MARKET VIEWPOINT

TWIN CITIES MULTIFAMILY MARKET 2017-18

Central-City Neighborhoods: Backbone of the Twin Cities

DOUGHERTY MORTGAGE LLC

Mortgage banking for multifamily housing, senior housing, student housing, and healthcare facilities

DOUGHERTY FINANCIAL GROUP LLC

Innovative Financial Solutions Nationwide

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Market Viewpoint
Twin Cities Multifamily Market 2017-18

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ACKNOWLEDGEMENTS

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DISCLAIMER

This report assesses the seven-county Twin Cities multifamily market as of fourth quarter 2017 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 the making of site-specific development decisions using this report's information 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. Marquette Advisors provided vacancy and rent growth data. The Twin Cities Metro Area map was provided by the Met Council.

PHOTO CREDITS

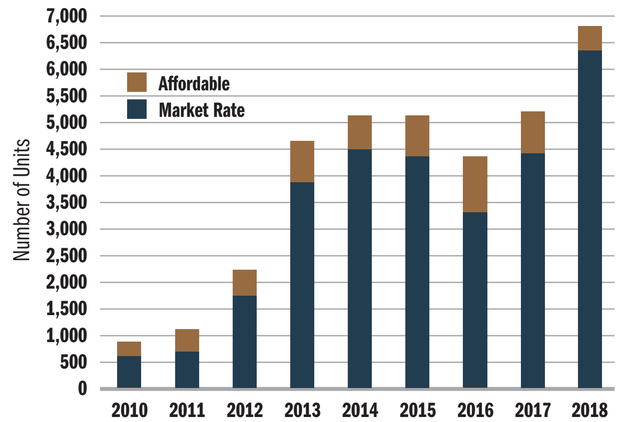
All photos in this report are original from Dougherty Mortgage LLC unless otherwise noted. Cover images, clockwise from upper left: Marjorie McNeely Conservatory at Como Park (Jim Gindorff), Elements of Linden Hills, 700 Central, Minnehaha Falls (Wikipedia User: The Statue With The Dictionary), Hamline Station East, Grain Belt Terraces. Photos on page above, left to right: Laguna Apartments (rent.com), Pioneer Apartments, 1500 Nicollet (BKV Group), Chroma Apartments.

INTRODUCTION

TWIN CITIES MULTIFAMILY PRODUCTION JUMPED BACK UP TO PEAK LEVELS IN 2017 with over 5,200 units delivered in 49 developments, excluding any type of age-restricted/senior housing. This brought the market back to production levels last seen in 2014 and 2015, after a 17% drop in 2016. Nearly 30 cities saw new projects in 2017, across all regions of the Twin Cities. Roughly 4,500 market-rate units came on-line, while 730 affordable units were delivered. Both totals were among the strongest this decade for their categories, while the full production total was the highest since the late 1980s.

NEW MULTIFAMILY UNITS DELIVERED 2010 – 2018

Twin Cities Metro Area (7 Counties)



Source: Dougherty Mortgage LLC
Includes market-rate and affordable units for general-occupancy or targeted populations.
Excludes senior / age-restricted units.

The suburbs led the way last year with decade-high production in first-ring cities (1,163 units) and the northwest suburbs (603 units), followed by very strong totals from the southwest suburbs (806 units) and the northeast suburbs (365 units). All five suburban submarkets together accounted for nearly 3,100 units in 2017, equal to 59% of Twin Cities multifamily production. This marks the first time this decade that more rental unit production occurred in the suburbs than in the central cities. It illustrates the trend of expanded production to all parts of the Twin Cities, which started in 2015 after a heavy development focus in Minneapolis and St. Paul for the first five years of the decade.

Affordable rental unit production (non-senior units) in the Twin Cities in 2017 turned out to be stronger than predicted. The 730 units delivered fell in line with the average over the prior five years, but was a 28% drop from the 1,017 units delivered in 2016. All-in-all, affordable production lags far behind demand, and the Twin Cities should be producing at a rate three or four times the annual average production so far this decade (650 non-senior units) – just to keep up with annual demand growth. To relieve cost-burdened renters –those paying more than 30% of gross income for housing – *tens of thousands* of affordable units need to be built.

Key Multifamily/Economic Indicators: 2017
Twin Cities Metro Area

2.4%	5.4%	2.9%	1.4%
Multifamily Vacancy Rate (4th Quarter)*	Year-Over-Year Rent Growth (Year-End)*	Unemployment Rate (December)**	Total Compensation Gain Private Industry Workers (Year End)***

** Marquette Advisors; stabilized properties.*
*** Bureau of Labor Statistics, US Department of Labor; 16-County MSA*
**** Bureau of Labor Statistics, US Department of Labor; 18-County MSA*

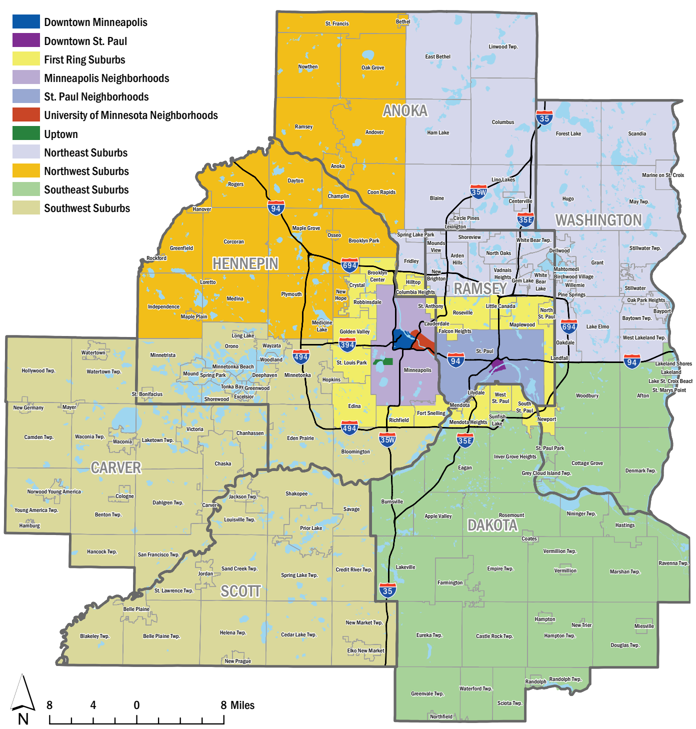
With 2018 well underway, the Twin Cities multifamily market moves forward with remarkably strong underlying fundamentals, but also with possible indications for caution. On the side of strength, rental vacancies dropped from 2.7% to just 2.4% by the end of 2017 (Marquette Advisors) despite record production during the year. The unemployment rate also continued to drop, ending the year at 2.9%. These two factors have put very strong upward pressure on rental prices, which increased by 5.4% last year (Marquette Advisors). On the side of caution, compensation for private market workers in 2017 increased just 1.4% in the larger Twin Cities MSA, behind the Midwest (1.6%) and the nation (2.6%).

Low vacancies and strong rent growth are good news for owners, but they are sobering facts for renters, especially those with low or moderate incomes in an economy where wage growth has been modest. By the end of 2018, a vast number of new rental units – over 6,600 – are expected to hit the market. This record leap forward in supply may moderate rent increases and lead to higher vacancy rates.

We at Dougherty Mortgage hope you find valuable information in this year's Market Viewpoint report. We look forward to working with you in 2018.

TWIN CITIES MULTIFAMILY SUBMARKETS

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.



Twin Cities Apartment Submarkets

1 Downtown Minneapolis – the area within the I-94/ I-35W freeway ring, plus areas immediately adjacent that have a Downtown orientation, such as St. Anthony/East Bank Riverfront (centered on East Hennepin Avenue and University Avenue SE).

2 Minneapolis Uptown – the area in the broader Lake Street corridor, stretching from the West Lake Bde Maka Ska (formerly Lake Calhoun) district near Chowen Avenue, east to roughly Lyndale Avenue. Includes development within roughly ¼-mile north or south of Lake Street. The 29th Street Greenway is a key feature of this submarket.

3 U of M Neighborhoods – the area surrounding both banks of the Minneapolis campus, generally bounded by I-35W on the west, the Burlington Northern rail yards (north of TCF Bank Stadium) on the north, Malcom Avenue SE on the east, and I-94 on the south. Includes all or most of the student-oriented neighborhoods of Marcy-Holmes (includes Dinkytown), University, Prospect Park (includes Stadium Village), and Cedar-Riverside.

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.

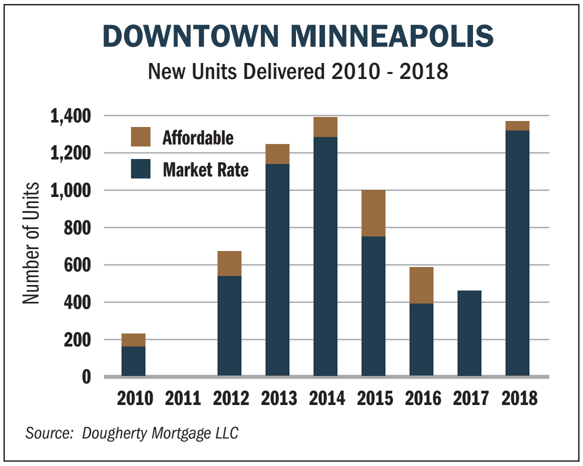
9 Northwest Suburbs – includes all suburbs north of I-394/US 12 and west of the Mississippi River, plus the western half of Anoka County (Coon Rapids, Andover, Ramsey, Anoka, etc.)

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.

MULTIFAMILY DEVELOPMENT PATTERNS

Downtown Minneapolis I Minneapolis Uptown I U of M Neighborhoods

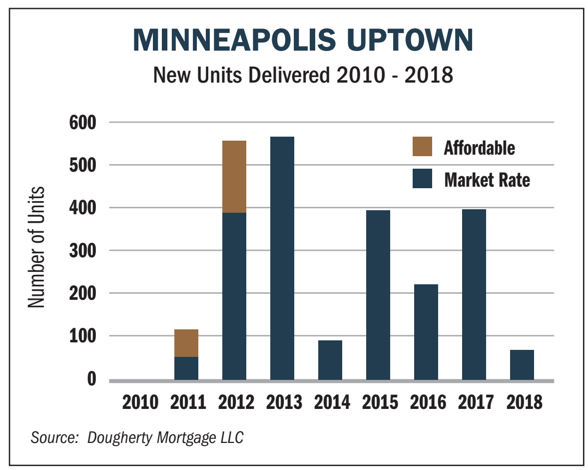


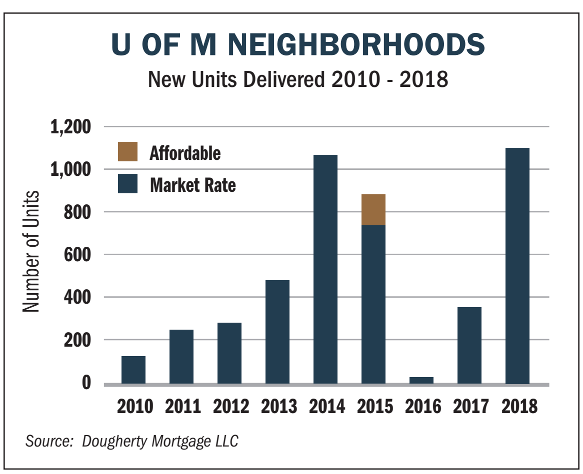
Downtown Minneapolis – Last year, Downtown Minneapolis had its slowest production total since 2011. Just 464 units in four projects came on line. Two of the projects were across the river from the core of downtown in the East Bank/St. Anthony district, which has strong physical and historical connections to the core. Two others, the 168-unit Maverick Apartments and the 143-unit Variant, opened in the North Loop, bringing this neighborhood's total to 2,200+ new units so far this decade. As downtown's most active residential neighborhood, the North Loop has added about the same number of new rental units so far this decade as has Uptown. Downtown Minneapolis did not add any non-senior affordable rental units in 2017, only the second year this decade without any expansion in this supply.

Downtown Minneapolis promises to be a hotbed of competition in 2018 with 1,300+ units in eight projects slated to open throughout the year. Among these are three high-rises with nearly 900 units between them; a 30-story tower in the skyway core known as 365 Nicollet (369 units), the 20-story Nordhaus Phase II tower (196 units) overlooking the CBD from the east bank, and the 17-story H.Q. Apartments tower (306 units) on the boundary between the skyway core and the Elliot Park neighborhood. On the opposite end of the spectrum in terms of project scale will be a new affordable building for homeless youth. Downtown View, developed by Youthlink, will open 46 units this year on a site adjacent to the I-394 corridor on the west edge of Downtown.

Minneapolis Uptown – Uptown saw three projects deliver roughly 400 units in 2017. Revel, on the former Cheapo Records site, opened with 125 units and Foundry Lake Street, on the former Tryg's restaurant site, delivered 161. The third project in Uptown in 2017, the 110-unit Lyndy Apartments along the Midtown Greenway, opened in very late December. As has been the case for most of the decade, no affordable units were added in Uptown last year. Site costs in Uptown are likely far too high to enable affordable developers to make a project pencil out financially.

This year is shaping up to be the slowest year since 2010 in Uptown. Solhem Companies is on track to open a 71-unit market-rate project in the 3000 block of Holmes Avenue South, adjacent to a previous development by the firm in 2009 (Solhem Apartments). The core of Uptown (east of Lake Bde Maka Ska, formerly Lake Calhoun) has few apparent proposals after 2018, while the West Lake Bde Maka Ska portion of Uptown could see over 700 units in the coming years, if present proposals move forward.





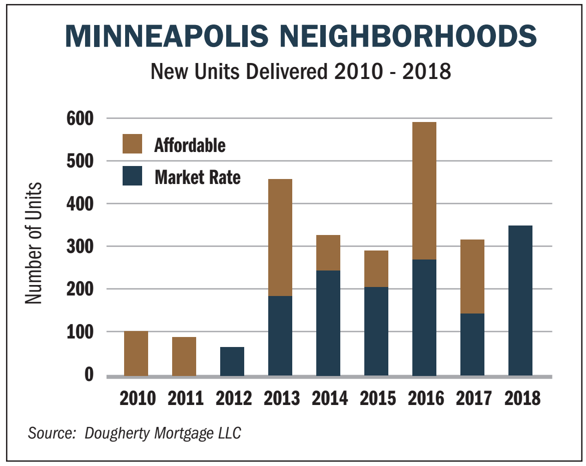
U of M Neighborhoods – Throughout this decade, the U of M submarket has vacillated between peak development activity in three of the years and moderate or low activity in the other six. Last year was a relatively low year with 358 new units in three projects; two of the projects were built in Stadium Village/Prospect Park while one opened in the Marcy Holmes neighborhood. This followed the near-zero development total of 33 units in 2016, the lowest of the decade.

Conversely, 2018 is on track to be the decade's peak year for deliveries with nearly 1,100 units, and the projects are among the largest to be built near the University. The Hub – at 431 units and 26 stories – is by far the largest rental project built this decade near the U of M. It is rising on the former Big 10 bar and restaurant site next to the East Bank LRT station in the heart of Stadium Village. Less than a mile to the east is The Link at Prospect Park, a 336-unit project on University Avenue. This project is directly adjacent to the Prospect Park station of the Green Line LRT. The final project expected this year near the U of M is the 315-unit Brickhouse Lofts, a conversion of the former Continental Can Company warehouse on a full city block at 27th Avenue SE and Delaware Street SE.

MULTIFAMILY DEVELOPMENT PATTERNS

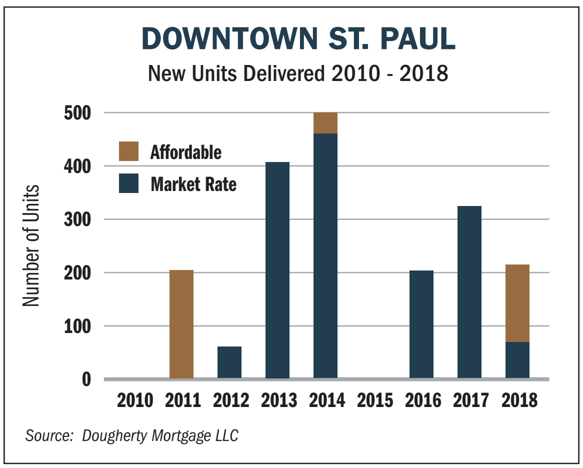
Minneapolis Neighborhoods I Downtown St. Paul I St. Paul Neighborhoods

Minneapolis Neighborhoods – Minneapolis neighborhoods added 317 new non-senior rental units in 2017, continuing a five-year run with at least 290 units delivered per year. Three market-rate projects, one mixed-income complex and one 100% affordable property were added last year in five different communities in the city; North, Northeast, Southwest, Powderhorn and Longfellow. All projects were smaller in scale, between 29 and 78 units.



New rental projects in the Minneapolis neighborhoods continue to show great diversity and innovation. In North Minneapolis, Project for Pride in Living (PPL) opened the 75-unit EcoVillage Apartments at Lowry and Lyndale Avenues. This 100% affordable project boasts of numerous "best practices" for stormwater management, rain capture and water filtration, ensuring that property operations have little impact on the nearby Mississippi River watershed. In the quaint Linden Hills district of Southwest Minneapolis, Linden 43 opened with 29 high-end units targeted at central-city empty-nesters seeking premium finishes and larger spaces. And in the Blue Line LRT corridor, Millwork Lofts added 63 affordable and 15 market-rate units in an historic conversion of the last remaining complex from the sash and door industry days in Minneapolis during the 1920s.

The neighborhoods of Minneapolis should see another 350 units open in 2018. All will be market-rate projects of 49 to 98 total units.

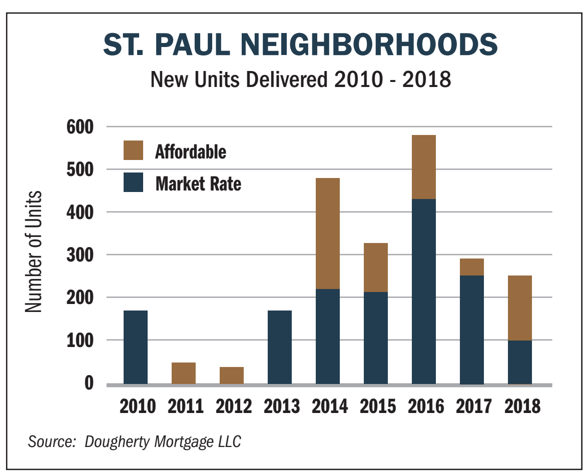


Downtown St. Paul – The multifamily development pace in Downtown St. Paul picked up in 2017 with the delivery of 191 units at Oxbo on the former Seven Corners Hardware site at the edge of downtown, and 134 units at 333 on the Park in Lowertown. The latter project is the latest example of an historic renovation and conversion project in Downtown St. Paul. No other submarket in the Twin Cities has delivered anywhere near the 813 historic conversion units that have been added in Downtown St. Paul since 2013.

Downtown St. Paul has seen only 243 new affordable rental units since 2010, one of the lower totals among the 11 submarkets in the Twin Cities. However, this will change with the opening of the Pioneer Apartments later in the year. This project is a conversion of the former Pioneer Press building on Cedar Street, and it will offer 143 units at no more than 60% AMI rents.

More than 760 market-rate units are planned or proposed for 2019 delivery or after in Downtown St. Paul, suggesting continued interest by developers. One project with 175 units is under construction, while a second 2019 project is a large affordable development from Catholic Charities called Opportunity Center Housing. It will deliver 171 single-room-occupancy (SRO) units for long-term occupancy.

St. Paul Neighborhoods – After a production spike in 2016, fewer than 300 new multifamily units opened in St. Paul's neighborhoods last year. Ray, with 79 "micro" units, and C&E Flats with 119 market-rate units, both opened on sites within walking distance of the Raymond Avenue LRT station on University Avenue. A third market-rate project, The Finn, brought new units to the core commercial area in the Highland Park neighborhood at the former Edina Realty building site on Cleveland Avenue.

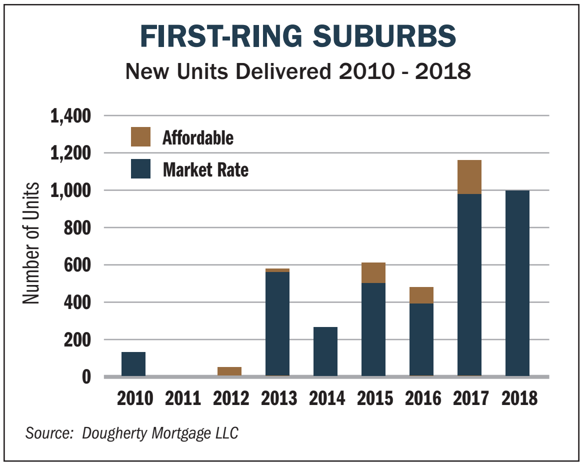


Last year's production also included the Model Cities BROWNstone, a 35-unit affordable development with 20,000 square feet of commercial space and a 7,000 square-foot "pocket park." The site is along the Green Line LRT in the Frogtown neighborhood.

This year's deliveries will include two affordable projects in areas long ignored by developers. Wilson Ridge II will open with 113 units off of Johnson Parkway in the Dayton's Bluff neighborhood, while the Neighborhood Development Alliance will deliver 40 units on Cesar Chavez Street in the West Side neighborhood. Three small market-rate projects will bring 98 new units on infill sites in the Mac-Groveland, West 7th and Dayton's Bluff neighborhoods.

MULTIFAMILY DEVELOPMENT PATTERNS

First-Ring Suburbs I Southwest Suburbs



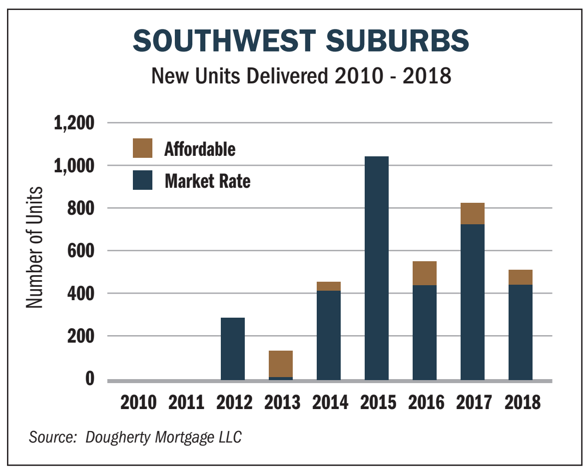
First-Ring Suburbs – The first-ring suburbs experienced peak production in 2017 in two ways. First, this submarket led all submarkets in the Twin Cities with 1,163 new units, 350 units more than the second-place southwest suburbs. Second, the 2017 production total in the first-ring suburbs was the highest this decade.

As has been the case since the start of the decade, the development activity in the first ring last year centered on the western side of Minneapolis, with very little activity in the eastern metro area. St. Louis Park led all areas with 510 new units in three projects, followed by Golden Valley (414 units in two projects) and Maplewood and the Fort Snelling District each with one project of 100 units. Edina added 66 West, a 39-unit affordable project for homeless youth on a site directly north of Southdale Mall.

Production is expected to be strong again in 2018 with six market-rate projects slated to bring 992 new units in five cities. For the first time, significant activity will occur in the east metro with two projects opening 283 total units in Mendota Heights and a final phase of Conifer Ridge in Maplewood adding 50 units, increasing that project's total to 150.

Strong multifamily expansion could happen for years to come in the first-ring suburbs as an enormous amount of new non-senior rental units are planned, proposed or under construction. As of 4th quarter 2017, Dougherty Mortgage was tracking 23 developments in nine suburbs that could open over the next 2-3 years, accounting for roughly 3,800 units. If all of these projects were delivered, the first-ring suburbs would add about 3,100 market-rate units and nearly 700 affordable units. New rental development will continue to intensify on the Minneapolis side in key districts such as West End, Southdale and the Highway 100/Elmwood district in St. Louis Park; however, several scattered redevelopment sites have also emerged in Richfield, Roseville, Columbia Heights and Maplewood.

Southwest Suburbs – The southwest suburbs led the outward push of multifamily development in 2015, and this trend has continued through 2017. Four cities had delivery of 719 market-rate units in total last year. Projects included The Preserve at Normandale Lake (179 units), the final phase at IndiGO (132 units) in Bloomington, The Moline in Hopkins (239 units), Residences at 1700 (115 units) in Minnetonka, and Courtwood Village II (54 units) in Prior Lake. Hopkins and Chaska saw the opening of affordable units at Oxford Village (51 units) and Creek's Run Phase II (36 units).

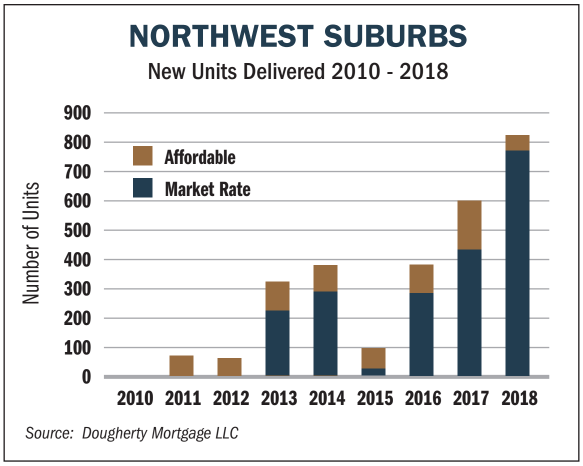


The development pace should moderate considerably in 2018 in the southwest suburbs. Five market-rate projects are expected to deliver 444 new units and one affordable project should deliver 68 units. Market-rate projects will open in Bloomington, Shakopee (two projects), Prior Lake and Victoria, while the affordable project is in Prior Lake.

As with the first-ring suburbs, the southwest suburbs have a large number of units that are planned, approved or under construction for delivery in 2019 or after. Dougherty Mortgage is tracking 12 projects with more than 2,650 units that could open over the next 2-3 years. Minnetonka holds the most potential with approximately 750 units spread across five projects.

MULTIFAMILY DEVELOPMENT PATTERNS

Northwest Suburbs I Southeast Suburbs I Northeast Suburbs



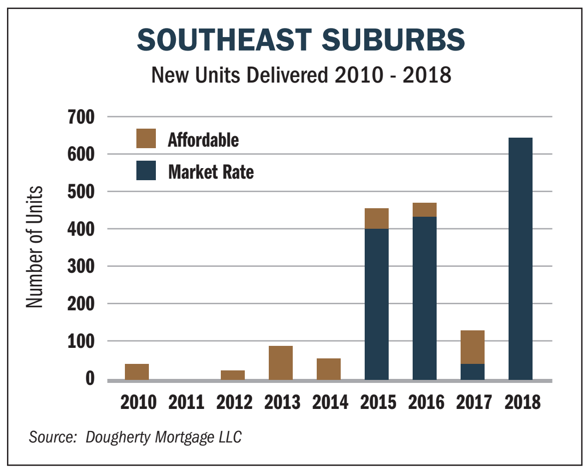
Northwest Suburbs – The northwest suburbs are on a decidedly upward trajectory with multifamily housing production. Historically a low producer, the northwest suburbs hit 603 new non-senior units in 2017, easily the strongest year this decade. The total was fueled by the opening of the third building at 610 West in Brooklyn Park, the 484-unit market-rate development in the burgeoning Highway 610 corridor development district just east of the new Target campus. Other new projects in this submarket included the 157-unit Axis Apartments in Plymouth and Parkview East, a 122-unit market-rate project near the Northstar commuter rail line station in Ramsey's "COR" district. Nearly 170 affordable units were added last year in the northwest suburbs at projects in Dayton, Maple Grove and Plymouth.

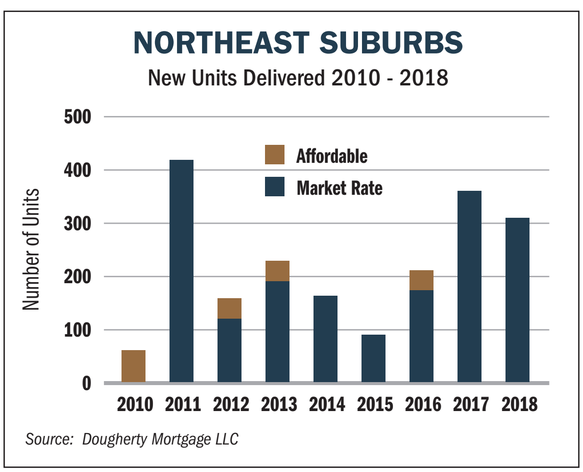
About 830 units are expected to open in 2018 at projects in six cities, setting a new production standard for the northwest suburbs. 610 West will open its last building, while the first building of the 688-unit Reserve at Arbor Lakes complex will open in Maple Grove. Other new projects include Ironwood in New Hope (183 units), Plymouth Commons (66 units), Greenway Terrace in Ramsey (54 affordable units) and a complex of rental single-family homes in Maple Grove called Mills Creek (66 units). 2019 and beyond could see large projects at the Riverdale Station site in Coon Rapids (245 units proposed) and additional phases of Reserve at Arbor Lakes.

Southeast Suburbs – The southeast suburbs saw very limited production in 2017, with just 126 units opening in three projects, the lowest total in the Twin Cities. The last phase of The Springs of Apple Valley rental townhome development brought 40 new market-rate units, while Artspace Hastings River Lofts and Lakeville Pointe opened 37 and 49 affordable units, respectively.

Production in 2018 in the southeast suburbs will break with tradition and will leap to a new high for the decade. Six market-rate projects will add 643 units. Several of Dakota County's biggest cities will see at least one new project, with Apple Valley gaining three projects (255 units), Lakeville adding two (266 units), and Eagan (122 units) with one.

Production in 2019 and beyond could be sustained at stronger levels in the southeast suburbs as there are nearly 1,100 units in the planning stages, with 305 already under construction.





Northeast Suburbs – This region continues to be a low producer of multifamily rental housing in the Twin Cities, but last year saw the second-highest total this decade – 365 units. One project each in Blaine (191 units), Forest Lake (73 units) and Fridley (101 units) comprised the total.

In 2018, the development total is expected to decline to 311 units, all market-rate. Smaller projects of 36 to 135 units should open in Blaine, Shoreview, Mahtomedi and Forest Lake. The product offered in the northeast is generally modest in finishing and style, and at the low end of market-rate pricing. Units generally enter the market at $1.45 to $1.95 psf for asking rent. Relatively low rent potential and rising development costs render the economics of market-rate development unworkable for many northeast areas.

Affordable production is also quite low in this part of the Twin Cities. Only 166 new affordable units have been added since 2010 in the northeast, with just 36 of them opening in the last four years. The pace of new development in the northeast suburbs is very likely not keeping up with housing demand due to job growth and new household formation.

CENTRAL-CITY NEIGHBORHOODS: BACKBONE OF THE TWIN CITIES

Often overlooked in the discussion on the resurgent Twin Cities multifamily development scene are the everyday neighborhoods in Minneapolis and St. Paul. Accommodating mainly smaller projects with typically 65-70 total units, central-city neighborhoods don't make the headlines with large flashy projects the way Uptown, Downtown Minneapolis, Downtown St. Paul or the U of M submarkets do. But the importance of typical central-city neighborhoods is unmistakable. Infill sites throughout all parts of both central cities provide new rental housing with modern amenities, strong access to transit, and close proximity to a wide range of amenities and services. These projects invariably blend well within the dense urban development pattern, enabling inner-city districts to keep their character but still evolve and stay desirable to newer generations of renters and longtime residents alike.

New Rental Production in the Central Cities vs. Other Submarkets
Twin Cities (7 Counties)
2010-2018

	New Units Delivered			
Submarket(s)	**Market Rate**	**Affordable***	**Total**	**% of Total**
Downtown Areas	7,577	1,274	8,851	25%
Central-City Neighborhoods	**3,016**	**1,919**	**4,935**	**14%**
U of M Neighborhoods	4,423	131	4,554	13%
First-Ring Suburbs	3,852	434	4,286	12%
Southwest Suburbs	3,346	428	3,774	11%
Northwest Suburbs	2,061	709	2,770	8%
Uptown Minneapolis	2,175	226	2,401	7%
Northeast Suburbs	1,846	166	2,012	6%
Southeast Suburbs	1,523	379	1,902	6%
Total	**29,819**	**5,666**	**35,485**	**100%**

Source: Dougherty Mortgage LLC
**Excludes senior / age-restricted units.*

The multifamily development tally over the last nine years in the Twin Cities illustrates the sheer strength of the central cities. Excluding the well-known rental districts in Uptown and near the U of M in Minneapolis, the neighborhoods of Minneapolis and St. Paul have added more new rental units than all other submarkets in the Twin Cities, with the exception of the two downtowns (chart above). Sixty-six projects with over 4,900 units have been built throughout inner-city neighborhoods, from the north side of Minneapolis all the way to the east side of St. Paul. This equates to one in seven new rental units added in the Twin Cities since 2010.

The central cities are particularly important for the provision of affordable rental housing. Fully 34% of the new affordable (non-senior) rental supply in the Twin Cities over the past 9 years – over 1,900 units – has been built in central-city locations. This total is 51% higher than the second most active affordable housing submarket, the combined downtown areas (1,274 units).

Important Districts

New multifamily units have been added in most parts of Minneapolis and St. Paul, but five broader districts have produced about two-thirds of all new supply: St. Anthony/Midway and West 7th/Summit Hill in St. Paul, and Northeast, Powderhorn and Longfellow in Minneapolis (chart at right). These five districts plus the Mac-Groveland/Highland area of St. Paul have produced nearly 9 in 10 market-rate units in the central-city neighborhoods since 2010. On the affordable side, 72% of the new supply has occurred in five areas: Near North, Phillips and Longfellow in Minneapolis, and St. Anthony/Midway and West 7th/Summit Hill in St. Paul.

New Rental Production in the Central Cities by Neighborhood or District
2010-2018

		New Units Delivered			
Broader Neighborhood/District	**City**	**Market Rate**	**Affordable***	**Total**	**% of Total**
St. Anthony/Midway	St. Paul	696	250	946	19%
West 7th/Summit Hill	St. Paul	465	260	725	15%
Northeast	Minneapolis	488	101	589	12%
Powderhorn	Minneapolis	409	70	479	10%
Longfellow	Minneapolis	224	247	471	10%
Phillips	Minneapolis	141	302	443	9%
Mac-Groveland/Highland	St. Paul	372	44	416	8%
Near North	Minneapolis	0	325	325	7%
Southwest	Minneapolis	105	72	177	4%
Dayton's Bluff/Battle Creek	St. Paul	12	113	125	3%
Nokomis	Minneapolis	104	0	104	2%
Summit Univ./Thomas-Dale/Frogtown	St. Paul	0	95	95	2%
West Side Neighborhood	St. Paul	0	40	40	1%
Total		**3,016**	**1,919**	**4,935**	**100%**

Source: Dougherty Mortgage LLC
**Excludes senior / age-restricted units.*

The maps on the following pages show new multifamily developments built this decade in inner-city districts throughout Minneapolis and St. Paul. Of note is the clear pattern of project locations near the Blue Line LRT in Minneapolis (page 9) and the Green Line LRT in St. Paul (page 11). The presence of an LRT line attracts affordable projects in particular.

NEW MULTIFAMILY IN CENTRAL-CITY NEIGHBORHOODS – 2010+

NORTH MINNEAPOLIS

Affordable | Mixed-Income | Market Rate

Gateway Lofts / 46 Units

Broadway Flats / 103 Units

EcoVillage Apts. / 75 Units

West Broadway Crescent / 54 Units

Commons at Penn / 45 Units

NORTHEAST MINNEAPOLIS

Affordable | Mixed-Income | Market Rate

Marshall Flats / 36 Units

Audubon Crossing / 30 Units

Jackson Flats / 35 Units

Local 15 Apartments / 30 Units

700 Central / 80 Units

Red 20 / 130 Units

Grain Belt Terraces / 150 Units

80 Broadway Street (U/C) / 98 Units

Photo Credits: Audubon Crossing (DJR Architects), 80 Broadway Street (Momentum Design Group), Local 15 Apartments (North Bay Companies)

NEW MULTIFAMILY IN CENTRAL-CITY NEIGHBORHOODS – 2010+

PHILLIPS, POWDERHORN AND LONGFELLOW – MINNEAPOLIS

Affordable | Mixed-Income | Market Rate

Mortimer's Site (U/C) / 75 Units

Abbott Apartments / 123 Units

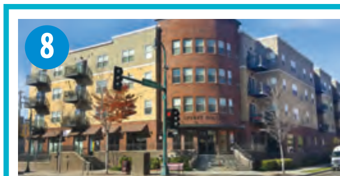
The Rose / 90 Units

Anishinabe Bii-Gii-Wiin / 32 Units

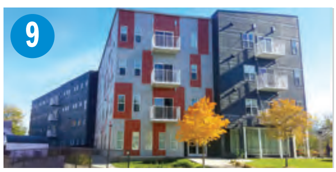
Rising Cedar / 40 Units

22 on the River / 125 Units

Chroma / 70 Units



Spirit on Lake / 46 Units



Greenway Heights / 42 Units

Blue Line Flats / 135 Units

Clare Midtown / 45 Units

3535 Grand / 24 Units

The Central (U/C) / 49 Units

Station 38 / 64 Units

3828 (U/C) / 53 Units

Longfellow Station / 180 Units

Millwork Lofts / 78 Units

Parkway West / 48 Units

Photo Credits: Mortimer's Site (DJR Architects), Anishinabe-Bii-Gii-Wiin (Loeffler Construction and Consulting), The Central (Submitted Rendering to Finance & Commerce), 3828 (Lander Group)

NEW MULTIFAMILY IN CENTRAL-CITY NEIGHBORHOODS – 2010+

SOUTHWEST & NOKOMIS – MINNEAPOLIS

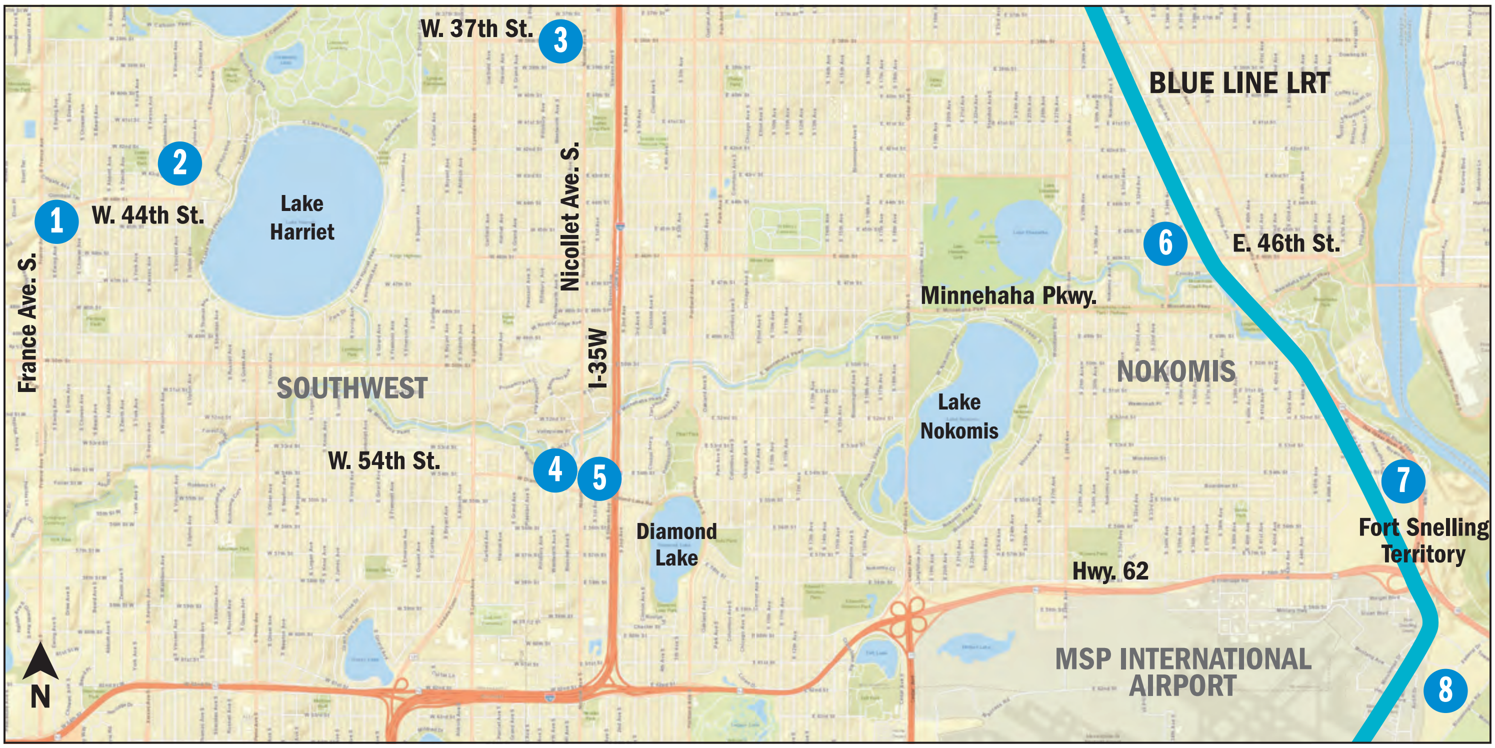
Affordable | Mixed-Income | Market Rate

Elements of Linden Hills / 31 Units

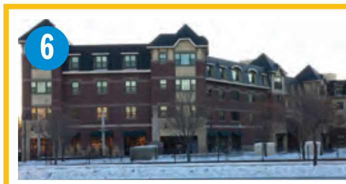
Linden 43 / 29 Units

Nicollet Square / 42 Units

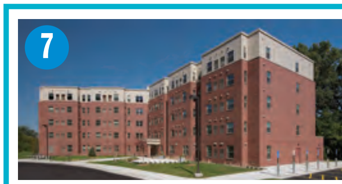
Zest / 45 Units



Creekside Commons / 30 Units



Oaks Station Place / 104 Units



Richard A. Brustad Vets Housing / 100 Units

Upper Post Veterans Community / 58 Units

Photo Credits: Upper Post Veterans Community (CommonBond Communities), Richard A. Brustad Vets Housing (LHB and Dana Wheelock Photography)

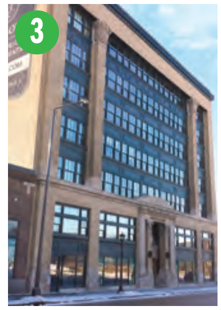
NEW MULTIFAMILY IN CENTRAL-CITY NEIGHBORHOODS – 2010+

NORTHWEST NEIGHBORHOODS – ST. PAUL

Affordable | Mixed-Income | Market Rate

Park 24 / 25 Units

2700 University / 248 Units



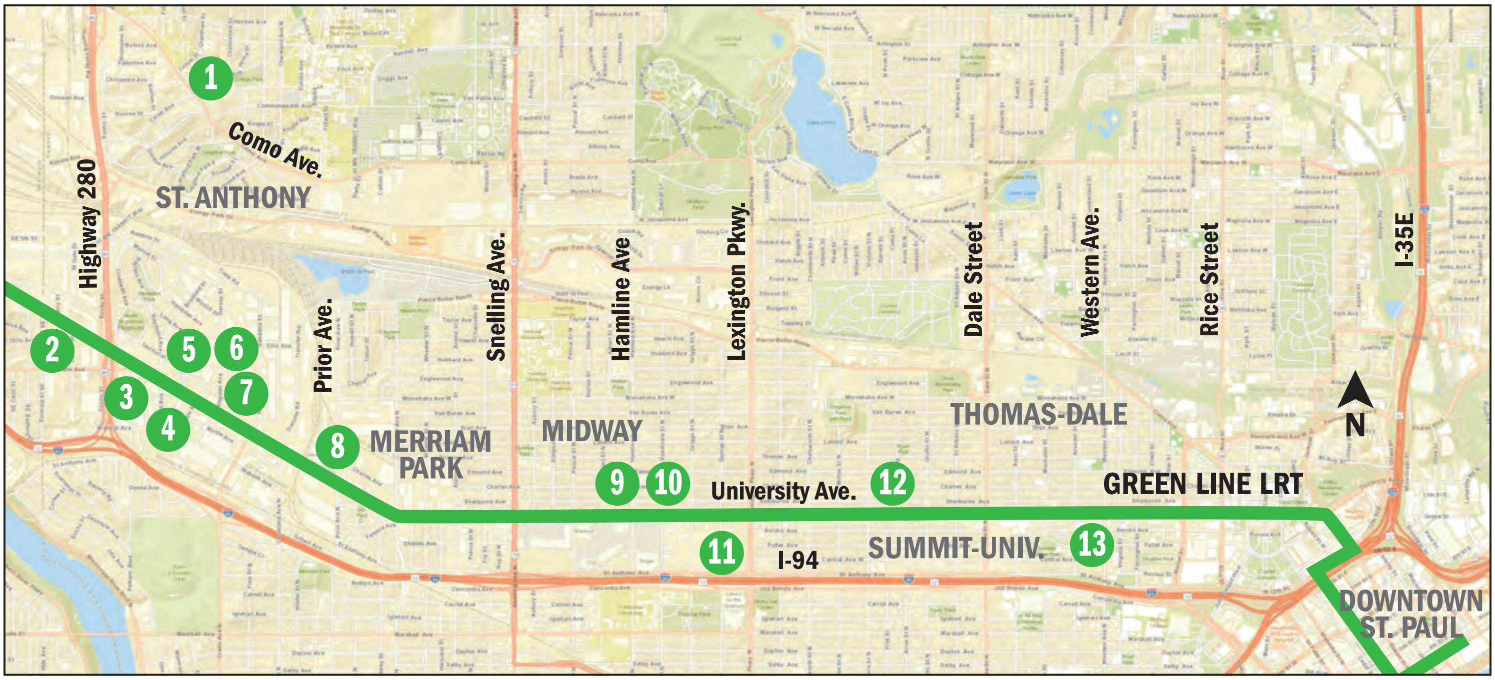
C&E Lofts / 104 Units

C&E Flats / 119 Units

Ray / 79 Units

Union Flats (U/C) / 217 Units

The Lyric at Carleton Place/171 Units



Prior Crossing / 44 Units

Hamline Station West / 51 Units

Hamline Station East / 57 Units

Lexington Commons / 48 Units

The BROWNstone / 35 Units

Western U Plaza / 60 Units

Photo Credits: 2700 University (apartments.com), Union Flats (Dominium), Hamline Station West (Mid America Group), Western U Plaza (Sand Cos.)

NEW MULTIFAMILY IN CENTRAL-CITY NEIGHBORHOODS – 2010+

SOUTHWEST NEIGHBORHOODS – ST. PAUL

Affordable   Mixed-Income   Market Rate

East River Apartments / 45 Units

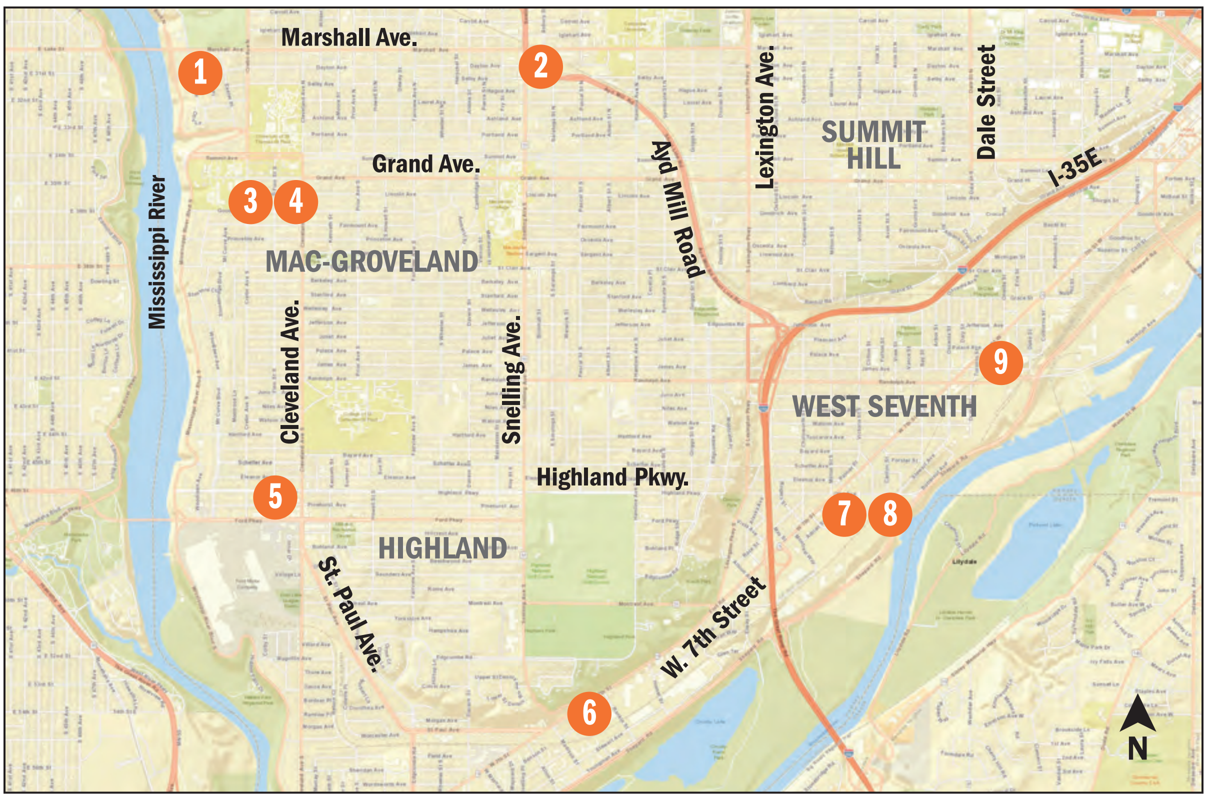
Vintage on Selby / 210 Units

Grand and Finn II / 14 Units

Grand and Finn / 20 Units

The Finn / 57 Units

Fort Road Flats / 44 Units



Victoria Park / 215 Units

V2 / 190 Units

Schmidt Artist Lofts / 260 Units

Photo Credits: Fort Road Flats (apartments.com), Schmidt Artist Lofts (BKV Group)

EAST NEIGHBORHOODS – ST. PAUL

Affordable | Mixed-Income | Market Rate

Villa Del Sol (U/C) / 40 Units

Bates Apartments (U/C) / 12 Units

Wilson Ridge II (U/C) / 113 Units

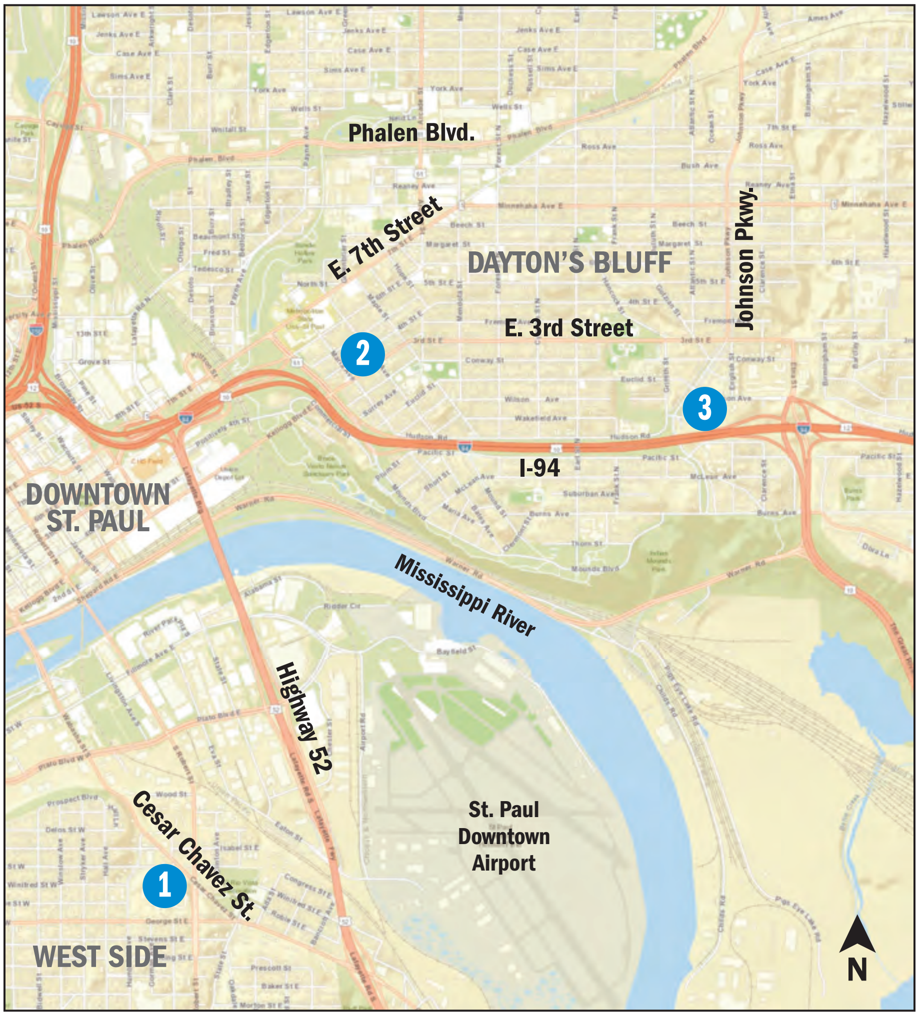


Photo Credits: Villa Del Sol (Neighborhood Development Alliance), Bates Apartments (McGhiever via Wikimedia Commons), Wilson Ridge II (Lupe Development Partners)

CASE STUDIES

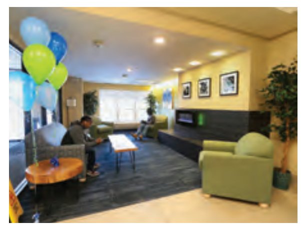
A Commitment to Sustainable, Affordable Living: EcoVillage Apartments

Minneapolis-based Project for Pride in Living (PPL) took on a number of important goals when it decided to pursue its broader Hawthorne EcoVillage development in North Minneapolis. Following a community-based development model, PPL has been working to build and renovate housing in a multi-block area hard-hit by foreclosure and crime in the last ten years. Thus far, PPL has delivered seven owner housing units, bringing seven new families into the area. But the most obvious example of neighborhood transformation by PPL is the brand new 75-unit EcoVillage Apartments at the corner of Lyndale and Lowry Avenues.

With the EcoVillage Apartments, PPL focused on best practices in several areas, especially environmental sustainability. In particular, the project includes a number of sophisticated stormwater management features. Stormwater runoff from the building's roof is captured in a large underground storage tank and is reused to irrigate public spaces. Also, a centralized raingarden filters stormwater runoff and provides habitat for pollinators and other wildlife. Finally, an underground filtration system manages site runoff to keep it from entering adjacent storm drains and carrying pollutants into the nearby Mississippi River.

The best feature for residents is that the EcoVillage Apartments are 100% affordable, another best practice achieved by PPL. All 75 units are affordable to households at 50% of area median income (AMI), with four of the units further assisted to 30% AMI. PPL had to assemble 17 sources of funds to achieve this last goal, including LIHTC equity, a HUD/FHA first mortgage, a number of deferred secondary loans from government sources and four grants.

Additional Sources: Project for Pride in Living, Mississippi Watershed Management Organization, Finance and Commerce



Workforce Housing on St. Paul's Green Line: Union Flats

The Green Line LRT corridor in St. Paul has become a leading area for new multifamily development over the past ten years, especially near the Raymond Avenue Station. Five newer rental projects with 640+ units boast walking distance to the station while another nearby project, Dominium's 217-unit Union Flats, is under construction. As much as any other project, Union Flats is helping transform this district from large industrial uses to a modern, transit-oriented urban neighborhood anchored by apartments, brew pubs and restaurants.

Dominium acquired the former Hunt Electric warehouse and headquarters building along Charles Avenue in January 2016, gaining four acres. The site sits one block north of University Avenue and two blocks from the Raymond station platform. After demolishing former industrial buildings on the site, Dominium had to oversee nearly $1 million in environmental remediation, using funds from the State of Minnesota and the Metropolitan Council. The project also received over $20 million in low-income housing tax credits and more than $1 million in transit-oriented development funds. A HUD/FHA first mortgage with a 40-year term of $31.5 million anchors the financing.

When it opens in early 2019, Union Flats will provide one-, two-, and three-bedroom floorplans at prices affordable to households earning no more than 60% AMI. Rents will range from roughly $950 to $1,400 per month, bargain prices for new units with excellent access to transit, in the middle of urban amenities and many job opportunities.

Additional Sources: Dominium, BKV Group, Finance and Commerce

NEW PRODUCT PRICING TRENDS

New Product Asking Rents in the Twin Cities

Dougherty Mortgage analyzed 4th quarter 2017 pricing data at 112 “newer” market-rate projects (opened in 2015 or after) throughout the seven-county Twin Cities Metro Area (table at right). The survey gathered current asking rents before concessions or discounts, as quoted by building owners or representatives. The survey summarizes the rent structure for 14,684 market-rate units delivered since the start of 2015, including roughly 2,500 units to be delivered in first months of 2018. 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 was $2.10 per-square-foot (psf) in 4th quarter 2017, just above the $2.09 figure reported one year ago by Dougherty Mortgage. Surging numbers of deliveries at or below $2.00 psf in suburban submarkets depressed the overall Twin Cities average despite historically-high price levels ($2.17 to $2.60 psf) in the six central-city submarkets. Eight Twin Cities submarkets had higher average asking psf rents for newer product in 2017 versus last year, with Uptown, the first-ring suburbs and the southeast suburbs showing lower average asking psf rents compared to 2016.

Submarket Pricing: Overall Asking Rent Per Square Foot
Newer Market-Rate Units (Opened 2015 and After)
Twin Cities (7 Counties)
4TH QUARTER 2017

	Overall Rent/SF*	Survey Representation: Units	Survey Representation: Projects
Downtown Minneapolis	$2.60	2,402	14
Minneapolis Uptown	$2.42	1,009	9
U of M Neighborhoods	$2.38	1,134	10
Minneapolis Neighborhoods	$2.21	636	10
St. Paul Neighborhoods	$2.18	878	7
Downtown St. Paul	$2.17	597	4
First-Ring Suburbs	$2.10	2,719	18
Southwest Suburbs	$1.81	2,269	15
Northwest Suburbs	$1.70	1,129	8
Southeast Suburbs	$1.69	1,136	8
Northeast Suburbs	$1.61	775	9
Total: Twin Cities	**$2.10**	**14,684**	**112**

** Weighted Average*
Source: Dougherty Mortgage LLC

Smaller Units Drive up PSF Prices

Throughout the Twin Cities, developers have been trimming the average size of new units. More than two-thirds of the floorplans summarized for the 11 Twin Cities submarkets saw declines in average unit size (chart at right) at newer properties. All else being equal, a smaller unit footprint brings in more rent on a per-square-foot basis; in many cases, developers can even charge lower gross rents and still earn higher overall returns on the space.

In addition, more projects are skewing the mix toward smaller layouts (studios and one-bedrooms), which again boosts psf rents. Downtown Minneapolis, Uptown, and the Green Line LRT corridor in the St. Paul neighborhoods each show strong numbers of studio units in particular. Projects in mixed commercial districts in the first-ring suburbs of Edina, St. Louis Park and Golden Valley – especially the Southdale and West End districts – are also showing higher numbers of studio units. In general, the more urban and dense the setting, the more likely projects will offer studios and other smaller unit layouts. Access to transit (especially LRT) also correlates with higher numbers of studio units.

Shrinking Unit Sizes in the Twin Cities
(Change in Average Unit Size)
Newer Market-Rate Units
4TH QUARTER 2017 VS. 2016

	Studios	1BRs	2BRs	3BRs	Rent/SF Trend
Downtown Minneapolis	Smaller	Smaller	Smaller	Smaller	↗
Minneapolis Uptown	Larger	Smaller	Smaller	Smaller	↘
U of M Neighborhoods	Smaller	Smaller	Smaller	Smaller	↗
Minneapolis Neighborhoods	Larger	Smaller	Larger	Larger	↗
St. Paul Neighborhoods	Smaller	Smaller	Larger	No Change	↗
Downtown St. Paul	Larger	Smaller	Smaller	Smaller	↗
First-Ring Suburbs	Smaller	Smaller	Larger	Smaller	↘
Southwest Suburbs	Smaller	Larger	Larger	Larger	↗
Northwest Suburbs	Larger	Smaller	Smaller	Larger	↗
Southeast Suburbs	Smaller	Smaller	Smaller	Larger	↘
Northeast Suburbs	Smaller	Smaller	Smaller	Smaller	↗

Source: Dougherty Mortgage LLC
**Excludes senior / age-restricted units.*

Micro Unit Projects

Echoing the points above is the emergence of “micro unit” projects in the urban core. Micro-unit projects are those that offer very small unit sizes in buildings with few or no larger layouts (two-bedrooms and bigger). All micro-unit buildings in the Twin Cities offer between 25 and 80 total units, and for most the mix is dominated by studio layouts of 300 to 500 square feet. These buildings are found exclusively in the urban core in Downtown Minneapolis, the U of M neighborhoods and South Minneapolis (including Uptown). One micro unit building, Ray, is near the Raymond LRT station on the Green Line in St. Paul. Micro unit projects typically have rents of $2.50 to $3.00 psf.

Higher-Priced “Boutique” Projects in the Central Cities

In the last two years, several developers have taken advantage of desirable, central-city neighborhood locations to add higher-priced “boutique” projects. This has contributed to overall rent increases in these specific submarkets. Infill projects near Lake Bde Maka Ska, in Linden Hills in Minneapolis, St. Paul’s Highland neighborhood and along the Greenway in Minneapolis have opened at above-market prices, helping spur overall price gains in the broader submarket.

NEW PRODUCT PRICING TRENDS

Average Asking Rents by Unit Type

Downtown Minneapolis and Minneapolis Uptown consistently quoted top-tier average rents across all unit types again in the 4th quarter of 2017, continuing the trend from previous years. The first-ring suburbs and Downtown St. Paul toggled between top-tier and middle-tier depending on unit type. Middle-price submarkets generally included the neighborhoods of Minneapolis and St. Paul, with the southwest rising into middle-tier status with smaller layouts (studios and one-bedrooms). Lower-priced submarkets typically included the U of M Neighborhoods, and three of the four outer suburban submarkets: the northeast, northwest and southeast.

In general, the upper-tier submarkets increased pricing in 2017 by adding larger numbers of smaller studio units at relatively-high per-square-foot prices; average quoted rents for one-, two- and three-bedroom units in these areas otherwise generally declined. Conversely, middle-tier submarkets showed average asking rent increases virtually across the board for all unit types, with the exception of three-bedroom layouts. In lower-tier markets, average asking rents generally rose, although pricing for one-bedroom units and three-bedroom units in the southeast and northeast declined.

Studio Units – Average Quoted Rents for Newer Units

Upper-Tier Submarkets:

Downtown Minneapolis	$ 1,488
First-Ring Suburbs	$ 1,480
Minneapolis Uptown	$ 1,412

Range: $1,009 to $2,312

Middle-Tier Submarkets:

Southwest Suburbs	$ 1,262
Downtown St. Paul	$ 1,242
St. Paul Neighborhoods	$ 1,241

Range: $1,020 to $1,515

Insufficient Data: Northwest Suburbs

Lower-Tier Submarkets:

U of M Neighborhoods	$ 1,216
Minneapolis Neighborhoods	$ 1,196
Southeast Suburbs	$ 1,155
Northeast Suburbs	$ 1,090

Range: $820 to $1,750

One-Bedroom Units – Average Quoted Rents for Newer Units

Upper-Tier Submarkets:

Downtown Minneapolis	$ 1,852
Minneapolis Uptown	$ 1,783
Downtown St. Paul	$ 1,741
First-Ring Suburbs	$ 1,664

Range: $1,175 to $3,400

Middle-Tier Submarkets:

St. Paul Neighborhoods	$ 1,557
Minneapolis Neighborhoods	$ 1,506
Southwest Suburbs	$ 1,505
Northwest Suburbs	$ 1,503

Range: $1,000 to $3,500

Lower-Tier Submarkets:

Southeast Suburbs	$ 1,366
U of M Neighborhoods	$ 1,335
Northeast Suburbs	$ 1,318

Range: $810 to $2,202

Two-Bedroom Units – Average Quoted Rents for Newer Units

Upper-Tier Submarkets:

Minneapolis Uptown	$ 4,015
Downtown Minneapolis	$ 3,031

Range: $1,695 to $14,006

Middle-Tier Submarkets:

First-Ring Suburbs	$ 2,464
Downtown St. Paul	$ 2,446
Minneapolis Neighborhoods	$ 2,308
St. Paul Neighborhoods	$ 2,228

Range: $1,425 to $6,000

Lower-Tier Submarkets:

Southwest Suburbs	$ 2,032
Northwest Suburbs	$ 1,955
U of M Neighborhoods	$ 1,901
Northeast Suburbs	$ 1,814
Southeast Suburbs	$ 1,792

Range: $1,140 to $3,195

Three-Bedroom Units – Average Quoted Rents for Newer Units

Upper-Tier Submarkets:

Downtown Minneapolis	$ 4,766
Downtown St. Paul	$ 4,024
Minneapolis Uptown	$ 3,983

Range: $2,595 to $9,783

Upper-Middle Submarkets:

St. Paul Neighborhoods	$ 3,253
First-Ring Suburbs	$ 3,127
Minneapolis Neighborhoods	$ 3,124

Range: $1,887 to $6,525

Lower-Middle Submarkets:

U of M Neighborhoods	$ 2,524
Southwest Suburbs	$ 2,395

Range: $1,549 to $3,565

Lower-Tier Submarkets:

Northwest Suburbs	$ 2,108
Southeast Suburbs	$ 2,032
Northeast Suburbs	$ 1,928

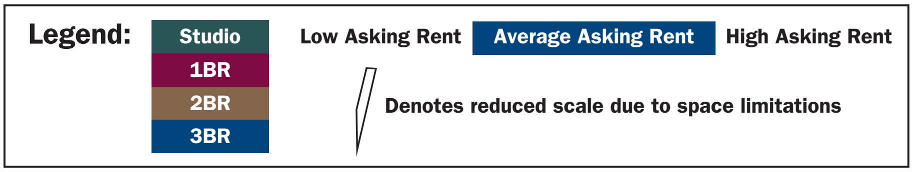
Range: $1,550 to $2,910

Source: Dougherty Mortgage LLC

NEW PRODUCT PRICING TRENDS

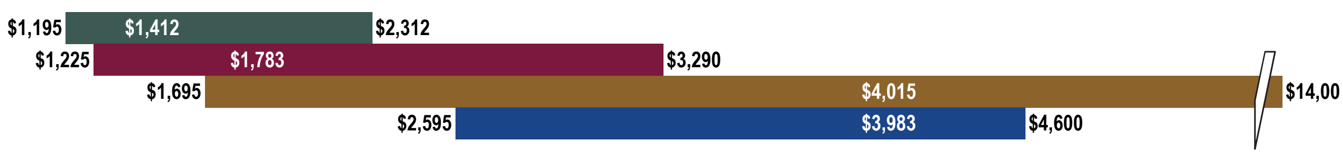
Pricing Structure by Twin Cities Submarket | 4th Quarter 2017

SUBMARKETS IN THE CENTRAL CITIES

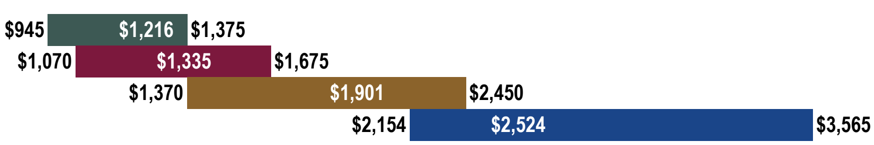


Downtown Minneapolis $2.60 / sq. ft. average

Minneapolis Uptown $2.42 / sq. ft. average

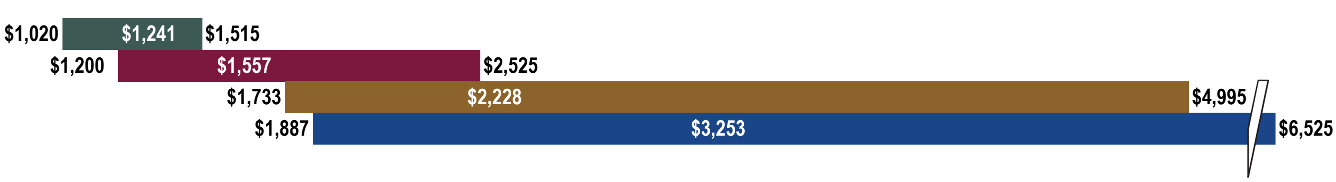


U of M Neighborhoods $2.38/ sq. ft. average

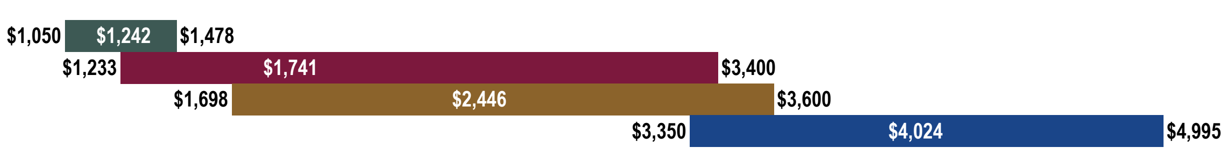


Minneapolis Neighborhoods $2.21 / sq. ft. average

St. Paul Neighborhoods $2.18 / sq. ft. average



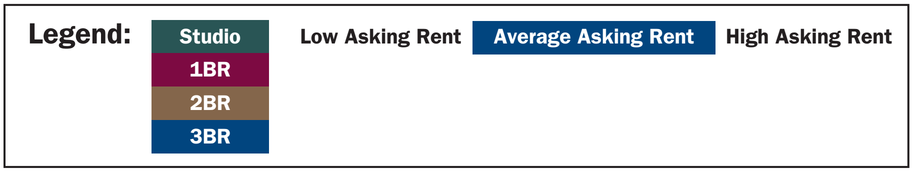
Downtown St. Paul $2.17 / sq. ft. average



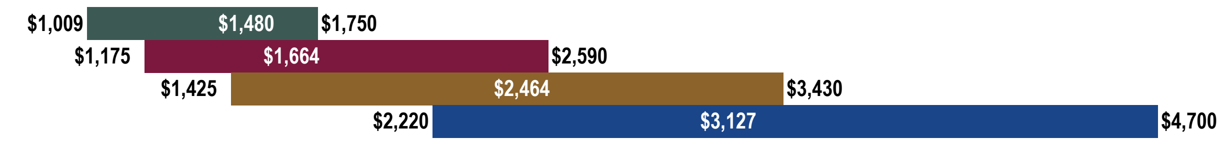
NEW PRODUCT PRICING TRENDS

Pricing Structure by Twin Cities Submarket | 4th Quarter 2017

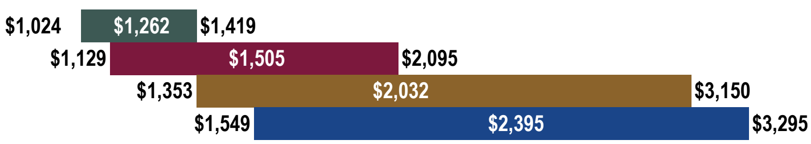
SUBURBAN SUBMARKETS



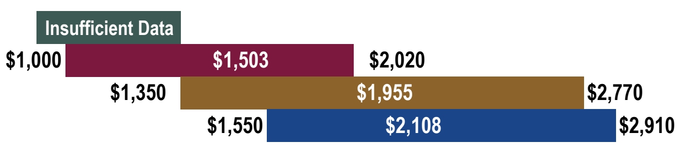
First-Ring Suburbs $2.10 / sq. ft. average



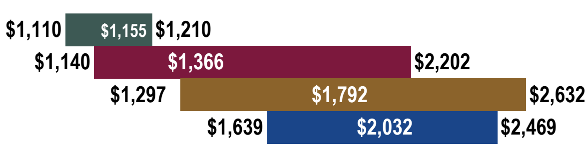
Southwest Suburbs $1.81 / sq. ft. average



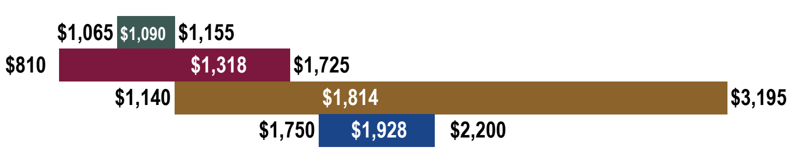
Northwest Suburbs $1.70 / sq. ft. average



Southeast Suburbs $1.69 / sq. ft. average



Northeast Suburbs $1.61 / sq. ft. average



Another Record Year for Deliveries

Dougherty Mortgage is tracking 53 new non-senior multifamily projects that are under construction or were opened in early 2018. These projects sum to just over 6,600 units that are expected to be on line by year's end (chart at right). This would place 2018 at the very top for development this decade – by far. If all units are delivered, it would represent a gain of 1,400 units over 2017 and a 35% increase above the annual average over the past five years.

EXPECTED NEW MULTIFAMILY DELIVERIES
Twin Cities Submarkets
2018

Submarket	New Units 2018	Ann. Ave. 2013-2017	% Change
Downtown Minneapolis	1,368	933	47%
U of M Neighborhoods	1,082	559	94%
First-Ring Suburbs	992	622	59%
Northwest Suburbs	829	360	130%
Southeast Suburbs	643	239	169%
Southwest Suburbs	512	595	-14%
Minneapolis Neighborhoods	349	396	-12%
Northeast Suburbs	311	213	46%
St. Paul Neighborhoods	251	367	-32%
Downtown St. Paul	213	287	-26%
Minneapolis Uptown	71	332	-79%
Twin Cities	**6,621**	**4,903**	**35%**

Source: Dougherty Mortgage LLC

So far this decade, the Twin Cities metro area has absorbed nearly 23,700 new market-rate multifamily units, with 2017 year-ending vacancy at a rate of 2.4% for stabilized properties and 3.1% including projects in lease up (Marquette Advisors). Over the past 5 years, about 4,100 new market-rate units have been built and largely absorbed each year, with vacancies staying stubbornly below 3.5%, and rents increasing at 3% to 5% annually. This demonstrates the core demand strength from households under age 35 and empty-nesters, as well as the broader demand-driver of low unemployment. However, 2018 will prove to be a strong test as the number of market-rate units expected to open – about 6,150 – represents a 50% increase over the annual average during the past five years. This will surely place pressure on rent growth and vacancy rates overall for the Twin Cities.

Competition Among Towers in Downtown Minneapolis and the U of M Neighborhoods

Downtown Minneapolis and the U of M neighborhoods are forecast for peak numbers of deliveries this year. In both areas, at least 70% of new units will be in large buildings of seven stories or more, priced at the upper end of the market. Competition for new renters will be intense and we expect rents to flatten and vacancies to rise in both areas.

Continuing Product Expansion in the Suburbs

The west and northwest suburbs of Minneapolis will also show high levels of new rental product in 2018, continuing the trend of new development pushing through the suburbs. The large amount of new product that was delivered in the first-ring suburbs in 2017 had a moderating effect on pricing at newer buildings, with little or no growth in asking rents at most buildings tracked by Dougherty Mortgage. This trend should continue through 2018 in specific places such as the West End, as the market deals with many new units. The southeast suburbs will experience a large gain in inventory in 2018 (643 new units expected), but the units will be spread over six projects in three cities, helping facilitate absorption. As well, the southeast has historically been a very low producer of new rental units and there is very likely pent-up demand in places that have seen little or no new rental housing yet this decade, such as Lakeville.

Unhelpful Backsliding of Affordable Production

Dougherty Mortgage is tracking fewer than 500 new, non-senior affordable units for delivery in 2018. This total, if it stands, would be the lowest production level since 2010 and far behind the 700-unit annual average from 2011 through 2017. This is also far below the annual increase in demand for affordable units from regular, predictable household growth, which is several multiples higher than recent production. And ongoing meager new affordable production does nothing to address the longstanding backlog in demand from cost-burdened renters, measured in the *tens of thousands* of households in the Twin Cities.

ABOUT DOUGHERTY MORTGAGE

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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. Since 2011, Dougherty Mortgage has 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 leading 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.

40 YEARS
GROWTH AND EVOLUTION
1977 – 2017

DOUGHERTY FINANCIAL GROUP – 40 YEARS OF GROWTH AND EVOLUTION

Dougherty Mortgage's parent company, Dougherty Financial Group LLC, celebrated its 40th anniversary in 2017. Since its start in June 1977 with just four employees, Dougherty Financial Group has grown and evolved into a national diversified financial services holding company with 270 employees in eight strategic business units across 16 states. Collectively, the Dougherty group of companies is a trusted leader in brokerage, mortgage banking, investment banking, public finance, commercial funding, wealth management, equipment finance and insurance.

REPRESENTATIVE TRANSACTIONS

FANNIE MAE TRANSACTIONS

Residences at 1700
$30.6 million
Fannie Mae
Minnetonka, MN I February 2018

DOUGHERTY MORTGAGE LLC

Shoregate Towers
$24.8 million
Fannie Mae
Willowick, OH I December 2017

DOUGHERTY MORTGAGE LLC

Bowman Pointe Phase I
$23.9 million
Fannie Mae
Little Rock, AR I November 2017

DOUGHERTY MORTGAGE LLC

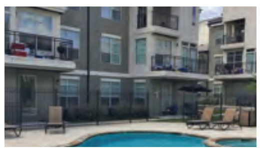
Aspenwoods Apartments
$13.7 million
Fannie Mae
Eagan, MN I September 2017

DOUGHERTY MORTGAGE LLC

Rolling Hills Apartments
$8.8 million
Fannie Mae Green Rewards
Tallahassee, FL I August 2017

DOUGHERTY MORTGAGE LLC

Millennium on Post Student Housing
$5.5 million
Fannie Mae
San Marcos, TX I May 2017



DOUGHERTY MORTGAGE LLC

Coppertree Apartments
$26.6 million
Fannie Mae
Indianapolis, IN I February 2017

DOUGHERTY MORTGAGE LLC

Willow Run of Crest Hill
$13 million
Fannie Mae
Crest Hill, IL I February 2017

DOUGHERTY MORTGAGE LLC

HUD/FHA TRANSACTIONS

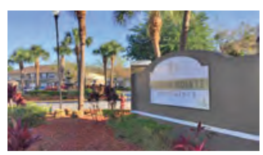
Greenway Terrace
$4.8 million
HUD 221(d)(4) N-C
Ramsey, MN I December 2017

DOUGHERTY MORTGAGE LLC

Pioneer Apartments
$14.7 million
HUD 221(d)(4) S-R
St. Paul, MN I November 2017

DOUGHERTY MORTGAGE LLC

Landon Pointe Apartments
$16.5 million
HUD 223(f) Refi
Orlando, FL I October 2017

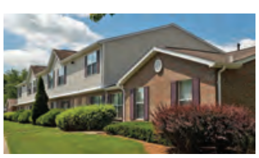


DOUGHERTY MORTGAGE LLC

Union Flats
$31.5 million
HUD 221(d)(4) N-C
St. Paul, MN I September 2017

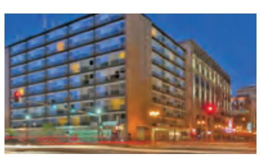
DOUGHERTY MORTGAGE LLC

Meadow View Townhomes
$12 million
HUD 223(f) Refi
Goshen, OH I April 2017



DOUGHERTY MORTGAGE LLC

Downtowner Apartments
$5.2 million
HUD 223(a)(7) Refi
St. Louis, MO I March 2017

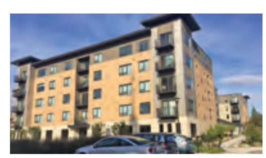


DOUGHERTY MORTGAGE LLC

Victory Crossing Apartments
$7.1 million
HUD 223(a)(7) Refi
Columbus, GA I February 2017

DOUGHERTY MORTGAGE LLC

Grain Belt Terraces
$28.6 million
HUD 223(f) Refi
Minneapolis, MN I January 2017



DOUGHERTY MORTGAGE LLC

40 YEARS

GROWTH AND EVOLUTION

1977 – 2017

DOUGHERTY FINANCIAL GROUP LLC

Innovative Financial Solutions Nationwide

THE COMPLETE GROUP OF DOUGHERTY COMPANIES:

- Dougherty Financial Group LLC
- Dougherty & Company LLC
- Dougherty Mortgage LLC
- Dougherty Funding LLC
- Dougherty Equipment Finance LLC
- Dougherty Wealth Advisers LLC
- Dougherty Insurance Agency LLC
- Dougherty Real Estate Equity Advisors LLC

DOUGHERTY MORTGAGE LLC

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