Minnesota's Homeownership Challenge:
Undersupply, High Prices, and Competitive Disadvantage

HOUSING AFFORDABILITY INSTITUTE

EXECUTIVE SUMMARY

Over the past several years, Minnesota has experienced a notable decline in its homeownership rate, a trend driven by a complex interplay of limited housing supply, high housing prices, and rising rental costs. While the state has historically enjoyed relatively high home ownership rates, the structural conditions in the housing market are now eroding affordability and blocking pathways to ownership for many Minnesotans:

At the root of the problem is a severe shortage in new home construction driven by its region-leading high cost of construction. Minnesota's median new-home price now surpasses that of neighboring states. The state has not been building enough new homes, including single-family detached houses, to meet demand. This supply gap has far-reaching consequences.

The supply-demand imbalance cascades into the existing home market. In theory, buyers priced out of new construction could seek relief in older housing stock. But when too few new homes are built, demand spills over into the resale market, driving up prices there as well. As a result, Minnesota now faces higher prices for both new and existing homes than any state in the region, effectively removing any "affordable alternative" for would-be buyers.

Minnesota's housing scarcity squeezes the rental market and undermines future homeownership opportunities by making it harder for renters to accumulate the savings they need to move from renting to homeownership. When fewer homes are built, rental vacancy rates drop, pushing rents higher. High rents make it harder for households to save for a down payment, slowing the transition from renting to owning.

Affordability data highlights the severity of the situation. In Minnesota, the income required to qualify for a median-priced new home is roughly 166% of the median household income, and a median-priced existing home requires about 116% of median income. Even households earning at or slightly above the state median face substantial barriers to entry.

The impact on the population is stark. 56% of Minnesota households cannot afford the median-priced existing home, and 75% cannot afford the median-priced new home. The data also point to a housing market that is increasingly exclusionary, where fewer residents have a realistic path to ownership.

The long-term consequences of sustained housing unaffordability threaten the state's long-term economic competitiveness. If high prices and low supply persist, Minnesota risks demographic shifts that could weaken its economic base.

BY THE NUMBERS

71% (▼ 300 bps)
Homeownership Rate (MN, 2024)

$526,644
Median Minnesota New Single-Family Detached Home (2024)

$342,625
Median Minnesota Existing Single-Family Detached Home (2024)

98,000
Minnesota's Statewide Housing Shortage

▼ 35%
Minnesota Housing Permits (2021-24)

▼ 43%
Minneapolis-St. Paul-Bloomington Housing Permits (2021-24)

$9 Billion
Housing Shortage's Loss of Statewide Economic Activity

62,932
Minnesota Jobs Not Created Due to Housing Shortage

Without policy intervention, the housing shortage is unlikely to resolve on its own.