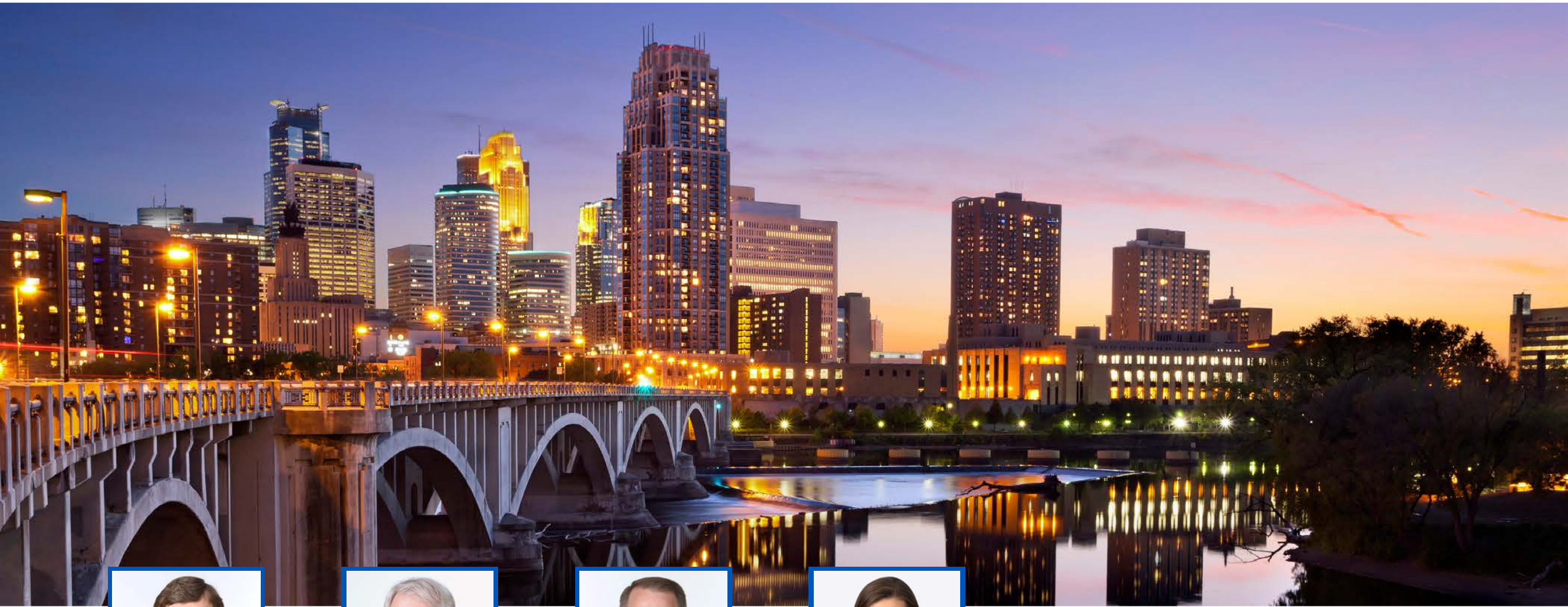


TWIN CITIES | MULTIFAMILY MARKET

2023 Year in Review

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



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MICHEL
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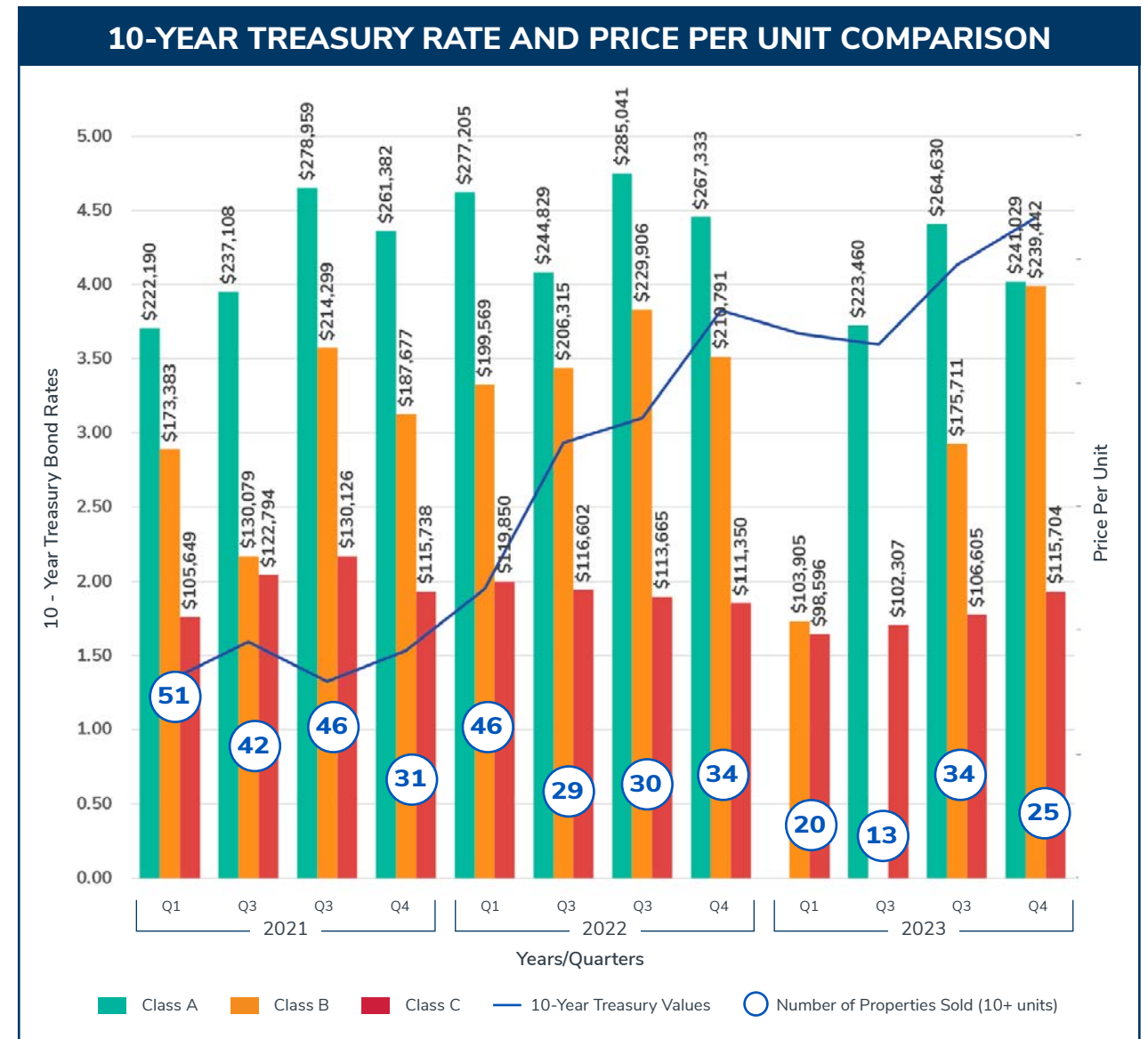
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A Turbulent Market

The Twin Cities multifamily market in 2023 can be described as turbulent, marked by **34.5% decrease in property transactions compared to 2022** and a **substantial 46% decline compared to 2021**. The primary driver behind this decline has been the exponential rise in interest rates.

The market uncertainty throughout the interest rate hikes caused buyers and lenders to shift towards a more conservative strategy in their financial underwriting and proforma projections. This adjustment was also influenced by lessons learned from stories of distress and financial challenges among lenders and property owners, stemming from the increase in interest rates, both locally and nationally. This shift reflects an effort to reduce risk and accommodate for greater margins of error.

Throughout 2023, a significant disconnect persisted between optimistic sellers, cautious buyers, and lender-imposed debt service coverage ratios, impeding numerous transactions. As the year progressed, increased transaction activity has led to the establishment of new pricing benchmarks, indicating lower values and gradually narrowing the gap between the expectations of market players.



A Clear Shift

In the latter part of the year, there was a notable increase in sales, indicating a clear drop in the values of multifamily properties by 25% to 30% in the Twin Cities. The full extent of this decline may not be entirely reflected in

the 2023 sales data due to ongoing price discovery and the considerable interest rate fluctuations throughout the year. However, the most recent sales data underscores this shift, as exemplified by the following examples.

The Cliffs of Minnetonka



In April 2022, The Cliffs of Minnetonka (456-units) sold for \$126MM (**\$276,316/unit**).

The units were mostly original and the property's average rent was \$1,606/month.

In October 2023,
a similar property,
just 6 minutes away
sold for

26%
LESS



The Gates at Carlson Center



The Gates at Carlson Center (435-units) sold for \$89MM (**\$204,598/unit**).

The units were renovated and the property's average rent is listed as \$1,664/month.

Windsor Court



In August 2022, Windsor Court (84-units) sold for \$12.25MM (**\$145,833/unit**).

The units were renovated and the property's average rent is listed as \$1,149/month.

In December 2023, a similar property, just 7 minutes away sold for

27%
LESS



Golden Valley Greenway



Golden Valley Greenway (66-units) sold for \$7MM (**\$106,061/unit**).

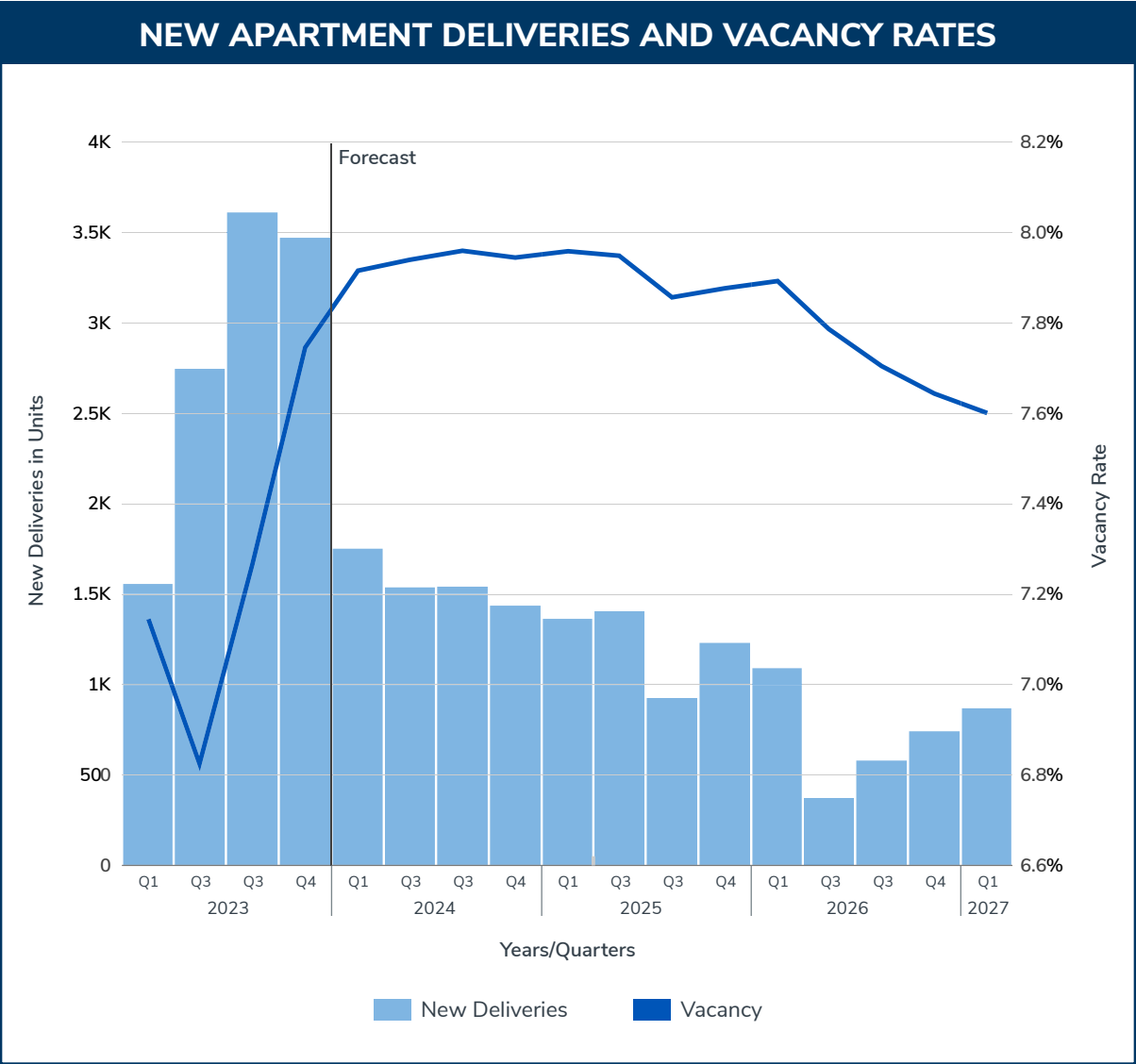
The units were renovated and the property's average rent is listed as \$1,289/month.

The Impact of Record Deliveries

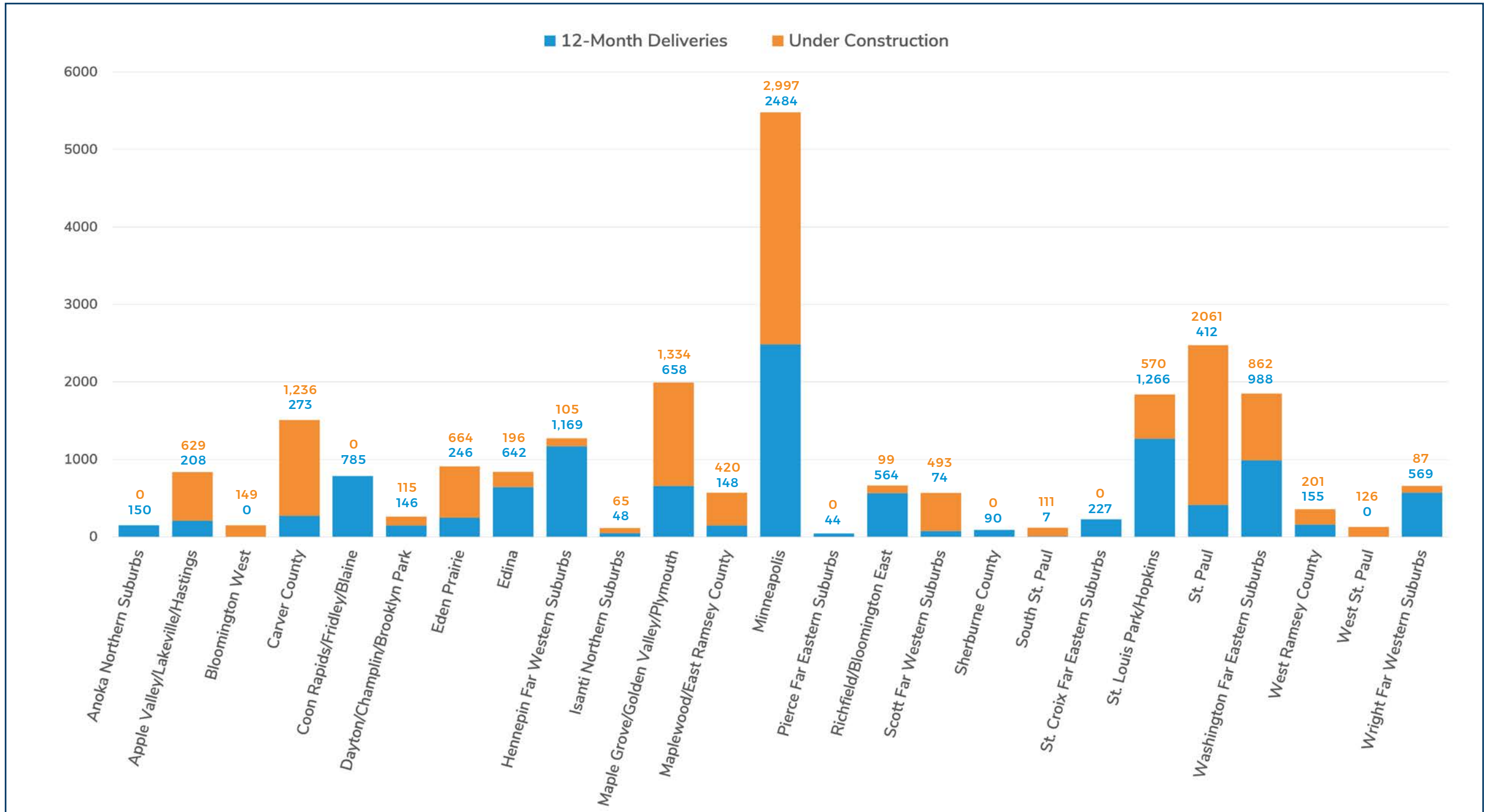
In 2023, a record number of new apartments flooded the market, primarily in Q3 and Q4. This substantial amount of new deliveries has resulted in reduced rents, more concessions, and increased vacancies in many submarkets. New properties are actively working to lease-up, while existing properties are trying to retain residents, intensifying the leasing competition.

The impacts of this uptick in new deliveries are expected to persist for the next 12 months or so. However, within a 12-to-24-month period, the absorption of these new units is likely, particularly considering the anticipated slowdown in development due to soaring interest rates and elevated construction costs. This slowdown is poised to set the stage for a return to consistent rent growth and lower vacancy rates.

Unfortunately, the cities of Minneapolis and St. Paul are poised to endure prolonged periods of elevated vacancy rates and declining rents. This trend is attributed to renters expressing a preference for suburban living.



2023 NEW DELIVERIES BY SUBMARKET



2023 BY THE NUMBERS



AVG
VACANCY RATE

↑ **7.7%**



AVG RENT

↑ **\$1,455**
PER MONTH



NEW
DELIVERIES

↑ **11,388**
UNITS



SALES VOLUME

↓ **1.2B**



TRANSACTIONS

↓ **34%**
Compared
to 2022



TRANSACTIONS

↓ **46%**
Compared
to 2021



Q1 Outlook

We expect market stability to improve with the ongoing decrease in interest rates. However, we remain skeptical that buyers will easily shift away from cautious financial underwriting. At the same time, we anticipate a narrowing of the gap between seller expectations, buyer criteria, and lender risk tolerance, as more transactions set lower pricing benchmarks. As market players adapt to this reset, we foresee an increase in transaction volume.

2023 TWIN CITIES MULTIFAMILY CLASS "A" & "B" TRANSACTIONS

A = CLASS "A"

B = CLASS "B"



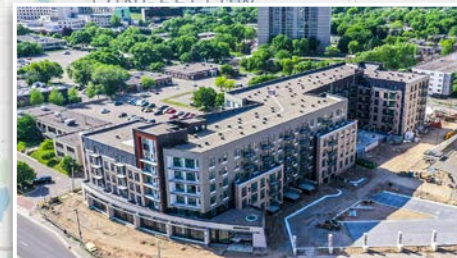
Largest Number of Units:
ELAN UPTOWN & THE MILES
590 UNITS



Highest Sale Price of 2023:
THE EXPO
\$120,000,000



Highest Price Per Unit & Largest Number of Units
GATES AT CARLSON CENTER
435 UNITS | \$204,598/UNIT



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

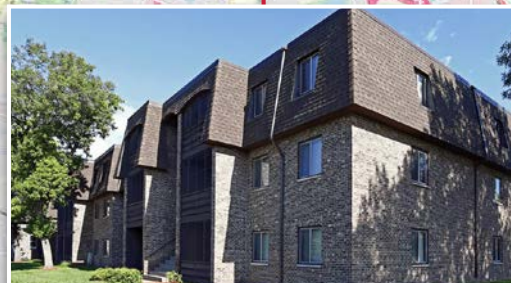
2023 TWIN CITIES MULTIFAMILY CLASS “A” & “B” TRANSACTIONS

A = CLASS “A” B = CLASS “B”

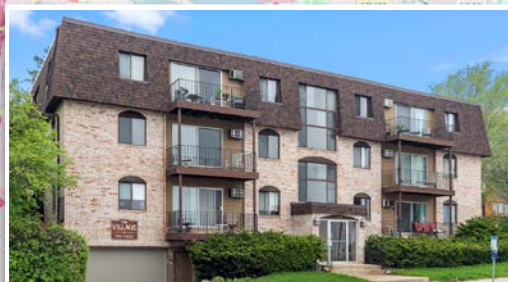
No.	Property Name	Property Address	Property City	Year Built	No. Of Units	Building Class	Price Per Unit	Sale Price	Sale Date
1	Via Sol	5855 Highway 7	Saint Louis Park	2022	217	A	\$153,226	\$33,250,000	12/29/23
2	THE EXPO	200 University Ave SE	Minneapolis	2020	369	A	\$325,203	\$120,000,000	12/19/23
3	Elan Uptown & The Miles Uptown	2812, 2828 Emerson Ave S & 2825, 2837, 2836 Dupont Ave S	Minneapolis	2013	590	A	\$188,136	\$111,000,000	9/20/23
4	The Nic on 5th	465 Nicollet Mall	Minneapolis	2014	253	A	\$276,680	\$70,000,000	9/7/23
5	Millennium Edina	3250 W 66th St	Edina	2021	227	A	\$329,075	\$74,700,000	8/24/23
6	LPM Apartments	1369 Spruce Pl	Minneapolis	2014	354	A	\$209,040	\$74,000,000	6/21/23
7	Chroma	113 E 26th St	Minneapolis	2016	70	A	\$234,286	\$16,400,000	6/1/23
8	Urbana Court Apartments	5401 94th Ave N	Brooklyn Park	2021	207	A	\$227,053	\$47,000,000	4/26/23
9	Gray Stone Flats	2390 Mounds View Blvd	Mounds View	2021	128	A	226,563	\$29,000,000	3/29/23
				Total Class A Averages	2018	268	A	\$241,029	\$63,927,778
10	Eagan Gables	869-937 Wescott Sq	Eagan	1986	35	B	\$274,286	\$9,600,000	12/20/23
11	Gates at Carlson Center	300 Carlson Pky	Minnetonka	1990	435	B	\$204,598	\$89,000,000	10/31/23
12	Stone Creek at Medicine Lake	1020 W Medicine Lake Dr	Plymouth	2003	132	B	\$191,288	\$25,250,000	8/17/23
13	Gateway Place	721 Lake Susan Dr	Chanhassen	2008	48	B	\$152,000	\$7,296,000	8/14/23
14	The Portage	3146 Calhoun Blvd W	Minneapolis	1951	62	B	\$116,129	\$7,200,000	9/29/23
				Total Class B Averages	1988	142	B	\$187,660	\$27,669,200

2023 TWIN CITIES MULTIFAMILY CLASS "C" TRANSACTIONS (10+ UNITS)

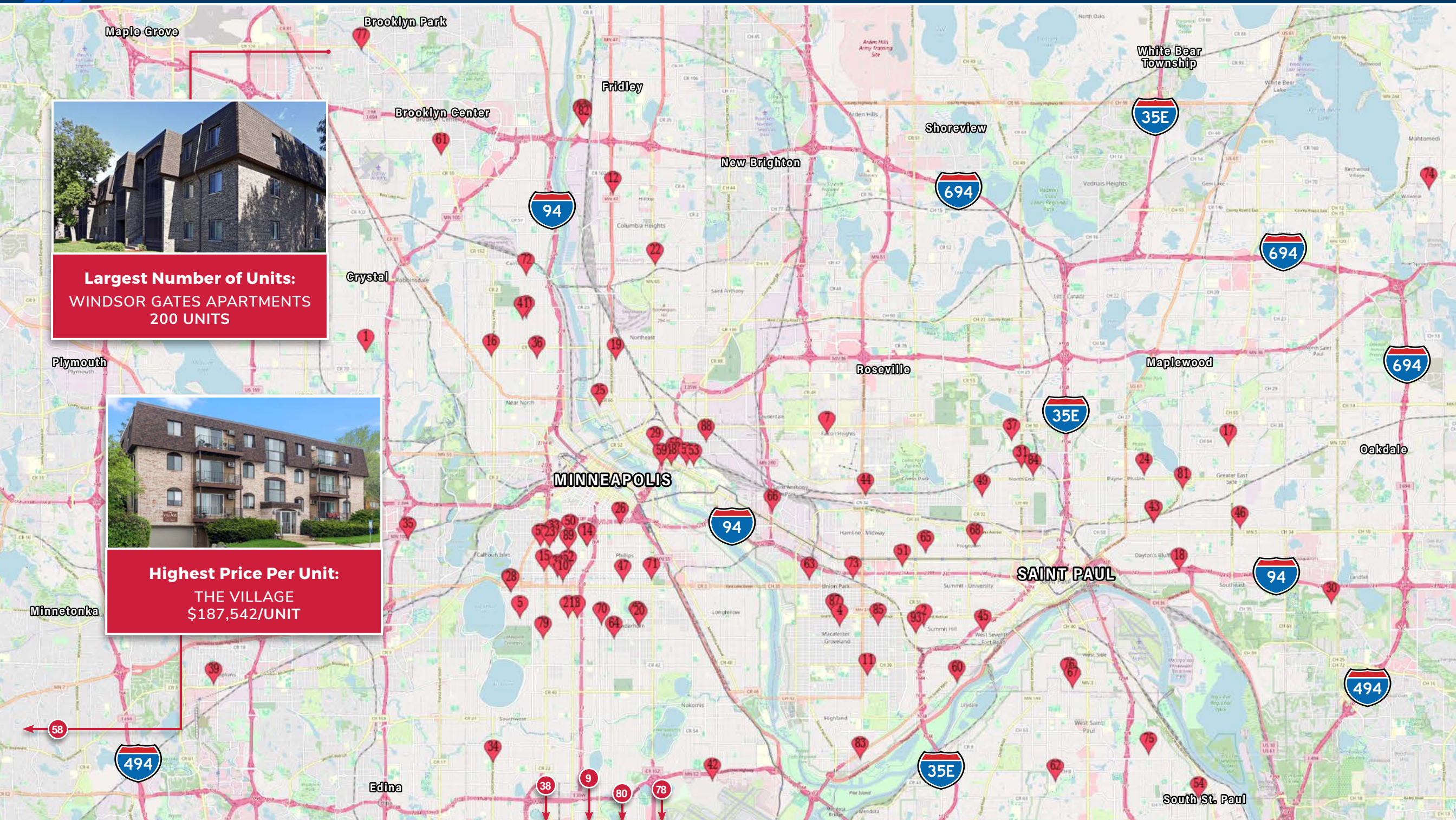
C = CLASS "C"



Largest Number of Units:
WINDSOR GATES APARTMENTS
200 UNITS



Highest Price Per Unit:
THE VILLAGE
\$187,542/UNIT



2023 TWIN CITIES MULTIFAMILY CLASS “C” TRANSACTIONS (10+ UNITS)

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	Golden Valley Greenway	2701 Brunswick Ave N	Crystal	1970	66	C	\$106,061	\$7,000,000	12/20/23
2		1023 Grand Ave	St. Paul	1922	10	C	\$113,000	\$1,130,000	12/20/23
3	York Ave Apartments	1074 York Ave	St. Paul	1967	32	C	\$68,906	\$2,205,000	12/20/23
4	Regency Apartments	1775 Grand Ave	St. Paul	1965	18	C	\$123,883	\$2,229,900	12/4/23
5		3332 Hennepin Ave	Minneapolis	1961	30	C	\$100,000	\$3,000,000	11/22/23
6	Mississippi View	11020 Mississippi Blvd NW	Coon Rapids	1972	96	C	\$169,792	\$16,300,000	11/17/23
7		1707 Tatum St	Falcon Heights	1965	11	C	\$109,091	\$1,200,000	11/17/23
8		3317 1st Ave S	Minneapolis	1960	11	C	\$118,182	\$1,300,000	11/17/23
9		9840 Nicollet Ave S	Bloomington	1961	11	C	\$133,636	\$1,470,000	11/16/23
10		2738 & 2750 Pillsbury Ave	Minneapolis	1967	36	C	\$127,500	\$4,590,000	11/8/23
11		1532 Randolph Ave	St. Paul	1961	11	C	\$154,545	\$1,700,000	10/31/23
12		4911 University Ave NE	Columbia Heights	1960	11	C	\$90,000	\$990,000	10/23/23
13		2014 3rd Ave S	Minneapolis	1966	16	C	\$115,000	\$1,840,000	10/17/23
14		2101 3rd Ave S	Minneapolis	1957	23	C	\$137,911	\$3,171,948	10/17/23
15		2609 Hennepin Ave	Minneapolis	1909	20	C	\$130,000	\$2,600,000	10/17/23
16		3214 Queen Ave N	Minneapolis	1963	14	C	\$85,357	\$1,195,000	10/17/23
17	Hillcrest Flats	1756 Iowa Ave E	St. Paul	1962	11	C	\$118,182	\$1,300,000	10/12/23
18	English Street Apartments	458 English St	St. Paul	1962	34	C	\$72,353	\$2,460,000	10/12/23
19		2424 4th St NE	Minneapolis	1964	12	C	\$126,250	\$1,515,000	10/9/23
20		3434 Bloomington Ave S	Minneapolis	1963	18	C	\$123,472	\$2,222,500	10/4/23
21		3334 Blaisdell Ave	Minneapolis	1925	12	C	\$106,667	\$1,280,000	10/3/23
22		940-950 39th Ave NE	Columbia Heights	1959	18	C	\$80,000	\$1,440,000	9/29/23
23	2106 Garfield	2106 Garfield Ave S	Minneapolis	1917	11	C	\$89,818	\$988,000	9/29/23
24	Phalen Shores Apartments	985 Ivy Ave E	St. Paul	1987	53	C	\$94,528	\$5,010,000	9/27/23

2023 TWIN CITIES MULTIFAMILY CLASS “C” TRANSACTIONS (10+ UNITS)

C = CLASS “C”

No.	Property Name	Property Address	Property City	Year Built	No. Of Units	Building Class	Price Per Unit	Sale Price	Sale Date
25		1220 Main St NE	Minneapolis	1962	24	C	\$116,667	\$2,800,000	9/26/23
26		1500 10th Ave S	Minneapolis	1968	12	C	\$115,000	\$1,380,000	9/25/23
27		2871 Irving Ave S	Minneapolis	1916	20	C	\$115,380	\$2,307,600	9/22/23
28		2875 Irving Ave S	Minneapolis	1916	20	C	\$109,620	\$2,192,400	9/22/23
29		621 5th Ave SE	Minneapolis	1963	20	C	\$95,000	\$1,900,000	9/22/23
30	Brookview Manor	2714 Brookview Dr	Maplewood	1965	36	C	\$66,225	\$2,384,098	9/20/23
31		1403 Rice St	St. Paul	1964	12	C	\$90,000	\$1,080,000	9/20/23
32		2701 Grand Ave S	Minneapolis	1931	14	C	\$103,929	\$1,455,000	9/19/23
33	Ridgewood Apartments	441 Ridgewood Ave	Minneapolis	1965	37	C	\$71,000	\$2,627,000	9/19/23
34		7501 Penn Ave S	Minneapolis	1959	11	C	\$95,455	\$1,050,000	9/15/23
35	Q2	4815 Old Cedar Lake Rd	Saint Louis Park	1961	25	C	\$148,000	\$3,700,000	9/15/23
36		1001 Lowry Ave N	Minneapolis	1927	10	C	\$107,000	\$1,070,000	9/14/23
37		1625 Marion St	St. Paul	1968	12	C	\$116,667	\$1,400,000	9/1/23
38		8936 Newton Ave S	Bloomington	1961	11	C	\$122,727	\$1,350,000	8/28/23
39	Mark 1 Apartments	1221 Mainstreet	Hopkins	1956	12	C	\$104,167	\$1,250,000	8/18/23
40	Folwell Park Apartments II	1315 Dowling Ave N	Minneapolis	1967	10	C	\$62,725	\$627,246	8/10/23
41	Folwell Park Apartments I	3753 Girard Ave N	Minneapolis	1963	23	C	\$67,728	\$1,557,754	8/10/23
42		5760 33rd Ave S	Minneapolis	1962	10	C	\$133,610	\$1,336,100	8/4/23
43	York Ave Apartments	1086 & 1089 York Ave	St. Paul	1967	27	C	\$83,926	\$2,266,000	8/4/23
44		1547 Wynne Ave	St. Paul	1963	10	C	\$130,100	\$1,301,000	8/4/23
45		487 Grand Ave	St. Paul	1928	18	C	\$94,444	\$1,700,000	8/4/23
46		1849 7th St E	St. Paul	1959	11	C	\$81,818	\$900,000	8/3/23
47		2743 11th Ave S	Minneapolis	1961	11	C	\$72,000	\$792,000	7/27/23
48	519 Apartments	519 10th Ave SE	Minneapolis	1966	12	C	\$91,667	\$1,100,000	7/27/23

2023 TWIN CITIES MULTIFAMILY CLASS “C” TRANSACTIONS (10+ UNITS)

C = CLASS “C”

No.	Property Name	Property Address	Property City	Year Built	No. Of Units	Building Class	Price Per Unit	Sale Price	Sale Date
49	Marydale Apartments	1164 Mackubin St	St. Paul	1968	60	C	\$93,333	\$5,600,000	7/27/23
50	Stevens Square Neighborhood	1827 Lasalle Ave	Minneapolis	1961	30	C	\$120,000	\$3,600,000	7/24/23
51		1220 Sherburne Ave	St. Paul	1941	11	C	\$95,909	\$1,055,000	7/24/23
52		2634 Blaisdell Ave	Minneapolis	1929	15	C	\$98,333	\$1,475,000	7/21/23
53	Varsity Apartments	721-727 15th Ave SE	Minneapolis	1928	66	C	\$78,788	\$5,200,000	7/21/23
54		315 3rd St N	South Saint Paul	1929	17	C	\$92,941	\$1,580,000	7/17/23
55		1004 7th St SE	Minneapolis	1972	14	C	\$166,667	\$2,333,333	7/14/23
56		1327 7th St SE	Minneapolis	1967	15	C	\$103,556	\$1,553,334	7/14/23
57	The Bryant	2101 Bryant Ave S	Minneapolis	1971	29	C	\$131,034	\$3,800,000	7/14/23
58	The Village	322 Lake St	Excelsior	1965	24	C	\$187,542	\$4,501,000	7/7/23
59		800, 806, 812 4th St SE	Minneapolis	1900	68	C	\$95,588	\$6,500,000	6/30/23
60	Sherman Forbes Apartments	310 7th St W	St. Paul	1972	104	C	\$166,641	\$17,330,695	6/29/23
61	Ewing Square Townhomes	6220 Ewing Ln	Brooklyn Center	1980	23	C	\$117,391	\$2,700,000	6/21/23
62	205 Wentworth	205 Wentworth Ave W	West Saint Paul	1968	46	C	\$110,870	\$5,100,000	6/14/23
63		394 Cleveland Ave N	St. Paul	1926	10	C	\$120,000	\$1,200,000	6/12/23
64		3633 Chicago Ave	Minneapolis	1997	10	C	\$110,000	\$1,100,000	6/6/23
65		1010 Lafond Ave	St. Paul	1964	11	C	\$107,727	\$1,185,000	6/5/23
66	The Cromwell	1053 Cromwell Ave	St. Paul	1989	11	C	\$116,364	\$1,280,000	5/12/23
67	Hall Ave Apartments	756 Hall Ave	St. Paul	1968	17	C	\$91,191	\$1,550,247	5/12/23
68		561 Van Buren Ave	St. Paul	1909	12	C	\$82,917	\$995,000	5/10/23
69		3411 15th Ave S	Minneapolis	1953	10	C	\$94,000	\$940,000	4/17/23
70		3413-3417 Portland Ave S	Minneapolis	1929	10	C	\$90,000	\$900,000	4/14/23
71		2720 Cedar Ave S	Minneapolis	1968	11	C	\$100,000	\$1,100,000	4/7/23
72		1313 44th Ave N	Minneapolis	1969	12	C	\$62,250	\$747,000	3/31/23

2023 TWIN CITIES MULTIFAMILY CLASS “C” TRANSACTIONS (10+ UNITS)

C = CLASS “C”

No.	Property Name	Property Address	Property City	Year Built	No. Of Units	Building Class	Price Per Unit	Sale Price	Sale Date
73		382 Pierce St	St. Paul	1923	10	C	\$100,000	\$1,000,000	3/24/23
74	Briarcliff Manor Apartments	115 East Ave	Mahtomedi	1996	70	C	\$128,000	\$8,960,000	3/20/23
75	Hill Top Apartments	1820 Bromley Ave	South Saint Paul	1961	11	C	\$125,455	\$1,380,000	3/19/23
76	Stryker Place	670 Stryker Ave	St. Paul	1965	21	C	\$85,000	\$1,785,000	3/17/23
77	Windsor Gates Apartments	6200 78th Ave N	Brooklyn Park	1970	200	C	\$77,500	\$15,500,000	3/16/23
78	Boulder Court Apartments	4182 Rahn Rd	Eagan	1970	115	C	\$126,957	\$14,600,000	3/14/23
79		3625 Aldrich Ave S	Minneapolis	1968	12	C	\$107,500	\$1,290,000	2/28/23
80	Horizon Heights	1 Horizon Hts	Burnsville	1980	25	C	\$121,000	\$3,025,000	2/23/23
81	Phalen Apts	1350 Maryland Ave E	St. Paul	1960	18	C	\$72,222	\$1,300,000	2/21/23
82		151 NE Island Park Dr	Fridley	1961	12	C	\$105,000	\$1,260,000	2/15/23
83	Highland Lane Apartments	907-919 St Paul Ave	St. Paul	1949	20	C	\$110,000	\$2,200,000	2/3/23
84		1220 Sylvan St	St. Paul	1963	17	C	\$91,176	\$1,550,000	1/30/23
85		1439 Grand Ave	St. Paul	1921	11	C	\$120,998	\$1,330,975	1/18/23
86		1823 Portland Ave	St. Paul	1923	12	C	\$93,059	\$1,116,710	1/18/23
87		1831 Portland Ave	St. Paul	1926	10	C	\$80,232	\$802,315	1/18/23
88		1100 18th Ave SE	Minneapolis	1969	11	C	\$81,818	\$900,000	1/12/23
89		2222 Blaisdell Ave	Minneapolis	1966	12	C	\$119,167	\$1,430,000	1/10/23
90		101 Charles St NE	Fridley	1961	12	C	\$80,884	\$970,608	1/9/23
91		179 Charles St NE	Fridley	1961	12	C	\$82,719	\$992,624	1/9/23
92		180 Charles St NE	Fridley	1961	12	C	\$103,064	\$1,236,768	1/9/23
93	Lincoln Court Apartments	93-95 Lexington Pky S	St. Paul	1921	32	C	\$101,844	\$3,259,000	1/5/23
Total Class C Averages				1956	25	C	\$105,759	\$2,654,604	

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UNDER CONTRACT



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

BUILT: 2018 UNITS: 142



M2 Lofts
1050 March St, Mankato

BUILT: 2016 UNITS: 89



Barcelona Apartments
3501 Louisiana Ave N, Crystal

BUILT: 1972 UNITS: 71



Westview Village Patio Homes
1425 19th Ave SW, Willmar

BUILT: 1980 UNITS: 58



The Villas
10 8th St, Gaylord

UNITS: 48

AVAILABLE



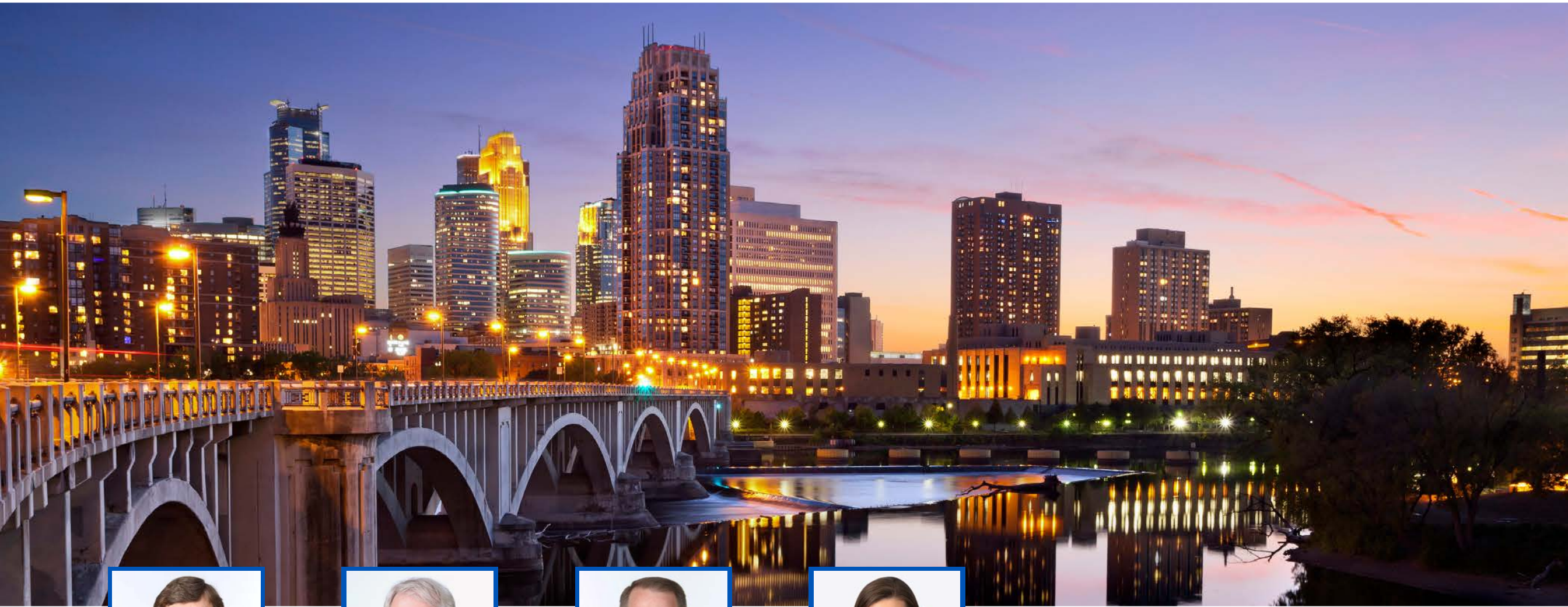
2000 Sharon Apartments
2000 Sharon Ave SE, Minneapolis

BUILT: 1963 UNITS: 11

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