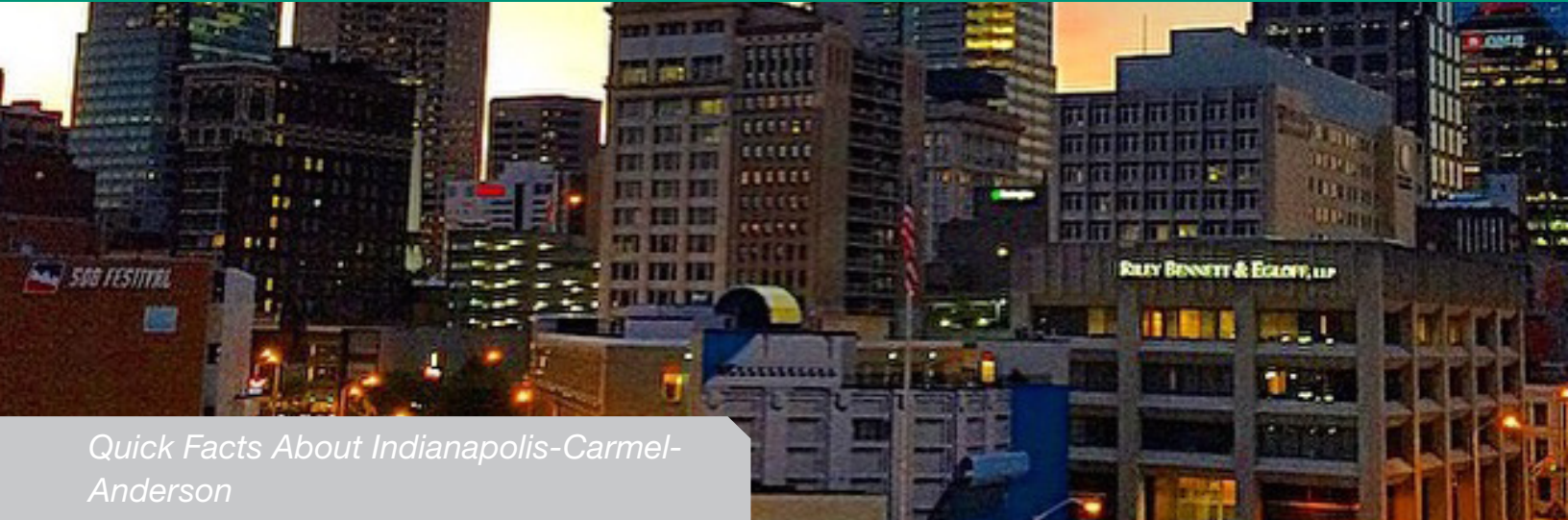


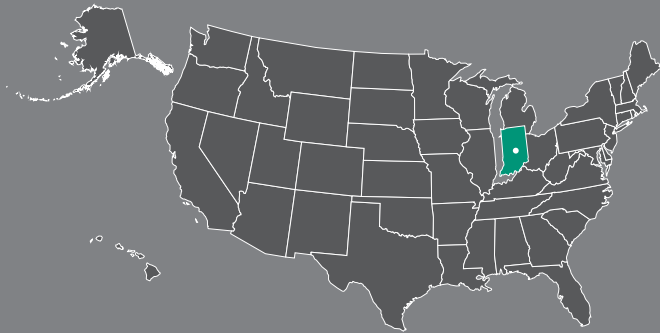
HUD PD&R Housing Market Profiles

Indianapolis-Carmel-Anderson, Indiana



Quick Facts About Indianapolis-Carmel-Anderson

- **Current sales market conditions: soft.**
- **Current rental market conditions: soft.**
- **Outdoor recreational activities and sporting events are major contributors to the metropolitan area economy and supported reinvestment in the city of Indianapolis. The Indianapolis Cultural Trail, an 8-mile bike and pedestrian path completed in 2012, connects seven cultural districts in downtown Indianapolis. Property values within one block of the trail increased 148 percent from 2008 to 2014, and spending by people using the trail is estimated at \$3.6 million to \$6.0 million annually (Indiana University).**



By Marissa Dolin | As of January 1, 2016

Overview

The Indianapolis-Carmel-Anderson (hereafter, Indianapolis) metropolitan area consists of 11 counties (Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Morgan, Putnam, and Shelby) in Indiana. The metropolitan area is a center for biotechnology and health research, advanced manufacturing, digital technology, and motorsports. The city of Indianapolis is home to the headquarters of Eli Lilly and Company, a Fortune 500 pharmaceuticals manufacturer. The metropolitan area is well known for hosting the Indianapolis 500, and the motorsports industry has a sizeable presence in the metropolitan area, with more than 500 companies and 10,000 employees.

- As of January 1, 2016, the estimated population of the Indianapolis metropolitan area is 2.0 million. Slowly improving economic conditions have contributed to average net in-migration of 7,625 people annually since 2009. Adding net natural change (resident births minus resident deaths), which has averaged 11,750 people a year, results in population growth averaging 19,350 people, or 1.0 percent, annually during the period. Despite payroll declines in the metropolitan area during 2009 and 2010, the relatively low cost of living enabled residents to stay in place and attracted a small number of new residents through the economic downturn, supporting continued net in-migration.

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- From 2005 to 2009, employment growth in the metropolitan area contributed to population growth averaging 25,150 people, or 1.4 percent, annually, a slightly higher rate than earlier in the decade. Growth consisted of average net in-migration of 11,200 and net natural change of 13,950 people. The elevated level of in-migration was partially because employment continued to increase during 2007 and 2008, while payrolls declined throughout the country.
- Population growth averaged 21,800 people, or 1.3 percent, a year from 2000 to 2005, supported by average net in-migration of 9,400 people a year. Net natural change averaged 12,400 people a year during the period.

Economic Conditions

Economic conditions in the Indianapolis metropolitan area have improved since 2012, after 2 years of decline. From 2009 through 2010, nonfarm payrolls declined by 42,000 jobs, or 4.4 percent, with most job losses occurring in 2009. The economy has since recovered, and, from 2011 through 2015, the metropolitan area added an average of 25,000 jobs, a 2.6-percent increase, annually. In 2012, total nonfarm payrolls surpassed the 2007 prerecession high of 967,100 jobs.

During the 3 months ending December 2015—

- Nonfarm payrolls averaged 1.04 million jobs, an increase of 28,200 jobs, or 2.8 percent, compared with the number of jobs during the same 3-month period in 2014, resulting from growth in all but two sectors. The rate of job growth was well above the rate of 1.9 percent for the nation.
- The transportation and utilities and the leisure and hospitality sectors added the most jobs, up by 6,400 and 6,200 jobs, or 10.2 and 6.1 percent, respectively. Growth in the transportation and utilities sector resulted partially from the logistics industry, which added jobs during the holiday season to fulfill and ship an elevated number of online orders, which were up 9 percent nationally from 2014. The opening of the Le Méridien Indianapolis hotel and several chain restaurants, including Yard House and Dinosaur Bar-B-Q, contributed to growth in the leisure and hospitality sector.
- The only sectors to decline were the financial activities and information sectors, which lost 2,400 and 100 jobs, decreases of 3.9 and 0.6 percent, respectively. Layoffs at JPMorgan Chase & Co. Student Lending Servicing Group during 2015 contributed to losses in the financial activities sector.

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In the Indianapolis area, all but two sectors added jobs year over year and six grew by at least 2.0 percent.

	3 Months Ending		Year-Over-Year Change	
	December 2014 (thousands)	December 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,012.9	1,041.1	28.2	2.8
Goods-producing sectors	135.5	137.4	1.9	1.4
Mining, logging, and construction	45.1	45.8	0.7	1.6
Manufacturing	90.4	91.6	1.2	1.3
Service-providing sectors	877.4	903.7	26.3	3.0
Wholesale and retail trade	156.4	161.7	5.3	3.4
Transportation and utilities	62.5	68.9	6.4	10.2
Information	16.8	16.7	-0.1	-0.6
Financial activities	62.1	59.7	-2.4	-3.9
Professional and business services	158.9	162.2	3.3	2.1
Education and health services	145.8	150.7	4.9	3.4
Leisure and hospitality	100.9	107.1	6.2	6.1
Other services	44.4	45.4	1.0	2.3
Government	129.6	131.5	1.9	1.5
	(percent)	(percent)		
Unemployment rate	5.5	4.1		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



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- The unemployment rate declined to 4.1 percent, down from 5.5 percent during the same period in 2014 and well below the average of 9.0 percent during the fourth quarters of 2009 and 2010.

More than 80 percent of the population of the nation lives within a 1-day drive of the Indianapolis metropolitan area, making it an attractive location for manufacturing and logistics companies, allowing for locally produced products to quickly reach markets. The manufacturing and the transportation and utilities sectors have added a combined total of nearly 20,000 jobs since 2012. Four interstate highways, the second largest FedEx Corporation facility in the world, and an Amazon.com Inc. fulfillment center provide a distribution network for manufactured goods, supporting employment

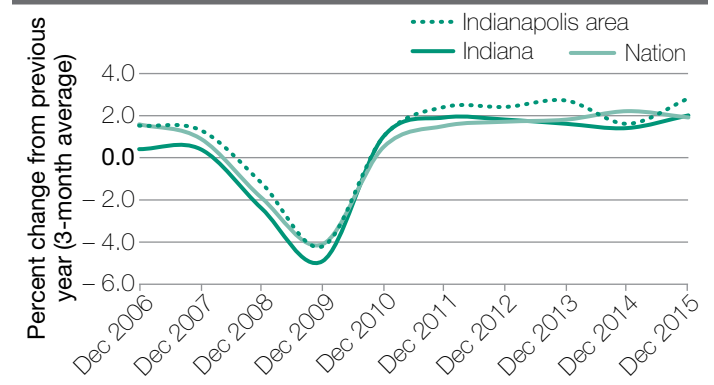
Largest employers in the Indianapolis area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
St. Vincent Health	Education and health services	17,398
Indiana University Health	Government	11,810
Eli Lilly and Company	Manufacturing	10,565

Note: Excludes local school districts.
Source: Indianapolis Business Journal

growth in both sectors. Recent expansions include a Newegg.com, Inc. warehouse and distribution center, which added 150 jobs during 2015, and ooShirts, a t-shirt printing and fulfillment company, which added 105 jobs.

Job growth in the Indianapolis area has exceeded the state and national rates during 4 of the past 5 years.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

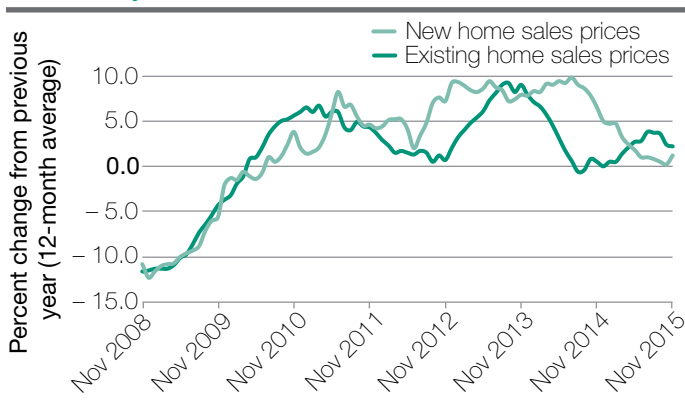
Sales Market Conditions

The sales housing market in the Indianapolis metropolitan area is currently soft, with an estimated sales vacancy rate of 2.2 percent, down from 2.7 percent in 2010. During the 12 months ending November 2015 (the most current data available), growth in new home sales slowed and the average sales price for new homes grew at the lowest rate since 2009. The number of existing homes

sold has declined for the past 2 years because of a decrease in real estate owned (REO) and short sales, along with slow growth in regular resales. The percentage of home loans in the Indianapolis metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status declined from 5.1 percent in December 2014 to 4.5 percent in

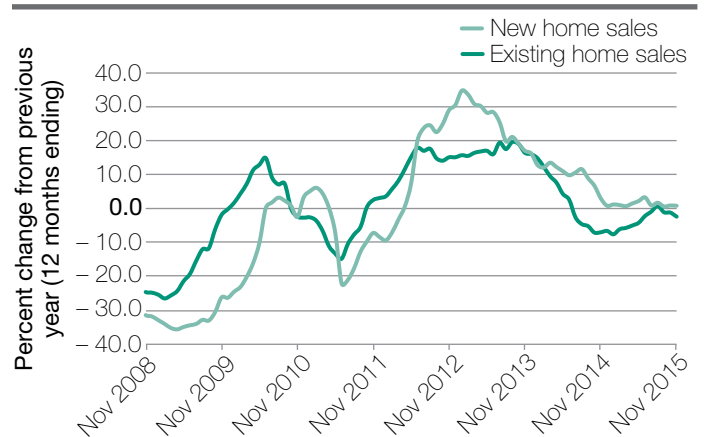
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Slightly improving sales market conditions have contributed to increased home sales prices in the Indianapolis area, although price growth has slowed since early 2014.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Existing home sales have declined in the Indianapolis area since mid-2014, while new home sales have remained relatively unchanged.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst



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December 2015 (Black Knight Financial Services, Inc.). The current rate is lower than the 4.8-percent rate for Indiana but higher than the 4.1-percent rate for the nation.

During the 12 months ending November 2015—

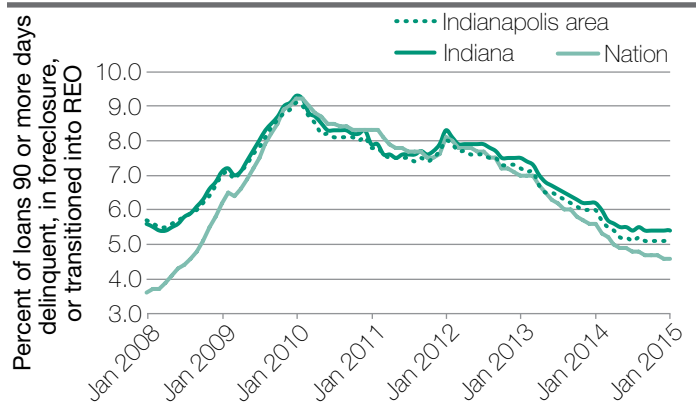
- The number of new homes sold totaled 4,150, relatively unchanged from 4,125 during the 12 months ending November 2014 but above the average of 3,000 sold annually from 2008 through 2011 (CoreLogic, Inc., with adjustments by the analyst).
- Existing home sales totaled 43,350, down 2 percent from the 44,400 homes sold during the 12-month period ending November 2014 but well above the average of 35,550 a year from 2008 through 2011. The decrease in existing home sales occurred because the regular resale sales growth of 2 percent was insufficient to offset a 25-percent decline in REO sales and a 3-percent decline in short sales. Regular resales were 43 percent above the average of 26,200 homes sold annually from 2008 through 2011, whereas REO sales were down 40 percent from the average of 8,325 homes sold a year during the same period.
- The average sales price for new homes was \$281,600, a 1-percent increase from the average price during the previous 12 months and 14 percent above the peak of \$247,000 reached before the housing collapse, during the 12 months ending November 2007.
- The average sales price for existing homes was \$181,300, an increase of 2 percent compared with the average price during

the 12 months ending November 2014. The average sales price for existing homes increased an average of 4 percent a year from 2010 through 2014.

Single-family home construction activity, as measured by the number of single-family homes permitted, has remained steady for the past 3 years and is still below prerecessionary levels.

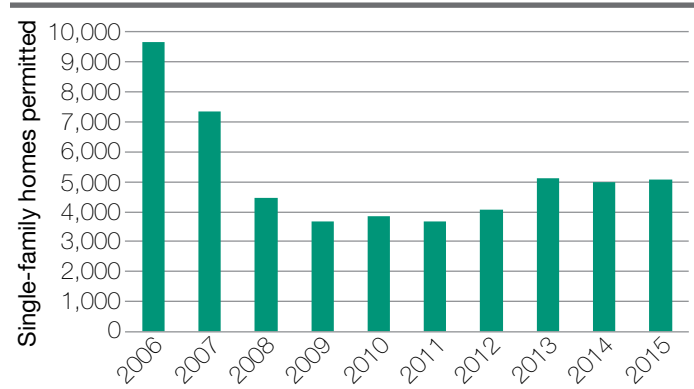
- Single-family construction activity increased to 5,050 homes permitted during 2015, up 2 percent from 4,975 during the previous year (preliminary data).
- The number of single-family homes permitted was 9,625 in 2006 before construction activity declined each year to a low of 3,650 homes in 2009. Construction activity remained at lower levels from 2009 through 2012, when an average of 3,825 homes were permitted annually. Single-family home construction activity increased during 2013 and averaged 5,025 homes during 2013 and 2014.
- To the north of the city of Indianapolis, Hamilton County, which includes the city of Carmel, has accounted for nearly 40 percent of the single-family home construction in the Indianapolis metropolitan area since 2007. Timberstone Villas, in Fishers, is a 171-lot subdivision that began construction in 2007 and has at least 12 lots still available. New homes are currently available with prices starting at \$190,000 for a 1,400-square-foot, three-bedroom home and \$280,000 for a 2,150-square-foot, four-bedroom home. The Village of WestClay, in Carmel, began construction in 2010 and currently has 7 of 38 lots remaining. Prices start at \$380,000 for a three-bedroom, 2,525-square-foot home and \$390,000 for a four-bedroom home with similar square footage.

The rate of seriously delinquent mortgages and REO properties in the Indianapolis area has been lower than the Indiana rate but higher than the national rate since mid-2013.



REO = real estate owned. Source: Black Knight Financial Services, Inc.

Single-family home permitting in the Indianapolis area has been stable since 2013 but remained well below prerecessionary levels.



Note: Includes preliminary data from January 2015 through December 2015. Source: U.S. Census Bureau, Building Permits Survey



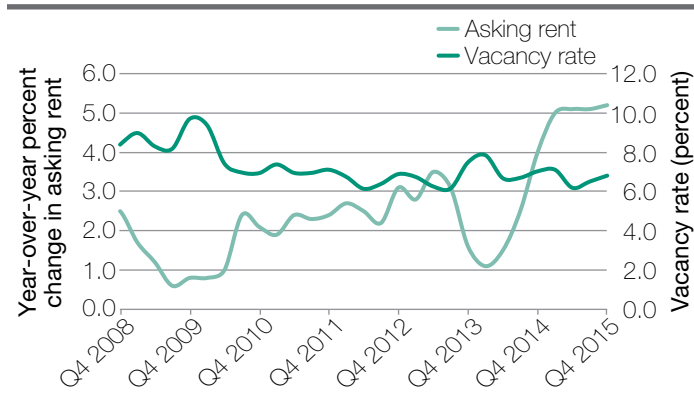
Rental Market Conditions

Rental housing market conditions in the Indianapolis metropolitan area are currently soft, with increasing levels of multifamily production despite slower population growth since 2010. During the past 2 years, the apartment vacancy rate declined, supporting accelerated rent growth. Development has been concentrated in downtown Indianapolis and in Hamilton County, which have above-average rents for the metropolitan area.

- The estimated vacancy rate for all rental units (including renter-occupied single-family homes, manufactured homes, and apartment units) is 10.1 percent as of January 1, 2016, down from 12.0 percent in 2010. Single-family homes account for an estimated 42 percent of occupied rental units.
- The apartment market, which represents approximately 57 percent of all rental units in the metropolitan area, had a vacancy rate of 6.8 percent in the fourth quarter of 2015, down slightly from 7.0 percent a year earlier and well below the 9.7-percent rate in the fourth quarter of 2009 (Axiometrics Inc.). Increasing net in-migration from 2010 to 2013 contributed to rental absorption, as vacancy rates have remained relatively stable despite 2,650 new apartment units entering the market since the fourth quarter of 2014 (Reis, Inc.).
- The average monthly apartment asking rent was \$799 in the fourth quarter of 2015, a 5.2-percent increase from the fourth quarter of 2014 and 9.4 percent greater than the average asking rent from the fourth quarter of 2013.

Builders have responded to the strong economy and increasing rents with near-record levels of multifamily construction beginning in 2013.

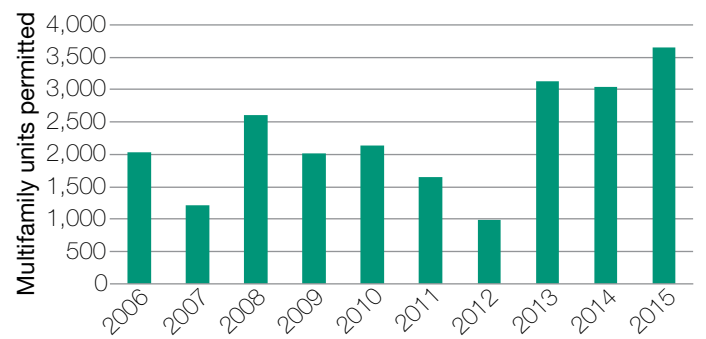
The vacancy rate has remained below 8 percent in the Indianapolis area despite a surge in apartment construction since 2013.



Source: Axiometrics Inc.

- During 2015, multifamily construction, as measured by the number of units permitted, totaled 3,650, up 20 percent compared with the 3,050 units permitted during the previous year (preliminary data).
- Multifamily permitting declined each year from 2010 through 2012, more than tripled from 2012 to 2013, and is currently at the highest level in more than 15 years. The surge was partly in response to postrecessionary payroll growth since 2011 and an increased proportion of renter households, which is currently estimated at 36.2 percent, up from 33.2 percent in April 2010.
- From 2006 through 2010, multifamily permitting averaged 2,000 units annually before declining to an average of 1,325 units each year from 2011 through 2012 in response to an inventory surplus caused by slowed net in-migration and a significant number of single-family homes entering the rental market in the late 2000s.
- Approximately 60 percent of the apartments that have begun construction since 2011 are in Hamilton County, and less than 20 percent are in Marion County. The 250-unit Casey Acres apartment complex, on the edge of the urbanized part of suburban Hamilton County, was completed in 2015. Rents for one-, two-, three-, and four-bedroom units are \$693, \$836, \$965, and \$1,075, respectively. The 145-unit Pulliam Square apartments in downtown Indianapolis was completed in early 2015. Studio units rent for \$1,145 to \$1,420, rents for one-bedroom units range from \$1,365 to \$1,915, and rents for two-bedroom units range from \$1,740 to \$3,205.

Multifamily permitting in the Indianapolis area began to increase significantly in 2013 as developers responded to rent growth and greater demand in downtown Indianapolis and Hamilton County.



Note: Includes preliminary data from January 2015 through December 2015. Source: U.S. Census Bureau, Building Permits Survey