

Multifamily Metro Outlook:

Indianapolis - Q4 2024

Overview:

- The recovery period for the local economy in the Indianapolis metro continues to be robust. For 2024, job growth in the metro was approximately 2.1% compared to 1.3% nationally.
- Apartment fundamentals in the metro remain soft. For the period ending Q4 2024, vacancies came in at 7%, up 25 basis points from the previous quarter. Furthermore, rent growth continues its up and down performance as it was -0.25% during the same period.

Market Strengths:

- The metro has a favorable demographic profile. According to CoStar, since 2020, population growth in the metro has expanded by 2.2% which is more than double the national rate. Furthermore, population growth is forecasted to keep outpacing the national average over the next five years at a rate of 0.9% compared to 0.4% nationally. Additionally, the prime renting cohort (ages 20-34) is expected to expand at nearly 0.4% in the metro versus a -0.4% decline nationally, as young professionals and relocating Midwesterners seeking job opportunities and a lower cost of living are expected to continue driving growth.
- Indianapolis has one of the highest industrial diversity scores in the country, with its score of 0.76 ranking in the top 5% nationally. The lack of dependence on one sole employment sector to spur economic activity has helped the metro recover jobs faster, as the local economy benefits from economic activity in multiple employment sectors. Furthermore, during 2024, the metro only experienced 2 employment sectors that contracted whereas 9 sectors expanded.
- The manufacturing sector has been a bright spot for the metro and has been significantly outperforming the national average. For 2024, manufacturing in the metro expanded by 1.9% compared to -0.2% nationally. According to Moody's Analytics, the metro will benefit from both biotech and pharmaceutical manufacturing over the short term and long term, as the metro is home to Eli Lilly, one of the top employers in the metro, who have also invested significantly in manufacturing and research at their headquarters in the metro. Pharmaceutical manufacturing will aid in the long-term growth of the local sector as demand for certain pharmaceuticals, specifically related to weight loss continues to stay elevated.

Market Weaknesses:

- The local retail trade employment sector was one of the few employment sectors to experience contraction during the 2024. Furthermore, the recovery for this employment sector could be complicated as the metro could be impacted by the ongoing trade war that has begun to take shape with the current administration. According to Moody's Analytics, some of the ramifications of the ongoing trade war include but are not limited to elevated inflation and higher interest rates which could both curb consumer spending/sentiment.

New Development:

- A modest number of apartments have been delivered to the metro since 2017 as nearly 24,000 have completed. Furthermore, there are approximately 5,000 units underway in the pipeline and nearly 10,000 additional units in the planning stages.

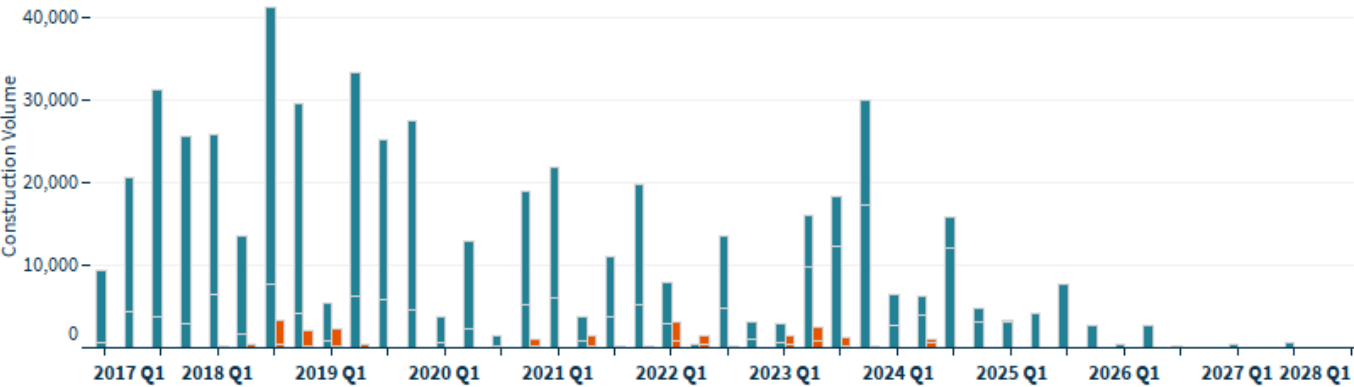
Outlook:

- Apartment fundamentals are softening after a brief period of recovery. The period of softening can be attributed to both the current economic environment and recent elevated levels of completions. In the long term, a well-diversified economy, strong job market, and favorable demographic trends will aid in absorption of new supply.
- Indianapolis's economy continues to be a steady performer where almost all employment sectors are experiencing growth. Although the metro's low business costs are attractive, ongoing concerns around talent acquisition and retainment continues to curb new business investment. Likewise, the quality of the jobs being added to the metro is becoming more of an issue, as more employers increase hiring in sectors concentrated with more low-wage jobs. However, employment industries such as biosciences and pharmaceutical manufacturing should continue to balance the quality of jobs in the metro.

Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

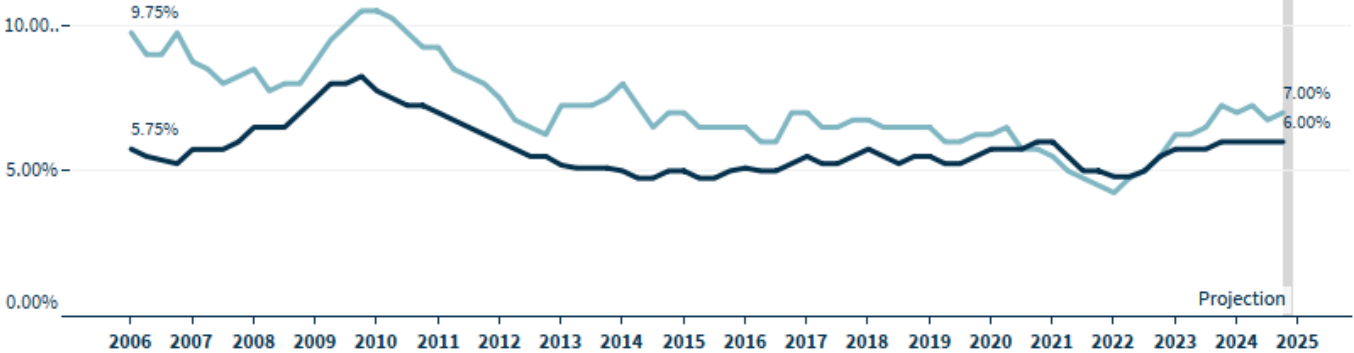
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Indianapolis | National

Q4 2024 Vacancy Rate:

7.00%

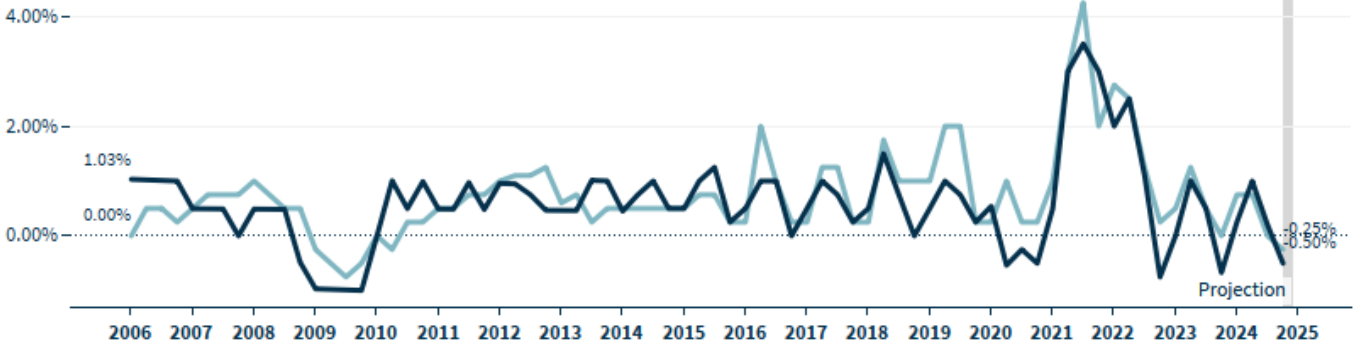


Asking Rent Growth

Indianapolis | National

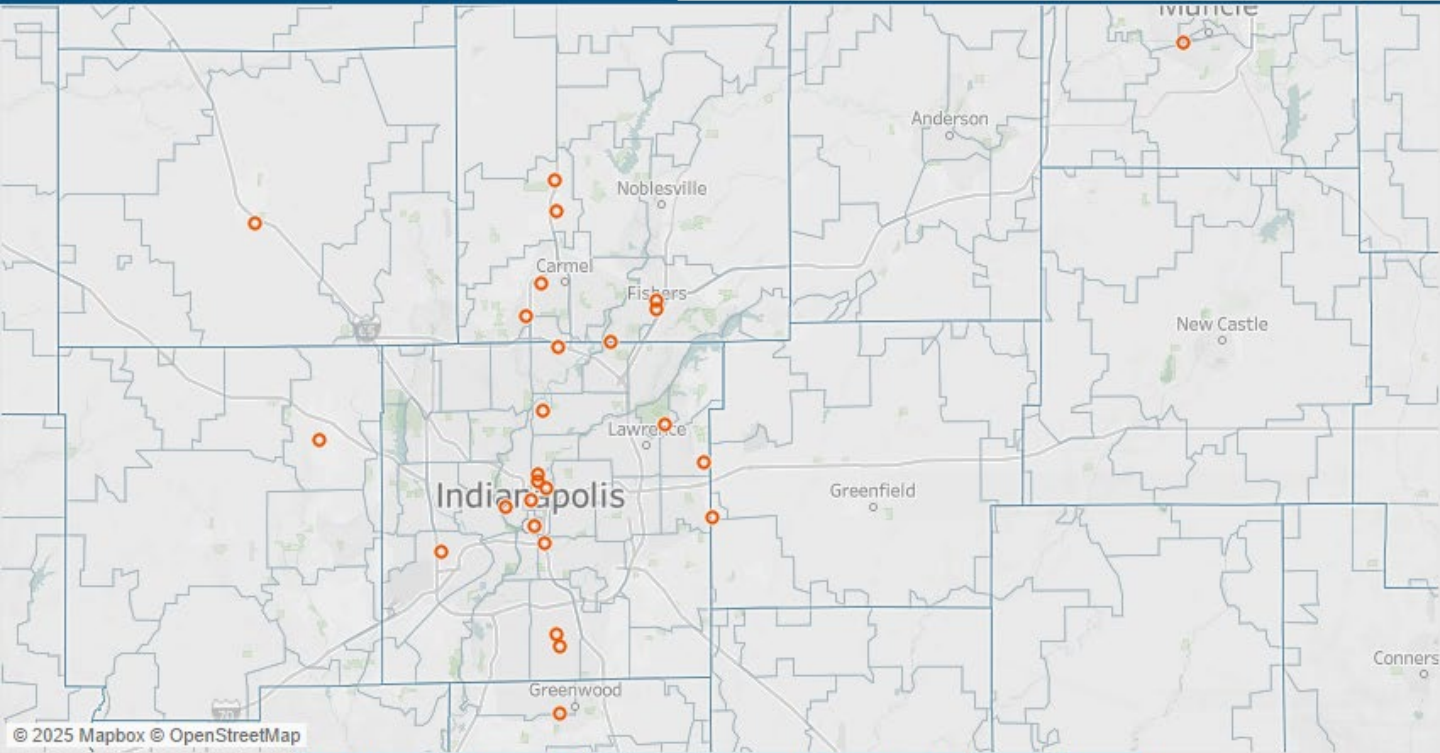
Q4 2024 Asking Rent:

\$1,240



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Carmel/Hamilton County	7	1,463
Downtown Indianapolis	3	805
Eagle Creek	1	228
East Indianapolis	5	661
Greenwood/Johnson County	1	226
Lawrence	1	220
NA	1	120
Northeast Indianapolis	3	1,053
Southeast Indianapolis	1	206
Southwest Indianapolis	3	329
Grand Total	26	5,311

Source: Dodge Data & Analytics SupplyTrack Pipeline

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

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