



Freddie Mac: Apartment Investment Market Index® Fell in Q4 2018 as Interest Rates Rose

April 8, 2019

MCLEAN, Va., April 08, 2019 (GLOBE NEWSWIRE) -- The [Freddie Mac](#) (OTCQB: FMCC) [Multifamily Apartment Investment Market Index®](#) (AIMI®) fell by more than 3 percent in the fourth quarter of 2018, with Houston, Orlando, and San Francisco experiencing the sharpest declines. The index was down more than 7 percent over the year — a result of interest rates increasing. The annual increase in interest rates was the highest in nearly a decade. On the plus side for Multifamily investors, growth in net operating income (NOI) outpaced historic averages.

“Interest rates were up 64 basis points in 2018, but net operating incomes generated by multifamily properties across most major markets in the U.S. continued to grow,” said Steve Guggenmos, vice president of Freddie Mac Multifamily Research and Modeling. “The relatively tight supply of multifamily properties and strong demand for rental units has continued to buoy the market. Unsurprisingly, AIMI is impacted as rates rise, but the fundamentals remain quite healthy.”

AIMI is an analytical tool that combines multifamily rental income growth, property price growth and mortgage rates to provide a single index that measures multifamily market investment conditions. A rise in AIMI from one quarter to the next implies an increasingly favorable environment for multifamily investment opportunities, while a decline suggests that attractive investment opportunities are becoming more difficult to find compared with the prior period.

Freddie Mac AIMI 2018 Q4 Analysis

Over the quarter, AIMI decreased for the nation and for every market except for Phoenix, which showed a slight increase.

- NOI contracted in the nation and in 10 of the 13 metros that AIMI tracks. NOI is seasonal and in the fourth quarter is relatively weak so this is not abnormal. Seattle experienced the largest NOI decline at 2.1 percent while Phoenix was the fastest grower at 1.5 percent.
- Property prices grew in the nation and in eight of the 13 metros. The nation experienced a growth rate of 0.5 percent while Atlanta, San Francisco and Orlando all eclipsed the 2 percent growth mark.
- Mortgage rates shot up by 19 basis points, which was a major contributor to the widespread decline in the index.

Freddie Mac AIMI 2018 Year-end Analysis

Over the year, AIMI decreased for the nation and every market. The AIMI of five metros (Houston, Orlando, San Francisco, Dallas and Seattle) declined by at least 10 percent.

- NOI growth over the past year was substantial. Every market and the nation experienced growth, and all but Houston outpaced their historical average growth rate. The nation grew at more than double the historical average annual rate.
- Property prices grew in the nation and in 10 out of the 13 metros. New York, D.C. and Chicago all mildly contracted.
- Mortgage rates increased by 64 basis points. This was the largest annual increase in nearly 10 years and was the primary driver behind the annual AIMI decline.

In addition to national and local values, a [sensitivity table](#) is available that captures how the index value adjusts based on changes in certain underlying variables. Additional information about [AIMI](#) is on the Freddie Mac Multifamily website, including [FAQs](#) and a [video](#).

[Freddie Mac Multifamily](#) helps ensure an ample supply of affordable rental housing by purchasing and securitizing mortgages on apartment buildings nationwide. Roughly 90 percent of the mortgages purchased support rental units for households earning 120 percent of area median income or below. Freddie Mac securitizes about 90 percent of the multifamily loans it purchases, thus transferring the majority of the expected credit risk from taxpayers to private investors.

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](#).

MEDIA CONTACT: Mike Morosi
(703) 918-5851
Michael_Morosi@FreddieMac.com