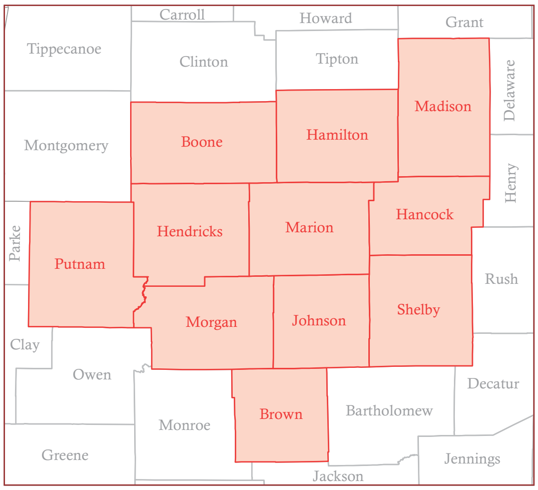
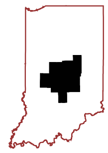
Indianapolis-Carmel-Anderson, Indiana

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of May 1, 2016





Housing Market Area

The Indianapolis-Carmel-Anderson Housing Market Area (hereafter, Indianapolis HMA) is coterminous with the Indianapolis-Carmel-Anderson, IN Metropolitan Statistical Area in central Indiana. The HMA consists of 11 counties: Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Morgan, Putnam, and Shelby. The Indianapolis 500, a car racing event that attracts 300,000 visitors each year and had an economic impact of $510 million in 2012 (the most recent data available from the Indianapolis Motor Speedway), has been held in the HMA for more than a century.

Summary

Economy

Job growth in the Indianapolis HMA has been strong since 2011 after a period of job losses from 2009 through 2010, with most of the decline occurring in 2009. During the 12 months ending April 2016, nonfarm payrolls averaged 1.02 million jobs, an increase of 23,300 jobs, or 2.3 percent. The unemployment rate during the same period declined to 4.4 percent, down from 5.4 percent a year earlier. Nonfarm payrolls are expected to increase by an average of 20,100 jobs, or 2.0 percent, a year during the next 3 years. Table DP-1 at the end of this report provides additional employment data.

Sales Market

Sales housing market conditions in the HMA are soft but improving. The sales vacancy rate is estimated at 2.2 percent, down from 2.7 percent in April 2010. During the 3-year forecast period, demand is expected for 16,050 new homes (Table 1). The 2,300 homes currently under construction and a portion of the estimated 28,500 other vacant units in the HMA that may reenter the sales market will satisfy some of the forecast demand.

Rental Market

Rental housing market conditions in the HMA are currently soft. The overall rental vacancy rate is estimated at 10.1 percent, down from 12.0 percent in April 2010. The apartment vacancy rate was 7.2 percent during 2015 (the most recent data available), down from 8.0 percent a year earlier (Tikijian Associates). During the forecast period, demand is expected for 8,800 new rental units (Table 1). The 3,425 units currently under construction are expected to satisfy some of the forecast demand.

Table 1. Housing Demand in the Indianapolis HMA* During the Forecast Period

	Indianapolis HMA*	
	Sales Units	Rental Units
Total demand	16,050	8,800
Under construction	2,300	3,425

** Indianapolis-Carmel-Anderson HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2016. A portion of the estimated 28,500 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is May 1, 2016, to May 1, 2019.

Source: Estimates by analysts

Market Details

Economic Conditions

During the past two decades, the economy of the Indianapolis HMA transitioned from a relatively large manufacturing and goods-producing base to one driven by the growth in the professional and business services and other service-providing sectors. Nonfarm payroll gains in the HMA closely followed national economic trends during the housing boom, increasing by an average of 9,100 jobs, or 1.0 percent, annually from 2003 through 2008 to 953,600; the national rate was also 1.0 percent. The professional and business services and the education and health services sectors led job growth in the HMA, accounting for a combined 78 percent of total payroll gains. Job declines occurred in only three sectors during this period, with the largest losses in the manufacturing sector, which was down 2,300 jobs, or 2.1 percent, annually. Smaller losses occurred in the wholesale and retail trade and the financial activities sectors.

Nonfarm payroll growth slowed in 2008 and, from 2009 through 2010, the HMA lost an average of 21,100 jobs, or 2.2 percent, annually, to 911,500—slower than the national decline of 2.5 percent. Losses in the manufacturing and the mining, logging, and construction sectors accounted for a combined 60 percent of total job losses, with respective declines averaging 6,900 and 5,800 jobs, or 7.2 and 12.0 percent, annually during this period. Job losses were a result of the national recession and the softening home sales market. The only sector to add jobs was education and health services, which increased by an average of 5,400 jobs, or 4.4 percent, annually.

Economic conditions in HMA have improved since 2011, averaging payroll growth of 20,700 jobs, or 2.2 percent, annually to 1.02 million during the 12 months ending April 2016 (Table 2), 7.1 percent above the prerecession high in 2008. The professional and business services sector added the most jobs during this period, increasing by an average of 6,800 jobs, or 4.9 percent, annually, accounting for nearly one-third of the net gain in total payrolls. The manufacturing sector, which lost jobs every year from 2000 through 2011, began adding jobs in 2012 and has averaged 1,300 additional jobs, or 1.5 percent, annually since 2012.

During the past 12 months, the unemployment rate averaged 4.4 percent, down from 5.4 percent during the previous 12 months and well below the high of 9.6 percent during 2010 (Figure 1).

The professional and business services sector is currently the largest sector in the Indianapolis HMA (Figure 2) and has grown at a rapid pace since 2014. During the 12 months ending April 2016, the sector added 3,900

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Indianapolis HMA,* by Sector

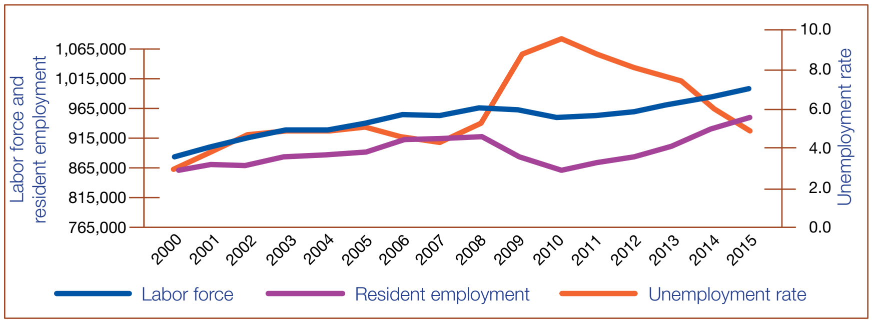
	12 Months Ending		Absolute Change	Percent Change
	April 2015	April 2016		
Total nonfarm payroll jobs	998,600	1,021,900	23,300	2.3
Goods-producing sectors	134,000	136,500	2,500	1.9
Mining, logging, & construction	44,300	46,200	1,900	4.3
Manufacturing	89,700	90,300	600	0.7
Service-providing sectors	864,600	885,300	20,700	2.4
Wholesale & retail trade	151,300	154,500	3,200	2.1
Transportation & utilities	59,200	62,400	3,200	5.4
Information	16,800	16,200	– 600	– 3.6
Financial activities	61,500	63,400	1,900	3.1
Professional & business services	157,500	161,400	3,900	2.5
Education & health services	143,600	147,900	4,300	3.0
Leisure & hospitality	102,700	105,800	3,100	3.0
Other services	44,000	44,800	800	1.8
Government	128,000	128,900	900	0.7

** Indianapolis-Carmel-Anderson HMA.*

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through April 2015 and April 2016.

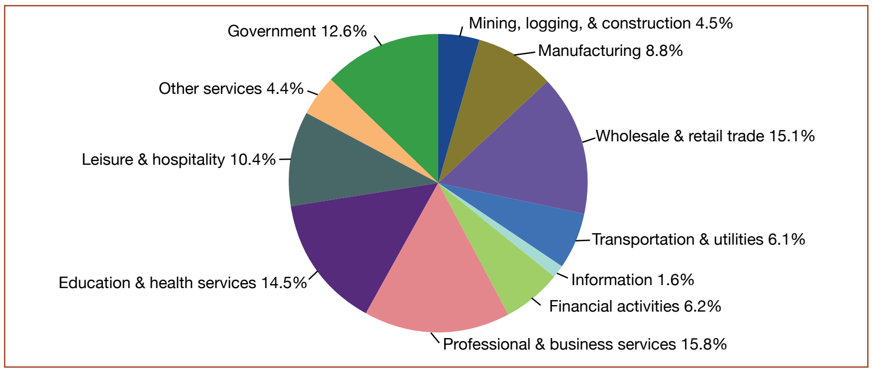
Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Indianapolis HMA,* 2000 Through 2015



** Indianapolis-Carmel-Anderson HMA.*
Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Indianapolis HMA,* by Sector



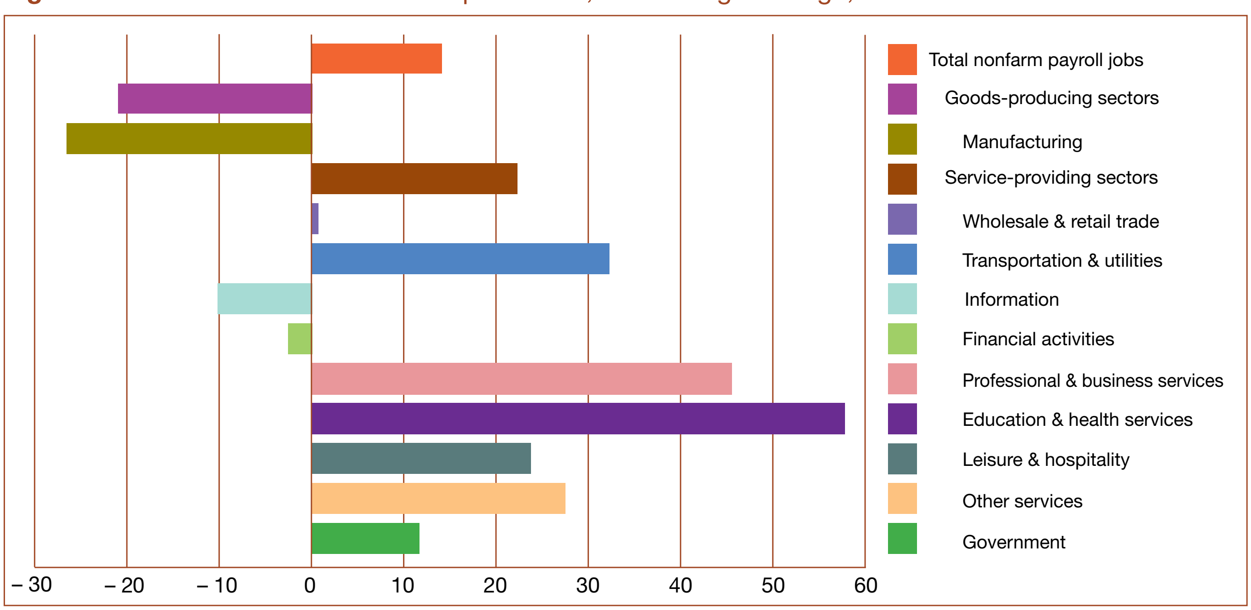
** Indianapolis-Carmel-Anderson HMA.*
Note: Based on 12-month averages through April 2016.
Source: U.S. Bureau of Labor Statistics

jobs, a 2.5-percent increase, down from 8,600 jobs added, a 5.8-percent increase, during the previous 12-month period but consistent with national trends of slowing gains in the sector. The sector was the second fastest-growing sector in the HMA, by number of jobs added, behind education and health services during the 12 months ending April 2016. Since 2011, the professional and business services sector has increased by an average of 6,800 jobs, or 4.9 percent, annually, surpassing the average increase of 3,700 jobs, or 3.1 percent, annually from 2003 through 2008, the previous period of nonfarm payroll expansion in the HMA. The state of Indiana offers several tax credits for businesses, including the headquarters relocation tax credit and the research expense tax credit, which contributed to expansion of the sector (Indiana Economic Development Corporation). Since 2011, more than 80 companies have added a combined total of over 10,000 employees to their corporate headquarters within the HMA and invested nearly $1 billion in capital. Furthering growth in this sector is the expansion of call centers. Xerox Corporation has added 300 employees since 2012, the Government Employees Insurance Company (GEICO) has added 400 employees since 2014, and Lowe's Companies, Inc., has added 1,000 employees since 2014, all at call centers.

During the 12 months ending April 2016, the transportation and utilities sector grew the fastest, in percentage terms, at 5.4 percent, or 3,200 jobs, to reach an average of 62,400 jobs. Since 2000, the sector has increased almost every year, the exceptions being a loss of 100 jobs in 2002 and a significant decline of 2,300 jobs, or 4.2 percent, during 2009. The sector gained jobs the following year and has added an average of 1,600 jobs, a 2.8-percent increase, each year since 2010. Growth in the sector is supported by the $1.1 billion expansion of the Indianapolis International Airport that was completed in 2008. The airport is home to the second largest FedEx Express hub in the world, with an estimated annual impact of $3.3 billion in central Indiana, which includes the HMA (Indianapolis International Airport). Also supporting growth in the sector are five Amazon.com, Inc. fulfillment centers located in the HMA, which added 1,400 jobs during 2015 and are expected to generate additional jobs in the transportation subsector. The most recent expansion brought total Amazon.com payrolls to more than 8,000 in Indiana, most of which are located in the HMA.

The education and health services sector added jobs in 2015 after stagnation during 2014. During the past 12 months, the sector increased by an average of 4,300 jobs, or 3.0 percent, to average 147,900 nonfarm payroll jobs. Since 2011, the sector has increased by an average 3,100 jobs, or 2.2 percent, slightly below the average increase of 3,400 jobs, or 3.1 percent, annually during the previous period of growth from 2003 through 2008. The sector was the only one to add jobs from 2009 through 2010, increasing by an average of 5,400, or 4.4 percent, annually, when all other sectors in the HMA lost jobs. Since 2000, the sector has added the most jobs in the HMA, with payrolls increasing nearly 60 percent during the past decade and a half (Figure 3). Of the 10 largest employers in the HMA, 3 provide healthcare services (Table 3), and all 3 have expanded services in the past decade. Recent

Figure 3. Sector Growth in the Indianapolis HMA,* Percentage Change, 2000 to Current



** Indianapolis-Carmel-Anderson HMA.*

Notes: Current is based on 12-month averages through April 2016. No data are available for the mining, logging, and construction sector.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Indianapolis HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
St. Vincent Hospital and Health Care Center, Inc.	Education & health services	17,398
Indiana University Health	Government	11,810
Eli Lilly and Company	Manufacturing	10,565
Community Health Network	Education & health services	10,402
Wal-Mart Stores, Inc.	Wholesale & retail trade	8,830
Marsh Supermarkets	Wholesale & retail trade	8,000
Indiana University–Purdue University Indianapolis	Government	7,365
City of Indianapolis/Marion County	Government	7,058
The Kroger Company	Wholesale & retail trade	6,700
FedEx Corporation	Transportation & utilities	6,600

** Indianapolis-Carmel-Anderson HMA.*
Note: Excludes local school districts.
Source: Indy Partnership, 2014-15

openings of healthcare facilities in the HMA include the Indiana University (IU) Health Neuroscience Center in 2012, an expansion of a Community Health Network radiation oncology treatment center in 2007, and hospital facility expansions during the mid-2000s that added more than 450 beds (Center for Studying Health System Change).

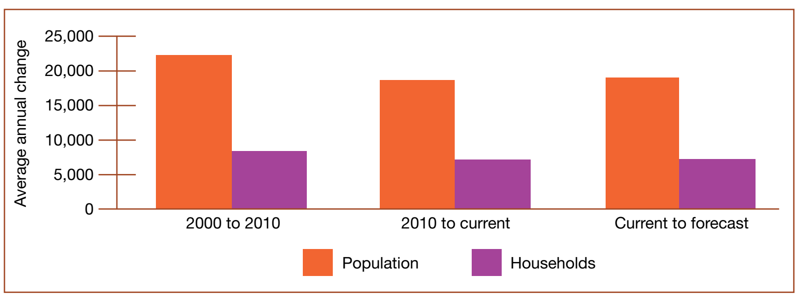
During the 2000s, the manufacturing sector lost jobs every year, offsetting job gains in other sectors during periods of expansion and leading declines in periods of losses. The sector lost an average of 3,500 jobs, or 3.3 percent, each year from 2001 through 2011. Job losses in the sector peaked in 2009. The decade-long decline included the closure of several automobile manufacturing plants, including the Indianapolis Foundry, a Chrysler assembly plant that was shut down in 2005, eliminating 880 jobs, and the 2009 layoff of 700 Navistar, Inc. employees at a truck engine manufacturing facility because Ford Motor Company canceled a contract with the company. Job growth in the sector has been positive since 2012, including 600 new jobs during the past 12 months. Manufacturing jobs added during the past 5 years include expansions in food production at Nestle SA; Red Gold, Inc. (tomatoes); and Specialty Bakery, LLC, which added nearly 600 jobs combined. At the same time, local breweries including Sun King Brewery, Daredevil Brewing Co., and Taxman Brewing Co. added a combined 140 jobs and made $16.9 million in capital investment.

Economic growth is expected to moderate from its most recent peak to an average of 2.0 percent annually during the next 3 years. Labor shortages in several sectors, including manufacturing; mining, logging, and construction; and education and health services are likely to dampen job gains until new workers are trained or additional workers move into the Indianapolis HMA. During the 3-year forecast period, Carrier Corporation, a heating and air-conditioning manufacturer, is expected to close its facility in the HMA and relocate to Mexico, resulting in the loss of 1,400 manufacturing sector jobs in the next 3 years. Despite the labor shortage and layoffs, many companies are planning expansions. Job growth during the forecast period includes a portion of the 800 jobs Salesforce.com, Inc., will be adding in the next 5 years as it expands its regional headquarters, beginning with a relocation to the Salesforce Tower Indianapolis in early 2017. In addition, Community Health and IU Health each announced in 2015 expansion plans totaling more than $1.2 billion in capital investment, and construction is under way. IU Health is planning to spend $1 billion on a new medical center at 16th Street and Capitol, which will replace two older hospitals and consolidate specialty services. Community Health Network is planning a new hospital in its East Region, with new emergency department, surgery, delivery, and inpatient rooms, with anticipated completion in 2019; hiring plans were not announced.

Population and Households

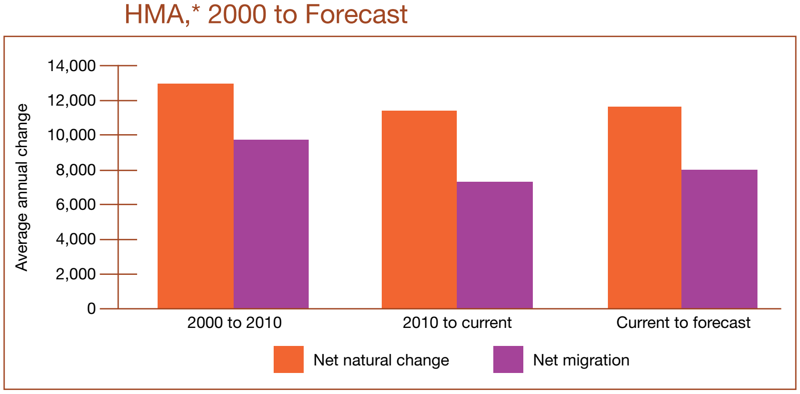
As of May 1, 2016, the estimated population of the Indianapolis HMA is 2.0 million, up an average of 19,100, or 1.0 percent, annually, since 2010, slower than the average annual gain of 22,950, or 1.3 percent, from 2000 to 2010 (Figure 4). The slowing in growth since 2010 is attributed to both lower net in-migration, averaging 7,750 people, and lower average net natural change (resident births minus resident deaths) of 11,350 people a year. By comparison, from 2000 to 2010, net in-migration averaged 9,850 people while net natural change averaged 13,100 people a year (Figure 5). Strong employment growth and a late arrival of the national recession relative to other Midwestern metropolitan areas supported population increase during the 2000s.

Figure 4. Population and Household Growth in the Indianapolis HMA,* 2000 to Forecast



** Indianapolis-Carmel-Anderson HMA.*
Notes: The current date is May 1, 2016. The forecast date is May 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

Figure 5. Components of Population Change in the Indianapolis HMA,* 2000 to Forecast



** Indianapolis-Carmel-Anderson HMA.*
Notes: The current date is May 1, 2016. The forecast date is May 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

From 2000 to 2009, population growth averaged 23,250 people, or 1.3 percent, annually (Census Bureau decennial census counts and population estimates as of July 1), and 44 percent of the increase was attributed to net in-migration averaging 10,200 people annually and to relatively strong payroll growth. The majority of people moving to the HMA came from other parts of Indiana or from larger metropolitan areas such as Chicago, Cincinnati, Columbus, Los Angeles, Louisville, and Phoenix (Internal Revenue Service [IRS] migration data). Net in-migration was highest from 2005 to 2007 with an average of 13,100 people moving into the HMA because of employment gains in service-providing sectors. From 2007 to 2009, a period of slowing employment growth, net in-migration slowed to an average of 9,250 people annually, but population growth was relatively unchanged because of an increase in net natural change.

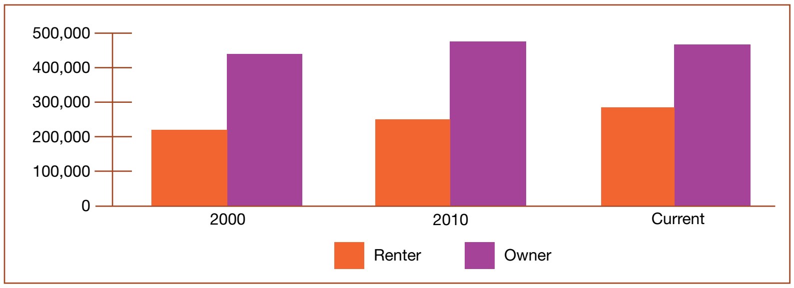
Population growth in the HMA slowed in late 2009, as payrolls declined. Despite the higher rate of payroll expansion since 2011 compared with the rate in the early 2000s, recent population gains remained below the rate of the previous decade. Since 2009, the population of the HMA has increased by an average of 19,100, or 1.0 percent, each year, with both net in-migration and net natural increase lower than during previous periods. During the same period, net in-migration averaged 7,500 people annually, which accounted for 39 percent of population growth, the same share as from 2007 to 2009. Net natural increase was also lower, averaging 11,600 annually. Net in-migration peaked from 2012 to 2013, at 13,500, coinciding with payrolls returning to their prerecessionary high in the HMA, while national employment was still recovering from previous losses. During 2012 and 2013, a local technology company, ExactTarget, was acquired by Salesforce.com and the city of Indianapolis hosted a Super Bowl, providing the HMA with international media exposure, which may have contributed to the temporary elevation in net in-migration. Despite continued nonfarm payroll growth since 2013, overall population gains averaged 17,900 people, or 0.9 percent, annually, slower than during the 2000-to-2009 period, with average net in-migration approximately 30 percent lower. People moving into the HMA continue to be from many of the same areas as before the recession but with an increase in net in-migration from other nearby large metropolitan areas, including Detroit and St. Louis (IRS migration data).

Some parts of the HMA, especially Hamilton County and downtown Indianapolis, added residents faster than others. From 2000 to 2015, the population in Hamilton County increased by an average of 8,250 a year, accounting for nearly 40 percent of total growth in the HMA, including average net-in migration of 5,850 people. The largest share of this in-migration was from Marion County, the central county in the HMA, which includes the city of Indianapolis. From 2000 to 2015, Marion County had net out-migration during all but 3 years, averaging 2,275 people leaving each year; fewer people have left since 2010 because of an increased interest in living and working downtown. Despite the net out-migration, the population in Marion County has grown at an average of 0.6 percent, or by 5,200, since 20010. Population in the downtown Indianapolis area grew at an average of 940, or 1.1 percent, annually between 2011 and 2014 (American Community Survey [ACS] 5-year data).

During the 3-year forecast period, population growth in the Indianapolis HMA is expected to remain relatively unchanged compared with levels since late 2009, as employment growth moderates. The HMA is expected to add an average of 19,350 people, an increase of 1.0 percent, annually, with growth concentrated in downtown Indianapolis and Hamilton County.

The number of households in the Indianapolis HMA is increasing more gradually than in the previous decade, similar to population trends. Since 2010, the number of households has increased by 6,750, or 0.9 percent, annually, less than the average of 8,425 households, or 1.2 percent, each year from 2000 to 2010. Lower net natural change and net in-migration, along with rent and house prices that increased faster than wages during the current decade, contributed to slower overall household growth. Figure 6 shows the number of households by tenure since 2000. During the forecast period, household growth is expected to average 6,800, or 0.9 percent, similar to the rate since 2010.

Figure 6. Number of Households by Tenure in the Indianapolis HMA,* 2000 to Current



** Indianapolis-Carmel-Anderson HMA.*
Note: The current date is May 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

Housing Market Trends

Sales Market

Sales housing market conditions in the Indianapolis HMA are soft, with an estimated 2.2-percent vacancy rate, down from 2.7 percent during 2010. Total new and existing home sales (including single family-homes, town-homes, and condominiums) declined to 48,000 homes sold during the 12 months ending March 2016, down 1 percent from the previous year but 27 percent above the low of 37,750 homes during 2010 (CoreLogic, Inc., with adjustments by the analysts). The recent decline is reflective of a continued drop in real estate owned (REO) sales, a trend that began in 2013, and an overall decrease in available sales inventory. At the end of April 2016, a 3.9-month supply of homes was for sale in the HMA, down from 4.7 months a year ago and the lowest level since before 2007 (Mid-Indiana Board of Realtors®).

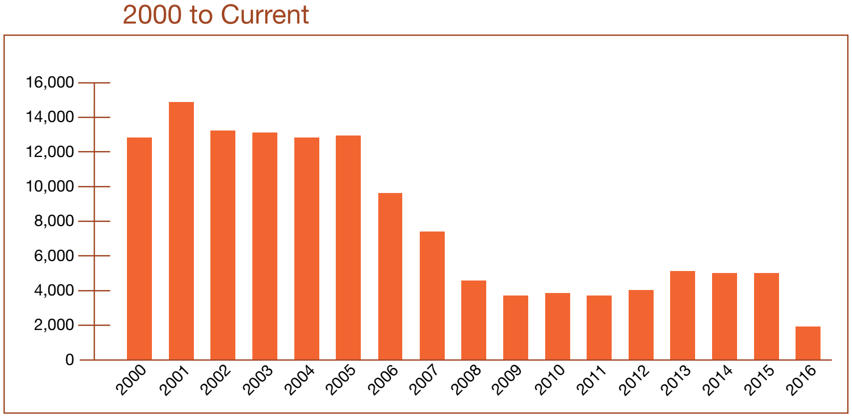
Total home sales levels have stabilized since the recession but are still below peak volumes recorded during the early-to-mid 2000s. Coinciding with employment and population growth, as well as easier credit, total home sales reached historic highs, averaging 53,250 annually from 2003 through 2007 and peaking at 54,650 in 2006. New home sales accounted for approximately 14 percent of total sales, and distressed sales (REO plus short sales) accounted for 9 percent during the 2003-through-2007 period. As the national recession began to affect employment in the HMA, total sales declined sharply during 2008 and remained low from 2008 through 2011, averaging 38,650 annually.

Tighter lending requirements contributed to the 31-percent decline in total home sales from peak to trough. During this period, distressed sales comprised approximately one-fourth of all sales, nearly triple the market share from the 2003-though-2007 period. Beginning in 2012, HMA employment neared prerecessionary levels and home sales increased, resulting in an average of 48,500 sales annually from 2012 through 2015. The composition of home sales in the recent period was different than the previous period of economic growth; new construction comprised a smaller portion of total sales, averaging 8 percent annually, and distressed sales continued to decline from a recessionary high of 26 percent in 2009 to 13 percent in 2015.

New and existing sales prices have been increasing since 2010, and exceeded pre-recessionary highs during 2013. The average sales price increased each year from 2003 through 2006, by an average of 3 percent annually to a high of $182,400 during 2006, and then declined from 2007 through 2009 by an average of 5 percent annually to a low of $150,100 (CoreLogic, Inc., with adjustments by the analysts). After the trough in 2009, prices increased 5 percent annually to $182,800 in 2013 but have slowed since. During the 12 months ending March 2016, home sales prices averaged $189,100, up 2 percent from the previous 12 months. The average sales price for a new home was $285,000, approximately 3 percent higher than a year earlier, while the average sales price for an existing home was $180,800, or 1 percent higher than a year earlier. The average sales price for REO homes, which comprise the majority of distressed sales and have been declining in market share, was $124,100, down 1 percent from the previous year. As of March 2016, the percentage of home loans in the HMA that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status in the HMA was 3.1 percent, down from 3.9 percent a year earlier and slightly above the national rate of 3.0 percent (CoreLogic, Inc.). The current rate of seriously delinquent loans and REO properties in the HMA is on par with the rate during the early 2000s, when the housing market was strong.

Single-family home construction, as measured by the number of homes permitted, has been relatively stable since 2013 but remains at less than one-half the historically high levels reached during the early and mid-2000s (Figure 7). During the 12 months ending April 2016, 5,350 homes were permitted, up 7 percent from 4,975 homes permitted during the previous 12 months (preliminary data). An average of 5,050 homes were permitted each year from 2013 through 2015, up from an average of 3,950 each year from 2008 through 2012 but below the average of 12,150 homes each year from 2000 through 2007. The majority of recent

Figure 7. Single-Family Homes Permitted in the Indianapolis HMA,* 2000 to Current



** Indianapolis-Carmel-Anderson HMA.*
Notes: Includes townhomes. Current includes data through April 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

single-family construction has occurred in Hamilton County, which has the fastest-growing population of any county in the HMA. Sales prices for new homes in Hamilton County averaged $367,600 during the 12 months ending March 2016, up 4 percent from the previous year and $83,800, or nearly 30 percent, above the average price for a new home in the HMA.

In Fishers, a town in Hamilton County, Centex Homes is developing Limestone Springs, a 300-unit condominium community, of which 264 units have been built. Prices range from $99,900 for one-bedroom/one-bathroom units to $119,000 for two-bedroom/two-bathroom units. This development is one of the very few condominium properties currently under construction in the HMA. At Bear Creek, with 93 single-family homes in Carmel, the largest city in Hamilton County, prices range from $341,900 to $528,000 for recently completed four- and five-bedroom homes. In neighborhoods near downtown Indianapolis, no new large single-family developments are planned, but infill projects are under way. Custom home builders are constructing new homes on empty lots in historic neighborhoods. Current listings include a four-bedroom home for $360,000 built by TKW Custom Homes in the Fountain Square neighborhood.

During the 3-year forecast period, demand is expected for 16,050 new homes (Table 1). The 2,300 homes under construction will meet a portion of that demand. Demand is expected to increase each year during the forecast period and is expected to be greatest for homes priced between $150,000 and $249,999 (Table 4). An estimated 28,500 other vacant units are in the inventory, and a portion of those homes may reenter the sales market to satisfy some of the forecast demand.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Indianapolis HMA* During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
99,000	149,999	1,125	7.0
150,000	199,999	3,525	22.0
200,000	249,999	2,900	18.0
250,000	299,999	2,400	15.0
300,000	399,999	2,725	17.0
400,000	499,999	1,925	12.0
500,000	and higher	1,450	9.0

** Indianapolis-Carmel-Anderson HMA.*

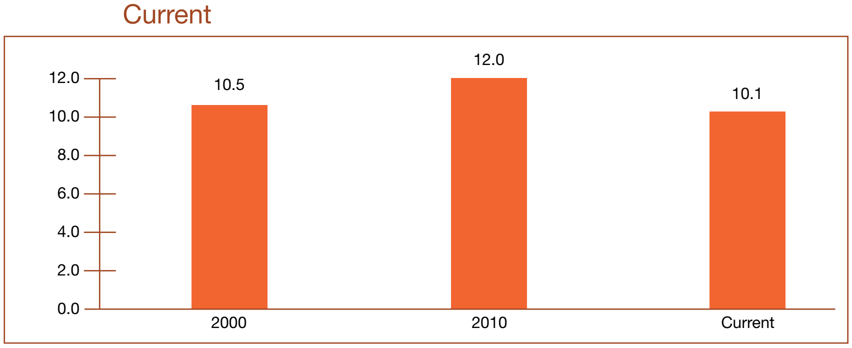
Notes: The 2,300 homes currently under construction and a portion of the estimated 28,500 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is May 1, 2016, to May 1, 2019.

Source: Estimates by analysts

Rental Market

Rental housing market conditions in the Indianapolis HMA are soft, with a current estimated overall rental vacancy rate of 10.1 percent, down from 12.0 percent in April 2010 (Figure 8). Elevated apartment construction and an increasing number of single-family homes for rent contributed to high vacancy rates, even as employment conditions returned to prerecessionary levels. As a result of increased foreclosure

Figure 8. Rental Vacancy Rates in the Indianapolis HMA,* 2000 to Current



** Indianapolis-Carmel-Anderson HMA.*

Note: The current date is May 1, 2016.

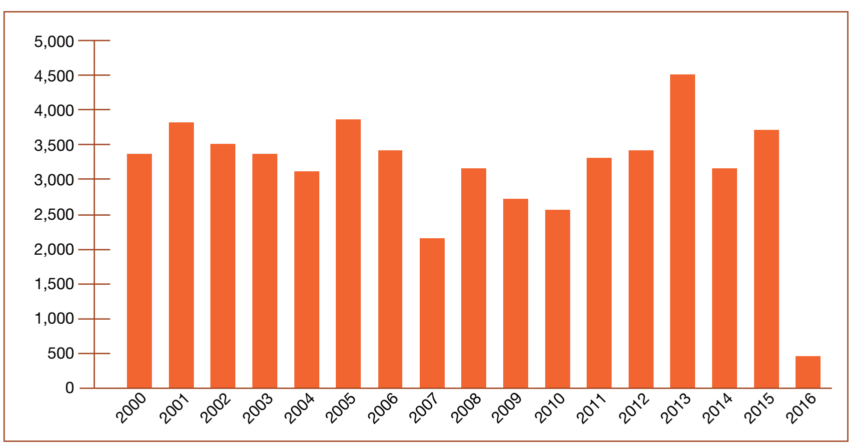
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts activity during 2010, the number of single-family homes for rent increased significantly. Single-family homes currently comprise approximately 42 percent of occupied rental housing, an increase of more than 20,000 units from 2010, when they constituted 38 percent of occupied rental housing (2010 Decennial Census and 2014 ACS 1-year data). Units in multifamily buildings, including apartments and renter-occupied condominiums and duplexes, account for 57 percent of occupied rental units and mobile homes are the remainder.

Apartment market conditions are stronger than the overall market and are balanced, with a 7.2-percent apartment vacancy rate during 2015, down from 8.0 percent during 2014 and 9.2 percent during 2010 (the most recent data available from Tikijian Associates). During 2015, apartment vacancy rates ranged from a low of 5.4 percent in the Downtown Indianapolis Tikijian-defined market area (hereafter, market area) to a high of 9.3 percent in the East Metro market area, where some of the closed manufacturing facilities are located. In the HMA, the average monthly rent was $754 during 2015, a 2-percent increase from the previous year. The highest average rent in the HMA was $1,015 in the Downtown Indianapolis market area, an increase of 7 percent from a year earlier, while the lowest was $610 in the East Metro area, unchanged from the previous year.

An improved apartment market led to increased multifamily construction, as measured by the number of units permitted, during the past year. During the 12 months ending April 2016, 3,575 units were permitted, a 9-percent increase from the 3,275 units permitted during the previous 12 months (preliminary data). An average of 3,625 units were permitted annually from 2011 through 2015, with a high of 4,500 during 2013 (Figure 9). Recent levels of construction are higher than the average of 2,625 units permitted from 2007 through 2010, when employment was declining or growing slowly, but similar to the average of 3,475 units permitted annually from 2000 through 2006, when job growth was relatively strong. Although recent multifamily construction activity has caught up to the prerecessionary averages, the composition of construction has changed; approximately one-fourth of multifamily units constructed between 2000 and 2006 were condominiums, whereas nearly all multifamily units permitted since 2011 have been rentals.

Apartment construction has been concentrated in the downtown Indianapolis area, where rents are above the HMA average and local employers have been expanding. In this area, multifamily construction has nearly tripled from the levels of the early-to-mid 2000s. From 2000

Figure 9. Multifamily Units Permitted in the Indianapolis HMA,* 2000 to Current



** Indianapolis-Carmel-Anderson HMA.*
Notes: Excludes townhomes. Current includes data through April 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

through 2010, an estimated 230 multifamily units were constructed each year compared with an average of 680 units a year since 2011. Nearly one-fourth of all multifamily units built in the HMA since 2011 have been in the downtown area (CBRE Group, Inc., and low-income housing tax credit database, with adjustments by analysts). Recently completed apartments in downtown Indianapolis include Pulliam Square, a 145-unit building with rents starting at $1,145 for a studio unit, $1,365 for a one-bedroom unit, and $1,740 for a two-bedroom unit. It opened in late 2015 and was 75 percent leased as of April 2016. Vue, a 240-unit apartment building also near downtown, is under construction and expected to open in 2017 with rents ranging from $950 for a studio unit to $1,650 for a two-bedroom unit.

Outside the city of Indianapolis, new construction for apartments has primarily been occurring in Hamilton County. Newly constructed apartments in the county tend to have higher rents than elsewhere in the HMA, except for downtown. In Fishers, in Hamilton County, units at Flats at Switch, which is expected to open in the summer of 2016, will have rents starting at $800 for a studio unit, $970 for a one-bedroom unit, and $1,380 for a two-bedroom unit. The majority of recently completed and under-construction apartments in the remaining counties are age-restricted buildings. In Shelbyville, in Shelby County, North Harrison Senior Apartments, a 42-unit subsidized complex, is under construction and expected to be complete in the summer of 2016. One-bedroom units rent for $383 to $699, and two-bedroom units rent for $459 to $799, depending on household income.

During the 3-year forecast period, demand is expected for 8,800 additional rental units (Table 1), with the greatest demand in the first 2 years of the forecast period. The 3,425 units currently under construction will meet a portion of this demand. The largest share of demand is expected for one-bedroom units renting for less than $1,000 per month and two-bedroom units renting for less than $1,125 per month (Table 5).

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Indianapolis HMA* During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
600 to 799	180	800 to 999	1,625	925 to 1,124	1,550	1,050 to 1,249	560
800 to 999	180	1,000 to 1,199	650	1,125 to 1,324	460	1,250 to 1,449	320
1,000 to 1,199	310	1,200 to 1,399	490	1,325 to 1,524	310	1,450 to 1,649	240
1,200 or more	220	1,400 to 1,599	280	1,525 to 1,724	310	1,650 or more	480
		1,600 or more	210	1,725 or more	460		
Total	880	Total	3,250	Total	3,075	Total	1,575

** Indianapolis-Carmel-Anderson HMA.*

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions.The 3,425 units currently under construction will likely satisfy some of the estimated demand. The forecast period is May 1, 2016, to May 1, 2019.

Source: Estimates by analysts

Data Profile

Table DP-1. Indianapolis HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	856,280	859,397	971,100	0.0	2.3
Unemployment rate	2.6%	9.6%	4.4%		
Nonfarm payroll jobs	897,000	911,500	1,022,000	0.2	2.2
Total population	1,658,462	1,887,877	2,004,000	1.3	1.0
Total households	647,926	732,184	773,200	1.2	0.9
Owner households	441,765	489,336	487,800	1.0	– 0.1
Percent owner	68.2%	66.8%	63.1%		
Renter households	206,161	242,848	285,400	1.7	2.7
Percent renter	31.8%	33.2%	36.9%		
Total housing units	701,812	816,509	844,700	1.5	0.6
Owner vacancy rate	1.8%	2.7%	2.2%		
Rental vacancy rate	10.5%	12.0%	10.1%		
Median Family Income	$55,819	$62,796	$66,285	1.2	1.1

** Indianapolis-Carmel-Anderson HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through April 2016. Median Family Incomes are for 1999, 2009, and 2014. The current date is May 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 5/1/2016—Analysts' estimates
Forecast period: 5/1/2016–5/1/2019—Analysts' estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

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 analysts, through diligent fieldwork, make an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Indianapolis_Carmel_AndersonIN_16.pdf.

Contact Information

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

Elaine Ng, Economist
San Francisco HUD Regional Office
415–489–6777
elaine.ng@hud.gov

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.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.