Freddie Mac Multifamily Research Sees Healthy Multifamily Market in 2019 Outlook

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Rents and Vacancies Set to Continue Outperforming Historical Averages Alongside Moderating Fundamentals

MCLEAN, Va., Jan. 14, 2019 (GLOBE NEWSWIRE) -- The Freddie Mac (OTCQB: FMCC) Multifamily 2019 Outlook finds that healthy performance in the multifamily market will continue into 2019. The report finds that rent growth and vacancies will again outperform historical averages, even as new supply remains elevated into 2020. Expectations are for total market originations to continue to rise, resulting in another record year. Freddie Mac also released a companion video and viewpoint with the report.

"Even with continued growth in supply, we expect vacancy rates to remain below historical averages in 2019, and we see rent growth reaching 4 percent," said Steve Guggenmos, Freddie Mac Multifamily Research and Modeling vice president. "Along with demographic trends and the shift in consumer preferences toward urban areas, we examine the comparatively high cost of homeownership by market and that is another important factor that will continue to drive healthy performance in the multifamily market."

Key Findings:

- **The multifamily market enters 2019 strong**, with solid rent growth and only modest increases in vacancy rates despite an elevated level of new supply.
- **Rents and vacancies will continue outperforming historical averages through 2019**. Even as new supply remains elevated into 2020, robust demand related to changing demographics and consumer preferences continues to push rents up and vacancies down.
- **Rents will vary across markets**, with rents above historic averages projected for Colorado Springs, Charlotte, Fort Worth and Denver. Meanwhile, New York City, Washington, D.C., Riverside, Norfolk and Orange County will all see rents below historic averages. Even in areas with slowing rents, most metros will see rent growth surpass the target inflation rate of 2 percent.
- **Cap rates will begin to increase with the rise in Treasury rates.** Cap rates typically lag Treasury rates. Although they remained low and even fell slightly in 2018, the outlook projects rising cap rates in 2019 if Treasury rates move above 2018 highs.
- **Multifamily origination volume is projected to grow to $317 billion in 2019**, driven by solid market fundamentals and strong investor demand for multifamily properties. The 2019 figure will exceed the $305 billion in originations estimated for 2018.

Freddie Mac Multifamily helps ensure an ample supply of affordable rental housing by purchasing and securitizing mortgages on apartment buildings nationwide. Roughly 90 percent of the mortgages purchased support rental units for households earning area median income or below. Freddie Mac securitizes about 90 percent of the multifamily loans it purchases, thus transferring the majority of the expected credit risk from taxpayers to private investors.

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