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I track my numbers every month, year to year, and 2019 was an OK year. But in 2020, we hit our numbers for all of 2019 in May, and this year, we hit that in March. So even though we're low on inventory, the market is strong and people are buying.



TRENDWATCH

The Building Boom

In March and April of 2020, builders like John Kraemer got worried. “The markets were crashing, and everyone thought, ‘Wow, this is not good,’” he says. Even though projects underway ultimately kept going (Governor Tim Walz deemed the building and remodeling industry essential fairly early on), the future was anything but certain for Kraemer, VP and director of sales and marketing at John Kraemer and Sons. “We thought, ‘Well, maybe the housing market is going to cool off here a little bit.’ But it was actually the complete opposite. It accelerated.”

Did it ever. New housing has since hit levels not seen since 2006, with permits for single-family homes in the January–March period this year up 50 percent over the same period in 2020, according to Housing First Minnesota (formerly the Builders Association of the Twin Cities).

Low interest rates factor into the rise, as does a housing shortage. But the real game changer, builders say, is the way people are looking at their homes in the wake of COVID, including the likelihood of being able to work remotely well after the pandemic. “When you’re in your

house 24/7, you really discover its worth,” says Mike Karlsrud, president of custom builder and remodeler MA Peterson Design Build. “What we like, what we don’t like, how we want to live—all of that kind of came to a head, and it didn’t do it for any reason other than the fact that we slowed down long enough to be able to sit in our four walls.”

He and other builders have nonetheless encountered hurdles, including a tight construction labor market that has customers waiting eight months to a year or more for projects to start and lumber prices up 170 percent in the last 10 months. But they’re not daunted, and neither are their clients. “The majority of our clients are still moving forward with their projects and just saying, ‘Well, shucks, we’re going to be paying a premium for our lumber, but we still want to build our house,’” Kraemer says.

Or, says Karlsrud, remodel. “It’s cheaper to remodel a current home than it is to try to step up into a home where input costs are up so high,” he says. “Remodeling is probably the hottest ticket in town, and I predict it’s going to be for the next three to four years.” Part of his bullishness comes from his projects at MA Peterson, where remodeling accounts for about 70 percent of all business.

Remodel or build, despite the challenges, demand remains. “People are realizing that, ‘Hey, we don’t know what tomorrow holds, and we’ve wanted to do this,’” says Nate

Wissink, president of Streeter Custom Builder. “But if we wait around, it’s just going to take longer and longer.”

And the “location, location, location” adage applies more than ever. Edina and the Lake Minnetonka area top many builders’ and buyers’ lists. “It’s almost insatiable in all of these little pocket neighborhoods around Lake Minnetonka, like Cottagewood in Deephaven—anything that is connected to a ‘node’ and potentially an amenity,” Wissink says. “And by ‘node,’ I mean you’re 10 minutes to downtown Wayzata or in Cottagewood, where there’s a store, a park, and the lake.”

East of the Mississippi River is emerging as a bigger player for building activity, too. “We’re starting to see things in Woodbury, White Bear Lake, and Dellwood, and in the St. Croix River Valley, like Stillwater and Hudson,” Karlsrud says. “The up-and-coming wealth is spreading a little bit east.” The data has it heading south of the Minnesota River, as well. For months, Lakeville has landed the top spot in permits issued for the metro area, according to Housing First Minnesota.

Minneapolis, particularly around the lakes and in neighborhoods like Linden Hills, remains in play, even with the city’s public safety challenges in the wake of the death of George Floyd. “In our city, things can be broken for a time, but it will come back,” Wissink says. “I have hope that our city will be strong again.”—Shawn Gilliam