THE AFFORDABLE HOUSING ASSET CLASS: 2026

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CONTENTS

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EXECUTIVE SUMMARY

- Affordable housing, both naturally occurring and subsidized, is a **large asset class that has experienced significant growth in investor interest in recent years**.
  - Approximately 51% of the nation's 22.0M units of multifamily rental housing can be classified as "affordable," of which over half are naturally-occurring affordable housing (of low quality but unsubsidized), and approximately 45% are subsidized through a government program.
  - Affordable apartments are generally lower density, lower quality, and older than market-rate.
  - Whether subsidized or not, affordability is generally defined as rents not exceeding HUD's threshold of 30% of income paid in rent for households at or below 60-80% of area median income (AMI).
  - Affordable housing ownership is dominated by for-profit entities, with well over half of owners, managers, and developers being for-profit.
  - Institutional investors have been net buyers of affordable housing for much of the last decade, and affordable transactions comprise a growing share of overall apartment transactions as the asset class institutionalizes.

EXECUTIVE SUMMARY

- **Demand for affordable rental housing continues to grow in an increasingly supply-constrained market environment.** These fundamentals support the continued attractiveness of investment in the affordable asset class.
  - The supply of low-rent units has declined in the U.S., and expiring federal subsidies further constrain the already low supply of affordable housing.
  - Affordable housing has significant pent-up demand, particularly as income inequality continues to widen in the U.S., leaving households in the bottom quintiles of the income distribution with few housing options.
  - Relatedly, increasing renter cost burdens drive continued demand for affordable housing.
  - Historical and projected trends in housing costs and wage growth indicate a persistent and pervasive need for affordable housing.
  - Additionally, affordable housing has intrinsic social benefits, allowing investors to support the communities in which they operate.

EXECUTIVE SUMMARY

- The favorable supply-demand imbalance in affordable housing has led to consistently **strong performance with greater resilience in downturns.**
  - The recent supply wave in the apartment market at large has also affected affordable housing. Completions outpaced net absorption in recent years, and fundamentals moderated somewhat.
  - However, affordable housing operating fundamentals continued to outperform market-rate fundamentals in the recent down cycle. Affordable housing consistently demonstrates higher occupancies and more resilient rent growth than market-rate properties.
  - For institutional-quality apartments in the NPI, capital expenditures and operating expenses are lower for affordable properties in absolute terms but are higher relative to incomes. Notably, total returns for affordable housing are higher than market-rate returns in the mid- to long-term.
  - Cap rates for subsidized apartments are roughly 20 bps above market-rate cap rates, near their longer-term average spread. In the NPI, income yields for institutional affordable housing recently fell below market-rate housing yields, suggesting increased investor interest.

EXECUTIVE SUMMARY

- **The affordable housing sector is not without risks,** and investors and developers should weigh them against the outlined benefits of entering the space.
  - Zoning restrictions, high land and construction costs, and competition with value-add investors can make development difficult.
  - Federal subsidies can assist with overcoming development hurdles, but subsidies are limited. The ratio of LIHTC applications to credits available is frequently 3:1.[1]
  - Lower rents and constrained ability to generate rent increases can impact NOI growth.
  - Rising operating costs are an even greater challenge for affordable assets than for conventional apartments given tight margins.

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[1] *CohnReznick, Housing Tax Credit and Investments Report, 2024*

OVERVIEW & PURPOSE

The goal of this report is to support the efforts of affordable housing developers, preservers, operators, and investors—and in turn provide for the growing populations of people who require affordable housing—by making a case for increased deployment of capital into the affordable housing asset class.[1]

- The first section provides a basic *characterization of the current stock* of affordable housing, by sizing and scoping what has been built, who has been involved, and how much has been transacted.
- The second section analyzes the *underlying supply and demand dynamics* shaping the sector, examining what they mean for the long-term attractiveness of investment in the asset class.
- Finally, the third section summarizes historical *performance* of the asset class, both operationally and in the capital markets, and compares it to market-rate apartment performance. This section highlights the nature of the asset class's advantages, emphasizing its stability and diversification benefits.

This report combines takeaways from the existing literature with novel analysis of multiple public and proprietary data sets. The nature and limitation of these sources are outlined on page 8. Collectively, the data sources used present a key challenge, as they rely upon incongruent definitions, sample sizes, and methodologies. However, their distinctive uses also complement each other in telling a fuller story about the characteristics, performance, and prospects of a growing and institutionalizing asset class. The precise source and use of each figure is qualified in footnotes where relevant.

[1]Investors need to independently evaluate all relevant factors prior to making any investment, which includes the risk of potential loss given the uncertainty associated with any form of real estate investing.

PRIMARY SOURCES

Source	Data/Publication(s) Used	Sample Size	Used in this report for...	Limitations
CoStar	Historical Trends data output	~32,000 affordable housing properties	Property fundamentals	Occasionally imprecise labeling of property subsidy status
MSCI Real Capital Analytics	Transaction Listings; Database of Major Players	~3,200 transactions of subsidized apartments	Transactions data (e.g., volume, cap rates), key players/investors	Limited to transaction data; very broad label categorizing “subsidized” as any property self-reporting rental subsidies
NCREIF	NCREIF Property Index (NPI) database	~2,200 institutionally-owned apartment properties, ~1,400 of which are affordable	Expense and income detail, returns, stabilized yields	Limited to institutionally-owned, core, stabilized properties
National Housing Preservation Database	Main database	~128,000 subsidized properties	Detailed sizing, mapping, and breakdown of subsidized units by subsidy type	Does not include performance data
CohnReznick	Housing Tax Credit Investments Report	22,000 surveyed properties	Foreclosure data for LIHTC and other multifamily properties	Limited data
Harvard Joint Center for Housing Studies	State of the Nation’s Housing, 2025	N/A	General overview of U.S. housing market conditions	N/A
U.S. Census Bureau	American Community Survey; Current Population Survey	N/A	Household income and affordability data	N/A

I. SIZE & SCOPE

Housing Product
Key Players
Transaction Activity

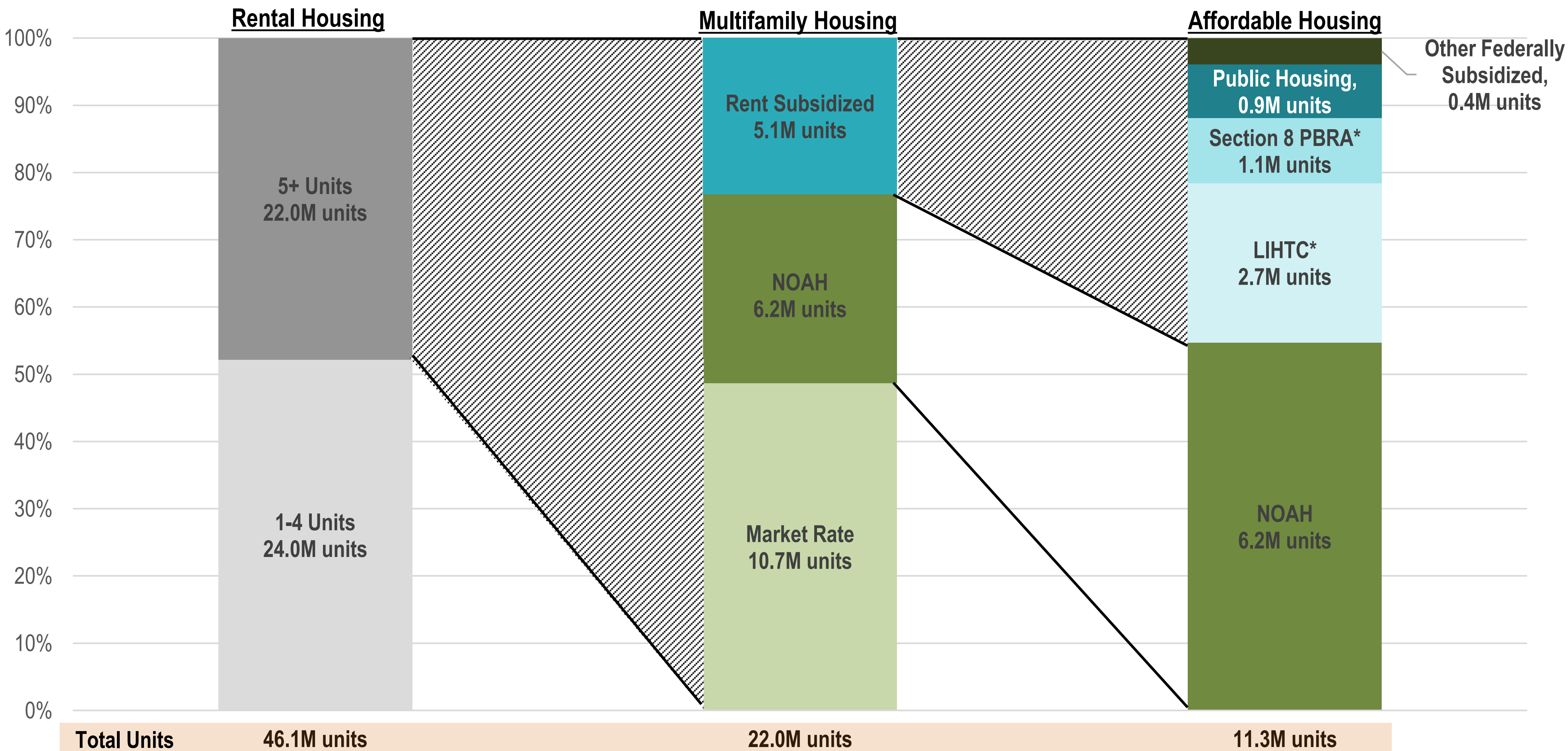
SIZE AND SEGMENTATION OF U.S. RENTAL HOUSING

About 25% of rental housing is affordable multifamily

Less than half of the rental housing stock is multifamily 5+ unit buildings.

51% of multifamily units are "affordable" with or without subsidies.

45% of "affordable" housing receives government subsidies.



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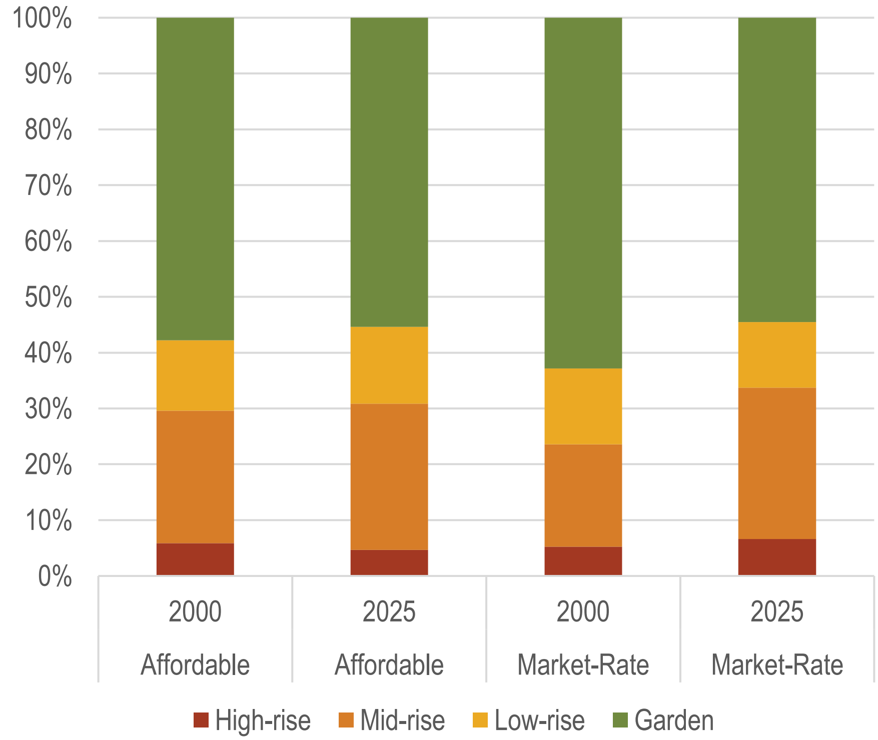
Sources: US Census Bureau, CoStar, National Housing Preservation Database 2025

*Please note that a unit may have more than 1 program assisting it . Section 8 figures refer specifically to Project-Based Section 8 subsidies and do not include Section 8 Housing Choice Voucher subsidies.

AFFORDABLE BUILDINGS ARE GENERALLY LOW-DENSITY AND OLDER

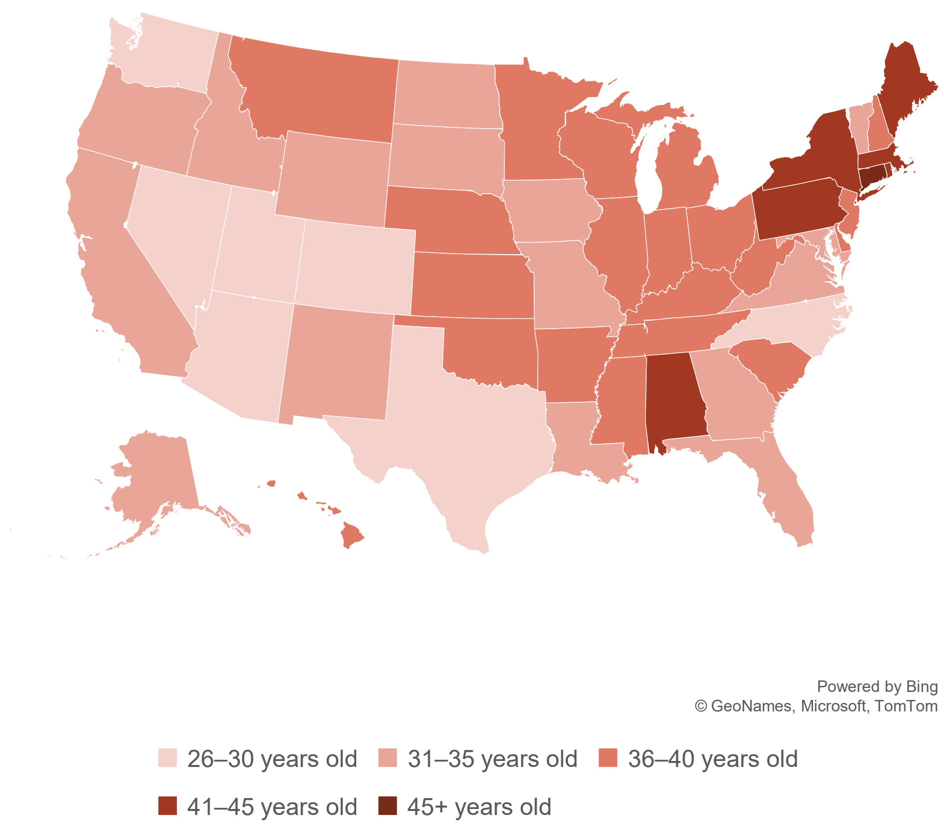
Average federally assisted home is 35+ years old, reflecting obsolescence risk

Distribution of Units in Subsidized Affordable Buildings by Building Type; United States, 2000 and 2025



High-rise	15+ stories, 1 or more buildings
Mid-rise	4-14 stories, 1 or more buildings
Low-rise	1-3 stories, 1-3 buildings
Garden	1-3 stories, 4 or more buildings

Average Age of Affordable Homes; United States, 2024



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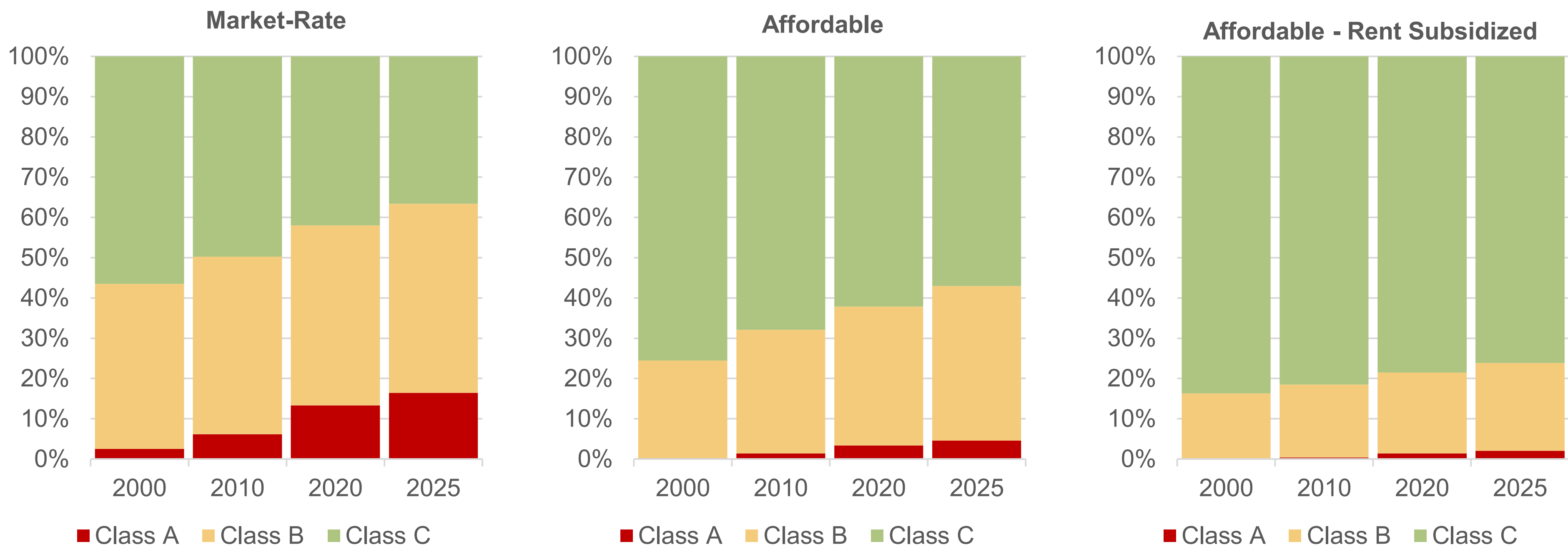
Sources: CoStar; National Housing Preservation Database Picture of Preservation Report, 2024; RCLCO

CLASS A/B INCREASING AS A SHARE OF SUBSIDIZED UNITS BUT REMAINS LOW

LIHTC and IZ incentivize new and/or mixed-income construction

Class A product has grown as a share of all units within both subsidized and market-rate property types. For the subsidized asset class, this growth in "Class A" product is largely driven by mixed-income properties, such as those incentivized by inclusionary housing policies.

Share of Units by Class, Market-Rate Vs. Affordable
United States, 2000-2025



Class A: 2.5% → 16.5%

Class A: 0.2% → 4.6%

Class A: 0.1% → 2.1%

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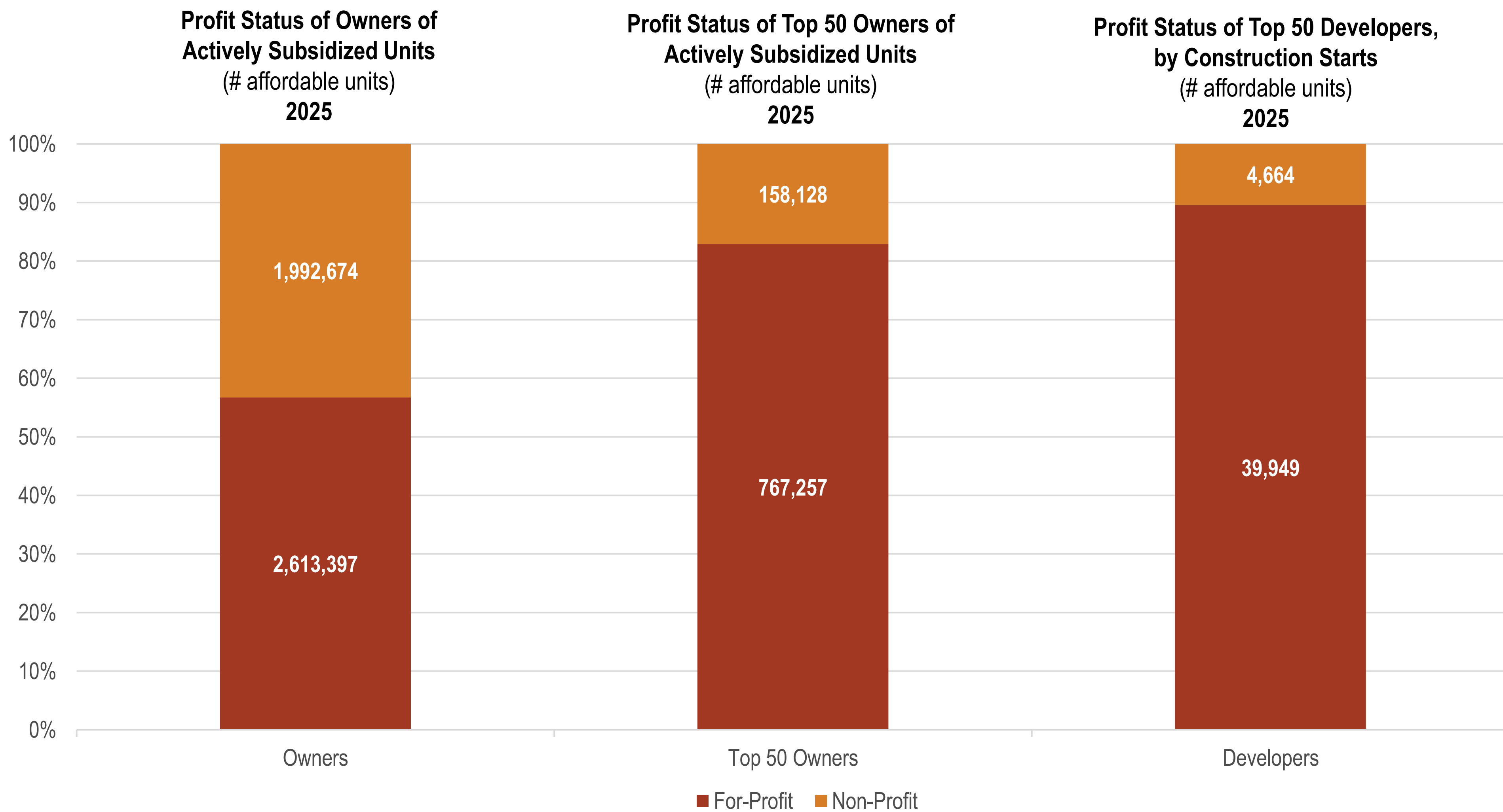
Sources: CoStar; RCLCO

MOST AFFORDABLE HOUSING PLAYERS ARE FOR-PROFIT, ESPECIALLY AMONG LARGEST PLAYERS

Developers also skew heavily toward for-profit



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Sources: National Housing Preservation Database; Affordable Housing Finance; RCLCO

KEY PLAYERS ARE MOSTLY DEVELOPERS / OWNERS

Top players average 100-150 units per affordable housing project

Top 50 U.S. Investors in Subsidized Housing by Number of Units Held
United States, 2025

Rank	Company	Units	Projects
1	Starwood Capital Group	52,844	265
2	The Michaels Organization	51,720	432
3	Dominium	43,199	229
4	L+M Dev. Partners and Affiliates	35,574	159
5	Nuveen Real Estate	29,434	149
6	Standard Communities	27,386	199
7	Lincoln Avenue Communities	26,333	144
8	Mercy Housing	24,812	334
9	Belveron-Conifer Realty	24,630	261
10	Fairstead	22,639	166
11	The Pacific Cos.	22,321	282
12	Capital Realty Group	21,689	172
13	Volunteers of America National Services	21,169	515
14	National Church Residences	21,044	300
15	LDG Development	20,958	99
16	Southport Financial Services	20,615	219
17	Kittle Property Group	20,173	174
18	LIHC Investment Group	19,995	95
19	The NRP Group	19,080	121
20	Jonathan Rose Cos.	18,405	103
21	Woda Cooper Cos.	17,618	358
22	TM Associates	17,052	400
23	Pennrose	15,744	216
24	WinnCompanies	15,519	118
25	Gene B. Glick Co.	15,507	110

Rank	Company	Units	Projects
26	Hudson Valley Property Group	15,414	82
27	Vitus	15,341	119
28	Avanath Capital Management	14,987	98
29	Beacon Communities	14,365	136
30	BRIDGE Housing Corp.	13,791	134
31	American Community Developers	13,673	108
32	Preservation of Affordable Housing	12,980	138
33	Enterprise Community Development	12,897	118
34	The NuRock Cos.	12,740	42
35	McCormack Baron Salazar	12,545	142
36	Fitch Irick Corp.	12,411	268
37	Community Preservation Partners	11,806	87
38	Camber Property Group	11,663	43
39	Envolve Communities	11,581	103
40	Chelsea Investment Corp.	11,364	119
41	USA Properties Fund	11,321	86
42	The Community Builders	11,195	143
43	Eden Housing	10,916	165
44	Brinshore Development	10,720	112
45	National CORE	10,210	118
46	MidPen Housing	9,912	138
47	The Arker Cos.	9,900	51
48	Pivotal Housing Partners	9,741	150
49	Steele Properties	9,250	93
50	The NHP Foundation	9,202	59

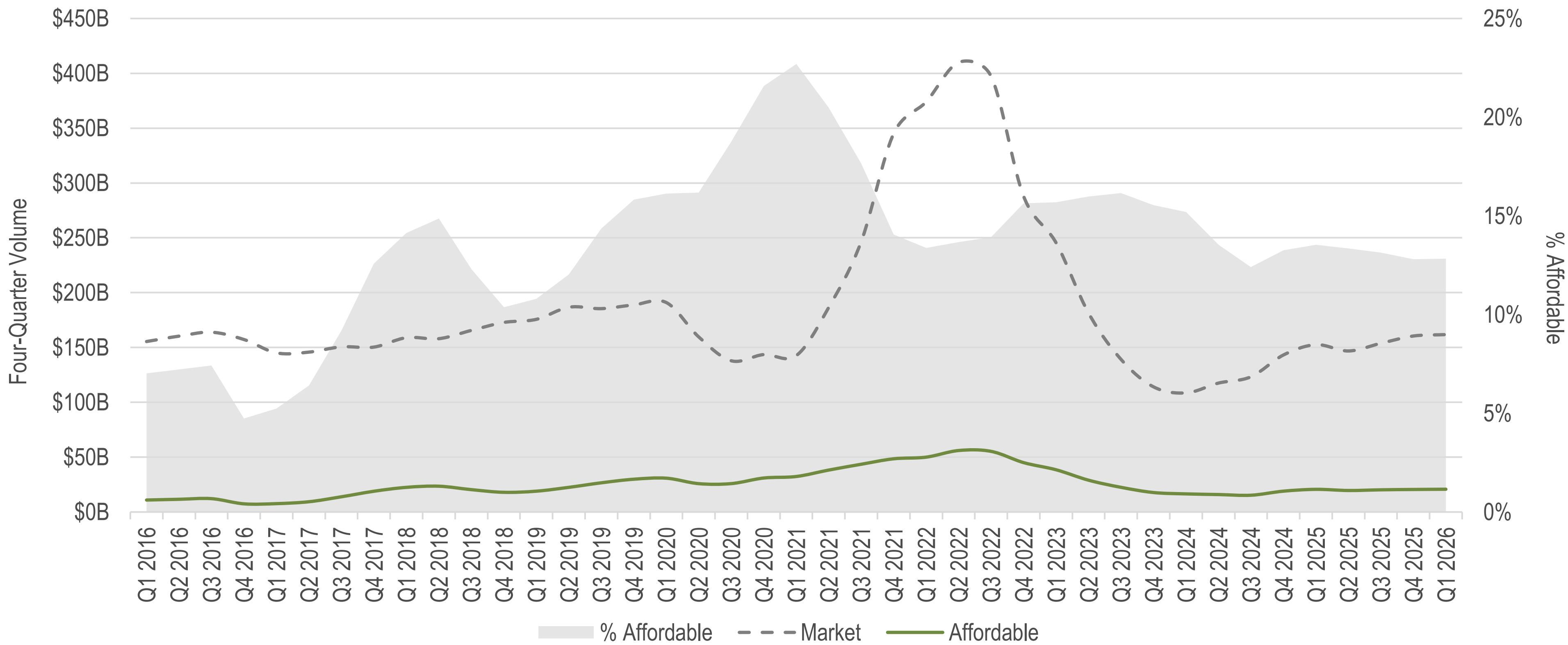
Sources: Affordable Housing Finance; RCLCO

SUBSIDIZED MULTIFAMILY TRENDING UP AS A SHARE OF TOTAL MULTIFAMILY TRANSACTION VOLUME

Annual transaction volume for affordable multifamily has increased from $7.4B in 2016 to $20.7B as of Q1 2026

Share of subsidized multifamily transactions has doubled from 6% in 2016 to 13% in early 2026

Rolling Four-Quarter Multifamily Transaction Volumes
United States, 2016-2026



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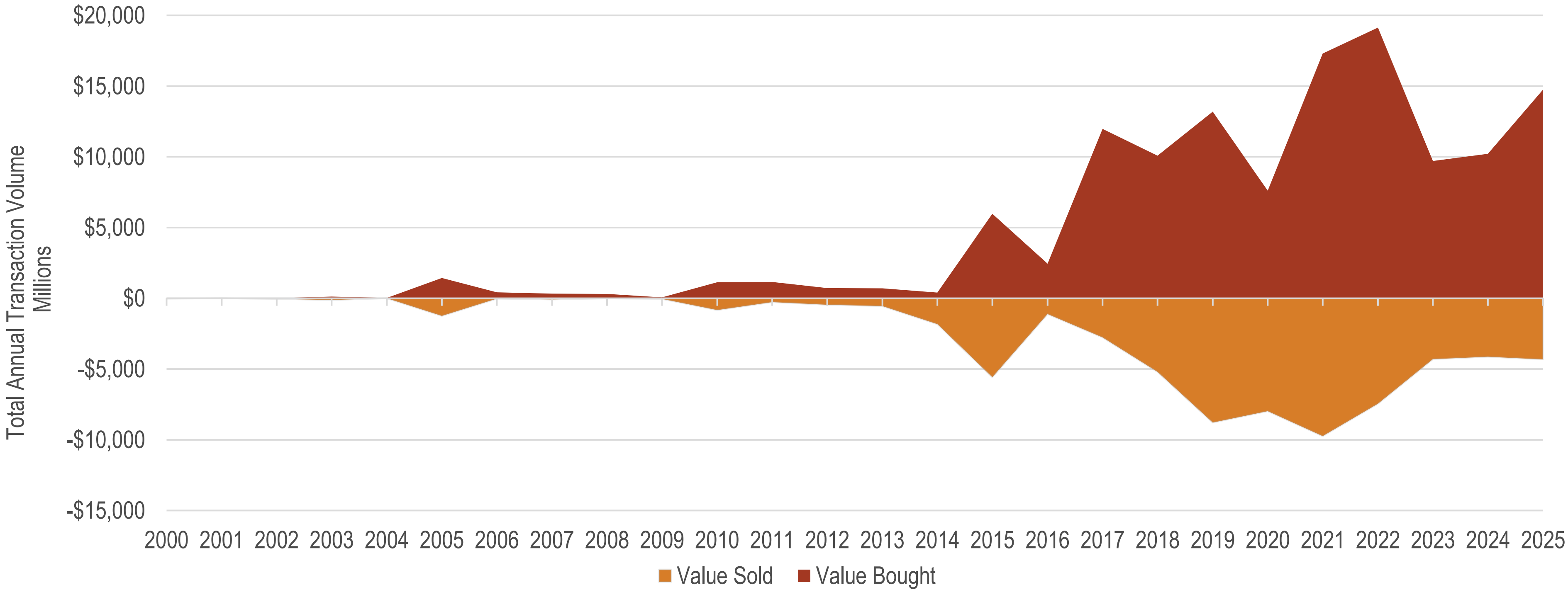
Sources: MSCI; RCLCO

INSTITUTIONAL INVESTORS ARE NET BUYERS OF AFFORDABLE HOUSING

Growth in volume reflects both acceptance and appetite

Institutional investors have been net buyers of affordable housing for much of the last decade, increasing liquidity and suggesting a bullish outlook on the asset class

Institutional Investor* Subsidized Housing Transaction Volume by Total Value of Acquisitions and Sales
United States, 2000 – 2025



*Note: MSCI defines "Institutional Investors" to include equity funds, pension funds, insurance companies, banks, investment managers, sovereign wealth funds, open-ended funds, and other financial services firms.

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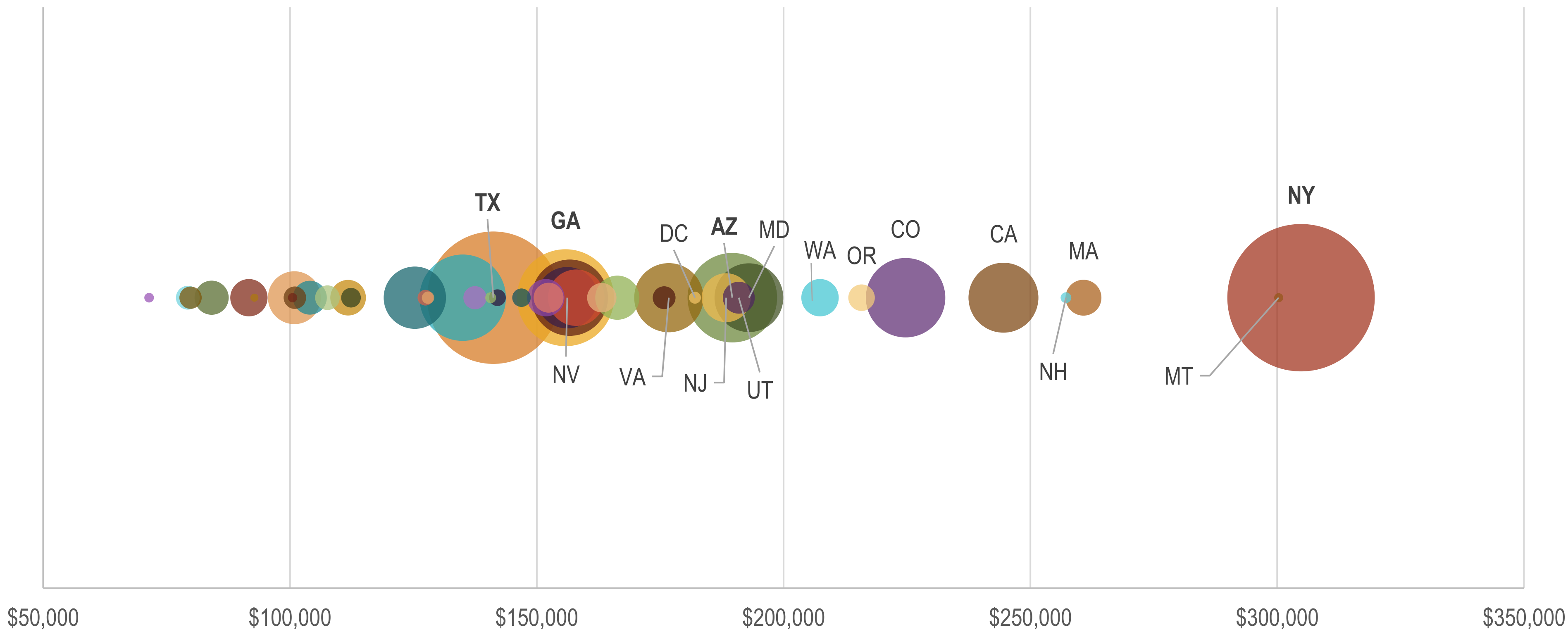
Sources: MSCI; RCLCO

Favors large, high-cost, and/or fast-growing states

Acquisitions have been concentrated in high-growth (Texas, Georgia, Arizona, Florida) and high-cost (New York, Massachusetts, California) states

Subsidized Apartment Units Acquired and Average Price Per Unit Paid
By State 2010 – 2026



Sources: MSCI; RCLCO

Note: Size of bubble represents number of units within any fully or partially subsidized properties that were acquired.

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II. SUPPLY & DEMAND DYNAMICS

Eroding Supply
Growing Demand

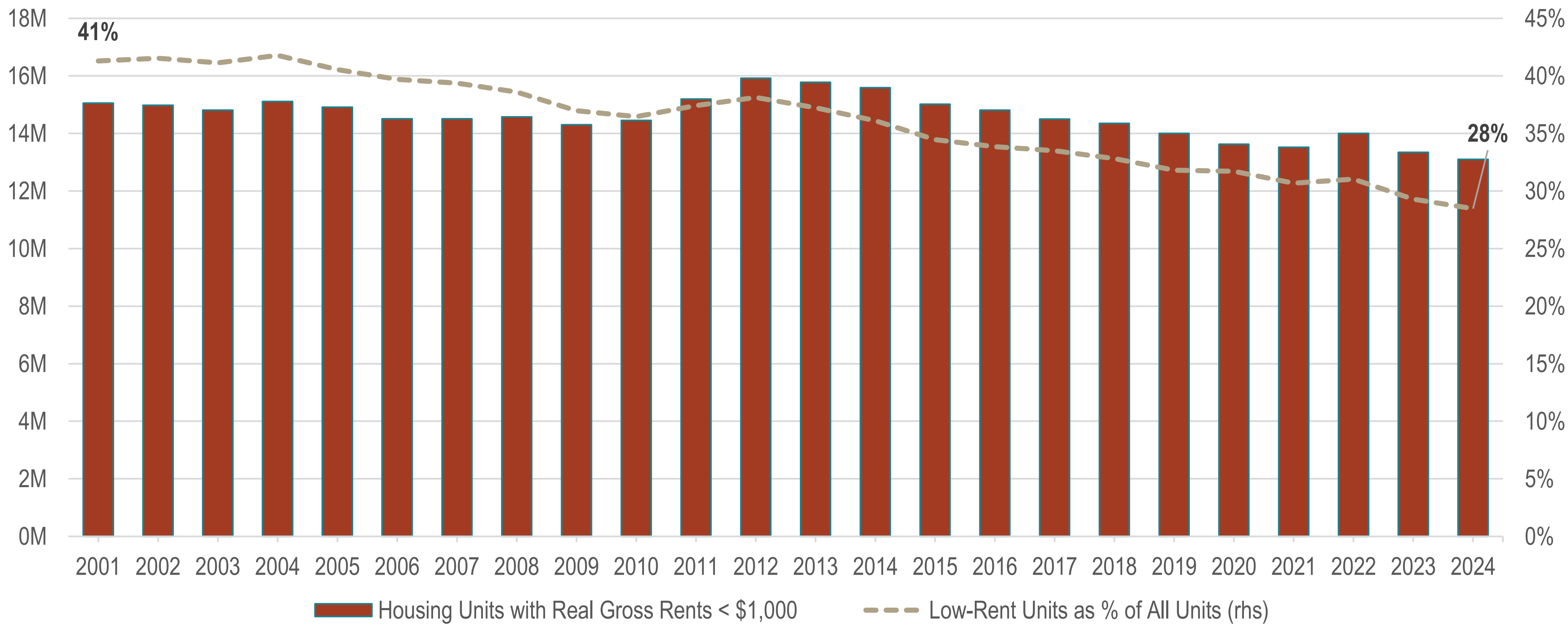
DECREASING SUPPLY OF LOW-RENT UNITS

Supply decreases driven by obsolescence and conversions to market rate

Only **54** affordable and available housing units per 100 households at or below 50% AMI

Only **35** affordable and available housing units per 100 households at or below 30% AMI

Supply of Low-Rent (< $1,000) Units
United States, 2001-2024



Source: U.S. Census Bureau via IPUMS USA; National Low Income Housing Coalition.
Note: Rents are inflation-adjusted to 2024 prices with CPI All Items.

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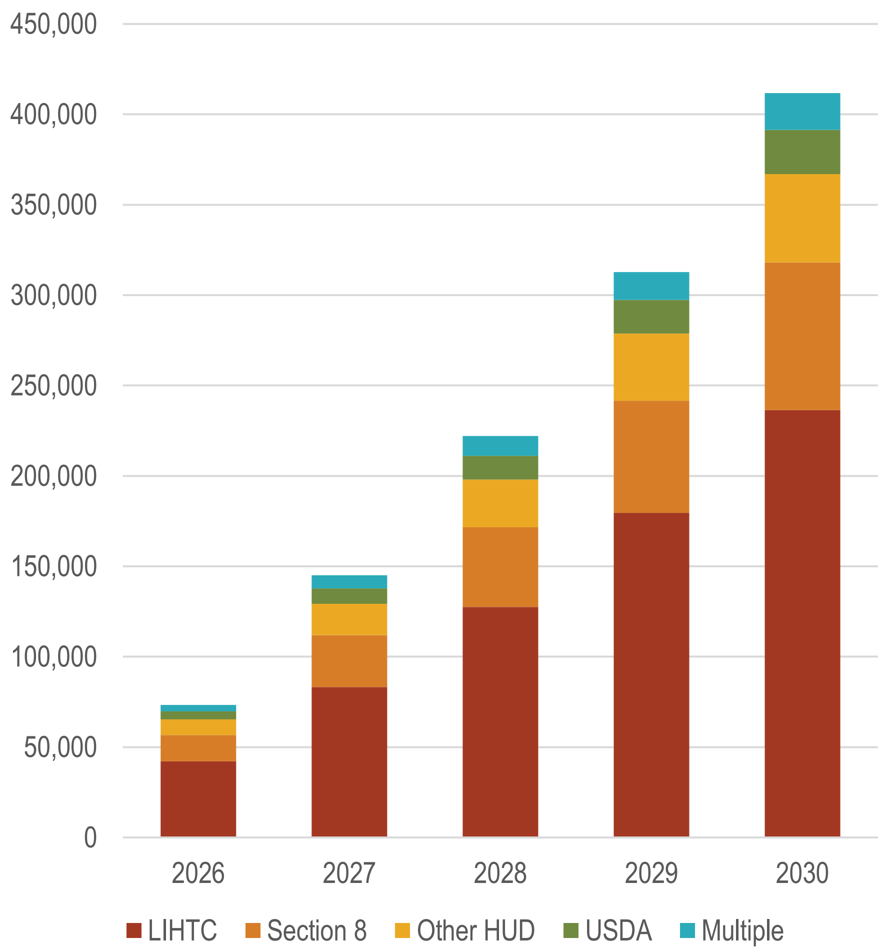
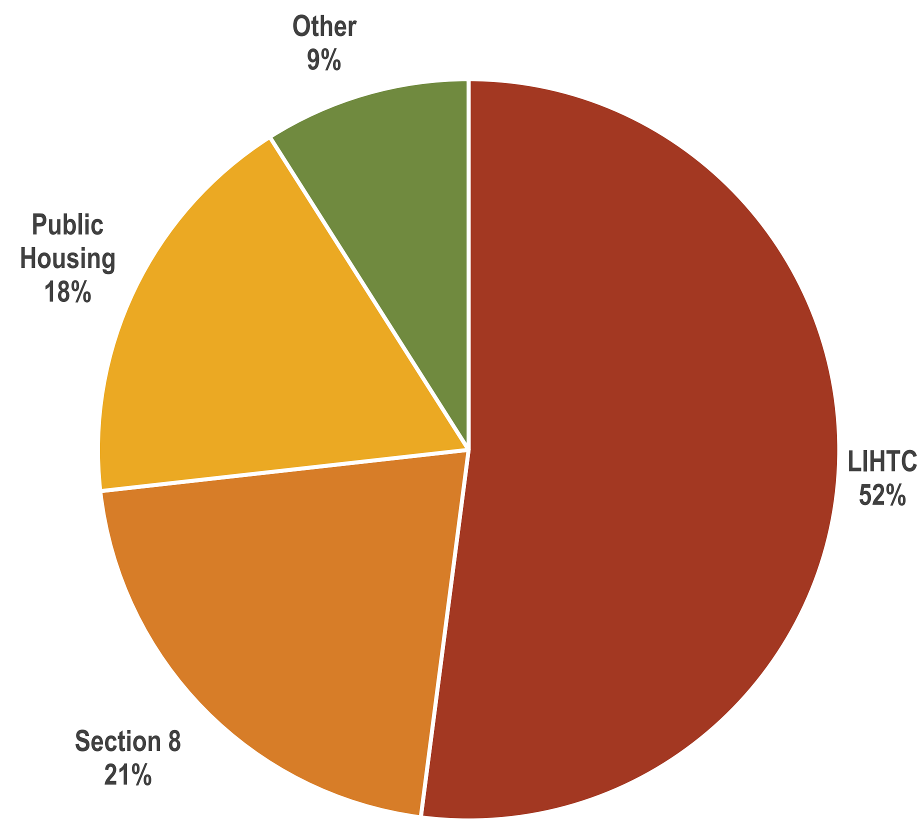
EXPIRING SUBSIDIES ERODING EXISTING SUPPLY

Housing subsidy expirations will lead to a decline of affordable housing supply





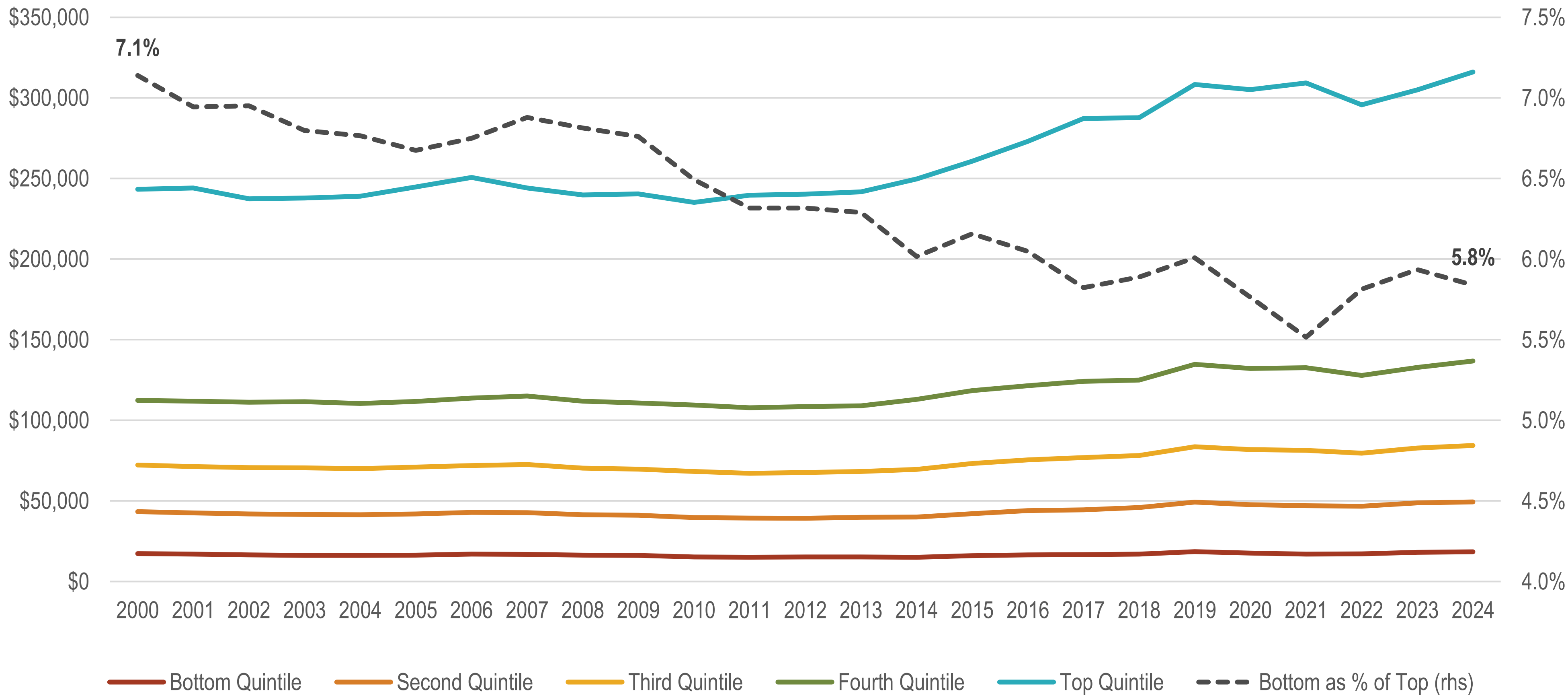
Source: National Housing Preservation Database; Picture of Preservation Report, 2024.

WIDENING U.S. INCOME INEQUALITY

Bottom-quintile incomes declined from 7.1% of top-quintile in 2000 to 5.8% in 2024

U.S. income distribution is increasingly "K-shaped"

Mean Real Income by Income Quintile
United States, 2000-2024



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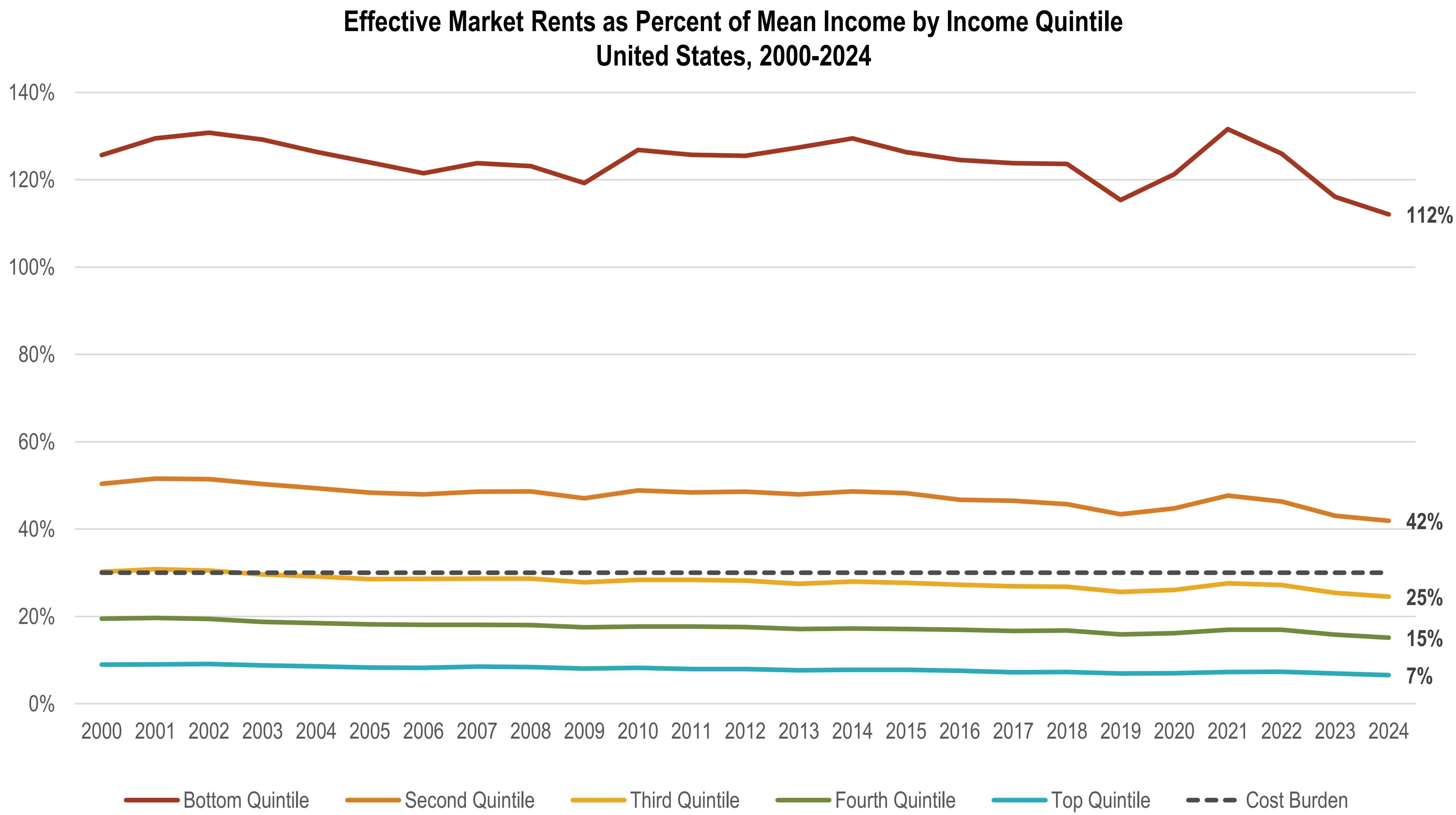
Source: U.S. Census Bureau; Current Population Survey; RCLCO

LOWER INCOME HOUSEHOLDS FACE BRUNT OF HOUSING COST BURDENS

Bottom 40% have limited options, driving demand for affordable housing



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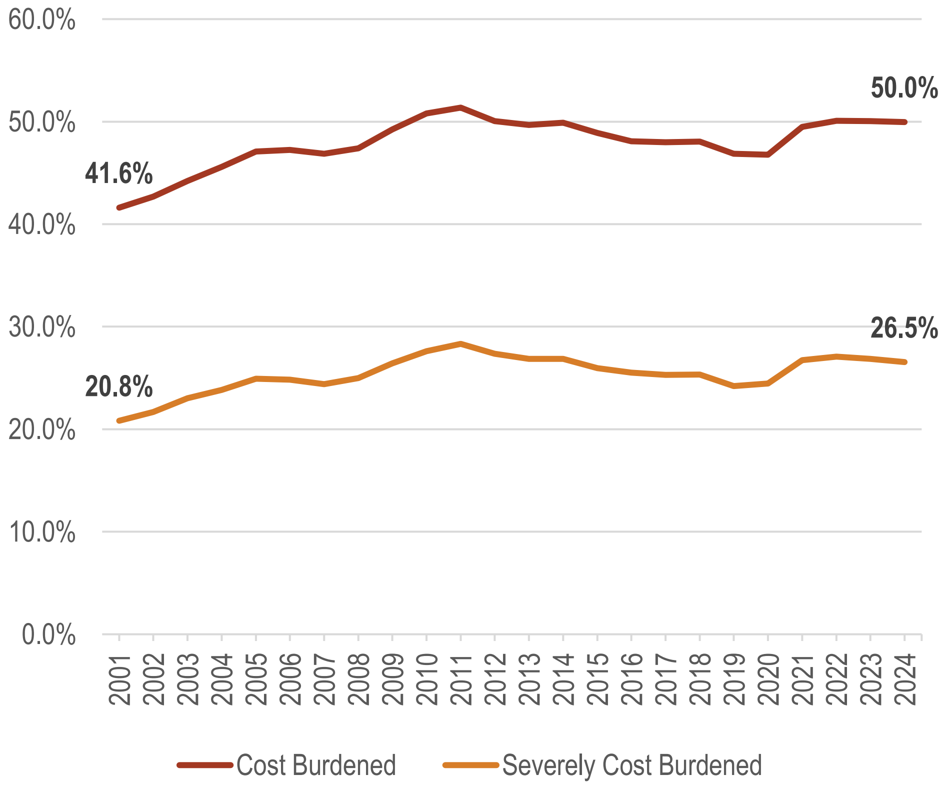
Source: U.S. Census Bureau; Current Population Survey; CoStar; RCLCO

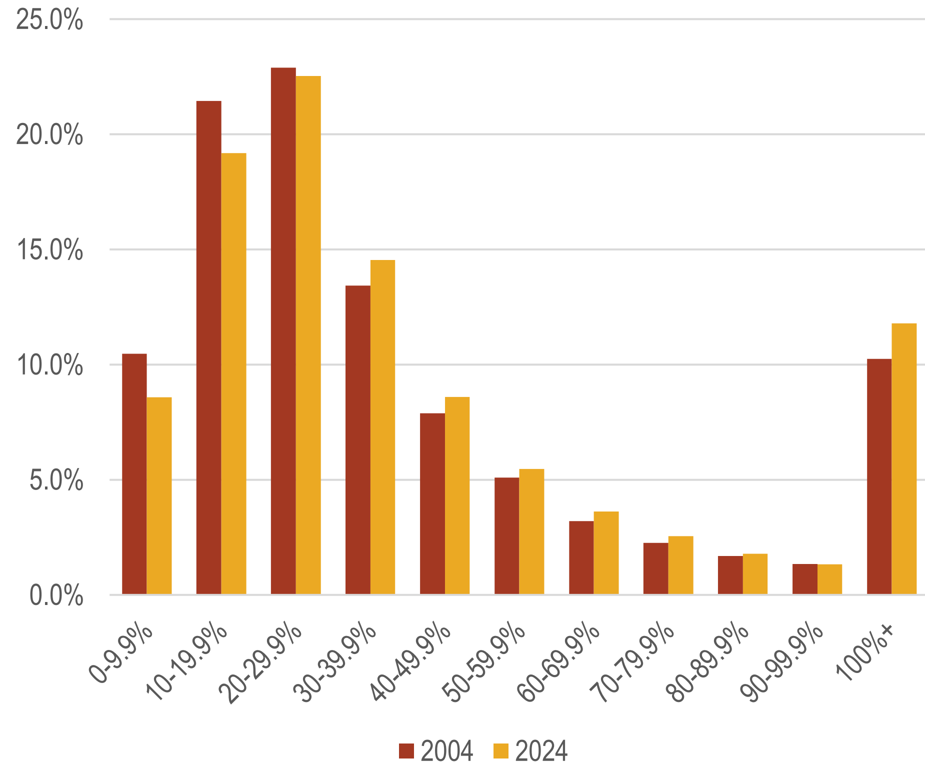
Low-income renters are increasingly cost-burdened

A growing share of renter households are cost-burdened (>30% of income spent on rent) or severely cost-burdened (>50% income spent on rent), constraining housing options

Share of Cost-Burdened Renter Households
United States, 2001–2024



Percent of Household Income Paid in Rent
United States, 2004 & 2024



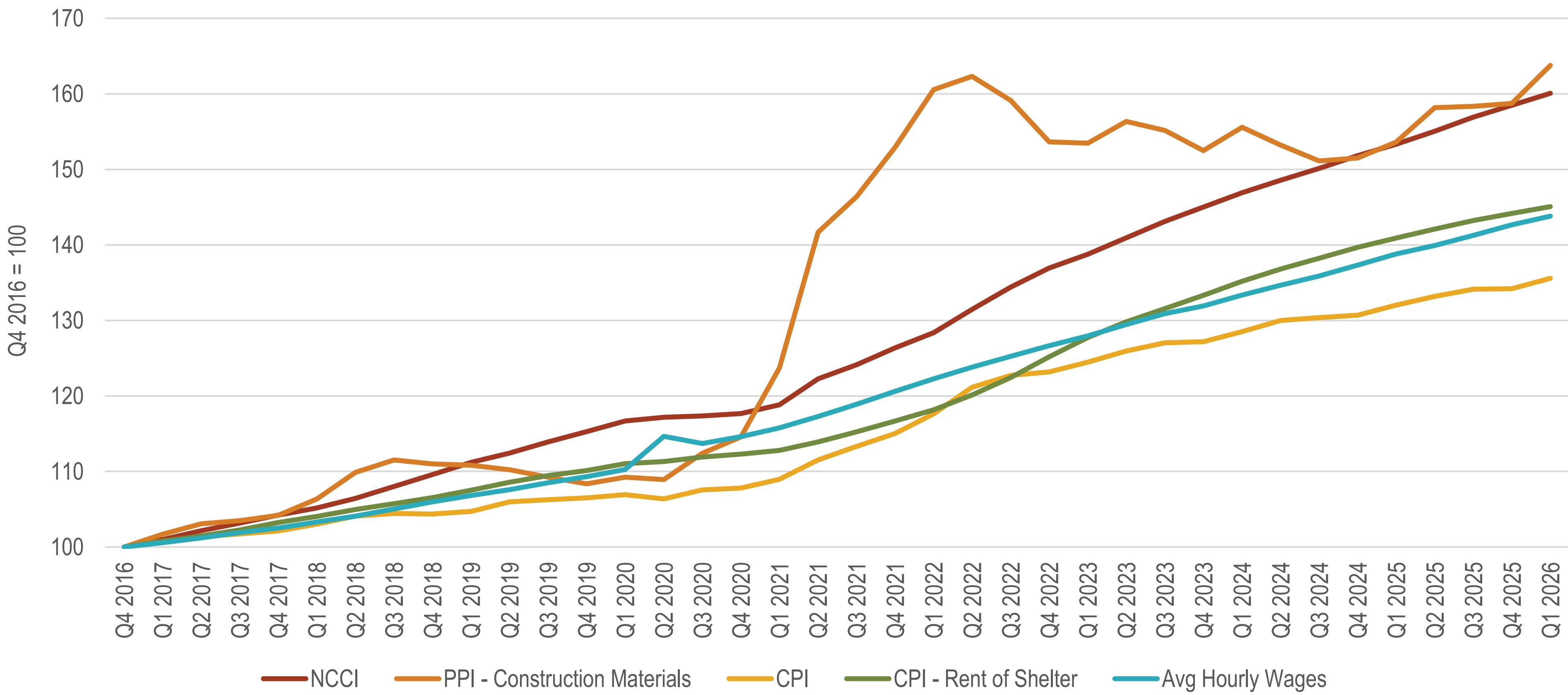
Source: U.S. Census Bureau

HOURLY WAGE GROWTH OUTPACED INFLATION BUT LAGGED CONSTRUCTION COSTS

Rising development costs have increased pricing and pushed up rents

Average hourly wages rose 44% over the last decade, outpacing CPI (36%) but lagging the producer price index for construction materials and the North American construction cost index which each rose ~60%

Cost Indices
United States, Q4 2016 – Q1 2026



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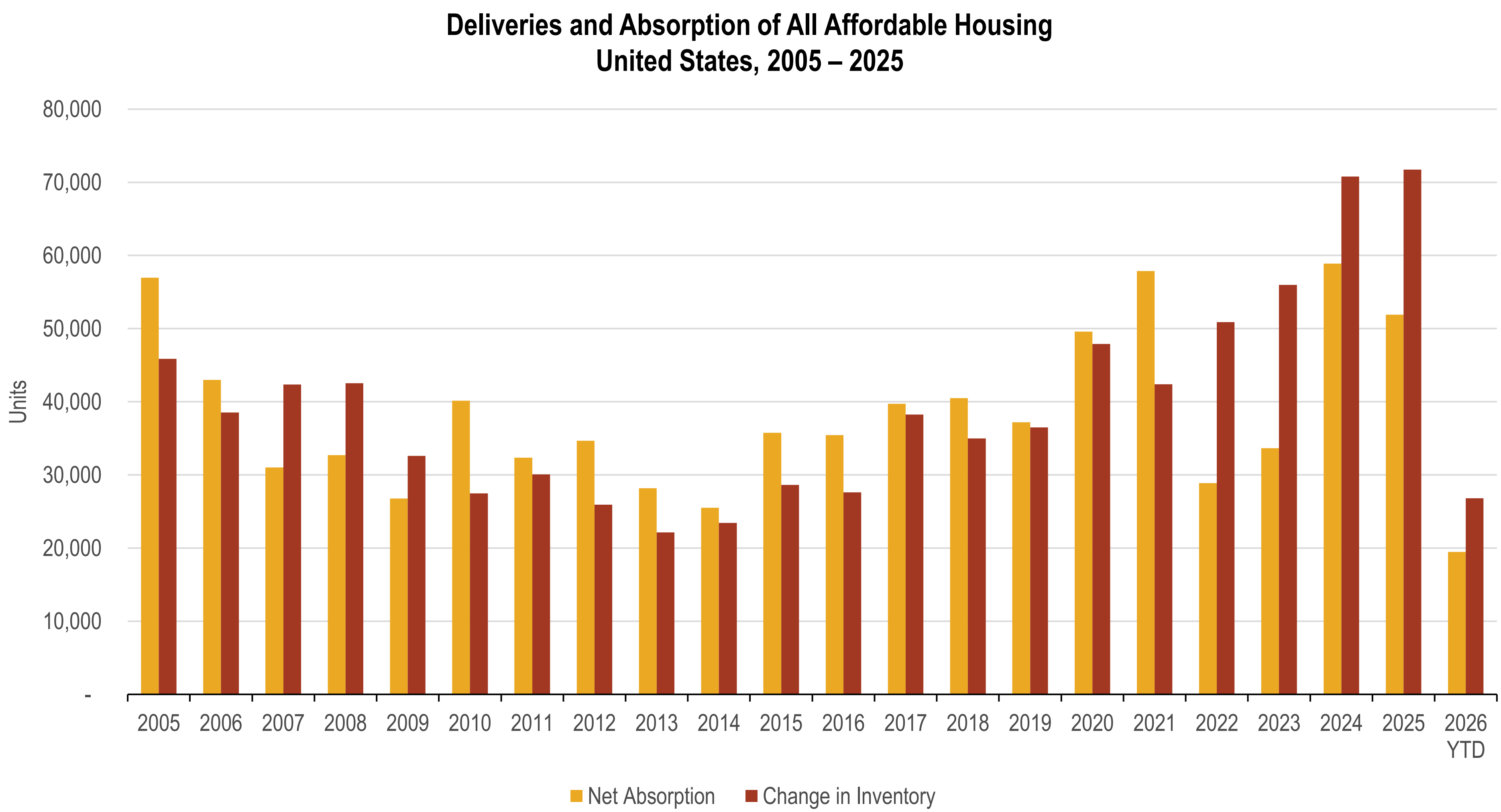
Sources: Bureau of Labor Statistics; Rider Levett Bucknall; RCLCO

III. PERFORMANCE

Operating Fundamentals
Capital Markets
Returns

AFFORDABLE HOUSING DELIVERIES HAVE OUTPACED NET ABSORPTION

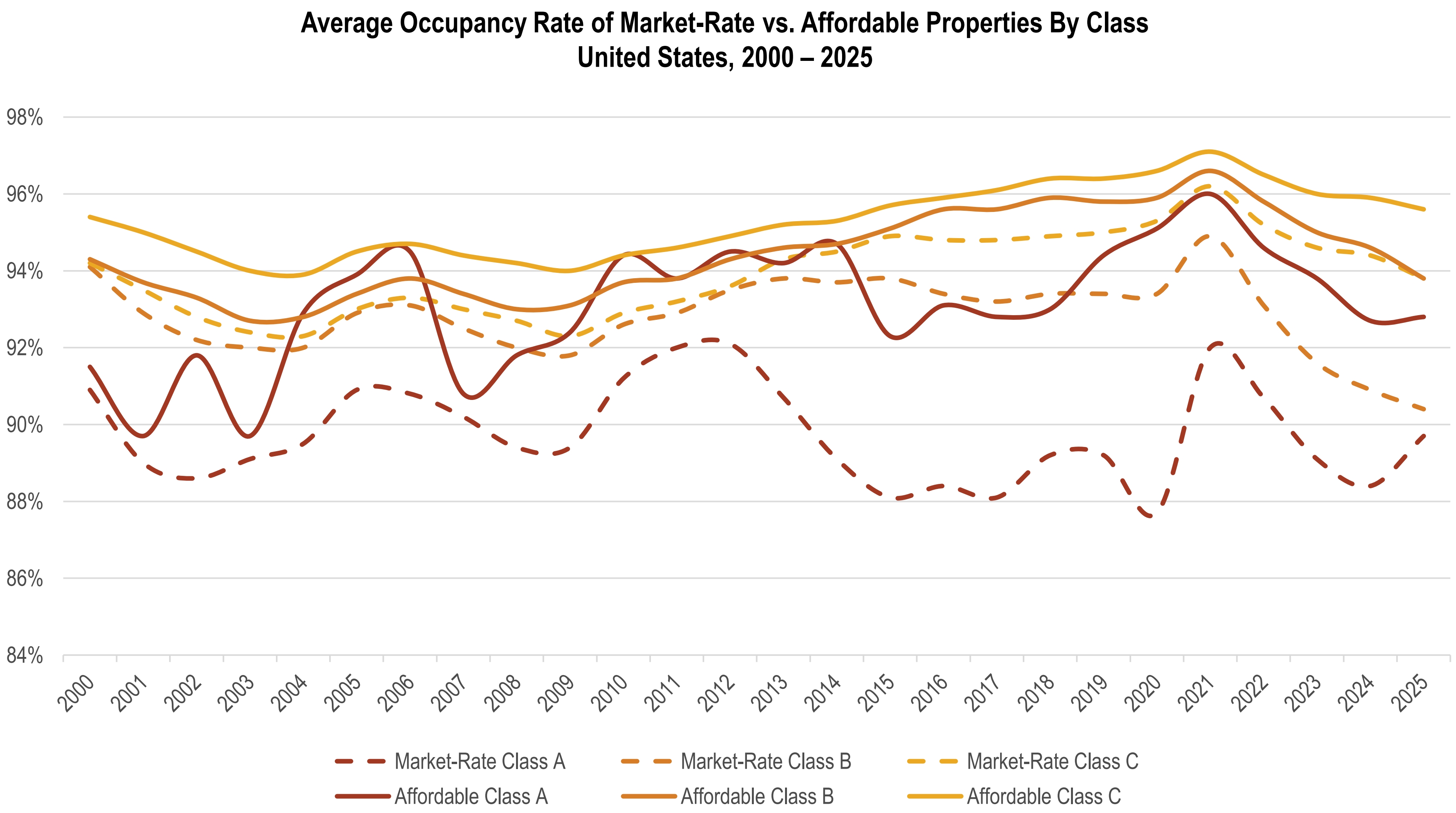
Recent years have seen elevated rates of new supply for affordable multifamily



Sources: CoStar; RCLCO

BUT AFFORDABLE MAINTAINS OCCUPANCY ADVANTAGE OVER MARKET-RATE

Higher occupancies for affordable housing across apartment classes



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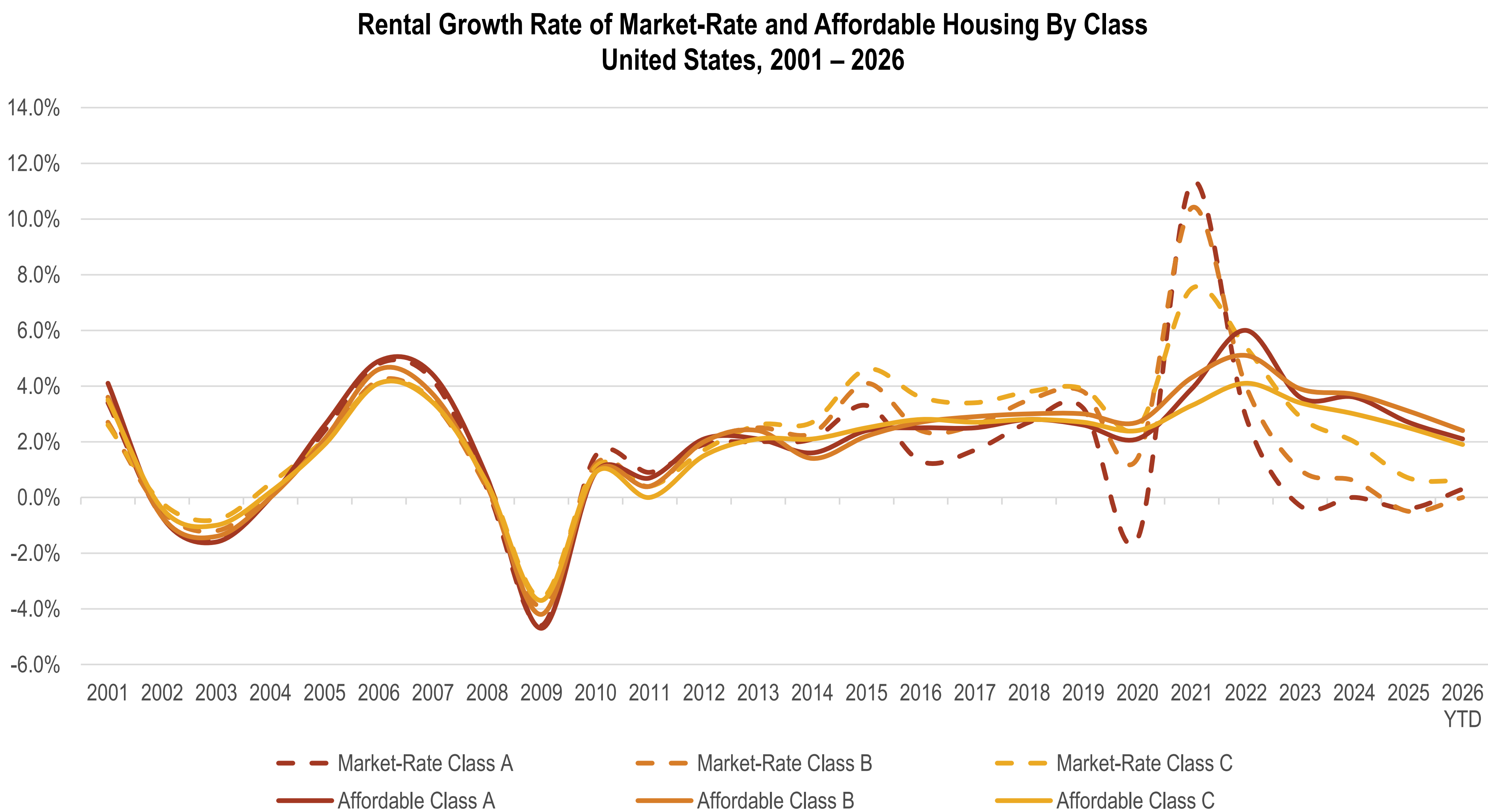
Sources: CoStar; RCLCO

AFFORDABLE RENT GROWTH ALSO OUTPACING MARKET-RATE

Affordable housing rent growth less volatile and outperformed in recent down cycle



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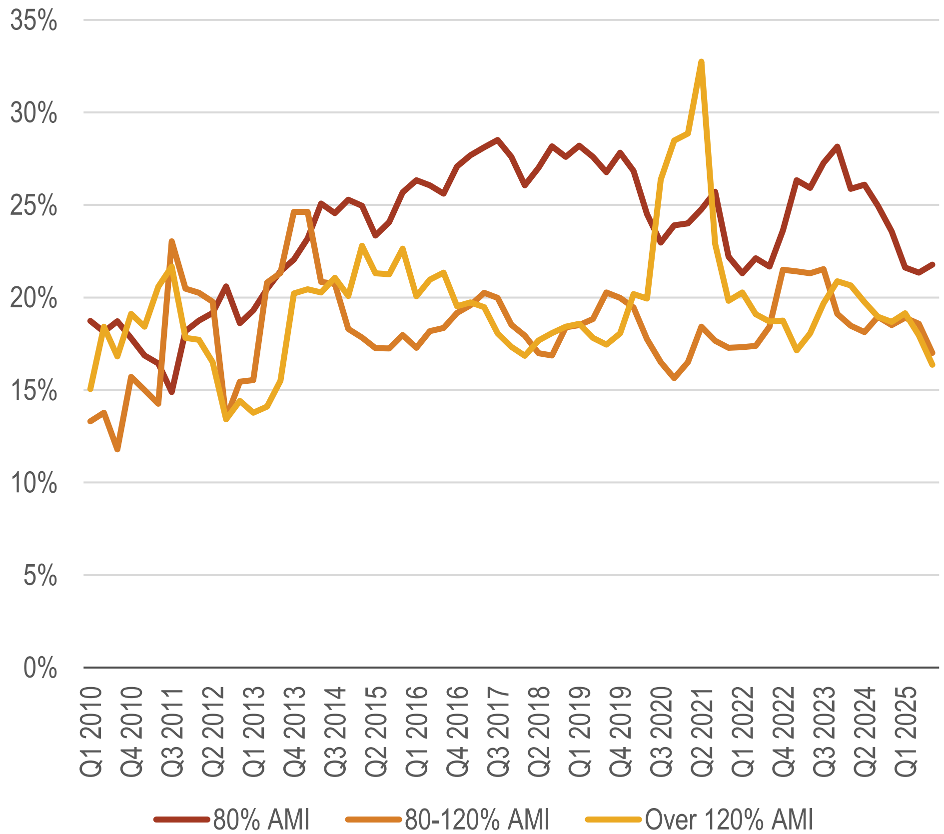
Sources: CoStar; RCLCO

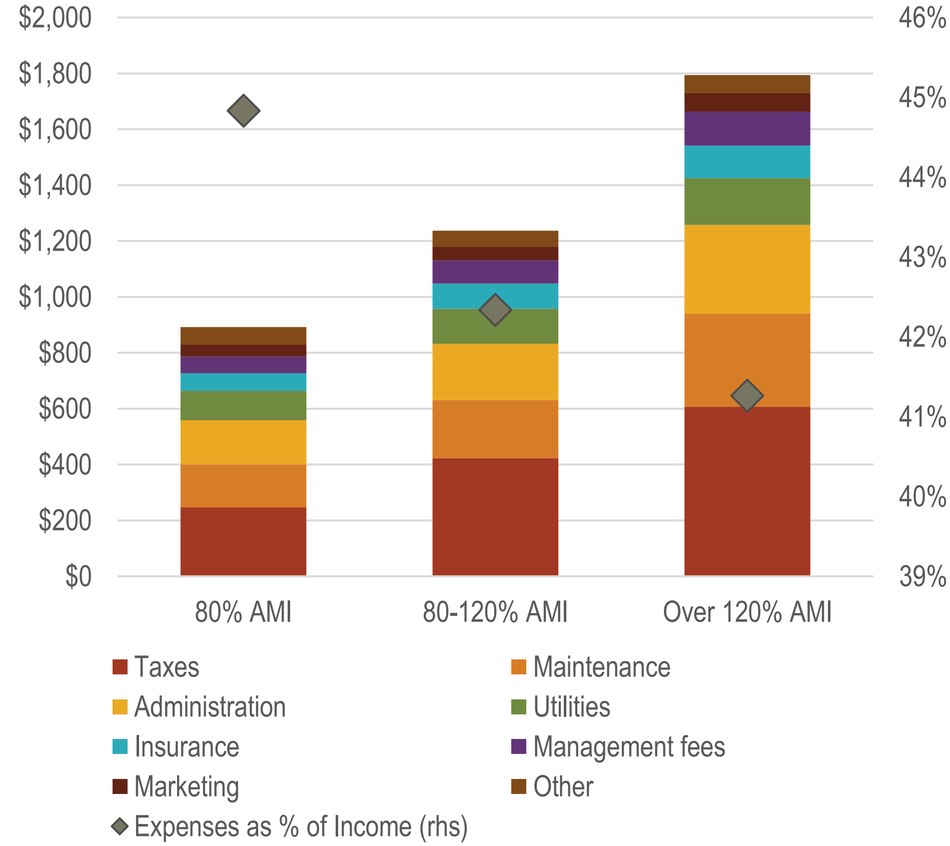
HIGHER CAPEX AND OPERATING EXPENSES RELATIVE TO INCOME

Lower absolute capex and expenses per unit for institutionally-owned affordable apartments in the NCREIF Property Index (NPI)

Trailing 4Q CapEx as % of NOI
NPI Apartments by Affordability, 2010 – 2025



Monthly Expenses per Unit
NPI Apartments by Affordability, 2010 – 2025



Note: Affordability is defined as rents less than 30% of the specified income threshold.
Sources: NCREIF; RCLCO

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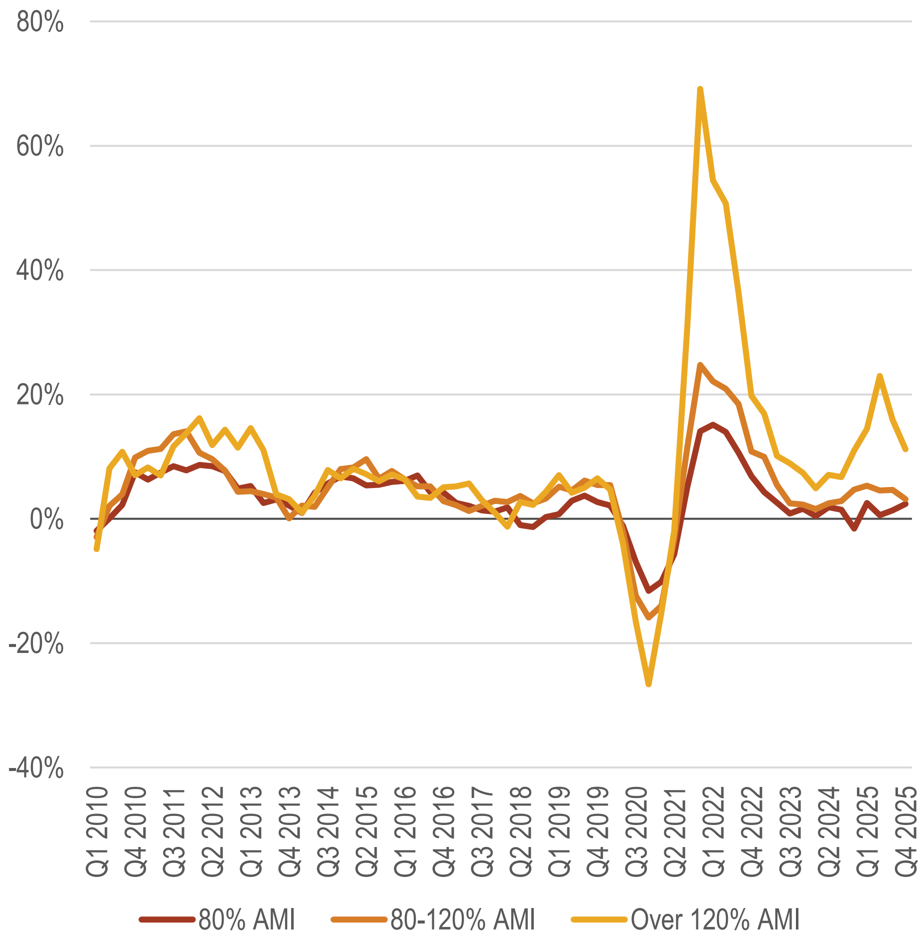
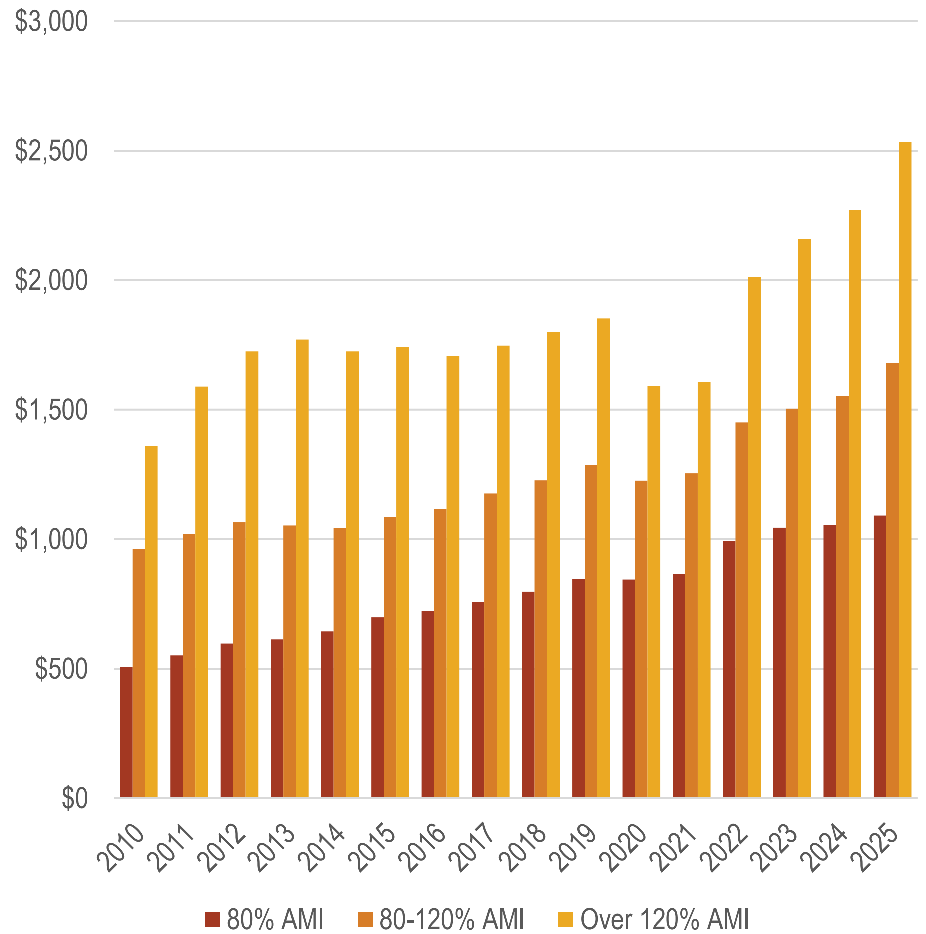
NOI GROWTH IS MORE STABLE IN AFFORDABLE NPI

Incomes and growth are lower but less volatile than in less affordable apartments

Trailing 4Q Same-Store NOI Growth
NPI Apartments by Affordability, 2010 – 2025



Monthly NOI per Unit
NPI Apartments by Affordability, 2010 – 2025



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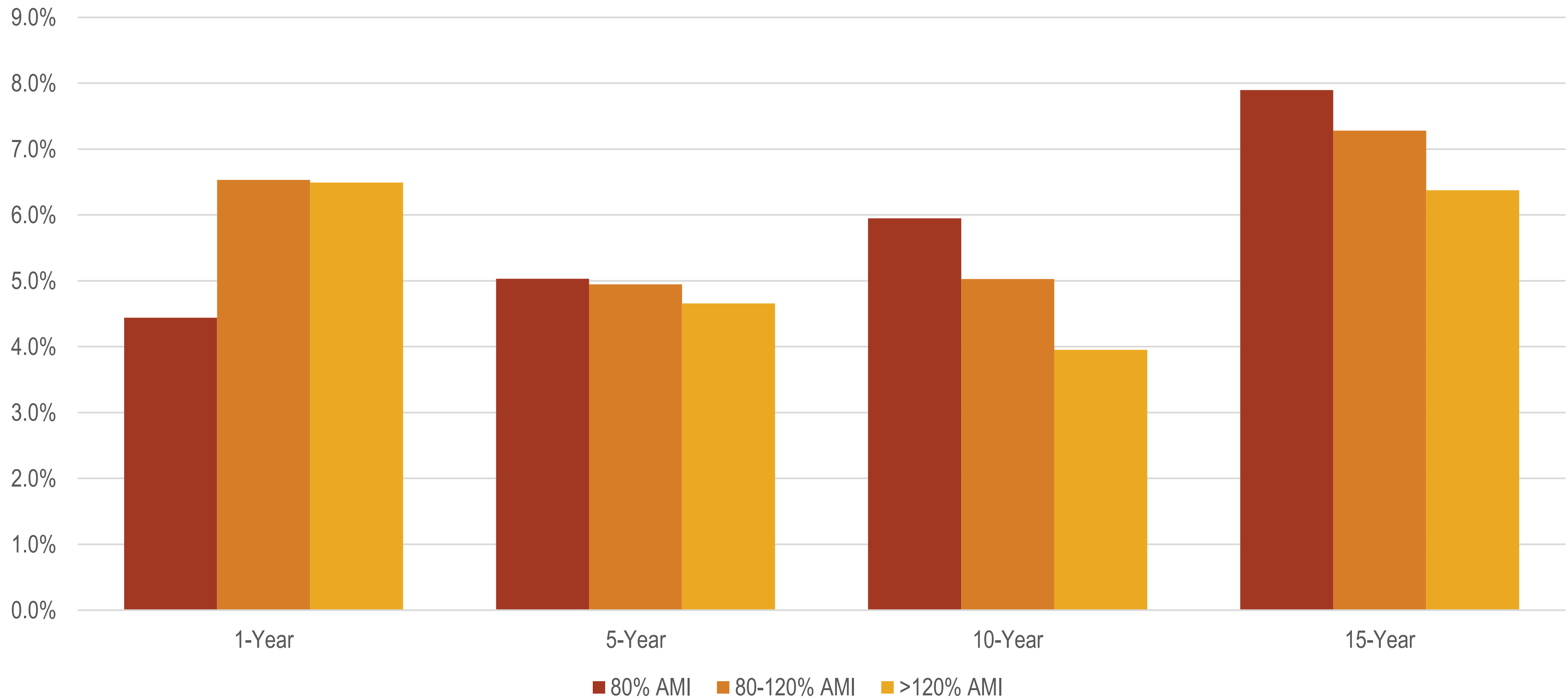
Note: Affordability is defined as rents less than 30% of the specified income threshold.
Sources: NCREIF; RCLCO

AFFORDABLE RETURNS OUTPERFORMED IN THE NPI OVER THE LAST DECADE

Affordable apartment returns lagged more recently but led in the mid- to long-term

Annual NPI Apartment Returns by Affordability
United States, As of Q4 2025



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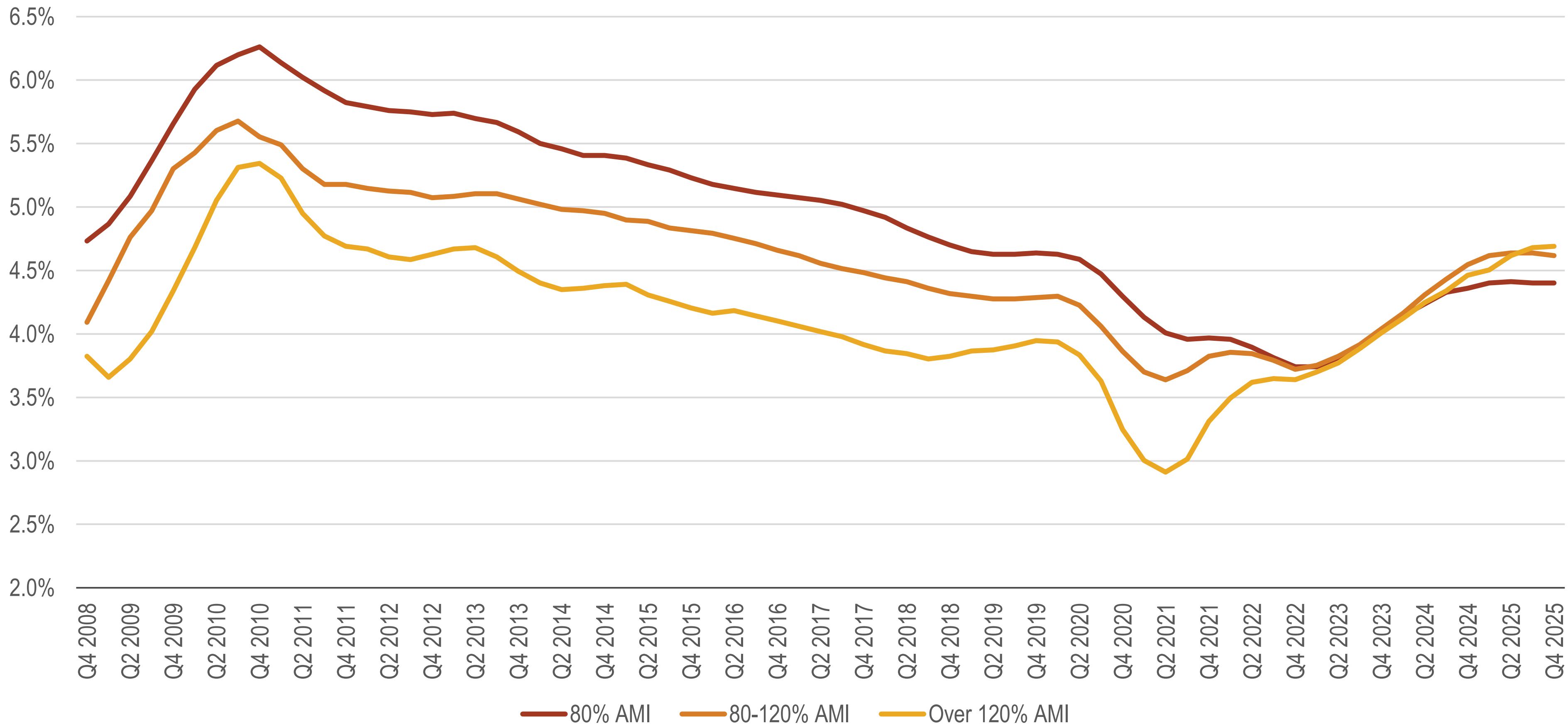
Note: Affordability is defined as rents less than 30% of the specified income threshold. Data are as of 2025 Q4
Source: NCREIF

LOW YIELDS FOR AFFORDABLE APARTMENTS IN THE NPI

Recent spread inversion suggests increasing appetite for affordable housing among institutional investors in the NCREIF Property Index (NPI)

Trailing 4Q NPI Income Return by Affordability
United States, As of Q4 2025



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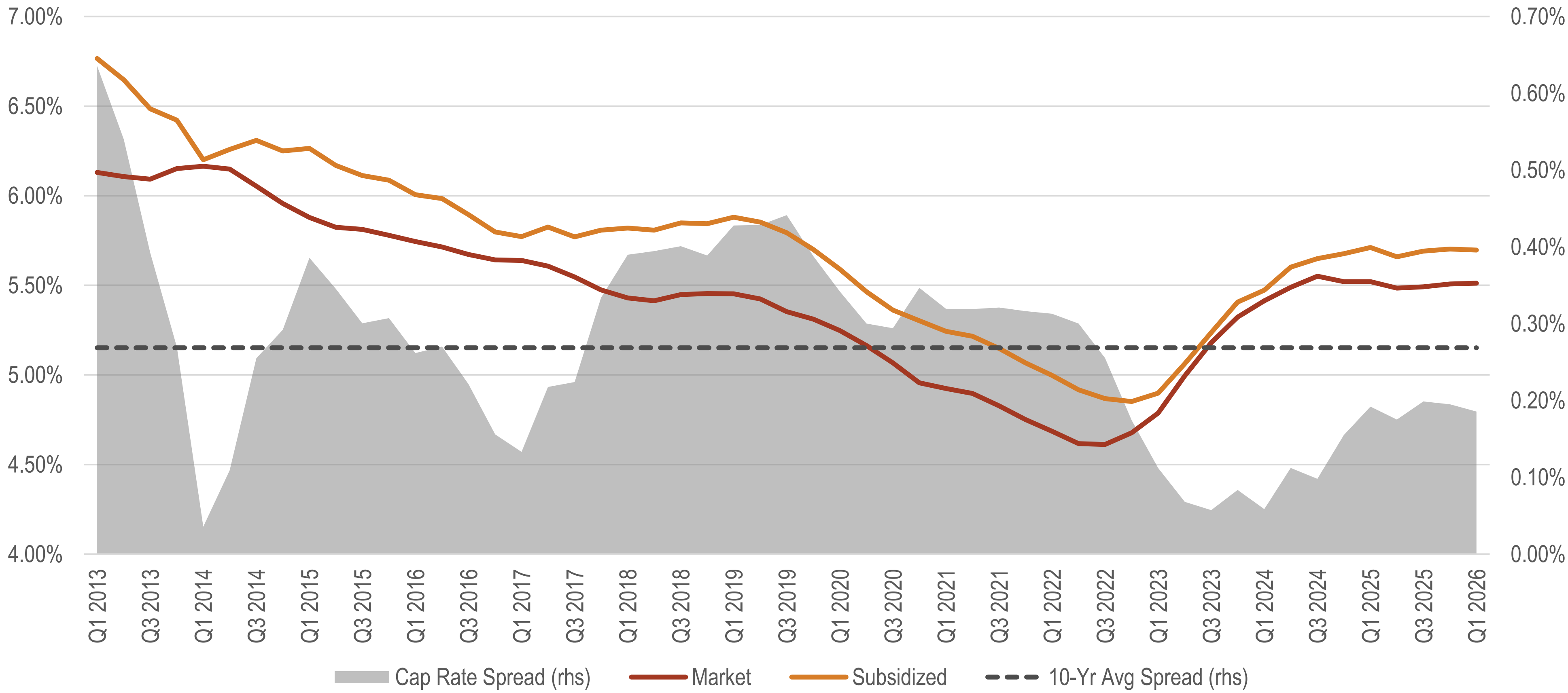
Note: Affordability is defined as rents less than 30% of the specified income threshold.
Source: NCREIF

CAP RATE SPREAD NEAR HISTORICAL AVERAGE

Spread narrowed post-pandemic but has since normalized as both subsidized and market-rate cap rates have increased

Cap Rates by Apartment Product Type
United States, Q1 2013 – Q1 2026



Note: The data above represent the entire universe of transactions for market-rate vs. subsidized apartments whereas the NPI data previously cited are for institutionally-owned properties at specified rent-to-income levels.
Sources: MSCI; RCLCO

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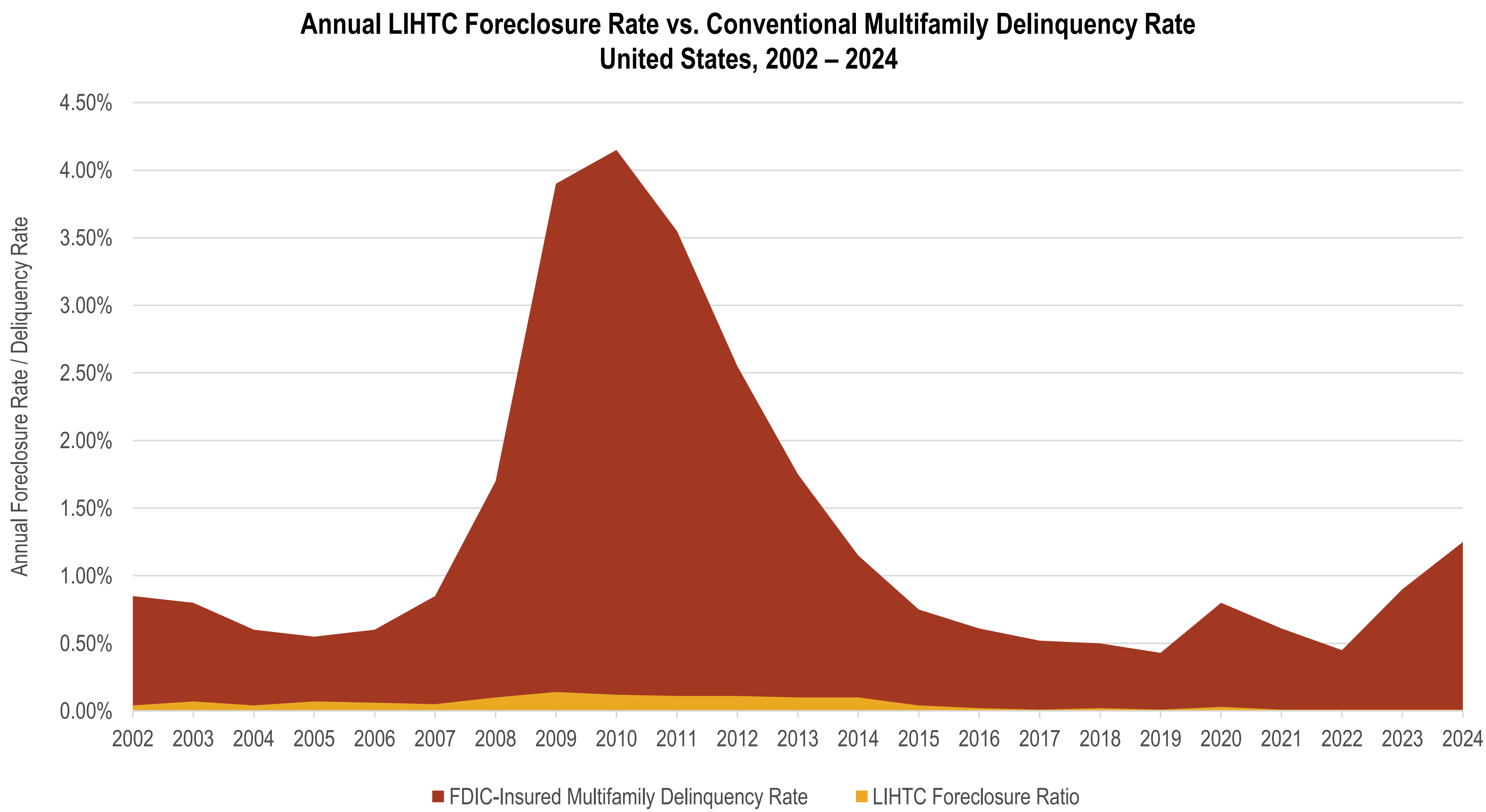
FORECLOSURE RATES DRAMATICALLY LOWER

LIHTC properties far outperform conventional multifamily delinquency rates



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Source: CohnReznick 2024

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