

# Multifamily Metro Outlook:

## Indianapolis - Q4 2023

### Overview:

- After consecutive quarters of above-average job growth, job growth in the Indianapolis metro has come back down to earth. According to CoStar, for 2023, job growth in the metro expanded by approximately 1.3% which was slightly below the national average of 1.4%.
- Apartment fundamentals in the metro are continuing to soften. For the period ending Q4 2023 vacancies inched up to 7.25%, up 75 basis points from the previous quarter. Furthermore, rent growth was flat during the same period.

### Market Strengths:

- One of the factors benefitting the metro is a favorable demographic profile. 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 -0.4% 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. The metro's industrial diversity score of 0.76 ranks in the top 5% nationally. The lack of dependence on one sole sector to spur economic activity has helped the metro recover jobs quicker as the local economy benefits from economic activity in multiple sectors.
- The Manufacturing sector has been a bright spot for the metro and has been outperforming the national average. For the period ending Q4 2023 Manufacturing in the metro expanded by 1.6% compared to 0% nationally. According to Moody's Analytics, the metro will benefit from both automobile and pharmaceutical manufacturing over both the short-term and long-term as the metro catches up with pent-up demand for automobiles as supply chain issues continue to ease. Pharmaceutical manufacturing will aid in the long-term growth of the local sector as the industry does not outsource production as frequently as other types of manufacturing.
- Eli Lilly, one of the metro's top employers continues to perform well and churn out record profits. According to CoStar after benefitting greatly from COVID-19 antibody treatments and vaccines, the company is now achieving top revenues as a result of the increased demand of top diabetes and weight-loss drugs.

### Market Weaknesses:

- One of the top employment sectors that spearheaded much of the recovery in the metro was the Logistics sector. However, as a result of the current economic environment, much of the consumer behavior that benefitted the Logistics sector has now changed course. According to CoStar, employment in the sector is now down nearly -2.1% year-over-year as demand for parcels and packages has declined due to changing consumer behavior.

### Development:

- A modest number of apartments have been delivered to the metro since 2017 as nearly 20,000 have completed. Furthermore, there are approximately 7,000 units underway in the pipeline and nearly 12,000 additional units in the planning stages.

### Outlook:

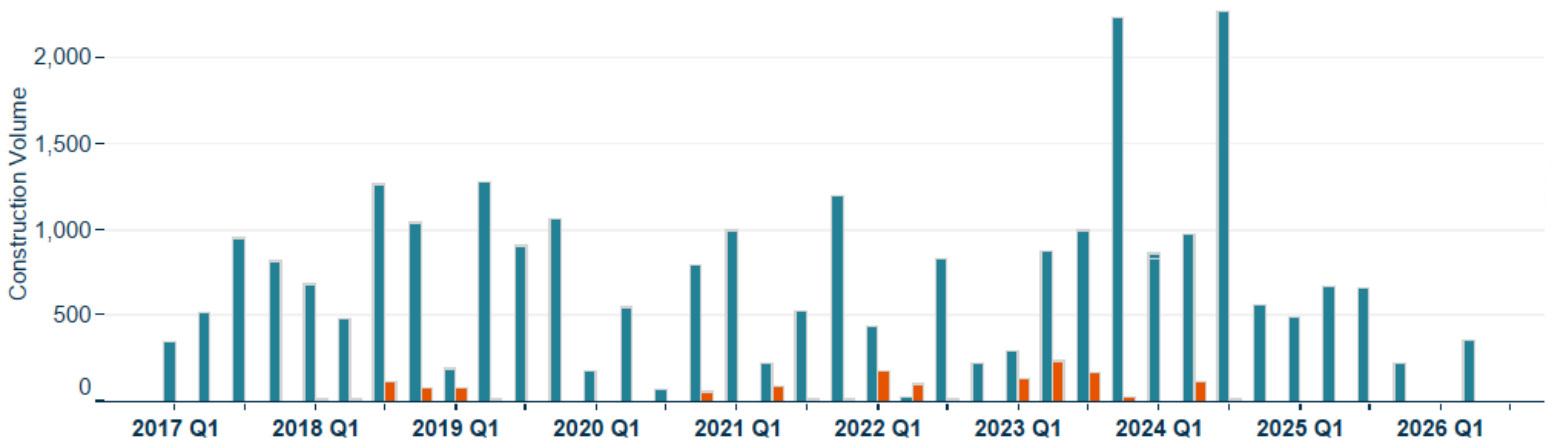
- Apartment fundamentals are softening after a brief period of recovery. Furthermore, the period of softening can be attributed to both the current economic environment and seasonality. Longer-term a well diversified economy, strong job market, and favorable demographic trends will aid in absorption of new supply.
- Indianapolis' economy has slowed as inflationary pressure continues and job growth slows. 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

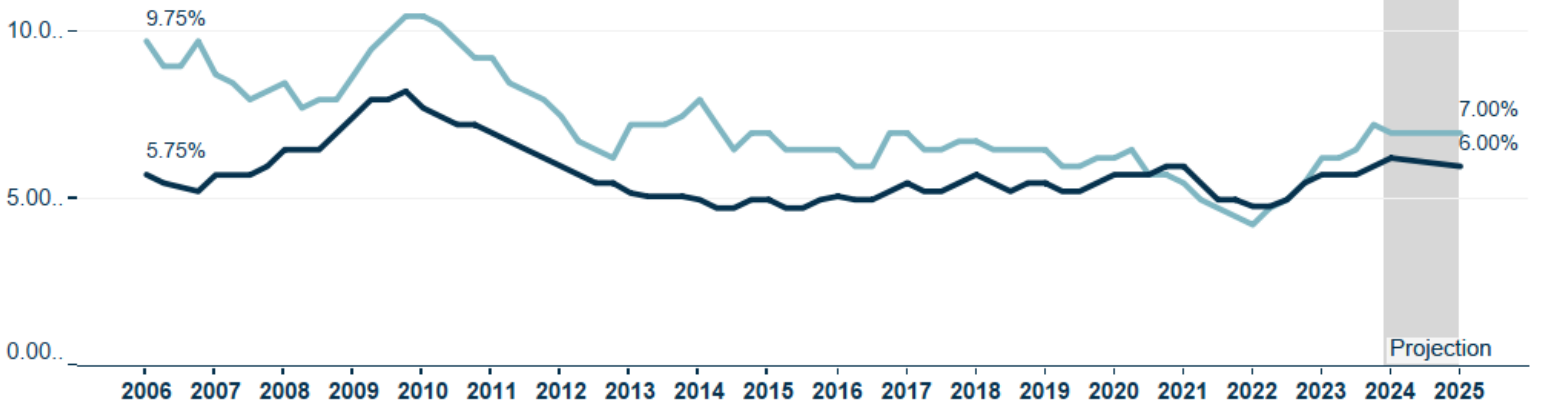
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Indianapolis | National

Q4 2023 Vacancy Rate:

7.25%



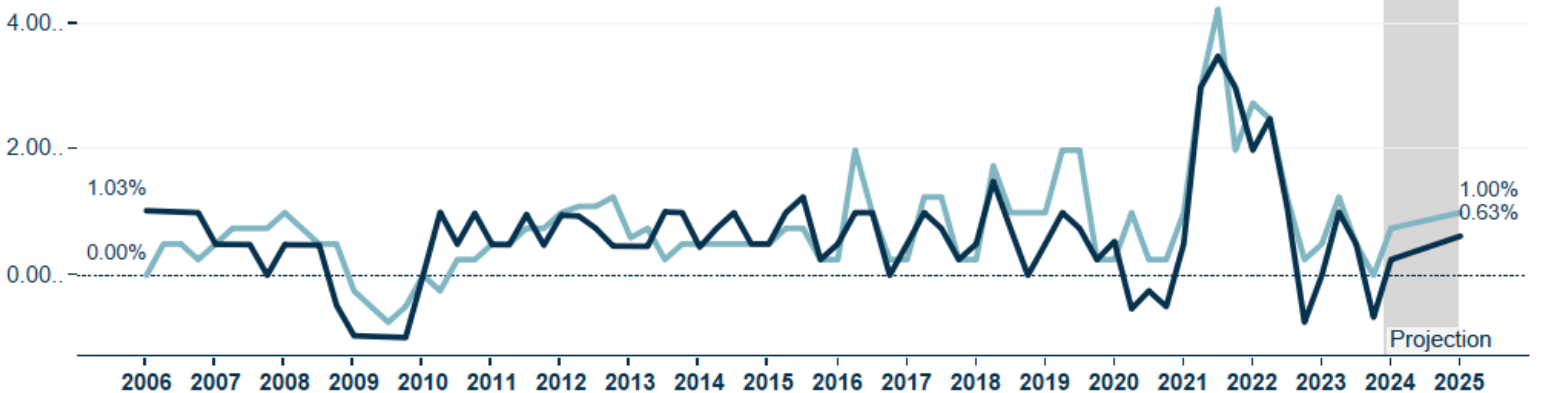
Projection

### Asking Rent Growth

Indianapolis | National

Q4 2023 Asking Rent:

\$1,210

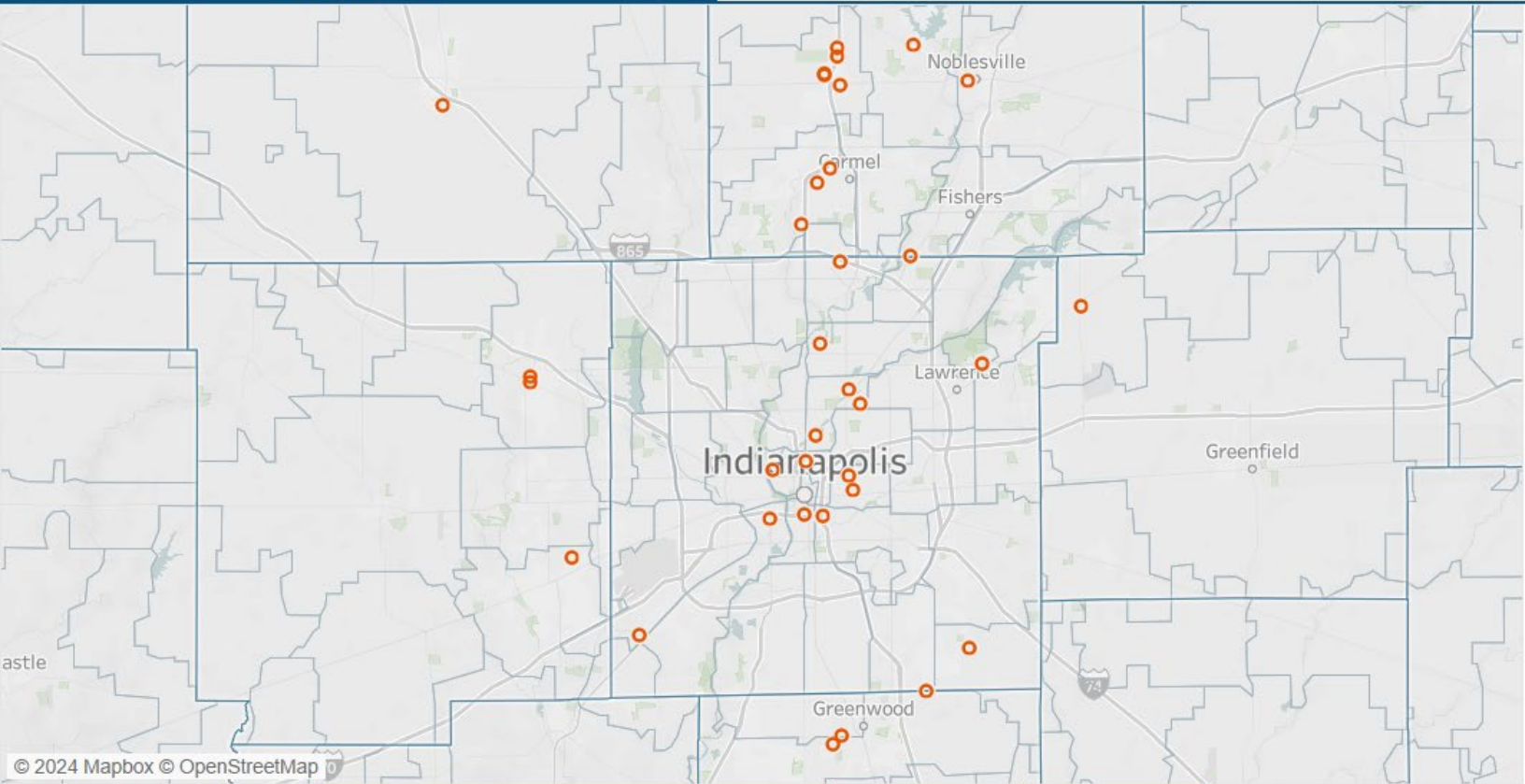


Projection

Source: Fannie Mae Multifamily Economics and Research



## Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Carmel/Hamilton County	12	2,342
Downtown Indianapolis	2	451
Eagle Creek	2	338
East Indianapolis	5	519
Far West Indianapolis Suburbs	1	293
Greenwood/Johnson County	3	926
Lawrence	2	425
Northeast Indianapolis	3	1,052
Southeast Indianapolis	2	411
Southwest Indianapolis	3	295
<b>Grand Total</b>	<b>35</b>	<b>7,052</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

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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
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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