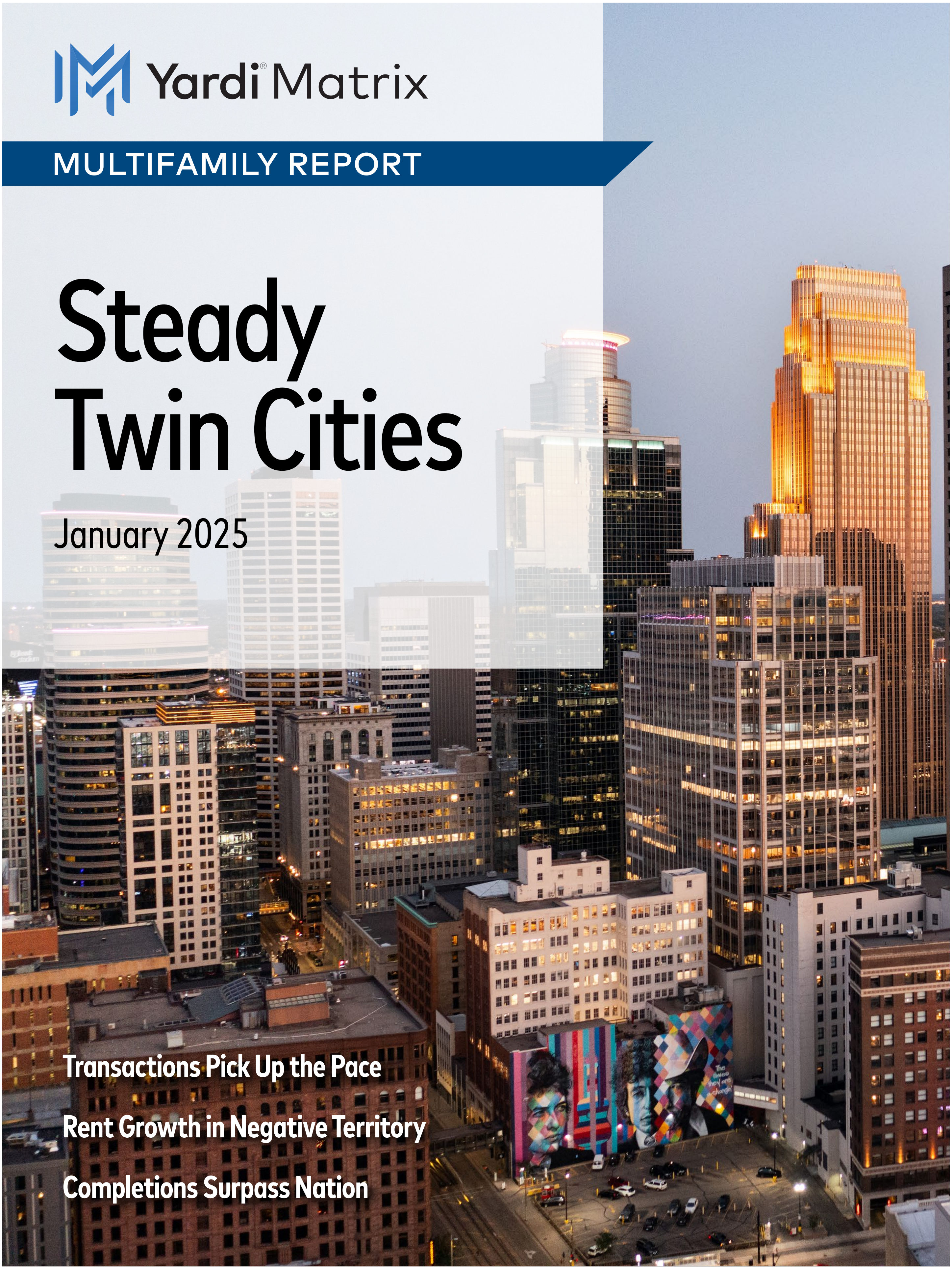
Yardi Matrix

MULTIFAMILY REPORT

Steady Twin Cities

January 2025



Transactions Pick Up the Pace

Rent Growth in Negative Territory

Completions Surpass Nation

TWIN CITIES MULTIFAMILY

Yardi Matrix

Rents Down, Occupancy Improves

The Minneapolis-St. Paul multifamily market remained balanced toward the end of 2024. Average advertised asking rents were down 0.2%, on a trailing three-month basis through November, to $1,529, mirroring the dip in the national growth rate. Meanwhile, the occupancy rate in stabilized properties increased 20 basis points year-over-year, to 95.2%.

Employment in Minneapolis-St. Paul was up a modest 0.3% year-over-year as of September. The metro's growth rate was 110 basis points below the national average. Education and health services led growth with 20,400 positions, marking a 5.4% improvement. The area's unemployment rate stood at 2.7% as of October, 140 basis points below the U.S. figure, according to data from the Bureau of Labor Statistics. In Monticello, Minn., some 40 miles from Minneapolis, Frattalone Cos. submitted a proposal to build a 3 million-square-foot data center campus.

A total of 8,957 units, or 3.4% of existing stock, came online last year through November in Minneapolis-St. Paul. The figure was 70 basis points higher than the national rate of completions. Apartments were mostly evenly distributed between urban and suburban submarkets. With $956 million in assets changing hands through November, the transaction volume picked up and surpassed 2023's $655 million total.

Market Analysis | January 2025

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Recent Twin Cities Transactions

Rya

City: Richfield, Minn.
Buyer: Timberland Partners
Purchase Price: $52 MM
Price per Unit: $220,253

Cityscape

City: St. Louis Park, Minn.
Buyer: Bigos Management
Purchase Price: $32 MM
Price per Unit: $202,724

Quarry Commons

City: St. Cloud, Minn.
Buyer: Weidner Apartment Homes
Purchase Price: $11 MM
Price per Unit: $105,392

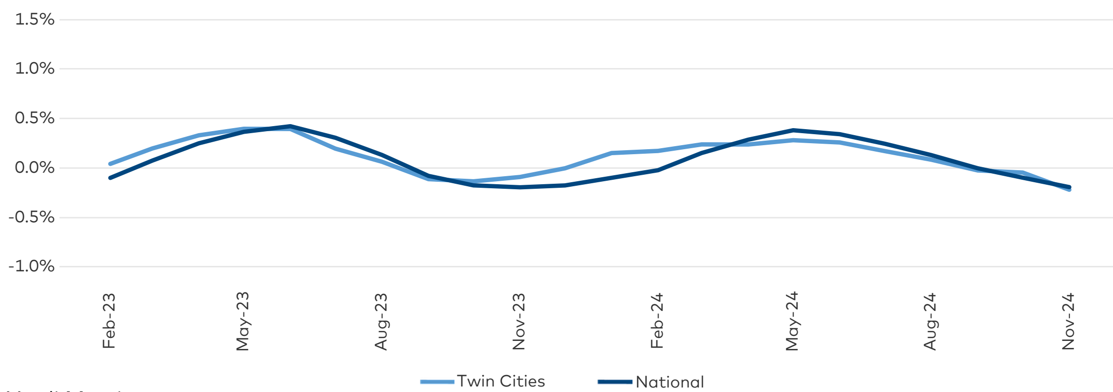
Wheelock Parkway

City: St. Paul, Minn.
Buyer: Encephalo Investments
Purchase Price: $8 MM
Price per Unit: $72,816

RENT TRENDS

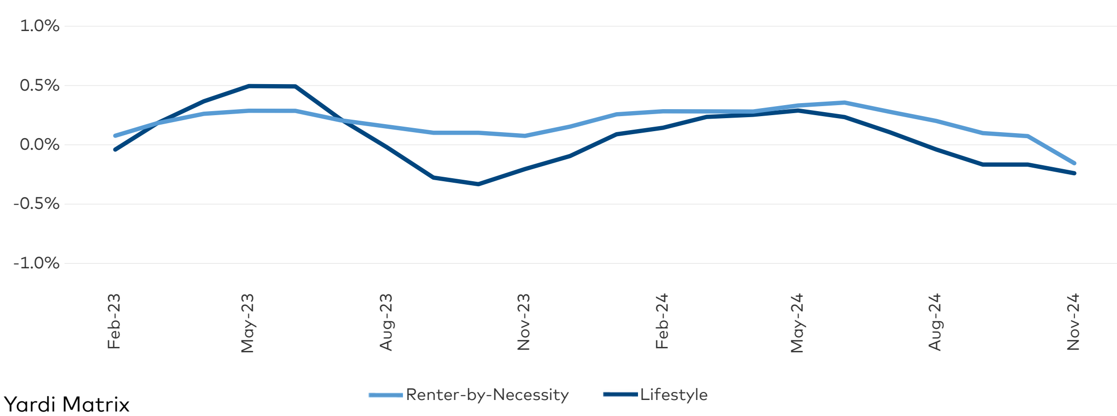
- Minneapolis-St.Paul's average advertised asking rents were down 0.2% on a trailing three-month (T3) basis through November, to $1,529, mirroring the national trend. Over the 12-month period ending in November, the metro had maintained positive growth, with the highest gains recorded between May and June, when the rate saw an uptick of 0.3%.
- On a year-over-year basis, advertised asking rents in Minneapolis-St. Paul were up 1.0%, placing the Twin Cities in the top half of top 30 metros tracked by Yardi Matrix. The forecast projects 1.3% rent growth by year-end.
- Both quality segments saw a decline in rate growth. Advertised asking rates for Lifestyle assets were down 0.2%, to $1,818. The rate for working-class, Renter-by-Necessity properties also decreased 0.2%, down to $1,303.
- The metro's average overall occupancy rate in stabilized properties stood at 95.2% as of November, a 20-basis-point increase year-over-year. The RBN figure saw a 30-basis-point uptick, to 95.3%. Meanwhile, Lifestyle occupancy recorded a 10-basis-point appreciation, to 94.4%.
- Of the 87 submarkets tracked by Yardi Matrix, 23 recorded contractions year-over-year as of November. Edina/Eden Prairie remained the most expensive area, were rents averaged $1,932, despite a 0.9% contraction in growth. Maple Grove ($1,902) and Woodbury/Cottage Grove ($1,886) rounded out the top three.

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 0.3% year-over-year as of September, 110 basis points below the U.S. rate. Education and health services led growth, accounting for 20,400 positions and registering the biggest improvement. Still, Minneapolis-St. Paul lost a combined 33,500 jobs across seven sectors, with professional and business services recording the largest loss (-13,200).

- The metro's unemployment rate stood at 2.7% as of October, 140 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. Over the previous 12 months, unemployment in the Twin Cities reached its lowest point in November 2023, at 1.9%. The unemployment rate in the metro was 70 basis points lower than the state figure, which was 3.4% as of October.

- Frattalone Cos. submitted a proposal to the city of Monticello, Minn., to develop a 550-acre data center campus some 40 miles from Minneapolis. The cost ranges between $2.5 billion and $5 billion for the 3 million-square-foot campus. Once completed, the campus could add up to 500 jobs to the metro's workforce. Recently, Amazon paid $74 million for a 348-acre site in Becker, Minn., which will be used for a data center development.

Twin Cities Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	400.9	19.2%
90	Government	271	13.0%
40	Trade, Transportation and Utilities	363.9	17.4%
50	Information	28.3	1.4%
15	Mining, Logging and Construction	102.1	4.9%
80	Other Services	78.2	3.7%
30	Manufacturing	215.6	10.3%
55	Financial Activities	145.7	7.0%
70	Leisure and Hospitality	188.9	9.0%
60	Professional and Business Services	293.9	14.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- The population in the Twin Cities expanded by 0.5%, or 19,172 residents, between 2021 and 2022.

- The increase was slightly higher than the U.S. growth rate, which settled at 0.4%.

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

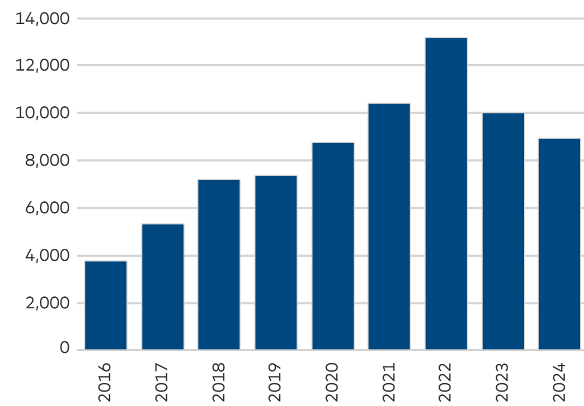
- Developers brought 8,957 units online last year through November. That was 70 basis points higher than the U.S. rate and accounted for 3.4% of existing stock. All but 14 of the 54 properties completed were Lifestyle assets. Units were mostly evenly distributed across urban and suburban submarkets, although there was a slight preference for suburban areas. Despite the metro's growth rate slowing down significantly last year, the average number of deliveries between 2021 and 2023 was 11,214.

- Minneapolis-St. Paul had 10,201 units under construction as of November. Another 54,000 apartments were in the planning and permitting stages. With tighter lending conditions and an overall national economic slowdown, construction starts dwindled. Only 3,271 units across 22 projects broke ground through November in 2024, 38.4% less than the 5,313 units across 32 projects that were started during the same period in 2023.

- Urban areas led the pipeline in the Twin Cities, with two submarkets having almost 1,000 units underway each. Minneapolis–Central led with 930 units, followed by Edina/Eden Prairie, at 921 units. On the suburban side, Buffalo led with 570 apartments under construction.

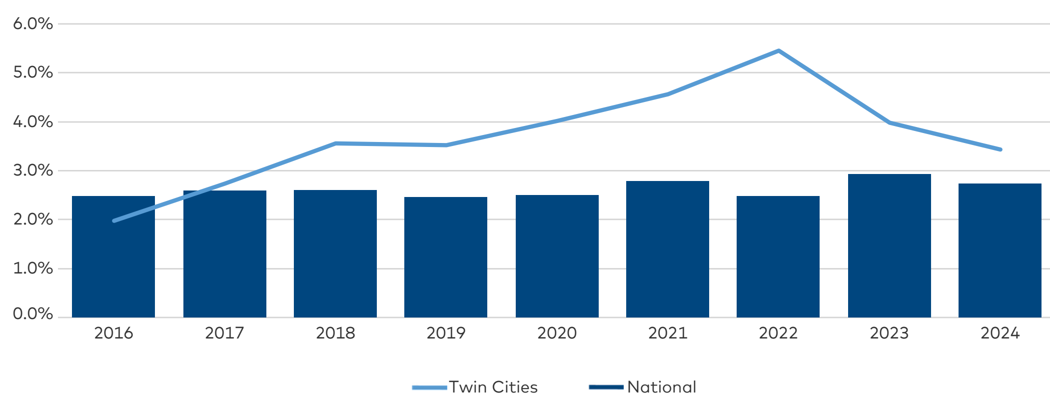
- The largest community underway is The Fred, located in the Edina/Eden Prairie submarket. Solhem Cos. received an $80 million construction loan from Associated Bank in 2021 and started work on the 408-unit project the following year. The project is slated for delivery in early 2025 and, by May of this year, The Fred was already 80.0% preleased.

Twin Cities Completions (as of November 2024)



Source: Yardi Matrix

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



Source: Yardi Matrix

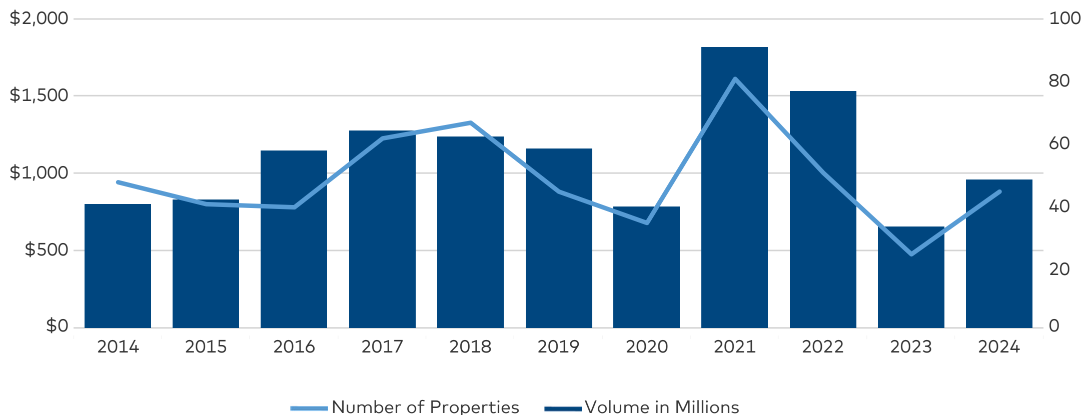
TRANSACTIONS

- Twin Cities investors traded $956 million in multifamily assets through November. Transaction volume picked up and surpassed the $655 million registered last year. Sales activity in the metro is still behind the annual average of $1.1 billion in sales recorded during the last decade.

- Sales composition through November was tilted toward value-add plays, as 27 of the 45 assets that changed hands were RBN properties. Nevertheless, the price per unit saw an uptick, as the metro's $176,110 was almost $11,000 higher compared to 2023, but still lower than the $192,050 U.S. average.

- Transaction activity was evenly distributed between urban and suburban submarkets. Only one submarket exceeded the $100 million mark for multifamily transactions during the 12 months ending in November, as Minneapolis–University led with $194 million. St. Louis Park ($85 million) and Minneapolis–Calhoun Isle ($81 million) rounded out the top three.

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



Source: Yardi Matrix

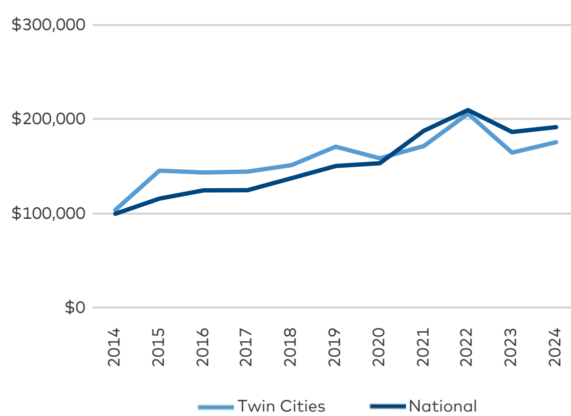
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Minneapolis–University	194
St. Louis Park	85
Minneapolis–Calhoun Isle	81
Blaine	60
Minneapolis–Central	59
Richfield	58
Brooklyn Center/Camden	53

Source: Yardi Matrix

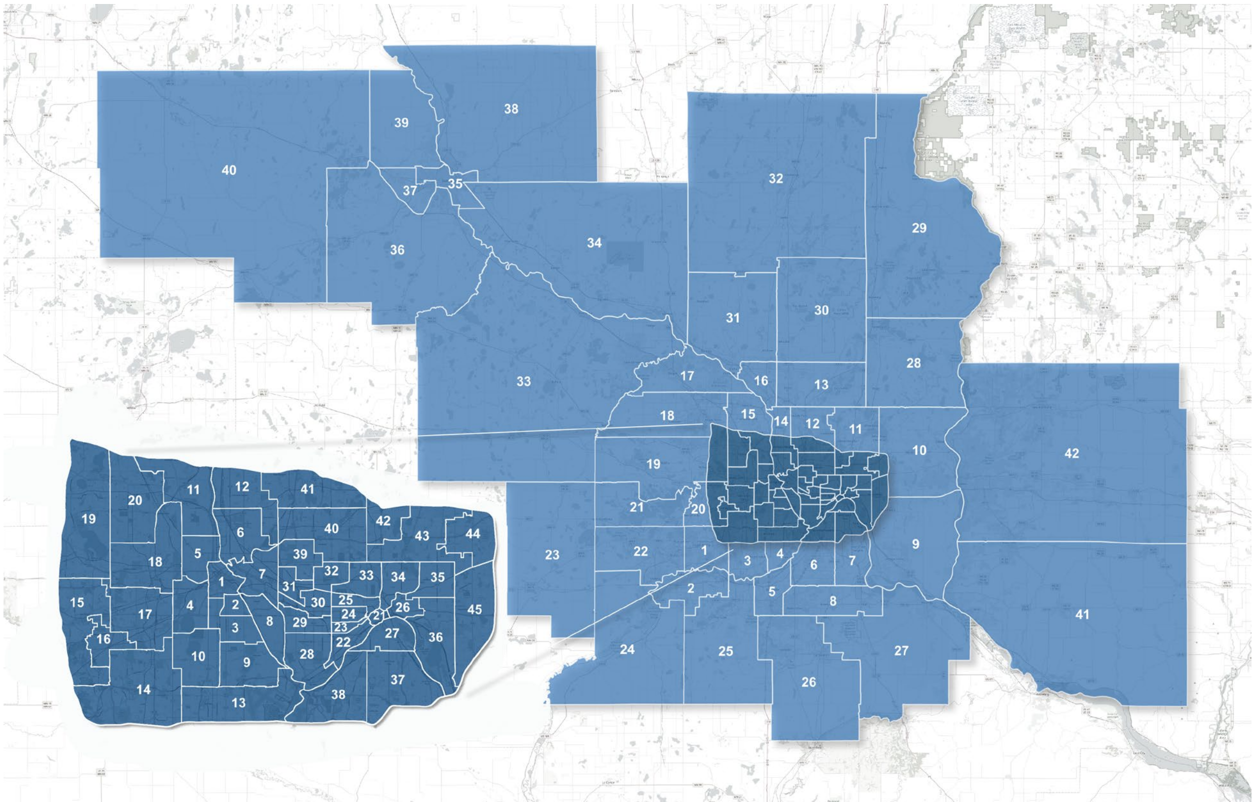
[1] From December 2023 to November 2024

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	Minnetonka

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	Minnetonka
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:

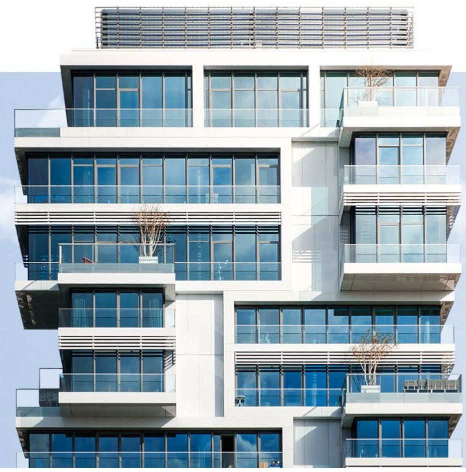
Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

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 x14006.

Yardi Matrix



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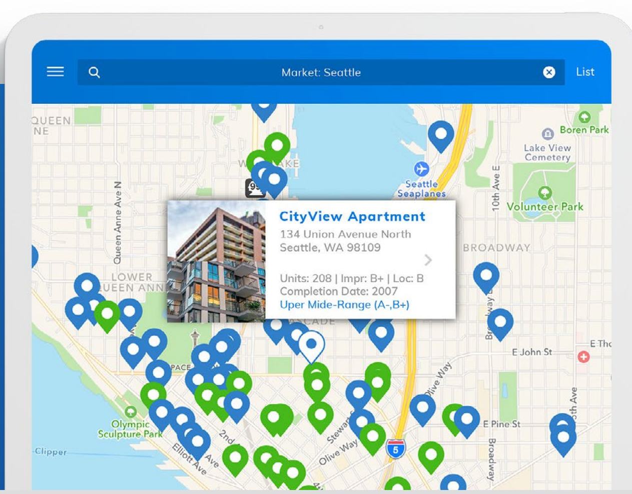
MULTIFAMILY KEY FEATURES

- 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 nearly **23 million units**, covering over **92% of the U.S. population.**

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