



Tim Larkin

Dougherty Mortgage's Tim Larkin: Demand for multi-family remains strong as ever By Dan Rafter

Midwest Real Estate News spoke to Tim Larkin, senior vice president with Minneapolis' Dougherty Mortgage, about the high demand for apartment projects in Minnesota and the rest of the Midwest. Dougherty told us that the multi-family market is showing no signs of slowing down.

Real Estate News: What do lenders need to show developers today if they want to qualify for financing for multi-family projects?

Tim Larkin: No matter how you look at it, it is the income-producing real estate that is the key. It is the collateral. Depending on market, we may lean further on liquidity or the experience of the group or partnership more than we would on the real estate. But number

one, it is the real estate, the location. It's what you hear all the time. How is the economic base of the area in which they are building? Is it an area in North Dakota where oil is a big deal? There might be a rush to development that might not end up being a long-term situation. Or is it downtown Minneapolis/St. Paul, where a number of Fortune 500 companies are still here and are still giving out jobs?

MREN: You take a lot of factors into consideration, then.

Larkin: We do. We look at the net worth, liquidity and experience of the developer. If it's a one-time only developer, a developer that is taking on its first multi-family project, we will look deeper into the net worth and liquidity. Someone who has done 10 deals already in Chicago with us, though, we'll take a different approach.

MREN: How strong is the multi-family market today?

Larkin: The fundamentals are all still there. In most of the Midwest we have not yet hit our peak when it comes to multi-family. Units are being absorbed sometimes six months after they are built. There is still pent-up demand. We keep that in mind, too, when looking at requests for financing.

MREN: What are some particularly strong multi-family markets in the Midwest?

Larkin: The Twin Cities is strong. It is extremely diverse. We've added 65,000 jobs in the last year-and-a-half here. Fortune 500 companies are here. You have Target, Best Buy, General Mills, those kinds of stable companies. There may be a job lost here or there, but then there's a new job made somewhere else.

MREN: There have been a lot of multi-family developments rising in the Twin Cities lately.

Larkin: There is. We're seeing a lot of high-end developments, too, and the demand is there for them. They are talking about 4,000 multi-family units overall in the area, probably about 2,000 units in the downtown. There is some rehab, some historic rehabs, too. They will all be absorbed. The demand is there. The vacancy rate for multi-family in the downtown is something like 2.5 percent. It has been that low for the past few years. In the early 2000s, nothing was built. Everything was for-sale homes. That built up demand for multi-family. As soon as the housing market tanked, the rental market demand surged. Right now, new-construction multi-family is absorbing in seven months here.