

MULTIFAMILY INVESTMENT SALES REPORT

MINNEAPOLIS - ST. PAUL
2020 YEAR IN REVIEW & 2021 OUTLOOK



Accelerating success.

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 **\$307M**

**2020 TEAM
SALES VOLUME**

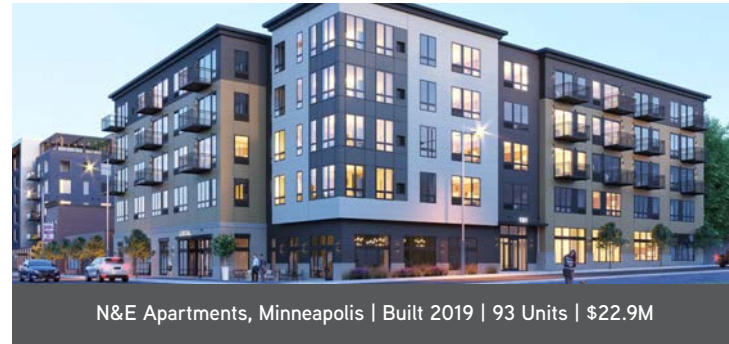
 **\$720M**

**PAST 36-MONTH
TEAM SALES VOLUME**

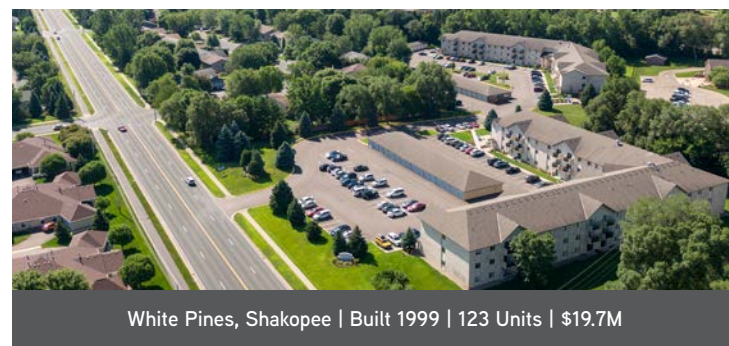
RECENT TEAM TRANSACTIONS



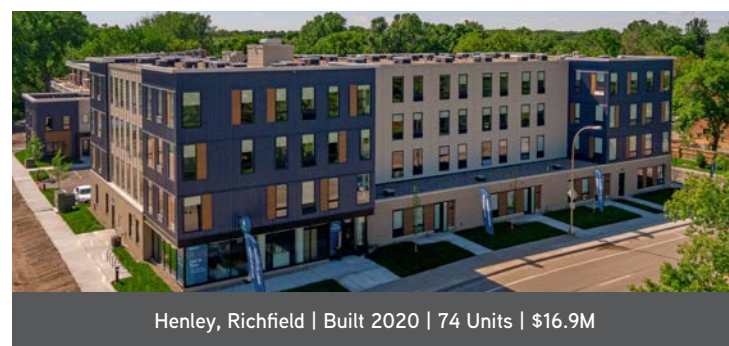
Central Park West, St. Louis Park | Built 2018 | 199 Units | \$55M



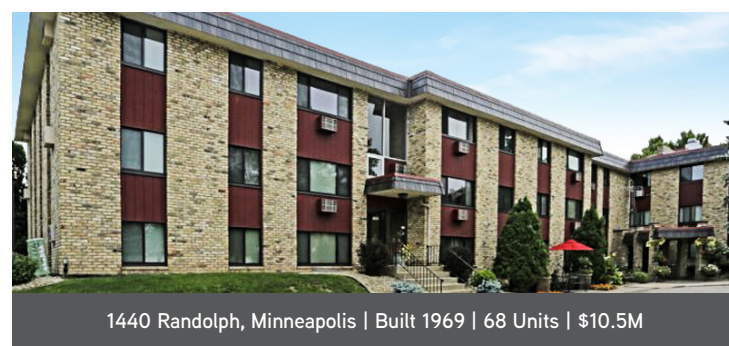
N&E Apartments, Minneapolis | Built 2019 | 93 Units | \$22.9M



White Pines, Shakopee | Built 1999 | 123 Units | \$19.7M



Henley, Richfield | Built 2020 | 74 Units | \$16.9M



1440 Randolph, Minneapolis | Built 1969 | 68 Units | \$10.5M

PRIMARY MARKET TRENDS

Amid a year of great uncertainty across the economic spectrum, the Twin Cities multifamily market showed a great deal of resilience. Thinking back to the spring fallout as the pandemic ensued, conversations with developers, investors and operators varied from discouraging to catastrophic. Much worse was expected than what actually transpired.

Thankfully, the industry as a whole overcame a number of challenges during the course of 2020. Although it will undoubtedly face additional challenges in the new year, we remain optimistic about multifamily's investment performance versus the broader economy. It should garner a more comparative favor within each of the commercial real estate sectors as well.

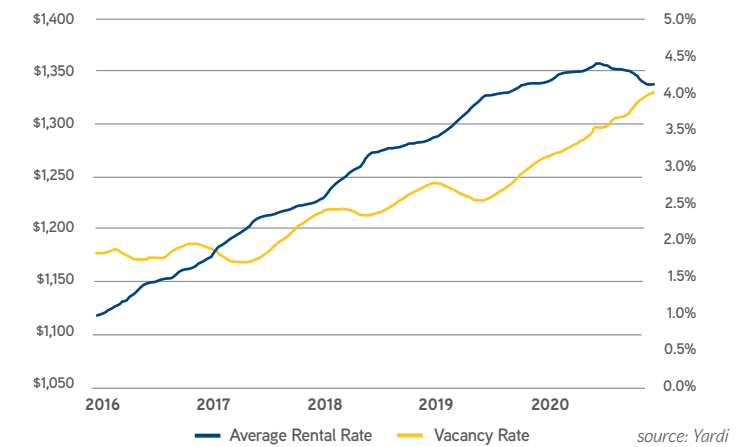
Considering that the marketplace was near-frozen for the second quarter of 2020, overall transaction volume was surprisingly strong. Annual totals closed just short of \$1.33B. There was a considerable uptick in activity towards year-end. A strong bounce back in the second half of the year speaks to strong demand drivers and generally solid operating performance—even during the economic shutdown.

While vacancies did not run up as many expected, collections and bad debt suffered. Understandably, many tenants struggled to pay rent as stimulus waned later in the year. This had a notable effect on net operating income. From what we saw, pricing did not change, while cap rates lowered to some extent. Inexpensive debt, particularly from the agencies, was a large factor in keeping pricing afloat.

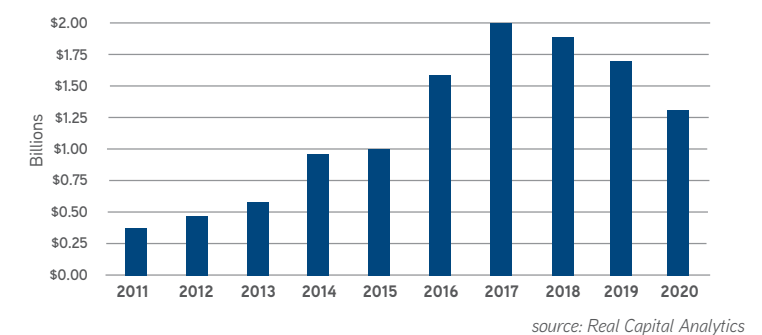
The general sentiment from investors is that the current depressed state of revenue will recover in the second half of 2021. To many, locking in favorable debt now and riding out this rough patch is an acceptable risk.

Investor sentiment is cautiously optimistic both locally and nationally, with an eye more towards the mid and long-term prospects than in past years. As yields compress in a low interest rate environment, the cap rates demonstrated in our market are looked upon favorably by investors from other markets.

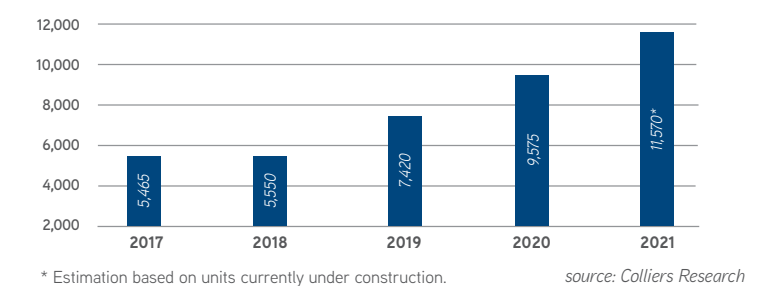
Vacancy & Rental Rates



Total Sales Volume



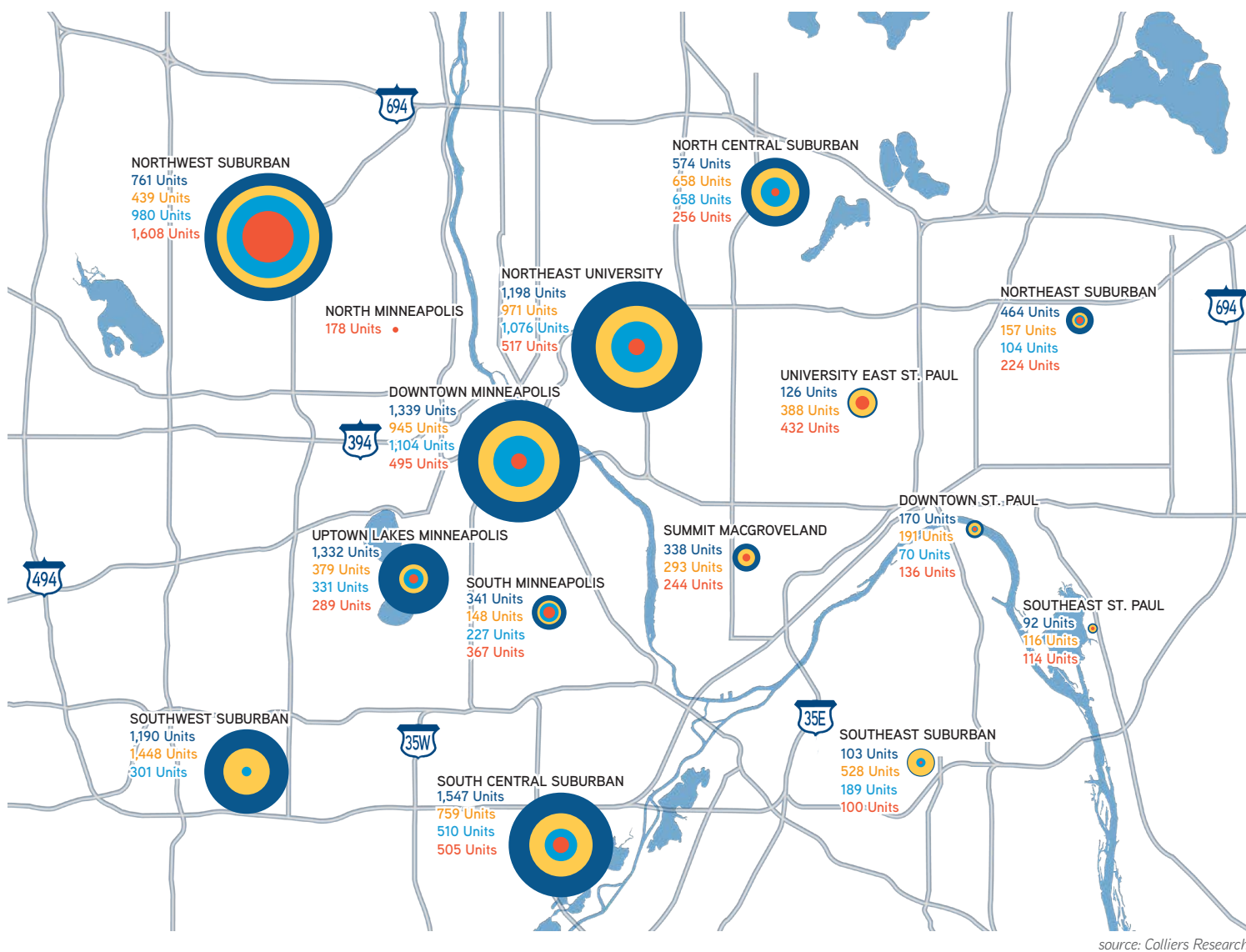
Total Metro Units Completed



Multifamily Units Delivered by Submarket

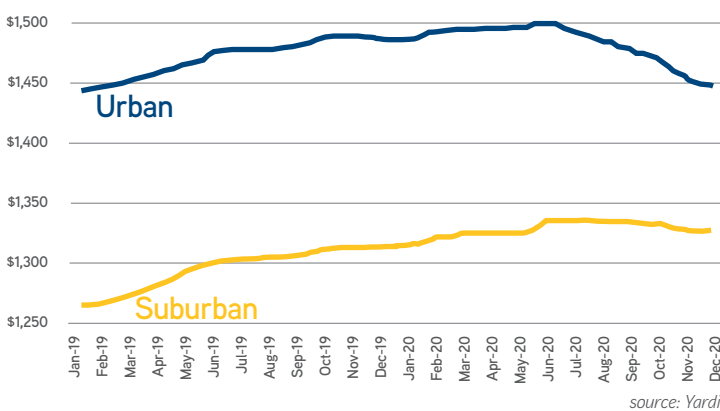
KEY

- 2017 Delivery
- 2018 Delivery
- 2019 Delivery
- 2020 Delivery



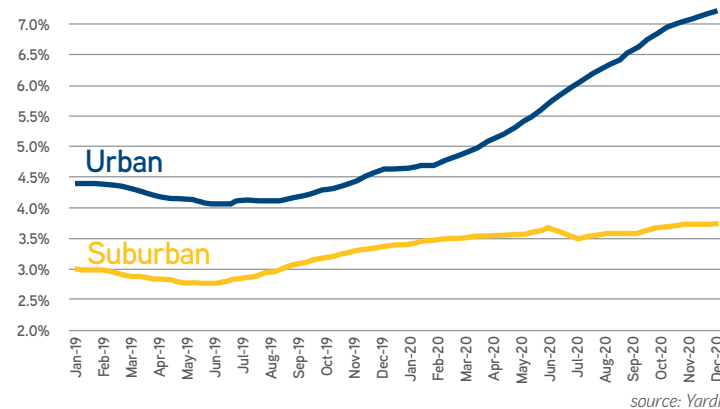
source: Colliers Research

MSP Average Rent



source: Yardi

MSP Average Vacancy

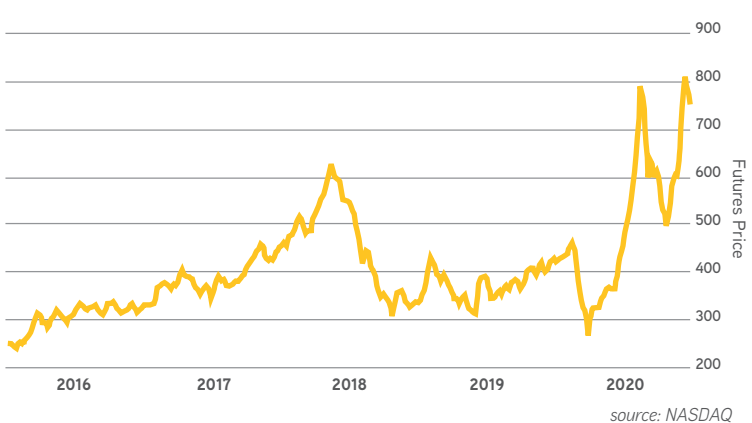


source: Yardi

Our thoughts...

- » We will be paying close attention to renter preferences going forward, particularly whether vacancies remain or compress in Downtown Minneapolis and Uptown.
- » Assuming some portion of working from home will continue indefinitely, developers will increasingly look in the suburbs, and space planning will attempt to accommodate this trend.

Lumber Costs



source: NASDAQ

Our thoughts...

- » Construction costs rising during 2020 have been a major factor in the development pipeline. Materials for construction increased 6.7% from the previous year.
- » For example, a standard 2 in. x 4 in. stud at Home Depot in March was below \$3/each, and is now above \$5/each. This drastic rise could be a determinant of future projects, whether new construction or renovation.
- » Total development costs and tight renter budgets have and will continue to require more efficient floorplans, fewer amenities, and lower finish product.
- » Interest rates will need to remain at historic lows to keep the construction pipeline open.
- » Minneapolis will have to (and should) see continued growth on the national stage to attract jobs and population growth in order to keep inputs sufficient for continued development.

10 Year Treasury Yield



source: NASDAQ

Our thoughts...

- » Agencies and GSEs (Fannie, Freddie, HUD/FHA) have continued to provide liquidity and financing to the market (while being more selective with borrowers, product types and locations) and interest rates are historically low.
- » Underwriting standards have tightened (larger debt-service reserves, lower LTV, etc.), but the markets are still viable.
- » Refinancings are helping stabilize the entire multifamily industry during this critical time by lowering debt-service at many properties.

Our thoughts...

- » Newer construction (built in 2016 or later) drove nearly 40% of total sales volume, some trading for the second time during this cycle. Newer construction projects may well constitute a larger proportion of overall sales volume in 2021 versus older construction, with an increasing focus on suburbs versus urban areas.
- » With many unknowns due to the pandemic's fluctuating economic impacts, it is difficult to forecast renter-side inputs. Collections, vacancy, rent growth and retention figures are not as static as in the past. However, investors will continue to favor multifamily as a safe-haven compared to other asset classes like retail and hospitality. Downward pressure on cap rates will persist and boost pricing.
- » A notable shift to suburban development over the course of the past 4 years, with continued focus on the west and south metro versus the east and north. Will the pandemic accelerate the shift to suburban development in our market? 2021 and 2022 will be telling.
- » Successful projects with faster than anticipated lease-ups in the east and north metro should spawn increased development activity. These submarkets have more site availability and in some cases, cities that are more aggressive in helping get projects financed and approved.

Significant Multifamily Sale Activity								
DATE	PROPERTY	CITY	YEAR BUILT	SIZE (UNITS)	BUYER	SELLER	SALE PRICE	PRICE PER UNIT
Jan-20	Huntington Place	Brooklyn Park	1969	834	Aeon	Dominium	\$74,500,000	\$89,329
Oct-20	Avana Addison	Shakopee	2005	290	Greystar	White Oak Partners	\$56,750,000	\$195,690
Nov-20	Central Park West	St. Louis Park	2018	199	Bigos Management	DLC Residential, Mountain Pacific	\$55,000,000	\$276,382
Jan-20	Eitel Building	Minneapolis	1912	213	Sentinel Real Estate Corporation	Blackrock Real Estate	\$54,600,000	\$256,338
Mar-20	The Felix	Burnsville	1986	348	Peak Capital Partners	FPA Multifamily	\$54,600,000	\$156,897
Dec-20	Royal Oaks of Eagan	Eagan	1987	231	Peak Capital Partners	Timberland Partners, LEM Capital	\$46,500,000	\$201,299
Mar-20	Ironwood Apartments	New Hope	2019	182	IRET	Alatus	\$46,300,000	\$254,396
Mar-20	Birdtown Flats	Robbinsdale	2019	152	NAI Global	The Beard Group	\$42,750,000	\$281,250
Aug-20	The Grain Belt	Minneapolis	2014	150	Oak Grove Properties	Everwood Development	\$41,627,300	\$277,515
Jun-20	The Grove	St. Paul	2019	118	Continental Properties Inc	Reuter Walton Development	\$30,000,000	\$254,237
Oct-20	Maven Apartments	Burnsville	2020	137	Sage Apartment Communities	Roers Investments	\$29,000,000	\$211,679
Jan-20	Lyndy Apartments	Minneapolis	2018	111	Sage Apartment Communities	TE Miller Development, Solhem Companies	\$27,600,000	\$248,649
Jul-20	Mills Creek	Maple Grove	2018	66	The Excelsior Group	Watermark Equity Group	\$26,800,000	\$406,061
Oct-20	Spectrum Apartments	Minneapolis	2017	118	G&J Spectrum, LLC	Roers Companies	\$26,000,000	\$220,339
Mar-20	Olympic Ridge	Eden Prairie	1988	143	Heartland Realty Investors	Park Avenue Of Wayzata	\$25,500,000	\$178,322
Sep-20	Stadium Village Apartments	Minneapolis	1909	122	Regents of the University of Minnesota	Classic City Apartments	\$25,000,000	\$204,918
May-20	N&E Apartments	Minneapolis	2020	93	DH Gustafson Company	Roers Companies, Reuter Walton	\$22,900,000	\$246,237
Mar-20	Rayette Lofts	St. Paul	1909/2014	88	Goodman Real Estate Inc.	Sherman Associates	\$21,200,000	\$240,909
Nov-20	White Pines Apartments	Shakopee	1999	123	Monument Capital Management	Abacus Capital Group	\$19,675,000	\$159,959
Dec-20	Walden Woods	St. Louis Park	1988	108	FPA	Sidal Realty	\$17,425,000	\$161,343
Dec-20	Henley Apartments & Townhomes	Richfield	2020	74	Casey Capital Henley LLC	North Bay Companies	\$16,875,000	\$228,041
Jul-20	Boutique 28	Minneapolis	2016	42	Slosburg Company	Perkins Levin	\$15,100,000	\$359,524
Nov-20	The Whit	Minneapolis	2018	74	Bigos Management	Weber Properties	\$15,000,000	\$202,703
Jun-20	Jax Northeast	Minneapolis	2019	65	TE Miller Development	YellowTree Development	\$14,875,000	\$228,846
Mar-20	Trinity High Rise Apartments	Minneapolis	1978	120	Trinity Limited Partnership	Holy Trinity Lutheran Church	\$13,500,000	\$112,500
Nov-20	Phalen Village	St. Paul	1968	163	EIG Properties	Pro One Management	\$13,300,000	\$81,595
Feb-20	The Tradewinds	New Hope	1968/	120	Relay Properties	Tradewinds LP	\$12,050,000	\$100,417
Jul-20	Interlachen Court Apts	Edina	1963	61	Main Street Companies	Weber Properties	\$10,900,000	\$178,689
Oct-20	1440 Randolph Apartments	St. Paul	1969	68	Domicile MSP	MJ Properties	\$10,675,000	\$156,985
Aug-20	Labor Retreat Apartments	Minneapolis	1976	77	Vitus Group	Nath Companies	\$10,275,000	\$133,442

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DATE	PROPERTY	CITY	YEAR BUILT	SIZE (UNITS)	BUYER	SELLER	SALE PRICE	PRICE PER UNIT
Jan-20	The Parkway	Minneapolis	1919	70	Sentinel Real Estate Corporation	TE Miller Development	\$9,100,000	\$130,000
Mar-20	Parkside Townhomes	Eagan	1987	64	Monument Capital Management	DH Gustafson Company	\$8,485,000	\$132,578
Dec-20	Riverwood Estates	Brooklyn Center	1962	84	Kelly Gardner	Main Street Companies	\$8,315,000	\$98,988
Dec-20	Cobblestone Court	Maplewood	1968	74	Aeon	Well Maintained Apartments	\$8,070,000	\$109,054
Jul-20	Willow Wood Estates	Plymouth	1980	40	CommonBond Communities Corporation	Dominium	\$7,750,000	\$193,750
Jul-20	Silvan Townhomes	Maple Grove	1997	48	Curtis Capital Group	Randolph Street Capital	\$7,650,000	\$159,375
Dec-20	Portland Villas	St. Paul	1922	40	Classic City Apartments	Thaler Properties	\$7,100,000	\$177,500
May-20	Land Bank Portfolio	Minneapolis	-	69	Land Bank Twin Cities	The Apartment Shop	\$7,085,000	\$102,681
Mar-20	Crossroads Townhomes	Eagan	1985	32	Monument Capital Management	DH Gustafson Company	\$6,800,000	\$212,500
May-20	2525 Harriet Ave S	Minneapolis	1973	57	Pawan Himraj	Persaud Properties	\$6,550,000	\$114,912
Nov-20	Bungalows of Chisago	Chisago City	1988	64	Granite Towers Equity Group	Levitan Properties	\$5,950,000	\$92,969
Oct-20	Dove Terrace	Elk River	1990	50	Mann Companies	Dominium	\$5,850,000	\$117,000
Aug-20	Colfax Villas	Minneapolis	1957	44	SELA Investments	Thaler Properties	\$5,255,000	\$119,432
Feb-20	Merriam Park Apartments	St. Paul	1964	25	InMotion Company	EquiMax Real Estate	\$4,915,000	\$196,600
Sep-20	Osseo Manor Apartments	Osseo	1962	39	QT Commercial	Well Maintained Apartments	\$4,080,000	\$104,615
Nov-20	2315-2321 Dupont Ave S	Minneapolis	1910	25	Irving Properties	Gremar Properties	\$4,050,000	\$162,000
Jun-20	414 Erie Street	Minneapolis	1969	17	Regents of the University of Minnesota	Richard J Ruppert	\$3,795,000	\$223,235
Nov-20	1415 8th St SE	Minneapolis	1974	12	Up Campus Properties	Irving Properties	\$3,750,000	\$312,500
Jun-20	1905 Wilson Ave	St. Paul	1969	42	Phalen Apartments LLC	Richard J Menz	\$3,700,000	\$88,095
Apr-20	Aldrich Avenue Apartments	Minneapolis	1967	28	Sage Apartment Communities	Steven Fischer	\$3,640,000	\$130,000
Oct-20	1907-1917 Colfax Avenue South	Minneapolis	1962	36	Hornig Companies, Inc.	Weber Properties	\$3,500,000	\$97,222
Feb-20	Secombe Apartments	Minneapolis	1920	27	306 Oak Grove LLC	Kevin McMullen	\$3,400,000	\$125,926
Jan-20	3526 & 3615 Grand Avenue South	Minneapolis	1930-1959	28	Right Move Properties	3526 Grand Avenue Apartments LLC; Durban Properties LLC	\$3,360,000	\$120,000
Dec-20	The Oxford	St. Paul	1921	20	Union Park Management	At Home Apartments	\$3,325,000	\$166,250
Jun-20	Le Sueur Meadows Apartments	Le Sueur	2002	40	CommonBond Communities Corporation	Sherman Associates	\$3,125,000	\$78,125

Local Expertise



Comprised of
93
Licensed CRE Agents



Transaction Revenue
\$1.4B
Brokerage



Sale/Lease Transactions
16M
(square feet)



Years in Business
43



Total Managed
28M
(square feet)



Total Transactions
890
Brokerage

Global Reach



Comprised of
18,000+
professionals



Revenue
\$3.5B
(US\$)



Managing
2B
(square feet)



Established in
68
countries



Lease/sale transactions
70,000



Transaction value
\$129B
(US\$)

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