Mortgage Rates, Net Operating Income Drive AIMI's Third Quarter Increases

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MCLEAN, VA--(Marketwired - Dec 14, 2017) - According to the Freddie Mac (OTCQB: FMCC) Multifamily Apartment Investment Market Index (AIMI®), in the third quarter multifamily investing conditions grew modestly stronger across many of the metropolitan markets it tracks. Created by Freddie Mac, the widely used analytical tool 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 to the prior period.

AIMI's Quarterly Results
In the third quarter, AIMI experienced a quarterly increase in 11 of the 13 markets it tracks. At the national level, AIMI remained largely flat (0.01% growth). Only Atlanta (AIMI: -0.43%) and Seattle (AIMI: -1.34%) saw declines.

Driving these quarterly numbers was growth in net operating income (NOI) across 10 local markets and nationally, though no market produced exceptionally strong NOI growth. Three markets -- Chicago, Washington, D.C., and Seattle -- saw NOI contraction. Moreover, every market experienced property price growth over the quarter, although it was minimal in some markets, such as Chicago and Philadelphia. Finally, like the second quarter, this quarter saw declines in mortgage rates, which played the largest role in AIMI's quarterly increases.

AIMI's Annual Results
On an annual basis, the story for the Index was much different. AIMI decreased nationally and in every market except for Orlando (AIMI: 1.10%). Annually, NOI grew nationally and in 12 metro areas. Only Houston did not experience NOI growth. At the same time, annual property prices grew in every market, but in 11 areas those prices increased at a rate that is lower than the pre-recession average. New York, Philadelphia, San Francisco, Washington, D.C. and Orlando were among the most significant examples of price growth below the pre-recession averages. Finally, as happened last quarter, mortgage rates jumped 24 basis points year-over-year -- remaining a significant driver of AIMI's decline in most markets.

"In the third quarter, modest growth in net operating income, taken together with declines in mortgage rates, resulted in moderate increases in AIMI from the previous quarter," said Steve Guggenmos, vice president of Freddie Mac Multifamily Research and Modeling. "Annually, NOI growth was more significant and more pervasive. However, increases in mortgage rates over the past 12 months were more impactful, and once again drove AIMI's annual declines. Overall, AIMI continues to reflect the current market reality -- continued strong demand and a limited supply of rental units."

In addition to national and local values, AIMI also provides a sensitivity table that shows how the Index value adjusts based on changes in certain underlying variables. Additional information about AIMI is on the Freddie Mac Multifamily website and includes FAQs and a video.

Freddie Mac Multifamily helps ensure an ample supply of affordable rental housing by purchasing and securitizing mortgages on apartment buildings nationwide. Roughly 90 percent of the mortgages purchased support rental units for lower income households. Freddie Mac securitizes about 90 percent of the multifamily loans it purchases, thus transferring the vast majority of the expected credit risk from taxpayers to private investors.

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