U.S. multifamily market to remain strong through 2015: Freddie Mac

WASHINGTON, Nov. 5 (Xinhua) -- The U.S. multifamily market and demand for rental housing will remain solid and healthy between now and 2015, according to a study released by the U.S. mortgage giant Freddie Mac on Monday.

The research found that given assumptions consistent with economic growth slightly slower than long run averages, multifamily demand was likely to be in the range of 1.7 million net new renter households through 2015.

Multifamily housing, the majority of which is used as rental apartments, currently accounts for 42 percent of the rental market, and others choose to rent single-family homes. In an optimistic economic recovery scenario, multifamily rental demand will be more muted because of competition from the owner market.

The homeownership rate had declined from 68.2 percent in 2007 to 65.5 percent in the second quarter of 2012. In this process, the shift of households from homeowners to renters increased the demand for rental units, contributing to strong multifamily market fundamentals. Freddie Mac believed the U.S. broader economy was still struggling to return to full strength, as evidenced by a weak labor market. It also projected that the homeownership rate will drop one to two percentage points if the current slow recovery continued.

The vacancy rate of multifamily rent also dropped from over 7.3 percent in 2009 to the current level of 5 percent, according to CBRE, the world's largest commercial real estate services firm.

In addition, the new multifamily supply remained low with only 167,000 new units under construction in 2011 because of the sluggish economy and tight credit market, far below the average volume of 260,000 units per year delivered during 2001 to 2010.