

Yardi® Matrix

Twin Cities: Steady Rhythm

Multifamily Report Summer 2019

Construction Sector Leads Job Gains

Soaring Home Prices Sustain Rent Growth

Core Urban Areas Remain Development Hubs

TWIN CITIES MULTIFAMILY

Yardi® Matrix

Market Analysis

Summer 2019

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Occupancy Slips, Rent Growth Endures

The Twin Cities multifamily market has remained resilient, despite a slowdown in employment gains across the metro due to a tightening labor market. At 3.1% as of May, year-over-year rent growth was still 60 basis points above the national average.

Large-scale developments are transforming the metro's urban areas, with construction leading job gains. In the 12 months ending in March, the sector added 2,500 positions, remaining one of the main sources of employment growth. Several infrastructure projects are underway or about to kick off—the Minnesota DOT announced that \$1.2 billion of transit-related projects will commence this year. Meanwhile, education and health services was hit the hardest, losing 4,000 jobs. Employers across the state are having trouble finding workers for nursing facilities and outpatient clinics.

Owners tend to have a long-term hold strategy in the Twin Cities, inhibiting transaction activity. Investment volume in the metro over the past three years averaged \$1.5 billion, but only eight properties traded during the first five months of 2019. And although occupancy in stabilized assets dropped 60 basis points over 12 months, to 96.6% as of April, the rate remained one of the highest among major U.S. metros. Demand, especially for workforce housing, is likely to remain high. We expect rents to advance 4.0% in 2019.

Recent Twin Cities Transactions

Avana Southview



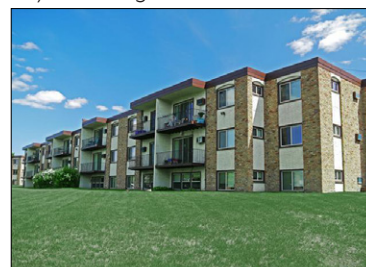
City: Inver Grove Heights, Minn.

Buyer: Greystar

Purchase Price: \$70 MM

Price per Unit: \$164,505

Crystal Village



City: Crystal, Minn.

Buyer: The Wall Cos.

Purchase Price: \$51 MM

Price per Unit: \$111,413

University Village



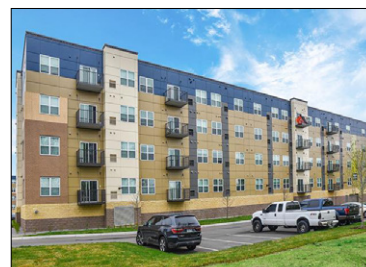
City: Minneapolis

Buyer: University of Minnesota Foundation

Purchase Price: \$43 MM

Price per Unit: \$494,253

Berkshire Central



City: Blaine, Minn.

Buyer: Berkshire Group

Purchase Price: \$36 MM

Price per Unit: \$187,979