

State of the Industry

Homeownership & New Construction

*Senate Housing & Homelessness Prevention
Committee*

Mark Foster, Housing First Minnesota



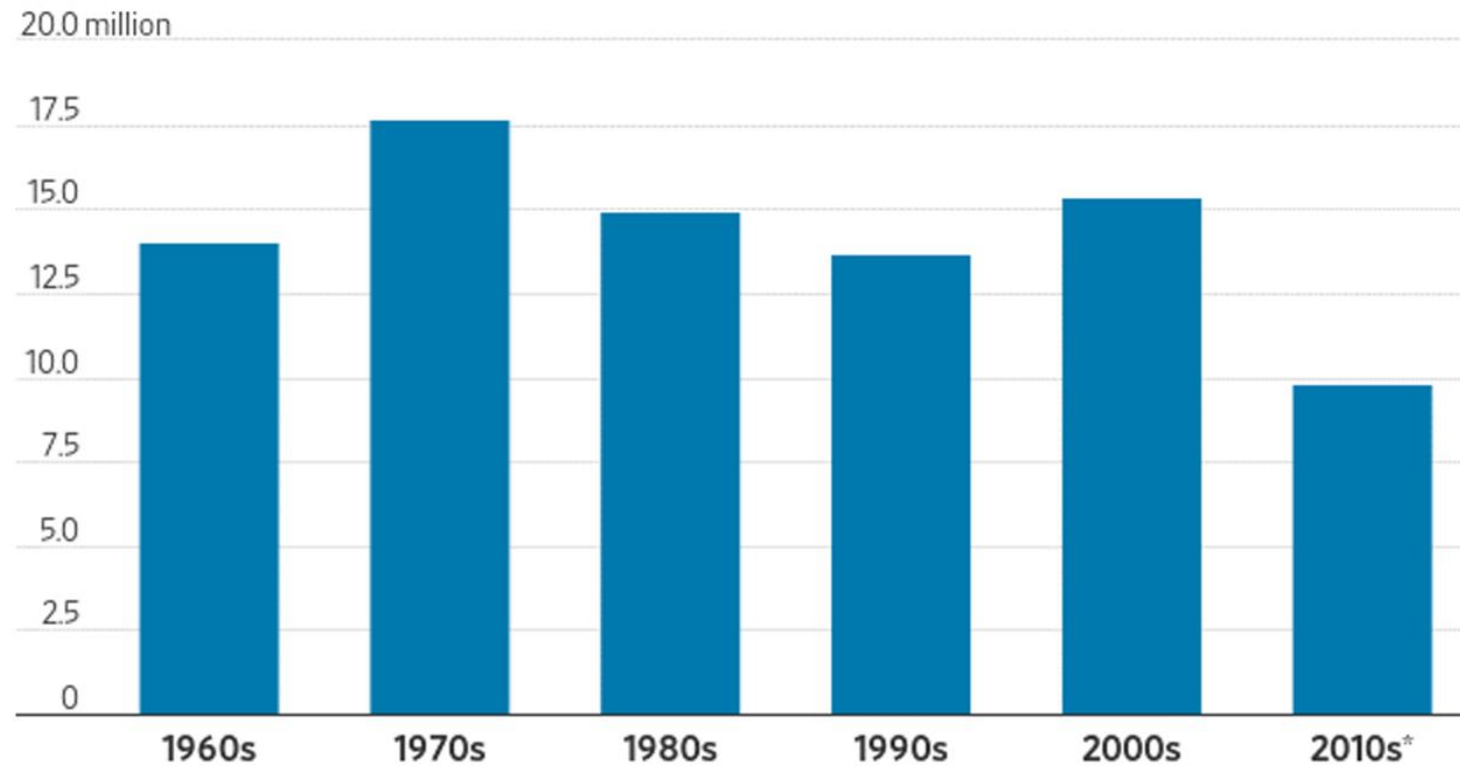
Looking Into 2023

- Our concern about the future of homeownership in Minnesota has grown immensely.
- Chronic under-supply of homes surges home values, limits and delays homeownership.
- National Association of Realtors® recently reported an all-time high median age of first-time homebuyers, 36.
- Supply-side challenges – the collection of processes, requirements, and infrastructure policies are in conflict with a healthy housing market supplied with enough homes.

Housing Activity Was at a Multi-Decade Low

Supply of new housing is only now recovering

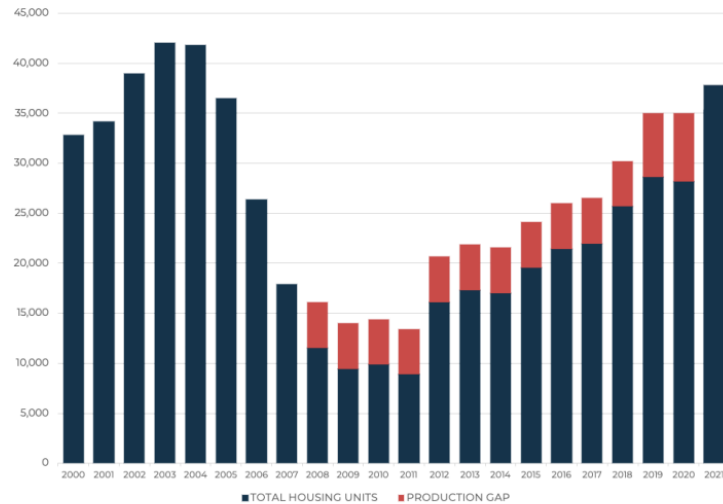
U.S. new-home construction by decade



Note: Data for the 2010s is through November 2019.
Source: Commerce Department via the St. Louis Fed

DECADE OF UNDER BUILDING

MINNESOTA HOUSING PRODUCTION (TOTAL UNITS ADDED)
2000-2021



61,865 MISSING HOUSING UNITS

STATE HOUSING GOAL: 2019-2022

YEAR	UNITS BUILT	UNIT GOAL	PROGRESS
2019	28,566	35,000	-6,414
2020	28,148	35,000	-6,852
2021	38,334	35,000	+3,334
2022*	30,351	32,284	-1,933

Source: U.S. Census Bureau Building Permit Survey. Monthly data through November 2022, released December 2022.
*Monthly goal figure has been projected based on historical market performance. State Housing Goal is based on 2018 Minnesota Housing Task Force housing figures.

MINNESOTA'S HOUSING RECORD

Worst inventory in the nation for any major market (MSP)~

Widest housing disparities in the nation*

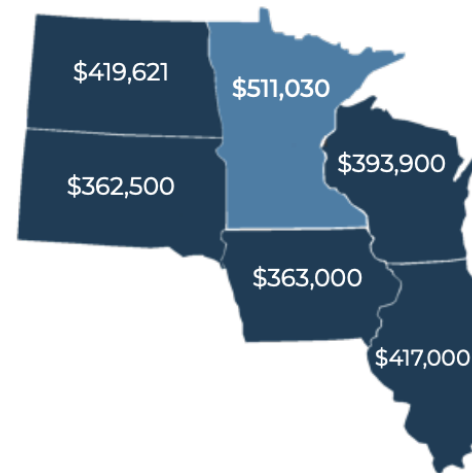
Highest regional new single-family detached home cost^

1.8 MONTHS
OF SUPPLY OF HOUSING

Source: Minnesota Realtors, November 2022

Median New Single-Family Home Price By State^

Minnesota is the costliest market for new single-family homes in the region.



~ United States Census Bureau

* United States Census Bureau, American Community Survey

^ Source: Zonda MetroStudy, December 2022

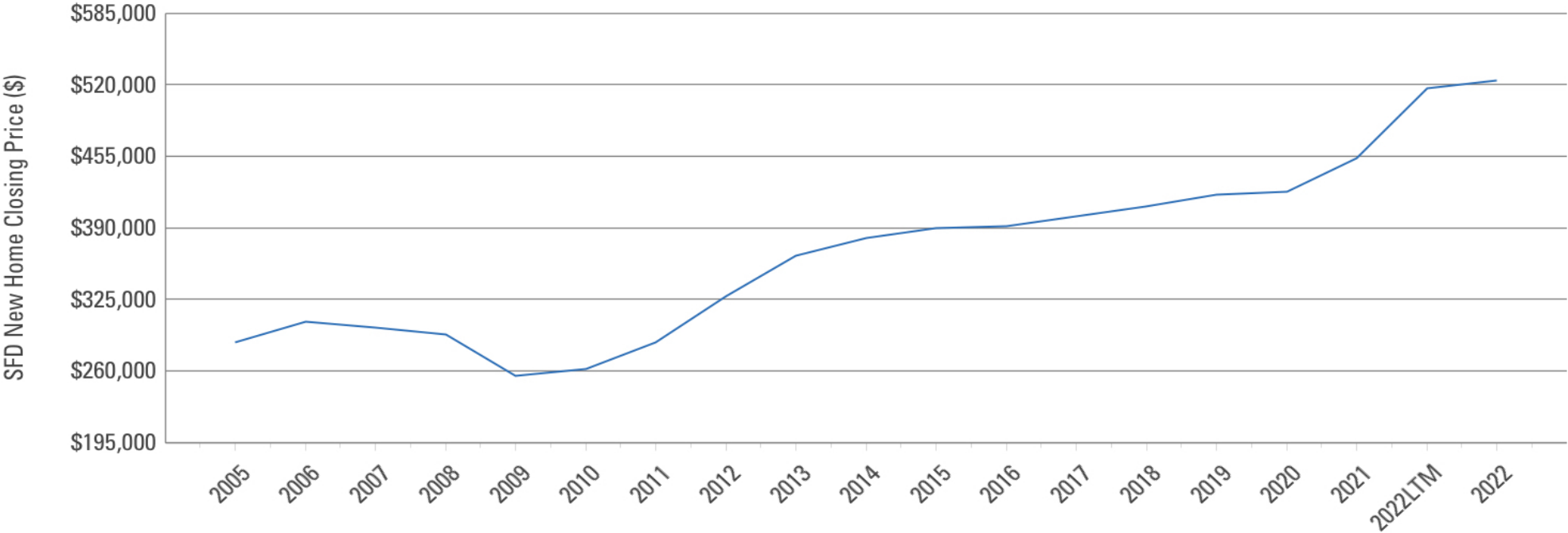
MINNESOTA

Median SFD New Home Closing Price

↑ \$523,330

Change over 2021: **17.0%** Change over month: **3.0%**

Updated 01-09-2023



Minimum: **\$255,000 in 2009**

Maximum: **\$511,030 in 2022**

Historical Average: **\$358,550**

Source: Public Record Data: Zonda by Mevers Research

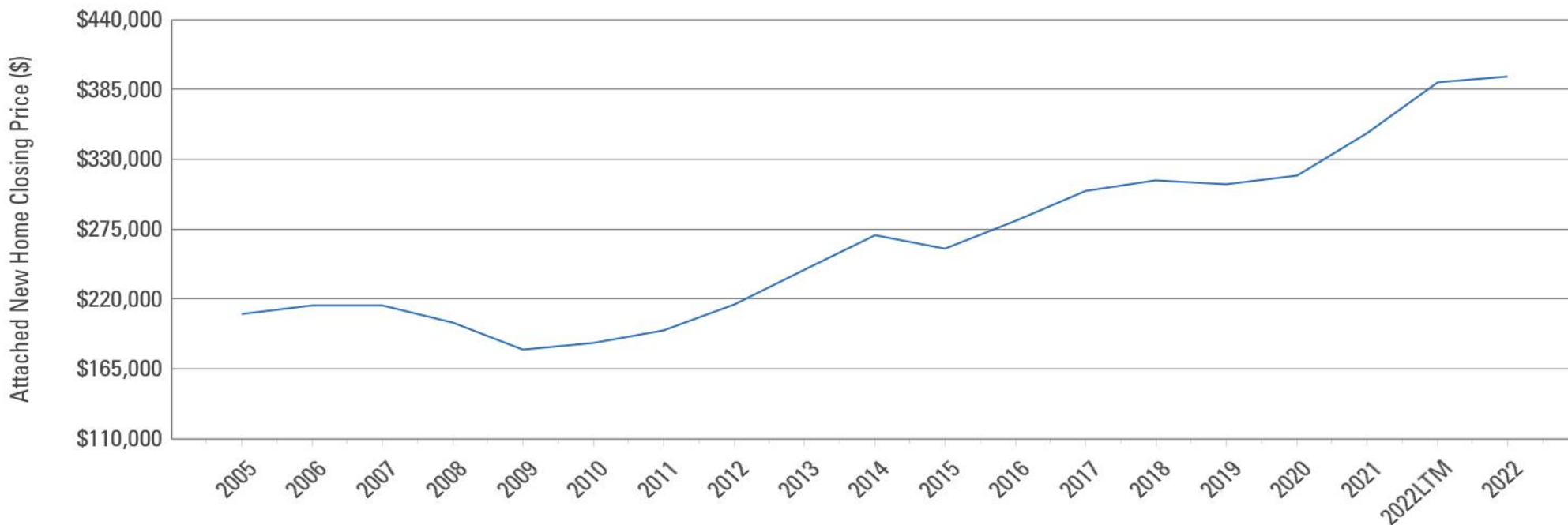


MINNESOTA

Median Attached New Home Closing Price ↑ \$394,990

Change over 2021: **4.0%** Change over month: **1.0%**

Updated 01-09-2023



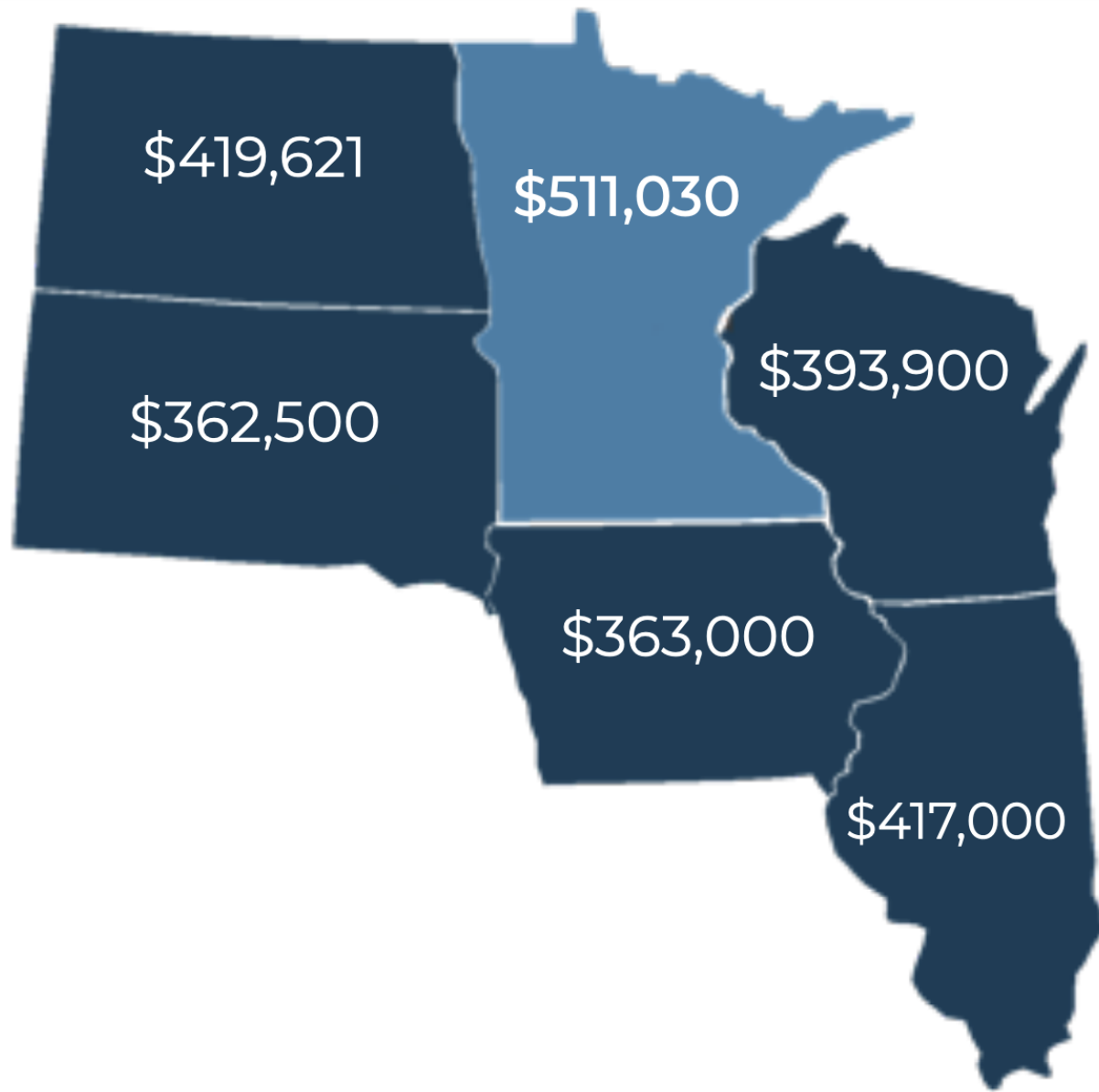
Minimum: **\$179,900 in 2009**

Maximum: **\$388,543 in 2022**

Historical Average: **\$258,483**

Source: Public Record Data; Zonda by Meyers Research





Many Issues Impact the Cost of a Home.

- MSP region has the most expensive raw land in the Midwest.
- Building material costs have increased throughout the pandemic – lumber moderated, steel/components still high
- Labor is a challenge and associated costs impact housing.
- The industry is working on numerous technological advances including modular construction to save some money and time.
- Regulatory costs in Minnesota stand out.
 - Beyond fees
 - Regulatory requirements add to the price of homes.

Housing Industry is Attempting to Meet Consumers

- **Modest densification** – Changes in density do not have to be drastic at scale – Zillow has done this analysis.
- **Demographic Trends** – Household formation is happening later, households are smaller, and WFH trend is a game-changer.
- **Land Use Patterns** – In the future – where will Minnesotans choose to live and what will be their priorities? Schools, transportation corridor access, housing costs/choice, natural amenities?
- **Long view** – This problem will not resolve itself – we are committed to the housing supply issue over the long term.

Guiding Principles

- We need a structure for safe, durable and efficient homes
- Protecting wetlands and minimizing environmental impacts is a shared value
- Homeownership and equity are also shared values
- Housing industry is proud to pay strong wages in MN
- A balanced housing supply is achieved only by providing choices in the housing market
 - **This requires us to bring starter homes back to Minnesota**

Starter Home Examples

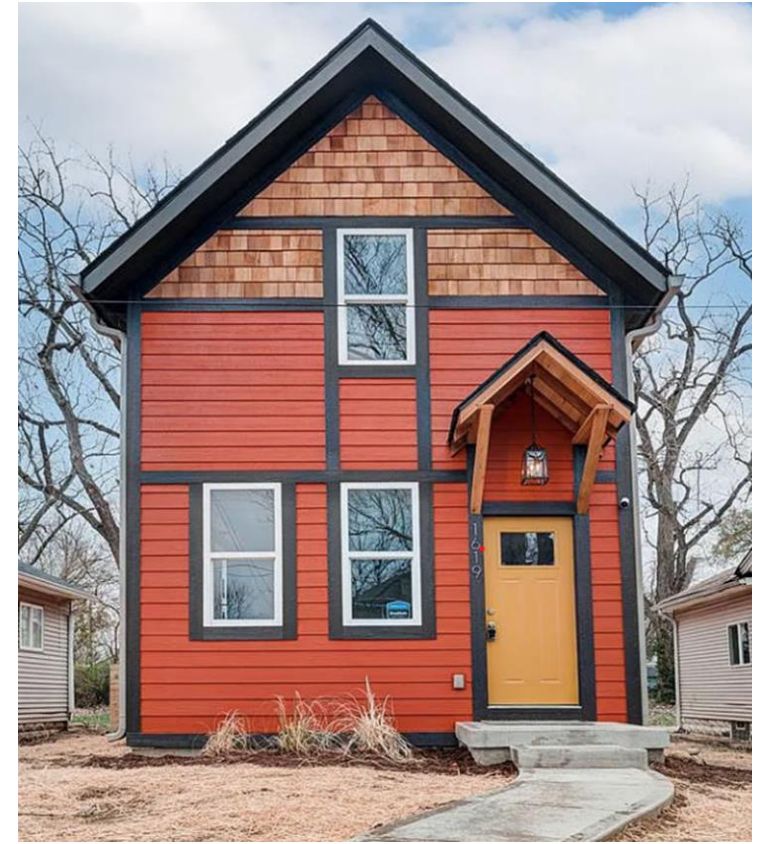


Starter Home Examples





Starter Home Examples



Starter Home Examples

Housing First
Minnesota
Foundation is
working to end
homelessness
in Minnesota.



HOUSING FIRST
MINNESOTA FOUNDATION

Tremendous growth in the past five years:

- Established community build project model and successful execution of 16 build projects serving more than 150 individuals
- Increase of 165% in project funding investing \$1.15 million in housing for service organizations
- **Avivo:** Housing First Minnesota Foundation has completed 15 apartment unit renovations throughout the City of Minneapolis, helping Avivo provide quality housing to those it serves
- **Minnesota Assistance Council for Veterans (MACV)** – Since 2018, the Homes for Heroes initiative (done in conjunction with Lennar Minnesota and its trade partners) has completed seven supportive homes for MACV. These homes are in Maplewood, St. Paul (east side), North St. Paul, Bloomington and Minneapolis. Four additional units are nearing completion in Minneapolis in the coming weeks we will have completed a total of 11 homes for MACV.



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Thank You.

Questions?

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