



James Vagle, CEO of Housing First Minnesota, moderates a panel on the current state of the housing market with Jamie Tharp, Beth Wanless and Tony Wiener at the Housing Leadership Summit. | Nordy Photography

Housing experts converge on the Twin Cities

On Sept. 26, housing policy experts from all corners of the United States came together in Bloomington for the 2023 Housing Leadership Summit. The event was organized by Housing Affordability Institute, a housing policy think tank based in Roseville.

The event was filled with discussion on the drivers of housing affordability and inventory challenges across the country, with a specific focus on Minnesota's issues. A diverse array of experts provided their input on how to address these issues best.

Industry view: challenges require urgent action

A panel of industry experts kicked off the summit by providing their views on the current state of the housing market.

Beth Wanless, regional government relations and public affairs manager for Zillow, outlined how Minnesota is an outlier in housing costs and that housing affordability is lower in the Twin Cities region than it should be.

"In the Twin Cities, there's a problem," said Wanless. "Home prices are high, and I don't think they should be this high."

Wanless noted that Zillow's data showed that on the existing home side, home prices in Chicago are \$70,000 less than in the Twin Cities.

Jamie Tharp, division president for Pulte Homes, noted that consumer preferences are changing and that current zoning hasn't kept pace.

"We're seeing a shift in mindset in the size and functionality of

homes," said Tharp. "In the '90s, it was 'bigger is better.' We're no longer in that world."

Tharp said the rise in single-person households and other demographic changes are driving builders to develop new products that match consumer demand.

Tony Wiener of Cardinal Homes explained how planned unit developments (PUDs) are where affordability is lost.

"If a builder goes to a city with a project like that, they start seeing dollar signs right away," said Wiener. "I feel sometimes cities use [PUDs] to raise a tax for the community."

The panel agreed that housing demand in Minnesota remains strong, as the state has largely under built for the last 15 years. They also agreed that the workforce shortage is an emerging affordability issue with builders, developers and trade partners experiencing difficulties in attracting and retaining talent necessary to build homes at the volume needed to rebalance the state's housing market.

National experts: simple bills make big waves

Several national leaders in housing policy provided insight into what has worked elsewhere in the United States and what lessons Minnesota can take into 2024.

In a panel moderated by Salim Furth of the Mercatus Center at George Mason University, several experts discussed how strong coalitions and simple, clean bills

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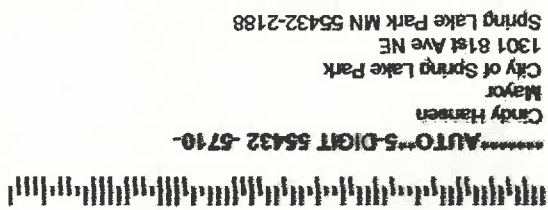
Zoning modernization heats up

Great expectations for legislative action on housing policy reform

As the Minnesota Legislature prepares for its upcoming session in mid-February, a generational opportunity lies on the horizon – the chance to redefine the state's approach to zoning and housing policies. With polling data indicating bipartisan support and a growing coalition of supportive organizations, industry leaders see the 2024 session as an opportunity to reshape the state's housing landscape for generations to come.

"Housing policy is approaching its moment in 2024," said James Vagle, CEO of Housing First Minnesota. "Our state is experiencing the challenges of housing undersupply and affordability, and the solution of simply allowing more

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Housing industry stands tall

As we stand on the cusp of a new year, I find myself reflecting on the resilience and innovation demonstrated by our housing industry throughout the challenges of 2023. From grappling with legislative challenges to navigating workforce constraints and contending with interest rate fluctuations, our industry has faced adversity head-on, emerging stronger and more innovative than ever before.

As the Legislature debated the creation of new impact fees on housing developments, a proposed ban on single-family homes for rent and a host of green mandates, our industry illustrated the unintended consequences for homeownership and successfully halted these efforts. For years, these debates happened without adequate discussion and understanding of the costs borne by the end-user, our customers and the homeowners of Minnesota. I'm so proud that our industry advocates on their behalf as we continue to deliver on our promise to house our fellow Minnesotans.

Interest rate fluctuations and workforce challenges tested our mettle in 2023, yet the housing industry has once again proven itself to be remarkably resilient. By coming together as an industry, sharing knowledge and innovating, we have found a way forward and maintained our ability to meet the growing demand for housing.

As we look ahead to 2024, it is important to recognize that our industry's resilience is not merely a response to external market pressures but a testament to our shared values and commitment. By standing tall in our advocacy for homeownership and continuing to innovate for tomorrow, we will navigate the challenges that lie ahead.

We know there will be challenges and opportunities in 2024, and I'm confident that our industry will continue to showcase its ability to adapt, innovate and persevere. Together, we will not only weather the storms but contribute to making Minnesota an even better place to live.



John Quinlivan
2023 Board Chair,
Housing First Minnesota

Wishing you all a prosperous and resilient year ahead.

Here's to an exceptional 2024!

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Housing First Minnesota is the voice for homebuilders, remodelers and all who are dedicated to building safe, durable homes at a price Minnesotans can afford.

Housing First Minnesota is dedicated to advancing the American dream of homeownership for Minnesotans and is the leading resource for housing-related issues in Minnesota. This advocacy work has never been more important. The housing industry remains under intense regulatory and political pressures that impact Minnesota homeowners' ability to buy, build and remodel their dream home. Housing First Minnesota supports reasonable policies, regulations and protections, but our call for affordability for families is a voice that must be heard.

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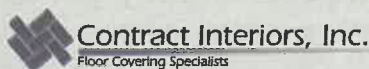
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The Parade of Homes has a long legacy of supporting homeownership in Minnesota. Over the past few years, the Parade of Homes First-Time Homebuyer \$10K Giveaway has created more homeownership opportunities and made a major impact in the lives of Minnesotans. These down payments were made possible through several generous donations from Housing First Minnesota members.



Across the country, there is much talk about housing

HERE ARE SOME OF THE LATEST QUOTES ON THE STATE OF THE INDUSTRY:



In a country where most homes are single-family and detached and where minimum lot sizes are ubiquitous, allowing property owners to subdivide their land to accommodate additional detached homes is a critically important means of increasing the housing supply and promoting the option of fee simple homeownership for American households.

CHARLES GARDNER
MERCATUS CENTER



Reforming zoning laws to allow for the construction of more starter homes can help increase the supply of affordable homes in places with high economic opportunity.

DARYL FAIRWEATHER
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Modernizing our zoning code isn't just about adding to our housing inventory, but about revitalizing our community and driving economic development. When we rethink our approach to affordable housing, we open doors to wealth-building for our neighbors.

MELVIN CARTER
ST. PAUL MAYOR



Fixing supply constraints is a job for state and local — not federal — lawmakers.

GREG IP
CHIEF ECONOMICS COMMENTATOR, THE WALL STREET JOURNAL



Cities across the state are innovating and ending exclusionary zoning to build more of the 'missing middle' homes that low- and middle-income Minnesotans are so eager to find. It's time for the legislature to take notice and take action as well.

MINNESOTA REP. MIKE HOWARD
DFL-RICHFIELD



Proponents of these changes argue that better land-use and planning policies will reduce housing-production costs. Economic theory, research, and anecdotal evidence predict that the resulting increase in supply would slow the growth of housing prices.

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Energy code changes coming; EV requirements in multifamily



EV requirements will be specific to new construction and existing buildings being renovated under an occupancy classification change.

Since August, a technical advisory group (TAG) has been working on reviewing the 2021 International Energy Conservation Code (IECC) which will be incorporated into Minnesota's Residential Energy Code in 2026.

In a letter to the TAG, Housing First Minnesota asked the group to keep housing affordability and access front of mind.

"Minnesota has long been recognized as a leader in energy-efficiency home construction," the organization said in a letter. "Yet, we are a laggard in several critical housing affordability and accessibility metrics. Given the affordability issues and industry-leading efficiency ratings, this TAG must balance its approach and broaden its focus to include the affordability metric."

As the group's work has progressed, so has its charge. At the fall 2023 Construction Codes Advisory Council meeting, the body voted to open the Energy Code TAG's work to review the 2024 IECC, in addition to the 2021. Also at that meeting, the Department of Labor and Industry (DLI) shared that in the next code cycle, Chapter 1322, the Residential Energy Code, will move to Chapter 1309, the Residential Building Code, when the new codes are adopted in 2026. Additional work will be done on residential-specific mechanical code requirements.

The group's work is expected to continue into the second quarter of 2024 and the

final code proposal will need to undergo a durability analysis.

Multifamily and commercial EV requirements

This past session, the Minnesota Legislature directed DLI to develop an electrical vehicle charger requirement for multifamily housing. In August and September, the TAG worked through a proposal that will be eventually added to the Commercial Energy Code, Chapter 1323.

The proposed code change has three levels of chargers: Electric Vehicle Supply Equipment (EVSE) Installed Space, which has an electric vehicle charger installed; Electric Vehicle Ready Space, which is ready for a charger to be plugged in at the parking space; and Electric Vehicle Capable Space, which has a conduit or raceway but still requires additional work to be classified as EVSE or EV-ready. The proposal includes a table that establishes the number of spaces required for each classification.

EV requirements will be specific to new construction and existing buildings being renovated under an occupancy classification change.

The changes will be included in the next commercial energy code review, will go into effect once that code is in effect in 2026, and will only be required in buildings subject to the commercial energy code.

CCLD welcomes new director, state building official

The Construction Codes and Licensing Division (CCLD) of the Minnesota Department of Labor and Industry announced changes in its leadership as longtime state building official and CCLD director Scott McLellan retired this fall.

"Scott's work was central to much of our industry advocacy efforts," said James Vagle, CEO of Housing First Minnesota. "While we naturally came to the building code discussions from different perspectives, he understood the critical balance of resource protection, innovation and homeowner costs."

Stepping into the role of director at CCLD is Todd Green, whose career with DLI began as a

high-pressure-piping inspector in 1997. He earned the position of chief high-pressure-piping inspector by 2002, transitioned to a managerial role overseeing multiple agency areas in 2014, and was appointed as an assistant director for the division in 2017.

Greg Metz assumes the role of state building official, bringing with him a wealth of experience. After 28 years in commercial architecture, Metz joined CCLD in 2015 and took charge of supervising building and plumbing plan review units starting in 2018. His background includes a partnership at BKV Group in Minneapolis, roles as a building inspector and commercial plan reviewer, and work as a civilian architect for the U.S. Marine Corps.



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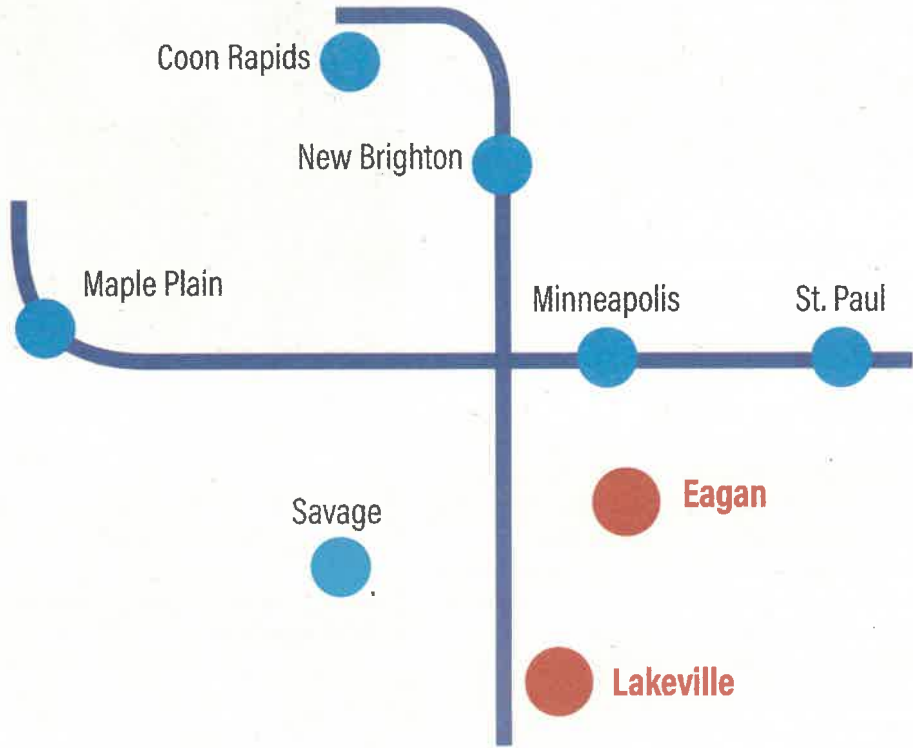
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Housing experts converge on the Twin Cities

targeted toward a single topic have been the recipe for success in states like California, Montana and Washington.

“Reform on this issue is a process,” said M. Nolan Gray, a California YIMBY. “There isn’t going to be a silver bullet bill. If you look at California, what has been successful there is that we have the understanding that each year we’re going to have to close loopholes, play whack-a-mole.”

“The biggest issue we face is how to take zoning and make it a topic people care about,” said Tanner Avery of The Frontier Institute, which orchestrated Montana’s zoning reform coalition. “What we did was use data to show that zoning really was a part of our affordability crisis.”

“In some states, we’ve had bipartisan support,” said Alex Fernandez, director of advocacy for Alexandria, Virginia-based Vinyl Siding Institute. Fernandez has worked in multiple states to overturn local aesthetic mandates and design requirements. “In others, we’ve simply lacked opposition.”

National voice shares her views

Providing the keynote to the event was Jerusalem Demsas, staff writer for The Atlantic magazine. Demsas, who has written on the complexity of housing, said what draws her to the topic is how housing shapes who we are as individuals.

“When you start working on housing policy, you just start immediately realizing all the ways your life has been shaped by all these forces that were invisible to you before,” she said.

Demasas’ work has been followed across the industry as she’s outlined how local opposition to new housing drives homelessness, housing affordability and access challenges. Closing out her remarks, she touched on how housing policy reform, specifically zoning reform, has become a bipartisan issue.

“If you’re an environmentalist, this makes sense. If you’re someone with free market or private property rights principles, this makes sense,” Demsas said. “This really isn’t that



Keynote speaker Jerusalem Demsas of The Atlantic and Nick Erickson of Housing Affordability Institute discuss the complexity of housing. | Nordy Photography

controversial, unless you’re willing to defend principles that are inconsistent with your other privately stated goals.”

State legislators share bipartisan vision of zoning reform

Turning locally, two legislators from Minnesota spoke about Minnesota’s housing challenges and what they hope to see happen in 2024’s policy-centric session.

Despite holding differing viewpoints, Rep. Jim Nash (R-Waconia) and Rep. Larry Kraft (DFL-St. Louis Park) said zoning modernization is on the Legislature’s must-do list.

Kraft says that housing reform needs to be about our values. “Housing is complex,” he said, noting that he aims to

introduce legislation in 2024 to tackle the various issues in “bite-sized pieces.”

Nash said that he wants more cities to see that local control of housing isn’t working and that a bipartisan set of legislators are looking at fixing the problem next year.

“Housing is neither a Republican or DFL issue or solution,” said Nash. “This is a Minnesota problem with Minnesota solutions.”

Both Kraft and Nash share a background in local government and said their service as local officials has shown them why state-level housing reform is necessary. Kraft recently served on the St. Louis Park City Council and Nash was mayor of Waconia.

Disclosure: Housing Affordability Institute was founded by Housing Industry News publisher, Housing First Minnesota.

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Zoning and housing policy reform is set to take the spotlight during the 2024 legislative session.

Zoning modernization heats up

types of housing to be built is popular across the board from Minnesotans of all perspectives.”

Minnesota currently faces a dual housing challenge, a predicament where the scarcity of available homes collides with affordability concerns, creating a pressing need for comprehensive reform. The lack of home inventory and outdated zoning policies are contributing to surging housing costs, making the upcoming legislative session a pivotal moment for lawmakers to address these issues head-on.

A recent poll conducted by Morris Leatherman Company and commissioned by Housing First Minnesota asked

Minnesotans for their opinions on how the Legislature should prioritize housing policy in the upcoming session. Nearly 7 in 10 Minnesotans identified modernizing zoning as a high priority for the Legislature in 2024. The support for housing policy updates was consistent for Democrats, Republicans and Independents.

Coalition to modernize housing policy grows

A growing coalition of stakeholders, including policymakers, community leaders and advocacy groups, is coalescing around the need for change. This diverse collaboration signals a broader

understanding that addressing housing challenges requires a multifaceted approach, bringing together various perspectives to find viable and sustainable solutions.

“There is growing awareness that our housing access and affordability challenges will not be addressed without a significant change in the way we plan and approve housing developments in Minnesota,” said Mark Foster, vice president of legislative and political affairs, at Housing First Minnesota. “The growing coalition of interests focused on modernizing housing policy reflects this reality and we are hopeful that 2024 is the year to take a major step forward.”

At the heart of this generational opportunity is the need to modernize zoning policies. Zoning regulations are increasingly identified as the main impediment to the lack of attainable housing options impacting the state’s housing market. Modernizing these policies can pave the way for increased housing supply, promoting greater homeownership opportunities while maintaining strong and competitive communities.

Industry leaders point to other states and locally, to individual municipalities who have modernized their own ordinances, as a blueprint of sorts for Minnesota in 2024. Policy items up for discussion could include by-right development for modestly dense home options, allowing accessory dwelling units, banning aesthetic mandates that exceed the building code and a host of process-related items that currently add costs and delays to many housing applications.

“No single policy alone can address our affordability and inventory woes. It will take several policy changes at the state level to adequately bring new housing choices to Minnesotans,” said Foster.

The Minnesota Legislature convenes on Feb. 12 and is scheduled to adjourn in late May.



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Minnesotans worry that younger generations' ability to become homeowners is at risk, support policy solutions

A new poll conducted by Morris Leatherman Company and commissioned by Housing First Minnesota asked Minnesotans for their opinions on housing and homeownership in the state. The following top lines showcase the survey's results.

"Minnesotans are seeking more housing choices throughout the state," said James Vagle, CEO of Housing First Minnesota. "Unfortunately, because of many outdated zoning laws and rules, homeowners aren't given the option to build smaller homes on smaller lots that would allow many Minnesotans entry into homeownership."

"The data is clear. At a time when many policy issues divide us, Minnesotans across the political spectrum support homeowner choice. There is a clear mandate for the Legislature to modernize our zoning laws in the upcoming legislative session."

Affordability is the top concern for 21- to 34-year-olds looking to buy a home.

According to the poll, 45% of 21- to 34-year-olds identify the lack of money for a down payment as the largest barrier, followed by poor credit at 14%. Of these folks, 47% are likely to receive financial assistance from family or loved ones, while 52% are not expecting financial assistance from family.

Results show 44% of all respondents believe that it is more difficult for young people to buy a home compared to the previous generation, 38% said it is about the same and 13% said it is easier.

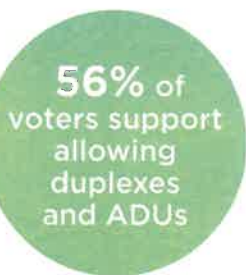


Nearly 7 in 10 Minnesotans identify modernizing zoning as a high priority for the next legislative session.

When asked how the Minnesota Legislature should prioritize addressing housing challenges next year, 68% percent (including 65% of Republicans, 74% of Democrats and 67% of Independents) said modernizing zoning and regulatory reform need to be a top priority in 2024.



When asked how to best manage housing growth in Minnesota, a strong plurality, 49%, believe cities and growing townships should prioritize allowing a range of home types that more people can afford over allowing people in the neighborhoods to control the type of housing that is allowed near them (28%).



Duplexes and ADUs are popular.

56% of voters support allowing duplexes and accessory dwelling units (ADUs) on all properties zoned for single-family homes, nearly double those that oppose it (36%). 90% of supporters still backed the proposal even if it meant that a duplex or ADU would be next door to them.

Respondents support a variety of housing over community character and local government control.

When given three options about what zoning ordinances should prioritize, the plurality believes that allowing for a variety of housing in their community is more important than the community characteristics or control by city staff.

41% said zoning ordinances should prioritize allowing for a variety of housing types to help provide homebuyers and renters with more options 33% said zoning ordinances should prioritize the community characteristics that current residents most want. 19% said zoning ordinances should be determined by city and township staff with expertise in these areas.

Voters strongly support homeowners' capabilities to make their own choices for aesthetic options.

Voters were asked whether the city council and their staff or homeowners and builders make the following decisions:



Voters oppose parking requirements and ban on natural gas in new construction



Housing shortage and lack of wages contribute to difficulties

94% of those who believe there is a housing shortage identified that shortage as either a very important or somewhat important factor in pushing up costs. Similarly, 97% agreed that wages aren't keeping up with the inflation in housing costs.



About the poll: The poll was conducted in August 2023 and contains the results of a sample of 630 randomly selected adult residents in the State of Minnesota and a 350-balloon sample of 21- to 34-year-old residents. The results of the 630-person sample are projectable to all Minnesota residents within ± 4.0% in 95 out of 100 cases. The results of the 350-balloon sample are projectable to all 21- to 34-year-old residents within ± 5.3 % in 95 out of 100 cases.

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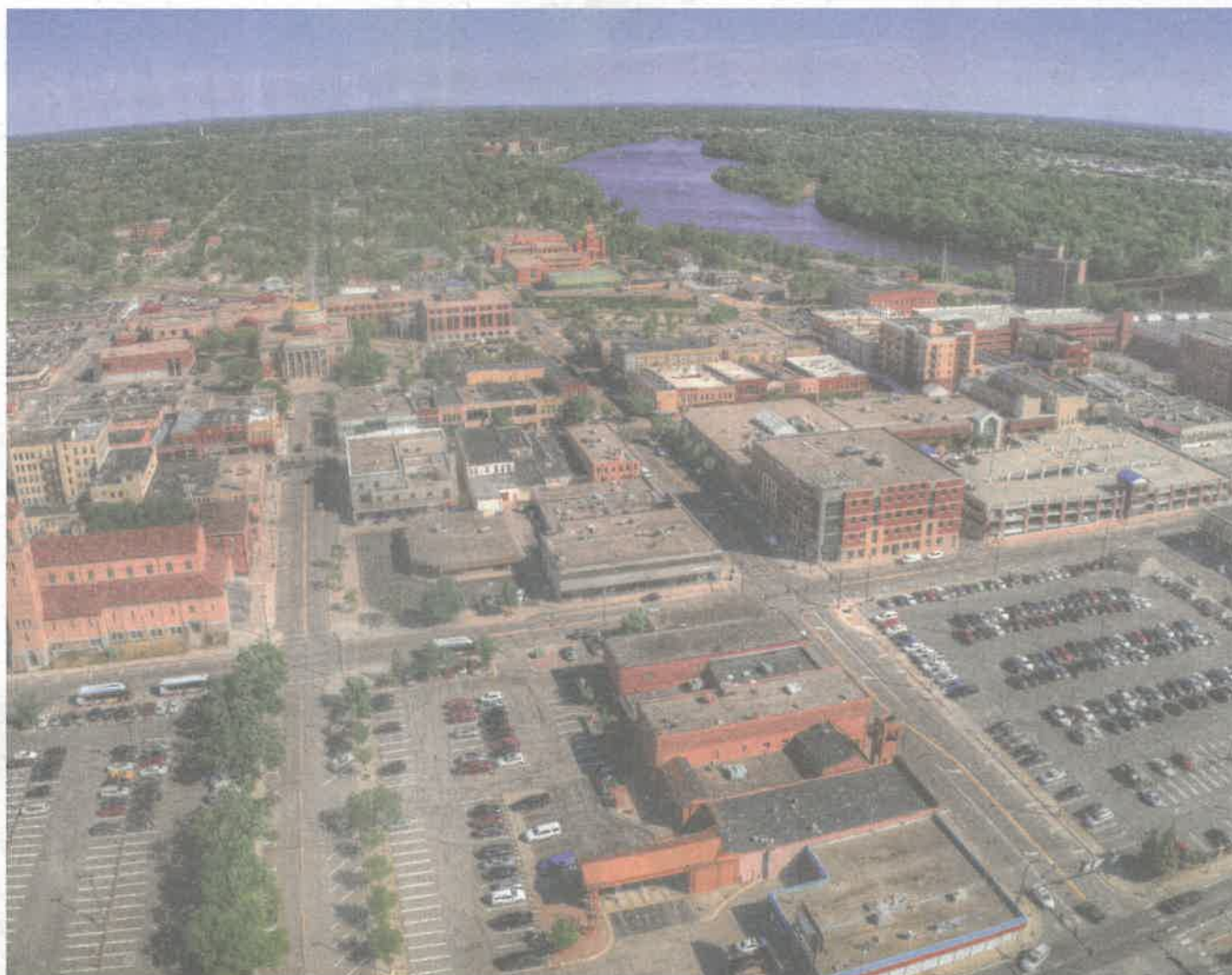
CMBA survey indicates local development fees generally flat for 2024

The Central Minnesota Builders Association (CMBA) 2024 Annual Local Development Fees Survey shows most St. Cloud-area communities plan for little or no fee changes for the coming year. That is good news as area communities have signaled the need and desire for more housing, particularly affordable single-family homes, and local fees are a major factor in the final cost.

The city of Sartell plans to keep development and permit fees flat, with the exception of a \$25 increase in roofing and siding permit fees. The cities of Waite Park, St. Augusta, St. Joseph and Sauk Rapids indicate they have no plans to increase regular development or permit fees in the coming year. Stearns and Benton counties also plan to keep regular development fees flat.

CMBA negotiates delayed, phased-in approach to new St. Cloud development fees

Earlier this year, St. Cloud passed a three-year phase-in of \$244 million in sewer and water access charges, along with a new Trunk Access Charge starting in 2024, primarily impacting multifamily development. CMBA successfully advocated for the delayed start and multi-year phase-in of those fees because immediate implementation would have severely impacted local projects already in development and curtail needed future development.



Minimal changes are expected in development fees in the St. Cloud area during 2024, according to CMBA's Local Development Fees Survey.

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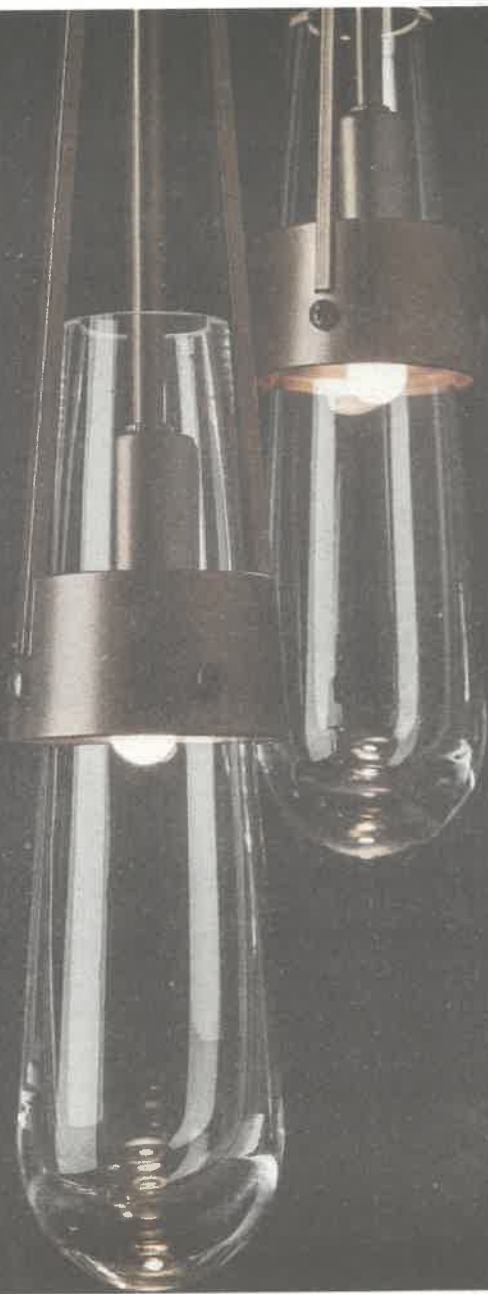
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Minnesota homebuilding groups announce new partnership

As the conversation surrounding homeownership grows in Minnesota, so does the coalition behind it. In October, two influential housing groups in Minnesota announced they were forming a new partnership to further elevate the homeownership discussion.

Housing First Minnesota and the Central Minnesota Builders Association (CMBA) announced a strategic collaboration in a video with details surrounding the partnership.

“The primary objective of this partnership is to strengthen CMBA and Housing First Minnesota’s ability to protect and support the housing industry while also elevating the conversation surrounding homeownership in Minnesota,” shared the organizations in a message to their respective memberships.

The collaboration will include partnership on select industry events such as Housing Day at the Capitol, general lobbying efforts and on certain industry-wide communications.

“Minnesotans want to own homes and in the face of regulatory and market roadblocks, our state’s homebuilders are working to make these dreams a reality,” said James Vagle, CEO of Housing First Minnesota. “This partnership demonstrates the housing industry’s readiness to come together to protect and defend homeownership opportunities for Minnesotans.”

The two groups noted that this partnership does not extend to home tour operations from either group.



CMBA and Housing First Minnesota announced a strategic collaboration to further elevate the homeownership discussion.



The Sherburne County Housing Summit was held Nov. 8 at the Sherburne County Government Center with more than 100 industry members in attendance. | Kenna Marie Photography

Sherburne County Housing Summit sparks conversation on region’s housing gaps

The momentum for housing policy reform continues to grow. At the first Sherburne County Housing Summit co-hosted by Sherburne Economic Development, Treadstone Mortgage and the Elk River Area Chamber of Commerce on Nov. 8, more than 100 housing leaders came together to discuss challenges and opportunities in housing. A series of speakers and panels throughout the day sparked conversations on effectively and efficiently working to fill housing gaps in the region.

Mark Foster, vice president of legislative and political affairs for Housing First Minnesota, spoke on the state of new housing and emphasized the role of the Minnesota Legislature in removing obstacles to bolster housing supply.

“Many Minnesota families are currently getting priced out of the American dream of homeownership,” said Foster during his presentation. “And they are calling on the Legislature to lift roadblocks to unleash more housing supply and create better affordability. 2024 is the year to do it.”

Other speakers included King Banaian, a St. Cloud State University economics professor; Jessica Barthel and Marc Schneider of Sherburne County; Sen. Eric Lucero, the minority leader on the Housing and Homelessness Prevention Committee; and a panel made up of builders and Realtors.



Mark Foster, vice president of legislative affairs for Housing First Minnesota, presents at the Sherburne County Housing Summit. | Kenna Marie Photography

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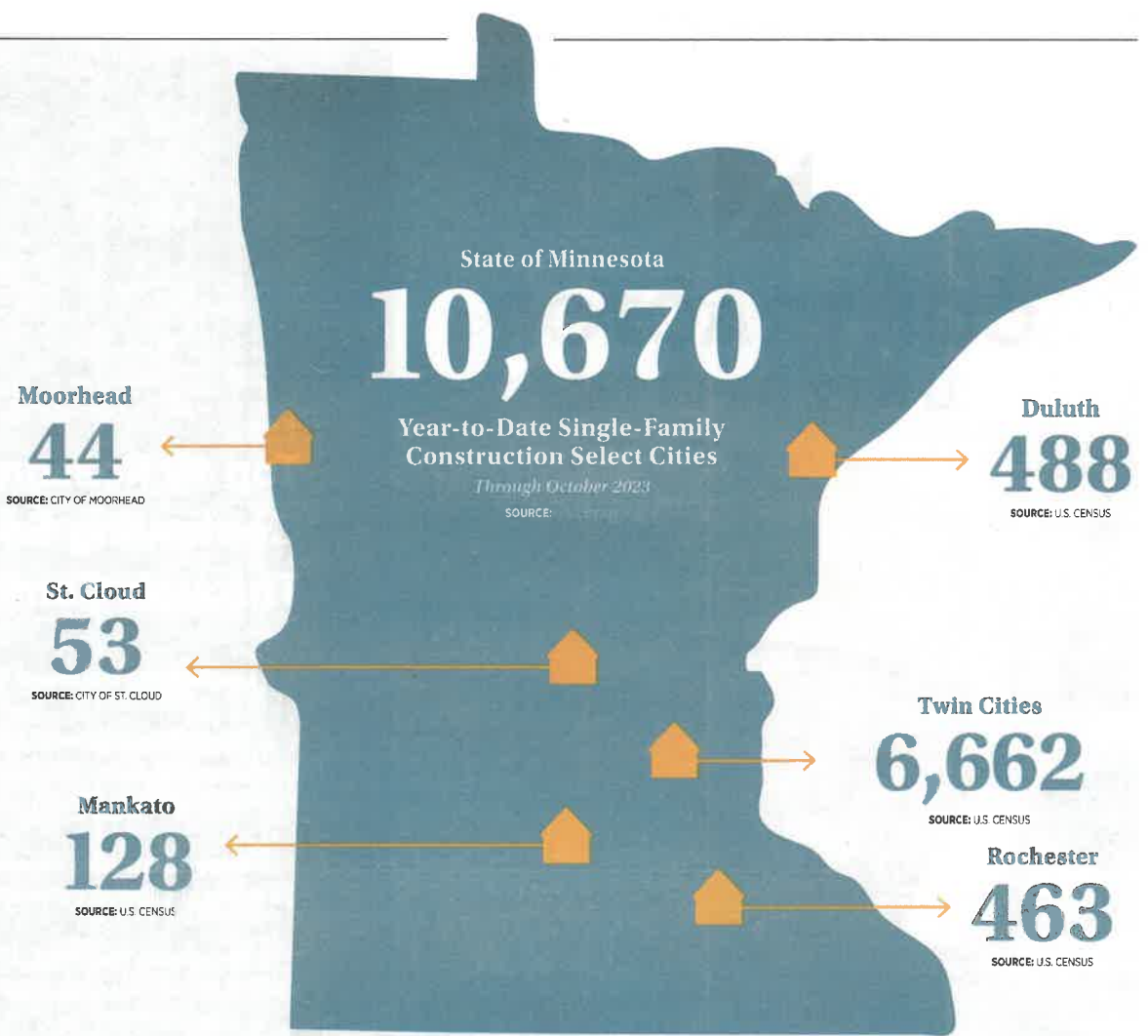
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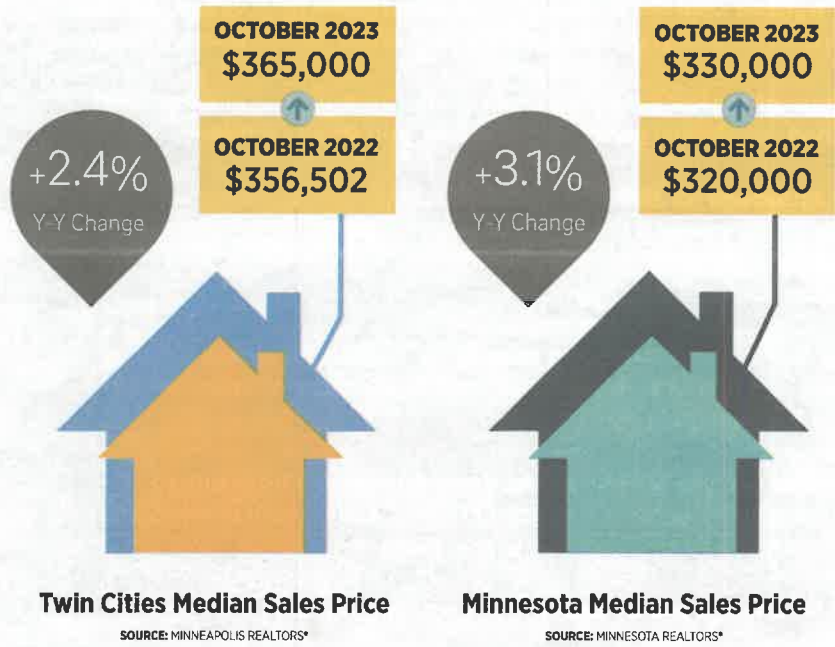
Housing market report

Homebuilding in the Twin Cities stays strong in October

Single-family home construction activity in the Twin Cities saw another promising month in October amid woes in the existing market. Metro builders pulled permits for 581 single-family homes during the month, a 110% increase from the same time last year. Activity in the multifamily construction sector continued to see a slowdown in activity with permits pulled for 334 units, a 27% decrease in units compared to this same time last year.



SOURCE: U.S. CENSUS. HOUSING FIRST MINNESOTA COLLECTED THE ABOVE PERMIT INFORMATION FROM AVAILABLE PUBLIC RESOURCES.



Minnesota Construction Employment Past 5 Months

SOURCE: DEED



Twin Cities Construction Employment Past 5 Months

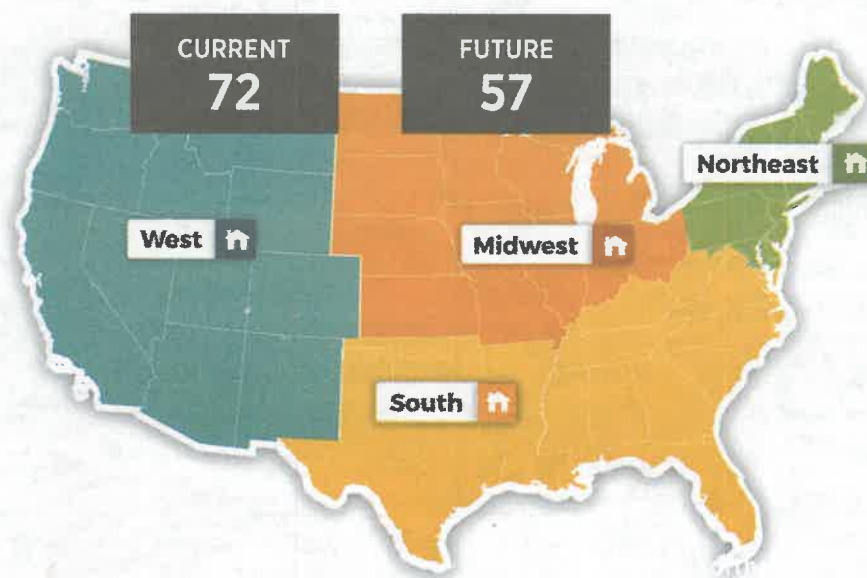
SOURCE: DEED



Employment Update

Minnesota's non-seasonally adjusted unemployment rate ticked up slightly to 2.7% in October, according to the Minnesota Department of Employment and Economic Development. This is compared to the September rate of 2.6%.

The national unemployment rate in July was unchanged month-over-month at 3.6%. Construction employment in Minnesota recorded a gain of 6,850 jobs since last year.



Regional Remodeling Market Indices, 2023 Q3

SOURCE: NAHB

The Overall Remodeling Market Index is calculated by averaging the Current Marketing Index and the Future Market Indicators Index. Any number over 50 indicates that more remodelers view remodeling market conditions as higher than the previous quarter. Results are seasonally adjusted.

National new home sales up compared to last fall

New home sales were slow nationwide in October but were up in comparison to October 2022. According to Zonda, new home sales were at 656,766 in October on a seasonally adjusted annualized rate, down 2.1% from September, but up 29.4% compared to this time last year.

“The story for the majority of October, was that 8% interest rates were dampening demand as the ‘higher for longer’ economic narrative took hold,” said Ali Wolf, chief economist for Zonda. “Starting in November, however, a series of slower and/or improving economic data points including the jobs report, stats on manufacturing and inflation have shifted the narrative again, allowing for a modest reprieve in mortgage rates.”

The National Zonda Market Ranking (ZMR) index came in at 112.6 in October, indicating a slightly overperforming new home market. The ZMR accounts for both sales pace and volume, is seasonally adjusted, and is taken as a percentage relative to a baseline market average. Based on the percentage above or below the baseline, markets are bucketed into performance groups ranging from significantly underperforming to significantly overperforming relative to historical activity.

Among Zonda’s top 50 metro markets,



New home markets categorized by performance. | Source: Zonda

54% were overperforming, 30% were average and 16% were underperforming. Last month, 68% were overperforming, 24% were average and 8% were underperforming.

When it comes to Zonda’s New Home Pending Sales Index (PSI) on a month-over-month basis, seasonally adjusted new home sales decreased 1.6%.

The markets that posted the best increase on the PSI index relative to last year were Phoenix (+168.5%), Sacramento (+139.1%) and Las Vegas (+115.5%). These markets slowed dramatically last year but have since stabilized, according to Zonda. The base effect of last year’s low levels is contributing to the large year-over-year percentages.

While Zonda notes that no markets were down year-over-year, the metros that performed the worst were Baltimore (+3.3%), New York (+6.4%) and Washington, DC (+10.6%).

On a monthly basis for October, Denver (+12.7%), Minneapolis (12.7%) and Phoenix (7.3) were the best-performing metros.



Minnesota’s housing deficit grows to 106,000 units

State’s housing shortage increased 11.5%

Minnesota’s housing deficit grew 11.5% in 2023 to 106,000 units, according to the 2023 Housing Underproduction™ in the U.S. report published in October. The report was published by Up for Growth, a Washington DC-based housing advocacy group. Minnesota’s housing deficit represents more than three years of construction in the state.

Nationally, the U.S. grew 3% year-over-year, to 3.9 million housing units short. The report noted that for the first time in a decade, the housing deficit decreased across the top 25 markets, showing modest declines.

“On its surface, this seems like positive news for owners and renters,” the report noted. “Instead, it tells the story of a deepening crisis resulting from a century of exclusionary housing policy and set off nearly a decade ago by major demographic shifts, a historic economic recession, and chronic housing underproduction.”

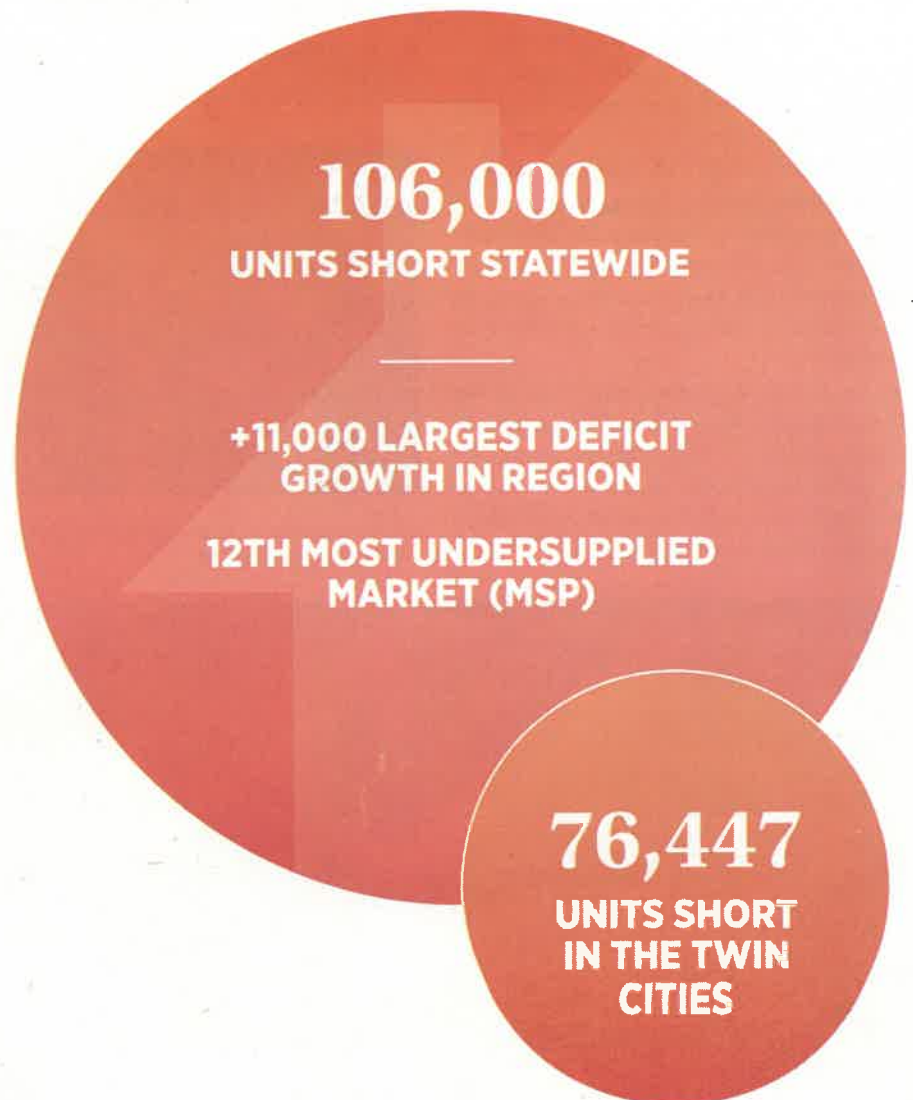
Regionally, the growth in Minnesota’s housing deficit, 11,000 units, exceeded the total deficit growth of any neighboring state. Regionally, North Dakota and Iowa both increased by 1,000 units, North Dakota from no deficit to a 1,000-unit deficit, and Iowa to 9,000 units. South Dakota increased by 3,000 units to 5,000 units. Wisconsin increased by 4,000 units to 57,000 units. Illinois saw a decrease, from 120,000 units to 113,000 units.

The Twin Cities is the 12th most undersupplied market, according to the report, at 76,447 units short, representing more than three years of production in the region.

“Minnesota’s housing deficit continues to grow as supply-side solutions have not been implemented,” said Nick Erickson, executive director of Housing Affordability Institute, a Roseville-based housing policy think tank. “The state wanted to end its housing deficit this year, yet now the deficit stands at more than double what it was five years ago.”

Erickson was referring to the 2018 Minnesota Housing Taskforce report which called for a dramatic surge in housing production, an additional 50,000 units above the production level over a five-year period, to erase the state’s housing deficit.

“Without legalizing more housing options, our deficit will only grow,” Erickson noted.





Jason DeRusha of WCCO Radio emceeds the Building Industry Gala at Mystic Lake Center. | Nordy Photography

Top housing industry honors awarded at annual gala

Housing First Minnesota honored hundreds of housing industry members at its annual Building Industry Gala (BIG Night) on Oct. 27 at Mystic Lake Center. Nearly 750 builders, remodelers, and trade partners attended the annual awards gala to celebrate the successes of the industry over the past year.

The program, emceed by WCCO Radio's Jason DeRusha, included the presentation of the top honors given to members of the industry including the coveted Builder of the Year, Remodeler of the Year and Associate of the Year awards, along with many others. John Kraemer & Sons, Inc. was named the Builder of the Year; Crystal Kitchen & Bath was named Remodeler of the Year; and Marvin was named Associate of the Year.

Housing First Minnesota's annual recognition of industry members is based on several criteria including recognizing firms that exemplify the highest standards of business as judged by their peers and customers.

This year's gathering also included a special celebration of the 75th anniversary of the Parade of Homes in the Twin Cities.

"This year's BIG Night highlights the amazing work our industry is doing throughout the state," said James Vagle, CEO of Housing First Minnesota. "We take pride in our industry's past and present accomplishments. It is now more critical than ever that we continue to build up communities throughout our state."

Other awards presented at the event included the Robert L. Hanson Lifetime Achievement Award, which was presented to Bob Michels of Michels Homes and the Legislator of the Year Awards which were presented to Sen. Eric Lucero (R-St. Michael) and Rep. Shane Mekeland (R-Clear Lake).

Throughout the evening, 22 Reggie Awards and 18 Remodeler of Merit Awards were given to builder and remodeler companies, and several other member-specific awards were presented. The full list of award winners is available online at BIGnightMN.org.



Rep. Shane Mekeland and Sen. Eric Lucero took home Legislator of the Year Awards for championing housing issues and industry legislative priorities. | Nordy Photography



John Kraemer & Sons, Inc. accepts the 2023 Builder of the Year Award. | Nordy Photography



Parade of Homes memorabilia from the past 75 years was on display. | Nordy Photography

Fall Artisan Home Tour features 20 homes across the metro

This fall, there were even more homes to tour across the Twin Cities as the Parade of Homes launched a second Artisan Home Tour in October.

The high-end home event featured 14 new homes and six remodels scattered across the Twin Cities. These multi-million-dollar homes from the region's most exclusive homebuilders and remodelers also featured popular designs, materials and styling. The latest home technology was also displayed on this tour, with many homes highlighting new technology designed to make life at home more comfortable.

The Fall Artisan Home Tour recorded nearly 25,000 visits to homes throughout the three-weekend-long tour.

Partial proceeds from the tour help to support the work of the Housing First Minnesota Foundation, an organization composed of Housing First Minnesota members and supporters who contribute their time, materials and expertise to help the Foundation build and remodel safe housing for Minnesota's homeless, veterans and others in need.



The Parade of Homes launched a second Artisan Home Tour this fall, which brought thousands of visitors through 20 exceptional new and remodeled homes.

Builders explore sustainable solutions at Green Path Building Conference

Minnesota's Green Path hosted 80 industry members at its annual Green Path Building Conference on Nov. 9 in Roseville. Residential contractors, remodelers and building officials attended the half-day event dedicated to advancing sustainable practices within the construction and remodeling industry.

Attendees earned continuing education credit and learned about utility rebates for Xcel Energy and CenterPoint Energy, resilient green wall systems, and simple and sustainable solutions to help create a better home. A team of green building experts shared their advice and attendees got to take a look behind a Green Path Master Certified home with a HERS rating of -6.

"The Green Path Building Conference is a testament to our industry's commitment to sustainable and responsible building practices," said Tom Gavarras, vice president of events and workforce initiatives at Housing First Minnesota. "This annual event has provided a platform for sharing knowledge and empowering our members to embrace green building solutions that benefit both our communities and the environment."



Industry members came together at Minnesota's Green Path Building Conference to grow their knowledge on sustainable and green building principles.



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The Housing First Minnesota Foundation partnered with Nor-Son Custom Builders to remodel the final four units of a Minneapolis apartment building for Avivo to house women going through addiction recovery. | Nordy Photography

Nonprofit completes apartment complex remodel for women in addiction recovery

The Housing First Minnesota Foundation recently celebrated the completion of its most recent remodeling project with Avivo, a nonprofit organization serving women who are undertaking the challenging task of addiction recovery. The final four units of an apartment complex were renovated with build partner Nor-Son Custom Builders, marking the end of a multi-year project to renovate all the units in the apartment complex.

"This marks 20 apartment units that Housing First Foundation has completed for Avivo," said Jessica Ryan, executive director of the Housing First Minnesota Foundation. "We are so honored to be able to support these women at this critical time in their lives."

The Foundation is unique in that it taps the talents and resources of the members of the homebuilding industry to do these projects for a fraction of the typical cost. Six build partners have fully renovated this complex over the last five years including Mega Remodel, Cardinal Remodeling, Plekkenpol Builders, The Kingdom Builders, John Kraemer & Sons and Nor-Son Custom Builders.

"We work every day on projects—new builds, remodels, people's homes—and they pale in comparison to the impact that the work we did here will have on the lives of these women," said Matt Holmstrom, senior vice president of Nor-Son Custom Builders. "We feel privileged to be a part of this project and to be able to support Avivo in the incredible work they do on a daily basis."

These finished apartment units will help Avivo house families for years to come as different women live alongside their children on their road to recovery. With the completion of these apartment units, the Housing First Minnesota Foundation has now created over 50 beds for families in Avivo's recovery program.

"The quality of this renovation elevates our apartment homes to an entirely different level," said Kelly Matter, CEO and president of Avivo. "These homes will help increase the wellness of the families we serve as we provide housing that's critical for mothers and children to recover together. We are so grateful for the support, partnership and life-changing impact on families."

Community generosity propels Housing First Minnesota Foundation forward on Give to the Max Day

On Give to the Max Day on Nov. 16, the Housing First Minnesota Foundation saw a significant surge in support, as it raised an impressive \$15,830 in donations. The outpouring of generosity reflects the industry's shared commitment to create safe housing for those in need.

"Our community's response has been nothing short of inspiring," said Jessica Ryan, executive director of the Housing First Minnesota Foundation. "The funds raised on Give to the Max Day represent not just a financial milestone but a collective commitment toward reducing homelessness in Minnesota. This support enables us to create more housing that will impact Minnesotans for years to come."

In 2023, donations helped fund nearly 18,000 square feet of new and renovated housing for Minnesotans experiencing homelessness through the Foundation's build projects. Four new Housing for Heroes projects are already in process in partnership with the Minnesota Assistance Council for Veterans and build partner Lennar. All four Housing for Heroes projects will act as a supportive housing to serve veterans experiencing homelessness.



For more information about the Housing First Minnesota Foundation and its initiatives, or to contribute to their cause, visit HousingFirstMNFoundation.org. | Nordy Photography

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Smash Park entertainment bar opens in Roseville

Smash Park, a new self-proclaimed “eatertainment” venue, opened in November and sprawls nearly 50,000 square feet of both indoor and outdoor space in Roseville. Capitalizing on the pickleball craze, this location marks the Iowa-based company’s fourth Midwest location, and it’s first in Minnesota. The venue includes a restaurant, bar, arcade, axe throwing, karaoke, and more. The company plans to open a second location in Minneapolis in 2025.



SOURCE: FINANCE & COMMERCE

St. Cloud approves 162-unit apartment project

The St. Cloud City Council unanimously approved plans for the 162-unit market-rate apartment project. Demand for housing in St. Cloud remains strong, and the city needs housing options of all kinds to meet the moment. Local developer Dave Puchalla said the first phase, which includes 110 units, is open and full, and the remaining phases are filling up as well.

“St. Cloud needs housing. This is a drop of what we really need to keep the young people here,” Puchalla said at the city council meeting.

The approval comes at a time where not many large apartment construction projects are being taken on by developers. According to the Keystone Report, through October, planned units in the 13-county metro area with 60 or more units are down 63% from 2022.

Lake Street Kmart demolition paves the way for a new Nicollet

The Lake Street Kmart has been abandoned since the store closed in 2020 and has been the source of controversy ever since. Some in Minneapolis see the site as an eyesore that has become a hub for nefarious activities, while others remember the shopping center fondly and hoped it could return someday. Regardless, the space was due for a fresh start. Following an unexpected fire at the end of October, the city decided to fast-track its plans to demolish the superstore and tore down the building in November. Minneapolis city officials have been reaching out to residents requesting them to weigh in on the planning process which, according to a press release, will include “a high-density, mixed-use, walkable area.” The plan also includes reconnecting Nicollet Avenue between Lake Street and Midtown Greenway in south Minneapolis. Although the redevelopment plan isn’t yet clear, a preliminary design concept will go before the Minneapolis City Council and mayor for approval in early 2024.



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