

Naturally Occurring Affordable Housing (NOAH)

From McKinsey & Company:

“NOAH is the term for existing multifamily rental properties that are affordable without public subsidy to low-income households.” In large markets, NOAH usually accounts for substantially more of the housing market than subsidized affordable housing. The properties are usually financially fragile and more sensitive to economic shocks—the units are at risk of either redevelopment or disrepair that makes them inhabitable. Renters are predominantly low-income people of color. Owners are typically individual landlords, often local community members with small multifamily properties as a primary source of wealth or retirement income.

The COVID-19 crisis put more of these properties at risk—as more renters were unable to pay rent, landlords with narrow margins and little to no reserves might experience a loss if one or two units in an eight-unit building could not pay the mortgage. This situation might lead the property owner to consider selling. When properties are sold, all tenants in the building are likely to lose their home and be displaced.¹

According to a 2021 study by the Triangle J Council of Governments, there are more than 22,000 NOAH units serving households at 80% AMI or below just in Johnston, Wake, and Durham counties (the study considered affordable housing availability along a proposed commuter railroad corridor between West Durham and Clayton). These units make up nearly 20% of market-rate affordable units in the three counties. The majority of units serve households between 61-80% of AMI. Data is based on CoStar, a company that collects information on multifamily residential buildings, typically with over 20 units, and does not include homeownership properties.²

Potential Policy Ideas to preserve NOAH units

- Provide renters with direct assistance to help them pay monthly rent.
- Provide owners with assistance that will help stabilize the property. Examples of these are: energy-efficiency programs, low-interest loans, grants for maintenance and functional upgrades, property-management resources, tax abatements through nonprofit partnerships, and access to attractive refinancing resources.
- Financing interventions that encourage investors who want to preserve long-term affordability of units to buy or renovate affordable properties.
- Both owner and renter interventions can be accomplished through local and state policy. At the national level, more acknowledgment of NOAH needs to be done in order to establish it as an investible asset class.

¹ For more information, see <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/preserving-the-largest-and-most-at-risk-supply-of-affordable-housing>

² For more information, see Triangle J Council of Governments April 2021 report: https://www.tjcog.org/sites/default/files/uploads/publications/gtcr-housing-analysis_v042621.pdf