Yardi Matrix

Affordable Housing National Report

April 2026

Tax Designations Shape Affordable Housing Strategy

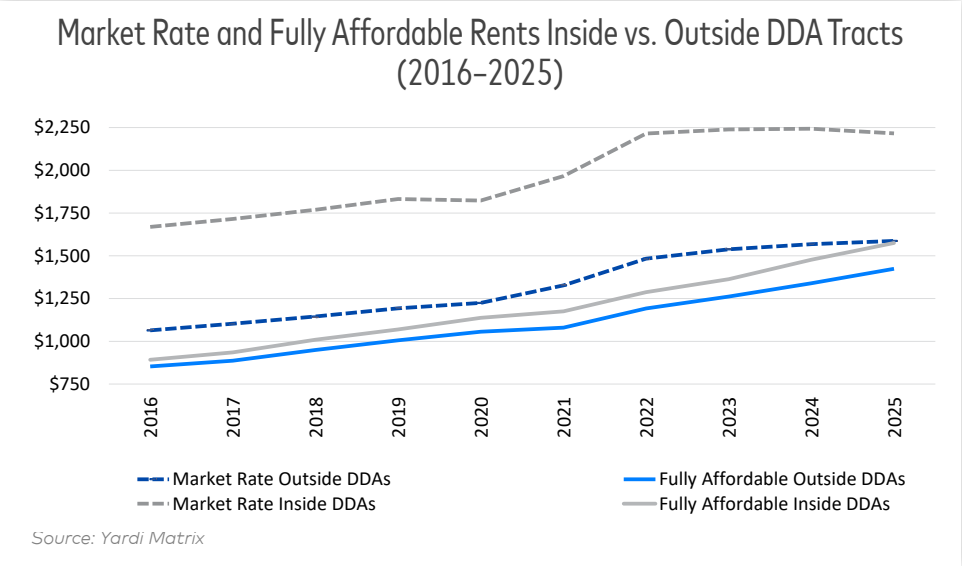
Sustained demand, rising construction costs and regulatory constraints that limit new supply have created a shortage of housing affordable to low- and moderate-income households. To address the problem, federal housing policy incentivizes private developers to build and preserve income-restricted housing via the Low-Income Housing Tax Credit (LIHTC) program.

To shape where development capital flows, the LIHTC program designates geographically targeted areas called Difficult Development Areas (DDAs) and Qualified Census Tracts (QCTs). These designations are intended to support affordable housing development in areas where costs or income conditions would otherwise make such projects difficult to finance. Developments in DDAs and QCTs qualify for an additional 30% boost to the eligible basis of a project, allowing developers to generate significantly more tax credit equity without increasing rents or tenant income limits.

An analysis of the difference between affordable and market rate rents inside and outside of designated areas shows significant differences in competitiveness, which is important to understand when making decisions about development and preservation. While a nuanced approach is necessary, examining rent relationships between affordable and market rate housing provides insights into when and where affordable housing investments may be most effective.

This Yardi Matrix study examines how affordable housing competes with market rate housing in DDA and non-DDA tracts, where rent levels between the two property types can converge. Analyzing Matrix's dataset of approximately 120,000 multifamily properties, including more than 26,000 fully affordable properties totaling over 3 million units, we studied how rent dynamics differ between DDA and non-DDA locations and how these dynamics influence competition between affordable and market rate housing. (Affordable is defined here as properties in which at least 90% of the units limit rents to a percentage of area median income in exchange for a subsidy.)

Understanding these competitive environments is particularly important for policymakers that allocate scarce housing resources. Capital used to support affordable housing generally falls into two categories: funding that addresses new supply and funding directed toward preservation of existing affordable housing. The effectiveness of each strategy can vary depending on local market conditions and the policy objectives being pursued.



Source: Yardi Matrix

Metros Where Affordable Rents Are Near Market Rate Rents in Non-DDA Tracts

Metro	Market Rate Average Rent	Affordable Average Rent	Market Rate Premium
Austin	$1,531	$1,659	($128)
Houston	$1,250	$1,222	$28
Twin Cities	$1,585	$1,555	$30
Dallas	$1,415	$1,374	$41
Raleigh-Durham	$1,598	$1,555	$56
Phoenix	$1,421	$1,360	$61
Kansas City	$1,377	$1,303	$74
Columbus	$1,375	$1,287	$88

Source: Yardi Matrix Expert; as of Dec. 2025

Metros Where Affordable Rents Are Far From Market Rate Rents in Non-DDA Tracts

Metro	Market Rate Average Rent	Affordable Average Rent	Market Rate Premium
Miami	$2,287	$1,466	$821
Boston	$2,477	$1,852	$625
San Francisco	$2,661	$2,044	$617
New York	$2,497	$1,886	$611
New Jersey	$2,196	$1,593	$603
Los Angeles	$2,299	$1,802	$497
Tampa	$1,656	$1,182	$474
Orlando	$1,698	$1,289	$409

Source: Yardi Matrix Expert; as of Dec. 2025

Metro-Level Rent Differential Tied to Local Conditions

Much of the policy discussion surrounding LIHTC focuses on development within DDAs. Less attention has been paid to how affordable housing performs in markets outside of DDAs, where tax incentives are more limited and where older market rate housing often provides naturally occurring affordability.

Roughly three-quarters of affordable housing units are located outside of DDA tracts, with the rest in DDAs. DDAs facilitate development of low-cost housing in areas with higher incomes and development costs, often in urban locations, where there can be a large rent differential with market rate properties and new fully affordable housing would otherwise not be feasible.

The story is different in areas outside DDAs, which encompasses areas with no basis boost and QCTs. (QCTs target areas with low incomes, where at least 50% of households have income below 60% of the area median income or more than 25% are below the poverty rate.) Because there usually is a smaller rent differential between affordable and market rate properties outside DDAs, competition is based on quality and amenities as much as price. Companies building or preserving affordable housing outside of DDAs or QCTs can't take advantage of the 30% basis boost, but they still have access to the 4% LIHTC credits to subsidize rehabilitation costs.

To determine the difference between the average rents of affordable and market rate properties inside and outside of DDA tracts, nationally and by metro, we analyzed the Matrix database. Some of the findings include:

- From 2016 to 2025, national market rate advertised rents in DDAs grew by 32.8%, reaching $2,216 per unit. Rents outside DDAs grew

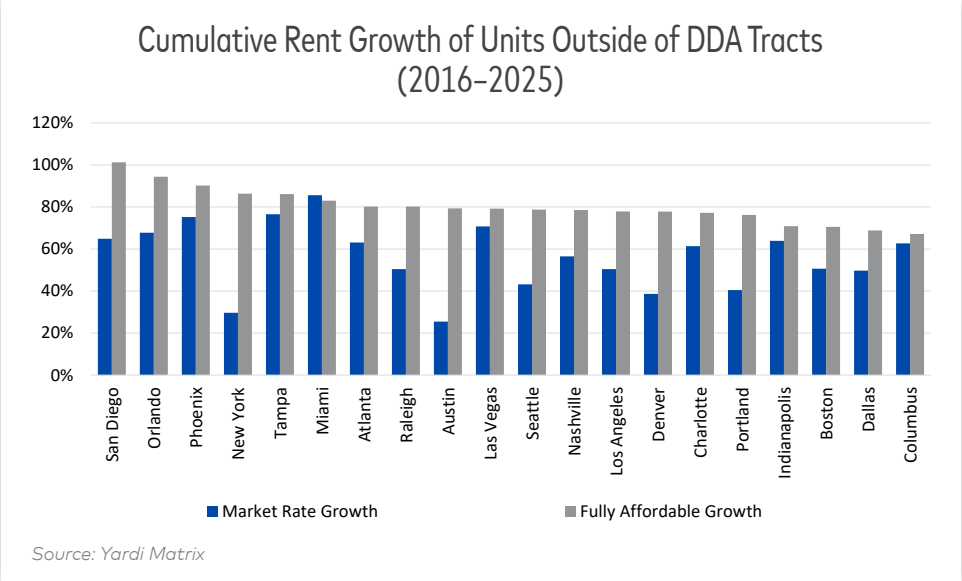
much more rapidly—49.2% over the same period—yet remained lower at $1,587.

- Fully affordable maximum net rents in DDAs increased by 76.6% from 2016 to 2025, reaching $1,575 per unit. In contrast, rents outside DDA tracts grew by 66.9% during that time, averaging $1,424.

- In non-DDA tracts, particularly in fast-growing Sun Belt metros and select Midwest markets, affordable rents are close to market rate rents.

- Market rate properties directly compete with fully affordable developments in many non-DDA tracts, often targeting the same pool of tenants when rents are closely aligned or when affordable pricing exceeds market rate levels.

- Older market rate inventory continues to function as a critical source of naturally occurring affordable housing, particularly in non-DDA tracts where aging buildings constrain rent growth and are similar to affordable housing rents.



Source: Yardi Matrix

Outside DDAs—in tight housing markets such as Miami, Boston and San Francisco—fully affordable rents are deeply discounted relative to market rate properties for reasons that include high demand and supply constraints. While market rate properties can raise rents in response to demand, fully affordable properties are limited by area median income thresholds. As a result, existing tenants may be less likely to move, as comparable options at similar rent levels are scarce. At the same time, overall market tightness makes it more difficult for new renters to secure available affordable units.

Other metros exhibit far narrower gaps, where affordable housing rents closely compete with traditional market rate offerings. One example is Austin, in which maximum net affordable rents in properties outside DDAs at year-end 2025 averaged $1,659, which is more than the average advertised market rate rent of $1,531 per unit.

Affordable maximum net rents and market rate advertised rents in Austin moved in different directions for several years before finally flipping in 2025. From 2016 through 2024, market rate advertised rents outside DDAs were higher than affordable rents, reaching a peak of $1,702 in 2022. However, market rate rents have dropped in recent years due to an influx of supply, while affordable rents increased annually in line with median household incomes. The competition between market rate and affordable properties in Austin is acute within non-

DDA tracts, as older market rate properties have become, in effect, naturally occurring affordable.

Another metro with a narrow gap between affordable properties' maximum net rents and market rate advertised rents in non-DDA tracts is the Twin Cities. The gap there has always been close but narrowed between 2016 and 2025 because affordable rents increased 58.8% over that time while market rate rents rose only 41.1% per unit. In 2016, market rate advertised rents in non-DDAs in the Twin Cities were $144 more than maximum net affordable rents, but the difference has shrunk over the years and now stands at $30. As of year-end 2025, the average market rate advertised rent in the Twin Cities was $1,585, while the average maximum net affordable rent was $1,555.

Kansas City illustrates that affordable rents can remain close to market rate rents within non-DDA tracts as a part of the market structure. Affordable rents in Kansas City have consistently been within reach of market rate rents in non-DDA tracts for the past decade. Since 2016, market rate advertised rents in non-DDA tracts increased by 55.9%, compared to 59.7% for affordable rents. In 2025, market rate advertised rents averaged $1,377 per unit, while affordable maximum net rents averaged $1,303 per unit.

The narrow gap in Kansas City reflects the naturally occurring affordability that is embedded in lower-quality assets in non-DDA tracts and the fact that market rate rents in the metro are relatively low overall. Older market rate inventory has remained priced near income-based affordable thresholds, heightening the competition over time.

Considerations for Development and Preservation

The competitive environment in non-DDA tracts is important for deciding where to allocate affordable housing resources. Decisions about where to direct capital often fall into two broad categories: supporting new supply or preserving existing affordable housing. Either approach can be appropriate, depending on local market conditions and policy objectives.

Outside DDAs, development can be justified to meet demand for low-cost units and to improve the quality of local housing stock in places where most low-cost units are decades old and many lack modern amenities or need rehabilitation. In these conditions, new supply can help restrain future rent growth and increase the choices available to income-qualified tenants.

In high-cost DDA tracts, market rate rents typically exceed affordable rents by a wide margin. In these areas, the LIHTC basis boost plays a critical role in enabling affordable housing production. New affordable supply in DDAs can help maintain housing opportunities in dense, high-demand urban areas where market rate housing is increasingly unaffordable to low- and moderate-income households.

Preservation presents a different set of considerations. In non-DDA tracts, preservation is justified if strong local fundamentals—such as high occupancy rates, rapid rent growth and strong absorption—point to projected future housing shortages.

In DDA tracts where market rate rents are significantly higher than affordable rents, prop-

erties approaching the end of their compliance period may face strong economic incentives to convert to market rate housing. Preserving affordability in these locations can therefore be critical to maintaining access to housing in high-cost markets.

These dynamics suggest that affordable housing policy development decisions can be framed as a set of conditional choices:

- Outside DDAs, if the policy objective is to improve the quality of the local housing stock: Support new development outside DDAs, where existing market rate units are often older or lower quality and new affordable construction can compete on quality.
- In DDAs, if the policy objective is to support fully affordable housing where rent is high relative to income: Prioritize new development in DDAs, where high market rents and development costs make fully affordable projects unfeasible without the 30% DDA basis boost.

Similarly, preservation decisions depend on the location.

- Outside DDAs, preserving existing affordable units is important if the objective is to prevent rent escalation and preserve long-term affordability. Targets include areas with high occupancy and potential for future rent growth to maintain affordability before pressures intensify.
- Inside DDAs, preservation is important to prevent the loss of affordability in high-rent areas where properties are most at risk of converting to market rate as they reach the end of their compliance periods.

Ultimately, both DDA and non-DDA tracts play meaningful roles in the affordable housing ecosystem. Effective policy requires understanding how local rent dynamics shape competition between affordable and market rate housing and aligning capital allocation with the specific outcomes policymakers seek to achieve.

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

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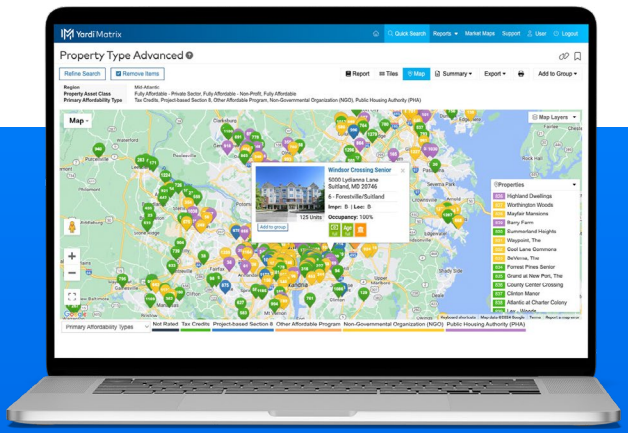
- **Customize Segmentation Options:** Access tailored insights with segmentation options including LIHTC, non-profit, PHA, senior living and more



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