

Housing Market Profile

Midwest • HUD Region V



Indianapolis-Carmel, Indiana

The Indianapolis-Carmel metropolitan area, composed of 10 counties in central Indiana, accounts for about 30 percent of the state population and is a major center for trade and healthcare. Indianapolis, the state capital and largest city in the state, is located 125 miles southeast of Chicago. The three leading private sector employers in the area are Eli Lilly and Company, with 12,000 employees; Rolls-Royce, a manufacturer of gas turbine engines, with 4,300 employees; and FedEx, with 4,000 employees.

As of April 1, 2011, the population of the metropolitan area was estimated at 1.8 million, an increase of 20,000, or 1.1 percent, since the April 1, 2010 Census, and similar to the rate since July 2007. Marion County, which includes Indianapolis, accounted for one-half of the total population of the metropolitan area in 2010; however, that proportion has been declining. Approximately 80 percent of the population growth since 2000 has occurred in Boone, Hamilton, Hancock, Hendricks, and Shelby Counties.

Nonfarm employment losses in the Indianapolis-Carmel metropolitan area, which began in 2009, appear to have subsided. During the 12 months ending January 2011, nonfarm payrolls remained relatively unchanged at an average of 870,300 jobs, following a loss of 24,700 jobs, or 4.5 percent, during the previous 12 months. During the 12 months ending January 2011, gains were led by the education and health services sector, which added 3,700 jobs, or 3.0 percent, and the professional and business services sector, which added 2,400 jobs, or 2.0 percent. All other sectors declined, led by the loss of 2,100 jobs, or 5.1 percent, in the construction sector and 1,500 jobs, or 1.8 percent, in the manufacturing sector. Despite recent declines in the construction sector, job losses are expected to stabilize as a result of several expansions throughout the area. Two projects estimated to cost a total of \$824 million are to be completed in late 2013 in downtown Indianapolis. Marion County has begun construction on replacing Wishard Hospital at an estimated cost of \$754 million. Indiana University-Purdue University Indianapolis will construct a new ophthalmology clinic and neuroscience laboratory that will cost an estimated \$70 million. Approximately 4,700 construction jobs will be created with these two projects. The average unemployment rate increased to

8.9 percent during the 12 months ending January 2011 compared with 8.5 percent during the previous 12 months.

The Indianapolis-Carmel metropolitan area home sales market is soft due to the weak economy and decreases in home sales, which have resulted in an increased inventory of unsold homes. According to the Metropolitan Indianapolis Board of REALTORS®, 18,800 single-family homes were sold during the 12 months ending March 2011, down 14 percent from the previous 12 months and a decrease of 26 percent compared with the average of 25,500 single-family homes sold annually from 2006 through 2009. During the 12 months ending March 2011, the average sales price of a single-family home increased 7 percent to \$155,500. During the same period, the number of condominiums and townhomes sold was down 9 percent to 1,475 but the average sales price increased by 2 percent to \$136,500. The 17,700 total homes (single-family, condominiums, and townhomes) listed for sale as of April 1, 2011, represents approximately a 10-month supply of unsold homes compared with an 8-month inventory of unsold homes as April 1, 2010. According to LPS Applied Analytics, 7 percent of total loans in the metropolitan area were 90 days or more delinquent, in foreclosure, or REO (Real Estate Owned) in March 2010, unchanged compared with March 2009.

Single-family homebuilding activity, as measured by the number of building permits issued, remains well below the 2000-through-2005 peak period, when an average of 13,000 homes were permitted annually. According to preliminary data, building permits were issued for 2,900 new single-family homes during the 12-month period ending February 2011, down by 300 homes, or nearly 9 percent, from the previous 12 months. Approximately 80 percent of the permitting activity in the past 12 months occurred in the five counties previously identified as gaining the most population since 2000.

The apartment market in the metropolitan area remained soft but improved during 2010. According to Reis, Inc., the Indianapolis-Carmel apartment market vacancy rate decreased more than 2 percentage points, from 10.1 percent in the fourth quarter of 2009 to 8 percent in the fourth quarter of 2010. During the fourth quarter of 2010, vacancy rates in 10 submarkets ranged from a low of 4.5 percent in downtown Indianapolis to a high of 11 percent in the west and far northeast submarkets of Indianapolis. Effective rents increased 2 percent during the fourth quarter of 2010 to an average of \$640



a month, ranging from \$440 for an efficiency unit to \$590 for a one-bedroom unit, \$730 for a two-bedroom, and \$890 for a three-bedroom unit.

The soft rental market conditions in the metropolitan area led to a decrease in multifamily construction activity, as measured by the number of units permitted. According to preliminary data, approximately 1,325 multifamily units were permitted during the 12-month period ending February 2011, a 14-percent decline, compared with the number of units permitted during the previous 12 months. In comparison, an average

of 4,620 multifamily units were permitted annually between 2003 and 2008. The District at Saxony, a new 269-unit apartment development located in the town of Fishers in fast-growing Hamilton County, is expected to complete construction by May 2011. The District is currently offering one- to three-bedroom apartments with rents between \$740 and \$1,600 a month. Anson II, a new 213-unit apartment, located in suburban Boone County, is currently under construction, with an anticipated completion date of April 2012, and is expected to have average monthly rents of \$950 for one-bedroom units and \$1,300 for two-bedroom units.