THE 2010s IN REVIEW: A TRANSFORMATIVE DECADE

Mortgage banking for multifamily housing, senior housing, student housing, and healthcare facilities
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ACKNOWLEDGEMENTS
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DISCLAIMER
This report assesses the 7-county Twin Cities multifamily market as of fourth quarter 2019 using data from numerous sources. Projects analyzed generally contain 20 or more units. Market pricing calculations reflect quoted/asking rents before concessions and exclude rents that are restricted per recorded covenants. The information contained herein has been obtained from sources deemed but not guaranteed to be reliable. Accuracy and completeness are not guaranteed. Past performance does not guarantee future results. Dougherty Mortgage LLC warns against using this report to make site-specific development decisions without a separate and full review of all available information by professional analysts.

For this report, affordable rental housing includes new, permanent units with rent and income restrictions, built by private or public entities for general-occupancy/families and targeted populations (e.g. long-term homeless, homeless youth, persons with mental health or chemical dependency challenges, persons with disabilities, and other supportive housing populations). Senior/age restricted units are not included in this report. This report does not tally shelter beds or other short-term accommodations or affordable preservation units.

DATA SOURCES
Market data in this report comes from a variety of widely-available sources including project web sites, rental clearinghouse sites, industry reports, accounts from newspapers and other media outlets, leasing personnel, building managers, and other real estate professionals. Economic data was provided by the Bureau of Labor Statistics. Minnesota Geospatial Commons provided base-level GIS files for analysis. Vacancy and rent growth data came from Cushman & Wakefield and Class-A cap rates were provided by CBRE. The Twin Cities Metro Area map was provided by the Met Council.

PHOTO CREDITS
Photos in this report are from Dougherty Mortgage LLC unless otherwise noted. Cover images, counterclockwise from upper left: Loden SV (Greco), Aria Apartments (forrent.com), Grand Central Flats (Dominium). Photo on page above: Wells Fargo Center (Mulad, via Wikipedia). Page 3: Hub Minneapolis (Greystar), Residences at 1700 (apartmentfinder.com), Greenway Terrace (Aeon), Schmidt Artist Lofts (McGhiever), Sundance at Settler’s Ridge (Timberland Partners). Page 17: Nolo Flats (Solhem Companies), Nic on 5th (Egan Company), Reserve at Arbor Lakes (Doran Companies), Prior Crossing (Beacon Interfaith Housing Collaborative), The Grainwood (Dominium). Page 19: 66 West (UrbanWorks Architecture), Millennium on 66th (ESG Architecture and Design), Aria Edina (apartments.com), Onyx Edina (Matt M. Johnson).
AS EXPECTED, 2019 PUT A BIG EXCLAMATION POINT ON A TRANSFORMATIVE DECADE FOR MULTIFAMILY HOUSING IN THE TWIN CITIES. For the third year in a row, production peaked last year with more than 6,900 new rental units delivered in 65 developments, excluding units in any type of senior rental housing. Despite the record production, the market is arguably stronger at the end of 2019 as market-rate deliveries were down significantly – 19% less or 1,200 fewer units – over 2018. Affordable units made up the difference, with a record year of production of 1,875 units. Demand for affordable housing in the Twin Cities is in the tens of thousands of units and any new projects entering the market will operate at or near 100% occupancy over the long term, thus adding stability to the market.

The multifamily market in the Twin Cities matured greatly over the past decade, demonstrated by growing production volumes, the spreading of new product over more cities/geographies, and product specialization. At decade’s end, some concentrated submarkets such as the U of M neighborhoods and Uptown appeared to be largely through the current development cycle, with slower growth expected in the 2020s. For the Twin Cities overall, however, there still should be significant growth potential as development further penetrates the outer suburban markets, which collectively added only about 13,100 units during the past decade. As this report discusses on page 11, multifamily production served only about 14% of new households added in the outer suburbs in the 2010s, leaving ample development opportunities in the current decade.

The Twin Cities multifamily market ended the decade with continued strong market fundamentals. The rental vacancy rate for stabilized properties increased only slightly during 2019, finishing the year at about 3.5%, while year-over-year rent growth was very strong at 5.8%. The unemployment rate remained low over the year, ending December at 3.0%, up just 0.2 percentage points from a year earlier. Strong apartment absorption, rising rents, and low unemployment kept investor interest strong across the Twin Cities, and the year ended with cap rates for stabilized Class-A properties between 4.50% and 5.25%, depending on a central city or suburban location.

Renting continues to be a strong lifestyle option for many households, especially younger mobile professionals and empty nesters seeking to downsize and capture long-held home equity. And given the low for-sale inventory and the rapid increases in home sale prices in the Twin Cities, it is still often cheaper to rent than to buy, especially in the built-up portions of the metro area.

This year’s Market Viewpoint report looks in detail at the decade of the 2010s and outlines key trends that we observed. We hope you find this analysis helpful. We look forward to working with you in 2020.
This report divides the Twin Cities into 11 multifamily submarkets, each with unique characteristics. Concentrated development in the downtowns of Minneapolis and St. Paul, and in the Uptown area of Minneapolis, has helped transform key cultural and employment districts into desirable housing locations. Similarly, key nodes in select first-ring suburbs and inner-city neighborhoods have seen strong amounts of multifamily investment in recent years as the market acknowledges the wide array of attractions and short commutes offered in the ‘50s and ‘60s development ring. In addition, private investment in student-oriented housing has created a unique rental submarket in the immediate neighborhoods surrounding the University of Minnesota campus in Minneapolis.

4 Minneapolis Neighborhoods – the remainder of the City outside of Downtown, Uptown, and the University of Minnesota neighborhoods.

5 Downtown St. Paul – the area bounded by the I-94/I-35E freeway loop between roughly Kellogg Boulevard/Chestnut Street on the west and Lafayette Road/Highway 52 on the east. Includes the Upper Landing housing district and the West Side Neighborhood (north of Plato Boulevard) south of the Mississippi River.

6 St. Paul Neighborhoods – the remainder of the City outside of Downtown.

7 First-Ring Suburbs – includes 23 inner-ring suburbs surrounding Minneapolis and St. Paul. These areas were mostly developed in the 1950s and 1960s and have been the focus of significant redevelopment activity in recent years.

8 Southwest Suburbs – includes all suburbs south of I-394/US 12 and west of I-35W/I-35. Includes Bloomington and all of Scott and Carver Counties.

9 Northwest Suburbs – includes all suburbs north of I-394/US 12 and west of the Mississippi River, plus the western half of Anoka County (Coon Rapids, Andover, Ramsey, Anoka, etc.)

10 Southeast Suburbs – the suburbs south of I-94 and St. Paul, east of I-35W/I-35 and southeast of the Minnesota River. Includes all of Burnsville and Lakeville.

11 Northeast Suburbs – generally covers the suburbs east of the Mississippi River and north of I-94, excluding the western half of Anoka County.
Over the last decade, new apartment units in the Twin Cities were delivered in five main types of building construction:

**High-rise Construction (8+ Stories Above Ground)**
- Concrete and/or steel construction; typically 150 to 350 units, averaging 18 stories.
- Found mostly in Downtown Minneapolis, but buildings have also been constructed in the U of M neighborhoods, and select closer-in suburbs.
- Accounted for 12% of new apartment units (~4,900) completed last decade.

**Mid-rise Construction (4 to 7 Stories)**
- Generally consists of 1-2 concrete base level floors with 4-5 wood-frame floors above.
- Vast majority of new apartment supply in the Twin Cities; 68% of new units (~28,700) in the last decade.

**Low-rise Construction (< 4 Stories)**
- Wood-frame; typically located in the suburbs or moderately-priced central-city areas.
- Generally smaller in project size with about 70-75 units on average.
- Accounted for approximately 11% of new units delivered last decade (~4,700).

**Gut Rehab Conversions of Historic Properties, Old Warehouses, and Other Buildings**
- Found almost exclusively in Downtown St. Paul and the North Loop neighborhood in Downtown Minneapolis.
- Thirty conversions provided about 7% of all new units (~3,200) delivered last decade.

**Rental Townhomes & Detached Homes**
- Two-story wood-frame projects; average project size is 45-50 units.
- Found almost exclusively in newer suburbs and exurban cities; includes ten affordable projects in Dakota County.
- Represented only 2% of new rental supply delivered last decade, or just over 1,000 units.
Downtown Minneapolis – More than 1,120 non-senior units were delivered in 2019 in Downtown Minneapolis. While this total fell about 17% below 2018’s high level of production, it still was one of the strongest totals for any year last decade.

**Highlights:**
- Six buildings came online in five neighborhoods last year. Only Elliot Park failed to see a new project opening.
- Two-thirds of new units opened in high-rise towers, including City Club (307 units; 17 stories), Ironclad (166 units; 14 stories) and Rafter (282 units; 28 stories).
- Nearly 280 new affordable rental units opened in three buildings between the 183-unit Nicollet complex, the 72-unit Great River Landing, and The Vicinity, a mixed-income building with 24 affordable units among 94 market-rate units. Great River Landing is unique in its provision of support services for people who were formerly incarcerated.

Minneapolis Uptown – Uptown continued its two-year trend of low production last year with just two projects opening, for a total of 40 units. Over the last decade, Uptown showed a boom-and-bust development pattern with one to two years of high production of 400-550 units mixed in with years of low activity of only 50-100 units.

**Highlights:**
- Lander Group opened Zeo, a 25-unit boutique apartment building at 32nd and Hennepin.
- North Bay Cos. opened Prox 31, a 15-unit infill project in the Cedar Isles Dean area, northwest of Lake Bde Maka Ska.
- Fitting with the boom-and-bust pattern, Uptown is expected to see 812 new units open in five projects in 2020. Two large projects – 200-unit Lakehaus at 3100 Lake Street and 317-unit Daymark Uptown on the former Sons of Norway site – will once again test market depth in the broader Uptown area.

U of M Neighborhoods – In 2019, the U of M submarket saw delivery of 485 units in seven projects. This total was just above the ten-year average yearly production (474 units) for this submarket.

**Highlights:**
- Two of last year’s new projects are mixed-income properties in the Prospect Park neighborhood. Green on 4th delivered 66 affordable units along with 177 market-rate units, and The Louis, from Aeon, opened 63 affordable and seven market-rate units.
- Five new projects in 2019 ranged from just 7 to 85 units, representing infill and redevelopment in Marcy Holmes, Dinkytown and the West Bank neighborhoods. Among these were Archer (43 units), Lume (25 units) and Luna (85 units).
- Deliveries in 2020 could hit roughly 680 units if all five projects under construction now are completed on schedule.
Minneapolis Neighborhoods – Just over 650 non-senior rental units were delivered in 2019 throughout the neighborhoods in Minneapolis (outside of the U of M neighborhoods and Uptown). This was clearly the highest total of the decade, and the culmination of a continued upward trend over the last ten years.

Highlights:
• Nine buildings came online in six neighborhoods with just under half (306 units) coming from four buildings in Northeast.
• The average project size in 2019 – at 72 units – was remarkably similar to the decade-long average of 74 units. This size reflects the constraints of redevelopment and infill on sites in the central city.
• About 150 affordable units opened in the Minneapolis neighborhoods last year, a bit higher than the annual average of 129.
• Deliveries are expected to skyrocket to nearly 1,400 new units in 2020 in the Minneapolis neighborhoods with 14 projects currently under construction.

Downtown St. Paul – Downtown St. Paul showed an inconsistent pattern last decade, but it ended with peak production of 618 new rental units in six developments in 2019.

Highlights:
• Two projects in 2019 more than doubled the affordable production total for the decade in Downtown St. Paul: Press House, a 144-unit conversion of the former Pioneer Press building, and the second phase of the large Dorothy Day development project from Catholic Charities. This latter project offers 177 permanent housing units with supportive services for very low-income persons.
• All six developments that opened last year Downtown are within ½-mile from a Green Line LRT station; all are considered transit-oriented developments.
• Downtown St. Paul has been the undisputed leader in the conversion of historic warehouses and offices to rental apartments. Last year, four of the six new projects fell into this category: Press House (114 units), Commission House (26 units), The Jax (48 units), and R7 Lofts (48 units).

St. Paul Neighborhoods – The St. Paul neighborhoods saw peak production in 2019 with seven projects delivering 666 units in four neighborhoods including Battle Creek, a long overlooked area.

Highlights:
• Four projects in the St. Paul neighborhoods brought 431 affordable units to market, the largest such total of any submarket last year. Dominium built the largest of these with the 217-unit Union Flats project in the St. Anthony Midway area. Last decade, more affordable production occurred in the St. Paul neighborhoods (1,233 units) than all other submarkets except the Minneapolis neighborhoods (1,291 units).
• Market-rate openings last year in St. Paul’s neighborhoods included The Grove at 246 Snelling Avenue (118 units) and Capital View Apartments (109 units) along Old Hudson Road on the far eastern side of the city, an area with no new rental development otherwise.
• Deliveries in 2020 could hit roughly 600 units if all four projects under construction now are completed on schedule. Two of the projects are located on Snelling Avenue in the burgeoning district near the new Allianz soccer stadium.
First-Ring Suburbs – Delivery of new non-senior rental units in the first-ring suburbs of the Twin Cities in 2019 exceeded 1,000 units, only the second time that happened last decade. Seven projects totaling 1,063 units opened in Edina, Richfield, Columbia Heights, Roseville, South St. Paul, and Mendota Heights. The significant shift toward the east side of the metro represented a further maturing of the market, with developers exploiting opportunities in areas overlooked during the previous years of the decade.

Highlights:
- Edina led all first-ring suburbs with 286 units opening in the Southdale area and at 50th & France. This latter district saw the opening of 101-unit Nolan Mains, only the second new housing project in the broader 50th & France district (including adjacent Minneapolis).
- Traditionally less active cities such South St. Paul (67 units), Columbia Heights (148 units) and Mendota Heights (70 units) also added new non-senior rental units last year. Richfield saw a very large project open in The Chamberlain, a 316-unit mixed-income project with 283 newly-constructed and 33 renovated units.
- Another strong year is forecast for 2020, with seven projects under construction in the first-ring suburbs, totaling 1,160 units. Projects are well spread out across the Twin Cities: Golden Valley, St. Louis Park, Robbinsdale, Richfield, Newport, Maplewood, and Edina each have a project expected to open.

Southwest Suburbs – The southwest suburbs hit near-peak production in 2019 with 1,040 new non-senior units delivered, slightly below the high mark of 1,054 new units opened in 2015. This continued a five-year stretch of nearly 800 units delivered on average per year, third highest in the Twin Cities behind Downtown Minneapolis (907 units/year average) and the first-ring suburbs (870 units/year average).

Highlights:
- New projects were spread out among seven cities in the southwest suburbs and included two large transit-oriented developments in the future Green Line LRT extension corridor: 332-unit RiZe at Opus Park adjacent to the future Opus station platform in Minnetonka, and 222-unit Elevate at Southwest Station at the terminal station platform in Eden Prairie.
- Demonstrating the outward push of rental development in the southwest, projects opened last year in Chanhassen (130 units) Chaska (117), Prior Lake (50), Savage (54), and Shakopee (57).
- As with the first-ring suburbs, the southwest suburbs have a very large number of units that are planned, approved or under construction for delivery over the next few years. Dougherty Mortgage is tracking nine projects with roughly 1,600 units that are under construction and could open in 2020. Given the low level of production compared to household growth last decade in the southwest, higher numbers of new units should be absorbed well in this expansive submarket.
Northwest Suburbs – In 2019, production dropped to 392 non-senior units delivered in the northwest suburbs, a solid year in the historical context, but well below the peak years of 2017 and 2018.

Highlights:
- Ironwood Apartments in New Hope (183 units) led all projects last year, followed by Vincent Woods I in Rogers (84 units) and Bottineau Ridge phase II in Maple Grove (50 affordable units).
- An additional project – Nova at Riverdale Station – opened next to the Riverdale Northstar commuter rail station in Coon Rapids. It is the 71-unit initial phase of a much larger TOD project being developed by Sherman Associates.
- New product deliveries are expected to stay at virtually the same level in 2020 as in 2019, with 391 units under construction and planned to open. Another phase of The Reserve at Arbor Lakes will add 123 units, while a second phase of Sherman Associates’ Riverdale station project will bring 184 market-rate units. Finally, Vincent Woods II will open with 84 more units in Rogers.

Southeast Suburbs – After being the lowest-producing submarket from 2010 through 2014, the southeast suburbs rallied to become a notable producer over the past five years. In four of the past five years, this submarket saw delivery of 400 or more units, or more than 2,300 over five years. Following a record 828 new units in 2018, deliveries in 2019 in the southeast suburbs dropped back to 423 units in four projects.

Highlights:
- Projects opened in Eagan (183 units), Lakeville (120 units), Hastings (88 units), and Rosemount (32 units). All were market-rate properties, with three being low-rise projects of two or three stories above ground.
- No new affordable projects opened in the southeast suburbs last year, following the trend from 2018. Conversely, over the first eight years of the last decade, the southeast produced an average of 50 affordable units per year.
- Deliveries in 2020 are expected to skyrocket to 1,400+ units as twelve projects are under construction in seven southeastern cities. This includes multiple projects in Apple Valley, Burnsville, Rosemount, and Woodbury.

Northeast Suburbs – Last decade, the northeast submarket produced the second-lowest number of units among the five suburban submarkets. The region has many smaller cities in the first and second rings of development around St. Paul, and projects tend to be slightly smaller in size than the average new rental project in the Twin Cities.

Highlights:
- In 2019, the northeast suburbs delivered roughly 400 units, a solid total for this submarket. Five cities saw new projects, including far-flung East Bethel with a 68-unit project.
- New market-rate products offered in the northeast are among the lowest-priced in the Twin Cities, with the overall submarket average asking rent for new projects never exceeding more than $1.75 per square foot in the 2010s. This low rent potential makes it more difficult to make projects financially feasible in the northeast suburbs.
NEW PRODUCT PRICING TRENDS

Asking Rents in the Twin Cities

Dougherty Mortgage analyzed 4th quarter 2019 pricing data at 121 “newer” market-rate projects (opened in 2017 or after) throughout the 7-county Twin Cities Metro Area (table at right). The analysis includes a survey of asking rents before concessions or discounts, as quoted by building owners or representatives. The survey summarizes the rent structure for 14,824 market-rate units delivered since the start of 2017, including roughly 240 units that opened just after the start of 2020. It is important to note that actual, achieved rents at projects could vary considerably from the asking rents included in this survey.

The overall asking rent for newer, market-rate apartments in the Twin Cities increased to $2.24 per-square-foot (psf) in 4th quarter 2019, a big jump over the $2.15 psf figure a year earlier. Each submarket showed a price gain, however the six submarkets in Minneapolis and St. Paul far outpaced the five suburban submarkets. It is important to remember that price changes in a given submarket might be driven more by the opening of new projects than by price changes at existing projects.

Prices Are a Function of Geography: From the Urban Core Outward

The 4th quarter 2019 survey revealed a clear geographic pattern of declining prices for newer units as submarkets become more distant from the urban core. We identified four tiers in the Twin Cities. The price difference between the top and bottom tiers is substantial; between 39% and 55%.

- First tier: highly-concentrated submarkets at the center of the Twin Cities – Downtown Minneapolis, the U of M neighborhoods, and Uptown – about $2.70 psf average.
- Third tier: the first-ring suburbs at $2.14 psf average.
- Fourth tier: the outer suburbs and exurban cities at $1.75 to $1.93 psf average.

There can be significant pricing variation from project to project in a given submarket. However, the general pattern discussed above reflects benefits more likely to be found as one moves into the urban core: proximity to job concentrations, prevalence of restaurants, cultural amenities and entertainment options, a broad array of transit options (including dedicated bikeways), and lively, walkable neighborhood settings.

Gaining Rent by Reducing Unit Size

Another pattern affecting pricing is a move toward smaller sized units, especially in the urban core submarkets. With the exception of three-bedroom plans, unit sizes for newer product decreased across-the-board in the six central-city submarkets (chart above). In the cases of Uptown and the St. Paul neighborhoods, significant drops of 76 to 187 square feet occurred two or three floorplan types. The emergence of micro-unit buildings in these and other urban core areas are a main driver of this trend, but so is the overall trimming of unit sizes in all types of buildings. The reduction in unit size helped push rents for newer units in the urban core up by $0.04 to $0.27 psf on average last year, depending on the submarket.

The suburbs showed a different pattern last year. Four of five suburban submarkets saw average size increases in two or three floorplans types, and decreases in just one or two types. And where there were reductions, they were typically minimal (20 square feet or less). The first-ring suburbs showed the most pronounced pattern: average two- and three-bedroom unit sizes jumped by 52 and 196 square feet, respectively, as new projects came on-line with large, expensive units targeted at empty-nesters. Increasing unit sizes throughout the suburbs helped keep a lid on prices for newer units, with no submarket increasing by more than $0.04 psf in average rent last year.
NEW PRODUCT PRICING TRENDS
Pricing Structure by Twin Cities Submarket | 4th Quarter 2019

SUBMARKETS IN THE CENTRAL CITIES

Legend: Studio 1BR 2BR 3BR Low Asking Rent Average Asking Rent High Asking Rent
Denotes reduced scale due to space limitations

Downtown Minneapolis
$2.71 / sq. ft. average

U of M Neighborhoods
$2.70 / sq. ft. average

Minneapolis Uptown
$2.69 / sq. ft. average

Minneapolis Neighborhoods
$2.43 / sq. ft. average

Downtown St. Paul
$2.41 / sq. ft. average

St. Paul Neighborhoods
$2.39 / sq. ft. average

MARKET VIEWPOINT: TWIN CITIES MULTIFAMILY MARKET 2019-20
NEW PRODUCT PRICING TRENDS
Pricing Structure by Twin Cities Submarket 4th Quarter 2019

SUBURBAN SUBMARKETS

Legend: Studio 1BR 2BR 3BR

First-Ring Suburbs $2.14 / sq. ft. average

Southwest Suburbs $1.93 / sq. ft. average

Northwest Suburbs $1.82 / sq. ft. average

Southeast Suburbs $1.80 / sq. ft. average

Northeast Suburbs $1.75 / sq. ft. average

Legend: Low Asking Rent Average Asking Rent High Asking Rent

Denotes reduced scale due to space limitations

Market Viewpoint: Twin Cities Multifamily Market 2019-20

10 | MARKET VIEWPOINT: TWIN CITIES MULTIFAMILY MARKET 2019-20
Multifamily production of roughly 42,600 non-senior units in the 2010s transformed the Twin Cities housing market in many ways. Overall, new multifamily development in the urban core provided a timely response to a recovering economy and employment gains, enabling larger numbers of households to live close to growing job concentrations. As well, new apartments provided a wide range of consumer choices in housing styles and locations for those uninterested in homeownership (or unable to buy). And at the city level, new rental projects helped give neighborhood identity to former commercial districts or mixed-use areas lacking housing options.

Looking back over the past decade of rental housing production in the Twin Cities gives us perspective on how the market has evolved and where it is likely to go in the 2020s. Among the things we learned:

- Many commercial districts in the suburbs could re-energize and modernize by adding new rental housing.
- Affordable housing shouldn’t be primarily a central-city phenomenon, but should be found much more often in the suburbs, home to 72% of the jobs and 76% of the households in the Twin Cities.
- Investment in transit infrastructure pays off for housing development; developers build near transit stations and renters see strong value in housing with nearby transit options.
- Micro units (efficiency and one-bedroom units of roughly 350 to 600 square feet) make economic sense to many younger renters in the central cities.
- The suburbs greatly lack new rental housing overall, and the potential to add housing outside of the urban core is strong (chart below). Only 13,109 new rental units were produced in the outer suburbs last decade while 97,000 new households were created.

### Rental Housing Production by Submarket: 2010-2019

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Non-Senior Units Delivered</th>
<th>Market Rate</th>
<th>Affordable</th>
<th>Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown Minneapolis</td>
<td>6,898</td>
<td>1,167</td>
<td>8,065</td>
<td>18.9%</td>
<td></td>
</tr>
<tr>
<td>First-Ring Suburbs</td>
<td>4,621</td>
<td>768</td>
<td>5,389</td>
<td>12.7%</td>
<td></td>
</tr>
<tr>
<td>Southwest Suburbs</td>
<td>4,259</td>
<td>583</td>
<td>4,842</td>
<td>11.4%</td>
<td></td>
</tr>
<tr>
<td>U of M Neighborhoods</td>
<td>4,476</td>
<td>260</td>
<td>4,736</td>
<td>11.1%</td>
<td></td>
</tr>
<tr>
<td>Mpls. Neighborhoods</td>
<td>2,201</td>
<td>1,291</td>
<td>3,492</td>
<td>8.2%</td>
<td></td>
</tr>
<tr>
<td>Northwest Suburbs</td>
<td>2,318</td>
<td>773</td>
<td>3,091</td>
<td>7.3%</td>
<td></td>
</tr>
<tr>
<td>St. Paul Neighborhoods</td>
<td>1,721</td>
<td>1,233</td>
<td>2,954</td>
<td>6.9%</td>
<td></td>
</tr>
<tr>
<td>Northeast Suburbs</td>
<td>2,383</td>
<td>236</td>
<td>2,619</td>
<td>6.2%</td>
<td></td>
</tr>
<tr>
<td>Southeast Suburbs</td>
<td>2,131</td>
<td>426</td>
<td>2,557</td>
<td>6.0%</td>
<td></td>
</tr>
<tr>
<td>Uptown Minneapolis</td>
<td>2,240</td>
<td>208</td>
<td>2,448</td>
<td>5.7%</td>
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</tr>
<tr>
<td>Downtown St. Paul</td>
<td>1,825</td>
<td>564</td>
<td>2,389</td>
<td>5.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35,073</strong></td>
<td><strong>7,509</strong></td>
<td><strong>42,582</strong></td>
<td><strong>100.0%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Dougherty Mortgage Multifamily Database

### Rental Housing Production vs. Household Growth: 2010-2019

<table>
<thead>
<tr>
<th>Development Ring</th>
<th>New Non-Senior Rental Units¹</th>
<th>New Households²</th>
<th>Penetration Rate of New Rental Units</th>
<th>Residual Housing Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urban Core:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Cities &amp; First Ring</td>
<td>29,473</td>
<td>55,396</td>
<td>53%</td>
<td>25,923</td>
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<tr>
<td><strong>Suburban &amp; Exurban Ring:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwest Suburbs</td>
<td>4,842</td>
<td>31,000</td>
<td>16%</td>
<td>26,158</td>
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<tr>
<td>Northwest Suburbs</td>
<td>3,091</td>
<td>22,342</td>
<td>14%</td>
<td>19,251</td>
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<tr>
<td>Southeast Suburbs</td>
<td>2,799</td>
<td>23,458</td>
<td>12%</td>
<td>20,659</td>
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<tr>
<td>Northeast Suburbs</td>
<td>2,377</td>
<td>20,265</td>
<td>12%</td>
<td>17,888</td>
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<td><strong>Subtotal</strong></td>
<td>13,109</td>
<td>97,065</td>
<td>14%</td>
<td>83,956</td>
</tr>
<tr>
<td><strong>Twin Cities Total</strong></td>
<td><strong>42,582</strong></td>
<td><strong>152,461</strong></td>
<td><strong>28%</strong></td>
<td><strong>109,879</strong></td>
</tr>
</tbody>
</table>

1) Dougherty Mortgage Multifamily Database.
2010s DECADE
SUBURBAN DEVELOPMENT LOCATIONS

<table>
<thead>
<tr>
<th>District</th>
<th>Projects</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ramsey “COR”</td>
<td>5</td>
<td>503</td>
</tr>
<tr>
<td>2 E10 &amp; Zane / Brooklyn Park</td>
<td>1</td>
<td>484</td>
</tr>
<tr>
<td>3 Arbor Lakes / Maple Grove</td>
<td>5</td>
<td>828</td>
</tr>
<tr>
<td>4 Ridgedale Mall-Carlson Center / Minnetonka</td>
<td>3</td>
<td>357</td>
</tr>
<tr>
<td>5 Heys, 55/169 / Golden Valley-Plymouth</td>
<td>3</td>
<td>374</td>
</tr>
<tr>
<td>6 West End / Golden Valley-St. Louis Park</td>
<td>5</td>
<td>931</td>
</tr>
<tr>
<td>7 Elmwood Excelsior / St. Louis Park</td>
<td>6</td>
<td>668</td>
</tr>
<tr>
<td>8 Downtown Hopkins</td>
<td>3</td>
<td>456</td>
</tr>
<tr>
<td>9 Southdale Mall District / Edina</td>
<td>5</td>
<td>938</td>
</tr>
<tr>
<td>10 West I-494 Strip / Bloomington</td>
<td>5</td>
<td>945</td>
</tr>
<tr>
<td>11 South Loop / Bloomington</td>
<td>1</td>
<td>395</td>
</tr>
<tr>
<td>12 Egan Drive / Savage</td>
<td>3</td>
<td>368</td>
</tr>
<tr>
<td>13 Downtown Apple Valley</td>
<td>6</td>
<td>806</td>
</tr>
<tr>
<td>14 Eagan Town Center</td>
<td>4</td>
<td>332</td>
</tr>
<tr>
<td>15 Downtown Forest Lake</td>
<td>5</td>
<td>389</td>
</tr>
</tbody>
</table>

Source: Dougherty Mortgage Multifamily Database

GEOGRAPHIC PATTERNS – The maps on pages 12-15 were designed to be simple with the intention of emphasizing new multifamily development across the Twin Cities. One dot represents one project, regardless of project size.
2010s DECADE
CENTRAL CITY DEVELOPMENT LOCATIONS

Concentrations of Multifamily Development
300+ New Units (Non-Senior)

<table>
<thead>
<tr>
<th>District</th>
<th>Projects</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis District</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 West Broadway &amp; Penn District</td>
<td>4</td>
<td>240</td>
</tr>
<tr>
<td>2 Near Northeast – Marshall Avenue</td>
<td>4</td>
<td>367</td>
</tr>
<tr>
<td>3 Downtown – North Loop</td>
<td>22</td>
<td>2,503</td>
</tr>
<tr>
<td>4 Downtown – Skyway Core</td>
<td>7</td>
<td>1,819</td>
</tr>
<tr>
<td>5 Downtown – Loring Park</td>
<td>5</td>
<td>806</td>
</tr>
<tr>
<td>6 Downtown – Elliot Park</td>
<td>3</td>
<td>417</td>
</tr>
<tr>
<td>7 Downtown – Gateway and Mill District</td>
<td>8</td>
<td>1,209</td>
</tr>
<tr>
<td>8 Downtown – St. Anthony / East Bank</td>
<td>8</td>
<td>1,311</td>
</tr>
<tr>
<td>9 U of M – Marcy Holmes</td>
<td>7</td>
<td>336</td>
</tr>
<tr>
<td>10 U of M – Dinkytown</td>
<td>16</td>
<td>1,449</td>
</tr>
<tr>
<td>11 U of M – West Bank</td>
<td>3</td>
<td>557</td>
</tr>
<tr>
<td>St. Paul District</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 U of M – Stadium Village / Prospect Park</td>
<td>17</td>
<td>2,394</td>
</tr>
<tr>
<td>13 Cedar / Isles / Dean</td>
<td>4</td>
<td>451</td>
</tr>
<tr>
<td>14 Uptown</td>
<td>17</td>
<td>1,887</td>
</tr>
<tr>
<td>15 South Minneapolis – Blue Line Corridor</td>
<td>12</td>
<td>528</td>
</tr>
</tbody>
</table>

Housing Type:
- Blue Line LRT and Station Service Areas (¼ mile)
- Affordable
- Green Line LRT and Station Service Areas (¼ mile)
- Mixed Income
- Green Line Extension LRT and Station Service Areas (¼ mile)
- Market Rate
- Northstar C.R. (½ mile)

Source: Dougherty Mortgage Multifamily Database
Throughout the last decade, several metrics show that the market for newly-constructed rental units continually expanded from year to year across the Twin Cities. Three annual measures in particular – the number of projects opening, the number of cities with new projects, and the share of units built in the suburbs – clearly reveal the trends of increasing volume and geographic expansion.

**Steady Increase in Volume**
- Just ten new projects opened in 2010 across the Twin Cities, while 65 opened in 2019, a 6-fold increase.
- With the exception of 2014, the number of new projects increased each year compared to the previous year.
- There are 122 projects currently under construction across the Twin Cities, and well more than half are expected to open in 2020.

**More Cities in the Mix**
- In a nearly linear pattern, the number of cities seeing a new rental project steadily increased last decade, from only five cities in 2010 to 28 cities by 2019.
- Currently, 37 cities have projects under construction for opening within the next two years.

**A Move to the Suburbs**
- Development increasingly migrated outward from the central cities to the suburbs in the 2010s. In the first five years of the decade, 30% of the new units were built in the suburbs each year, on average. By the second five years, 51% of the units opened in the suburbs annually, on average.
- Fifty-one percent of units under construction are located in the suburbs.
As the decade closed, the rental market in the Twin Cities showed many signs of maturing, with much of the growth potential in the central cities realized. As markets mature, products become more specialized with the aim of capturing every last consumer before demand flattens or starts to decline. A variety of diverse rental products emerged in the last half of the 2010s in the Twin Cities. Some examples are shown below.

**Micro Units**

Only one micro unit building – 48-unit Cozy Flats in Minneapolis – was built in the Twin Cities prior to 2015. Conversely, 15 micro unit buildings opened in 2015 or after, with nearly 900 units. Another six micro buildings with 420 units were under construction at decade’s end. Micro units bring cost-conscious renters to new buildings by offering lower gross rents in exchange for smaller unit sizes. Micro unit buildings are still a phenomenon exclusive to Minneapolis and St. Paul.

*Example: Nolo Flats, a 71-unit building offering micro units in the North Loop of Minneapolis.*

**High-rise Towers**

Twenty-one high-rise buildings (8+ stories) opened last decade, offering nearly 4,900 units. Three-quarters of this total was produced after 2015. About 60% of the new high-rise supply opened in Downtown Minneapolis (11 projects), followed by the U of M neighborhoods in Minneapolis (24% in four projects) and the suburbs (12% in four projects). Currently, six towers of 8-28 stories are under construction for 2020 or 2021 delivery; all but one are in Downtown Minneapolis neighborhoods.

*Example: 26-story Nic on 5th in Downtown Minneapolis.*

**Gated Communities with Vast Amenities**

Doran Companies opened one of the first gated rental communities in Maple Grove late last decade and is now leasing a second development in Shakopee. Renters seeking amenity-rich projects in highly-secured communities represent a new niche market in the Twin Cities.

*Example: 380-unit Reserve at Arbor Lakes in Maple Grove.*

**Narrowly-targeted Supportive Housing**

In the past few years, highly-specialized housing with services has opened for such populations as young adults aging out of foster care, homeless teens, veterans, Native American youth, and formerly incarcerated adults. Sixty percent of new units for targeted populations have opened since 2016. In total, about 1,300 units of housing for targeted populations opened in 23 developments last decade in the Twin Cities.

*Example: Prior Crossing, 42 units of housing for homeless youth on the Green LRT line in Midway St. Paul.*

**Affordable Senior Housing**

While not covered in this report, the affordable senior housing supply has taken-off since 2016, with 2,360 new units opening between 2016 and 2019, more than twice the production of the prior six years. For the first time, developers have tried their hand at new affordable assisted living projects involving low-income tax credits in combination with elderly waiver and group residential housing funding.

*Example: The Grainwood, a 170-unit affordable senior housing development in Prior Lake.*
MARKET VIEWPOINT: TWIN CITIES MULTIFAMILY MARKET 2019-20

2010s TREND: TRANSIT-ORIENTED DEVELOPMENT BOOM

As the decade progressed, more development became focused in the Blue and Green line LRT corridors (existing and future spurs), along the Northstar commuter rail line, and in the emerging Red and Gold bus rapid transit (BRT) lines. Including development within 1/2 mile of a stop in any rail or bus rapid transit corridor, transit-oriented development accounted for more than 17,200 units in 136 projects in the Twin Cities last decade.

New Rail Transit Attracts Development

Over the last decade, the existing Green and Blue LRT lines were the site for 13,860+ new non-senior units in the Twin Cities; this total rises to more than 16,000 when one adds the units built in the Green line extension under construction in the west and southwest suburbs.

The Northstar commuter rail line, which brings riders from Big Lake in Sherburne County and five additional stops to Downtown Minneapolis, had 11 projects (943 units) built within 1/2 mile of a station platform last decade. This trend continues in this decade, with units planned at the Riverdale stop in Coon Rapids and other locations.

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New Multifamily Development Within 1/2 Mile of Rail Transit Station Platforms

<table>
<thead>
<tr>
<th>Transit Line</th>
<th>Projects</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue Line LRT*</td>
<td>53</td>
<td>7,536</td>
</tr>
<tr>
<td>Green Line LRT</td>
<td>52</td>
<td>6,327</td>
</tr>
<tr>
<td>Green Line LRT Extension</td>
<td>17</td>
<td>2,140</td>
</tr>
<tr>
<td>Northstar Commuter Rail</td>
<td>11</td>
<td>943</td>
</tr>
<tr>
<td><strong>Metro Area Total</strong></td>
<td>133</td>
<td>16,946</td>
</tr>
<tr>
<td>* Non-senior units only.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Non-senior units only.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Dougherty Mortgage Multifamily Database

Rail Nodes in Dense Urban Areas: Convenient for Thousands of Renters

Eleven rail transit station platforms each saw at least 1,000 new multifamily units built last decade within a 1/2 mile radius, the distance considered transit-oriented. The transit stop with the largest number of nearby transit-oriented units – 3,610 – was the Government Plaza station in Downtown Minneapolis on the Blue/Green LRT lines. Four other Downtown Minneapolis stops, plus three U of M/East Bank Green line stops and three Downtown St. Paul Green line stops, topped the list of the most well-located stations in the Twin Cities.

Rail Transit Station Platforms With the Highest TOD Density

1,000+ New Multifamily Units (Non Senior)

<table>
<thead>
<tr>
<th>Transit Station</th>
<th>Submarket</th>
<th>Transit Corridor</th>
<th>Projects*</th>
<th>Units*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Plaza</td>
<td>DT Minneapolis</td>
<td>Blue &amp; Green LRT</td>
<td>16</td>
<td>3,610</td>
</tr>
<tr>
<td>Target Field</td>
<td>DT Minneapolis</td>
<td>Blue &amp; Green LRT</td>
<td>25</td>
<td>3,396</td>
</tr>
<tr>
<td>Warehouse District/Hennepin Ave.</td>
<td>DT Minneapolis</td>
<td>Blue &amp; Green LRT</td>
<td>15</td>
<td>2,940</td>
</tr>
<tr>
<td>Nicollet Mall</td>
<td>DT Minneapolis</td>
<td>Blue &amp; Green LRT</td>
<td>14</td>
<td>2,926</td>
</tr>
<tr>
<td>Stadium Village</td>
<td>U of M (East Bank)</td>
<td>Green LRT</td>
<td>15</td>
<td>2,307</td>
</tr>
<tr>
<td>US Bank Stadium</td>
<td>DT Minneapolis</td>
<td>Blue &amp; Green LRT</td>
<td>11</td>
<td>2,088</td>
</tr>
<tr>
<td>Central</td>
<td>DT St. Paul</td>
<td>Green LRT</td>
<td>17</td>
<td>2,023</td>
</tr>
<tr>
<td>Prospect Park</td>
<td>U of M (East Bank)</td>
<td>Green LRT</td>
<td>14</td>
<td>1,956</td>
</tr>
<tr>
<td>Union Depot</td>
<td>DT St. Paul</td>
<td>Green LRT</td>
<td>15</td>
<td>1,668</td>
</tr>
<tr>
<td>East Bank</td>
<td>U of M (East Bank)</td>
<td>Green LRT</td>
<td>9</td>
<td>1,419</td>
</tr>
<tr>
<td>10th Street</td>
<td>DT St. Paul</td>
<td>Green LRT</td>
<td>10</td>
<td>1,353</td>
</tr>
</tbody>
</table>

* Note: Many projects in areas noted above are located within 1/2 mile of two or more station platforms.

Source: Dougherty Mortgage Multifamily Database
2010s TREND: CHANGING DEFINITION OF SUITABLE SITES

As easily-developable sites became scarcer during the latter part of the decade, developers turned to site locations not typically considered in past eras. These included industrial brownfield parcels and grayfield sites, those that held obsolete commercial uses such as strip shopping malls, old office buildings, and outright parking lots.

**Industrial Parcels with Prime Housing Potential**

Numerous former industrial sites have been recently turned into large-scale housing developments, most successfully by Dominium with affordable projects in Minneapolis, St. Paul, and Minnetonka. Often, older industrial buildings are large in size and well-located within the urban grid. Parcels in the central cities or along rail transit corridors offer unique opportunities, such as along the new Green Line LRT extension through the southwest suburbs.

Map at right: Dominium’s Union Flats at the edge of vast industrial uses to the north and east in the St. Anthony Park neighborhood of St. Paul. (Base map: Google)

**Regional Shopping Malls Draw Redevelopment**

With Southdale being the best example, developers began to focus in the latter half of the 2010s on redevelopment opportunities around regional shopping malls. Parcels with obsolete big box retailers and little-used parking lots have proven to be very viable sites for new multifamily development, adding housing into the mix of retail, service, office, and entertainment uses already in-place.

Map below: 2010s projects built or under construction near Southdale Mall.

**Grayfield Sites in Dense Commercial Areas**

Many first- and second-tier suburbs of the Twin Cities hold sizeable commercial districts that never included housing uses. They are becoming desirable multifamily locations, helping to convert large zones of parking lots and obsolete commercial buildings into horizontal mixed-use residential areas with a wide array of destinations for renters. A good example is the west portion of the I-494 strip in Bloomington, where nearly 1,000 units have been built.
In 2014, Dougherty Mortgage started measuring the overall average price per square foot for newer projects (three years old or less) in the 4th quarter in each Twin Cities submarket. We continued this measurement through 2019, gathering six years’ worth of data, as shown below.

To the surprise of no one, asking prices for new rental units in the Twin Cities increased at a strong clip during the last decade, with annual increases in virtually all metro area submarkets each year.* Over the decade, the Twin Cities overall average asking price for newer units increased from $2.05 per square foot in 2014 to $2.24 at the end of 2019. During this period, new rental product openings steadily shifted toward the suburban submarkets, which accounted for roughly half of all openings in the second half of the decade, up from only 30% in the first half. More product openings in the relatively lower-price suburbs had a moderating effect on the overall Twin Cities average asking price. However, pricing gains in the core city submarkets – particularly Downtown Minneapolis, the U of M neighborhoods, and Uptown – bolstered a solid overall price gain in the Twin Cities between 2014 and 2019.

*It is important to remember that asking prices are mostly a benchmark for the direction of the trends in pricing, and not necessarily definitive indicators of ultimate market prices. Rents that households ultimately pay (“effective rents”) are often lower than asking rents due to concessions or move-in discounts offered by the owner, and prices may be negotiated downward directly by renter prospects as well.

Source: Dougherty Mortgage Multifamily Database
Despite solid gains in affordable rental housing production last decade, the overall shortfall of units only worsened. By not producing enough units to satisfy demand in the 2010s, the problem spills over into the 2020s, making this decade’s challenge that much greater.

The Urban Core Far Outproduces the Suburbs

The pattern of affordable rental development in the Twin Cities last decade was clear: the urban core communities provided the bulk of all units. Minneapolis and St. Paul together accounted for approximately 48% of all new production in the decade (5,292 units), while the close-in first-ring suburbs added an additional 15% (1,680 units; chart at right). In producing 63% of all new units in the Twin Cities, the central cities and first-ring suburbs greatly overproduced relative to their proportion of population (37%), households (38%) and jobs (46%) in the Twin Cities.

Pushing the Problem to the Next Decade

Based on the Met Council’s estimates of affordable housing demand, the Twin Cities housing production system should have delivered about 42,000 units last decade to serve renters at or below 60% of area median income (AMI) (See chart below). In reality, a little more than 11,000 affordable rental units (of all types, including for seniors) were built. Thus, three quarters of new demand went unsatisfied. The lack of affordable rental production last decade is an all-out crisis as the production shortfall carries forward in the form of higher numbers of low-income renters who are cost-burdened or who are forced to live in overcrowded or substandard units. And the solution lies mainly with the outer suburbs, which collectively need production increases on the order of seven to eight times last decade’s output (only 4,100 units) just to keep pace with growing need, to say nothing of catching up for prior shortfalls.

Affordable Rental Housing Production vs. Demand Growth: 2010-2019

General-Occupancy, Targeted Groups, Seniors
Twin Cities (7 Counties)

<table>
<thead>
<tr>
<th>Development Ring</th>
<th>New Affordable Rental Units Opened¹</th>
<th>New Demand for Affordable Rental Units ²</th>
<th>Percent of Demand Satisfied by Production</th>
<th>New Demand Not Served by New Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Core:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Cities &amp; First Ring Suburbs</td>
<td>6,972</td>
<td>8,557</td>
<td>81%</td>
<td>1,585</td>
</tr>
<tr>
<td>Suburban &amp; Exurban Ring:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southeast Suburbs</td>
<td>1,415</td>
<td>9,138</td>
<td>15%</td>
<td>7,723</td>
</tr>
<tr>
<td>Northwest Suburbs</td>
<td>1,124</td>
<td>7,086</td>
<td>16%</td>
<td>5,962</td>
</tr>
<tr>
<td>Southwest Suburbs</td>
<td>807</td>
<td>11,987</td>
<td>7%</td>
<td>11,180</td>
</tr>
<tr>
<td>Northeast Suburbs</td>
<td>752</td>
<td>5,288</td>
<td>14%</td>
<td>4,536</td>
</tr>
<tr>
<td>Subtotal</td>
<td>4,098</td>
<td>33,499</td>
<td>12%</td>
<td>29,401</td>
</tr>
<tr>
<td>Twin Cities Total</td>
<td><strong>11,070</strong></td>
<td><strong>42,056</strong></td>
<td><strong>26%</strong></td>
<td><strong>30,986</strong></td>
</tr>
</tbody>
</table>

1) Dougherty Mortgage Multifamily Database.

2) Metropolitan Council: 2011-2020 Allocation of Affordable Housing Need (10/4/17). Affordable rental (<60% AMI) need is calculated at 80% of the total affordable demand estimate for the Twin Cities, equating to 42,056 new affordable rental units needed in the 2010s, excluding any vacancy factor.
As we begin 2020, more rental housing is in the construction pipeline than at any time in decades – perhaps ever – in the Twin Cities. Nearly 16,700 non-senior rental units were under construction at the end of 2019 according to our research, with virtually all of it expected to open within the next two years, and far more than half in 2020 alone. Annualized over the next two years, this construction total is one-third higher than the 6,300 units that have opened per year on average in the past three years. Clearly, the full Twin Cities rental market is poised for a big test for product absorption, achievable rents, and vacancy rates over the next several years.

In terms of submarkets, Downtown Minneapolis continues to attract the most development, and 3,400 units are being built there now. Nearly 2,400 units are expected to open in 2020, making Downtown Minneapolis easily the most competitive submarket this coming year. Next, the southwest continues to lead all outer suburban submarkets with roughly 2,200 units under construction, with as many as 1,800 opening this year. Shakopee and Minnetonka will lead in unit deliveries in this submarket.

Additional submarkets with high amounts of construction in the pipeline include the first-ring suburbs (2,043 units), the Minneapolis neighborhoods (2,021 units), and the southeast suburbs (1,888 units). Within these submarkets, competitive areas over the next two years will include the West End in St. Louis Park/Golden Valley (536 units), Robbinsdale (350 units), Longfellow in Minneapolis (531 units), and Burnsville (529 units), Woodbury (471 units), and Apple Valley (373 units) in the southeast suburbs.

Overall, the coming decade should see much more construction in the suburbs as developers look to markets with untapped demand. Currently, 51% of units under construction are in the suburbs (pie chart at left), a proportion that has been consistent for the last five years. Regardless of the annual total of new units, however, far more than half of multifamily construction going forward should be in suburban communities. Only 13,000 new rental units were built in the outer suburbs last decade but growth there approached 100,000 households. Only a few suburbs can say that they have had significant amounts of new rental construction, leaving most areas with good opportunities for new development.
ABOUT DOUGHERTY MORTGAGE

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www.doughertymarkets.com

For more information about this report, please contact Thomas G. O’Neil at Dougherty Mortgage LLC 612-317-2122, toneil@doughertymarkets.com

A Leading Lender with a Nationwide Presence

Dougherty Mortgage LLC is a top provider of conventional and affordable multifamily financing, with offices throughout the country. Dougherty Mortgage specializes in providing access to federal agency loan programs to customers interested in Fannie Mae DUS®, Freddie Mac Program Plus®, and FHA financing solutions. Dougherty Mortgage has also been awarded designation as a lender/partner with USDA under the Community Facilities guaranteed loan program. In addition to conventional multifamily financing, Dougherty Mortgage also provides financing solutions for affordable housing, senior independent and assisted living residences, hospitals, health care facilities and student housing. Over the past decade, Dougherty Mortgage has consistently been a top-10 HUD/FHA lender in terms of the number of loans, dollar amount, or both. Dougherty Mortgage is also one of the country’s fastest-growing Fannie Mae DUS® lenders.

Affordable Housing Finance – A Variety of Solutions

In addition to extensive conventional financing experience, Dougherty Mortgage offers comprehensive debt solutions for affordable rental housing projects in all types of settings. As a leading Fannie Mae and HUD/FHA lender, we recognize the challenges associated with affordable housing finance and guide our clients through the process at all stages. Some of the many solutions we help our clients with include Fannie Mae DUS® and FHA-insured mortgages, tax-exempt credit enhancement, low-income housing tax credits, historic and new markets tax credits, and various government programs that offer subordinated loans or grants.

Our affordable housing clients include both non-profit and for-profit multifamily housing owners, developers and operators. Whether our clients are looking to refinance, acquire, build, or rehabilitate, we offer compelling financial options and work diligently to develop a creative, tailored solution for each transaction.

Integrated Financing Solutions – Dougherty Mortgage and Dougherty & Company

Dougherty Mortgage LLC partners with an affiliated entity, Dougherty & Company LLC, on many affordable transactions that involve 4% low-income housing tax credits coupled with tax-exempt bonds. On all types of housing transactions, Dougherty & Company may also serve as the underwriter for tax increment revenue bonds, subordinate bonds, housing and healthcare bonds, and other types of issuances.
REPERSENTATIVE TRANSACTIONS – CONVENTIONAL/MARKET RATE

Fannie Mae

**Avenida Crossing**  
$33.8 million  
Fannie Mae  
Dallas, TX | January 2020

**Bowman Pointe Phase III**  
$13.8 million  
Fannie Mae  
Little Rock, AR | January 2020

**Ridgeside Apartments**  
$9.1 million  
Fannie Mae  
Hixson, TN | December 2019

**Soll Apartments**  
$26.7 million  
Fannie Mae  
Des Moines, IA | September 2019

**Hawks Landing**  
$6.0 million  
Fannie Mae  
Kingsville, TX | June 2019

**Loden SV**  
$42 million  
Fannie Mae  
Shoreview, MN | May 2019

**The Plantation Apartment Homes**  
$20.7 million  
Fannie Mae  
Olive Branch, MS | February 2019

**Bear Canyon**  
$23.1 million  
Fannie Mae  
Tucson, AZ | February 2019

**Crossroads at Terrell**  
$35 million  
HUD 221(d)(4) N-C  
Terrell, TX | December 2019

**Sundance at Settler’s Ridge**  
$33.5 million  
HUD 221(d)(4) N-C  
Woodbury, MN | December 2019

**The Reserve at Venice**  
$46.7 million  
HUD 221(d)(4) N-C  
Venice, FL | November 2019

**Parker Station Flats**  
$42.3 million  
HUD 221(d)(4) N-C  
Robbinsdale, MN | November 2019

**Community Health Centers of the Central Coast**  
$16.2 million  
USDA Financing  
Templeton, CA | November 2019

**Waverly Apartment Homes**  
$29.7 million  
HUD 221(d)(4) N-C  
Burleson, TX | September 2019

**Audubon Park Apartment Homes**  
$20.8 million  
HUD 223(a)(7) Refi  
Zachary, LA | September 2019

**Viridium**  
$34.2 million  
HUD 221(d)(4) N-C  
Minneapolis, MN | August 2019

HUD/FHA and USDA Rural Development Community Facilities
### MARKET VIEWPOINT: TWIN CITIES MULTIFAMILY MARKET 2019-20

#### REPRESENTATIVE TRANSACTIONS – AFFORDABLE

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Price</th>
<th>Type</th>
<th>Location</th>
<th>Borrower</th>
<th>FHA/Other Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gateway Northeast</strong></td>
<td>$21 million</td>
<td>Fannie Mae Forward M. TEB</td>
<td>Minneapolis, MN</td>
<td>January 2020</td>
<td>Dougherty Mortgage LLC</td>
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<tr>
<td><strong>Westcreek Townhomes</strong></td>
<td>$14.9 million</td>
<td>Fannie Mae</td>
<td>San Antonio, TX</td>
<td>October 2019</td>
<td>Dougherty Mortgage LLC</td>
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<tr>
<td><strong>Glynn Pines</strong></td>
<td>$7.3 million</td>
<td>Fannie Mae</td>
<td>Brunswick, GA</td>
<td>July 2019</td>
<td>Dougherty Mortgage LLC</td>
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<tr>
<td><strong>The Trails of Oak Creek</strong></td>
<td>$8.3 million</td>
<td>Fannie Mae</td>
<td>Kettering, OH</td>
<td>July 2019</td>
<td>Dougherty Mortgage LLC</td>
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<tr>
<td><strong>Westgate Apartments</strong></td>
<td>$3.6 million</td>
<td>Fannie Mae</td>
<td>Hibbing, MN</td>
<td>June 2019</td>
<td>Dougherty Mortgage LLC</td>
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<tr>
<td><strong>CHAF Portfolio</strong></td>
<td>$13.9 million</td>
<td>Fannie Mae</td>
<td>St. Petersburg, FL</td>
<td>April 2019</td>
<td>Dougherty Mortgage LLC</td>
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<tr>
<td><strong>Aspen Bluff Apartments</strong></td>
<td>$538,000</td>
<td>Fannie Mae Supplemental</td>
<td>Peoria, IL</td>
<td>January 2019</td>
<td>Dougherty Mortgage LLC</td>
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<tr>
<td><strong>Stonebridge Apartments</strong></td>
<td>$3.2 million</td>
<td>Fannie Mae</td>
<td>Columbia, TN</td>
<td>November 2018</td>
<td>Dougherty Mortgage LLC</td>
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</table>

**HUD/FHA**

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Price</th>
<th>Type</th>
<th>Location</th>
<th>FHA/Other Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Holmes Greenway Apartments</strong></td>
<td>$10.5 million</td>
<td>HUD 221(d)(4) Sub Rehab</td>
<td>Minneapolis, MN</td>
<td>November 2019</td>
</tr>
<tr>
<td><strong>Brooks Landing &amp; Brook Gardens</strong></td>
<td>$14.8 million</td>
<td>HUD 221(d)(4) LIHTC Pilot</td>
<td>Brooklyn Park, MN</td>
<td>August 2019</td>
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<tr>
<td><strong>Lakeland Shores Apartments</strong></td>
<td>$1.8 million</td>
<td>HUD 202/223(f) Mod Rehab</td>
<td>Duluth, MN</td>
<td>April 2019</td>
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<tr>
<td><strong>Unity Place</strong></td>
<td>$12.8 million</td>
<td>HUD 221(d)(4) Sub Rehab</td>
<td>Brooklyn Center, MN</td>
<td>March 2019</td>
</tr>
<tr>
<td><strong>The Winslow</strong></td>
<td>$20.9 million</td>
<td>HUD 221(d)(4) N-C</td>
<td>West St. Paul, MN</td>
<td>December 2018</td>
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<tr>
<td><strong>Riverside Homes</strong></td>
<td>$10.9 million</td>
<td>HUD 221(d)(4) Sub Rehab</td>
<td>Minneapolis, MN</td>
<td>November 2018</td>
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<tr>
<td><strong>The Chamberlain</strong></td>
<td>$47.8 million</td>
<td>HUD 221(d)(4) N-C</td>
<td>Richfield, MN</td>
<td>July 2018</td>
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<tr>
<td><strong>Eastgate Apartments</strong></td>
<td>$16.1 million</td>
<td>HUD 221(d)(4) N-C</td>
<td>Rochester, MN</td>
<td>May 2018</td>
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