



David Howard  
Chief Executive Officer  
National Rental Home Council

Testimony in Opposition to HF 685

Minnesota House of Representatives  
Housing Finance and Policy Committee

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Thank you for the opportunity to submit testimony pertaining to HF 685. My name is David Howard, Chief Executive Officer of the National Rental Home Council (NRHC), the Washington, DC-based nonprofit trade association representing the single-family rental home industry. NRHC's members include owners, operators, developers, builders, manufacturers, vendors, and business partners from across the spectrum of the single-family rental home market.

Single-family rental homes account for approximately nine percent of Minnesota's single-family housing market, providing access to quality, affordably priced housing for nearly 165,000 households across the state in neighborhoods with proximity to quality schools, employment centers, and transportation corridors. Members of NRHC have demonstrated a steadfast commitment to residents and communities by providing housing that reflects the diverse needs and circumstances of all Minnesotans, both homeowners and renters.

I am concerned about HF 685 for the simple reason the legislation is harmful to the housing market of the state of Minnesota. At a time when housing throughout America is challenged by an unprecedented shortage of homes brought on by decades of underbuilding, any legislation or regulation, like HF 685, discouraging and restraining new housing development and investment only serves to make housing more scarce and unattainable. The enactment of HF 685 will create a housing market that is less efficient, less competitive, and ultimately less able to meet the diverse needs of homeowners and renters, both current and future, throughout the state of Minnesota.



Specifically, NRHC is opposed to HF 685 for the following reasons:

**HF 685 harms renter households by exacerbating the current housing supply crisis and reducing the availability of rental housing, leaving families with fewer options to meet their housing needs.** By preventing rental housing providers from bringing much needed capital and investment into local housing markets, HF 685 will provide renters with less access to quality, well-located, affordably-priced single-family rental housing. According to the NRHC report, *Housing Undersupply and the Impact on Single-Family Rentals*,<sup>1</sup> the share of the single-family housing market in the state of Minnesota accounted for by single-family rental homes *declined* by 1.5% in the decade between 2011 and 2021. HF 685 is designed to remove even more units of single-family rental housing when perhaps at no time in recent memory has there been a greater need for more housing, both owner-occupied and rental, in Minnesota and across the U.S. Consider:

- The deficit between housing construction and household formation grew to 7.2 million homes in the 10-year period ending in 2023<sup>2</sup>;
- Over the past five years, the amount of rental housing in the U.S. as a share of the overall housing market has fallen from 31.4% to 30.3%<sup>3</sup>;
- There is less single-family rental housing in the U.S. today than there was in 2014<sup>4</sup>.

The most visible consequence of this supply shortage is rising prices for all types of housing, including owner-occupied housing and both multifamily rentals and single-family rentals. The Case Shiller index set an all-time record in 2023 for annual home price appreciation<sup>5</sup>. Recent research shows it now costs \$1,000 more per month to own than rent a single-family home, the greatest differential in at least the last 20 years<sup>6</sup>. Rising interest rates have also increased the upward pressure on housing prices. The Federal Reserve's recent interest rate hikes increased the monthly payment on a \$300,000 mortgage to \$1,800, from \$1,265<sup>7</sup>.

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<sup>1</sup> <https://www.rentalhomecouncil.org/wp-content/uploads/2023/02/Housing-Undersupply-and-SFRs-Report-2.22.23.pdf>

<sup>2</sup> *Housing Supply: A Growing Deficit*, Freddie Mac, May 7, 2021

<sup>3</sup> US Census Bureau Quarterly Estimates of the Housing Inventory

<sup>4</sup> Annual Social and Economic Supplement of the Current Population Survey

<sup>5</sup> S&P/Case-Shiller US National Home Price Index

<sup>6</sup> John Burns Real Estate Consulting, see: As Mortgage Rates Rise, More People Choose to Rent Single-Family Homes, *Wall Street Journal*, November 27, 2022

<sup>7</sup> How the Fed's Rate Hike Will Affect the Housing Market, *HousingWire*, June 16, 2022



**HF 685 unnecessarily restricts the pace of much-needed new investment in housing.**

Like most states across the country, Minnesota needs more housing. In the years between 2010 and 2020, the population of Minnesota increased by nearly 350,000 residents. However, the number of homes increased by less than 155,000 units. Additionally, during that same 10-year period, Minnesota issued 108,000 residential building permits, less than half the number issued in the two prior decades, and the fewest issued since before 1960. This has had a dramatic effect on new home building in the state of Minnesota, where more than 50% of the housing was built before 1980<sup>8</sup>.

HF 685 does nothing to address the housing supply crisis in the state of Minnesota, and worse, serves as a disincentive for new housing development and investment. By preventing experienced rental housing providers from participating in the owning and building of single-family rental homes, HF 685 will constrain the flow of capital and investment into local housing markets, exacerbating existing state-wide housing supply challenges, causing additional hardship for homeowners and renters.

**HF 685 discourages new homebuilding.** Building new homes and communities for rent has become an important part of today’s housing ecosystem. Housing affordability and the lack of new supply have led to robust demand for new homes built expressly for the purpose of renting. As part of the homebuilding process, builders often enter contractual agreements with single-family rental home providers to purchase homes upon completion, enabling builders to proceed with new developments with the certainty that projects will be feasible.

HF 685 will reduce significantly the building of new homes for rent in the state of Minnesota, limiting the availability of single-family rental housing when perhaps at no time in recent memory has there been a greater need for more housing. Further, any reduction in homebuilding activity will likely have an impact on construction employment in the state of Minnesota, as each newly-built home adds an average of nearly three new jobs per home and uses 24 different subcontractors<sup>9</sup>.

**HF 685 is built on a faulty and out-of-context narrative pertaining to the role and impact of single-family rental home providers in the state of Minnesota.** HF 685 intentionally targets owners, providers, and builders of single-family rental homes merely because they are deemed to be “corporate” in nature, and therefore somehow a threat to the well-being of the state’s housing market. This narrative is both incomplete and largely

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<sup>8</sup> All data in paragraph from <https://bipartisanpolicy.org/report/housing-supply-trends-50-states/>

<sup>9</sup> <https://www.nahb.org>



incorrect. In fact, there are nearly 2.3 million housing units<sup>10</sup> in Minnesota, about 250,000,<sup>11</sup> of which are single-family rental homes. Large member companies of NRHC, which include the nation’s leading providers of single-family rental homes, *own just 2,000 homes in the state, less than 0.1% of the state’s housing and only 0.8% of the state’s single-family rental homes.* HF 685 then would disproportionately hurt small, local companies, their employees, and business partners who make up the economic fabric of communities across the state of Minnesota.

Additionally, the claim that the activities of single-family rental home providers is having any impact on homeownership in Minnesota is dubious at best. According to the Federal Reserve Bank of St. Louis, the homeownership rate in Minnesota was higher in 2022 than it was five years and ten years prior. Regarding first-time homebuyers, in research released on April 5, 2023, housing data provider, CoreLogic, reported “First-time homebuyers (FTHBs) represent a growing share of the population,” and, “the FTHB share is likely to stay at its current level for the foreseeable future.”<sup>12</sup> Additionally, Freddie Mac, in an important recent study,<sup>13</sup> found homeownership has, in fact, been growing nationwide, with notable increases by first-time homebuyers, and that purchases by investors are of “secondary importance” to first-time homebuyers. And though more needs to be done to reduce the racial homeownership gap, the Urban Institute<sup>14</sup> has reported both black and latino rates of homeownership growth exceeded that of white homeownership growth between 2019 and 2021.

**HF 685 is a direct, and perhaps unconstitutional, infringement on the rights of current and future property owners in the state of Minnesota to determine the most optimal conditions under which real estate transactions may be conducted.** Housing markets are most efficient, and by consequence, most vibrant, when homebuyers and sellers are able to engage in an open and transparent process designed to benefit the circumstances of both. HF 685 places an arbitrary and punitive restriction on the number of potential bidders for homes in Minnesota, putting sellers at a disadvantage in attempting to market their property to the

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<sup>10</sup> <https://www.census.gov/quickfacts/fact/table/MN/PST045222>

<sup>11</sup> <https://staging-rentalhomecouncilorg.kinsta.cloud/wp-content/uploads/2019/01/single-family-rental-markets.pdf>

<sup>12</sup> <https://www.corelogic.com/intelligence/first-time-homebuyer-share-bounces-back-despite-affordability-challenges/>

<sup>13</sup> <https://www.freddiemac.com/research/insight/20220609-what-drove-home-price-growth-and-can-it-continue>

<sup>14</sup> <https://www.urban.org/urban-wire/new-data-show-black-and-latino-homeownership-rates-increased-during-pandemic>



widest range of potential buyers, while at the same time preventing a segment of buyers from fully participating in the fair and legitimate pursuit of housing.

Today in Minnesota providers of single-family rental homes are committing significant resources to local housing markets for one reason: demand. Minnesota needs more housing, both owner-occupied and rental. Rising interest rates over the past year have made it more difficult for families to purchase homes. Yet, many still seek the amenities and comforts of a single-family home lifestyle. Housing markets must be able to accommodate the needs and demands of all consumers, those pursuing homeownership and rentership.

Single-family rental home companies are investing in local staff, hiring local contractors and business partners, and bringing property management expertise to local markets all to ensure a positive experience for residents and families who choose a single-family rental home lifestyle. As evidence, NRHC member companies invested nearly \$2 billion in home renovations, upgrades, and other property-level operations in 2023, and many of NRHC's largest member companies maintain an A+ rating from the Better Business Bureau.

The Minnesota housing market should be one that reflects the diverse needs and circumstances of those who make a home, and wish to make a home, in this vibrant and dynamic state. As testament to the role of the single-family rental home market, a report by Harvard's Joint Center for Housing Studies and AARP in 2021 found, "the most livable neighborhoods offer the most diverse set of housing options, including multifamily and rental opportunities as well as single-family and owner-occupied homes."<sup>15</sup> HF 685 will serve only to limit the housing options available to Minnesota residents, potentially making neighborhoods and communities less livable.

Thank you again for the opportunity to submit this testimony.

Sincerely,

David Howard  
Chief Executive Officer

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<sup>15</sup> <https://www.jchs.harvard.edu/blog/housing-and-livable-neighborhoods>