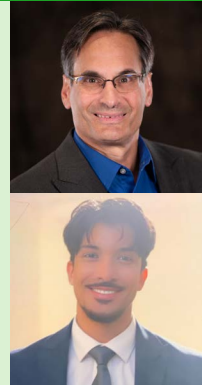


Affordable Outperforms Market Rate Multifamily in 2025

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The misconception that affordable housing is a niche sector for non-profits has been dispelled by recent performance indicating otherwise. Income-restricted affordable multifamily properties (those in which at least 90% of units have rent restrictions tied to area median income in connection with a subsidy program such as “LIHTC”) produced 5.7% average growth in net operating income (“NOI”) in 2025, more than double the NOI growth of market rate properties, according to Yardi Matrix Expert.

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

2025 marks the second year in a row income-restricted affordable properties outperformed market rate properties. The formulas used by the Department of Housing and Urban Development (HUD) that govern affordable property rents increased more than usual in 2024 and 2025, reflecting higher post-pandemic inflation and wage growth.

In 2025, the average allowable increase by HUD 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 renewals, but that allowable increases were relatively high demonstrates why income growth was strong.

In contrast, market-rate asking rent growth has cooled in many markets since the sharp rent surge in 2021 and 2022, particularly those absorbing heavy new supply. Market conditions can and will change.

Even so, studies over long periods have shown affordable housing to be a solid investment. The positive national numbers do not mean affordable housing properties are immune from struggling. A significant number of affordable properties have cash flow issues due to rapidly growing expenses, difficulty collecting rents and, in some markets, increasing competition with market rate properties. A study published in November by advisory firm CohnReznick 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.

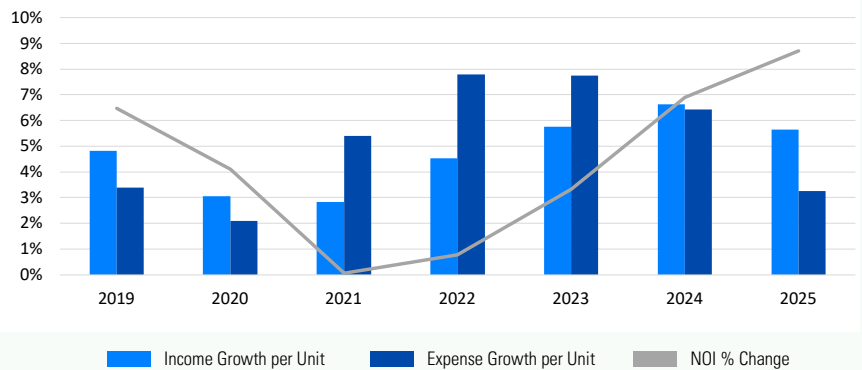
¹ U.S. Bureau of Economic Analysis

Affordable Outperforms Market Rate Multifamily in 2025 (cont.)

Affordable housing is mission-driven, but it is also an institutional asset class with durable occupancy and competitive long-run cash flow performance. Matrix Expert data show that over the last eight years, income-restricted affordable and market-rate properties were evenly split in terms of which segment generated higher annual NOI per unit.

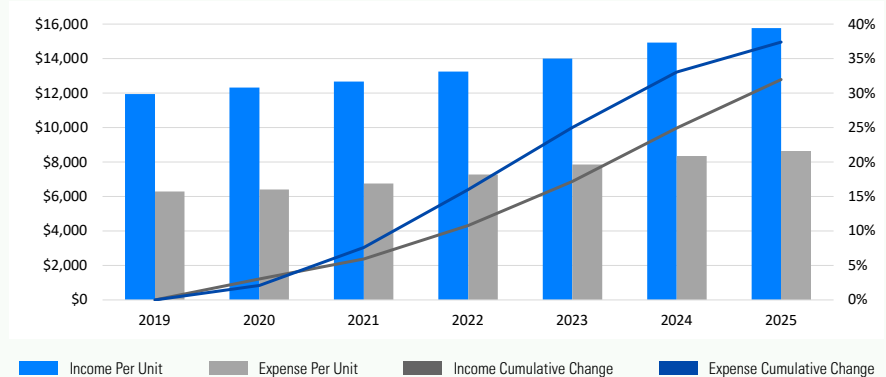
Matrix's database encompasses 120,000 multifamily properties with more than 20 million units across the U.S., including 26,000 income-restricted affordable properties with more than 3.5 million units.

FIGURE 1
YoY Change in Income, Expense, and NOI per Affordable Housing Unit



Source: Yardi Matrix Expert

FIGURE 2
Total Income, Total Operating Expense and Cumulative Change per Affordable Housing Unit



Source: Yardi Matrix Expert

Affordable Outperforms Market Rate Multifamily in 2025 (cont.)

Cooling Expense Growth

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 3.3% per unit in 2025, down from the 7.8% peak in 2022 and 2023, per Yardi 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 Yardi Matrix Expert. 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 grew the most 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), repairs and maintenance (\$1,683 per unit) and 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 properties 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 an average \$366 per unit in January 2020, and increased by \$480 per unit since.

FIGURE 3
2025 Expenses 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

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 re-insurers get a handle on balance sheets. Meanwhile, property owners took a variety of actions to reduce bills such as restructuring insurance in properties and portfolios, increasing deductibles, renegotiating loan terms and making property improvements. Some property owners in recent months report that insurance renewals are coming in a 5-10% discount to the previous year, making it likely that insurance costs should remain flat or even drop in 2026.

Affordable Outperforms Market Rate Multifamily in 2025 (cont.)

NOI Gains Led by Northeast, Southeast

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% and expenses only 2.1%.

Northeast metros with high rents and large populations 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 to attract and retain tenants in affordable multifamily properties. 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%.

FIGURE 4
2025 Expenses by Region

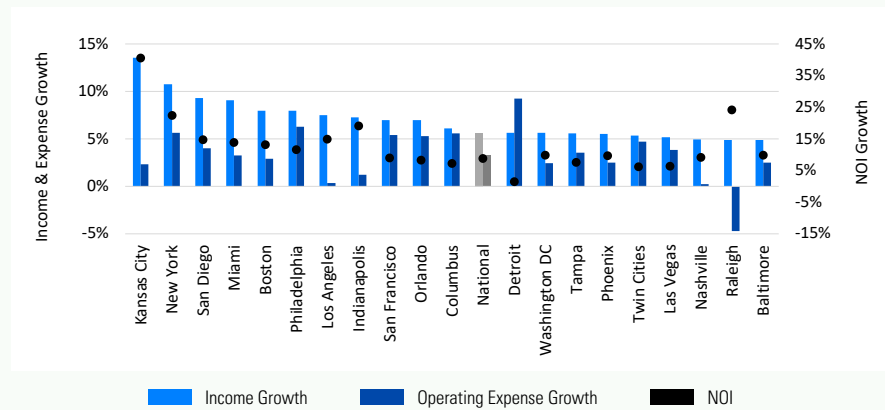
Market	Income Per Unit T12 % YoY Growth	NOI Per Unit T12 % YoY Growth	Expense Per Unit T12 % YoY Growth
Northeast	7.40%	12.90%	3.80%
Southeast	6.00%	11.30%	2.10%
National	5.70%	8.70%	3.30%
Midwest	5.10%	8.30%	3.40%
West	5.30%	6.60%	4.00%
Southwest	2.50%	2.50%	2.50%

Source: Yardi Matrix Expert

Affordable Outperforms Market Rate Multifamily in 2025 (cont.)

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.

FIGURE 5
Year-Over-Year Affordable Housing Income and Expense Growth by Metro



Source: Yardi Matrix Expert

Affordable Multifamily's Steady Performance

While the big-picture numbers for income-restricted affordable properties are healthy, 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 in collecting rent in some markets including Atlanta, Charlotte and Washington D.C.

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.