



Twin Cities 3Q23 Multifamily Market Report



\$1,536
AVERAGE RENT



94.8%
AVERAGE OCCUPANCY RATE



\$431.1M
YTD SALES VOLUME



1.0%
YOY RENT CHANGE



-0.7 POINTS
YOY OCCUPANCY CHANGE



32 YTD
INDIVIDUAL TRANSACTIONS

Supply & Demand

3Q23

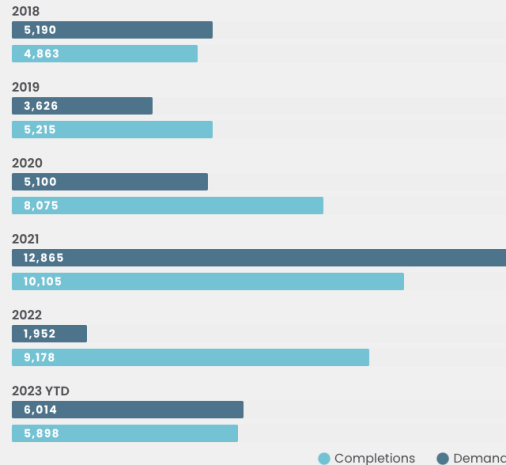


3,850 Units
QUARTERLY DEMAND
YTD: 6,014



2,779 Units
QUARTERLY COMPLETIONS
YTD: 5,898

Annual Demand Vs Completions



Demand Trends

- In the 3rd quarter of 2023, the apartment market in the Twin Cities experienced a remarkable surge in demand, ranking it among the nation's top five markets for quarterly absorption.
- During the July to September period, a total of 3,850 units were absorbed in the Twin Cities, substantially exceeding the pre-COVID 10-year average (from 2010 to 2019) of around 1,300 units absorbed each 3rd quarter.



Completion Trends

- As of the 2023 calendar year, a total of 5,898 units have been added to the Twin Cities apartment market inventory. This robust addition far outpaced the 10-year annual average of approximately 3,300 new units.
- Over the past year, 13 of Minneapolis' 14 submarkets have seen the addition of new apartment supply. Leading the way in this development surge were the submarkets of East St. Paul, Anoka County, and Plymouth/Maple Grove.



Demand Outlook

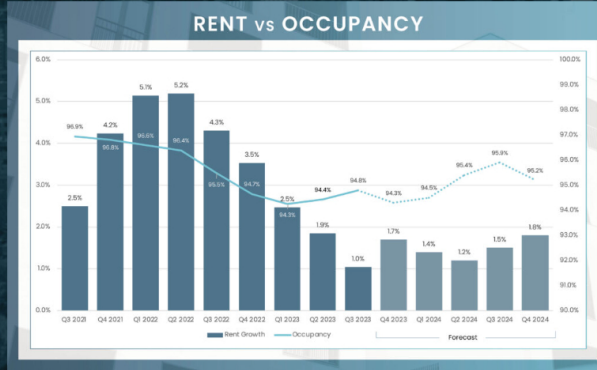
- Over the next four quarters, all submarkets in the Twin Cities are expected to experience positive net absorption. Renters are anticipated to absorb more than 13,000 units, comfortably outpacing the approximately 10,500 new units that are slated to become available during the same period.
- In terms of specific areas, the Downtown Minneapolis/University and East St. Paul submarkets are projected to witness the most robust demand. These two submarkets are collectively expected to account for a net absorption of 3,550 units over the next four quarters.



New Supply Outlook

- As of the end of the 3rd quarter in 2023, the Twin Cities had a substantial number of units under construction, totaling 14,247. Of these, 10,466 units are slated for completion within the coming 12 months, indicating a busy year ahead for the local apartment market.
- Among the submarkets, three are set to receive significant new supply in the next year, with more than 1,000 units each. Downtown Minneapolis/University is leading the pack, expected to welcome over 1,800 new units.

Occupancy & Rent Trends



RENT VS OWN MONTHLY PAYMENT



\$2,445

Average Monthly Mortgage Payment



\$1,536

Average Monthly Rent

* The Average mortgage payment is based off a median home sales price of \$323,000 as reported by the Zillow.com as of Aug 2023.

OCCUPANCY TRENDS

Despite strong quarterly absorption in the Twin Cities, an annual imbalance between supply and demand led to a 0.7 percentage-point drop in market-wide occupancy, settling at 94.8% in the 3rd quarter of 2023—below the pre-COVID long-term average of 95.7%. This drop has disproportionately impacted Class A properties, which registered a 94.0% occupancy rate, as new supply has been abundant over the past five years. In contrast, Class B and Class C properties have maintained more robust occupancy levels at 95.1% and 95.0%, respectively. Occupancy rates have also varied at the submarket level, with Bloomington leading at 96.4%, while Downtown Minneapolis/University recorded the lowest rate at 92.5%.

RENTAL TRENDS

In the Twin Cities, rent growth has been relatively modest when compared to other markets, averaging 1.7% pre-COVID and 1.9% thereafter. The annual growth in effective asking rents reached a modest 1.0% in the 3rd quarter of 2023, marking Minneapolis' weakest performance since the Great Recession, apart from the rent cuts witnessed during the COVID lockdowns. When dissected by product class, Class B properties outperformed with a rent growth of 1.5%, followed by Class A and Class C units registering weaker increases at 0.8% and 0.3%, respectively. On a submarket level, the strongest annual rent change performances were recorded in Eden Prairie/Shakopee/Chaska and South St. Paul/Eagan, both of which experienced increases of 3% or greater.

Submarket Rent & Occupancy

Show entries

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Submarket	Average Occupancy	Annual Occupancy Change	Average Monthly Rent	Annual Rent Change
Downtown Minneapolis/University	92.5%	-0.8%	\$1,741	0.3%
Uptown/St. Louis Park	94.2%	-0.7%	\$1,597	0.0%
North Minneapolis	93.7%	-2.3%	\$1,360	-0.4%
South Minneapolis/Richfield	95.6%	-0.5%	\$1,683	1.2%
Bloomington	96.4%	-0.2%	\$1,549	2.6%
Eden Prairie/Shakopee/Chaska	95.4%	0.3%	\$1,637	3.2%
Minnetonka	95.4%	-1.1%	\$1,586	0.0%
Plymouth/Maple Grove	95.5%	-0.1%	\$1,662	1.0%
Anoka County	95.6%	-0.1%	\$1,396	1.8%
Central St. Paul	95.8%	0.7%	\$1,533	1.3%
West St. Paul	93.5%	-2.0%	\$1,347	0.6%
East St. Paul	94.7%	-1.6%	\$1,441	1.2%
South St. Paul/Eagan	96.3%	-0.2%	\$1,484	3.0%
Burnsville/Apple Valley	95.5%	0.3%	\$1,513	1.0%
Minneapolis-St. Paul-Bloomington, MN-WI	94.8%	-0.7%	\$1,536	1.0%

Showing 1 to 15 of 15 entries

Previous Next

Units by Submarket Delivering in 2023



14,247

Units Under Construction



10,466

Units UC Delivering in the Next 4 Quarters

Number of Units Under Construction

Downtown Minneapolis/University - 2,105
Uptown/St. Louis Park - 959
North Minneapolis - 430
South Minneapolis/Richfield - 1,461
Bloomington - 794
Eden Prairie/Shakopee/Chaska - 1,691
Minnetonka - 1,178
Plymouth/Maple Grove - 1,520
Anoka County - 569
Central St. Paul - 287
West St. Paul - 513
East St. Paul - 1,090
South St. Paul/Eagan - 707
Burnsville/Apple Valley - 943

Number of Units Delivering Next 4Q

Downtown Minneapolis/University - 1,849
Uptown/St. Louis Park - 760
North Minneapolis - 430
South Minneapolis/Richfield - 1,138
Bloomington - 552
Eden Prairie/Shakopee/Chaska - 1,074
Minnetonka - 797
Plymouth/Maple Grove - 984
Anoka County - 421
Central St. Paul - 287
West St. Paul - 91
East St. Paul - 857
South St. Paul/Eagan - 665
Burnsville/Apple Valley - 561

Sales Activity

In the Minneapolis–St. Paul–Bloomington metro area, the transaction dollar volume for single-asset multifamily transactions reached approximately \$431.1 million through the 3rd quarter of 2023, representing a substantial year-over-year decrease of about 65%. Concurrently, the number of transactions fell by 32 over the past year, resulting in 32 conventional apartment properties changing hands. On the pricing front, the average price per unit in the metro area was around \$184,000, marking a 10% annual decline. While this average price per unit surpassed the Midwest regional norm of \$159,400, it remained below the U.S. average of \$219,700.

▲ Most Active Buyers (Previous 24 Months)

1. FPA Multifamily
2. Weidner Apt Homes
3. SR Realty Trust

▲ Most Active Sellers (Previous 24 Months)

1. Belgarde Enterprises
2. Roers Investments
3. Trident Development

*Most Active Buyers and Sellers are based on the sale volume of apartment units.

TRANSACTION VOLUME

\$431.1M

YTD Transaction Volume

-65%

Y-O-Y Change

32

Individual Transaction Count

\$184.0k*

Price Per Unit

10%

Annual Price Change

* Trailing 4Q average PPU

* Preliminary Data from RCA – Individual transaction \$2.5M +

Economy

As of August 2023, Minneapolis demonstrates a dynamic employment landscape characterized by considerable growth in certain sectors and contractions in others. The Leisure and Hospitality sector led the way, adding 15,200 jobs, marking an impressive 8.1% year-over-year growth. Similarly, Education and Health Services also saw significant expansion, contributing 14,500 jobs, a 4.2% increase. Government roles expanded as well, with 6,300 new positions, constituting a 2.8% growth. On the flip side, sectors such as Financial Activities and Professional and Business Services recorded contractions of -2.3% and -1.2%, respectively. Overall, Minneapolis added 35,400 jobs annually, achieving an employment growth rate of 1.8%. Notably, the unemployment rate stands at 3.2%, which is lower than the national average of 3.8%, suggesting a relatively healthy job market.

Top 5 Employment Sector Annual Change



LEISURE & HOSPITALITY



EDUCATION & HEALTH SERVICES



GOVERNMENT

35.4k
AUGUST ANNUAL JOBS CREATED

1.8%
AUGUST 2023 EMPLOYMENT GROWTH

3.2%
AUGUST 2023 UNEMPLOYMENT RATE
3.8% US AUGUST RATE



Hover over icons to view data

Search:

Sector	Change from Aug 2022 to Aug 2023	Percent Change
Leisure and hospitality	15,200	8.1%
Education and health services	14,500	4.2%
Government	6,300	2.8%
Trade, transportation, and utilities	3,000	0.9%
Mining, logging, and construction	1,800	1.9%
Other services	1,600	2.2%
Manufacturing	900	0.4%
Information	(700)	-2.3%
Financial activities	(3,400)	-2.3%
Professional and business services	(3,800)	-1.2%

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Cost of Living Comparison

When it comes to the cost of living, Minneapolis offers a more budget-friendly lifestyle compared to Chicago. According to the "Cost of Living" index, Minneapolis scores 93.2 overall, indicating a less expensive standard of living relative to the national benchmark score of 100. A significant advantage is evident in housing, where Minneapolis is 21.0% less expensive than Chicago. Utilities are slightly higher, with a 3.9% increase, but this is offset by savings in other areas. Groceries are 8.8% cheaper, transportation costs are 12.5% lower, and healthcare expenses are 5.9% less in Minneapolis. The median home sales price stands at \$323,000 with a negligible year-over-year change of -0.1%, making homeownership relatively stable. Whether you are renting or buying, Minneapolis presents an economical alternative without sacrificing quality of life.

Chicago, IL vs. Minneapolis, MN
Cost of Living Comparison
Groceries: 8.8% Less
Housing: 21.0% Less
Utilities: 3.9% More
Transportation: 12.5% Less

93.2
Cost of Living Index

\$2,445
Average Mortgage
(vs Average Rent: \$1,536)

85.5
Housing Index Score

94.3
Utilities Index Score

96.9
Gas Index Score

Health:
5.9% Less

\$323,000

Median Home Sale Price
(YoY Change: -0.1%)

The "Cost of Living" index score provides a comparative assessment of the relative expense involved in maintaining a standard of living in a specific area, benchmarked against a national index score of 100.

Market Outlook

The Minneapolis-St. Paul-Bloomington apartment market shows promise, though incoming supply raises caution. About 10,500 of the 14,247 units in construction are due within a year, potentially impacting occupancy rates especially in urban areas. Economic recovery, marked by a 1.8% job growth as of August 2023, offsets some concern. Moderate rent growth is expected, hovering around 2% to 3% in the long term. While new supply may push occupancy rates below their 10-year average, it's likely to stay just above current levels. Overall, the market outlook is cautiously optimistic.

Sources: RealPage; BLS; MSCI; The Council for Community And Economic Research (C2ER)

TO GAIN FURTHER INSIGHTS INTO THE TWIN CITIES MARKET PLEASE REACH OUT TO OUR TEAM



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