

The State of U.S. Housing, Multifamily and the GSEs

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Key Themes

- While the economic contraction has been dramatic, data suggest the economy hit bottom in mid-April and is slowly improving
- However, our recovery is largely dependent on government interventions and the economy regaining strength
- The multifamily market is as critical as ever, growing since 2008
- During crises, GSEs are playing an important, stabilizing role
- While economic, political and regulatory uncertainty remains high, our progress toward exiting conservatorship has been considerable

State of U.S. Housing Market

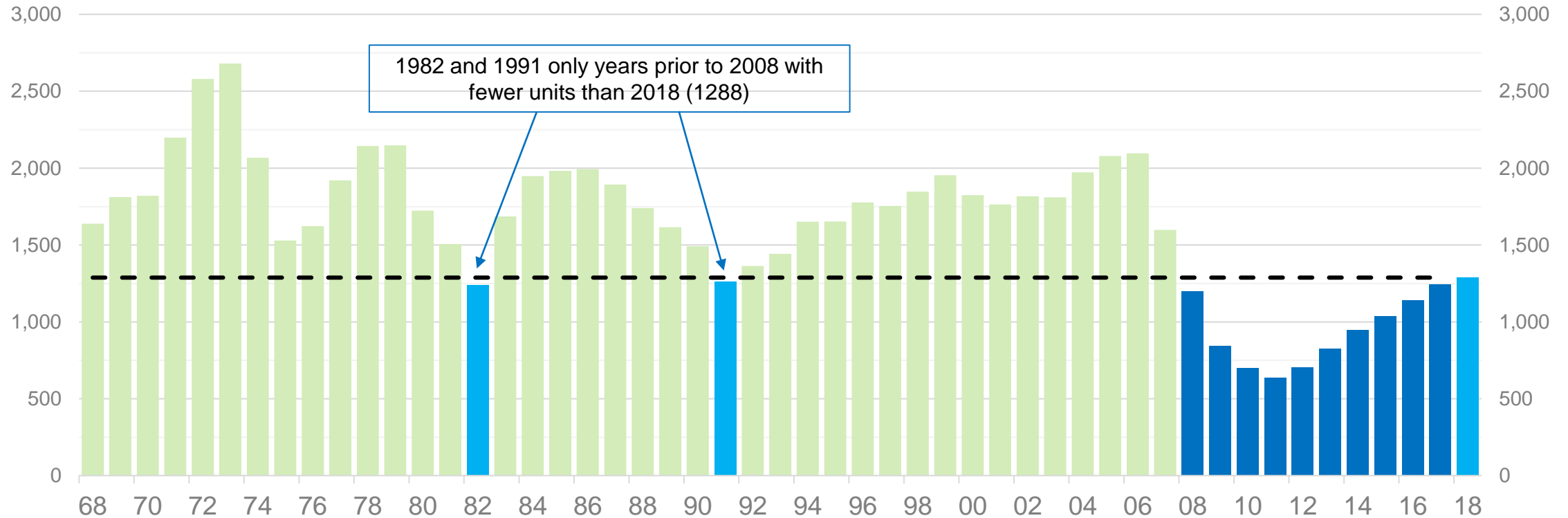
Key Observations

- Pre-COVID, affordability was already a significant problem due to insufficient supply
- As the pandemic took hold, we quickly implemented forbearance policies for single-family and multifamily borrowers
 - » While effective for homeowners, utility of multifamily forbearance is mixed
- Amidst sharp declines across all major indicators, renter households most at-risk, impacts greatest for lowest income
- Government interventions providing significant relief to impacted households, which will continue into July
 - » Forbearance requests slowing considerably, rent payments strong

Pre-Crisis: 2018 Among All-Time Lows in Supply

U.S. new housing supply low relative to history

U.S. annual housing completions and manufactured home shipments (1000s)

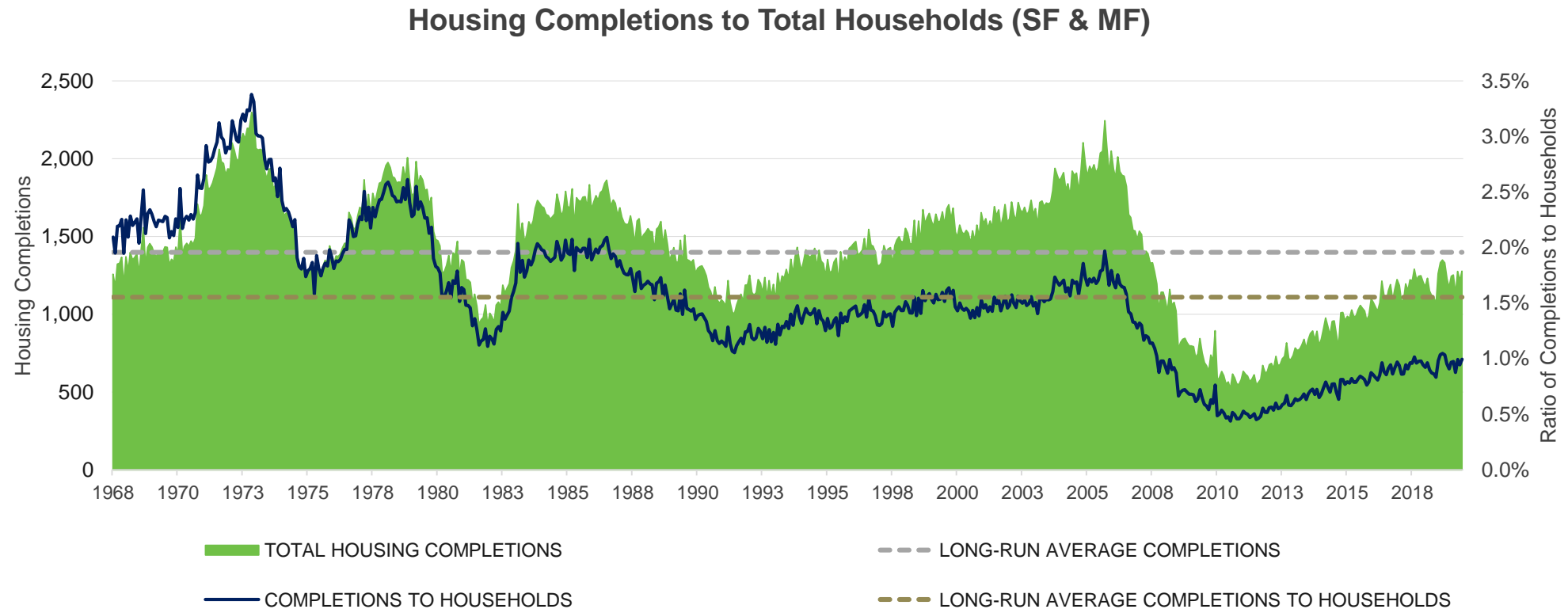


Source: U.S. Census Bureau and Department of Housing and Urban Development, Institute for Building Technology & Safety

1982 and 1991 are the only years prior to 2008 with fewer units than 2018

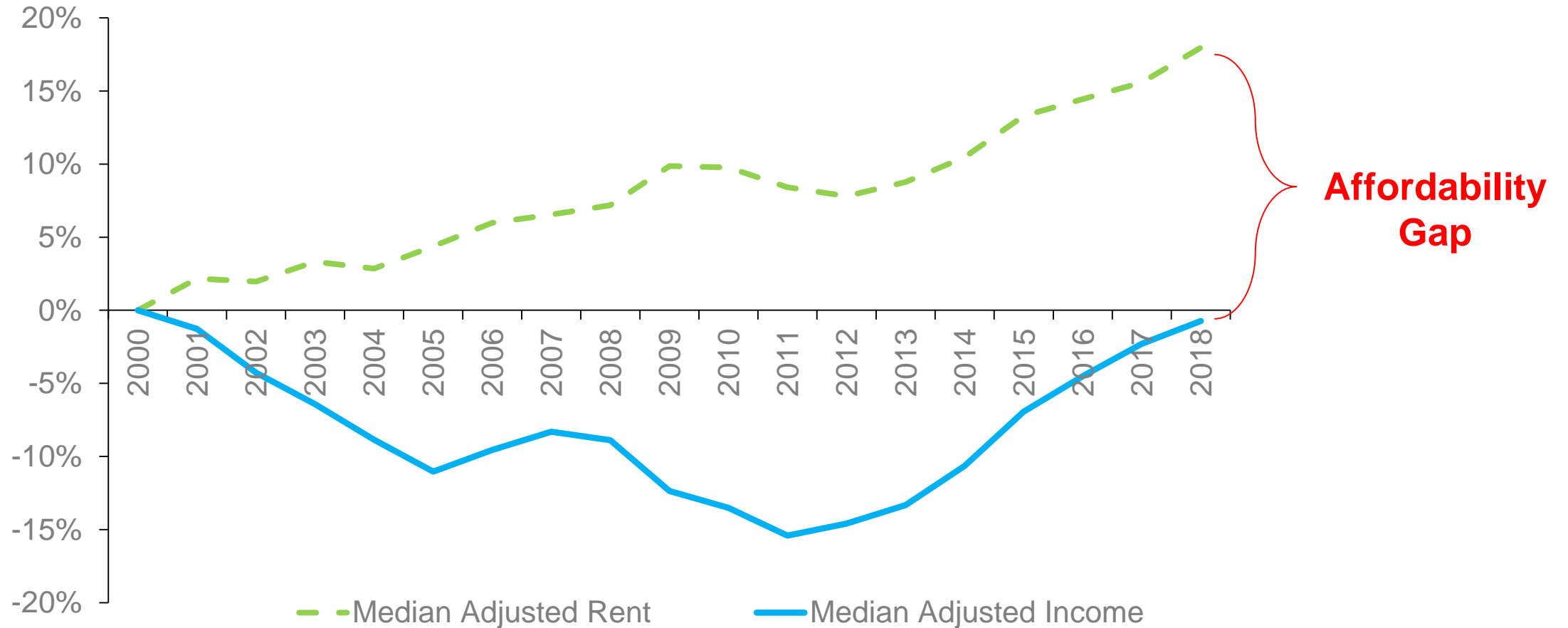
Housing Completions Below Historic Averages

Housing completions were running well below the long-run average – particularly when adjusted for household growth



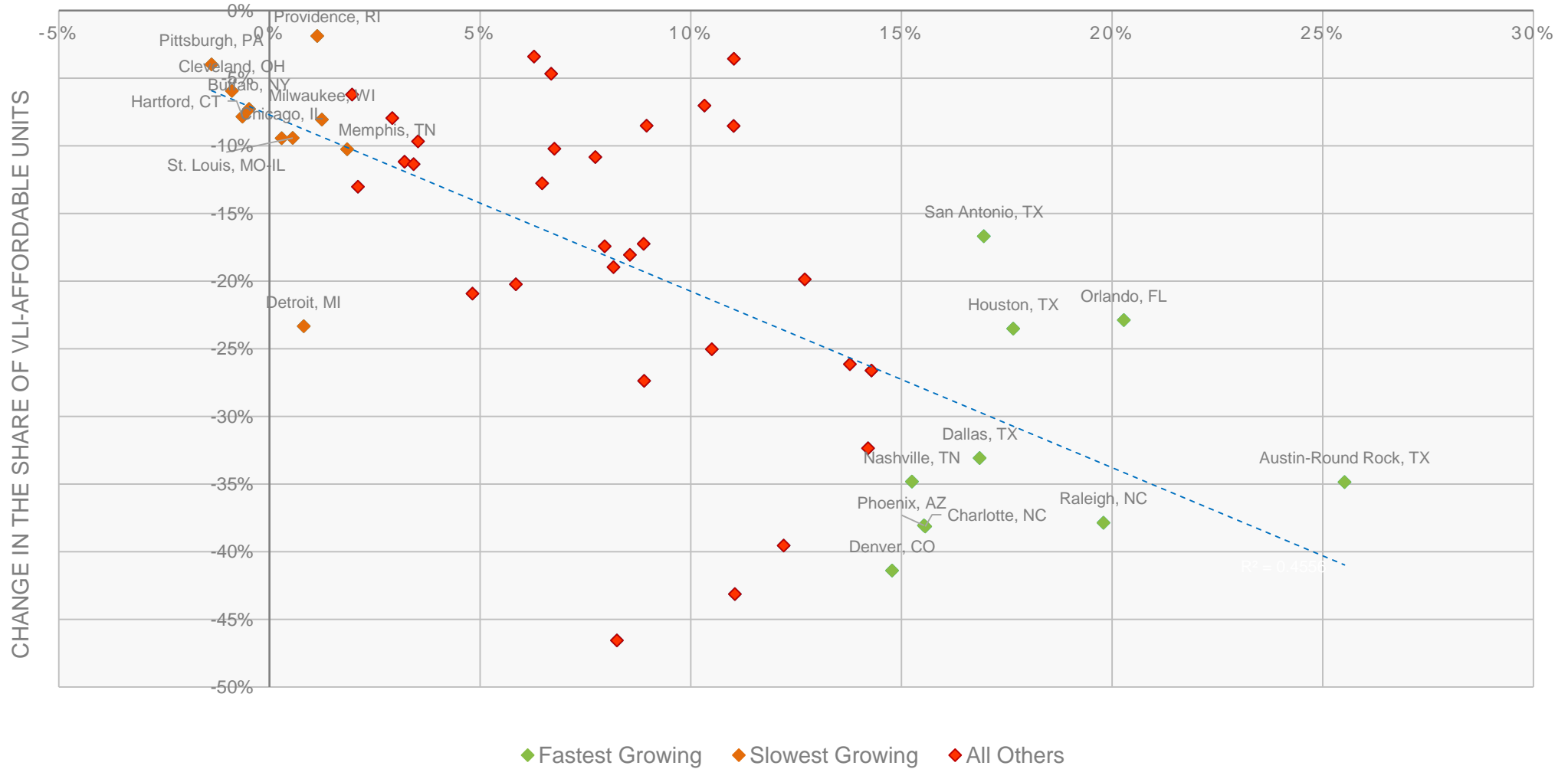
Source: Moody's Analytics

Gap Between Rent and Income Growth

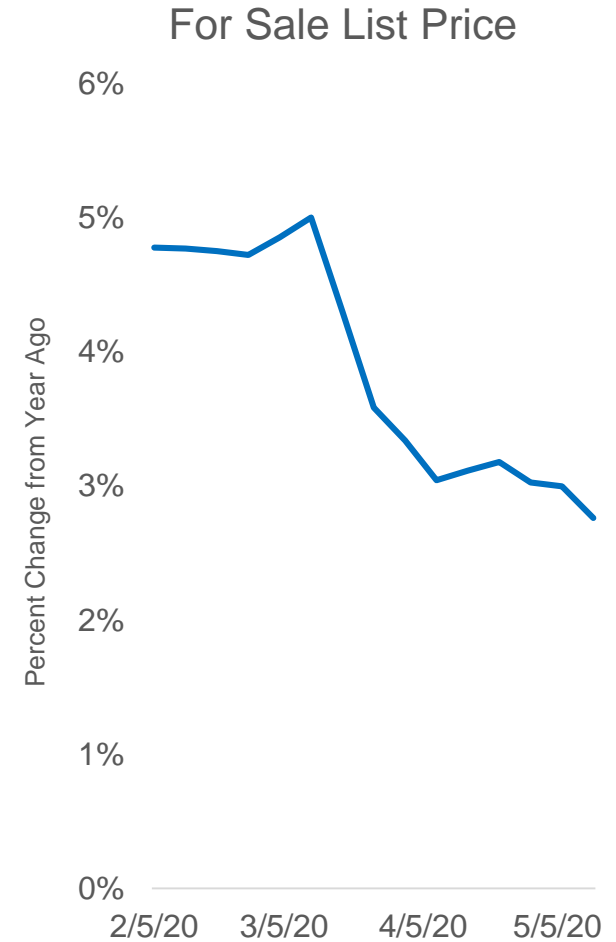
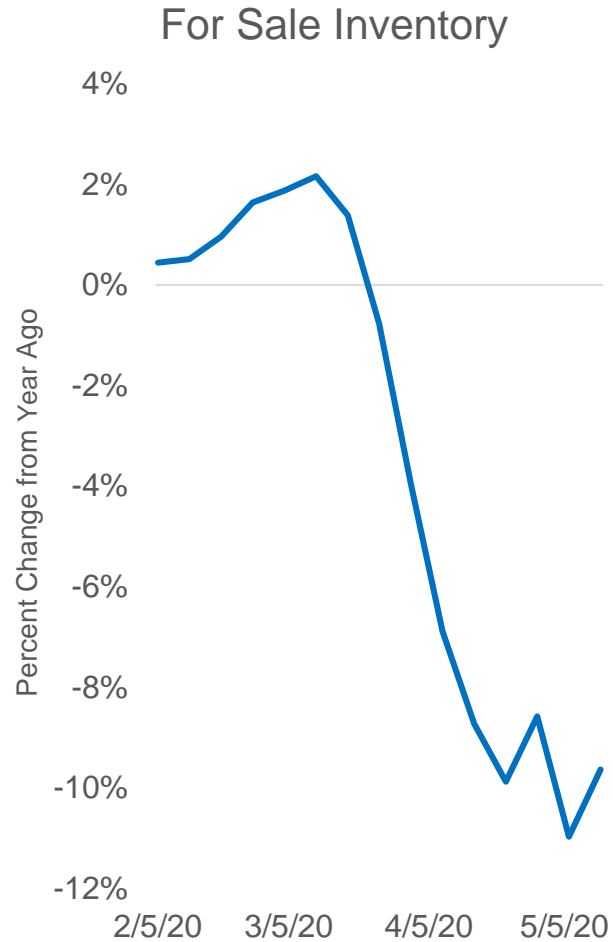
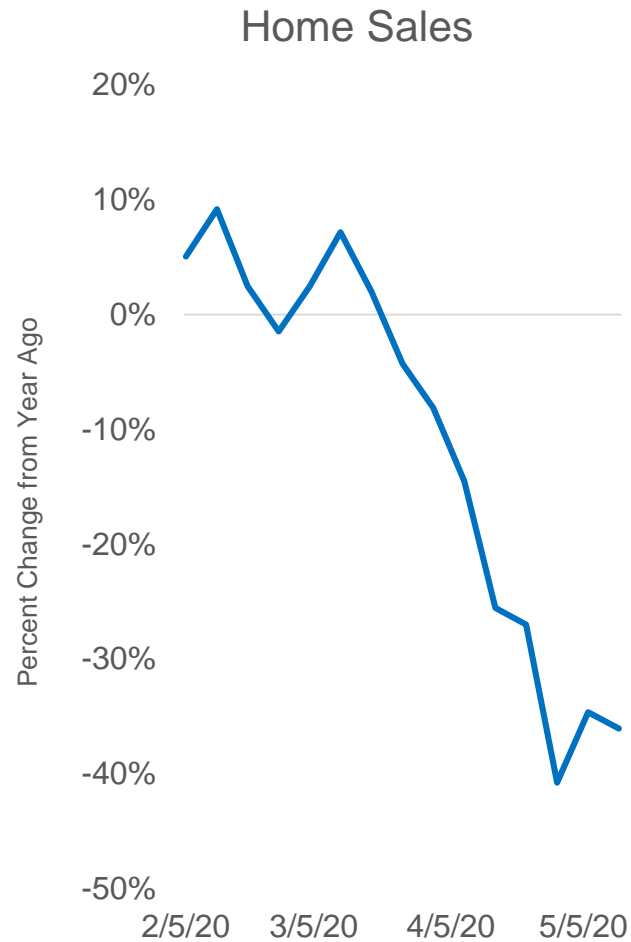


Source: Freddie Mac, U.S. Census Bureau, American Community Survey

Population Growth and VLI Unit Loss (2010-2018)



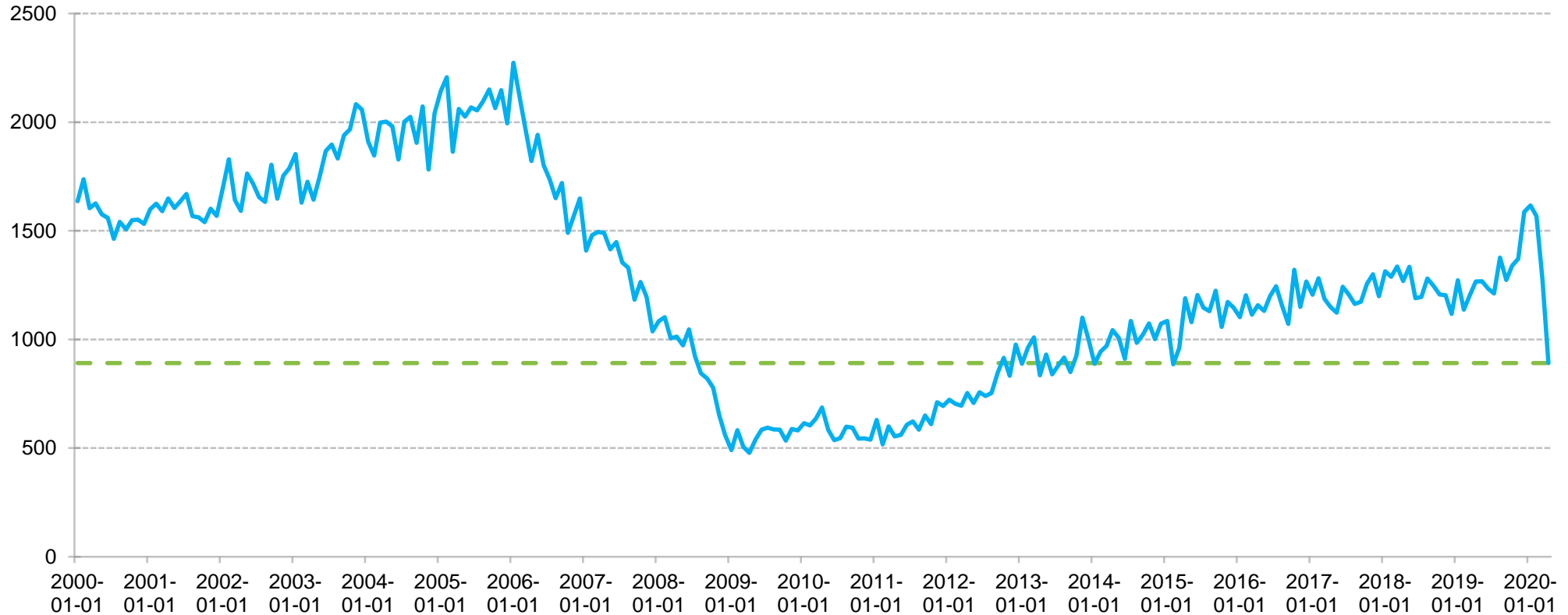
Current State: Initial Declines Were Sharp



Note: Data is a two week moving average through May 13th. Source: CoreLogic

New Construction Down Dramatically

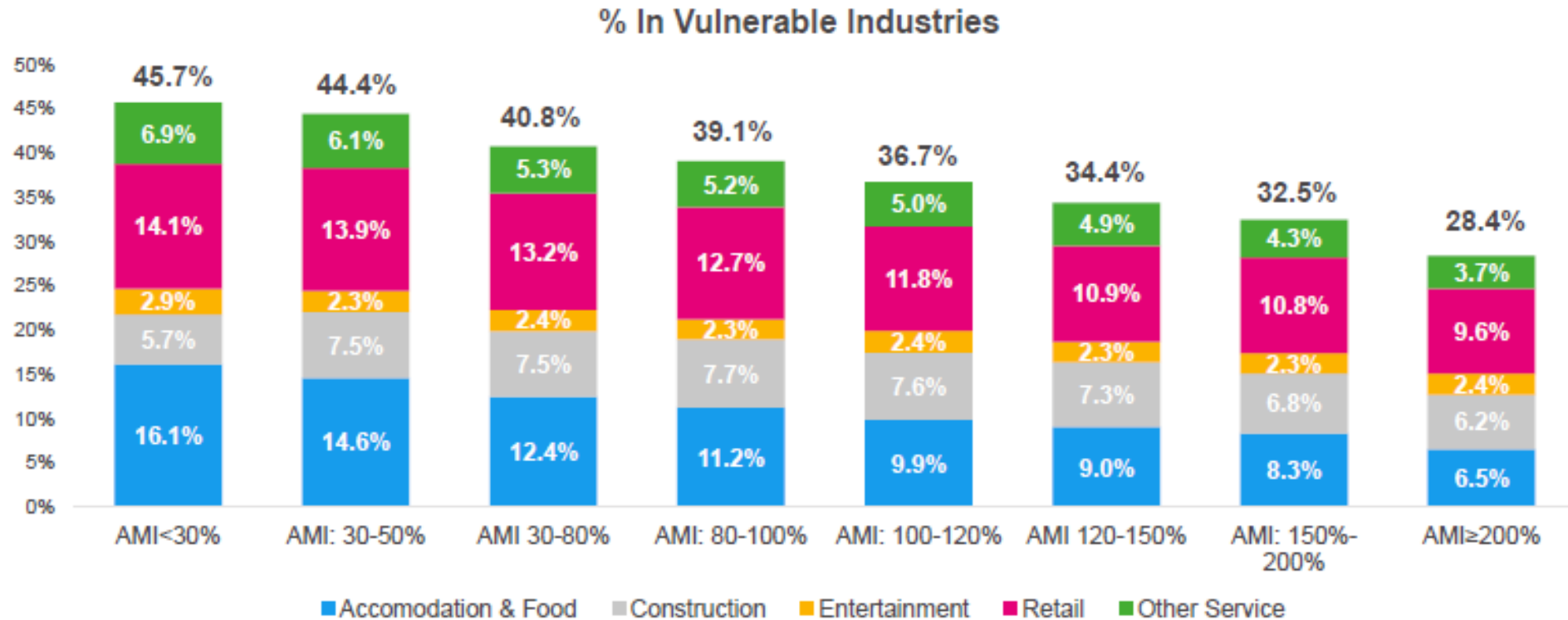
U.S. Total Housing Starts
(1000s, Seasonally Adjusted Annual Rate)



Source: Freddie Mac

Renter Households Most Impacted by Job Losses

Low Income renter households are disproportionately exposed to industries most vulnerable to job losses



Source: ACS 2018

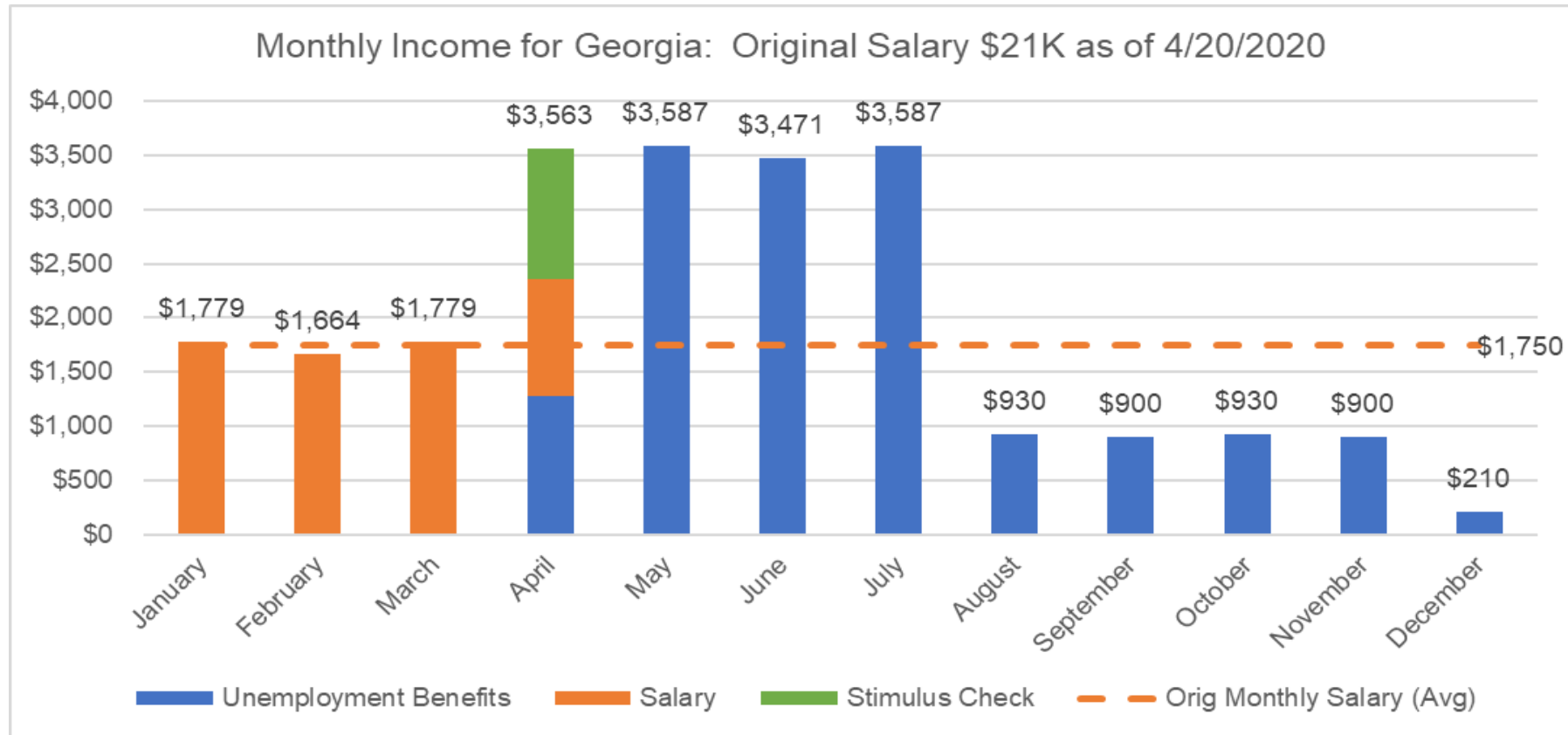
Note: We grouped household income relative to the AMI and looked at all individuals within those households. For non-MSAs, median household income is calculated by using population within the State that are not living in MSAs.

Source: Urban Institute

Government Support Pivotal

Federal benefits supplementing unemployment insurance are significant especially for lower-income households, but only through the summer.

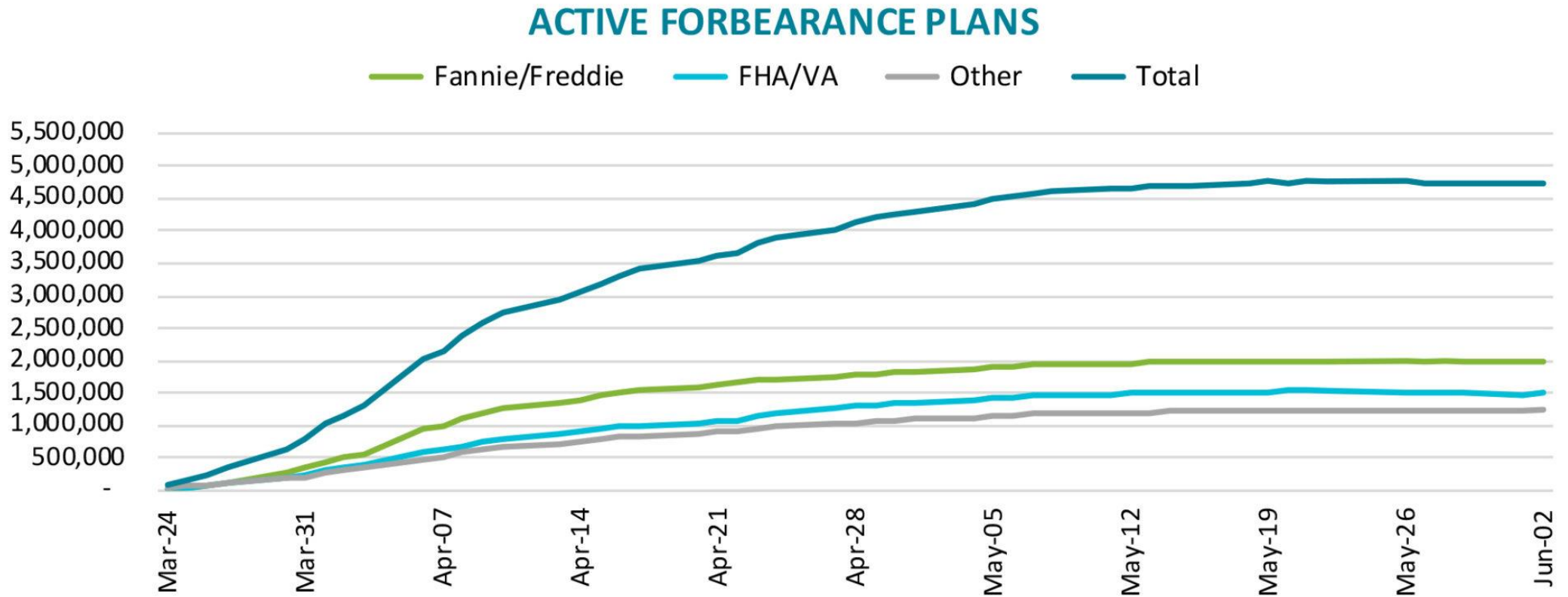
Time trends are similar across states, here we show Georgia



Source: Freddie Mac

Forbearance Policies Slowing

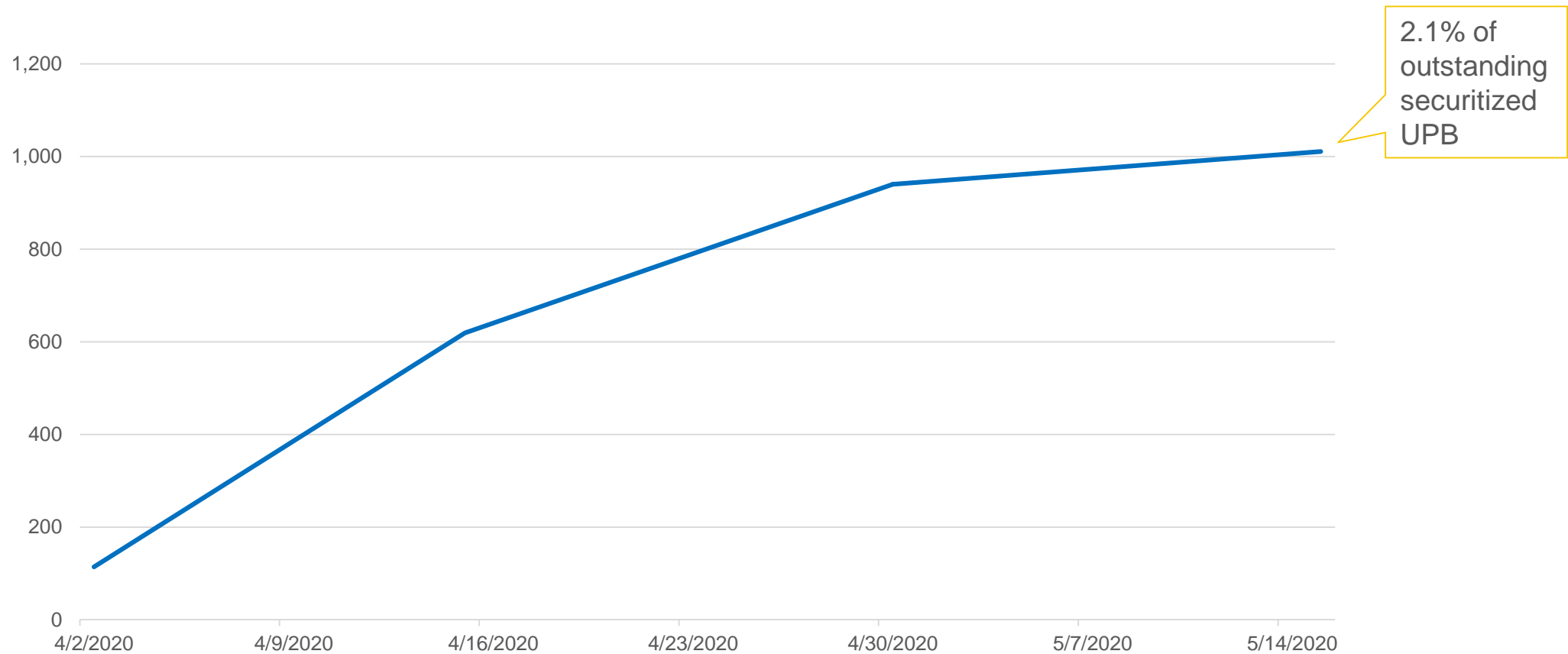
Active Single-Family Forbearance Plans



Source: Black Knight

Forbearance Policies Slowing

Active Multifamily Forbearance Requests



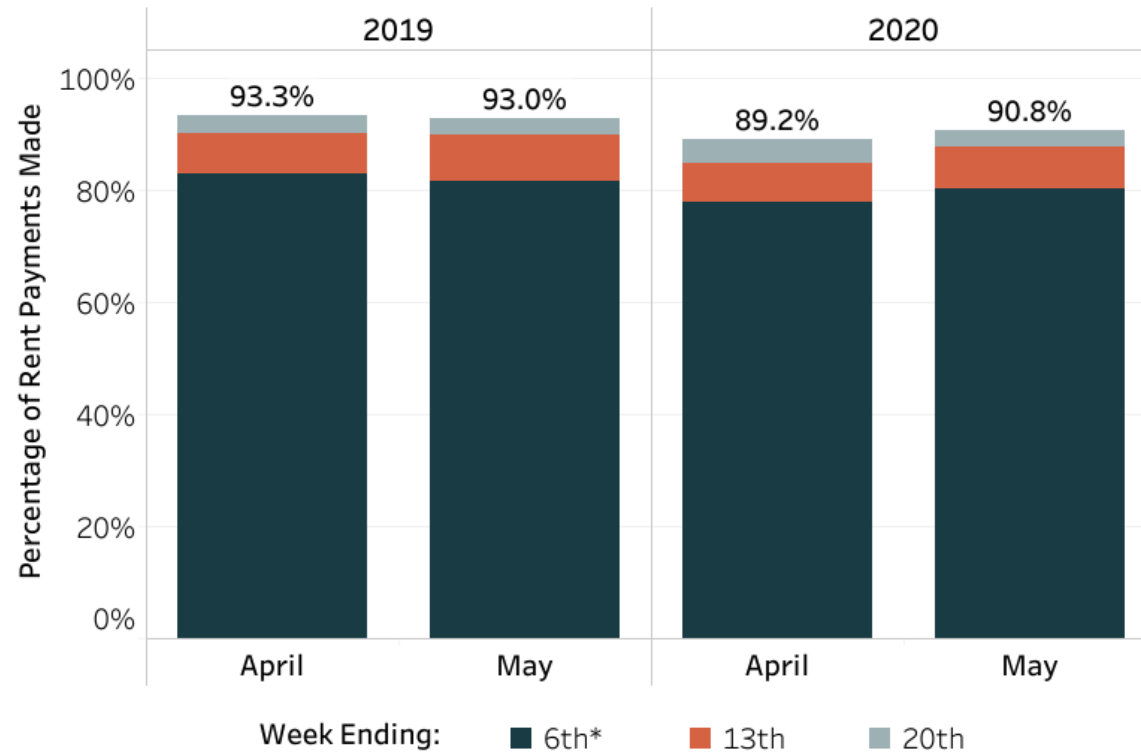
Source: Freddie Mac

Renters Continue to Make Payments

- Rent payments stronger than expected post-pandemic
- May 2020 up relative to April, and not far from 2019 collections

Rent Payment Tracker

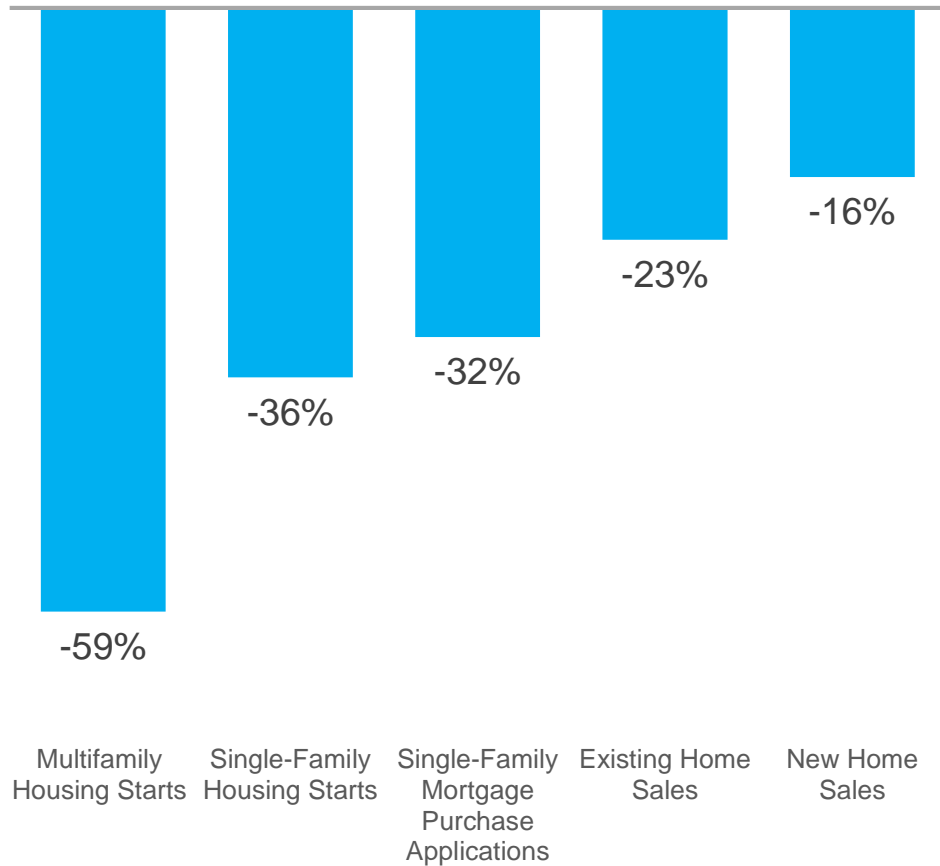
**Data collected from 11.4 million apartment units in May and 11.5 million apartment units in April



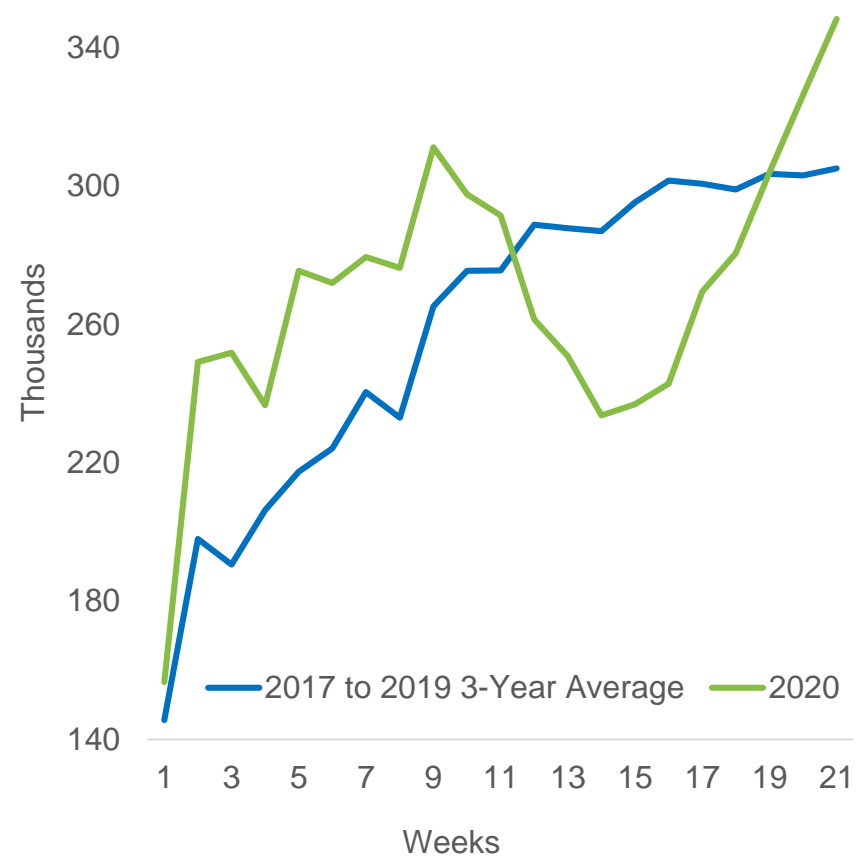
Source: NMHC

Despite Large Decline in Housing Data, Freddie Mac Purchase Apps Data Suggest Single-Family Demand Quickly Recovering

April Housing Metrics
Percent Change from Jan-Feb Avg



Freddie Mac Weekly Purchase Applications



Source: Freddie Mac, MBA, NAR and Bureau of the Census

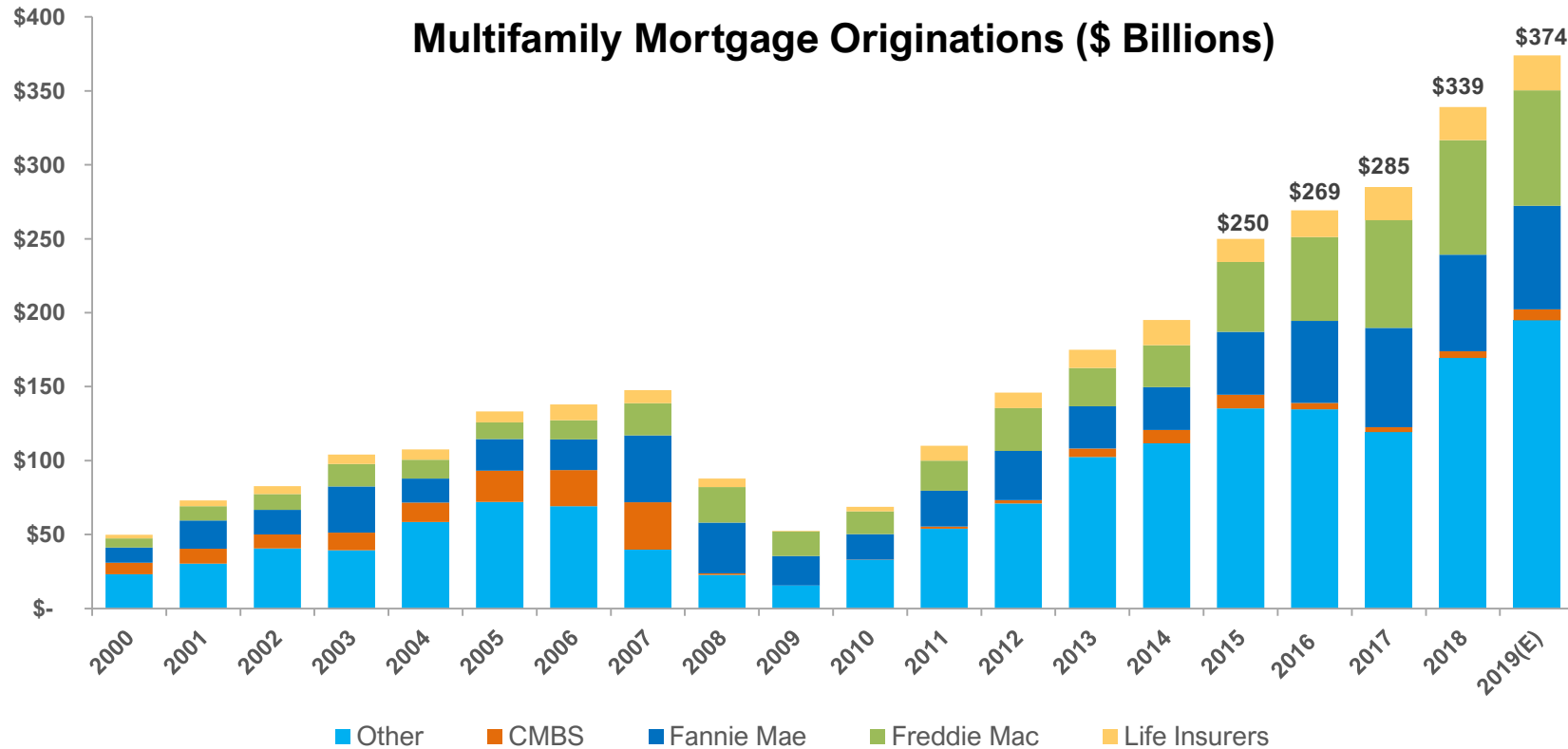
Growth and Transformation of Multifamily

Key Observations

- Multifamily market has seen significant growth since 2008 crisis
- Growth fueled by demographics and changing perceptions of renting in terms of affordability, proximity, and preference
- However, affordability issues remain, largely due to a lack of workforce housing
- Freddie Mac Multifamily securitization model has helped meet the rental demand and has proven to be a durable and successful model

Unprecedented Multifamily Growth

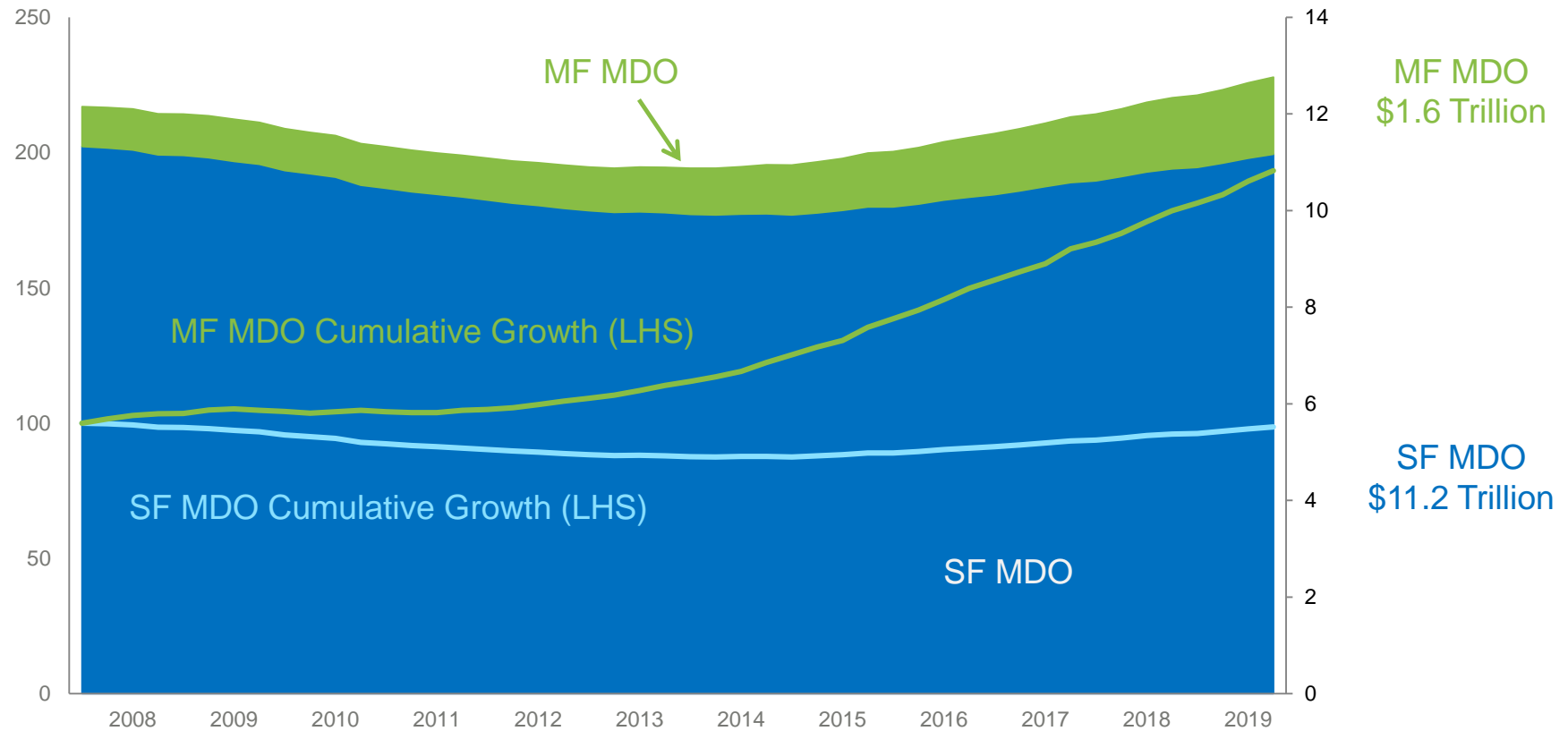
Originations have risen over the last decade, reflecting solid market fundamentals



Sources: Freddie Mac 10-Ks, 10-Qs, FHFA Report to Congress, and Freddie Mac's internal reports, Fannie Mae 10-Ks, 10-Qs, FHFA Report to Congress, and Fannie Mae's Multifamily Monthly New Business Volumes, ACLI, Wells Fargo Securities LLC, Intex Solutions Inc., Mortgage Bankers Association and Freddie Mac internal research

Multifamily Share of Mortgage Debt is Growing

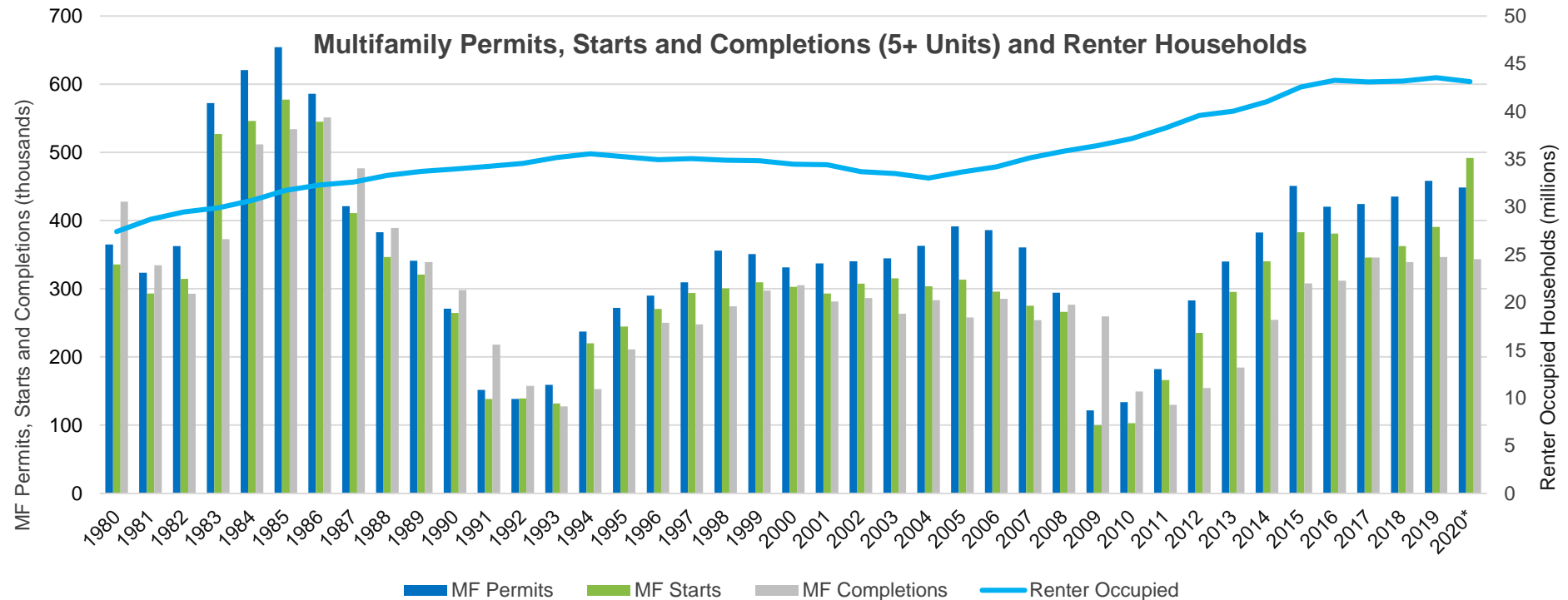
Single-family and Multifamily Mortgage Debt Outstanding (MDO) \$Trillions



Source: Federal Reserve Board's Total Mortgage Table, L.217. Data as of March 12, 2020. Single-family includes residential mortgages of properties with 1-4 units. Cumulative growth curves are indexed to 2008.

Multifamily Construction Activity was Strong Entering the Crisis

Multifamily completions appear to have plateaued at approximately 350,000 – starts will likely decline significantly going forward

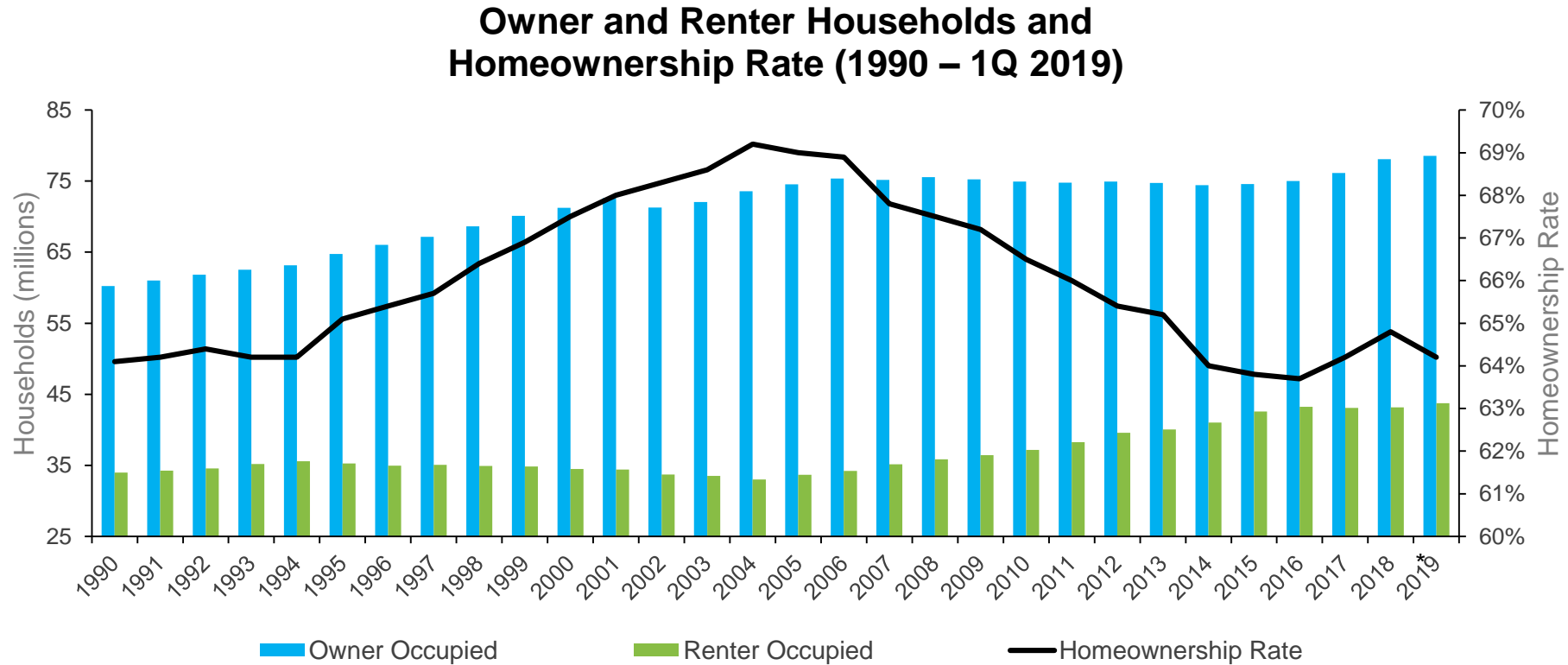


* Through 1Q 2020

Sources: Moody's Analytics DataBuffet.com and U.S. Census Bureau

Notes: Starts and completions based on all areas of the U.S., while permits are only for areas that require a building or zoning permit. Moody's Analytics estimated that in 2000, 95% of the population was living in a permit issuing area.

Demand for Rental Housing has Remained Solid



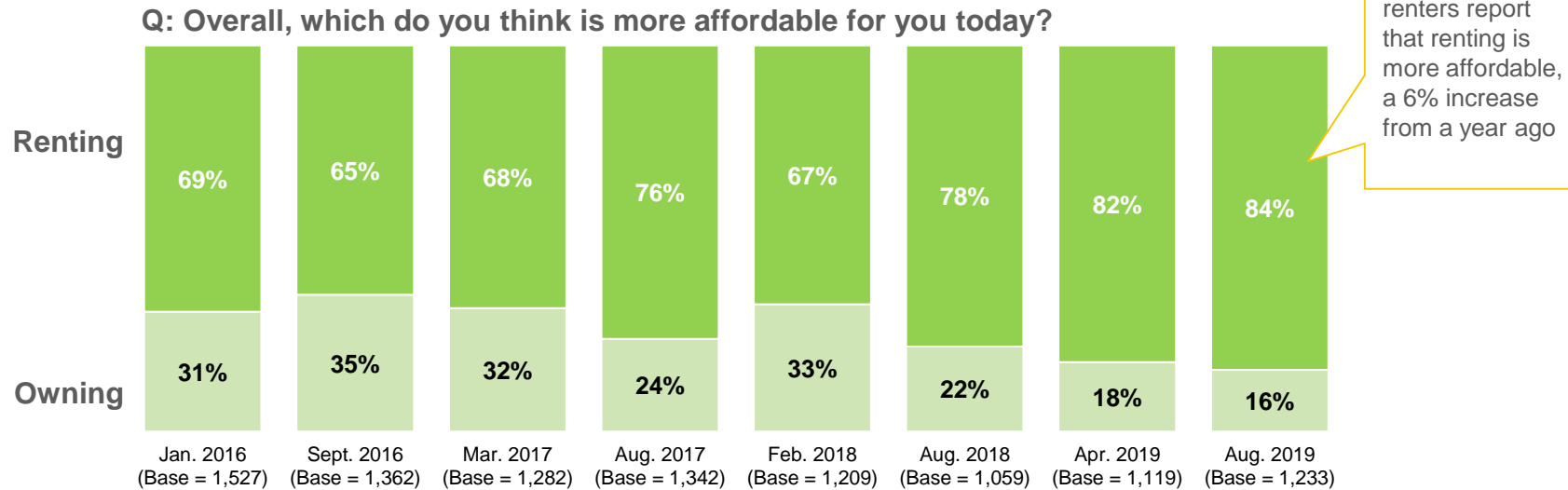
* Through 1Q 2019

Sources: US Census Bureau, Current Population Survey/Housing Vacancy Survey, Freddie Mac

A preference for rental housing has remained solid

Renter Survey: Renting Still Most Affordable Option

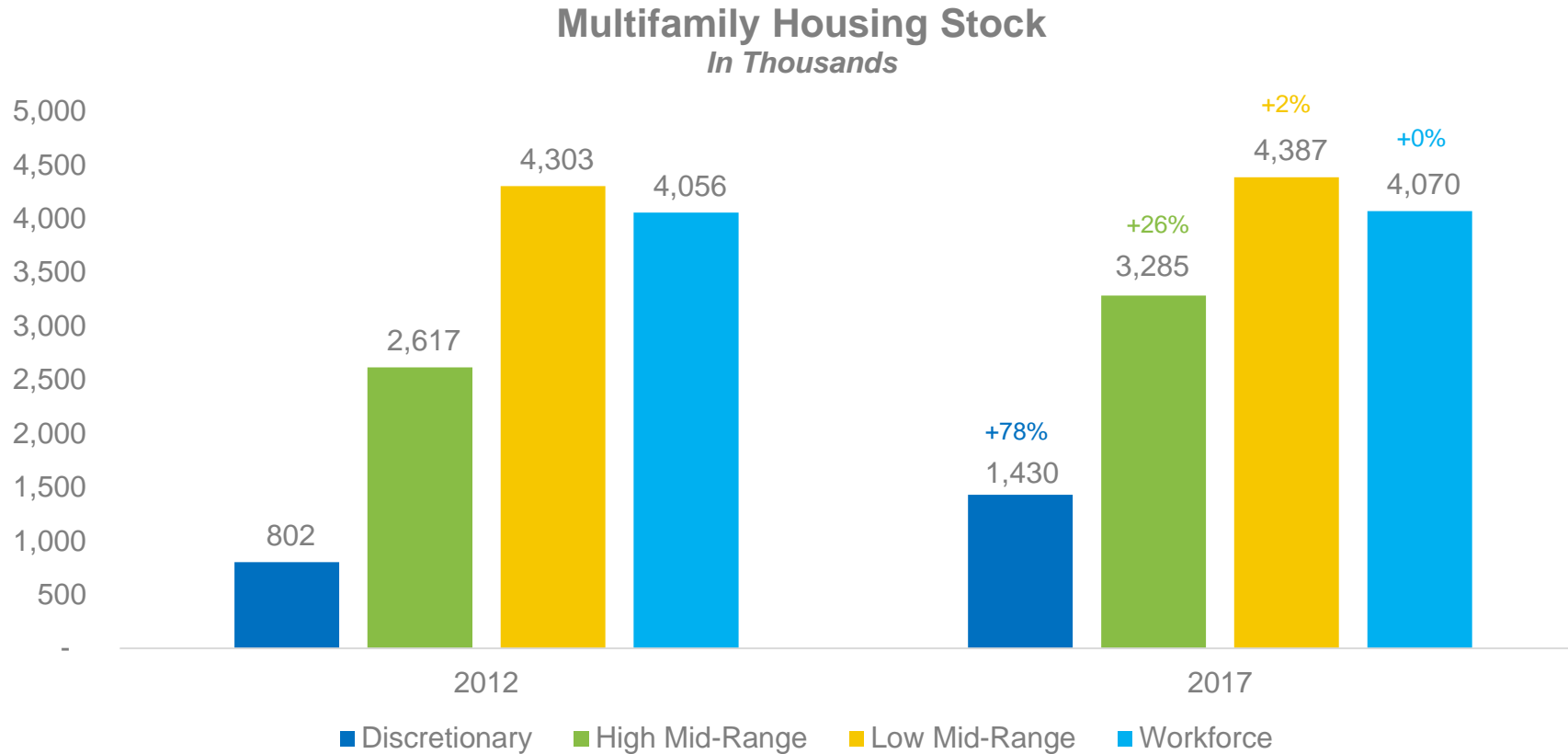
A growing number of people are finding renting more affordable than owning. [Read the full report.](#)



By Renter Demographics									% Who Say Renting is More Affordable August 2019									
Male	Female	Urban	Sub-urban	Rural	Northeast	South	Midwest	West	Young Millennial	Old Millennial	Gen X	Boomer	Multi-family	Single-Family	Very Low Income	Low Income	Middle Income	First-time Buyer
85	82	84	84	82	87	82	83	83	85	80	82	87	85	82	90	85	79	62

Base = Total Renters, demographic breakdown is detailed on page 2 of the [full report](#).
Source: 2019 August The Harris Poll Consumer Omnibus Results

Multifamily Housing Stock is Becoming Less Affordable



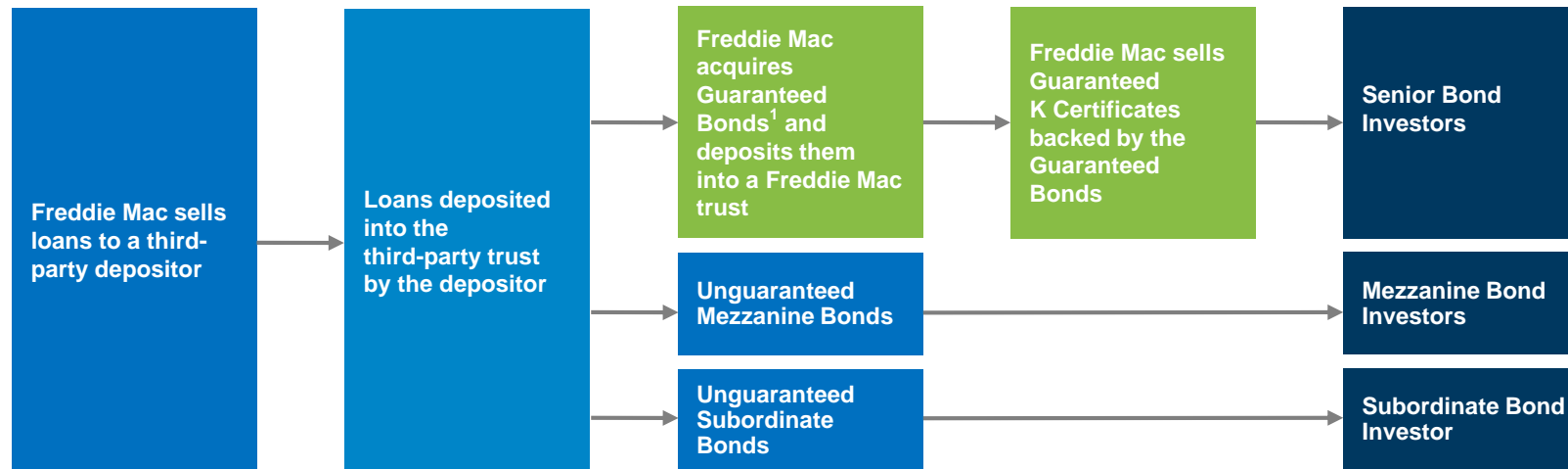
Source: Yardi Matrix

New supply of multifamily housing has been concentrated in higher end segments

Multifamily Securitization Model: Durable and Successful

Freddie Mac securitizes loans via the K-Deal program through the following steps:

- The loans are sold to a third-party depositor who places the loans into a third-party trust
- Private label securities backed by the loans are issued by the third-party trust
- Freddie Mac purchases and guarantees certain bonds (Guaranteed Bonds¹) issued by the third-party trust and securitizes these bonds via a Freddie Mac trust.
- The resulting Freddie Mac guaranteed structured pass-through certificates (K Certificates[®]) are publicly offered via placement agents
- The unguaranteed mezzanine and subordinate bonds are issued by the third-party trust and are privately offered to investors via placement agents



¹ Guaranteed Bonds include senior amortizing bonds as well as interest-only bonds derived from senior and subordinate P&I bonds

RELEVANT PARTIES/ENTITIES

Underlying Mortgage Loan Seller
Freddie Mac

Underlying Originators
Freddie Mac Conventional and TAH lenders

Underlying Master Servicer
Selected by Freddie Mac through bidding process

Underlying Special Servicer
Selected by subordinate bond investor in consultation with Freddie Mac

Underlying Trustee/Certificate Administrator
Selected by Freddie Mac through bidding process

State of the GSEs in 2020

GSEs Providing Stability in the Pandemic

- GSEs a key source of stability and liquidity in single-family and multifamily
- Providing significant assistance to borrowers, renters and lenders
 - » Single Family:
 - For borrowers: Forbearance, deferrals, foreclosure moratorium, modifications
 - For lenders: Purchasing loans in forbearance, flexibility in employment verification, appraisal alternatives
 - » Multifamily:
 - For renters: Eviction moratorium, renter lookup tool, renter counseling
 - For borrowers: Forbearance, deferrals
 - For lenders: Unprecedented appraisal and inspection flexibility
 - » Efforts throughout the pandemic prove that we are a very different company than the one that went into conservatorship 12 years ago
 - Key drivers: risk profile, CRT

GSE Update

- FHFA Director Calabria: expects Freddie Mac and Fannie Mae to exit conservatorship in 2021 or 2022
- We've made major progress toward that goal with a number of milestones:
 - » FHFA and Treasury announced a plan to exit conservatorship
 - » Suspension of the “net worth sweep,” first major step toward exit
 - » FHFA retained investment advisor
 - » GSEs issued RFP for investment advisors
 - » New GSE Capital Rule proposed
- Political and regulatory uncertainty remains significant

Questions?



Thank You.