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Novogradac Report Shows Surge in Opportunity Zones Investment in Second Half of 2021

QOFs Report Nearly \$7 Billion in Equity Investment In Final Six Months of Year; Total Reaches \$24.40 Billion

SAN FRANCISCO—Reported equity investment in qualified opportunity funds (QOFs) tracked by national accounting and consulting firm Novogradac increased by nearly \$7 billion in the final six months of 2021, according to a report released today.

The [Novogradac Opportunity Zones Investment Report: Data Through Dec. 31, 2021](#), summarizes \$24.40 billion in equity raised by the QOFs for which Novogradac gathers information. Novogradac tracks 1,342 QOFs, of which 978 reported a specific amount of equity raised by the end of 2021.

The opportunity zones (OZ) incentive was part of the 2017 tax legislation and allows taxpayers gain deferral and exclusion income tax benefits for investment in designated low-income communities through QOFs.

The total investment reported by Novogradac at the end of 2021 was \$6.88 billion more than at midyear, a 39.3% increase. Taxpayers that invested in QOFs by Dec. 31, 2021, could benefit from a 10% basis step-up for investments held five years, which likely played some role in the surge of investment.

“As this incentive matures, it appears that investors are becoming more comfortable with the broad range of potential investments,” said Michael J. Novogradac, managing partner of Novogradac. “Investors and their advisors also appear to be more comfortable with the longer-term hold that this incentive encourages.”

Mr. Novogradac published a blog post on the data. The Feb. 15 episode of his [Tax Credit Tuesday podcast](#) discusses the special report.

The dollar increase in investment over the past six months was the most for any period over which Novogradac has tracked investment, beginning in May 2019. Novogradac’s report is based on a rolling collection of information, with QOFs voluntarily providing information or through other public sources such as Security and Exchange Commission filings and press releases. Novogradac’s list does not include proprietary or private funds owned and managed by their principal investors, so total OZ investment is probably three or four times that reported by Novogradac. However, Novogradac’s report provides an apples-to-apples comparison over time for OZ investment.

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The [Novogradac Opportunity Zones Investment Report: Data Through Dec. 31, 2021](#), includes data on the types of reported investments, the planned geographic focus of investment and the top 20 states and top 40 cities for targeted OZ investment. The report also breaks down the number of QOFs that have raised different ranges of equity and how much has been raised by those groups.

“Our report shows that 20 cities have at least \$200 million in planned QOF investment and 41 cities have at least \$100 million in planned investment,” said John Sciarretti, CPA, a partner in Novogradac’s Dover, Ohio, office and head of the Opportunity Zones Working Group. “The top 40 cities for investment are in 23 states, plus Washington, D.C. That is an illustration of how the OZ incentive is providing investment to a wide variety of areas.”

Novogradac will host the [Novogradac 2022 Spring Opportunity Zones Conference](#) April 21-22 in Long Beach. Novogradac maintains the [Opportunity Funds List](#) and publishes the [Introduction to Opportunity Zones](#) booklet, the monthly [Novogradac Journal of Tax Credits](#) and the weekly [Tax Credit Tuesday podcast](#). Novogradac leads the [Opportunity Zones Working Group](#), which regularly submits comments on the OZ incentive to the Treasury Department.

About Novogradac

Novogradac began operations in 1989 and has grown to more than 600 employees and partners with offices in more than 25 cities. Tax, audit and consulting specialty practice areas for Novogradac include affordable housing, opportunity zones, community development, historic rehabilitation and renewable energy.