



MULTIFAMILY REPORT

Twin Cities Inches Toward Recovery

Spring 2021

Investor Appetite Reignites

PPU Stays Above US Average

Construction Active in Urban Twin Cities

TWIN CITIES MULTIFAMILY



Rent Growth Picks Up, Deliveries Forge Ahead

Banking on its relative affordability and steady demographics, the Minneapolis multifamily market withstood the COVID-19 test, embarking on a journey to recovery. At 0.2% on a trailing three-month basis through March, rent development was on par with the national rate, despite Minneapolis-St. Paul adding an average of about 7,500 units each year since 2018.

The unemployment rate in the metro hit 4.4% in February, according to preliminary BLS data. Last year, Twin Cities lost 166,600 jobs, with employment marking a 7.1% slide. Several large employers, such as 3M, Target and Wells Fargo, reduced their workforce, but state employees were also let go because of budget deficits. On a more positive note, the Minnesota Department of Transportation announced that more than 200 construction projects will be underway this year, which is set to support thousands of construction jobs across the state.

First-quarter data paints a picture of steady performance. Developers delivered 1,991 units and transaction activity picked up steam, with some \$284 million in multifamily sales. Despite these positive signs, occupancy was on a negative trend, particularly for core properties, with rates down 280 basis points year-over-year as of February to 93.0% in urban Twin Cities. Yardi Matrix expects average rents to improve by 2.5% in 2021.

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Recent Twin Cities Transactions

Hinton Heights



City: Cottage Grove, Minn.
Buyer: Oak Residential Partners
Purchase Price: \$52 MM
Price per Unit: \$208,835

Crossroads at Elm Creek



City: Maple Grove, Minn.
Buyer: Peak Capital Partners
Purchase Price: \$24 MM
Price per Unit: \$244,509

Larpenteur Manor



City: Falcon Heights, Minn.
Buyer: Preferred Management
Services
Purchase Price: \$20 MM
Price per Unit: \$141,667

Quail Ridge



City: Eden Prairie, Minn.
Buyer: Heartland Realty Investors
Purchase Price: \$18 MM
Price per Unit: \$164,815