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RENOVATE OR RELOCATE?

With housing market prices at all-time highs and inventory at all-time lows, many prospective buyers are floundering in their options: remodel their existing home, make a move, or build new? Though there are no clear answers, local realtors, builders, and remodelers offer advice to help homeowners navigate their concerns and uncertainty and move forward. / BY NATALIE LARSEN

This is what your lunch break could look like. // BY BLACK DOG HOMES

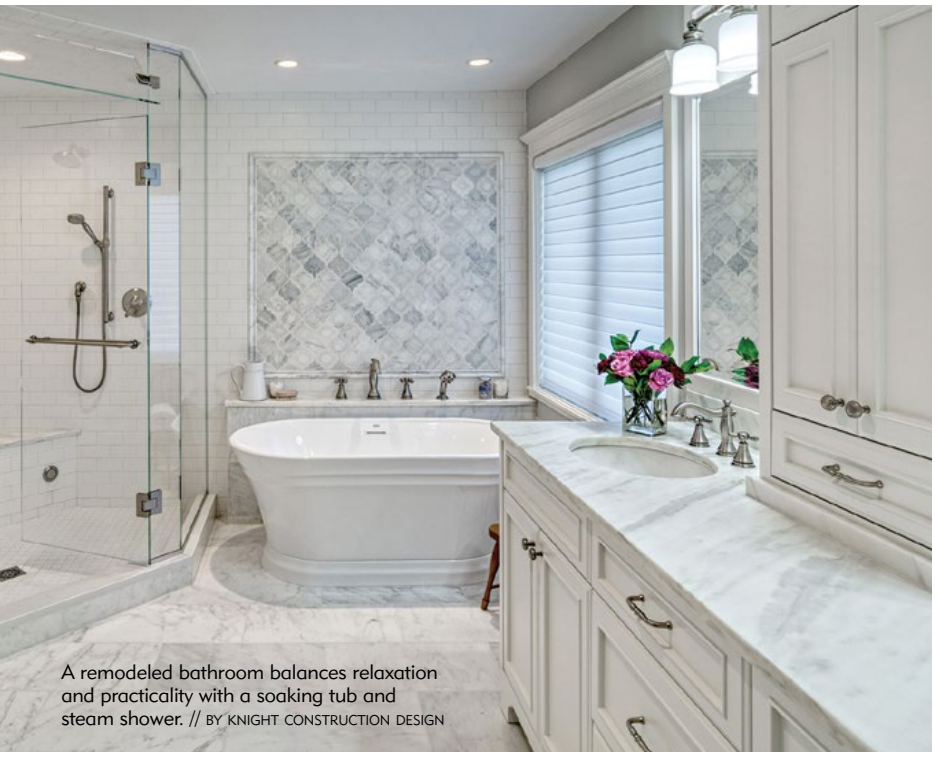
PHOTO COURTESY OF BLACK DOG HOMES

Lately, our feeds are filled with Polaroids of Sold signs. But we don't all have the blind faith of country songs and wooden plaques declaring, *Home is wherever I'm with you*, or, *Home is where my dog is*. Adulting, it turns out, isn't that simple.

"Our market's crazy," says Chris Ames, a local agent with Re/Max Results. "I've been doing this for 34 years, and I've never been in an environment like this before."

Many homeowners are left wondering if it's worth sticking a hand in the cookie jar of existing home stock or if they should create their own from scratch instead—or even attempt to reconfigure their existing homes to fit morphing needs and growing (or shrinking) families.

Plagued by unanswerable questions—*Will I return to the office next year? Will hybrid and distance learning be a factor? Will proximity to the city and social outings be a factor?*—homeowners almost universally find themselves at a crossroads. Local realtors, builders, and remodelers weigh the options: renovate or relocate?



A remodeled bathroom balances relaxation and practicality with a soaking tub and steam shower. // BY KNIGHT CONSTRUCTION DESIGN

RENOVATE?

You already know that inventory on existing homes is tight—and what is available is likely at the outer limits of your ideal budget. With material costs at record highs and interminable supply chain issues, "renovation of your current home has some real merit," says Mike Karlsrud, president of MA Peterson Designbuild. "In reality, you are going to pay a premium with any move you make."

The experts agree that the first question to answer in the renovate-versus-relocate battle is: Do you like where you live? "Is this your forever home? Do you want to raise your family in this home?" Karlsrud asks. "If the answer is yes to any of these questions, invest in your current home. Your home value will improve, you'll enjoy the improvements every day, and you'll live where you love—it doesn't get better than that."

Gary Knight, president of Knight Construction Design, has a similar question for homeowners making the pivotal decision: "Do you like your neighborhood? ... Because if you do, why move?" Dan Vanderheyden, owner of Black Dog Homes, agrees: "If people feel really connected to their neighborhoods, it's much harder for them to leave."

An obvious factor is the proximity of your current home to anchor points like schools, dining, shopping, and friends or family. But, Knight says, "you may not know what your neighborhood's going to be like in your new home. [There] might not be kids for your kids to play with." Moving can be especially hard for kids, depending on their age.

"Question number two is: What can I do to my home to make it better?" Knight asks. Weigh the costs of upgrading to a home that fits your needs against modifying your current home to fit your changing lifestyle. "It [could be] a pretty big jump in cost to get what you want. And a lot of times, even with that jump in cost, a new home still needs work," he says.

And they don't just say that because renovation is the path of least resistance. "It *is* more complicated than just building a new house," Vanderheyden says. "You're trying to hold on to certain elements of an existing home." It takes creativity to see solutions within the confines of an existing structure. Bottom line: A remodel can be worth it if you love your locale.

ADD-ON ANSWERS:

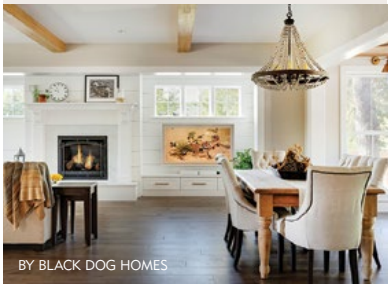
REMODELING RIGHT

In modifying your current home to fit the laundry list of needs, it can be difficult to prioritize wants and determine what projects you could live without.

- While resale value is important, it doesn't need to drive decisions. "Put in what makes you happy," Karlsrud says. "Create a home for you and worry less about if someone else will find value in it when you go to sell."

- The Knight team has yet to build an addition solely for an office. Instead, they focus on versatility—think multipurpose room that can evolve with you. "Maybe there's a Murphy bed with built-ins along one wall and there's a desk by the window on the other wall," Knight says, "and if [the homeowners] have company, they can flip that Murphy bed down."

- Think about value versus investment. "I'm afraid for a number of people that are doing big renovations in neighborhoods that don't have surrounding values to support that," Ames says. Upside-down properties, they're called, have taken more investment than what they can recoup, which can cause problems for resale down the line. You don't want to be the most expensive house on the block, Vanderheyden says. "Or if they are, we're really going to do some amazing things for them."



BY BLACK DOG HOMES

PHOTOS COURTESY OF KNIGHT CONSTRUCTION DESIGN (BATHROOM); COURTESY OF BLACK DOG HOMES (FIREPLACE)

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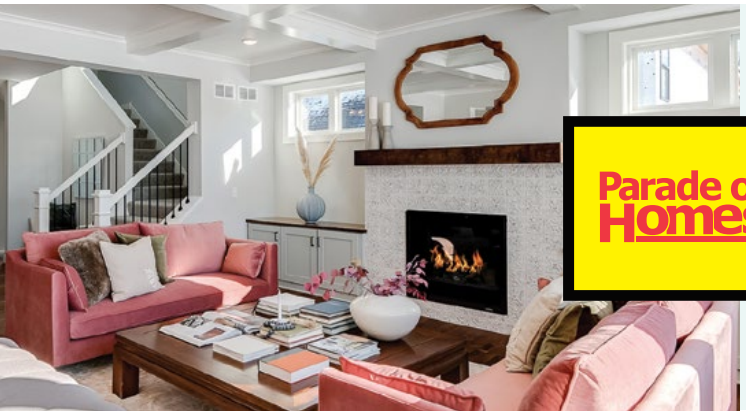

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RELOCATE?

If you don't dote on your neighborhood, doing the suburb shuffle could be the right move.

Housing stock—houses available for purchase—is at some of the lowest levels the Twin Cities market has seen, and there's no indication that trend is bottoming out. "You're just at the whim of the market," Ames says.

Any apartment dwellers know that rents are escalating dramatically too, which makes buying that much more enticing—even at the top of the market. "When I was graduating from college," Ames says, "a couple of my friends bought together, and I think that's a trend we're going to start seeing happening again." The cost in central neighborhoods can be prohibitive for individuals or couples. "If you want to be in one of these more popular, cool spots, and you want to buy," he continues,

Hey there, trendy green cabinets. Double islands frame an open concept with storage and prep space. // BY KNIGHT CONSTRUCTION DESIGN

PHOTO COURTESY OF KNIGHT CONSTRUCTION DESIGN

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"you're going to see a lot of roommate situations again, where you get two or three friends together and they buy a place."

As mid-priced existing homes and what we call starter homes (think St. Louis Park–style) fly off the market, young buyers are skipping steps. Ames says he's seen more 30- and 40-year-olds going big on their homes. "I think a lot of the younger, more affluent buyers are really stepping up and trying to purchase that home that they're going to stay in long-term," he says. "We're not seeing that progression anymore. It's like they're coming from their first condo or townhome to two million bucks."

> "IF YOU WANT TO BE IN ONE OF THESE MORE POPULAR, COOL SPOTS, ... YOU'RE GOING TO SEE A LOT OF ROOMMATE SITUATIONS AGAIN, WHERE YOU GET TWO OR THREE FRIENDS TOGETHER AND THEY BUY A PLACE."
>
> —CHRIS AMES, RE/MAX RESULTS

The benefit of the seller's market we're living in, says Holly Connaker, local realtor at Compass, is that sellers "can get top dollar for their current home." Conversely, you're buying at the top of the market as well. "And you might get into a home that, frankly, you'll want to remodel anyway," Karlsrud says. "With the elevated prices of homes today, it is becoming a toss-up on building new versus remodeling."

DUPLEXING DECISION

For years, lenders wouldn't allow potential rents to be used to qualify for a mortgage on a multi-unit property, Ames says. Several years ago, a change in loan regulations reversed that, meaning young aspiring homeowners can now qualify for duplexes or triplexes using potential rent, which can cover part—if not all—of their mortgage. This allows them, Ames says, to build equity and own in a hot location without toting the full weight of a house payment.

HOTTEST HOODS

For years, Twin Citians have sprawled out, inching farther from the dual downtowns to get bigger homes and lots at lower prices. But the tides are turning, and buyers on both sides of the river are looking to shed the suburbs for closer proximity.

"Neighborhoods within **Edina, Wayzata, Excelsior, Minnetonka, and Plymouth** are particularly hot right now. They are located near excellent schools, making them a major draw for families. Additionally, they are close to shopping, dining, trail systems, and parks. These cities are well run, safe, and in the top school districts in Minnesota, which makes them a good long-term investment."

—HOLLY CONNAKER, COMPASS

"**Mendota Heights** is so close to everything—the airport and both downtowns—that it's becoming kind of a favorite spot for a lot of people from south Minneapolis and Highland, Mac-Grove, and Crocus areas."

—CHRIS AMES, RE/MAX RESULTS

"**Minneapolis** is the shining star to me. With such a variety of neighborhoods, each with its own personality, [Minneapolis] offers a wide selection of lifestyle and home style, plus a sense of community. It's the center of it all—lakes, parks, the arts, and fine or fun dining."

—BARBARA BRIN, COLDWELL BANKER BURNET

"That whole **Cherokee Park** neighborhood going east all the way down to Cesar Chavez is going crazy. We're selling two-bedroom, one-bath houses over there for almost $300,000—five years ago, you could have paid $125,000 and taken your pick."

—CHRIS AMES, RE/MAX RESULTS

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BUILD NEW?

With a highly competitive (and expensive!) market, building new—on a teardown lot (called infill) or on an undeveloped piece of land—is becoming an increasingly appealing option. "Then you're able to do exactly what you want versus trying to make something fit that's existing," Ames says.

New construction ranges from a custom-designed home to a choice of set options within a community. "If [buyers] are going to pay a premium, they should get exactly what they want and be able to stay in that home for a longer period of time," Connaker says. At the same time, the endless options require discernment. "You don't want to be so unique that it can't be sold," Vanderheyden says.

We love a good open-concept floorplan, but with kids' e-learning days and both parents posted up in the living room, we're pining for secluded spaces. "Pre-pandemic, we often heard the concept of working remotely, which had a temporary or 'mobile' feel to it," Karlsrud says. Today, we know "they need all the support, security, connectivity, and space like they would need in an office environment." And with WFH here to stay in some capacity, the kitchen counter will no longer suffice. "In a lot of the new construction, we're doing two offices, believe it or not," says Ames, who also works with new-build communities.

Rising prices of both existing homes and the materials needed for renovation and new builds are evening the paths to your dream home. "If you are building a home, you may not be competing with another party, and therefore wouldn't necessarily be paying over the list price," Connaker says. "There really is no right or wrong answer." ■

All-black equals elevated glam for this remodel in Deephaven. // BY KNIGHT CONSTRUCTION DESIGN

PHOTO COURTESY OF KNIGHT CONSTRUCTION DESIGN