Freddie Mac: Single-Family Rental Homes are America's Largest Source of Rental Housing

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"Duty to Serve" White Paper Reveals Limitations of Secondary Market for Single-Family Rental Home Loans

MCLEAN, Va., Dec. 27, 2018 (GLOBE NEWSWIRE) -- Freddie Mac (OTCQB: FMCC) today released a white paper on the single-family rental (SFR) market, which provides housing to 25 million Americans and is valued at more than $4 trillion. The paper reveals SFRs to be the largest source of rental housing in America, playing a particularly important role in rural areas where they account for two-thirds of the rental housing stock. Freddie Mac finds that the secondary market for SFR home loans is limited.

The white paper, titled "Single Family Rental: An Evolving Market," along with other research in both the single-family and multifamily markets, are a part of Freddie Mac's three-year Duty to Serve plan to increase rental and homeownership opportunities in historically underserved markets throughout the nation. The SFR paper is one of eight papers the Multifamily line of business has released in 2018.

"The Single-Family rental market is an important segment of the housing market and the data reveal it to be an affordable housing option for many American families," said Steve Guggenmos, vice president of Multifamily Research & Modeling. "Much of the SFR market is primarily driven by small investors, and there is not a uniform set of terms and credit standards for loans on SFRs. Freddie Mac's pilot program in this space sought to demonstrate how secondary market infrastructure focused on SFRs might benefit the marketplace."

Key Findings:

- **The SFR market makes up about half of the overall rental market**. It is the single largest segment of the rental market by valuation and households served.
- **Small investors dominate the SFR space.** The overwhelming majority of SFRs are owned and operated by individuals or very small investors.
- **There is a slow-growing middle-tier investor market** with further potential for growth. Large-scale institutional investors are a new entry into the market, but are limited to a select few firms that own approximately 1 percent of SFRs.
- **Secondary market opportunities for SFR loans are limited.** Apart from these select few institutional investors with access to the capital markets, there are limited secondary market opportunities for SFR loans with middle-tier investors that would provide liquidity and stability, and there is not a uniform set of terms and credit standards for loans on SFRs.
- **Freddie Mac's SFR pilot sought to demonstrate efficacy of secondary market infrastructure.** Freddie Mac's pilot included both middle-tier investors and affordable homes in select large-investor portfolios, and demonstrated how a secondary market infrastructure focused on SFRs affordable at 80 percent of the area median income could be created and operated, particularly for middle-tier investors.

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. Freddie Mac's Duty to Serve plan aims to expand affordability and address America's most persistent housing problems.

Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we've made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders, investors and taxpayers. Learn more at FreddieMac.com, Twitter @FreddieMac and Freddie Mac's blog FreddieMac.com/blog.

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