New Freddie Mac Outlook Predicts U.S. Multifamily Origination Volume May Top $295 Billion in 2017

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Multifamily Property Price Growth Expected to Track Inflation

MCLEAN, VA--(Marketwired - Apr 7, 2017) - Freddie Mac (OTCQB: FMCC) today announced total multifamily origination volumes could increase by three- to six-percent this year, and even top $295 billion, depending on movements in the 10-Year Treasury rate.

According to a new Multifamily Pricing and Volume Outlook for 2017 pdf prepared by the Freddie Mac Multifamily Research Group, if the 10-Year Treasury rate stays in the range of 2.5 percent, multifamily volume is estimated to grow to around $295 billion. While final numbers for 2016 volume are not yet in, this would equate to six percent growth from Freddie Mac's 2016 estimated total mortgage origination volume of $280 billion.

But, volume growth could slow to 3 percent if the average 10-Year Treasury rate rises more abruptly, Freddie Mac predicts. Total origination volume would continue to grow even in the higher rates scenario, the company said, because of the accompanying higher inflation and wage growth, as well as recent price appreciation.

"The multifamily market is poised for growth and record origination volumes in 2017 under either interest rate scenario. This fact underscores the underlying strength of the multifamily sector thanks to a strong labor market, demand from new households, and steady absorption rates," said Steve Guggenmos, Freddie Mac Multifamily vice president of research and modeling. "Consequently, a moderate rise in interest rates alone will not be enough to cause any significant disruption to the multifamily investment market."

Depending upon how high interest rates rise over the course of the year, Freddie Mac expects the nationally aggregated cap rate to range from 5.8 percent to 6 percent. This will contribute to a reduction in the rate of property price growth nationally from near 13 percent last year to a range of 2.9 percent to 4.5 percent in 2017. By contrast, the average annual growth rate seen in the post-recession years was 14 percent.

Today's update builds on an earlier Multifamily Outlook released in January that focused on 2017 vacancy rates, oversupply risk, and rent growth in key metro markets.

Freddie Mac Multifamily is the nation's multifamily housing finance leader. Nearly 90 percent of the rental homes we fund are affordable to families with low to moderate incomes. Our mission is to provide liquidity, stability and affordability to America's rental housing market, especially for underserved renters and communities.

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.

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