

# Wave of the future? Downtown Minneapolis micro units rent for \$1,250 a month

Developer says the 17-story downtown Minneapolis complex is already half-leased

By Jim Buchta (<http://www.startribune.com/jim-buchta/10644536/>) Star Tribune |

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Ready to live like a minimalist?

City Club Apartments CBD, the newest rental building in downtown, might be your kind of place. Many of the 307 units in the building are compact, one-room apartments with built-in Murphy beds, and the 17-story building has only 20 dedicated parking spaces, making it an outlier in an increasingly competitive rental market.

The Michigan-based developer of that project, Jonathan Holtzman, was in town this week to tout the project, which he said has been a hit and will serve as a model for future developments.

He said that within months of opening, more than half the units have been leased, emboldening him to pursue a second high-rise development in downtown Minneapolis, though he wasn't ready to disclose the location.

"This community represents the next evolution of that process and thinking and will inform our vision and mix for the communities we currently have under development in Detroit, Kansas City, Chicago and Cleveland," he said.

With a record number of rentals expected to hit the market in the Twin Cities metro this year and competition for renters on the rise, developers are watching the market closely to determine the best mix of units in their buildings. Many believe micro-units are the wave of the future.

Holtzman said the majority of the new apartments that have come online in the last five years have been one-bedroom, one-bath and two-bedroom, two-bath units, but "our nontraditional, smaller floor plans are leasing the fastest."

Holtzman calls the smallest units in the building "nanos."

One-room apartments, known by many as studios, efficiencies and micro-units, are nothing new in the Twin Cities. During the 1980s, several high-rise buildings, including LaSalle Tower and Grant Park, were built with one-room apartments and smallish alcove units that have a small anteroom with room for just a bed and a nightstand.

## Sacrificing space

And over the past decade, a growing number of developers are catering to renters who are willing to sacrifice space for affordability.

Yellow Tree, a Minneapolis-based developer and property-management company, recently finished Jax, a new 65-unit building in northeast Minneapolis that features micro apartments that are much smaller than usual, including one-room studio apartments of 358 square feet.

For many millennials, space to entertain at home is less important than common space where they can congregate with friends and other residents. At City Club CBD, the building is stocked with several gathering spaces including a 17th-floor rooftop Sky Club with a swimming pool and outdoor kitchen.

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Janet Lewis explored a third-floor unit. Many millennials are willing to rent micro apartments in exchange for common space and lower rent.

For developers, the smallest units typically fetch the highest per-square-foot price, though the monthly rent is lower than one would pay for a one-bedroom or larger unit.

“They’ve made units smaller and smaller in order to help people with their rent payment,” said Gina Dingman, president of Everest Real Estate Advisors in Edina. “Most people aren’t paying attention to their per-square-foot price, they’re just looking at their monthly payment.”

At City Club CBD, nano-apartments range from about 450 to 600 square feet. Rents vary depending on the location within the building. A 450-square-foot unit on the third floor, for example, rents for \$1,250 per month. A one-bedroom plus den unit with 875 square feet rents for \$1,450.

With an overall vacancy rate throughout the seven-county metro at just 2.3%, the average monthly rent is now at an unprecedented \$1,254 — a nearly 8% increase over last year, according to a midyear report from Marquette Advisors.

In downtown Minneapolis, renters have more options but will pay more. The average vacancy rate during the second quarter increased slightly to nearly 5%, not including income-restricted units. The average rent was \$1,749.

Mary Bujold, president of Maxfield Research in Minneapolis, said the lack of parking at City Club CBD is unlikely to be an issue given the building’s location near multiple forms of public transportation and within walking distance to shops, restaurants and services.

“If you are right in the downtown, technically you do not need to even own a car, which gives you added income to your bottom line,” she said. “Micro-units will continue to attract young people, but do not really fit too well for older people who usually want a little more space.”

Holtzman said he has been testing nontraditional sized apartments with unusual floor plans over the last three years, and used that knowledge to determine the unit mix at City Club CBD.

“Our competitors are watching very closely and would love to know the mix of our 307 units,” he said. “I don’t want to educate them ... this knowledge and focus on continued disruption is one of our many competitive advantages.”

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**Jim Buchta** has covered real estate for the Star Tribune for several years. He also has covered energy, small business, consumer affairs and travel.

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The Sky Club on the 17th floor has chic furniture and fixtures.