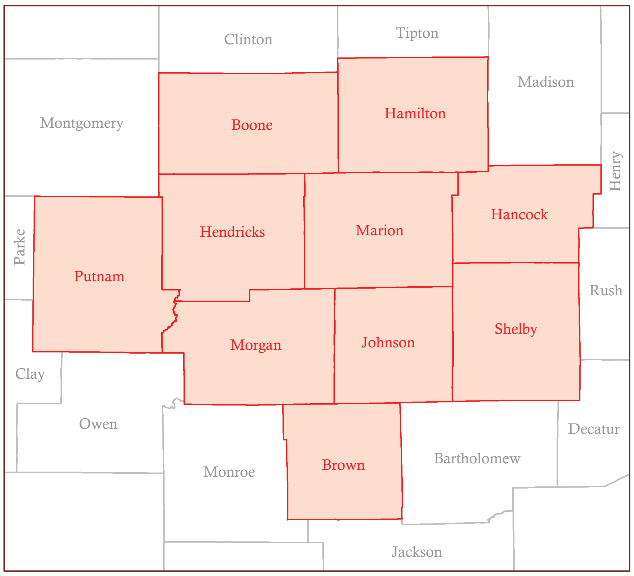
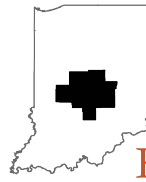
COMPREHENSIVE HOUSING MARKET ANALYSIS

Indianapolis-Carmel, Indiana

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2013





Housing Market Area

The Indianapolis-Carmel Housing Market Area (HMA) is coterminous with the Indianapolis-Carmel Metropolitan Statistical Area (MSA). For purposes of this analysis, the HMA is divided into three submarkets: the Marion County submarket, which includes the central city of Indianapolis; the Hamilton County submarket; and the Remainder submarket, which consists of Boone, Brown, Hancock, Hendricks, Johnson, Morgan, Putnam, and Shelby Counties.

Summary

Economy

The economy of the Indianapolis-Carmel HMA improved during the past 12 months, continuing a trend that began in early 2010. During the 12 months ending May 2013, nonfarm payrolls increased by 21,400 jobs, or 2.4 percent, to 921,400 jobs compared with the gain of 23,400 jobs, or 2.7 percent, recorded during the previous 12-month period. Nonfarm payrolls are expected to grow approximately 1.5 percent annually during the 3-year forecast period. Table DP-1, at the end of this report, provides employment data for the HMA.

Sales Market

The overall sales housing market in the HMA is soft. The estimated current sales housing vacancy rate for the HMA is 2.4 percent, down from 2.7 percent in 2010. In the Marion County and Remainder submarkets, the sales housing markets are currently soft, whereas the sales housing market in the Hamilton County submarket is slightly soft to balanced. Demand is expected for 16,500 new homes during the forecast period (Table 1). A portion of the estimated 34,600 other vacant units currently in the HMA may satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is currently soft but improving. As of June 1, 2013, the estimated overall rental vacancy rate was 9.0 percent compared with the rate of 11.9 percent recorded in April 2010. Rental market conditions have improved since 2010 because apartment production declined, which allowed for the absorption of available vacant units. During the forecast period, demand is expected for 1,440 additional units in the Hamilton County and Remainder submarkets (Table 1). No demand is expected in the Marion County submarket.

Market Details

Table 1. Housing Demand in the Indianapolis-Carmel HMA, 3-Year Forecast, June 1, 2013, to June 1, 2016

	Indianapolis-Carmel HMA		Marion County Submarket		Hamilton County Submarket		Remainder Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	16,500	1,440	3,025	0	6,500	850	6,975	590
Under construction	2,190	2,195	250	1,425	950	520	990	250

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2013. A portion of the estimated 34,600 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

The economy of the Indianapolis-Carmel HMA is continuing to recover after a decline of more than 50,000 nonfarm payrolls from mid-2008 through mid-2010. During the 12 months ending May 2013, nonfarm payrolls increased by 21,400 jobs, or 2.4 percent, to 921,400 jobs compared with the gain of 23,400 jobs, or 2.7 percent, recorded during the previous 12 months. The greatest declines during the downturn occurred in the manufacturing and the professional and business services sectors and in the construction subsector, which declined by annual averages of 5,200, 2,700, and 4,900 jobs, or 5.6, 2.0, and 10.2 percent, respectively. By comparison, annual gains from 2004 through 2007 averaged 12,900 jobs, or 1.4 percent. During that period, the professional and business services, education and health services, and government sectors led growth with average annual increases of 4,500, 3,100, and 2,000 jobs, or 3.7, 2.9, and 1.8 percent, respectively. With the job gains of the past 2 years, nonfarm payrolls passed the previous peak of 918,800 jobs recorded during the 12 months ending August 2008.

During the past 12 months, nonfarm payrolls in the HMA increased in every employment sector except the government sector. The fastest growing sectors during the 12 months ending May 2013 were the professional and business services, leisure and hospitality, and education and health services sectors, which added 5,600, 4,900, and 3,200 jobs, gains of 4.2, 5.5, and 2.3 percent, respectively (Table 2). A July 2012 economic impact study of

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

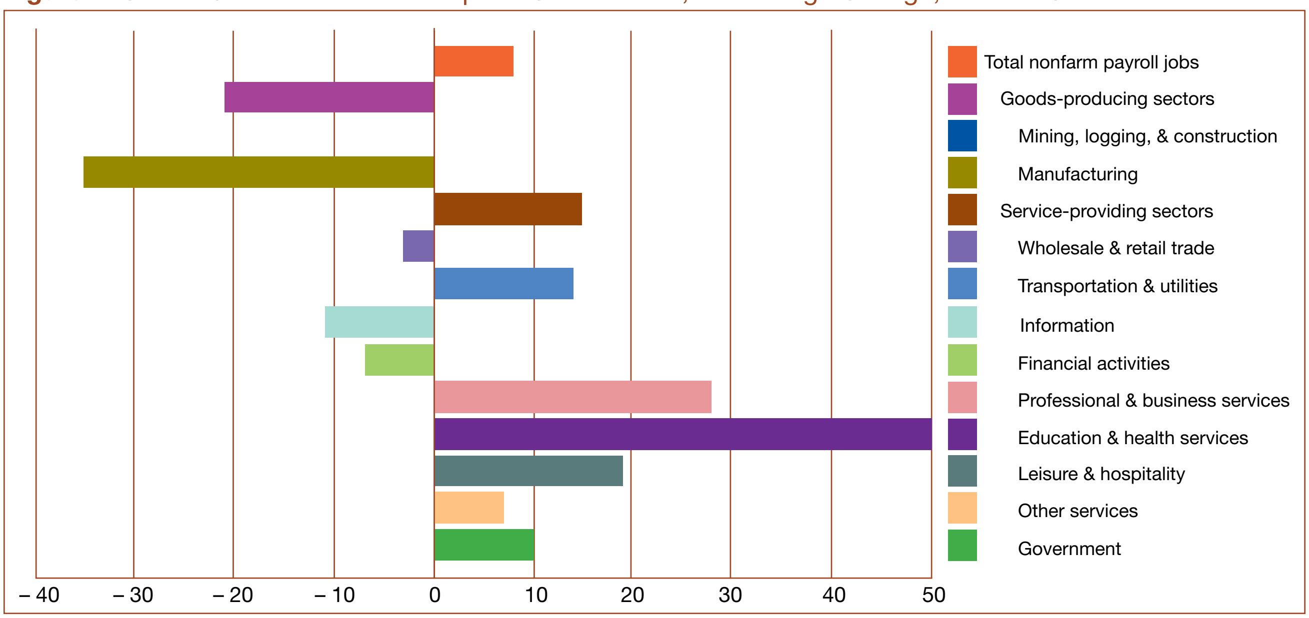
	12 Months Ending May 2012	12 Months Ending May 2013	Percent Change
Total nonfarm payroll jobs	900,000	921,400	2.4
Goods-producing sectors	123,200	126,900	3.0
Mining, logging, & construction	41,700	43,100	3.5
Manufacturing	81,600	83,800	2.7
Service-providing sectors	776,800	794,500	2.3
Wholesale & retail trade	138,500	141,800	2.3
Transportation & utilities	52,000	52,500	0.8
Information	15,000	15,400	2.6
Financial activities	58,800	58,800	0.0
Professional & business services	132,100	137,700	4.2
Education & health services	134,800	137,900	2.3
Leisure & hospitality	90,100	95,100	5.5
Other services	35,000	35,200	0.6
Government	120,400	120,100	– 0.2

Notes: Based on 12-month averages through May 2012 and May 2013. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Super Bowl XLVI, which the city of Indianapolis hosted, estimated that nearly 2,000 full-time equivalency leisure and hospitality sector jobs were directly created during the time leading up to the event (Rockport Analytics). From 2000 to the current date, growth in the education and health services sector dramatically outpaced growth in any other employment sector, averaging 3.1 percent annually. The professional and business services sector grew at 1.6 percent annually during the same period (Figure 1). The two largest employers in the HMA, Indiana University Health and St. Vincent Hospital and Health Care Center, Inc., with 11,700 and 6,000 employees, respectively, are in the education and health services sector (Table 3). Roche Diagnostics Corporation, a pharmaceuticals and diagnostics company, is the fifth largest employer in the HMA, with 4,100 employees. The company recently broke ground on a $300 million expansion at its North American headquarters on the northeast side of the city of Indianapolis and plans to create 100 permanent jobs by 2017.

Figure 1. Sector Growth in the Indianapolis-Carmel HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through May 2013. During this period, jobs in the mining, logging, and construction sector showed no net change.
Source: U.S. Bureau of Labor Statistics

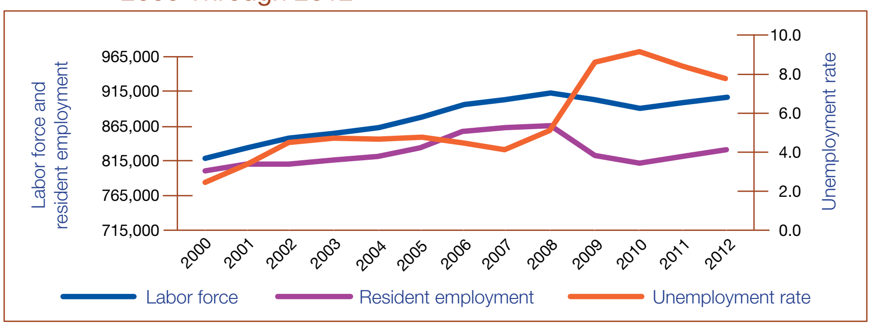
Table 3. Major Employers in the Indianapolis-Carmel HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Indiana University Health	Education & health services	11,700
St. Vincent Hospital and Health Care Center, Inc.	Education & health services	6,000
Rolls-Royce plc	Manufacturing	4,600
Indiana Department of Transporation	Government	4,200
Roche Diagnostics Corporation	Manufacturing	4,100
Eli Lilly and Company	Manufacturing	4,000
Community Hospitals of Indiana, Inc.	Education & health services	3,000
Defense Finance and Accounting Services	Government	3,000
Health and Hospital Corporation of Marion County	Education & health services	3,000
Allison Transmission, Inc.	Manufacturing	2,700

Note: Excludes local school districts.
Source: Indiana Chamber of Commerce

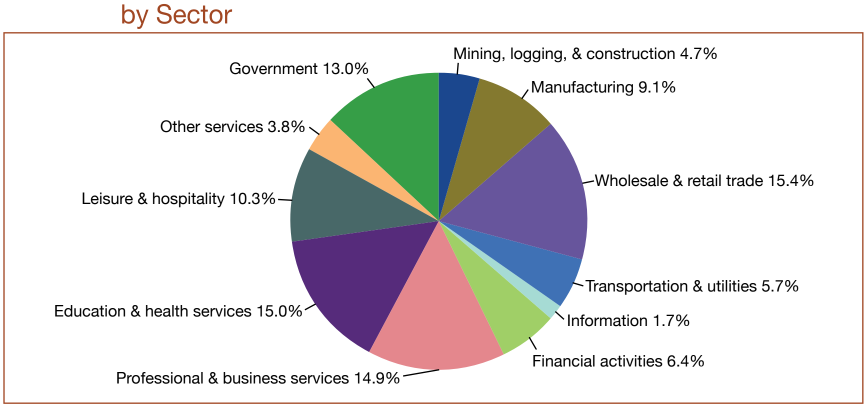
During the 12 months ending May 2013, despite strong growth in most nonfarm payroll sectors, a loss in the government sector of approximately 300 jobs, or 0.2 percent, slowed economic recovery in the HMA. The local government subsector accounted for all the net losses in the government sector, because cities and municipalities continued to be revenue constrained. Gains in retail trade subsector jobs were partially offset by 230 layoffs at the J.C. Penney Company, Inc. Plainfield distribution center, announced in July 2012. Offsetting some of the gain in the finance sector, Aurora Bank FSB laid off all 450 employees in the HMA in July 2012 after the sale of a portion of the company's residential mortgage servicing assets.

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Indianapolis-Carmel HMA, 2000 Through 2012



Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Indianapolis-Carmel HMA, by Sector



Note: Based on 12-month averages through May 2013.
Source: U.S. Bureau of Labor Statistics

Unemployment in the HMA decreased during the past year. The average unemployment rate for the 12 months ending May 2013 was 7.8 percent, down from 8.2 percent during the previous year and the lowest annual rate reported since the 12 months ending August 2009. From 2004 through 2007, the unemployment rate averaged 4.5 percent. Figure 2 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2012, and Figure 3 shows the current breakout of nonfarm payrolls by sector.

During the 3-year forecast period, total nonfarm payrolls are expected to increase by a relatively steady average of 12,300 jobs, or 1.5 percent, annually as the HMA's economy recovers from the recent economic downturn. The education and health services sector and the construction subsector are expected to lead growth, and losses in the government sector are expected to diminish. Angie's List Inc., an online provider of customer reviews of local service companies, is planning a $1 million expansion to its facility in east Indianapolis, creating up to 500 jobs by 2015 and 850 jobs by 2017. Raidious, LLC, a digital marketing service firm, plans to create up to 75 new jobs in the HMA by 2016 after a $780,000 expansion of its current operation. These positions will include content correspondents, account executives, producers, videographers, developers, and social media managers.

Population and Households

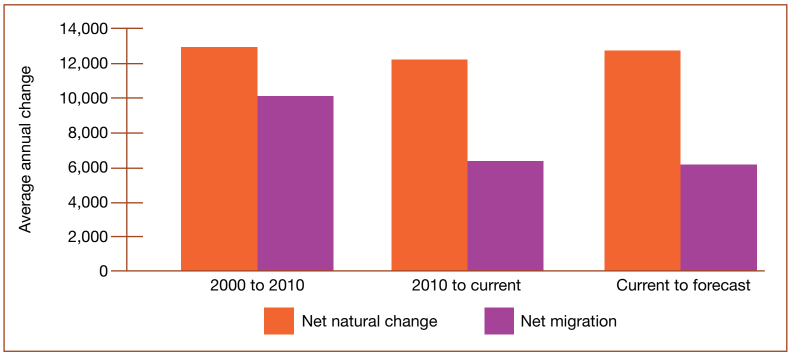
As of June 1, 2013, the estimated population of the Indianapolis-Carmel HMA was 1,815,000, reflecting an average annual increase of approximately 18,600, or 1.0 percent, since April 2010. By comparison, the population increased by 22,100, or 1.4 percent, annually between 2000 and 2004 before increasing by 24,900, or 1.5 percent, annually from 2005 through 2008. Greater population growth during the latter half of the previous decade was in part because of greater employment growth. During the forecast period, the population is expected to increase by 18,850, or 1.0 percent, annually, as employment opportunities continue to improve and to total 1,872,000 by June 1, 2016.

Since 2010, the population of the Marion County submarket has increased by an average of 6,775, or 0.7 percent, annually, to 924,800. During that period, net natural change (resident births minus resident deaths) accounted for all the net population growth because net out-migration averaged 670 people a year. By comparison, between 2000 and 2010, the population of the submarket grew at a lower average annual rate of 0.5 percent, or 4,300, as a result of greater net out-migration of 3,325 people annually. Net out-migration began to decrease during the final 3 years of the previous decade to an annual average of 1,350 people, resulting in an increase in average annual population growth to 7,075 people, or 0.8 percent, annually from 2007 through 2010. Much of this decrease in net out-migration was because migration out of the Marion County submarket and into other counties in the HMA decreased 41 percent from the 2004 and 2005 tax years to the 2009 and 2010 tax years (the most recent Internal Revenue Service [IRS] tax migration data available). Net out-migration is expected to increase to average 1,000 people a year during the 3-year forecast period, and the population is expected to increase by an average of 6,425, or 0.7 percent, annually in the submarket.

Since 2000, the fastest growing portion of the HMA has been the Hamilton County submarket, which includes the city of Carmel. Since 2010, the population of the submarket has increased by an average of 6,475, or 2.3 percent, a year, to an estimated 295,100. Net in-migration of 4,000 people a year accounted for 62 percent of the population gain. Between 2000 and 2010, the population of the submarket grew by 9,175, or 4.2 percent, annually, with net in-migration accounting for 72 percent of that growth. Migration into the submarket from other counties in the HMA decreased 26 percent from the 2004 and 2005 tax years to the 2009 and 2010 tax years, accounting for a portion of the decrease in overall net in-migration (IRS). Net in-migration is expected to remain relatively unchanged during the 3-year forecast period, averaging 3,900 people a year, and the population is expected to increase by an average of 6,500, or 2.2 percent, annually in the submarket.

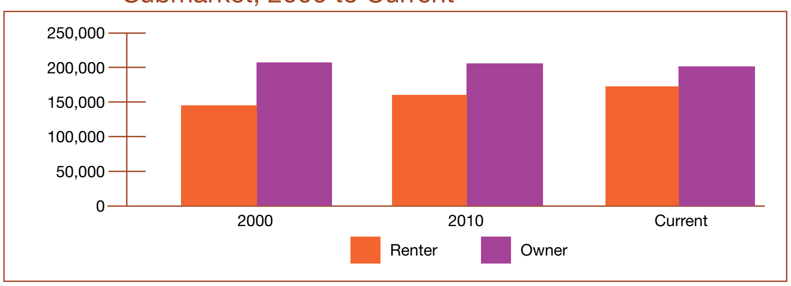
Because the slow economy caused significant declines in net in-migration, population growth in the Remainder submarket has decreased each year since peaking at an annual rate of 2.3 percent in 2006 to an estimated 0.9 percent annually from April 2010 through 2012. The current estimated population of the submarket is 595,300. Between 2000 and 2010, the population grew by 9,625, or 1.8 percent, annually, with net in-migration accounting for 72 percent of that growth, or an average of 6,950 people annually. Since 2010, however, net in-migration has fallen to average 3,100 people annually, or 58 percent of annual growth. IRS tax migration data indicates a similarly changing pattern of net-migration as that of Hamilton County, with decreased in-migration from Marion County in recent years. As the economy recovers, net in-migration to the Remainder submarket is expected to increase to average 3,300 people a year during the 3-year forecast period, because the submarket offers more affordable housing options than do the Marion County and Hamilton County submarkets. During the next 3 years, the population is expected to increase by an average of 5,900, or 1.0 percent, annually in the Remainder submarket. Figure 4 illustrates the components of population change in the HMA from 2000 to the forecast date.

Figure 4. Components of Population Change in the Indianapolis-Carmel HMA, 2000 to Forecast



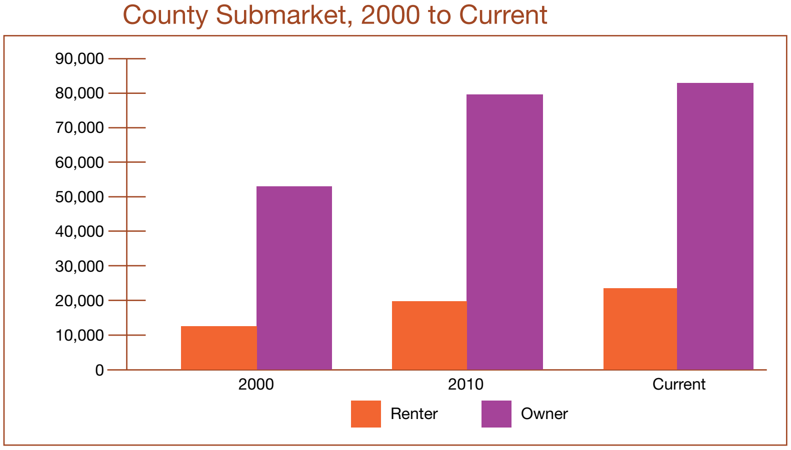
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Marion County Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Number of Households by Tenure in the Hamilton County Submarket, 2000 to Current



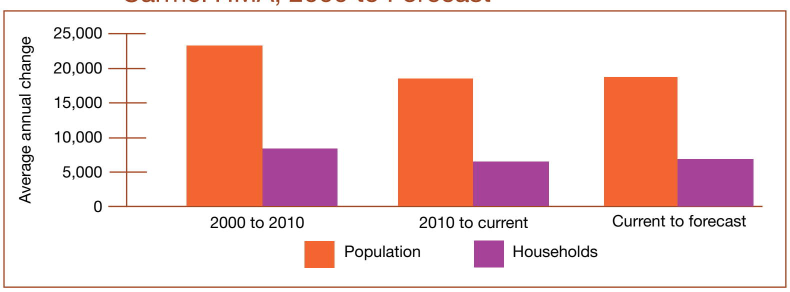
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Largely because of the decline in population growth in the Hamilton County and Remainder submarkets during the past 2 years, the rate of household growth in the HMA has been lower since 2010 than during the previous decade. Since 2010, the number of households has increased by 6,400, or 0.9 percent, a year compared with the increase of 8,550 households, or 1.4 percent, a year recorded during the 2000s.The HMA currently has 700,500 households. The current homeownership rates are 78, 75, and 54 percent in the Hamilton County, Remainder, and Marion County submarkets, respectively, with the Marion County submarket being the most urban. In the overall HMA, the current estimated homeownership rate of 64 percent is down nearly 2 percentage points from the rate recorded in 2010. Figures 5, 6, and 7 illustrate the number of households by tenure in each of the submarkets for 2000, 2010, and the current date.

Figure 7. Number of Households by Tenure in the Remainder Submarket, 2000 to Current

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Population and Household Growth in the Indianapolis-Carmel HMA, 2000 to Forecast



Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

During the forecast period, the number of households in the HMA is expected to increase by 6,900, or 1.0 percent, annually to total approximately 721,200 households by June 1, 2016. Figure 8 shows population and household growth in the HMA from 2000 to the forecast date. Tables DP-1 through DP-4, at the end of this report, provide demographic data for the HMA and each of the submarkets for 2000, 2010, and the current date.

Housing Market Trends

Sales Market—Marion County Submarket

The sales housing market in the Marion County submarket is soft because of reduced sales in the slower economy. The number of new and existing homes sold in the submarket totaled 16,350 during the 12 months ending April 2013, of which 3 percent were new home sales and 28 percent were REO (Real Estate Owned) sales (Hanley Wood, LLC). This total was a 4.8-percent increase compared with the 15,600 new and existing homes sold, with similar proportions of new and REO sales, during the same period a year ago. By comparison, new and existing home sales peaked in 2006 with 27,300 sold, of which 12 percent were new and 18 percent were REO sales. During 2011 and 2012, condominium sales comprised approximately 7 percent of all home sales in the submarket, unchanged from the proportion in 2006.

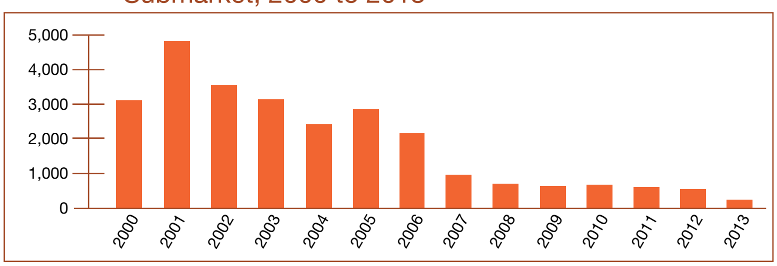
The average sales price for new and existing homes in the submarket was up 3.7 percent compared with the average sales price during the previous 12 months, to $141,700, during the 12 months ending April 2013. The average sales price for new homes increased 4.7 percent from the previous

12-month period, to $175,000, because less building activity decreased the inventory of new homes and increased sales prices. The current sales price recently surpassed the average sales price of $140,100 for new and existing homes from 2005 through 2007 and is up from an average low of $124,200 in 2009. As of May 2013, 7.9 percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 9.1 percent a year earlier but still up from 7.4 percent at the beginning of 2008 (LPS Applied Analytics).

Although sales market conditions in the submarket improved during the 12 months ending May 2013, home builders have yet to increase new home construction activity. During the 12 months ending May 2013, single-family construction activity, as measured by the number of single-family homes permitted, totaled 570 (preliminary data), a decrease of 10 percent compared with the number of homes permitted during the previous 12-month period (Figure 9). Single-family home construction activity remains much less than the decade-high average of 3,825 homes permitted annually from 2000 through 2002. Building activity fell more than 50 percent, to 990 homes, in 2007 from an average of 2,625 homes permitted annually from 2004 through 2006. From 2008 through 2010, building activity averaged 670 homes permitted annually. Condominium construction activity also decreased considerably during the past several years to allow for the absorption of the more than 2,250 condominiums that have entered the market since 2006. An average of 610 condominium units began construction annually from 2004 through 2006 (CB Richard Ellis). Since 2007, construction has started on an average of 155 condominium units annually. The 97-unit Park Meridian Townhomes in the northeastern portion of the submarket, finished in March 2011, is the most recent condominium completion.

During the 3-year forecast period, demand is estimated for 3,025 new market-rate homes in the submarket. The 250 homes currently under construction (Table 1) and a portion of the 22,000 other vacant units in the submarket that may come back on the market will likely satisfy some of the forecast demand. Sales prices are expected to start at $98,000 for new single-family homes and $70,000 for condominiums. Table 4 illustrates the estimated demand for new market-rate sales housing in the submarket by price range. The current surplus of sales housing under construction is expected to satisfy the demand during the first year of the forecast period.

Figure 9. Single-Family Homes Permitted in the Marion County Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through May 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Marion County Submarket, January 1, 2013, to January 1, 2016

Price Range ($) From	Price Range ($) To	Units of Demand	Percent of Total
70,000	99,999	210	7.0
100,000	149,999	1,375	45.0
150,000	199,999	850	28.0
200,000	299,999	430	14.0
300,000	499,999	150	5.0
500,000	and higher	30	1.0

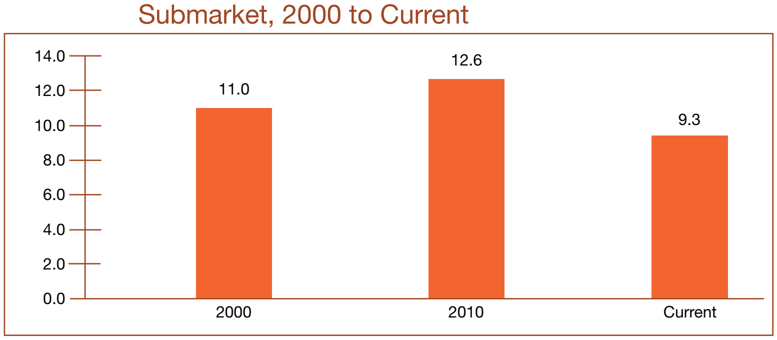
Note: The 250 homes currently under construction and a portion of the estimated 22,000 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Marion County Submarket

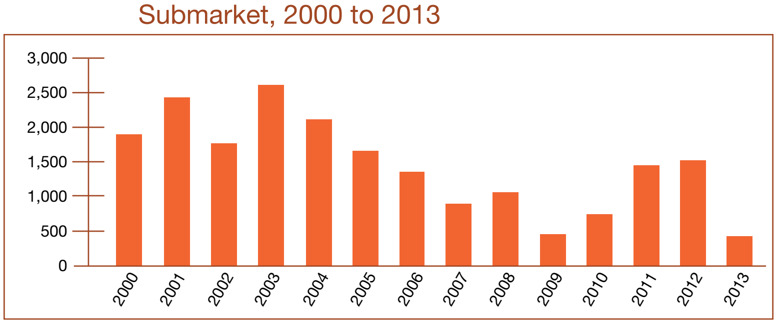
The rental housing market in the Marion County submarket is currently soft, with an estimated overall rental vacancy rate of 9.3 percent, down more than 3 percentage points from the rate recorded in 2010 (Figure 10). Rental occupancy and average apartment rents have increased since 2010 because of job growth, tighter mortgage lending standards in the sales market, and fewer apartments entering the market. Conditions in the apartment market are tighter than those in the overall rental market. The apartment market in the submarket is balanced to slightly soft, with a 6.6-percent vacancy rate, up from 6.0 percent a year earlier (Reis, Inc.). Average apartment asking rents were $690 as of May 2013, up approximately 2 percent from $680 during the same period a year earlier and up 5 percent from $660 in 2010.

Figure 10. Rental Vacancy Rates in the Marion County Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 11. Multifamily Units Permitted in the Marion County Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through May 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

In response to increasing occupancy rates and rents since 2010, multifamily construction, as measured by the number of multifamily units permitted, increased to 1,800 units during the 12 months ending May 2013 compared with the 1,125 units permitted during the previous year (CB Richard Ellis; preliminary building permit data). After averaging 2,000 units permitted annually from 2001 through 2006, multifamily construction began to decrease during 2007, averaging 780 units annually from 2007 through 2010. Figure 11 illustrates the number of multifamily units permitted in the submarket from 2000 to the current date. The 248-unit East Village at Avondale Meadows, 7 miles northwest of downtown Indianapolis, was completed in April 2012 and is currently leasing units with rents ranging from $500 for a one-bedroom unit to $875 for a three-bedroom unit. Construction began on the 358-unit Solana Apartments at the Crossing in July 2012. The project is expected to be fully complete by early 2014, with rents ranging from $800 for one-bedroom units to $2,500 for three-bedroom units.

Students at Indiana University-Purdue University Indianapolis (IUPUI) occupy a significant portion of the rental stock in the submarket. Approximately 28,450 students enrolled for the spring 2013 semester, of whom more than 15,500 live off campus in the private rental market (IUPUI data), an estimated 5 percent of the rental market in the Marion County submarket. IUPUI currently offers about 1,380 on-campus dormitory beds (IUPUI estimates). Beginning in November 2012, the university began the process of converting the University Place

Conference Center and Hotel into 560 additional dormitory beds that are expected to be ready for occupancy by the fall 2013 semester.

During the next 3 years, no demand for new rental housing is expected in the submarket because of the current excess vacant units and continued out-migration. As of June 1, 2013, an estimated 1,425 units are currently under construction in the submarket (Table 1).

Sales Market—Hamilton County Submarket

The sales housing market in the Hamilton County submarket is slightly soft, with a current estimated vacancy rate of 1.7 percent, down slightly from 2.0 percent in 2010. Until the most recent 24 months, existing home sales (which include single-family homes and condominiums) remained at relatively low levels during the past 5 years because of a combination of stricter lending requirements and a sluggish local economy. The number of new and existing homes sold increased 18.3 percent, to 7,475 homes, during the 12 months ending April 2013 after an increase of 10.6 percent during the previous 12 months (Hanley Wood, LLC). A peak of 10,800 new and existing homes sold in the submarket during 2005, before sales decreased to average 8,800 from 2006 through 2008. From 2009 through 2010, existing home sales averaged 6,225 annually.

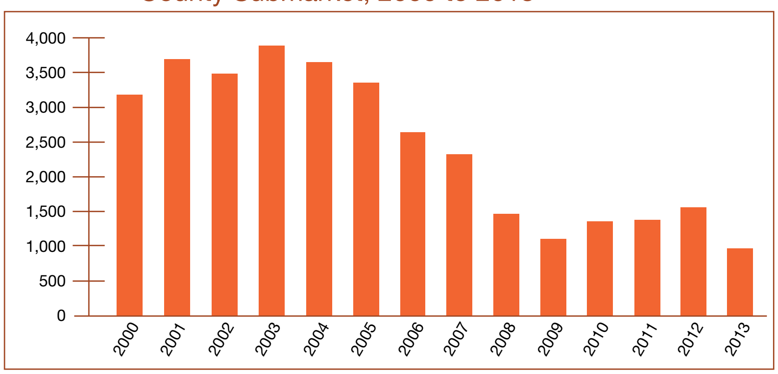
The average sales price of new and existing homes increased 3.1 percent, to $209,400, during the 12 months ending April 2013 after increasing 4.2 percent during the previous 12 months. New and existing home sales prices peaked at $217,900 in 2006 before declining to an annual low of approximately $182,500 in 2009; from 2010 through 2011, new existing home sales prices averaged $198,000. Much of the decline in new and existing home sales prices between 2007 and 2009 was because of a significantly increased number of REO sales. In 2005 and 2006, before the downturn in the local housing market, REO sales accounted for 3.4 percent of all existing home sales in the Hamilton County submarket. By the end of 2007, however, this figure had risen to 6.2 percent, and from 2008 through 2009 REO sales accounted for approximately 12 percent of all existing home sales. During the 12 months ending April 2013, REO sales remained elevated and accounted for 9.8 percent of existing home sales. The average REO sales price in the submarket during the same period was $173,400, approximately 29 percent less than the $245,700 average price of a non-REO resale.

The increase in the number of new and existing homes sold during the 12 months ending April 2013 was due largely to the 23-percent increase in the number of regular resale homes, to 5,325 homes. Until the most recent 12 months, new home sales had declined each year since peaking at 3,750 homes sold in 2005. From 2006 through 2010, new home sales declines averaged 7.2 percent annually, from 3,450 to 1,325 sales. During the 12 months ending April 2013, the number of new homes sold increased 6.5 percent, to 1,425, from the previous 12-month period. The average price of a new home sold increased 9.6 percent, to $300,500, during the 12 months ending April 2013 after an increase of 4.6 percent during the previous 12 months. The average new home sales price surpassed the previous peak of $252,100 recorded in 2007 and was 26.7 percent more than the average of $237,100 recorded from 2008 through 2010. Condominium sales comprised an estimated 7 percent of the sales market in the submarket in 2012, unchanged from the proportion of sales from 2005 through 2010. As of May 2013, 3.7 percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down slightly from 4.6 percent a year earlier (LPS Applied Analytics).

In response to the decrease in new home sales, single-family homebuilding activity, as measured by the number of single-family homes permitted, declined significantly after 2005. Building activity peaked from 2001 through 2004 at an average of 3,675 homes permitted annually, then declined each year from 2005 through 2009, when an average of 2,150 homes were permitted annually (Figure 12). During the 12 months ending May 2013, the number of single-family homes permitted increased 35 percent, to 1,950, compared with the number permitted during the previous year (preliminary data). Strongbow Gate, a subdivision in Fishers that began construction in 2005, currently has 24 occupied lots and another 11 lots under construction of 49 total lots. Sales prices in Strongbow Gate start at $302,000 for a four-bedroom, two-and-a-half-bathroom home.

During the next 3 years, demand is estimated for 6,500 new homes in the Hamilton County submarket (Table 1). The 950 homes currently under construction and a portion of the estimated 2,800 other vacant units that may reenter the market will likely satisfy some of the forecast demand. Sales prices for new single-family homes are expected to start at $115,000. Table 5 presents detailed information on the estimated demand for new market-rate sales housing in the submarket, by price range, during the forecast period.

Figure 12. Single-Family Homes Permitted in the Hamilton County Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through May 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Sales Housing in the Hamilton County Submarket, January 1, 2013, to January 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
80,000	99,999	130	2.0
100,000	149,999	850	13.0
150,000	199,999	1,500	23.0
200,000	249,999	980	15.0
250,000	299,999	850	13.0
300,000	399,999	1,175	18.0
400,000	599,999	980	15.0
600,000	and higher	65	1.0

Note: The 950 homes currently under construction and a portion of the estimated 2,800 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

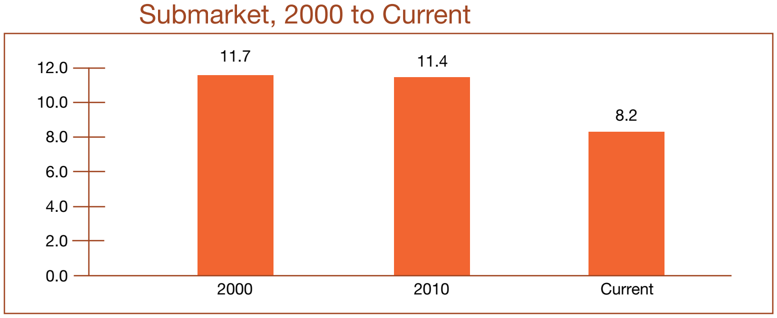
Rental Market—Hamilton County Submarket

The rental housing market in the Hamilton County submarket improved and is approaching balanced conditions, with an estimated current overall vacancy rate of 8.2 percent (Figure 13), down from 11.4 percent in 2010. Traditional apartment complexes (five or more units) are estimated to account for approximately 52 percent of the total rental housing stock in the submarket, and single-family homes to account for approximately 34 percent, relatively unchanged from the proportions in 2000. Apartment market conditions in the submarket are slightly tighter than those in the Marion County submarket, with a vacancy rate of 5.3 percent as of May 2013, down from 5.6 percent a year earlier (Reis, Inc.). Average apartment rents were up to $920 as of May 2013 compared with the average rents of $880 during the same period a year earlier and $846 in 2010.

Despite the improvement in rental market conditions, multifamily production levels in the Hamilton County submarket remained low during the past year compared with those of the past decade. During the 12 months ending May 2013, the number of multifamily units permitted increased by 50, to 480 units, compared with the number permitted during the previous year (preliminary data). Multifamily building activity, as measured by the number of units permitted, averaged 740 units annually from 2001 through 2004 then increased to average 1,500 units annually from 2005 through 2007 before declining to average 700 units annually from 2008 through 2010 (CB Richard Ellis; Figure 14). Nearly 69 percent of the multifamily building activity between 2005 and 2007 was the development of condominium units. Since 2010, this proportion has dropped to an estimated 18 percent.

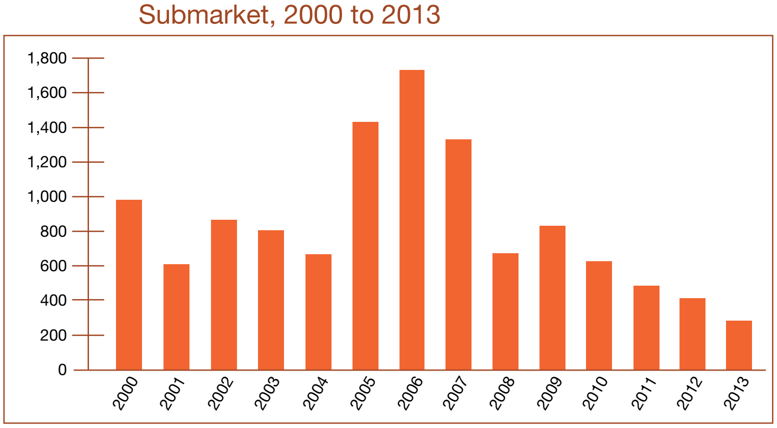
Recently constructed multifamily properties in the submarket include The Commons at Spring Mill, a 72-unit, income-restricted property in Westfield, slightly north of the city of Carmel, and One One Six Apartments, a 191-unit, market-rate property completed in October 2012 in Carmel. Rents at One One Six start at $820 for studio units and $1,310 for three-bedroom units. Among the properties currently under construction in the submarket is Union Street Flats at Grand Junction, a 237-unit, market-rate apartment community in Westfield, which is expected to be complete in late 2013.

Figure 13. Rental Vacancy Rates in the Hamilton County Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 14. Multifamily Units Permitted in the Hamilton County Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through May 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

During the next 3 years, demand is expected for 850 additional market-rate rental units in the Hamilton County submarket (Table 1). Demand for new units is expected to begin in the third year of the forecast period after the market absorbs the 520 units currently under construction. Production levels during the forecast period are expected to be somewhat greater than during the past 4 years and reflect the increased demand for rental housing because of a gradual return to in-migration levels seen before the economic recession. An expected decline in the number of single-family homes available for rent as the sales market begins to improve is also expected to contribute to increased demand. Average rents for new units are expected to start at $750 for efficiencies, $820 for one-bedroom units, $900 for two-bedroom units, and $1,150 for three-bedroom units. Table 6 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period.

Table 6. Estimated Demand for New Market-Rate Rental Housing in the Hamilton County Submarket, January 1, 2013, to January 1, 2016

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
750 or more	30	820 to 1,019	270	900 to 1,099	340	1,150 to 1,349	55
		1,020 to 1,219	30	1,100 to 1,299	65	1,350 or more	20
		1,220 or more	15	1,300 or more	20		
Total	35	Total	310	Total	420	Total	75

Notes: Numbers may not add to totals because of rounding. The 520 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Remainder Submarket

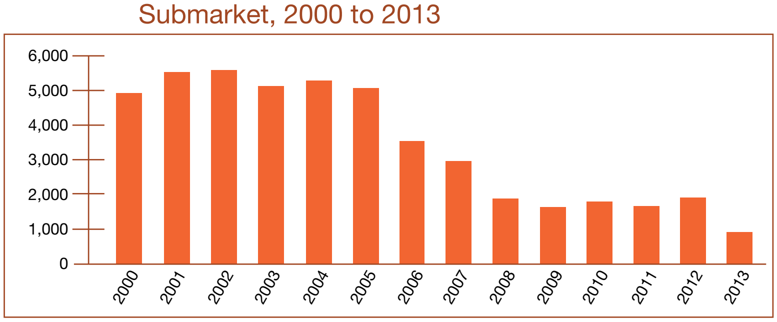
The sales housing market in the Remainder submarket is soft, with a current estimated vacancy rate of 2.1 percent, down slightly from 2.2 percent in 2010. After substantial gains during the 12 months ending April 2013, new and existing home sales (which include both single-family homes and condominiums) returned to the levels of early 2008, partially because absentee owners, including investors, purchased many more homes. The number of new and existing homes sold increased 43.3 percent, to 5,900 homes, during the 12 months ending April 2013 after increasing 59.3 percent during the previous year (Hanley Wood, LLC). Nearly 21 percent of all new and existing homes sold in the submarket sold to absentee owners, up from an annual average of 10 percent from 2005 through 2010. New and existing home sales in the submarket peaked at 6,125 homes sold in 2007 before dropping to average 3,825 homes sold from 2008 through 2010.

The average sales price of new and existing homes increased 5.7 percent, to $152,600, during the 12 months ending April 2013 after increasing 2.8 percent during the previous 12 months. New and existing home sales prices peaked at $161,300 in 2007 before declining to a low of $143,400 in 2011. The increase in existing home sales prices during the 12 months ending April 2013 was in part because of an increase in the number of both traditional and absentee buyers and in part due to a 22.9-percent increase in the average REO sales price. In 2005 and 2006, before the housing market downturn, REO sales accounted for 7 percent of all new and existing home sales in the Remainder submarket; from 2007 through 2009, this figure increased to 12 percent. Since 2009, REO sales have continued to rise as a percentage of all existing home sales and have accounted for 19 percent of all new and existing home sales. The average REO sales price in the submarket during the 12 months ending April 2013 was $139,600, approximately 17 percent less than the $167,800 average price of a regular resale home. As of May 2013, 6.9 percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 7.7 percent in May 2012 (LPS Applied Analytics).

During the 12 months ending April 2013, the number of new homes sold in the submarket increased by approximately 180, to 600 homes, from the previous year. New home sales began to increase during 2011 after 4 years of decline; new home sales peaked at approximately 850 in 2005 before declining to 130 in 2010. The average new home sales price increased 8.1 percent, to $226,200, during the 12 months ending April 2013 after an increase of approximately 19.2 percent during the previous 12 months. With the recent increases, average new home sales prices rose above the previous peak of $197,000 recorded in 2007. Condominium sales, although increasing, have not been a significant part of the sales market in the submarket, accounting for approximately 2 percent of total new and existing home sales from 2005 through 2011. During 2012, condominium sales comprised approximately 4 percent of all new and existing home sales because an estimated 720 new units in five separate properties entered the market within the past 3 years.

Despite the substantial increase in new home sales, single-family home builders remain cautious in the Remainder submarket. Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased during the most recent 12 months after remaining essentially unchanged in 2009, 2010, and 2011. During the 12 months ending May 2013, the number of single-family homes permitted increased to 2,100, a 21.5-percent increase compared with the 1,725 homes permitted during the previous year (preliminary data). Building activity peaked from 2001 through 2005 at an average of 5,325 homes permitted annually, then declined each year from 2006 through 2009 (Figure 15), when an average of 2,500 homes were permitted annually. Simplicity, a subdivision in Lebanon, south of the city of Indianapolis that began construction in 2011, has sold 28 of its 30 available lots. A two-bedroom, two-bathroom home in Simplicity starts at less than $175,000. Bentwood Park, in Hendricks County, broke ground in 2003 and has sold 500 of its 550

Figure 15. Single-Family Homes Permitted in the Remainder Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through May 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst available lots. Three-bedroom, two-bathroom homes also start for less than $175,000 in Brentwood Park.

During the next 3 years, demand is estimated for 6,975 new homes in the Remainder submarket (Table 1). Because of the current supply of vacant units and the sluggish economy, demand for new homes is expected to remain below the levels of the early 2000s to mid-2000s. The 990 homes currently under construction and a portion of the estimated 9,800 other vacant units that may reenter the market will likely satisfy some of the forecast demand. Sales prices for new homes are expected to start at $85,000. Table 7 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the submarket during the forecast period.

Table 7. Estimated Demand for New Market-Rate Sales Housing in the Remainder Submarket, January 1, 2013, to January 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
85,000	99,999	140	2.0
100,000	149,999	980	14.0
150,000	199,999	2,525	36.0
200,000	249,999	1,475	21.0
250,000	299,999	910	13.0
300,000	499,999	910	13.0
500,000	and higher	70	1.0

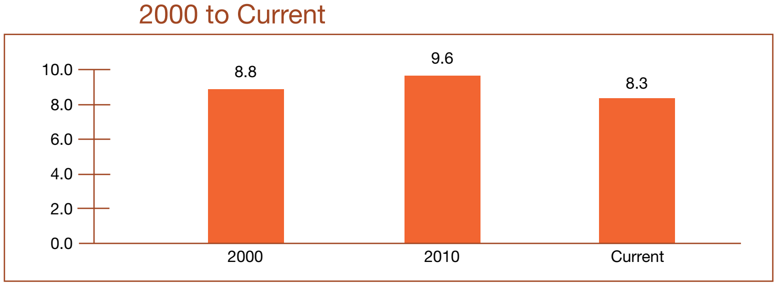
Note: The 990 homes currently under construction and a portion of the estimated 9,800 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Remainder Submarket

The rental housing market in the Remainder submarket is slightly soft, with an estimated current overall vacancy rate of 8.3 percent (Figure 16), down from 9.6 percent in 2010. Apartment market conditions in the submarket are similar to those recorded in the Hamilton County submarket.

Figure 16. Rental Vacancy Rates in the Remainder Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

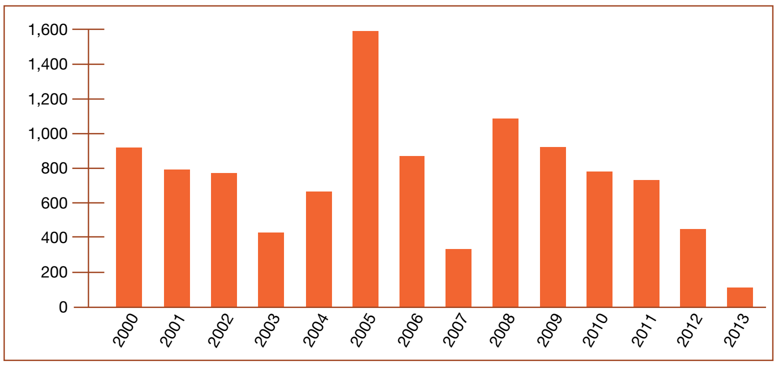
The apartment vacancy rate as of the first quarter of 2013, the most recent data available, was 4.9 percent, down from 5.7 percent a year earlier (Reis, Inc.). Average apartment rents increased to $740 in the first quarter of 2013 compared with the averages of $730 during the same period a year earlier and $720 during 2010.

Multifamily building activity in the Remainder submarket has declined every year since 2008. During the 12 months ending May 2013, the number of multifamily units permitted decreased to 290 compared with the 550 units permitted during the previous year and the average of 880 multifamily units permitted between 2008 and 2011 (preliminary data). Multifamily building activity in the submarket declined to average 600 units annually in 2006 and 2007 (Figure 17) from the average of 860 units permitted annually between 2000 through 2005.

Recently completed properties in the submarket include Canyon Club at Metropolis, a 206-unit project in Hendricks County finished in December 2012 that offers rents ranging from approximately $800 for a one-bedroom unit to approximately $1,340 for a three-bedroom unit. Among the projects currently under construction is Zinc Mill Apartments, a 94-unit, market-rate property in Putnam County that is expected to be complete in late 2013.

During the next 3 years, demand is expected for 590 additional market-rate rental units in the Remainder submarket (Table 1). Demand for new units is not expected until the third year of the forecast period, after the market absorbs the 250 units currently under construction. Rents for new units are expected to start at $750 for efficiencies, $800 for one-bedroom units, $890 for two-bedroom units, and $1,100 for three-bedroom units. Table 8 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period.

Figure 17. Multifamily Units Permitted in the Remainder Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through May 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 8. Estimated Demand for New Market-Rate Rental Housing in the Remainder Submarket, January 1, 2013, to January 1, 2016

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
750 or more	15	800 to 999	190	890 to 1,089	250	1,100 or more	30
		1,000 to 1,199	25	1,090 to 1,289	45		
		1,200 or more	10	1,290 or more	15		
Total	20	Total	165	Total	225	Total	40

Notes: Numbers may not add to totals because of rounding. The 250 units currently under construction will likely satisfy some of the estimated demand.
Source: Estimates by analyst

Data Profiles

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	801,091	812,090	837,500	0.1	1.3
Unemployment rate	2.4%	9.1%	7.8%		
Nonfarm payroll jobs	853,500	871,100	921,400	0.2	2.4
Total population	1,525,104	1,756,241	1,815,000	1.4	1.0
Total households	594,874	680,257	700,500	1.4	0.9
Owner households	402,407	452,512	450,500	1.2	– 0.1
Percent owner	67.6%	66.5%	64.3%		
Renter households	192,467	227,745	250,000	1.7	3.0
Percent renter	32.4%	33.5%	35.7%		
Total housing units	644,873	757,441	770,800	1.6	0.6
Owner vacancy rate	1.8%	2.7%	2.4%		
Rental vacancy rate	10.7%	11.9%	9.0%		
Median Family Income	$54,600	$62,796	$61,777	1.4	– 0.8

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through May 2013. Median Family Incomes are for 1999, 2009, and 2010.

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

Table DP-2. Marion County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	860,454	903,393	924,800	0.5	0.7
Total households	352,164	366,176	373,900	0.4	0.7
Owner households	208,957	206,981	201,700	– 0.1	– 0.8
Percent owner	59.3%	56.5%	54.0%		
Rental households	143,207	159,195	172,100	1.1	2.5
Percent renter	40.7%	43.5%	46.0%		
Total housing units	387,183	417,862	419,600	0.8	0.1
Owner vacancy rate	2.0%	3.3%	2.9%		
Rental vacancy rate	11.0%	12.6%	9.3%		
Median Family Income	$49,387	$51,020	$48,785	0.3	– 2.2

Notes: Numbers may not add to totals because of rounding. Median Family Incomes are for 1999, 2009, and 2011.

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

Table DP-3. Hamilton County Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	182,740	274,569	295,100	4.2	2.3
Total households	65,933	99,835	106,300	4.2	2.0
Owner households	53,369	79,932	82,850	4.1	1.1
Percent owner	80.9%	80.1%	78.0%		
Rental households	12,564	19,903	23,400	4.7	5.2
Percent renter	19.1%	19.9%	22.0%		
Total housing units	69,478	106,772	112,600	4.4	1.7
Owner vacancy rate	1.5%	2.0%	1.7%		
Rental vacancy rate	11.7%	11.4%	8.2%		
Median Family Income	$80,239	$86,952	$96,843	0.8	5.5

Notes: Numbers may not add to totals because of rounding. Median Family Incomes are for 1999, 2009, and 2011.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Remainder Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	481,910	578,279	595,300	1.8	0.9
Total households	176,777	214,246	220,300	1.9	0.9
Owner households	140,081	165,599	165,900	1.7	0.1
Percent owner	79.2%	77.3%	75.3%		
Rental households	36,696	48,647	54,400	2.9	3.6
Percent renter	20.8%	22.7%	24.7%		
Total housing units	188,212	232,807	238,600	2.1	0.8
Owner vacancy rate	1.6%	2.2%	2.1%		
Rental vacancy rate	8.8%	9.6%	8.3%		
Median Family Income	NA	NA	NA	NA	NA

NA = data not available.
Note: Numbers may not add to totals because of rounding.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 6/1/2013—Analyst's estimates
Forecast period: 6/1/2013–6/1/2016—Analyst's estimates

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 June 6, 2003 (and does not reflect changes defined by 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 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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_Indianapolis-CarmelIN_13.pdf.

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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 www.huduser.org/publications/econdev/mkt_analysis.html.