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Great Recession Data Suggests LIHTC Properties Suited to Survive Economic Downturn

Novogradac Report: Occupancy Rates, Rental Income Took Slight Dip, Then Recovered After Last Slowdown

SAN FRANCISCO–While a post-pandemic recession is expected to hit most of the American economy, data from national accounting and consulting firm Novogradac suggests that low-income housing tax credit (LIHTC) properties may recover more quickly than other segments of real estate.

"LIHTC Lessons from Great Recession: Data Shows Occupancy Rates, Rental Income for Affordable Housing Properties Were Steady During Last Economic Downturn," a special report from Novogradac, reveals that occupancy rates and rent received at LIHTC properties took a slight dip during and in the immediate aftermath of the Great Recession, but recovered quickly. The data comes from Novogradac's proprietary database of surveys of affordable and market-rate rental housing properties, containing more than 100,000 individual properties.

"While we don't know the magnitude of the economic slowdown after the COVID-19 pandemic, this report is certainly reassuring," said Michael J. Novogradac, managing partner of Novogradac. "Affordable rental housing becomes even more important during a recession and if the Great Recession is an indicator, a vast majority of LIHTC properties will remain occupied and financially viable. The ability of those properties to withstand an economic downturn means low-income tenants can retain affordable housing at restricted rents."

The Novogradac data shows that while the national occupancy rate for two-bedroom LIHTC properties for residents at or below 60 percent of the area median income (AMI) dropped by about 1 percentage point in 2009, a gradual increase followed through 2019, the last year for which there is information. The national occupancy rate for such units never dropped below 95 percent in the period studied.

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Meanwhile, median rent received for similar properties showed a slight flattening during the Great Recession, with only one year of decrease. Like the occupancy rate, the longer-term trend has been positive: The median rent has increased at least 1.5 percent in nine of the 12 years since 2008.

"While the U.S. economy was struggling across nearly every sector during the Great Recession, this data suggests that LIHTC properties maintained stability," said H. Blair Kincer, MAI, CRE, partner in Novogradac's metro Washington, D.C., office and lead author of the report. "Affordable housing properties continued to be rented and rental income didn't experience a significant drop."

The Novogradac report includes national trends and information on specific metropolitan statistical areas (MSAs) before, during and after the Great Recession. The report compares the occupancy rate and rental income for a variety of MSAs across the nation and examines whether tourism-centric MSAs differed from the rest of the nation.

Kincer also authored a blog post on the data.

The Novogradac Government Consulting and Valuation Advisory Group, which is responsible for the report, provides comprehensive real estate services to the government and private sector. In addition to that, the group publishes an annual report on operating expenses for LIHTC properties.

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.