



Yardi Matrix

Affordable Housing National Report

February 2026



Affordable Multifamily Properties Post Strong Returns in 2025

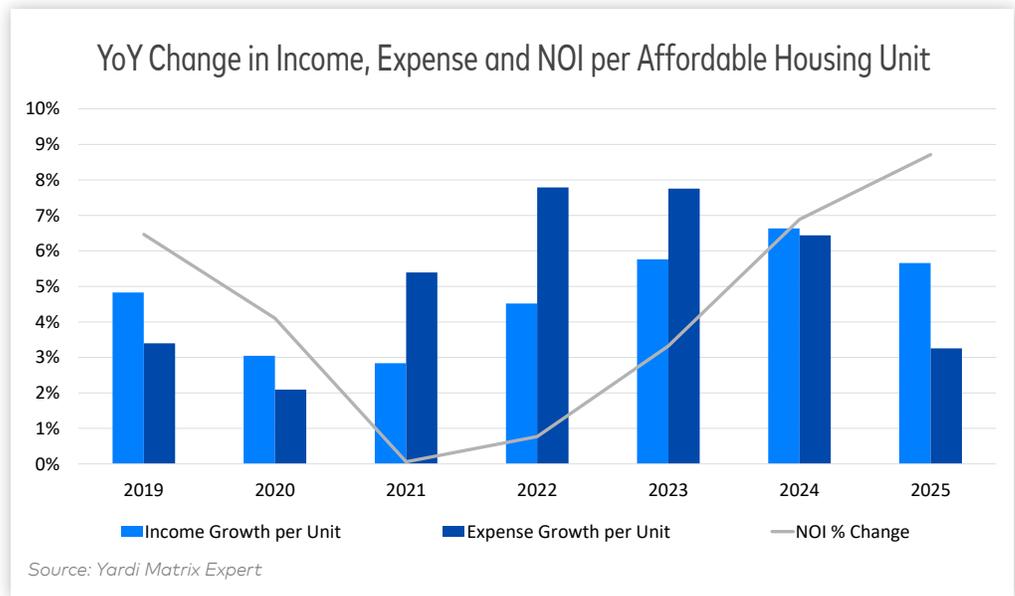
On the back of stronger income growth, fully affordable properties outperformed market-rate properties in 2025, according to data from Yardi Matrix Expert. Fully affordable multifamily properties nationally recorded an average 5.7% income growth in 2025, compared to 2.1% for market-rate properties, per Matrix. That helped produce 8.7% growth in net operating income for fully affordable multifamily units in the U.S., while market-rate units saw NOI increase by only 2.2%.

2025 marks the second consecutive year fully affordable properties (defined as properties in which rents on 90% or more of units are limited to a level based on area median income in exchange for a subsidy) outperformed market-rate properties. The reason: Affordable property rents have grown higher over the last two years than market-rate advertised rents.

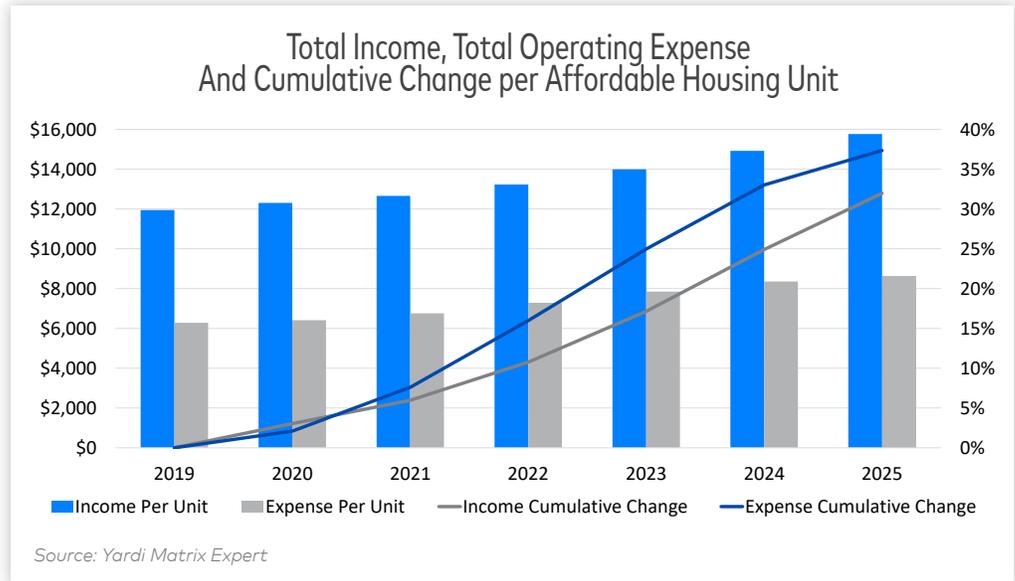
Market-rate advertised rent growth has been weak the last few years for reasons that include the rapid supply growth in Sun Belt markets. But the formulas used by the Department of Housing and Urban De-

velopment that govern affordable property rents increased more than usual in 2024 and 2025, reflecting higher post-pandemic inflation and wage growth. HUD publishes allowable rent increases for subsidized properties in more than 2,000 U.S. geographic areas.

In 2025, the average allowable increase across the HUD universe was more than 6.0%, with the highest rate at 9.2%. More than 70% of areas were allowed to raise rents by 5.0% or more, while a small number of areas had no growth. HUD's numbers serve as a limit, so individual properties don't necessarily increase rents by the full amount on renewal, but that allowable increases were relatively high demonstrates why income growth was strong.



The mission of affordable properties is to provide low-cost housing to households earning income lower than average in the area, and are not generally thought of as money-making ventures. However, the segment historically is competitive with returns of market-rate properties. Over the last eight years, Matrix Expert data found there was an even split between fully affordable and market-rate properties as to which segment recorded higher annual NOI per unit.



Expense Inflation Cools

Multifamily properties have benefited from the easing of rapid expense inflation that occurred in the wake of the pandemic. Affordable property expenses rose an average of 3.3% per unit in 2025, down from the 7.8% peak in 2022 and 2023, per Matrix Expert. Total expenses at affordable properties were \$8,627 per year at year-end 2025, up \$272 per unit over the course of the year, per Matrix. Average income per unit rose even more, by \$844 to \$15,763.

The affordable property expense category that rose the most on a percentage basis in 2025 was marketing, which increased by 15.1%. Marketing expenses saw the greatest growth in the Southwest and in secondary markets, an indication that increasing competition with market-rate properties forced affordable operators in those

areas to spend more on advertising to attract tenants. However, marketing is a relatively small part of the expense pie, averaging \$57 per unit per year.

Other affordable property categories with above-average growth in expenses in 2025 were repairs and maintenance and utilities, which both increased by 4.2% during the year, and payroll, which increased by 3.9%. Those three categories represent the largest chunk of expenses, led by payroll (\$2,176 per unit annually), then repairs and maintenance (\$1,683 per unit) and then utilities (\$1,519 per unit).

On the other end of the spectrum, affordable property insurance increased only 0.2% per unit and taxes 0.8% per unit. Both of those categories are also relatively small, with insurance averaging \$846 per unit annually as of year-end 2025 and taxes \$624 per unit.

The easing of insurance premiums comes as a relief after several years of explosive growth. Nationally, insurance costs at affordable prop-

erties have climbed an average of 126.2% since the start of the decade, with increases of 15% or more each year between 2020 and 2024. Insurance premiums were on average \$366 per unit in January 2020, and have increased by \$480 per unit since.

Insurance costs started to level off in 2024 and flattened in 2025 as the higher premiums and a decline in large-payout events helped insurers and reinsurers get a handle on balance sheets. Meanwhile, property owners took a variety of actions to reduce bills, such as restructuring insurance on properties and portfolios, increasing deductibles, renegotiating loan terms and making property improvements. Some property owners in recent months reported insurance renewals coming in at a 5-10% discount to the previous year, making it likely that insurance costs should remain flat or even drop in 2026.

2025 Change in Expense by Category

Category	YOY % Change	Dollar Amount
Total Expense	3.30%	\$8,627
Payroll	3.90%	\$2,176
Repairs/Maintenance	4.20%	\$1,683
Utilities	4.20%	\$1,519
Administrative	3.20%	\$942
Insurance	0.20%	\$846
Management	2.60%	\$739
Taxes	0.80%	\$624
Marketing	15.10%	\$57
Other	-3.10%	\$40

Source: Yardi Matrix Expert

Northeast Leads NOI Gains

Affordable housing income and NOI growth varied by region and metro in 2025, being highest in the Northeast and Southeast and lowest in the Southwest. NOI at affordable properties rose an average of 12.9% per unit in the Northeast during the year, with 7.4% income growth outstripping 3.8% expense growth. The Southeast also outperformed the national average, with 11.3% NOI growth per unit in 2025. In that region, income rose 6.0% while expenses rose only 2.1%.

2025 Change in Income, NOI And Expense by Region

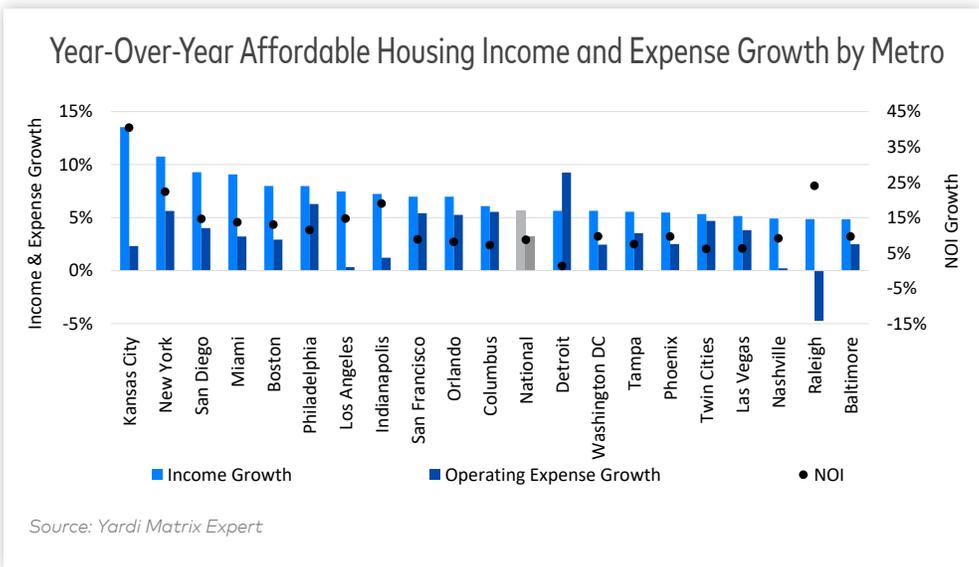
Market	Income Per Unit T12 % YoY Growth	NOI Per Unit T12 % YoY Growth	Expense Per Unit T12 % YoY Growth
Northeast	7.40%	12.90%	3.80%
Southeast	6.00%	11.30%	2.10%
National	5.70%	8.70%	3.30%
Midwest	5.10%	8.30%	3.40%
West	5.30%	6.60%	4.00%
Southwest	2.50%	2.50%	2.50%

Source: Yardi Matrix Expert

Expensive Northeast metros such as New York City, Boston and Philadelphia generally have a large gap between market-rate and affordable property rents, creating plentiful demand for affordable units since many market-rate properties are well beyond the reach of low- and moderate-income households. Affordable properties in those markets can raise rents at or near the maximum levels allowed by HUD and still be far less expensive than market-rate apartment options.

Affordable property performance was most subdued in the Southwest, where the average NOI rose 2.5% per unit in 2025, with income and expenses each increasing 2.5%, as well. Affordable properties in some Southwest metros are facing growing competition from market-rate properties. Examples include Dallas and Austin, where the heavy new market-rate apartment delivery pipeline is putting pressure on rents and making it harder for affordable multifamily properties to attract and retain tenants. The average income at Austin affordable properties fell 5.2% in 2025, and, combined with a 6.8% rise in expenses, produced -18.9% change in NOI. The average income at Dallas affordable properties was relatively flat at 0.1%, with expenses rising 1.8% and NOI down 2.2%.

Pacific Northwest metros Portland and Seattle also recorded poor performance in 2025, as expenses far outgained income. The average affordable property NOI in Seattle decreased by 5.6%, with income rising 0.6% and expenses by 8.1%. Portland's average NOI fell 3.6%, with income up 0.4% and expenses 6.3%. Rent collections have been a challenge in the Pacific Northwest, even though post-pandemic eviction bans have ended. Both metros had above-trend expense increases in 2025, albeit in different categories. Seattle's insurance costs rose 14.5% in 2025, bucking the national deceleration, and the metro also saw high growth in repairs and maintenance, marketing, utilities and payroll. Portland saw rapid growth in repairs and maintenance and marketing.



Affordable Multifamily A Steady Investment

Despite the strong overall performance of affordable properties, many individual properties do struggle. A study published in November by advisory firm Cohn Reznick found that although the median occupancy rate of LIHTC apartment properties is 97%, with few assets having occupancy rates below 90%, and a minuscule historical foreclosure rate of 0.5%, roughly one in four LIHTC properties report operating deficits.

The big-picture numbers for fully affordable properties are healthy, but the industry faces challenges that require operators to be diligent and focus on efficiency. Many properties are still dealing with the impact of several years of above-trend expense growth. The bifurcated economy has taken a toll on the financial wherewithal of lower-income families, increasing the difficulty of collecting rent in some markets.

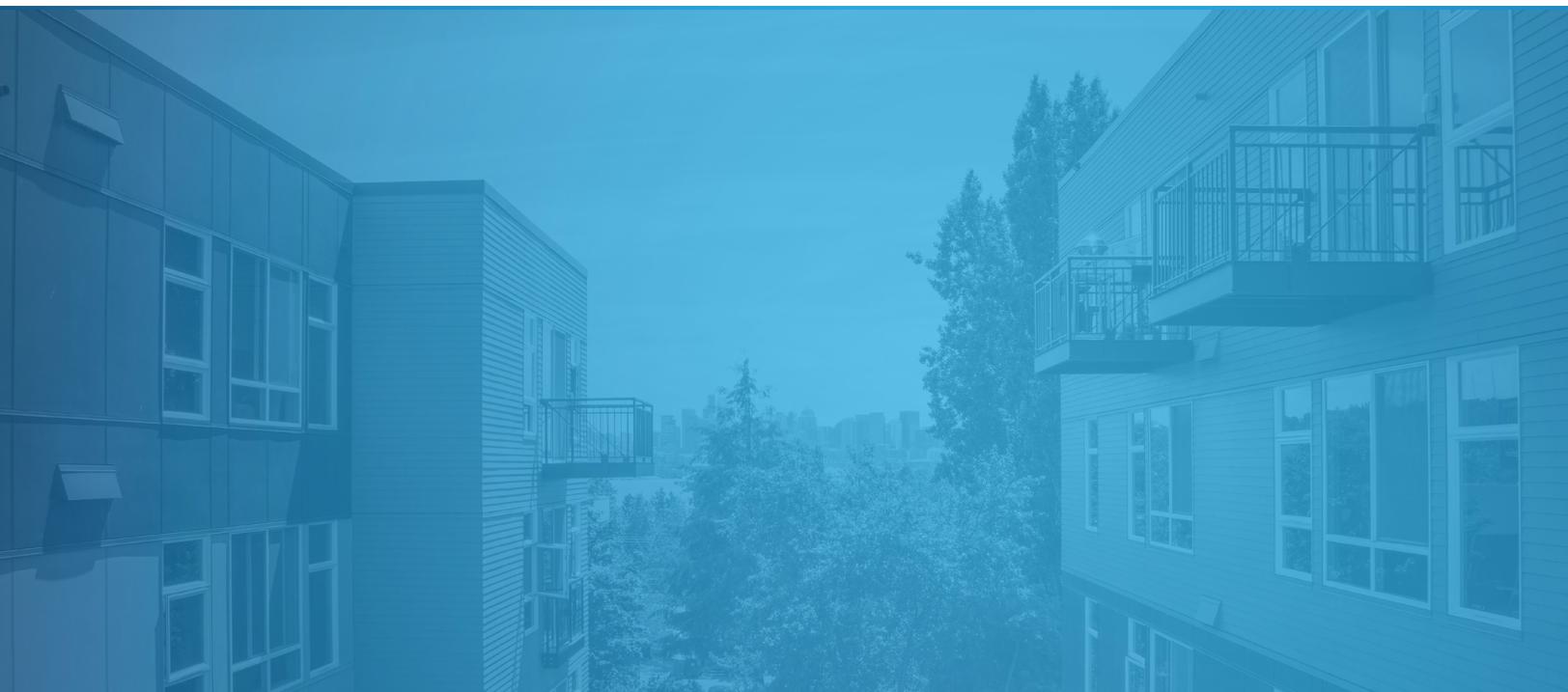
And the growing competitive environment for affordable owners in high-supply metros where market-rate property rents have decreased is not

going away. Matrix forecasts that rent growth will likely remain soft in 2026 in many markets, particularly in the Sun Belt, which means the ability of affordable owners to increase rents will continue to be limited.

Yardi Matrix's study is the latest data to demonstrate the steady long-term performance of housing targeting low- and moderate-income tenants. Other findings over the years have come to similar conclusions. For example, a 2021 study by the Texas Housing Conservancy, University of Texas associate professor Jake Wegmann and Southern Methodist University real estate researcher Mark Roberts, using National Council of Real Estate

Investment Fiduciaries data, found that "moderate-income apartments," those aimed at tenants making less than 80% of area median income, outperformed assets targeting higher-income renters over a 10-year period. The Texas study is not a precise apples-to-apples comparison, because the moderate-income apartments in the NCREIF study did not employ subsidy programs. However, it does illustrate the consistent demand for low-cost housing and that it can be a stable product for institutional investors.

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





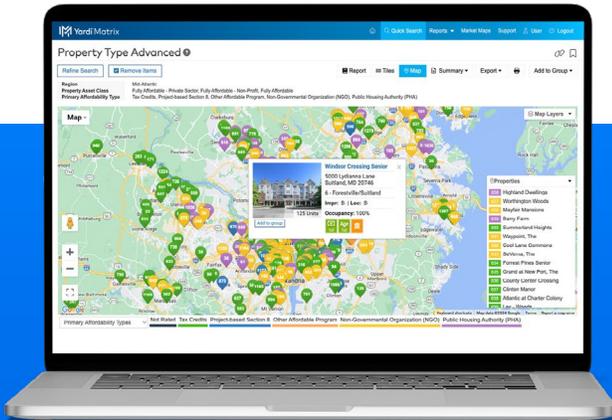
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- **Dual Market Data Access:** Subscribers enjoy a comprehensive view with access to both affordable and market rate data, including market outlooks and trends
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- **Customize Segmentation Options:** Access tailored insights with segmentation options including LIHTC, non-profit, PHA, senior living and more



Yardi Matrix Affordable Housing provides extensive coverage with detailed data on over **28,000** affordable properties totaling **3.7 million** units.



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Learn more at yardimatrix.com/affordable

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