

# Housing Market Profile

Midwest • HUD Region V



## Indianapolis-Carmel, Indiana

Located in central Indiana, the Indianapolis-Carmel metropolitan area is the largest in the state. It encompasses 10 counties and includes the city of Indianapolis, which is the state capital. As of June 1, 2009, the population of the metropolitan area was estimated at 1.73 million, which represents an increase of 17,800, or 1 percent, since June 1, 2008. Net in-migration accounted for 35 percent of the population growth during this period. As a result of weakening economic conditions, population growth slowed during the 12-month period ending June 2009 compared with the 12-month period ending June 2008, when the annual gain totaled 20,400, or 1.2 percent.

The economy of the Indianapolis-Carmel metropolitan area has followed the national downturn during the past 12 months, posting the first decline in nonfarm employment since 2002. During the 12 months ending May 2009, nonfarm employment in the metropolitan area averaged 902,600 jobs, a decrease of 15,700, or 1.7 percent, compared with the number of nonfarm jobs recorded during the same 12-month period a year ago. The professional and business services sector led the decrease with a loss of 7,000 jobs due to reductions in temporary and contract workers. The manufacturing sector registered the second largest employment decline; cutbacks by local automakers and by truck manufacturers and suppliers contributed to the loss of 5,400 jobs in the sector. During the 12 months ending May 2009, the average unemployment rate in the metropolitan area was 6.5 percent, an increase from the 4.3-percent rate recorded during the previous 12-month period.

Despite the overall decline in nonfarm employment during the past 12 months, employment grew in several sectors. The education and health services sector increased by 5,100 jobs, or 4.4 percent, primarily as a result of expansions, valued at \$800 million, at several local hospitals, which began in 2007. The sector includes the leading private-sector employer in the area, St. Vincent Hospital and Health Care Center, with more than 8,000 employees. During the 12-month period ending May 2009, employment in the government sector increased by 2,700 jobs, or 2.2 percent, to 124,400 jobs. Employment in the government sector represents 14 percent of nonfarm jobs and includes Indiana University-Purdue University, with 6,800 faculty and staff. The leisure and hospitality sector gained 1,400

jobs, partly to serve a growing \$3.5 billion annual tourism industry. Several large-scale projects are currently under way in downtown Indianapolis, including expansion of the Indiana Convention Center, construction of the Lucas Oil Stadium for the Indianapolis Colts, and development of the 1,625-room Marriott Place Indianapolis hotel complex, all of which are expected to open by 2011.

Conditions in the sales housing market are currently soft due to the declining economy and tighter mortgage lending standards. According to the Metropolitan Indianapolis Board of REALTORS®, during the 12 months ending May 2009, 22,000 new and existing attached and single-family residential homes were sold, a 14-percent decline compared with the number sold during the previous 12 months. The current number of home sales is down 29 percent from the peak number of 31,300 units sold during the 12 months ending May 2006. During the past 12 months, the number of new listings totaled 46,800, a 17-percent decline compared with the number of new listings recorded during the previous 12 months. For the 12-month period ending May 2009, the median sales price of an existing home was approximately \$114,000, down 5 percent compared with the median price recorded for the same period a year ago.

The soft sales market conditions have resulted in a decrease in single-family homebuilding, as measured by the number of building permits issued. During the 12 months ending May 2009, the number of single-family homes permitted declined to 3,710, down 61 percent compared with the number of homes permitted during the previous 12-month period. The current level of construction is significantly below the annual average of 13,000 single-family homes permitted between 2000 and 2005.

Rental housing market conditions in the Indianapolis-Carmel metropolitan area have softened from the balanced conditions recorded a year ago. The vacancy rate has risen due to increases in the number of apartments entering the market, more than 4,500 units since 2006, and in the number of single-family homes and condominiums being offered as rental units. The recent decline in employment has also moderated the pace of renter household formation. According to CB Richard Ellis, the apartment vacancy rate increased from 5.4 percent in the second quarter of 2008 to 7.3 percent in the second quarter of 2009. Based on CB Richard Ellis data, the average asking rent of \$873 was relatively unchanged compared with the rent recorded during



the second quarter of 2008. As of the second quarter of 2009, average asking rents in apartments that have achieved stabilized occupancy are estimated at \$775 for a one-bedroom unit, \$890 for a two-bedroom unit, and \$1,075 for a three-bedroom unit.

Multifamily construction activity in the metropolitan area, as measured by the number of multifamily units permitted, totaled 2,450 units during the 12 months ending May 2009, up 76 percent compared with the number of units permitted during the same period a year ago. Local sources indicate that, due to financing issues, builders have delayed starts on approximately 50 percent of the units permitted, including 700 multifamily units in downtown Indianapolis. Multifamily construction has fluctuated since the peak of 3,400 units

permitted in 2002. After declining in 2006 and 2007, the number of multifamily units permitted rose to 2,600 units in 2008, with most of the units intended for the rental market. In the past 2 years, apartment development has been concentrated in Hamilton County, located in the northern portion of the metropolitan area, which includes several new Class A apartment communities totaling more than 1,400 units. Rent concessions are prevalent in all new Class A apartments currently in lease-up in Hamilton County. Concessions range from a \$100 discount on a 12-month lease to 1 month's free rent on an 18-month lease. According to CB Richard Ellis, as of the second quarter of 2009, average asking rents for one-, two-, and three-bedroom units in newly constructed Class A developments are approximately \$800, \$980, and \$1,400, respectively.