At Midpoint of 2018, Multifamily Market's Strength Continues

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Multifamily Research Group Releases New Market Outlook

MCLEAN, Va., Aug. 10, 2018 (GLOBE NEWSWIRE) -- A new analysis by Freddie Mac (OTCQB: FMCC), finds that the strong performance experienced by the multifamily market in the first half of 2018 will continue throughout the end of the year and well into 2019. The findings were released as part of Freddie Mac Multifamily's 2018 Mid-Year Outlook and companion video. The Outlook predicts that in 2018, multifamily origination volume is expected to grow by 3.3 percent to $305 billion.

In the Outlook, Freddie Mac Multifamily Research and Modeling vice president Steve Guggenmos and manager Sara Hoffmann find that overall, the multifamily market continues to experience very healthy performance. While fundamentals have started to moderate over the past few years, the factors most critical to market strength continue to remain strong, for example, with rents rising above inflation and vacancy rates only increasing slowly.

"The last months of 2017 exceeded expectations for the multifamily market, and that trend continued into the first half of 2018. Our Mid-Year Outlook finds that this positive progress will help shape the remainder of this year and into 2019," said Steve Guggenmos of Freddie Mac Multifamily. "There will be certain submarkets that will see moderation, but overall the multifamily market continues to benefit from a solid macroeconomy and continued strong demand. Simply put, we do not see any looming threats to the multifamily market in the near future."

The Outlook cites several factors contributing to the strength of the Multifamily market in the first half of the year—and into the future. First, the multifamily market ended 2017 on a strong note, marked by lower vacancy rates than forecasted, and unanticipated rises in rents. This positioned 2018 to be the beneficiary, as completions are expected to be only modestly higher and absorptions will remain strong, though they could fall short of the high level of new supply.

The Outlook finds that completions are expected to peak sometime this year, and supply will remain elevated throughout 2019. But demand will remain robust, driven by demographic and lifestyle preferences, and will just fall short of meeting new supply levels. As a result, vacancy rates will continue their modest upward climb and rent growth will moderate through 2019.

The Outlook importantly notes that, while multifamily supply has been reaching 30-year highs, the economy remains in an overall housing shortage for the past decade.

In addition, capitalization rates remain low with little change over the past several quarters—despite increases in interest rates. Property prices continue to grow due to solid multifamily fundamentals and strong investor demand for multifamily properties.

Guggenmos added, "While there is some moderation taking place in the multifamily market, we continue to see the same factors at play as we have for the past several years—short supply coupled with demographic and lifestyle preferences fueling strong demand. This reality will continue to lead to low vacancy rates and healthy rent growth—while also supporting the elevated levels of new supply in the next few quarters without disruption."

Freddie Mac Multifamily is the nation's multifamily housing finance leader. Historically, nearly 90 percent of the eligible rental homes we fund are affordable to families with low to moderate incomes.

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Christopher Spina
703-388-7031
Christopher_Spina@freddiemac.com