Freddie Mac Multifamily Apartment Investment Market Index Continues to Fall in Fourth Quarter

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MCLEAN, Va., March 14, 2023 (GLOBE NEWSWIRE) -- The Freddie Mac (OTCQB: FMCC) Multifamily Apartment Investment Market Index® (AIMI®) fell by 7.6% in the fourth quarter of 2022, with the index down 25.8% year over year. AIMI decreased nationwide and in all 25 markets on both a quarterly and annual basis, driven primarily by rising mortgage interest rates. The nation and 22 markets experienced their sharpest annual AIMI decline in the history of the index.

“The extraordinary increase in mortgage rates drove the decline in AIMI as 2022 concluded,” said Steve Guggenmos, vice president of Research & Modeling at Freddie Mac Multifamily. “Rising rates and slowing property cash flows impacted investment conditions, despite the fact that Multifamily fundamentals that drive property cash flows are not expected to weaken significantly.”

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

- Net operating income (NOI) contracted in the nation and in every market except for Miami. NOI change is negative for most fourth quarters, so this result is not atypical.
- Property prices dropped in the nation and in every market except for Tampa. Contractions were larger than normal this quarter; the nation experienced its largest drop since 2009, as did all but five metros.
- Mortgage rates increased by 100 bps — the largest quarterly increase 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 22 metros experienced the largest annual AIMI percentage decline since the series started in 2000.

- NOI growth was generally strong with a national growth rate of 6.3%. NOI declined in two markets (Las Vegas and Phoenix) and exceeded 10% in three markets (Miami, New York and San Diego).
- Property price performance was mixed but generally positive. The nation and 18 markets experienced price growth whereas prices declined in seven markets.
- Mortgage rates increased by 282 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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