



Yardi® Matrix

Indianapolis: Full Speed Ahead

Multifamily Report Spring 2017

Rent Gains Outpace Nation

Tech Hiring Lifts Economy Higher

New Development Targets City Core

Market Analysis

Spring 2017

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Tech Sector Propels Growth

Demand for apartments continues to be strong in Indianapolis, thanks to the locale's relative affordability. The city's high-quality education system and skilled workforce attract residents and employers, propelling economic growth.

The construction, health care, hospitality and office-using sectors accounted for the largest number of new hires in Indianapolis in 2016. The region's high-tech industry has expanded by 28.0% since 2013, continuing to support a growing job market and new real estate development. Salesforce.com, the San Francisco-based cloud computing company, which already employs 1,400 people in Indianapolis, plans to hire an additional 800 employees by 2021. Infosys, a global information technology consulting firm, has also selected the city for its upcoming business tech hub, where it intends to create 2,000 jobs. Genesys, another large tech employer, acquired Indianapolis startup Interactive Intelligence for \$1.4 billion in 2016, and it plans to add even more jobs to the 1,000 positions currently based in the metro.

Expanding opportunities, especially in the downtown area, are drawing residents to Indianapolis. Rents, as well as home and condo prices in this part of the city, are at their highest levels. Developers continue targeting this section of the market, which is set to reach about 30,000 residents by 2020. We expect multifamily demand to keep up with supply and generate a rent increase of 3.7% in 2017.

Recent Indianapolis Transactions

10 West



City: Indianapolis
Buyer: Ardizzone Enterprises
Purchase Price: \$38 MM
Price per Unit: \$82,320

Summit at Keystone



City: Indianapolis
Buyer: Summit Equity Investments
Purchase Price: \$36 MM
Price per Unit: \$80,029

The Legend at Speedway



City: Speedway, Ind.
Buyer: Lighthouse Group
Purchase Price: \$35 MM
Price per Unit: \$45,983

Campus Corner



City: Bloomington, Ind.
Buyer: Saban Capital Group
Purchase Price: \$31 MM
Price per Unit: \$123,968

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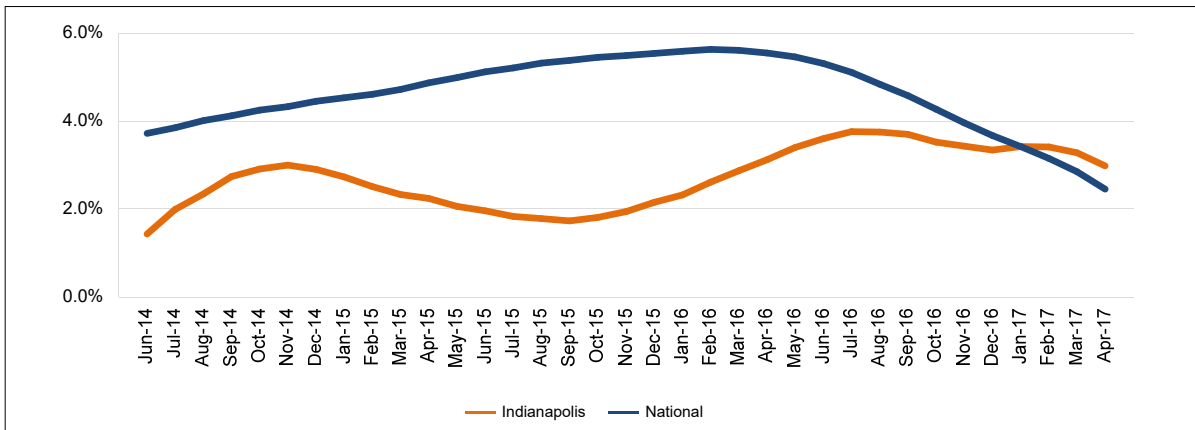
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Rent Trends

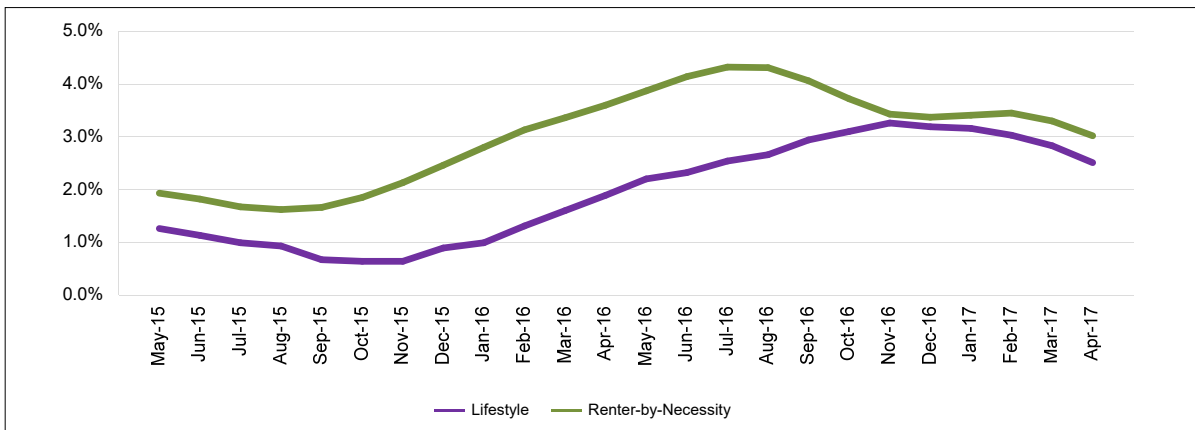
- Rents in Indianapolis rose 3.0% as of April, faster than the 2.0% national growth rate. The average monthly rent reached \$841, trailing the \$1,314 national figure. Overall occupancy was at 94.0% as of March.
- Rents in the working-class Renter-by-Necessity segment rose 3% to \$752, while Lifestyle rents rose 2.5% to \$1,089. The occupancy rate for the Renter-by-Necessity properties was 93.7% as of March, while the occupancy for Lifestyle assets was close behind, at 93.0%. Higher-wage jobs, especially in health care as well as in the expanding tech sector, continue to sustain demand for upscale, amenity-rich apartments.
- Submarkets with the largest year-over-year rent increases as of April included Indianapolis–Franklin, Indianapolis–Pike, Greenwood–East, Greenfield, Franklin, Indianapolis–Washington East and Greenwood–East. Rents also grew significantly in Carmel and Fishers, which fetched some of the highest rates in the metro—at \$1,118 and \$1,054—along with Downtown (\$1,418), Zionsville (\$1,082) and Bloomington–East (\$1,022).
- The new wave of multifamily development will have the greatest impact on the downtown area, where about 150,000 people come to work every day and tech companies are expanding. We expect absorption to keep up with new supply, generating a rent increase of 3.7% in 2017.

Indianapolis vs. National Rent Growth (Sequential 3-Month, Year-Over-Year)



Source: YardiMatrix

Indianapolis Rent Growth by Asset Class (Sequential 3-Month, Year-Over-Year)

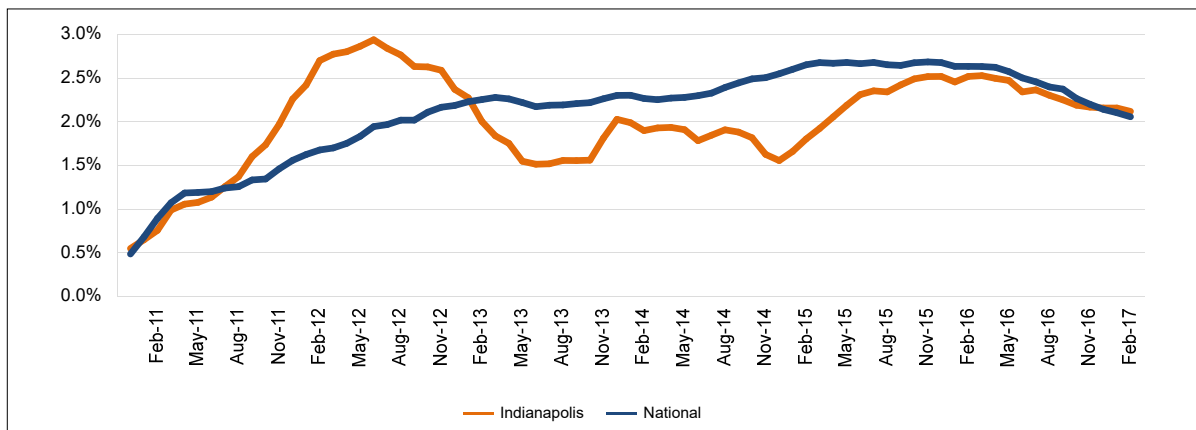


Source: YardiMatrix

Economic Snapshot

- Indianapolis added 24,000 jobs year-over-year through February, up by 2.1%, just 10 basis points above the 2.0% national increase. The city's hiring pace helped to maintain a low unemployment rate of 3.5% as of March. Statewide, the same figure slipped to 3.9%, representing a post-2001 trough.
- A surge in development activity has generated 5,800 new construction jobs. This trend will likely continue, thanks to sizable projects such as Ambrose Property Group's \$550 million mixed-use development on the site of the former General Motors Stamping Plant. Situated along the White River, southwest of downtown, the complex is slated to comprise 2.7 million square feet of space, including apartments, office, retail and a hotel.
- Tech companies played a significant role in office leasing activity over the past year, per CBRE data, pushing the average asking rate to nearly \$19 per square foot as of the first quarter. Expansions will continue: Salesforce.com, which employs 1,400 in Indianapolis, is planning to hire more than 800 people by 2021 and invest an additional \$40 million over the next decade. Genesys, a San Francisco-based provider of customer-engagement programs, acquired Indianapolis startup Interactive Intelligence for \$1.4 billion in 2016 and plans to add more jobs in the metro, where its employee base already includes 1,000 people. Furthermore, India-based Infosys is considering bringing 2,000 new tech jobs with annual salaries averaging \$80,000 to either Carmel or Indianapolis.

Indianapolis vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

Indianapolis Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
15	Mining, Logging and Construction	53	4.5%	5,800	12.3%
65	Education and Health Services	174	14.9%	5,100	3.0%
70	Leisure and Hospitality	118	10.1%	2,800	2.4%
55	Financial Activities	72	6.2%	2,600	3.7%
30	Manufacturing	104	8.9%	2,500	2.5%
80	Other Services	51	4.4%	2,400	5.0%
60	Professional and Business Services	167	14.3%	1,600	1.0%
90	Government	173	14.8%	1,100	0.6%
40	Trade, Transportation and Utilities	238	20.4%	300	0.1%
50	Information	17	1.5%	(200)	-1.2%

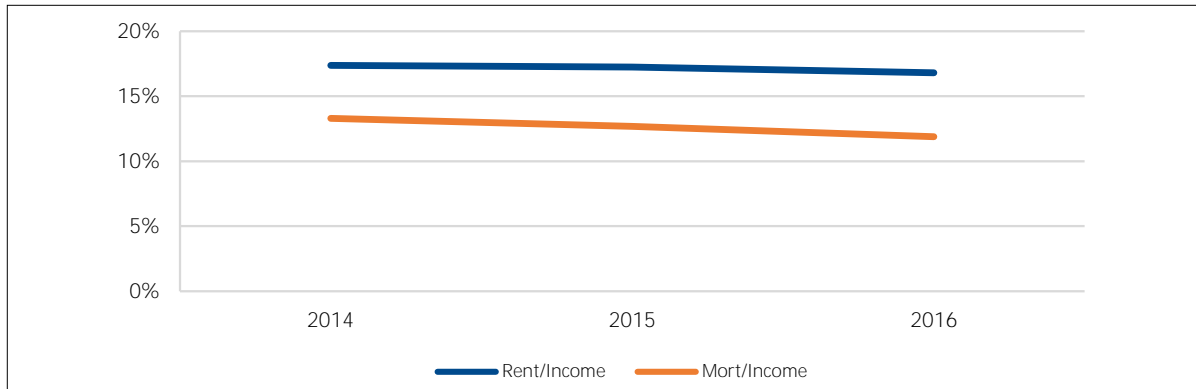
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

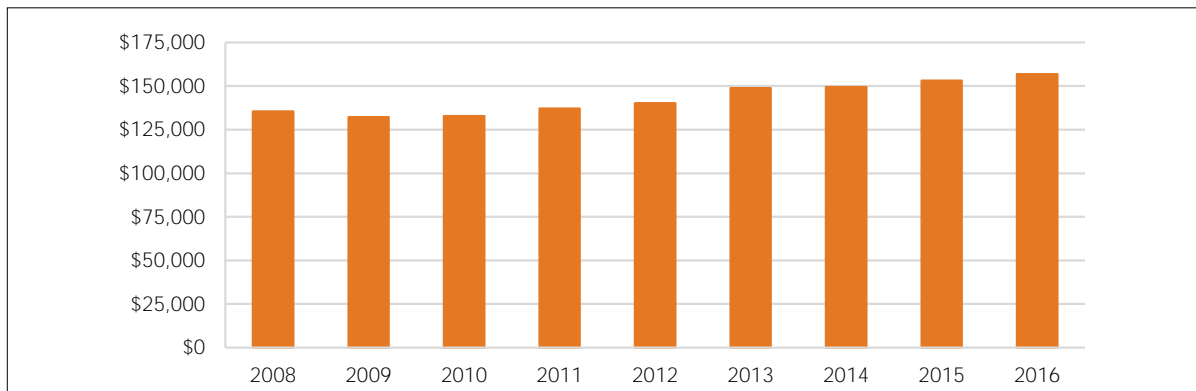
- The median home price in Indianapolis reached \$156,893 in 2016, marking another post-recession peak. Owning remained more affordable than renting, with mortgages accounting for 12% of the area median income throughout the year. The average rent, which rose to \$841 as of April, accounted for 17% of the area median income. Indianapolis continues to rank as one of the nation's most affordable rental markets.
- As a result of the significant influx of people moving downtown, the sales prices for homes and condominiums have reached an all-time high in this part of the city. Downtown also commands the metro's highest average rent, which topped \$1,400 as of April.

Indianapolis Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Indianapolis Median Home Price



Source: Moody's Analytics

Population

- The city's population expanded by 17,688 people in 2016, a 0.9% increase, above the 0.7% national growth rate.
- Since 2012, Indianapolis has added more than 75,260 residents.

Indianapolis vs. National Population

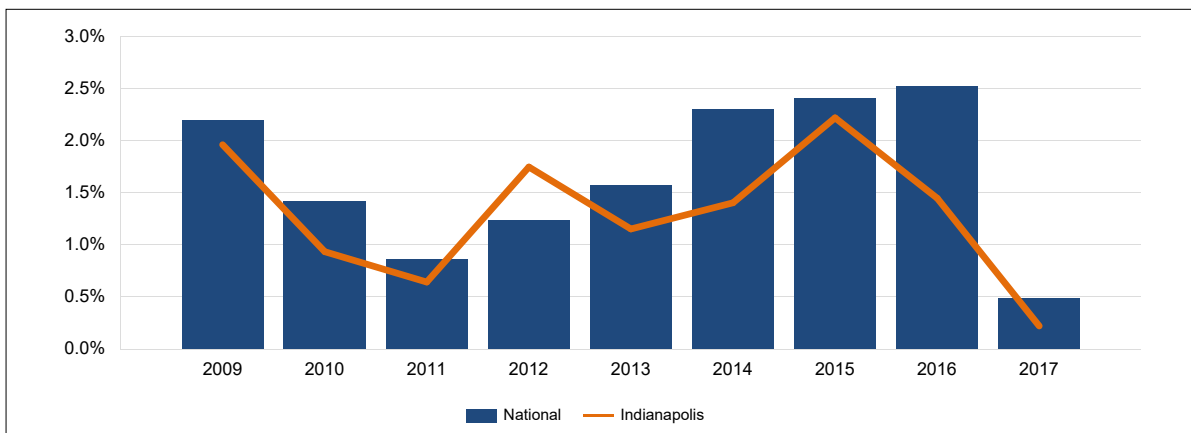
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Indianapolis Metro	1,928,964	1,953,043	1,971,060	1,986,542	2,004,230

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

Supply

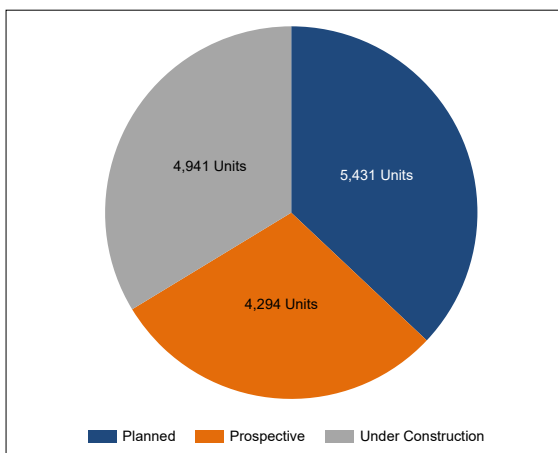
- Despite having peaked in 2015, the rate of new development has been trailing the national average since 2012. This year through April, only 368 units came online. Over the past 16 months, the number of deliveries remained just below 2,800.
- Upcoming development will be significant, with nearly 5,000 apartments under construction as of April and more than 14,600 units in the pipeline. Developers are building up downtown Indianapolis, where more than 1,140 units were under construction as of April. The area is expected to reach 30,000 residents by 2020, according to Downtown Indy, a non-profit organization focused on developing, managing and marketing the city's core.
- The largest project under construction is the 334-unit The Park at Pulliam Square, which is slated to come online in the summer of 2018. The downtown complex is part of a mixed-use project built on the former headquarters site of the *Indianapolis Star* newspaper.

Indianapolis vs. National Completions as a Percentage of Total Stock (as of April 2017)



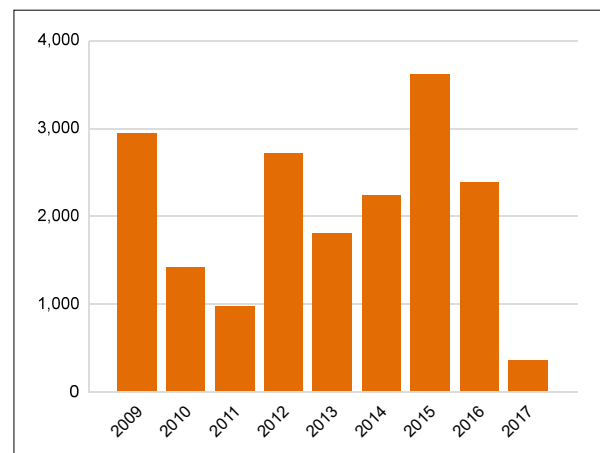
Source: YardiMatrix

Development Pipeline (as of April 2017)



Source: YardiMatrix

Indianapolis Completions (as of April 2017)

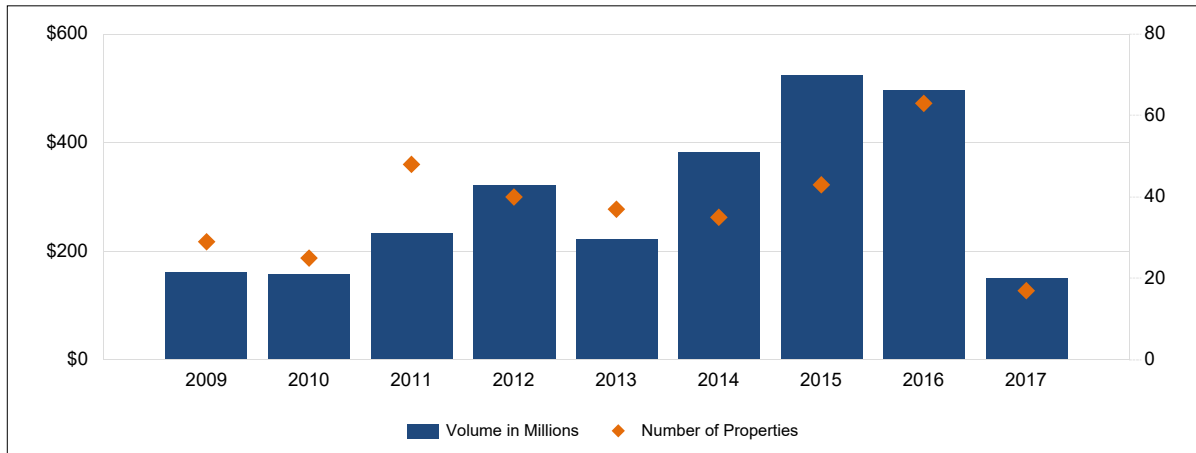


Source: YardiMatrix

Transactions

- Nearly \$150 million in transactions were completed through April, poising this year's sales volume to reach 2016's \$496 million. The average price per unit declined to \$56,408 and remains significantly below the national average of \$128,487.
- Indianapolis attracts investors seeking higher returns than those available in the nation's primary markets. Acquisition yields are generally in the 5% range for stabilized Class A and B assets, and go as high as 7.5% for stabilized Class C properties.
- Investors have flocked to areas in and around the city core, including Indianapolis–Wayne West and Indianapolis–Washington East, where rents increased by more than 3% year-over-year as of April, marking some of the highest rent hikes in the entire metro.

Indianapolis Sales Volume and Number of Properties Sold (as of April 2017)



Source: YardiMatrix

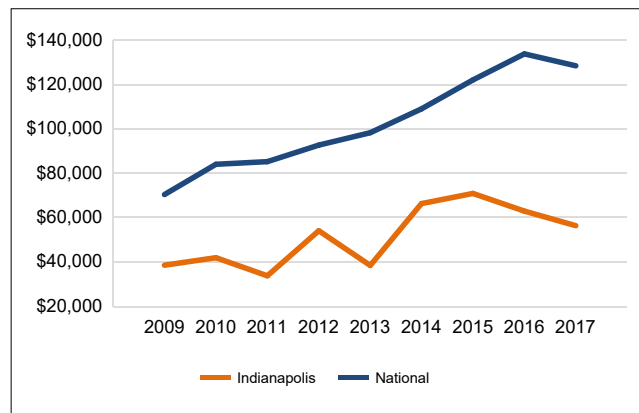
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Indianapolis–Wayne West	98
Indianapolis–Washington East	64
Indianapolis–Perry East	45
Indianapolis–Lawrence	40
Indianapolis–Pike	39
Indianapolis–Wayne East	35
Bloomington–East	31
Plainfield/Brownsburg/Avon	25

Source: YardiMatrix

¹ From May 2016 to April 2017

Indianapolis vs. National Sales Price per Unit



Source: YardiMatrix

Read All About It!



Exeter Property Group
Selects Builder
Of 440 KSF Warehouse



ACC to Open Indianapolis
Student Housing



Griffin Capital Acquires Part
Of Indianapolis Office Campus

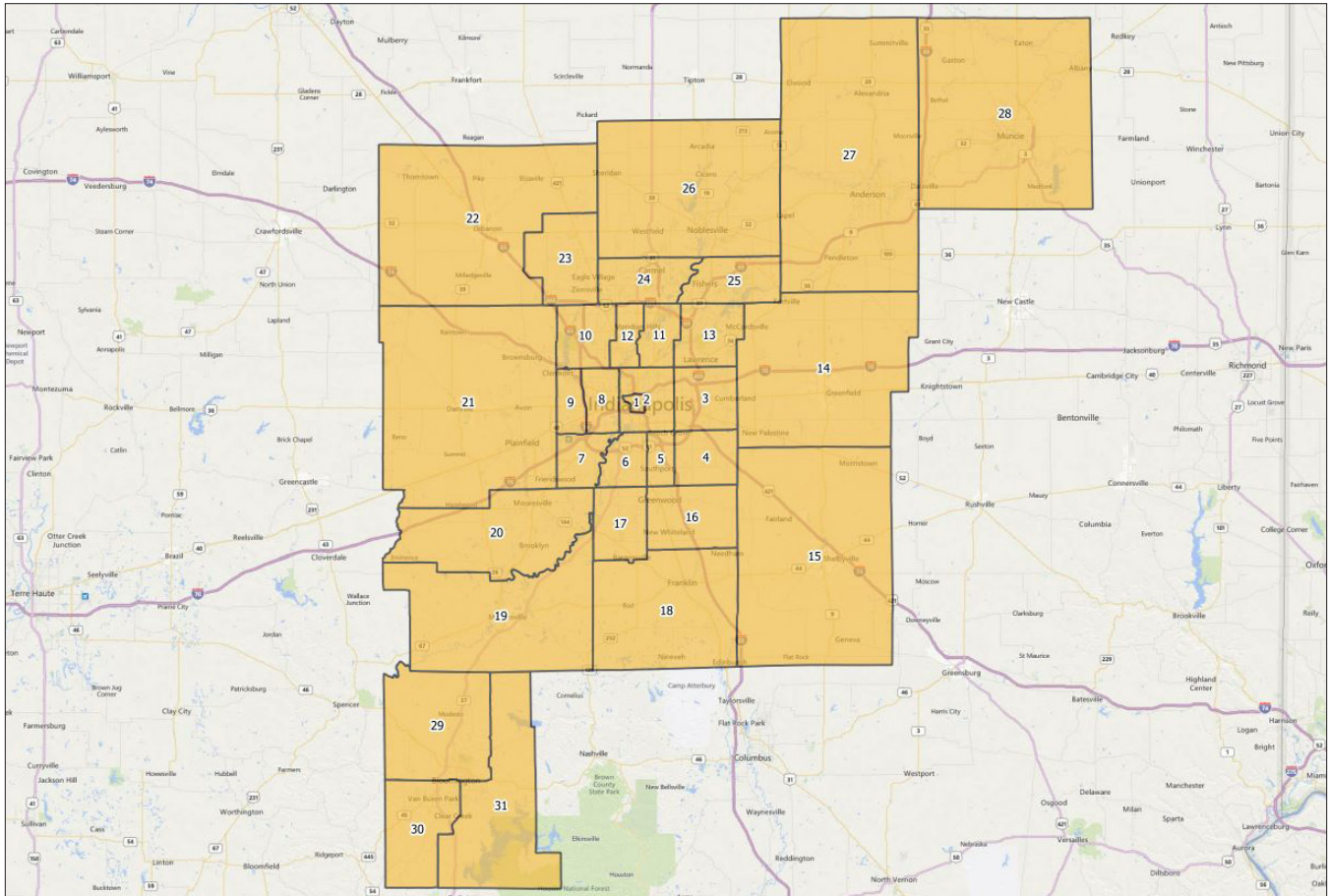


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Indianapolis Submarkets



Area #	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 #	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 may 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 may 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, may 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.

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