

Multifamily investment market is getting tougher still

Freddie Mac's Apartment Investment Index took a tumble thanks to rising property prices, interest rates

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The **Freddie Mac Apartment Investment Market Index** fell 3.4% year-over-year in the first quarter, despite strong fundamentals.

The index tracks 13 markets across the nation, aggregating employment data, permitting data, net operating income data and property price data to come up with a score that captures the investment climate in the multifamily market.

- ✓ According to the index breakdown, the downturn is largely due to rising property price growth, which is pushing down returns-on-investment.
- ✓ Of the 13 markets, property prices rose in 10 of them. Rising interest rates are putting additional pressure on prices and also contributing to the downward pull on the multifamily market.
- ✓ The countervailing forces keeping AIMI from sustaining a larger drop has been continued strong demand and a scarcity of housing that continue to support rent growth.

“While both mortgage rates and net operating income affected AIMI this quarter, the continued growth of property prices — driven by healthy demand and overall housing shortages — proved to have the most meaningful impact,” Freddie Mac Vice President of Multifamily Research and Modeling Steve Guggenmos said in a statement.

“While AIMI’s quarterly and annual results were both slightly negative due to price appreciation, it continues to reflect the strong demand for multifamily investments and illustrates the long-term strength and stability of the multifamily market,” he added.

According to the index report, the market can expect more of the same as rising interest rates and declining deal availability add difficulty to the task of finding viable investments and increase competition for deals.