

MINNEAPOLIS-ST. PAUL

APARTMENT MARKET REPORT



Apartment Market Sees Record Construction Levels and Strong Investment Sale Demand

HIGHLIGHTS

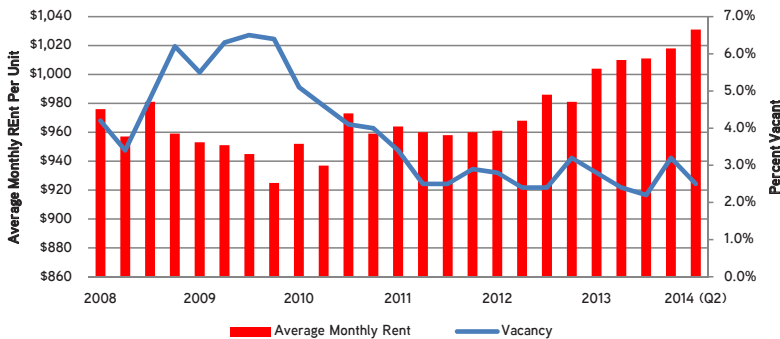
- › There has been 1,910 unit deliveries so far in 2014 and 4,860 in the past 12 months, reaching heights not seen in over a decade. Typically, annual supply for the Twin Cities is under 2,000 units.
- › Despite new deliveries, occupancy stood still at 97.5%. Absorption was an issue in certain submarkets where new construction is continuing at a torrid pace, namely Downtown Minneapolis, the University of Minnesota campus and the Warehouse District.
- › Demand drivers persist despite the housing recovery, suggesting strong long-term fundamentals for new and existing apartment construction. That said, supply levels for 2014 will likely push occupancy lower in some of the hotter submarkets during the second half of 2014.
- › Transaction volume picked up in Q2 and should further increase in Q3. A healthy amount of private capital and institutional-level sales, large portfolio sales should push annual transaction volume well-above average annual figures.
- › Cap rates have remained level despite interest rate fluctuations throughout 2014. Unless there is an unanticipated burst in interest rates in the second half of 2014, we believe much of the interest rate risk is priced in. Cap rates should hold at historically low levels, driven in part by solid short-term and long-term operational fundamentals for multifamily assets.

MARKET INDICATORS

FALL 2014

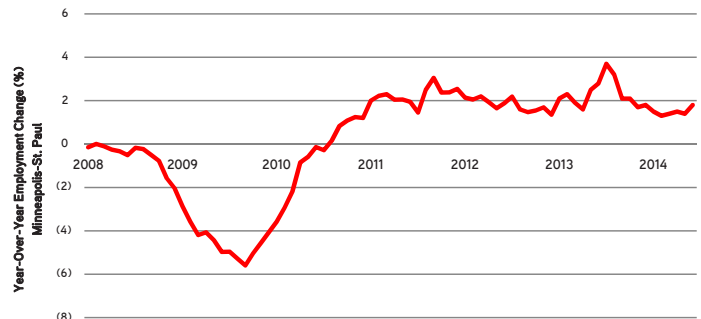
VACANCY	↓
RENTS	↔
TRANSACTION ACTIVITY	↑
PRICE PER UNIT	↑
CAP RATES	↔

AVERAGE RENT AND VACANCY



Source: MPF Research

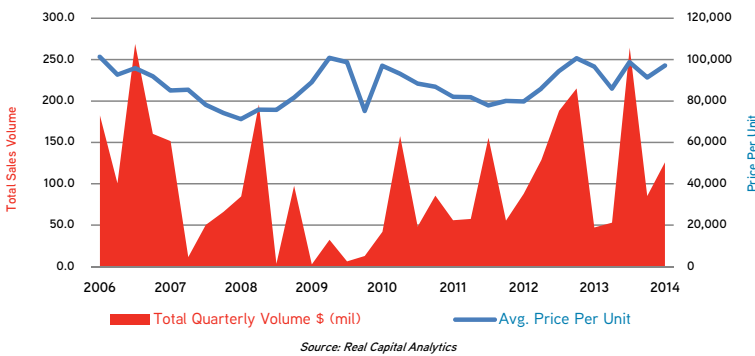
MONTHLY EMPLOYMENT TRENDS



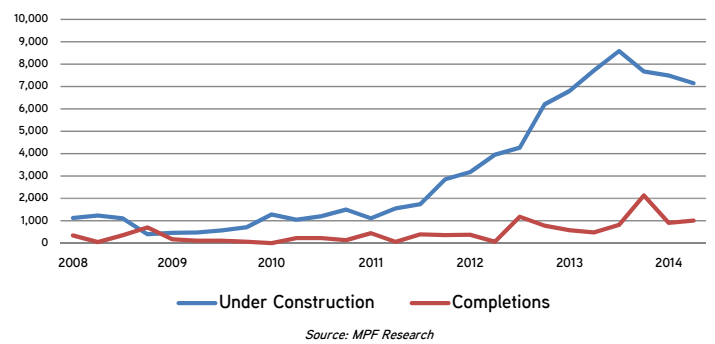
SIGNIFICANT APARTMENT SALE ACTIVITY

BUILDING	ADDRESS	CITY	SIZE (UNITS)	BUYER	SELLER	PRICE	PRICE PER UNIT	SALE DATE
VUE	415 Oak Grove St	Minneapolis	119	Weidner Apt Homes	Continental Property Group	\$30,750,000	\$258,403.36	May-14
Raven Hill	13000 Harriet Ave	Burnsville	304	Redwood Capital Group	Condor Corporation	\$26,925,000	\$88,569.08	May-14
Grand Pre East	205 County Rd B2 E	Saint Paul	250	Loboda Properties	Ted Glasrud Associates	\$19,450,000	\$77,800.00	May-14
Gallery Flats (Phase I)	815 1st St S	Hopkins	73	Sidal Realty	Paul Klodt	\$11,352,117	\$155,508.45	Apr-14
Maryland Park Apartments	1619 Maryland Ave E	Saint Paul	172	Dominium	Stuart Management	\$7,675,000	\$44,622.09	Jun-14
Hillside East	369-391 Old Hwy 8 Sw	Saint Paul	108	Steven Scott Development	Sidal Realty	\$7,275,000	\$67,361.11	Jun-14
Pinewood Estates	25685 3rd St W	Zimmerman	64	Campbell Property Mgmt	Briggs Properties Inc	\$5,168,000	\$80,750.00	May-14
Wilson Ridge	1276 Wilson Ave	Saint Paul	102	Wilson Ridge: The Wall Companies	BT&A Construction Co.	\$4,890,000	\$47,941.18	Jun-14
Fountain Terrace	691 1st Ave Nw	Saint Paul	72	Interstate Partners	Bethel University Foundation	\$4,300,000	\$59,722.22	Jul-14
Malcolm Shabazz	586 Central Ave W	Saint Paul	73	Twin Cities Housing Development Corp	BNV Limited Partnership	\$4,250,000	\$58,219.18	Jul-14
Centennial & Heritage	1320 Centennial Dr	Farmington	68	Scott Weber	Farmington Holdings LLC/Farmington Holdings 2 LLC	\$3,900,000	\$57,352.94	Jun-14

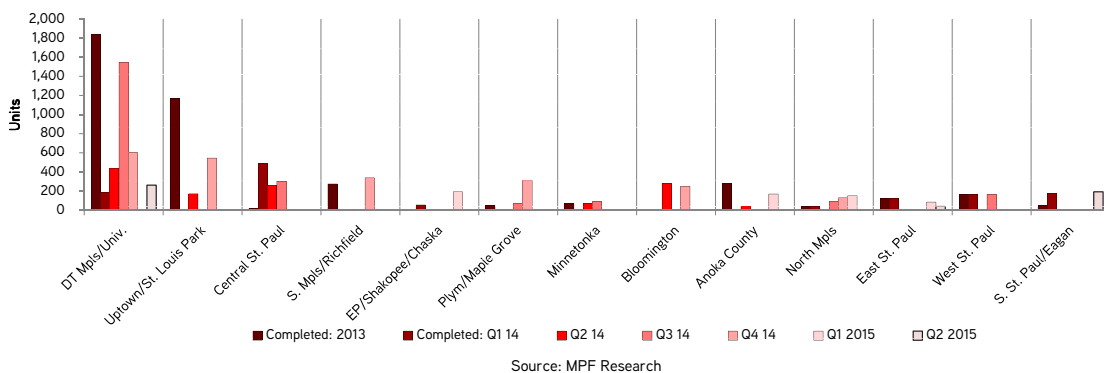
APARTMENT SALES



UNITS UNDER CONSTRUCTION



APARTMENT CONSTRUCTION: COMPLETIONS BY DATE



Leaders in
Global Real Estate
in 66 countries

- US \$2.5 billion in annual revenue
- 16,000 professionals and staff
- 2 billion* square feet under management
- \$112 billion USD in total transaction value

* Square footage includes office, industrial and retail property under management. Residential property is excluded from this total. All statistics are for 2015.

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