Record Multifamily Price Appreciation and Rising Mortgage Rates Fuel Drop in Freddie Mac Apartment Investment Market Index

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MCLEAN, Va., March 21, 2022 (GLOBE NEWSWIRE) -- The Freddie Mac (OTCQB: FMCC) Multifamily Apartment Investment Market Index® (AIMI®) fell by 4.8% in the fourth quarter of 2021, with the index down 2.4% compared to the fourth quarter of 2020. Record multifamily price appreciation, which saw its largest single-quarter growth in the history of the index, and rising mortgage rates more than offset unprecedented growth in net operating incomes (NOIs). Over the past year, property prices grew by 19.6%, mortgage rates increased by 6 basis points and NOI grew by 17.7%.

"The year-over-year AIMI decline shows us that it may be more difficult now to find attractive multifamily investment opportunities in some markets than it was a year ago," said Steve Guggenmos, vice president of Research & Modeling at Freddie Mac Multifamily. "Even though we're seeing off the charts net operating incomes, prices are also rising dramatically. In most markets, investors are paying more per dollar of property income compared with one year ago."

Over the quarter, AIMI decreased in the nation and 24 of the 25 markets, with New York being the lone exception. NOI growth and property price growth were both very strong but prices grew quicker which led to near universal AIMI declines.

- National NOI growth was 3.5% and every metro experienced growth. The fastest grower was New York at 7.3% while the slowest grower was Minneapolis at 0.6%.
- Property prices grew in the nation and in every market. Price growth was strong this quarter, with the national growth rate clocking in at 7.0%, while three metros, Las Vegas, Phoenix, and Raleigh, North Carolina, all grew by more than 10%.
- Mortgage rates increased by 12 bps – the largest increase since the fourth quarter of 2018.

Over the year, AIMI decreased in the nation and 11 of the 25 markets, while 14 markets experienced growth. This quarter, most metros experienced record-breaking annual NOI growth and property price growth.

- NOI growth was universally positive for the nation and all markets. Amazingly, NOI growth exceeded 10% in all but one metro (Minneapolis).
- Property prices grew in the nation and in every market. Like NOI growth, property price growth was astonishing. The slowest grower was New York at 2.8%, while prices in Phoenix grew by 41.8%.
- Mortgage rates increased by 6 bps – the first annual increase since first quarter of 2019.

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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