Freddie Mac Multifamily's 2024 Midyear Outlook Forecasts Low Rent Growth Amid High-Supply Headwinds

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MCLEAN, Va., July 23, 2024 (GLOBE NEWSWIRE) -- Freddie Mac's (OTCQB: FMCC) newly released 2024 Midyear Outlook forecasts multifamily performance to remain muted for the remainder of the year as the market works through a historically high supply of new units. The Midyear Outlook notes strong demand but forecasts below-average rent growth and a modest increase in vacancy rates through 2024.

The Midyear Outlook notes the economy is performing well overall, propelling multifamily demand, but a continuing supply and demand imbalance is contributing to slow rent growth. Over the past year, most metro areas, along with the nation, have seen the pace of rent growth slow from the year prior. The markets with the greatest rent declines are pandemic boom markets where rents increased rapidly in 2021-2022 and a high level of supply followed.

"Although new supply is at a nearly 40-year high, that headwind will be short lived, and is typically located in areas with high demand," said Sara Hoffmann, senior director of Multifamily Research at Freddie Mac. "That will cause multifamily performance to remain subdued this year, but over the longer term, the multifamily market appears primed for growth due to an overall shortage of housing, an expensive for-sale housing market and favorable demographic tailwinds."

For 2024, the Midyear Outlook predicts rent growth of 2.7% and the vacancy rate to increase to 6%, which equates to gross rental income growth of 2.5%. Projections for 2024 generally favor secondary and tertiary markets, with concentrations in the southern plains and Sun Belt regions that are lower-cost alternatives to a nearby larger, more expensive market. Meanwhile, the projected bottom markets for 2024 are expecting to see high levels of new supply or weaker demand.

The Midyear Outlook notes that interest rates remain elevated and cap rates have steadily increased, putting downward pressure on property prices and leading to a cap rate spread that is less than half the long-run average. Freddie Mac Multifamily predicts transaction volume in the multifamily market could rebound modestly from 2023 to about $320 billion if market conditions stabilize during the second half of the year.

Multifamily's Midyear Outlook and additional related materials are available online here.

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. 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's mission is to make home possible for families across the nation. We promote liquidity, stability, affordability and equity in the housing market throughout all economic cycles. Since 1970, we have helped tens of millions of families buy, rent or keep their home. Learn More:
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