MARKETBEAT MINNEAPOLIS
MULTIFAMILY Q3 2024



CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
5.5% Stabilized Vacancy Rate	▼	▼
8,476 YTD Net Absorption, units	▲	▲
$1.76 Effective Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
2.0M Minneapolis Employment	▼	▲
3.2% Minneapolis Unemployment Rate	▲	▲
0.8% U.S. Household Growth Rate	▲	▲

Source: BLS

ECONOMIC OVERVIEW

The Minneapolis-St. Paul economy remained stable year-over-year (YOY) with a slight loss of 2,800 jobs. The local unemployment rate of 3.2% was 90 basis points (bps) below the U.S. average of 4.1%.

SUPPLY: NEW CONSTRUCTION SET TO SLOW

New multifamily construction in the Twin Cities is expected to drop significantly in 2025 compared to 2024 due to prolonged high interest rates along with a simultaneous rise in construction costs. Only a few developments, such as Roers' 172-unit Volta project in Burnsville, have broken ground. The shortage of starter and mid-level homes is keeping potential buyers in the rental market, maintaining demand for the existing multifamily supply. With limited supply and declining vacancy rates, rental concessions are expected to decrease heading into next year, in turn supporting potential rent growth for existing supply.

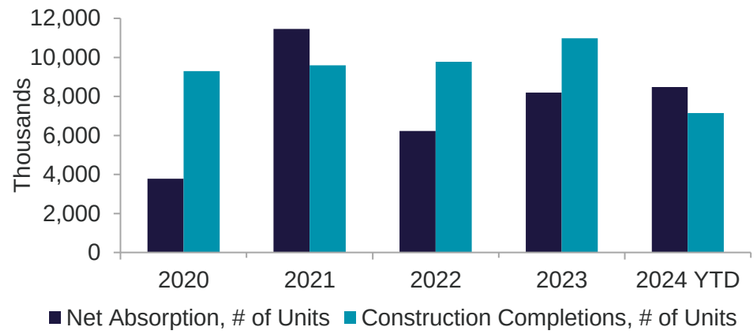
DEMAND: POSITIVE AS STABILIZED VACANCY DECREASES

Despite losing 2,800 jobs, the region's economy remained strong, with apartment demand positive as the stabilized vacancy rate fell 10 bps YOY to 5.5%. New hiring exhibited an uptick late in Q3, and if sustained, would boost demand through Q4 and into 2025. In the near term, suburban and secondary markets are expected to outperform the Minneapolis Central Business District. For landlords, the area's low rent-to-income ratio enhances multifamily housing's attractiveness, ensuring stable occupancy and rent collections.

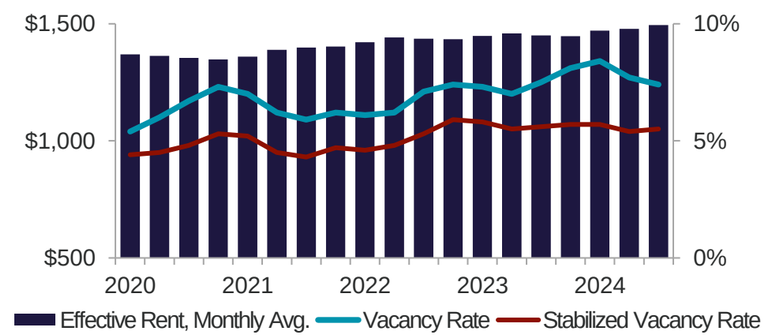
PRICING: LOWER RATES LEAD TO PRICE STABILITY

Pricing in the Minneapolis-St. Paul multifamily market has likely bottomed out, outside of over-leveraged distressed properties, which haven't fully entered the market. Concessions are expected to decrease, which will help stabilize and potentially increase effective rents as rising costs settle and new construction activity remains limited. The overall effective rental rate reached $1,494 per unit and $1.76 per square foot (psf), up 0.3% YOY. The largest rent growth occurred in the Northeast Minneapolis submarket, up 5.1% YOY to $1,492 per unit and $1.99 psf. The West St. Paul market posted the highest rental rates at $2,338 per unit at $2.10 psf, down 2.0% YOY.

DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



Source: Costar

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MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	YTD DELIVERIES (UNITS)	YTD % INVENTORY GROWTH	UNDER CNSTR (UNITS)	YTD NET ABSORPTION (UNITS)	VACANCY RATE	STABILIZED VACANCY RATE	AVG EFFECTIVE RENT / UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
Anoka Northern Suburbs	1,067	0	0.0%	0	108	7.8%	7.8%	$1,465	$1.60	-0.1%
Apple Valley/Lakeville/Hastings	9,171	313	3.5%	707	406	8.2%	5.9%	$1,575	$1.67	0.9%
Bloomington West	5,768	149	2.7%	0	152	5.3%	4.5%	$1,531	$1.66	0.0%
Carver County	3,870	686	21.5%	250	474	15.1%	3.1%	$1,612	$1.63	-3.1%
Coon Rapids/Fridley/Blaine	14,186	76	0.5%	0	261	6.0%	4.9%	$1,373	$1.54	2.1%
Dayton/Champlin Park/Brooklyn Park	6,908	40	0.6%	75	13	5.4%	5.2%	$1,346	$1.50	3.4%
Downtown Minneapolis	18,635	1,636	9.6%	216	950	12.1%	7.9%	$1,691	$2.24	-0.1%
Downtown St. Paul	3,662	0	0.0%	565	-4	7.2%	7.2%	$1,541	$1.92	4.8%
Eagan/Burnsville/Inver Grove Heights	16,045	0	0.0%	244	164	3.9%	3.9%	$1,538	$1.61	3.3%
Eden Prairie	5,166	239	4.9%	425	254	7.3%	4.9%	$1,737	$1.80	2.2%
Edina	6,062	224	3.5%	276	310	7.4%	3.9%	$1,924	$2.03	-0.9%
Hennepin Far Western Suburbs	10,286	148	1.5%	249	558	7.6%	5.2%	$1,644	$1.71	-2.0%
Highland/Mac Groveland/Summit	10,047	0	0.0%	0	128	4.6%	4.6%	$1,373	$1.76	2.3%
Maple Grove/Golden Valley/Plymouth	20,513	560	2.8%	991	350	7.4%	5.1%	$1,596	$1.66	1.0%
Maplewood/East Ramsey County	8,459	420	5.2%	297	254	7.5%	5.1%	$1,493	$1.70	3.1%
North Minneapolis	1,936	0	0.0%	38	131	4.0%	1.8%	$1,365	$1.70	2.1%
Northeast Minneapolis	3,939	183	4.9%	0	372	5.1%	3.8%	$1,492	$1.99	5.1%
Outlying St. Paul	21,396	0	0.0%	1,304	163	5.7%	5.5%	$1,252	$1.66	2.2%
Richfield/Bloomington East	9,768	0	0.0%	355	141	6.6%	4.8%	$1,346	$1.69	-0.9%
Scott Far Western Suburbs	5,603	360	6.9%	546	275	11.9%	10.0%	$1,562	$1.67	0.8%
South Minneapolis	3,788	48	1.3%	0	122	4.7%	4.7%	$1,257	$1.67	1.5%
South St. Paul	4,296	111	2.7%	0	44	8.3%	7.3%	$1,271	$1.56	-0.9%
St. Louis Park/Hopkins	14,256	233	1.7%	726	888	8.0%	5.1%	$1,565	$1.83	0.3%
University	7,409	0	0.0%	0	245	7.1%	7.1%	$1,719	$2.17	0.3%
Uptown/West Calhoun/Bryn Mawr	13,300	482	3.8%	0	523	8.4%	7.1%	$1,481	$1.95	1.3%
Washington Far Eastern Suburbs	10,862	838	8.4%	552	631	11.2%	4.1%	$1,803	$1.74	1.3%
West Bank/Central Minneapolis	17,770	53	0.3%	239	336	5.8%	5.4%	$1,150	$1.72	1.3%
West Ramsey County	11,398	0	0.0%	290	59	7.0%	7.0%	$1,352	$1.59	3.6%
Westside	1,180	221	23.0%	0	104	18.5%	6.9%	$1,316	$1.84	-1.6%
West St. Paul	806	126	18.5%	0	64	11.4%	11.3%	$2,338	$2.10	-2.0%
Market	**268,092**	**7,146**	**2.7%**	**8,345**	**8,476**	**7.4%**	**5.5%**	**$1,494**	**$1.76**	**1.3%**

Source: CoStar

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KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	UNITS	PRICE / $ UNIT ($000)
Blue Apartments, 2900 Aldrich Ave. S., Minneapolis	Uptown/West Calhoun/Bryn Mawr	Greco Development / Weidner Apartment Homes	242	$46.0M / $190
Woodbury Park, 2150 Vining Dr., Woodbury	Washington Far Eastern Suburbs	Stockbridge / JRK Property Holdings	225	$55.5M / $247
Affinity at Eagan, Hwy 77 & Hwy 13, Eagan	Eagan/Burnsville/Inver Grove Heights	Inland Group / Welltower	173	$39.8M / $230
Lime Apartments, 2904 Lyndale Ave. S., Minneapolis	Uptown/West Calhoun/Bryn Mawr	Greco Development / Weidner Apartment Homes	171	$34.5M / $202
The Groves of Brooklyn Park, 6800 63rd Ave. N., Brooklyn Park	Maple Grove/Golden Valley/Plymouth	Aaron Russ / The Groves Apt LP LLC	120	$12.0M / $100
Banfill Crossing, 8310 University Ave., Fridley	Coon Rapids/Fridley/Blaine	Scott Weber / Land Nelson	110	$17.9M / $163
Regency Park, 2210 Skillman Ave. E., North St. Paul	Maplewood/East Ramsey County	Bigos Investments / Endurus Capital	104	$11.0M / $106
Modi Apartments, 2015 Lyndale Ave. S., Minneapolis	West bank/Central Minneapolis	Reuter Walton / Nathan Landucci	104	$9.8M / $94
The Alden, 1205 Hawthorne Ave., Minneapolis	Downtown Minneapolis	Maren Development Group / Lion Rock Properties	67	$5.9M / $87
The Lex Apartments, 1126 Randolph Ave., St. Paul	Highland/Mac Groveland/Summit	Domicile MPS LLC / Lex 1 LLC	64	$6.5M / $101

KEY CONSTRUCTION STARTS Q3 2024

PROPERTY	SUBMARKET	UNITS	OWNER / DEVELOPER
8200 Golden Valley Rd., Golden Valley	Maple Grove/Golden Valley/Plymouth	303	Sentinel Management Company
The Opus, 10702 Red Circle Dr., Hopkins	Hennepin Far Western Suburbs	269	Greystar Partners Real Estate
Ever, 6701 78th St. W., Bloomington	Bloomington West	208	Enclave

KEY CONSTRUCTION COMPLETIONS Q3 2024

PROPERTY	SUBMARKET	UNITS	OWNER / DEVELOPER
North Loop Green 360, 360 N. Fifth St., Minneapolis	Downtown Minneapolis	450	Hines
4th & Park Apartments, 700 S. 4th St., Minneapolis	Downtown Minneapolis	350	Weidner Property Management LLC / Ryan Companies
Norhart Oakdale, 7600 2nd St. N., Oakdale	Washington Far Eastern Suburbs	328	Norhart

Data Sources: CoStar, Cushman & Wakefield, MNCAR, Real Capital Analytics

MARKET DRIVERS

- New multifamily supply is expected to remain constrained as high construction prices paired with rising operations costs, continue to deter new development.
- Strong corporate hiring in the Twin Cities will continue to add more renters, further driving down the existing vacancy rates.
- Continued rent growth is expected to take place for existing supply as rental concessions fall and demand remains stable.
- Significant discounts in multifamily sales are attracting selective buyers, highlighting ongoing opportunities for investment where distress is active.

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