



Affordable Housing

Market Report & Outlook | Q4 2025

The affordable housing sector remained stable throughout 2025, with strong occupancy and rising rents in well-maintained and managed properties. The second half of the year introduced greater diversification in development types, with mixed-use projects gaining traction. Local and state governments continued to roll out subsidy and affordability programs, incentivizing developers to enter the market as interest rate movements played a critical role in shaping capital structures, influencing profitability and financing strategies.

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Mr. Ard serves as Managing Director and National leader of the Affordable Multi-Family Housing team at Partner Valuation Advisors. With over four decades of experience, Chip specializes in valuation and market studies for HUD MAP, Low Income Housing Tax Credit, and other affordable housing programs. He has led appraisal and consulting assignments nationwide and is currently President of the Oklahoma Coalition of Affordable Housing, advancing education and advocacy in the industry.

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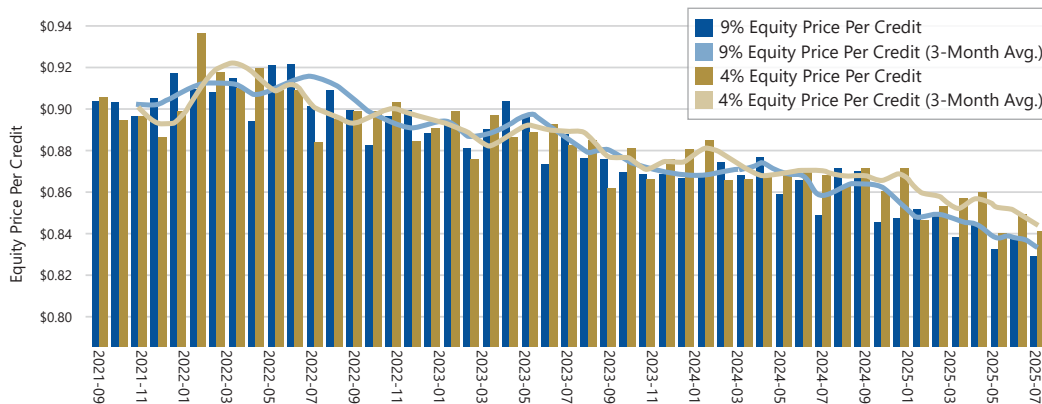
Key Trends

Tax Credit Pricing Trends & Market Impact

Several key trends defined the affordable housing market in 2025. First, pricing for federal low-income housing tax credits declined steadily, forcing developers to rely more heavily on alternative equity sources such as private capital and state-level incentives. This shift introduced new complexities in deal structuring and heightened the importance of creative financing solutions.

Second, operating expenses continued to rise while tenant incomes remained flat, squeezing margins and challenging long-term sustainability. This trend intensified in the second half of the year, compounding the impact of falling tax credit pricing and underscoring the need for operational efficiency and cost management strategies.

These dynamics highlight a sector in transition, one that demands adaptability from developers and investors alike. Success will hinge on the ability to balance affordability mandates with financial feasibility, leveraging innovative partnerships and diversified capital sources.



National LIHTC equity pricing continued a gradual step-down from mid-2022 through late 2025. Both 9% and 4% national multi-investor averages moved from the low-\$0.90s in early 2022 to the low-to-mid-\$0.80s by late 2025, with 3-month averages confirming the trend. (Source: Novogradac LIHTC Equity Pricing Surveys.)

State Housing Finance Agencies & Incentive Programs

STATE	AGENCY	PRIMARY PROGRAMS	SPECIAL INCENTIVES / NOTES
California	California Tax Credit Allocation Committee	LIHTC, State Tax Credit, HOME	Energy efficiency & sustainability scoring
Texas	Texas Dept. of Housing & Community Affairs	LIHTC, HOME, PBV	Rural set-asides, disaster recovery funds
New York	NY Homes & Community Renewal	LIHTC, State Housing Trust Fund	Historic rehab credits, green building bonuses
Florida	Florida Housing Finance Corporation	LIHTC, SAIL, HOME	Workforce housing incentives
Illinois	Illinois Housing Development Authority	LIHTC, State Tax Credit, HOME	TOD priority scoring
Pennsylvania	Pennsylvania Housing Finance Agency	LIHTC, PBV, RAD	Energy efficiency & sustainability points
Ohio	Ohio Housing Finance Agency	LIHTC, HOME, State Housing Trust Fund	Incentives for aging-in-place design
Georgia	Georgia Department of Community Affairs	LIHTC, HOME	Rural development set-asides
North Carolina	NC Housing Finance Agency	LIHTC, HOME	Priority for supportive housing
Arizona	Arizona Department of Housing	LIHTC, HOME	Green building and water conservation credits



State-administered programs complement federal LIHTC allocations, offering additional equity and incentives for affordability and sustainability. These top 10 states represent the largest activity and most robust subsidy frameworks in 2025.

Transaction Pulse

Active Market for Extended Use Properties



The transaction market for affordable housing remained active in the second half of 2025, driven largely by properties entering the extended use period and becoming eligible for sale.

Investors demonstrated strong interest in high-quality, well-located assets with stable occupancy, reflecting confidence in the sector's fundamentals despite financing headwinds.

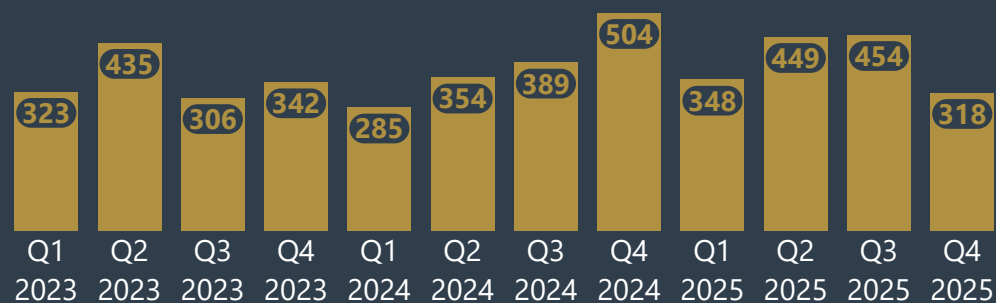
Pricing held steady, with no significant cap rate compression or volatility, signaling a balanced market where demand and supply are aligned. This stability is particularly noteworthy given broader economic uncertainty, reinforcing affordable housing's reputation as a defensive investment class.

Top 10 Affordable Housing Transactions of 2025

PROPERTY	BUYER	SELLER	SALE PRICE
*5619 Aldine Bender Rd Houston, TX	Fairstead	Rainbow Housing Assistance Corp.	\$242 M
3400 Richmond Pkwy San Pablo, CA	Pacific Housing Inc.	The Guardian Life Insurance Company of America	\$225 M
1324 Mill Creek Blvd Mill Creek, WA	PGIM Inc. & Post Investment Group	Spokane Indian Housing Authority	\$162.5 M
1130 Burke Ave, Bronx, NY	Metropolitan Development Group & Housing Partnership Development	New York City Housing Authority	\$162.2 M
*3919-4001 W Garden Grove Blvd Orange, CA	Redwood & Hearthstone Housing Foundation	LOMCO Las Palmas Housing	\$160 M
1200 N Robin St Anaheim, CA	BLDG Partners	Apartment Investment and Management Company	\$108 M
1-20 Laurel St Worcester, MA	Jonathan Rose Companies & Schochet Companies	The Community Builders, Inc.	\$100 M
15 Bismarck St Mattapan, MA	Related Beal & City of Boston	The DSF Group	\$90 M
125 Beach 17th St Far Rockaway, NY	Tredway	The Related Companies	\$88 M
*2131 Crestview Ln Pittsburgh, CA	Equality Community Housing Corp. & Reliant Group	David J Busby The David Deutscher Company	\$85.4 M

*Q4 2025 Transaction (Source: CoStar)

Sales Volume



*Q4 2025 Transaction (Source: CoStar)

2026 Outlook

Opportunities in Income Growth

The outlook for 2026 suggests continued market activity, with tax credit pricing expected to stabilize and potentially trend upward by the second quarter. This shift could ease some financing pressures, though interest rate volatility and rising operating costs remain key risks that could impact project feasibility.

Opportunities will center on acquiring stable properties with potential for income growth, particularly in markets benefiting from government affordability initiatives. Developers and investors who can navigate complex capital structures and implement cost-control measures will be well-positioned to capitalize on these dynamics. Additionally, mixed-use developments and adaptive reuse strategies are expected to gain momentum, offering creative solutions to meet affordability goals while enhancing community value.

Affordable Housing Footprint by State

STATE	SUBSIDIZED PROPERTIES
1. California	4,916
2. New York	4,079
3. Texas	2,997
4. North Carolina	2,884
5. Ohio	2,105
6. Pennsylvania	1,968
7. Virginia	1,229
8. Minnesota	1,106
9. Massachusetts	1,035
10. South Carolina	874

States with the highest concentration of subsidized properties often align with strong affordability initiatives, creating opportunities for acquisition and redevelopment. Investors targeting these markets may benefit from stable income streams and potential upside as tax credit pricing trends upward in 2026.

Source: U.S. Department of Housing and Urban Development (HUD), Low-Income Housing Tax Credit (LIHTC) Database, LIHTCPUB.csv (Nationwide Property Inventory).



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