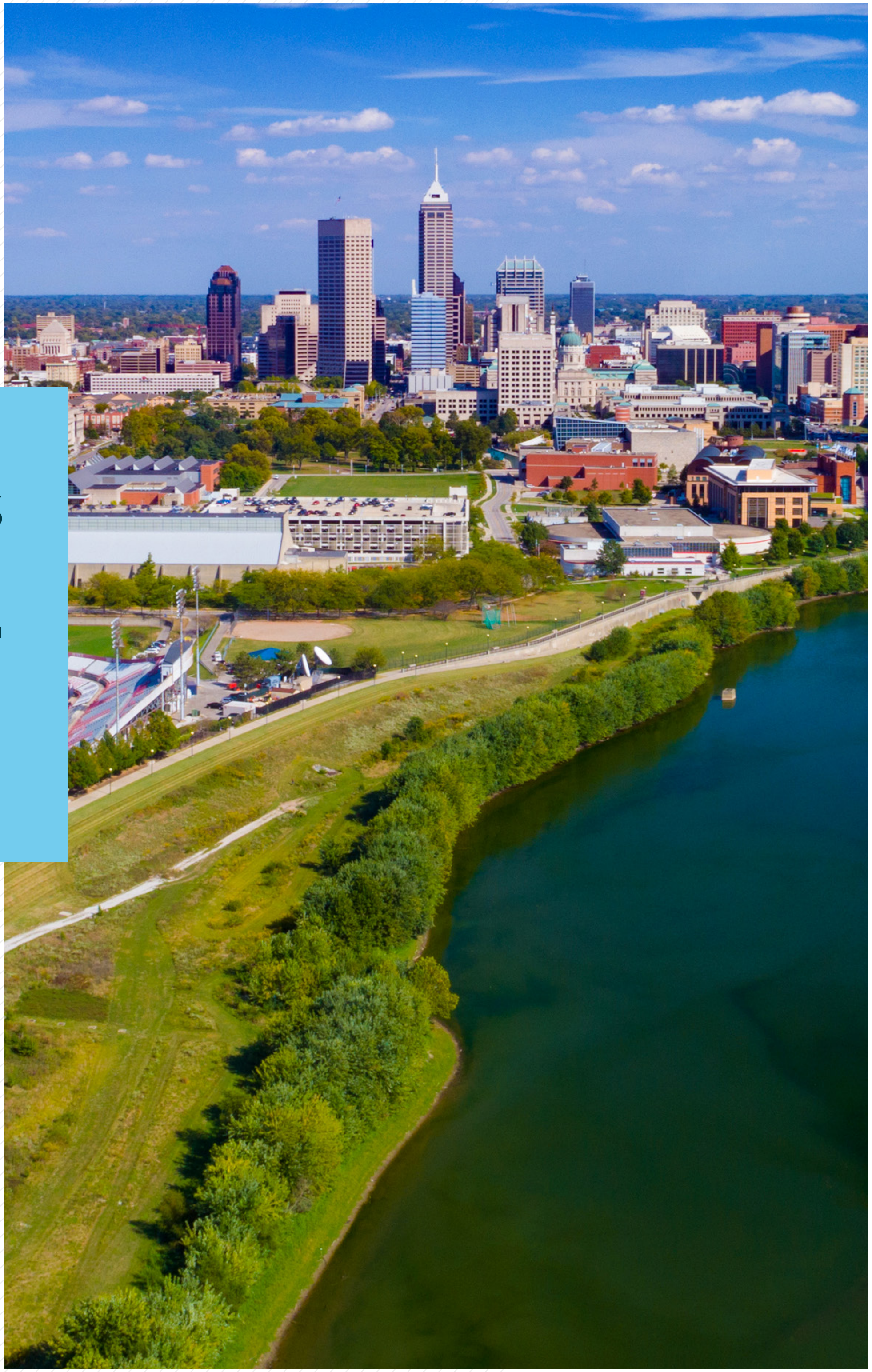
COMPREHENSIVE HOUSING MARKET ANALYSIS

Indianapolis-Carmel-Anderson, Indiana



U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of October 1, 2019

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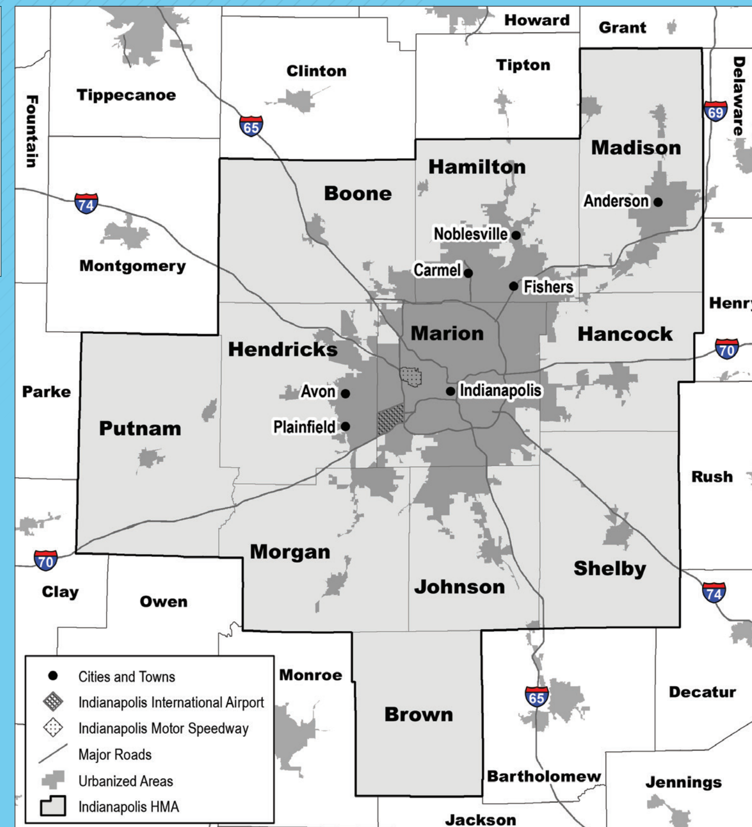


Executive Summary

Housing Market Area Description

The Indianapolis-Carmel-Anderson Housing Market Area (Indianapolis HMA) is coterminous with the 11-county Indianapolis-Carmel-Anderson, IN Metropolitan Statistical Area (MSA). The HMA is in the center of the state of Indiana and less than 200 miles from the cities of Chicago, Illinois, Louisville, Kentucky, Cincinnati, Ohio, and Columbus, Ohio.

The current population is estimated at 2.07 million, rising an average of 1.0 percent annually since 2010.

The diverse economy of the HMA, with historic strengths in the pharmaceutical, insurance and financial services, and automobile manufacturing industries, along with emerging strengths in the transportation and logistics and high-tech industries, has supported growth and limited the impact of national recessions.

Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong, but Slowing: During the 12 months ending September 2019, total nonfarm payroll jobs increased 0.8 percent, slowing from a 1.4-percent increase during the previous 12 months.

Nonfarm payroll jobs in the HMA recovered from the Great Recession in 2012, 2 years before the nation, and have been increasing each year since. The transportation and utilities sector is the fastest-growing sector in the current period of expansion, increasing 25 percent, or by 14,400 jobs, since 2013. The professional and business services sector added the most jobs, 30,400 jobs or 21 percent, and has been the largest employment sector since 2013. During the 3-year forecast period, job growth is expected to average 0.8 percent annually, consistent with the current rate of growth.

Sales Market

Slightly Tight. The average home sales price in the HMA rose 5 percent during the 12 months ending September 2019.

The average home sales price in the HMA has increased each year since 2010, exceeding the prerecession high in 2013. During the 12 months ending September 2019, total home sales fell 3 percent compared with the previous 12 months, continuing a period of year-over-year decline that began in late 2018. Prices have risen and total sales have fallen, partially due to the limited inventory of homes for sale, which was 2.5 months in September 2019, down from 2.7 months a year earlier. During the 3-year forecast period, demand is expected for 19,350 homes, and the 2,500 homes under construction are expected to meet a portion of the demand.

Rental Market

Slightly Tight. The rental market vacancy rate in the HMA is currently estimated at 8.5 percent, down from 12.0 percent in 2010 when conditions were slightly soft.

A portion of demand in the HMA for rental housing during the early 2010s was met by single-family homes shifting to renter occupancy, but some of those homes have returned to the sales market because sales market conditions improved. The resulting reduction in available rental inventory has contributed to the tightening of conditions in the overall rental market. The apartment market is also slightly tight, with a vacancy rate of 4.5 percent during the third quarter of 2019, down from 5.1 percent a year ago. The average apartment rent increased 5 percent year-over-year, faster than the 3-percent increase for the nation. During the 3-year forecast period, demand for an additional 10,900 rental units is expected. The 3,800 units under construction are expected to meet a portion of that demand.

TABLE OF CONTENTS

3-Year Housing Demand Forecast

		Sales Units	Rental Units
Indianapolis HMA	Total Demand	19,350	10,900
	Under Construction	2,500	3,800

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2019. The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Professional and Business Services

The logistics and distribution and high-tech industries have become a larger share of payroll jobs in the 2010s, complementing the historical employment base in the manufacturing sector and the finance and insurance industry.

Primary Local Economic Factors

The logistics and distribution and high-tech industries have emerged with greater prominence in the Indianapolis HMA since the Great Recession. Complementing the existing FedEx Corporation distribution hub at the Indianapolis International Airport and CSX Transportation intermodal railroad hub are new Amazon.com, Inc., Kohl's Corporation, Chewy, Inc., and several foodservice distribution centers that opened in the current decade. These companies contributed to approximately 17,000 additional jobs in the logistics and distribution industry since 2010 (Quarterly Census of Employment and Wages). Amazon.com, Inc. and FedEx Corporation are among the largest employers in the HMA (Table 1). In the high-tech-industry, which generally includes companies in the professional and business services sector, the number of large high-tech firms with 1,000 or more employees has increased from one in the early 2010s to three currently as international high-tech firms opened offices in the HMA. Salesforce.com, Inc. opened an office in downtown Indianapolis in 2016, and InfoSys Limited, an IT consulting firm, opened an office in 2017, joining ANGI Homeservices Inc., the operator of household service review repository Angie's List, as large high-tech employers in the HMA.

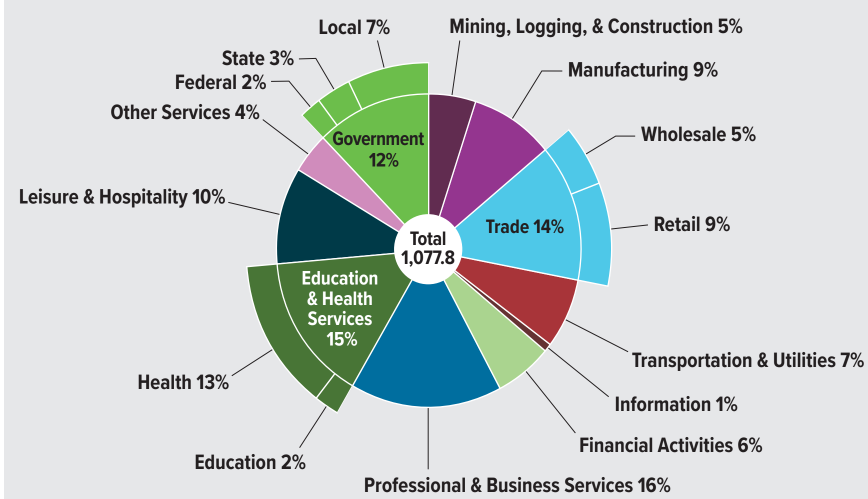
In addition to growth in these new industries, the manufacturing sector and the finance and insurance industry, which have been a part of the economy for decades, remain an integral part of the economy. The manufacturing sector has generally added jobs each year since 2012, currently accounting for 9 percent of total nonfarm payroll jobs (Figure 1), reversing from the declining payroll

Table 1. Major Employers in the Indianapolis HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Indiana	Government	33,500
Indiana University Health	Government	23,200
St. Vincent Hospitals & Health Center	Education & Health Services	17,400
Federal Government	Government	16,900
Community Health Network	Education & Health Services	11,350
Eli Lilly and Company	Manufacturing	10,000
Walmart Inc.	Wholesale & Retail Trade	8,925
Kroger Co.	Wholesale & Retail Trade	7,675
Amazon.com, Inc.	Wholesale & Retail Trade	5,000+
FedEx Corporation	Transportation & Utilities	5,000

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

Figure 1. Share of Nonfarm Payroll Jobs in the Indianapolis HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through September 2019.
Source: U.S. Bureau of Labor Statistics

trends of the 2000s. The diverse array of employers within the manufacturing sector, including pharmaceutical manufacturer Eli Lilly and Company, engine builder Rolls-Royce Holdings plc, and smaller companies affiliated with the automotive industry and the Indianapolis Motor Speedway, have supported slow but sustained post-recession growth. The finance and insurance industry, including companies such as Navient Corporation, Government Employees Insurance Company (GEICO), and Liberty Mutual Insurance, has also supported growth in the HMA, with approximately 6,800 jobs added industry-wide since 2010.

Current Conditions—Nonfarm Payrolls

The economy in the Indianapolis HMA has been expanding since 2011, but growth slowed during the 12 months ending September 2019 compared with the previous 12 months, rising at a pace below the average annual gain from 2011 through 2017. Total nonfarm payrolls increased by 8,700 jobs, or 0.8 percent, during the most recent 12 months (Table 2), slowing from a gain of 14,600 jobs, or 1.4 percent during the previous 12 months and an average annual gain of 21,000 jobs, or 2.2 percent, from 2011 through 2017.

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Indianapolis HMA, by Sector

	12 Months Ending September 2018	12 Months Ending September 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,069.1**	**1,077.8**	**8.7**	**0.8**
Goods-Producing Sectors	142.9	146.4	3.5	2.4
Mining, Logging, & Construction	51.3	53.0	1.7	3.3
Manufacturing	91.7	93.4	1.7	1.9
Service-Providing Sectors	926.2	931.4	5.2	0.6
Wholesale & Retail Trade	153.5	152.9	-0.6	-0.4
Transportation & Utilities	71.4	73.1	1.7	2.4
Information	14.0	13.1	-0.9	-6.4
Financial Activities	68.9	67.7	-1.2	-1.7
Professional & Business Services	171.7	172.3	0.6	0.3
Education & Health Services	159.0	163.2	4.2	2.6
Leisure & Hospitality	109.2	108.2	-1.0	-0.9
Other Services	46.0	46.2	0.2	0.4
Government	132.4	134.7	2.3	1.7

Notes: Based on 12-month averages through September 2018 and September 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

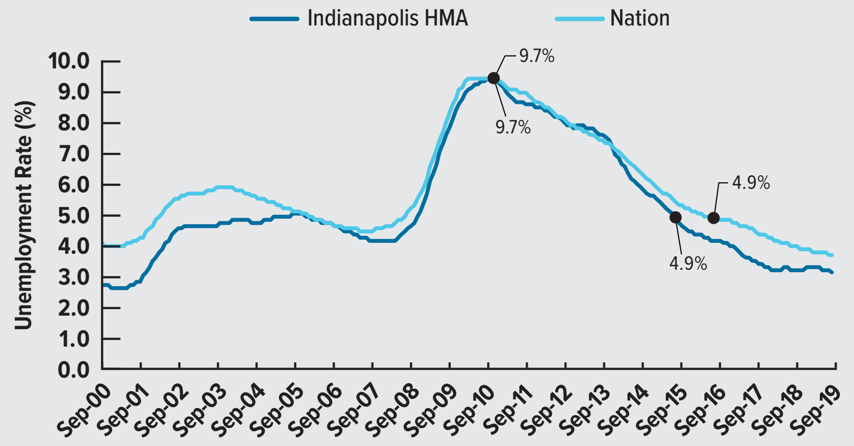
During the most recent 12 months, the number of jobs added in the goods-producing sectors was higher than the number added during the previous 12 months, while the number of jobs added in the service-providing sectors was lower. Payroll expansion occurred in the goods-producing sectors and five of the nine service-providing sectors. The education and health services sector led growth during the most recent 12 months, increasing by 4,200 jobs, or 2.6 percent. The opening of new healthcare facilities, including the William K. Nasser, MD, Healthcare Education and Simulation Center, which is part of the St. Vincent healthcare system, and the Goodman Campbell Brain and Spine facility, supported job growth. The mining, logging, and construction sector was the fastest growing, expanding 3.3 percent, or by 1,700 jobs. Rapid job growth in the sector was supported by the construction of the first Bus Rapid Transit (BRT) line in the city of Indianapolis, which opened in September 2019.

Nonfarm payroll jobs declined in four sectors during the most recent 12 months. The largest decline was in the financial activities sector, down by 1,200 jobs, or 1.7 percent, compared with a gain of 2,500 jobs, or 3.7 percent, during the previous year. The closure of a State Farm office, laying off 100 employees, contributed to the decline. The leisure and hospitality and the wholesale and retail trade sectors also shifted from gains during the previous 12 months to losses during the most recent 12 months.

Current Conditions—Unemployment

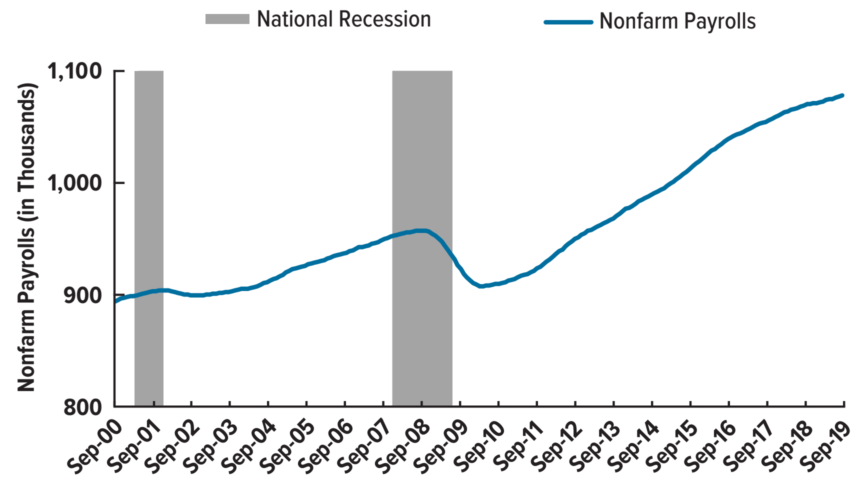
The unemployment rate in the HMA has generally matched or been lower than the nation since 2000 (Figure 2). In the HMA, the unemployment rate averaged 3.1 percent during the most recent 12 months, down slightly from 3.2 percent during the previous 12 months. The 12-month average rate in the HMA peaked during the 12 months ending November 2010 at 9.7 percent, and has fallen since then, averaging below 5.0 percent since the 12 months ending August 2015. By comparison, the unemployment rate for the nation averaged 3.7 percent during the most recent 12 months, down from 4.0 percent during the previous 12 months. The rate for the nation also peaked at 9.7 percent during the 12 months ending November 2010 but has only averaged below 5.0 percent since the 12 months ending August 2016.

Figure 2. 12-Month Average Unemployment Rate in the Indianapolis HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Figure 3. 12-Month Average Nonfarm Payrolls in the Indianapolis HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Economic Periods of Significance

2001 through 2008

Nonfarm payroll jobs in the Indianapolis HMA expanded during 7 of the first 8 years of the 2000s. Job growth averaged 7,100 jobs, or 0.8 percent, annually from 2001 through 2008, an average that includes a loss of 4,300 jobs, or 0.5 percent, during 2002 (Figure 3). Gains were concentrated in the service-providing sectors, including additions in the education and health services and the professional and business services sectors, averaging 3,400 and 2,600 jobs, or 3.2 and 2.2 percent, annually, respectively. As the sectors grew, each became a more significant part of the economy. The professional and business services sector, which includes some, but not all, finance and insurance and high-tech companies, expanded from 12 percent of the total jobs in the HMA in 2000, to 14 percent in 2008. The education and health services sector expanded from 10 to 13 percent of nonfarm payroll jobs during the same period.

Offsetting job growth in the service-providing sectors, the manufacturing sector declined by an average of 2,900 jobs, or 2.6 percent, a year during the same 8-year period, shrinking from 14 to 10 percent of total jobs. The financial activities sector, which includes the banking industry, was relatively stable during the early portion of the decade, but payrolls declined in the mid to late portion of that decade as early effects of the Great Recession led to job loss in the sector. From 2001 to 2008, the financial activities sector declined by an average of 400 jobs, or 0.6 percent, annually, with job loss concentrated in 2007 and 2008.

2009 through 2010

As a result of the Great Recession, job loss occurred in the HMA from 2009 through 2010, with payrolls falling by an average of 21,200 jobs, or 2.2 percent, annually. During the 2-year period, payrolls in the nation declined an average of 2.5 percent annually, a relatively faster decline compared with the HMA. Jobs lost in the HMA in the goods-producing sectors accounted for 60 percent of total job loss. The most severe losses were in the manufacturing sector, which declined by an average of 7,000 jobs, or 7.4 percent, annually, continuing a decade-long period of decline. The education and health services sector was the only sector to add jobs from 2009 through 2010, expanding by an average of 5,400 jobs, or 4.4 percent, annually.

2011 through 2017

Nonfarm payroll jobs in the Indianapolis HMA increased from 2011 through 2017, supported by gains in both the goods-producing and service-providing sectors. Jobs exceeded the 2008 prerecession high by late-2012, nearly 2 years before the nation, and have continued to expand each year since.

Supporting recovery early in the 2010s were several public-private partnerships, including the $63 million construction of the Indianapolis Cultural Trail. Opened in 2013, the trail supported attraction of corporate offices to downtown Indianapolis and strengthened the appeal of entertainment districts nearby, resulting in an economic impact of $864 million in 2015. All sectors except the information sector added jobs from 2011 through 2017, and eight sectors expanded faster during the period than in the 2001-through-2008 period. The professional and business services sector grew the fastest, up an average of 4.2 percent, or 6,100 jobs, annually. The transportation and utilities sector, which includes logistics and distribution companies, expanded faster than during the previous period of growth, increasing an average of 4.0 percent, or 2,400 jobs, annually from 2011 through 2017, well above the average annual increase of 1.8 percent, or 900 jobs, from 2001 through 2008. A $170 million expansion of the FedEx Corporation facility adjacent to the Indianapolis International Airport in 2016 supported job growth at the company and other companies in the sector, including 425 additional jobs at Knight-Swift Transportation Holdings Inc., a trucking and logistics firm.

Payrolls in the manufacturing sector declined in the early 2010s before shifting to a period of expansion beginning in 2012. During 2010 and 2011, manufacturing sector payrolls fell by an average of 1,800 jobs, or 2.0 percent, well below average annual losses during the 2000s; conversely, payrolls in the sector increased, by an average of 1,400 jobs, or 1.6 percent, annually from 2012 through 2017. Hiring gains at manufacturing companies include 300 jobs at NTN Driveshaft, Inc., 160 jobs at Heartland Food Products Group, and 160 jobs at Schlage lock company.

Jobs by Neighborhood and Commuting Trends

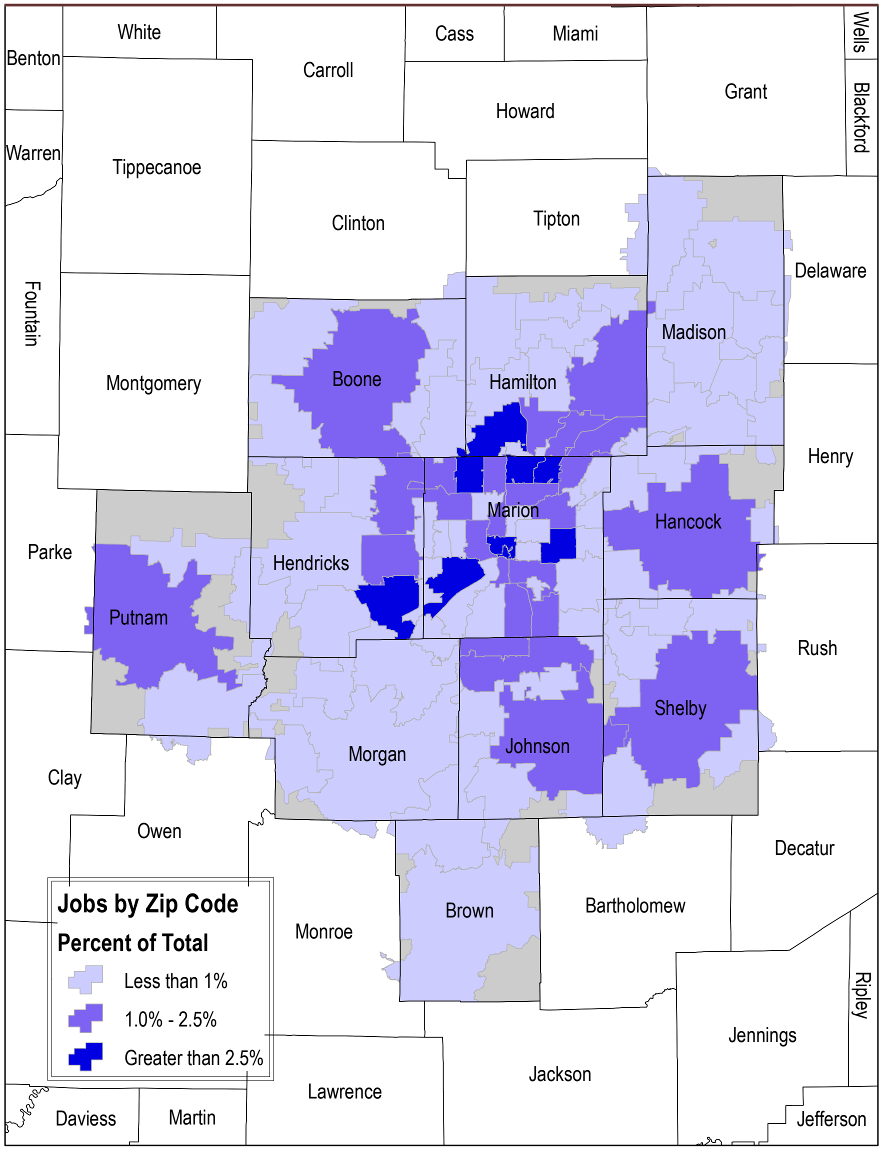
Within the HMA, jobs are concentrated in several neighborhoods, with different industries concentrated in each area. The downtown Indianapolis business district, which includes the Indiana Statehouse capitol building, Indiana University-Purdue University Indianapolis (IUPUI), and IU Health, accounts for approximately 15 percent of all jobs in the HMA (Map 3). A series of office parks in northern Marion County and southern Hamilton County are the locations of an additional 15 percent of all jobs, including one-third of all jobs in the finance and insurance industry. The area surrounding the Indianapolis International Airport in southwestern Marion County, as well as adjacent southeastern Hendricks County, account for 7 percent of all jobs, including nearly one-third of total jobs in the transportation and warehousing industry.

There are no large MSAs adjacent to the HMA that impact commuting patterns, so most jobs in the HMA are filled by residents. Approximately 80 percent of jobs are filled by a worker living in the HMA, and most of the remaining 20 percent are filled by residents of other MSAs in Indiana (U.S. Census, OnTheMap, 2017). Among working residents of the HMA, 86 percent work within the HMA and most of the remaining 14 percent work elsewhere in the state.

Employment Forecast

During the 3-year forecast period, job growth is expected to average 0.8 percent annually, which is below the 2011-through-2017 average rate and the same as the rate during the most recent 12 months. Indy Chamber-announced company expansions and relocations into the HMA—which generally occur over

Map 3. Share of Jobs by Zip Code in the Indianapolis HMA



Source: U.S. Census, OnTheMap, 2017

a multi-year period after the announcement—totaled 7,950 jobs during the most recent 12 months, down from 11,900 jobs during the previous 12 months and an average of 10,750 jobs during 2015 and 2016.

Sectors and industries that have demonstrated growth during the current period of expansion, including the manufacturing sector, the high-tech industry and the logistics and distribution industry, are expected to support continued job gains during the forecast period. Announced job growth in the manufacturing sector includes 500 jobs at Cummins Inc., an automotive engine manufacturer, 460 jobs at Greenleaf Foods, SPC, and 300 jobs at Allison Transmission, Inc. Building on the skill set of Salesforce.com, Inc. employees, two other customer relations management software companies, ActiveCampaign and Bloomerang, are expected to hire a total of 300 workers. An Amazon.com, Inc. fulfillment center, the fifth in the HMA, opened in August 2019 and is expected to hire 1,000 workers. All hiring announcements are expected to be fulfilled during the forecast period.

Population and Households

Current Population: 2.07 million

> A decline in net natural increase (resident births minus resident deaths) has contributed to slower population growth in the current decade compared with the 2000s.

Population Trends

Strong job growth, a relatively quick recovery from the Great Recession, and a moderate cost of living have supported population growth in the Indianapolis HMA during the past two decades. The city of Indianapolis was ranked seventh on the U.S. News list of Best Affordable Places to Live in the U.S. in 2019, and the HMA was featured in a 2019 Manhattan Institute report on Midwest Success Stories.

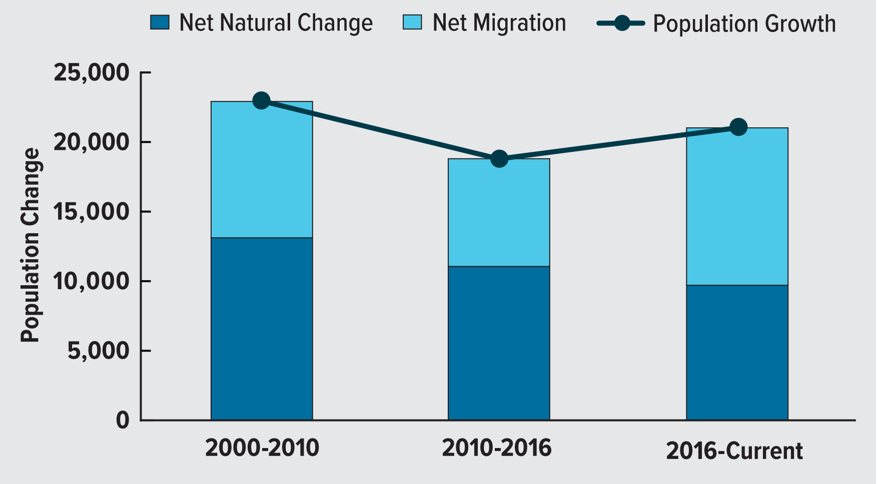
Population growth is lower in the current decade compared with the previous one, mostly because of a reduction in net natural increase. Elevated in-migration since 2016 has supported relatively higher population growth, but growth remains below the average during the 2000s. From 2000 to 2010, population growth was fairly steady each year, averaging 22,950 people, or 1.3 percent (Table 3), with net natural increase accounting for 57 percent of population growth during the decade, or an average of 13,100 people each year (Figure 4). Population growth declined to an average of 18,800 people, or 1.0 percent, annually from 2010 to 2016, with net natural increase accounting for 59 percent of that growth, or an average of 11,050 people annually.

Table 3. Indianapolis HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	1,887,877	2,074,000	2,128,000
	Average Annual Change	22,950	19,600	17,950
	Percentage Change	1.3	1.0	0.9
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	732,184	809,800	833,800
	Average Annual Change	8,425	8,175	8,025
	Percentage Change	1.2	1.1	1.0

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 4. Components of Population Change in the Indianapolis HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

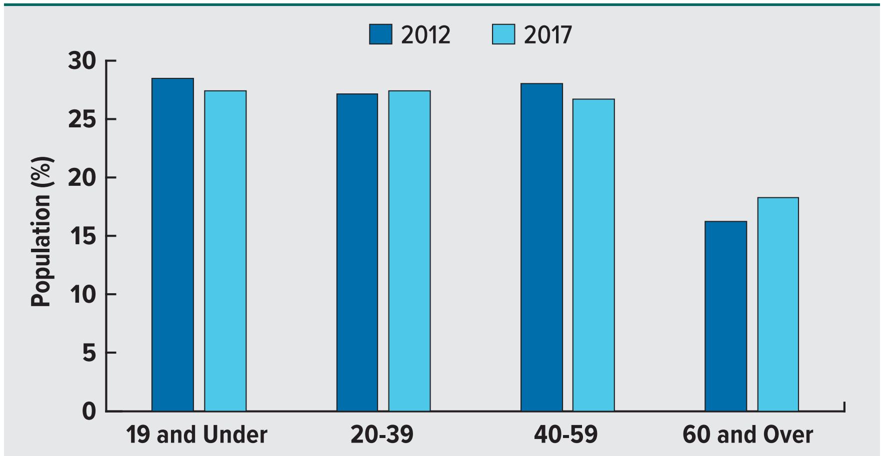
Since 2016, net natural change has fallen further, but rising net in-migration resulted in a slight increase in total population growth, averaging 21,050 people, or 1.0 percent, annually. Net natural increase averaged 9,725 people a year, or 46 percent of growth. Net in-migration accounted for the majority of population growth, as the emerging high-tech industry draws workers from outside the HMA.

Age Cohort Trends

In recent years the share of older residents has risen while the share of youth has fallen. The share of residents age 60 and older averaged 18 percent of the total population from 2013 to 2017, up from 16 percent during the previous 5-year period; during the same period, residents age 19 and younger accounted for 28 percent of the population, down from 29 percent (Figure 5). The share of young adults age 20 through 39 was relatively stable, and the share of older working-age adults, age 40 through 59, declined 1 percentage point as more adults in the relatively large "baby boom" generation age into their 60s. The growing share of older residents has contributed to lower net natural increase.

Most in-migrants are youth and young adults, age 34 or younger; seniors age 65 and older account for less than 5 percent of in-migrants. The growing number of seniors in the HMA is mostly because of residents aging in place.

Figure 5. Population by Age Range in the Indianapolis HMA

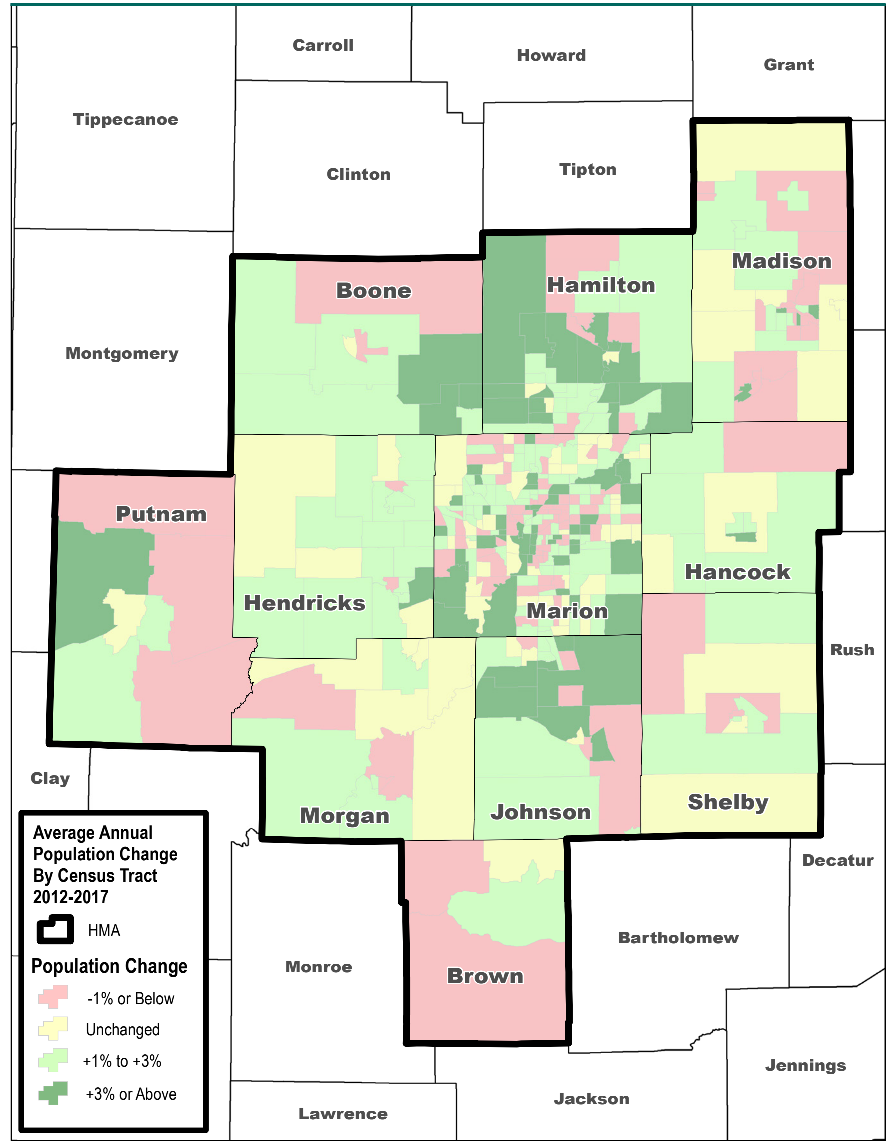


Sources: U.S. Census Bureau, 2008–2012 and 2013–2017 American Community Survey, 5-year estimates, with adjustments by the analyst

Population by Geography

The current population, as well as the population growth in the HMA, are concentrated in Marion and Hamilton Counties. Approximately 47 percent of HMA residents live in Marion County, with 16 percent in Hamilton County and 37 percent in the remaining nine counties. Marion and Hamilton, the two largest counties, also had the largest population gains since 2010, up by an average of 6,225 and 6,725 people, or 0.7 and 2.3 percent, a year, respectively. By census tract, most of the fastest-growing areas were also in Marion and Hamilton Counties (Map 4), in or near neighborhoods with a high concentration

Map 4. Average Annual Population Change by Census Tract in the Indianapolis HMA, 2012-2017



Source: 2012–2017 American Community Survey 5-year data of jobs. Portions of southeastern Boone and northern Johnson Counties were also relatively fast-growing partially because homes were built in previously undeveloped areas proximate to existing population and employment centers.

Only two counties, Putnam and Madison, lost population since 2010, falling by an average of 240 and 20 people, or 0.2 and 0.1 percent, annually, respectively. Putnam County is relatively rural and somewhat far from the highest concentrations of jobs in the HMA. Residents moved out to be closer to jobs and services. Before 2013, Madison County was a separate MSA, the Anderson, IN MSA. A declining number of manufacturing jobs in the county, along with residential development in the southwest portion of the county, near Hamilton County, resulted in a larger share of residents commuting to Hamilton and Marion counties; the county merged with the Indianapolis-Carmel MSA to become the Indianapolis-Carmel-Anderson, IN MSA in 2013.

Population Forecast

During the next 3 years, population growth is expected to continue, but at a slower rate compared with the rate since 2010. Net natural increase is expected to continue to decline as the share of older residents rises. Lower net in-migration is expected because of anticipated slower job growth, attracting fewer residents to the HMA. Population growth is expected to average 17,950 people, or 0.9 percent, annually during the forecast period.

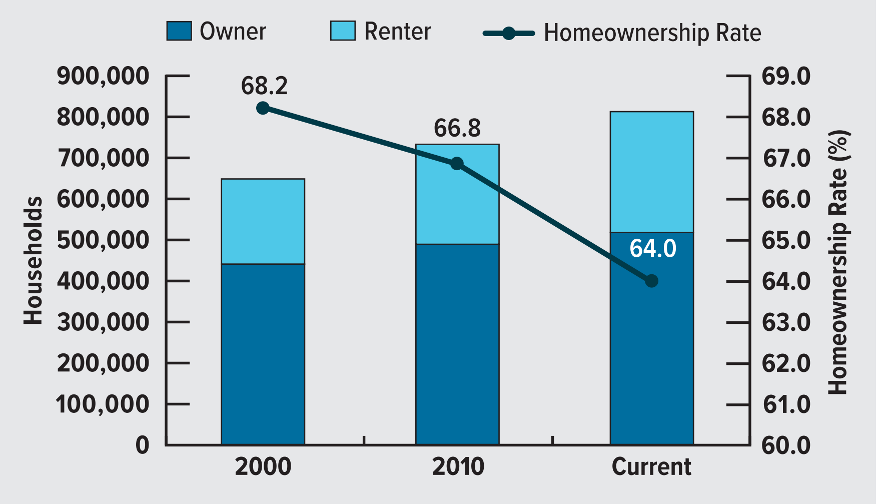
Household Trends and Forecast

Household growth has also slowed in the current decade compared with the 2000s, coinciding with slower population growth in the current decade. The number of households is currently estimated at 809,800, with an average annual increase of 8,175 households, or 1.1 percent a year since 2010, slowing from an average annual increase of 8,425 households, or 1.2 percent a year from 2000 to 2010.

The homeownership rate is down from the 2000 and 2010 rates, and has declined faster in the current decade. Renter households accounted for 63 percent of household growth in the current decade, a larger share of growth compared with the 2000s when renter households accounted for only 44 percent of additional households. The current homeownership rate is estimated at 64.0 percent, down from 66.8 percent in 2010, and 68.2 percent in 2000 (Figure 6).

During the next 3 years, household growth is expected to slow from the current rate as population growth also slows. An average increase of 8,025 households, or 1.0 percent a year, is expected.

Figure 6. Households by Tenure and Homeownership Rate in the Indianapolis HMA



Note: The current date is October 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market Conditions

Market Conditions: Slightly Tight

Home sales prices have been rising since 2010 due to improved economic conditions and a low inventory of homes for sale. Home sales declined during the most recent 12 months, continuing a period of decline that began in late-2018 when relatively few homes for sale constrained the number of homes sold.

Current Conditions

The home sales market in the Indianapolis HMA is slightly tight, improving from soft conditions in 2010. The vacancy rate is currently estimated at 1.3 percent (Table 4), down from 2.7 percent in 2010. Rapid economic recovery from the Great Recession, lower levels of home construction compared with the 2000s, and a relatively affordable median home sales price supported improved home sales market conditions in the current decade. The median home price in the HMA was affordable to 89 percent of households in the HMA during the third quarter of 2019, compared with 64 percent of households for the nation (National Association of Home Builders). Nearly all owner-occupied homes in the HMA are single-family homes, with just 4 percent of owner units in multifamily buildings or other housing types in 2018, unchanged from 2010 (2010 and 2018 American Community Survey, 1-year data).

Table 4. Home Sales Quick Facts in the Indianapolis HMA

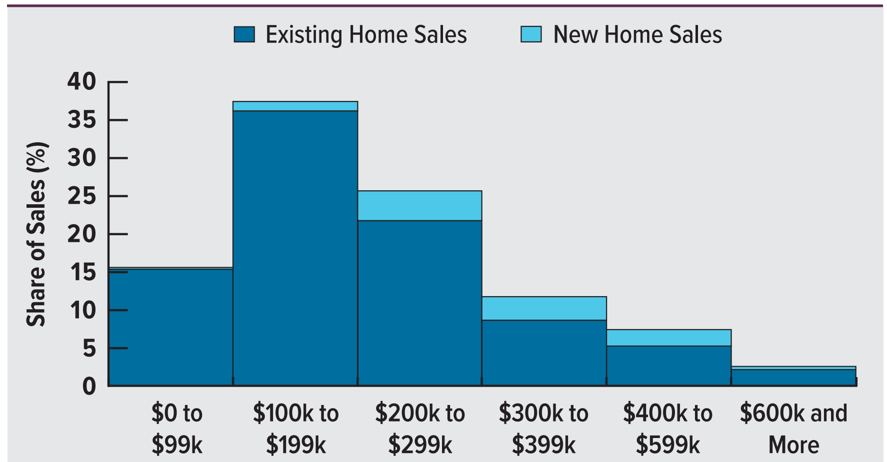
		Indianapolis HMA	Nation
Home Sales Quick Facts	Vacancy Rate	1.3%	NA
	Months of Inventory	2.5	4.1
	Total Home Sales	50,400	5,811,000
	1-Year Change	-3%	-1%
	Total Home Sales Price	$226,400	$320,700
	1-Year Change	5%	2%
	Mortgage Delinquency Rate	1.4%	1.4%

NA = data not available.
Notes: The vacancy rate is as of the current date (October 1, 2019). Home sales and prices are for the 12 months ending September 2019. Months of inventory and mortgage delinquency data are as of September 2019.
Sources: Months of inventory—National Association of Realtors and Indiana Association of REALTORS®; homes sales and prices—Metrostudy, A Hanley Wood Company; mortgage delinquency rate—CoreLogic, Inc.

During the 12 months ending September 2019, average home sales prices rose, while total sales declined compared with the previous 12 months. A low inventory of homes for sale, measuring 2.5 months in September 2019, down from 2.7 months in September 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 average home sales price continued a decade-long period of growth that began in 2010 and increased 5 percent to $226,400 during the most recent 12 months. Total home sales, including new and existing home sales, declined 3 percent year-over-year to 50,400 homes sold during the 12 months ending September 2019, continuing a period of decline that began in late 2018. The previous period of decline occurred from mid-2014 through early 2015.

Existing home sales accounted for approximately 90 percent of all homes sold during the 12 months ending September 2019. Most existing homes sold for less than $200,000, while most new construction home sales prices were between $200,000 and $399,999 (Figure 7).

Figure 7. Share of Sales by Price Range During the 12 Months Ending September 2019 in the Indianapolis HMA

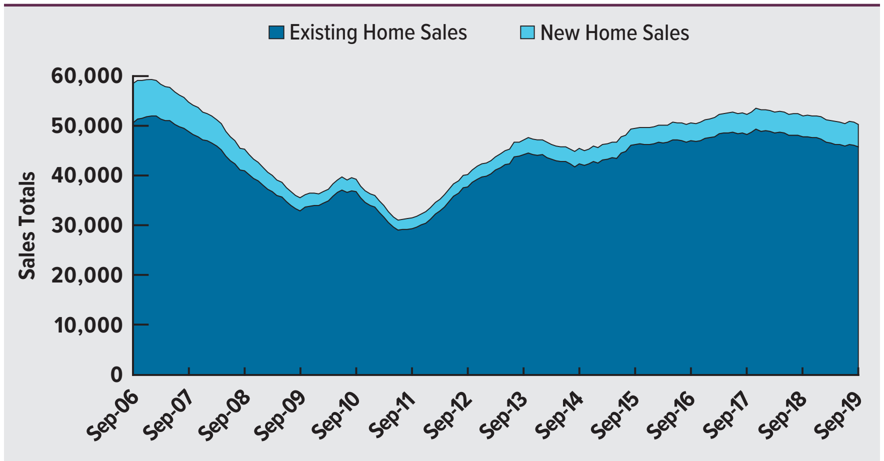


Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

Home Sales

Total home sales peaked in 2006 (Figure 8), nearly 2 years before the pre-Great Recession nonfarm payroll peak, and reached a low in 2011. Home sales totaled 59,300 in 2006 and fell by an average of 5,300 home sales, or 11 percent, annually during the Great Recession and recovery, to a low of 32,850 in 2011. Home sales began to increase in 2012 when the economy in the HMA transitioned from recovery to expansion. Economic expansion supported an average annual increase of 3,400 homes sold, or 8 percent a year, from 2012 through 2017 to 53,250 homes sold during 2017. Since 2018, home sales have declined, partially because of slower job growth and a low inventory of homes for sale. Home sales have declined by an average of 1,625 homes sold, or 3 percent, a year since 2018.

Figure 8. 12-Month Sales Totals by Type in the Indianapolis HMA



Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

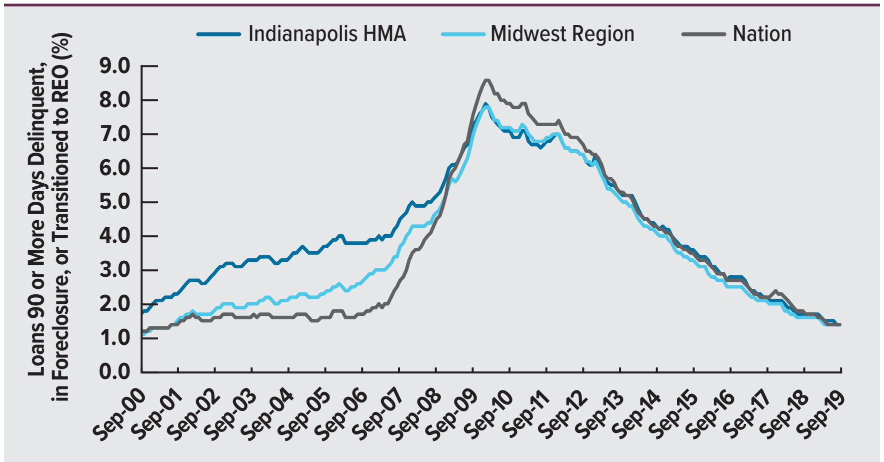
New home sales during the 2000s were a larger part of the home sales market than during 2010s, but they have increased in recent years as low inventory of existing homes for sale has shifted a portion of demand to new construction. New home sales made up 12 percent of total sales during the peak in 2006, 7 percent during the low in 2011, and 9 percent during the 12 months ending September 2019.

Distressed sales have also become a smaller part of the home sales market in recent years as economic conditions strengthened. From 2008 through 2012, distressed sales accounted for 39 percent of all home sales, but have declined each year since 2012, accounting for only 6 percent of total sales during the 12 months ending September 2019.

REO Sales and Delinquent Mortgages

During the early to mid-2000s, the rate of seriously delinquent mortgages and real estate owned (REO) properties in the HMA was higher than the HUD-defined Midwest region and the nation, but current rates are similar (Figure 9). The impact of the foreclosure crisis in the HMA was relatively similar to the Midwest region and less severe than the nation. The rate peaked in all three areas during the same month, January 2010, at 7.9 percent for the HMA, 7.8 percent for the Midwest region, and 8.6 percent for the nation. The rate in all three areas fell to 1.4 percent during September 2019, down from 1.7, 1.6, and 1.8 percent, respectively, a year earlier.

Figure 9. Percentage of Loans 90 or More Days Delinquent, in Foreclosure, or Transitioned to REO in the HMA, Midwest Region, and Nation

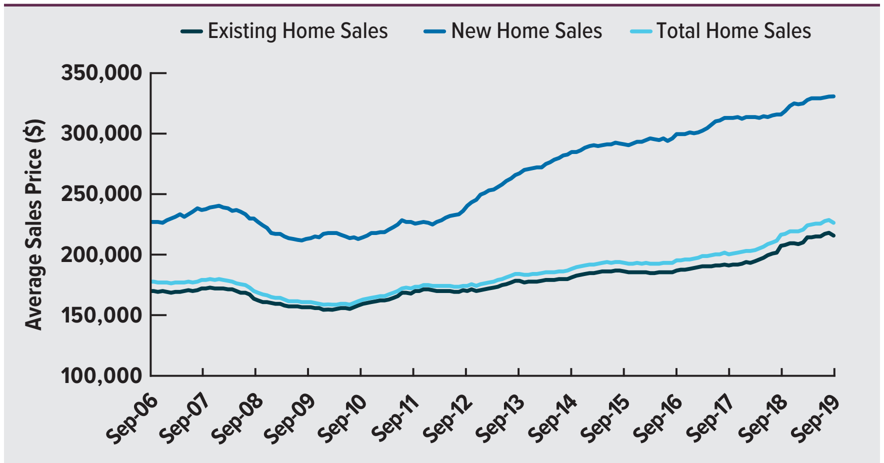


Midwest region = Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin. REO = real estate owned.
Source: CoreLogic, Inc., with estimates by the analyst

Home Sale Prices

The average home sales price reached a prerecession peak in 2007 (Figure 10), 1 year after total home sales peaked, and has been above the prerecession high since 2013, 1 year after home sales began to rise. In 2007, the average home sales price was $179,700, falling an average of $10,350, or 6 percent, annually to a low of $158,900 in 2009. Since 2010, the average home sales price increased an average of 4 percent, or $6,925, annually to $226,400 currently. The current average price is $46,700, or 26 percent above the prerecession high and $67,500, or 42 percent, above the recession-era low. The declining number of distressed sales, which have an average sales price 30 to 45 percent below the average total sales price, has also contributed to rising average prices as fewer low-priced homes are sold.

Figure 10. 12-Month Average Sales Price by Type of Sale in the Indianapolis HMA



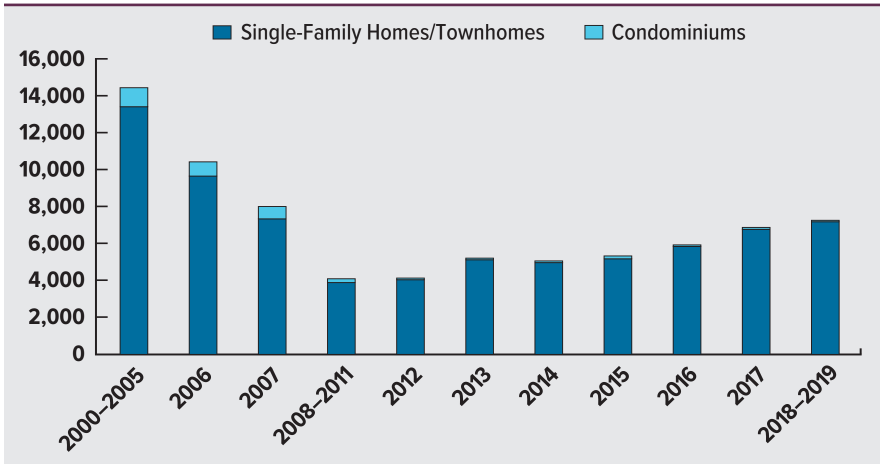
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The gap between the average new and existing home sales prices has widened since 2007. The average new and existing home sales prices were $240,200 and $172,500 in 2007, a 39-percent difference; whereas, the average new and existing home sales prices were $331,000 and $216,000 during the 12 months ending September 2019, a 53-percent difference.

Sales Construction Activity

Homebuilding, 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. After declining by an average of 3,375 homes permitted a year from 2006 through 2008, permitting averaged 4,100 homes annually during the recession-era low period from 2008 through 2011 (Figure 11). Full recovery from recession-era job loss in 2012 and economic expansion supported an average increase of 530 homes permitted each year from 2012 through 2018 to a high of 7,400 homes. In response to slowing job growth during the 12 months ending September 2019, single-family home permitting has fallen to 6,825 homes, down from 7,200 homes during the previous 12 months (preliminary data, with adjustments by the analyst).

Figure 11. Average Annual Sales Permitting Activity in the Indianapolis HMA

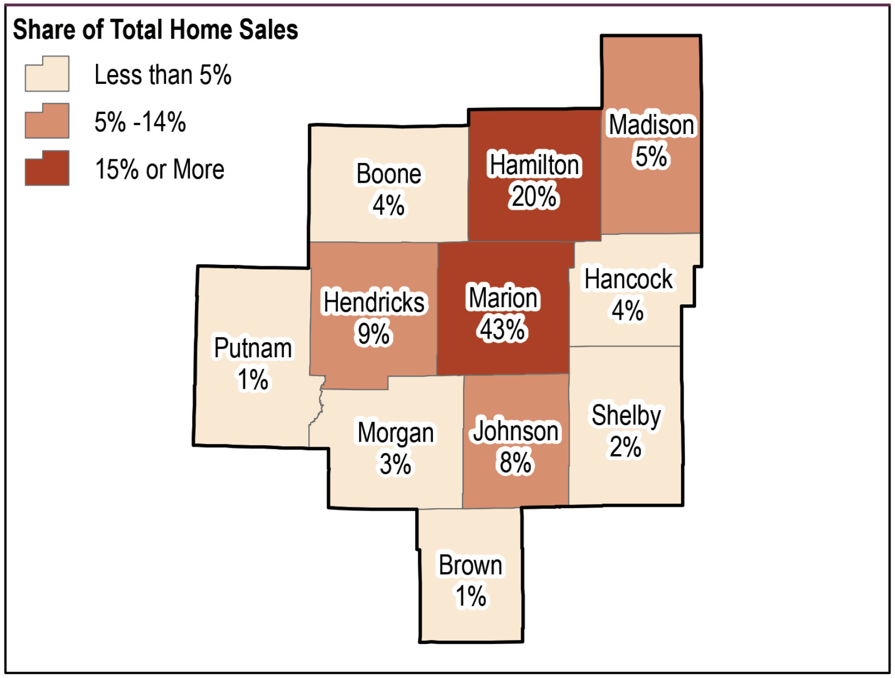


Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through September 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

Sales, Prices, and Construction Activity by County

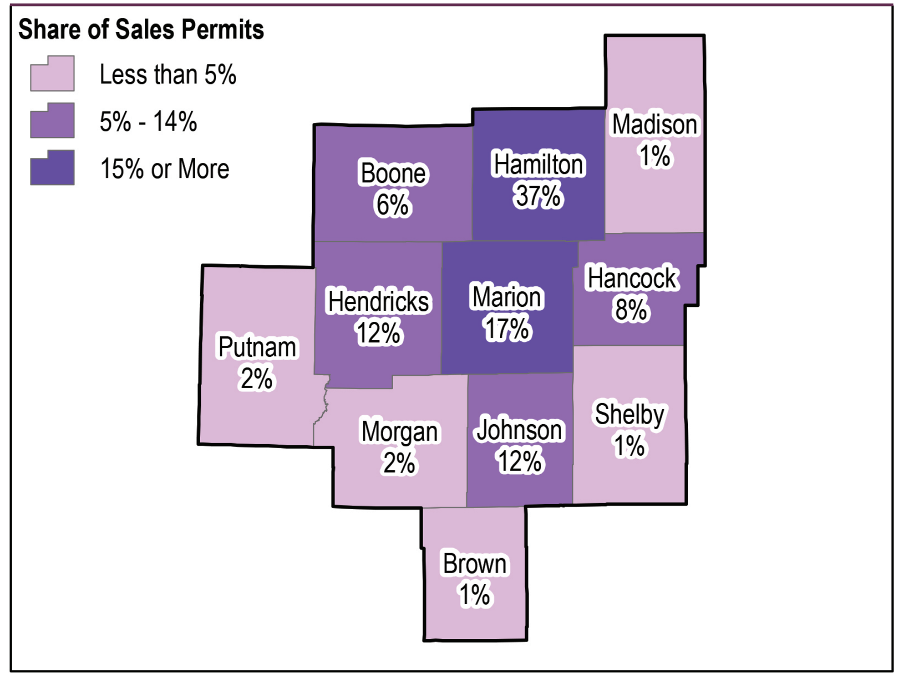
Within the Indianapolis HMA, homes sales and homebuilding tend to be concentrated in Marion and Hamilton Counties (Maps 5a and 5b), which are also the

Map 5a. Share of Total Home Sales by County in the Indianapolis HMA



Notes: 12 months ending September 2019. Includes all homes sold through Indiana listing services.
Source: Indiana Association of REALTORS®

Map 5b. Share of Sales Permits by County in the Indianapolis HMA



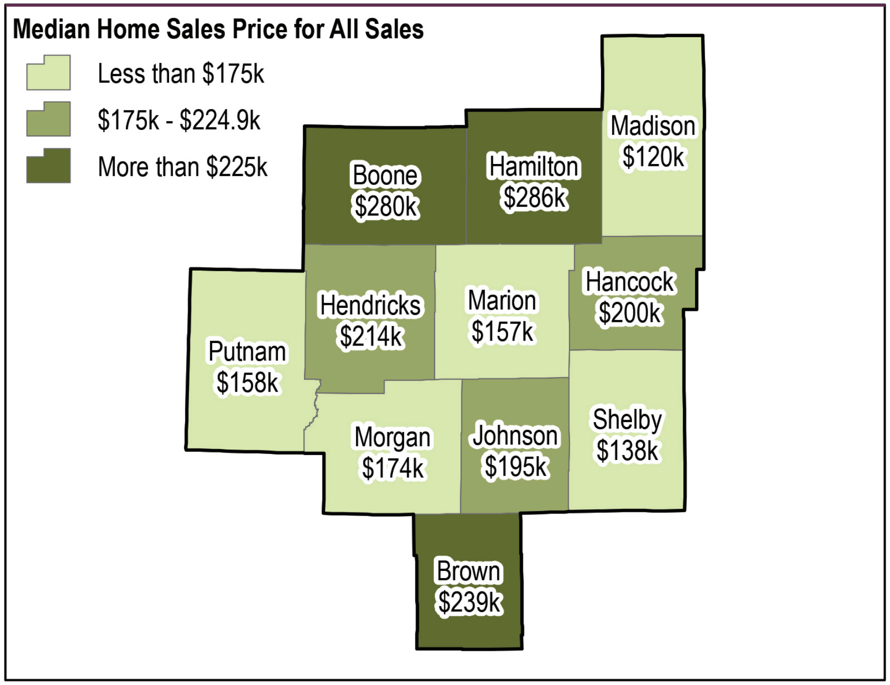
Source: U.S. Census Bureau, Building Permits Survey 2018, with adjustments by the analyst

two counties with the fastest-growing population in the HMA. These counties also include or are proximate to areas with a high concatenation of jobs. Marion County is mostly built-out, with a relatively small portion of vacant land available for development, so fewer homes are permitted in the county, whereas the northern and eastern portions of Hamilton County are generally undeveloped, so more land is available to build.

Home sales prices tend to be higher outside of Marion County (Map 5c), and price growth is stronger (Map 5d). The median home sales price during the 12 months ending September 2019 was highest in Hamilton County, and 8 of the 10 counties in the HMA had a median home sales price that was higher than the median home sales price in Marion County. The three counties with the fastest increase in home sales prices were the farthest from Marion County, while the six counties with price growth similar or slightly higher than Marion County were adjacent. Hamilton County has the highest-priced homes and the slowest price growth.

Indicative of price variation in the HMA and specifically higher prices in Hamilton County, the same model of home, using the same floorplans from the same homebuilder, is listed for approximately $50,000 more, or 16 percent higher, in Hamilton County than in Hendricks County. The variation in price is partially due to variation in land and permitting costs. Ryan Homes is currently

Map 5c. Median Home Sales Price by County for Total Home Sales in the Indianapolis HMA



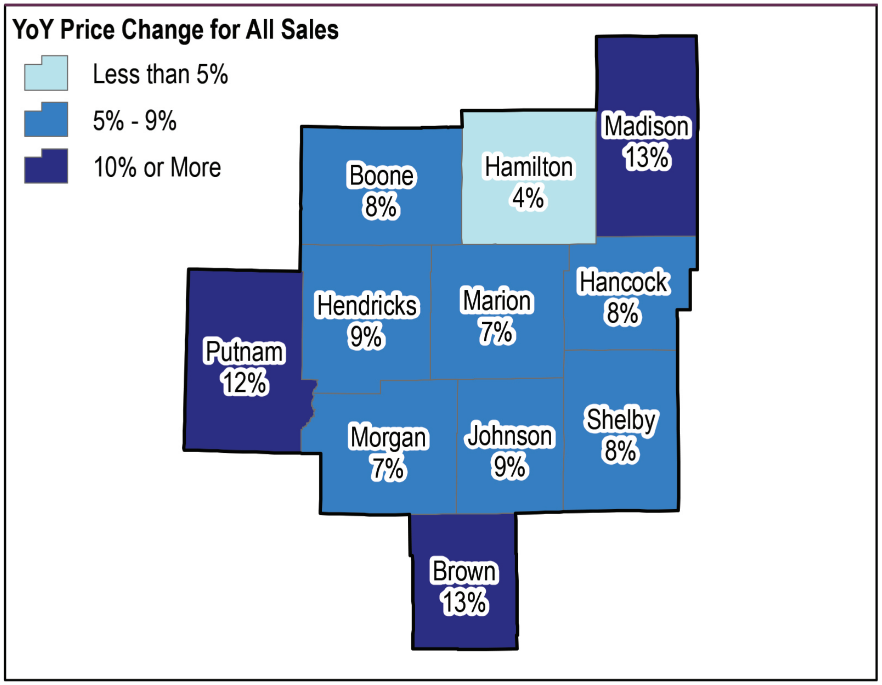
Notes: 12 months ending September 2019. Includes all homes sold through Indiana listing services.
Source: Indiana Association of REALTORS®

building two single-family subdivisions with the same model of home available at the 131-lot Holston Hills subdivision in Noblesville, a suburb in Hamilton County, and a 61-lot phase of the Whitmore Place subdivision in Plainfield, a suburb in Hendricks County. More than one-half of the lots in each subdivision has been sold. The Cumberland model home is listed for sale starting at $360,000 in the Hamilton County subdivision and $310,000 in the Hendricks County subdivision.

Forecast

During the 3-year forecast period, demand is expected for an additional 19,350 homes (Table 5). The 2,500 homes currently under construction are expected to meet a portion of demand during the first year of the forecast period. Slowed

Map 5d. Year-Over-Year Price Change by County for Total Home Sales in the Indianapolis HMA



YoY = year-over-year.
Notes: Price change based on median sales price during the 12 months ending September 2018 and September 2019. Includes all homes sold through Indiana listing services.
Source: Indiana Association of REALTORS®

by expected lower job and population growth, construction is also expected to be slightly below the current level. Approximately three-fourths of demand is expected for homes priced below $400,000.

Table 5. Demand for New Sales Units in the Indianapolis HMA During the Forecast Period

	Sales Units
Demand	19,350 Units
Under Construction	2,500 Units

Note: The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Rental Market Conditions

Market Conditions: Slightly Tight

Apartment construction has been concentrated in areas with relatively higher rent, including downtown Indianapolis and suburban Hamilton County.

Rental Market Conditions

Rental market conditions in the Indianapolis HMA are slightly tight. The overall rental market vacancy rate (including single-family homes, multifamily units, mobile homes, and apartments) is estimated at 8.5 percent, down from 12.0 percent in 2010 (Table 6) when conditions were slightly soft.

Table 6. Rental and Apartment Market Quick Facts in the Indianapolis HMA

		2010 (%)	2018 (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	12.0	8.5
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	38	38
	Multifamily (2–4 Units)	15	14
	Multifamily (5+ Units)	45	46
	Other (Including Mobile Homes)	2	2

		3Q 2019	YoY Change (%)
Apartment Market Quick Facts	**Apartment Vacancy Rate**	4.5	-0.6
	Average Apartment Rent	$922	5
	Studio	$717	-4
	One-Bedroom	$827	4
	Two-Bedroom	$964	5
	Three-Bedroom	$1,145	5

3Q = third quarter. YoY = year-over-year.
Notes: The current date is October 1, 2019. Percentages may not add to 100 percent due to rounding.
Sources: 2010 and 2018 American Community Survey, 1-year data; Real Page, Inc.

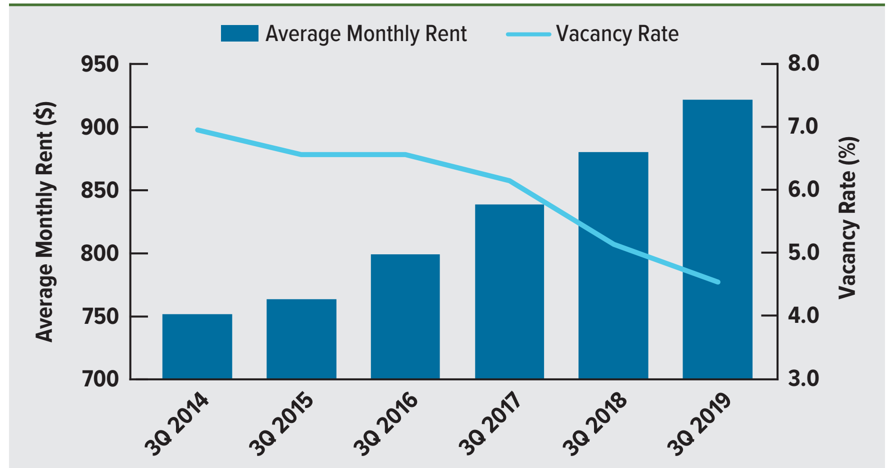
The composition of renter-occupied units in 2018 was relatively similar to that of 2010. Single-family homes accounted for 38 percent, multifamily units were 60 percent, and other types, including mobile homes, were the remaining 2 percent of units in both 2010 and 2018. In the middle portion of the decade, single-family homes accounted for a larger share of renter-occupied units, peaking at 42 percent in 2014. As the home sales market tightened and sales prices increased in recent years, homes that had shifted to renter occupancy because of economic conditions have returned to owner occupancy.

Rental unit construction, as a portion of all homes built, is up in the current decade compared with the 2000s. Rental units accounted for 38 percent of all residential units permitted in the HMA since 2010, compared with 19 percent during the 2000s.

Apartment Market Conditions

Apartment market conditions are also slightly tight, with strong but steady rent growth and a declining vacancy rate (Figure 12). The apartment vacancy rate

Figure 12. Apartment Rents and Vacancy Rates in the Indianapolis HMA



3Q = third quarter.
Source: RealPage, Inc.

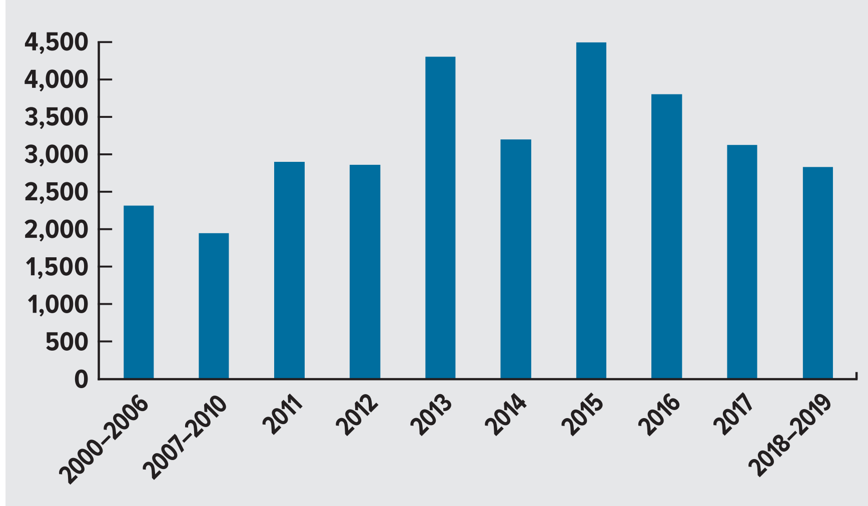
was 4.5 percent during the third quarter of 2019, down from 5.1 percent a year earlier, continuing a period of year-over-year decline since 2015 (RealPage, Inc.). Among the 13 RealPage, Inc.-defined market areas in the Indianapolis HMA, the vacancy rate fell in nine areas, was unchanged in one area, 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 vacancy rate fell from 7.0 percent a year ago to 3.6 percent during the third quarter of 2019, partially because of a decline in vacancy in apartments built before 2000. The largest increase in vacancy was in the Anderson market area, which includes most of Madison County. The rate rose from 3.0 percent a year ago, to 4.4 percent during the third quarter of 2019, partially because the area is relatively far from growing employment centers in Hamilton and Marion Counties.

Rent growth during the third quarter of 2019 continued a period of relatively strong growth that began during 2016. The average rent in the HMA was $922, up 5 percent from a year earlier, and it rose faster than the nation, which increased 3 percent during the same period. Among the 13 RealPage, Inc.-defined market areas in the HMA, 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 the vacancy rate, also had the fastest rent growth—rising 8 percent to $777. Also, experiencing above-average rent growth were the Downtown Indianapolis and the Carmel/Hamilton County market areas, each increasing 6 percent from a year ago. The two areas also have the highest rents at $1,386 and $1,130, respectively, partially because of proximity to employment centers and a relatively large share of new apartments.

Rental Construction Activity

Rental construction activity, as measured by the number of units permitted, is higher in the current decade compared with the 2000s, when single-family homes and other for-sale housing accounted for a larger share of total housing construction. From 2000 through 2006, permitting averaged 2,300 units a year before falling to an average of 1,925 units annually from 2007 through 2010 (Figure 13), when economic conditions were weaker. Construction increased as

Figure 13. Average Annual Rental Permitting Activity in the Indianapolis HMA



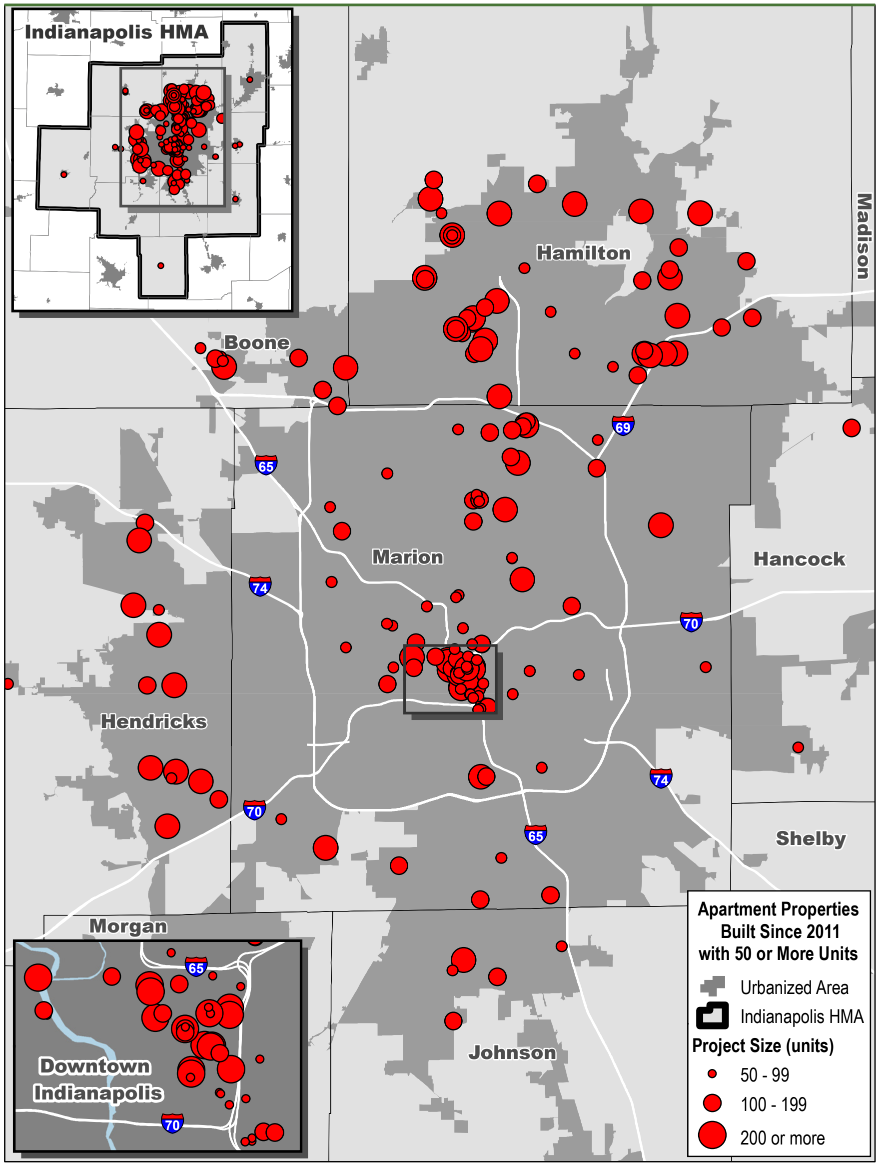
Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through September 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

economic conditions improved, rising by an average of 480 units annually from 2010 through 2015 to a high of 4,475 units in 2015. Construction has slowed since 2016 because a portion of renter households shifted to homeownership, reducing demand for new construction apartments which are typically higher cost rental units. From 2016 through 2018, the number of units permitted fell by an average of 610 units annually to 2,650 units in 2018. During the most recent 12 months, permitting increased to 2,750 units, up from 2,550 units during the previous 12 months (preliminary data, with adjustments by the analyst), in response to tightening market conditions.

Construction by Geography

Apartment construction since 2011 has been concentrated in Marion County and the southern portion of Hamilton County (Map 6). Nearly one-half of all units built during the past 8 years was constructed in Marion County, with approximately 20 percent of total units in the HMA built in the Downtown

Map 6. Completed Developments in the Indianapolis HMA since 2011



Source: McGraw-Hill Construction Pipeline database, with adjustments by the analyst

Indianapolis area. 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, while construction has increased in Hendricks County, partially in response to strong job growth in industries clustered near the Indianapolis International Airport.

Rents at apartments completed earlier in 2019 and currently in lease-up are consistent with existing apartment market trends, with the highest rent properties in downtown Indianapolis, and lower rent properties in Hamilton and the other suburban counties. In downtown Indianapolis, the 200-unit Penrose on Mass in the Mass Ave entertainment district has studio, one-, and two-bedroom units that rent for an average of $1,260, $1,675, and $2,620, respectively. In Fishers, a suburb in Hamilton County, the 211-unit Spark Apartments is offering one-, two-, and three-bedroom units for rents averaging $1,125, $1,675, and $3,000, respectively. In Avon, a suburb in Hendricks County, the 240-unit Mosaic Apartments is offering one-, two-, and three-bedroom units for rents averaging $1,075, $1,250, and $1,500, respectively.

Forecast

During the 3-year forecast period, demand is expected for an additional 10,900 rental units (Table 7), and the 3,800 units under construction are expected to meet demand during the first year of the forecast period.

Table 7. Demand for New Rental Units in the Indianapolis HMA During the Forecast Period

	Rental Units
Demand	10,900 Units
Under Construction	3,800 Units

Note: The forecast period is from the current date (October 1, 2019), to October 1, 2022.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, estimates this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Distressed Sales	Short sales and real estate owned (REO) sales.
Forecast Period	10/1/2019–10/1/2022—Estimates by the analyst
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Midwest Region	Includes Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

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Contact Information

Marissa Dolin, Economist
Chicago HUD Regional Office
312-913-8893
marissa.j.dolin@hud.gov