

# Housing Market Profile

Midwest • HUD Region V



## Indianapolis-Carmel, Indiana

The Indianapolis-Carmel metropolitan area comprises Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Putnam, and Shelby Counties in central Indiana. The principal city, Indianapolis, is in Marion County. As of January 1, 2013, the population of the metropolitan area was estimated to be 1,804,000, reflecting an average annual increase of approximately 17,500, or 1.0 percent, since April 2010. By comparison, from 2006 through 2009, the population increased at an average annual rate of 24,900, or 1.5 percent. The decreased population growth rate resulted from a decline in net in-migration, from an average of 11,250 people annually from 2006 through 2009 to an average of 4,625 people annually since 2010.

The economy of the metropolitan area improved during the past 12 months, continuing a trend that began in early 2010. During the 12 months ending November 2012, nonfarm payrolls increased by 11,700 jobs, or 1.3 percent, to 892,200 jobs compared with a gain of 10,100 jobs, or 1.2 percent, during the previous 12-month period. Despite job gains during the past 2 years, nonfarm payrolls remain 26,600 jobs below the peak of 918,800 jobs recorded during the 12 months ending August 2008. From the 12 months ending September 2008 through the 12 months ending April 2010, nonfarm payrolls declined by 51,200 jobs. Economic recovery in the metropolitan area has been slow; strong growth in most nonfarm payroll sectors was partly offset by losses in the retail and wholesale trade subsectors and in the financial activities sector, which declined by 2,900, 700, and 2,200 jobs, or 3.3, 1.6, and 3.9 percent, respectively, during the 12 months ending November 2012. The greatest gains occurred in the professional and business services sector and the construction subsector, which increased by 5,500 and 4,300 jobs, or 4.3 and 10.9 percent, respectively. The leisure and hospitality, government, and education and health services sectors increased by 1,600 jobs each, or 1.8, 1.3, and 1.3 percent, respectively. The growth in the construction subsector was partly because of the development of new industrial distribution facilities in the metropolitan area. Although payrolls in the construction subsector increased from the 12 months ending February 2012, they remain 17 percent below the peak of 52,700 jobs recorded in 2007. The largest private employers in

the metropolitan area include St. Vincent Hospital and Health Care Center, Rolls-Royce plc, and Roche Diagnostics Corporation, with approximately 6,000, 4,600, and 4,100 employees, respectively. During the 12 months ending November 2012, the unemployment rate in the metropolitan area averaged 7.9 percent, down from 8.5 percent during the previous 12 months. From 2005 through 2008, the unemployment rate averaged 4.6 percent.

Home sales market conditions in the Indianapolis-Carmel metropolitan area are currently soft, with an estimated sales vacancy rate of 2.6 percent, down slightly from 2.7 percent in April 2010. Based on data from Hanley Wood, LLC, during the 12 months ending September 2012 (the most recent data available), new and existing home sales in the metropolitan area totaled approximately 25,600 homes, a 10-percent increase compared with the number of homes sold a year earlier. Sales remain 34 percent below the average of 38,850 homes sold annually from 2005 through 2008, however. During the 12 months ending September 2012, the average sales price of new and existing homes increased nearly 1 percent, to \$162,200, compared with the average price during the previous 12 months. American Housing Survey data for the metropolitan area show that 27 percent of primary mortgages in 2011 were Federal Housing Administration mortgages, up from 18 percent in 2004, partially because of tighter lending standards, which made other sources of financing harder to obtain. According to data from LPS Applied Analytics, as of November 2012, 7.2 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 7.4 percent a year ago.

Single-family home construction, as measured by the number of homes permitted, increased in the metropolitan area, but activity remains at levels much lower than those recorded earlier in the decade. According to preliminary data, during the 12 months ending November 2012, permits were issued for 3,975 single-family homes, a 9-percent increase compared with the 3,650 homes permitted during the previous 12 months. From 2005 through 2007, by comparison, an average of 9,575 homes was permitted annually. After peaking at 14,550 homes permitted in 2001, single-family home construction activity declined each year through 2009. Sedona Woods, a single-family development currently under construction in the city of Fishers, northeast of downtown Indianapolis, offers four-bedroom, two-bathroom homes starting at \$159,000.



The rental housing market in the Indianapolis-Carmel metropolitan area is currently soft but improving. As of January 1, 2013, the overall rental vacancy rate was estimated at 9.2 percent compared with the 11.9-percent rate recorded in April 2010. Rental market conditions have improved since 2010 because apartment production declined, which allowed for the absorption of vacant available units. According to Reis, Inc., in the third quarter of 2012, the apartment vacancy rate in the metropolitan area was 5.6 percent compared with the 6.4-percent rate recorded in the third quarter of 2011. The average apartment asking rent increased \$20, or nearly 3 percent, to \$710 compared with the average rent recorded a year earlier. Multifamily construction activity has remained subdued since 2008. Based on preliminary data, during the 12 months ending November 2012, approximately 1,075 multifamily units were permitted, down 32 percent compared with the 1,575 units permitted during the previous 12 months. Multifamily construction activity

averaged 2,450 units permitted annually from 2003 through 2007, and then it declined to 2,200 units annually from 2008 through 2010. Condominiums and townhomes account for an estimated 4 percent of existing multifamily units in the metropolitan area, but they represent slightly less than 2 percent of all multifamily construction activity since 2010, according to building permits and data from CB Richard Ellis. Recent apartment projects include The Domain at Bennett Farms, with 219 units, completed in late 2012 in Boone County, and The Residences at Keystone Crossing, with 129 units, completed in May 2012 in Marion County. The Domain at Bennett Farms offers one-, two-, and three-bedroom units with rents starting at \$800 a month, and The Residences at Keystone Crossing offers one- and two-bedroom units with rents starting at \$825. According to data from CB Richard Ellis, approximately 28 percent of properties were offering concessions as of the third quarter of 2012, nearly unchanged from the previous year.