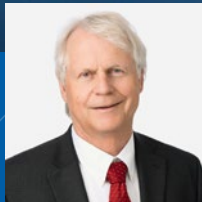


TWIN CITIES | MULTIFAMILY MARKET Q3 2024 Review

OVER
\$2.4B
IN APARTMENT
PROPERTIES
SOLD!



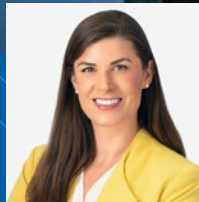
Steve Michel
612.850.4539



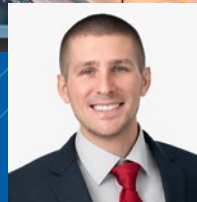
Peter Michel
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612.805.5023



Jesse Thurston
651.380.9058



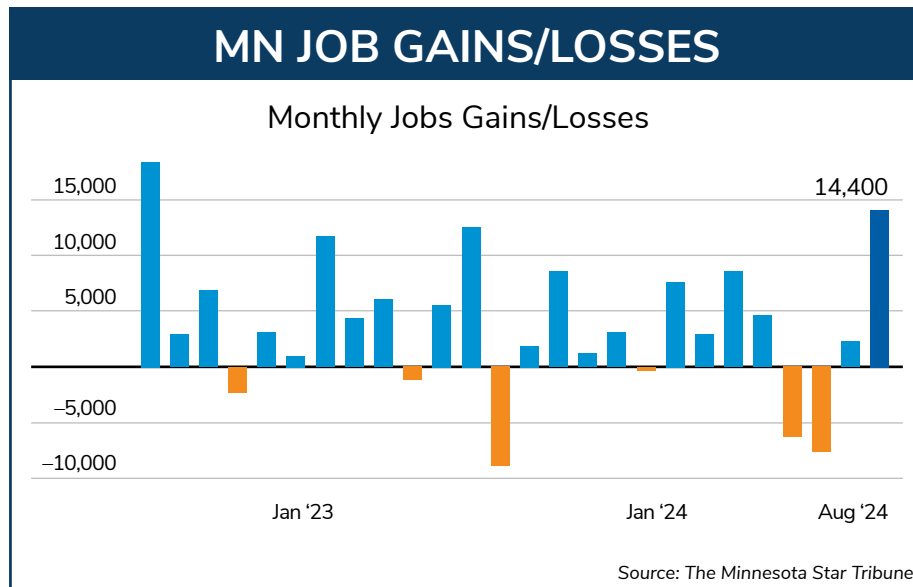
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Twin Cities' Economic Health & Wealth

Q3
REVIEW

Minnesota's economic growth in 2024 has been fueled by significant job creation and rising wages. The state has added a net total of 41,695 jobs, with the leisure and hospitality industry leading, followed by education, health services, and professional and business services.



In August, 14,400 jobs were added, marking the largest monthly increase in over two years.



**MEDIAN
HOUSEHOLD INCOME**
HAS INCREASED BY 3% TO

↑\$94,673



**STRONG
AFFORDABILITY**

29.5%

'RENT-TO-INCOME' RATIO
30% NATIONAL AVERAGE



**RENTS HAVE
IMPROVED BY**

↑4%

SINCE Q4- 2023



**CURRENT
AVERAGE RENT**

↑\$1,515

Wages have grown notably, with the average private sector hourly wage increasing by 5.9% over the past year to \$37.74, outpacing inflation. Minnesota's labor force participation rate remains one of the highest in the nation.

In the Twin Cities, rents are still 10% lower than the national average, making the region an affordable and appealing home for skilled workers, which continues to drive both population growth and economic expansion.

Lower Interest Rates, Rising Prices

Interest rates have declined, and multifamily property prices in the Twin Cities are steadily rising. **Properties purchased in the last 24 months were likely acquired at market lows, though prices remain below their peak levels (before Q4 of 2022).**

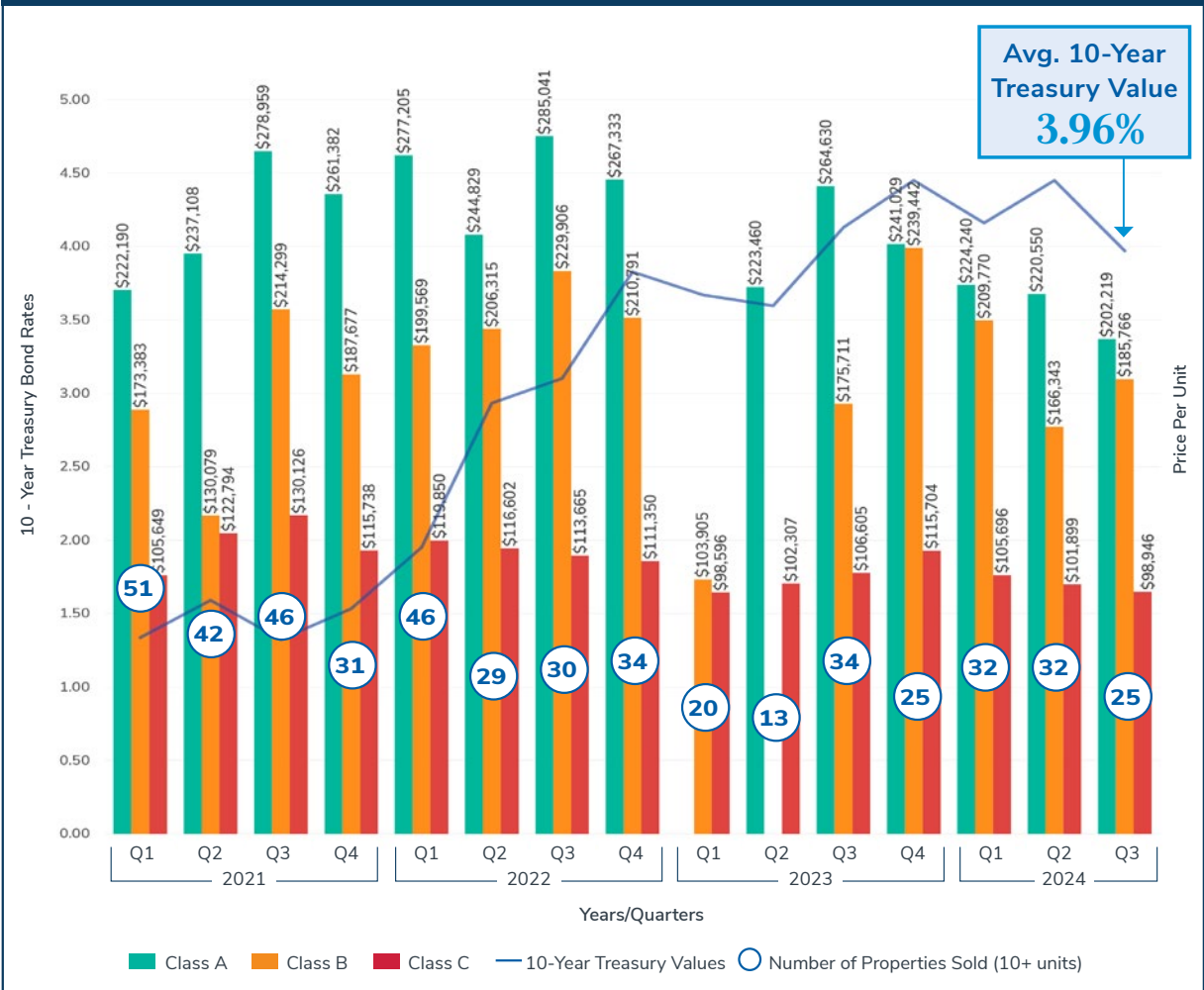
Q3 AVG. PRICE PER UNIT

CLASS A	CLASS B	CLASS C
↓\$220,219 Per Unit	↑\$185,766 Per Unit	↓\$98,946 Per Unit



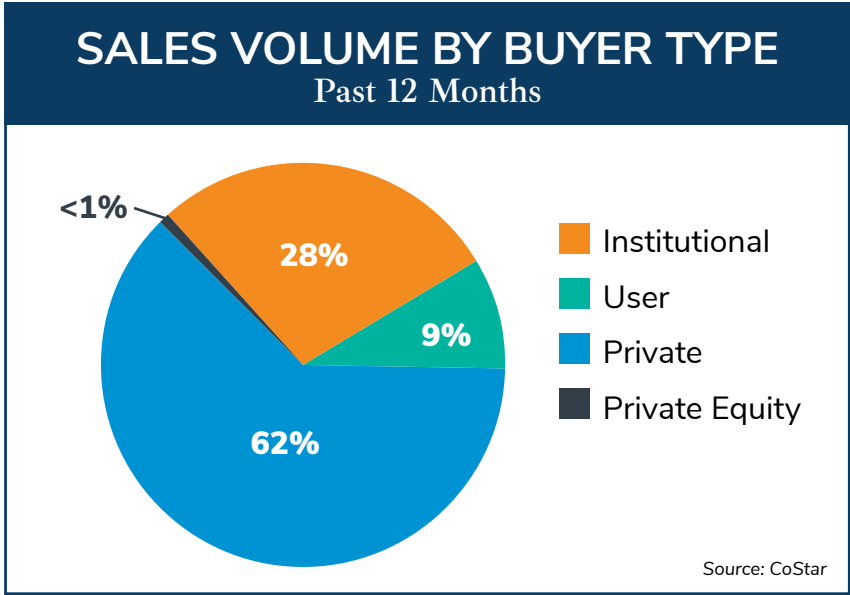
These price rebounds are unlikely to be reflected in sales comparables until Q4-2024 or Q1-2025, as the Federal Reserve lowered the interest rates in late Q3-2024.

10-Year Treasury/PRICE PER UNIT in the Twin Cities



Data analytics provided by CoStar™ Realty Information, Inc.

Private Investors Drive Transactions



Private investors are winning most of the recent deals, capitalizing on the flexibility of using their own funds. In contrast, REITs have mostly stayed on the sidelines, with many selling off holdings in the Minneapolis urban core to streamline portfolios and offload underperforming assets.

Focus Shifts to Newer, Higher-Quality Assets

Many investors have increasingly shifted toward **higher-quality, lower-risk assets, particularly those built in or after the 1990s, benefiting from more modern construction, electrical, and plumbing systems.** This trend is driven by buyers looking to avoid ongoing and costly maintenance issues and by insurance companies, some of which are unwilling to cover properties built before certain years.

Woodbury Park at City Centre
2150 Vining Dr, Woodbury

BUILT: 1997 UNITS: 224 SOLD FOR: \$55,500,000 PER UNIT: \$247,768

Strong Buyer Demand

Q3
REVIEW

Buyer demand is particularly strong in the suburban markets, with new investment groups consistently entering the market. **Investors are prioritizing stability and predictability**, and with prices rebounding after 12-24 months of declines, there is a growing urgency for buyers to act.

Suburban properties are the most desirable, with pricing recovering more quickly, while certain neighborhoods in Minneapolis and St. Paul, particularly more challenging areas, are seeing a much slower recovery from dramatic price declines.

REAL-TIME MARKET SHIFT EXAMPLES



Glenfield Park Estates
152 Units | Blaine, MN
Stabilized, New Development

- 12 Tours / 9 Offers
- Under Contract Over Asking Price



Champlin Portfolio
135 Units | Champlin, MN
Value-Add Opportunity

- 21 Tours / 14 Offers
- Under Contract Above Recent Sales
Comparable Price-Per-Unit Pricing



Portland Terrace Apartments
68 Units | Richfield, MN
Value-Add Opportunity

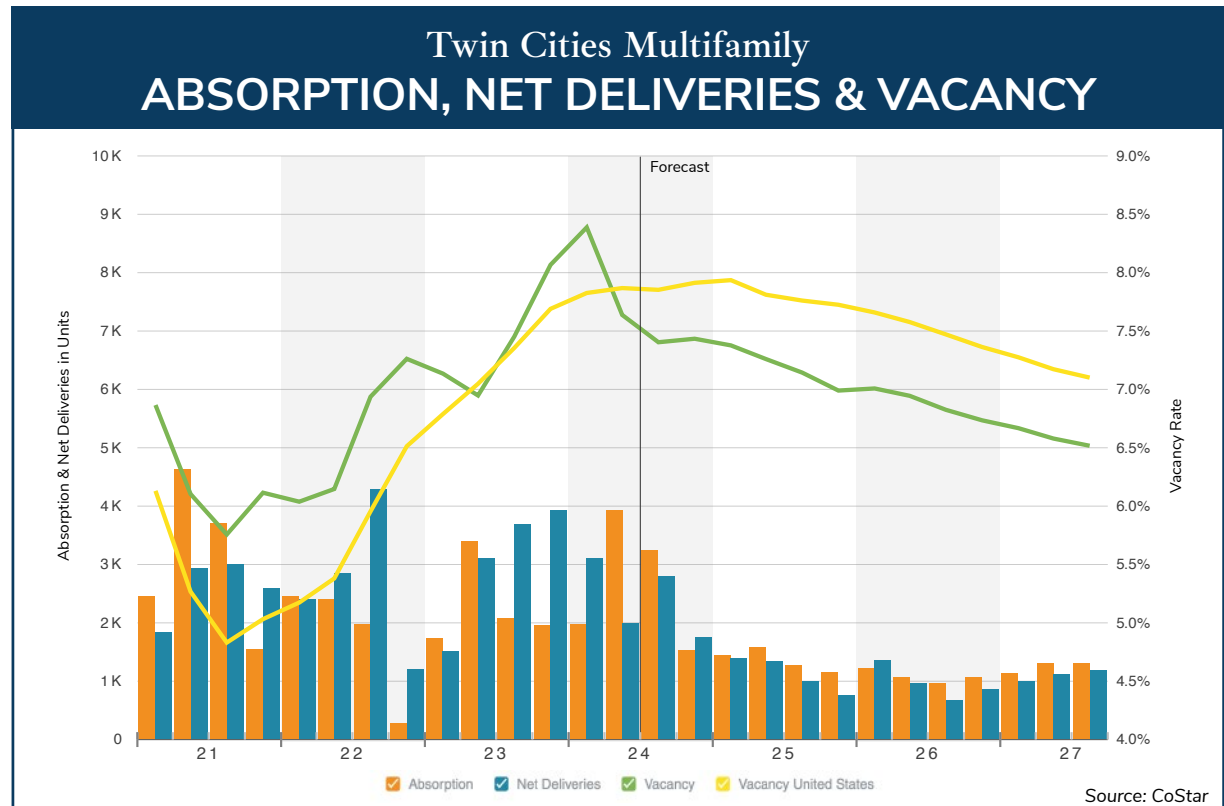
- 16 Tours / Multiple Offers
- Under Contract Over Asking Price

Development & Absorption

Q3
REVIEW

The market has experienced a more gradual absorption of new multifamily deliveries, a shift from the rapid lease-ups seen in previous years. The surge in supply, fueled by pandemic-era low interest rates and the addition of over 46,000 units since Q1-2020, has temporarily driven vacancy rates higher.

However, the recent slowdown in development, due to increased interest rates, has benefited existing properties and steadily **reduced the Twin Cities' average vacancy rate by 130 basis points in just six months, from 8.6% to 7.3%.**



Q3 MARKET STATS

(compared to
Q2-2024)



AVERAGE
VACANCY RATE

↓ 7.3%



UNITS UNDER
CONSTRUCTION

↓ 8,671



12 MONTH UNIT
ABSORPTION

↑ 11,298

Rent Growth Ahead

Q3
REVIEW

Despite the current, likely temporary, supply-demand imbalance from a record number of new deliveries opening at a similar time, **rent levels have remained stable and continue to grow**, especially in desirable, supply-constrained suburban areas. **As multifamily development slows and new units are absorbed, vacancy rates are expected to keep falling, paving the way for stronger rent growth that could potentially exceed previous levels.**

Q3 Overall Avg Rent:
↑\$1,151

STUDIO	↑ \$1,124	1 BEDROOM	↑ \$1,337
2 BEDROOM	↑ \$1,704	3 BEDROOM	↑ \$2,210

FOR
RENT

DEVELOPMENT TRENDS & INSIGHTS



Since 2010, the urban cores of the Twin Cities have accounted for **over 1/3** of the market's new housing supply.



Nearly **80% of new housing deliveries have been in the suburbs**, since 2022.



Much of the **new construction is focused around planned transit infrastructure.**



In St. Paul, construction has largely halted due to the **rent control ordinance**, despite exemptions for new developments.

Interesting Q3 Trends

Weidner's Minneapolis Takeover

Weidner Apartment Homes, based in WA, continues to acquire Minneapolis properties with a focus on long-term value over immediate returns. Their latest purchase includes 413 units in Uptown at **an average low price of \$194,000 per unit, well below construction costs.**

While these sale prices are notably low, they are not comparable to similar properties in suburban locations. Uptown remains one of the weakest-performing areas in the Twin Cities, facing declining rents and high vacancies. These issues are unique to the location and do not reflect the broader investment landscape across the Twin Cities.



Blue/Lime Apartments

2922 Aldrich Ave S, Minneapolis

BUILT: 2008 UNITS: 242 SOLD FOR: \$46,000,000 PER UNIT: \$190,083

Recent Foreclosures

For the first time in years, **multiple ownership groups have found themselves underwater, with property values falling below their debt obligations.** As a result, several properties have recently faced foreclosure and were sold at auction.

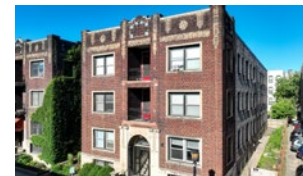
FORECLOSED PROPERTIES



The Hotel Lowry Apartments
134 Units, St. Paul



2901-2905 James Ave S
13 Units, Minneapolis



1524 Lasalle Ave
26 Units, Minneapolis



1200 W Franklin Ave
17 Units, Minneapolis



2205 Bryant Ave S
13 Units, Minneapolis



1207 W 25th St
13 Units, Minneapolis

Q4 Outlook

Q3
REVIEW

Continued Market Improvement

Sales activity is projected to remain robust, with prices steadily rising. Vacancy rates are expected to keep declining, while rents—particularly in suburban areas—should continue to grow. Anticipated interest rate cuts could further boost property values and stimulate new development, adding even more momentum to the market.

OUR Q4 PREDICTIONS:



Rising
SALE PRICES



Decrease in
VACANCY RATES



Sustained
RENT GROWTH



Continued
STRONG BUYER INTEREST



Further
INTEREST RATE CUTS



Increased
DEVELOPMENT ACTIVITY

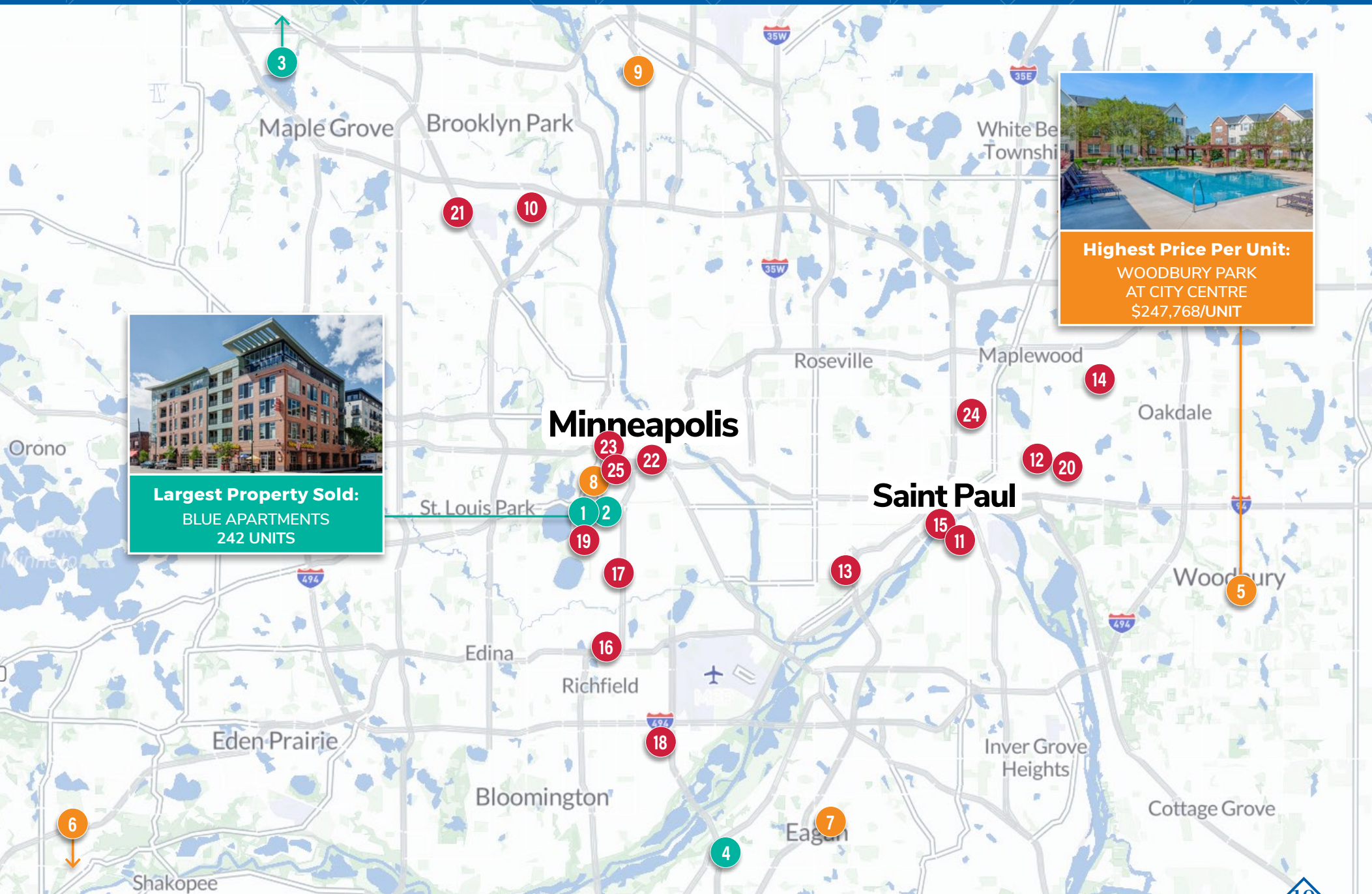


Q3 Twin Cities Multifamily Transactions

A = CLASS "A"

B = CLASS "B"

C = CLASS "C"



Q3 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	Blue Apartments	2922 Aldrich Ave S	Minneapolis	2008	242	A	\$190,083	\$46,000,000	9/4/2024
2	Lime Apartments	2904 Lyndale Ave S	Minneapolis	2014	171	A	\$201,754	\$34,500,000	9/4/2024
3	Affinity at Ramsey	14529 Willemite St NW	Ramsey	2019	174	A	\$188,506	\$32,800,000	8/1/2024
4	Affinity at Eagan	4000 Eagan Outlets Pky	Eagan	2018	174	A	\$228,534	\$39,765,000	8/1/2024
Total Class A Averages				2015	190	A	\$202,219	\$38,266,250	

5	Woodbury Park at City Centre	2150 Vining Dr	Woodbury	1997	224	B	\$247,768	\$55,500,000	9/5/2024
6	Townsquare Apartments	220 N Walnut St	Chaska	1989	30	B	\$143,333	\$4,300,000	8/27/2024
7	Crossroads of Eagan	1264 Duckwood Dr	Eagan	1985	32	B	\$245,000	\$7,840,000	8/26/2024
8	MODI	2015 Lyndale Ave	Minneapolis	2018	75	B	\$130,000	\$9,750,000	8/14/2024
9	Banfill Crossing	8310 University Ave NE	Fridley	1999	110	B	\$162,727	\$17,900,000	7/19/2024
Total Class B Averages				1998	94	B	\$185,766	\$19,058,000	

10	The Avenue Apartments	6331-6401 Beard Avenue North	Brooklyn Center	1960	36	C	\$82,000	\$2,952,000	9/27/2024
11	Wabasha Apartments	426 Wabasha St S	Saint Paul	1886	21	C	\$73,810	\$1,550,000	9/18/2024
12	Birmingham Woods Apartments	1424-1436 Case Ave	St. Paul	1983	28	C	\$130,000	\$3,640,000	9/16/2024
13	The Lex	1136 Randolph Ave	St. Paul	1950	64	C	\$100,781	\$6,450,000	9/13/2024
14	Regency Park	2240 Skillman Ave E	North Saint Paul	1969	104	C	\$105,769	\$11,000,000	9/6/2024
15	The Hotel Lowry Apartments	345 Wabasha St N	St. Paul	1926	134	C	\$52,239	\$7,000,000	9/4/2024

CONT.

Q3 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
16		2740 Pleasant Ave S	Minneapolis	1969	18	C	\$140,000	\$2,520,000	8/28/2024
17		4200 1st Ave S	Minneapolis	1961	12	C	\$112,500	\$1,350,000	8/23/2024
18	Bloomington 79 Townhomes	7940 Bloomington Ave S	Bloomington	1983	16	C	\$149,013	\$2,384,205	8/22/2024
19		3320 Fremont Ave S	Minneapolis	1950	12	C	\$102,083	\$1,225,000	8/22/2024
20		1807 Stillwater Ave	St. Paul	1962	13	C	\$115,000	\$1,495,000	8/12/2024
21	The Groves Apartments	6802 63rd Ave N	Brooklyn Park	1967	120	B	\$100,000	\$12,000,000	8/9/2024
22		1101 S 7th St	Minneapolis	1915	25	C	\$70,600	\$1,765,000	8/8/2024
23	The Alden Apartments	1205 Hawthorne Ave	Minneapolis	1925	68	C	\$86,618	\$5,890,000	7/25/2024
24		510 Hoyt Ave E	St. Paul	1967	12	C	\$88,333	\$1,060,000	7/18/2024
25	Soleil Apartments	1425 Lasalle Ave	Minneapolis	1914	41	C	\$74,390	\$3,050,000	7/17/2024
Total Class C Averages				1949	45	C	\$98,946	\$4,083,200	
TOTAL Averages				1969	78		\$132,834	\$12,547,448	

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.

Recently Listed by Michel Commercial

UNDER CONTRACT



Shoreview Hills Apartments

4130 Lexington Ave N, Shoreview Hills
BUILT: 1970 UNITS: 240



Glenfield Park Estates

8585 NE Groveland Ct
BUILT: 2023 UNITS: 152



Champlin Portfolio

411 Dayton Rd & 26-30 Sunset Dr E, Champlin
BUILT: 1969 & 1971 UNITS: 135



Sunset Ridge Apartments

2387-2467 Pioneer Rd, Fergus Falls
BUILT: 2015 UNITS: 105



Portland Terrace Apartments

512 E 73rd St, Richfield
BUILT: 1963 UNITS: 68



St. Paul Portfolio

44 Arlington Ave & 578 Galtier St
BUILT: 1969 & 1978 UNITS: 62



Parkview Apartments

4200 3rd St NE, Columbia Heights
BUILT: 1964 UNITS: 17



The Meadows

610-620 Eugene Street, West Concord
BUILT: 1979 UNITS: 24



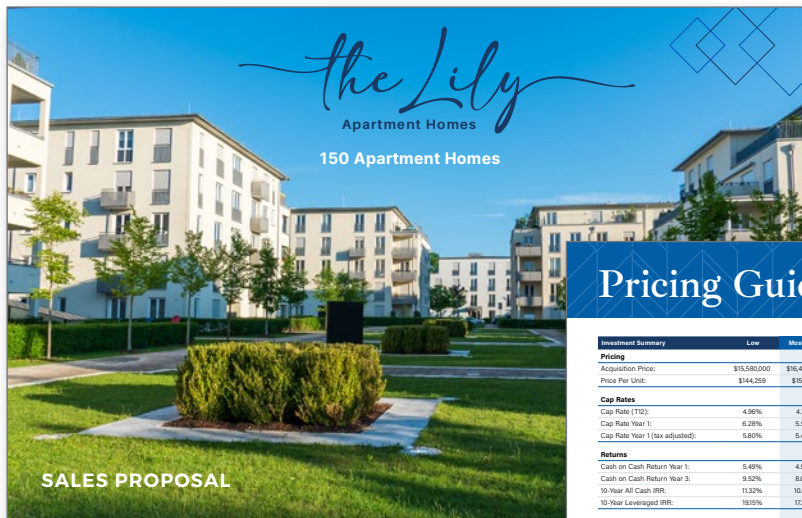
Pleasant Court Apartments

1104 & 1110 Pleasant Ave, Park Rapids
BUILT: 2013-2016 UNITS: 58

AVAILABLE

Reach out to us for a 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:	19.55%	17.35%	15.66%
Operating Data			
Net Operating Income Year 1 (tax adjusted):	\$950,000	\$888,742	\$825,452
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	\$89,950
Financing Data			
Down Payment:	\$4,674,000	\$4,920,000	\$5,196,000
Closing/Financing Costs:	\$391,130	\$396,300	\$398,470
Loan Amount:	\$10,505,000	\$11,480,000	\$12,024,000
Financing Assumptions			
LTV:	70%		
Int. Rate:	5.50%		
Term:	10		
Amortization:	30		

THE LILY APARTMENT HOMES | Michel Commercial Real Estate

Bedroom/Rent Comparison



THE LILY APARTMENT HOMES | Michel Commercial Real Estate

Valuation Example with Pricing Guidance and Bedroom/Rent Comparison

Why Choose Michel Commercial?

Michel Commercial has established a strong reputation in the industry for professionalism, integrity, and successful results. We are confident in our ability to secure the highest price that the market will pay for your property.

Here is how we do it:

1

Extensive Marketing and Strong Industry Relationships

Our extensive marketing and long-term relationships, both nationally and locally, will ensure that every potential buyer is made aware of the opportunity. Our track record speaks for itself. We have a history of successful sales and satisfied clients. We have consistently delivered outstanding results.

2

Responsive and Proactive

We are highly responsive and proactive in selling your property. Our clients prefer working with us because of our close communication and timely updates throughout the sales process. We take swift action, adapt to market dynamics, and go the extra mile to achieve successful results.

3

Market Experts

We are market experts who stay up-to-date with prevailing market conditions and trends. With our in-depth knowledge, we strategically position your property to maximize its appeal and attract the right buyers.

Choosing Michel Commercial means partnering with a dedicated team that will go above and beyond to sell your property for the highest possible price. We are confident in our ability to deliver exceptional results.

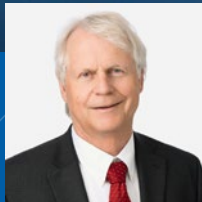


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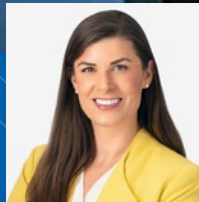
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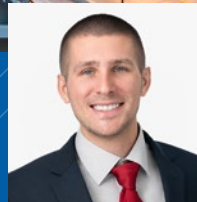
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