FEDERAL RESERVE BANK *of* NEW YORK

COMMUNITY DEVELOPMENT

ALTERNATIVE INVESTMENTS IN COMMUNITY DEVELOPMENT: 2025 Case Study of Managers of Multifamily Affordable Housing Private Investment Vehicles

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Key Takeaways

- Between November 2024 and March 2025, we surveyed twenty-two managers of multifamily affordable housing private investment vehicles. The respondents reported having raised $18.4 billion in the five-year period between October 2019 and September 2024.
- Of the $18.6 billion invested by respondents over the five-year period, they reported that $16.8 billion had financed multifamily affordable housing units serving households earning below 80% of area median income.
- Banks were the source of 25% of the $18.4 billion in total equity capital committed to survey respondents.
- Respondents expect to raise $5.2 billion per year between October 2024 and September 2026, a 43% increase from the prior five years on an annualized basis.
- Respondents plan to allocate 24% of commitments expected between October 2024 and September 2026 to new development, a significant increase from the five-year period ending September 2024.

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Summary

- Between November 2024 and March 2025, we surveyed twenty-two managers of multifamily affordable housing private investment vehicles. The respondents reported having raised $18.4 billion in the five-year period between October 2019 and September 2024.
- Of the $18.6 billion invested by respondents over the five-year period, they reported that $16.8 billion had financed multifamily affordable housing units serving households earning below 80% of area median income, and half of those investment dollars served households earning less than 60% of area median income.
- Banks were the source of 25% of the $18 billion in total equity capital committed to survey respondents. Banks accounted for 40% of the capital to respondents who raised up to $350 million over the five-year period but only a quarter of the capital to respondents who raised over $350 million. Insurance companies and pension funds accounted for half of the capital for respondents in the sample with the largest commitment amounts.
- Respondents expect to raise $5.2 billion per year between October 2024 and September 2026, a 43% increase from the $3.7 billion per year in the prior five years.
- Respondents plan to allocate 24% of commitments expected between October 2024 and September 2026 to new development, a significant increase from the 7% of capital committed during the five-year period ending September 2024. Despite this increase, addressing the nation's shortage of affordable housing units will require equity from other sources.

Acknowledgments

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Introduction

The need for affordable housing continues to be a prevalent issue in the Second District of the Federal Reserve System[1] and across the country. Housing is frequently a household's largest expense, and costs have continued to rise rapidly. [2] According to a 2024 report from the U.S. Department of the Treasury, housing costs have outpaced income growth for the last two decades, leading to an increase in housing cost burden for most Americans. [3] Increases in housing cost burden, which the U.S. Census Bureau defines as "a household spending more than 30% of their income on rent, mortgage payments, and other housing costs," [4] can impact the ability of households to afford other essentials such as food, clothing, transportation, healthcare, and childcare. The Joint Center for Housing Studies of Harvard University predicted some housing affordability gains in 2024 as a result of high wage growth and an estimated 1 million new multifamily housing units becoming available. However, the center also notes that a slowing of construction starts in multifamily developments, combined with the loss of low-rent units and continuing strong housing demand in the near term, will contribute to the housing shortage being particularly acute for low-income households.[5]

Financing Affordable Housing

The Low Income Housing Tax Credit (LIHTC) program is the nation's foremost public-private partnership addressing affordable housing by incentivizing private investment through tax credit allocations in exchange for affordability guarantees. It has helped create over 3 million units since its creation in 1986. It is estimated that almost $29 billion in investor equity was newly committed to tax credit funds and direct investments in 2024.[6]

Affordable housing units assisted by the program are tracked and monitored in a publicly available database,[7] enabling wide-ranging research on the efficacy of the program. The LIHTC program continues to preserve existing and to produce more affordable housing on an absolute basis, but it also faces its own headwinds in fully addressing the lack of affordable housing stock. In addition to constraints on total allocations available under the program relative to the need,[8] there is the

[1] Federal Reserve Bank of New York, "Second District Map"
[2] John C. Williams, "An Economy That Works for All: Housing Affordability," Federal Reserve Bank of New York, January 14, 2025
[3] Laura Feiveson, Arik Levinson, and Sydney Schreiner Wertz, "Rent, House Prices, and Demographics," U.S. Department of the Treasury, June 24, 2024
[4] United States Census Bureau, "Nearly Half of Renter Households Are Cost-Burdened, Proportions Differ by Race," September 12, 2024
[5] Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2024"
[6] CohnReznick, "2024 LIHTC Equity Market Volume Survey"
[7] U.S. Department of Housing and Urban Development, LIHTC Database
[8] Yonah Freemark and Corianne Payton Scally, "LIHTC Provides Much-Needed Affordable Housing, But Not Enough to Address Today's Market Demands," Urban Institute, July 11, 2023

looming expiration of affordability restrictions on many publicly assisted properties in the coming years. Increased risk of affordability loss raises concerns, since such a loss could lead to higher rents that can become unaffordable for an increasing number of households.

The persistent demand for and the constraints on the supply of affordable housing have garnered increased attention from private capital as a potential investment opportunity. A recent industry report indicated that affordable housing is becoming a more popular asset class among institutional investors.[9] However, there is a need for more publicly available data on these investments. There is no clear understanding of how many investment vehicles[10] have strategies dedicated to lending and investing in multifamily affordable housing, how much total equity has been raised and invested in this space (and from what sources), or how many total units have been preserved or developed as a result of these investments. Having these data may help measure private capital's role in financing multifamily affordable housing, elucidate sources of and changes in investor dollars, enable more investments in this asset class, and spur additional research on private capital's impact on the availability, quality, and cost of housing for low- and moderate-income families.

Given the significant impact of housing on the economic wellbeing of households, and in alignment with the Federal Reserve's focus on price stability, the Federal Reserve Bank of New York's Community Development team has continued to explore the issue of affordable housing from numerous perspectives, particularly those of institutional investors and investment managers. This is the third case study in a series focused on alternative investments in community development, specifically on multifamily affordable housing investments. The first case study in the series, *A Case Study of Managers of Multifamily Affordable Housing Private Investment Vehicles*, analyzed responses from fifteen managers of affordable housing private investment vehicles about, among other things, non-tax-credit equity capital raised for and invested in multifamily affordable housing, their investor base, and target affordability levels. The second case study, *A Case Study of Pension Fund Investments in Multifamily Affordable Housing*, examined pension fund allocations to multifamily affordable housing investments.

[9] RCLCO, "The Affordable Housing Asset Class," April 2022

[10] The authors note that there are technical distinctions between the terms "investment vehicles" and "private capital." These terms may be used interchangeably at times in this report in describing respondents that completed the survey. For purposes of this report, these terms refer to an investment structure for which an investment manager raises private capital and lends or invests that capital on behalf of investors in multifamily housing.

Methodology

For this case study, the New York Fed Community Development team surveyed managers of private investment vehicles between November 2024 and March 2025. Participation in the survey was voluntary, and we received responses from twenty-two managers of multifamily affordable investment vehicles from across the country who are raising non-tax-credit equity capital. Survey questions exclude capital raised for both tax-credit equity and Opportunity Zone transactions.

While we attempted to sample a wide array of managers of private investment vehicles, our sample is relatively small and therefore may not necessarily be representative of the market. There is relatively little information on the population of multifamily affordable investment vehicles or their assets under management and the amount of capital raised and deployed. Nonetheless, the responses gathered from our survey represent a unique data set, allowing us to describe how these managers sourced and deployed capital in recent years.

The survey instrument for this case study is similar to the questions posed in our first case study in this series, *A Case Study of Managers of Multifamily Affordable Housing Private Investment Vehicles*. However, the data from that case study are not necessarily comparable to this case study, as the respondents and time frames, as well as the questions, were somewhat different. For purposes of this survey, we defined affordable housing as units in multifamily properties that are income-restricted and naturally occurring affordable for households earning up to 120% of area median income. The survey data we present are generally weighted by either the total dollar value of commitments or the total dollar value of invested capital. Where the analysis uses weighted averages, only those who provided answers to the relevant questions are included in the calculations, as not all respondents answered all questions.

Survey questions focused on the five-year period from October 2019 to September 2024, as well as expected plans for the two-year period from October 2024 to September 2026. The five-year period was selected to allow for variations in the timing of respondents' capital-raising cycle. As this is a case study and not necessarily reflective of the overall state of the market, we acknowledge that respondents may be at various stages of their investor outreach and investment timeline.

Survey Data Analysis

Overview of Sample Set of Investment Managers

The twenty-two survey respondents represent an array of managers of equity and credit strategies focused on multifamily affordable housing. As shown in Table 1 below, the sample included a range of firm sizes based on assets under management as of September 30, 2024. Note that these totals are firm-wide for all assets under management (i.e., not just affordable housing investments).

Table 1. A slim majority of respondents have more than $10 billion AUM.

Categories	Count
Up to $2 billion	**8**
Between $2-10 billion	**5**
More than $10 billion	**9**

Source: Federal Reserve Bank of New York

Over the five-year period, this group of twenty-two respondents reported having raised over $18.4 billion of total equity capital for multifamily affordable housing. The median amount raised by respondents was $501 million. Table 2 categorizes respondents based on the amount of equity capital raised for multifamily affordable housing. Fifteen of twenty-two respondents raised more than $350 million in total equity as shown in Table 2. Commitment amounts reflect institutional investors' interest in multifamily affordable housing; they also reflect investment managers' capacity to deploy capital.

Respondents invested over $18.6 billion in total equity capital, with a median of $397 million. The total amount of invested dollars is a measure of the overall size of transactions that these affordable housing investment vehicles have already funded. Total equity capital noted as invested by the respondents during the five-year period may have been either raised prior to the start of the five-year period or reinvested capital.[11]

Respondents had a combined total of 293,735 affordable housing units in their portfolios as of September 30, 2024, with a median of 10,245 units. Of those units, 76% are income restricted and 24% are naturally occurring affordable housing.

[11] Reinvestment is the practice of using dividends, interest, or other forms of income distribution earned from an investment to purchase additional shares or units of that investment, rather than receiving the distributions in cash. James Chen, "Reinvestment: Definition, Examples, and Risks," Investopedia, March 15, 2025

Table 2. A majority of respondents raised more than $350 million in total equity for their respective investment vehicles.

Size by commitments	Count
Up to $350MM	**7**
Between $350MM-$700MM	**7**
More than $700MM	**8**

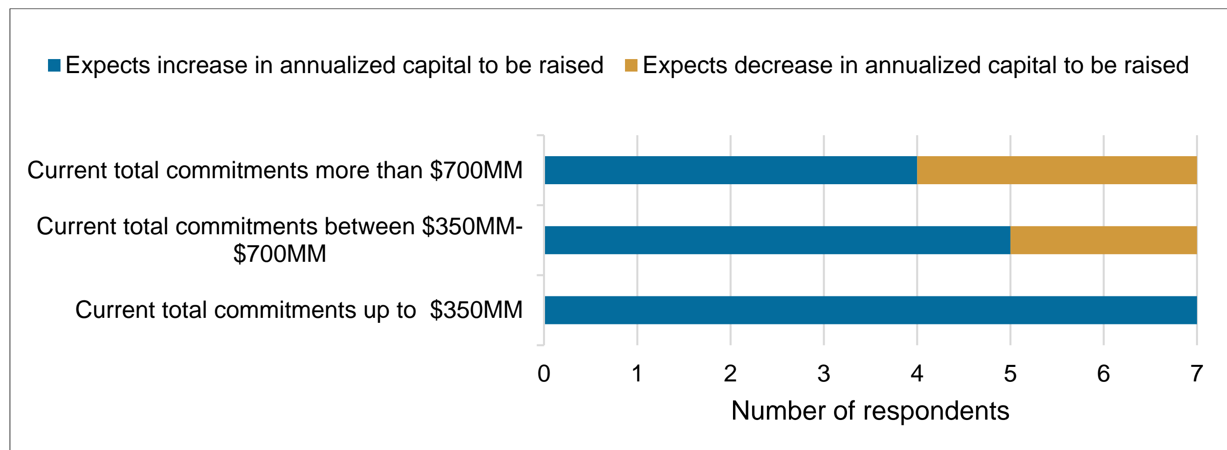
Source: Federal Reserve Bank of New York

Looking ahead, most respondents expect to raise more on an annualized basis in the next two years compared to the prior five years. Twenty-one respondents indicated plans to raise an average of $5.2 billion in equity capital per year in the next two years (i.e., from 10/1/24 to 9/30/26). This represents a notable 43% collective increase from the annualized average of $3.7 billion from the prior five years.

Figure 1 shows the number of respondents projecting an increase or decrease in the capital they plan to raise from investors, categorized by the amount of equity raised over the five-year period. On the whole, sixteen of the twenty-one respondents indicated they plan to raise more equity capital from 2024 to 2026 on an annualized basis, while five plan to raise less. Of note, all survey respondents that raised up to $350 million plan to raise more equity capital on an annualized basis. For those who raised between $350 million and $700 million, five of the seven planned increases, and for those with the largest commitments, four of the seven planned increases. Interestingly, for all respondents that raised less than $700 million for affordable housing investments over the five-year period and are planning to raise more capital, they are looking to at least double the average annual commitments between 2024 and 2026 over what they raised between 2019 and 2024. Projected increases in commitment sizes may reflect managers' views that there is an increased investor interest in this sector as an investable asset, potentially including the expansion of the institutional investor universe by both commitment amounts and investor types.

Figure 1. Most survey respondents are looking to raise more equity capital for affordable housing over the two years between October 2024 and September 2026 compared to the five-year period ending in September 2024, on an annualized basis.

Count of respondents with plans to raise equity between October 2024 and September 2026, categorized by current size of commitments



Source: Federal Reserve Bank of New York; N=21

NOTE: Current total commitments are calculated based on equity capital raised from October 2019 to September 2024. Only respondents who provided answers to both questions on current and future capital raise are reflected in this chart.

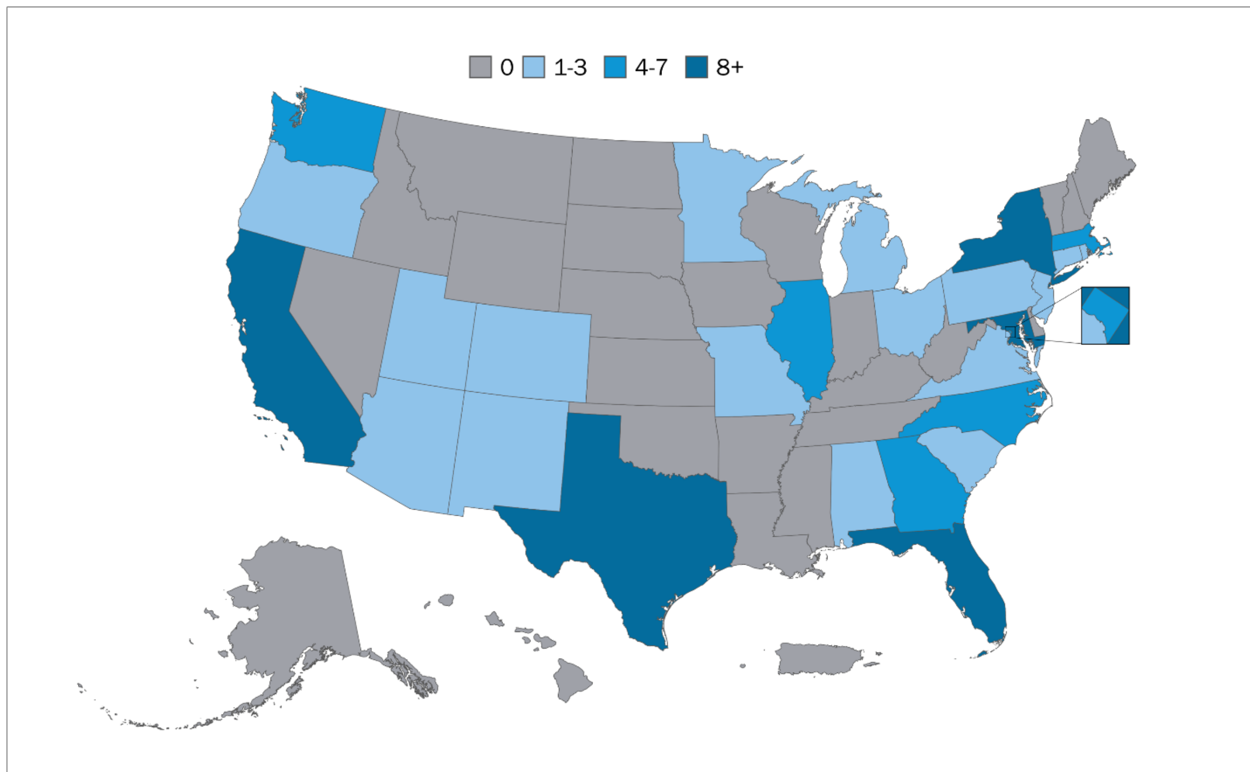
Respondents were asked to rank the top five states where they made the most investments. Figure 2 shows the number of times each state was mentioned. The top states include California, Texas, Florida, Maryland, and New York. Many of these states are also frequently cited as states with the most need for more affordable rental housing and some of the most unaffordable places to live.[12]

Figure 2 shows the count of the number of times the state was mentioned and does not include any weighting based on the number of units built per state or account for the cost to build in a specific state. We also did not account for new development versus preservation in each state. One noteworthy point from the map is the exclusion of nearly half of the states: 24 states did not receive any mentions from respondents. It is outside the scope of the survey to explore what draws investments to the states the respondents mentioned, though this topic warrants further research.

[12] National Low Income Housing Coalition, “The Gap: A Shortage of Affordable Homes”

Figure 2. Investments by survey respondents are prevalent in some of the most populous states.

Total number of times a state was mentioned as a top five investment area



Source: Federal Reserve Bank of New York; N=22; N counts respondents to this question, not total count of mentions

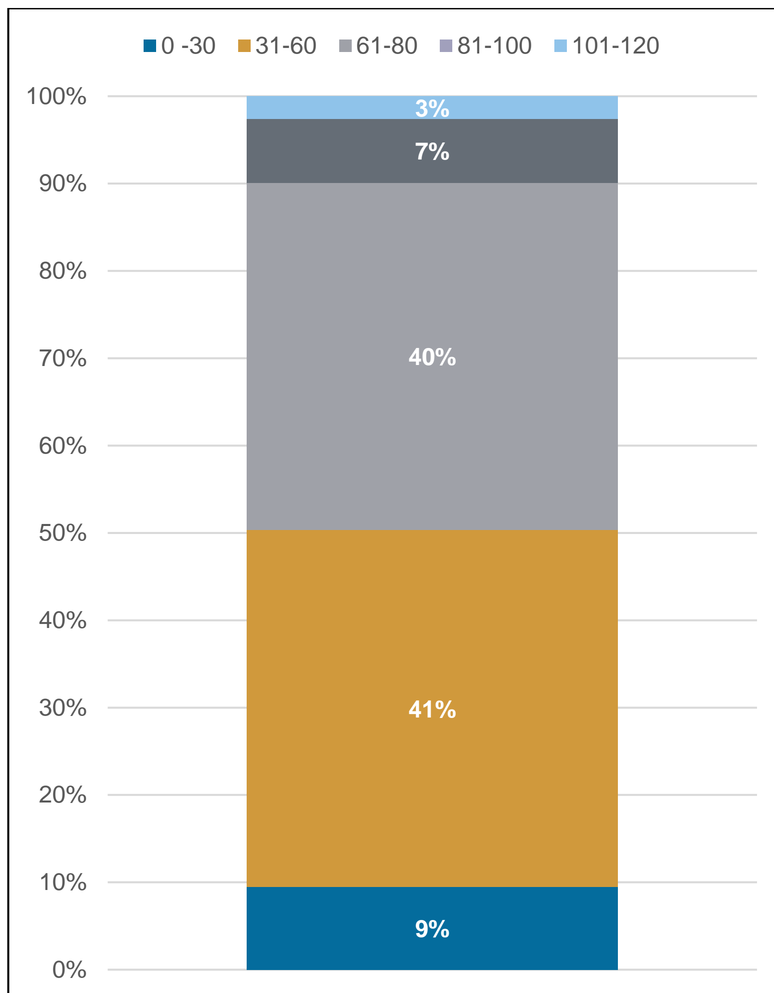
Financing Affordable Units for Households Earning 80% or Below Area Median Income

Survey respondents stated that the vast majority of their invested dollars provided financing to units for those earning below 80% of area median income. As seen in Figure 3 below, that represents 90% of the dollars, equivalent to $16.8 billion, deployed within the five-year period. It is also noteworthy that 50% of the total invested dollars financed units serving households earning below 60% of AMI. While it is beyond the scope of this case study to explore the relationship between LIHTC deals and units in the managers' portfolios, it is notable that the majority of the units financed by LIHTC are also affordable to the same subpopulation.[13]

[13] Peter Lawrence, "More than Half of LIHTC Households Earn 30% AMI or Below Per New HUD LIHTC Tenant Data," Novogradac, August 30, 2023

Figure 3. Eighty-one percent of respondents' invested capital targets households earning between 31-80% of area median income.

Weighted share of invested capital financing units serving each target percent level of AMI at origination of those investments



Source: Federal Reserve Bank of New York; N=21; total invested capital = $16,018,404,809

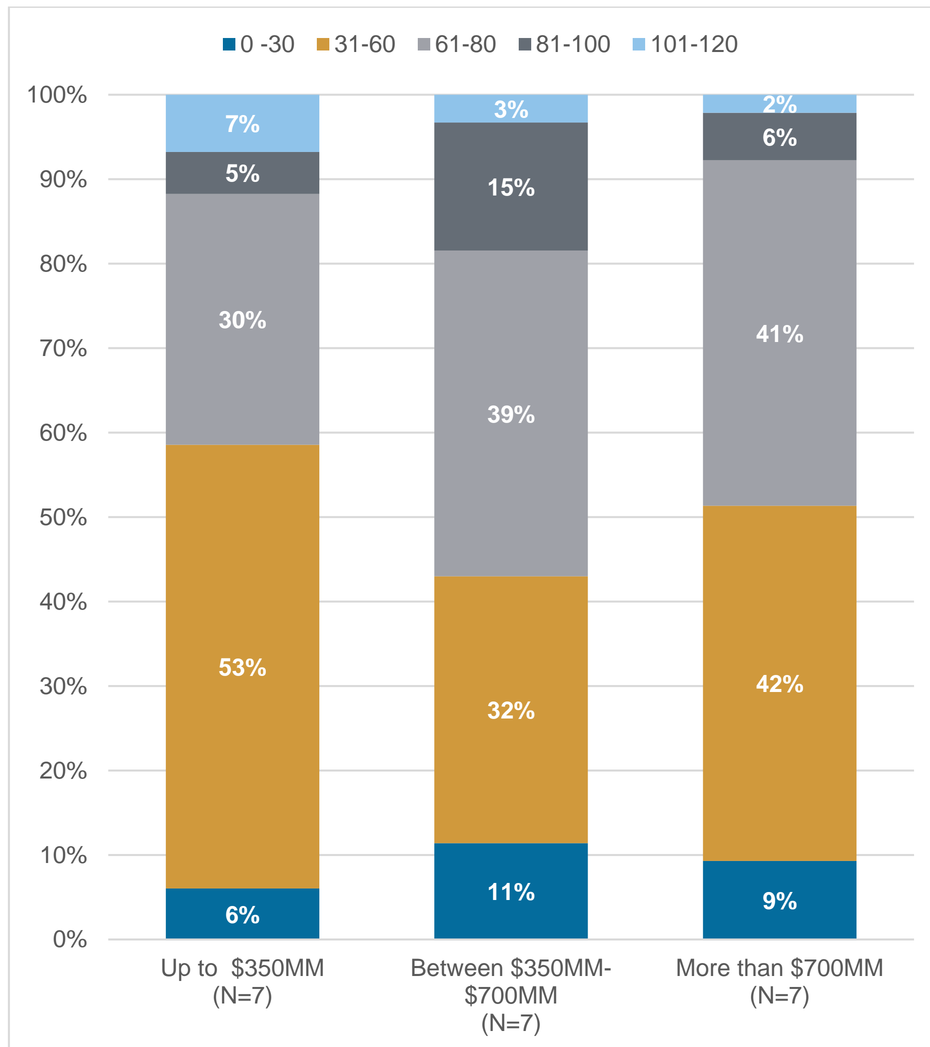
There were differences in target AMI relative to committed capital, as shown below in Figure 4. Respondents with commitments up to $350 million deployed 53% of their invested dollars to finance units serving households between 31% and 60% of area median income, a significantly higher share than the 32% and 42% for respondents with mid-sized and large commitments, respectively. The financing of units serving that subpopulation seems consistent with those respondents because they raise a significant share of their commitments from bank investors who typically have statutory mandates[14] on their affordable housing investments. Survey data suggest that respondents that raised more than $350MM in commitments invested a larger share of their

[14] Investments in affordable housing for low- or moderate-income individuals are cited as a community development activity that may receive consideration for Community Reinvestment Act (CRA) credit. See the Federal Financial Institutions Examination Council's Interagency Q&A and the Federal Reserve Board of Governors' Key Terms & Definitions for more information.

commitments to financing units serving households with incomes between 61% and 80% AMI than did respondents with smaller commitments.

Figure 4. Over half of capital from respondents with up to $350 million in commitments was invested in units serving households earning below 60% of area median income.

Weighted share of invested capital financing units serving each target percent level of AMI at origination of those investments per commitment size category



Source: Federal Reserve Bank of New York; total invested capital = $16,018,404,809
NOTE: Figures may not add up to 100% due to rounding.

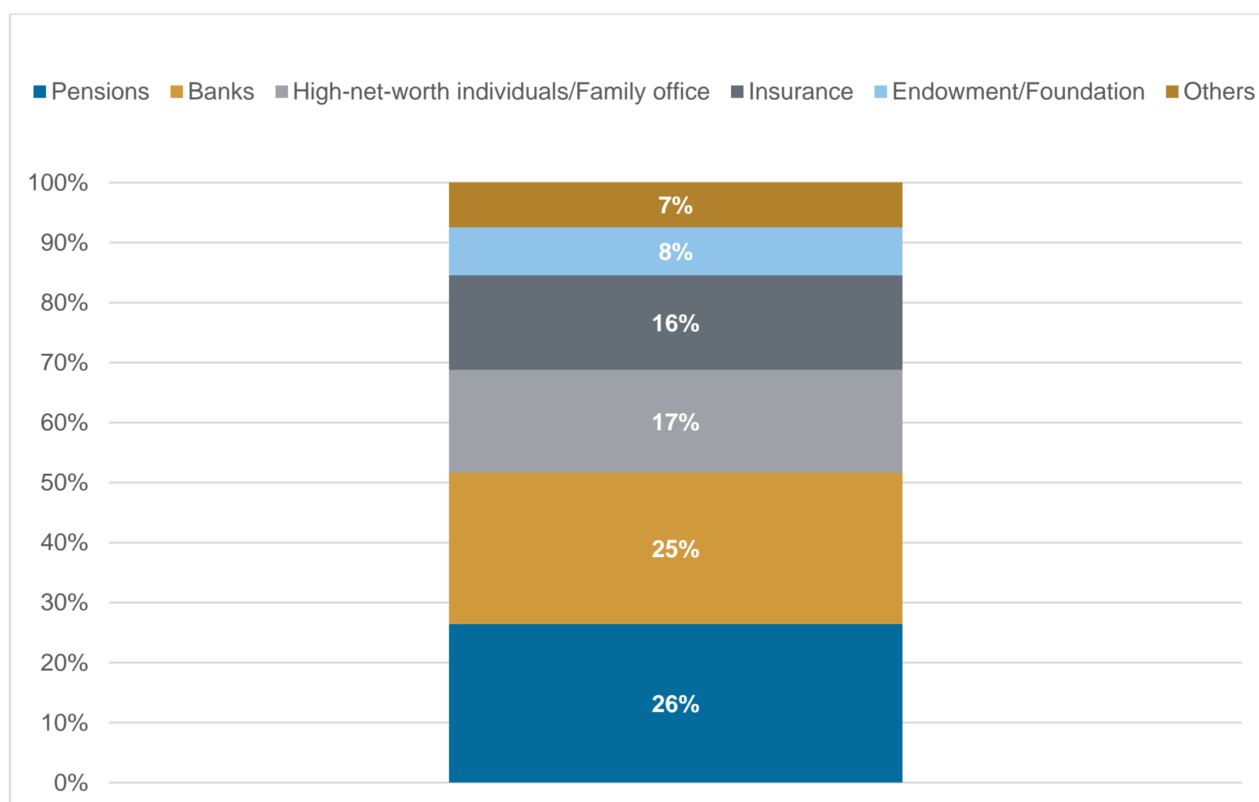
Non-bank Investors Make Up the Vast Majority of Allocations to Affordable Housing Investment Vehicles

Survey respondents were asked about sources of limited partner equity capital for the investment vehicles they manage. On a weighted-average basis, of the $18.4 billion of committed equity respondents reported having raised during the five-year period (i.e., 10/1/19 to 9/30/24), banks

and pension funds were the largest sources at roughly a quarter of commitments each. High-net-worth/family office and insurance investors were the next highest contributors at 17% and 16%, respectively.

Figure 5. Banks and pension funds contribute half of total commitments to respondents.

Weighted share of total commitments from each investor type



Source: Federal Reserve Bank of New York; N=22; total commitments included in this chart= $18,436,155,227
NOTE: Figures may not add up to 100% due to rounding.

The survey delved further into the role of banks as a source of limited partner[15] equity capital. Banks are subject to compliance with the regulatory requirements of the Community Reinvestment Act, under which affordable housing investments are included.[16] Given that banks represented 25% of capital raised on a weighted-average basis, it's interesting to note that the remaining three-quarters of investor dollars came from entities without similar regulatory requirements. Although fifteen of twenty-two investment managers noted having received at least one bank commitment, a key data limitation is knowing the extent to which the same bank(s) invested in vehicles managed

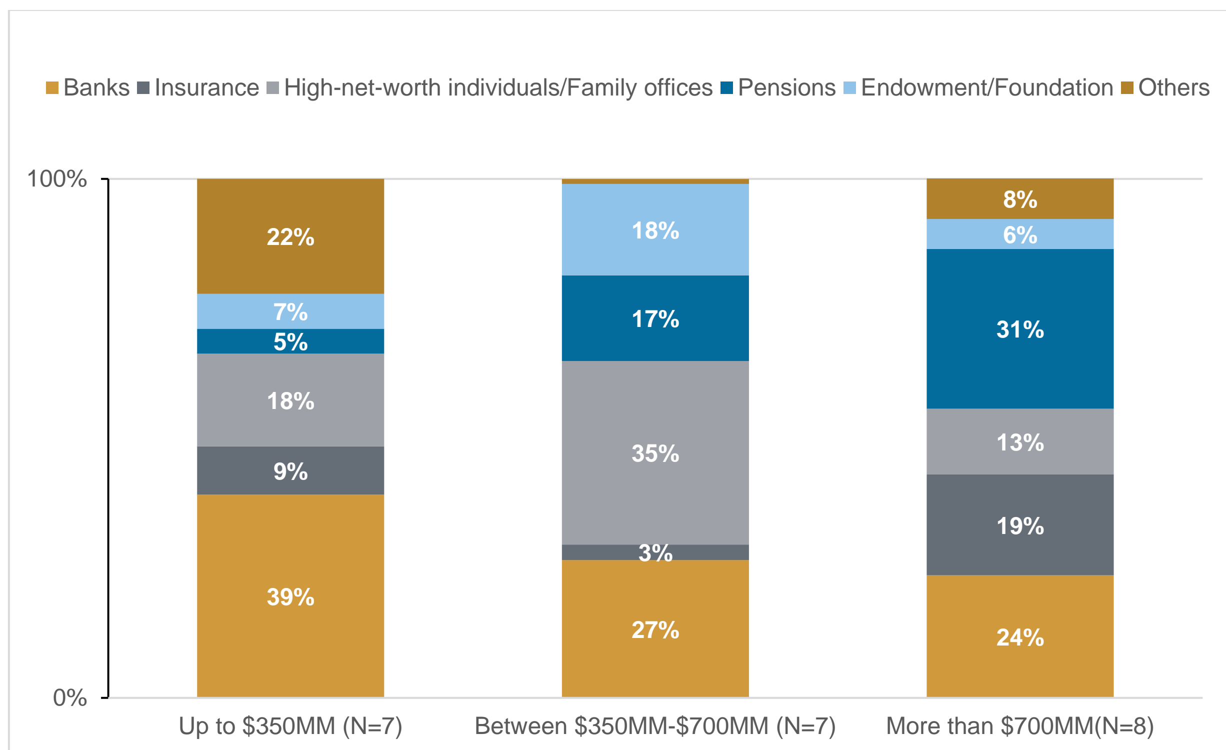
[15] A limited partner invests money in exchange for shares in a partnership but has restricted voting power on company business and no day-to-day involvement in the business. Will Kenton, "Limited Partner: What It Is, Laws, Role, and Tax Treatment," Investopedia, October 2, 2022
[16] Federal Financial Institutions Examination Council, Interagency Questions & Answer

by different respondents. Of the respondents that noted having raised capital from banks, the median commitment size was $11.8 million (i.e., from one bank to one investment vehicle).

As shown in Figure 6, the investor mix varied based on the amount of capital raised. Banks were the largest source of commitments for those firms that raised up to $350 million, accounting for about 40% of capital. High-net-worth individuals/family offices, at 35%, were the largest source for respondents with mid-sized commitments, while endowments/foundations accounted for 18%. Pension funds and insurance companies were relatively more significant sources of equity for respondents with the largest commitment amounts.

Figure 6. Survey respondents that have more than $350MM in commitments rely less on bank investors as a source of limited partner capital.

Weighted share of total commitments from each investor type categorized by size of capital raised



Source: Federal Reserve Bank of New York; total commitments (up to $350MM) = $1,206,600,000; total commitments (between $350-700MM) = $3,393,002,810; total commitments (more than $700MM) = $13,836,552,417
NOTE: Share of “Others” as an investor type for respondents with commitments between $350 million and $700 million is 1%. Figures may not add up to 100% due to rounding.

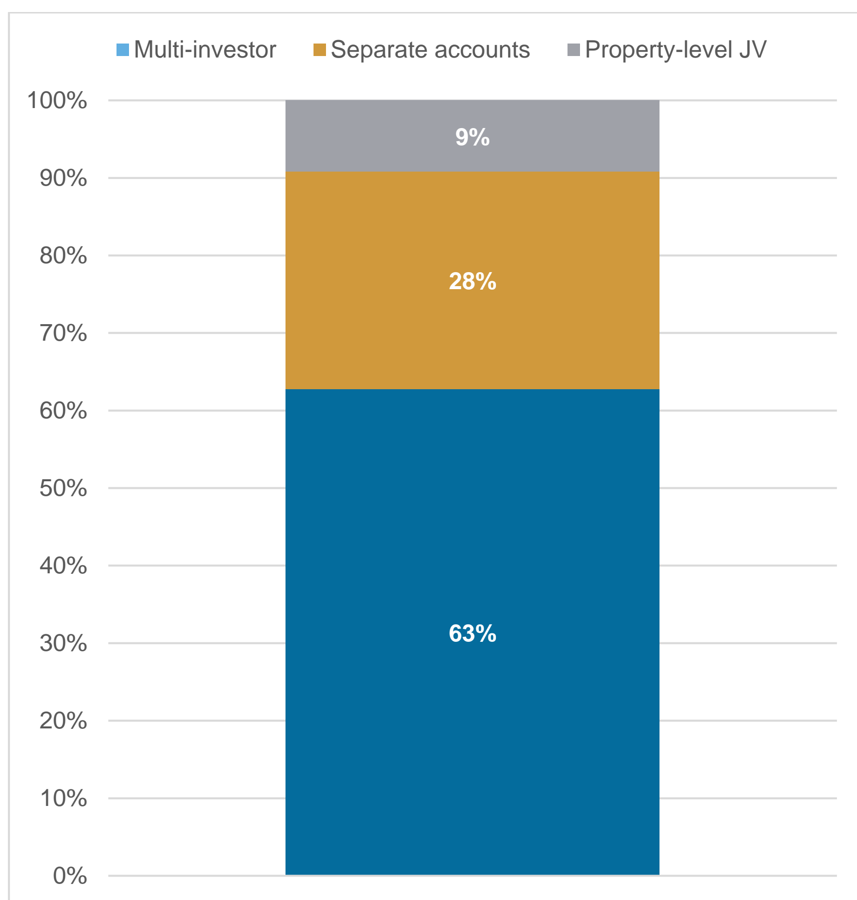
Most Commitments Are in Multi-investor Funds

Survey respondents were asked how their investment vehicles were structured. Eleven firms responded they had only raised capital for multi-investor funds,[17] two groups reported having raised capital only for separate accounts,[18] and only one raised capital just for property-level joint ventures.[19]

Figure 7 shows that a majority of the capital raised by respondents, or 63%, was allocated for multi-investor funds. Also, a meaningful share of the capital, 28% of overall committed dollars, was directed to separate accounts.

Figure 7. Majority of survey respondents' equity capital was allocated to multi-investor funds.

Weighted share of total commitments allocated to each structure



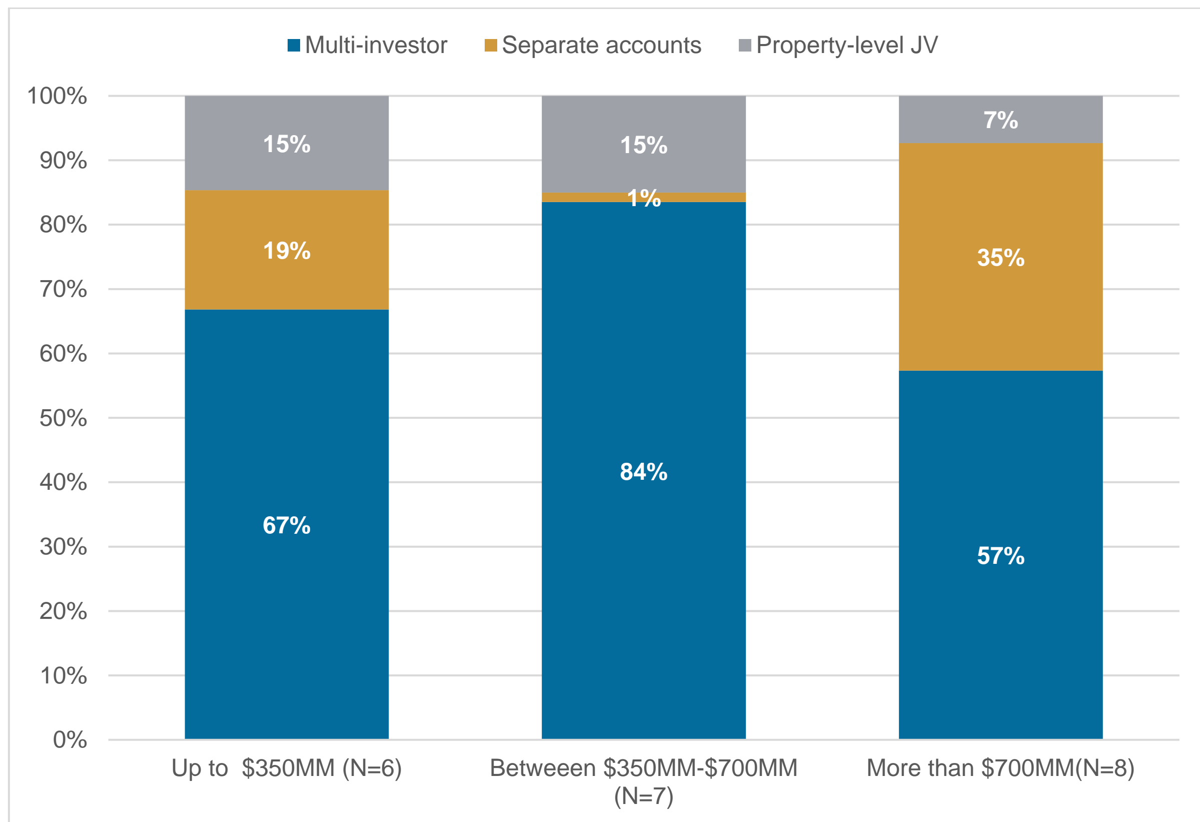
Source: Federal Reserve Bank of New York; N=21; total commitments included in this chart = $18,372,655,227

[17] A multi-investor or commingled fund is a fund that consists of a portfolio of assets from various accounts that are blended together. Adam Hayes, "Commingled Fund: Definition, Purpose, How It Works, and Example," Investopedia, May 24, 2024
[18] A separate account is an investment portfolio owned by an investor and managed by a professional investment firm. James Chen, "What Is a Separate Account? How They Work and Types of Accounts," Investopedia, April 8, 2022
[19] A real estate joint venture (JV) is a deal between multiple parties to work together and combine resources to develop a real estate project. Corporate Finance Institute, "Real Estate Joint Venture"

The allocation of capital varied by amount of equity raised as shown in Figure 8. For respondents with smaller commitments, 15% of their committed dollars were sourced for property-level joint ventures. For firms that raised between $350-$700 million, 84% of their committed capital was sourced for multi-investor funds. For respondents with commitments over $700 million, 57% of equity was sourced for multi-investor funds and 35% was directed to separate accounts.

Figure 8. Survey respondents that raised more than $700 million in capital have the highest share of commitments allocated to separate accounts compared with respondents with smaller commitments.

Weighted share of total commitments allocated to each structure categorized by size of capital raised



Source: Federal Reserve Bank of New York; total commitments (up to $350MM) = $1,143,100,000; total commitments (between $350-700MM) = $3,393,002,810; total commitments (more than $700MM) = $13,836,552,417
NOTE: Figures may not add up to 100% due to rounding.

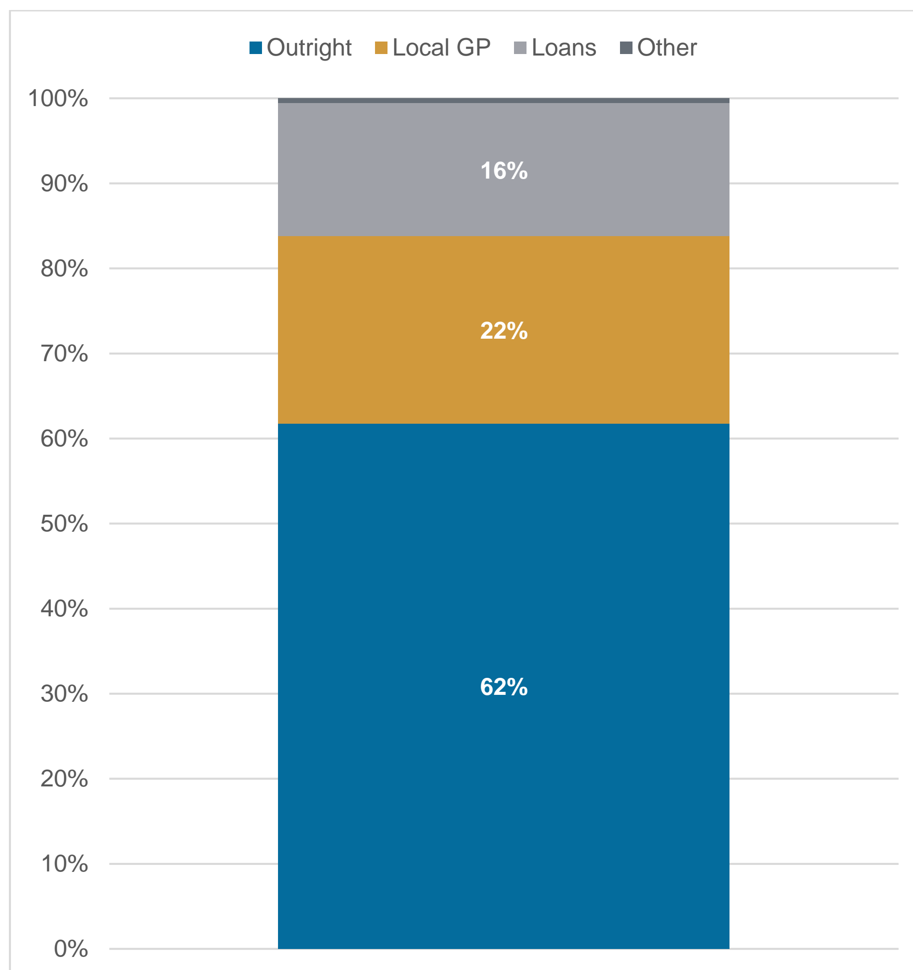
Investing in Multifamily Affordable Housing by Acquiring Properties Outright

Figure 9 shows that respondents expect to deploy 62% of capital raised by acquiring properties outright; this would make them owner-operators of the properties, in contrast to other investment managers who deploy capital through a local partner. If the investment manager has the capacity to do so, vertically aligning ownership, property management, general contracting, and other services enables cost efficiencies that can both save on related expenses and potentially help

them to offer impactful resident services. As an outright owner, the investment manager may be able to maintain the property at its own standard.

Figure 9. Most of the dollars committed to respondents are expected to be used to buy properties outright.

Weighted share of total commitments allocated at the asset level



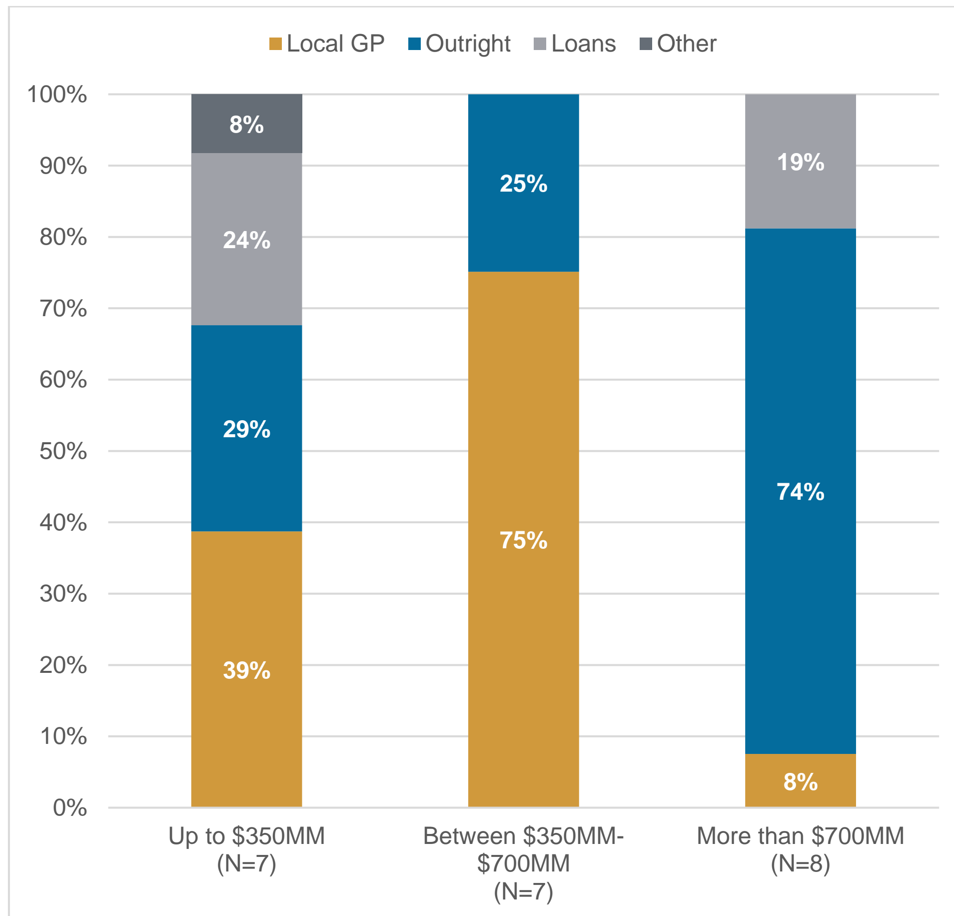
Source: Federal Reserve Bank of New York; N=22; total commitments included in this chart = $18,436,155,227
NOTE: Share of "Other" as an asset-level deployment strategy at the top of the chart is 1%. Figures may not add up to 100% due to rounding.

The survey data support this insight into firms' ability to align ownership and operational capacity. Figure 10 suggests that the larger respondents in the sample allocate 74% of their committed dollars to acquiring properties outright, compared to those with commitments with up to $350 million, which plan to use about 29% of their commitments for that strategy, and to those with commitments between $350 million and $700 million, which plan to use about 25% of their commitments for that strategy. This may also mean that managers with the largest commitments have a wider network of potential direct sellers and other intermediaries that notify those

managers when assets are available. Additionally, they are not subject to the investment timelines of local partners (i.e., acquisitions, management, disposition), and they also avoid splitting fees.

Figure 10. Respondents with the largest commitments strategically buy properties outright.

Weighted share of total commitments for each asset level categorized by size of capital raised



Source: Federal Reserve Bank of New York; total commitments (up to $350MM) = $1,206,600,000; total commitments (between $350-700MM) = $3,393,002,810; total commitments (more than $700MM) = $13,836,552,417

A Shift to Open-End Funds

Respondents were asked how the equity capital they raised was allocated among closed-end funds, open-end funds, or joint ventures for both the five-year period and the future two-year period. During the five-year period, when respondents reported having raised a total of over $18 billion, 65% of committed equity was allocated to closed-end funds, as shown in Figure 11.

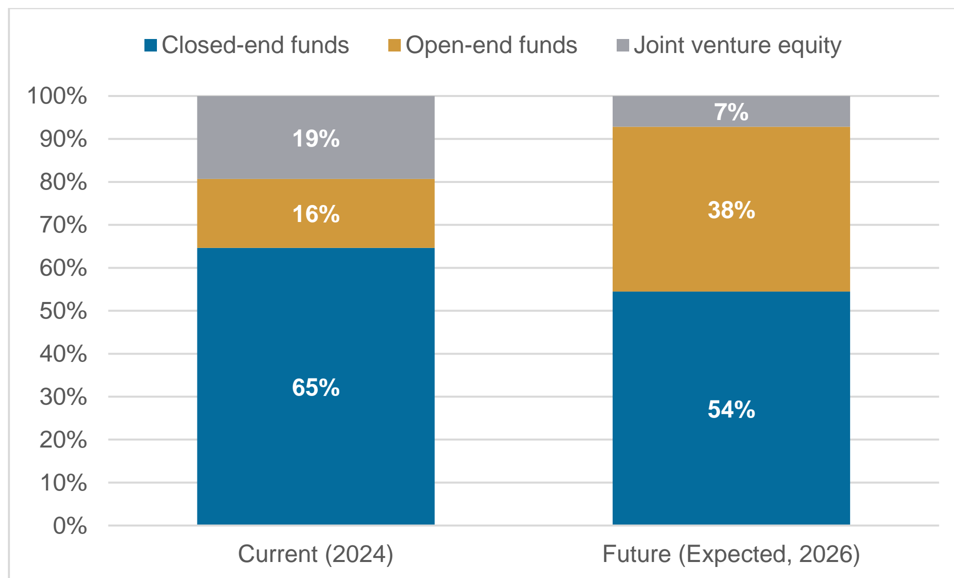
However, responses about the two-year future period show a significant shift toward open-end funds and corresponding declines in both closed-end funds and joint ventures. Future expected allocations, at 54%, still tilt toward closed-end funds. The increase in expectations toward open-

end funds may signal investor preference in considering the impact of changes in ownership of the underlying assets on long-term affordability and the potential for providing financing to new development transactions.

It is worth noting that despite the increase in respondents shifting toward open-end funds in the future, half of respondents stated that they will keep their fund structure the same over the next two years. The decision to adjust fund structure may be a direct response to how firms think they can raise capital and a response to the goals of their investor base.

Figure 11. The share of commitments that respondents allocate to open-end funds is expected to double in the next two years.

Weighted share of total current commitments and total future commitments for each structure



Source: Federal Reserve Bank of New York; N (current)=21; total commitments included in the chart (current) = $18,372,655,227; N (future) = 20; total commitments included in the chart (future) = $10,375,000,000
NOTE: Figures may not add up to 100% due to rounding.

Preservation Remains a Focus for Most Investors

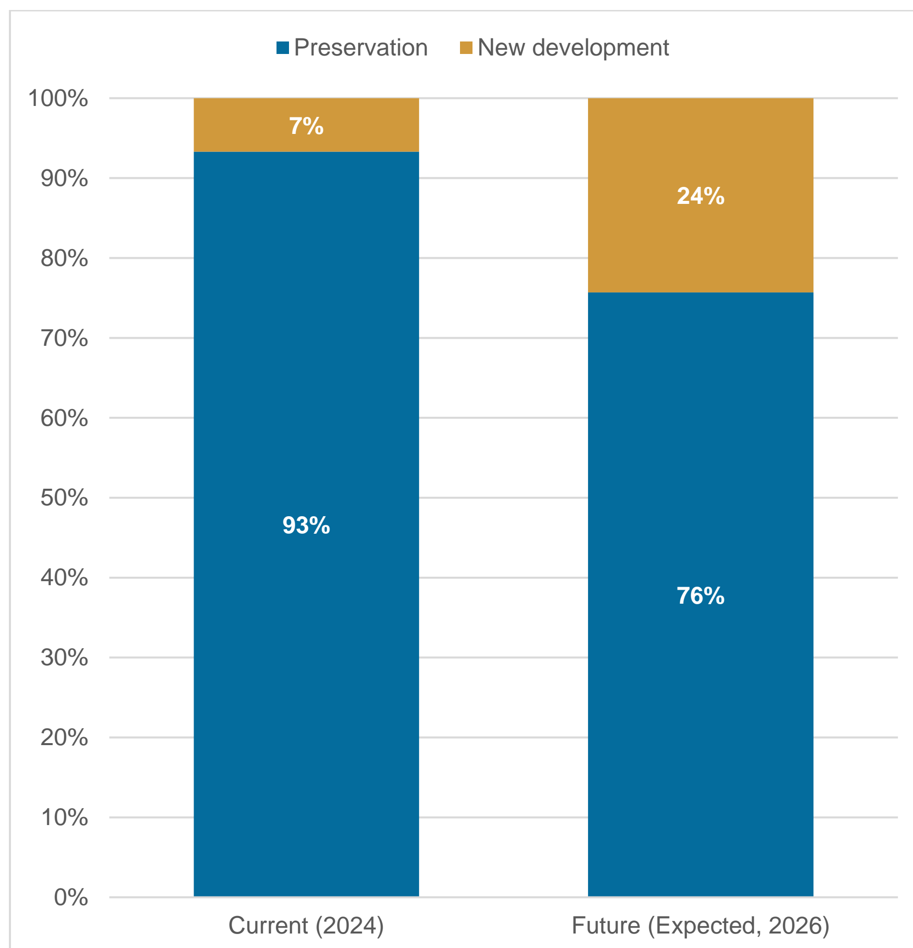
For the five-year period, respondents noted that 93% of capital was invested in preservation transactions and 7% went to new construction, as seen in Figure 12.

When respondents were asked about future deployment strategies, their expectations for new construction jumped to 24%. This is notable, as it may be related to the aforementioned expected increase in allocations of capital to open-end funds. New construction projects require longer lead times compared to acquiring existing buildings; those transactions may be better suited to open-end funds. While the expected shift of dollars committed to new construction is significant, a large majority of allocations are anticipated to finance preservation transactions. This suggests that

adding units to the multifamily affordable housing stock to address the growing shortage will require equity from other sources.

Figure 12. Respondents report planning a significant shift toward financing new construction of affordable housing.

Weighted share of current invested capital and total future commitments allocated to each investment strategy



Source: Federal Reserve Bank of New York; N (current) = 22; total invested capital included in this chart (current) = $18,618,404,809; N (future) = 21; total commitments included in this chart (future) = $10,450,000,000

Global Interest in U.S. Multifamily Affordable Housing Investments

Table 3 reflects firms that responded to the question about where their sources of limited partner capital are headquartered. They raised a total of $16.6 billion, 84% of which came from U.S.-based investors, while 16% came from investors based outside the U.S. Of the twenty-one respondents to this question when the survey was fielded from November 2024 to March 2025, nine firms raised at least some capital from investors based outside the U.S.

The median size of total commitments for those who raise capital from both U.S. and non-U.S. investors is more than $790 million, as shown in Table 4, compared to those who only have domestic investors at slightly more than $380 million, suggesting that firms are more likely to have a mix of U.S. and non-U.S. investors as firms increase the amount of capital they raise.

Table 3. Commitments from Europe represent the largest share of non-U.S. investors for survey respondents.

	U.S.	North America ex U.S.	Europe	Asia	Other
Weighted Ave % By Total Commitments	**84%**	**1%**	**11%**	**3%**	**1%**

Source: Federal Reserve Bank of New York

Table 4. Survey respondents that raised more capital during the five-year period looked to foreign investors.

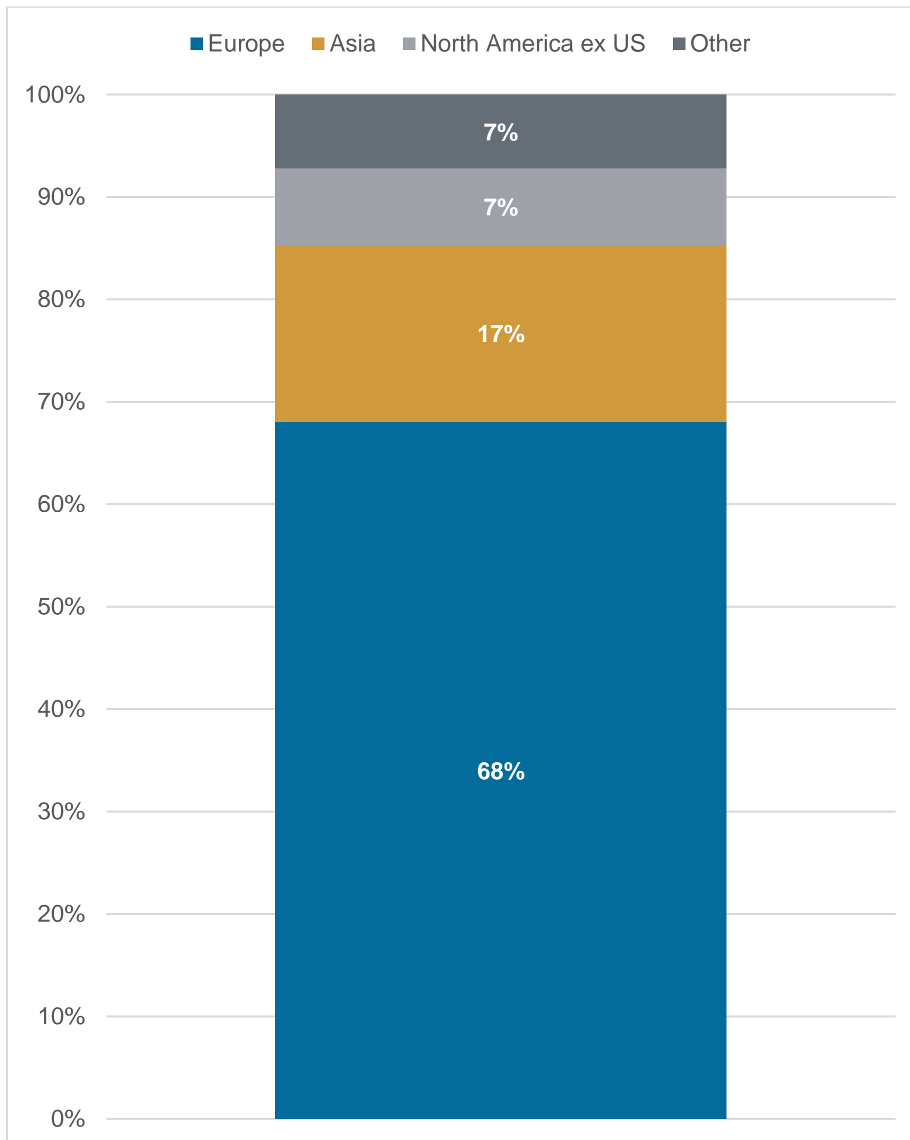
		N=
Median size of total commitments if they *only* raise from U.S. investors	**$ 381,411,000**	**12**
Median size of total commitments with *any* non-U.S. investors	**$ 793,000,000**	**9**

Source: Federal Reserve Bank of New York

Figure 13 examines capital from abroad more closely. Of the allocations from non-U.S. investors, which totaled $2.7 billion, around two-thirds, or 68%, came from Europe, significantly more than the next largest non-U.S. allocations from Asia at 17%. The remaining 14% came from other regions of the world.

Figure 13. Allocations from investors in Europe represent the largest contribution to non-U.S. capital in survey respondents' investment vehicles.

Weighted share of total non-U.S. commitments from each region



Source: Federal Reserve Bank of New York; N (respondents with non-U.S. investors) = 9; total non-U.S. commitments included in this chart = $2,734,667,862

NOTE: Figures may not add up to 100% due to rounding.

Market Trends and Investment Opportunities

As part of our data gathering, we asked investment managers in both the survey and in direct conversations about market trends in the affordable housing market, as well as where they saw the greatest investment opportunities. Four themes emerged, which we highlight and discuss below.

Intentional Inclusion of Resident Services in Building Operations

Some investment managers said that resident services[20] such as after-school programming, health and wellness services,[21] job training, and financial education classes are a critical part of how they operate their affordable apartment buildings. One survey respondent described its treatment of services for tenants as an above-the-line expense within its property-level income statement.

The Multifamily Impact Council (MIC), an industry trade group, has established standards for measuring impact. The MIC is a voluntary membership network focused on the multifamily affordable housing sector to ensure a level of transparency and accountability for impact investments. The MIC has published its Multifamily Impact Framework,™ which includes seven impact principles that aim to promote transparency and help the industry establish tangible impact goals.[22]

One of the framework's seven principles is resident engagement, which, it notes, will support and positively impact all of the other principles. The MIC framework document also notes that these services should be consistent with residents' needs and should leverage existing community resources and that their use can help build trust between building staff and residents.[23]

Role of Local Government and Tax Abatement Programs

Many cities, states, and other localities have made changes to their local tax abatement or exemption programs in the hopes of spurring more development.[24] One survey respondent noted

[20] "Resident services utilize housing as a platform to advance the physical, emotional, and financial health of residents. Programs address a range of needs, including early childhood and K-12 education, health and well-being, workforce development, food security, long-term supportive housing, tax preparation, and eviction prevention and/or financial capability services." Mel Miller, "Resident Services Funding & Delivery Models Among Affordable Housing Nonprofits," Joint Center for Housing Studies, July 2022

[21] Building Up Residents, Not Just Housing, Housing Matters, Urban Institute

[22] Multifamily Impact Council, "Multifamily Impact Council™: Our Purpose"

[23] Multifamily Impact Council, "Multifamily Impact Framework™"

[24] Robbie Sequeira, "Desperate for affordable housing, some cities sweeten tax breaks for developers," Stateline, February 6, 2024

that "statutory tax abatements are the most powerful and efficient form of local support for acquisitions."

These programs reduce the amount of taxes owed or adjust the value of the property for a specific period of time, resulting in a lower tax bill, providing an incentive to encourage the development and preservation of affordable housing.[25] The growing literature on the effects of these programs suggests that they are helpful in spurring growth in the housing stock, though findings on whether they are cost-effective are mixed. In a 2024 study, researchers from the Federal Reserve Bank of Boston concluded that tax abatement programs can spur the development of residential construction, which helps address housing shortages. However, the researchers note that these programs may be disproportionately costly to taxpayers.[26] In contrast, a study by the Douglas M. Bibby National Multifamily Housing Council Research Foundation found that the reduction in property tax revenue is offset by additional tax revenue generated by having new residents move into those areas.[27]

Beyond tax exemption programs, other local regulatory policies have also been found to be a significant factor in generating more housing supply. A study by researchers from the Federal Reserve Bank of Richmond found that, within the Federal Reserve System's Fifth District,[28] "[p]laces with more intensive regulations tend to have lower rates of new construction."[29]

LIHTC Properties as a Potential Pipeline to Source Assets

Some respondents indicated interest in acquiring LIHTC properties with remaining mandates as a way to extend affordability beyond the requirements set by the initial program allocation. LIHTC properties are recognized as having robust data on performance and maintaining compliance with affordability. Properties previously in the LIHTC program could be a significant source of assets to be acquired or financed by affordable housing investment vehicles. Yardi Matrix, a data solutions provider for real estate investments, estimates there will be 4,200 properties under the program coming to the end of their respective compliance[30] periods between 2025 and 2038. Another

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[25] Local Housing Solutions, "Tax abatements or exemptions," February 25, 2021
[26] Paul S. Willen, "Addressing Housing Shortages through Tax Abatement," Federal Reserve Bank of Boston, March 28, 2024
[27] National Multifamily Housing Council, "Building Blocks: How Tax Incentives Lay the Foundation for Housing Growth," February 14, 2025
[28] The Fifth District covers the states of Maryland, Virginia, North Carolina, and South Carolina; 49 counties constituting most of West Virginia; and the District of Columbia.
[29] Adam Scavette and Sierra Stoney, "Unlocking Housing Supply: What Can We Learn About Recent Construction and Permitting Patterns in Our Region?" Federal Reserve Bank of Richmond, February 14, 2025
[30] Compliance period refers to the 15-year period over which non-compliance with affordability requirements could result in the recapture of credits. See Novogradac for more information.

2,400 properties are expected to exit their extended-use period[31] in the same time period. Combined, those properties encompass 850,000 units.[32]

Need for Housing for Middle-Income Renters

Some survey respondents noted a need for more housing for middle-income renters, a group sometimes referred to as "the missing middle." These renters normally earn too much to qualify for most affordable housing programs but too little to be able to afford market-rate housing. A 2024 report from the Joint Center for Housing Studies of Harvard University examined eleven programs from across the country targeting the missing middle of renters and found that many of these programs are newer, funded by grants or loans, and are primarily focused on increasing new construction.[33]

A recent webinar hosted by the Community Development team at the New York Fed on developing and rehabilitating affordable apartments showcased multiple innovative approaches being implemented by small cities and towns in the New York Fed's Second District. One approach focused on middle-income renters is the Build4CT program, which is collaboratively managed by the Connecticut Department of Housing and the Connecticut Housing Finance Authority. This program offers developers incentives to include affordable units (between 60% and 120% of area median Income) in their projects by providing subordinated loans at below-market rates.[34]

Conclusion

Survey data indicate that managers of affordable housing investment vehicles sourced at least $18.4 billion in equity collectively over a five-year period ending in September 2024, with most firms noting that they have plans to raise more on an annual basis in the next two years. They source capital from different types of institutional investors based around the world, and there are differences in the investor mix based on vehicles' size. Survey respondents allocate more capital for preservation than for new construction, though they have indicated a notable interest in shifting future committed dollars to developing new affordable housing units in the next two years. This shift will seemingly run concurrent with a reallocation of commitment dollars to open-end funds, an

[31] "Federal law generally requires low-income housing tax credit (LIHTC) properties to remain rent restricted and only available to low-income tenants for a minimum of 30 years. This period of required affordability beyond Year 15 is called the extended-use period. Some states extend the affordability period even longer." See Novogradac for more information.
[32] Yardi Matrix, Matrix Research Bulletin-Affordable Housing Report, March 2025
[33] Alexander Hermann, Whitney Airgood-Obrycki, Nora Cahill, and Peyton Whitney, "Subsidizing the Middle: Policies, Tradeoffs, and Costs of Addressing Middle-Income Affordability Challenges," Joint Center for Housing Studies of Harvard University, July 2024
[34] Federal Reserve Bank of New York, "Developing and Rehabilitating Affordable Apartments: Exploring Local Policies and Approaches," April 8, 2025

investment structure that may be better suited for new construction transactions as those projects typically need a longer lead time. Regardless of strategy, these investment managers tend to acquire properties outright when they invest. They also indicate that they plan to use most of their committed dollars to finance units affordable to households earning 80% of area median income.

APPENDIX

Survey Questionnaire

Please note that for the purposes of this survey, *affordable housing* is defined as income-restricted and naturally occurring affordable units and includes the multi-family segment only.

1. What is the approximate size of your firm's total assets under management as of Sept 30, 2024, across all strategies?

   $__________

For Questions 2 through 11, please answer with respect to the five-year period from October 1, 2019, through September 30, 2024.

2. How much total equity capital for affordable housing did you **raise** during this five-year period, excluding tax credit equity and Opportunity Zone funds?

   $___________

   How much total equity capital for affordable housing did you **invest** during this five-year period, excluding tax credit equity and Opportunity Zone funds?

   $ ___________

3. What percent of the total equity capital your firm raised for affordable housing during this five-year period was allocated to:

   _______% Closed-end funds
   _______% Open-end funds
   _______ % Joint venture equity

4. How many banks invested in your affordable housing funds (or other affordable housing vehicles) during this five-year period?

   ______

5. What was the total amount of commitments from bank investors during this five-year period?

   $_____

6. For the equity raised for affordable housing during this five-year period, what is the breakdown of the shares of your investor mix by commitment amount? Please be sure that the shares add up to 100.

   _______% Banks
   _______% Insurance
   _______% Wealth Managers/ High-Net-Worth Individuals and Family Offices
   _______% Pension Funds
   _______% Endowment Funds/ Foundations
   _______% Other – please specify: ________________

7. For the equity raised for affordable housing during this five-year period, what share was from U.S. based investors and what share was from investors based abroad, by commitment amount? Please be sure that the shares add up to 100.

   _______ % U.S.-based investors
   _______% North America (excluding the U.S.)
   _______ % South America
   _______ % Europe
   _______ % Asia
   _______ % Africa
   _______ % Oceania
   _______ % Other (please specify geography: ____________)

8. For the equity raised for affordable housing during this five-year period, what shares were for the following? Please be sure that the shares add up to 100.

   _______% Multi-investor funds
   _______% Separate accounts
   _______% Property-level joint ventures

9. For the equity your firm raised for affordable housing during this five-year period, how do you expect to deploy that capital among the following categories? Please be sure that the shares add up to 100.

   ________% Acquiring properties with a local partner
   ________% Acquiring properties outright
   ________% Loans
   ________% Other (please specify purpose: ___________)

10. What share of the capital your firm raised during this five-year period did it invest in new development versus preservation? Please be sure that the shares add up to 100.

   ________% New development
   ________% Preservation

11. What were the target percent levels of AMI of the populations served by the funds' affordable housing units at origination of those investments made during this five-year period? Please be sure that the shares add up to 100.

    ______ % for <= 30% AMI
    ______ % for between 31- 60% AMI
    ______ % for between 61 - 80% AMI
    ______ % for 81 - 100% AMI
    ______ % for 101 - 120% AMI

12. How many affordable housing investment vehicles was your firm managing **as of September 30, 2024**? Affordable housing investment vehicles are defined as investment vehicles where more than 50% of capital raised was for affordable housing investments.

    ____

13. Of those vehicles your firm was managing, how many were in their investment period and how many were in their harvest period **as of September 30, 2024**?

    _____ Investment period
    _____ Harvest period

14. What was the total amount of equity capital committed to the affordable housing investment vehicles your firm was managing **as of September 30, 2024**? Affordable housing investment vehicles are defined as investment vehicles where more than 50% of capital raised was for affordable housing investments.

    $ _________

15. Does your investor base include investors that have affordability (or other) mandates at either the property or fund level?

    ◯ No

    ◯

    Yes

    If yes, to what extent do those mandates restrict your ability to transact?

    ◯ Significantly ◯ Moderately ◯ Not materially

16. How much equity capital for affordable housing is your firm looking to raise between October 1, 2024 and September 30, 2026?

    $ __________________

17. What share of the funds your firm plans to raise between October 1, 2024 and September 30, 2026 for affordable housing is expected to be allocated to new development versus preservation? Please be sure that the shares add up to 100.

    ________% New development
    ________% Preservation

18. What share of the total equity capital your firm plans to raise between October 1, 2024 and September 30, 2026 will be for closed ended funds, open ended funds, or joint venture? Please be sure that the shares add up to 100.

    _______% Closed-end funds
    _______% Open-end funds
    _______ % Joint venture equity

19. How many affordable housing **properties** (including income-restricted and naturally occurring affordable housing properties) were in your portfolio as of September 30, 2024?

    ______

20. How many affordable housing **units** (including income-restricted and naturally occurring affordable housing units) were in your portfolio as of September 30, 2024?

    ______

    a. Please indicate the approximate share of these affordable housing units financed by your firm's investments that were for naturally occurring affordable housing units (NOAH) versus income-restricted units? Please be sure that the shares add up to 100.

       __________% for naturally occurring affordable housing units (NOAH)
       __________% for income-restricted units

21. What, if any, specific target populations (e.g. seniors, veterans, etc.) are served by your funds or other investment vehicles?

____

22. What were the target percent levels of AMI of the populations served by the funds' affordable housing units at origination of those investments as of September 30, 2024? Please make sure that the shares you enter add up to 100.

_______ % for <= 30% AMI
_______ % for between 31- 60% AMI
_______ % for between 61 - 80% AMI
_______ % for 81 - 100% AMI
_______ % for 101 - 120% AMI

23. Are impact metrics included in your investor reports?

○ No
○ Yes

If yes:

Is reporting focused on:

○ Social metrics only

○ Social **and** environmental metrics

Do you report out affordability of the underlying properties in your portfolio?

○ Yes

○ No

Has your approach to impact reporting been reviewed or verified by a third party?

○ Yes

○ No

24. Please rank the states you have invested in the most for affordable housing from highest to up to 5th highest:

1.

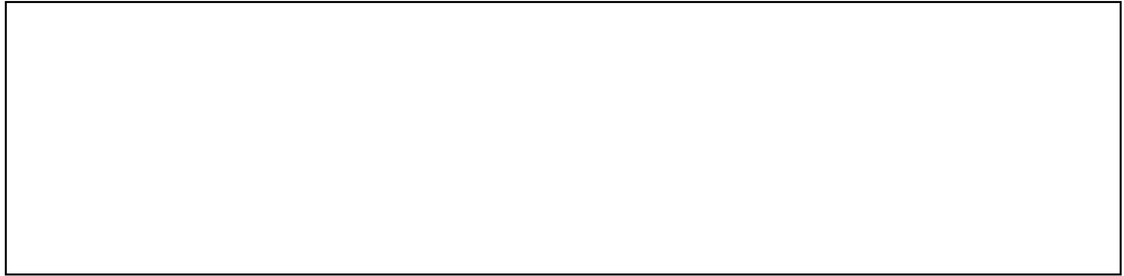
2.

3.

4.

5.

25. Where do you see the greatest investment opportunity in the market?



26. Is there anything you would like to share that was not covered in previous questions (e.g. emerging market trends, relevant national or local policy developments, other innovative partnership models, etc.)? Any insights you can provide may be helpful as we complete our write-up of the findings from these questions.