Freddie Mac's Apartment Investment Market Index Experienced Strong Growth Driven by Falling Mortgage Rates

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MCLEAN, Va., June 25, 2020 (GLOBE NEWSWIRE) -- The Freddie Mac (OTCQB: FMCC) Multifamily Apartment Investment Market Index® (AIMI®) rose by 1.8% in Q1 2020 after a modest quarterly decline (1.4%) in Q4 2019. The growth was largely driven by mortgage rates decreasing by 21 bps and supported by positive net operating income (NOI) growth nationwide and in most markets. On an annual basis, AIMI rose to 11% as mortgage rates experienced their second largest annual decline (95 bps) in AIMI history.

"The substantial drop in mortgage rates has been a significant driving factor in the growth of AIMI this quarter and over the course of the year," said Steve Guggenmos, vice president of Freddie Mac Multifamily Research and Modeling. "The index reflects a healthy market for investors bolstered by strong net operating income growth and high demand for rental units across the country."

Over the quarter, AIMI increased for the nation and every market except for Nashville, which experienced essentially no growth.

- NOI growth was positive in the nation and 18 of the 25 markets. However, growth was limited, as only five metros exceed 1% growth. Seattle and Phoenix experienced by far the highest quarterly NOI growth, at 2.7% and 2.3%, respectively.
- Property prices grew in the nation and in 22 of the 25 markets. The largest metros, including New York, Chicago and Houston, were the only ones to experience price contraction.
- Mortgage rates decreased by 21 bps and this was a major driver behind the near universal AIMI growth across markets.

Over the year, AIMI increased by a significant percentage (>=4.6%) in the nation and in every market.

- NOI grew in the nation and in every market. San Francisco experienced the smallest growth at 1.8% while Phoenix was the only metro to surpass 10% growth.
- Property prices grew in the nation and in 22 of the 25 markets. Las Vegas and Phoenix were the only two markets to surpass 10% property price growth.
- Mortgage rates decreased by 95 bps. This was the second largest annual drop in the history of AIMI.

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.

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 Multifamily helps ensure an ample supply of affordable rental housing by purchasing and securitizing mortgages on apartment buildings nationwide. Roughly 90% of the mortgages purchased support rental units for households earning 120% of area median income or below. 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 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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