



Multifamily Metro Outlook: Indianapolis Spring 2019

Overview

Indianapolis local job market continues to trend in the right direction. As of Q4 2018, the job market expanded by 1.9 percent which was slightly higher than the national rate of 1.8 percent.

Apartment supply is beginning to heat up in Indianapolis. Since 2013, approximately 16,000 apartments have been completed. Low costs of living and above-average job growth continue to attract residents to the metro.

Population growth is forecasted to keep outpacing the national average over the next five years at a rate of 0.9 percent annually compared to 0.7 percent according to CoStar. 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 negative 9 percent lower than the national average.

According to Moody's Analytics, Indianapolis has firmly positioned itself as a midwestern tech hub. The metro has had consecutive quarters of major tech investment and recently major tech player, Infosys Ltd., just announced the expansion of a \$245 million facility that will employ approximately 3,000 people.

Even though the Indianapolis metro has recaptured and expanded upon all of the jobs lost during the recession, there has been some 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 Moody's Analytics, the metro will face the challenge of retaining talent. Approximately 1/3 of Indianapolis' population has at least a bachelor's degree, but due to the metro's lower wages, migrating to a higher wage metro is a consistent and ongoing threat.

Development

Since the beginning of 2013, a moderate amount of rental units have come online, approximately 16,000 have been completed in this roughly 145,000 unit market. As of Q4 2018, nearly 4,400 units are underway and an additional 4,500 units are in the planning stages.

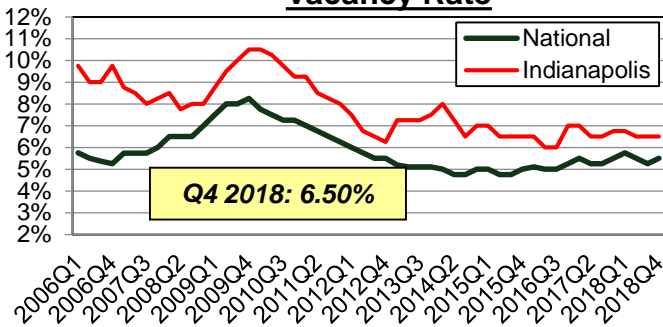
Outlook

Apartment fundamentals have rebounded after a brief slowdown and the metro still boasts favorable demographic trends that will help demand stay level with the incoming supply. Additionally, the apartment market will 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.

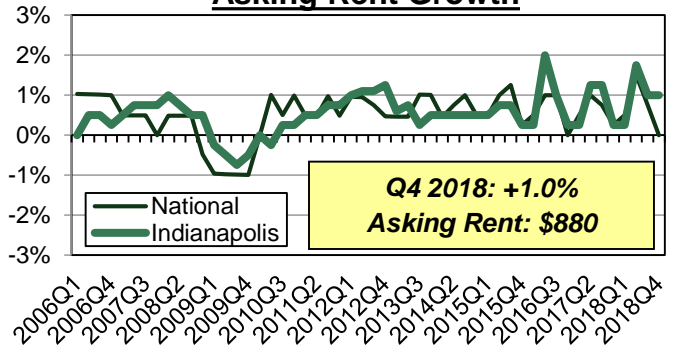
Consecutive quarters of above-average job growth have helped Indianapolis lure both top employers and migrants to the metro. However, the quality of the jobs being added to the metro is an issue as more employers increase the hiring of low-wage jobs. Although, the recent establishment of a (Midwestern) tech hub is good news as it will improve the quality of jobs in the metro. Furthermore, a retiring baby boomer generation and the on-going challenge of retaining top level talent, prevent this metro from receiving a higher rating.

Vacancy and Rent Composite Estimates

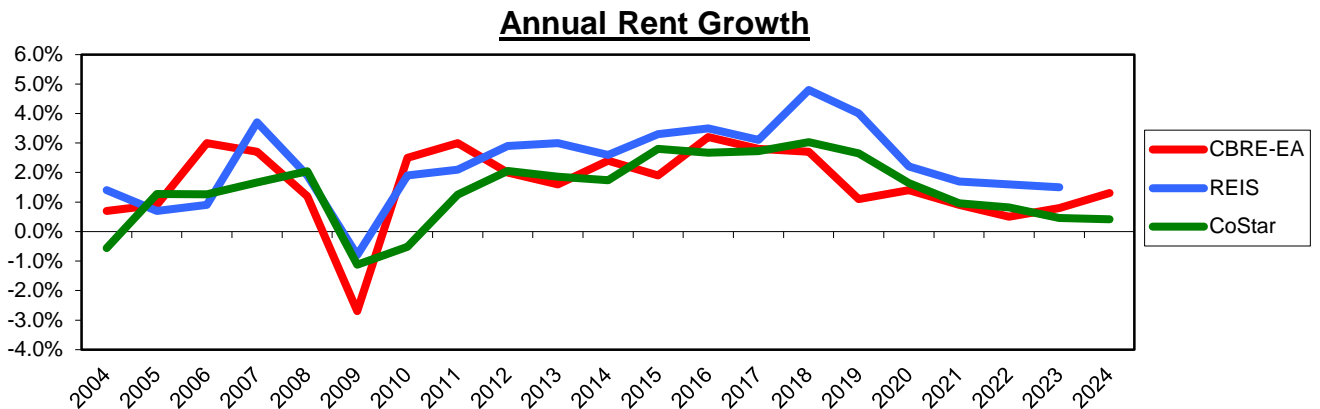
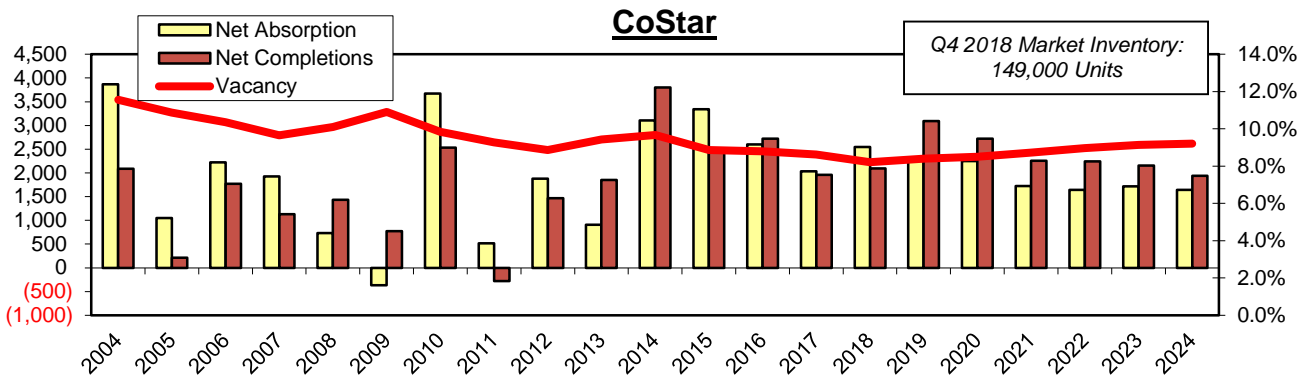
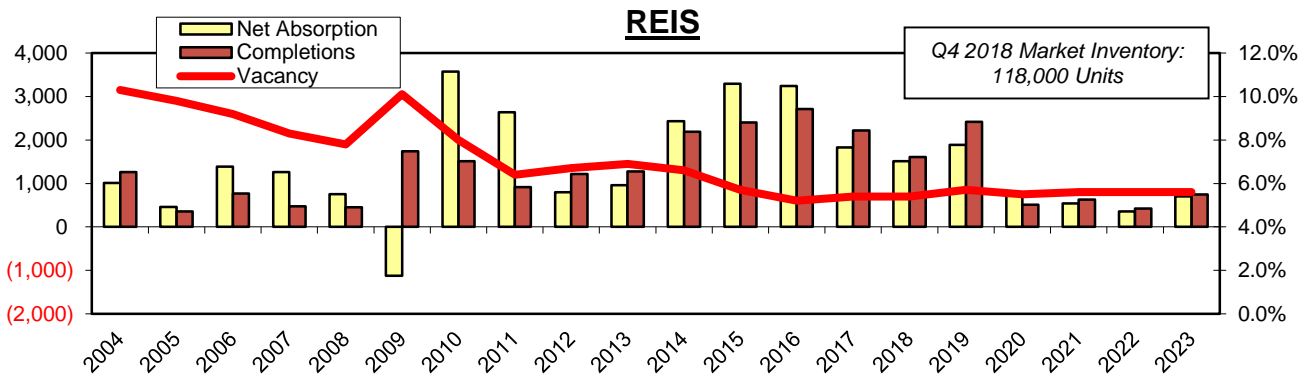
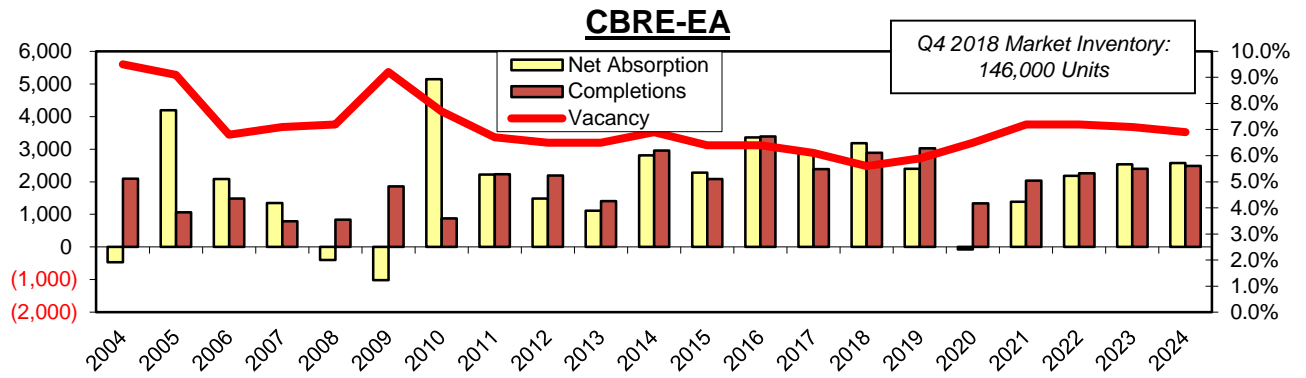
Vacancy Rate



Asking Rent Growth

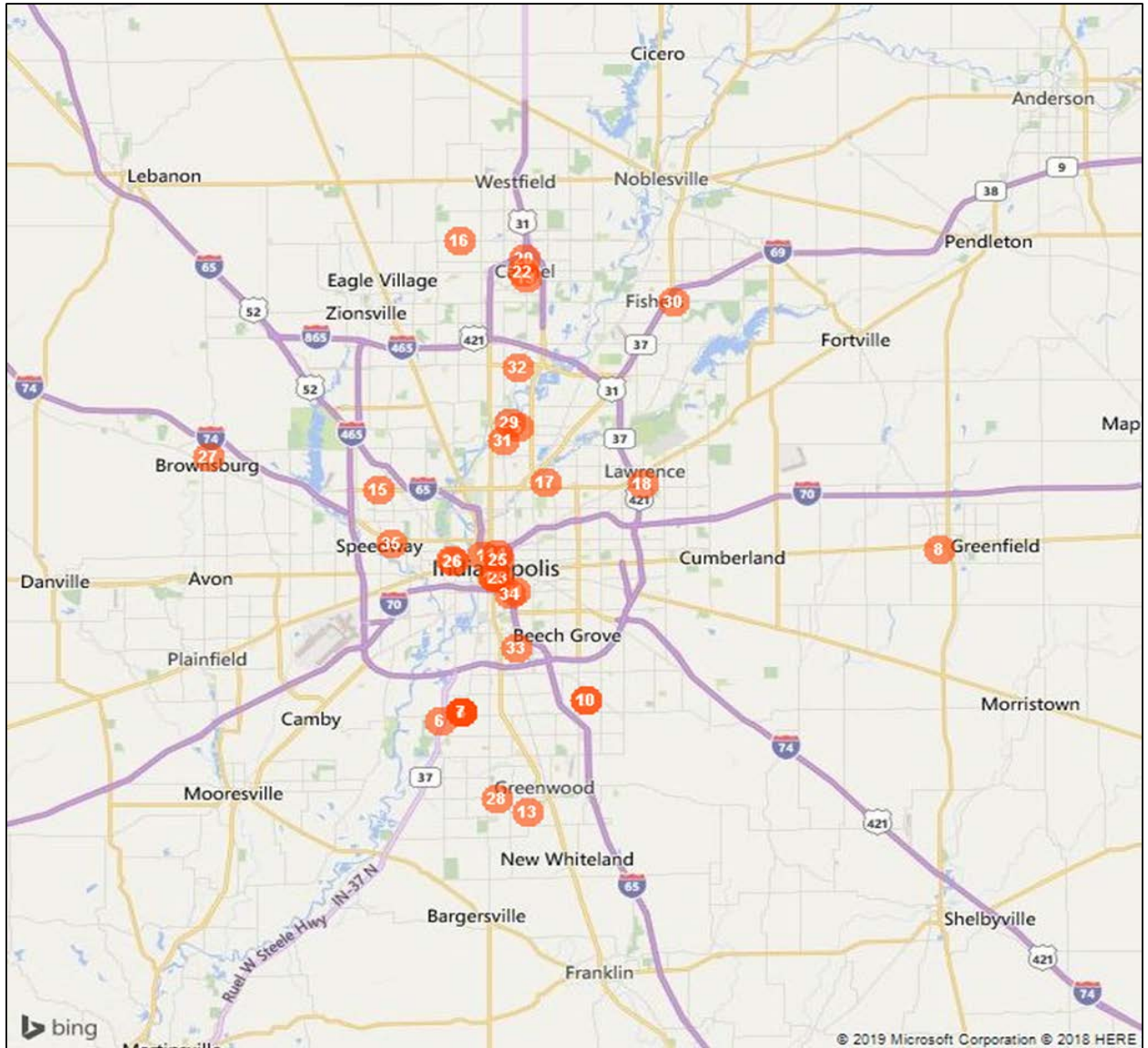


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Construction Bidding/Underway
35 projects/4,400 Units/5.6 M Sq. Feet



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Boone/Hendricks	1	392	208
Castleton	4	551	463
Central	3	714	535
East	1	6	
Far Northeast	1	10	
Hamilton County	5	1311	938
Hancock/Shelby	1	71	54
Johnson County	2	647	454
Near Northwest	1	38	60
Southeast	4	211	211
Southwest	9	1293	1196
West	3	319	298

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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.

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