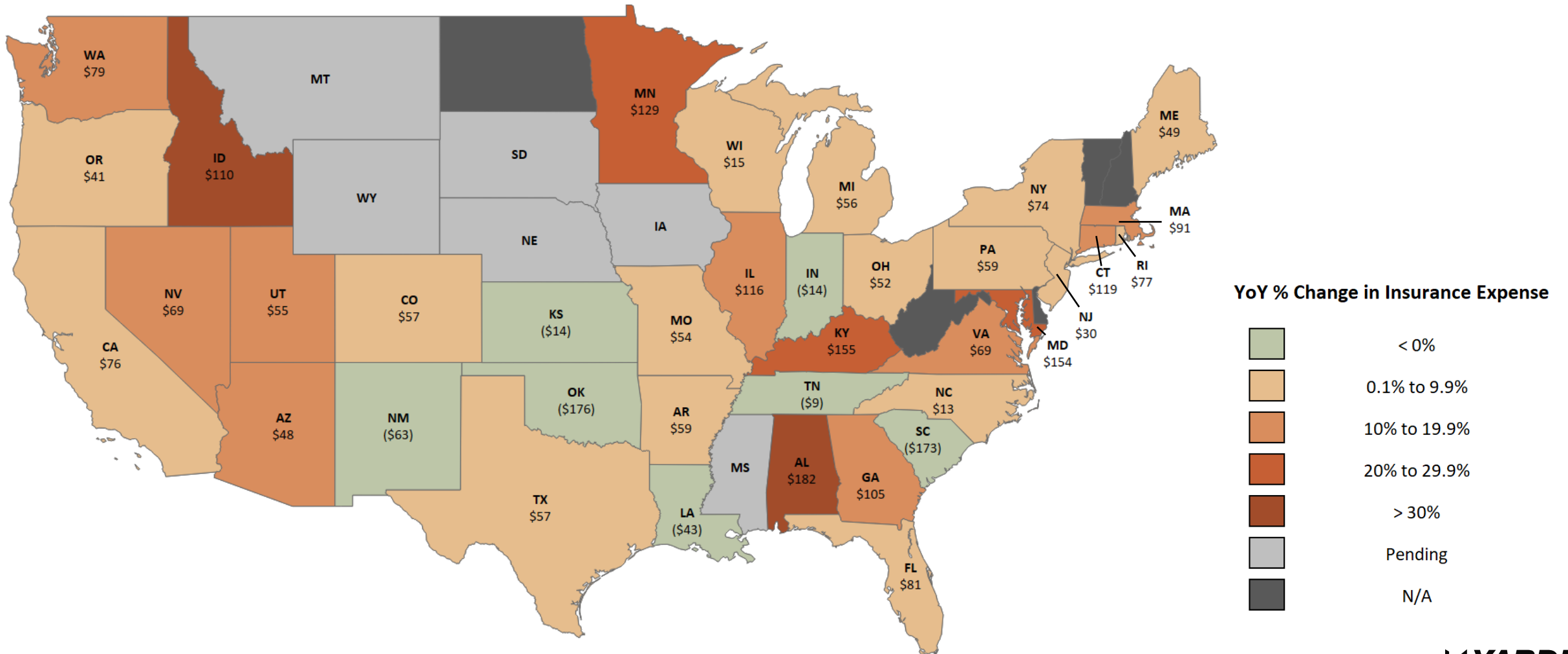
# Insurance Costs for Affordable Housing Increased 8.3% Year-Over-Year

Affordable Housing Insurance Cost per Unit, T-12 and YoY Growth



# Insurance Expenses Climbed Higher for Affordable Housing Units as 14 States Experienced YoY Increases of 10% or More

YoY \$ and % Change in Annual Insurance Cost per Affordable Unit



# YARDI MATRIX AFFORDABLE HOUSING PRODUCT

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# INTRODUCING AFFORDABLE HOUSING



Property Unit Breakdown

Export Excel

Unit Type	Unit		Size (SqFt)			AMI Unit % Breakdown			AMI Unit Breakdown			Maximum Allowable Rent			Utility Allowance	Maximum Net Rent			Maximum Allowable Rent Per SqFt			Maximum Net Rent Per SqFt			Actual Asked Rent		Fair Market Rent		
	Count	% of Total	Unit	Total		30%	50%	60%	30%	50%	60%	30%	50%	60%		30%	50%	60%	30%	50%	60%	30%	50%	60%	Per Unit	Per SqFt	Per Unit	Per SqFt	
One Bedroom	24	20.00%	725	17,400		8%	42%	50%	2	10	12	\$708	\$1,181	\$1,417	\$56	\$652	\$1,125	\$1,361	\$1,204	\$0.98	\$1.63	\$1.95	\$0.90	\$1.55	\$1.88	\$1,309	\$1.81	\$1,635	\$2.26
Two Bedroom/Two Bath	24	20.00%	1,013	24,312		8%	42%	50%	2	10	12	\$850	\$1,417	\$1,701	\$83	\$767	\$1,334	\$1,618	\$1,429	\$0.84	\$1.40	\$1.68	\$0.76	\$1.32	\$1.60	\$1,561	\$1.54	\$1,924	\$1.90
Two Bedroom/Two Bath	40	33.33%	1,053	42,120		10%	40%	50%	4	16	20	\$850	\$1,417	\$1,701	\$83	\$767	\$1,334	\$1,618	\$1,419	\$0.81	\$1.35	\$1.62	\$0.73	\$1.27	\$1.54	\$1,561	\$1.48	\$1,924	\$1.83
Three Bedroom/Two Bath	32	26.67%	1,288	41,216		9%	41%	50%	3	13	16	\$982	\$1,638	\$1,965	\$100	\$882	\$1,538	\$1,865	\$1,640	\$0.76	\$1.27	\$1.53	\$0.68	\$1.19	\$1.45	\$1,794	\$1.63	\$2,470	\$1.92
	120	100.00%	1,042	125,048		9%	41%	50%	11	49	60	\$860	\$1,427	\$1,715	\$82	\$777	\$1,345	\$1,632	\$1,437	\$0.83	\$1.40	\$1.67	\$0.75	\$1.32	\$1.60	\$1,653	\$1.59	\$2,012	\$1.93

Family Size Adjustments

Assumption of how many persons live in a type of unit made per HUD guidelines:

- Studio = 1 person
- 1 bedroom = 1.5 persons
- 2 bedroom = 3 persons
- 3 bedroom = 4.5 persons
- 4 bedroom = 6 persons
- 5 bedroom = 7.5 persons
- 6 bedroom = 9 persons

Rent Year 2024  
Actual asked rent source: Rent Cafe

Affordable Housing Methodology and Definitions

Affordable Characteristics

REAC Score			
Year	2014	2018	2022
Score	99a	98b	97b

About HUD REAC

Tax Credits Information  
Section 42 Low Income Housing Tax Credits - LIHTC

Phase I

Date Placed In Service	02/2010
Compliance Expiration Date	02/2025
Extended Use Expiration Date	02/2067

75 units restricted under Section 42 out of 76 total units

Accessing essential data for fully affordable multifamily investments has never been easier

Detailed AMI% splits, REAC scores & more



# Yardi Matrix Affordable Housing Product Provides a Level of Financial Transparency Unavailable Before

## **Data Access and Transparency:**

- Access previously hard-to-reach data quickly and easily
- Overcome time constraints, lack of resources, and limited record availability
- Gain insights for both single property and portfolio analyses
- Achieve unparalleled financial transparency
- Streamline underwriting analyses for affordable multifamily investments
- Solve the challenge of assembling diverse data points effortlessly

## **Affordable Housing Market Coverage:**

- Encompasses 175 markets with over 27,000 fully affordable properties and 3.6 million units
- Data is updated on a monthly basis

**SUBSCRIBERS GET ACCESS TO BOTH AFFORDABLE AND MARKET RATE DATA!**

# Data Features Unique to Yardi Matrix Affordable Housing

## INVENTORY & NEW SUPPLY INFORMATION:

- Owner Types: private owned vs non-profit (non-govt org & public housing authority), with owner name & contact info
- Program Designations: tax credit (LIHTC) & state credits, project-based Sec 8, other
- Senior (age restricted) vs non-senior properties
- Placed in service date, compliance period expiration date, extended use expiration date
- Date of tax credit allocation award (where available)
- Completed vs. new supply pipeline (under construction, planned, prospective)
- New delivery forecast by market by year for the next three years using actual starts data

## REVENUE INFORMATION:

- Pre-calculated maximum allowable rents using AMI % requirements and utility allowance
  - Calculation by property, floorplan, unit, rental SF
- Compared to:
  - Housing Choice Voucher value, actual offered rent (where available from RentCafe.com), HOME program (HUD) rents
- Composite property affordability to X% AMI metro across all U.S. multifamily properties

## PROPERTY INFORMATION:

- Property-level occupancy percentage
- REAC scores (last 3 recorded)
- Property sales and loans information with maturity dates

# Data Features Unique to Yardi Matrix Affordable Housing

## **AGGREGATED & ANONYMIZED DATA (MATRIX EXPERT):**

- Available by market, submarket, competitive set, ownership type, program type, age of property, senior vs non-senior
- Full P&L (revenue, expenses, NOI, CAPEX) per unit or per SF
- Occupancy
- Rent and revenue per occupied apartment
- Transacted rents: new, renewal, and in-place, total and by bed/bath combination
- Lease Trade-outs: new and renewal in total, and by bed/bath combination
- Total turnover % and renewal %
- Lease pipeline survivorship rates

## **AREA INFORMATION:**

- Qualified Census Tract (QCT) and Difficult Development Area (DDA) map overlays
- Population growth forecasts
- Demographic information from American Community Survey data
- Great Schools elementary school rank data
- Walk, Bike, Car Score data

## **REPORTING:**

- Comparison of area Affordable Maximum rents vs Rent By Necessity (Workforce) vs Lifestyle (Luxury)
- Comparison of AMI % affordability metric to inventory in an area under analysis

# Yardi Matrix House View – June 2025

## MACROECONOMIC UPDATE

- U.S. GDP contracted at an annualized rate of -0.2% in Q1 2025, following steady growth in 2024; economic outlook remains uncertain
- The Federal Reserve has kept interest rates steady after a 1 percentage point cut in H2 2024
  - In a “wait and see” mode, monitoring the impact of trade policy changes on inflation and employment
- Inflation is holding between 2.4% and 3.0%, driven by reduced global trade; further declines depend on energy prices and regulatory changes
  - May inflation came in cooler than expected, suggesting tariff effects on prices may not be fully realized yet
- Lower-income households are under financial stress; consumer sentiment continues to weaken
- The labor market remains resilient, though job growth slowed in May; higher productivity is needed to offset lower immigration
- With immigration policy decided, a new policy mix is emerging, with deregulation and lower energy costs aiming to counterbalance trade and labor cost pressures
- The economy is projected to grow at a modest ~1% pace
- Large federal deficits (>\$1.6 trillion) are dampening the effects of monetary policy
- The U.S. 10-year Treasury yield has risen to 4.3%+, up from 3.6%, though down from 4.7% in January

# Yardi Matrix House View – June 2025

## AFFORDABLE HOUSING UPDATE

- The U.S. faces a persistent housing shortage unlikely to be resolved within the next decade due to underproduction, building regulations, zoning restrictions and permitting delays
- Renter-by-Necessity rents have outpaced AMI growth, deepening affordability challenges for lower-income Americans
- Affordable housing is highly competitive with conventional multifamily in some markets
- Key strategies for affordable housing investment include:
  - **New Development:** Leverages tax credits and incentives but faces funding gaps and regulatory challenges
  - **Preservation & Renovation:** Aims to maintain affordability as compliance periods expire
  - **Employer-Driven & Naturally-Occurring:** Includes employer-sponsored housing, workforce housing preservation and conversions of market-rate units
- Quality underwriting and benchmarking are more important than ever:
  - Since 2019, income for affordable units has grown 32%, while operating expenses have risen 38%
  - Despite rising costs, NOI growth remains positive nationally
- Yardi Matrix's Affordable Housing platform tracks over 27,000 affordable properties across 175 markets, supporting underwriting, benchmarking and strategic planning for affordable housing investments



THANK YOU!

Feel free to contact us with any questions.

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