

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **6,043**

UNITS DELIVERED (YTD) **1,115**

MARKET FUNDAMENTALS



VACANCY RATE **4.8%**

YEAR-OVER-YEAR CHANGE **-40bps**

ASKING RENTS **\$1,565**

YEAR-OVER-YEAR CHANGE **+2.4%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$203,700**

MINNEAPOLIS-ST. PAUL
MULTIFAMILY
1Q 2025

MARKET INSIGHTS

Sales activity in the Twin Cities surges in the first quarter

HIGHLIGHTS

- The Minneapolis-St. Paul multifamily market reached the highest first quarter sales activity by both dollar volume and transaction count since 2022. Total sales activity is up 54% from the first quarter of 2024.
- Property fundamentals continue to improve as strong rental demand absorbs new supply. Vacancy increased temporarily following elevated deliveries in recent years but has since improved, reaching 4.8%, a 40 basis point decline year over year.
- Development activity began slowing last year and has since stabilized. The construction pipeline stands at about 6,000 units, down 57% from 2023. New deliveries are projected to total roughly 4,400 units by the end of 2025, aligning with historical averages.
- Rent growth has resumed following a slight dip in the fourth quarter of 2024. In the first quarter of 2025, average rents reached \$1,565 per month, up 2.4% from last year.
- The median sale price per unit reached a recent high of \$203,700 in the opening months of 2025. This figure is 65% higher than the prior year's median sale price per unit.

MINNEAPOLIS-ST. PAUL MULTIFAMILY MARKET OVERVIEW

The Minneapolis-St. Paul multifamily market entered 2025 on solid footing, supported by strong renter demand and a more moderate pace of new development. Vacancy improved to 4.8%, down 40 basis points year over year. Net absorption reached 2,600 units in the first quarter, above totals from both the prior quarter and the five-year average. Urban and suburban vacancy rates held steady for three consecutive quarters at 5.3% and 4.2%, respectively. Rent growth resumed after a brief dip, with asking rents rising 1.0% quarter over quarter and 2.4% year over year to \$1,565 per month. Maplewood posted some of the strongest annual rent growth among submarkets at 7.4%. Development is normalizing after several years of elevated deliveries. About 1,100 units came online in the first quarter, with completions on pace for 4,400 units, consistent with pre-2020 norms. The construction pipeline remains steady at 6,000 units, down 57% from peak levels in 2023. Permitting tracks closely to historical averages, indicating a slower pace of new development ahead.

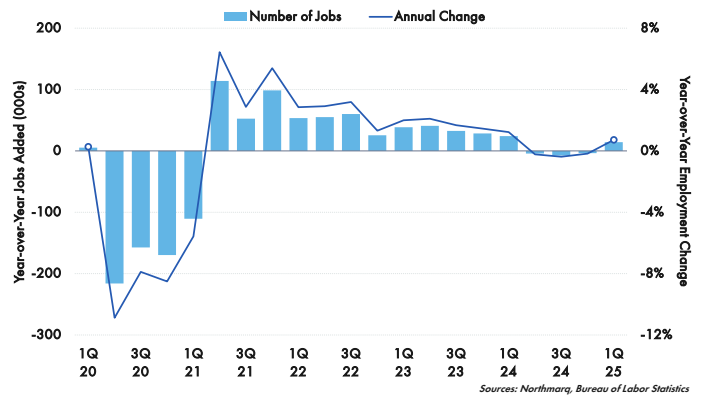
The market opened 2025 with notably strong investment activity, posting the second-highest first quarter sales volume by both dollar volume and transaction count since 2022. Sales were up 54% year over year, reflecting renewed investor confidence and optimism about the market's stability. Pricing reached a recent high, with the median price per unit climbing to \$203,700, a 65% increase from the median for 2024. Cap rates continued their downward trend, averaging 5.8%, driven by continued improvement in operating performance and tightening fundamentals. The mix of transactions remained broad-based across all asset classes, though investor appetite for Class A assets has trended higher. Overall, solid fundamentals, compressed cap rates, and a normalized development pipeline position the Twin Cities as one of the more attractive and resilient multifamily markets in the Midwest.

EMPLOYMENT

- Overall employment growth rose by 0.7% year over year, with roughly 14,300 jobs added since the start of 2024. Growth was modest as gains in some sectors were offset by declines in others.
- The Private Education and Health Services sector posted some of the strongest gains, adding 1,500 employees for the quarter, up 4.0% annually, while the Leisure and Hospitality sector lost 5,400 jobs, down 3.7% annually.
- Plans were submitted to redevelop Burnsville landfill into “Big Hits,” a sports and entertainment complex featuring golf, pickleball, event space, and a park. The project is estimated to draw \$40-\$45M in private investment and create hundreds of jobs. The proposal is welcomed by city officials, who have been seeking ways to remediate the site since the 1960s.
- FORECAST:** Employment growth has recorded in recent periods and is expected to continue through 2025. The Minneapolis-St. Paul job market is forecast to grow by 20,000 positions this year, increasing total employment by about 1% and nearly reaching the pre-pandemic peak.

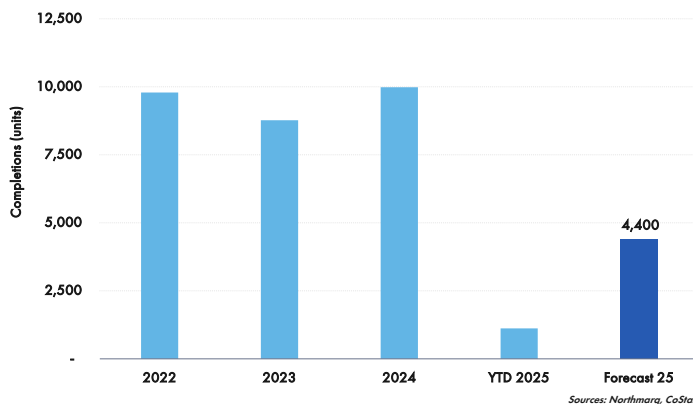
The “Big Hits” project is estimated to draw \$40-45M in investment, creating hundreds of jobs.

EMPLOYMENT OVERVIEW



The construction pipeline declined by 57% from its peak levels in 2023.

DEVELOPMENT TRENDS

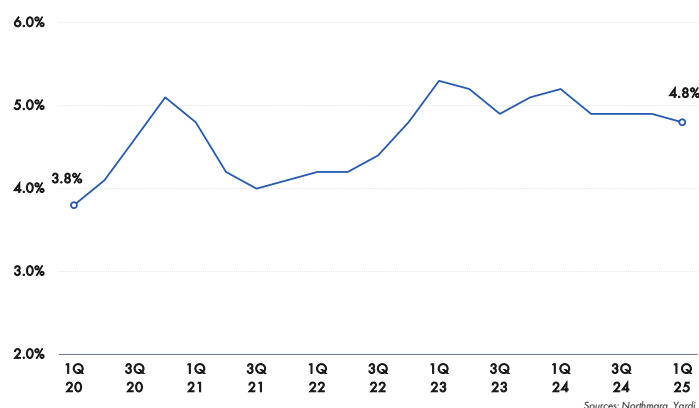


DEVELOPMENT & PERMITTING

- The pace of new construction is slowing, as developers completed about 1,100 units during the first quarter of 2025, down from roughly 3,600 units during the same period last year. At this rate, the pace of deliveries is on track to finish the year at about 4,400 units, returning to construction levels last seen in 2019.
- The number of units under construction held steady from last quarter, with the pipeline remaining at about 6,000 units. This marks a 57% decline from peak levels in 2023.
- During the first quarter, developers pulled permits for about 1,000 units. Between 2020-2023, permitting activity averaged 12,400 annually. Permitting fell to 5,000 units in 2024, and 2025 is on track for 5,500 units, reflecting a slower pace more consistent with historical norms.
- FORECAST:** The pace of multifamily deliveries is expected to fall significantly below the average levels recorded over the last five years, reaching roughly 4,400 units completed by the end of 2025.

The vacancy rate in Minneapolis-St. Paul improved by 40 basis points from last year to 4.8%.

VACANCY TRENDS



VACANCY

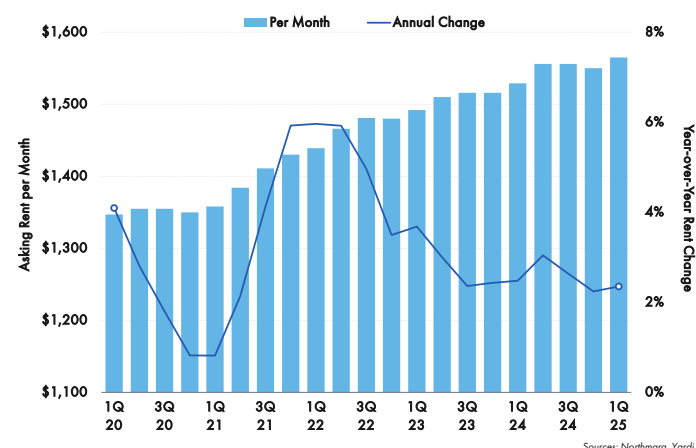
- The vacancy rate in Minneapolis-St. Paul remains steady into the first quarter of 2025, improving by 10 basis points from last quarter to 4.8%. Compared to a year ago, vacancy has dropped by 40 basis points from 5.2%.
- Demand indicators remain strong at the beginning of 2025. Net absorption reached roughly 2,600 units, an increase of 400 units from the previous quarter, and 200 units above the 5-year quarterly average.
- Vacancy conditions across both urban and suburban areas in Minneapolis-St. Paul have remained stable, ranging between 5.3% and 4.2% for three consecutive quarters, respectively.
- FORECAST:** With demand outpacing new supply, Minneapolis-St. Paul multifamily fundamentals are expected to remain strong, supported by steady absorption and a projected year-end vacancy rate of 4.5%

RENTS

- Multifamily asking rents in Minneapolis-St. Paul trended higher after two quarters of nearly flat growth. Local rents rose by 1.0% during the first quarter to \$1,565 per month, marking a 2.4% year-over-year increase.
- Both urban and suburban areas recorded steady growth this quarter, with some submarkets showing stronger momentum than others. Rents improved by 4.3% in both the St. Paul- Macalester-Groveland urban submarket and in the Chisago City suburban submarket.
- Maplewood, located northeast of downtown St. Paul, has posted some of the strongest annual rent growth among all submarkets at 7.4% year over year, though the growth rate has slowed recently to 1.9% quarter over quarter.
- FORECAST:** Rent growth is projected to accelerate slightly over the coming year due to steady demand and a declining rate of new supply. Asking rents are projected to finish the year at around \$1,600 per month, up 3.2% annually.

Asking rents increased by 2.4% year-over-year, reaching \$1,565 per month

RENTS TRENDS

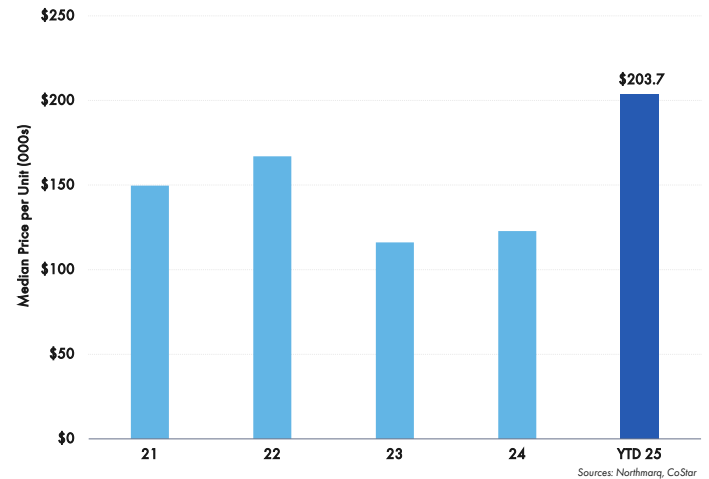


MULTIFAMILY SALES

- Activity in the Minneapolis-St. Paul multifamily sales market is off to a strong start in 2025, posting the highest first-quarter sales by both dollar volume and transaction count since the 2022 peak. Total sales activity is up 54% from the first quarter of 2024.
- The median sale price per unit recorded reached \$203,700 in the first quarter. This figure exceeds the previous year's median by 65% and is just below the first-quarter high set in 2022.
- The transaction mix for the quarter was balanced across all asset classes, with Class C properties making up a slightly higher proportion of sales activity at 40%, Class B at 35%, and Class A at 25%. The proportion of Class A sales activity has trended higher in recent years.
- Continuing a downward trend, cap rates moved lower to an average 5.8% for the period, down 20 basis points from levels recorded last quarter. Improving market fundamentals and growing investor interest are likely the main drivers behind the compression of capitalization rates.

Total sales activity is up 54% compared to the first quarter of 2024.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

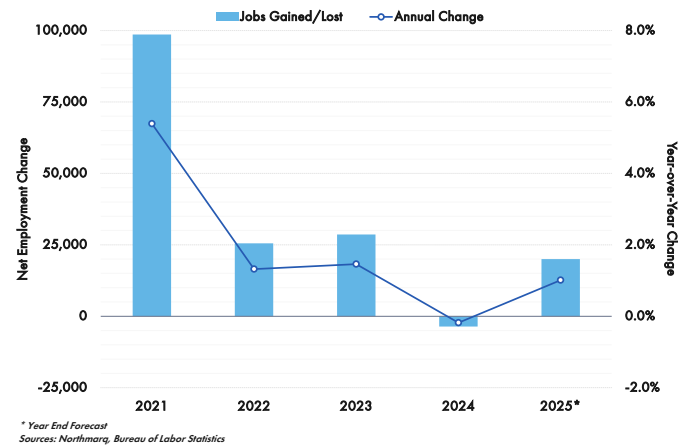
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Boulder Ridge	12685 Germane Ave., Apply Valley	2001	112	\$20,300,000	\$181,250
Dove Tree	1105 Lions Park Dr., Elk River	1995	68	\$9,800,000	\$144,118
Fountain Terrace	751 1st Ave NW., New Brighton	1964	72	\$7,600,000	\$105,556

LOOKING AHEAD

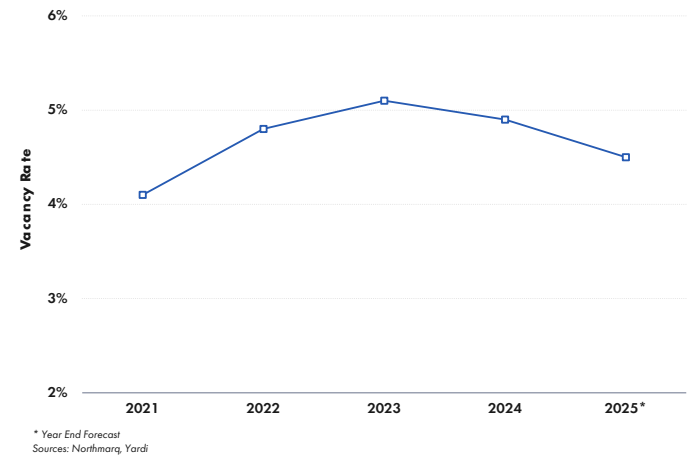
The Minneapolis-St. Paul multifamily market is positioned for continued improvement throughout 2025. A slowdown in new development, combined with resilient renter demand, is expected to support further tighten market fundamentals. Vacancy, which improved to 4.8% in the first quarter, is forecast to hold steady or decline modestly as absorption continues to outpace new supply. Rent growth is expected to accelerate in the coming quarters. Asking rents, up 2.4% year over year in the first quarter, are forecast to increase by 3.2% for the full year, reaching approximately \$1,600 per month by year-end. Strength across both urban and suburban submarkets, especially areas with heightened rent gains over the past year, will drive this momentum. Deliveries are projected to total approximately 4,400 units for the year, well below the peaks from 2021 to 2023 and closer to historical norms. With the construction pipeline near 6,000 units and permitting aligned with long-term averages, supply side pressures should remain limited.

On the investment front, the market had a strong start in the first quarter and is expected to sustain robust activity throughout the year. Although sales volume may moderate in the coming quarters, transaction levels should remain above recent averages, supported by declining cap rates, which moved down to an average of 5.8%, and improving fundamentals. Investor interest is likely to continue across all asset classes, with growing activity in Class A properties, reinforcing the Twin Cities multifamily market as a resilient and attractive destination for both operators and capital providers. Overall, 2025 should bring balanced growth marked by low vacancy, steady rent increases, and solid investment activity, with potential opportunities emerging from evolving migration trends and shifting demand patterns.

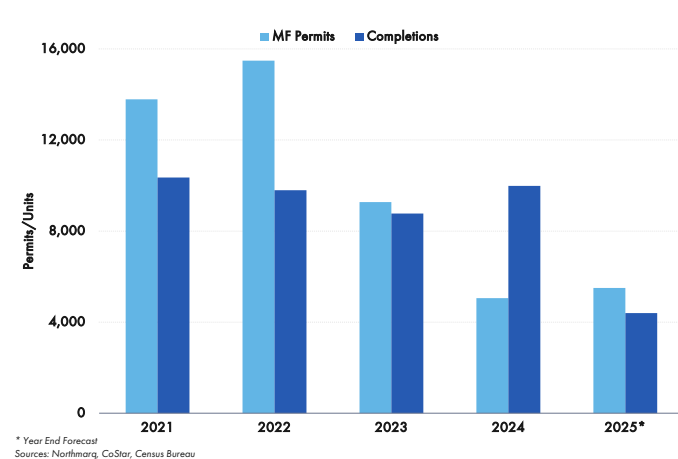
EMPLOYMENT FORECAST



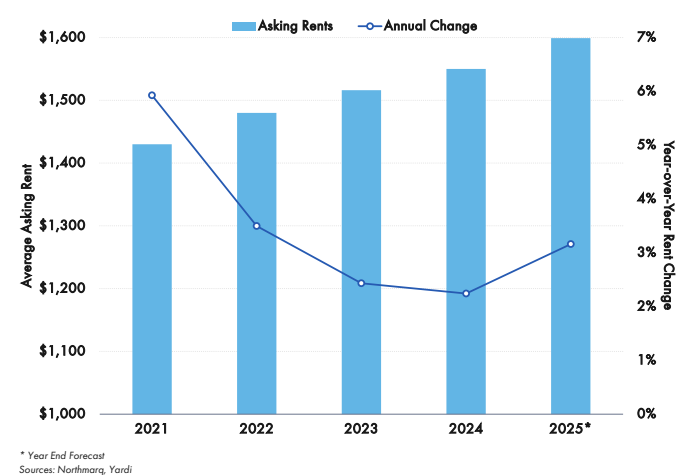
VACANCY FORECAST



CONSTRUCTION & PERMITTING FORECAST



RENTS FORECAST





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