



Freddie Mac Multifamily Midyear Outlook Reveals Pandemic's Effect on Market

July 31, 2020

MCLEAN, Va., July 31, 2020 (GLOBE NEWSWIRE) -- [Freddie Mac](#) (OTCQB: FMCC) Multifamily projects marginal reductions in rents and increased vacancies as the multifamily market responds to the economic effects of the COVID-19 pandemic. Although total multifamily origination volume is expected to decline in 2020 compared with 2019, the company anticipates its own production volume will remain consistent as it serves its mission to provide liquidity to the market.

"The economic challenges brought on by the COVID-19 pandemic will have a meaningful impact on the multifamily market in 2020," said Steve Guggenmos, vice president of Multifamily Research and Modeling at Freddie Mac. "The industry entered the current recession on solid footing and is well-positioned to absorb the impacts of the recession due to substantial growth over the past several years. While we anticipate the total multifamily volume to decrease in 2020, Freddie Mac is supporting lending liquidity as other market participants moved to the sidelines."

The Multifamily 2020 Midyear Outlook from Freddie Mac's Multifamily Research Center is available online [here](#). The paper outlines several key findings:

- **Performance in the multifamily market was solid through the end of 2019 and into the first quarter of 2020, but the second quarter started to see weakening fundamentals which are expected to continue through the year due to the economic recession.** RealPage reported first quarter vacancy at 4.4%, flat over the year, and rents up 2.9% annually. Second quarter started to see slight increase in vacancy rate and rent growth down -1.0%. Freddie Mac Multifamily forecasts vacancy rates will end the year up 200-250bps and rents down -1.2% to -1.7%, resulting in gross income growth of -3.3% to -4.2%.
- **Declining income growth and collections are not estimated to impact well-positioned properties especially given the prior several years of above-average income growth and property price appreciation.** The National Multifamily Housing Council rent tracker indicated collections by month-end from April to June are only 3.1 to 0.1 percentage points off compared with the prior year, relatively strong due to added benefits from the CARES Act. However, as unemployment rates remain elevated, renters who were already more cost burdened than owner households could see a greater impact to their ability to pay rents. The projected level of gross income decline and reduced collections are not expected to impact the ability of well-positioned properties to pay monthly debt and expenses.
- **Multifamily origination volume is expected to decline by 20%-40% in 2020 compared with 2019 based on several different macroeconomic forecasts.** The magnitude of the decline will be tied to the recovery of the economy and ability to contain the virus. Despite lower overall volume, Freddie Mac's role in the market to provide liquidity during weaker economic environments will keep our volume steady as other financial institutions pull back from the market.

[Freddie Mac Multifamily](#) is the nation's multifamily housing finance leader. Historically, more than 90% of the eligible rental units we fund are affordable to families with low-to-moderate incomes earning up to 120% of area median income. More than 90% of the mortgages purchased support rental units for households earning 120% of area median income or below. Freddie Mac securitizes about 90% of the multifamily loans it purchases, thus transferring the majority of the expected credit risk from taxpayers to private investors.

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 and taxpayers. Learn more at [FreddieMac.com](#), Twitter [@FreddieMac](#) and Freddie Mac's blog [FreddieMac.com/blog](#).

MEDIA CONTACT: Mike Morosi
(703) 918-5851
Michael_Morosi@FreddieMac.com