Bolstered by High Income Growth, Freddie Mac's AIMI Sees Quarterly Increases

September 26, 2017

MCLEAN, VA--(Marketwired - Sep 26, 2017) - Today, Freddie Mac (OTCQB: FMCC) announced that multifamily investing conditions grew stronger in the second quarter, both nationally and across the metropolitan markets it tracks through the Multifamily Apartment Investment Market Index(SM) (AIMI). A widely used analytical tool, AIMI combines multifamily rental income growth, property price growth and mortgage rates to provide a single index that measures multifamily market investment conditions.

In the second quarter, AIMI rebounded with quarterly increases in all 14 of the markets it tracks and at the national level. These universal gains in the second quarter were driven by a number of factors. First and most importantly, all metro areas that AIMI tracks saw positive net operating income (NOI) growth. In fact, some markets, such as Seattle (AIMI growth: 3.9%) and Boston (6.2%), sustained increases that exceeded historical averages by significantly large margins. In addition, mortgage rates experienced a slight decline in the second quarter -- a marked change from the first quarter, which saw a significant increase. Property price growth was mixed across metros, with six markets experiencing a contraction and nine -- including the national average -- seeing growth.

On an annual basis, the Index decreased nationally and in 12 local markets. Only Orlando (AIMI growth: 1.3%) and Houston (0.6%) saw increases from 12 months ago. Over the year, NOI growth remained positive for all markets except for New York (AIMI growth: -4.40%), Austin (-2.42%), and Houston, which continued to absorb high levels of supply. However, over that same period, mortgage rates jumped 24 basis points -- a significant driver of AIMI's decline in most markets. Property price growth was largely positive, with Chicago (AIMI growth: -12.4%), Los Angeles (-8.3%), and Phoenix (-10.0%) all experiencing double-digit growth over the past year.

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.

"Second quarter increases in AIMI were primarily driven by large increases in net operating income combined with slightly declining mortgage rates," said Steve Guggenmos, vice president of Freddie Mac Multifamily Research and Modeling. "Despite positive income growth in most markets, the Index saw declines annually, largely due to increases in mortgage rates over the past 12 months. In short, AIMI captures current trends in the multifamily market, which continues to be bolstered by robust demand and overall housing shortages."

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.

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.

MEDIA CONTACT:
Christopher Spina
703-388-7031
Christopher_Spina@FreddieMac.com