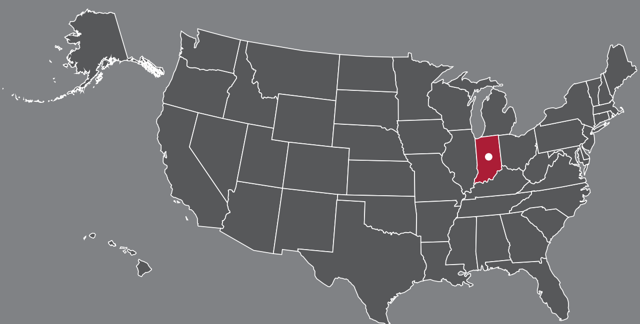
HUD PD&R **Housing Market Profiles**

Indianapolis-Carmel-Anderson, Indiana

Quick Facts About Indianapolis-Carmel-Anderson

- **Current sales market conditions: slightly tight**
- **Current apartment market conditions: slightly tight**
- **Sports, ranging from youth leagues to global franchises—including the Indianapolis Motor Speedway, Indiana Pacers (National Basketball Association), and Indianapolis Colts (National Football League)—generated $3.4 billion in direct spending and supported nearly 10,000 jobs in the Indianapolis metropolitan area (Indiana University-Purdue University Indianapolis, 2014).**



By Marissa Dolin | As of November 1, 2019

Overview

The Indianapolis-Carmel-Anderson (hereafter, Indianapolis) metropolitan area is coterminous with the metropolitan statistical area of the same name, encompassing 11 counties in central Indiana. The metropolitan area is in the center of the state of Indiana and less than 200 miles from the cities of Chicago, Illinois; Louisville, Kentucky; and Cincinnati and Columbus, Ohio. In September 2019, the Red Line, the first Bus Rapid Transit (BRT) line in the city of Indianapolis, opened. The line provides high-frequency trips from the Broad Ripple neighborhood in northern Marion County to downtown Indianapolis and has an average daily ridership of 7,700 (IndyGo).

- The population is currently estimated at 2.07 million, rising by an average of 21,050 people, or 1.0 percent annually since 2016, up from an average increase of 18,800 people, or 1.0 percent annually from 2010 to 2016 (U.S. Census Bureau population estimates as of July 1 and estimates by the analyst).
- Net natural increase (resident births minus resident deaths) has declined in recent years and net in-migration has risen. From 2010 to 2016, net natural increase accounted for 59 percent of population growth, or an average of 11,050 people

continued on page 2

continued from page 1

a year, but has fallen to account for 46 percent of growth, or an average of 9,725 people a year since 2016.

- The current population and population growth are concentrated in Marion and Hamilton Counties. The population in Marion County, which includes the city of Indianapolis, and Hamilton County, which includes the city of Carmel, are the two most populous counties, accounting for 47 and 16 percent of the current population, respectively. Since 2010, annual population growth in Marion and Hamilton Counties has averaged 6,225 and 6,725, or 0.7 and 2.3 percent, respectively.

Economic Conditions

Total nonfarm payrolls in the Indianapolis metropolitan area recovered from Great Recession-era job losses in 2012, nearly 2 years before the nation recovered and 3 years before the Midwest region. The economy in the Indianapolis metropolitan area has expanded faster than the Midwest region each year in the current decade, and generally faster than the nation early in the decade but slower than the nation since 2017. Job growth in the professional and businesses services sector, which accounted for nearly one-third of total job growth from 2010 to 2016, has slowed since 2017, contributing to slower overall job growth in the metropolitan area. During the 3 months ending October 2019, job growth continued to slow, falling to the lowest level since 2010.

During the 3 months ending October 2019—

- Nonfarm payrolls increased by 9,800 jobs, or 0.9 percent, slowing from a gain of 12,400 jobs, or 1.2 percent, during the previous year. Payroll growth either slowed or declined in 7 of the 11 sectors. Payrolls in the largest sector, the professional and businesses services sector, expanded by only 200 jobs, or 0.1 percent, well below the gain of 1,700 jobs, or 1.0 percent, a year earlier.
- The service-providing sectors expanded by 5,300 jobs, or 0.6 percent, slowing from a gain of 11,900, or 1.3 percent, during the previous year. The opening of new healthcare facilities—including St. Vincent Healthcare's William K. Nasser MD, Healthcare Education and Simulation Center and a Goodman Campbell Brain and Spine facility—supported job growth. The closure of a State Farm insurance office, however, which resulted in the laying off of 100 employees, partially offset gains.
- Jobs in the goods-producing sectors increased by 4,500, or 3.1 percent, rising from a gain of 500 jobs, or 0.3 percent, a year earlier. Manufacturing company expansions and relocation announcements tracked by the Indy Chamber, the Indianapolis chamber of commerce, totaled approximately 1,700 jobs and $1.0 billion in capital investment, up from 1,200 jobs and $528 million during the previous year.

continued on page 3

In the Indianapolis metropolitan area, goods-producing sectors accounted for 46 percent of year-over-year job growth during the 3 months ending October 2019.

	3 Months Ending		Year-Over-Year Change	
	October 2018 (Thousands)	October 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,080.4	1,090.2	9.8	0.9
Goods-Producing Sectors	145.8	150.3	4.5	3.1
Mining, Logging, & Construction	53.5	56.6	3.1	5.8
Manufacturing	92.2	93.7	1.5	1.6
Service-Providing Sectors	934.6	939.9	5.3	0.6
Wholesale & Retail Trade	154.1	152.5	-1.6	-1.0
Transportation & Utilities	72.5	74.2	1.7	2.3
Information	13.3	12.7	-0.6	-4.5
Financial Activities	69.6	68.2	-1.4	-2.0
Professional & Business Services	173.3	173.5	0.2	0.1
Education & Health Services	160.8	164.0	3.2	2.0
Leisure & Hospitality	110.6	110.8	0.2	0.2
Other Services	46.2	44.7	-1.5	-3.2
Government	134.3	139.2	4.9	3.6
	(Percent)	(Percent)		
Unemployment Rate	3.2	2.8		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

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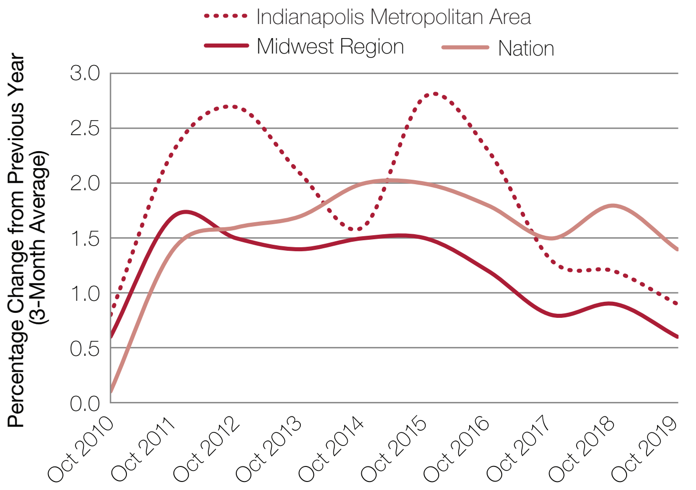
Total nonfarm payrolls in the Indianapolis metropolitan area increased faster than the Midwest region each year since 2010.



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

- The unemployment rate averaged 2.8 percent, down from 3.2 percent a year earlier, and is currently at the lowest level since 2000.

The logistics and distribution and high-tech industries have emerged with greater prominence since the Great Recession.

Complimenting the existing FedEx distribution hub at the Indianapolis International Airport and the CSX Transportation intermodal railroad hub are new Amazon.com, Inc., Kohl's, Chewy, Inc., and several food service distribution centers that opened during the current decade. These centers have supported approximately 17,000 additional jobs in the logistics and distribution industry since 2010 (Quarterly Census of Employment and Wages). In the high-tech industry, Salesforce.com, Inc., a customer relationship management software company, opened an office in downtown Indianapolis in 2016, and Infosys Limited, an IT consulting firm, opened in 2017. The companies joined ANGI Homeservices Inc., the operator of household service review website Angie's List, as large high-tech employers with more than 1,000 employees in the metropolitan area.

Largest Employers in the Indianapolis Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Indiana	Government	33,500
Indiana University (IU) Health	Government	23,200
St. Vincent Indianapolis-Hospital and Health Care Center	Education & Health Services	17,400

Note: Excludes local governments and school districts.
Source: Indy Partnership, 2018

Sales Market Conditions

The home sales market is slightly tight, improving from soft conditions in 2010. The vacancy rate is currently estimated at 1.3 percent, down from 2.7 percent in 2010 when the market was soft. Rapid economic recovery from the Great Recession and absorption of excess inventory built in the late 2000s supported improved home sales market conditions. A relatively affordable median home sales price, which was affordable to 89 percent of households in the metropolitan area during the third quarter of 2019 (National Association of Home Builders), also contributed to improved conditions. By comparison, only 64 percent of households in the nation can afford to buy a home in their respective area. A low inventory of homes for sale, measuring 2.4 months of supply in October 2019, down from 2.5 months of supply in October 2018 (Indiana Association of Realtors®, with adjustments by the analyst), constrained the number of sales while supporting an increase in the average sales price.

The rate of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties fell in the metropolitan area, state of Indiana, and the nation to 1.4 percent during September 2019, down from 1.7, 1.6, and 1.8 percent, respectively, a year earlier.

During the 12 months ending October 2019—

- New home sales increased 7 percent to 4,650 homes sold—the highest number of new homes sold since mid-2008—continuing a period of year-over-year increases that began in 2012. Existing home sales declined 4 percent to 44,750 homes sold—the lowest number of homes sold since early 2017—continuing a period of decline that began in late 2018.
- New home sales accounted for 9 percent of total home sales, up from 8 percent a year earlier as the low inventory of existing homes for sale has shifted a larger portion of demand to new construction. The share of new home sales peaked in 2005 at 17 percent of all homes sold and was most recently at 9 percent in 2011.
- New home sales prices increased 4 percent to $330,300, up slightly from the 3-percent average annual increase from 2016 to 2018. Existing home sales prices increased 6 percent to $214,300, continuing a period of price growth that began in mid-2016.
- The gap between the average new and existing home sales price has narrowed as existing home sales prices have

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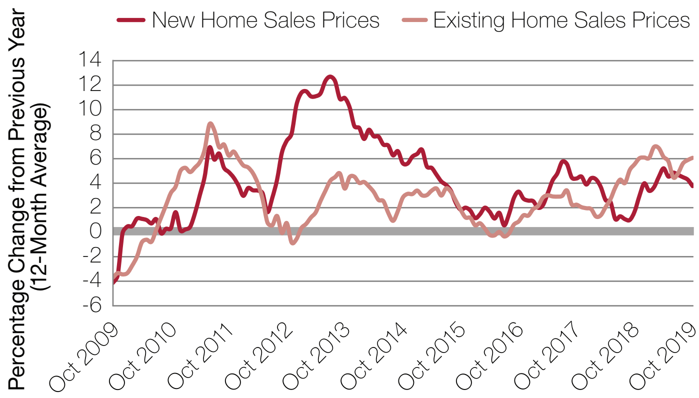
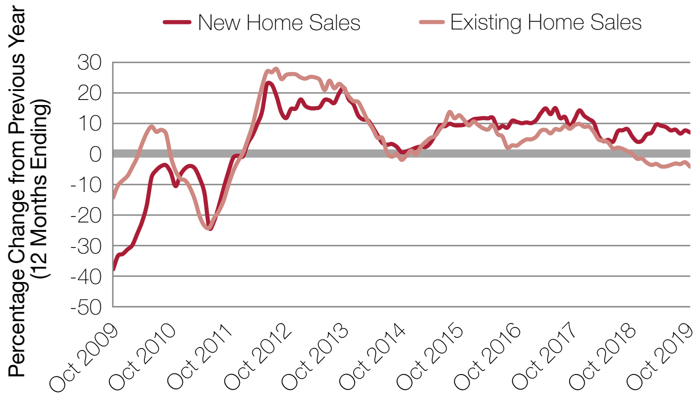
Existing home sales prices have generally been increasing faster than new home sales prices in the Indianapolis metropolitan area since mid-2018.



Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

New home sales have increased year-over-year since 2012, while existing home sales have been declining since late 2018 in the Indianapolis metropolitan area.



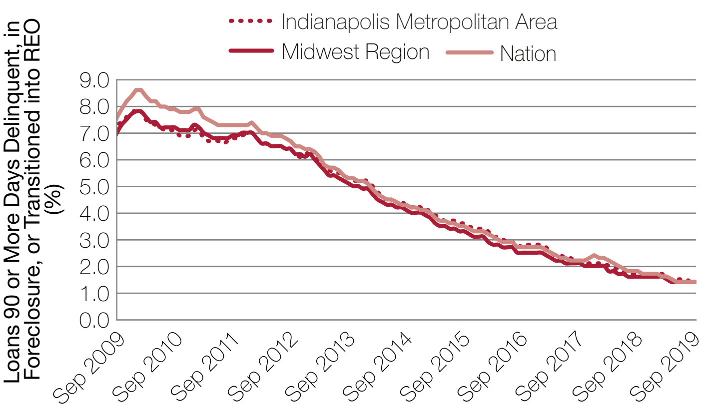
Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

increased faster than new home sales prices. The average new home sales price was 63 percent higher than the average existing home sales price in 2017 but has fallen and is currently at 54 percent.

Single-family home construction, as measured by the number of homes permitted, has generally been rising since the economy recovered from the Great Recession in 2012, supported by strengthening economic conditions and improved sales market conditions.

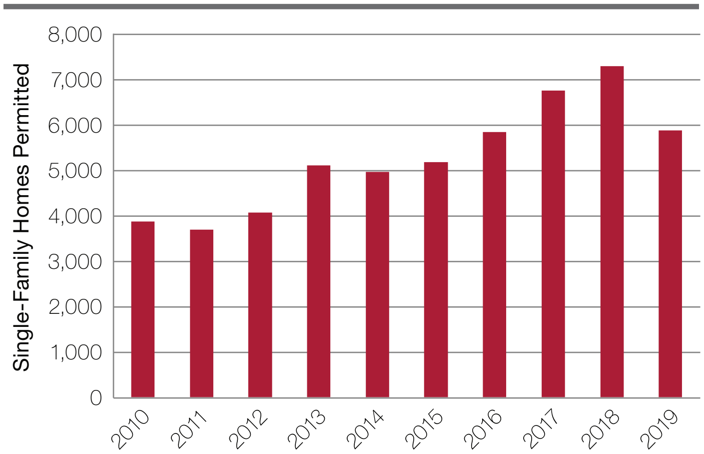
- Economic expansion supported an average increase of 510 homes permitted each year from 2012 through 2018 to a high of 7,300 homes permitted in 2018.
- In response to a recent slowdown in job growth, permitting has fallen to 6,875 homes during the 12 months ending October 2019, down from 7,025 homes during the previous 12 months.
- Within the Indianapolis metropolitan area, single-family home construction tends to be concentrated in Marion and Hamilton Counties, where 17 and 37 percent, respectively, of new single-family homes were permitted in 2018. Marion County is mostly built-out, with a relatively small portion of vacant land available for development. The northern and eastern portions of Hamilton County are generally undeveloped, so more land is available to build, and the land is proximate to existing employment centers in the southern portion of the county.

The proportion of seriously delinquent home loans and REO properties in the Indianapolis metropolitan area was the same as the Midwest region and the nation in September 2019.



REO = real estate owned.
Source: CoreLogic, Inc.

Single-family home construction in the Indianapolis metropolitan area has increased most years since 2012.



Note: Includes preliminary data from January 2019 through October 2019.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

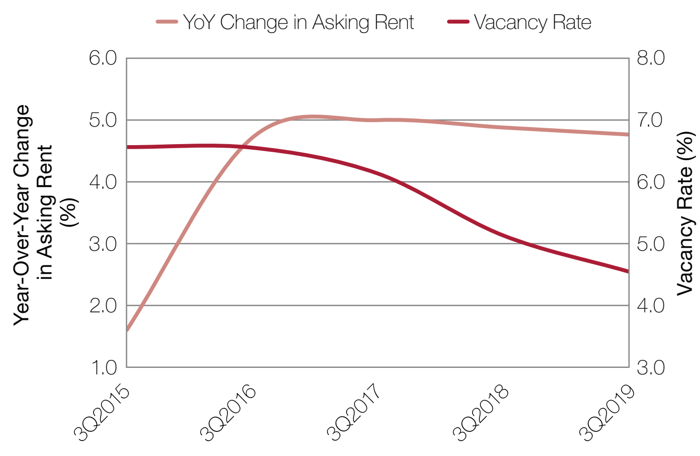
Apartment market conditions are slightly tight with strong but steady rent growth and a declining vacancy rate. As the home sales market tightened and home sales prices increased in recent years, homes that shifted to rental units because of economic conditions earlier in the decade returned to the sales market, resulting in fewer non-apartment rental units and tighter apartment market conditions. Multifamily units, most of which are apartments, accounted for 60 percent of all renter-occupied units in 2010 and 2018, whereas single-family homes accounted for nearly all the remaining 40 percent of units (2010 and 2018 American Community Survey 1-year estimates). In the middle portion of the decade, single-family homes were a larger share of renter occupied units, peaking at 42 percent in 2014.

During the third quarter of 2019—

- The apartment vacancy rate was 4.5 percent, down from 5.1 percent a year earlier, and continuing a period of year-over-year decline since 2015 (RealPage, Inc.).
- Among the 13 RealPage, Inc.-defined market areas, the vacancy rate fell in 9 areas, was unchanged in one area, and rose in three areas. The largest decline was in the West Indianapolis market area, which includes the neighborhoods surrounding the Indianapolis Motor Speedway. The decline in vacancy was concentrated in apartments built before 2000. The largest increase in vacancy was in the Anderson market area, which includes most of Madison County.
- The average rent continued a period of relatively strong growth that began during 2016. The average apartment rent was $922, up 5 percent from a year earlier, rising faster than the nation, which increased 3 percent during the same period.
- Among the 13 RealPage, Inc.-defined market areas, the average rent increased 6 percent or more in three areas, increased 5 percent or less in nine areas, and declined in one area. West Indianapolis, the area with the largest decline in vacancy rate, also had the fastest rent growth. The Downtown Indianapolis and Carmel/Hamilton County market areas were the other two areas with above average rent growth, partially because a relatively large share of new apartments, which tend to have higher rent, has been completed in these areas.

Multifamily construction activity, as measured by the number of units permitted, is higher in the current decade compared with the 2000s, when single-family homes accounted for a larger share of total housing construction. Multifamily units accounted for 39 percent of all residential units permitted since 2010, compared with 19 percent during the 2000s. During the most recent 12 months, multifamily permitting increased to 2,800 units, up from 2,550 units during the previous 12 months (preliminary data with adjustments by the analyst), in response to tightening apartment market conditions.

Apartment rent growth in the Indianapolis metropolitan area has averaged 5 percent a year since 2016.



3Q = third quarter. YoY = year-over-year.
Source: RealPage, Inc.

- From 2016 through 2018, the number of multifamily units permitted fell by an average of 620 units annually to 2,750 units in 2018 as ongoing economic expansion and relatively affordable home sales prices shifted a larger portion of demand for additional housing to single-family homes.
- Multifamily construction increased most years during the early portion of the decade as economic conditions improved, rising

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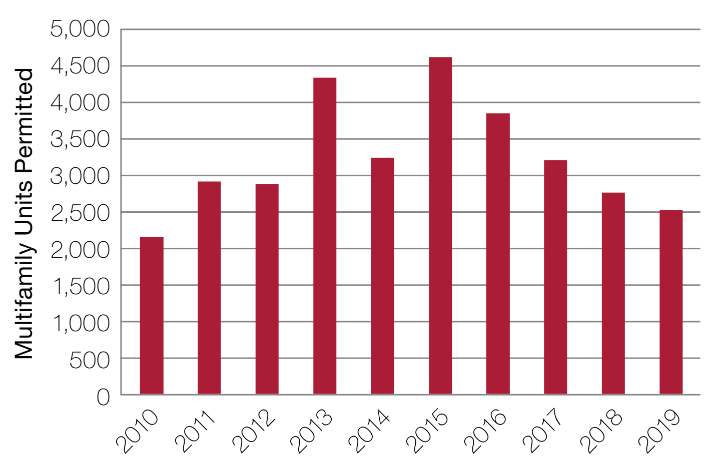
Multifamily permitting in the Indianapolis metropolitan area peaked in 2015 and slowed in more recent years as a larger portion of housing demand shifted to single-family homes.



Note: Includes preliminary data from January 2019 through October 2019.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

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by an average of 490 units annually from 2011 through 2015 to a high of 4,625 units in 2015.

- Apartments built in Marion County accounted for nearly one-half of all units built since 2011, with approximately 20 percent of total units in the metropolitan area built in downtown Indianapolis. Job growth in the downtown area and expanding entertainment districts nearby supported demand for additional rental housing.
- Hamilton County, specifically the suburbs in the southern portion of the county, was another area of concentrated rental development, partially because of proximity to the office parks on the Marion/Hamilton County border and local investment in suburban business districts. Construction in Hamilton County has slowed slightly since 2016, whereas construction has increased in Hendricks County, partially in response to strong job growth in the logistics and distribution industry and other industries clustered near the Indianapolis International Airport.