



Yardi Matrix

National Affordable Housing Report

October 2025



Slowing Expenses, Rising Rents Boost Affordable Market

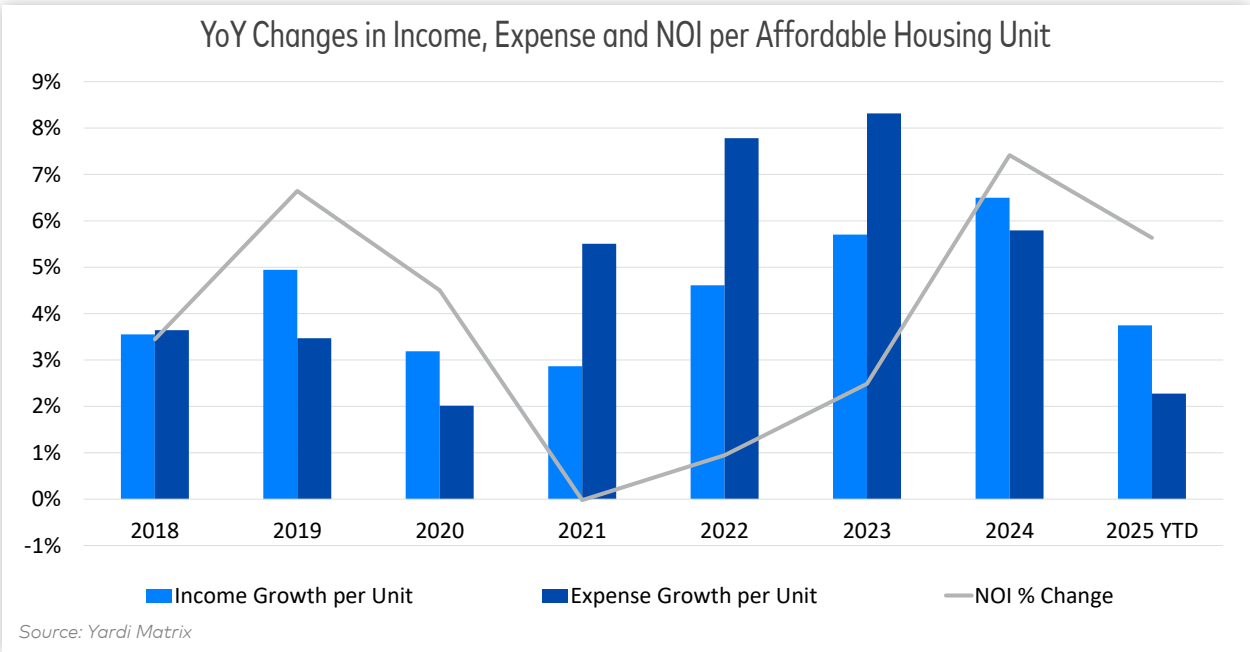
Driven by a solid rise in income and decelerating expense growth, fully affordable multifamily properties are recording robust increases in net operating income in 2025. It marks the second straight year of strong performance in the affordable market, after several weak years when expenses shot up post-pandemic.

NOI at fully affordable multifamily properties grew an average of 5.6% between January and August of 2025, on the heels of 7.4% NOI growth in 2024, according to a review of Yardi Matrix Expert's database of fully affordable properties. That represents a rebound from the period between 2021 and 2023, when NOI growth was sluggish.

Some of the main takeaways from data analysis include:

- Income growth at affordable properties has accelerated over the past two years, as formulas for rent increases used by the Department of Housing and Urban Development reflect higher inflation and wage growth.
- At the same time, the post-pandemic inflation shock has cooled, particularly in insurance and maintenance costs, which shot up in recent years. Individual expense categories not only are decelerating but are returning to the mean on the market level. That indicates expense growth is slowing the most in markets that saw the largest increases between 2021 and 2023.
- The combination of slowing expense growth and increasing income at fully affordable properties has produced strong growth in net income since the beginning of 2024. That's good news, but the industry can't afford to celebrate because ...
- ... expenses and income are subject to rapid change. Expenses such as labor, materials and insurance have been volatile in recent years, and some property owners cut costs by deferring maintenance, a bill that will come due. On the other side of the equation, income growth can't be counted on to remain so high since it was driven by high inflation, which has slowed, and strong wage gains, which could decelerate as the labor market cools. Plus, federal cuts to the renter subsidies, food aid and Medicaid could make it more difficult for low-income tenants to pay rent.

The data in this report is derived from more than 7,000 fully affordable properties (defined as properties where at least 90% of units have income restrictions tied to subsidies) that use Yardi accounting software. All told, Yardi Matrix’s fully affordable housing database encompasses 26,000 properties nationally with more than 3.5 million units.



New HUD Formulas Raise Income

The growth in NOI at affordable properties since the beginning of 2024 is due to the combination of strong income growth and moderation in the above-trend expense growth during the post-pandemic period, according to an analysis of 7,018 fully affordable properties across 116 markets that use Yardi Matrix accounting software.

Expense growth exceeded income growth each year between 2021 and 2023. Income

increased by 2.9% in 2021, 4.6% in 2022 and 5.7% in 2023, while expenses rose 5.5% in 2021, 7.8% in 2022, and 8.3% in 2023. In 2024, income (6.5%) finally increased more than expenses (5.8%), producing a notable 7.4% year-over-year increase in NOI.

The positive dynamics continued into 2025. Year-to-date through August, income was up 3.7% and expenses 2.3%, with NOI up an average of 5.6%. As of August 2025, the av-

verage income per unit at affordable properties was \$15,440, while operating expenses averaged \$8,554 per unit, producing NOI of \$6,886 per unit.

The growth in income over the past two years is primarily attributable to the formulas used by the federal Department of Housing and Urban Development to determine how much affordable housing operators can increase rents. The formulas set metro-level increases based on factors that include area median income and inflation.

Because of solid household income growth in recent years and the impact of inflation in 2021-23, HUD's Multifamily Tax Subsidy Projects rent growth formula rose sharply in 2024. HUD even capped increases at 10.0% in many areas that otherwise would have allowed even higher growth. The 2025 MTSP formula, published in April, again accommodates significant increases in many parts of the country. The 2025 limits allow for rent increases in about 95% of the country, while

properties in roughly three quarters of the country may raise rents by 5.0% or more.

HUD this year also revamped the formula for Operating Cost Adjustment Factors that determines allowable increases for the Section 8 renter subsidy program. The OCAF formula is derived from metrics that include wages, benefits, utilities and insurance. Adjustments to the formula in 2025 accounted for increased costs to property owners such as for insurance and maintenance. As a result, maximum allowable rent increases—which are determined on a state-by-state basis—were higher in 2025 than in the past.

The recent increase in rent limits is a welcome development for property owners that have seen expenses rise proportionately more than income in recent years. Between 2021 and 2024, fully affordable properties' operating expenses rose an average of 24% (\$1,592 per unit), while income per unit rose by only 18% (\$2,245 per unit).

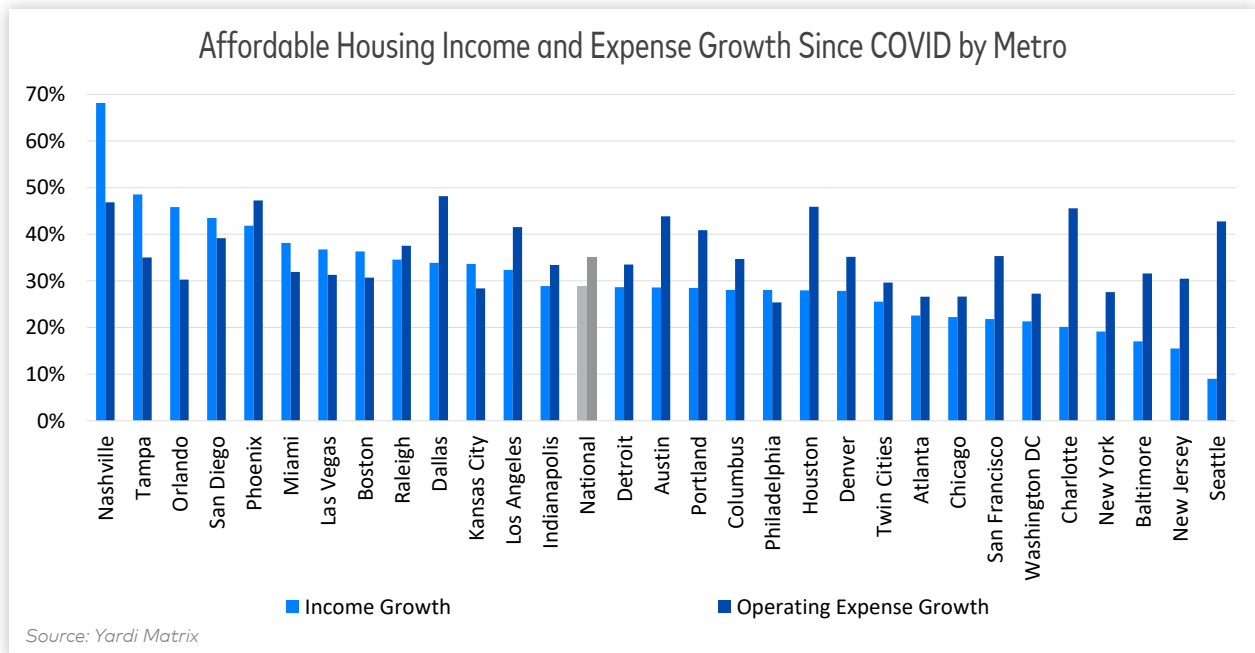


Insurance, Maintenance Driving Expenses

Most every type of expense has grown rapidly in recent years, led by insurance, repairs and maintenance, and payroll. Between the first quarter of 2020 and August 2025, total expenses at fully affordable properties rose an average of 35.1%, or \$2,223 per unit. Taxes, which increased by 0.9%, were the only category of expenses that increased by less than 20%.

On a percentage basis, expense categories that rose the most since Q1 2020 were insurance (128.0%), maintenance (44.6%), administrative (34.1%) and utilities (33.7%). On an absolute basis, categories with the biggest increases during that time are maintenance (up \$516 to \$1,673 per unit), insurance (up \$478 to \$852 per unit), payroll (up \$460 to \$2,133 per unit) and utilities (up \$379 to \$1,501 per unit).

Insurance has roughly doubled its share of total expenses since 2020 and now encompasses 10.0% of operating costs. Since Q1 2020, insurance premiums have averaged 159.9% growth in the West, 141.0% in the Southeast, 131.2% in the Southwest, 110.0% in the Midwest and 86.4% in the Northeast. Fortunately for property owners, the market appears to be stabilizing, in part because the spike in property and casualty premiums in recent years has enabled insurers to return to profitability. Rate increases have abated, and some owners report renewal rate cuts. Year-to-date through August 2025, fully affordable insurance premiums were roughly flat, increasing by 0.2%.

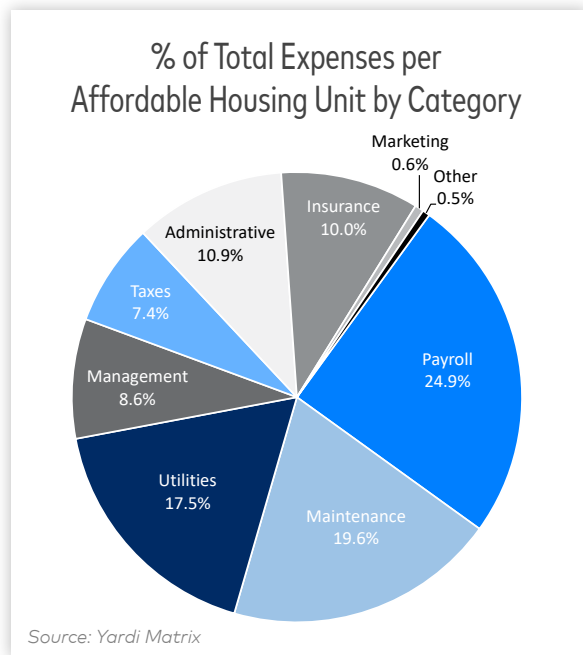


However, insurance premium deceleration is not consistent across regions. Fully affordable properties in the Northeast (-5.2% year-to-date through August), Southwest (-2.0%) and Southeast (-1.3%) saw a slight decline in insurance premiums year-to-date, while rates rose in the West (4.6%) and Midwest (3.6%). Western metros such as Seattle (15.4% year-over-year), San Diego (16.1%), San Francisco (13.8%) and Los Angeles (9.8%) continue to grow rapidly. Midwest metros such as Detroit (20.5% year-over-year), Indianapolis (20.2%) and Minneapolis (16.7%) also have seen rates rise of late, possibly making up for small increases in past years.

Maintenance and repairs—which cover costs spent on roads, landscaping, cleaning, and electrical and appliance repairs—are another

line item that building owners would like to get under control. The increases in this category mirror the post-Covid inflation that pushed prices up for goods and services. As with insurance, there are signs that costs are moderating. After several years of double-digit growth (10.1% in 2021, 14.5% in 2022, and 12.1% in 2023), maintenance increased by only 3% in 2024 and was up 3.3% through August 2025.

While slower growth in capital expenditures is a positive development for property owners, there could be less favorable explanations for the deceleration, such as property owners delaying repairs because they are financially strapped. Postponing maintenance is a short-term solution, and property owners should be aware of local standards that may require action if properties begin to decline.



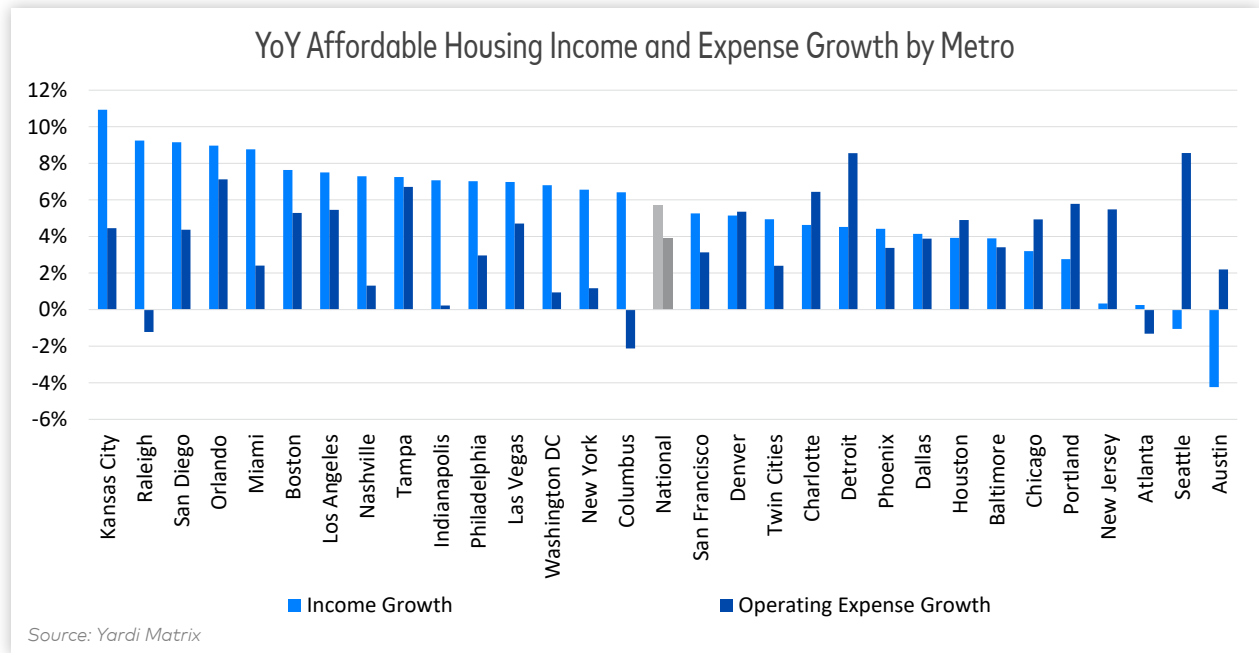
Expenses by Category, Growth Since 2020

Category	Annual Value Per Unit	% Growth Since COVID
Payroll	\$2,133	27.5%
Maintenance	\$1,673	44.6%
Utilities	\$1,501	33.7%
Administrative	\$929	34.1%
Insurance	\$852	128.0%
Management	\$735	20.9%
Taxes	\$632	0.9%
Marketing	\$54	31.7%
Other	\$45	24.4%
Total Expense	\$8,554	35.1%

Source: Yardi Matrix

Metro-Level Variations

National expense and income trends do not tell the story at the local level. Matrix's analysis of the top 30 metros found that 90 of the 117 markets reviewed—almost three quarters—recorded an increase in net operating expenses year-to-date in 2025 through August, while NOI decreased in 27.



Among Matrix's top 30 metros, five—Raleigh, Kansas City, Columbus, Washington, D.C., and Philadelphia—have recorded at least double-digit percentage increases in NOI year-to-date for fully affordable properties. Two others—San Diego and Indianapolis—were just shy of 10% NOI growth. All the top metros for NOI year-to-date recorded income growth above the national 3.7% average and expense growth below the 2.3% national average.

For example, in Raleigh, total income per unit increased by 7.5% year-to-date while expenses decreased by 2.0%, driven by -9.0% in administrative costs and a -7.4% change in insurance. Columbus recorded sharp declines in insurance (-13.8%) and marketing

(-9.7%), but that was partially offset by a 6.7% increase in management fees and 5.3% increase in payroll.

Six of the Matrix top 30 metros recorded negative NOI year-to-date in 2025: Austin, New Jersey, Seattle, Baltimore, Atlanta and Charlotte. Although most of these metros recorded above-trend expense growth, most of the poor performance can be attributed to weak revenue growth for a variety of reasons.

For example, Austin's affordable market is affected by the saturation of multifamily development. The market has added roughly 25% to total stock over the past three years, prompting market-rate rents to dip by near-

ly 15%. Austin renters have more options when it comes to selecting a housing unit. Some low-income households may opt to use market-rate housing instead of dealing with cumbersome paperwork required for affordable housing if rents are somewhat similar. This is borne out by data. Affordable housing renewals in Austin have dropped by nearly 10% year-over-year through August, while turnover has increased by more than 10%, according to Matrix Expert data. The difficulty of maintaining occupancy in affordable units can put financial pressure on affordable housing developments for cities with a large supply of multifamily options.

Seattle faces a different set of issues, including a moderate dip in renewals, increased turnover and unpaid rent, which has been a problem in states that enacted strict eviction bans during the Covid-19 pandemic. While most of the eviction bans have ended, it has made collecting rents more difficult since tenants got used to not paying in recent years. The Rental Housing Association

of Washington reports that some affordable property operators in Seattle have millions of dollars in uncollected rents. The issue, however, is not unique to Seattle. Uncollected rents also impact net revenue in other metros that had permissive eviction bans—such as Washington, D.C., Atlanta and suburban Virginia—even where the bans are no longer in place.

Individual expense categories also vary by metro. For example, in Raleigh, insurance premiums fell by 2.5% year-over-year through August, while insurance premiums increased by 20.2% in Indianapolis over that period. Yet Indianapolis enjoys one of the lowest annual premiums at \$624 per unit while the annual premiums are \$811 per unit in Raleigh. Insurance premium growth is reverting to a mean in many areas, increasing in most metros with low premiums, and decreasing in areas with already high costs. Of the top 30 metros that have annual insurance costs above the national average, only two saw recent significant growth—San Francisco (13.8% year-over-year) and Orlando (13.2%).

Top 10 Metros Insurance Increases

	Insurance Expense Since COVID	
	\$ Change	% Change
Los Angeles	\$752	206.6%
Charlotte	\$634	204.4%
Seattle	\$422	198.4%
San Diego	\$552	194.7%
Baltimore	\$544	194.3%
Phoenix	\$359	183.6%
Miami	\$912	179.7%
Atlanta	\$442	168.7%
Las Vegas	\$398	153.2%
Chicago	\$449	151.4%

Source: Yardi Matrix

Top 10 Metros Maintenance Increases

	Maintenance Expense Since COVID	
	\$ Change	% Change
Twin Cities	\$1,281	93.3%
Dallas	\$634	78.8%
Phoenix	\$765	78.0%
Charlotte	\$745	65.4%
San Diego	\$682	55.0%
Portland	\$417	54.2%
New York	\$970	53.7%
Columbus	\$434	51.6%
Austin	\$470	51.2%
Nashville	\$448	48.2%

Source: Yardi Matrix

Challenges Amid Strong Performance

The affordable multifamily market has some positive features heading into 2026, including two years of above-trend NOI growth, strong demand among low- and medium-income households, and policy wins that include increased federal funding for the Low-Income Housing Tax Credit program, which should result in the increased development and preservation of affordable housing in coming years.

But there are also challenges, such as the potential that allowable rent increases will not be as generous in 2026 and beyond. The formulas that govern rent increases in 2024 and 2025 baked in the rising household incomes and high inflation of 2022 and 2023, but those metrics have slowed and could reduce allowable rent growth.

Another concern is potential large budget cuts to HUD and rules that could cull the number of tenants receiving housing aid. For example, proposed HUD regulations would require adults in households that receive housing vouchers to work full time to maintain benefits. Housing advocates say that the rule could result in millions of recipients being removed from housing aid.

A related worry is the proposed federal cuts to health care and food aid programs. While these are not directly related to housing, affordable housing advocates worry that low-income households will be unable to pay rent if they are forced to allocate more of

their personal budgets to necessities such as food and health care.

And while the growth in expenses has moderated, there is no room for affordable housing operators to relax. Increases in individual expense items such as maintenance and insurance have decelerated, but inflation may not be under control. Tariffs have the potential to raise prices of materials, and immigration policy could serve to tighten the labor market and boost the cost of labor and services. Insurance is subject to trends in property and casualty awards and weather-related events. Wildfires and floods are increasingly common, which raises costs, especially in affected parts of the country.

As economic conditions shift, affordable housing properties feel the impact. While rising expenses impact traditional multifamily as well, affordable properties are subject to rent limitations, which leads to tighter operating margins. Operating expenses comprise a larger share of income in affordable than in market-rate properties—expenses eat up 55% of income on average in affordable properties, compared to 44% in market-rate multifamily—so they are more sensitive to expense growth. The upshot is that affordable property owners must prioritize cost efficiency to maintain property performance.

—Paul Fiorilla, *Director of Research*
and Jacob Gonzalez, *Senior Research Analyst*

Appendix

The methodology for the Matrix competitiveness index is explained here.

The four property quality types that are embedded in Matrix are:

- Discretionary (equivalent to A+, A apartments);
- Upper Mid-Range (A-, B+);
- Low Mid-Range (B, B-);
- Workforce–Upper (C+, C).

For each metro, we calculated the average advertised rent in each of the quality segments and the share of apartment units comprising each quality segment. To use Austin as an example, the maximum average fully affordable rent is \$1,631 (10% of stock in the metro), while the advertised averages in the market-rate segments are:

- \$1,915 for Discretionary, which comprises 22% of stock in the metro;
- \$1,659 for Upper Mid-Range, which comprises 46% of stock in the metro;
- \$1,296 for Low Mid-Range, which comprises 17% of stock in the metro;
- \$1,190 for Workforce–Upper, which comprises 5% of stock in the metro.

Using the government’s definition of “affordability” (when housing costs consume 30% or more of household income), we calculated the

percentage of Area Median Income it would take to “afford” the rent in each quality segment before becoming cost burdened. In the example of Austin:

- Households that earn 68% of the AMI could afford the average rent of a Discretionary property.
- Households that earn 58% of the AMI could afford the average rent of an Upper Mid-Range property.
- Households that earn 46% of the AMI could afford the average rent of a Lower Mid-Range property.
- Households that earn 44% of the AMI could afford the average rent of a Workforce–Upper property.
- Households that earn 58% of the AMI could afford the average rent of a Fully Affordable property.

Housing quality categories were deemed “competitive” with fully affordable when the percentage of households that could afford the average rent for market-rate units fell below 10% of the same calculation for fully affordable units. We further credited all of the properties within the quality category to be competitive with affordable. To use the Austin example, Upper Mid-Range (46% of total stock), Low Mid-Range (17%) and Workforce–Upper (5%) were all considered competitive with affordable. Totalling the percentage of stock in those categories, we determined that 68% of multifamily properties in Austin are competitive with fully affordable units.

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