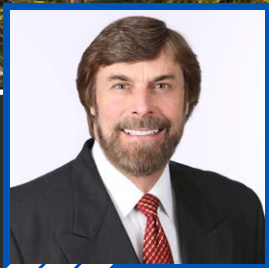


TWIN CITIES | MULTIFAMILY MARKET

Q1 2023 Review

OVER **\$2.4B**
IN APARTMENT
PROPERTIES
SOLD!



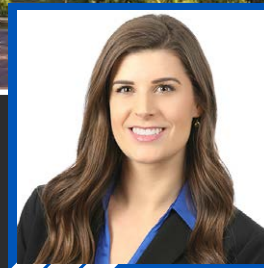
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A SLOW START

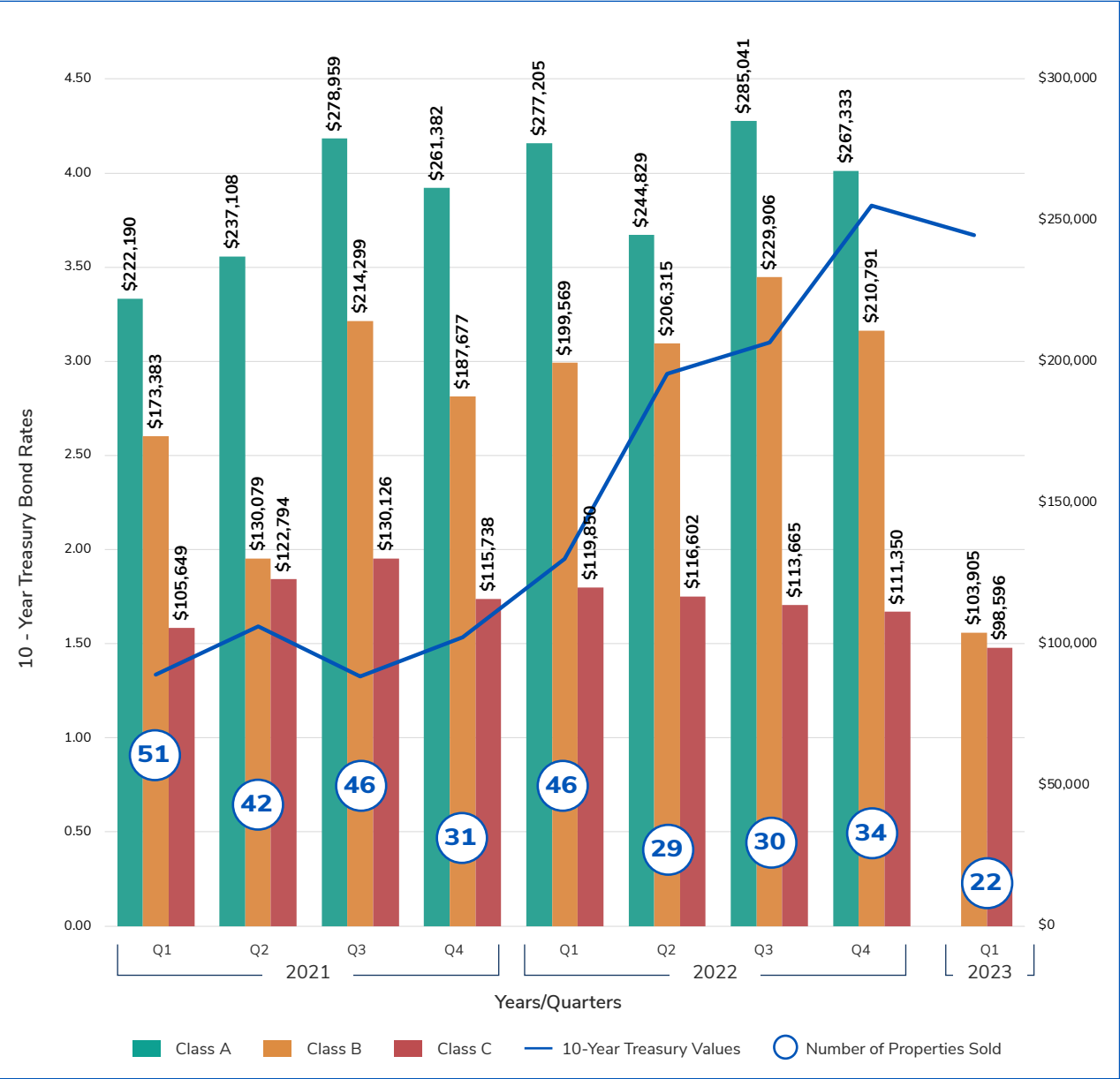
Q1 of 2023 saw less than half as many sales as Q1 of 2022 with few, if any, sales of Class A properties. This slow start is directly tied to the rapid increase of interest rates. The steady rate increases and the promise of additional increases have caused instability and uncertainty in the market. The fluctuating rates have made it difficult for buyers to underwrite their financial projections and sellers are frustrated with the perceived drop in value of their properties due to the cap rate expansion that is taking place with the increased cost of capital.

SALES VOLUME
is down by about
50%
(when comparing
Q1-2022 to Q1-2023)



INTEREST RATES
are up by about
50%
(when comparing
Q1-2022 to Q1-2023)

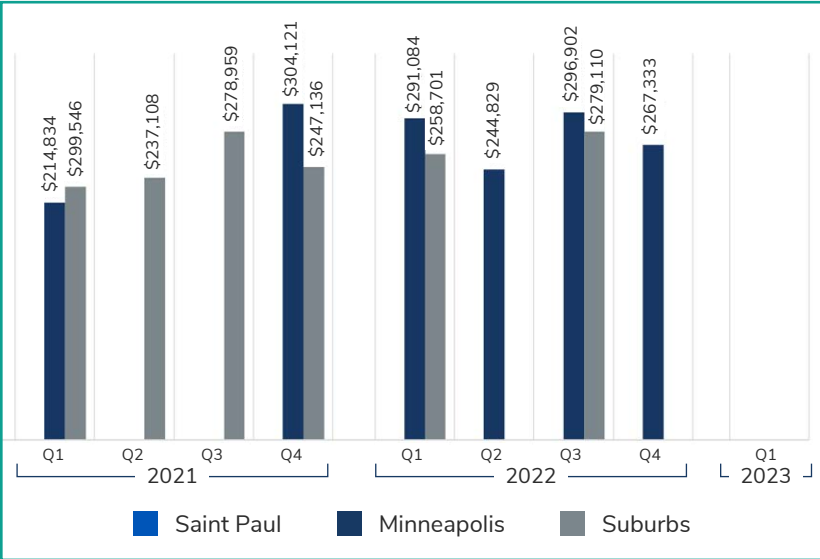
10-Year Treasury Rate and Price Per Unit Comparison



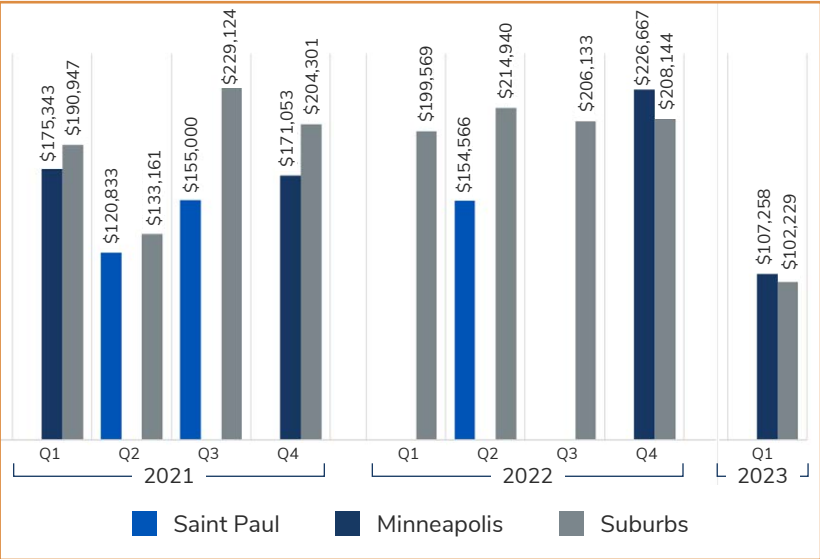
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PRICE PER UNIT COMPARISON: ST. PAUL/ MINNEAPOLIS/ SUBURBS

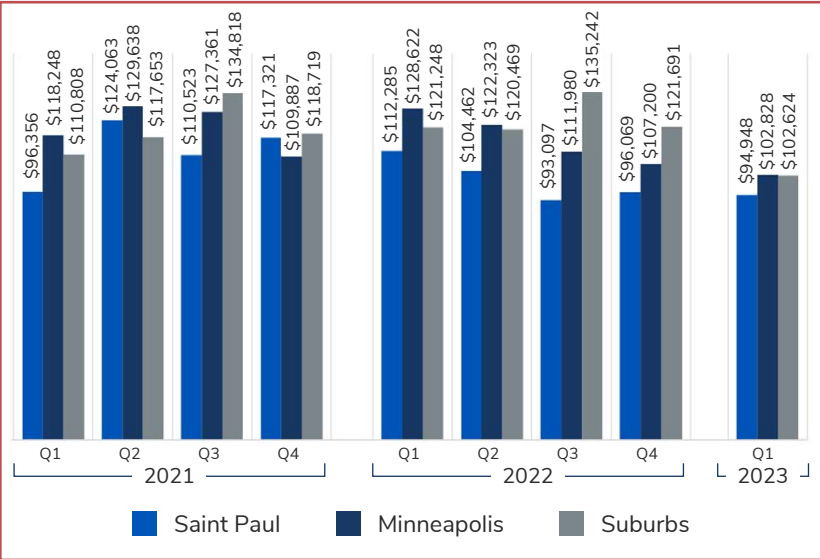
Class A - Average



Class B - Average



Class C - Average



The last few years have seen an acceleration in the trend of renters moving from the urban core to the suburbs. The work-from-home phenomenon, coupled with the civil unrest, business closures, and increased crime rates, in the cities of Minneapolis and St. Paul, have resulted in muted rent growth and higher vacancy rates, when compared to the progress of multifamily properties in suburban locations.

In addition, the rent control ordinance in the city of St. Paul and the proposed ordinance in the city of Minneapolis have added an additional layer of uncertainty for owners, operators, and investors. Despite these challenges,

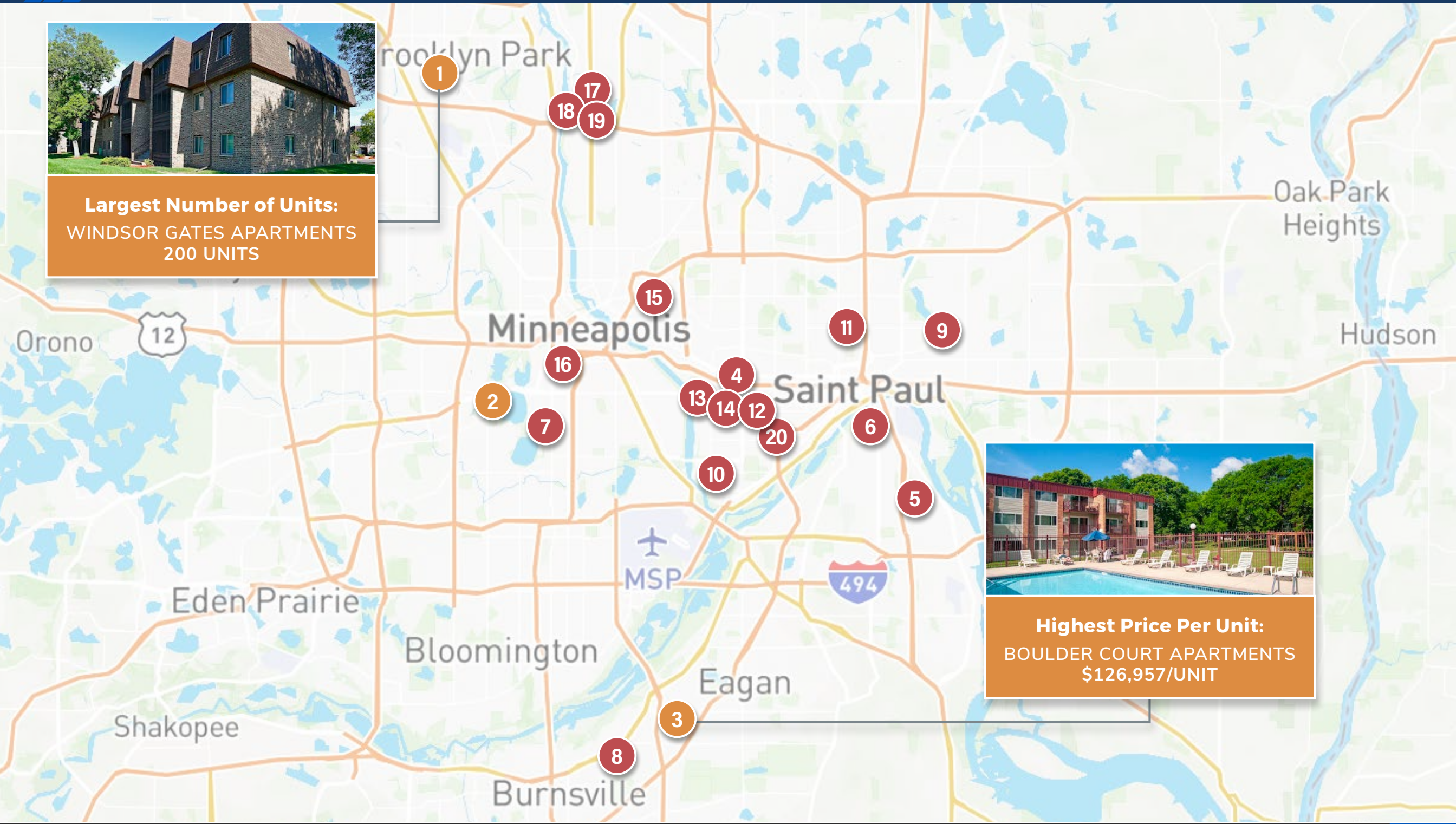
transactions continue to take place and these cities have seen a rise in properties being sold to investors and organizations for the purpose of supportive and/or affordable housing. These groups are benefitting from limited competition from other investors and the price softening that has occurred with the restrictions (or possible future restrictions) on rent growth.

Properties in the suburbs continue to draw the most competition, though the increase in interest rates have made it difficult for buyers to meet sellers' expectations and desired pricing.

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Largest Number of Units:
WINDSOR GATES APARTMENTS
200 UNITS



Highest Price Per Unit:
BOULDER COURT APARTMENTS
\$126,957/UNIT

Q1 2023 Twin Cities Multifamily Transactions

A = CLASS "A"

B = CLASS "B"

C = CLASS "C"

No.	Property Name	Property Address	Property City	Year Built	No. Of Units	Building Class	Price Per Unit	Sale Price	Sale Date
1	Windsor Gates Apartments	6200 78th Ave N	Brooklyn Park	1970	200	B	\$77,500	\$15,500,000	3/16/2023
2	The Portage	3146 Calhoun Blvd W	Minneapolis	1951	62	B	\$107,258	\$6,650,000	3/16/2023
3	Boulder Court Apartments	4182 Rahn Rd	Eagan	1970	115	B	\$126,957	\$14,600,000	3/14/2023
4		382 Pierce St	Saint Paul	1923	10	C	\$100,000	\$1,000,000	3/24/2023
5	Hill Top Apartments	1820 Bromley Ave	South Saint Paul	1961	11	C	\$125,455	\$1,380,000	3/19/2023
6	Stryker Place	670 Stryker Ave	Saint Paul	1965	21	C	\$85,000	\$1,785,000	3/17/2023
7		3625 Aldrich Ave S	Minneapolis	1968	12	C	\$107,500	\$1,290,000	2/28/2023
8	Horizon Heights	1 Horizon Hts	Burnsville	1980	25	C	\$121,000	\$3,025,000	2/23/2023
9	Phalen Apts	1350 Maryland Ave E	Saint Paul	1960	18	C	\$72,222	\$1,300,000	2/21/2023
10	Highland Lane Apartments	907-919 St Paul Ave	Saint Paul	1949	20	C	\$110,000	\$2,200,000	2/3/2023
11		1220 Sylvan St	Saint Paul	1963	17	C	\$91,176	\$1,550,000	1/30/2023
12		1439 Grand Ave	Saint Paul	1921	11	C	\$120,998	\$1,330,975	1/18/2023
13		1823 Portland Ave	Saint Paul	1923	12	C	\$93,059	\$1,116,710	1/18/2023
14		1831 Portland Ave	Saint Paul	1926	10	C	\$80,232	\$802,315	1/18/2023
15		1100 18th Ave SE	Minneapolis	1969	11	C	\$81,818	\$900,000	1/12/2023
16		2222 Blaisdell Ave	Minneapolis	1966	12	C	\$119,167	\$1,430,000	1/10/2023
17		180 Charles St NE	Fridley	1961	12	C	\$103,064	\$1,236,768	1/9/2023
18		179 Charles St NE	Fridley	1961	12	C	\$82,719	\$992,624	1/9/2023
19		101 Charles St NE	Fridley	1961	12	C	\$80,884	\$970,608	1/9/2023
20	Lincoln Court Apartments	93-95 Lexington Pky S	Saint Paul	1921	32	C	\$101,844	\$3,259,000	1/5/2023

Total Averages	1953	32	\$99,393	\$3,115,950
Total Class B Averages	1964	126	\$103,905	\$12,250,000
Total Class C Averages	1952	15	\$98,596	\$1,504,059

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Outlook FOR Q2

In spite of challenging factors in the market, multifamily properties continue to outperform other commercial real estate sectors and remains one of the most stable and popular investment vehicles. It is likely that transaction volume will improve as we move into the summer and we predict that the chasm, between seller expectations and what the market is willing to pay, will narrow as more data points become available that reflect the increased interest rate environment and the effect on pricing. We are hopeful that interest rates may begin to stabilize and restore greater certainty and predictability to the market.

Contact us for a Complimentary Valuation OF YOUR MULTIFAMILY PROPERTY

Valuation Example with Pricing Guidance and Detailed Property Overview

Includes comprehensive market and financial analysis as well as recent like-kind rent and sale comparables.

The Lily Apartment Homes

150 APARTMENT HOMES



Property Summary

PROPERTY NAME
The Lily Apartment Homes

ADDRESS
1800 Boulder Crest
Bloomington, MN 55437

COUNTY
Hennepin County

Overview

Michel Commercial is pleased to present the Lily Apartment Homes. This sprawling 150-home community was built in 2010 on 20 acres of green space and over a mile of paved walking paths. The Lily features open floor plans, full-size in-unit washers and dryers, heated underground parking, as well as balconies and patios. In addition, each unit has 10-foot ceilings and some units have two-story floor plans. This property is beautifully landscaped and boasts luxurious, community amenities.

The Lily is located in Bloomington and the property is surrounded by a blend of residential neighborhoods, parks and golf courses, as well as commercial hubs, including grocery stores and coffee shops. Bloomington is the fourth largest city in Minnesota and home to the Mall of America. Many large companies have chosen Bloomington for their headquarters and major operations, leading to Bloomington's extremely high number of jobs per capita. Interstate 494 is just 2.5 miles away, offering easy access to downtown Minneapolis and St. Paul, as well as the Minneapolis-St. Paul International Airport.

The Lily Apartment Homes is well positioned for accelerated rent growth through interior upgrades. Residents enjoy the property's stunning community amenities, including a 24-hour fitness center, an outdoor pool, an outdoor great room, a dog park, 24/7 package lockers, walking trails, and sport courts for basketball, sand volleyball, and tennis. The Lily Apartment Homes is a market with real potential. Residents of The Lily Apartment Homes

99.1% OCCUPIED

2010 YEAR BUILT

365,00 SF BUILDING SIZE

20 Acres LOT SIZE

UTILITIES
Paid by tenants through RUBS

PARKING
200 Heated, Underground / 200 Surface

Pricing Guidance

Unit Mix	1 Bedroom	2 Bedroom	3 Bedroom
Available	800	50	50
One Bedroom	1,000	50	50
Two Bedroom	1,500	50	50
Three Bedroom	1,500	50	50

Financial Summary	Low	Mid-Range	High
Pricing			
Acquisition Price	\$15,500,000	\$15,500,000	\$17,000,000
Price Per Unit	\$143,250	\$151,000	\$155,000
Cap Rates			
Cap Rate 11/20	4.0%	4.1%	4.0%
Cap Rate Year 1	5.0%	5.0%	5.0%
Cap Rate Year 1 (with 10% discount)	5.0%	5.0%	5.0%
Ratios			
Cost on Cash Return Year 1	5.4%	4.5%	3.8%
Cost on Cash Return Year 2	5.2%	4.0%	3.7%
10 Year IRR	11.3%	10.4%	9.6%
10 Year IRR (with 10% discount)	10.1%	11.0%	10.6%
Operating Data			
Net Operating Income Year 1 (low estimate)	\$804,432	\$808,742	\$871,432
Annual Net Income	\$702,049	\$718,555	\$779,502
Stable Section (Stable Ratio)	1.20	1.10	1.10
Stable Section (Stable Ratio)	\$591,459	\$702,218	\$860,000
Financing Data			
Down Payment	\$4,614,000	\$4,614,000	\$5,140,000
Operating/Financing Costs	\$551,100	\$551,100	\$551,450
Loan Amount	\$10,905,000	\$10,905,000	\$11,850,000
Financing Assumptions			
LTV	70%		
Amort	30		
Term	30		
Prepayment	30		



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OVER
100 Years
of Combined Experience

Q1 2023 MICHEL COMMERCIAL FEATURED LISTINGS



UNDER CONTRACT
205 Wentworth Apartments
West Saint Paul, Minnesota



UNDER CONTRACT
Bristlecone Apartments
Bemidji, Minnesota



UNDER CONTRACT
Etna Woods Apartments
Saint Paul, Minnesota



UNDER CONTRACT
Harborview Apartments
Grand Marais, Minnesota



UNDER CONTRACT
Linderhof Park Apartments
New Ulm, Minnesota



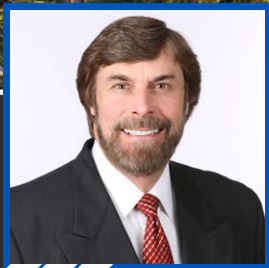
AVAILABLE
Elmwood Portfolio
Minneapolis, Minnesota

Over \$418MM Sold in 2022!

TWIN CITIES | MULTIFAMILY MARKET

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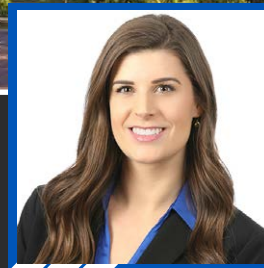
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