Freddie Mac Multifamily Apartment Investment Market Index Ticks Down in Third Quarter of 2023, Posts Slight Annual Increase

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MCLEAN, Va., Dec. 14, 2023 (GLOBE NEWSWIRE) -- In the third quarter of 2023, the Freddie Mac (OTCQB: FMCC) Multifamily Apartment Investment Market Index® (AIMI®) fell to 107.1 across the United States, with all 25 regional markets tracked by the index also down for the quarter. Following two straight quarters of increases, the third quarter decline of -2.1% is primarily due to higher interest rates. Over the past 12 months, the index is up 0.3%, though only five of the tracked markets experienced growth.

“After last quarter’s rebound, the third quarter decline in AIMI is primarily attributable to the significant increase in interest rates,” said Sara Hoffmann, director of Multifamily Research at Freddie Mac. “The slight annual increase is notable, and largely the result of a substantial contraction in property prices, which offset the effect of markedly higher mortgage rates.”

Key components of AIMI include net operating income (NOI), property prices and mortgage rates. In the third quarter, NOI increased in the nation and in 16 markets, but six of those markets experienced gains of 0.5% or less. Property prices dropped in the nation and all but two markets (Charlotte and San Diego) while mortgage rates rose by 41 basis points (bps), the first gain since the fourth quarter of last year.

Over the year, NOI grew in the nation and in 10 markets, with Boston posting the fastest growth at 3.9%, while Las Vegas and Phoenix posted the largest declines at -5.5%. Property prices declined in the nation and in all markets, with 11 markets and the nation contracting by more than -10%. Meanwhile, mortgage rates increased by 114 bps, still high by historical standards, but lower than last quarter’s 131 bps annual increase.

At the national level, over the past year, mortgage rates rose 114 bps while property prices decreased by -11.9% and NOI grew by 0.3%. Based on these changes, the index suggests that investors are paying slightly less per dollar of property income compared with one year ago.

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 is the nation's multifamily housing finance leader. Historically, more than 90% of the eligible rental units we fund are affordable to families with low-to-moderate incomes earning up to 120% of area median income. 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.

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