Freddie Mac Multifamily's 2025 Outlook Forecasts Increased Originations, Modest Growth in Year Ahead

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MCLEAN, Va., Jan. 08, 2025 (GLOBE NEWSWIRE) -- Freddie Mac's (OTCQB: FMCC) newly released Outlook forecasts multifamily originations to rise in 2025, while predicting modest rent growth below the long-term average and a slight increase in vacancy rates, which will remain above the long-term average.

Analysis in the Outlook notes that through the end of 2024, despite strong demand, record-high supply kept market fundamentals muted. Meanwhile, elevated and volatile interest rates exerted downward pressure on property values. Freddie Mac's research indicates that despite short-term pressures, multifamily will likely remain a favored asset class over the long term due to continued economic strength, demographic tailwinds and the lack of alternative housing options.

"Overall multifamily demand has been outstanding, but some areas are feeling the impact of the highest level of new supply since the 1980s," said Sara Hoffmann, senior director of Multifamily Research at Freddie Mac. "We expect the multifamily market to continue to see subdued but positive growth in 2025, and for origination volume to increase as interest rates continue to stabilize — albeit at a higher level."

The Outlook forecasts disparate performance across the nation, with many of the larger Sun Belt and Mountain West markets seeing very high levels of supply causing performance to lag. Conversely, markets with lower supply levels, especially smaller, secondary and tertiary markets in the Sun Belt along with larger coastal and gateway markets, are expected to see stronger performance in 2025.

For 2025, Fredde Mac forecasts rent growth of 2.2%. Although demand is expected to remain well above average in 2025, vacancy is expected to increase to 6.2%. The below-average rent growth and rising vacancy rates result in a forecast of gross rental income growth of 2% for 2025.

As 2024 came to a close, interest rates remained high and volatile, leading to a compressed cap rate spread well below the long-term average. Property prices continued to decline, but the rate of decline moderated throughout 2024. Despite higher interest rates, multifamily origination volume is expected to increase in 2024 up to $320 billion and again in 2025 up to $370 billion to $380 billion.

Freddie Mac Multifamily's Outlook and additional related materials are available online.

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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