

# Indy Keeps Momentum

April 2022

Lowest Unemployment in a Decade

YoY Rent Growth in Double Digits

Developers Focus on Lifestyle Segment



# INDIANAPOLIS MULTIFAMILY



## Consistent Progress In Central Indiana

Indianapolis multifamily shows fresh signs of improvement, with the metro spared by the worst effects of the health crisis. The average rent was up 0.8% on a trailing three-month (T3) basis through February, to \$1,121. While growth stood 20 basis points above the U.S. average, rates have continued their decelerating trajectory since the 1.2% peak of August last year, in line with seasonal trends. On a year-over-year basis, rates were up 12.9% as of February, below the record 15.4% national average but levels above what the metro recorded before the pandemic.

Indianapolis' unemployment rate dropped to its lowest level in a decade, down to 1.2% according to preliminary December data from the Bureau of Labor Statistics. The employment market added 33,800 jobs for a 2.7% uptick last year. All sectors recorded gains, apart from information, which lost 100 positions for a 0.8% decrease. In December, Elanco Animal Health Inc. announced plans to break ground on the company's new \$100 million headquarters on the site of the former General Motors Stamping Plant, west of the metro's downtown area.

A total of 2,453 units came online across Indianapolis last year, nearly on par with 2020 but below the decade high of 3,349 apartments completed in 2017. As of February, the metro had an additional 4,968 units underway.

## Market Analysis | April 2022

### Contacts

#### Jeff Adler

Vice President & General  
Manager of Yardi Matrix  
[Jeff.Adler@Yardi.com](mailto:Jeff.Adler@Yardi.com)  
(303) 615-3676

#### Jack Kern

Director of Research  
and Publications  
[Jack.Kern@Yardi.com](mailto:Jack.Kern@Yardi.com)  
(800) 866-1124 x2444

#### Ron Brock, Jr.

Industry Principal, Matrix  
[JR.Brock@Yardi.com](mailto:JR.Brock@Yardi.com)  
(480) 663-1149 x2404

#### Doug Ressler

Media Contact  
[Doug.Ressler@Yardi.com](mailto:Doug.Ressler@Yardi.com)  
(480) 695-3365

#### Author

**Lucia Morosanu**  
Associate Editor

On the cover: Photo by Ultima\_Gaina/iStockphoto.com

### Recent Indianapolis Transactions

#### Spanish Oaks



City: Indianapolis  
Buyer: A1 Equities  
Purchase Price: \$60 MM  
Price per Unit: \$72,816

#### The Flats at Switch



City: Fishers, Ind.  
Buyer: Cornerstone Cos.  
Purchase Price: \$26MM  
Price per Unit: \$255,207

#### Alinium at Zionsville



City: Zionsville, Ind.  
Buyer: Birge & Held Asset  
Management  
Purchase Price: \$25 MM  
Price per Unit: \$93,985

#### Sawmill

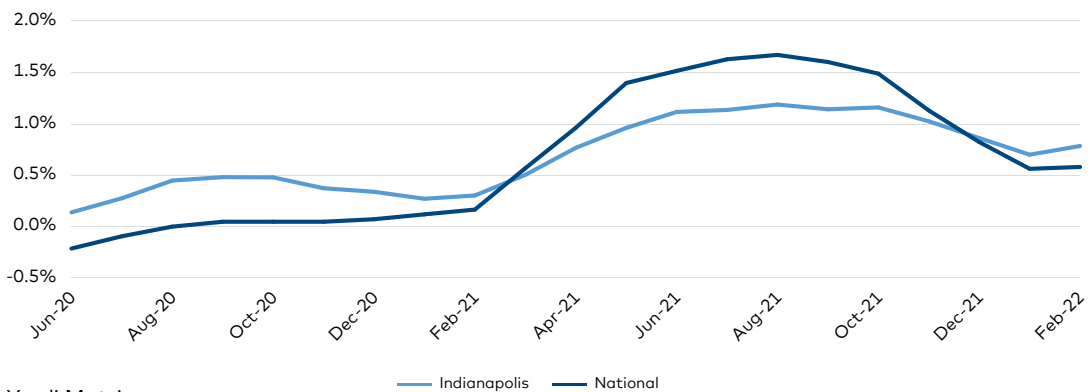


City: Indianapolis  
Buyer: Cyclone Investment Group  
Purchase Price: \$16 MM  
Price per Unit: \$74,537

## RENT TRENDS

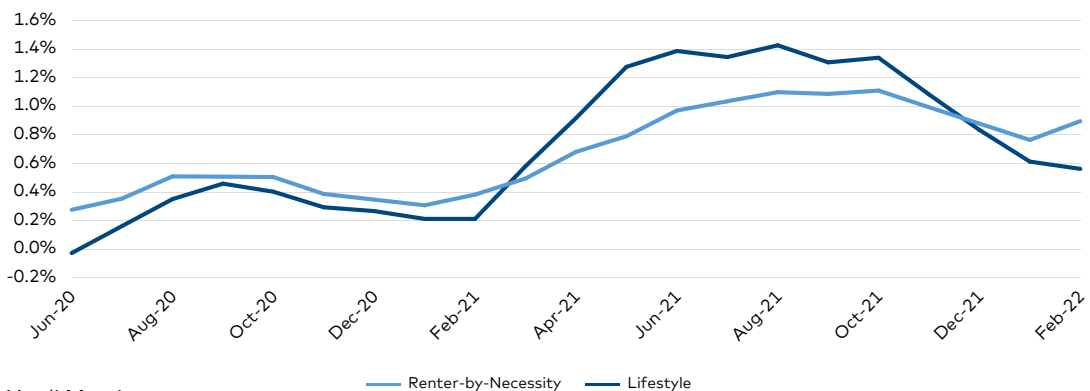
- ▶ Indianapolis rents increased 0.8% on a trailing three-month (T3) basis through February, 2021, 20 basis points above the national rate. Rent growth continued its deceleration after a 1.2% T3 peak last year but continued to mark steady gains. Year-over-year, Indianapolis rates were up 12.9% as of February.
- ▶ The average Indianapolis rent increased to \$1,121, significantly below the national average of \$1,628. Rents in Lifestyle properties rose 0.6% on a T3 basis, to \$1,437. Meanwhile, the average working-class Renter-by-Necessity rate recorded a 90-basis-point hike, to \$983.
- ▶ The occupancy rate in stabilized assets across the metro rose 0.7% year-over-year as of January, to 95.5%. That was 60 basis points below the national rate, which clocked in at 96.1%. Demand for Lifestyle properties remains high, with occupancy rising a solid 1.8% to 95.8%, as of January. On the other end of the quality spectrum, occupancy in RBN assets rose only 20 basis points, to 95.3%, continuing the decelerating trend that started last May.
- ▶ Non-core submarkets offering good transit options grew at some of the fastest rates in the 12 months ending in February. The list included Greenwood–West (21.5% to \$1,290), Fishers (19.4% to \$1,405), and Carmel (19.2% to \$1,471). Downtown remained the priciest submarket, even following a relatively moderate year-over-year increase of 8.0%, with rents averaging \$1,531.

### 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

- At 1.2% in December, Indianapolis' unemployment rate reached its lowest point in the past decade, according to preliminary data from the Bureau of Labor Statistics. The metro has made significant progress since the 12.8% peak recorded in April 2020, and is outpacing the U.S. average, which stood at 3.9% in December.
- The metro added 33,800 jobs for a 2.7% expansion last year. Information was the only sector to contract, losing 100 positions for a 0.8% decrease. Following the pattern in most metros, leisure and hospitality gained the most jobs, adding 7,100 positions, up 6.9%. Government followed, adding 5,700 jobs for a 3.4% expansion.
- In mid-December, Elanco Animal Health Inc. announced plans to break ground on the company's new \$100 million headquarters on the site of the former General Motors Stamping Plant, located west of the metro's downtown and with a completion date set for July 2024. Local authorities committed roughly \$135 million in tax-increment financing bonds through the city's Metropolitan Development Commission to the project.
- At the beginning of the year, the Indianapolis Public Transit Corp. began construction on the Purple Line, a \$188 million, 15-mile rapid bus transit system that will eventually run from downtown to the city of Lawrence, Ind.

### Indianapolis Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	111	9.1%
90	Government	175	14.3%
30	Manufacturing	108	8.8%
40	Trade, Transportation and Utilities	260	21.3%
15	Mining, Logging and Construction	68	5.6%
80	Other Services	45	3.7%
65	Education and Health Services	185	15.2%
60	Professional and Business Services	178	14.6%
55	Financial Activities	79	6.5%
50	Information	13	1.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- Indianapolis recorded constant population growth in the last decade, adding 16,482 residents in 2020 alone, a 0.8% expansion.
- Between 2017 and 2020, the metro increased its population by 3.2%, more than double the 1.3% U.S. figure.

### Indianapolis vs. National Population

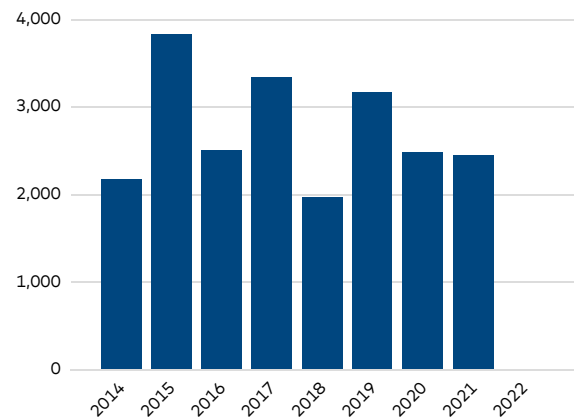
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Metro Indianapolis	2,026,723	2,048,703	2,074,537	2,091,019

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

## SUPPLY

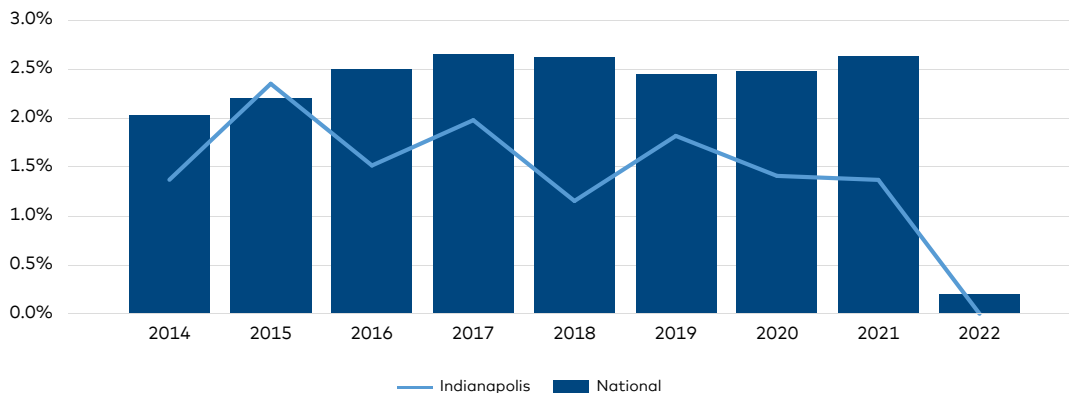
- ▶ The metro had 4,968 units under construction as of February. Development activity remained mainly focused on Lifestyle properties, with more than three-quarters of units under development targeting high-earning renters. The metro had an additional 24,500 units in the planning and permitting stages as of February.
- ▶ Almost on par with the 2,493 units delivered in 2020, developers completed 2,453 apartments across the metro last year. This represented 1.4% of total stock, a little over half the national average.
- ▶ Lifestyle units made up the vast majority of completions last year, with only 363 units in fully affordable properties added to the inventory. While completions kept the same pace of the past couple of years, units delivered remained below the decade-high recorded in 2017, when 3,849 units came online.
- ▶ Bloomington–North led the way for construction activity, with 969 units underway across five properties and making up almost a fifth of all units under development as of February. Westfield–Noblesville (616 units) and Carmel (490 units) completed the podium.
- ▶ The largest project under construction in the metro as of February was Muesing Management’s Preserve at Blue Road in Greenfield, Ind. At 338 units, the multifamily development is one of the largest projects in Greenfield in recent years and will include 19 buildings. The workforce community is expected to be completed in the third quarter of 2023.

**Indianapolis Completions** (as of February 2022)



Source: Yardi Matrix

**Indianapolis vs. National Completions as a Percentage of Total Stock** (as of February 2022)



Source: Yardi Matrix

## TRANSACTIONS

- ▶ Transaction activity in Indianapolis totaled \$70 million in the first two months of 2022, less than half the \$181 million registered during the same time frame last year. This comes on the heels of a record-breaking 2021, when \$1.1 billion in rental assets traded, topping the previous decade-high recorded in 2018, when \$936 million in communities changed hands.
- ▶ The average price per unit recorded a slight decline at the beginning of the year, down 14% to \$91,412. That clocked in significantly below the U.S. average, which increased to \$221,271. In 2021, the average per-unit price in Indianapolis was \$106,190, the only year of the past decade when the figure went above the \$100,000 mark.
- ▶ Investor preference for value-add plays, evident last year, continued into 2022. Out of the five communities that traded in the first two months of the year, only one asset was in the Lifestyle quality segment.

### Indianapolis Sales Volume and Number of Properties Sold (as of February 2022)



Source: Yardi Matrix

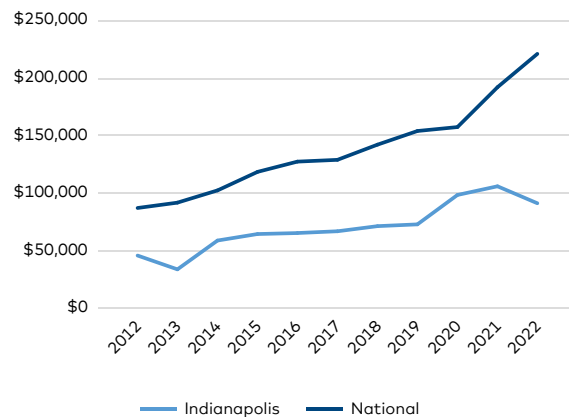
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Indianapolis-Warren	193
Indianapolis-Washington east	142
Fishers	119
Indianapolis-Pike	110
Indianapolis-Lawrence	81
Indianapolis-Perry East	75
Indianapolis-Decatur	58

Source: Yardi Matrix

<sup>1</sup> From March 2021 to February 2022

### Indianapolis vs. National Sales Price per Unit



Source: Yardi Matrix



## Senior Housing in the Midwest: A talk with New Perspective's CEO

By Beata Lorincz

New Perspective has been a major player in the Midwestern senior housing industry for more than two decades. Late last year, the developer and operator partnered with Boldt Capital to enter the Central Indiana market with the purchase of three suburban properties. CEO Ryan Novaczyk shares his thoughts on the recent expansion into Indianapolis, and talks about challenges in the senior housing market.

*Why did you decide to enter the Indiana market? What attracted you to the metro?*

We have been eyeing expanding our footprint from Illinois down through Indiana for some time. The right opportunity presented itself and we acquired three very new assets in fantastic markets, at price points below replacement cost.

*What is the current state of the Indianapolis senior housing market and what are your predictions?*

At the margin, Indianapolis has performed a bit better than the rest of our portfolio occupancy-wise. Based on where we are today, this market will likely reach 90+ percent occupancy before some of our other large markets like Minneapolis and Milwaukee.

*How is the Midwestern senior housing market faring? Are you considering any new markets?*

The Midwest occupancy trends have mirrored the national averages. We are looking to



expand into new markets and are evaluating numerous deals in states adjacent to Indiana or one state over, as well as Florida.

*What are the most sought-after amenities and services in your senior living communities?*

Everybody has their favorite amenity. Some love the bar, others love the bistro. Swimmers are into the pool. Some people just want to hang out on the porch. The gamers can be found near the poker table. Arts and crafts are a big draw. But the most important and sought-after services in any senior living community are the care being provided to the residents, the dining experience and activities.

*In your view, what are the sector's biggest challenges at the moment?*

The biggest challenges in our sector are finding and retaining talent and the cost of inflation.

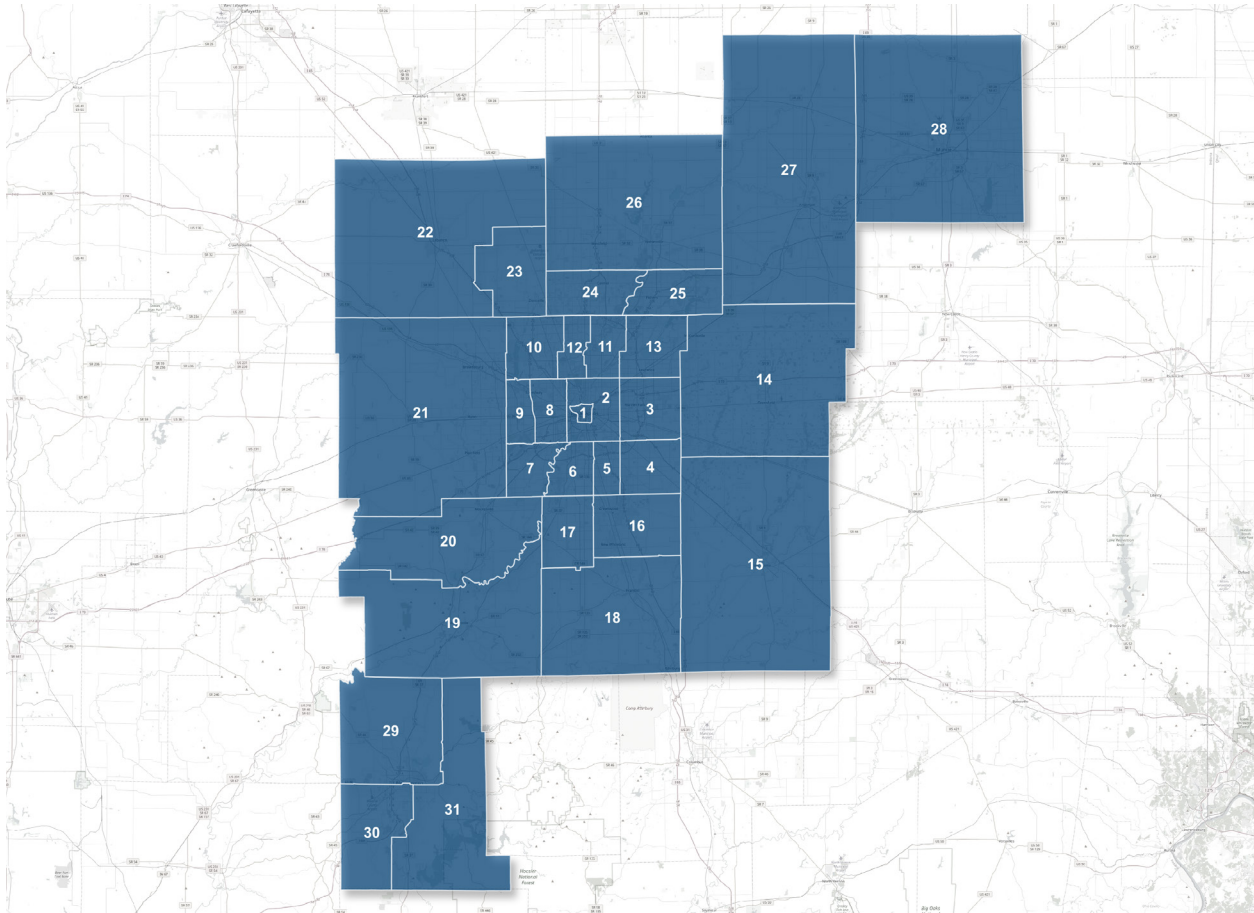
*Are the pandemic's effects still felt across the industry?*

The construction cost profile of a building has completely changed. Tight labor markets and big increases in materials costs will force developers to rethink the physical plan. In addition to higher building costs, operating costs have increased dramatically, which means lower NOI at a time when construction costs are high.

Many projects that were penciled out two or three years ago are unbuildable/financeable in the current environment.

*(Read the complete interview on [multihousingnews.com](https://multihousingnews.com).)*

# 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](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.



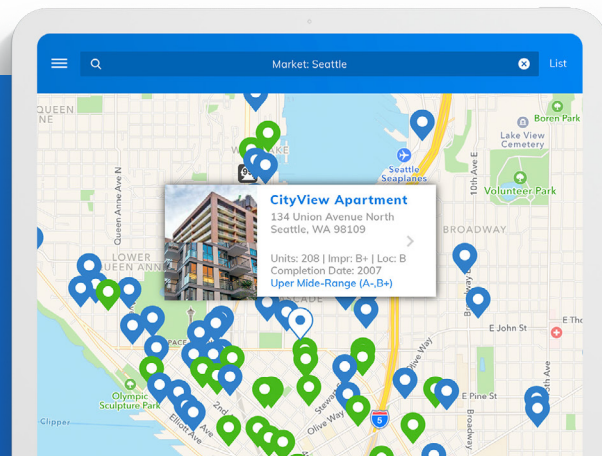
# Yardi Matrix

Power your business  
with the industry's  
leading data provider



## MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily  
provides accurate data on  
**19.7+ million units**, covering over  
**92% of the U.S. population.**



(800) 866-1144

Learn more at [yardimatrix.com/multifamily](https://yardimatrix.com/multifamily)

Contact  
US



#### DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

#### COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2022 Yardi Systems, Inc. All Rights Reserved.