

MINNEAPOLIS-ST. PAUL, MINNESOTA

NEW DEVELOPMENT & APARTMENT CONSTRUCTION WAVE CONTINUES INTO 2021

Apartment deliveries elevated to a more-than-20-year high of 7,981 units in 2020 amid the negative impacts of COVID-19, and developers are scheduled to deliver even more units over the next 12 months. Significant supply-side pressure in the metro resulted in occupancy falling 130 basis points annually to 95.3% in 2020, even though apartment demand increased last year. Minneapolis residents are expected to absorb even more apartments this year, another 7,523 units metrowide, and this trend will encourage operators to increase effective rent 2.1% to \$1,383. Over the next 12 months, occupancy is projected to fall 10 basis points to 95.2% due to excess supply pressure but continue to outpace the national average. Apartment demand and construction alike are primarily focused on the Downtown Minneapolis/University submarket. Work is underway on a 14.5-mile expansion of the Southwest Light-Rail Transit Green Line that will connect Downtown Minnesota to new communities and simultaneously generate opportunities for multifamily development. Construction has begun to spread to nearby submarkets like North Minneapolis due to COVID-19 hindering the short-term appeal of living near the metro's urban core. There is a promising wave of development underway drawing residents to the Central St. Paul submarket, including the first phase of a transformative, 40-block urban development, formerly a Ford Motor Company plant, scheduled to be completed later this year. The project will eventually bring 300,000 square feet of combined office and retail space to Downtown St. Paul.



2021 MARKET AT A GLANCE



OCCUPANCY RATE

95.2%
Down 10 bps YOY



EFFECTIVE RENT

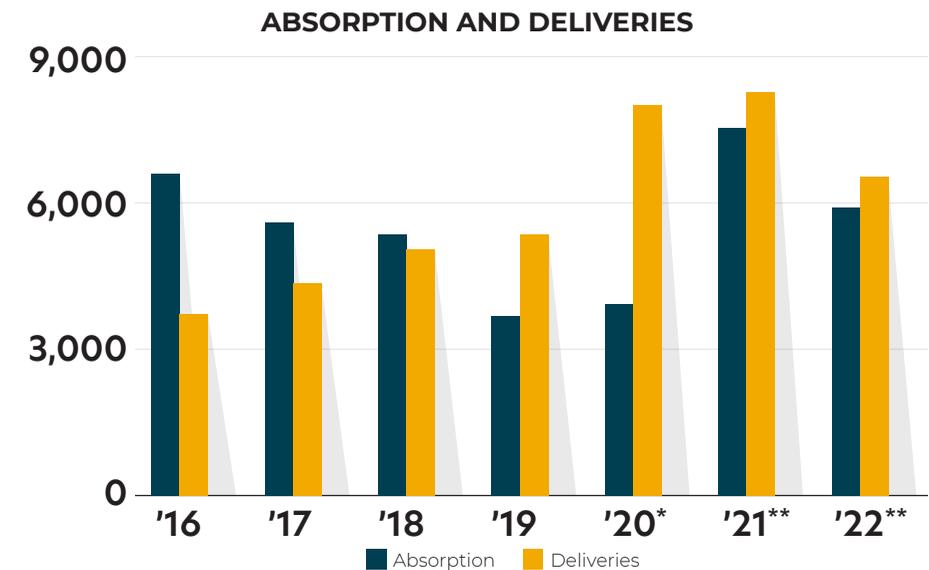
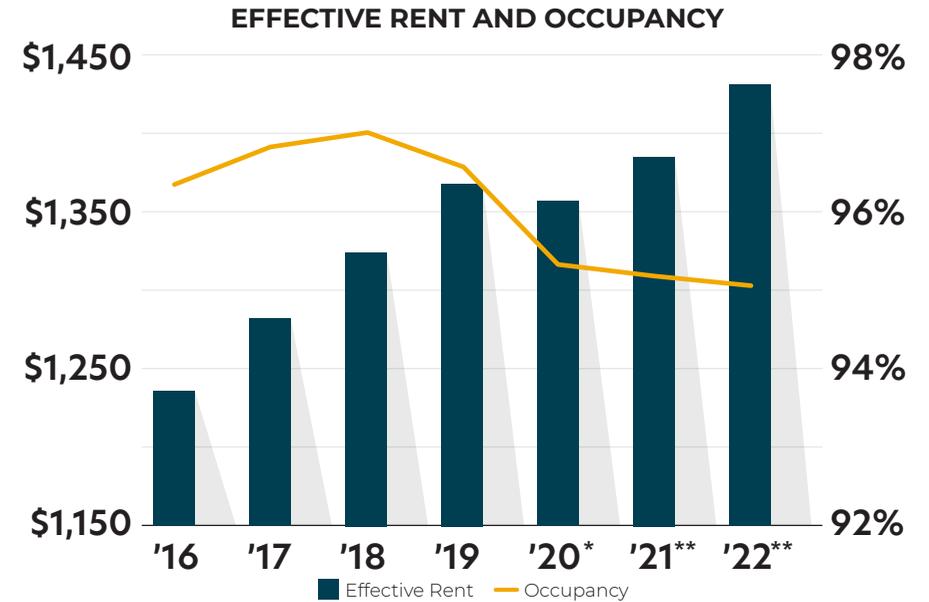
\$1,383
Up 2.1% YOY



RENT SHARE OF WALLET

19.7%
Up 10 bps YOY

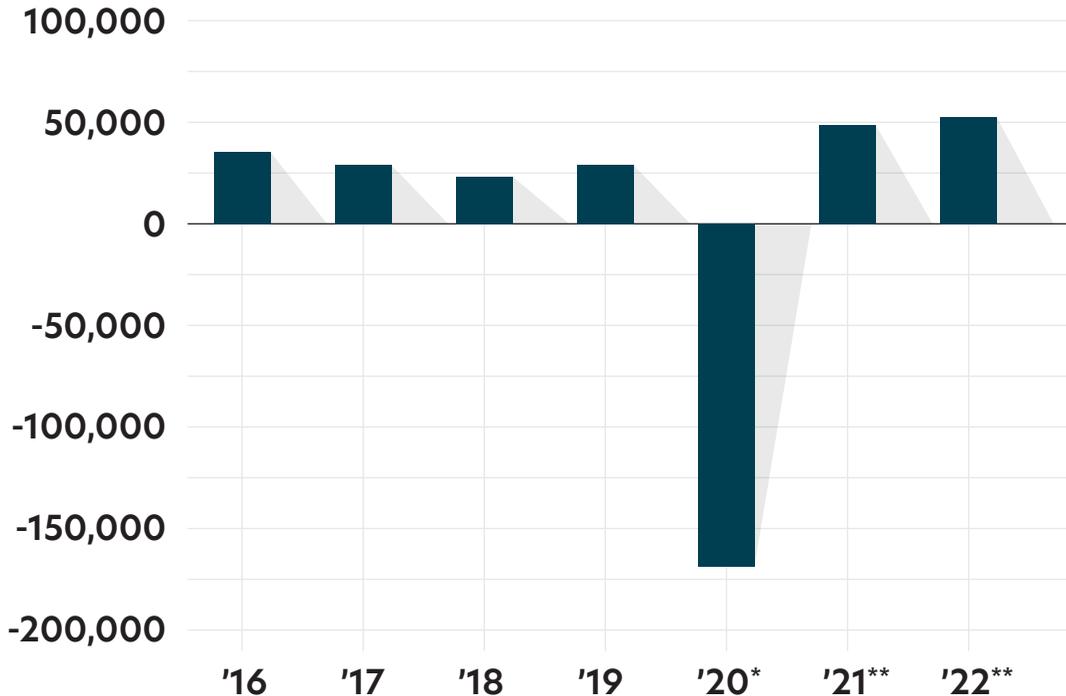
MARKET TRENDS



Data and images pertaining to employment, income, permits, population, rents, single-family housing, and occupancy are year-end figures. Absorption, construction, and apartment sales figures are full-year totals. *Numbers for 2020 are projected values; **2021/2022 figures are forecast projections. Apartment market data criteria and methodologies vary by market.

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EMPLOYMENT TRENDS



EMPLOYMENT

2019	YOY CHANGE	2020*	YOY CHANGE	2021**
2,055,300	-8.3%	1,884,400	2.5%	1,932,000

UNEMPLOYMENT RATE

2019	YOY CHANGE	2020	YOY CHANGE	2021
2.3%	520 BPS	7.5%	-150 BPS	6.0%

POPULATION

2019	YOY CHANGE	2020	YOY CHANGE	2021
3,671,300	0.9%	3,703,500	0.8%	3,734,900

HOUSEHOLDS

2019	YOY CHANGE	2020	YOY CHANGE	2021
1,433,800	1.3%	1,452,200	1.3%	1,471,100

MEDIAN HOUSEHOLD INCOME

2019	YOY CHANGE	2020	YOY CHANGE	2021
\$83,823	-1.3%	\$82,699	1.7%	\$84,084

SALES TRENDS

PRICE PER UNIT

2019	YOY CHANGE	2020*
\$167,046	11.4%	\$186,110

CAP RATE

2019	YOY CHANGE	2020
5.6%	-20 BPS	5.4%



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