

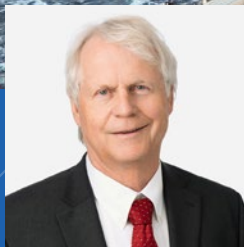
TWIN CITIES | MULTIFAMILY MARKET

Q2 2024 Review

OVER
\$2.4B
IN APARTMENT
PROPERTIES
SOLD!



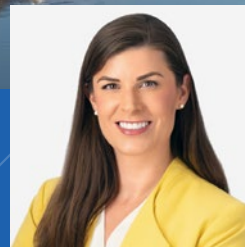
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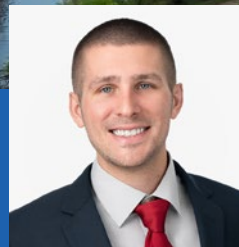
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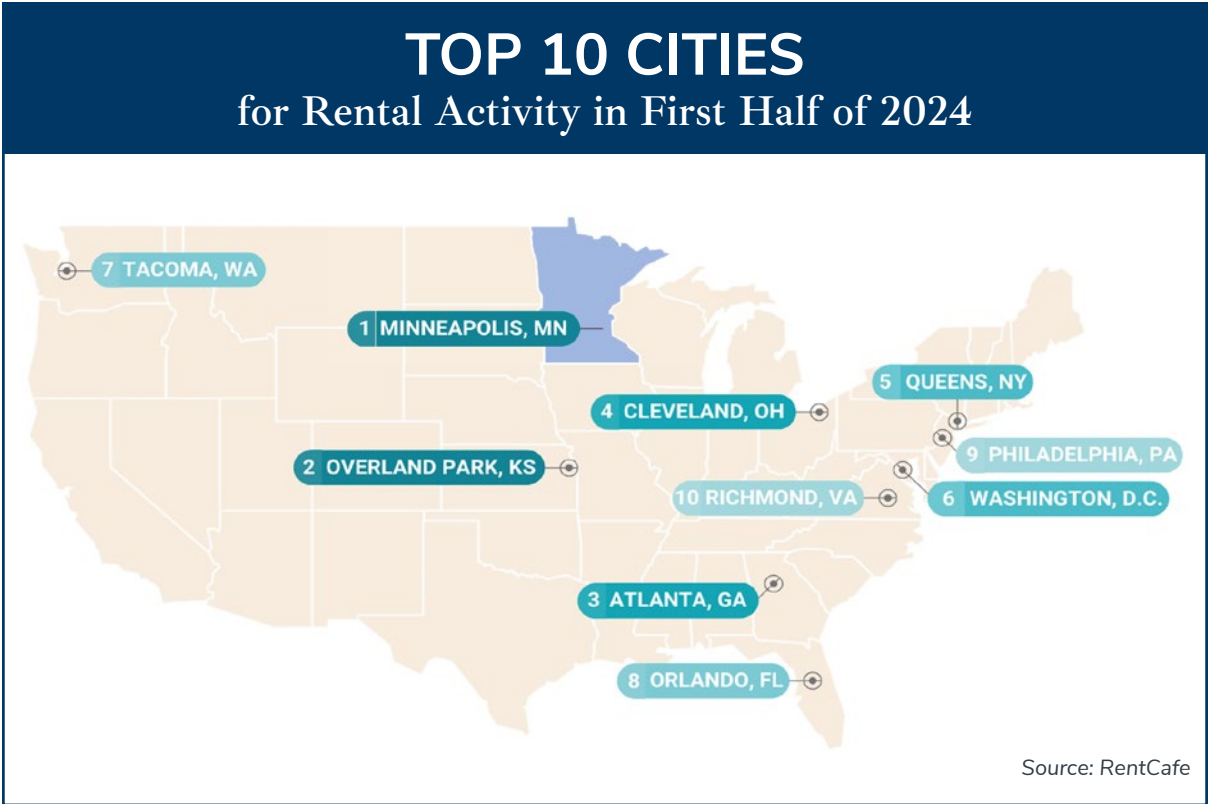
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Thriving Investment Fundamentals



The Twin Cities continues to rank #1 as the most sought-after market for renters. This is driven by the robust labor market with more than 29,000 jobs added to the Twin Cities with the majority in the areas of technology, the trades, manufacturing, education & health services. These jobs continue to attract an educated workforce fueling population growth, with over 24,000 new residents since 2023.



Job

GROWTH

29,000

New Jobs

Technology, the trades, manufacturing, education & health services

Wage

GROWTH

5.2%

Compared to 2023

High EARNERS

Ranked 13th

Highest Incomes in the Nation

\$82,338

Avg. Household Income

Strong AFFORDABILITY

28.3%

'Rent-To-Income' Ratio

30% National Average

2nd Lowest

Across the Nation's 50 Largest Markets

The strong labor market has resulted in a wage growth of 5.2% (compared to 2023) which ranks 13th for highest incomes in the nation. **Wage growth is outpacing rent increases making the Twin Cities an incredibly affordable place to live.** Affordability continues to remain high with a 28.3% 'Rent-To-Income' ratio, the 2nd lowest across the nation's 50 largest markets.

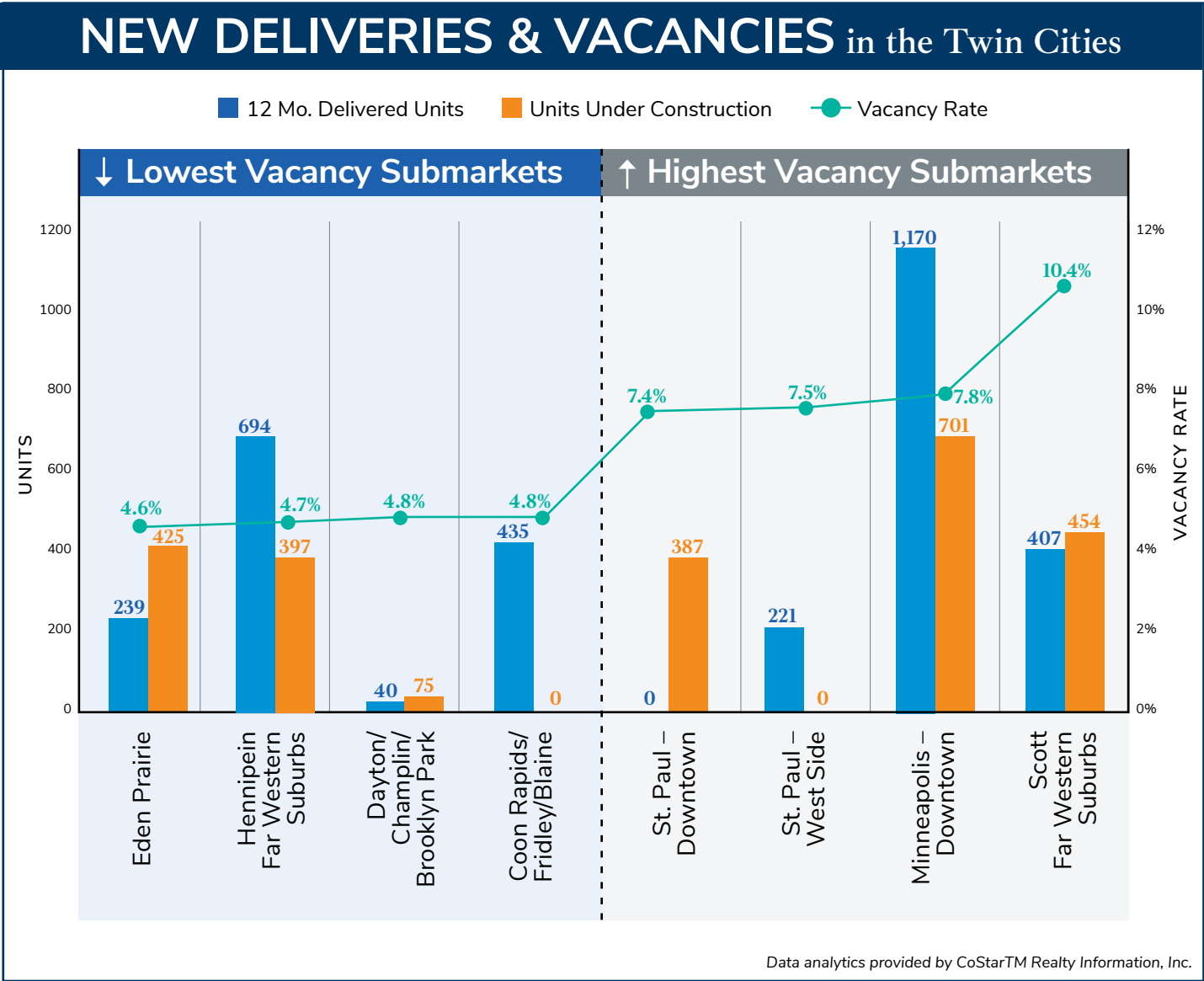
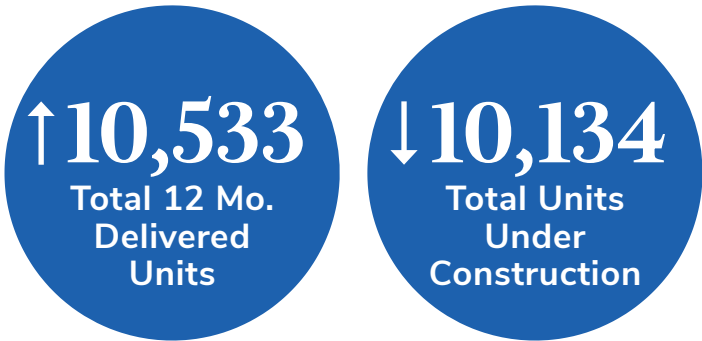
Record Absorption and Falling Vacancy Rates

At the beginning of 2024, both net deliveries and vacancy rates hit record highs. **New deliveries in Q2 led to the second-highest absorption rate ever recorded in the Twin Cities.** As the new deliveries are absorbed, the **vacancy rates are in decline**, driven by strong demand and a slowdown in new construction.

Interestingly, **rent levels have remained stable, despite the surge of new deliveries and high vacancy rates.** Quality suburban apartments have particularly benefited from this stability, largely because ongoing labor shortages have kept wage growth ahead of rent increases.



New Construction in the Twin Cities



Adjusting to a New Normal



Transaction volume in Q2-2024 **more than doubled** compared to Q2-2023. New pricing benchmarks continue to be set with each sale.

High-quality suburban assets are experiencing the lowest valuation declines, while physically distressed properties, high vacancy properties, and those in challenging neighborhoods are seeing the greatest value declines.

Avg. 10-Year Treasury Value

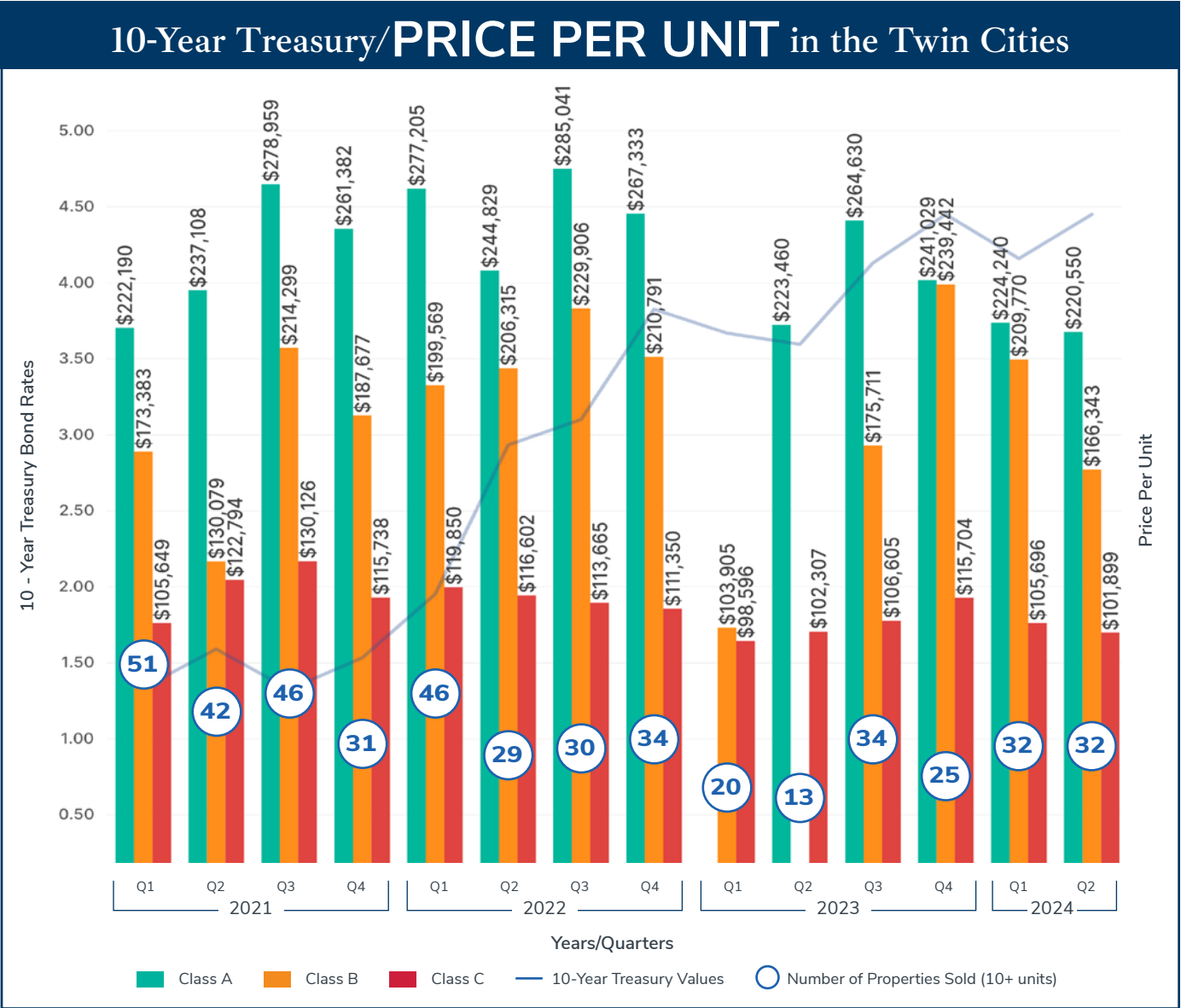
4.45%
for Q2

Q2 AVG. PRICE PER UNIT

CLASS A
↓\$220,550
Per Unit


CLASS B
↓\$166,343
Per Unit


CLASS C
↓\$101,899
Per Unit



Key Reasons Driving Multifamily Property Sales

Most multifamily owners are selling for three main reasons: **retirement, debt obligations, and liquidity needs**. Retirement is straightforward, while debt and liquidity issues require further explanation.

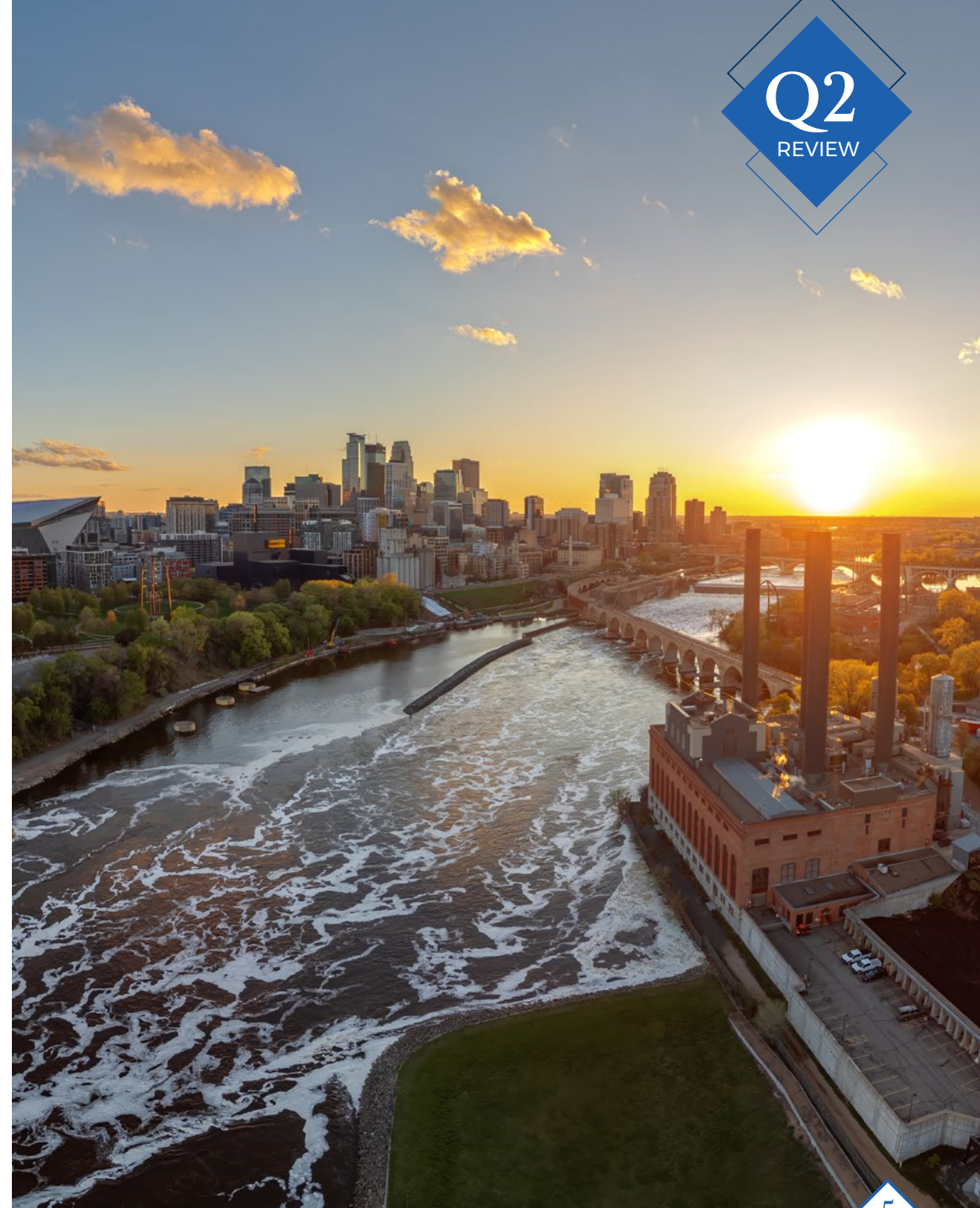
 **Debt Obligations:** Many owners who bought properties with short-term, high-leverage loans during low-interest periods now face loan maturities. With interest rates more than doubled, refinancing at higher rates may not meet their investment criteria, prompting them to sell.

 **Liquidity:** Some owners have built substantial equity in their properties or new developments and seek to expand or enhance their portfolios. By selling their current properties, they free up capital to purchase larger properties, improve asset locations, or continue developing new properties, ultimately strengthening and growing their portfolios.

A record number of multifamily properties are on the market in the Twin Cities

OVER
60+
Properties

Q2
REVIEW



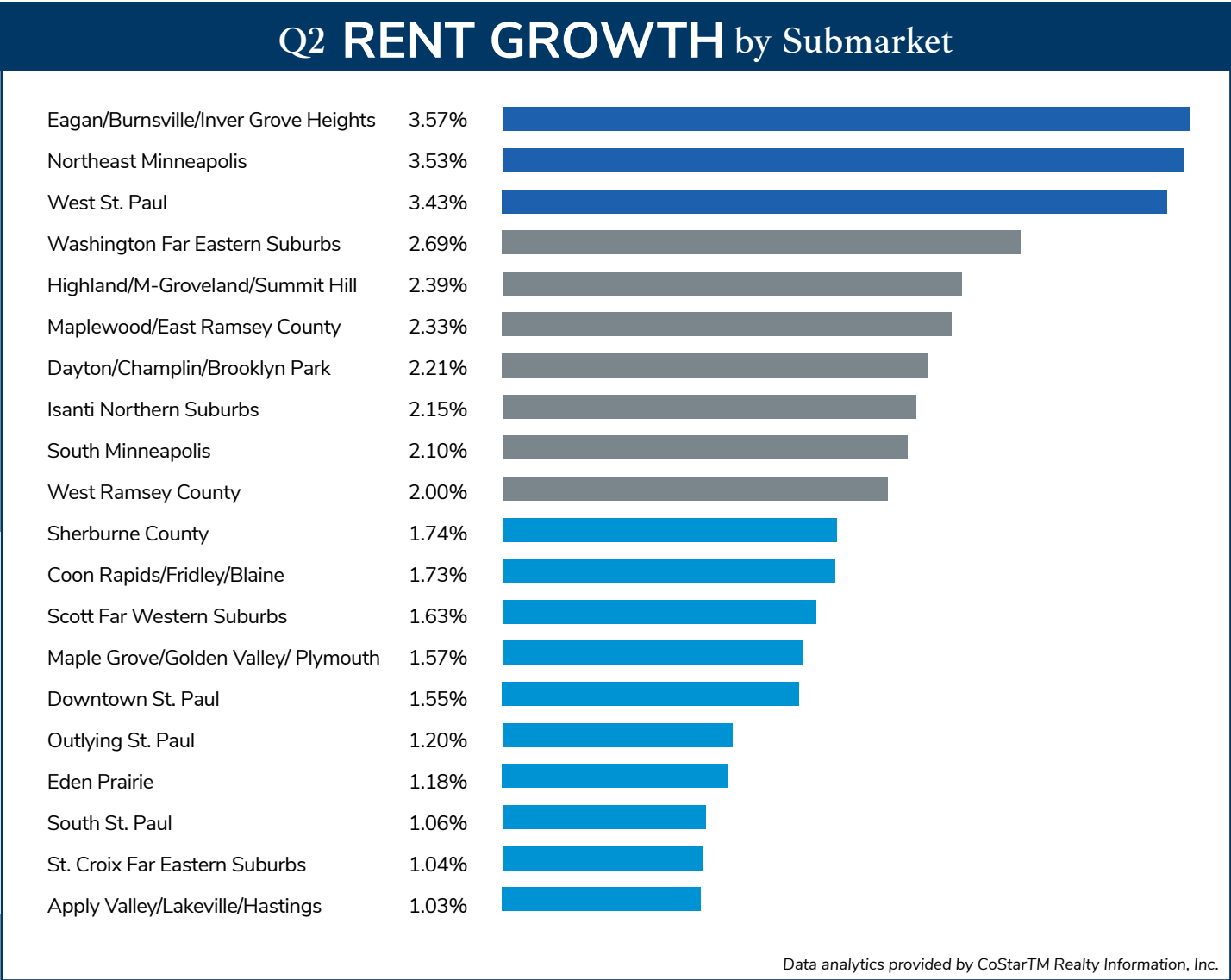
Optimism on the Horizon



We anticipate that rents will increase more rapidly over the next 24 months as new property deliveries are absorbed and the supply of properties under construction and in the pipeline remains limited.

Additionally, with the Federal Reserve indicating possible rate cuts as soon as fall 2024, we wonder if values have bottomed out. **Once the rate cuts begin, we expect a surge in activity as pent-up demand and capital eagerly seek opportunities in desirable locations and with well-maintained properties.** The interest rate decreases and the increased activity could further drive price increases.

Q2 MARKET STATS (compared to Q1-2024)

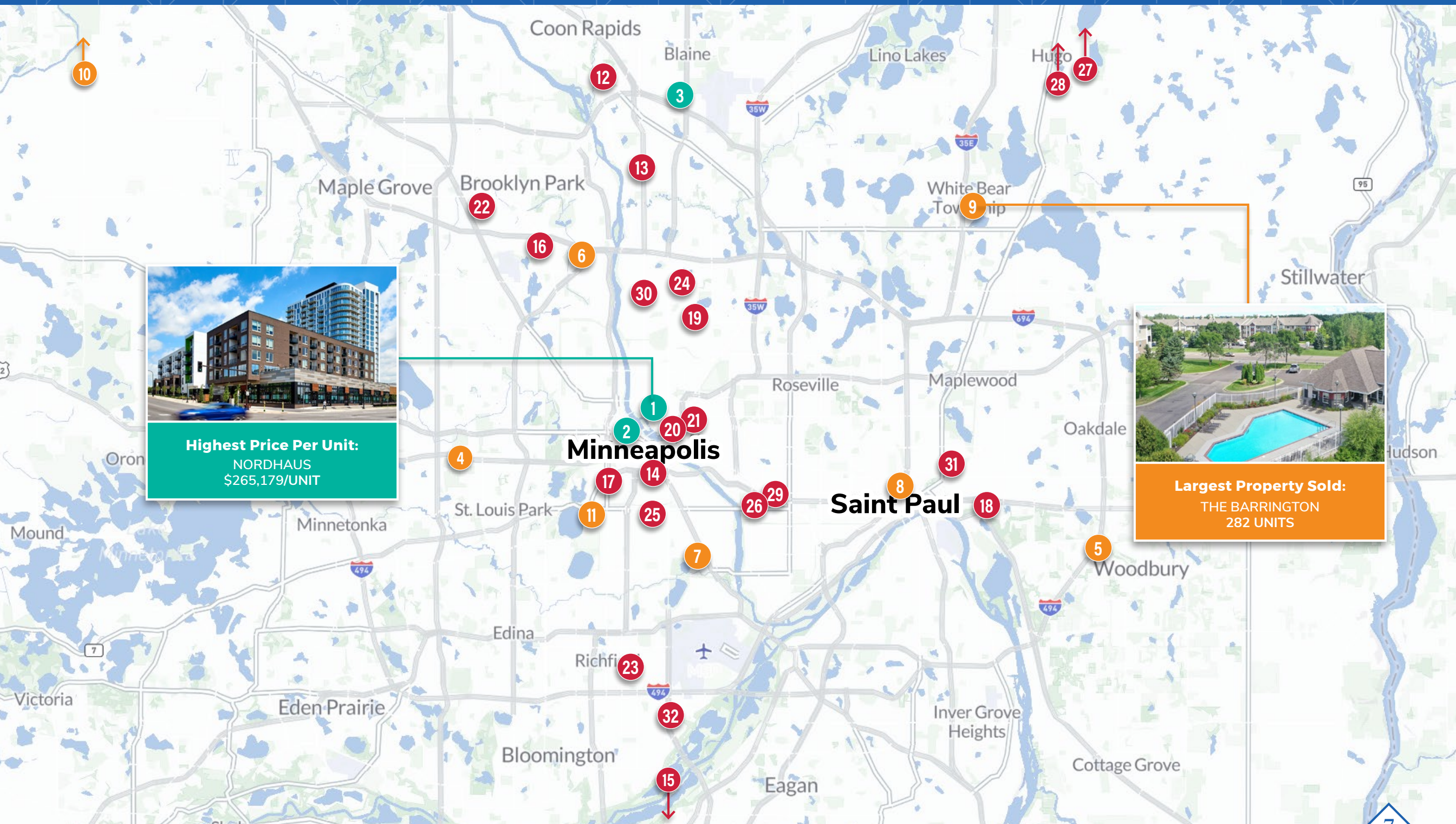


Q2 Twin Cities Multifamily Transactions

A = CLASS "A"

B = CLASS "B"

C = CLASS "C"



Q2 Twin Cities Multifamily Transactions

A = CLASS "A"

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No.	Property Name	Property Address	Property City	Year Built	No. Of Units	Building Class	Price Per Unit	Sale Price	Sale Date
1	NordHaus	309-315 1st Ave NE	Minneapolis	2018	280	A	\$265,179	\$74,250,000	6/27/2024
2	4Marq	400 Marquette Ave	Minneapolis	2015	261	A	\$203,065	\$53,000,000	5/15/2024
3	Berkshire Central	9436 Ulysses St NE	Blaine	2017	191	A	\$193,407	\$36,940,797	4/12/2024
Total Class A Averages				2017	244	A	\$220,550	\$54,730,266	
4	Creekside Apartments	200 Nathan Ln N	Plymouth	1999	204	B	\$228,431	\$46,600,000	6/24/2024
5	The Barrington	7225-7255 Guider Dr	Woodbury	1998	282	B	\$172,340	\$48,600,000	5/23/2024
6	Lux Apartments	6100 Summit Dr N	Minneapolis	1987	141	B	\$122,979	\$17,340,000	5/10/2024
7	MOD 42	4200 S 32nd Ave	Minneapolis	2021	30	B	\$122,167	\$3,665,000	5/10/2024
8	The Schurmeier Lofts	328-330 9th St E	St. Paul	1885	40	B	\$225,000	\$9,000,000	5/3/2024
9	Cottages of White Bear	4700-4768 Golden Pond Ln	White Bear Lake	1994	60	B	\$180,000	\$10,800,000	4/25/2024
10	Granite Shores	633 Main St	Elk River	2008	67	B	\$149,826	\$10,038,349	4/10/2024
11	3116 Girard Apartments	3116 Girard Ave S	Minneapolis	1960	29	B	\$130,000	\$3,770,000	4/11/2024
Total Class B Averages				1982	107	B	\$166,343	\$18,726,669	
12	Redwood Estates	9950 Redwood St NW	Coon Rapids	1998	54	C	\$112,056	\$6,051,000	6/17/2024
13	Highland Park Apartments	610-680 Osborne Rd NE	Fridley	1969	77	C	\$110,390	\$8,500,000	6/11/2024
14	Ventura Flats	1818 14th Ave S	Minneapolis	1967	74	C	\$65,203	\$4,825,000	6/7/2024
15	Shalimar Estates	13340 Parkwood	Burnsville		48	C	\$148,958	\$7,150,000	5/30/2024
16	Granite Peaks	3907 65th Ave N	Brooklyn Center	1963	54	C	\$99,915	\$5,395,400	5/30/2024
17	Montclair	2103 Harriet Ave	Minneapolis	1921	21	C	\$94,048	\$1,975,000	5/22/2024

Cont.

Q2 Twin Cities Multifamily Transactions

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No.	Property Name	Property Address	Property City	Year Built	No. Of Units	Building Class	Price Per Unit	Sale Price	Sale Date
18	Birmingham Apartments	250-304 Birmingham St	St. Paul	1950	150	C	\$66,667	\$10,000,000	5/16/2024
19	Stinson Boulevard Apartments	3806-3816 Stinson Blvd NE	Columbia Heights	1964	34	C	\$83,088	\$2,825,000	5/15/2024
20		326 6th Ave SE	Minneapolis	1967	27	C	\$95,000	\$2,565,000	5/15/2024
21		1313 Como Ave SE	Minneapolis	1972	13	C	\$142,308	\$1,850,000	5/15/2024
22	Granite Ridge	7521 Jersey Ave N	Brooklyn Park	1967	92	C	\$95,924	\$8,825,000	5/10/2024
23		420 E 73rd St	Minneapolis	1961	11	C	\$114,545	\$1,260,000	5/10/2024
24	Highview Manor	4650 Johnson St NE	Columbia Heights	1968	17	C	\$109,000	\$1,853,000	5/7/2024
25		3124 12th Ave S	Minneapolis	1928	14	C	\$107,143	\$1,500,000	5/6/2024
26	Mint Properties Apartments	356 Cleveland Ave N	St. Paul	1925	39	C	\$110,718	\$4,318,000	4/30/2024
27	North Shore Apartments	1167 Shore Dr N	Forest Lake	1969	60	C	\$107,083	\$6,425,000	4/23/2024
28	Forest Parks II Apartments	1001 7th Ave SW	Forest Lake	1974	60	C	\$87,917	\$5,275,000	4/23/2024
29	Union Park Apartments	400 Dewey St	St. Paul	1975	35	C	\$85,714	\$3,000,000	4/23/2024
30		4347 University Ave NE	Columbia Heights	1960	11	C	\$90,000	\$990,000	4/19/2024
31		910 Forest St	St. Paul	1963	18	C	\$89,194	\$1,605,500	4/18/2024
32	Park Villa	1800 E 84th St	Bloomington	1965	10	C	\$125,000	\$1,250,000	4/16/2024
Total Class C Averages				1961	44	C	\$101,899	\$4,163,710	
TOTAL Averages				1972	78		\$129,133	\$12,545,064	

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Recently Listed by Michel Commercial

UNDER CONTRACT



Champlin Portfolio

411 Dayton Rd & 26-30 Sunset Dr E, Champlin

BUILT: 1969 & 1971 UNITS: 135

AVAILABLE



Glenfield Park Estates

8585 NE Groveland Ct, Blaine

BUILT: 2023 UNITS: 152

AVAILABLE



Sunset Ridge Apartments

2387-2467 Pioneer Rd, Fergus Falls

BUILT: 2015 UNITS: 105

AVAILABLE



Parkview Apartments

4200 3rd St NE, Columbia Heights

BUILT: 1964 UNITS: 17

AVAILABLE



Pleasant Court Apartments

1104 & 1110 Pleasant Ave, Park Rapids

BUILT: 2013-2016 UNITS: 58

AVAILABLE



Portland Terrace Apartments

512 E 73rd St, Richfield

BUILT: 1963 UNITS: 68

AVAILABLE



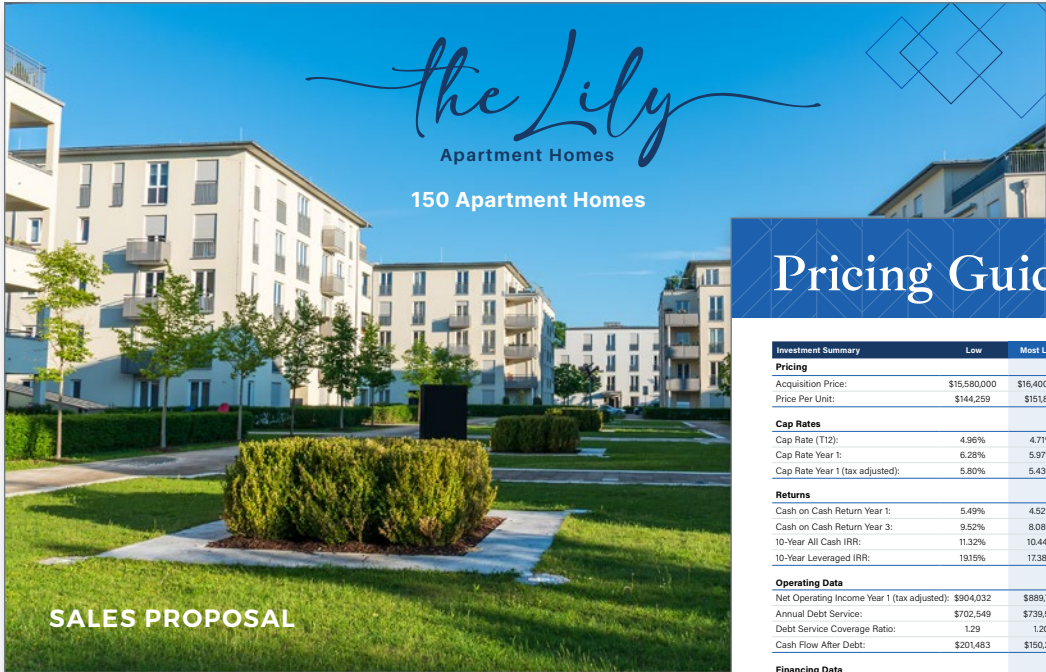
The Meadows

610-620 Eugene Street, West Concord

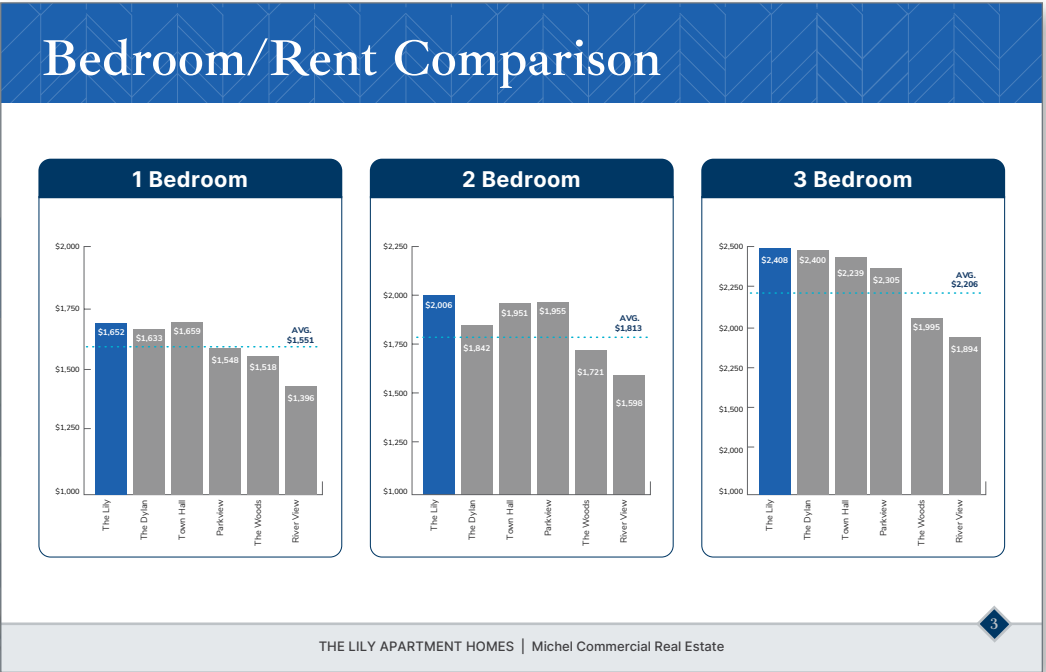
BUILT: 1979 UNITS: 24

Complimentary Valuation of your Multifamily Property

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



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		



Valuation Example with Pricing Guidance and Bedroom/Rent Comparison

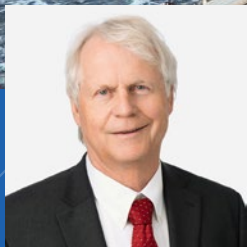
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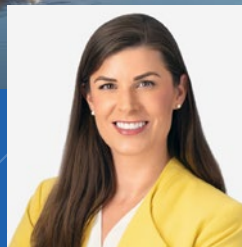
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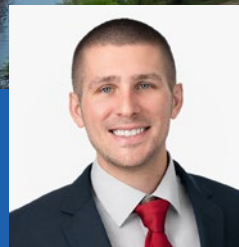
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