MINNEAPOLIS-ST. PAUL, MN

2024 MARKET AT A GLANCE

OCCUPANCY RATE (Q4 2024)	EFFECTIVE RENT (Q4 2024)	RENT SHARE OF WALLET (Q4 2024)
95.2%	$1,577	19.0%
UP 60 BPS YOY	UP 2.8% YOY	UNCHANGED YOY

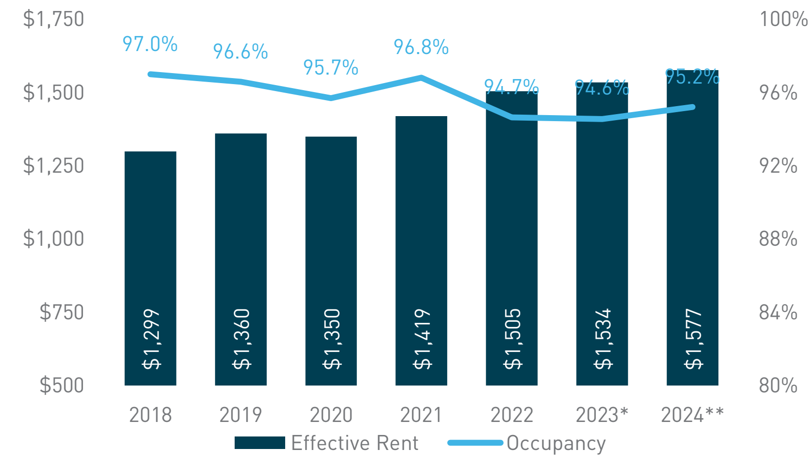
Apartment Demand to Outpace Supply as Households Multiply Amid High Interest Rates

Low single-family home inventory for sale and household expansions will drive apartment demand in Minneapolis-St. Paul beyond a peak supply wave in 2024. Builders are scheduled to bring 10,161 units online as renters absorb 11,823 net units. As a result, the metro's average apartment occupancy rate is projected to increase by 60 basis points to 95.2% in the fourth quarter of 2024. At the same time, landlords are expected to raise the average effective rent 2.8% to $1,577 by the fourth quarter of 2024. Over the past three years, the ratio of new home permits to jobs created has been deficient for a balanced housing market. While permits for single-family homes are expected to exceed a slower employment growth this year, they will not be sufficient or timely enough to counteract high interest rates in the short term. Furthermore, forecast shows a faster rate of household expansion, at 1.1%, which will contribute to high apartment absorption as new households have difficulty finding single-family homes. Existing renters may be encouraged to lease a new unit over renewing as the average effective rent increase will be 60 basis points below the average from the past five years. This year absorption trends are expected to shift toward the urban core after two years of suburban submarkets posting the highest demand. The Downtown Minneapolis/University submarket is projected to take the lead in 2024, resulting from a cohort of younger renters leaving home. The area attracts these new renters with big city amenities, nearby education, and job opportunities.

Unless noted otherwise, data and images pertaining to rent, occupancy, employment, unemployment, income, price per unit, and cap rate are year-end figures. Absorption and construction figures are full-year totals, unless noted otherwise. Numbers for 2023 are projected values. 2024 figures are forecast projections.

APARTMENT TRENDS

Effective Rent & Occupancy

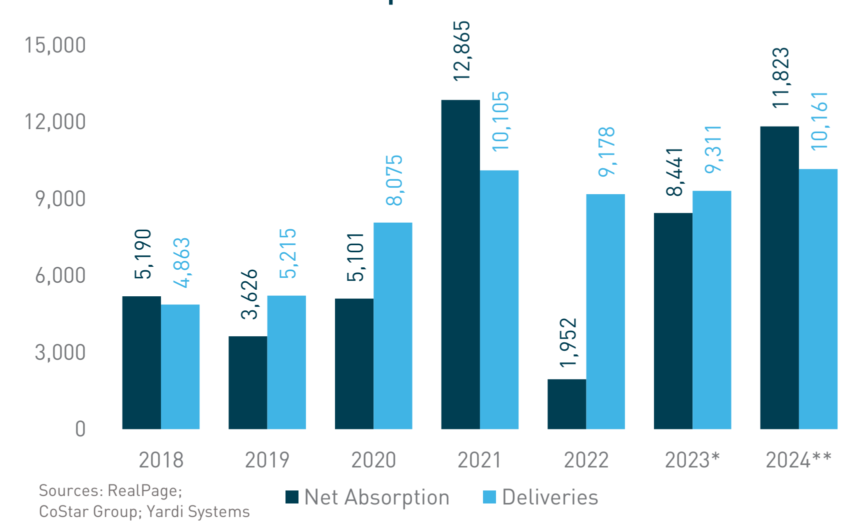


Sources: RealPage; CoStar Group; Yardi Systems

*Projected **Forecast

Note: Effective rent and occupancy reflect stabilized properties and does not include preleased units or properties in lease-up. A newly constructed property is considered stabilized once it becomes 85% occupied.

Absorption & Deliveries



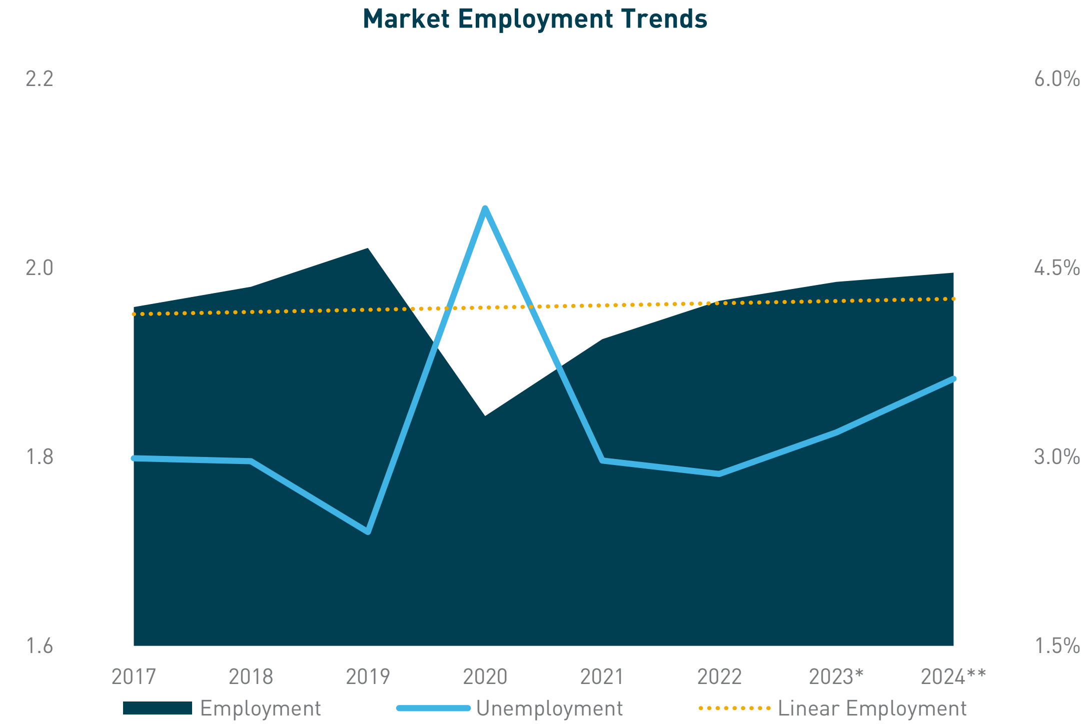
Sources: RealPage; CoStar Group; Yardi Systems

*Projected **Forecast

MINNEAPOLIS-ST. PAUL, MN

BERKADIA®

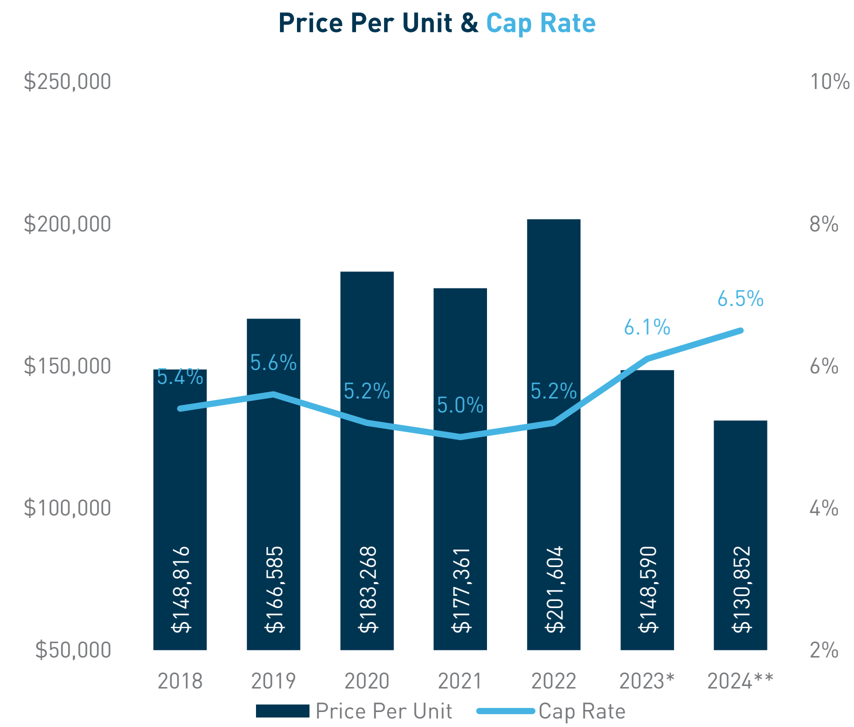
EMPLOYMENT TRENDS



Source: Moody's Analytics

*Projected **Forecast

SALES TRENDS



Sources: Berkadia; CoStar Group; MSCI

*Projected **Forecast

The apartment sales information represents transactions of apartment properties with a sales price of $2.5 million or more, unless otherwise indicated.

EMPLOYMENT
(DEC. 2024)
1,994,800
UP 0.5% YOY

UNEMPLOYMENT
(DEC. 2024)
3.6%
UP 40 BPS YOY

MEDIAN HOUSEHOLD INCOME
(DEC. 2024 SAAR)
$99,617
UP 2.9% YOY

PRICE PER UNIT
(2024 AVG.)
$130,852
DOWN 11.9% YOY

CAP RATE
(2024 AVG.)
6.5%
UP 40 BPS YOY