The analysis presented in this report was completed before the release of the 2020 Decennial Census; therefore, the current estimates may not reflect the true change since April 1, 2010; however, the direction and magnitude of trends in the data are presumed to be accurate. HUD will provide an updated report in the future that incorporates the 2020 Decennial Census.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Indianapolis-Carmel-Anderson, Indiana

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

As of August 1, 2021

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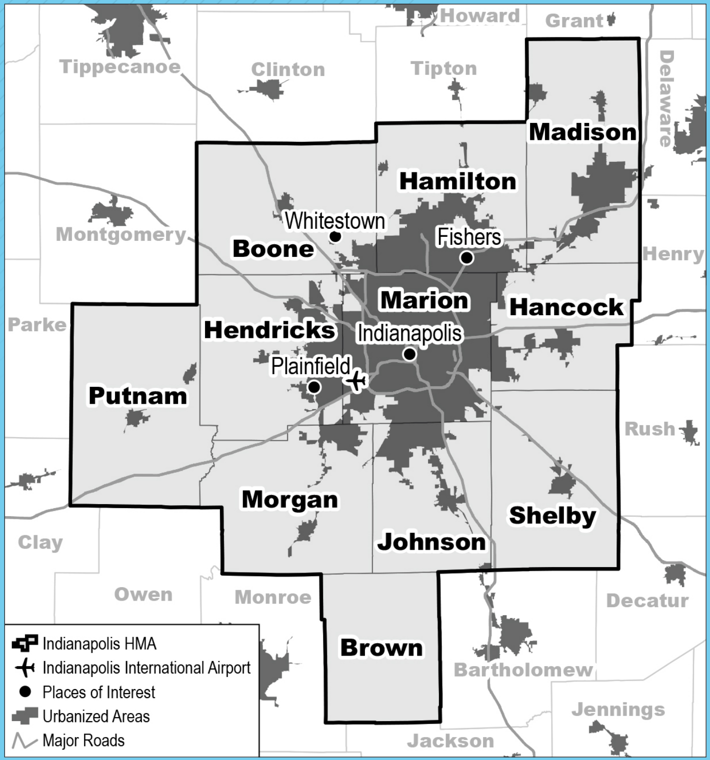
Executive Summary

Housing Market Area Description

The Indianapolis-Carmel-Anderson Housing Market Area (hereafter, Indianapolis HMA) is coterminous with the 11-county Indianapolis-Carmel-Anderson, IN Metropolitan Statistical Area (MSA). The central county, Marion, is the most populous and has the most jobs, but it has the least undeveloped land. Population and job growth are concentrated in the suburban counties adjacent to Marion, led by Hamilton, Hendricks, and Boone, and followed by Hancock, Johnson, Morgan, and Shelby. Growth tends to be slower in the outlying counties, Brown, Madison, and Shelby.

The current population of the HMA is estimated at 2.11 million.

The Indianapolis HMA is an economically diverse and fast-growing metropolitan area, with the rate of job growth exceeding the nation most years since 2000 and payrolls recovering quickly from the late-2000s and early-2020 economic downturns. The professional and business services and the education and health services sectors have led job growth most years since 2000. In the 2010s, the manufacturing and the transportation and utilities sectors also supported the economic expansion.



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

Weak, but Improving: On a monthly, non-seasonally adjusted basis, nonfarm payrolls in July 2021 were 85 percent recovered from the job losses sustained during March and April 2020.

Economic conditions have weakened compared with conditions before the onset of the COVID-19 pandemic but are improving from a low in April 2020. During the 12 months ending July 2021, total nonfarm payrolls averaged 1.06 million, down 6,400, or 0.6 percent, from the previous 12 months and slowing from a decline of 22,600 jobs, or 2.1 percent, a year earlier. During the 3-year forecast period, job growth is expected to average 2.1 percent annually, similar to the growth rate during the 2010-to-2019 period. Job growth in the transportation and utilities, manufacturing, and professional and business services sectors are expected to contribute to economic recovery and expansion during the forecast period.

Sales Market

Tight: The average home sales price increased at the fastest rate in 15 years, up 18 percent from the previous 12 months to $256,100 during the 12 months ending July 2021.

The inventory of homes for sale was at the lowest level in more than 7 years, with a 0.8-month supply during July 2021, down from 1.0 month a year earlier (Redfin, a national real estate brokerage). Total home sales were at the highest level in more than 15 years, at 56,050 during the most recent 12 months, up 13 percent from the 12 months earlier. In response, new home construction increased 40 percent, to 10,000 homes, during the 12 months ending July 2021. Despite the strong increase in home prices, the HMA was ranked 21st most affordable in the nation during the second quarter of 2021 (NAHB Housing Opportunity Index). During the 3-year forecast period, demand for an additional 25,900 homes is expected. The 3,950 homes under construction are expected to meet a portion of that demand.

Rental Market

Balanced: During the 12 months ending July 2021, rental unit permitting slowed to 2,725 units, down from 3,250 a year earlier.

The rental vacancy rate is currently estimated at 8.5 percent, down from 12.0 percent in 2010. In the past year, rent growth in the single-family rental market accelerated but slowed in the apartment market. The average rent for a professionally managed 3-bedroom single-family home increased 7 percent in June 2021 from a year ago, compared with a 1-percent increase a year earlier (CoreLogic, Inc.). The average apartment rent increased 2 percent during the second quarter of 2021 compared with a year ago, to $952, slowing from a 4-percent increase a year earlier (Moody's Analytics REIS). During the 3-year forecast period, demand is expected for an additional 7,600 rental units. The 4,625 units under construction are expected to meet a portion of that demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Indianapolis HMA	Total Demand	25,900	7,600
	Under Construction	3,950	4,625

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2021. The forecast period is August 1, 2021, to August 1, 2024.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Professional and Business Services

During the 12 months ending July 2021, the fastest growing sectors were the mining, logging, and construction and the transportation and utilities sectors, up by 4,700 and 3,000 jobs, or 8.5 and 3.9 percent, respectively.

Primary Local Economic Factors

The city of Indianapolis, the largest city in Indiana, was founded in 1821 to serve as the state capital. The area was selected because of its proximity to the geographic center of the state. In the 200 years since then, other large government institutions have become part of the economy. The State of Indiana, Indiana University (IU) Health, the federal government, and Indiana University-Purdue University Indianapolis (IUPUI) are currently the 1st, 2nd, 4th (Table 1), and 15th largest employers in the HMA. As Indianapolis was a growing center of government in the 1800s, elected officials and business leaders traveled to the area frequently, leading to the area becoming a transportation hub. The National Road, the first federally funded interstate highway, was built in the 1830s, providing a direct route for the city to the east coast, and the Madison and Indianapolis Railroad, connecting the city to a port along the Ohio River, opened in the late 1840s.

Table 1. Major Employers in the Indianapolis HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Indiana	Government	34,517
Indiana University Health	Government	23,187
Ascension St. Vincent Hospital–Indianapolis	Education & Health Services	17,398
Federal Government	Government	16,975
Community Health Network	Education & Health Services	11,328
Eli Lilly and Company	Manufacturing	10,845
Walmart Inc.	Wholesale & Retail Trade	8,926
The Kroger Company	Wholesale & Retail Trade	7,675
Amazon.com, Inc.	Wholesale & Retail Trade	5,000+
FedEx Corporation	Transportation & Utilities	5,000+

Note: Excludes local school districts and local government.
Source: Indy Partnership, 2020

The road and rail access built to support frequent trips to the area also attracted manufacturers and distributors. In the early 1900s, the HMA was a center for automobile manufacturing, partially because of its proximity to steel manufacturers 150 miles north in Gary, Indiana. Highlighting local innovation in automobile manufacturing, the Indianapolis 500 car race was started in 1911 and has been held each spring for more than a century. Modern manufacturing industries have diversified to include the chemical, transportation equipment, and fabricated metal products industries, each with more than 10,000 workers in 2020 (Quarterly Census of Employment and Wages [QCEW]). Large manufacturing employers include Eli Lilly and Company, a pharmaceutical manufacturer, Rolls-Royce plc, an aircraft engine manufacturer, and Allison Transmission Holdings, Inc., a vehicle transmission manufacturer.

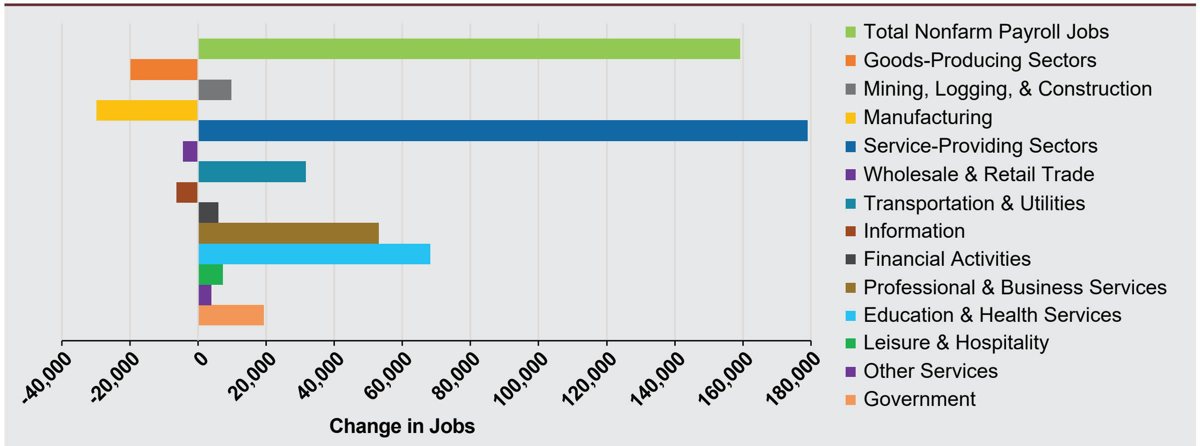
The HMA remains a transportation hub for the distribution of goods, anchored by the FedEx Corporation facility at the Indianapolis International Airport; the CSX Corporation intermodal railyard, also proximate to the airport; and four interstate highways. Nationally recognized retail companies, including Amazon.com, Inc., Accredo Health Group, Inc., An Express Scripts Company, Target Corporation, Kohl's, Inc., and The Kroger Company, have established fulfillment and distribution centers near the FedEx and CSX sites to capitalize on the transportation network. From 2013 to 2020, the transportation and warehousing industry added 26,100 jobs, or 56-percent growth (QCEW). Gains occurred each year during the period, including 2020, when demand for goods purchased online increased sharply with the onset of the COVID-19 pandemic.

In addition to industries that have supported growth since the area was founded, the economy has diversified in recent decades. Since 2001, the education and health services and the professional and business services sectors have led job gains (Figure 1) and are currently the two largest employment sectors in the HMA (Figure 2). Most of the growth in the education and health services sector was in the ambulatory healthcare services industry, which includes medical offices and other non-hospital healthcare. In the professional and businesses services sector, high-tech companies supported recent gains. In 2016, Salesforce.com, Inc. opened an office in downtown Indianapolis, followed by Infosys Limited in 2018, joining Angi Inc., operator of household service booking website Angi, as large high-tech employers in the HMA. The economy in the HMA has generally expanded faster than that of the nation and recovered more quickly from jobs lost during recessionary periods.

Current Conditions—Nonfarm Payrolls

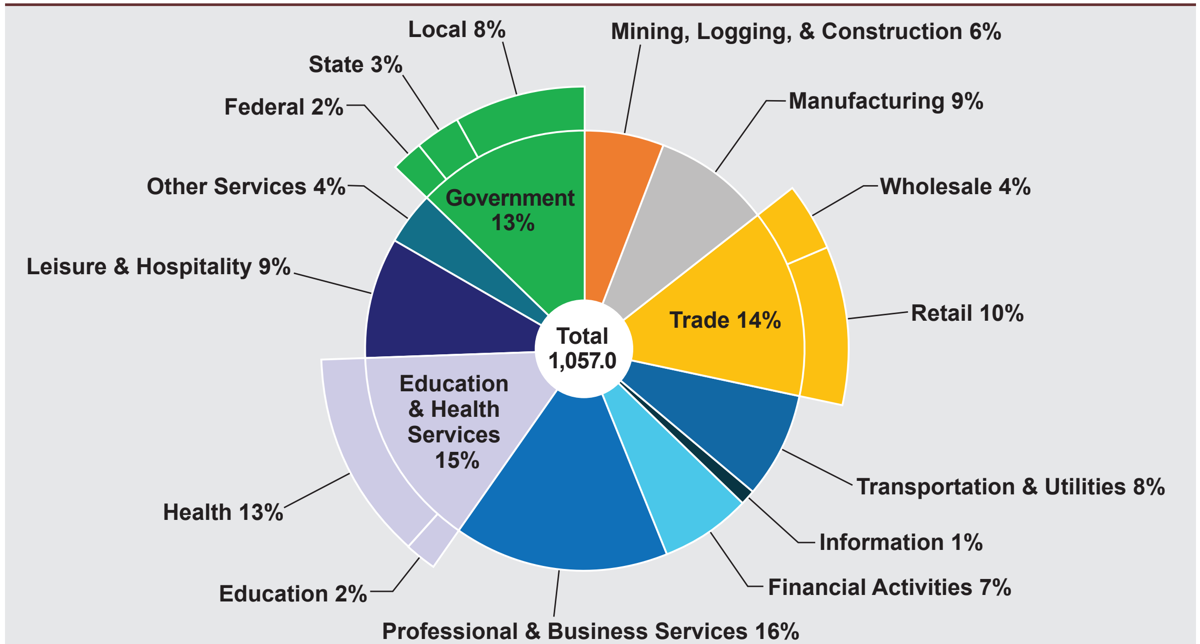
The economy in the Indianapolis HMA is currently recovering from the steep job losses that occurred during March and April 2020, primarily caused by measures to limit the spread of COVID-19. During the 2-month recession, monthly nonfarm payrolls fell by a total of 133,400 jobs but have generally been increasing since May 2020 (monthly data; not seasonally adjusted). In July 2021, payrolls were 113,200

Figure 1. Sector Growth in the Indianapolis HMA, 2001 to Current



Note: The current date is August 1, 2021.
Source: U.S. Bureau of Labor Statistics

Figure 2. 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 July 2021.
Source: U.S. Bureau of Labor Statistics

jobs above the April 2020 low, or 85-percent recovered. By comparison, nonfarm payrolls in the nation were 79-percent recovered from the early-2020 recession during the same period.

During the 12 months ending July 2021, total nonfarm payrolls averaged 1.06 million, down 6,400 jobs, or 0.6 percent, from the previous 12 months (Table 2), following a decline of 22,600, or 2.1 percent, during the 12 months ending July 2020. The 12-month period ending July 2020 included 7 months before the recession, the 2-month recession, and the first 3 months of recovery, so the extreme lows of the recession and early recovery are partially offset by the months before the recession. Compared with the average number of jobs during the 12 months ending July 2019, which is the most recent comparable period before the onset of the COVID-19 pandemic, the current average number of jobs is 29,100 lower, a loss of 2.7 percent.

Shifting trends influenced by the onset of the pandemic, telework, and other social distancing measures contributed to gains in the mining, logging, and construction and the transportation and utilities sectors. An increase in single-family home construction supported gains of 4,700 jobs, or 8.5 percent, in the mining, logging, and construction sector during the most recent 12 months. In the transportation and utilities sector, increased e-commerce spending nationally, which was up 9 percent year over year during the second quarter of 2021 (U.S. Census Monthly Retail Trade Survey), supported an increase of 3,000 jobs, or 3.9 percent, during the most recent 12 months.

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

	12 Months Ending July 2020	12 Months Ending July 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,063.4**	**1,057.0**	**-6.4**	**-0.6**
Goods-Producing Sectors	146.3	151.4	5.1	3.5
Mining, Logging, & Construction	55.0	59.7	4.7	8.5
Manufacturing	91.4	91.8	0.4	0.4
Service-Providing Sectors	917.1	905.5	-11.6	-1.3
Wholesale & Retail Trade	148.8	148.8	0.0	0.0
Transportation & Utilities	76.5	79.5	3.0	3.9
Information	12.9	11.7	-1.2	-9.3
Financial Activities	71.3	71.1	-0.2	-0.3
Professional & Business Services	169.1	165.3	-3.8	-2.2
Education & Health Services	162.0	162.0	0.0	0.0
Leisure & Hospitality	98.4	92.7	-5.7	-5.8
Other Services	42.2	39.3	-2.9	-6.9
Government	136.0	135.1	-0.9	-0.7

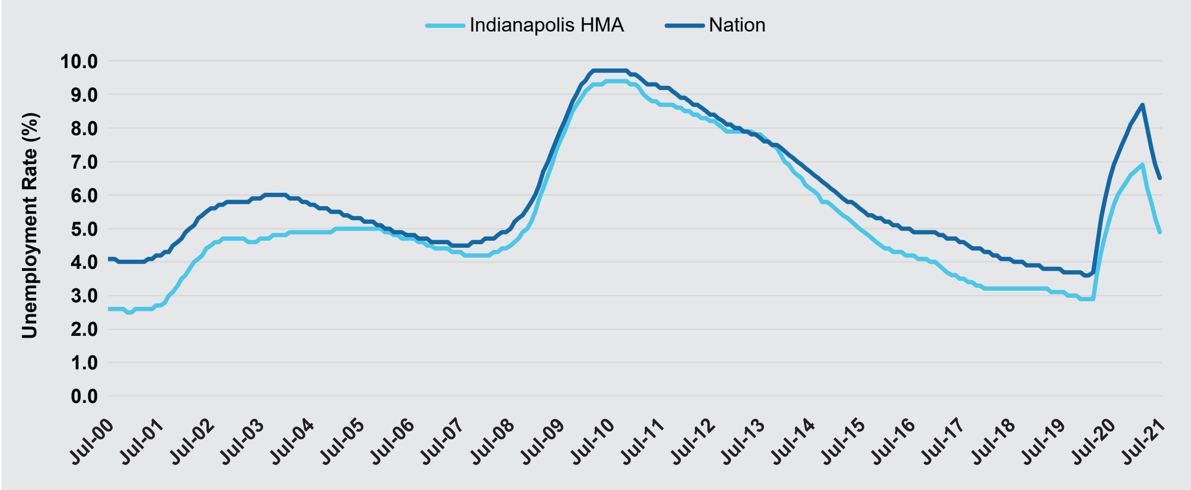
Notes: Based on 12-month averages through July 2020 and July 2021. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

The sector with the largest job losses and most limited recovery is the leisure and hospitality sector. The sector averaged 92,700 jobs during the 12 months ending July 2021, down by 5,700 jobs, or 5.8 percent, from a year ago and 17,600 jobs, or 16.0 percent, below the 12 months ending July 2019. Jobs declined sharply when restrictions to limit the spread of COVID-19 were first implemented in late March 2020; jobs began to recover when restrictions started to ease in late May 2020. Consumer hesitancy to return to the previous level of activity because of the ongoing pandemic, however, restrained recovery. Although no formal capacity restrictions on leisure and hospitality businesses have been in place in the HMA since April 2021, consumer spending at retail establishments and restaurants was down about 5 percent in July 2021 compared with prepandemic levels (*Opportunity Insights*). Major sporting events restricted attendance, also constraining payroll recovery because fewer spectators visited the HMA. The Indianapolis 500, with an estimated stadium capacity of 350,000 and a prepandemic statewide economic impact of $510 million annually (Indiana University Public Policy Institute, 2013), had no fans in attendance in 2020 and limited attendance to 40 percent of stadium capacity in 2021.

Current Conditions—Unemployment

The unemployment rate in the HMA has fallen from a year ago but remains elevated compared with 2019. During the 12 months ending July 2021, the rate averaged 4.9 percent, down from 5.3 percent during the previous 12-month period but above the 3.1-percent rate during the 12 months ending July 2019 (Figure 3). The recent elevated rate is well below the Great Recession-era peak of 9.4 percent in late 2010. By comparison, the current national unemployment rate is higher than in the HMA, averaging 6.5 percent during the most recent 12 months, unchanged from a year earlier.

Figure 3. 12-Month Average Unemployment Rate in the Indianapolis HMA and the Nation



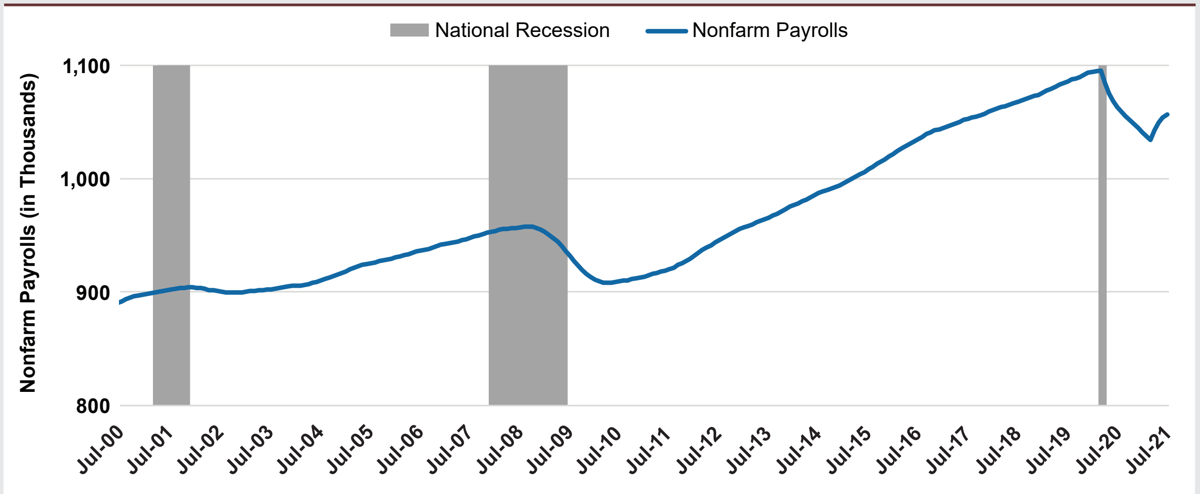
Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

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 4). Nationally, job growth averaged 0.5 percent annually during the same 8-year period, including a 1.1-percent loss in 2002 and a 0.5-percent loss in 2008 as a result of the national recessions. Gains in the HMA during the 2001 through 2008 period were concentrated in the service-providing sectors, led by the education and health services, the

Figure 4. 12-Month Average Nonfarm Payrolls in the Indianapolis HMA



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

professional and business services, and the government sectors, averaging annual growth of 3,400 jobs, 2,600 jobs, and 2,000 jobs, or 3.2 percent, 2.2 percent, and 1.6 percent, respectively.

Offsetting 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. Losses were concentrated in the transportation equipment manufacturing and motor vehicle parts manufacturing industries but were partially offset by gains in the chemical manufacturing industry.

2009 Through 2010

As a result of the Great Recession, widespread job losses occurred in the HMA from 2009 through 2010, with payrolls falling by an average of 21,100 jobs, or 2.2 percent, annually. During the 2-year period, payrolls in the nation declined faster, down an average of 2.5 percent annually. Jobs lost in the goods-producing sectors in the HMA accounted for 60 percent of total job loss, despite these sectors only accounting for 15 percent of total jobs. The most severe losses were in the manufacturing sector, down by an average of 7,000 jobs, or 7.4 percent, annually, continuing a decade-long period of decline. A steep reduction in residential construction during the period contributed to job losses in the mining, logging, and construction sector, down an average of 5,800 jobs, or 11.9 percent, annually. 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 2019

Nonfarm payroll jobs in the Indianapolis HMA increased from 2011 through 2019, supported by gains in both the goods-producing and service-providing sectors. Jobs exceeded the 2008 prerecession high by late 2012, nearly 2 years earlier than the nation, and continued to expand each year through 2019. In the HMA, nonfarm payrolls increased by an average of 20,100 jobs, or 2.0 percent, annually from 2011 through 2019, faster than jobs for the nation, which grew by an average of 1.6 percent annually.

All sectors except the information sector added jobs from 2011 through 2019. Similar to the period of expansion in the 2000s, the professional and business services and the education and health services sectors added the most jobs, with payrolls rising by an average of 5,200 and 3,700 jobs, or 3.6 and 2.5 percent, annually. In 2016, Salesforce.com, Inc., opened a regional headquarters in downtown Indianapolis, adding 800 workers and supporting growth in the professional and business services sector. The government sector, which also led growth in the 2000s, added jobs more slowly, rising by an average of 700 jobs, or 0.5 percent, annually. A statewide property tax cap amendment was approved by Indiana voters in 2010, limiting local government budgets and contributing to slower job growth in the sector. The transportation and utilities sector, which includes logistics and distribution companies, grew the fastest among all sectors in percentage terms, increasing an average of 4.0 percent, or by 2,500 jobs, annually from 2011 through 2019. A $1.5 billion expansion of the FedEx Corporation distribution hub that began in 2018 supported job growth in the sector.

Payrolls in the manufacturing sector declined in 2011 but increased for the first time in more than a decade in 2012. The sector expanded by an average of 1,300 jobs, or 1.5 percent, annually from 2012 through 2019. Gains occurred in all three major manufacturing industries: transportation equipment, motor vehicle parts, and chemical manufacturing.

Job Growth by Geography

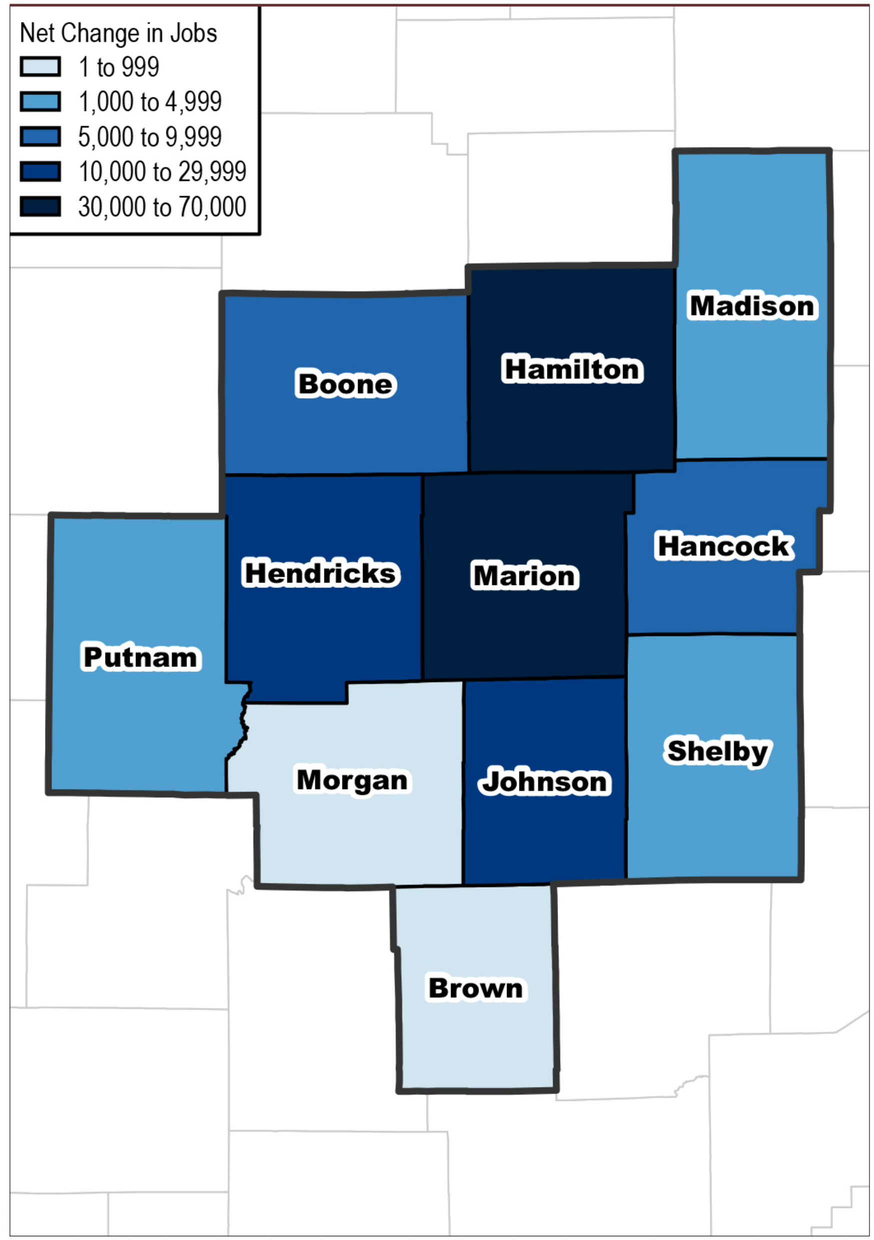
In the 2010s, jobs increased in all counties. Job gains were largest in Marion and Hamilton Counties (Map 1a), which also had the first and second most total jobs in the HMA during the period, followed by job growth in the closer-in suburban counties adjacent to Marion County and more limited gains in the farther-out counties. In Marion County, job growth was led by the professional and business services sector, and in Hamilton County, growth was led by the education and health services sector. Hendricks County had the third largest gain and the fastest rate of growth, with jobs in the county increasing by 5 percent annually. The transportation and warehousing industry led gains in the county.

Job growth was more mixed at the ZIP Code level in the 2010s. Gains were concentrated in downtown Indianapolis, which is at the geographic center of Marion County, and in ZIP Codes adjacent to the Marion County boundary (Map 1b). In downtown Indianapolis, jobs in health care, social assistance, and manufacturing led growth. In the ZIP Codes on the Marion/Hamilton County border, which include several office parks, growth was led by the finance and insurance industry and the professional and business services sector. On the Marion/Hendricks County border, proximate to the Indianapolis International Airport, the CSX intermodal hub, and retail distribution centers, growth was led by the transportation and warehousing industry. Areas with a decline in jobs were generally in central Marion County and outlying portions of the HMA. The largest decline was in the ZIP Code immediately south of downtown Indianapolis, and most of the loss was in the manufacturing sector.

Forecast

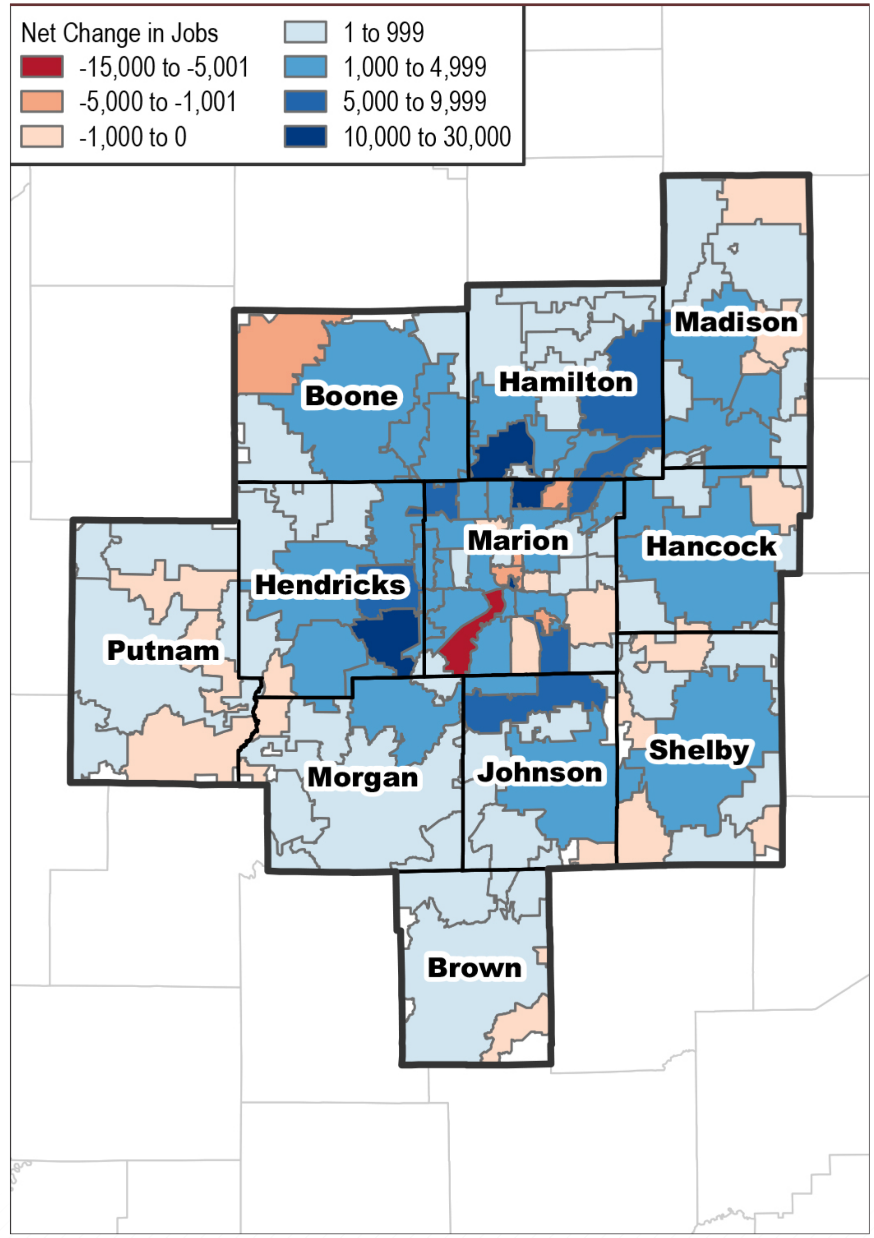
During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 2.1 percent annually. Job growth is expected to be faster during the earlier part of the forecast period as payrolls fully recover from the early 2020 recession. The transportation and utilities sector, which had the fastest rate of job growth in the 2010s and has fully recovered from the recession, is expected to lead job growth. Online retailers, logistics, and other companies

Map 1a. Change in Jobs by County in the Indianapolis HMA From 2010 to 2018



Source: U.S. Census OnTheMap, 2010 and 2018 that support jobs in the sector made hiring or expansion announcements totaling 3,500 jobs in the past 12 months, with most of the new jobs expected during the forecast period. Announcements include 980 jobs with Stitch Fix, Inc., and 500 jobs at Style Link Logistics LLC. The manufacturing sector, which expanded most years in the 2010s, is also expected to support job growth. During the past 12 months, companies in the sector made job announcements totaling 2,700 jobs. The expected expansions include 540 jobs at Mission Foods and 450 jobs at Milwaukee Electric Tool Corporation. Companies in the high-tech industry are also expected to support future job growth. Recent job announcements include Kennected, LLC, with 400 jobs expected, and Wunderkind Corporation, with 225 jobs. Both companies offer software and other technology that support sales and marketing, a similar industry to Salesforce.com, Inc.

Map 1b. Change in Jobs by ZIP Code in the Indianapolis HMA From 2010 to 2018



Source: U.S. Census OnTheMap, 2010 and 2018

Population and Households

Current Population: 2.11 Million

An increase in net in-migration since 2015, compared with earlier in the 2010s, offset a decline in net natural increase since 2010, resulting in relatively steady population growth since 2010, averaging 1.0 percent annually.

Population Trends

Strong job growth, a relatively quick recovery from the Great Recession, and a moderate cost of housing compared with that of the nation contributed to population growth in the Indianapolis HMA. Since 2010, population growth in the HMA has averaged 1.0 percent annually, faster than in the nation overall, which increased an average of 0.7 percent annually, and faster than in the six-state HUD-defined Midwest region (Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin), which was up an average of 0.3 percent annually.

2000 to 2010

In the 2000s, population growth was relatively steady, with an average increase of 22,950 people, or 1.3 percent, annually (Table 3). Net natural increase was higher compared with the period since 2010, averaging 12,950 people annually in the 2000s. Job growth was faster than in the nation in the early and mid-2000s, and a more limited decline in jobs in the HMA compared to the nation during the Great Recession in the late 2000s supported average annual net in-migration of 10,000 people. The years with the highest net in-migration were 2005 to 2007, when jobs in the HMA were increasing but payrolls had already begun to decline in some parts of the nation (Figure 5).

Table 3. Indianapolis HMA Population and Household Quick Facts

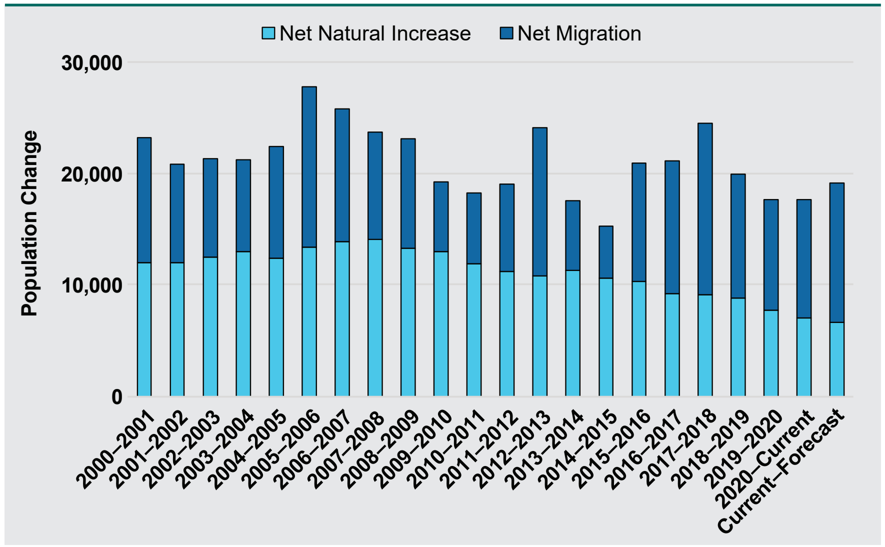
		2010	Current	Forecast
Population Quick Facts	**Population**	1,887,877	2,110,000	2,168,000
	Average Annual Change	22,950	19,600	19,200
	Percentage Change	1.3	1.0	0.9
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	732,184	825,100	849,100
	Average Annual Change	8,425	8,200	8,000
	Percentage 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 (August 1, 2021) to August 1, 2024.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

2010 to 2021

Population growth has slowed since 2010, averaging 19,600 people, or 1.0 percent, annually. The slowdown compared with the 2000s was primarily because of lower net natural increase, which has averaged 9,850 people annually since 2010, 24-percent below the average from 2000 to 2010. Net in-migration was down 3 percent compared with the previous period, averaging 9,750 people annually since 2010. The lower average annual net in-

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



Notes: Data displayed are average annual totals. The forecast period is from the current date (August 1, 2021) to August 1, 2024.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

migration since 2010 is partially because of lower in-migration during the early 2010s, when the economy was recovering from the Great Recession.

Higher net natural increase and lower in-migration occurred in the early 2010s, followed by lower net natural increase and higher in-migration in the late 2010s. The combination of rising net in-migration and falling net natural increase resulted in relatively steady overall population growth since 2010. Slowing net natural increase in most years, including births falling an average of 0.4 percent and deaths rising 2.1 percent annually from 2011 to 2020, resulted in net natural increase falling from 11,900 in 2011 to 7,750 in 2020. The onset of the COVID-19 pandemic accelerated the slowdown in net natural increase because of an elevated number of deaths. Offsetting lower levels of net natural increase in more recent years has been an increase in net in-migration since the mid-2010s. The expanding high-tech sector supported elevated net in-migration, rising from an average of 7,650 people annually from 2010 to 2015 to 11,600 people annually since 2015. Despite weaker economic conditions, which historically slowed in-migration, net in-migration is expected to have remained steady since 2020, partially because many in-migrants to the HMA in the 2010s came from higher cost metropolitan areas, which had elevated out-migration at the onset of the pandemic (U.S. Postal Service Change of Address data accessed through Coldwell Banker Richard Ellis [CBRE]).

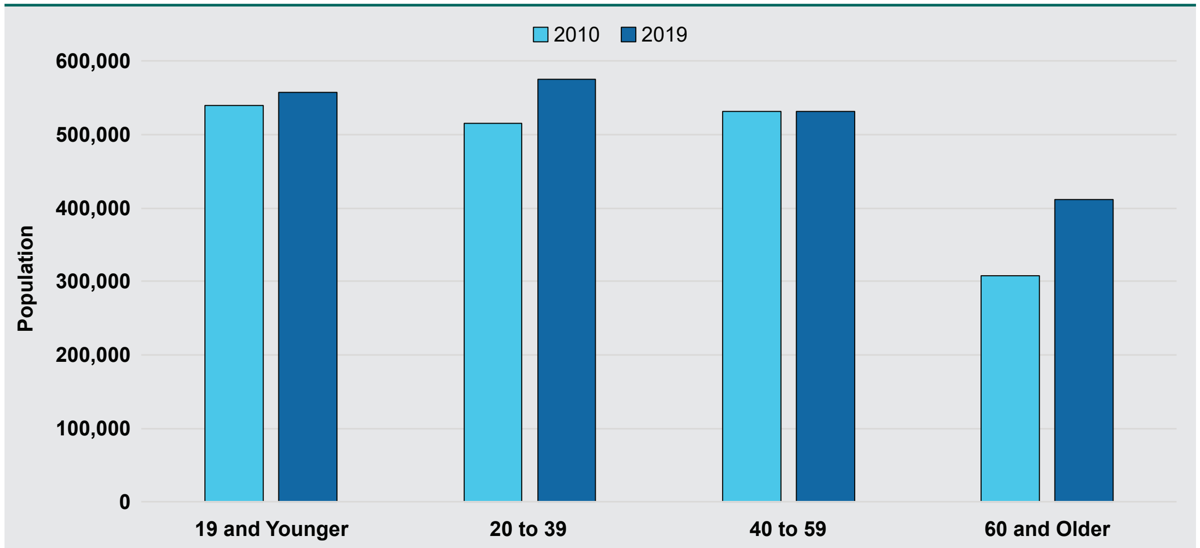
Age Cohort Trends and the Birthrate

The population of all age cohorts increased in the 2010s, with the largest gain in the 60-and-older cohort. From 2010 to 2019, the senior population increased an average of 3 percent annually, to 411,400 (Figure 6), or nearly 20 percent of the population in 2019. The population of adults age 40 to 59 and youth age 19 and younger each increased less than 0.5 percent annually, to 532,300 and 557,200, respectively. The largest and the second fastest growing age cohort, adults age 20 to 39, increased an average of 1 percent annually, to 575,600, or 28 percent of the total population. Despite the growing population in this cohort, which includes individuals most likely to give birth, the number of births has declined. In 2011, there were 14.1 births per 1,000 residents, and the rate fell each year to a low of 12.4 in 2020.

Migration Trends

At the metropolitan area level, in-migration into the Indianapolis HMA is generally from large, higher cost metropolitan areas, whereas out-migration from the HMA, which is lower than in-migration, is to smaller, nearby metropolitan areas with large universities. The Chicago, New York, and Las Vegas metropolitan

Figure 6. Population by Age Range in the Indianapolis HMA



Source: 2010 and 2019 American Community Survey 1-year data areas, the three most common origins for in-migrants to the HMA (Table 4), were in the bottom half of affordability among the 236 metropolitan areas ranked by the NAHB Housing Opportunity Index during the second quarter of 2021. By comparison, the HMA was ranked 21st most affordable. The Bloomington, Lafayette-West Lafayette, and Muncie metropolitan areas, which are among the most common areas to move when leaving the HMA, are all within 75 miles of the HMA and include the first, second, and fourth largest universities by student enrollment in Indiana (IUPUI is third largest).

In Marion County, the most populous county in the HMA, net out-migration has occurred most years since 2000. In 2018, the counties receiving the largest number of net out-migrants from Marion County were all in the HMA (Table 5) and adjacent to Marion. The counties with the largest net in-migration to Marion County are in other metropolitan areas in Indiana, and most include a large university.

Population by Geography

Supported by net in-migration from Marion County, the close-in suburban counties had the fastest rate of population growth among all counties in the HMA. These close-in suburban counties are closer to employment centers such as downtown Indianapolis, the office parks on the Marion/Hamilton County border, or the transportation hubs on the Marion/Hendricks County border. In addition, the close-in suburban counties have land available for housing development. The fastest growing counties were Hamilton, Boone, and Hendricks, each with an average gain of 2 percent annually, followed by Johnson, Hancock, and Marion Counties, each rising about 1 percent annually (Map 2a). In the counties farthest from major job centers, the population was relatively unchanged.

Table 4. Metro-to-Metro Migration Flows in the Indianapolis HMA, 2014–18

Into the HMA	
Chicago-Naperville-Elgin, IL-IN-WI	2,549
New York-Newark-Jersey City, NY-NJ-PA	812
Las Vegas-Henderson-Paradise, NV	555
Louisville/Jefferson County, KY-IN	527
Milwaukee-Waukesha-West Allis, WI	468
Out of the HMA	
Bloomington, IN	2,067
Lafayette-West Lafayette, IN	1,484
Dallas-Fort Worth-Arlington, TX	1,173
Muncie, IN	1,136
Phoenix-Mesa-Scottsdale, AZ	839

Source: U.S. Census Bureau Migration Flows, 2014–18 American Community Survey 5-year data

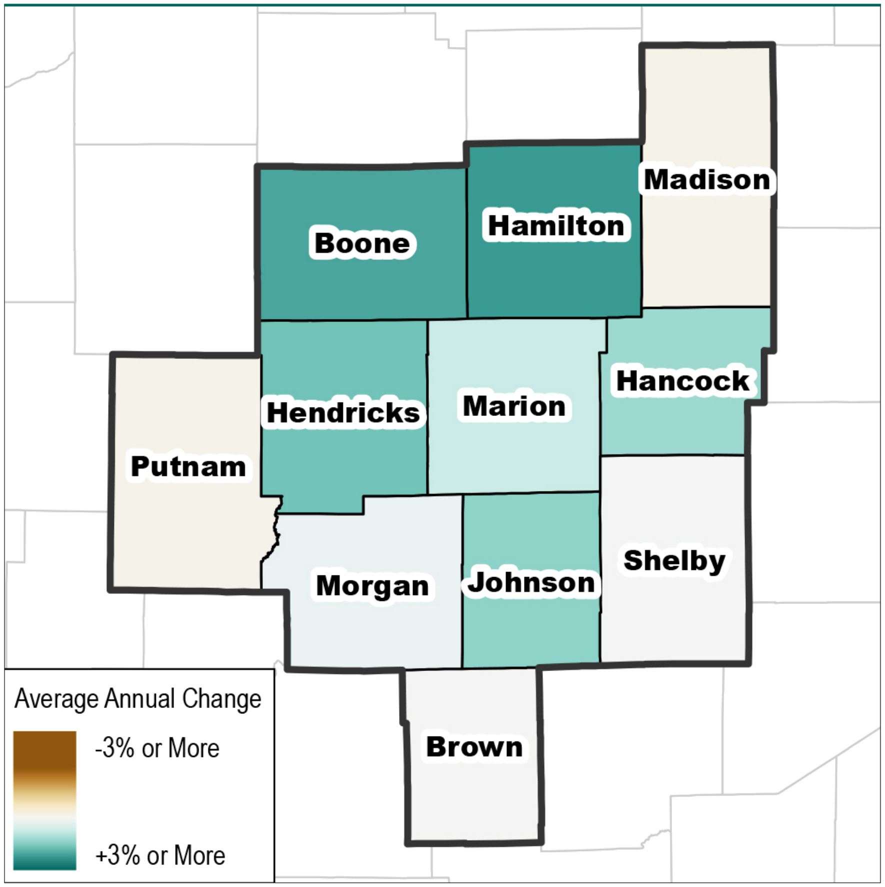
Table 5. County-to-County Migration Flows in Marion County, 2018–19

Into Marion County	
Lake County, IN (Gary Metro. Div.)	164
Monroe County, IN (Bloomington MSA)	141
St. Joseph County, IN (South Bend-Mishawaka MSA)	118
Tippecanoe County, IN (Lafayette-West Lafayette MSA)	115
Delaware County, IN (Muncie MSA)	101
Out of Marion County	
Hamilton County, IN (Indianapolis HMA)	1,127
Hendricks County, IN (Indianapolis HMA)	885
Hancock County, IN (Indianapolis HMA)	510
Johnson County, IN (Indianapolis HMA)	316
Boone County, IN (Indianapolis HMA)	224

Note: Place in parenthesis is the MSA or metropolitan division that includes the county.
Source: Internal Revenue Service (IRS) County-to-County Migration Flows, 2018–19

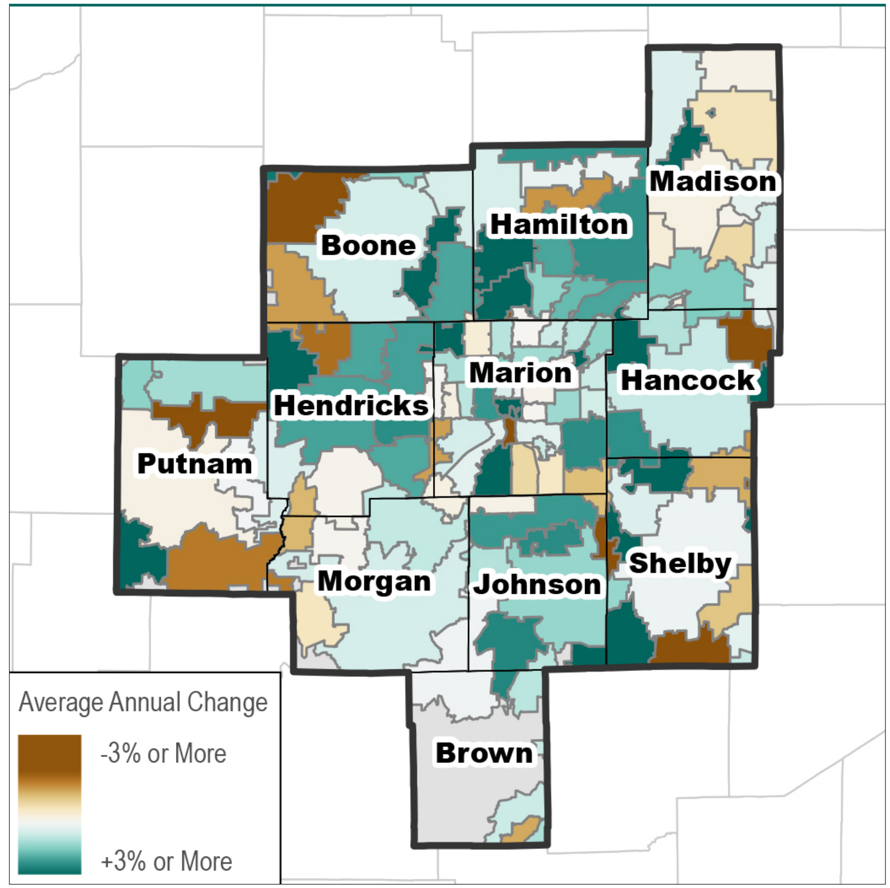
At the ZIP Code level, most of the ZIP Codes with declining population are in farther-out areas, whereas ZIP Codes with the fastest population growth are more centrally located and are coterminous with or proximate to ZIP Codes with relatively large job gains in the 2010s. Notable areas of increase, with an average annual gain of 3 percent or more, include ZIP Codes in downtown Indianapolis, southern Hamilton County, and southeastern Boone County (Map 2b). Notable areas of decrease, with an average annual decline of 3 percent or more, include ZIP Codes in northwest Boone County, southern Shelby County, and northeastern Hancock County.

Map 2a: Average Annual Population Change by County in the Indianapolis HMA



Sources: 2010–14 and 2015–19 American Community Survey 5-year data

Map 2b: Average Annual Population Change by ZIP Code in the Indianapolis HMA



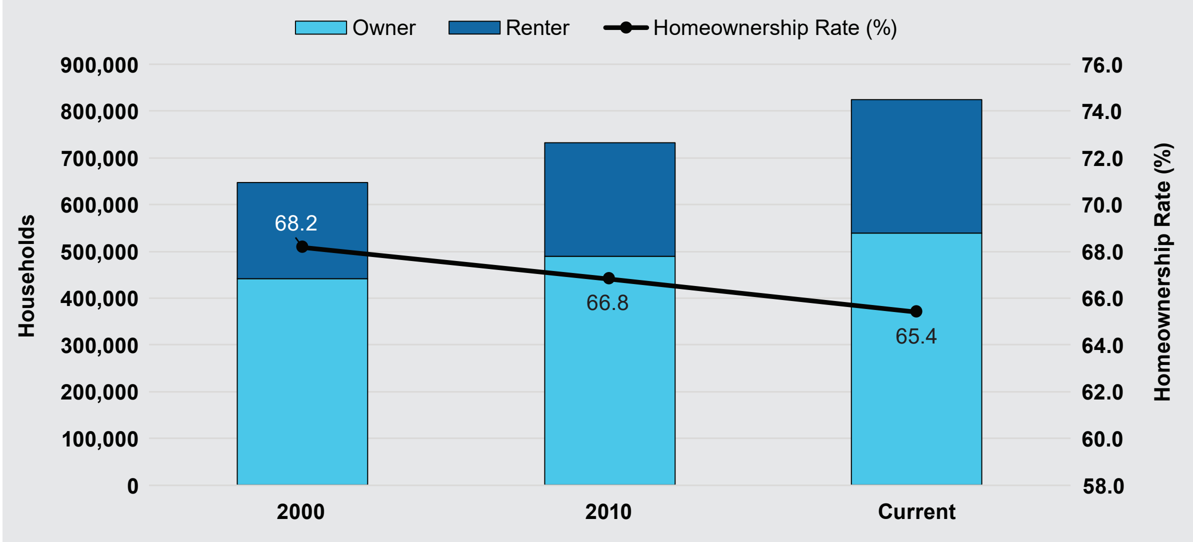
Sources: 2010–14 and 2015–19 American Community Survey 5-year data

Household Tenure

The number of owner households has increased more slowly than the number of renter households since 2000, resulting in a decline in the homeownership rate. The homeownership rate fell 1.4 percentage points in the 2000s and an additional 1.4 percentage points since 2010 to the currently estimated rate of 65.4 percent (Figure 7). From 2000 to 2010, owner households increased an average of 1.0 percent annually, and renter households increased an average of 1.7 percent annually. Since 2010, both owner and renter household growth has slowed. Owner households increased 0.9 percent annually, and renter households increased 1.4 percent annually.

The homeownership rate varies by county throughout the HMA. In Marion County, the homeownership rate is currently estimated at 53.4 percent, or 12.0 percentage points below the HMA average. The rate in the suburban counties is above the HMA average, with Hamilton County at 78.0 percent and the remaining nine counties at a combined average rate of 75.6 percent.

Figure 7. Households by Tenure and Homeownership Rate in the Indianapolis HMA



Note: The current date is August 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Population Forecast

During the 3-year forecast period, population growth is expected to slow slightly from the 2010-to-current period. The population is expected to increase an average of 19,200, or 0.9 percent, annually. Net natural increase is expected to continue to decline because of the falling birthrate and growing number of seniors in the HMA, resulting in fewer births and more deaths. Additional deaths attributed to the ongoing COVID-19 pandemic, especially during the early portion of the forecast period, are expected to further slow net natural increase. Net in-migration is expected to increase slightly from the 2015-to-current period because of the expected job growth and affordability of the area.

Population growth is expected to be concentrated in the suburban counties, specifically the suburban counties adjacent to Marion. These counties include, or are relatively close to, major employment centers, and they have undeveloped land available for housing construction. Population growth is expected to be limited in Marion County because much of the land is already developed, so there are fewer places to build additional housing to accommodate new residents. The net out-migration from Marion to suburban counties in the HMA in the late 2010s is expected to continue.

Household Trends and Forecast

Household growth moved in the same direction as population growth trends, with faster growth occurring in the 2000s and slowing in recent years. From 2000 to 2010, household growth averaged 8,425, or

1.2 percent, annually and has slowed to an average of 8,200, or 1.1 percent, annually since 2010. In the forecast period, slower population growth is expected to contribute to reduced household growth. During the next 3 years, household growth is expected to average 8,000, or 1.0 percent, annually. Owner household growth is expected to accelerate to an average of 1.1 percent annually during the forecast period, and renter household growth is expected to slow to 0.7 percent annually. An expected increase in in-migration from households that lived in higher cost areas (and therefore are more likely to be able to afford to buy a home), historically low mortgage interest rates, and increased use of telework for some workers are expected to contribute to faster growth in owner households during the forecast period.

Home Sales Market

Market Conditions: Tight

In response to the fastest increase in home sales prices in more than 15 years and a low inventory of homes for sale, new home construction during the 12 months ending July 2021 increased nearly 40 percent compared with the previous 12 months.

Current Conditions

The home sales market is tight. The vacancy rate is currently estimated at 0.9 percent (Table 6), down from 2.7 percent in 2010. The inventory of homes for sale is at a record low, and the average home sales price, including new and existing homes, is rising at the fastest rate in more than 15 years. In July 2021, the inventory of homes for sale was 0.8 month, down from 1.0 month a year earlier (Redfin, a national real estate brokerage). The inventory was most recently above 6 months, which is generally a sign of balanced market conditions, in 2012. The current low inventory of homes for sale has led to a rapid price increase. During the 12 months ending July 2021, the average home sales price was $256,100, up 18 percent compared with the 12 months earlier and well above the average annual increase of 3 percent from 2010 through 2019 (Zonda). Total home sales increased 13 percent to 56,050 homes sold during the 12 months ending July 2021, a reversal from the 2-percent decline during the previous 12 months.

Table 6. Home Sales Quick Facts in the Indianapolis HMA

		Indianapolis HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	0.9%	NA
	Months of Inventory	0.7	1.4
	Total Home Sales	56,050	1,748,000
	1-Year Change	13%	12%
	Total Home Sales Price	$256,100	$416,600
	1-Year Change	18%	24%
	Mortgage Delinquency Rate	2.4%	2.9%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending July 2021; and months of inventory and mortgage delinquency data are as of July 2021. The current date is August 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, Inc.; home sales and prices—Zonda; mortgage delinquency rate—CoreLogic, Inc.

The Indianapolis HMA is considered one of the most affordable metropolitan areas in the nation, and homeownership has remained affordable to a large share of households despite the recent rapid increase in home sales prices. A median-income household in the HMA could afford 87.2 percent of homes for sale during the second quarter of 2021, down 1.1 percentage points from a year earlier (NAHB Housing Opportunity Index). By comparison, in the nation, a median income household could afford only 56.6 percent of homes for sale, down 8.8 percentage points from a year earlier. In the Chicago-Naperville-Arlington Heights metropolitan division, which includes the majority of the population in the Chicago MSA and is the MSA with the largest share of in-migration into the HMA, a median income household could afford 61.7 percent of homes for sale, down 3.8 percentage points from a year ago. The median income in the Chicago-Naperville-Arlington Heights metropolitan division was $86,300, or $4,700 higher than the median income in the HMA.

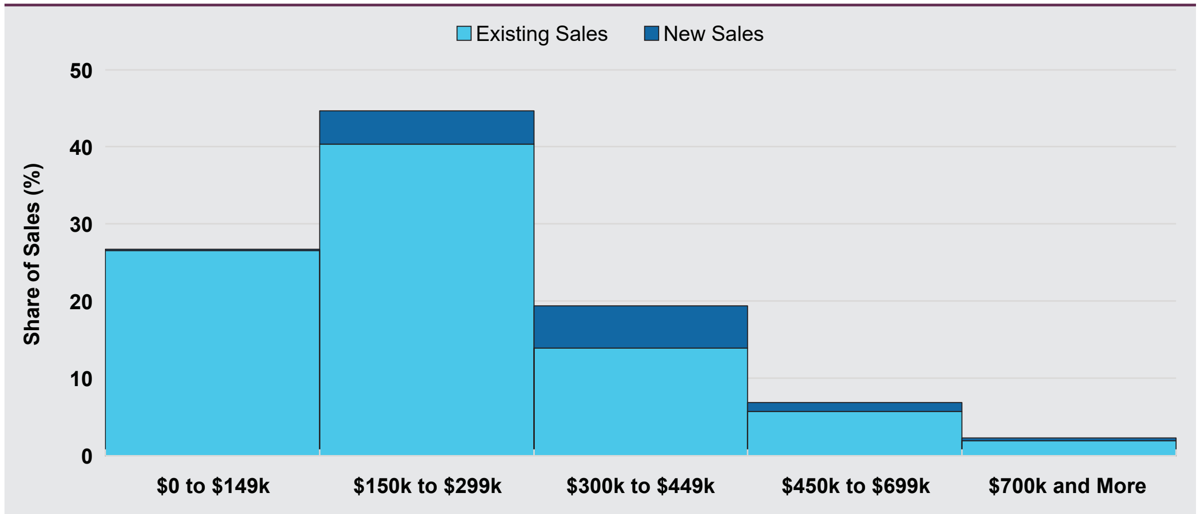
Existing home sales during the 12 months ending July 2021, including regular resale and real estate owned (REO) properties, were concentrated in the $150,000-to-$299,999 price range, with 45 percent of existing homes sold during the 12 months ending July 2021 (Figure 8). About 30 percent of existing home sales were priced below $150,000, and 25 percent were above $300,000. New home sales tended to be concentrated in a higher price range, with 50 percent of new home sales in the $300,000-to-$449,999 price range. Approximately 40 percent of new home sales were priced below $300,000, and 10 percent were priced above $450,000.

Home Sales Trends

Home sales moved with the economy in the late 2000s and 2010s, with sales peaking before the Great Recession, falling during and immediately after the Great Recession, and rising after the economy recovered from losses during the Great Recession. Total home sales were at a pre-Great Recession peak of 49,900 in 2006 (Figure 9). From 2007 through 2011, which included the Great Recession and early recovery in the HMA, total home sales fell an average of 4,400, or 11 percent, annually. In 2006, new home sales accounted for 15 percent of total home sales, and REO sales accounted for 12 percent of sales, but new home sales fell to 8 percent and REO sales increased to 24 percent of total sales in 2011. From 2012 through 2019, as the economy shifted from recovery to expansion and continued to grow, total home sales increased by an average of 2,800, or 8 percent, annually. Gains were fastest in the early years of the period because all types of home sales were rising—regular resales, REO properties, and new homes. In the later years of the 2010s, as the economy moved further into expansion, REO sales declined, slowing the increase in total home sales. In 2019, new, REO, and regular resale sales accounted for 9, 3, and 87 percent of total home sales, respectively.

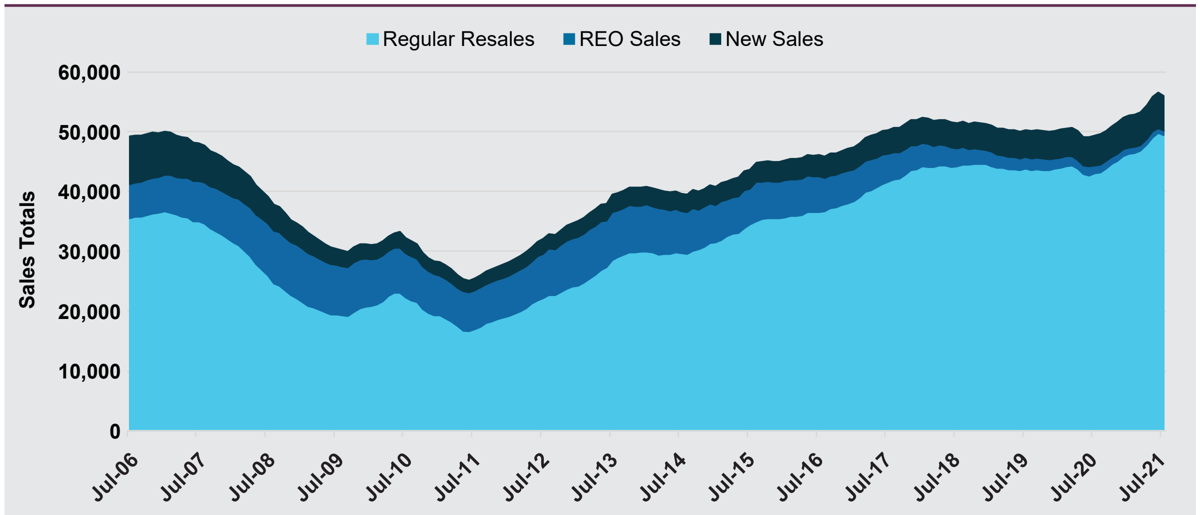
The onset of the COVID-19 pandemic further increased home sales. Historically low mortgage interest rates incentivized homebuying. Rates for a 30-year fixed-rate mortgage averaged 2.9 percent during the 12 months ending July 2021, down from 3.5 percent 12 months earlier, and fluctuating between 3.5 and 5.0 percent in the 2010s (Freddie Mac). In addition, many companies began to encourage teleworking, which often requires space within a home to perform the job;

Figure 8. Share of Overall Sales by Price Range During the 12 Months Ending July 2021 in the Indianapolis HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Figure 9. 12-Month Sales Totals by Type in the Indianapolis HMA



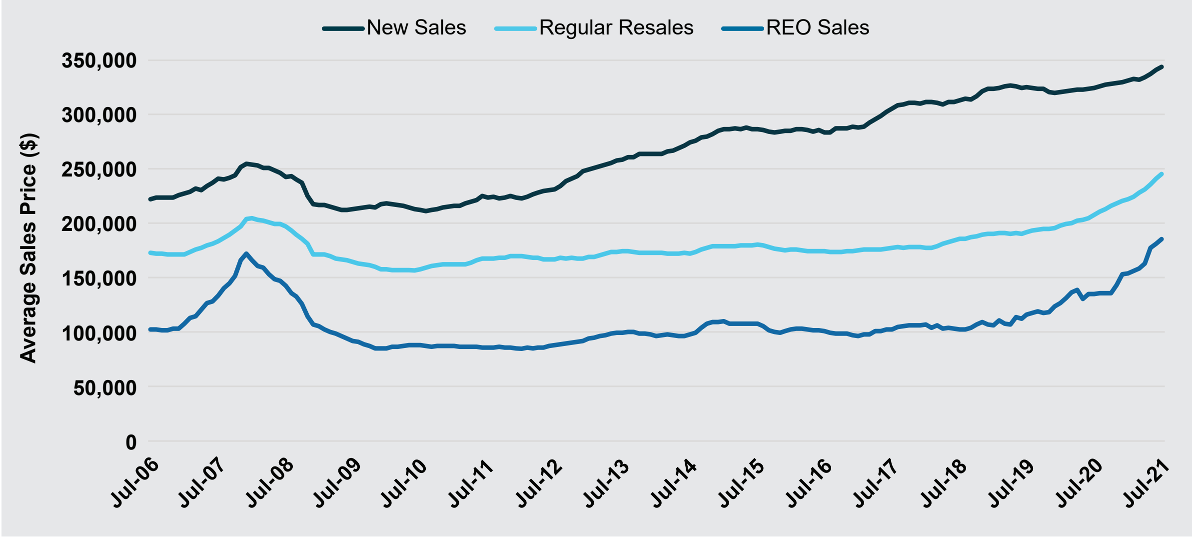
REO = real estate owned.
Source: Zonda

this trend may have enabled some workers to move farther from their offices. About 30 percent of workers in Indiana worked from home at least once per week in July 2021 (U.S. Census Bureau Household Pulse Survey, Week 34). Nationally, among individuals currently working from home, only about 20 percent worked from home before the onset of the pandemic (Pew Research). The low mortgage interest rates and the increase in telework contributed to the 13-percent increase in home sales during the 12 months ending July 2021. Home sales totaled 56,000, which was 14 percent above the pre-Great Recession peak. New, REO, and regular resale homes accounted for 11, 1, and 88 percent of sales, respectively.

Home Sales Prices

The average home sales price, including new and existing homes, fluctuated in response to changes in nonfarm payrolls, which included 2 years of falling prices in the late 2000s and rising prices nearly every year in the 2010s. The average price peaked in 2007 at $210,200 and then fell an average of $30,650, or 16 percent, annually to a low of $148,800 in 2009 (Figure 10). Weak economic conditions; fewer new home sales, which had an average price 30 percent above the average regular resale price; and the rise in REO sales, which had an average sales price 30 percent below the average regular resale price, contributed to the decline in prices. The economy began to improve in the early 2010s, which increased the demand for homes and

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



REO = real estate owned.
Source: Zonda

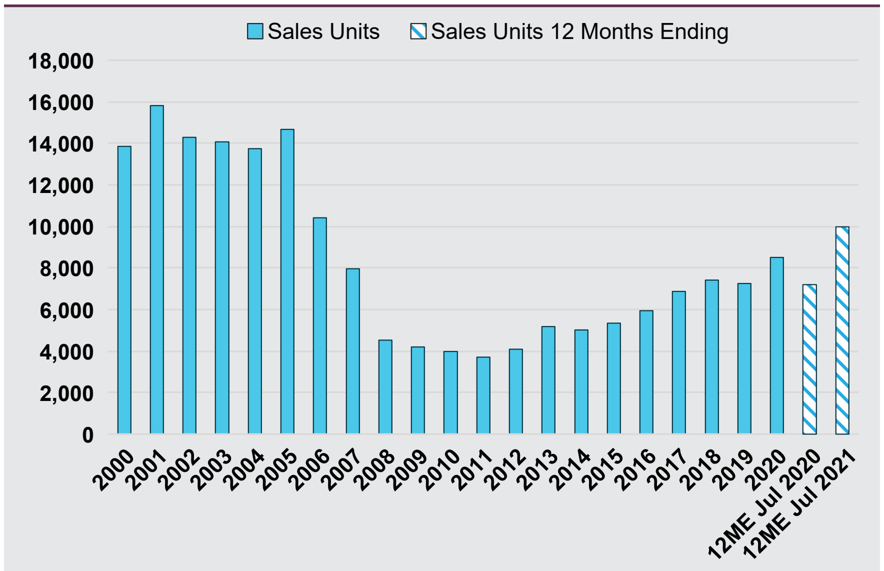
contributed to rising prices. From 2010 through 2019, home sales prices increased an average of $5,625, or 3 percent, annually. The number of REO sales declined most years in the 2010s, also contributing to an increase in the average price.

With the onset of the COVID-19 pandemic, the subsequent rise in home sales, and the decline in inventory of homes for sale, home prices increased rapidly, up 7 percent during the 12 months ending July 2020 and 18 percent during the 12 months ending July 2021 to $256,100. In addition to increased demand from households utilizing the low mortgage interest rates and whose work situation changed, enabling a change in housing, the mix of homes sold changed. REO sales declined to 1 percent of total sales, partially because of provisions in the CARES Act limiting foreclosures and REO sales, and new home sales increased to the largest share of total sales in more than a decade, at 11 percent, contributing to the increase in prices.

Sales Construction

New home construction, as measured by the number of single-family homes, townhomes, and condominiums permitted (building permits), increased most years in the 2010s, coinciding with the period of economic expansion. New home construction then further increased with the onset of the COVID-19 pandemic in response to rising demand for for-sale housing. Despite the increase in construction in 2020 and 2021, the current level of permitting is below the average from the early 2000s, when population growth was stronger and access to mortgage loans was less restrictive. From 2000 through 2005, an average of 14,400 homes were permitted (Figure 11). Permitting declined by an average of 3,375 homes, or 32 percent, annually from 2006 through 2008 and remained low from 2008 through 2012, averaging 4,125 homes annually. As the economy shifted from recovery to expansion in 2012, permitting began to rise, up an average of 550 homes annually from 2013 through 2017, and averaged 7,175 homes annually from 2017 through 2019. In response to record-low mortgage interest rates, the low inventory of homes for sale, and the rapid shift to telework for some workers at the onset of the pandemic, permitting increased. During the 12 months ending July 2021, permitting totaled 10,000 homes, up from 7,200 during the previous 12 months (preliminary data, with adjustments by the analyst).

Figure 11. Annual Sales Permitting Activity in the Indianapolis HMA

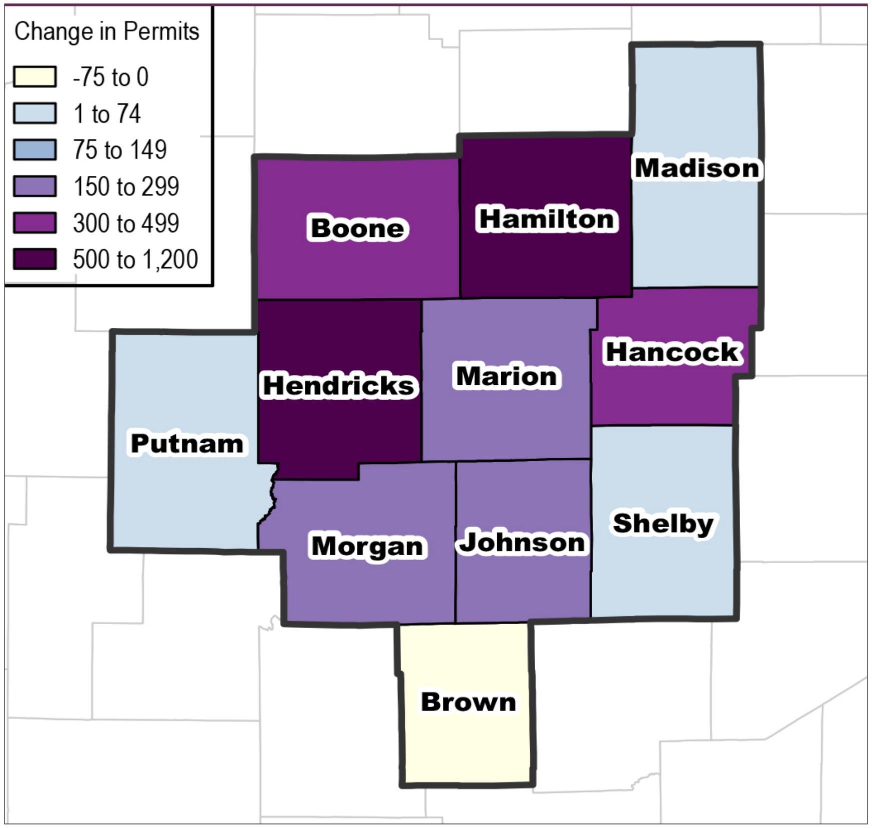


12ME = 12 months ending.
Note: Includes single-family homes, townhomes, and condominiums.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; last 24 months of data—preliminary data and estimates by the analyst

Sales Construction by Geography

In response to the low inventory of homes for sale and the rapid increase in home sales prices, single-family home construction increased in 10 of the 11 counties in the HMA. During the 12 months ending July 2021, single-family home permitting in the HMA increased by 3,125 homes, or 46 percent, compared with the average annual level from 2017 through 2019 (preliminary data). Hamilton County had the largest increase, up by 1,100 homes permitted, or 46 percent (Map 3), to 3,500 homes. Hendricks County, which includes a high concentration

Map 3: Change in Single-Family Permitting by County in the Indianapolis HMA During the 12 Months Ending July 2021 Compared with the Average Annual Permits from 2017 through 2019



Source: State of the Cities Data Systems (SOCDS), preliminary monthly data, January 2017 through July 2021 of jobs in the fast-growing transportation and utilities sector, had the second largest gain, up by 540 homes, or 59 percent, to 1,475 homes permitted. Marion, the central county, and the adjacent counties Boone, Hancock, Johnson, and Morgan had gains of 150 to 500 homes permitted, whereas counties farther from the economic and population center had smaller gains. Brown County had a modest decline, down fewer than 5 homes to 75 homes built.

The subdivision in the HMA with the most homes built during the 12 months ending June 2021 was Hunters Run in Fishers, a suburb in southeastern Hamilton County. Construction was started on 161 single-family homes, and 112 homes were sold. Sales prices ranged from $285,000 to $447,000, and the average price for a three-bedroom, three-bathroom home was $373,800. Another subdivision with many home sales is Vandalia in Plainfield, a suburb in southeastern Hendricks County. During the most recent 12 months, a total of 109 homes were constructed, and 108 were sold. Home prices ranged from $194,000 to $424,000, and the average price was $334,700.

Forecast

During the 3-year forecast period, demand for an additional 25,900 homes is expected (Table 7). The 3,950 homes currently under construction are expected to meet a portion of that demand during the first year. Despite moderating population and household growth in the forecast period, the expected job growth, low mortgage interest rates, and the increase in telework are expected to shift a larger share of demand for additional housing to owner-occupied units, contributing to continued elevated demand of for-sale housing. To meet forecast demand, the average annual number of homes built will need to remain above the average from 2017 through 2019. Most demand is expected in closer-in suburban counties adjacent to Marion County and specifically in areas proximate to major employment centers. Demand is expected to be highest in the early portion of the forecast period as workers who are permitted to telework adjust their housing preferences and households buy homes while mortgage interest rates are low.

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

	Sales Units
Demand	25,900 Units
Under Construction	3,950 Units

Note: The forecast period is from August 1, 2021, to August 1, 2024.
Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

Rental unit construction was elevated in downtown Indianapolis in the late 2010s but moderated in 2020 and 2021. The decline downtown was partially offset by increased permitting in some close-in suburban areas.

Current Conditions and Recent Trends

Rental market conditions in the Indianapolis HMA are balanced. The rental market vacancy rate is currently estimated at 8.5 percent, down from 12.0 percent in 2010 when conditions were soft (Table 8). Economic expansions during the 2010s and month-over-month job gains since the early 2020 recession have contributed to the decline in vacancies. In addition, the nationwide ban on evictions enacted in mid-2020 by the Centers for Disease Control and Prevention (CDC), set to expire later in 2021, but was overturned by the U.S. Supreme Court in late-August 2021, has allowed households behind on their rent to remain in their homes, further contributing to the vacancy decline.

Table 8. Rental Market Quick Facts in the Indianapolis HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	12.0	8.5
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	38	40
	Multifamily (2–4 Units)	15	14
	Multifamily (5+ Units)	45	44
	Other (Including Mobile Homes)	2	2

Notes: The current date is August 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data

Non-Apartment Rental Market

The tight home sales market and the increase in telework, which has shifted housing preferences for some workers, has contributed to rising rents and falling vacancy rates in the single-family rental market recently compared with the 2010s.

The average rent for a professionally managed three-bedroom single-family home was $1,256 in June 2021, up 7 percent from the same month in 2020, following a 1-percent increase a year earlier (CoreLogic, Inc.). By comparison, from 2013 through 2019, rent increased an average of 2 percent annually. The vacancy rate for three-bedroom single-family homes was 3.0 percent in June 2021, down 0.3 percent from a year earlier, and has fallen about 2 percentage points since 2013. The current vacancy rate for a four-bedroom home is about 1 percentage point lower, and the vacancy rates for one- and two-bedroom homes are slightly higher than for three-bedroom homes because of competition from apartments. Reflective of their respective vacancy rates compared with three-bedroom homes, one-bedroom and two-bedroom homes had slower rent growth, rising 6 and 3 percent, respectively, and faster in four-bedroom homes, rising 8 percent from a year ago.

Single-family homes are the most common rental unit type in the HMA, accounting for 40 percent of all occupied rental units, and they constitute a larger share of the rental market than in the nation, where single-family homes account for 33 percent of all occupied rental units (2019 American Community Survey 1-year data). Small buildings in the HMA with 2 to 4 units make up 14 percent of all occupied rental units, whereas 30 percent are mid-sized buildings with 5 to 19 units. Large buildings with 20 or more units, which are most likely to be professionally managed apartments, account for 14 percent of all occupied rental units, a smaller share compared with the 23-percent nationwide share of occupied rental units in large buildings.

Apartment Market

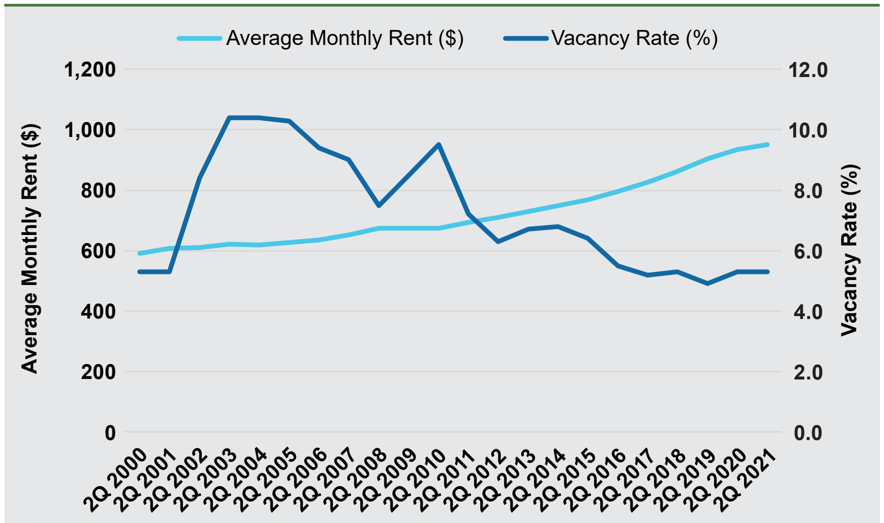
Apartment market conditions are currently balanced in the Indianapolis HMA. The vacancy rate has been relatively stable since the late 2010s, and rent growth has slowed. During the second quarter of 2021, the apartment vacancy rate was 5.3 percent, unchanged from a year ago and relatively similar to the

5.1-percent average rate from 2017 through 2019 (Figure 12), when economic conditions were stronger. The average apartment rent in the HMA during the second quarter of 2021 was $952, up 2 percent from a year ago, slowing from a 4-percent gain during the previous year and an average annual gain of 4 percent from the second quarter of 2017 through the second quarter of 2019.

Apartment market conditions are mixed in the 13 Moody's Analytics REIS-defined market areas in the HMA (Map 4). In higher cost market areas that have many jobs that can be shifted to telework, conditions are similar to or slightly softer than the HMA average. By contrast, in lower cost market areas with fewer workers that shifted to telework, conditions tend to be similar to or slightly tighter than the HMA average.

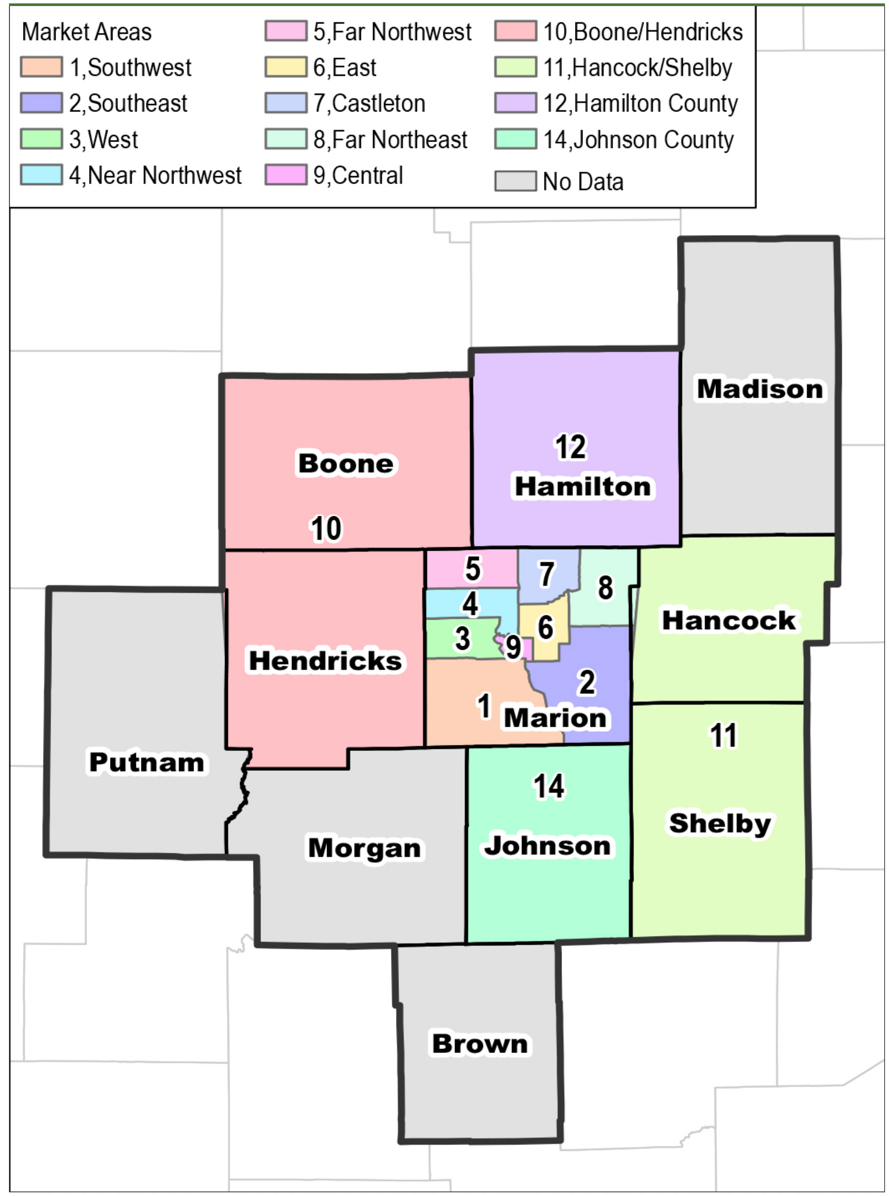
In the Central market area, which includes downtown Indianapolis, conditions are soft. The area had the highest vacancy rate in the HMA during the second quarter of 2021, at 13.0 percent, up 2.4 percentage points from a year earlier,

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



2Q = second quarter.
Source: Moody's Analytics REIS

Map 4: Moody's Analytics REIS-Defined Apartment Market Areas in the Indianapolis HMA



Source: Moody's Analytics REIS

and a below-average rent increase, up 1 percent, to $1,336 (Table 9). By comparison, from the second quarter of 2017 to the second quarter of 2019, the vacancy rate averaged 10.3 percent, and rent growth averaged 9 percent led by higher-cost new apartments entering the market. Many of the jobs in the downtown area are in industries conducive to telework, reducing the location advantage of living downtown near an office and contributing to the increase in vacancy and slowing of rent growth. Households with sufficient income to afford the average rent in this market area are also likely to be able to afford an average-priced home for sale in the HMA, and some households are expected to have shifted to homeownership, further contributing to soft conditions in the area. In the Hamilton County market area, which is another high-rent area with many nearby jobs that can be performed through telework, conditions were also relatively soft. The area had a decline in the average rent, down 1 percent, to $1,170, but the lower rent led to a reduction in the vacancy rate, down 0.7 percentage point, to 5.5 percent. By comparison, rent growth averaged 4 percent annually, and the vacancy rate averaged 6.9 percent from the second quarter of 2017 to the second quarter of 2019. The below-average rent growth in the Central market area and rent decline in the Hamilton County market area contributed to slower rent growth in the HMA during the past year.

Table 9. Apartment Market Quick Facts by Market Area in the Indianapolis HMA

		2Q 2021 Vacancy Rate (%)	YoY Change	2Q 2021 Average Rent (%)	YoY Change (%)
Apartment Market Quick Facts	**Indianapolis HMA**	5.3	0.0	952	2
	Boone/Hendricks (10)	5.8	-0.6	1,094	1
	Castleton (7)	5.5	-0.1	1,029	4
	Central (9)	13.0	2.4	1,336	1
	East (6)	5.2	-0.2	875	1
	Far Northeast (8)	6.0	0.0	779	3
	Far Northwest (5)	2.3	-0.3	880	2
	Hamilton County (12)	5.5	-0.7	1,170	-1
	Hancock/Shelby (11)	2.5	0.2	810	5
	Johnson County (14)	3.8	0.4	864	4
	Near Northwest (4)	4.8	-0.2	794	1
	Southeast (2)	5.0	-0.3	880	3
	Southwest (1)	5.3	0.1	903	3
	West (3)	3.7	0.1	764	2

YoY= year-over-year. 2Q = second quarter.
Note: Number in parenthesis corresponds to Map 4.
Source: Moody's Analytics REIS

The Boone/Hendricks market area, which includes many apartments proximate to workplaces in the fast-growing transportation and utilities sector, which has fewer jobs that can be performed via telework, is balanced. The vacancy rate had the second largest decline in the HMA, down 0.6 percentage point, to 5.8 percent, and rent increased 1 percent, to $1,094. The Hancock/Shelby market area in the eastern suburbs was relatively tight, with the second lowest vacancy rate and fastest rent growth in the HMA. The vacancy rate was 2.5 percent, up 0.2 percentage point from a year ago, and the average rent was $810, up 5 percent. By comparison, the vacancy rates in the Boone/Hendricks and Hancock/Shelby market areas averaged 4.9 and 2.9 percent, respectively, and rent growth averaged 4 and 3 percent, annually, from the second quarter of 2017 to the second quarter of 2019, respectively.

Rental Construction

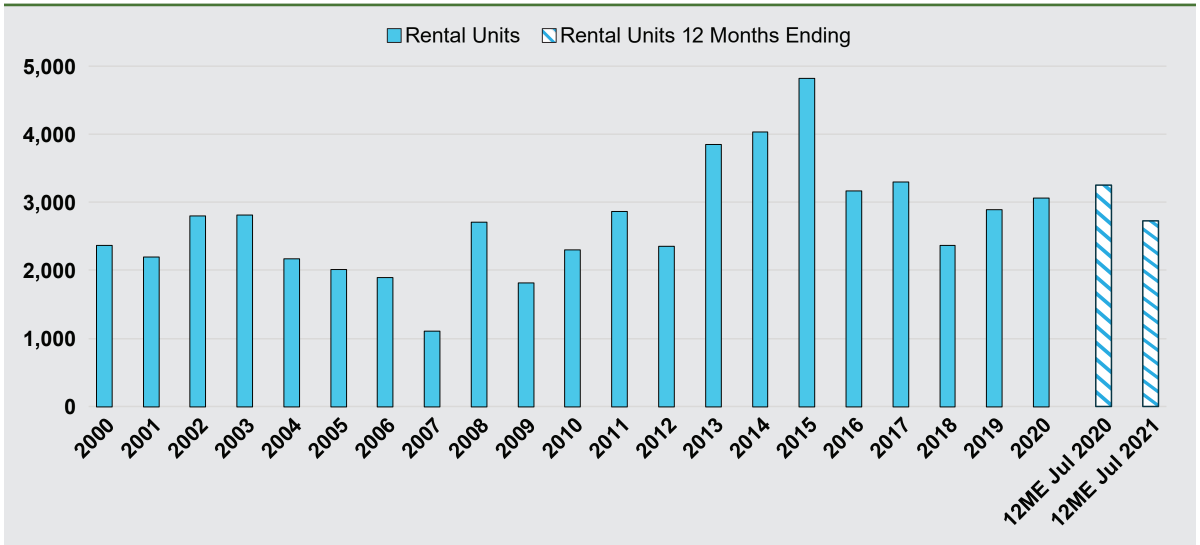
Rental unit construction, as measured by the number of units permitted, rose rapidly in the early 2010s but has fallen in recent years. During the early 2000s, when population and household growth were faster but buying a home was relatively easier, rental permitting averaged 2,325 units annually from 2000 through 2006 (Figure 13). As economic conditions weakened in the late 2000s, rental permitting fell to an average of 1,875 units annually from 2007 through 2009. Economic conditions improved in the early 2010s, and job growth was concentrated in downtown Indianapolis and in other infill areas, where taller buildings and higher density housing, which are common attributes of apartments, were allowed. From 2010 through 2015, rental permitting increased an average of 500 units annually, to a high of 4,825 in 2015. Permitting slowed in the late 2010s to allow for absorption of units built earlier in the decade. From 2016 through 2019, permitting averaged 2,925 units annually. Economic uncertainty associated with the early months of the COVID-19 pandemic and soft apartment market conditions in downtown Indianapolis and Hamilton County, where much of the new construction was occurring, resulted in a slowdown in permitting. During the 12 months ending July 2021, permitting totaled 2,725 units, down from 3,250 units during the previous 12 months (preliminary data, with adjustments by the analyst).

Rental Construction by Geography

Since 2016, rental construction has been concentrated in three main areas: downtown Indianapolis, southern Hamilton County, and eastern Hendricks County. The construction coincides with the increase in jobs in and near these areas. In the 2016-through-2019 period, the downtown Indianapolis ZIP Codes (46204 and 46202) had the first and third most units permitted, with averages of 340 and 220 units permitted annually, respectively (Map 5a). During 2020 and 2021, the downtown ZIP Codes fell to fourth and ninth, with averages of 210 and 150 units permitted annually (Map 5b). Although proximity to employers is less of a competitive advantage because of the increase in telework since early 2020, downtown Indianapolis includes entertainment districts that continue to attract new construction and residents to the area but at a slower pace than in the late 2010s. In 2020 and 2021, the areas with the most units permitted were in the suburbs, including Fishers (46038), in southern Hamilton County, with an average of 240 units, and Whitestown (46075), in southeastern Boone County, with an average of 230 units.

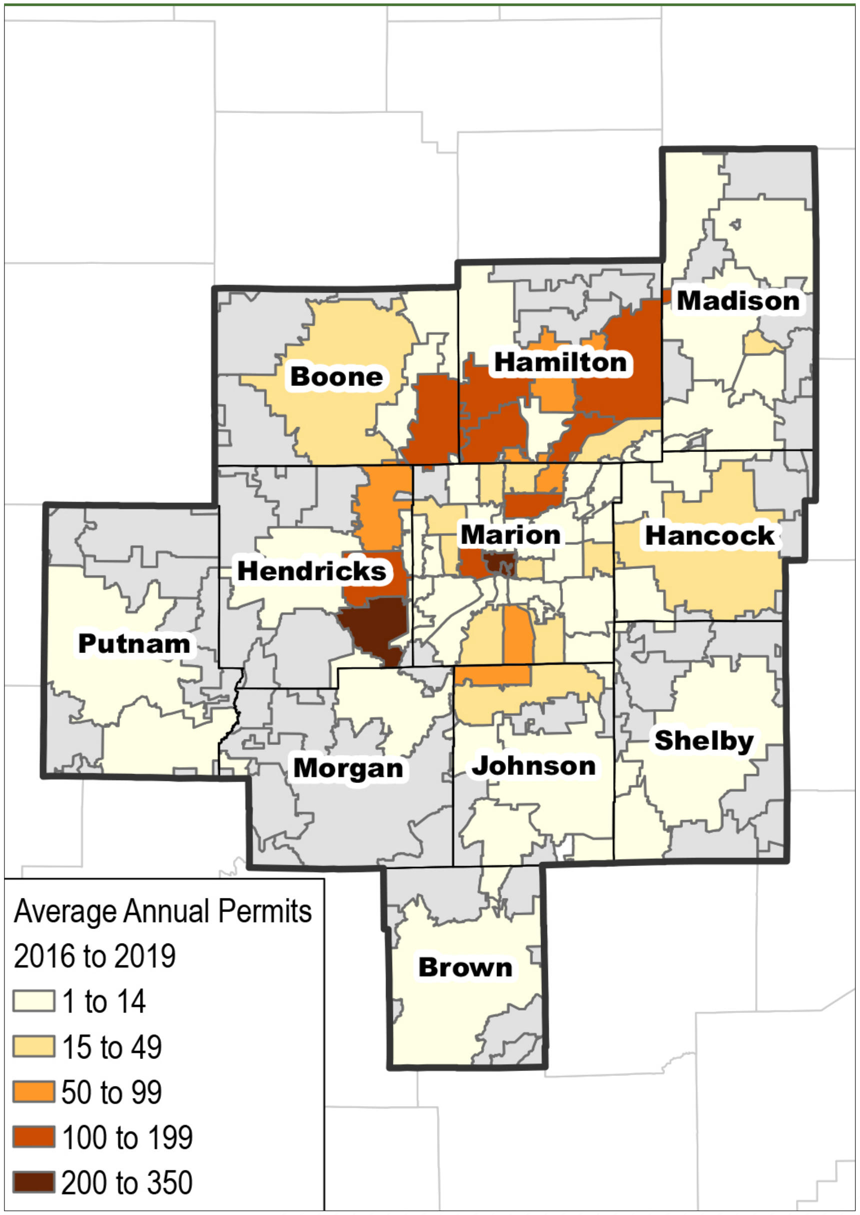
The Ardmore is a recently completed apartment in downtown Indianapolis. Rents at the 131-unit property average $1,203 for a studio, $1,536 for a one-bedroom unit, and $2,702 for a two-bedroom unit. Opened in late 2020, the property has yet to reach stabilized occupancy as of August 2021. Reflective of the Hamilton market area, which has a lower vacancy rate and lower average rent than downtown Indianapolis, Pullman Pointe, a 190-unit property in Fishers, opened earlier in 2021 and is fully occupied.

Figure 13. Annual Rental Permitting Activity in the Indianapolis HMA



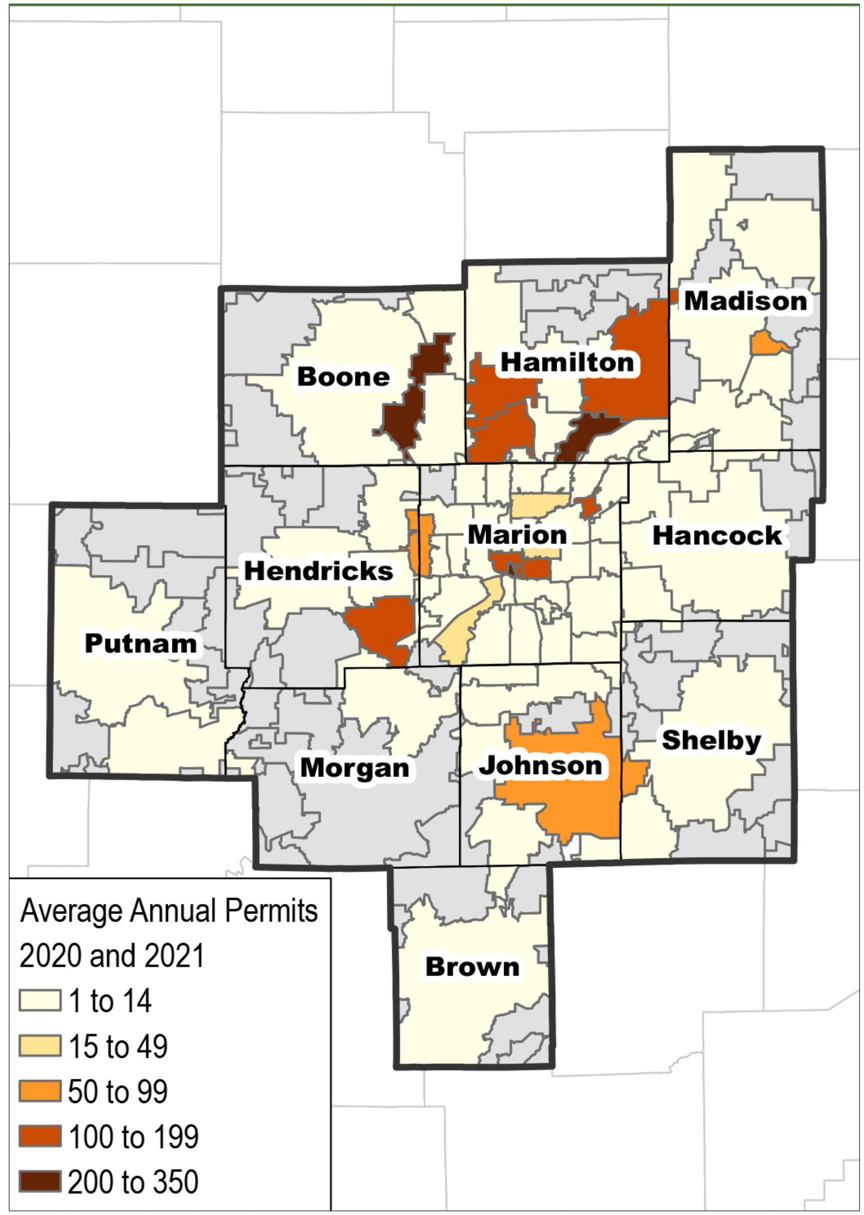
12ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; last 24 months of data—preliminary data and estimates by the analyst

Map 5a: Average Annual Rental Unit Permitting by ZIP Code in the Indianapolis HMA, 2016 through 2019



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

Map 5b: Average Annual Rental Unit Permitting by ZIP Code in the Indianapolis HMA, 2020 and 2021



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

Rents at the property average $979 for a studio, $1,159 for a one-bedroom unit, and $1,637 for a two-bedroom unit.

Forecast

During the 3-year forecast period, demand is expected for an additional 7,600 rental units (Table 10). The 4,625 units currently under construction are expected to meet a portion of that demand. Despite the expected job growth, slower population and household growth during the forecast period are expected to reduce demand for additional units compared with the late 2010s. In addition, low mortgage interest rates and increased opportunity to telework are expected to incentivize households to shift to homeownership, further moderating demand for rental units.

Table 10. Demand for New Rental Units in the Indianapolis HMA During the Forecast Period

Rental Units	
Demand	7,600 Units
Under Construction	4,625 Units

Note: The forecast period is August 1, 2021, to August 1, 2024.
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, makes an estimate of 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.
Existing Home Sales	Include regular resales and REO sales.
Forecast Period	8/1/2021–8/1/2024—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Increase	Resident births minus resident deaths.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.

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 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	The National Association of Home Builders (NAHB) Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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.
3.	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.

D. Photo/Map Credits

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