Multifamily Metro Outlook: Indianapolis Winter 2018

Overview

Indianapolis has regained some of the momentum that led to the metro's job market expansion in late 2015. As of September 2017, the job market expanded by 1.6 percent, which was slightly higher than the national rate of 1.4 percent.

The metro's population annual growth rate of 0.95 percent is forecasted to continue outpacing the national average of 0.7 percent over the next five years, according to Moody's Analytics. Young professionals and relocating Midwesterners seeking job opportunities and a lower cost of living are expected to continue driving growth.

Indianapolis offers numerous incentives to employers to bring their businesses to the metro. The metro's cost of business is 9 percent below the national average.

According to Moody's Analytics, the Indianapolis metro is beginning to establish itself as a technology hub. Tech employers are lured by the metro's low business costs and tax-friendly incentives. Tech giant Salesforce has announced that they will be relocating to the metro. In addition, KAR Auction Services and Viral Launch are investing millions into the burgeoning tech scene.

Even though the Indianapolis metro recaptured and expanded on the jobs lost during the recession, there is concern in the metro about the type of jobs leading the expansion. According to CoStar, much of the job growth in the metro can be attributed to low-wage jobs. For example, Sallie Mae, Lowe's, and Walmart are bringing many jobs to the metro, even though they are mostly retail and call-center positions.

According to Reis Inc., the metro will struggle with labor shortages due to retiring Baby Boomers and decreasing labor participation rates.

Development

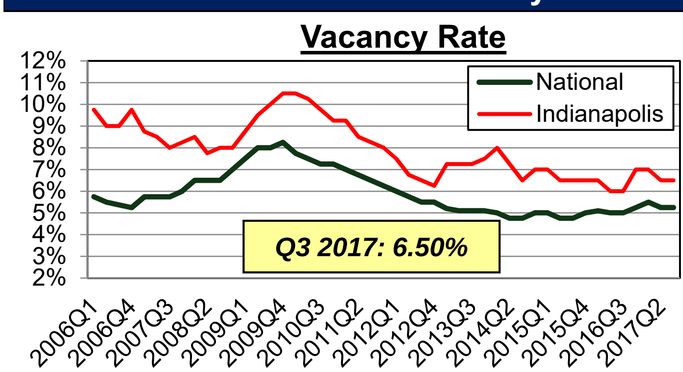
Since the beginning of 2012, approximately 15,000 rental units have been completed in a roughly 143,000 unit market. As of Q3 2017, 4,200 units are underway, while an additional 5,200 units are in the planning stages.

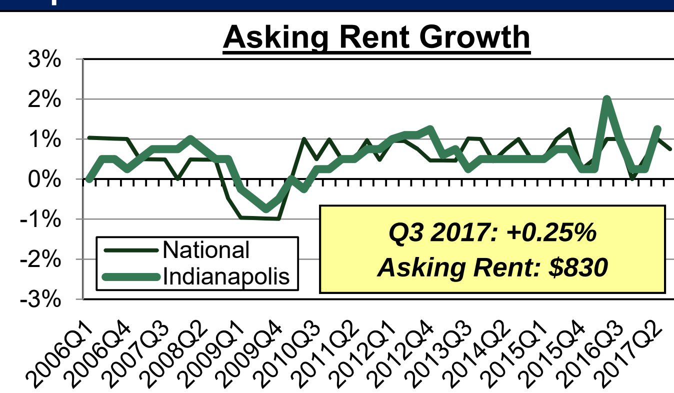
Outlook

Healthy market fundamentals are expected to continue due to steady employment growth, increased apartment demand based on net migration, and the relatively low costs of living in Indianapolis. Apartment fundamentals are performing well, and, as a result, the metro still boasts favorable demographic trends that should help demand stay level with incoming supply.

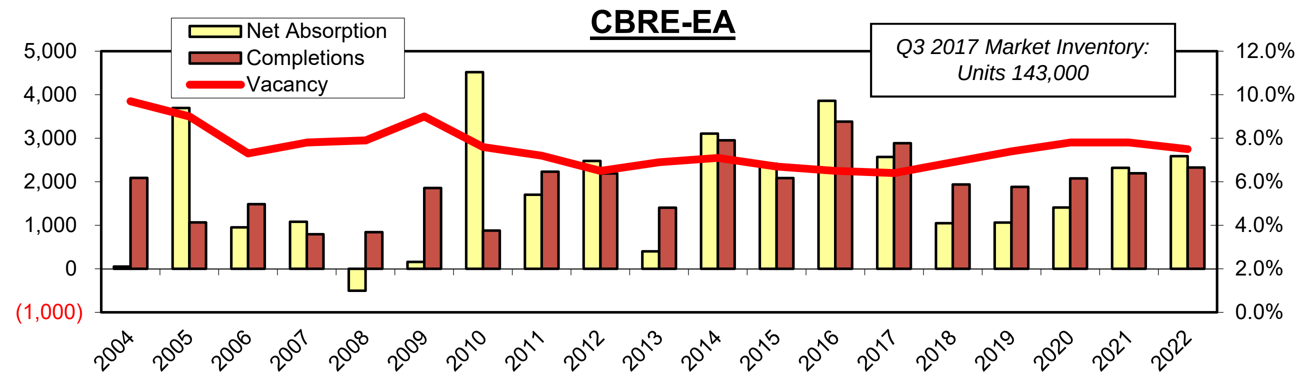
Indianapolis' apartment market should also benefit from the lack of new condo supply. By and large, for-sale housing affordability prevents this market from earning a stronger for-rent forecast. The quality of the jobs being added to the metro is an issue as more employers are increasingly offering low-wage jobs. However, the recent initiative to establish the metro as a Midwestern tech hub is good news as it ought to improve the quality of jobs in the metro. Furthermore, the retiring Baby Boomer generation, on-going labor supply issues, and cheaper costs of living should encourage Millennials to migrate to the metro.

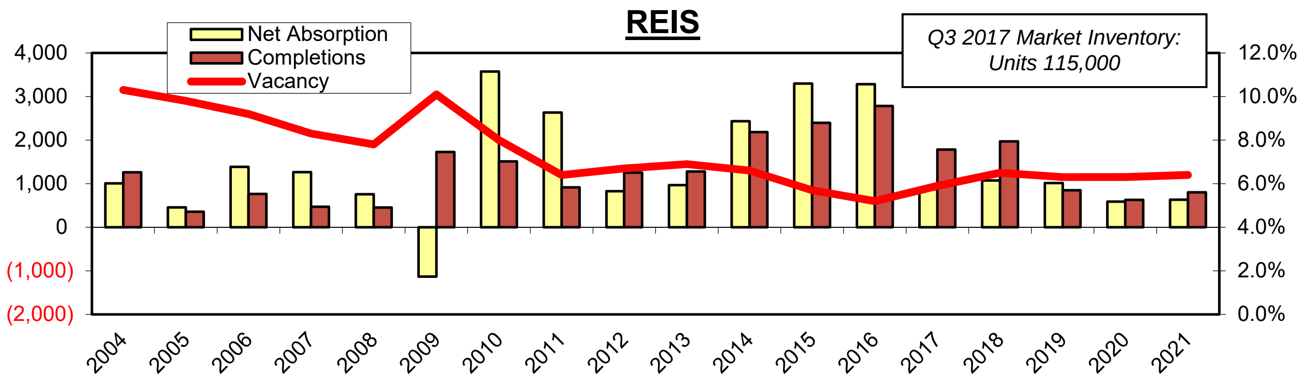
Vacancy and Rent Composite Estimates

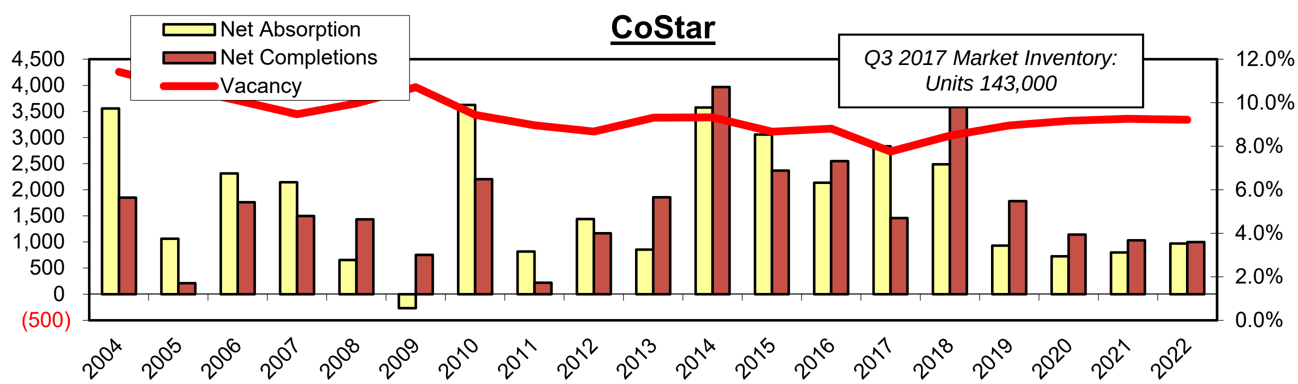


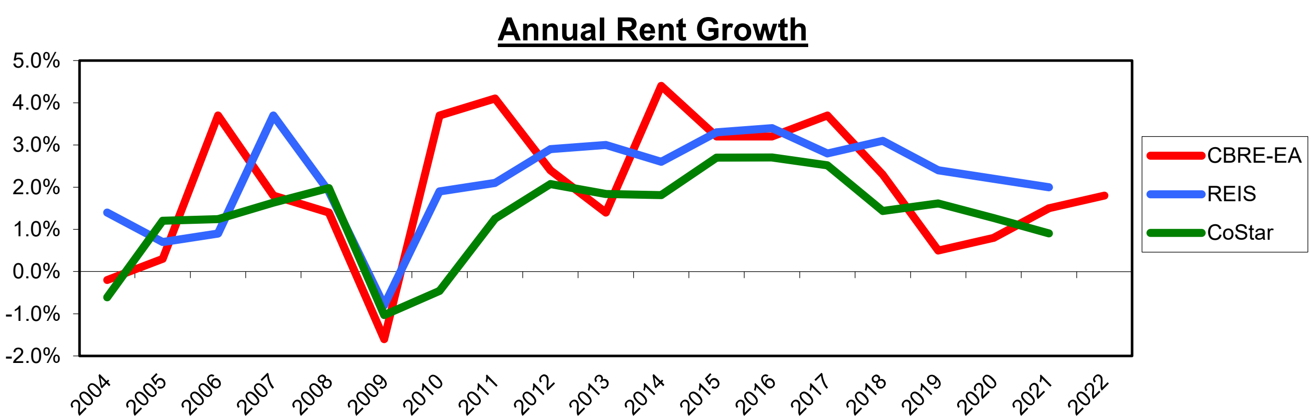


Source: Fannie Mae Multifamily and Economics Research

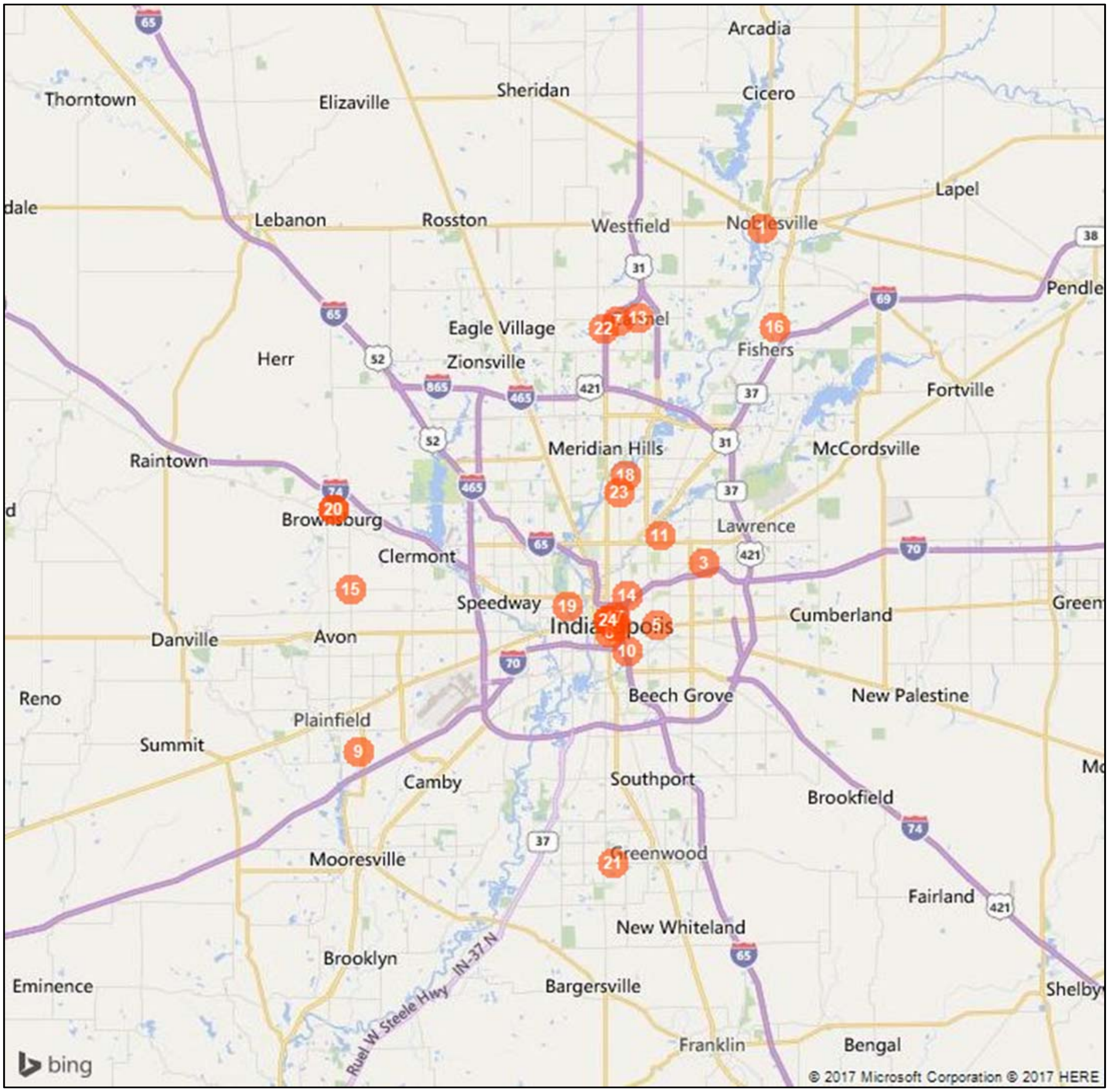

CBRE-EA
Net Absorption
Completions
Vacancy
Q3 2017 Market Inventory:
Units 143,000
5,000
4,000
3,000
2,000
1,000
0
(1,000)
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022


REIS
Net Absorption
Completions
Vacancy
Q3 2017 Market Inventory:
Units 115,000
4,000
3,000
2,000
1,000
0
(1,000)
(2,000)
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021


CoStar
Net Absorption
Net Completions
Vacancy
Q3 2017 Market Inventory:
Units 143,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
(500)
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022


Annual Rent Growth
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022
CBRE-EA
REIS
CoStar

Construction Bidding/Underway
(24 projects/4,200 Units/5.5 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Boone/Hendricks	4	1267	916
Castleton	2	250	186
Central	6	1508	1052
East	3	316	367
Hamilton County	5	937	683
Johnson County	1	388	274
Southeast	1	90	64
Southwest	1	520	450
West	1	226	226

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Fannie Mae Multifamily Economics and Market Research

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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.