

THE HFA INSTITUTE 2025

Multifamily Performance Trends



National Council of
State Housing Agencies



**MRBs and
Other Federal
Homeownership
Programs**
JANUARY 15 – 17



Housing Credit
JANUARY 14 – 16



**Section 8 and
Other Federally
Assisted
Multifamily
Housing**
JANUARY 15 – 17



**HOME and
Housing Trust
Fund**
JANUARY 12 – 14



DISCUSSION LEADER

MATT RAYBURN

Deputy Executive Director and Chief Real Estate Development Officer | Indiana Housing and Community Development Authority

SPEAKERS

JEFF ADLER

Vice President | Yardi

JEFFREY CONNOLLY

Senior Vice President, Asset Management | Enterprise Housing Credit Investments

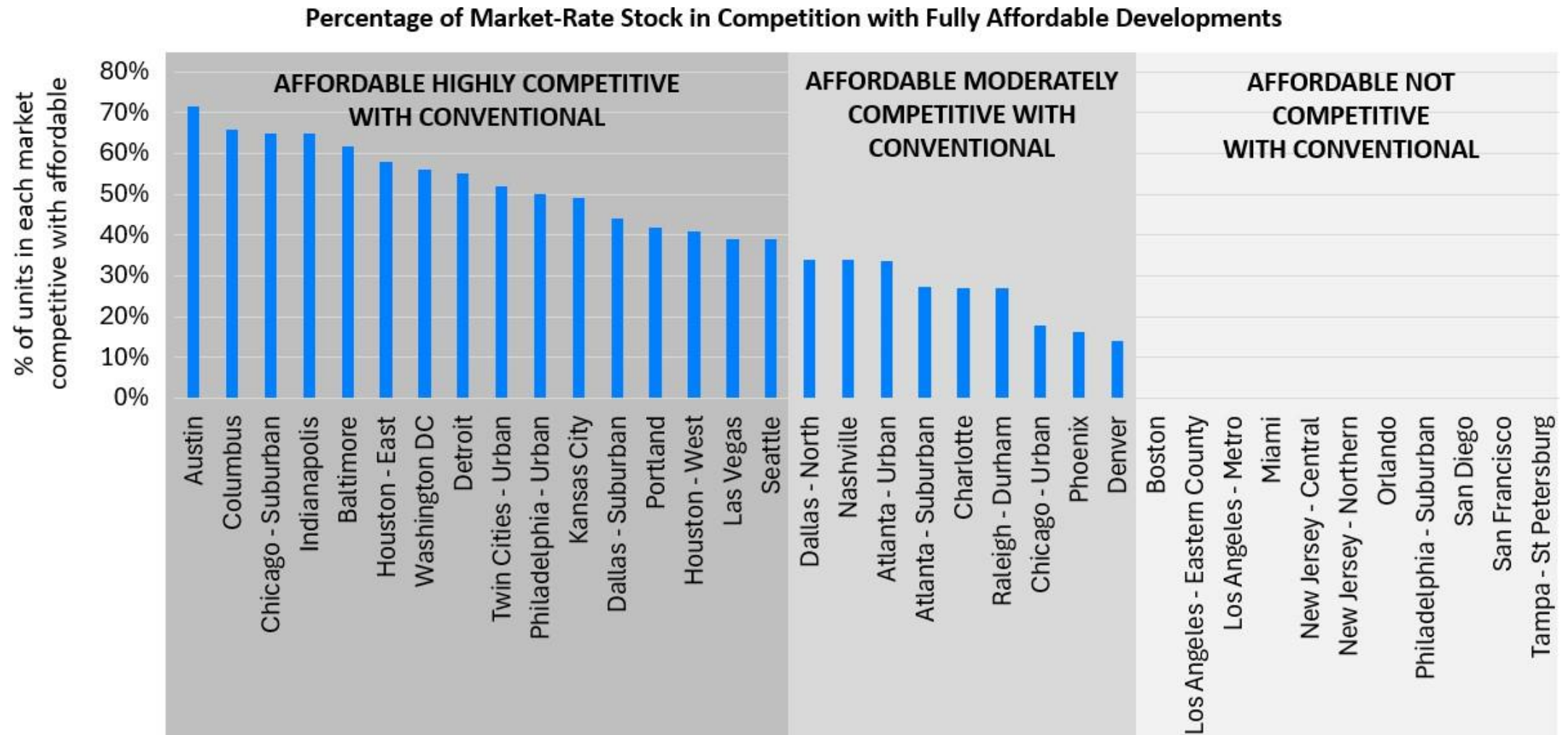
ALEX MELIKAN

Director, Investment Management | MRI Software/TCAM

ANDREA PONSOR

President and Chief Executive Officer | Stewards of Affordable Housing for the Future

In Some Markets, Affordable Housing is Highly Competitive with Conventional



Average AMI (Area Median Income) Percent Metric is the Basis for the Analysis

Number of Units	304
Address	14115 North Highway 183 Austin, TX 78717
Website	View
Market	Austin
Submarket	3 - Cedar Park
Phone	
Improvements Rating	
Location Rating	
Location Class	
Completion Year	

Property Unit Breakdown
[Collapsed](#) | [Expanded](#) | ☐ Include Bedroom count and rates

Unit Type	Unit		Actual Rent
	Count	% of Total	Per Unit
One Bedroom	217	71.38%	\$1,631
Two Bedroom/One and Three Quarter Bath	87	28.62%	\$2,133
	304	100.00%	\$1,775

Average AMI Percent 71%

Owner [Groups](#)
 Security Properties
 Bob Krokower
 (206) 622-9900
 701 5th Avenue #5700 Seattle, WA 98104

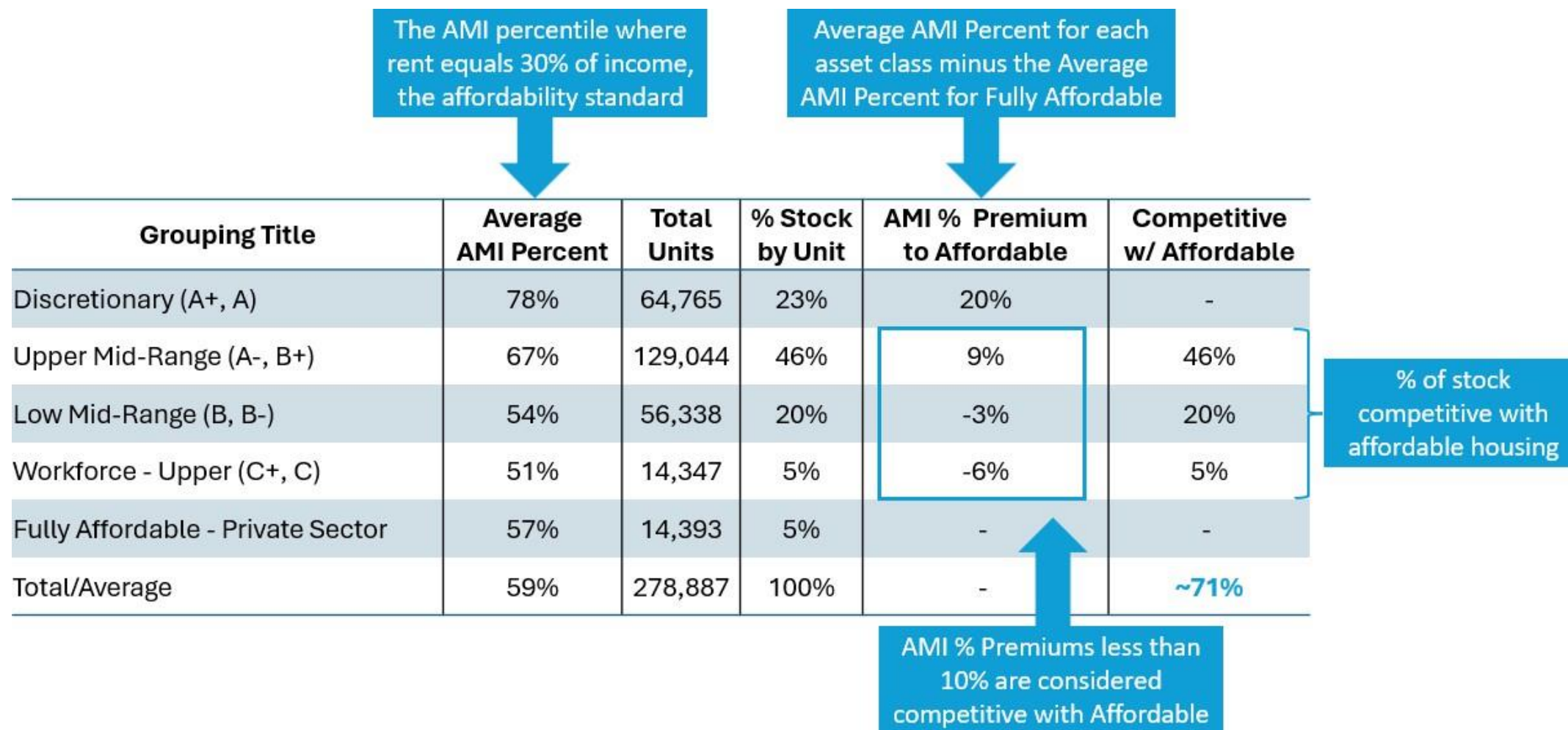
Manager [Groups](#)
 Security Properties Residential
 Tali Reiner
 (206) 787-8481
 701 5th Avenue #5700 Seattle, WA 98104

"Affordability" is defined as housing costs that consume 30% of gross household income

Actual rents are used to determine the AMI level where housing costs would be considered affordable

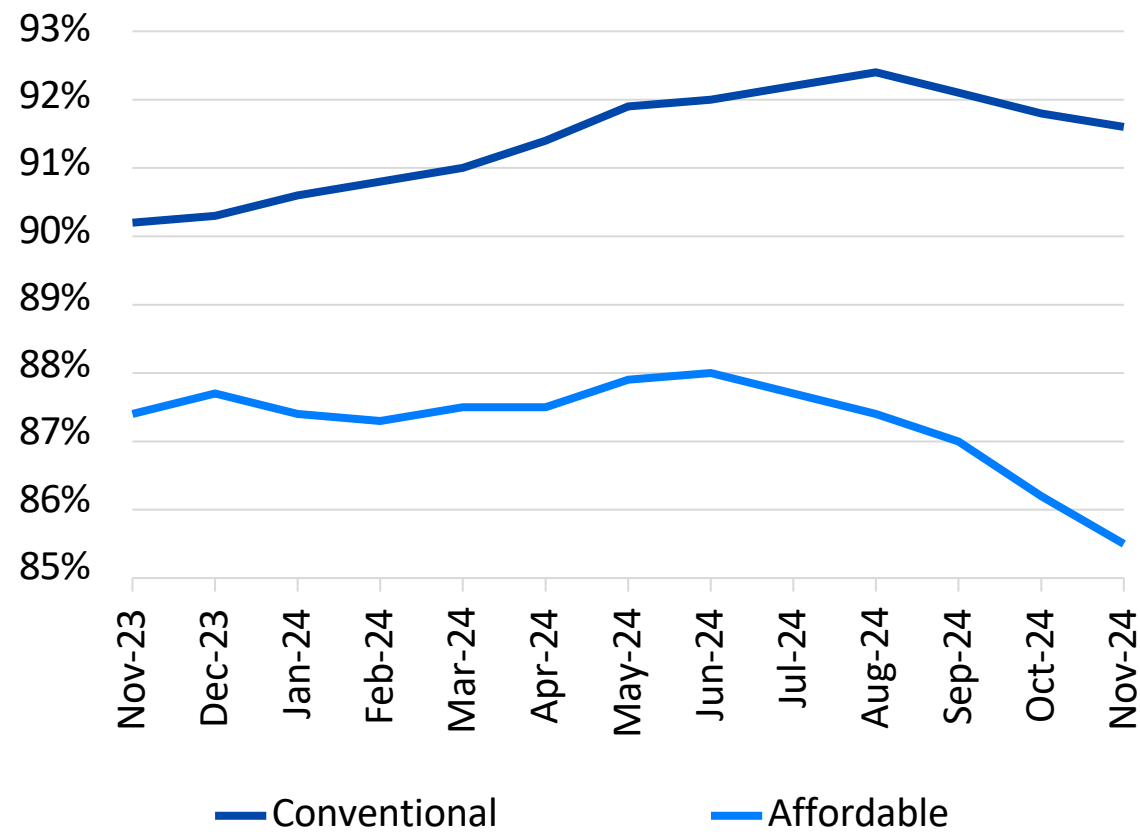
On average, the rents at this property are "affordable" to households earning 71% of the county's Area Median Income (AMI)

Austin's Affordable Housing is Highly Competitive with Conventional Multifamily



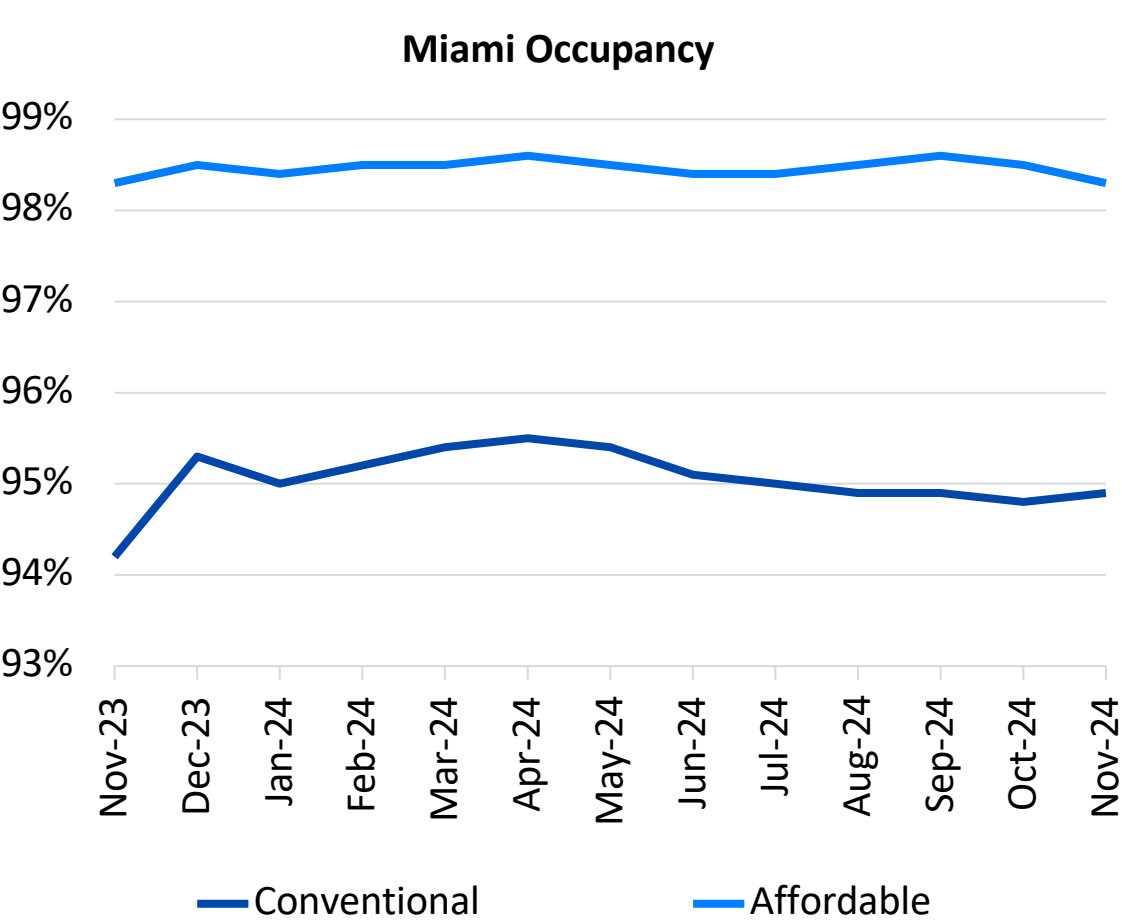
Austin’s Affordable Housing Occupancy is Below Conventional,
Since It’s Highly Competitive and Conventional Requires Less Compliance

Austin Occupancy



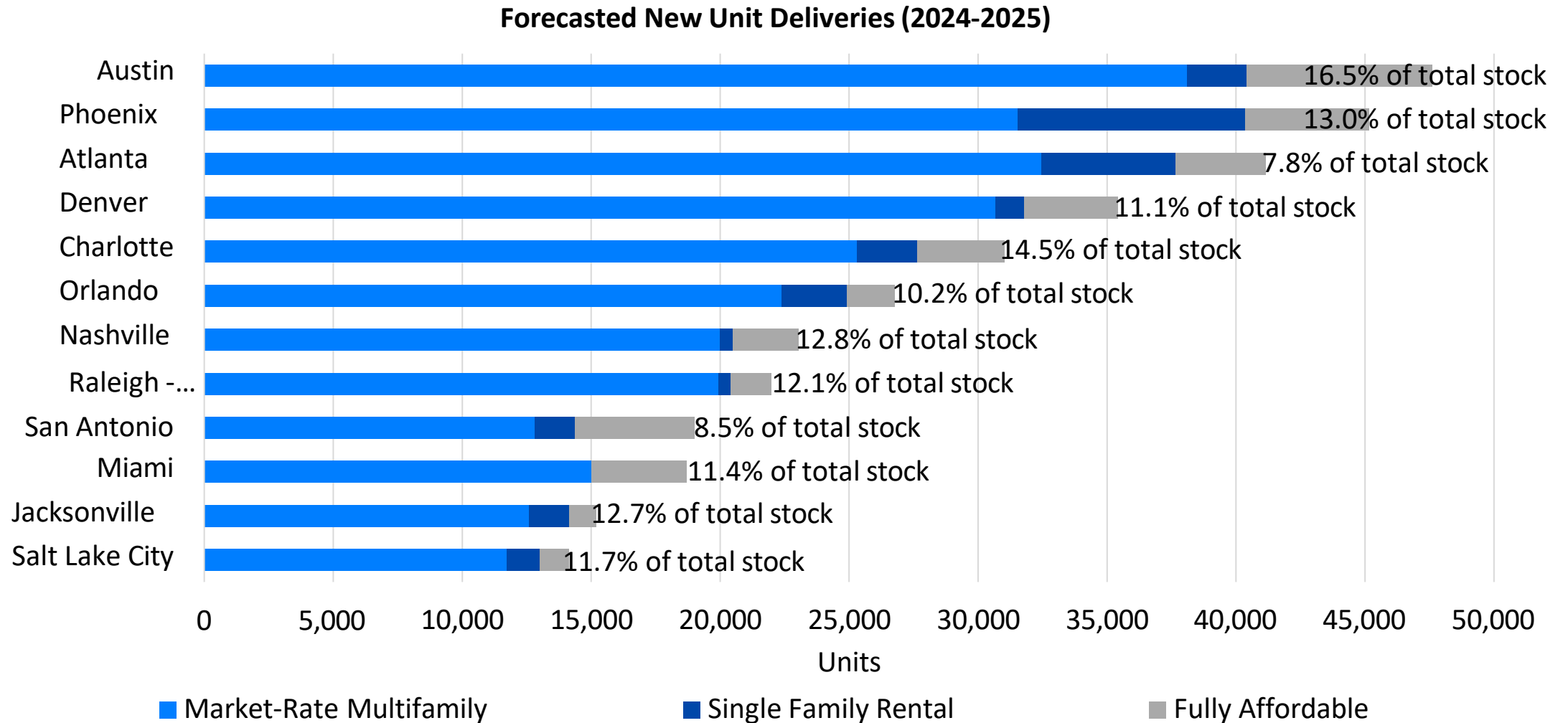
	Conventional	Affordable
Operating Income (Annual per unit)	\$19,262 (-2.8% YoY)	\$14,007 (+5.0% YoY)
Operating Expense (Annual per unit)	\$10,220 (-0.8% YoY)	\$7,711 (+7.4% YoY)
NOI (Annual per unit)	\$9,042 (-5.0% YoY)	\$6,296 (+2.4% YoY)
Turnover %	50.4%	36.0%

Miami’s Affordable Housing Occupancy is Higher Than Conventional
Since There’s Not a Lot of Competitive Stock in the Market

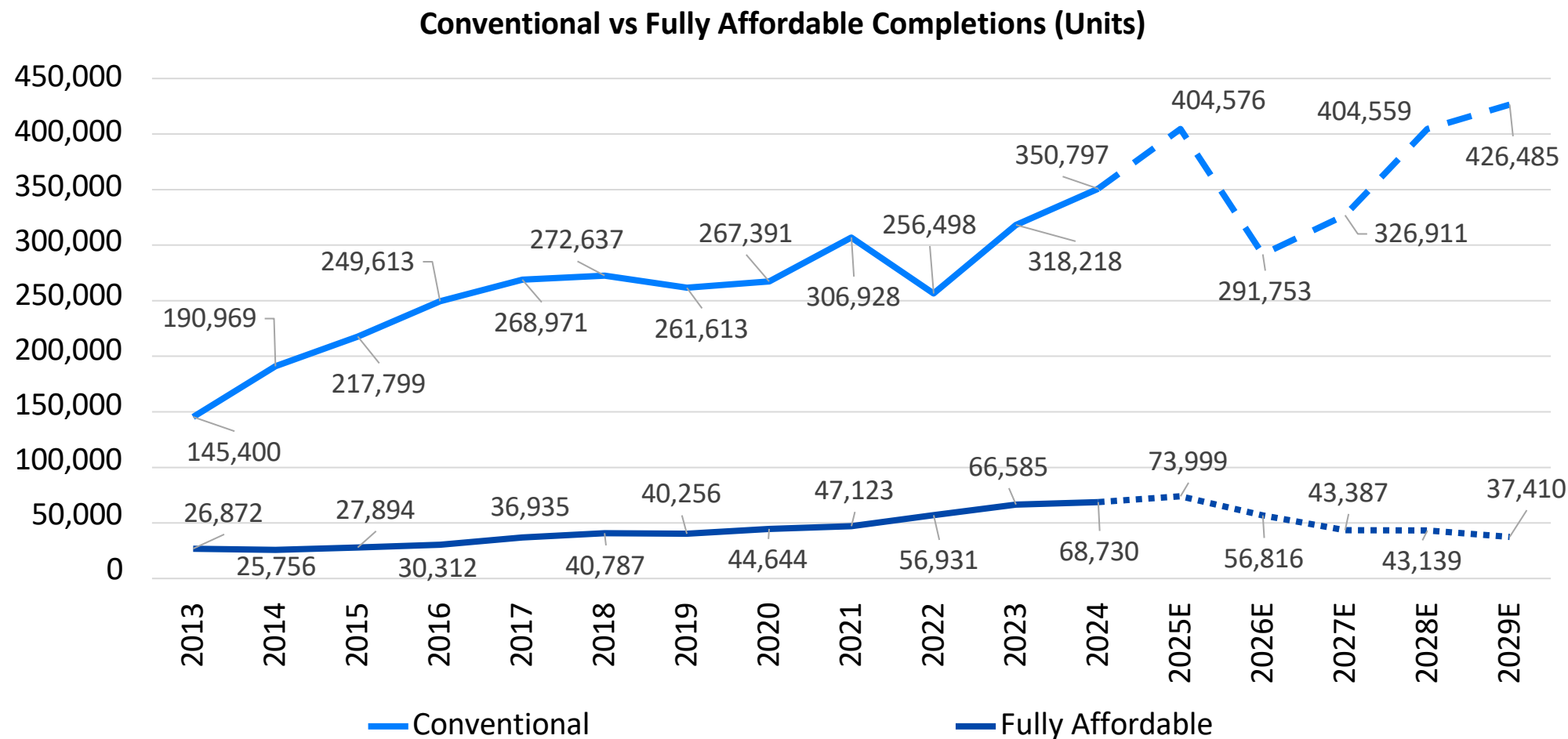


	Conventional	Affordable
Operating Income (Annual per unit)	\$29,757 (+3.7% YoY)	\$17,239 (+9.2% YoY)
Operating Expense (Annual per unit)	\$13,568 (+5.0% YoY)	\$8,033 (+7.4% YoY)
NOI (Annual per unit)	\$16,189 (+2.7% YoY)	\$9,206 (+17.2% YoY)
Turnover %	38.4%	12.0%

There are ~15-20 Markets with a Lot of Supply to Digest in '24- '25

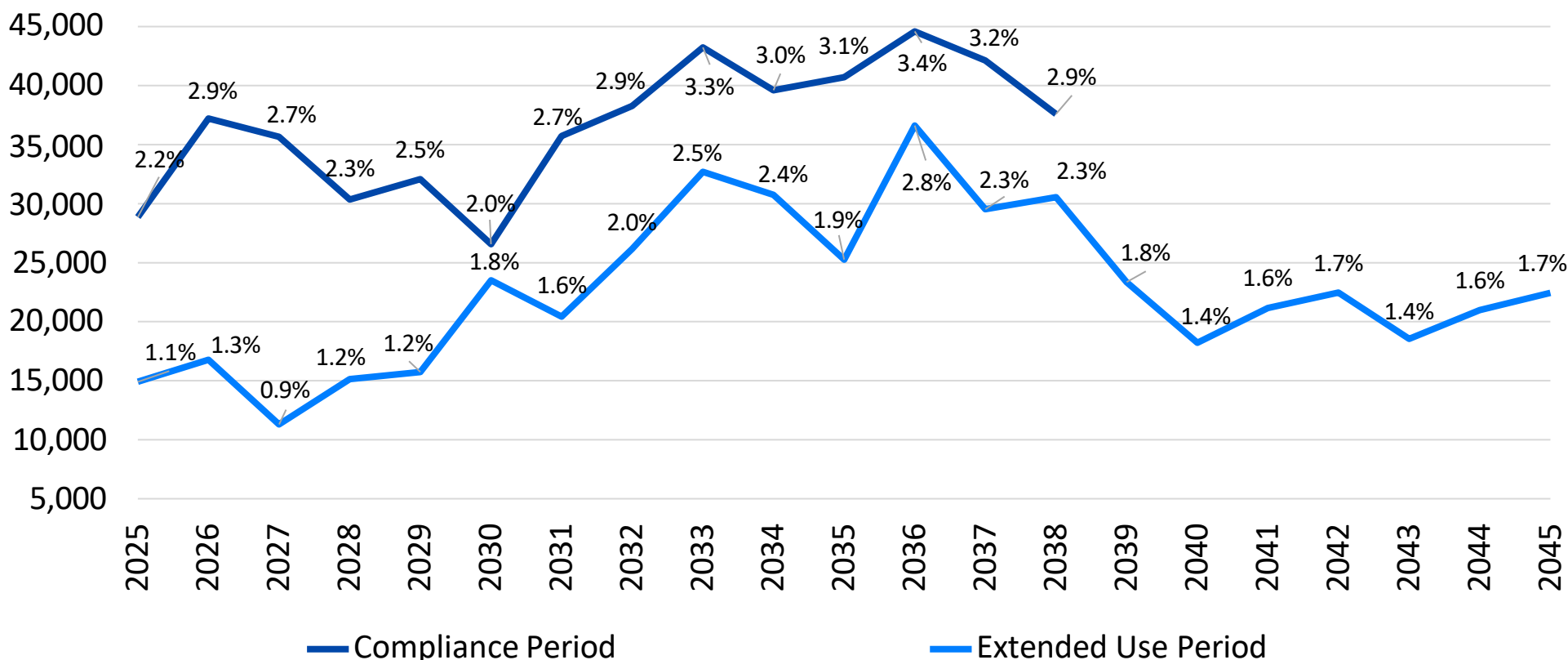


Deliveries for Fully Affordable Units Are Projected to Peak This Year Before Significantly Dropping in the Years to Come, Unless Something Changes



As Affordable Units Reach the End of their Compliance Periods, A Need for Preservation Strategies is Evident

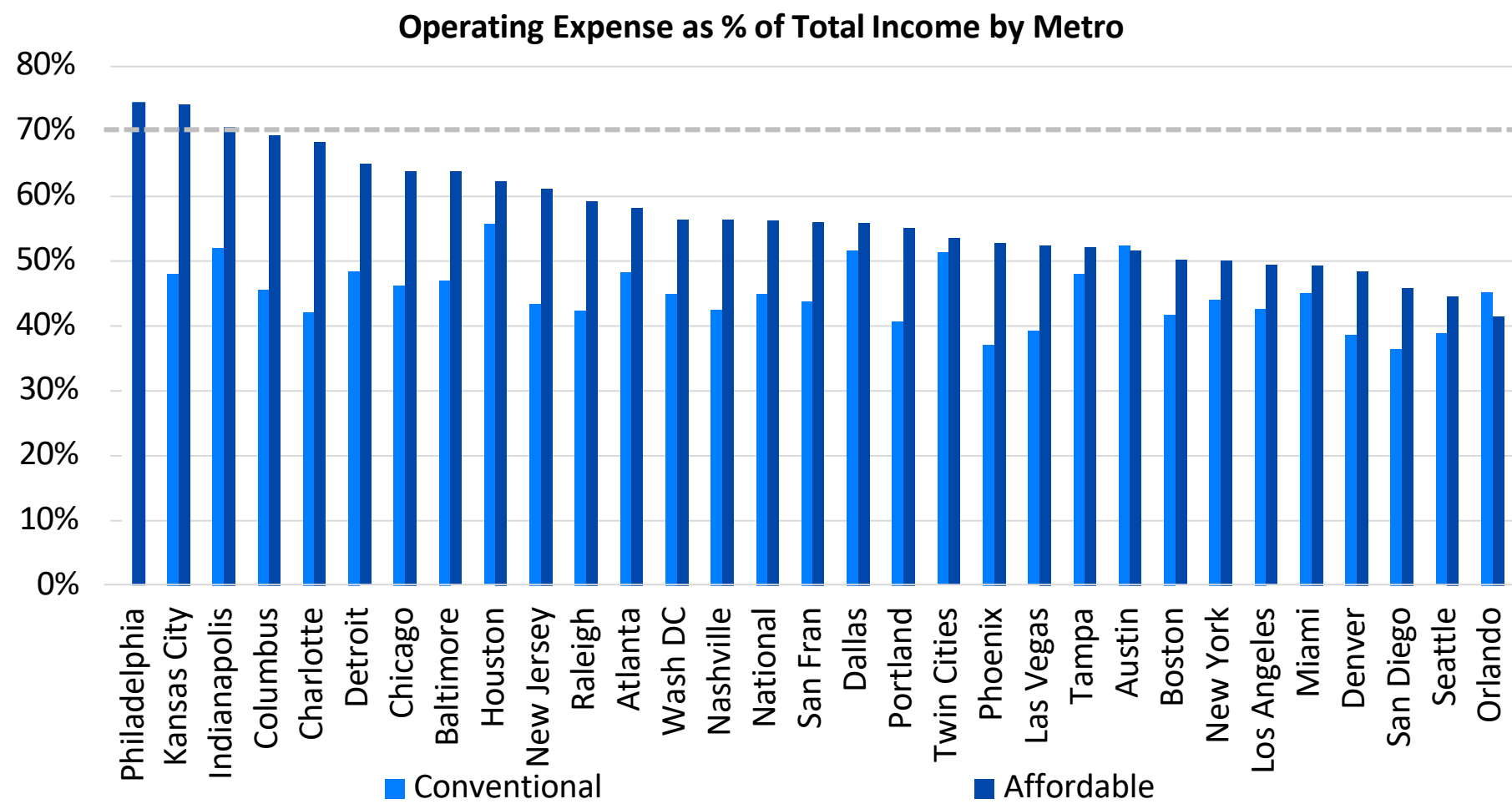
**Number of Private Sector Units with Expiring Compliance
and Extended Use Periods and Percentage of Total LIHTC Units**



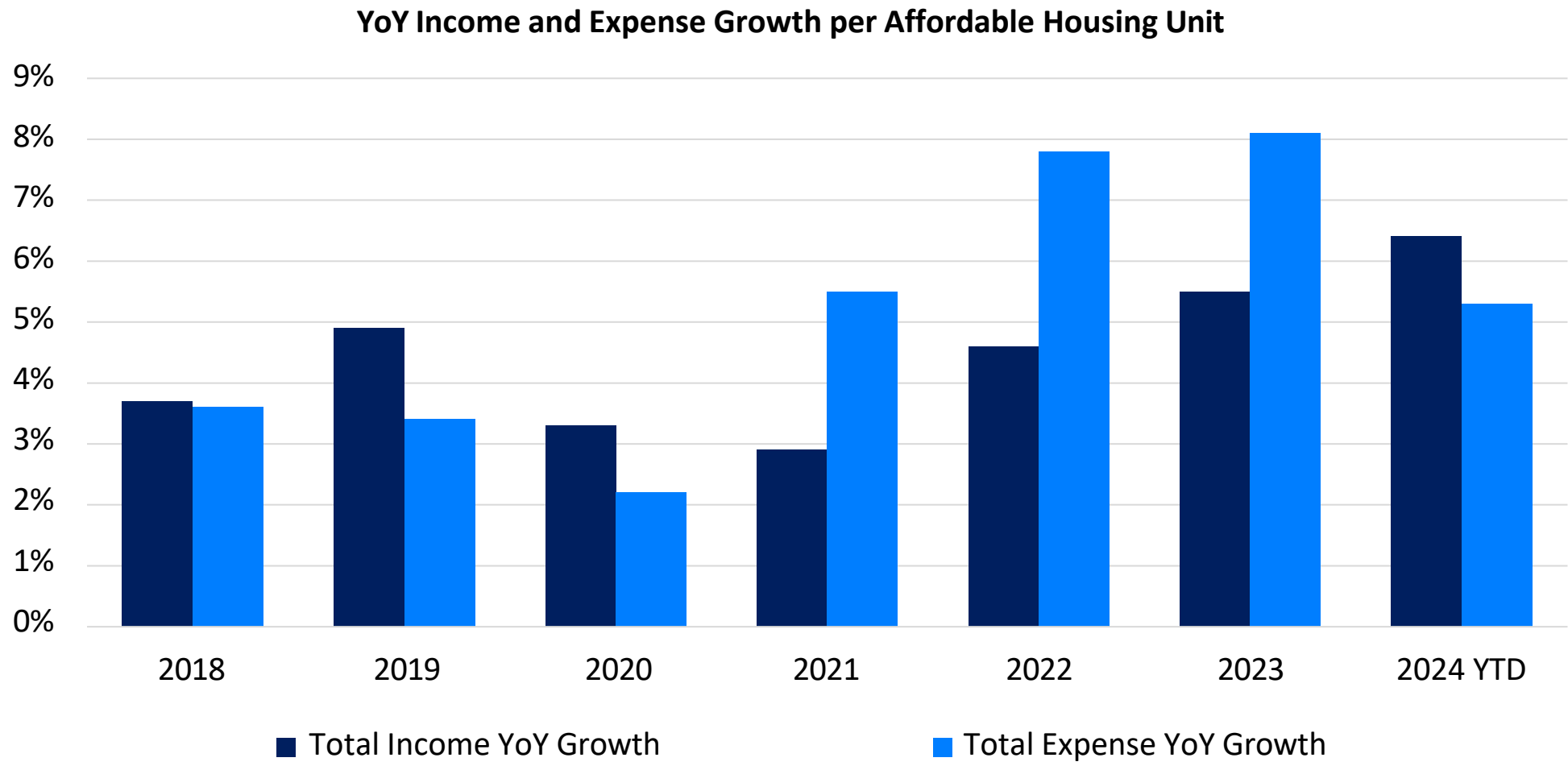
Only Fully Affordable - Private Sector Units are included. Percentage values calculated as number of private sector units expiring divided by total LIHTC units

Data as of December 2024 | Source: Yardi Matrix

Affordable Units Have Higher OpEx as a % of Income Than Conventional in Most Markets, With Three Above 70%



Income Growth Outpaced Total Affordable Operating Expenses in 2024, but 2021-2023 Were Tough Years

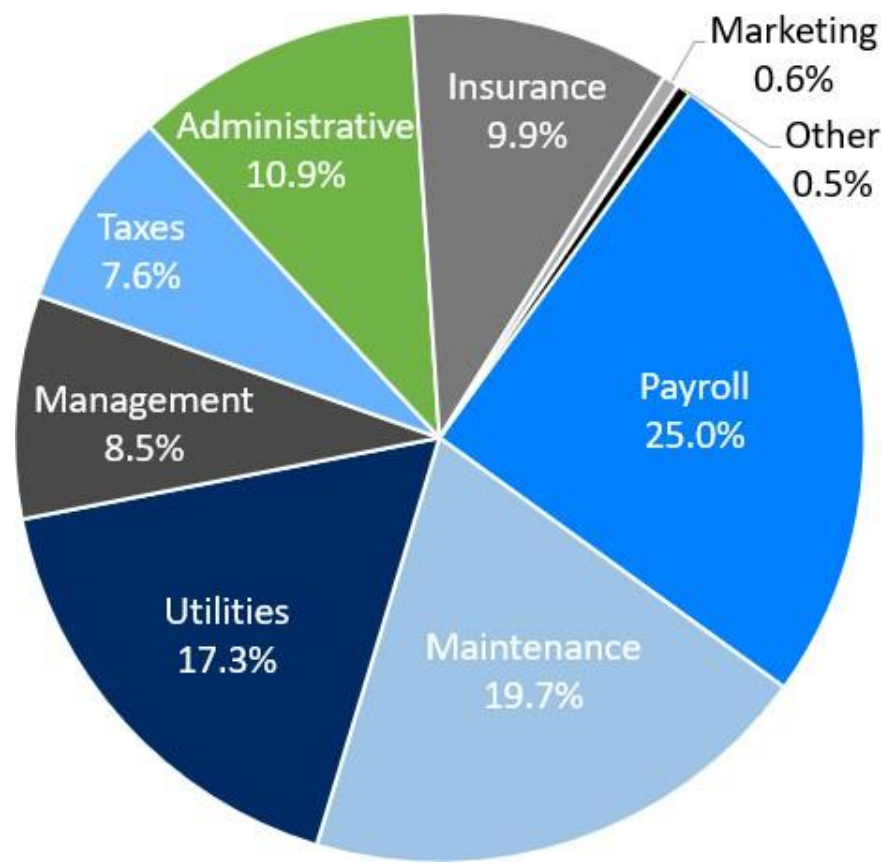


YoY \$ and % Change in Annual Operating Expenses per Affordable Unit



Total Operating Expenses by Category for Affordable Housing
Total NOI Growth was Positive Despite Significant Increase in Insurance Costs

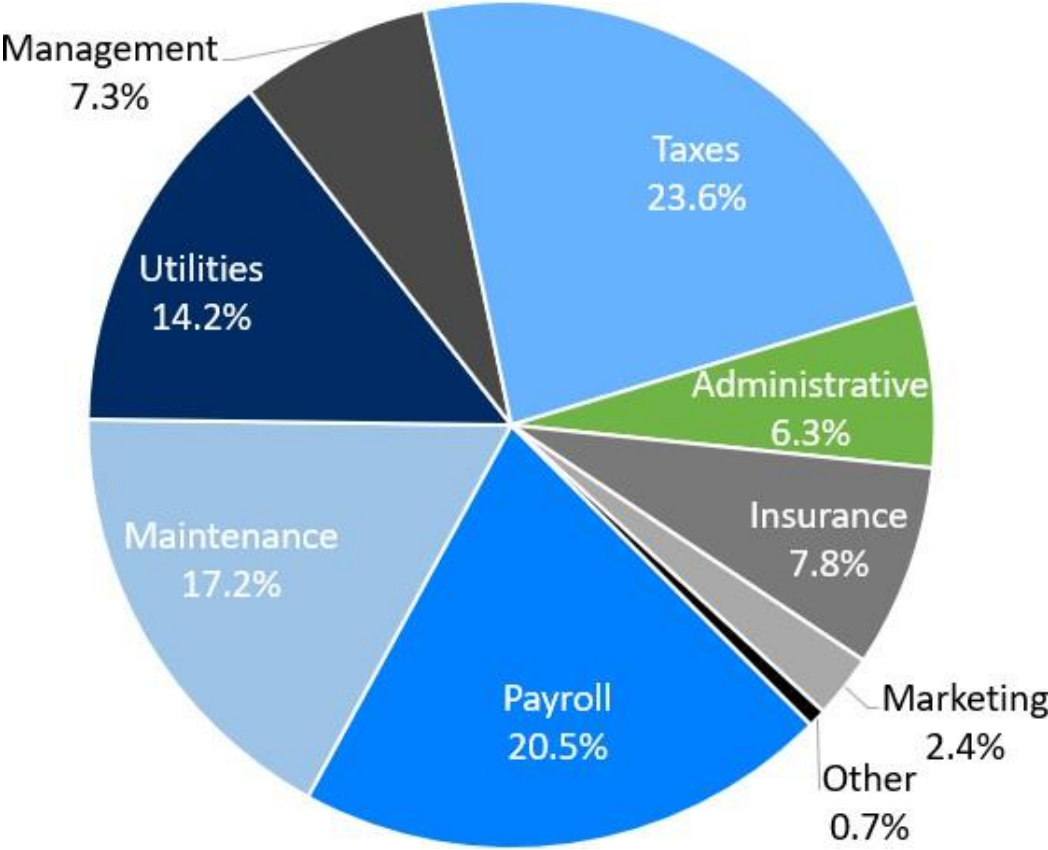
% of Total Expenses per Affordable Housing Unit by Category



Expense Category	Annual Expense Per Unit	YoY % Growth
Payroll	\$2,076	5.5%
Maintenance	\$1,636	5.1%
Utilities	\$1,435	2.2%
Administrative	\$904	7.5%
Insurance	\$825	17.1%
Management	\$706	4.8%
Taxes	\$635	2.0%
Marketing	\$51	20.2%
Other	\$43	23.8%
Total Expense	\$8,311	5.9%
Total NOI	\$6,523	8.4%

Total Operating Expenses by Category for Conventional Housing
Total NOI Growth was Positive Despite Significant Increase in Insurance Costs

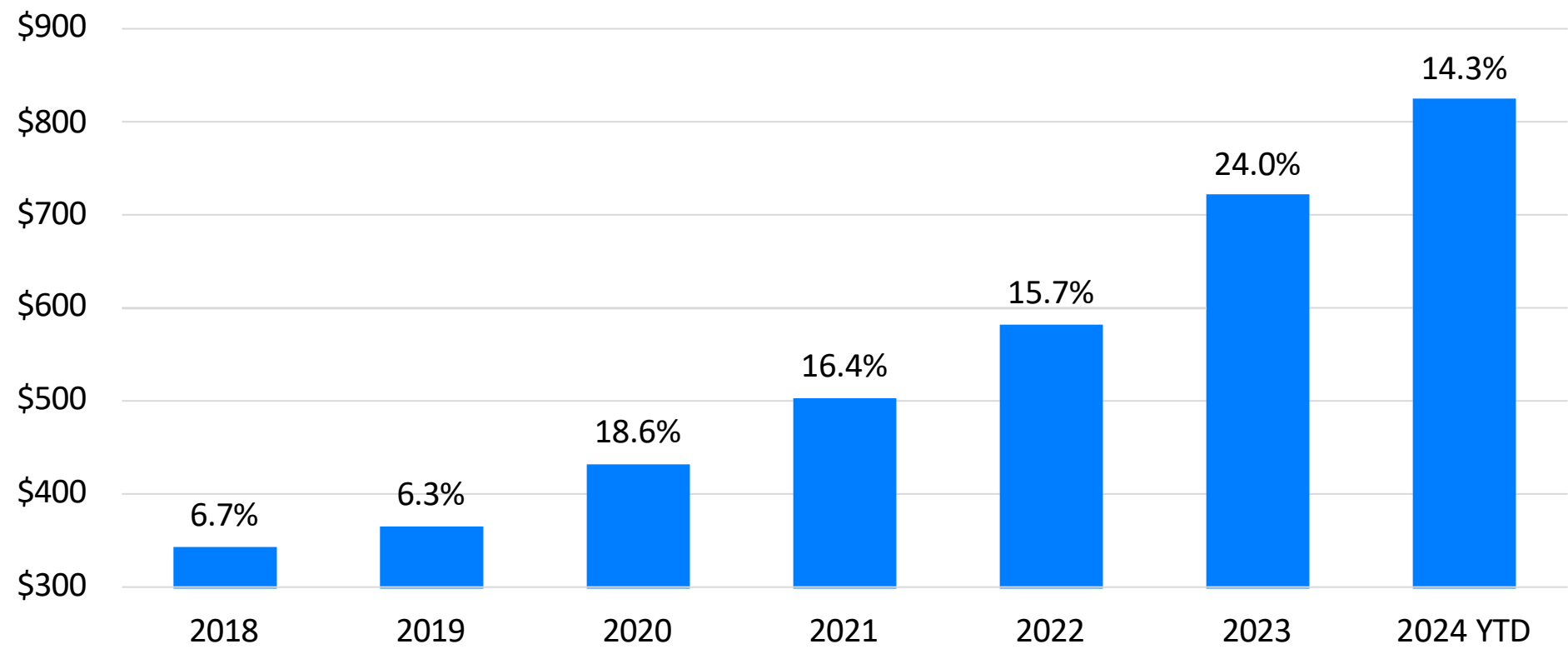
% of Total Expenses per Conventional Housing Unit by Category



Expense Category	Annual Expense Per Unit	YoY % Growth
Taxes	\$2,184	2.9%
Payroll	\$1,893	4.1%
Maintenance	\$1,593	3.0%
Utilities	\$1,312	3.5%
Insurance	\$717	18.7%
Management	\$675	1.2%
Administrative	\$580	6.3%
Marketing	\$226	11.4%
Other	\$63	21.4%
Total Expense	\$9,243	4.7%
Total NOI	\$11,599	2.7%

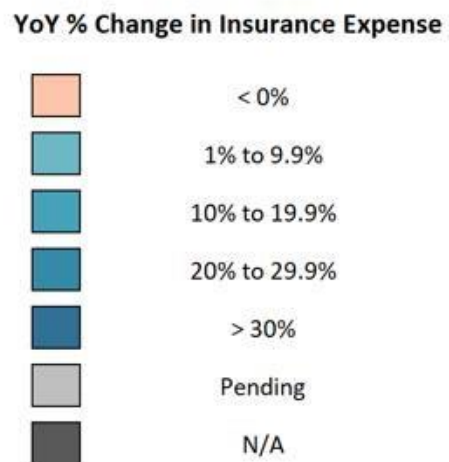
Insurance Premiums Continue to Increase Year-Over-Year for Affordable Housing,
and According to Industry Sources, the Increases Will Continue

Affordable Housing Insurance Cost per Unit, T-12 and YoY Growth



Source: Yardi Matrix | T-12 through November 2024

YoY \$ and % Change in Annual Insurance Cost per Affordable Unit





THANK YOU

Feel free to contact me with any questions.

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Asset Management

Low-Income Housing Tax Credit Portfolio Trends Analysis

(Year End 2023 Results + 3Q 2024)

THE HFA INSTITUTE

January 2025



Portfolio

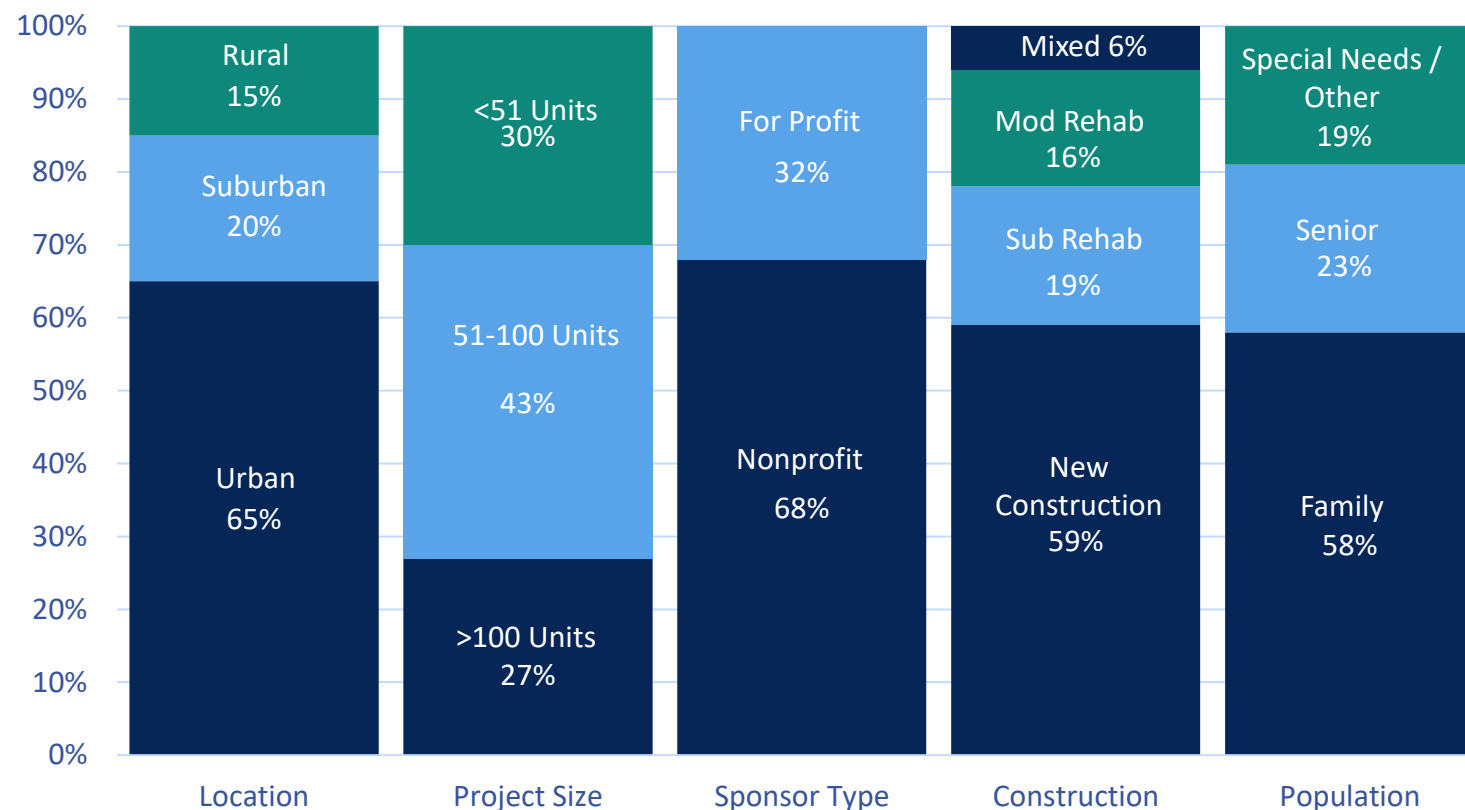
In 2023, Enterprise closed 81 projects. These projects represent more than 8,700 residential units and more than \$1.6 billion of gross equity.

As of September 2024, Enterprise has transferred 1,541 projects, mostly post Year 15, representing over 89,000 total units.

The portfolio average property size is currently 89 units and \$12.5 million in gross equity. For projects closed in 2023 the average size was 108 units and \$19.9 million in gross equity.

Enterprise provides asset management to 1,304 LIHTC projects across 45 states, the District of Columbia and Puerto Rico. These projects represent over 116,000 total units and more than \$16.3 billion in gross equity as of September 2024.

Portfolio Characteristics



Challenges in the Industry & Portfolio

- Economic Strain
- Resource Shortages
- Project Delays
- Sponsor Challenges and Failures
- Permanent Supportive Housing Issues
- High Operational Recovery Expenses





Construction

Over the last 5 years (2020-2024), the median construction duration has been 19.2 months, and 31% of projects are considered on time or ahead of projection.

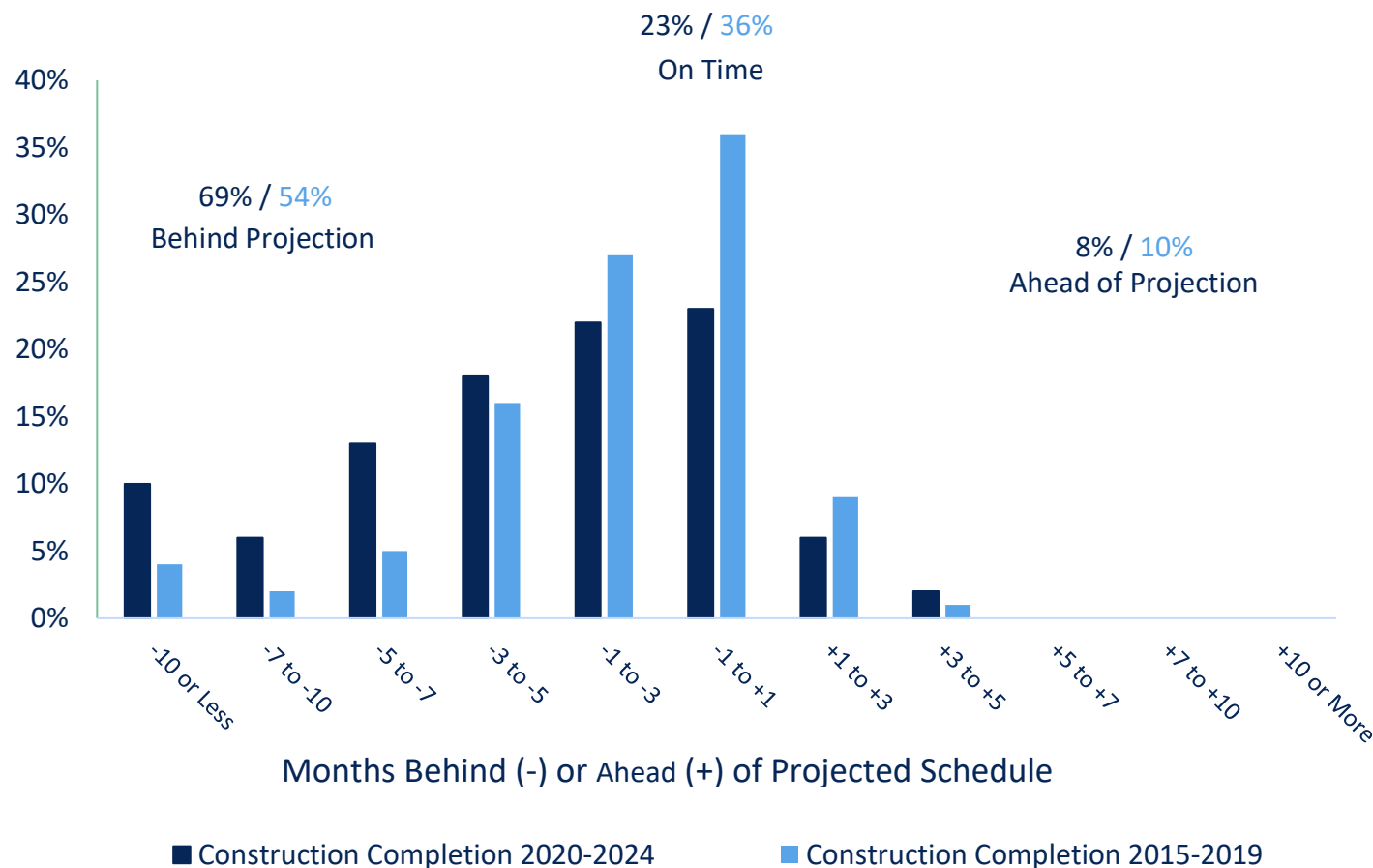
During the 5 years prior (2015-2019) the median construction duration was 16.1 months, and 46% were considered on time or ahead of projection.

Projects in construction are challenged by rising interest rates, staffing and weather delays, and inflationary cost increases.

CohnReznick reported in their November 2023 Affordable Housing Credit Study that industry wide 17.0% of projects in the construction phase were on the year-end 2022 watchlist.

Construction concerns represented 30.7% of the 3rd QTR 2024 Enterprise PPL. Overall, 24% of the projects in the construction phase were on the watchlist.

Construction Duration



% Economic Occupancy

The median economic occupancy for 2023 was 94.6% and the average was 92.2%.

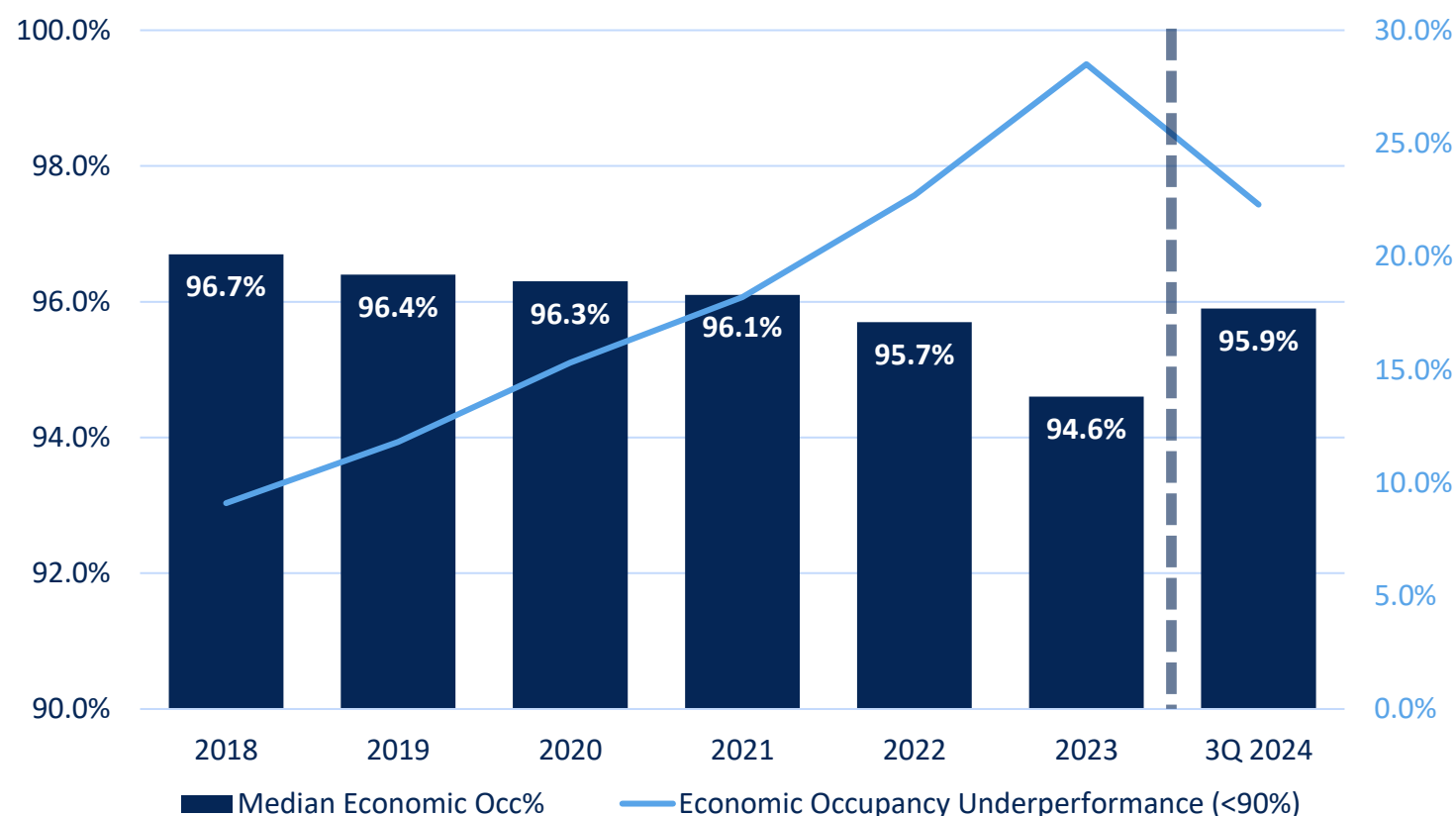
The median economic occupancy for projects on the year-end 2023 Project Performance List (PPL) was 89.4%. More than 58% of the stabilized watchlist had an economic occupancy less than 90%.

As of the 3rd QTR 2024 the median economic occupancy was 95.9%.

CohnReznick reported an industry wide 2022 median economic occupancy of 96.0% with 16.9% of underperforming (less than 90%).

When measuring by equity, 19% of the portfolio had a 2023 economic occupancy that was between 98% and 100%. Meanwhile, another 28% of the portfolio had an economic occupancy that was considered underperforming, or less than 90%.

Economic Occupancy %



\$ Revenue

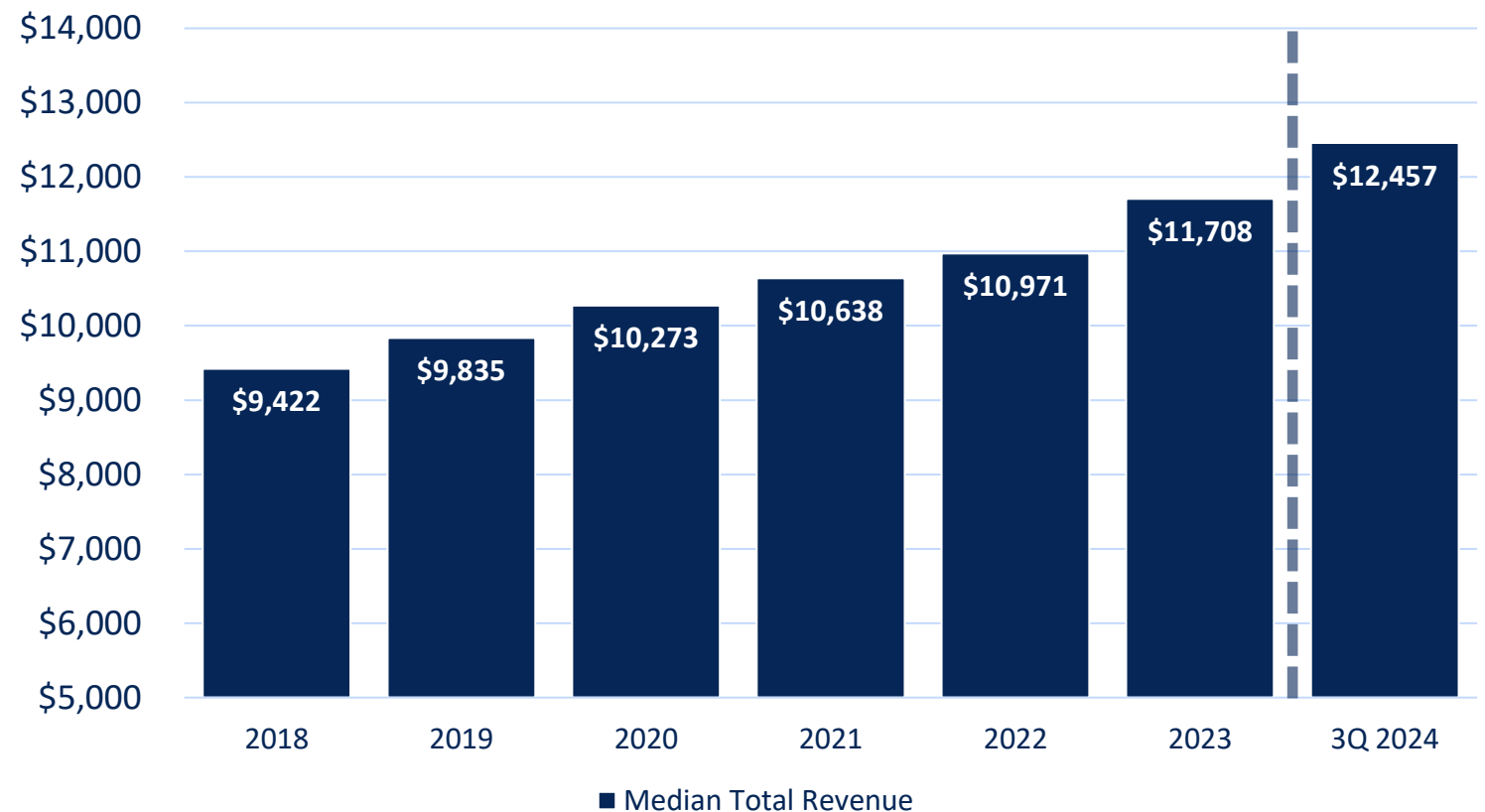
The median total revenue for projects on the year-end 2023 Project Performance List (PPL) was \$11,000 per unit.

CohnReznick reported an industry 2022 median total revenue of \$9,774 per unit with an increase of 3.0% over 2021.



The median total revenue for 2023 was \$11,708 per unit. This represents a 6.7% increase from 2022. Since 2018 the 5-year growth rate has been 4.4%. As of the 3rd QTR 2024 the annualized total revenue was \$12,457.

Median Total Revenue



\$ Expenses

The median total operating expenses for projects on the December 2023 PPL was \$10,125 per unit.

As of the 3rd QTR 2024 the annualized total operating expense for was \$9,263. This projects to a 4.2% increase in 2024.

CohnReznick reported an industry wide median operating expense per unit of \$6,892 as of 2022, with an 8.2% increase over the prior year.

CohnReznick reported that insurance (13.4%) and administrative (9.0%) costs had the highest cost increase in 2022, respectively.

The 2023 median total operating expense was \$8,892 per unit, which represents a 6.7% increase over 2022. The 5-year average growth rate of total operating expenses has been 5.3% a year since 2018. Insurance costs had the highest increase (14.1%) in 2023

Median Total Operating Expenses (\$ per unit)



\$ Expenses

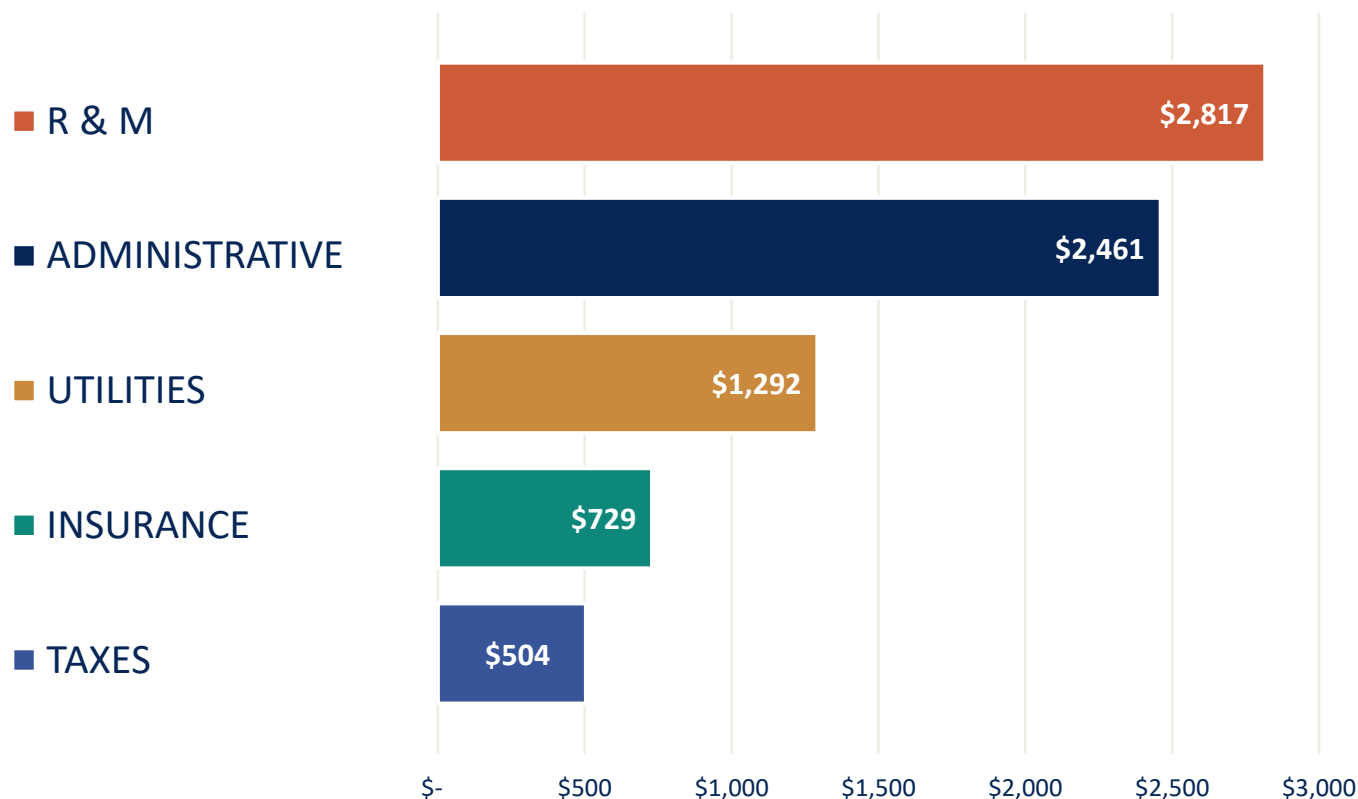
Administrative Costs had the second largest percent increase in 2023 at 11.6%. CohnReznick reported a comparable increase of 9.0% industry wide in 2022.

Over the past five years administrative costs have risen 6.9% per year on average.

Utilities increased 3.7% in 2023 and have averaged an increase of 4.2% per year since 2018.

Representing 32% of all operating expenses, Repairs and Maintenance (R&M) increased by 6.1% in 2023. This increase in R&M may still be partially in response to deferred maintenance during the Covid-19 pandemic, when costs decreased 2.5% in 2020.

Median Operating Expenses By Category



\$Insurance

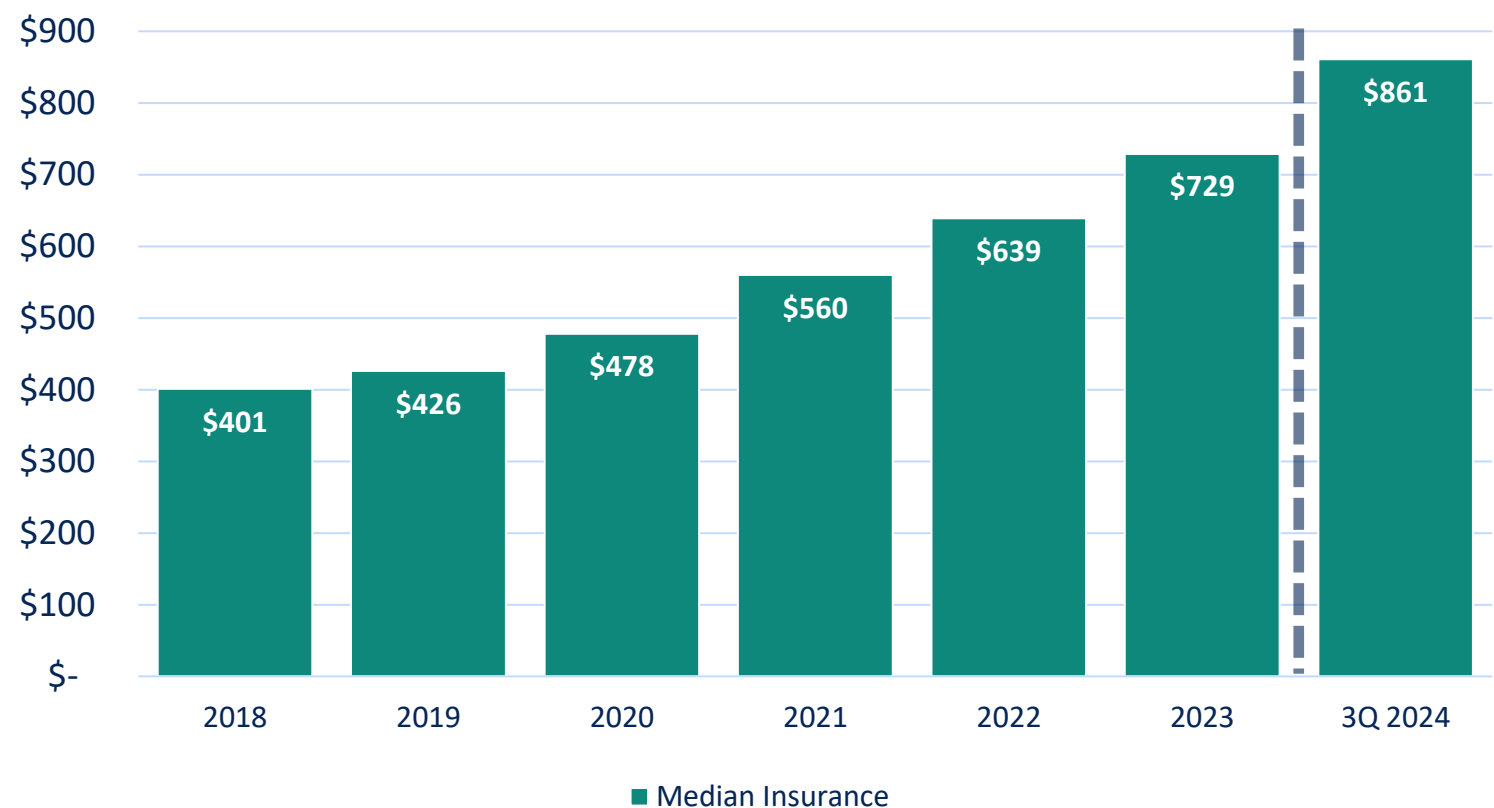
Increasing insurance costs are not unique to the affordable housing portfolio, as property and casualty rates have increased nationwide across all real estate classes, in part due to extreme weather conditions. Some affordable developments are facing additional increases due security and crime concerns from the insurers.

The median insurance expense for projects on the December 2023 PPL was \$926 per unit, 27% higher than the portfolio median.

CohnReznick reported that industry wide insurance costs increased 13.4% during 2022.

The 2023 median insurance expense was \$729 per unit, which represents a 14.1% increase over 2022. This marks the fourth consecutive year of double-digit increases. The 5-year average growth rate of insurance expense has been 12.7% a year since 2018.

Median Insurance Expense



Performance

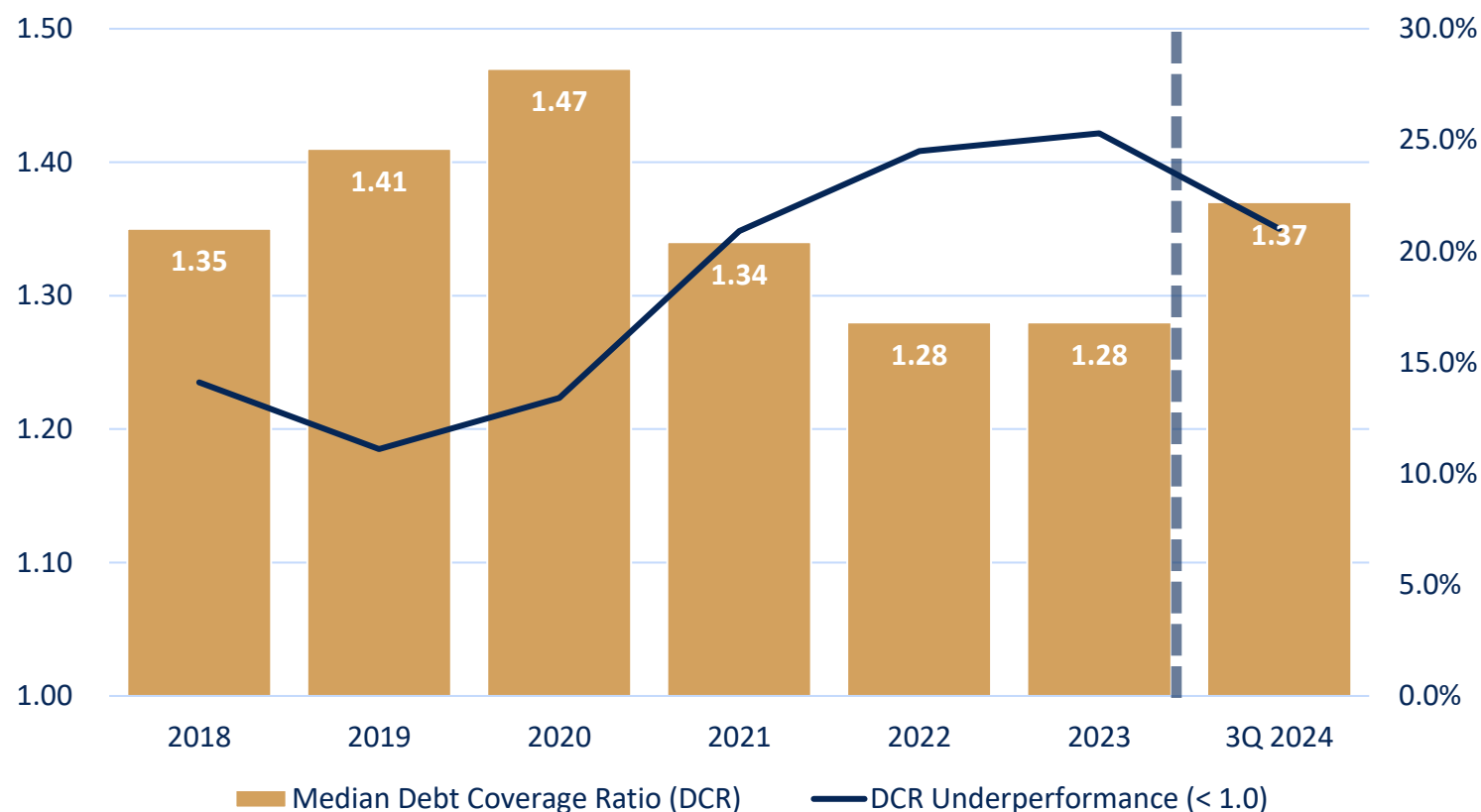
The 2023 median NOI was \$2,651 per unit, which represents a small 4% increase from 2022 (\$2,548). Despite the overall decline in occupancy in 2023, both revenue and expenses grew at the same rate (6.7%) during the year. These factors offset each other and caused not only limited NOI growth, but also for DCR to remain flat at 1.28.

The median DCR for projects on the December 2023 PPL was 0.59.

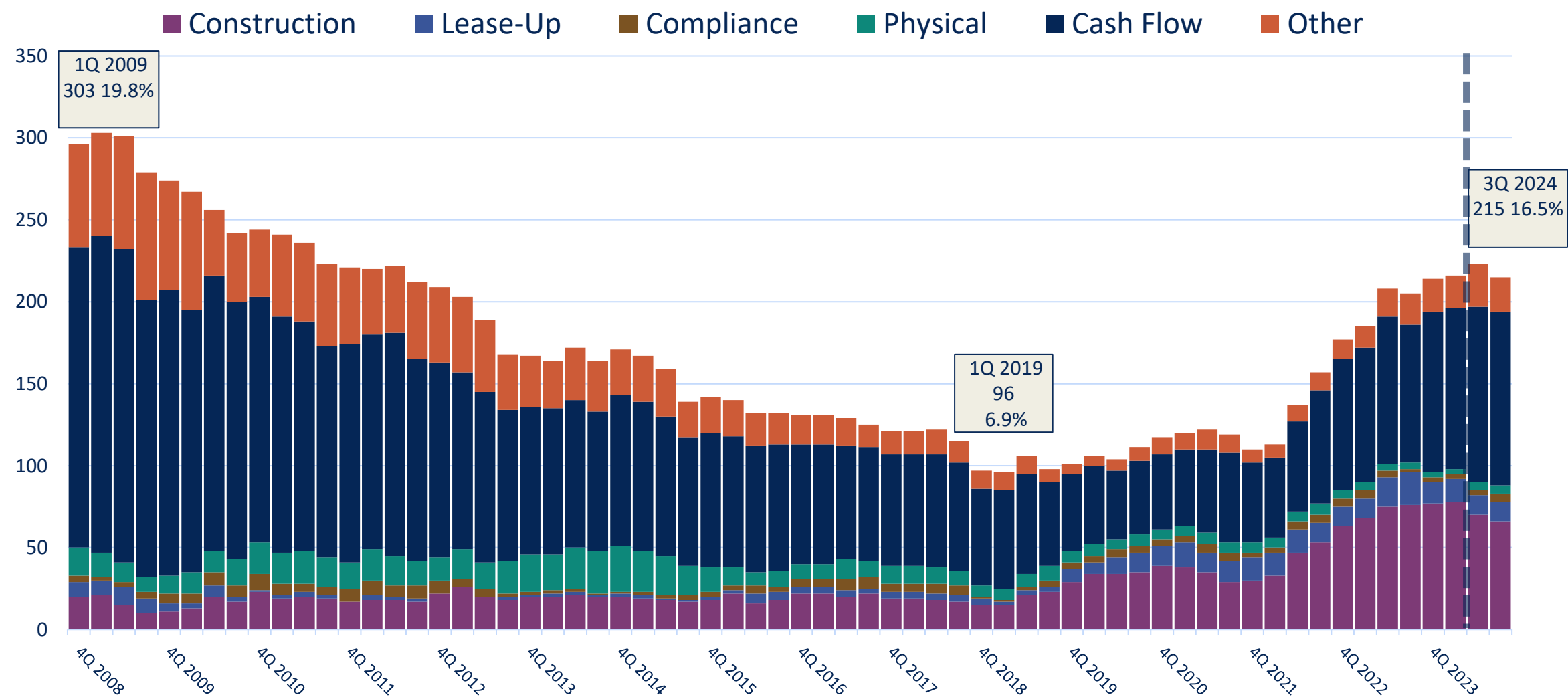
Currently 70% of the projects in the portfolio have some hard, or must-pay debt. This includes both conventional debt with private institutions and public debt with state and local government agencies.

When measuring by equity, over 74% of the portfolio had a debt coverage ratio (DCR) > 1 in 2023. CohnReznick reported that industry wide 78% of all LIHTC projects had a DCR > 1 in 2022 and the median debt coverage ratio was 1.38.

Median Debt Coverage Ratio

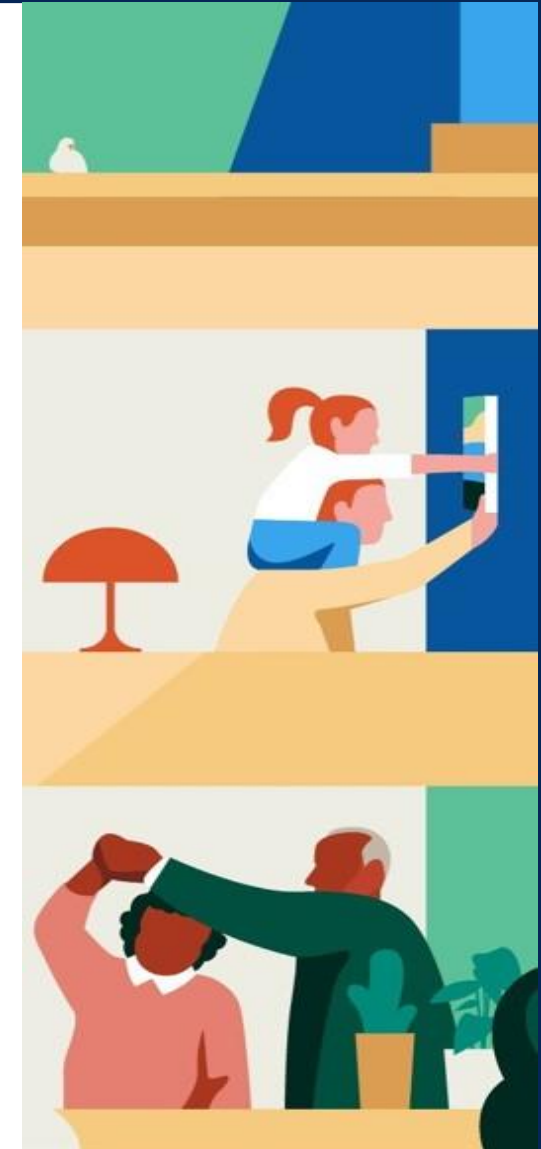


15 Years of Watchlist History – PPL Count by Category



Addressing Challenges in the Industry & Portfolio

- Providing real-time insight to Underwriting
- Expanding Sponsor Meetings & Reviews
- Focusing on Trends
- Sizing meaningful Workout Plans
- Bringing on Consultants
- Working with our Policy Team
- Forming a dedicated Sponsor Support Team
- Collaborating w/ Partner Sustainability Effort



Sponsor Capacity Analysis

- All EHCI training discussing key indicators of possible sponsor distress
 - REO deficits
 - Liquidity reduction
 - Key staff changes
 - Property conditions deteriorating
 - Reporting is late or incomplete
 - Public resources not managed effectively
- Monthly meetings with Chief Credit Officer and VP of National Field Operations
- Continuing to stress test REO performance in underwriting
 - 10% increase in economic vacancy: project-based rental subsidy and/or senior properties.
 - 20% increase in economic vacancy: unsubsidized family properties.
 - Material negative outcome indicates need for a deeper dive into recovery plan

Permanent Supporting Housing Underwriting

- Enterprise convened a working group involving: Policy, Solutions, Asset Management, Asset Resolution, Credit, and Housing First/Homeless subject matter experts
- Issued Updated Underwriting Guidance for PSH in May 2024
- Key Focus Areas:
 - Populations Served
 - Housing First
 - Subsidy Type
 - Referral Process
 - Sponsor, Service Provider and Property Manager Experience

Analysis Methodology

The Portfolio section includes the 1,304 projects in the Enterprise investment portfolio as of September 2024.

The Occupancy, Revenue, Expense and Performance sections include only the 1,034 projects that reached their qualified occupancy date prior to December 31, 2022. The additional third quarter 2024 results include those projects that reached qualified occupancy during 2023. The results factor in one-time revenue and expense adjustments for nonrecurring or capital-related expenditures.

The Watchlist section and the Project Performance List (PPL) refer to the quarterly review by the Asset Management team to identify projects that may be underperforming. The projects on the PPL are intensively monitored by the Asset Management team, and quarterly reports of progress are provided to Enterprise senior management and investors.

Enterprise is a national nonprofit that exists to make a good home possible for the millions of families without one.

We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested \$72 billion and created 1,000,000 homes across all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. All to make home and community places of pride, power, and belonging.

We are here for impact. We are here for change. Join us @ enterprisecommunity.org.

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Portfolio Review

Affordable Housing Update from NCSHA's Weekly Washington Report Email

Quotes from leading experts:

“Our properties are aging, and the effects of the pandemic years — including more time spent at home, struggling tenants, and eviction moratoriums — have taken a toll,” wrote National Housing Trust CEO Priya Jayachandran in May. “The greatest threat to affordable housing is not the lack of resources to build, but the lack of resources to operate, maintain, and repair”

“Among nine of our nonprofit members, past due rent now exceeds \$57M (336% increase since 2018),” Stewards of Affordable Housing for the Future CEO Andrea Posner has reported. Partly as a result, the share of members’ properties operating at a deficit is up 79 percent and “those numbers do not tell the full story of the cost of rent concessions, advances to the properties and reserves used to address property needs.”

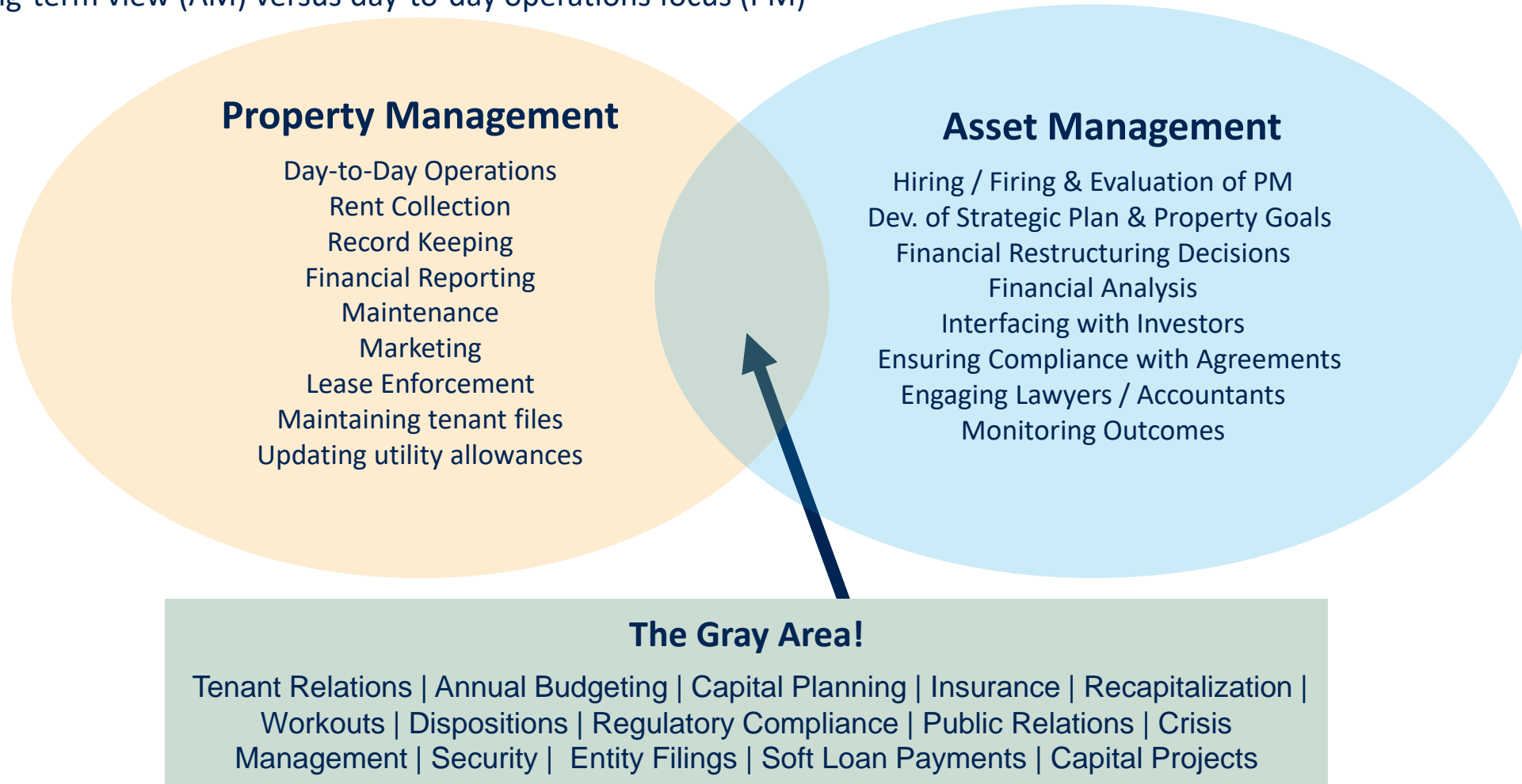
Portfolio Review

Portfolio Statistics for 34 LIHTC Properties

Metrics	2022	2023
Stabilized Properties	26	30
Average Physical Occupancy	96.04%	94.9%
Average Economic Occupancy	94.15%	91.2%
Average Gross Income	\$635,580	\$608,540
Average Operating Expenses	\$305,597	\$319,499
Average DSCR	1.97x	1.62x
Rated C – on Watchlist	7	12
Total Tenant Receivables	\$3,034,520	\$3,240,974

What Is Asset Management?

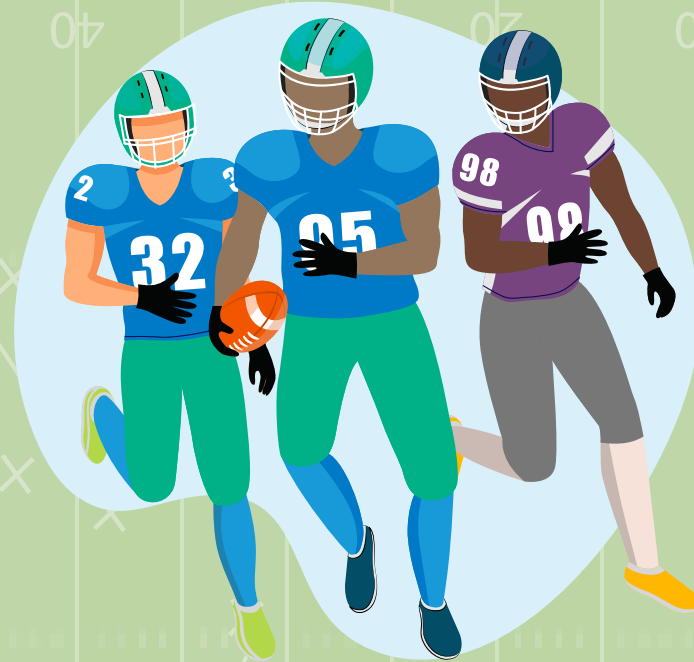
- Collecting, monitoring, and analyzing information to support asset performance
- AM informs ongoing oversight of real estate and capital transactions (acquisitions, re-financings, dispositions, etc.)
- Long-term view (AM) versus day-to-day operations focus (PM)



What Is Asset Management?



Asset Management

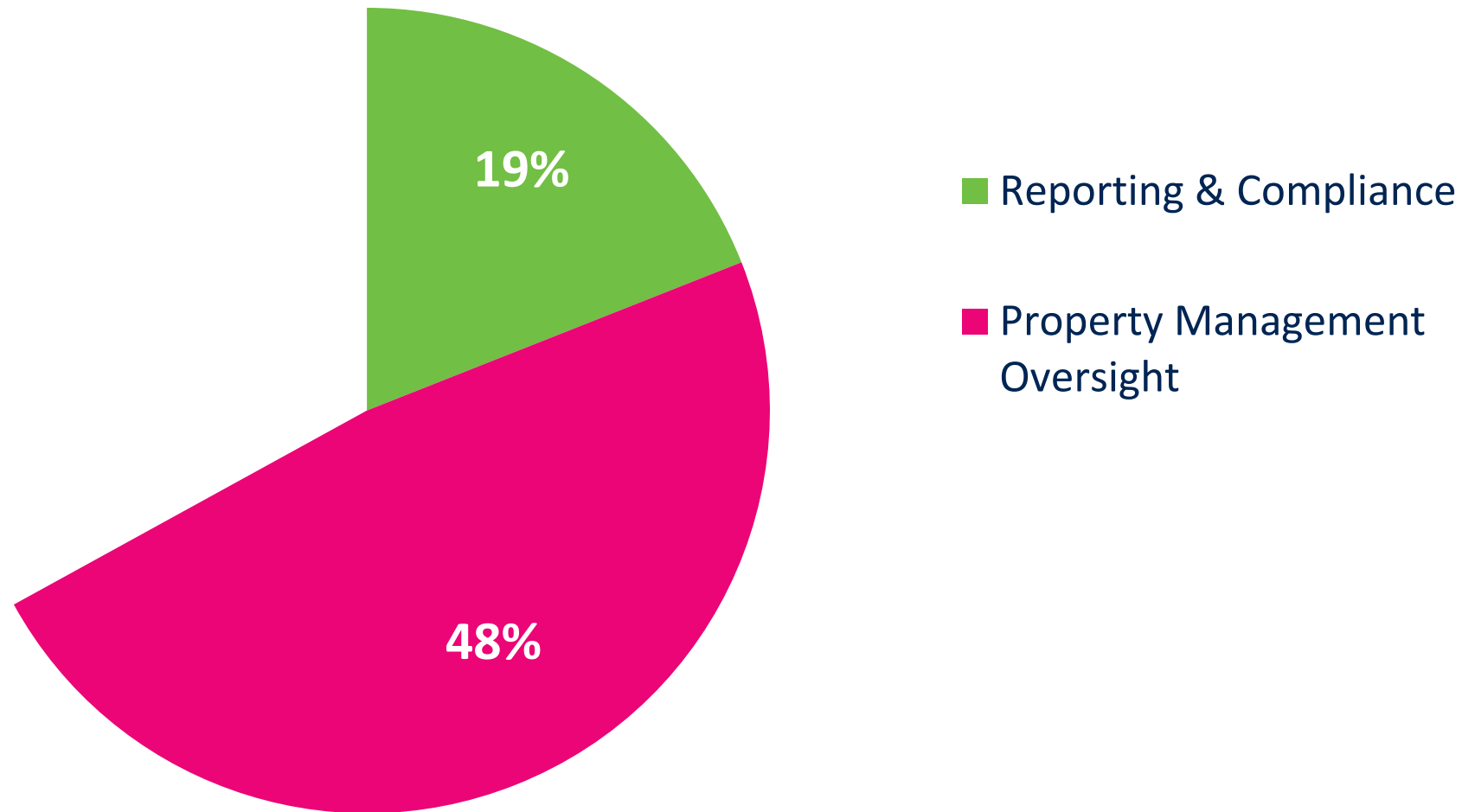


Property Management

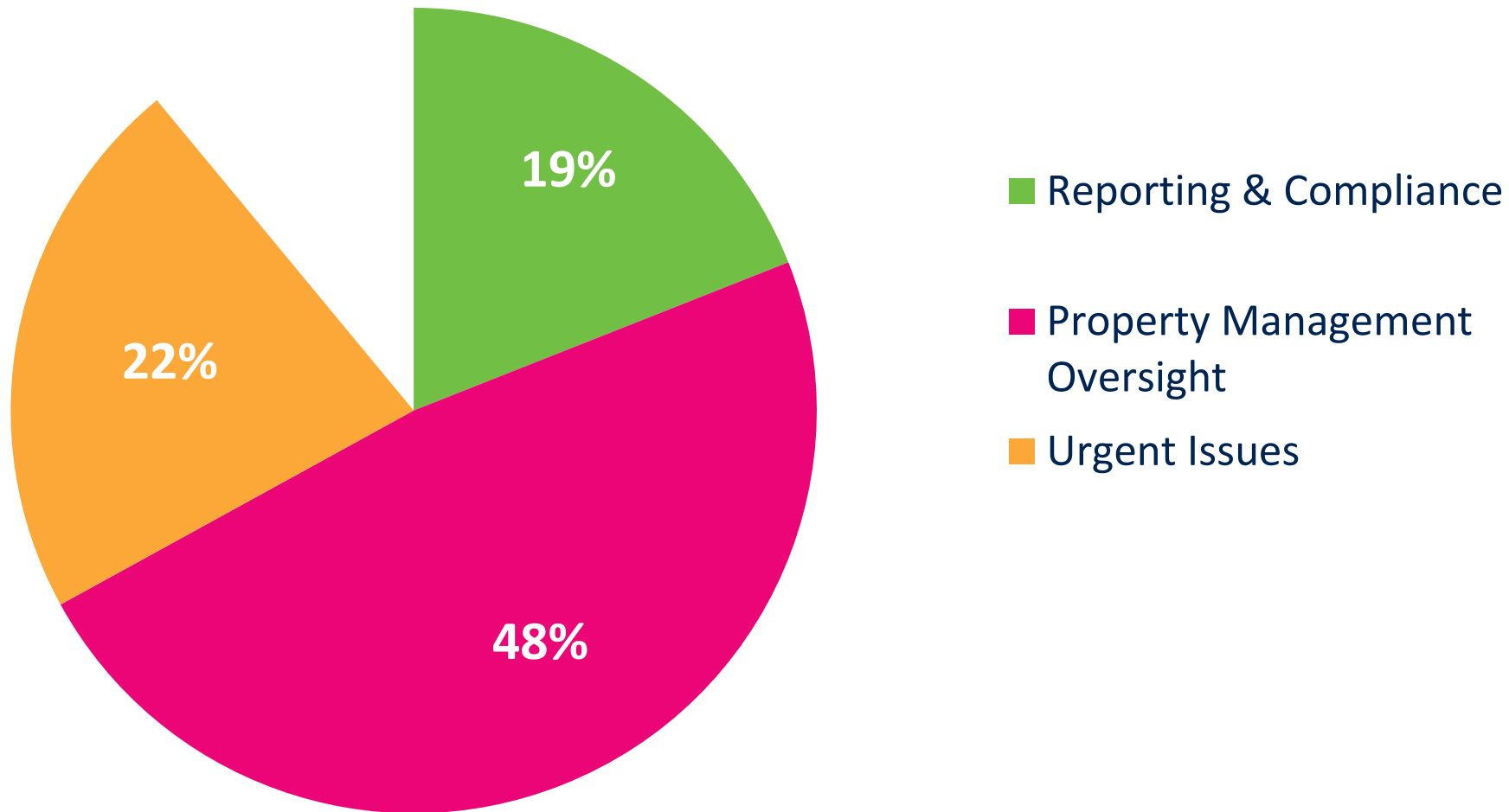
How Asset Managers Spend Their Time



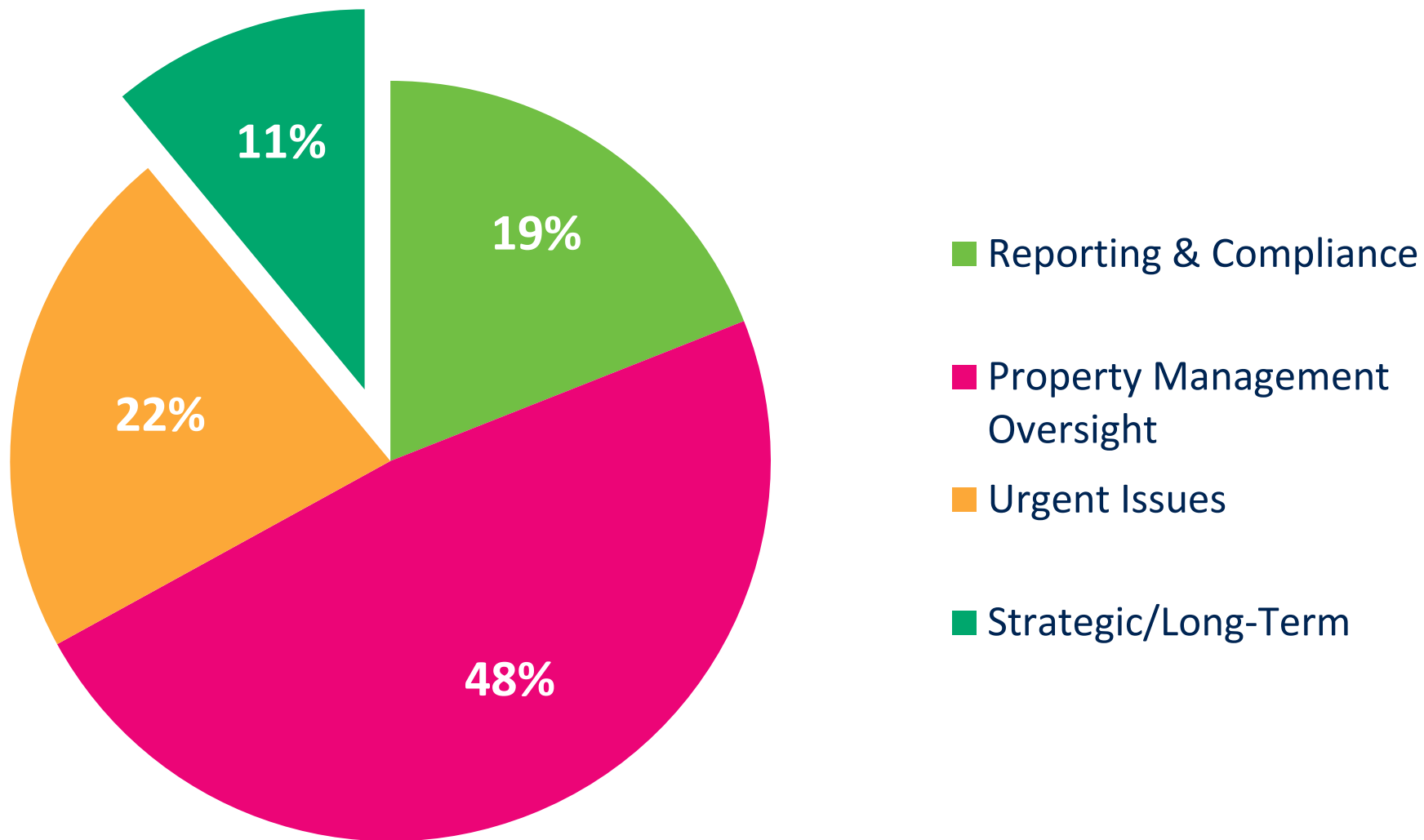
How Asset Managers Spend Their Time



How Asset Managers Spend Their Time



Very Little Time For the Big Picture



Asset Managers In Fix-it Mode





Unlocking Value

Asset managers adding \$\$\$ to the bottom line – and better results for residents

- Better and more profitable property operations
- Improved financial structure
- Real planning for capital needs
- Wisdom for the next round of deals



Voice of the Subsidized Housing Operator



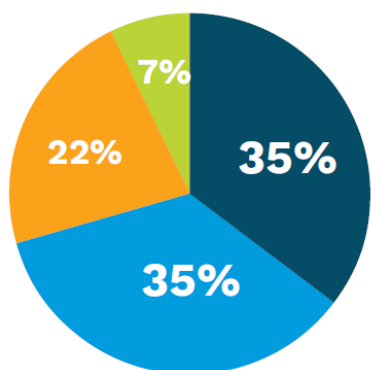
Scan to get
the report



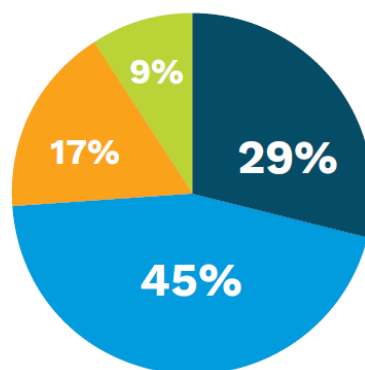
Mental Health

70%

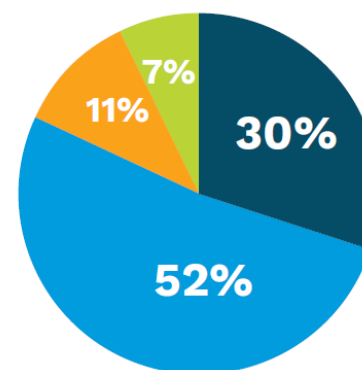
of respondents say their job has little to no impact on their mental health



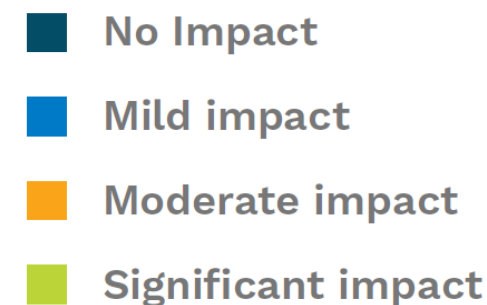
All Respondents



PHA Site
Operations Staff



AH Property
Management Staff



Correlations with Mental Health

Salary Satisfaction



54%

of respondents who say their job **significantly impacts** their mental health are **dissatisfied with their salary**

70%

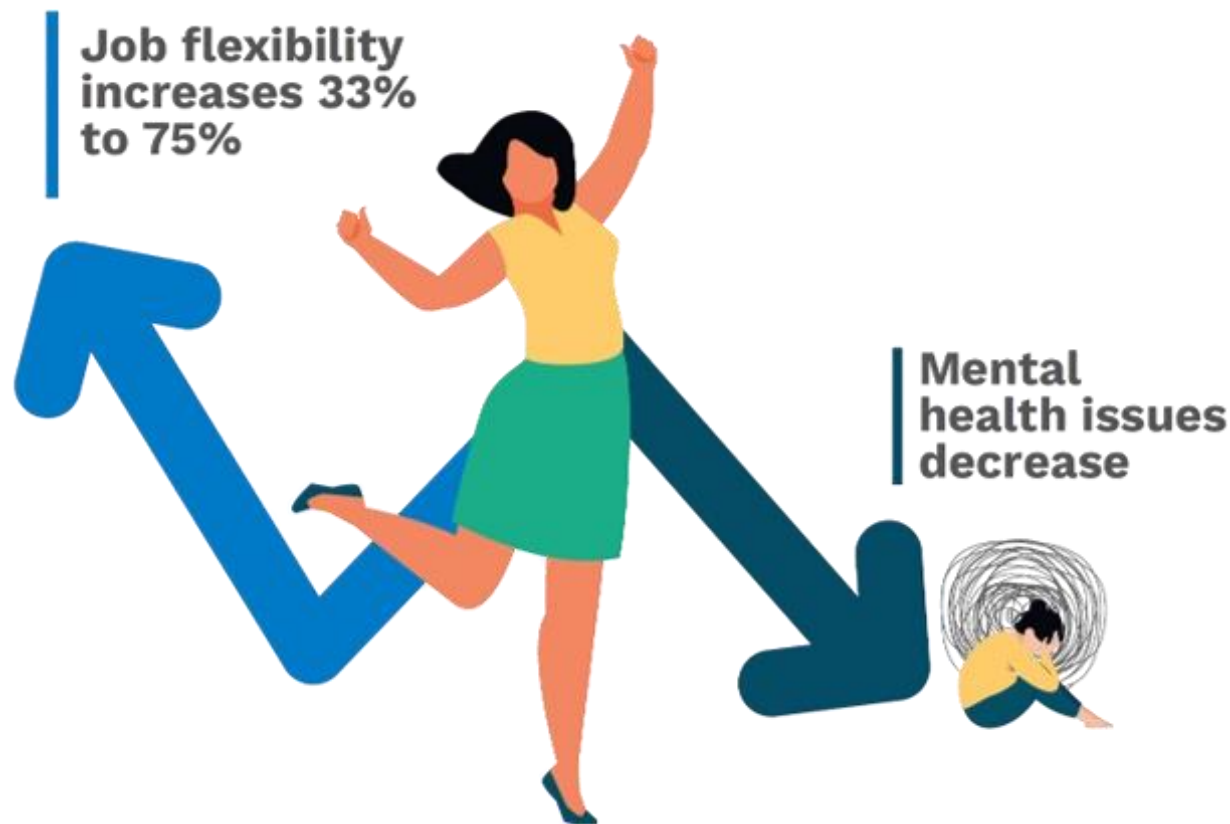
of respondents who say their job **has no impact on** their mental health are **satisfied with their salary**

Correlations with Mental Health

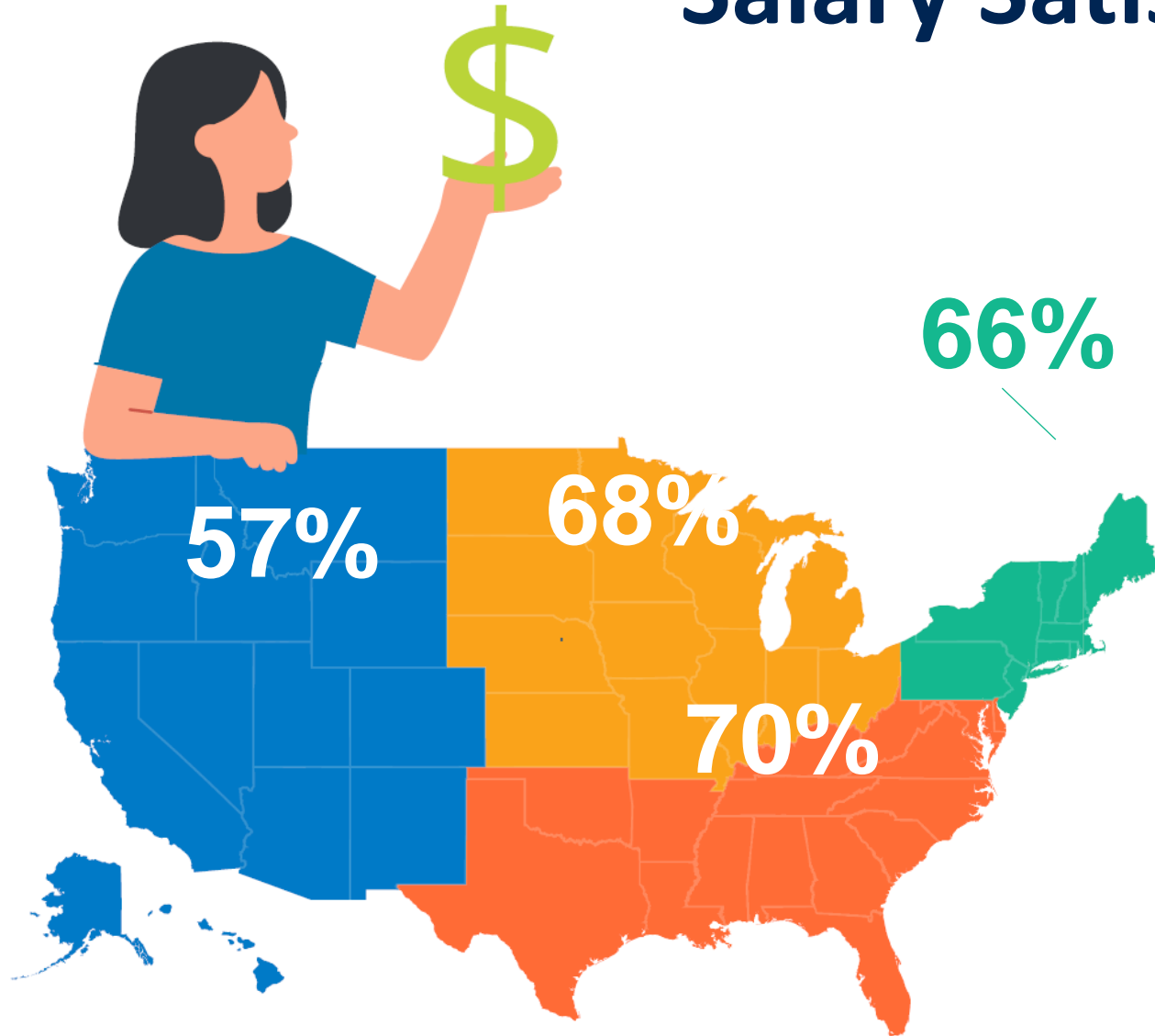
Job Flexibility

95%

of respondents who say their job **has no impact on** their mental health say **they're afforded job flexibility**



Salary Satisfaction



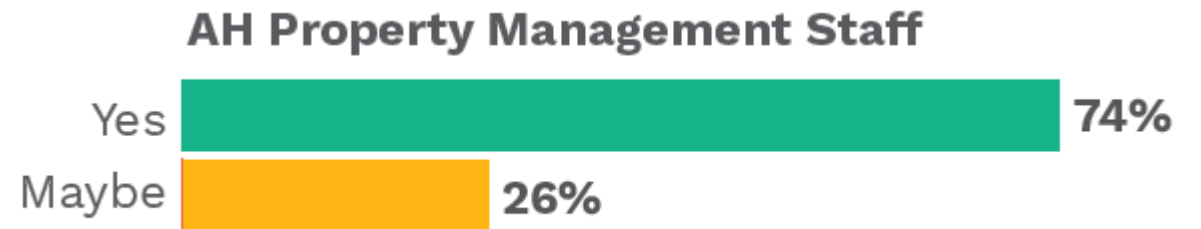
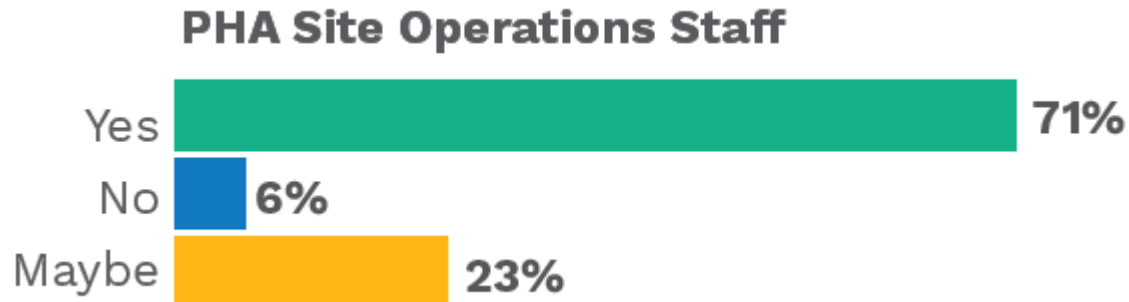
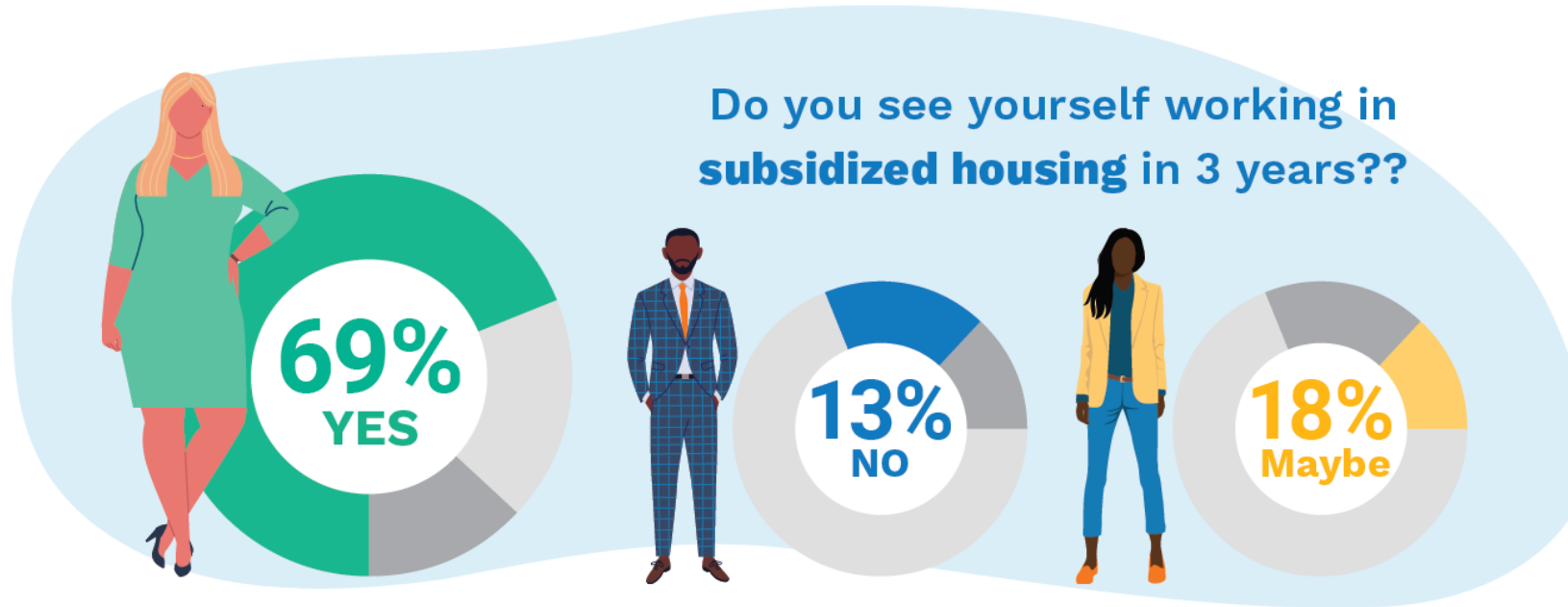
67%

of all respondents are
satisfied with their salary

57%

of market-rate multifamily
property managers are
satisfied with their salary

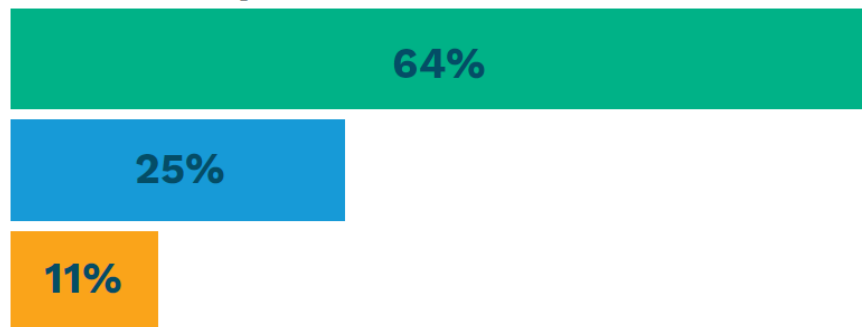
Commitment to the Industry



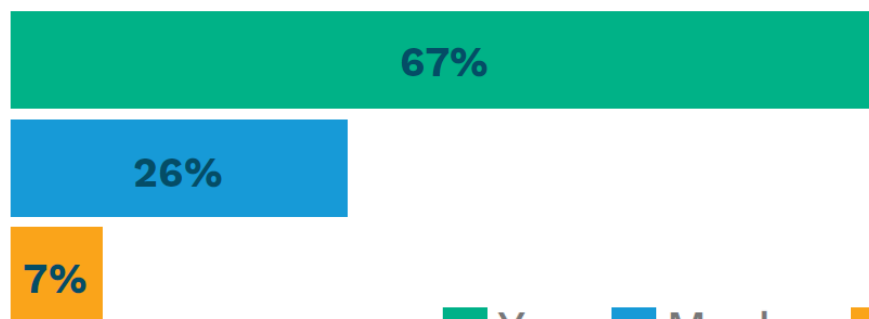
Commitment to Functional Area

“Do you see yourself working in site management and operations in 3 years?”

PHA Site Operations Staff



AH Property Management Staff



Yes Maybe No



Top 5 Challenges Facing the Industry

#1



Dealing with
challenging
residents

#2



Housing
compliance
requirements

#3



Managing the
workload

#4



Maintaining
proper staffing
levels

#5



Keeping up
to date with
legislation

Major Takeaways

HIGH IMPACT AREAS

Compensation | Job flexibility | Training

CRITICAL TRAINING AREAS

- Housing regulations and compliance
- Financials and accounting
- Industry news



- Investing in change management and training
- Greater focus on younger operators and their higher expectations for PropTech
- Focus of PropTech:
 - Promoting efficiency
 - facilitating communication with residents
 - Managing complexity with housing regulations
- For PHAs - quality of PropTech, staff benefits, and training must keep pace with other segments of the real estate industry