

March 13-14, 2025 | InterContinental, Boston MA

Assessing the status of the tax credit equity market in 2024 and beyond

IPED's Learn the Basics: Housing Tax Credits 101



Our Speakers

Assessing the Status of the Tax Credit Equity Market in 2024 and Beyond



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**EQUITY MARKET
OVERVIEW**



HOUSING TAX CREDIT BASICS

35+ Year History

**Most Successful AH
Production Program**

P3

10-15 Year Hold

**Complimentary
Programs**

- The Low-Income Housing Tax Credit is one of the few major federal investment tax credit programs; was authorized in 1986 and made permanent in 1993.
- Having been the most important program for creating and rehabilitating affordable housing in the US, the housing tax credit program finances the construction or rehabilitation of more than 75,000 affordable housing units every year.
- The IRS sets rules through IRC Section 42, while administration of the program resides with the state credit allocating agencies. Many states also have their own state housing credit programs.
- Credits are delivered over ten years to the equity owner of housing tax credit projects, with a 15-year holding period for compliance reasons; early exits are possible.
- In addition to housing tax credits, there are many federal and state rental assistance, and subsidized loan programs available to support the production of affordable housing.



INVESTOR MOTIVATIONS





HOW DO INVESTORS CHOOSE INVESTMENT VEHICLES?

Direct investment - Investor owns a 99% LP interest in an operating partnership with the developer as GP and no third-party intermediary. A few large investors have full time staff to underwrite & asset manage such investments. This option would be difficult to execute otherwise.

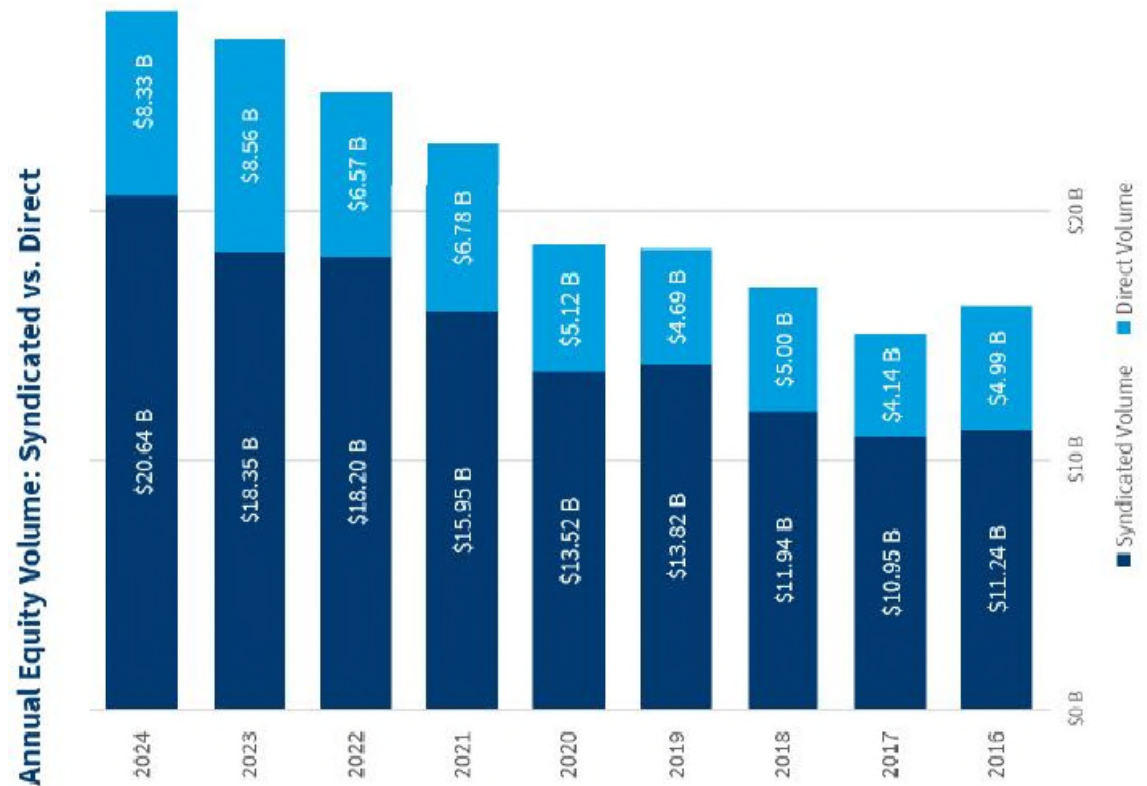
Fund investment - Investors acquire LP interests in an investment fund organized by a syndicator/Fund GP. The syndicator finds and underwrites investments in a series of operating partnerships

- **Multi-investor Funds** - typically 5-10 corporate LP's, investors can typically review about 70% of the fund's property investments before committing
- **Single Investor (Proprietary) Funds** - same idea with an experienced investor keeping more control e.g. veto rights on property selection



THE HOUSING CREDIT EQUITY MARKET

- CohnReznick’s annual survey of all syndicators and direct investors, concluded that approximately **\$28.9 billion** of investor equity was closed in 2024.
- The total volume is a **7.6%** increase from the 2023 surveyed amount.
- **71%** was syndicated and **29%** was directly invested.





CURRENT FUND OFFERINGS

Based on most recent CohnReznick survey of Equity Market, IRRs for funds range from **5.25% to 8.0%**

Credit pricing continues downward trend with average pricing dropping from **\$0.88 in 2023** to **\$0.87 in 2024**

has dipped each subsequent year: \$0.88 in 2023, and \$0.87 in 2024

Current NATIONAL Multi-Investor Funds

Syndicator / Fund Name	Estimated Fund Size (millions)	After-Tax Cash Needs IRR	Net Equity Price	Target Closing
Berkadia – Housing Partnership XV 2025	\$125	TBD	TBD	June 2025
Boston Financial - ITC 61	\$175	TBD	\$0.835 - \$0.93	March 2025
CREA - Fund 110 Economic Investor	\$91.5	8.00%	TBD	February 2025
Enterprise - EUMF 2	\$100	TBD	TBD	April 2025
Enterprise - EHP 47	\$250	TBD	TBD	June 2025
Greystone – RE Capital National Fund I	\$100	5.25% - 7.50%	\$0.82 - \$0.92	April 2025
Hunt – Hunt Capital Partners 52	\$200	TBD	TBD	July 2025
Marble Cliff Capital - MCC Community Equity Fund 4	\$75	TBD	TBD	April 2025
Marble Cliff Capital - MCC Community Equity Fund 5	\$75	TBD	TBD	October 2025
Merchants Capital - Tax Credit Equity Fund 25	\$175	6.00% - 8.00%	\$0.83 - \$0.93	June 2025
PNC – LIHTC Fund 98	\$250	7.75%	\$0.92 - \$0.97	June 2025
R4 Capital - R4 Housing Partners XXIII	\$255	TBD	TBD	January 2025
Raymond James - RJTCF 54	\$300	TBD	TBD	February 2025
Raymond James – RTJCF 55	\$200	TBD	TBD	February 2025
RBC Community Investments - RBC National Fund-38	\$200 - \$225	TBD	TBD	April/May 2025
Red Stone Equity Partners - Fund 116	\$200	TBD	TBD	May 2025
Regions Affordable Housing - Corporate Partners Fund 81	\$140	TBD	TBD	August 2025
Richman - USA 160	\$200	TBD	TBD	July 2025
US Bank - USB LIHTC Fund 87	\$133	TBD	TBD	February 2025
Walker & Dunlop Affordable Equity – Fund 124	\$260	6.75% - 8.00%	\$0.91 - \$0.94	April 2025
WNC - Institutional Tax Credit Fund 57	\$250	6.75% - 7.5%	\$0.76 - \$0.90	April 2025

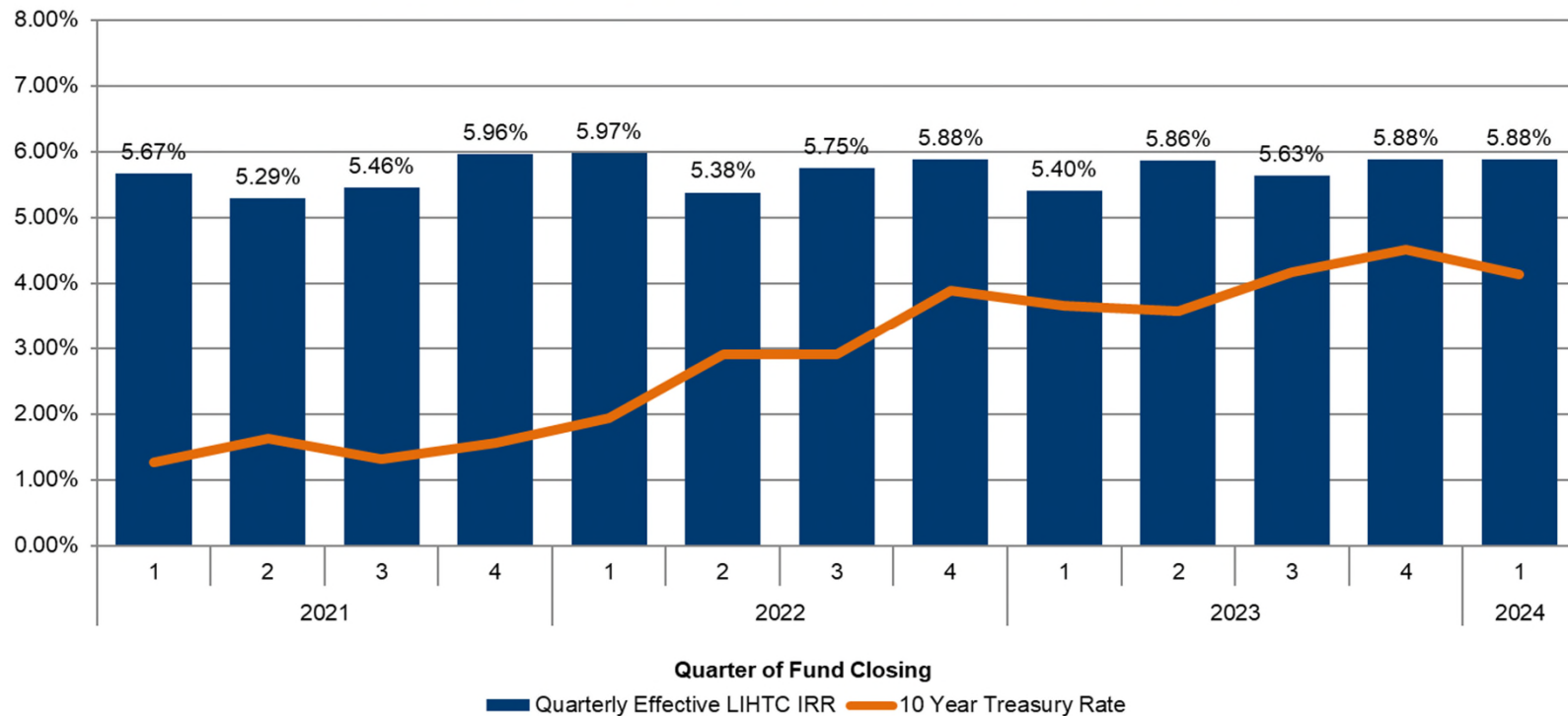
Current REGIONAL Multi-Investor Funds

Syndicator / Fund Name	Region	Estimated Fund Size (millions)	After-Tax Cash Needs IRR	Net Equity Price	Target Closing
CAHEC – Community Equity Fund 30	SE & Mid-Atlantic	\$105	TBD	TBD	May 2025
Evernorth – Housing New England, Fund VI	ME, NH, VT	\$65	5.75%	\$0.82 - \$0.86	February 2025
Merritt Community Capital Corp. – Fund 26	California	\$150	TBD	TBD	December 2025
Midwest Housing Equity Group - MHEG 61	Midwest	\$200	TBD	TBD	May 2025
R4 Capital - California Housing Partners IX	California	\$130	TBD	TBD	May 2025
Richman - Richman Western Regional 5	Western States	\$120	TBD	TBD	July 2025
US Bank – USB LIHTC Fund 88	Western	\$146	TBD	TBD	June 2025
WNC - Fund X California Series 22	California	\$100	6.50%	\$0.81 - \$0.87	April 2025



FUND IRR VS. 10-YEAR TREASURY

Housing Tax Credit Yield vs. 10-Year Treasury

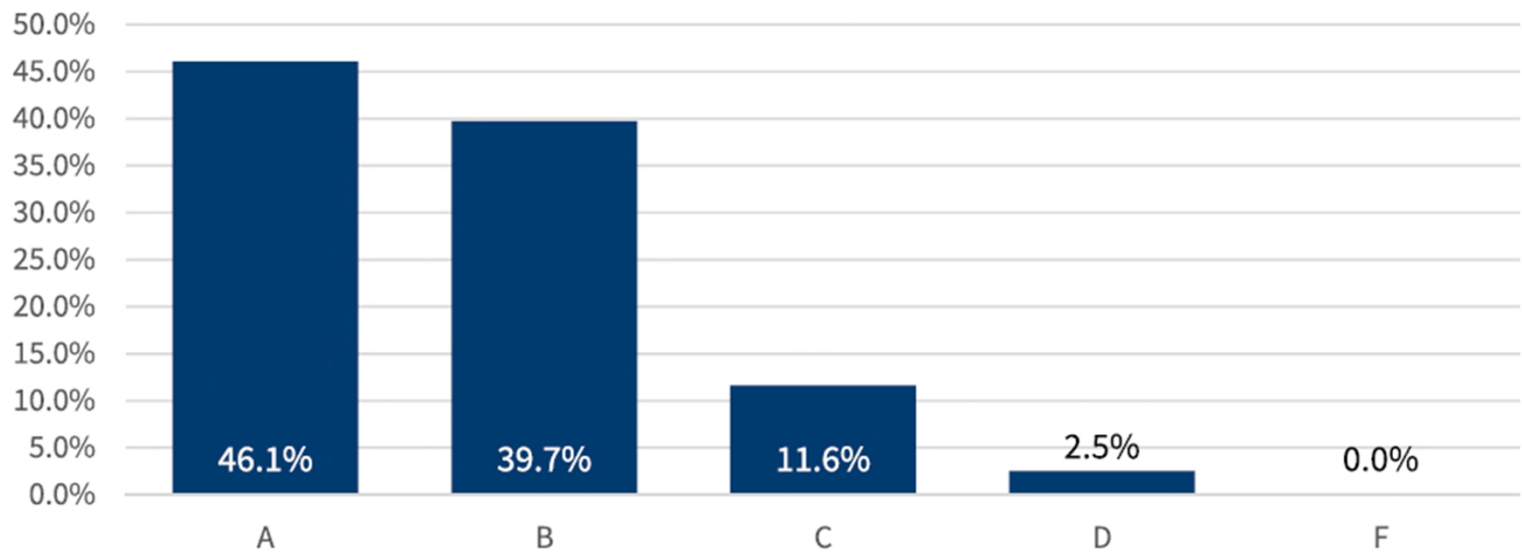




AHIC RISK RATING

Watch list was 14.2% in 2022, up from 10.5% in 2020

Risk Rating Distribution 2022

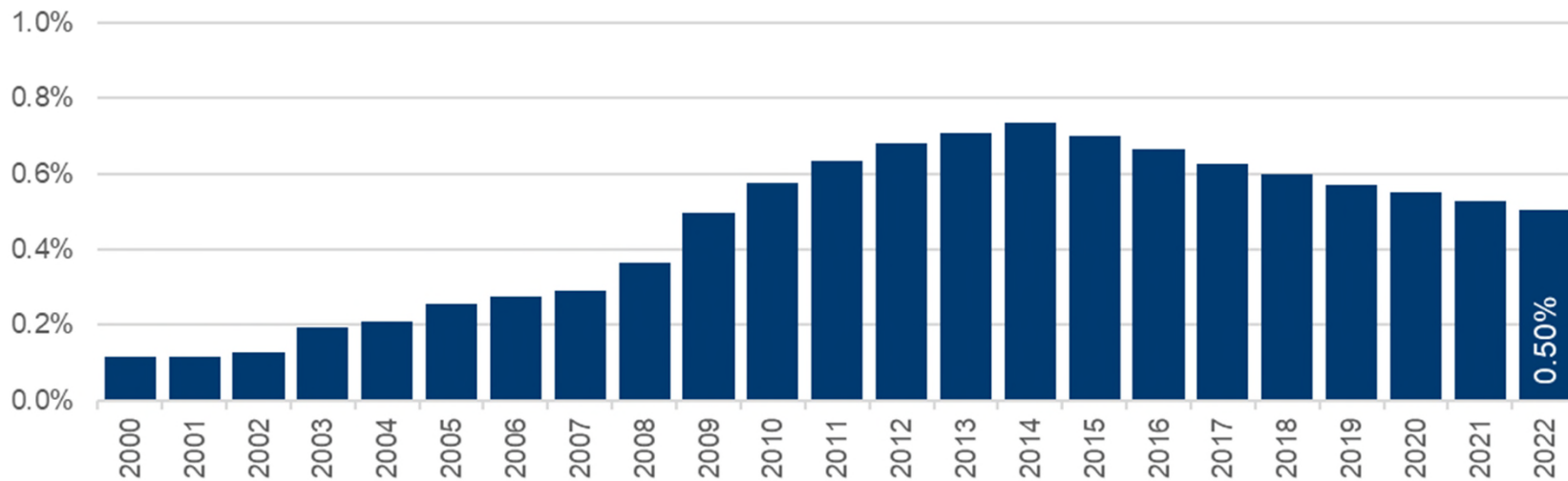




FORECLOSURE RATE

The cumulative foreclosure rate of **0.50%** ranks tax credit properties amongst the safest real estate asset classes

Cumulative Foreclosure Rate by property count



Recent Trends

What are we seeing now?

1. **Interest Rates**
2. **Credit Layering**
3. **Exit Options**

Recent Trends

Adjusting to interest rate hikes

- / Closing timelines
- / Lower perm loans, tighter budgets
- / LP capital accounts taking losses faster
- / Swaps agreements
- / Have interest rates stabilized? Is this the new normal?



Recent Trends

Uptick in credit layering

- / 45L credits, state credits, solar credits
- / Impact of state credits on pricing?

- / Changes to Energy Credits with IRA
 - Are boosters impacting deals?
 - Third party sale of Credits?
 - No longer reduce basis

Exit options

- / ROFRs, purchase options (post-credit period and post-compliance period) – how are higher interest rates impacting?
- / Appraisals
- / Exit Taxes – Is this a concern?

What to Watch

So....where are we going?

What to Watch

1. Tax Reform

- / Changes to Corporate Tax Rate
- / Code updates

2. Cost of capital and rising ROR expectations

3. Rising Insurance Costs

4. Changes to the Investor Market – Are investors getting more selective with their equity?

5. Expansion of the Investor pool/CRA changes?

Questions?



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Thank you!

