

## Developers See Renewed Opportunity in Affordable Housing

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A growing number of real estate developers are showing renewed interest in building affordable housing, spurred by legislative changes that make such projects more financially viable. With more than 9 million housing units needed by 2035, according to the McKinsey Institute for Economic Mobility, the United States faces a significant housing shortage. Recent federal action is being seen as a step toward addressing this critical issue.

Home ownership remains out of reach for many Americans. The median home price in the United States is approximately \$410,800, and households need to earn between \$100,000 and \$135,000 annually to afford a mortgage, based on estimates from Bankrate. In contrast, the average U.S. salary sits at just under \$40,000, placing home ownership beyond the reach of a large portion of the population. The affordability gap hits Black Americans especially hard; nearly 60% of Black renters and 30% of Black homeowners are classified as moderately or severely cost-burdened, far above national averages. These disparities stem from historic housing discrimination combined with present-day imbalances in housing supply and demand.

For years, real estate developers have hesitated to build low-income housing, citing high construction costs and limited returns. However, this outlook may be changing following the recent expansion of the Low-Income Housing Tax Credit (LIHTC), a federal program that provides tax incentives to developers building affordable units. As part of a broader tax and spending bill passed by Congress, the LIHTC's 9% credit allocation to states has been permanently raised to 12%. Developers can sell these credits to investors to secure project financing, lowering their upfront costs and improving the return on investment.

Jonathan Rose, founder and CEO of Jonathan Rose Companies, a firm specializing in sustainable and affordable real estate, told *CNBC*, "It's a big boost for the creation of more affordable housing," adding, "This won't solve the whole 10 million unit problem, but it'll be a big help." Rose also noted a growing interest from investors in the affordable housing sector, signaling a potential shift in market dynamics.

In addition to expanding LIHTC, the legislation includes provisions that reduce the financing burden on developers and extend other tax-related benefits. These measures include the preservation of the mortgage interest deduction, reinstatement of the mortgage insurance premium deduction, and a permanent extension of both Opportunity Zones and the New Markets Tax Credit (NMTC) incentives designed to encourage investment in economically distressed areas. David Dworkin, president and CEO of the National Housing Conference, described the housing-related measures as "the most consequential and positive housing legislation in decades." In a public statement, Dworkin highlighted how the expanded LIHTC and other tax incentives reflect key elements of the Affordable Housing Credit Improvement Act, designed to increase the availability of rental units across a broad range of communities.