

# Multifamily Metro Outlook

## MINNEAPOLIS - SUMMER 2019

### Overview

- Job growth in the Minneapolis metro has been in the expansion phase for some time now, however growth has come back down to earth as of late. As of Q1 2019, job growth in the metro expanded by +1.0 percent, which was below the national rate of +1.6 percent.
- Apartment fundamentals within the Minneapolis metro are healthy. Vacancies have remained full for consecutive quarters hovering around +4.0 percent for Q1 2019 and rent growth remains positive at +0.75 percent. An abundance of new supply will continue to be delivered to the metro throughout 2019, however it should be easily absorbed as millennials are sticking around after college and forming their own households.
- Much of the incoming supply in the Minneapolis metro will be in the class A luxury. However, according to CoStar, Minneapolis has the demand and renter profile to absorb the luxurious supply. According to Census data from 2015, the number of (renting) households earning more than \$150k increased by +270 percent compared to 2007 which bodes well for the absorption of the supply underway.
- The Information/Tech sector in Minneapolis has gotten a bit of a boost recently. According to CoStar, Amazon has established their presence in the metro with the completion of an 820,000 sq. ft. distribution center. In addition to their distribution center, Amazon plans on hiring over 2,500 workers including 100 IT workers.
- The costs of living and doing business are surprisingly high for the region. Both the costs of living and business costs are approximately 2 percent greater than the national average.
- Although Minneapolis has entered job market expansion, there is still some concern regarding the labor market. According to Moody's Analytics, Minneapolis will continue to have ongoing labor shortages as the unemployment rate continues to drop. Furthermore, as baby boomer's retire, there is a dearth of skilled workers that the metro is struggling to replace.

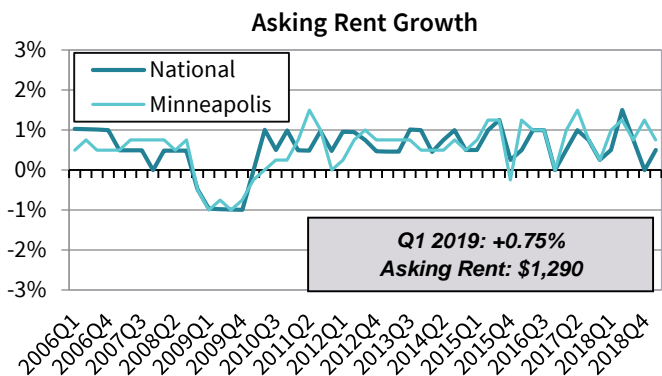
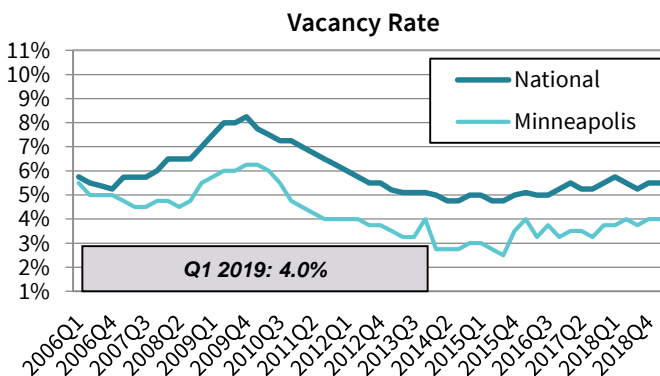
### Development

- While over 19,700 condo units were completed since the beginning of 2006, there are approximately 250 units underway with expected delivery through 2020 as developers have slowed condo development.
- Approximately 29,000 apartment units have been completed since the beginning of 2014, and approximately 12,800 units are currently underway for delivery through 2020.

### Outlook

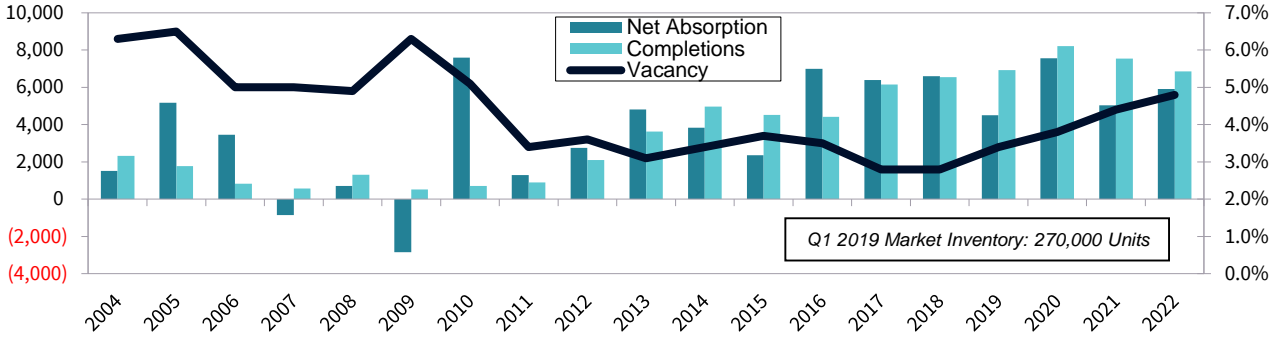
- Steady job market expansion and tight fundamentals in the rental market are keeping vacancies full (at/below 4 percent) even though there has been a recent uptick in supply. These trends are expected to continue throughout 2019 and into 2020.
- Job growth in the metro continues to expand albeit tepidly, and the slightly above average population growth trends will help absorption of the new supply underway. However, low paying jobs recaptured in job market expansion don't help the metro exceed their status prior to the recession. The recent glut of supply, the ongoing labor shortages, and the looming troubles for the manufacturing industry are also something that bears watching as they could hinder the continued expansion of the metro.

## Vacancy and Rent Composite Estimates

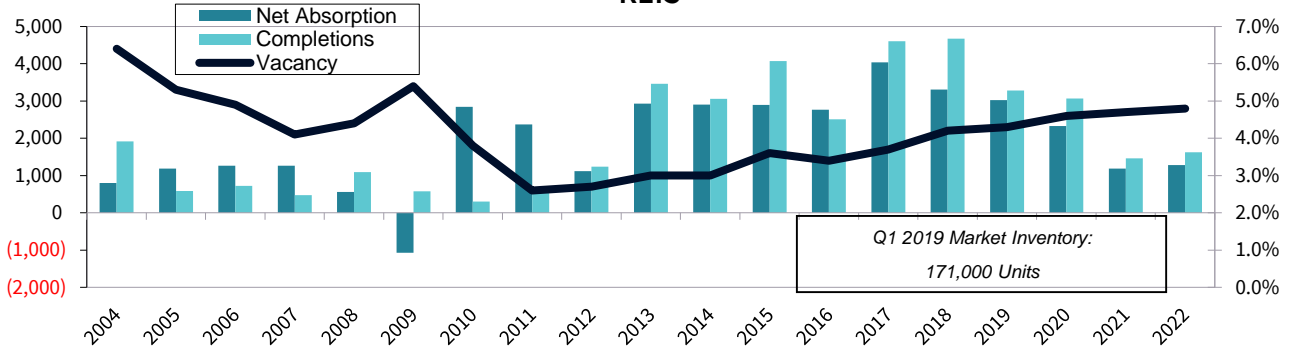


Source: Fannie Mae Multifamily and Economics Research

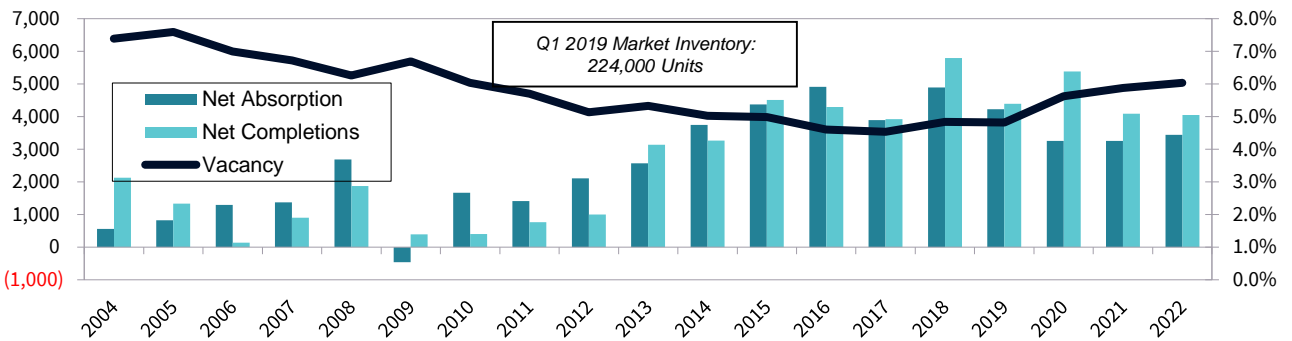
### CBRE-EA



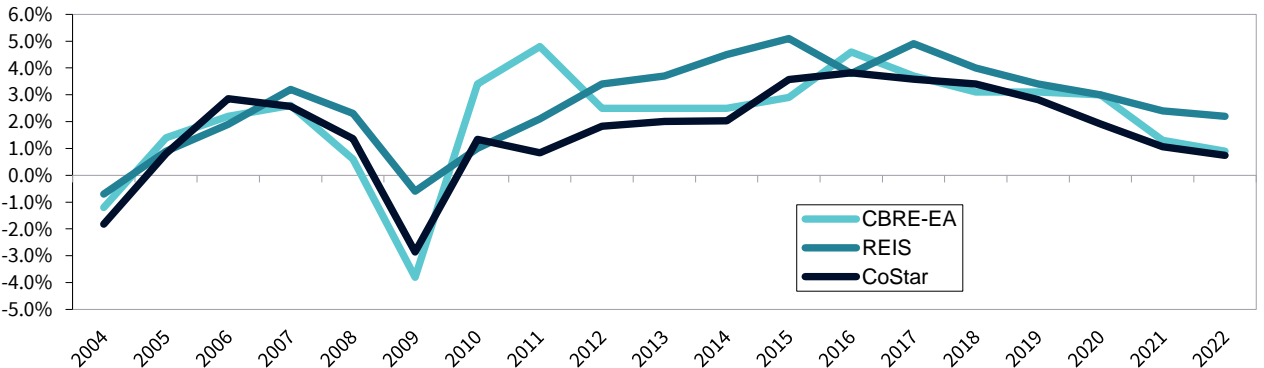
### REIS



### CoStar

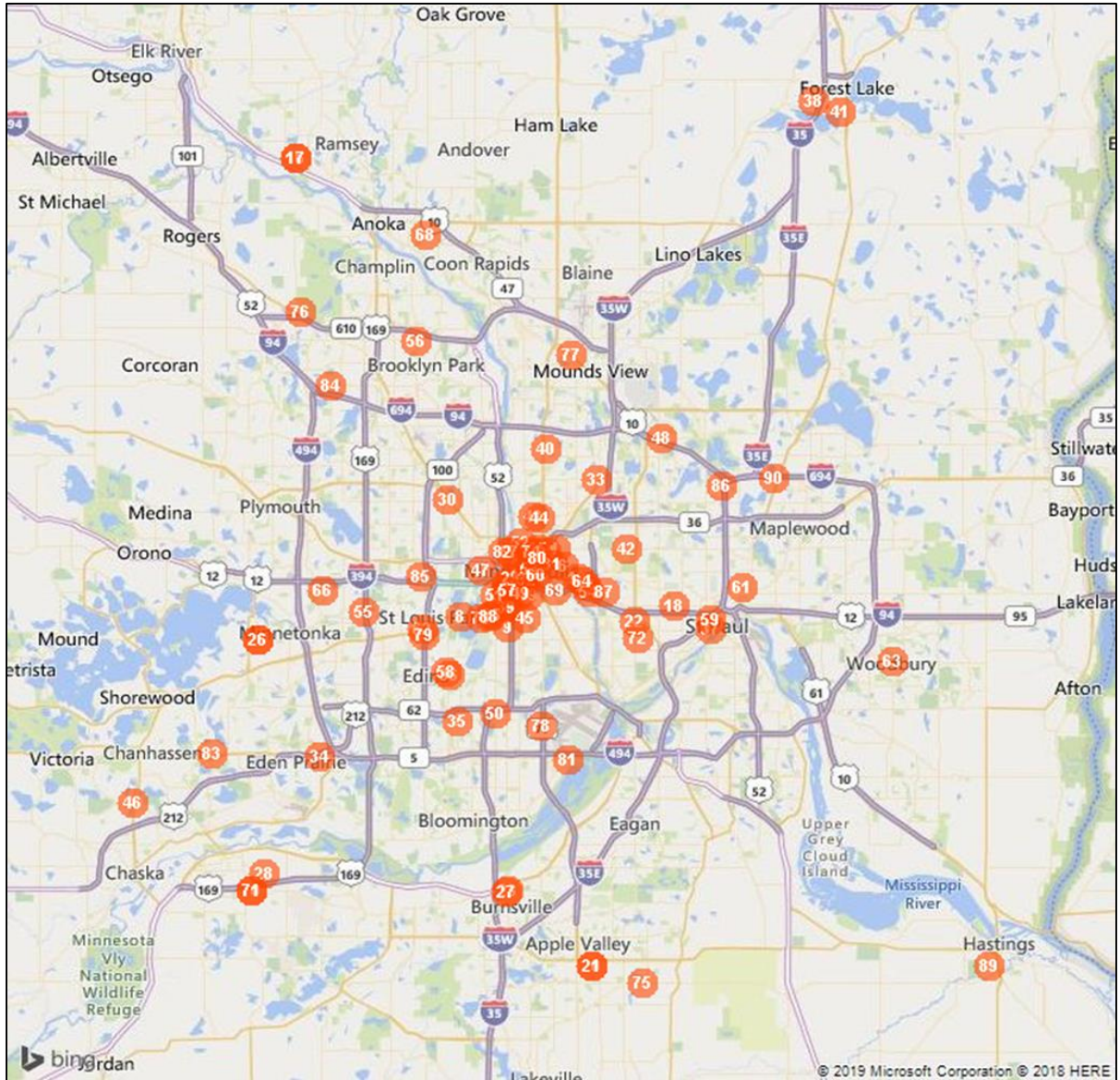


### Annual Rent Growth



# Multifamily Metro Outlook: Minneapolis Summer 2019

**Construction Bidding/Underway**  
**90 projects/13,200 Units/17.0 M Sq. Feet**



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Dakota County	6	958	770
Minneapolis	42	7950	6326
Northeast	6	636	577
Northwest/Anoka County	8	1857	1137
Scott County	3	500	400
Southwest	7	1551	1443
St. Paul	7	1197	992
Washington County	3	575	382
West	8	1698	1145

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## **Fannie Mae Multifamily Economics and Market Research**

Francisco Nicco-Annan, Economist

### **Sources Used**

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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