



## Freddie Mac: Tax Incentives Set to Drive Multifamily Investments in Opportunity Zones

March 21, 2019

### Tax Advantages Provide Substantial Returns at 5- and 10-Year Benchmarks

MCLEAN, Va., March 21, 2019 (GLOBE NEWSWIRE) -- A "Multifamily in Focus" [research paper](#) released today by [Freddie Mac](#) (OTCQB: FMCC) shows that a substantial tax advantage provided by the Tax Cuts and Jobs Act (TCJA) will likely lead to a significant influx of capital to multifamily investments in Opportunity Zones. Opportunity Zones were created by the tax law to encourage investment in economically depressed communities identified by state governments as having comparatively high poverty and subpar employment opportunities. Freddie Mac's calculations show that the benefit of capital gains tax deferral and tax-free growth on qualified investments in Opportunity Zones after 10 years can generate significantly higher returns for investors compared with traditional investments.

"Of the 105 Qualified Opportunity Funds already established, 70 have an investment focus on multifamily residential development," said Steve Guggenmos, vice president of Research and Modeling for Freddie Mac Multifamily. "The substantial tax advantages offered by the tax law should drive multifamily investments in Opportunity Zones. What is unclear is the long-term effect. Will these investments revitalize communities and enhance opportunity as intended? We'll have to wait and see."

The research paper compares a hypothetical investment under the tax structures offered by both traditional and Opportunity Fund circumstances. The simplified illustrative example, which is not meant to be used as investment advice, demonstrates the clear advantage for investors that an Opportunity Fund can have over competing investments. A traditional investment that provides an 8 percent annualized return may provide a return of more than 12 percent if invested in a ten-year Opportunity Fund. Similarly, a five-year investment in an Opportunity Fund would increase returns for an investor from 4.6 percent to 7.4 percent, according to the analysis.

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