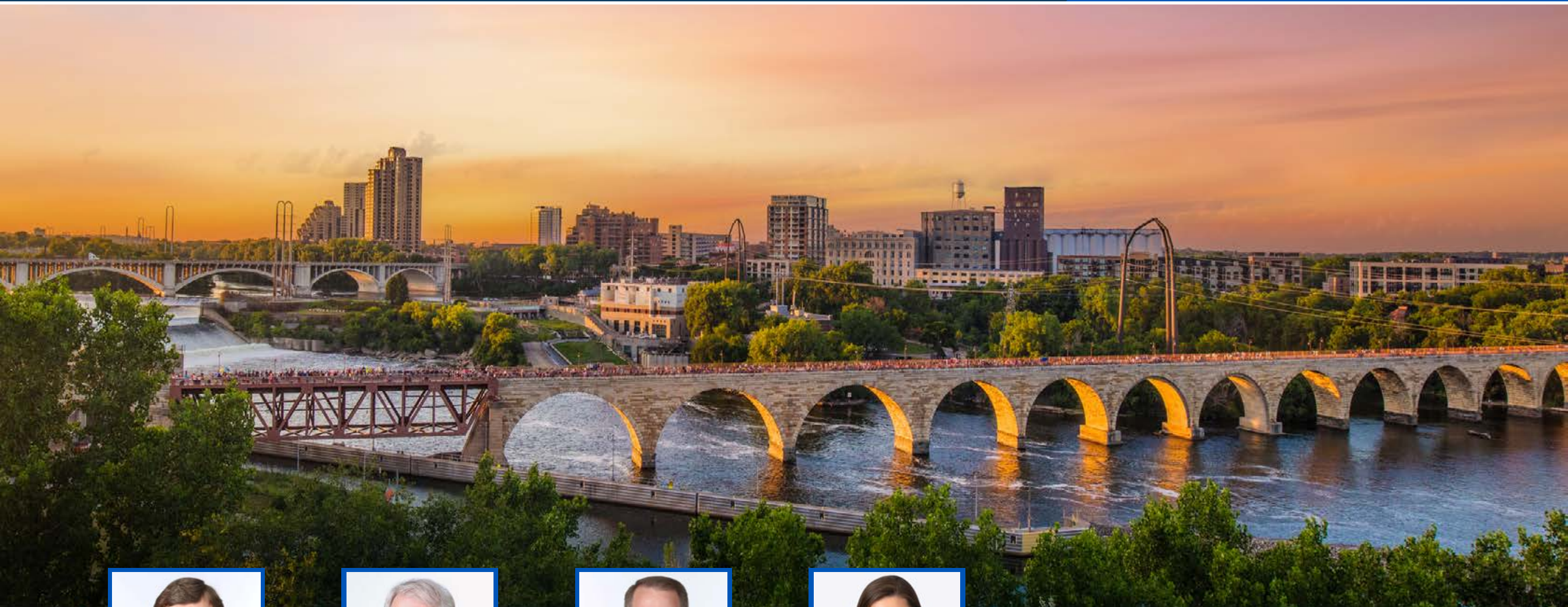


TWIN CITIES | MULTIFAMILY MARKET

Q3 2023 Review

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



STEVE MICHEL
612.850.4539



PETER MICHEL
612.790.8246



PHIL REESNES
612.759.5000



HEIDI ADDO
612.805.5023



MICHEL
COMMERCIAL
REAL ESTATE™

MICHELCOMMERCIALRE.COM

Overall, the multifamily market in the **Twin Cities** remains characterized by **stability, reliability, and solid performance**. However, similar to the rest of the country, the Twin Cities is experiencing the impact of high interest rates.

Here are several highlights of the prevailing market conditions:

Rent Growth

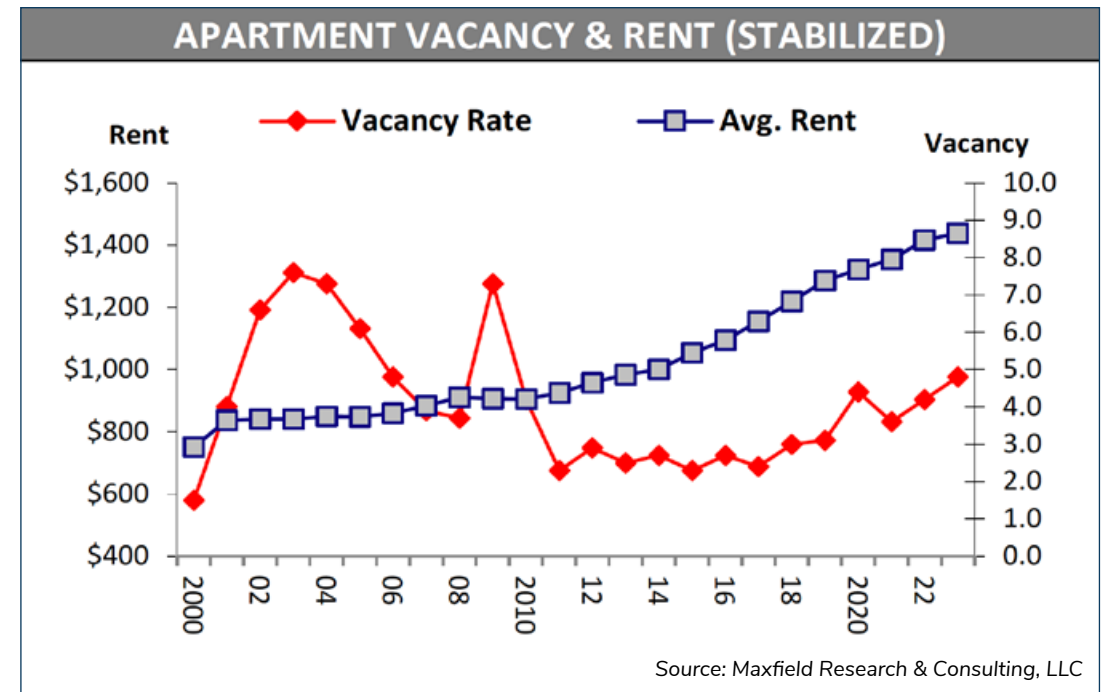
Rent growth in the Twin Cities has reached 1.5%, surpassing the national average of 1.2% for the first time in three years. It's important to note that this statistic only provides a partial picture, as rent growth in the Twin Cities is significantly divided by geography. Suburban rents have experienced a remarkable 5.4% increase, while rents in the urban centers of Minneapolis and St. Paul have lagged behind.

This trend reflects **renters' strong preference for suburban living**, driven by factors such as larger living areas, abundant green spaces, and safer neighborhoods. Many suburban properties now offer amenities comparable to those found in urban areas, including walkability and convenient access to recreation and entertainment.



5.4%

RENT GROWTH
IN THE SUBURBS



Wage Growth

The Twin Cities stands out as the only major market in the United States where year-over-year wage growth consistently outpaces annual rent growth. With a rent-to-income ratio of just 18.2%, notably lower than the national average of 29.7%, **the Twin Cities emerges as an attractive and affordable market, poised for future rent growth.**



18.2%

RENT-TO-INCOME RATIO
IN THE TWIN CITIES

(National avg is 29.7%)

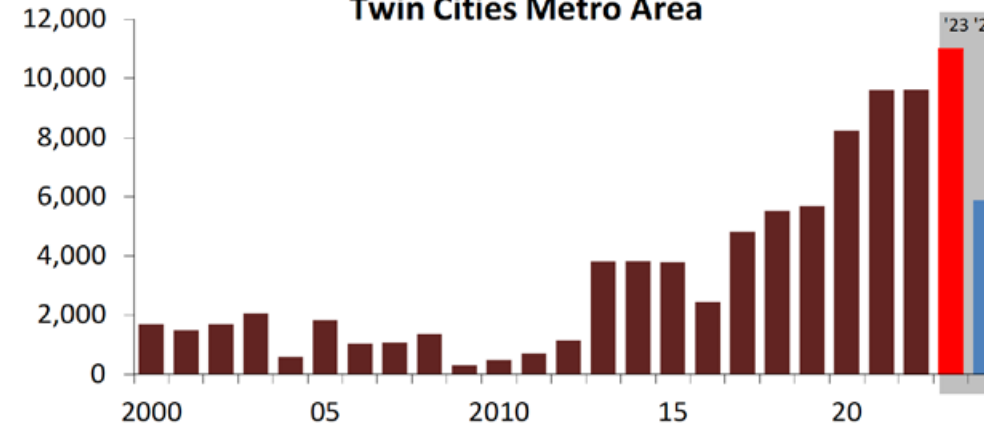
Influx of New Construction

The year 2023 has proven to be a record setting period for new construction in the Twin Cities. By the end of the year, approximately 13,000 new apartment units will have been added to the market, with over 70% of these developments located in suburban areas. This surge in available units is poised to temporarily mute rent growth and lead to an uptick in concession offerings as the market adapts to absorbing these new units.

It's worth noting that the presence of high interest rates and elevated construction costs has put a brake on the pace of new construction, with only 7,000 units in the pipeline for 2024. This slowdown in development is likely to result in decreased vacancy rates, a reduction in concession availability, and a potential acceleration in rent growth.

HISTORIC & PROJECTED DELIVERIES

Market Rate Apartment Completions
Twin Cities Metro Area



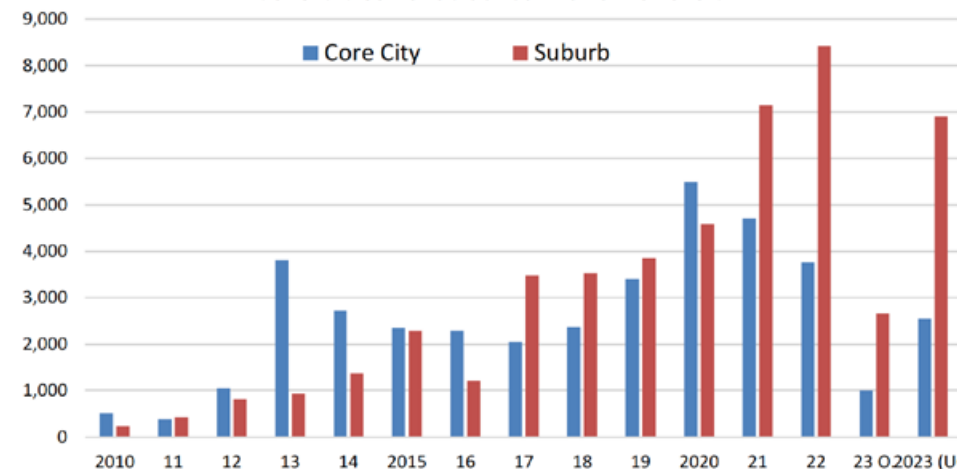
Source: Maxfield Research & Consulting, LLC



13,000
NEW UNITS
ADDED IN 2023

URBAN VS. SUBURBAN DELIVERIES

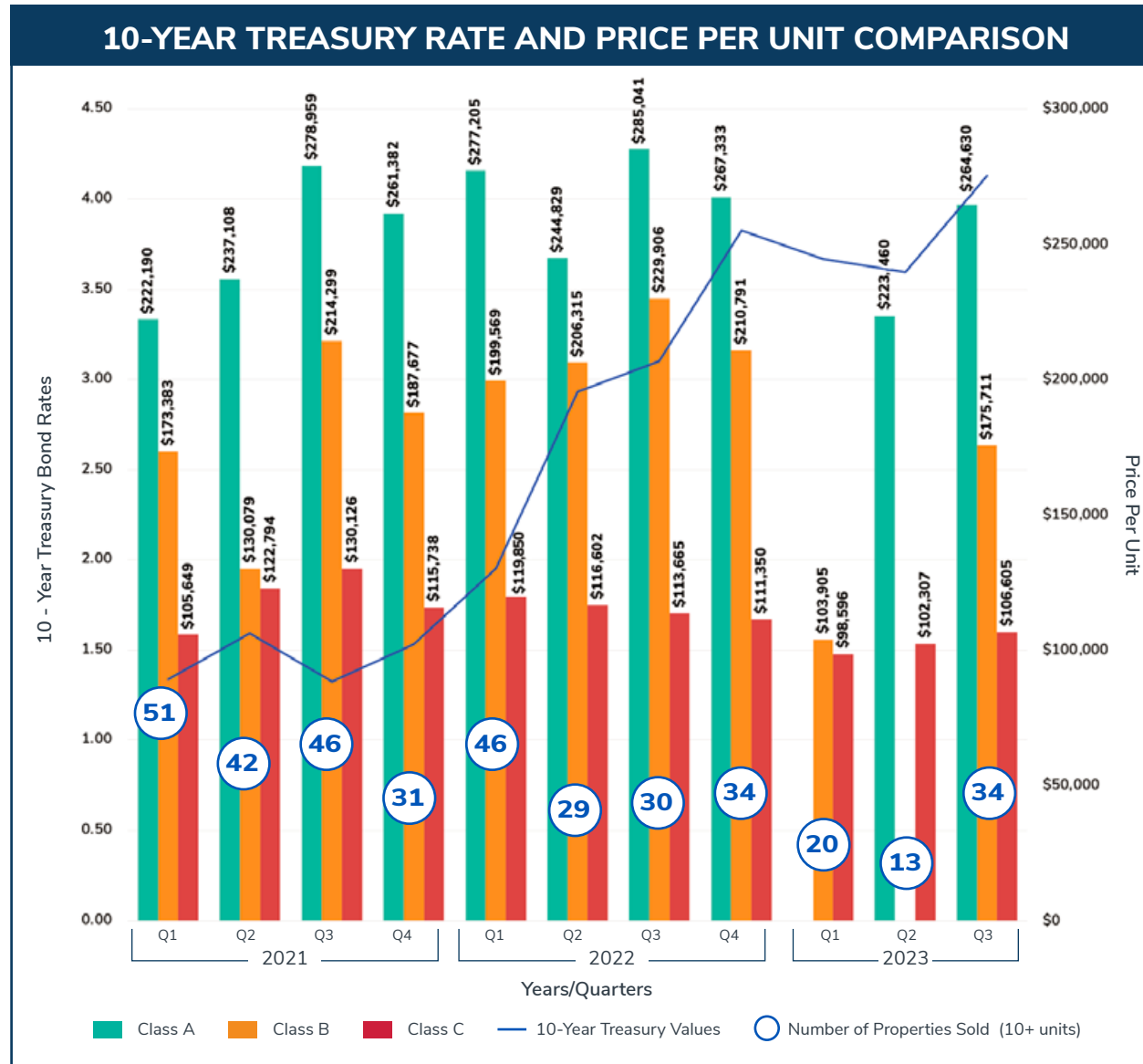
Core Cities vs. Suburbs: 2010-2023 UC



Source: Maxfield Research & Consulting, LLC



70%
OF NEW
DEVELOPMENTS
ARE LOCATED IN
THE SUBURBS



4.566%

THE TEN-YEAR TREASURY'S
HIGHEST LEVEL SINCE 2007

Sales Activity and Pricing

Seller, buyer, and lender expectations have experienced a disconnect since the rise in interest rates. This has resulted in a decrease in sales volume. While many sellers have maintained optimism regarding pricing, buyers and lenders have become more cautious, implementing stricter underwriting criteria. In some cases, the buyers' willingness to align with the sellers' expectations has been hindered by lenders' resistance to adapt their underwriting criteria to align with the buyers' projected forecasts.

Disclaimer: Data analytics provided by CoStar™ Realty Information, Inc. and MacroTrends.net.

Michel Commercial Real Estate is not responsible for the accuracy of content provided herein. More information may be available online at www.CoStar.com.

Q4 OUTLOOK

We anticipate that the difference between seller expectations, buyer criteria, and lender risk tolerance will persist. However, we expect this gap will gradually narrow as more transactions occur, leading to the establishment of new pricing benchmarks. This will likely revitalize deal volume.

Market uncertainty continues to loom large, and although most experts anticipate an eventual stabilization and a decrease in interest rates, should these rates persist at elevated levels, we can expect further increases in cap rates, ongoing price softening, and a deepening trend toward buyer caution.

Despite these ongoing challenges, multifamily properties maintain their status as the preferred asset class and remain well-positioned for consistent, long-term returns.



NOTEWORTHY TREND:

WA-based Weidner Apartment Homes is boldly betting on Minneapolis' resurgence, acquiring 1,197 units, in three transactions, for a total of \$255MM, a fraction of their original development cost.



Elan Uptown & The Miles
\$111MM | 590 Units



The LPM Apartments
\$74MM | 354 Units



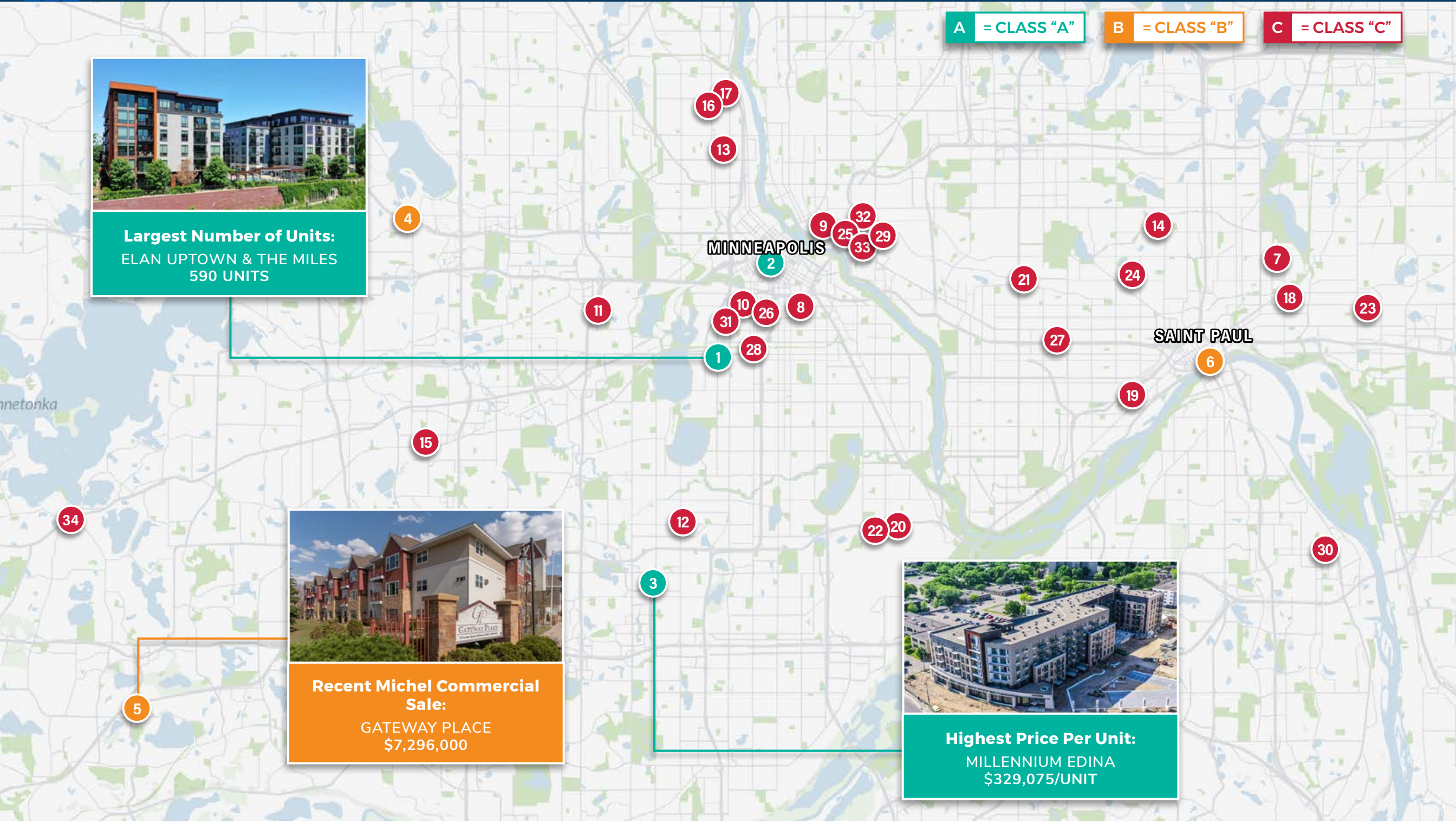
The Nic on 5th
\$70MM | 253 Units

Q3 2023 TRANSACTIONS (10+ UNITS)

A = CLASS "A" B = CLASS "B" C = CLASS "C"



Largest Number of Units:
ELAN UPTOWN & THE MILES
590 UNITS



Recent Michel Commercial Sale:
GATEWAY PLACE
\$7,296,000



Highest Price Per Unit:
MILLENNIUM EDINA
\$329,075/UNIT

Q3 2023 TRANSACTIONS (10+ UNITS)

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	Elan Uptown & The Miles	2812, 2828 Emerson Ave S & 2825, 2837, 2836 Dupont Ave S	Minneapolis	2013	590	A	\$188,136	\$111,000,000	9/20/2023
2	The Nic on 5th	465 Nicollet Mall	Minneapolis	2014	253	A	\$276,680	\$70,000,000	9/7/2023
3	Millennium Edina	3250 W 66th St	Edina	2021	227	A	\$329,075	\$74,700,000	8/24/2023
4	Stone Creek at Medicine Lake	1020 W Medicine Lake Dr	Plymouth	2003	132	B	\$191,288	\$25,250,000	8/17/2023
5	Gateway Place	721 Lake Susan Dr	Chanhassen	2008	48	B	\$152,000	\$7,296,000	8/14/2023
6		212 7th St E	St. Paul	1884	13	B	\$183,846	\$2,390,000	8/7/2023
7	Phalen Shores Apartments	985 Ivy Ave E	St. Paul	1987	53	C	\$94,528	\$5,010,000	9/27/2023
8		1500 10th Ave S	Minneapolis	1968	12	C	\$115,000	\$1,380,000	9/25/2023
9		621 5th Ave SE	Minneapolis	1963	20	C	\$95,000	\$1,900,000	9/22/2023
10	Ridgewood Apartments	441 Ridgewood Ave	Minneapolis	1965	37	C	\$71,000	\$2,627,000	9/19/2023
11	Q2	4815 Old Cedar Lake Rd	Saint Louis Park	1961	25	C	\$148,000	\$3,700,000	9/15/2023
12		7501 Penn Ave S	Minneapolis	1959	11	C	\$95,455	\$1,050,000	9/15/2023
13		1001 Lowry Ave N	Minneapolis	1927	10	C	\$107,000	\$1,070,000	9/14/2023
14		1625 Marion St	St. Paul	1968	12	C	\$116,667	\$1,400,000	9/1/2023
15	Mark 1 Apartments	1221 Mainstreet	Hopkins	1956	12	C	\$104,167	\$1,250,000	8/18/2023
16	Folwell Park Apartments I	3753 Girard Ave N	Minneapolis	1963	23	C	\$67,728	\$1,557,754	8/10/2023
17	Folwell Park Apartments II	1315 Dowling Ave N	Minneapolis	1967	10	C	\$62,725	\$627,246	8/10/2023
18	York Ave Apts	1074 York Ave	St. Paul	1967	27	C	\$83,926	\$2,266,000	8/4/2023
19		487 Grand Ave	St. Paul	1928	18	C	\$94,444	\$1,700,000	8/4/2023
20		5760 33rd Ave S	Minneapolis	1962	10	C	\$133,610	\$1,336,100	8/4/2023

Disclaimer: Data analytics provided by CoStar™ Realty Information, Inc.

Michel Commercial Real Estate is not responsible for the accuracy of content provided herein. More information may be available online at www.CoStar.com.

Q3 2023 TRANSACTIONS (10+ UNITS)

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
21		1547 Wynne Ave	St. Paul	1963	10	C	\$130,100	\$1,301,000	8/4/2023
22		5760 33rd Ave S	Minneapolis	1962	10	C	\$124,000	\$1,240,000	8/4/2023
23		1849 7th St E	St. Paul	1959	11	C	\$81,818	\$900,000	8/3/2023
24	Marydale Apartments	1164 Mackubin St	St. Paul	1968	60	C	\$93,333	\$5,600,000	7/27/2023
25	519 Apartments	519 10th Ave SE	Minneapolis	1966	12	C	\$91,667	\$1,100,000	7/27/2023
26	Stevens Square Neighborhood	1827 Lasalle Ave	Minneapolis	1961	30	C	\$120,000	\$3,600,000	7/24/2023
27		1220 Sherburne Ave	St. Paul	1941	11	C	\$95,909	\$1,055,000	7/24/2023
28		2634 Blaisdell Ave	Minneapolis	1929	15	C	\$98,333	\$1,475,000	7/21/2023
29	Varsity Apartments	721-727 15th Ave SE	Minneapolis	1928	66	C	\$78,788	\$5,200,000	7/21/2023
30		315 3rd St N	South Saint Paul	1929	17	C	\$92,941	\$1,580,000	7/17/2023
31	The Bryant	2101 Bryant Ave S	Minneapolis	1971	29	C	\$131,034	\$3,800,000	7/14/2023
32		1004 7th St SE	Minneapolis	1972	14	C	\$166,667	\$2,333,333	7/14/2023
33		1327 7th St SE	Minneapolis	1967	15	C	\$103,556	\$1,553,334	7/14/2023
34	The Village	322 Lake St	Excelsior	1965	24	C	\$187,542	\$4,501,000	7/7/2023

Total Averages	\$182,315	\$33,032,327
Total Class A Averages	\$264,630	\$85,233,333
Total Class B Averages	\$175,711	\$11,645,333
Total Class C Averages	\$106,605	\$2,218,313

Disclaimer: Data analytics provided by CoStar™ Realty Information, Inc.
Michel Commercial Real Estate is not responsible for the accuracy of content provided herein. More information may be available online at www.CoStar.com.

AVAILABLE



The Nexus at Gray's Landing
415 SW 11th Street, Des Moines

BUILT: 2018 UNITS: 142



105 Park St E, South Saint Paul

BUILT: 1972 UNITS: 12



Glenfield Park Estates
8585 NE Groveland Court, Blaine

BUILT: 2023 UNITS: 152



Station Street Apartments
19560 Station Street, Big Lake

BUILT: 2021 UNITS: 108

**COMING
SOON**

Complimentary Valuation of your Multifamily Property

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

The Lily Apartment Homes

150 APARTMENT HOMES

MICHEL COMMERCIAL
REAL ESTATE

Sales Proposal

Pricing Guidance

Investment Summary	Low	Most Likely	High
Pricing			
Acquisition Price:	\$15,580,000	\$16,400,000	\$17,220,000
Price Per Unit:	\$144,259	\$151,852	\$159,444
Cap Rates			
Cap Rate (T12):	4.96%	4.71%	4.49%
Cap Rate Year 1:	6.28%	5.97%	5.68%
Cap Rate Year 1 (tax adjusted):	5.80%	5.43%	5.08%
Returns			
Cash on Cash Return Year 1:	5.49%	4.52%	3.64%
Cash on Cash Return Year 3:	9.52%	8.08%	6.78%
10-Year All Cash IRR:	11.32%	10.44%	9.61%
10-Year Leveraged IRR:	19.15%	17.38%	15.66%
Operating Data			
Net Operating Income Year 1 (tax adjusted):	\$904,032	\$889,742	\$875,452
Annual Debt Service:	\$702,549	\$739,525	\$776,502
Debt Service Coverage Ratio:	1.29	1.20	1.13
Cash Flow After Debt:	\$201,483	\$150,216	\$98,950
Financing Data			
Down Payment:	\$4,674,000	\$4,920,000	\$5,166,000
Closing/Financing Costs:	\$381,130	\$366,300	\$381,470
Loan Amount:	\$10,906,000	\$11,480,000	\$12,054,000
Financing Assumptions			
LTV:	70%		
Int. Rate:	5.00%		
Term:	10		
Amortization:	30		

Bedroom/Rent Comparison

1 BEDROOM

2 BEDROOM

3 BEDROOM

Sales Proposal

Pricing Guidance

Investment Summary	Low	Most Likely	High
Pricing			
Acquisition Price:	\$15,580,000	\$16,400,000	\$17,220,000
Price Per Unit:	\$144,259	\$151,852	\$159,444
Cap Rates			
Cap Rate (T12):	4.96%	4.71%	4.49%
Cap Rate Year 1:	6.28%	5.97%	5.68%
Cap Rate Year 1 (tax adjusted):	5.80%	5.43%	5.08%
Returns			
Cash on Cash Return Year 1:	5.49%	4.52%	3.64%
Cash on Cash Return Year 3:	9.52%	8.08%	6.78%
10-Year All Cash IRR:	11.32%	10.44%	9.61%
10-Year Leveraged IRR:	19.15%	17.38%	15.66%
Operating Data			
Net Operating Income Year 1 (tax adjusted):	\$904,032	\$889,742	\$875,452
Annual Debt Service:	\$702,549	\$739,525	\$776,502
Debt Service Coverage Ratio:	1.29	1.20	1.13
Cash Flow After Debt:	\$201,483	\$150,216	\$98,950
Financing Data			
Down Payment:	\$4,674,000	\$4,920,000	\$5,166,000
Closing/Financing Costs:	\$381,130	\$366,300	\$381,470
Loan Amount:	\$10,906,000	\$11,480,000	\$12,054,000
Financing Assumptions			
LTV:	70%		
Int. Rate:	5.00%		
Term:	10		
Amortization:	30		

Bedroom/Rent Comparison

1 BEDROOM

2 BEDROOM

3 BEDROOM

Sales Proposal

Pricing Guidance

Investment Summary	Low	Most Likely	High
Pricing			
Acquisition Price:	\$15,580,000	\$16,400,000	\$17,220,000
Price Per Unit:	\$144,259	\$151,852	\$159,444
Cap Rates			
Cap Rate (T12):	4.96%	4.71%	4.49%
Cap Rate Year 1:	6.28%	5.97%	5.68%
Cap Rate Year 1 (tax adjusted):	5.80%	5.43%	5.08%
Returns			
Cash on Cash Return Year 1:	5.49%	4.52%	3.64%
Cash on Cash Return Year 3:	9.52%	8.08%	6.78%
10-Year All Cash IRR:	11.32%	10.44%	9.61%
10-Year Leveraged IRR:	19.15%	17.38%	15.66%
Operating Data			
Net Operating Income Year 1 (tax adjusted):	\$904,032	\$889,742	\$875,452
Annual Debt Service:	\$702,549	\$739,525	\$776,502
Debt Service Coverage Ratio:	1.29	1.20	1.13
Cash Flow After Debt:	\$201,483	\$150,216	\$98,950
Financing Data			
Down Payment:	\$4,674,000	\$4,920,000	\$5,166,000
Closing/Financing Costs:	\$381,130	\$366,300	\$381,470
Loan Amount:	\$10,906,000	\$11,480,000	\$12,054,000
Financing Assumptions			
LTV:	70%		
Int. Rate:	5.00%		
Term:	10		
Amortization:	30		

Bedroom/Rent Comparison

1 BEDROOM

2 BEDROOM

3 BEDROOM

Sales Proposal

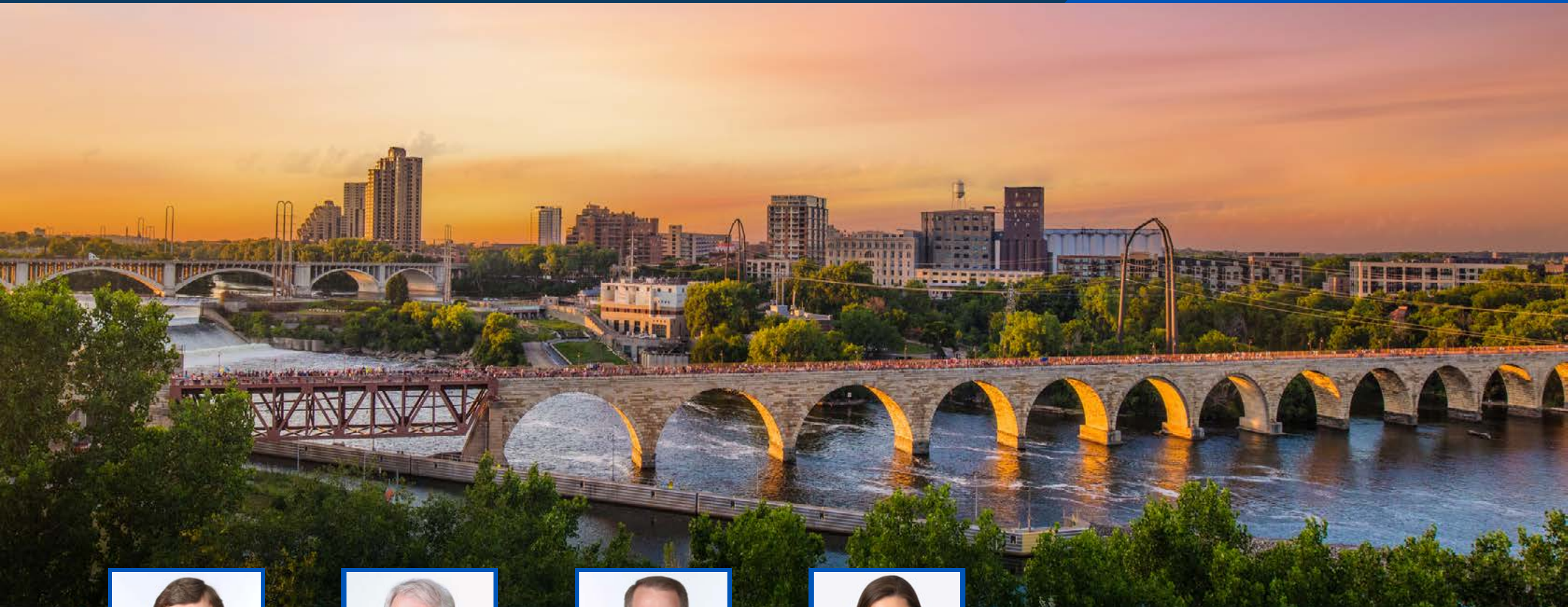
Pricing Guidance

Investment Summary	Low	Most Likely	High
Pricing			
Acquisition Price:	\$15,580,000	\$16,400,000	\$17,220,000
Price Per Unit:	\$144,259	\$151,852	\$159,444
Cap Rates			
Cap Rate (T12):	4.96%	4.71%	4.49%
Cap Rate Year 1:	6.28%	5.97%	5.68%
Cap Rate Year 1 (tax adjusted):	5.80%	5.43%	5.08%
Returns			
Cash on Cash Return Year 1:	5.49%	4.52%	3.64%
Cash on Cash Return Year 3:	9.52%	8.08%	6.78%
10-Year All Cash IRR:	11.32%	10.44%	9.61%
10-Year Leveraged IRR:	19.15%	17.38%	15.66%
Operating Data			
Net Operating Income Year 1 (tax adjusted):	\$904,032	\$889,742	\$875,452
Annual Debt Service:	\$702,549	\$739,525	\$776,502
Debt Service Coverage Ratio:	1.29	1.20	1.13
Cash Flow After Debt:	\$201,483	\$150,216	\$98,950
Financing Data			
Down Payment:	\$4,674,000	\$4,920,000	\$5,166,000
Closing/Financing Costs:	\$381,130	\$366,300	

TWIN CITIES | MULTIFAMILY MARKET

Q3 2023 Review

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



STEVE MICHEL
612.850.4539



PETER MICHEL
612.790.8246



PHIL REESNES
612.759.5000



HEIDI ADDO
612.805.5023



MICHEL
COMMERCIAL
REAL ESTATE™

MICHELCOMMERCIALRE.COM