

Minneapolis/St. Paul Multifamily

Impact of Rent Control on Housing Investment in Minneapolis & St. Paul

CBRE MINNEAPOLIS MULTIFAMILY



Key Dates

St. Paul voters approve
rent control

Nov. 2, 2021

St. Paul rent control policy
goes into effect

May 1, 2022

St. Paul City Council amends Rent Stabilization
Ordinance and exempts new construction for
20 years, among other changes

Sept. 2022

Amendments to St. Paul rent
control policy take effect

Jan. 1, 2023

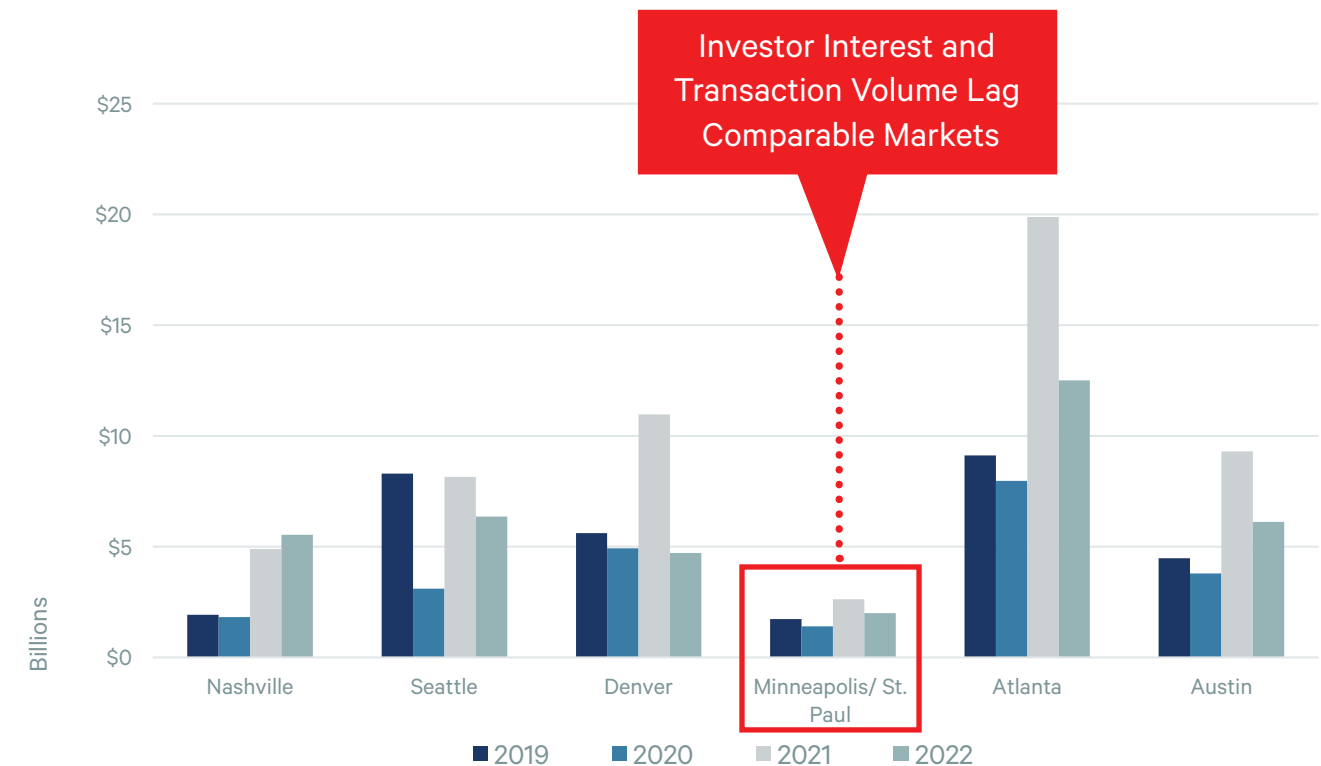


Measuring Investment Interest Through Market Transaction Volume

Annual Multifamily Sale Volume

- Market sale volume illustrates the investment activity within a given city or MSA. A high volume of transactions indicates a high-level of private investment interest in that region.
- Growing sales volume is the leading indicator of growing investment interest in a market.
- Declining sale volume is a leading indicator of declining investment interest in a market.

Annual Multifamily Sale Volume – Twin Cities vs Comparable Markets



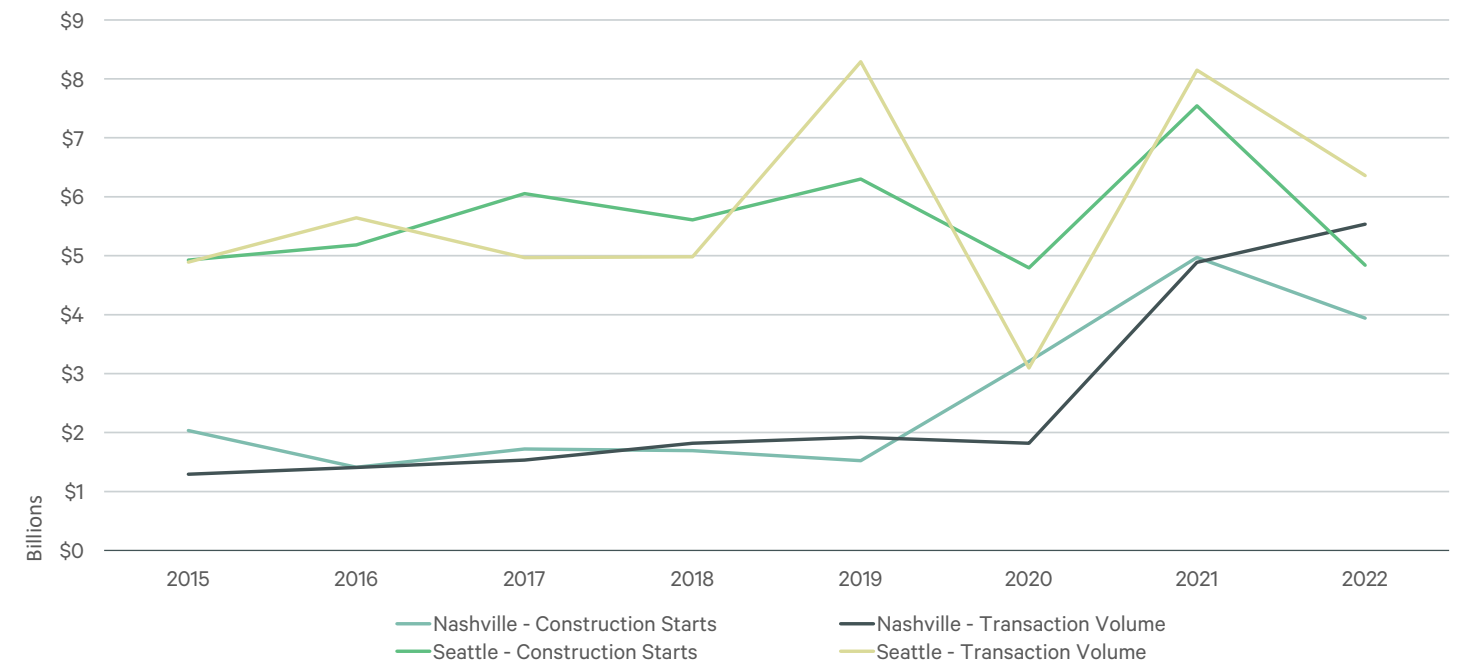
Relationship Between Transaction Volume & New Construction Starts

- Annual multifamily sale volume is a leading indicator of new multifamily construction starts.
- Buying & selling existing buildings requires a significantly shorter lead-time than building new. Therefore, transaction volume is a telling real-time barometer of private investment interest. When transaction volume increases or decreases, it is likely that housing starts will follow.

Twin Cities Construction Starts vs Transactions (by \$ volume)

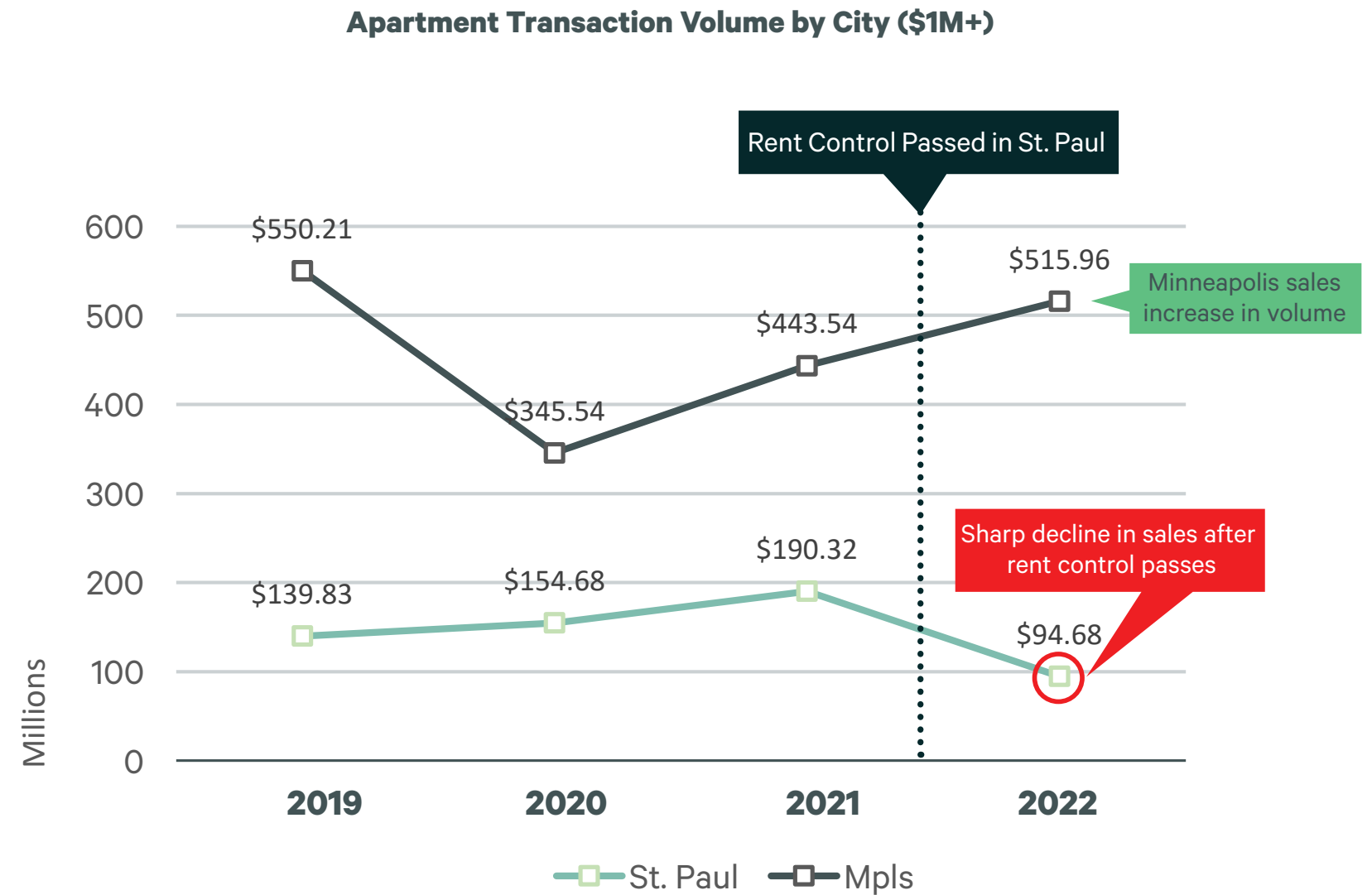


Nashville & Seattle - Construction Starts vs Transactions (by \$ volume)



Minneapolis vs. Saint Paul – Total Volume

- Apartment transaction volume in Saint Paul fell 50.3% in 2022 from 2021 after the passage of rent control; apartment transaction volume in Minneapolis grew over that same time frame.
- In 2022, Minneapolis's transaction volume was 5.5x that of Saint Paul; despite Minneapolis only having 1.4x the population.

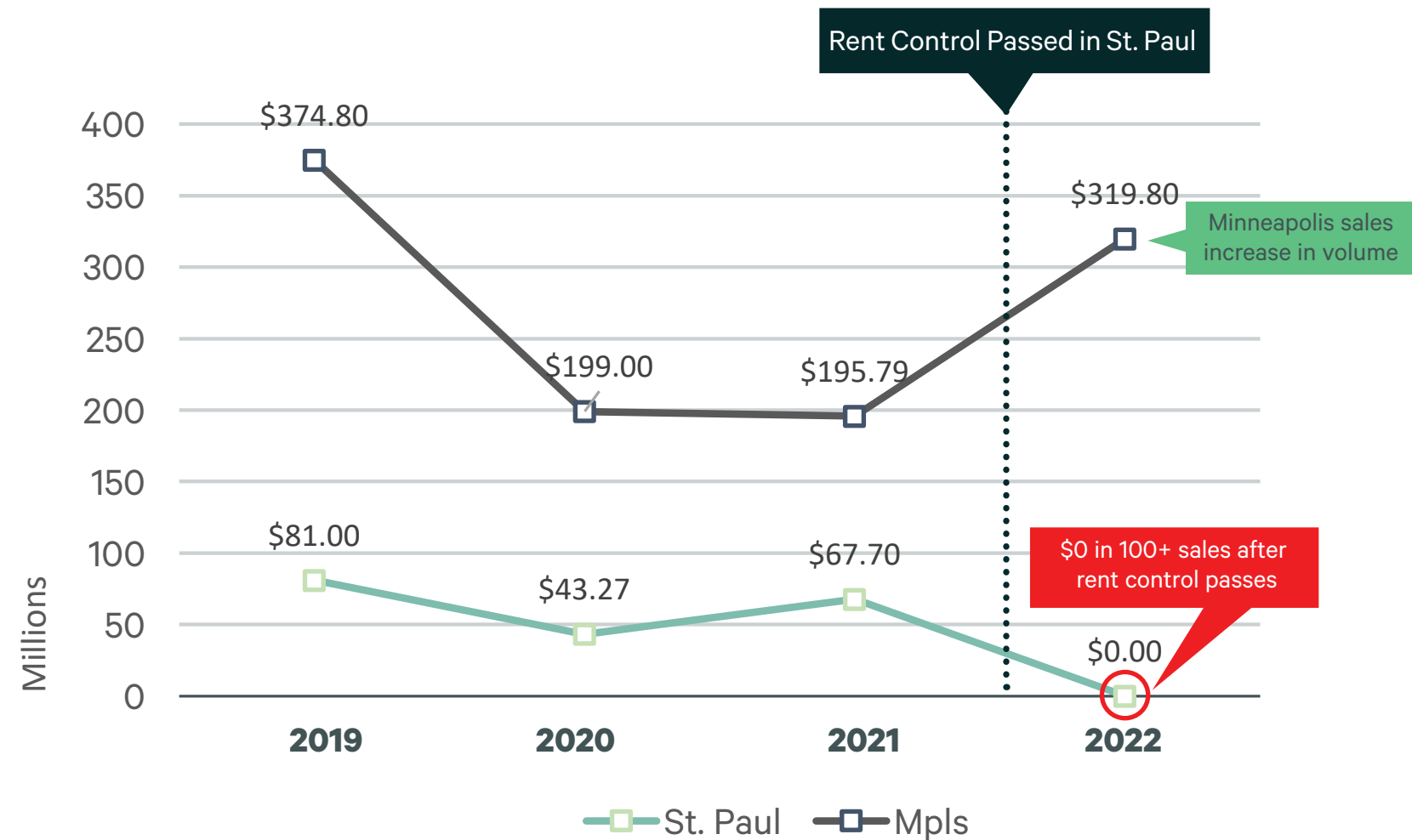


Minneapolis vs. Saint Paul – 100 Unit + Volume

- The sale of large apartments (100+ units) fell to \$0 in Saint Paul after the passage of rent control. This indicates that institutional apartment investors have limited interest in purchasing buildings in the city.
- Conversely, in Minneapolis the volume of large apartment (100+ units) sales increased 63.3% from 2021, although are still below pre-pandemic levels.

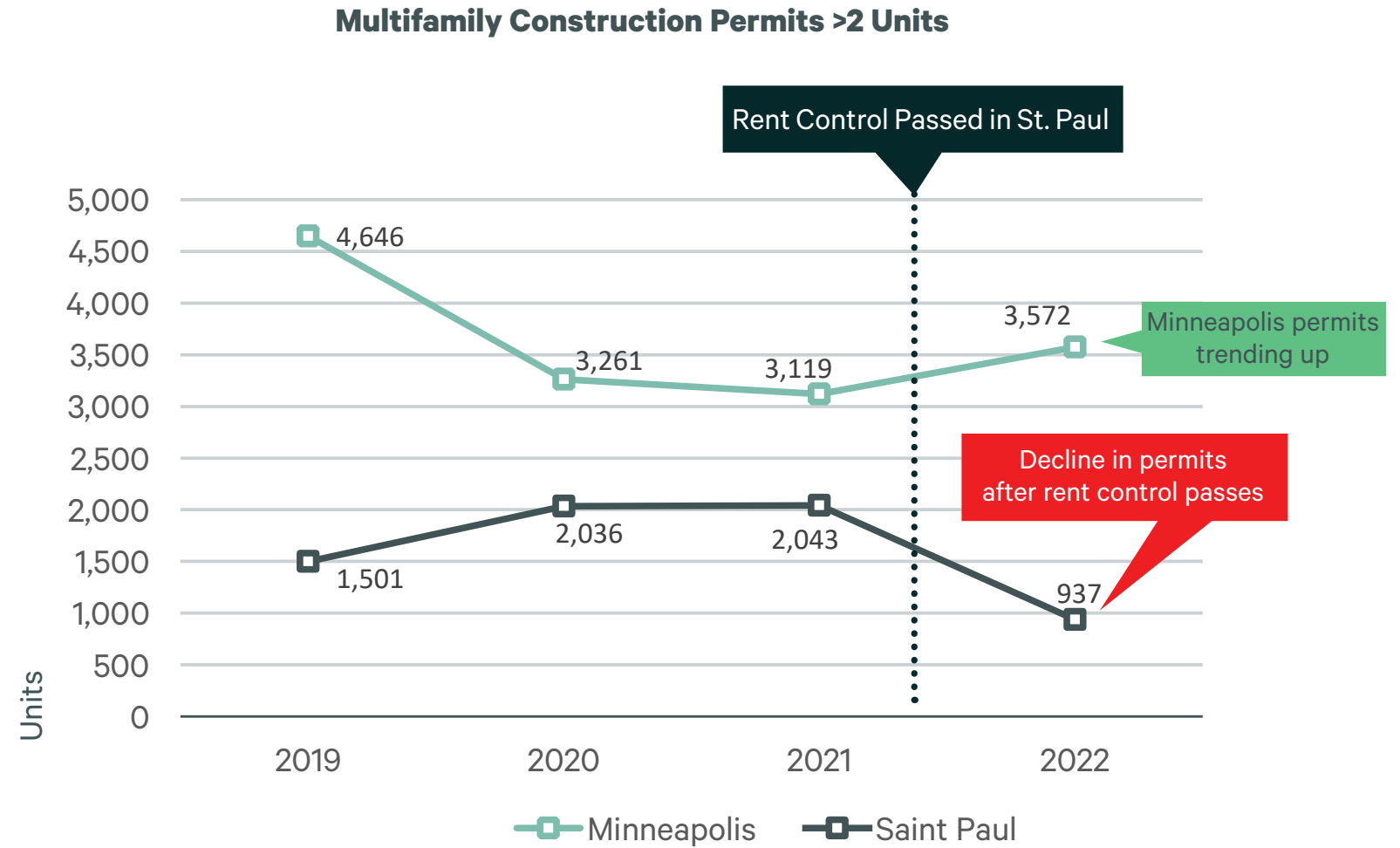
This data corroborates a Jan 2022 NMHC Survey – which polled 78 CEOs & Senior Executives of apartment-related firms nationwide where 73% of respondents said that they have either cut back on investment, are considering cutting back, or would not consider operating in markets that have imposed any form of rent controls.

100+ Unit Apartment Transaction Volume by City (\$)



Minneapolis vs. Saint Paul – HUD Building Permits

- Despite the long lead-time of construction projects, the 2022 issuance of new building permits is already starting to reflect the diverging investment between the two cities.



*Data From US Department of Housing & Urban Development

Contacts

Keith Collins
Executive Vice President
+1 952 924 4654
keith.collins@cbre.com

Masada Sturdivant
Client Services Specialist
+1 952 924 4821
masada.sturdivant@cbre.com

Abe Appert
Executive Vice President
+1 952 924 4694
abe.appert@cbre.com

Breanne Jones
Client Services Coordinator
+1 612 336 4248
breanne.jones@cbre.com

Ted Abramson
Senior Vice President
+1 952 924 4881
ted.abramson@cbre.com

Bailey VanderSluis
Client Services Coordinator
+1 612 336 4270
bailey.vandersluis@cbre.com

Will Puzak
Financial Analyst
+1 612 215 1272
william.puzak@cbre.com