

Rents continue to gain ground

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **6,112**

UNITS DELIVERED (YTD) **1,138**

MARKET FUNDAMENTALS



VACANCY RATE **4.7%**

YEAR-OVER-YEAR CHANGE **-10bps**

ASKING RENTS **\$1,636**

YEAR-OVER-YEAR CHANGE **+4.5%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$219,100**

MINNEAPOLIS-ST. PAUL
MULTIFAMILY
Q1 2026

HIGHLIGHTS

- Operating conditions in the Minneapolis-St. Paul multifamily market remain among the strongest in the country, with vacancy holding below 5% and rent growth outpacing the national average for the fifth consecutive quarter.
- Vacancy edged up 20 basis points during the first quarter to 4.7%, driven by a modest seasonal softening in absorption and the delivery of more than 1,100 units. Year over year, the rate is down 10 basis points, reflecting a market that has largely held its footing despite elevated supply growth from 2021 to 2024.
- Asking rents in Minneapolis-St. Paul advanced 1.0% during the first quarter to \$1,636 per month, continuing a prolonged period of steady rent growth. Year over year, rents are up 4.5%.
- Transaction activity in the first quarter was modest in volume but shifting in composition. Year to date, the median sale price is \$219,100 per unit, up 11% from 2025, as buyers showed an increasing preference for Class B assets, shifting the mix away from lower-tier properties and lifting aggregate pricing.

MINNEAPOLIS-ST. PAUL MULTIFAMILY MARKET OVERVIEW

The Minneapolis-St. Paul multifamily market continues to demonstrate sound operating fundamentals. In 2025, renter demand fueled property performance, with net absorption totaling approximately 8,800 units for the full year. This demand drove rent growth. While net absorption cooled at the beginning of 2026, the overall vacancy rate still ended the quarter lower than one year earlier and rents continued to gain ground. Rents rose 1.0% in the first quarter, bringing the year-over-year increase to 4.5%. This marked the fifth straight consecutive quarter of healthy gains. This trajectory reflects a market where a balanced development pipeline and steady demand have preserved operator pricing power even as conditions have softened in peer markets across the country.

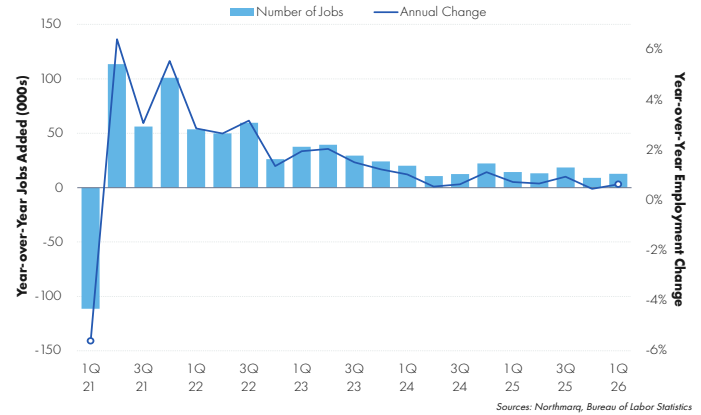
The transaction mix in the Minneapolis-St. Paul multifamily investment market began to shift at the beginning of 2026. Class C assets, which historically accounted for one-third of all sales activity, represented just 17% of first quarter transactions. Buyers have increasingly favored Class B properties, drawn by stronger rent growth and greater long-term occupancy trends. That shift is reflected in pricing. The first quarter median sale price reached \$219,100 per unit, up 11% from 2025 levels. Sales activity was concentrated in the Outlying St. Paul submarket, which accounted for approximately 33% of total apartment sales. The combination of rising prices and sustained deal volume may signal that the Twin Cities investment market is shifting away from the value-add, yield driven transactions that characterized prior years and toward acquisitions of newer, more recently built assets in a market where fundamentals remain strong.

EMPLOYMENT

- Employment in the Twin Cities continued to grow at a modest pace. Year over year, employers added 12,600 workers, representing a 0.6% increase. Several blue-collar industries recorded stronger hiring momentum during this period.
- The manufacturing sector added approximately 4,200 jobs, representing an annual growth rate of 2.1%. Meanwhile, employment in the construction sector increased by 6.9%, with 1,300 workers hired during the past 12 months.
- Minneapolis startup, Niron Magnetics, produces rare-earth-free magnets using domestically sourced iron nitride. The manufacturer has secured funding to develop a 1.6-million-square-foot magnetics plant, with construction expected to begin in early 2028 and create more than 700 jobs.
- **FORECAST:** Employment growth is expected to maintain modest growth through 2026. Area employers are forecast to add roughly 15,000 workers to payrolls, representing a 0.8% increase in total employment.

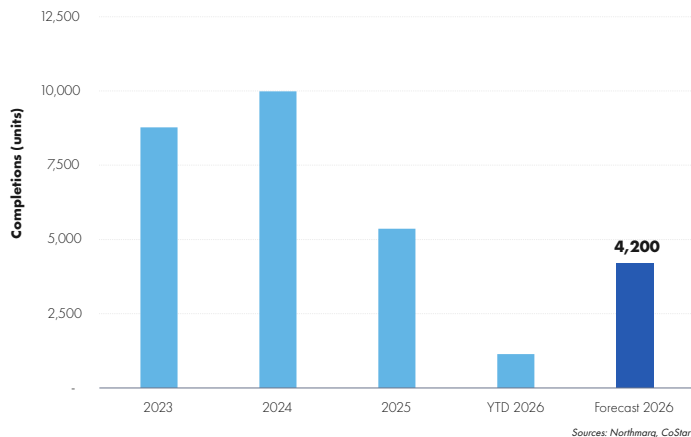
Employment in the construction sector increased by 6.9%.

EMPLOYMENT OVERVIEW



Projects totaling 1,100 units were completed in the first quarter.

DEVELOPMENT TRENDS

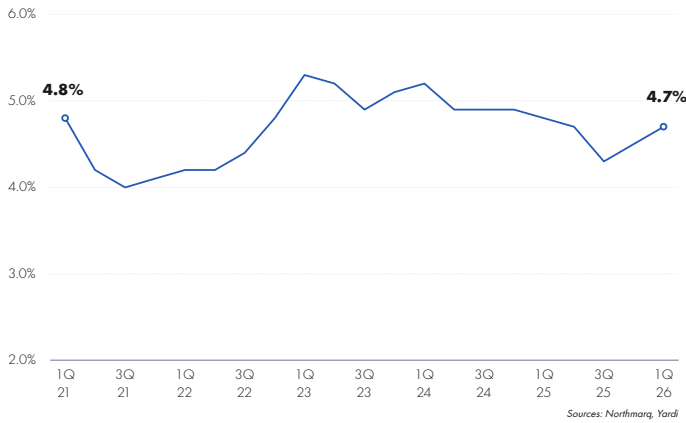


DEVELOPMENT & PERMITTING

- Multifamily development activity in 2026 is on pace to deliver a unit count comparable to 2025 levels. During the first quarter, approximately 1,100 units were completed, with the majority of deliveries concentrated in outlying suburban submarkets.
- The construction pipeline remains relatively tight compared to recent years. About 6,100 units were under construction at the end of the first quarter, closely aligned with the 6,000 units under construction a year earlier. The most active submarket, Carver County, is expected to deliver more than 800 units.
- Multifamily permitting activity is estimated at approximately 1,200 units for the quarter and 4,800 units for the full year 2026. Developers are increasingly focusing on new projects in suburban submarkets, including Apple Valley/Lakeville, Far Eastern Washington, and Far West Hennepin.
- **FORECAST:** Apartment completions in 2026 are expected to moderate compared to the previous year's pace. Projects scheduled for delivery in 2026 total 4,200 units across more than 20 rental communities.

Vacancy is down 10 basis points year over year.

VACANCY TRENDS



VACANCY

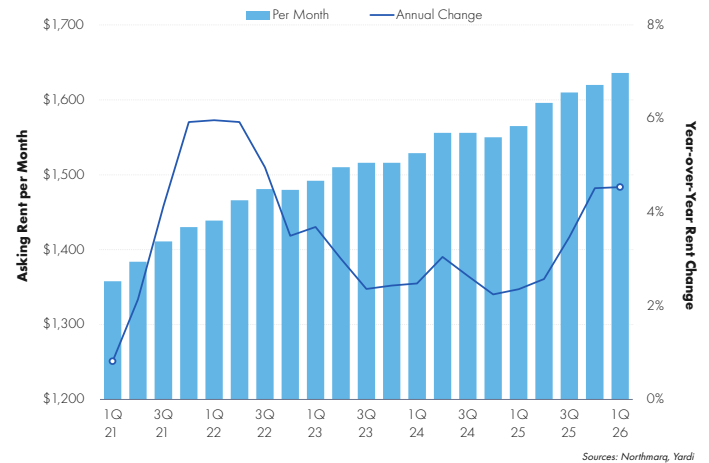
- Overall vacancy ended the quarter at 4.7%, up 20 basis points from the previous quarter but down 10 basis points year over year. The recent uptick in vacancy was driven by negative absorption of approximately 120 units during the last three months, although absorption in 2025 totaled 8,800 units.
- During the past year, suburban vacancy increased 50 basis points to 4.5%, while urban vacancy declined 30 basis points to 4.8%. Central Minneapolis recorded a 110-basis-point decrease to 5.0% vacancy, while Buffalo tightened 60 basis points in the same time frame to 2.4%.
- Despite the delivery of 4,100 Class A units over the past 12 months, vacancy in this asset class rose by just 30 basis points to 5.7%. Annual absorption totaled 3,700 units for Class A properties, demonstrating continued demand.
- **FORECAST:** Vacancy conditions are expected to remain stable in 2026 as multifamily development activity keeps pace with renter demand. Overall vacancy is projected to end the year at 4.5%, unchanged from the prior year.

RENTS

- For the fifth consecutive quarter, Minneapolis-St. Paul recorded strong multifamily rent growth. Asking rents rose 1.0% during the quarter and 4.5% year over year, reaching an average of \$1,636 per month across the metro.
- Select submarkets outperformed the broader market in rent growth. In Near North Minneapolis, rents increased 7.4% annually to \$1,505 per month, while Inver Grove Heights recorded a 6.5% annual gain, reaching \$1,750 per month.
- Suburban Class B properties recorded the strongest rent growth, increasing 5.0% year over year to \$1,539 per month. In comparison, urban Class C apartments posted the slowest gains, with rents rising 3.9% annually to \$1,109 per month.
- **FORECAST:** Multifamily rent growth is expected to moderate in the coming quarters, though annual gains will continue to outpace national averages. Rents are projected to rise 3.4% annually, reaching an average of \$1,675 per month by year-end.

Asking rents increased 4.5% year over year.

RENTS TRENDS

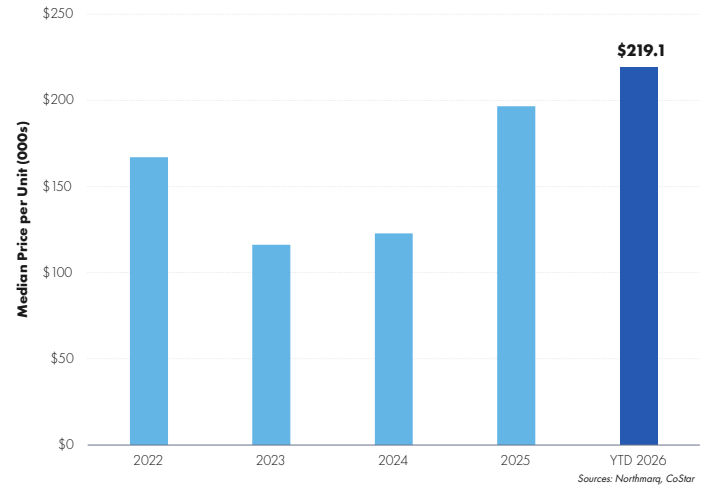


MULTIFAMILY SALES

- Transaction activity was consistent with the trailing-five-year average for first quarter sales, indicating a relatively liquid market. To this point in the year, sales activity has been driven primarily by Class B properties trading in the Outlying St. Paul submarket.
- The median sale price in the first quarter reached \$219,100 per unit, up 11% from 2025 levels, as new market entrants increased buyer demand and demonstrated a preference for Class B assets.
- Class C properties have accounted for a declining share of total sales in 2025 and to this point in 2026. Over the past five years, Class C assets represented an average of 33% of multifamily sales. That share fell to 24% in 2025 and further declined to 17% in 2026 to date.

The median sale price in the first quarter was \$219,100 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

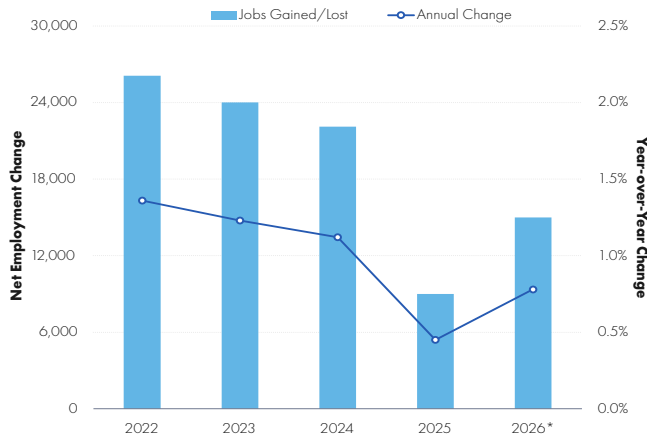
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
The Burlington Apartments	1180 Cushing Circle, Saint Paul	1985	438	\$64,300,000	\$146,804
Avana Maple Grove	9325 Garland Ave., Maple Grove	2002	264	\$53,000,000	\$200,758
The Copham	607 N Washington Ave., Minneapolis	2012	120	\$37,600,000	\$313,333
Minnetonka EdgeWater Apartments	4177 Shoreline Drive, Spring Park	1967	82	\$20,437,000	\$249,232
Bass Lake Crossing	5601 Quebec Ave. N., New Hope	1970	140	\$12,650,000	\$90,400

LOOKING AHEAD

The Minneapolis-St. Paul multifamily market is positioned to sustain its operational momentum through the remainder of 2026 as the development pipeline cools. Approximately 4,200 units are scheduled for delivery across the full year, reflecting a slowdown from 2025 and broadly aligning with the market’s long-term ability to absorb new inventory. This balance between new supply and renter demand is expected to keep vacancy near current levels. Employment growth is projected to provide a steady foundation for demand in 2026, while longer-term demand drivers are also emerging. Rent growth is expected to moderate from recent highs but remain above the national average.

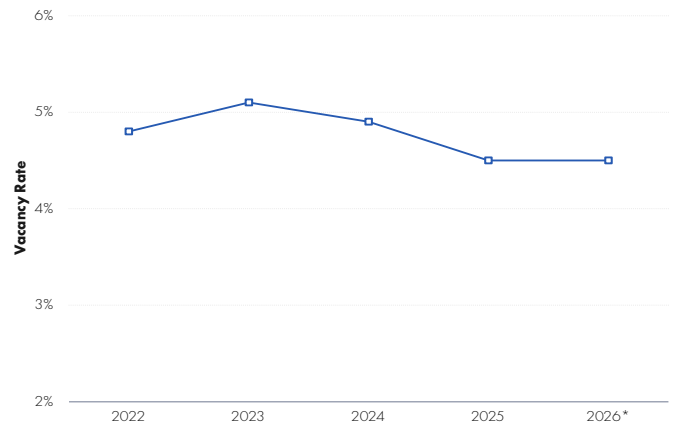
The investment outlook reflects a market where improving fundamentals are drawing more capital. Growing investment in Class B acquisitions is likely to continue as buyers prioritize assets with clearer rent growth and lower vacancy risk. Suburban submarkets, where developers are concentrating new permitting activity, are likely to attract greater investor attention as recently delivered communities stabilize and are brought to market. Consistently tight vacancy and above-average rent growth support a stronger underwriting case than most markets. One variable to monitor is permitting activity, which could lead to a modest supply acceleration in 2027 or 2028. For now, supply and demand remain closely aligned, a factor that should continue to attract investors.

EMPLOYMENT FORECAST



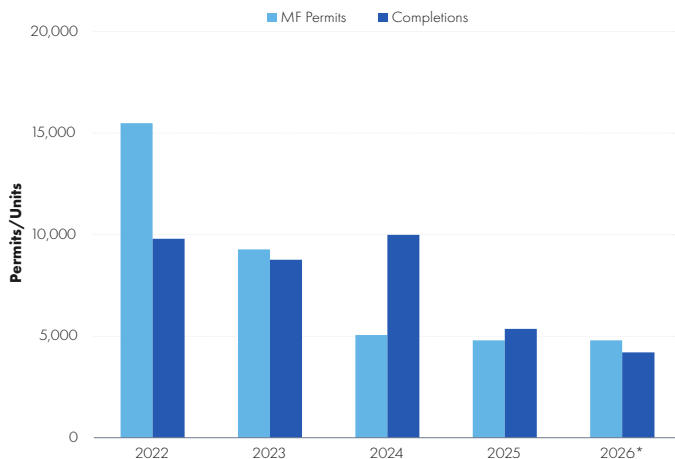
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



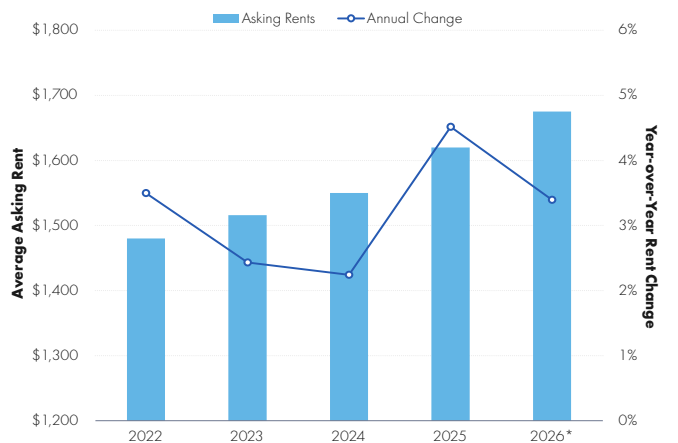
* Year End Forecast
Sources: Northmarq, Yardi

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, CoStar, Census Bureau

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, Yardi



FOR MORE INFORMATION, PLEASE CONTACT

TED BICKEL

Managing Director, Investment Sales

952.247.2801

tbickel@northmarq.com

DYLAN STEMAN

Vice President, Investment Sales

952.247.2846

dsteman@northmarq.com

JEFF BUDISH

Managing Director, Investment Sales

952.837.8751

jbudish@northmarq.com

ANDY FINN

Managing Director, Debt & Equity

952.837.8756

afinn@northmarq.com

DAN TREBIL

Regional Managing Director, Debt + Equity

952.356.0090

dtrebil@northmarq.com

PETE O'NEIL, *National Director, Research* | 602.508.2212 | poneil@northmarq.com

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

KEVIN LIMA, *Research Analyst* | 480.977.6980 | klima@northmarq.com

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