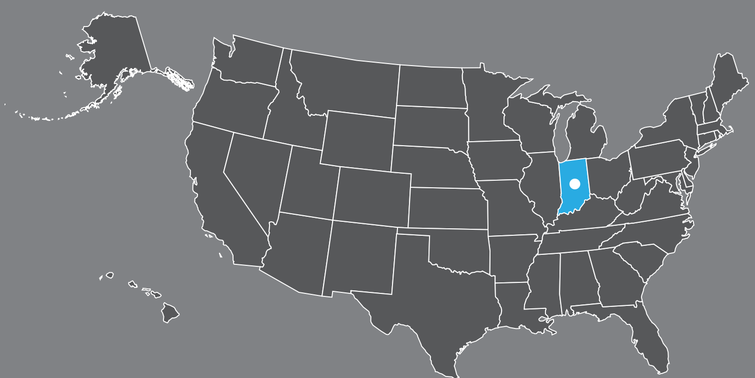
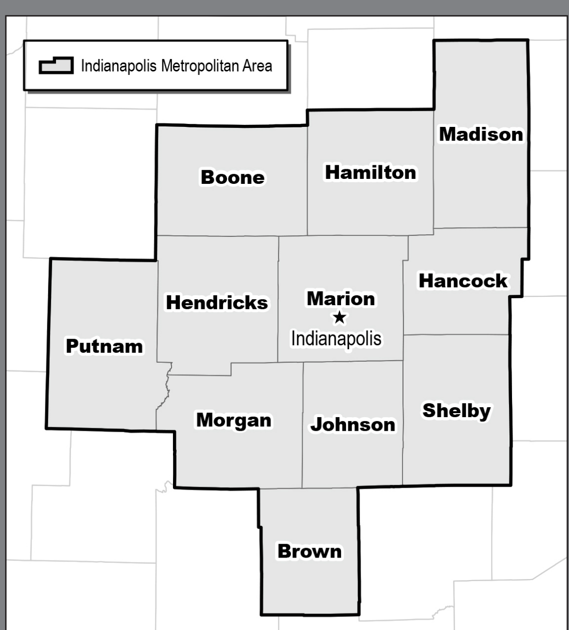
HUD PD&R Housing Market Profiles

Indianapolis-Carmel-Anderson, Indiana

Quick Facts About Indianapolis

- **Current sales market conditions: very tight**
- **Current rental market conditions: tight**
- **Anchored by the FedEx Corporation facility at the Indianapolis International Airport, the nearby CSX Corporation intermodal railyard, and four interstate highways, the Indianapolis metropolitan area has become a center for the transportation and warehousing industry over the past decade.**






Indianapolis, Indiana

By Marissa Dolin | As of December 1, 2021

Overview

The Indianapolis metropolitan area consists of 11 counties in central Indiana and is coterminous with the Indianapolis-Carmel-Anderson, IN Metropolitan Statistical Area (MSA). The central county, Marion, includes the city of Indianapolis, which is the state capital. Marion County is the most populous and has the most jobs among all counties in the metropolitan area. Proximity to the population and economic center combined with a larger share of developable land contributed to strong population and job growth in the suburban counties adjacent to Marion, led by Hamilton, Hendricks, and Boone, and followed by Hancock, Johnson, Morgan, and Shelby. Growth tends to be slower in the outlying counties—Brown, Madison, and Shelby.

- The current population of the metropolitan area is estimated at 2.15 million, rising steadily by an average of 22,150, or 1.1 percent, annually since 2010. In the early 2010s, net natural increase (resident births minus deaths) was higher, but the decline in recent years was offset by rising net in-migration, which averaged 9,425 annually from 2010 to 2015 and then increased to an average of 14,200 annually since 2015.

continued on page 2

continued from page 1

- The largest source of domestic net in-migration is the Chicago metropolitan area, with an average net in-migration of 1,925 people annually (U.S. Census Bureau Migration Flows, 2015–19 American Community Survey 5-year data). Conversely, the top destinations for out-migration, which occurs at a lower rate, are the nearby Bloomington, Muncie, and Lafayette, Indiana metropolitan areas, each of which include a large, public university.
- Migration within the metropolitan area tends to be from Marion, the central county, to the suburban counties. Hamilton County was the most common destination, with net in-migration of 1,125 people in 2019, followed by Hendricks, Hancock, and Johnson Counties, with over 300 people moving into each county from Marion (Internal Revenue Service [IRS] County-to-County Migration Flows, 2018–19).

Economic Conditions

Economic conditions are improving in the Indianapolis metropolitan area after a sharp decline in payrolls during March and April 2020. During the 3 months ending November 2021, nonfarm payrolls increased by 24,500 jobs, or 2.3 percent, from the same period a year ago. Payrolls, however, remain 20,000 jobs, or 1.8 percent, below the same period in 2019, before the onset of the COVID-19 pandemic. For context, job growth averaged 1.8 percent annually during the 5-year period from 2015 through 2019. The Indianapolis metropolitan area is closer to recovery than the HUD-defined Midwest region, with current payrolls 3.9 percent below the same period in 2019; for the nation, payrolls are 2.2 percent below the same period in 2019.

During the 3 months ending November 2021—

- Recovery was mixed at the sector level. Four sectors have fully recovered, with current payrolls above the same 3-month period in 2019; five sectors have partially recovered, with payrolls above the same period in 2020, but below 2019; and two sectors have declined further, with two consecutive years of decline.
- The mining, logging, and construction sector had the largest and fastest increase in jobs from a year ago, up by 4,900 jobs, or 8.4 percent, and payrolls are 7,200 jobs, or 12.9 percent, above the same period two years ago. In addition to elevated residential construction, several large logistics warehouses and distribution centers are under construction, including facilities for retailers Walmart Inc. and Five Below, Inc., which contributed to the gain.
- The leisure and hospitality sector has partially recovered, rising by 4,500 jobs, or 4.9 percent, from a year ago, but the sector remains 13,900 jobs, or 12.6 percent, below the same period two years ago. Although no formal capacity restrictions on leisure and hospitality businesses have been in place since April 2021, consumer spending on entertainment and recreation was down about 15 percent

continued on page 3

In the Indianapolis metropolitan area, 9 sectors added jobs or were unchanged from a year ago during the 3 months ending November 2021.

	3 Months Ending		Year-Over-Year Change	
	November 2020 (Thousands)	November 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,058.6	1,083.1	24.5	2.3
Goods-Producing Sectors	148.1	157.9	9.8	6.6
Mining, Logging, & Construction	58.2	63.1	4.9	8.4
Manufacturing	89.9	94.7	4.8	5.3
Service-Providing Sectors	910.5	925.2	14.7	1.6
Wholesale & Retail Trade	147.9	151.9	4.0	2.7
Transportation & Utilities	82.0	81.2	-0.8	-1.0
Information	11.7	11.6	-0.1	-0.9
Financial Activities	70.9	72.8	1.9	2.7
Professional & Business Services	167.7	169.0	1.3	0.8
Education & Health Services	161.3	163.8	2.5	1.5
Leisure & Hospitality	91.8	96.3	4.5	4.9
Other Services	40.2	40.2	0.0	0.0
Government	137.0	138.5	1.5	1.1
Unemployment Rate	5.5%	2.4%		

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

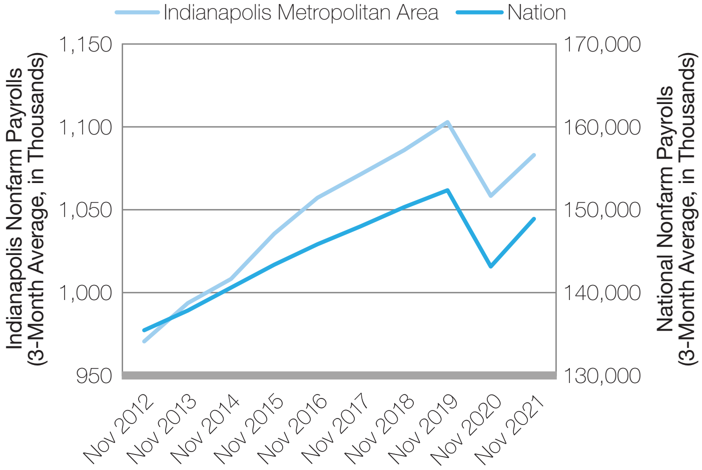
continued from page 2

in mid-November 2021 compared with prepandemic levels (*Opportunity Insights*).

- The unemployment rate averaged 2.4 percent, down from 5.5 percent a year earlier. Rising resident employment, which increased 2.6 percent, accounted for most of the decline in unemployment, but a smaller portion of the decline is because of a reduction in the labor force, which shrank 0.6 percent from a year ago.

The Indianapolis metropolitan area is a center for the transportation and warehousing industry. The area is home to the second largest FedEx Corporation hub in the nation (the first is in Memphis). In 2018, the company began a 7-year, $1.5-billion expansion project. As a shipping hub, nationally recognized retail companies, including Amazon.com, Inc., Target Corporation, and The Kroger Company, have established fulfillment and distribution centers in the area to capitalize on the transportation network. Nationally, e-commerce sales, which use the transportation and warehousing industry to deliver goods purchased online, totaled $204.6 billion during the third quarter of 2021 (U.S. Census, Quarterly Retail E-Commerce Sales). E-commerce sales were up 6.8 percent from the same quarter a year ago but slowed from the 36.3-percent increase a year earlier, a period which included the shift from prepandemic to pandemic-influenced online shopping trends. The transportation and warehousing industry is one of the fastest growing in the Indianapolis metropolitan area, adding 26,100 jobs, or 56 percent growth, from 2013 through 2020 (QCEW).

Nonfarm payrolls in the Indianapolis metropolitan area and the nation are recovering from a sharp decline in 2020.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Indianapolis Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Indiana	Government	34,517
Indiana University (IU) Health	Government	23,187
Ascension St. Vincent Hospital–Indianapolis	Education & Health Services	17,398

Note: Excludes local school districts.
Source: Indy Chamber

Sales Market Conditions

The home sales market is very tight. The inventory of homes for sale is extremely low, with a 0.9-month supply in October 2021, down from 1.1 months a year earlier, and has been below 6 months, which generally indicates balanced market conditions, since early 2015 (Redfin, a national real estate brokerage). Home sales prices during the 12 months ending October 2021 increased at the fastest rate since the early 2000s, and existing home sales rose at an above-average rate. Factors influencing increased demand for home sales include low mortgage interest rates, a large share of homes considered affordable to households earning the median family income in the area, at 88.0 percent of homes for sale, and an increase in telework, which has shifted housing preferences for some workers. The Indianapolis metropolitan area is one of the most affordable in the nation, ranked 14th among 238 metropolitan areas during the third quarter of 2021, and is far more affordable than the most common source of in-migration, the Chicago metropolitan area, which was ranked 132nd (NAHB/Housing Opportunity Index).

- The average home sales price, including new and existing homes, increased at the fastest rate since 2002, rising 15 percent to $256,000 during the 12 months ending October 2021 (CoreLogic, Inc.). Existing sales prices also rose at the fastest pace in nearly two decades, up 15 percent. New home sales prices increased 6 percent, faster than the 4-percent average annual increase during the previous 5-year period.
- Existing home sales increased 7 percent to 56,650 during the 12 months ending October 2021, accelerating from a 1-percent decline during the previous 12-month period, which included a period of economic uncertainty and social distancing restrictions at the onset of the COVID-19 pandemic.
- New home sales increased 6 percent to 7,175 during the 12 months ending October 2021, slowing from an average annual gain of 10 percent from 2016 through 2020. Despite an increase in residential permitting, constraints

continued on page 4

continued from page 3

on the construction material supply chain have prolonged construction times, contributing to slowing gains in new home sales.

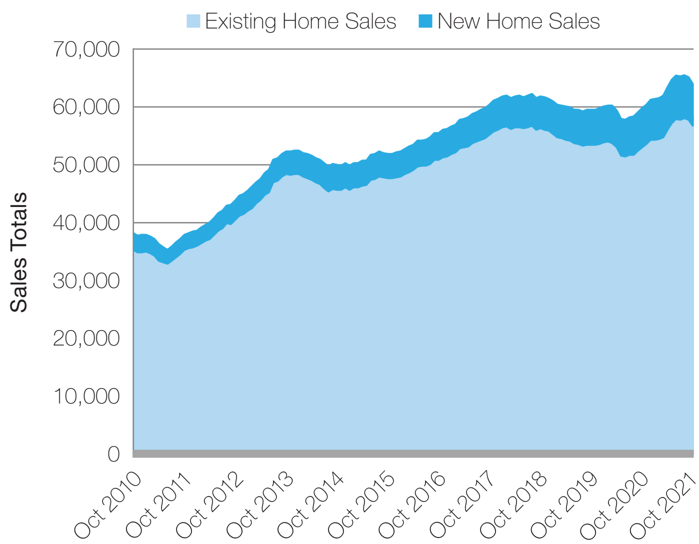
- In October 2021, the percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 2.0 percent, down from 3.7 percent a year earlier. The current rate is lower than the 2.1-percent rate for the HUD-defined Midwest region and the 2.3-percent rate for the nation.

New home construction, as measured by the number of single-family homes permitted, increased during most years of the 2010s, supported by economic expansion. With the onset of the COVID-19 pandemic in early 2020, permitting increased further in response to tighter housing market conditions brought on by low mortgage interest rates and increased opportunities for telework, which shifted housing preferences for some teleworkers.

- During the 12 months ending October 2021, single-family permitting increased to 9,675, up by 2,025 homes compared with the previous 12 months (preliminary data). From 2013 through 2019, permitting increased by an average of 440 homes annually.
- In 2020, Hamilton County, a close-in suburban county, had the largest share of homes permitted among counties in the metropolitan area, at 31 percent, or 2,575 homes. On the low-priced side of new homes for sale, Lindley Run in Westfield is selling two-bedroom, attached single-family homes starting at $259,100, and on the high-priced end, Troy Estates in Carmel is selling five-bedroom, single-family detached homes for $700,000.

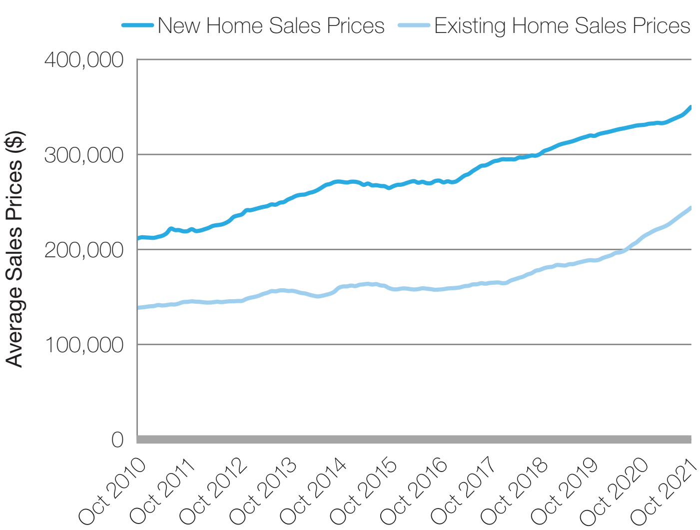
continued on page 5

In the Indianapolis metropolitan area, total home sales, including new and existing, during the 12 months ending October 2021, are up from a year ago, but gains have slowed in recent months.



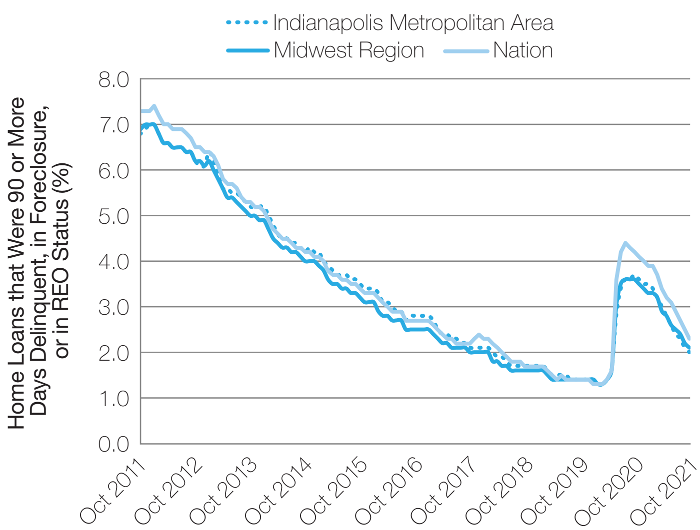
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

Existing home sales prices in the Indianapolis metropolitan area increased at the fastest rate in over a decade during the 12 months ending October 2021.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

The rate of seriously delinquent mortgages and REO properties in the Indianapolis metropolitan area has been declining since November 2020.



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

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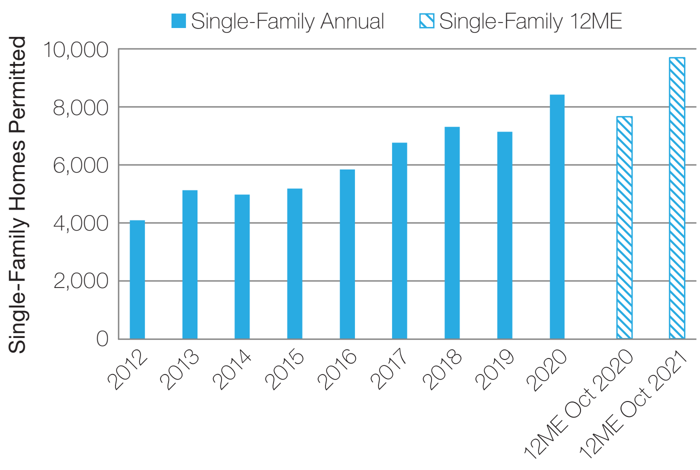
- In Marion County, townhomes, which are permitted as single-family attached homes, are a common building type in downtown Indianapolis and nearby neighborhoods. The Cornerstone on Central, about 2 miles north of downtown Indianapolis, is an example of a new townhome development currently under construction. The eight-home development is offering 3-bedroom townhomes priced from $429,000 to $459,000.

Single-family permitting in the Indianapolis metropolitan area has risen most years since 2013.



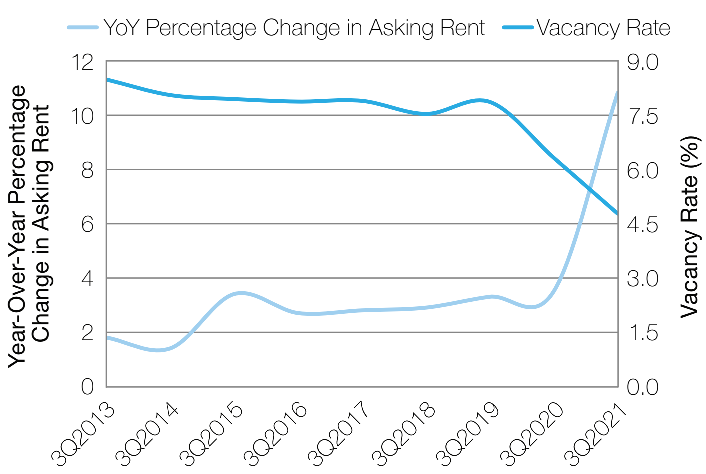
12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Rental Market Conditions

Rental market conditions are tight in the Indianapolis metropolitan area, with rapid rent growth and low vacancy rates in both the single-family home-for-rent and apartment markets. Single-family homes are one of the most common types of rental units in the area, at 40 percent of all occupied rental units, up from 38 percent in 2010 (American Community Survey 2010 and 2019, 1-year data). The average rent for a three-bedroom professionally managed single-family home in October 2021 was $1,343, a 13 percent increase from a year ago, well above the average annual increase of 3 percent from 2015 to 2020 (CoreLogic, Inc.). The single-family rental vacancy rate in October 2021 was 2.9 percent, down from 3.1 percent a year earlier and below the average vacancy rate of 3.5 percent from 2015 to 2019.

- Apartment market conditions are also tight. The average rent was $1,050 during the third quarter of 2021, up 11 percent from a year ago and well above the average annual increase of 3 percent from the third quarter of 2015 through the third quarter of 2020 (CoStar Group).
- The apartment vacancy rate was 4.8 percent during the third quarter of 2021, down from 6.3 percent a year earlier and well below the average rate of 7.8 percent from the third quarter of 2015 through the third quarter of 2019.
- In the 24 CoStar Group-defined market areas, 23 had an increase in the asking rent during the third quarter of 2021 compared with a year ago. The largest increases were in the suburban areas of Hancock County, South Madison County, and two market areas in southern Hamilton County, up 15 to 19 percent, and the only area with a decline was North Madison County, on the outer edge of the metropolitan area, down less than 1 percent from a year ago.
- The vacancy rate declined in 21 of the 24 market areas during the third quarter of 2021 compared with a year ago.

The apartment vacancy rate is at the lowest level, and rent growth is at the fastest rate in over a decade in the Indianapolis metropolitan area.



3Q = third quarter. YoY = year-over-year.
Source: CoStar Group

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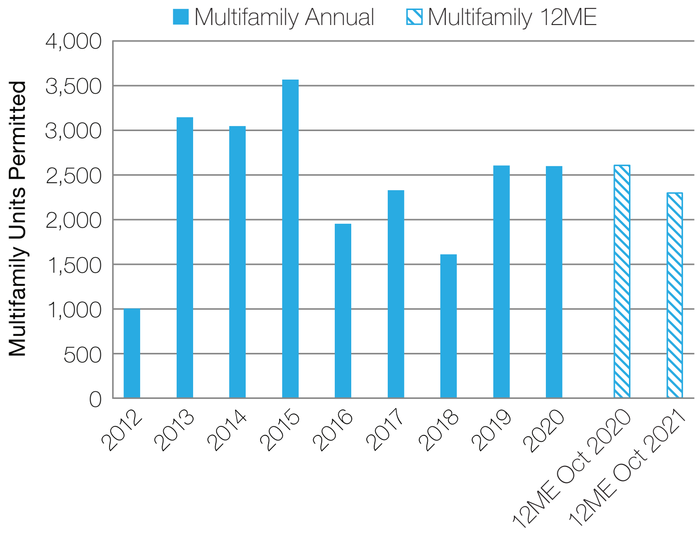
The largest decline was in the Downtown Indianapolis area, down 7.0 percentage points to 7.5 percent.

Multifamily construction, as measured by the number of units permitted, and which primarily includes apartments, has slowed in recent years, partially because of the economic uncertainty and supply-chain constraints that began in early 2020. A high level of affordability in the sales housing market has enabled a larger share of households to become owners, slowing demand for additional rental units.

- During the 12 months ending October 2021, multifamily permitting declined to 2,300 units, down by 310 units from the previous 12-month period. Multifamily units accounted for only 18 percent of all housing units permitted during the most recent 12-month period, compared with 36 percent of permitting nationally.
- Permitting was generally higher in the mid-2010s, averaging 3,250 units annually from 2013 through 2015; slowing to an average of 2,125 units annually from 2016 through 2019 as preferences shifted towards homeownership.
- The Carmel/Zionsville/Westfield market area in southern Hamilton County had the most apartment units enter the rental market during the past 12 months, with 570 new units. One of the recently completed properties in the market area is the Flats at Spring Mill Station, a 290-unit property in Westfield which opened earlier in 2021, with rents ranging from $1,299 for a one-bedroom unit to $1,939 for a two-bedroom unit.

Multifamily permitting was at a higher level in the early to mid-2010s but moderated in recent years in the Indianapolis metropolitan area.



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

- The Downtown Indianapolis market area had the most units under construction during the third quarter of 2021, with 500 units. One of the projects under construction is Block 20, a 72-unit property that began construction in mid-2021 and is expected to open in mid-2022.