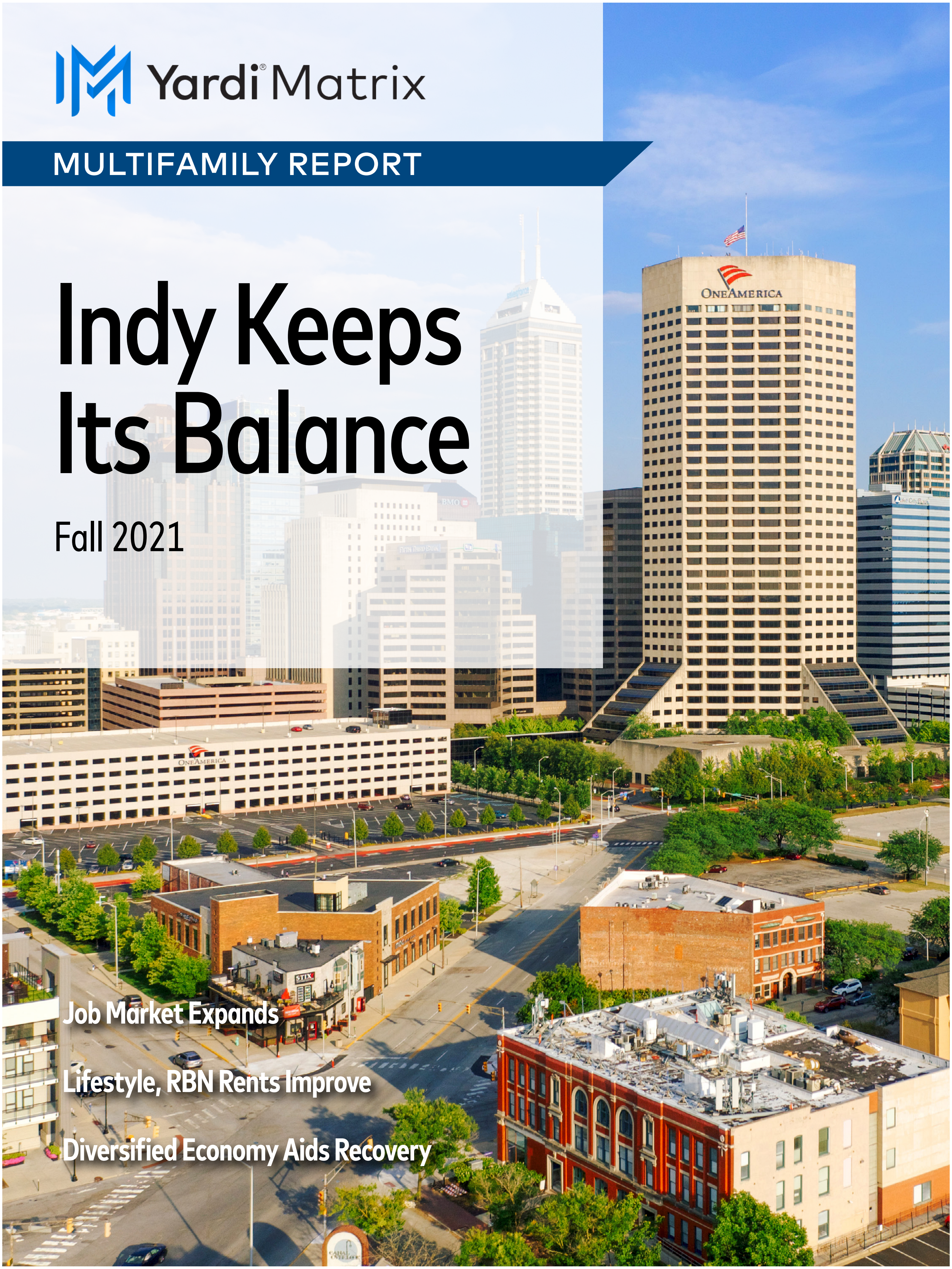
Yardi Matrix

MULTIFAMILY REPORT

Indy Keeps Its Balance

Fall 2021



Job Market Expands

Lifestyle, RBN Rents Improve

Diversified Economy Aids Recovery

INDIANAPOLIS MULTIFAMILY

Yardi Matrix

Slowly, Steadily Forward

The Indianapolis multifamily market has avoided many of the worst effects resulting from the pandemic, and the metro appears to be continuing to recover, albeit at a moderate pace. In August, rents averaged $1,052, a 1.1% increase on a trailing three-month (T3) basis. While this was behind the national rate of 1.7%, the market has demonstrated resilience since early 2020, when rent growth slowed without reversing. Upscale submarkets outside the urban core experienced the highest rent growth, in line with population shifts to suburbia.

Indianapolis' diversified economy, bolstered by an influx of tech jobs in recent years and expansion plans from some of the metro's largest employers, continues to gain ground. The metro added more than 54,000 jobs during the year ending in June, with the greatest increases occurring in the hospitality and mining, logging and construction sectors.

Though nearly 4,500 units were under construction in the metro, deliveries slowed. Fewer than 1,000 units were completed through August. However, development activity is anticipated to pick up again in 2022, when more than 2,000 units are slated for delivery. Multifamily investment also slowed, with $309 million in transactions closing year-to-date through August, as investors pivoted toward working-class Renter-by-Necessity assets.

Recent Indianapolis Transactions

Estates of Creekside

City: Indianapolis
Buyer: Ardizzone Enterprises
Purchase Price: $16 MM
Price per Unit: $85,000

The Reserves at Warren Park

City: Indianapolis
Buyer: Prestige Property Management
Purchase Price: $3 MM
Price per Unit: $46,667

Market Analysis | Fall 2021

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RENT TRENDS

- Indianapolis rents rose 1.1% on a trailing three month basis (T3) as of August, to an overall average of $1,052. Growth lagged the national rate of 1.7% during the same period. The market's rents were 31.6% less than the U.S. average of $1,539.

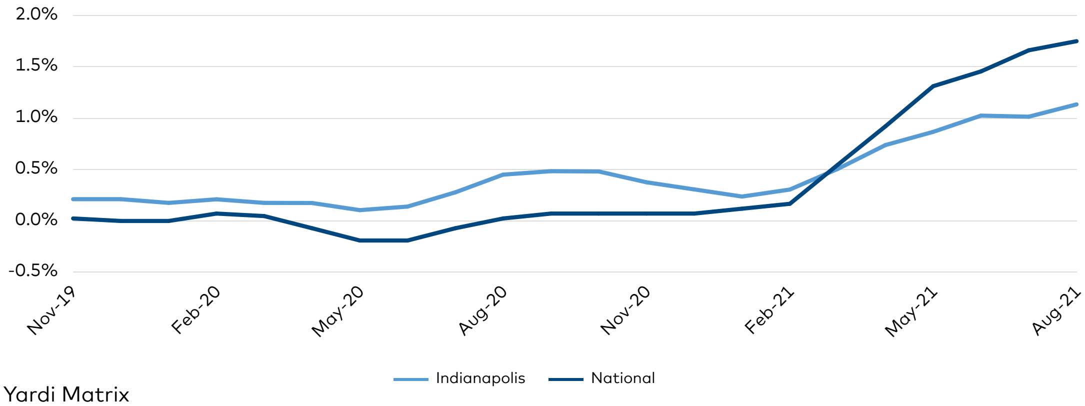
- Rates increased by 8.3% year-over-year through August, compared to the 10.3% nationwide growth during the same period. Overall occupancy in stabilized properties was 95.0% in July, 60 basis points less than the U.S. figure.

- Both Lifestyle and RBN rents increased by 1.1% on a T3 basis through August. Occupancy was similar across the quality spectrum in July, with Lifestyle and RBN assets at a respective 94.8% and 95.1%.

- Rent growth was most pronounced in the metro's suburban submarkets. The Plainfield/Brownsburg/Avon and Indianapolis–Franklin submarkets experienced some of the fastest year-over-year rent growth through August, with both up 12.1% to a respective $1,090 and $997.

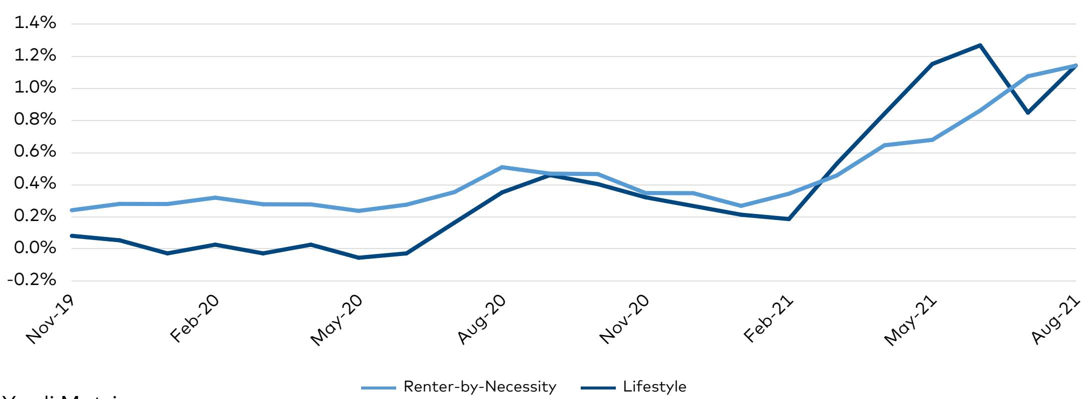
- Indianapolis–Downtown was home to the highest rents in the market, averaging $1,460 in August. However, rent growth has stagnated—up only 0.9% over the year—as the metro's population has shifted out of the urban core in favor of upscale suburban submarkets such as Zionsville (up 11.1% to $1,312) and Carmel (up 8.9% to $1,295).

Indianapolis vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Indianapolis Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- Indianapolis added 54,100 jobs during the 12 months ending in June, a 4.8% year-over-year increase. In July, the unemployment rate stood at 4.0%, according to preliminary Bureau of Labor Statistics data, a 50-basis-point decrease from the previous month and 140 basis points less than the U.S. figure of 5.4%.

- Nearly all job sectors demonstrated growth during the year ending in June. The leisure and hospitality sector, amid a nationwide recovery, rebounded the fastest, adding 14,200 jobs for a 14.8% year-over-year gain. The metro's mining, logging and construction sector also grew significantly, with the addition of 8,500 jobs, or 13.9% year-over-year growth. The lone employment sector that registered a net loss in jobs was the information sector, which shed 600 jobs, or a 4.4% loss over the year.

- Although the metro has been affected from the onset of the pandemic, Indianapolis' diversified economy has helped moderate the worst of the impacts. Many of the city's major employers, including Eli Lilly, continued to move forward with expansion plans, while several major tech companies, such as Jobvite, Tangoe and Celigo announced plans to relocate, signaling further employment gains in the future.

Indianapolis Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	110	9.3%
15	Mining, Logging and Construction	70	5.9%
40	Trade, Transportation and Utilities	247	20.9%
60	Professional and Business Services	171	14.5%
65	Education and Health Services	183	15.5%
30	Manufacturing	108	9.1%
90	Government	160	13.5%
80	Other Services	44	3.7%
55	Financial Activities	77	6.5%
50	Information	13	1.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Indianapolis added 16,482 residents in 2020, a 0.8% increase and double the national rate.

- The metro has grown consistently for the past decade, adding 198,372 residents since 2011 at an average annual growth rate of 1.0%.

Indianapolis vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Indianapolis Metro	2,026,723	2,048,703	2,074,537	2,091,019

Sources: U.S. Census, Moody's Analytics

SUPPLY

- There were 4,465 units under construction in Indianapolis at the end of August, or 2.5% of existing inventory. An additional 23,000 units were in the planning and permitting stages. Five projects totaling 1,119 units broke ground in the first eight months of the year.

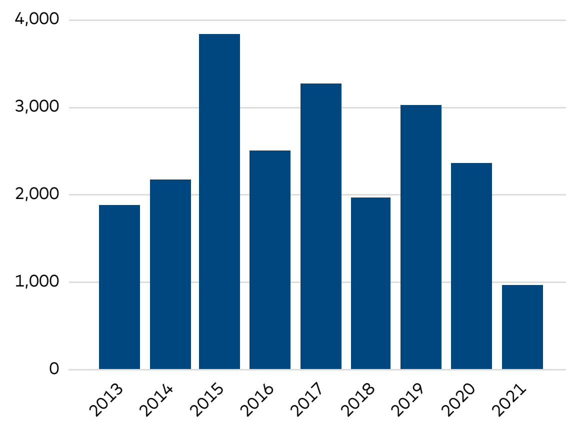
- Seven multifamily projects delivered year-to-date through August, adding 976 units to the market's inventory, or 0.6% of total stock. While we anticipate completions to reach approximately 1,200 units by year-end—the lowest level of deliveries since 2011—activity is expected to pick up in 2022, with more than 2,000 units estimated to come online.

- Westfield–Noblesville was the most-active submarket for construction activity in August, with four projects totaling 906 units under-way, accounting for 11.6% of inventory. Other submarkets with significant development ac-tivity included Indianapolis–Downtown (794 units underway, or 8.9% of inventory) and Fishers (502 units or 7.9%).

- The metro's largest project under construction was Buckingham Cos.' 402-unit second phase of Residences at CityWay in downtown Indianapolis. The mixed-use project broke ground in late 2017 and is expected to deliver later this year.

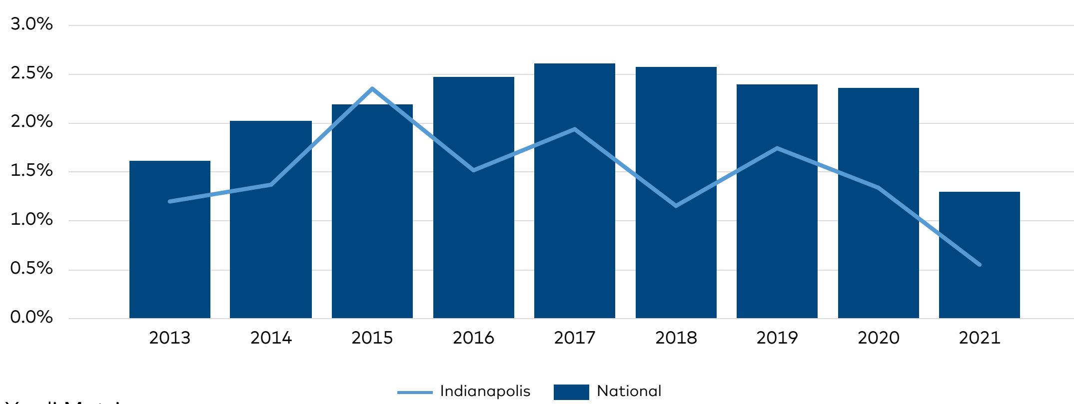
- The largest delivery through August this year was Aria, a 218-unit luxury development in the Zionsville submarket. Cityscape Residential began work on the project in mid-2019, and the community opened in March.

Indianapolis Completions (as of August 2021)



Source: Yardi Matrix

Indianapolis vs. National Completions as a Percentage of Total Stock (as of August 2021)

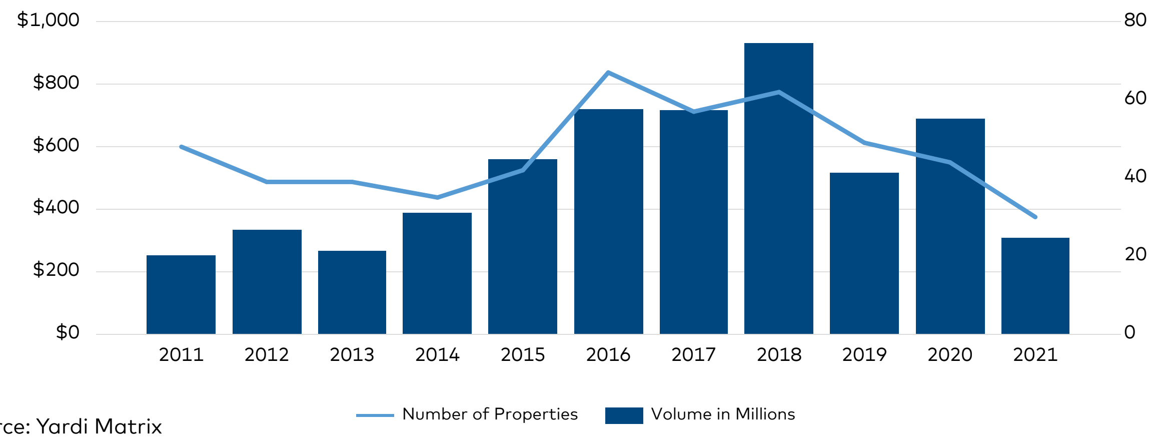


Source: Yardi Matrix

TRANSACTIONS

- Indianapolis' multifamily investment volume was $309 million year-to-date through August, a sharp drop from the $511 million closed during the same period in 2020. Sale prices averaged $107,156 per unit, an 8.7% increase compared to the market last year, while 39.4% less than this year's national average.
- Transactions involving RBN assets totaled $249 million, or more than 80% of total volume, a notable reversal from 2020, when nearly 60% of the year's transaction volume involved Lifestyle properties. RBN transactions averaged $97,691 per unit, with Lifestyle sale prices averaging $179,015 per unit.
- Varia US Properties paid $87 million for a three-property, 849-unit portfolio in the Washington–West and Lawrence submarkets in one of the market's largest transactions this year. Seller Emma Capital acquired the communities in mid-2018 for $64 million.

Indianapolis Sales Volume and Number of Properties Sold (as of August 2021)



Source: Yardi Matrix

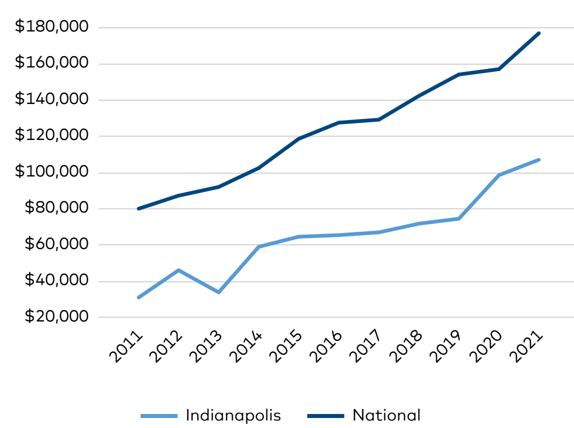
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Indianapolis–Lawrence	119
Westfield–Noblesville	81
Indianapolis–Washington West	50
Indianapolis–Warren	50
Indianapolis–Washington East	43
Zionsville	38
Greenwood–East	35

Source: Yardi Matrix

[1] From September 2020 to August 2021

Indianapolis vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

data by Yardi Matrix

Top Rust Belt Markets for Construction Activity

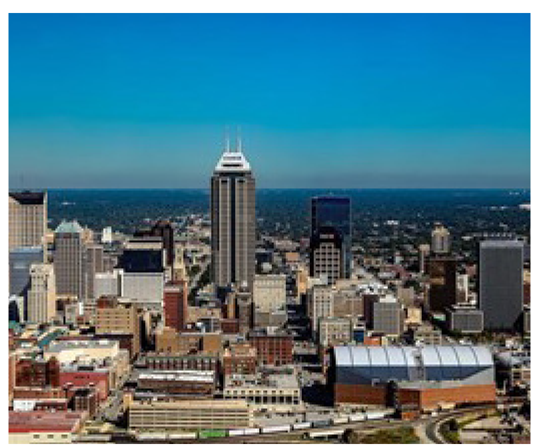
By Corina Stef

More than 68,700 units were underway in the Midwest as of June, Yardi Matrix data shows. Combined, the top five markets in the region include some 40,500 units underway, accounting for 59 percent of the total pipeline. Construction activity lagged in 2020 due to the pandemic, with most markets recording a drop in multifamily deliveries.

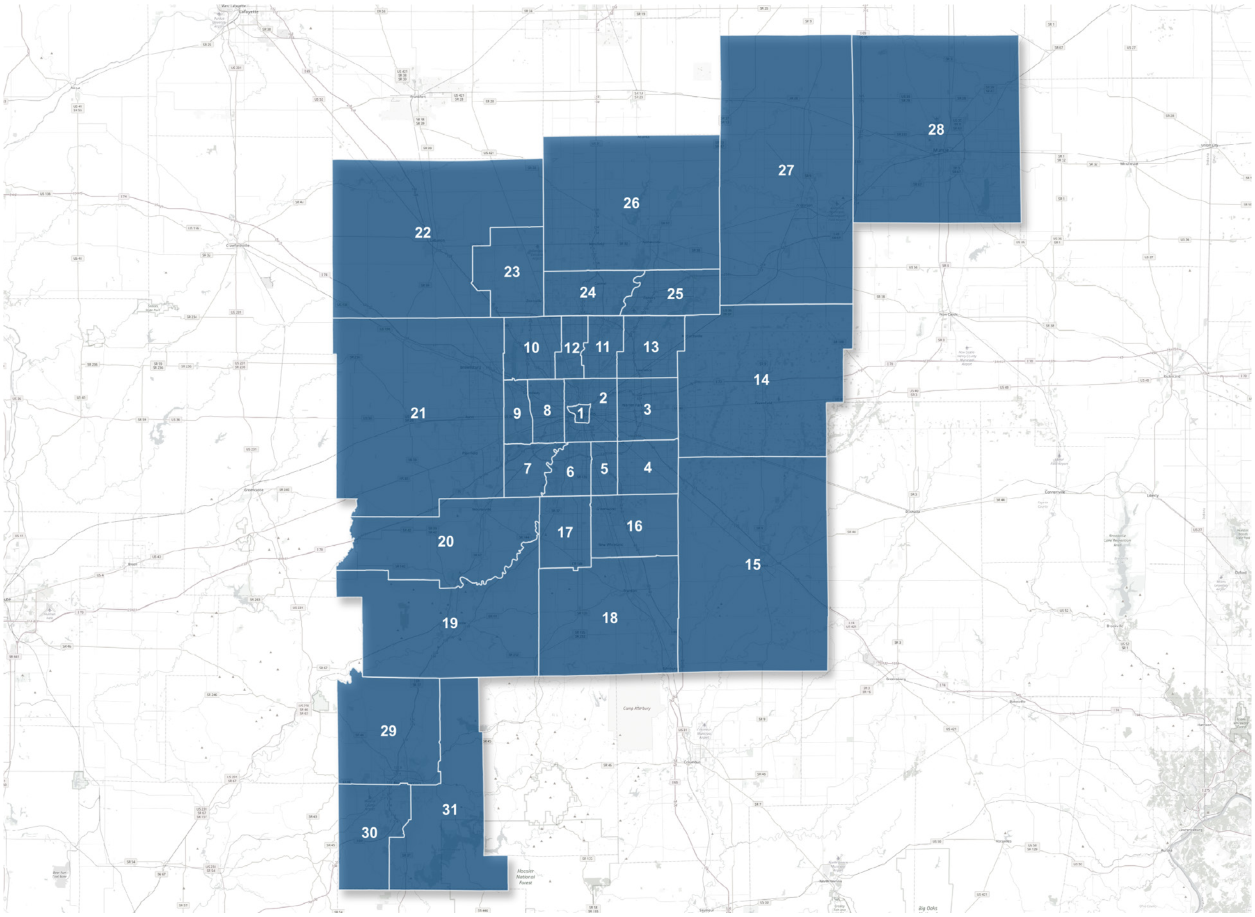
Rank	Property Name	Units Under Construction
1	Chicago	16,491
2	Columbus	7,945
3	Detroit	6,054
4	Milwaukee	5,271
5	Indianapolis	4,744

INDIANAPOLIS

More than 4,700 units were underway in Indianapolis as of June. The market's affordable cost of living attracted both renters and homeowners, with 2020 completions amounting to more than 2,300 units and some 3,000 apartments a year earlier. Close to 3,000 units are scheduled for completion by the end of 2021, with development concentrated in the Westfield-Noblesville submarket (906 units under construction).



INDIANAPOLIS SUBMARKETS



Area No.	Submarket
1	Indianapolis–Downtown
2	Indianapolis–Center
3	Indianapolis–Warren
4	Indianapolis–Franklin
5	Indianapolis–Perry East
6	Indianapolis–Perry West
7	Indianapolis–Decatur
8	Indianapolis–Wayne East
9	Indianapolis–Wayne West
10	Indianapolis–Pike
11	Indianapolis–Washington East
12	Indianapolis–Washington West
13	Indianapolis–Lawrence
14	Greenfield
15	Shelbyville
16	Greenwood–East

Area No.	Submarket
17	Greenwood–West
18	Franklin
19	Martinsville
20	Mooresville
21	Plainfield–Brownsburg–Avon
22	Lebanon
23	Zionsville
24	Carmel
25	Fishers
26	Westfield–Noblesville
27	Anderson
28	Muncie
29	Bloomington–North
30	Bloomington–West
31	Bloomington–East

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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