

Metro Housing Outlook:

Minneapolis - Q2 2024

Overview:

- For the period ending Q2 2024, job growth in the local Minneapolis metro was level with the national rate of 1.6%. However, long-term growth prospects remain unsteady as the metro faces slowing job growth and a talent drain. Additionally, Minneapolis's leisure and hospitality sector is poised to ease some of the growth burden, as it is expected to be a key economic crutch over the next five years.
- Apartment fundamentals, specifically vacancies, continue to remain soft. For the period ending Q2 2024, vacancies inched down slightly to 7.25%, down 25 basis points from the previous quarter. Furthermore, rent growth continues to steadily improve, as it was 0.75% during the same period, which is nearly a 25-basis-point improvement quarter-over-quarter.

Market Strengths:

- Minneapolis continues to benefit from the presence of many Fortune 500 headquarters, especially in the health care sector. Both the education and health services and the leisure and hospitality employment sectors will continue to be a boon for the metro, as they both continue to expand at a rate higher than the national average.
- Despite an extended period of slowdown, the financial activities sector is poised for a much-deserved bounce-back. According to Moody's Analytics, the Fed's recent interest rate cuts of 50 basis points will aid the recovery of loan demand at local banks. The local housing market is also poised to regain its footing, as mortgage rates have recently approached 6%, which is beginning to ease pent-up demand in the metro.

Market Weaknesses:

- Even though the financial activities employment sector has recently been the beneficiary of good news, it still has work to do in the short term to make up for the last two years of slowdown that it encountered. According to Moody's Analytics, financial activities sector jobs account for nearly 8% of total jobs in the metro, and during the period ending Q2 2024, the sector declined by nearly 0.8% compared to the national growth of 0.4%.
- Minneapolis's local job market is slowing. Even though for the period ending Q2 2024 job growth was on par with the national average, the metro's job growth has been consistently behind the U.S. for a few consecutive quarters, which leaves the metro stuck in its pre-pandemic employment peak. Additionally, growth within the metro's largest employment sectors has been mixed, as its health care sector has continued to boom, whereas both the financial services and professional and business services sectors have moved in the wrong direction due to the current economic environment.

Outlook:

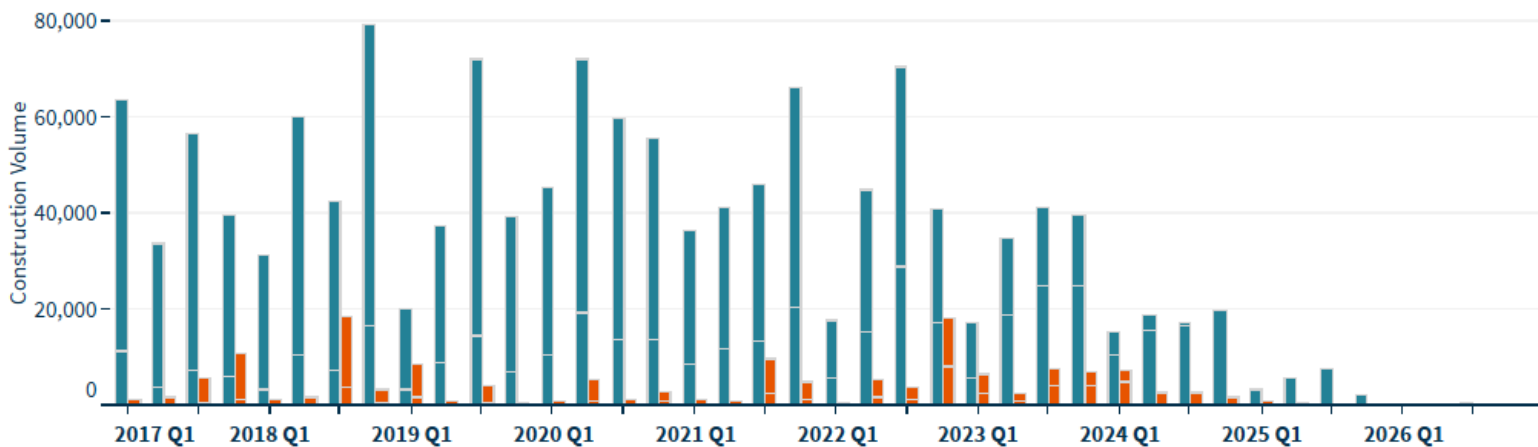
- The apartment market is steadily improving but overall remains in a period of extended softness. However, the amount of supply being delivered to the metro has slowed and has put the metro in a better position absorb the existing inventory, leading to a more balanced and steady apartment market environment.
- Minneapolis's economy should continue to make slow but steady gains in the foreseeable future. Although job growth in both the financial activities and professional/business services sectors is troubling, the metro has a decent demographic profile and a strong presence of high-wage employers. Furthermore, even with ongoing labor market struggles, overall job growth is still on par with the national rate, and unemployment levels continue to stay low, which both bode well for the metro.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

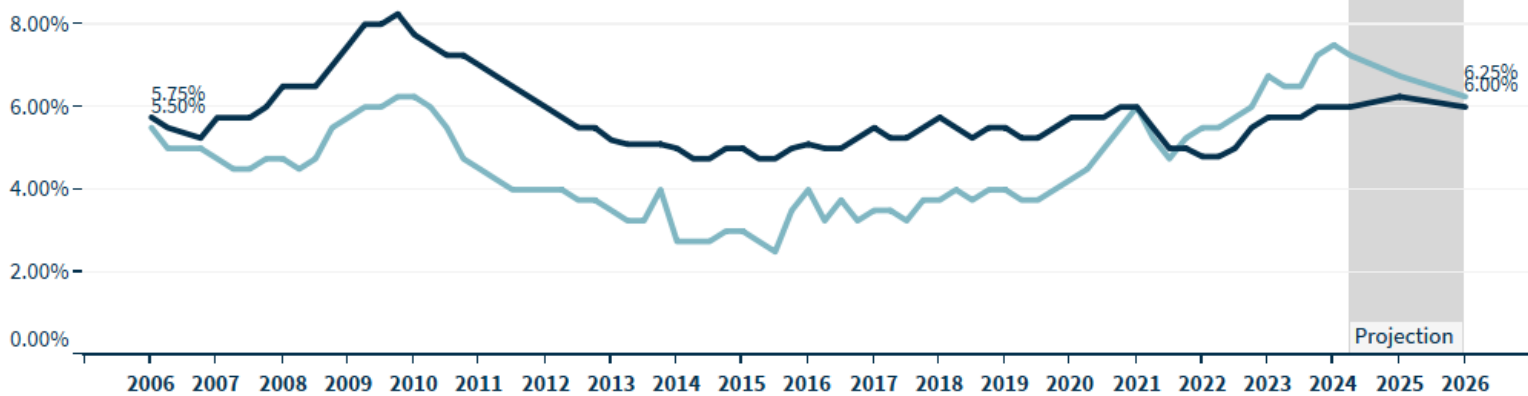
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Minneapolis | National

Q2 2024 Vacancy Rate:

7.25%

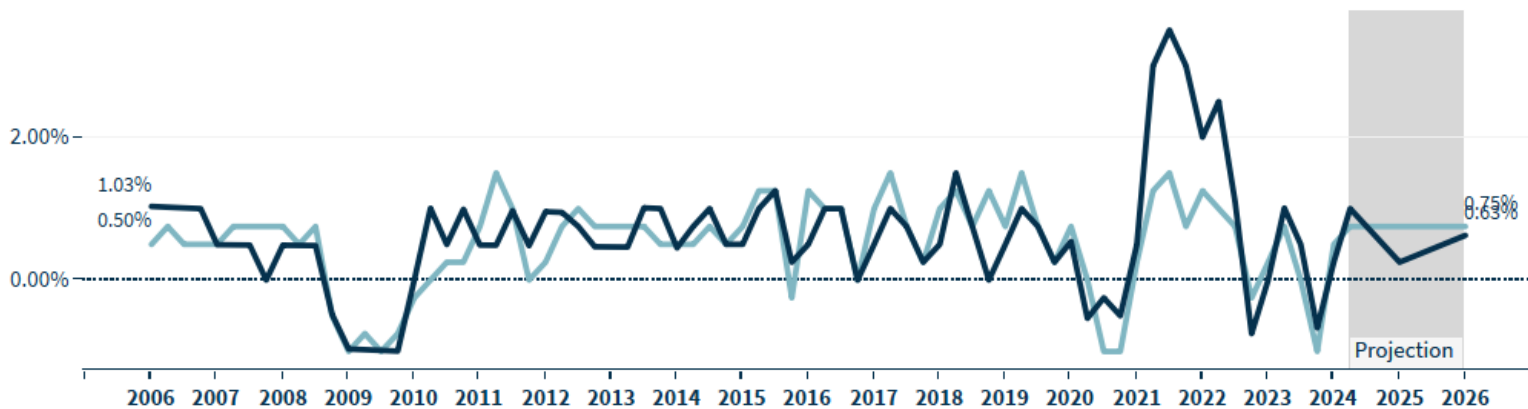


Asking Rent Growth

Minneapolis | National

Q2 2024 Asking Rent:

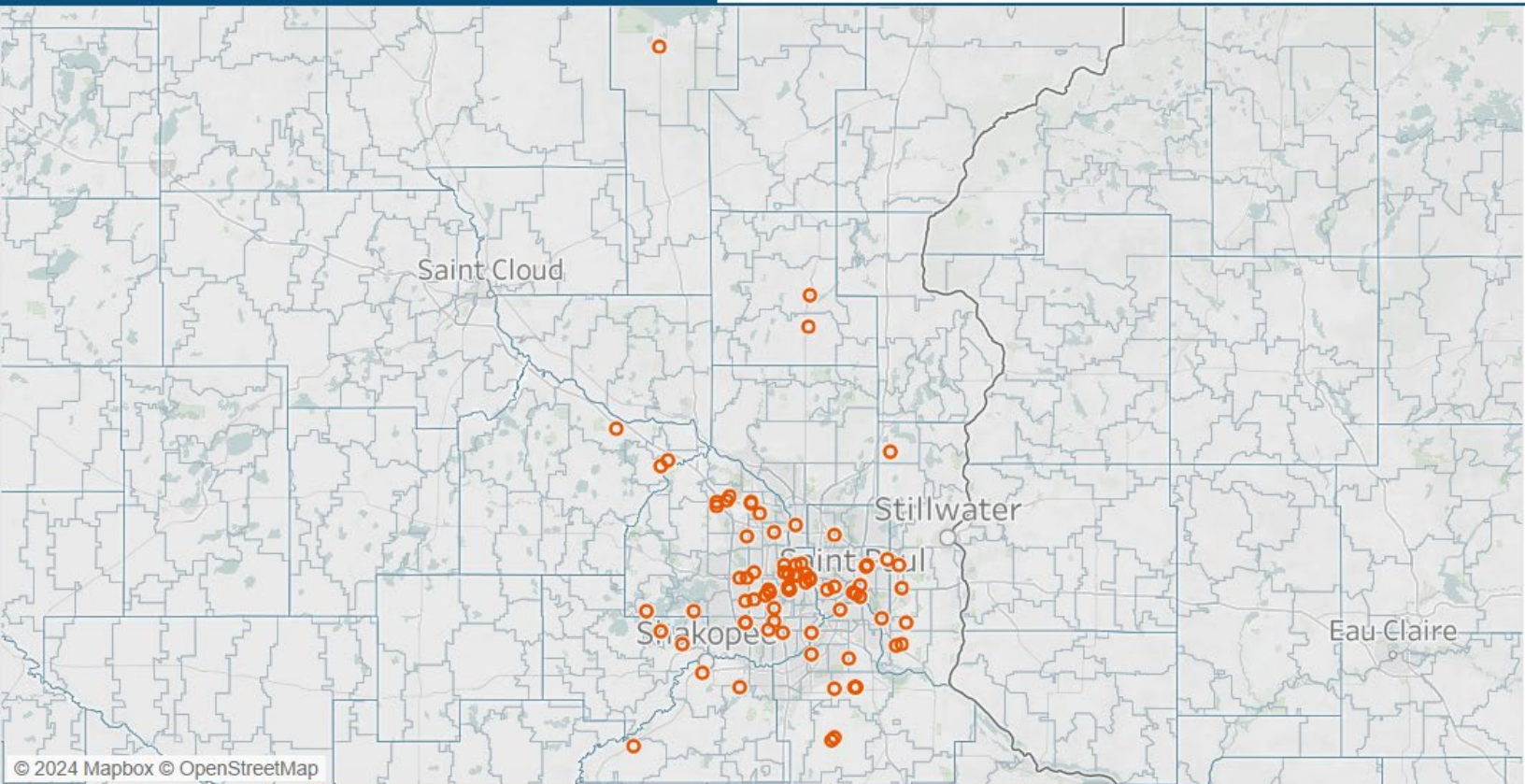
\$1,520



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Anoka County	5	464
Bloomington	2	341
Burnsville/Apple Valley	6	913
Central St. Paul	1	186
Downtown Minneapolis/University	6	1,832
East St. Paul	10	1,272
Eden Prairie/Shakopee/Chaska	7	1,185
Minnetonka	5	794
North Minneapolis	8	952
Plymouth/Maple Grove	8	898
South Minneapolis/Richfield	4	759
South St. Paul/Eagan	5	576
Uptown/St. Louis Park	9	1,071
West St. Paul	3	602
Grand Total	79	11,845

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

Multifamily Metro Outlook: Minneapolis Q2 2024

Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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