



MULTIFAMILY REPORT

The Twin Cities Stay Strong

May 2024

YoY Rent Movement Positive

Occupancy Stays Flat

Transactions Gain Momentum

TWIN CITIES MULTIFAMILY



Rents, Occupancy Show Positive Signs

Minneapolis-St. Paul fundamentals improved in the first quarter of 2024, despite macroeconomic uncertainty. Rents were up 0.3% on a trailing three-month basis, to \$1,500, while the average overall occupancy rate was flat year-over-year through February, at 94.8%. Considering that only a few metros recorded occupancy improvement, this is a sign of strong absorption for the Twin Cities.

Employment in the Twin Cities expanded by 1.5% in 2023, adding 31,500 net jobs. The metro's rate of growth was 50 basis points below the national average. Education and health services led gains, with 15,300 positions added, marking a 4.1% increase. The area's jobless rate stood at 3.3% as of February, 60 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. And while the job market is starting to show some cracks, the metro has no shortage of large-scale projects. One such upcoming development is a 3 million-square-foot technology park proposed in Farmington, Minn.

Development in the Twin Cities is decelerating, due to market conditions. Just 1,263 units came online this year through March, a clear downward shift compared to the continuous growth registered in the previous six years. The metro also recorded \$287 million in multifamily transactions through March, an improvement from the same time frame last year.

Market Analysis | May 2024

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Madalina Pojoga
Associate Editor

Recent Twin Cities Transactions

Arlo West End



City: St. Louis Park, Minn.
Buyer: Belgrade Enterprises
Purchase Price: \$53 MM
Price per Unit: \$325,610

The Cosmopolitan



City: St. Paul, Minn.
Buyer: Bigos Management
Purchase Price: \$34 MM
Price per Unit: \$131,395

Gateway Commons



City: Brooklyn Center, Minn.
Buyer: Market Equities
Purchase Price: \$30 MM
Price per Unit: \$119,183

Emberwood

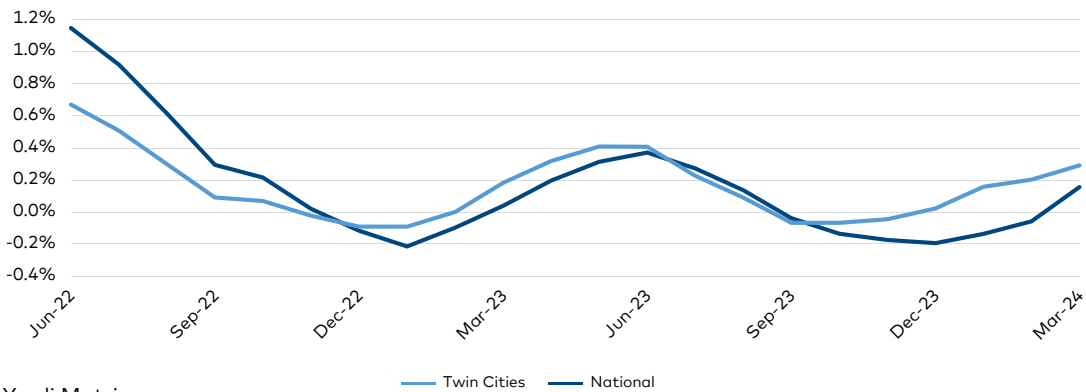


City: Blaine, Minn.
Buyer: Gold Block Ventures
Purchase Price: \$23 MM
Price per Unit: \$202,013

RENT TRENDS

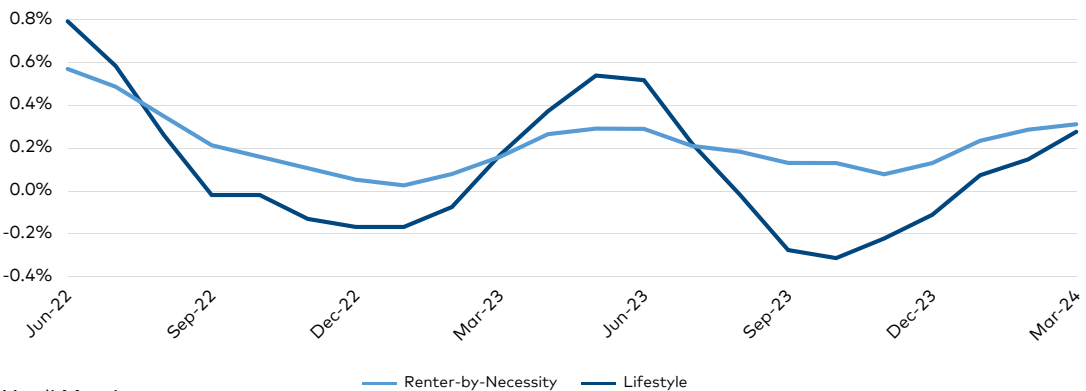
- ▶ Minneapolis-St. Paul saw improvements in rent growth, with the rate up 0.3% on a trailing three-month (T3) basis, reaching \$1,500. The U.S. figure was up 0.2% during the same time frame, to \$1,721 as of March.
- ▶ Year-over-year, the Twin Cities rates were up 2.0% as of March and the latest Yardi Matrix forecast projects a 1.4% expansion for 2024. That places the Twin Cities just below the top third for rent growth among larger U.S. metros.
- ▶ The metro's quality segments moved in lock-step. Working-class Renter-by-Necessity rates were up 0.3% on a T3 basis, to \$1,290. Lifestyle figures recorded the same rate of improvement, reaching \$1,814.
- ▶ The Twin Cities' average overall occupancy rate in stabilized properties remained flat year-over-year, at 94.8% as of February. The Lifestyle rate, however, recorded a 50-basis-point decline, to 93.7%, after several years of accelerated stock additions. RBN occupancy made up for the shortfall, rising 30 basis points to 95.5% during the same time frame.
- ▶ Of the 87 submarkets tracked by Yardi Matrix, only 14 recorded contractions year-over-year as of March. Edina/Eden Prairie remains the highest-priced area, where rents averaged \$1,938 at a 1.4% rate of growth, followed by Maple Grove (\$1,890) and Woodbury/Cottage Grove (\$1,870).

Twin Cities vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Twin Cities Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- Employment in Minneapolis-St. Paul expanded by 1.5% in 2023, 50 basis points lower than the national average. The metro added 31,500 net jobs last year. This also accounted for 17,400 positions that were lost across four sectors—information, manufacturing, professional and business services and financial activities.
- Meanwhile, education and health services, one of the metro's key pillars, added 15,300 jobs to the workforce, marking a 4.1% increase. It was followed by government (10,300), leisure and hospitality (8,300) and trade, transportation and utilities (6,700). The mining, logging and construction sector registered the biggest improvement—a 5.4% increase, or 4,700 positions added.
- The metro's unemployment rate stood at 3.3% as of February, 60 basis points below the U.S. figure, according to preliminary BLS data. Over the previous 12 months, unemployment in the Twin Cities reached its lowest point in November 2023, at 1.9%.
- Project Bengal could add 3 million square feet to the metro's industrial footprint. A proposal was submitted to the city of Farmington, Minn. The technology park project will take shape on a six-parcel site, zoned for industrial use. The proposal is still under review.

Twin Cities Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	390	18.6%
90	Government	270	12.9%
70	Leisure and Hospitality	191	9.1%
40	Trade, Transportation and Utilities	380	18.1%
15	Mining, Logging and Construction	92	4.4%
80	Other Services	77	3.7%
50	Information	30	1.4%
30	Manufacturing	219	10.4%
60	Professional and Business Services	303	14.4%
55	Financial Activities	147	7.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- The Twin Cities' population expanded by 19,172 residents in 2022, marking a 0.5% demographic increase.
- According to the U.S. Census Bureau, Minnesota's population is getting older, with the share of Baby Boomers now at 16.6%.

Twin Cities vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Twin Cities	3,573,609	3,605,450	3,659,156	3,678,328

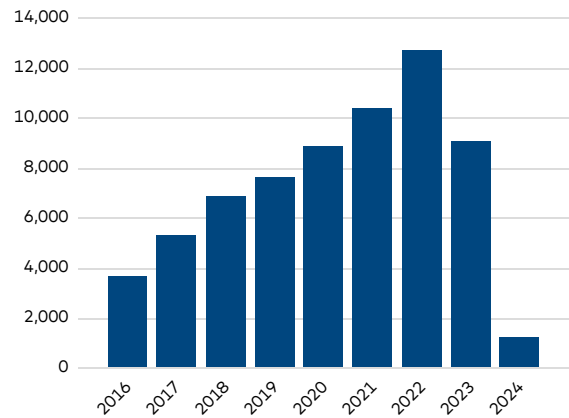
Source: U.S. Census

SUPPLY

- ▶ Developers brought 1,263 units online this year through March, accounting for 0.5% of stock, 10 basis points higher than the national rate. All but one property out of the six that came online in the first three months were Lifestyle assets but spread evenly across urban and suburban submarkets. After continuous growth in the previous six years, the number of deliveries in Minneapolis-St. Paul eventually declined in 2023, with 9,117 units coming online, down from the 12,736 apartments delivered in 2022.
- ▶ Minneapolis-St. Paul had 17,031 units under construction as of March, with another 50,500 in the planning and permitting stages. Limited capital and the overall national slowdown have also caught up with the Twin Cities. Only 979 units broke ground in the first quarter of 2024, marking a significant decrease from the 2,288 units recorded during the same period of 2023.
- ▶ Urban areas led the supply pipeline in Minneapolis-St. Paul, with two submarkets having more than 1,000 units underway each. Minneapolis – Central led with 1,863 units, followed by Edina/Eden Prairie, at 1,055 units. On the suburban side, Shakopee took the first place, with 944 apartments under construction.

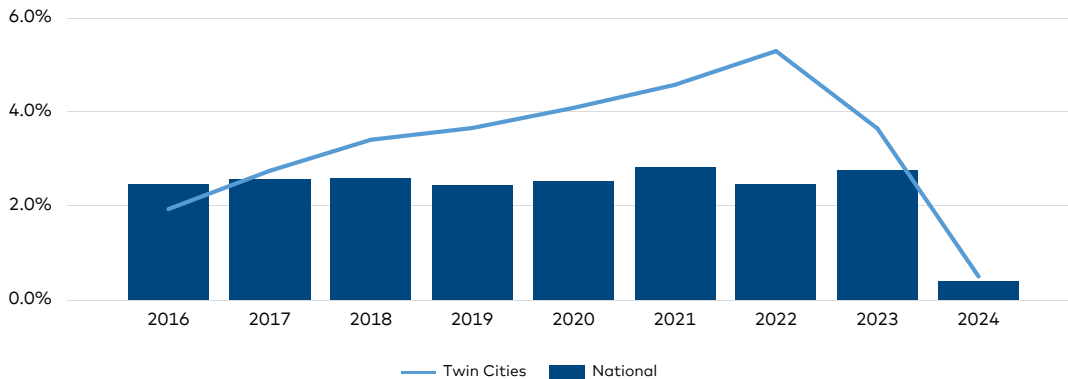
- ▶ The metro's largest development as of March was still The Hallon. Trilogy Real Estate Group is building the 469-unit property in the Hopkins submarket. The project was subject to a combined \$92.4 million in construction loans, originated by First National Bank of Omaha and Bank OZK. The first phase of The Hallon was completed in late 2023, with the second phase scheduled to open in the third quarter of 2024.

Twin Cities Completions (as of March 2024)



Source: Yardi Matrix

Twin Cities vs. National Completions as a Percentage of Total Stock (as of March 2024)



Source: Yardi Matrix

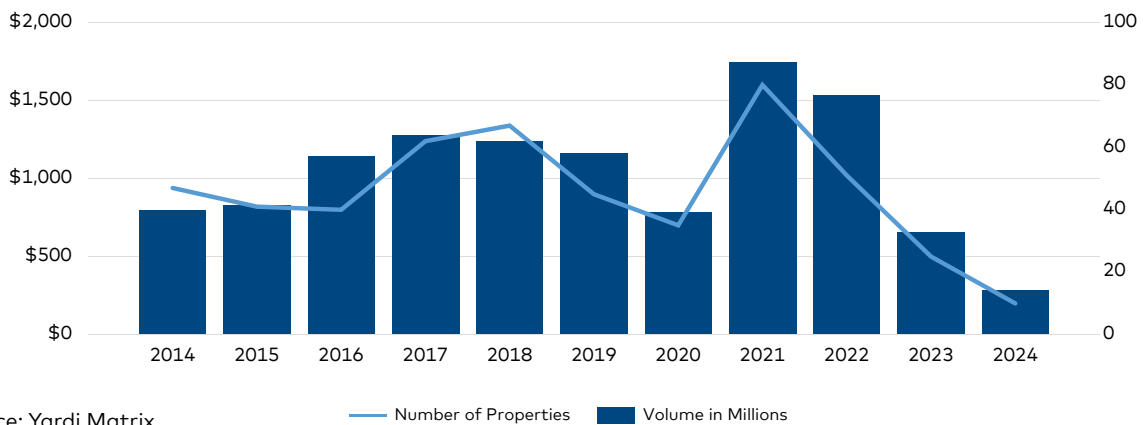
TRANSACTIONS

- ▶ Multifamily investment in the Twin Cities totaled \$287 million in the first quarter of 2024. The transaction volume is actually picking up compared to last year, which ended with only \$655 million in transactions. The last decade's annual average clocked in at a significantly higher \$1.1 billion.
- ▶ Investment during the first quarter tilted slightly toward Renter-by-Necessity properties, representing six of the 10 properties that changed

hands. This also contributed to a relatively low price per unit of \$152,849, significantly below the \$196,095 U.S. average.

- ▶ Investors looked toward core urban submarkets, as Minneapolis–Central led transaction volume, at \$144 million. Only two other submarkets surpassed the \$100 million threshold; Minneapolis–Calhoun Isle and Minneapolis–University rounded out the top three, both with \$120 million in assets changing hands.

Twin Cities Sales Volume and Number of Properties Sold (as of March 2024)



Source: Yardi Matrix

Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Minneapolis–Central	144
Minneapolis–Calhoun Isle	120
Minneapolis–University	120
Minnnetonka	89
Edina/Eden Prairie	71
St. Louis Park	53
Brooklyn Park	47

Source: Yardi Matrix

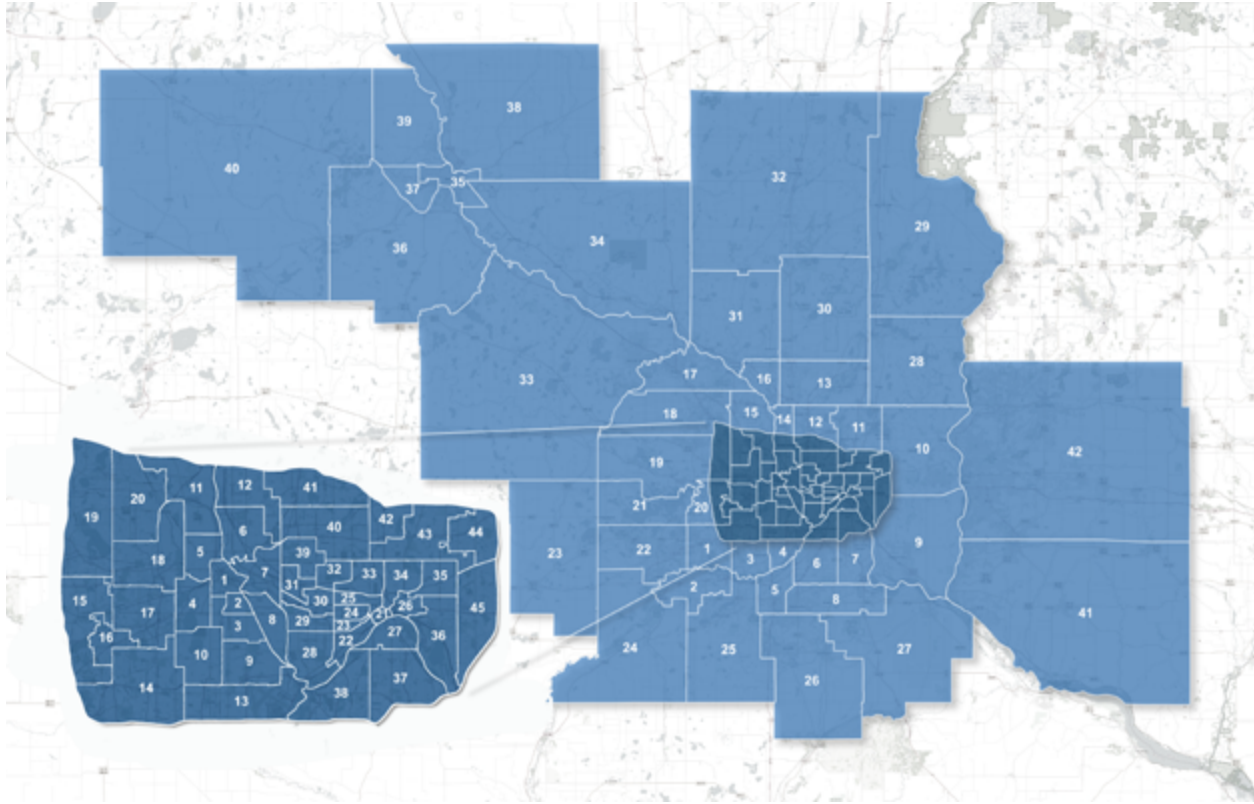
¹ From April 2023 to March 2024

Twin Cities vs. National Sales Price per Unit



Source: Yardi Matrix

TWIN CITIES SUBMARKETS



Area No.	Submarket
1	Minneapolis-Central
2	Minneapolis-Phillips
3	Minneapolis-Powderhorn
4	Minneapolis-Calhoun Isle
5	Minneapolis-Near North
6	Minneapolis-Northeast
7	Minneapolis-University
8	Minneapolis-Longfellow
9	Minneapolis-Nokomis
10	Minneapolis-Southwest
11	Brooklyn Center/Camden
12	Columbia Heights
13	Richfield
14	Edina/Eden Prairie
15	Minnnetonka

Area No.	Submarket
16	Hopkins
17	St. Louis Park
18	Golden Valley
19	Plymouth
20	New Hope/Crystal
21	St. Paul-Downtown
22	St. Paul-West Seventh
23	St. Paul-Summit Hill
24	St. Paul-Summit-University
25	St. Paul-Thomas-Dale
26	St. Paul-Dayton's Bluff
27	St. Paul-West Side
28	St. Paul-Highland
29	St. Paul-Macalester-Groveland
30	St. Paul-Lexington Hamline

Area No.	Submarket
31	St. Paul-St. Anthony
32	St. Paul-Como
33	St. Paul-North End
34	St. Paul-Payne-Phalen
35	St. Paul-Greater East Side
36	St. Paul-Sunray-Battlecreek
37	West St. Paul
38	Mendota
39	Falcon Heights
40	Roseville
41	New Brighton
42	Little Canada
43	Maplewood
44	Oakdale-North
45	Oakdale-South

Area No.	Submarket
1	Eden Prairie
2	Shakopee
3	Bloomington-West
4	Bloomington-East
5	Burnsville
6	Eagan
7	Inver Grove Heights
8	Apple Valley
9	Woodbury/Cottage Grove
10	Stillwater
11	White Bear Lake
12	Mounds View
13	Blaine
14	Fridley

Area No.	Submarket
15	Brooklyn Park
16	Coon Rapids
17	Champlin-Rogers
18	Maple Grove
19	Plymouth
20	Minnnetonka
21	Spring Park
22	Chaska
23	Wacoma
24	Jordan
25	Savage
26	Lakeville
27	Hastings
28	Forest Lake

Area No.	Submarket
29	Chisago City
30	Andover
31	Anoka
32	Cambridge
33	Buffalo
34	Elk River
35	St. Cloud-North
36	St. Cloud-South
37	Waite Park
38	Sauk Rapids
39	Sartell
40	Melrose
41	River Falls
42	Hudson

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- ▶ *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- ▶ *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- ▶ *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- ▶ *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- ▶ *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- ▶ *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



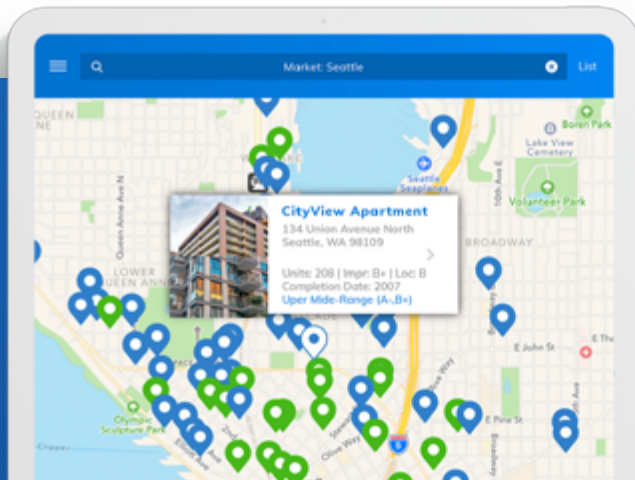
Yardi® Matrix

Power your business
with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



(800) 866-1144

Learn more at yardimatrix.com/multifamily

Contact
US



DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2024 Yardi Systems, Inc. All Rights Reserved.