Former LIHTC Properties Remain Affordable, Freddie Mac Multifamily Research Finds

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Properties that Benefit from Federal Tax Subsidies Rarely Increase Rents Significantly After Exiting Program

MCLEAN, Va., July 11, 2022 (GLOBE NEWSWIRE) -- Multifamily properties that exit the Low-Income Housing Tax Credit (LIHTC) program generally continue to rent at levels lower than those charged in the broader market and serve as a valuable source of workforce housing, Freddie Mac (OTCQB: FMCC) Multifamily's new white paper finds. Researchers discovered that average rents remained materially lower than market comparables in a sample of 133 former LIHTC properties across seven markets. Rents were lower by an average of 12%, but differences varied widely across the cities that were studied. Former LIHTC properties in Dallas offered rents nearly 27% below market, but rents in Phoenix were just 3% below market.

"A fear has been that LIHTC properties would simply jack up rents to the top of the market at the expiration of their rent and income restrictions, generally about 30 years, but that's not usually the case," said Steve Guggenmos, vice president of Research & Modeling for Freddie Mac Multifamily. "Any loss of units affordable to the lowest income renters is concerning, but there is some consolation in that LIHTC properties typically continue to serve low- and middle-income renters."

Freddie Mac looked broadly at property-level LIHTC data compiled by HUD and the National Housing Preservation Database. Researchers identified 40,296 multifamily properties in the entire history of the LIHTC program. Of these, 34,975 were identified as programmatic, which means that they currently restrict rents based on local income in accordance with LIHTC requirements. The remaining 5,321 properties are identified as non-programmatic, or properties that have exited the LIHTC program and are no longer monitored for compliance and are therefore no longer believed to have LIHTC restricted rents.

Freddie Mac also found that properties are more likely to remain in the LIHTC program when they are owned by a nonprofit or were placed in service after 1990 when Congress extended the LIHTC use period from 15 to 30 years.

The research, which fulfills commitments under Freddie Mac's Duty to Serve and Equitable Housing Finance Plans, is intended to paint a picture of the risk that currently exists in the market and the potential severity of affordability loss.

Freddie Mac Multifamily is the nation's multifamily housing finance leader. Historically, more than 90% of the eligible rental units we fund are affordable to families with low-to-moderate incomes earning up to 120% of area median income.

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