

Minnesota
Market Reports

For Experts
and Enthusiasts

The Twin Cities 411

Multifamily Edition



1st SELECT

Q4 2024

INTRODUCTION

2024 was a difficult year for the Multifamily market. Slow rent growth and high interest rates led to few transactions. 4th quarter was no different. The good news is that the Multifamily Market looks much better in 2025.

Occupancy was flat through 2024 with performance between 92% to 96% depending on submarket and product type. Class A and urban properties are at the bottom end, while suburban and class B/C properties performed best. Both Minneapolis and St. Paul downtowns continue to struggle with low occupancy.

Twin Cities rent growth in 2024 averaged 3-4%. These increases are not abnormal for the market, but 9% annual inflation is. All owners I know are struggling to maintain NOI. New construction coupled with slower population growth is the underlying cause of the poor occupancy and rent growth. New construction remained strong through 2024 with nearly 10,000 new units delivered. 2024 is a continuation of a decade of higher-than-normal new construction. The forecast for new construction in 2025 is closer to 3,500 units and I suspect many of them will be delayed due to capital challenges. The recent announcement of 25% tariffs for Canada, a major provider of building materials, will create more headwinds for builders. This sets the stage for a better 2025 (if you are an owner and not a builder).

Throughout 2024, we were teased by the Fed hinting lower rates were coming, but we didn't see anything until September. Many clients waiting to purchase, finance, or refinance because they expected decreasing rates. But the bond market rallied instead of dropping and pushed rates up nearly 100 basis points since the Fed's September cut. The Fed is now saying they have no plans to cut more. Cutting Fed spending is likely to slow segments of the economy while increasing tariffs is inflationary. The changes are so consequential, that our crystal ball is foggy. One thing seems certain, these changes are likely to create a headwind in 2025 as the world economy adjusts. The chaos from Trump may lead to an economy slowing and rates going down, but most bets we see predict rates staying relatively flat in 2025.

We feel confident that rents will go up 6-8% and metro-wide occupancy will return above 95% in 2025. This improved income will help restore buildings NOI. The improved NOI should lead to more transactions in 2025 as sellers are willing to accept a cap rate that makes sense to buyers. If you are thinking of buying, we suspect this cycle is near its bottom. If you are considering selling, the improved NOI will restore values to what we had before Covid, George Floyd, and government shutdowns rocked our world.

Finally, if you are like many owners and find managing in this anti-landlord environment difficult, please call us for a management quote. We are very good at managing and can free you up to focus on skills other than plunging toilets and chasing residents for their rent. Our mission is "We help owners succeed so communities prosper." We'd like to be your partner in success.

Regards, William Cullen

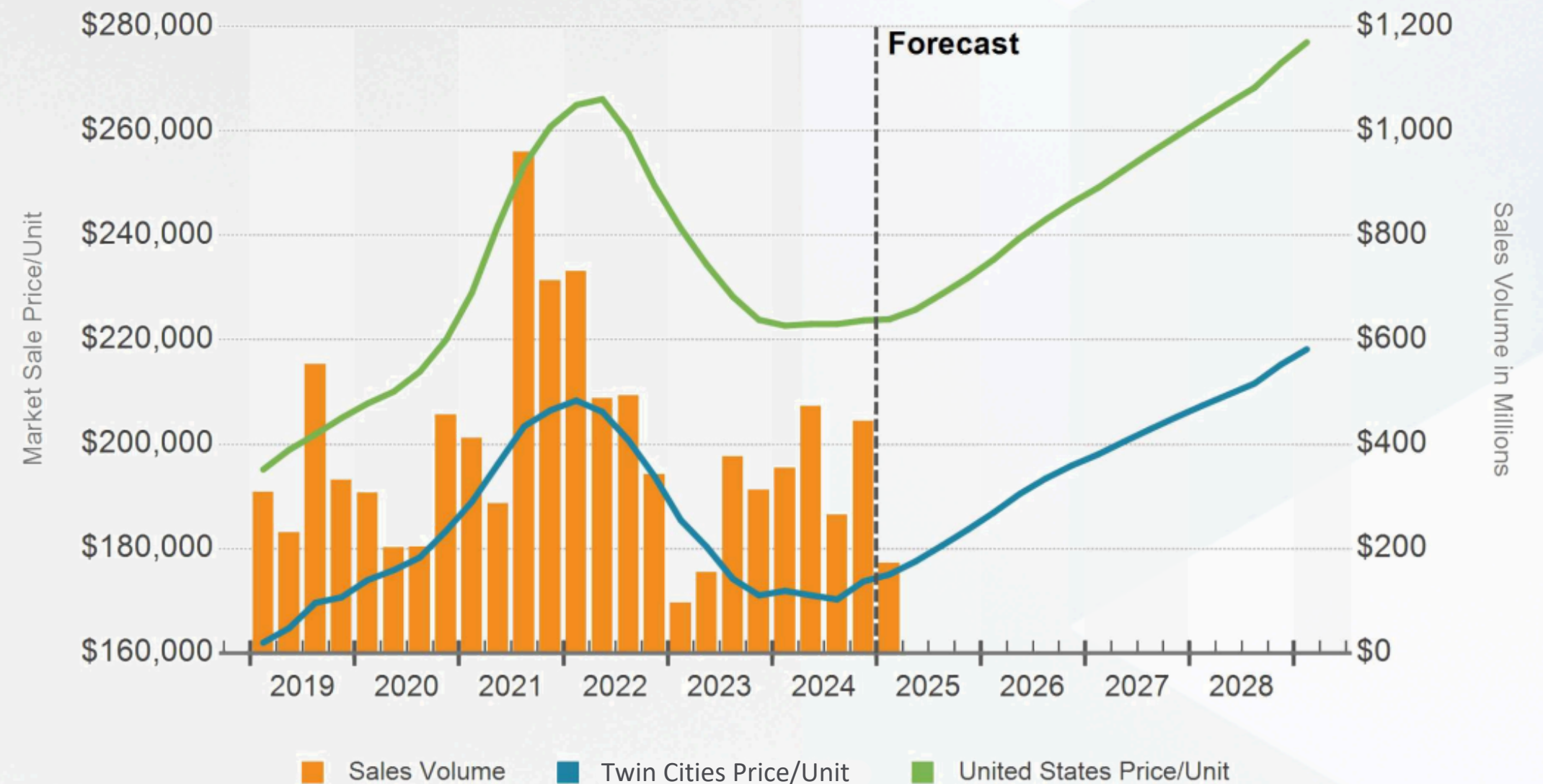
Sales Volume

2024 Q4 for 10-100 Unit Class B & C Buildings in the Twin Cities

- Sales Volume: \$98.1 million
- Properties Sold: 28
- Avg. Asking Price/Unit: \$99,509
- Months to Sale: 4.7 months
- Avg. Cap Rate: 6.5%
- Avg. Vacancy at Sale: 5.9%

SALES VOLUME & MARKET SALE PRICE PER UNIT

for all property classes and sizes



Source: CoStar

Rent & Vacancy

2024 Q4 Metrics:

- **Vacancy Rate: 5.6%**

**for 10-100 unit, class B & C buildings*

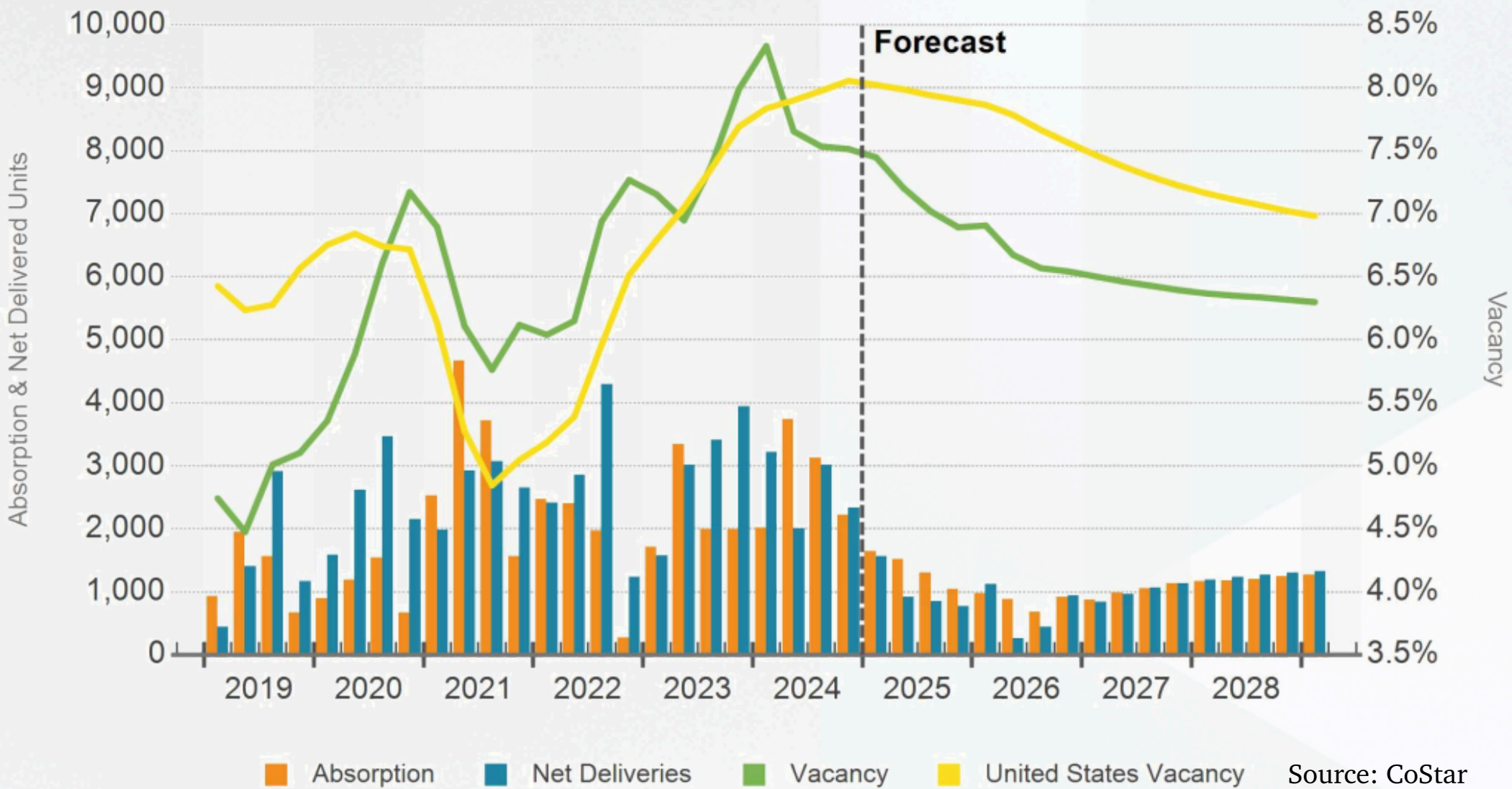
4 & 5 Star	3 Star	1 & 2 Star	Market
11.9%	6.6%	4.6%	7.6%

Source: CoStar

- **Market Rent/Unit: \$1,311**

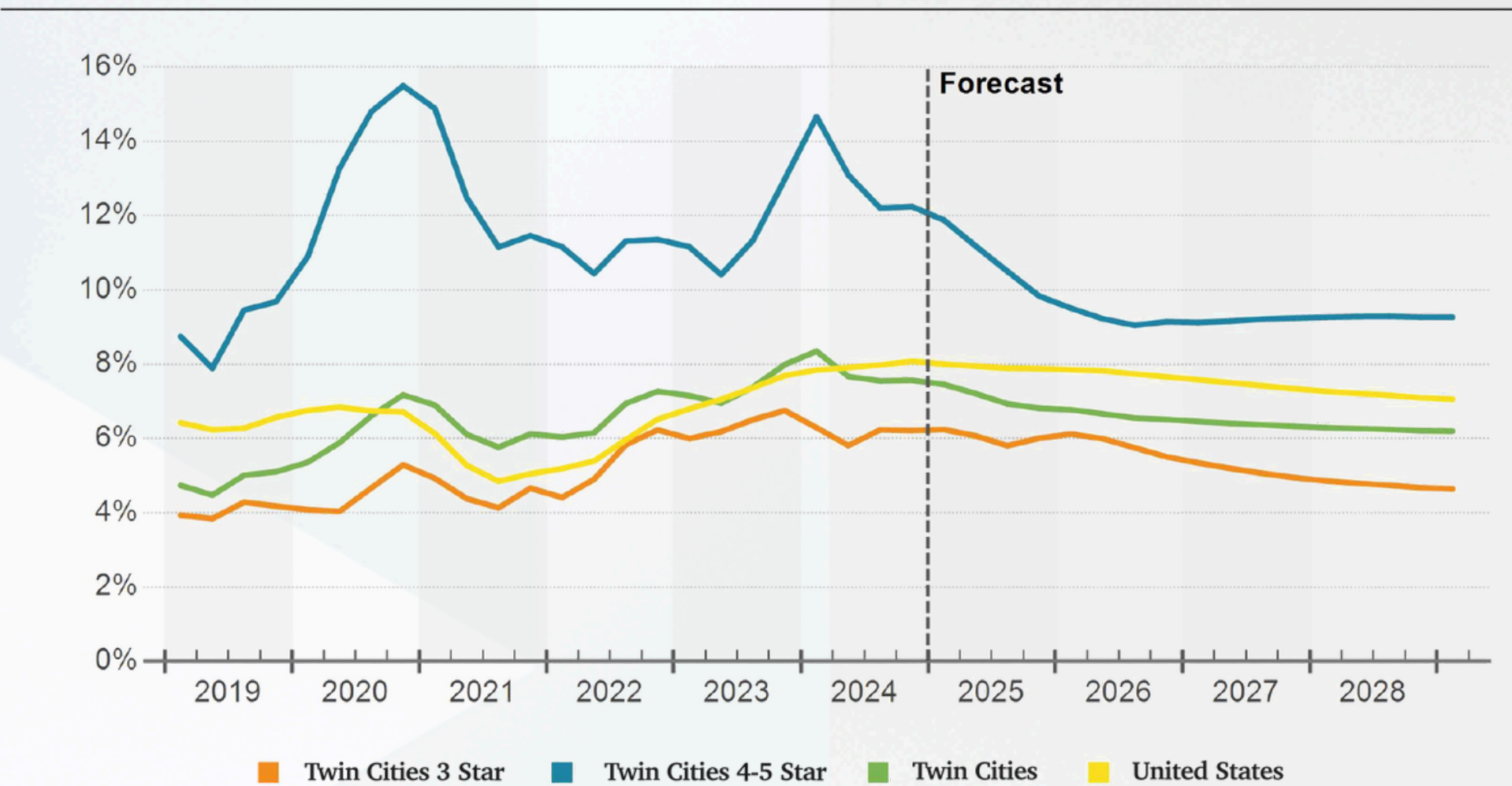
(an increase of 4.9% from Q3)

ABSORPTION, NET DELIVERIES & VACANCY



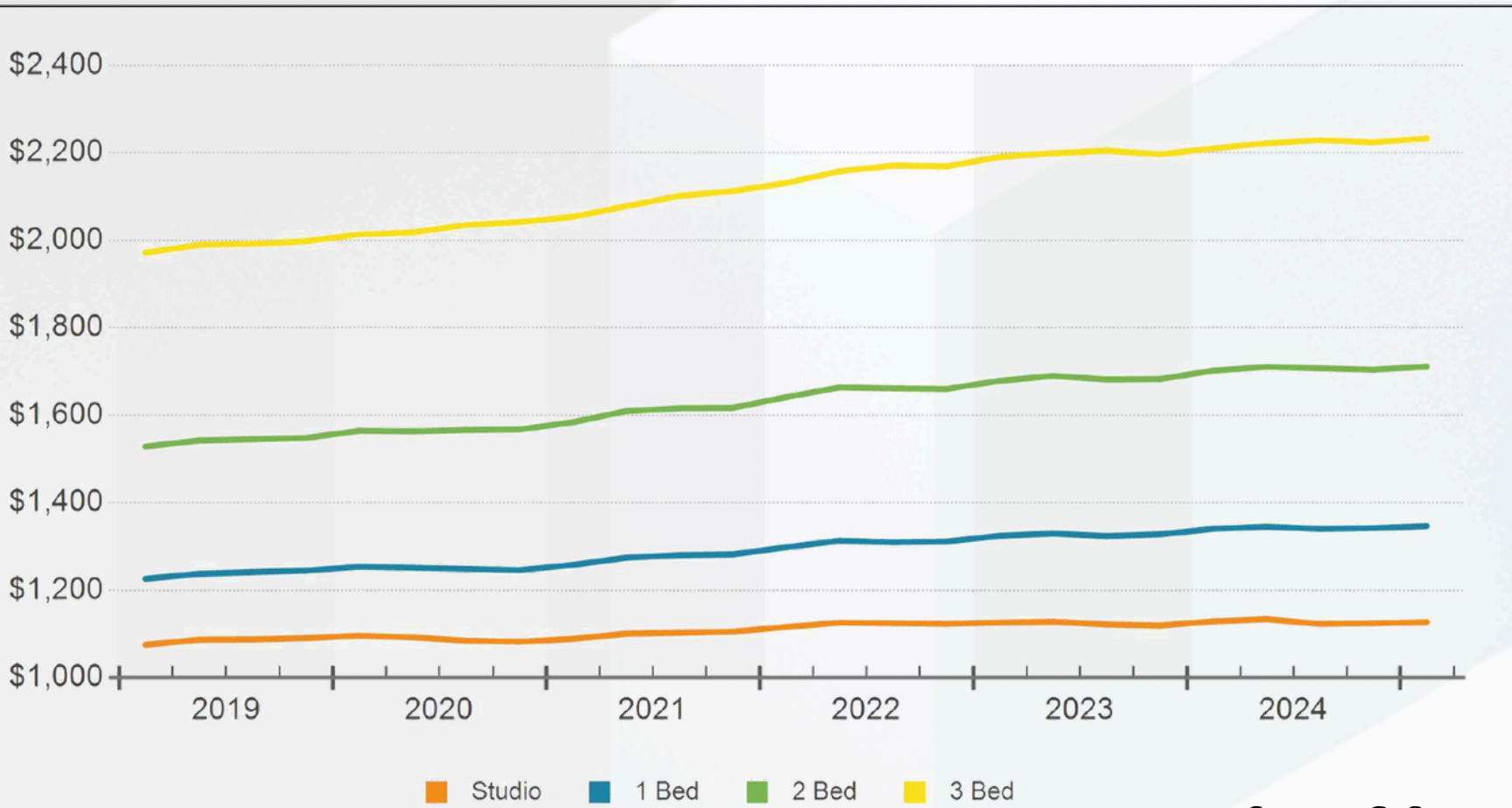
Rent & Vacancy

VACANCY RATE



Source: CoStar

MARKET RENT PER UNIT BY BEDROOM



Source: CoStar

Studio	1 Bedroom	2 Bedroom	3 Bedroom
\$1,048	\$1,184	\$1,389	\$1,711

*Avg. rent for 10-100 Unit, Class C Buildings in the Twin Cities in Q4

Source: CoStar

Q4 Sales

Building Address	City	Built/Renov	Units	Price/Unit
2610-2618 Cutters Grove	Anoka	1993	48	\$188,420
2540 Fair oak Ave	Anoka	1979	24	\$108,333
4200 3rd St. NE	Columbia Heights	1964	17	\$95,588
4927-4935 University Ave NE	Columbia Heights	1961	22	\$85,909
9900 Redwood St NW	Coon Rapids	1993	68	\$144,118
680 12th St SW	Forest Lake	1980/2002	64	\$85,000
129 2nd St N	Minneapolis	1915/2012	47	\$182,553
515 5th St SE	Minneapolis	1900	11	\$130,000
3123 23rd Ave	Minneapolis	1962	12	\$85,833
1207 W 25th St	Minneapolis	1905/2016	13	\$83,192
2205 Bryant Ave S	Minneapolis	1956	13	\$95,082
1200 W Franklin Ave	Minneapolis	1908/2017	17	\$113,244
3449 Harriet Ave S	Minneapolis	1967	17	\$103,529
2901-2905 James Ave S	Minneapolis	1914	13	\$101,019
1524 Lasalle Ave	Minneapolis	1919/2015	26	\$79,231
3226 Minnehaha Ave	Minneapolis	1963	12	\$108,333

Building Address	City	Built/Renov	Units	Price/Unit
5600 Grandview Blvd	Mound	1970	88	\$111,364
2701 County Road I	Mounds View	1995	83	\$102,711
1247 Gentry Ave N	Oakdale	1997	17	\$170,000
4505 W 36 1/2 St	Saint Louis Park	1967/2016	66	\$112,121
133 7th St	Saint Paul	1917/2019	48	\$188,542
44 Arlington Ave W	Saint Paul	1969	30	\$77,000
643 Cleveland Ave S	Saint Paul	1959	22	\$100,000
578 Galtier St	Saint Paul	1978	32	\$61,875
1716 Grand Ave	Saint Paul	1915	10	\$130,000
1787 Grand Ave	Saint Paul	1960	18	\$122,222
1721 Marion St	Saint Paul	1971	30	\$75,000
1630 Marshall Ave	Saint Paul	1929	10	\$96,000
1670 Marshall Ave	Saint Paul	1923	10	\$120,000
760 Mt Curve Blvd	Saint Paul	1925	30	\$95,000
1068 Raymond Ave	Saint Paul	1991	18	\$104,167
1073-1075 Waterloo Ave	West Saint Paul	1966	36	\$103,472

Our Listings

620 S 9th ST
Minneapolis



Year Built	1886
Units	3
Listed at	\$899,000

5749 33rd AVE S
South Minneapolis



UNDER CONTRACT

Year Built	1962
Units	4
Listed at	\$560,000

358 1st AVE S
South Saint Paul



Closed

Year Built	1900
Units	5
Listed at	\$425,000

Our Listings

1073 Waterloo Ave
Saint Paul



SOLD

Year Built	1966
Units	36
Sold on	November, 2024

4927/4935 University Ave
Minneapolis



SOLD

Year Built	1961
Units	22
Sold on	October, 2024

The 1st Select Difference

Brokerage

This is where it all starts. With a commitment to personalized service and deep understanding of local markets, we navigate your real estate journey with precision and professionalism.

We offer unparalleled expertise in:

- Investment Analysis
- Buying
- Selling
- Leasing

Property Management

We know the journey doesn't end after a purchase. Turning your investment into a long-term success has just begun.

Our team of agents, managers, and back of house experts manage your property as if it was their own. Whether it's multifamily or commercial, stop spending time making calls and worrying about the details, let us do it instead.

Property Maintenance

Our facility team boasts over 100 years of combined experience, ensuring top-tier expertise in:

- General Maintenance
- HVAC Repairs & Maintenance
- Painting & Unit Turns
- Remodeling & Repairs
- Custodial Services

Plus, our **24/7 emergency service** guarantees peace of mind when you need it most. Experience the 1st Select difference.

For more: www.1stSelect.net

About Us



John Stiles

Agent

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Meet Your Agent

John's journey started with a bad experience as a tenant, inspiring him to become a better landlord.

In 2010, he earned his MN real estate license and joined a property management company. After four years, he shifted focus to helping people buy and sell properties.

In 2017, John joined Bridge Realty, bringing value to multifamily investors.

He founded the Twin Cities Multifamily team in 2021 and joined 1st Select in 2024 to specialize in the multifamily industry.

Our Team



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