Freddie Mac Multifamily Apartment Investment Market Index Declines Again in Third Quarter

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MCLEAN, Va., Dec. 15, 2022 (GLOBE NEWSWIRE) -- The Freddie Mac (OTCQB: FMCC) Multifamily Apartment Investment Market Index® (AIMI®) saw a quarterly decline of 5.4% in the third quarter of 2022, with the index down 23.5% year over year. AIMI decreased nationwide and in all 25 markets on both a quarterly and annual basis, driven primarily by record mortgage rate growth.

“Rising mortgage rates continue to fuel a decline in the Apartment Investment Market Index,” said Steve Guggenmos, vice president of Research & Modeling at Freddie Mac Multifamily. “Property prices and net operating incomes, although positive, are now decelerating, further fueling the decline. Multifamily fundamentals remain consistent and strong, but there’s no question that higher rates are having an effect.”

Over the quarter, AIMI decreased in the nation and in all 25 markets. The primary driver behind the quarterly decline was higher mortgage rates.

- National NOI growth was 2.0% and all but two metro areas experienced growth. The fastest grower was San Diego at 4.5% while Phoenix and Las Vegas saw NOI declines of -1.3% and -0.7%, respectively.
- Property prices grew in the nation and just over half the markets. Price growth slowed significantly compared with last quarter and is now lower than the long-run average.
- Mortgage rates increased by 58 bps — amongst the largest quarterly increases in the entire history of AIMI going back to 2000.

Over the year, AIMI decreased in the nation and in all 25 markets, driven by the large increase in mortgage rates. The nation and 20 metros experienced the largest annual AIMI decline since the series started in 2000.

- NOI growth was universally positive however it is now slowing, but still exceeded 10% in just over half of metros. Miami led the way with 21.6% annual growth.
- Property prices grew in the nation and in every market. Like NOI growth, property price growth is slowing compared with last quarter. Nine metros grew by less than 10%, while four metros saw growth of less than 3%.
- Mortgage rates increased by 194 bps — by far the largest annual increase in the entire history of AIMI going back to 2000.

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.

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