Yardi Matrix

Affordable Housing National Report

April 2026

Tax Designations Shape Affordable Housing Strategy

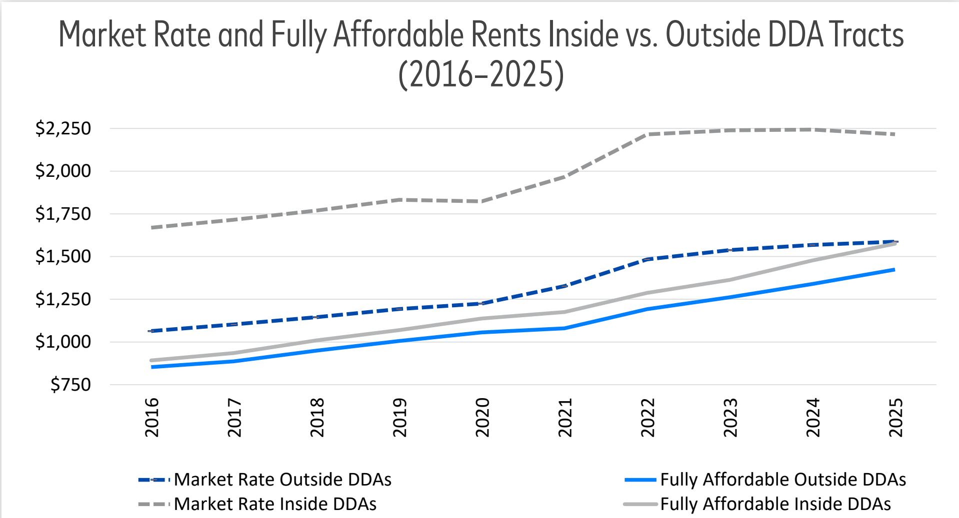
Sustained demand, rising construction costs and regulatory constraints that limit new supply have created a shortage of housing affordable to low- and moderate-income households. To address the problem, federal housing policy incentivizes private developers to build and preserve income-restricted housing 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