

# INVESTMENT FORECAST

Multifamily  
Minneapolis-St. Paul

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2026

## Demand Steadies Amid Diverging Submarket Fundamentals

**Select submarkets benefit from easing supply.** After elevated deliveries and strong demand between 2020 and the first half of 2025, momentum slowed in late 2025. That trend is expected to continue in 2026, with net absorption projected to return to its long-term annual average over the coming year amid moderating population growth and a softer labor market. This will result in only modest cooling in rent gains, keeping the Twin Cities firmly among the Midwest's highest-rent metros. In 2026, a slight reduction in deliveries may ease competitive pressure on existing properties, particularly in Downtown Minneapolis and Uptown-St. Louis Park, where little additional supply is expected this year and next. In contrast, St. Paul will see higher completion rates following the city council's 2025 amendment permanently exempting post-2004 properties from the 3 percent rent cap. Much of this construction is concentrated in East St. Paul, which could moderate rent growth after the submarket recorded one of the metro's strongest annual increases last year.

**Western submarkets anchor 2026 investor momentum.** Investors targeting assets above \$20 million contributed to a rise in transaction volume last year, propelling the metro's average price-per-unit growth rate to the fastest among Midwestern markets, outside of Chicago. That momentum may extend into 2026 as buyer attention is expected to concentrate on western submarkets, where vacancy remains low and rent growth continues to outpace the metro average. Among these areas, Plymouth-Maple Grove stands out, as Class A vacancy fell sharply in 2025 after remaining above 10 percent since late 2023. Reduced supply pressure supports near-term operational stability here amid solid renter demand, which may draw investor attention this year. Across the river, the Mounds View-Falcon Heights-Vadnais Heights area is St. Paul's only submarket with limited deliveries in 2026, positioning it for stronger occupancy and Class A rent growth. Over the long term, the metro's substantial base of more than 15 Fortune 500 companies — among the nation's highest per capita concentrations — continues to underpin economic stability, employment depth, and durable renter demand, reinforcing long-term multifamily investment appeal.



19.7%

2025 share of local population between 20 and 34 years old



41.9%

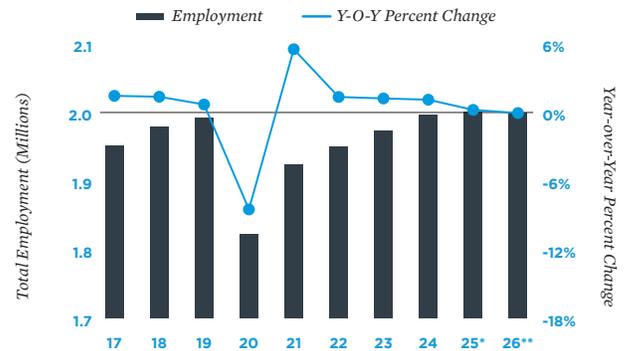
of local population hold bachelor's degree or higher\*



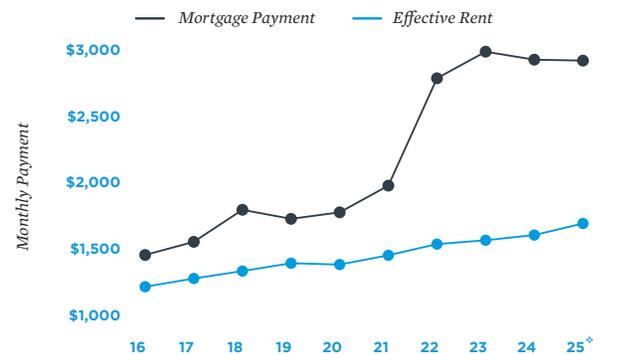
\$397,200

2025 median home price\*

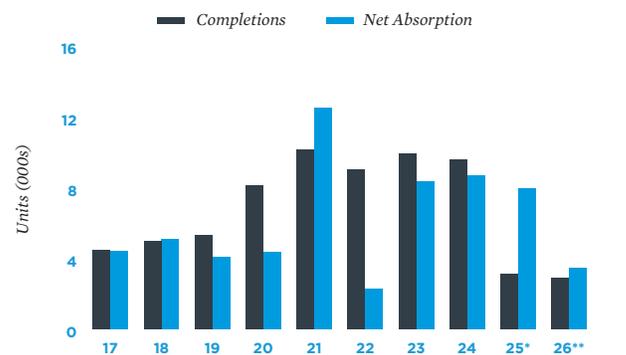
### Employment Trends



### Housing Affordability Gap



### Supply and Demand



\* Estimate \*\* Forecast \* Through 3Q  
\*\*2025: 25+ years old

Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

## Investment Outlook

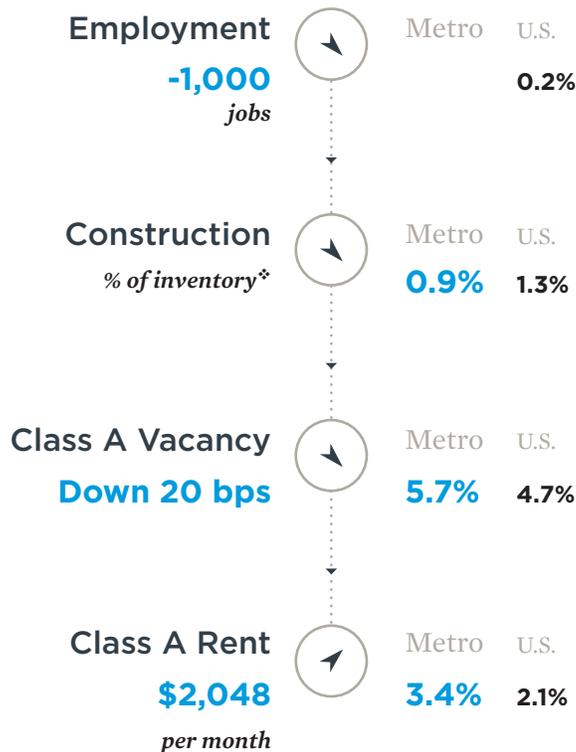
Minneapolis-St. Paul records year-over-year improvements in nearly every KPI category. A sub-1 percent level of inventory growth amid sustained growth in the renter pool translates into matching supply and demand scores of 6 and a rent value of 7, the highest not only in the Midwest but nationally, excluding San Francisco.

A favorable outlook for property fundamentals supports investment activity, with an increased liquidity rating of 6. While not the highest in the region, the Twin Cities' yield score of 6 still places it among the top half of markets for this year.

*Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.*



## 2026 INVESTMENT OUTLOOK



IPA Multifamily

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\* Estimate \*\* Forecast  
 \* Arrow reflects completions trend compared with 2025  
 Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics