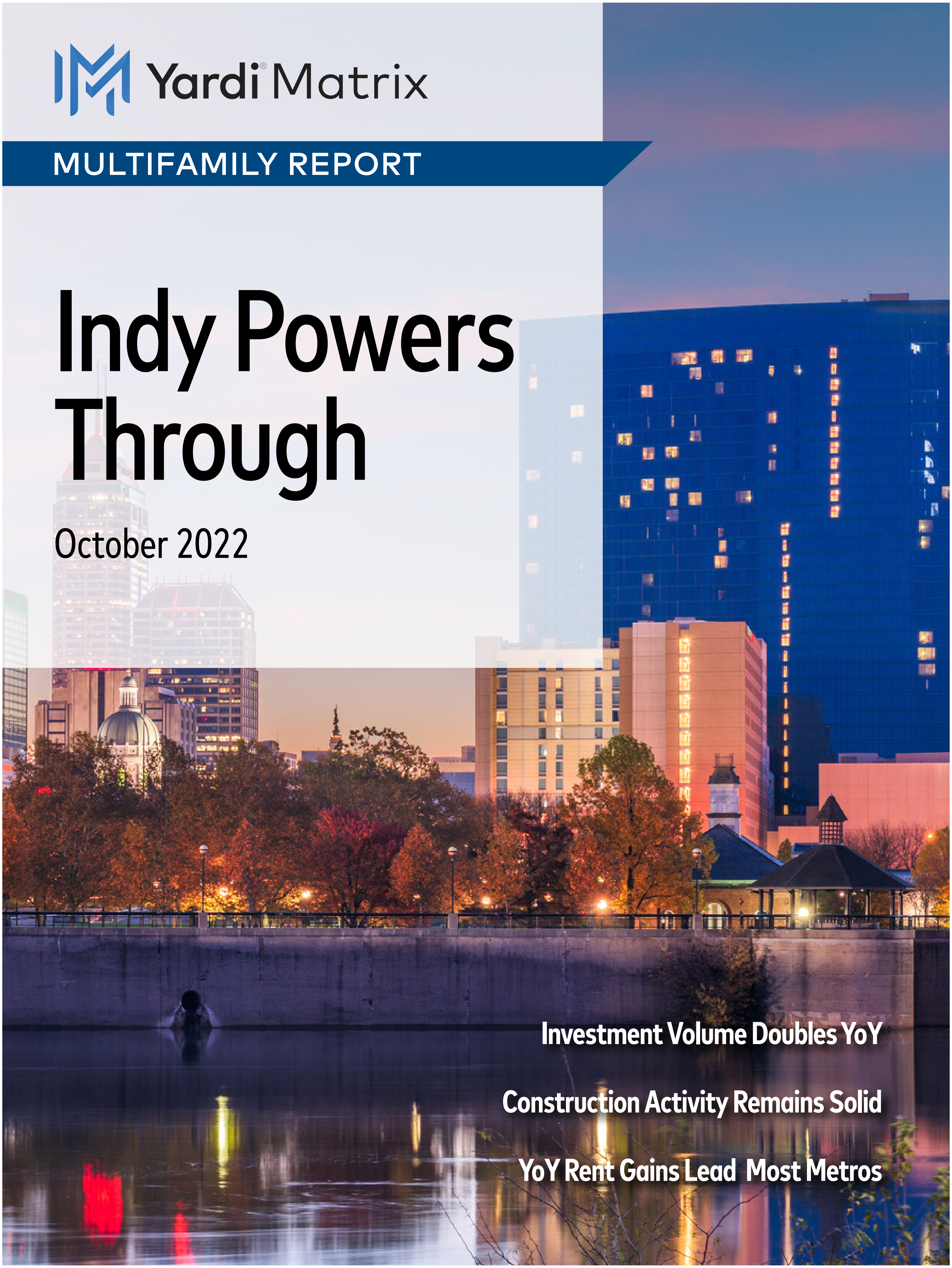
Yardi Matrix

MULTIFAMILY REPORT

Indy Powers Through

October 2022



Investment Volume Doubles YoY

Construction Activity Remains Solid

YoY Rent Gains Lead Most Metros

INDIANAPOLIS MULTIFAMILY

Yardi Matrix

Fundamentals Drive Indianapolis Market Rise

Indianapolis continued to build on the solid fundamentals it highlighted last year, as the multifamily market bounced back with renewed strength. Rents were up 0.9% on a trailing three-month basis through August, to an average of $1,200—a new record for the metro, but still distant from the $1,718 U.S. figure. Growth outpaced the national average by 30 basis points. On a year-over-year basis, rents were 12.5% higher, exceeding most metros tracked by Yardi Matrix.

After recording a decade-topping figure of 1.4% in December last year, the unemployment rate dropped to 3.2% in July this year, according to preliminary data from the Bureau of Labor Statistics. The metro's labor pool expanded by 4.1% since last year (39,700 jobs), 60 basis points behind the national rate. Gains were led by the professional and business services sector, which added 11,100 positions (6.1%), followed by leisure and hospitality, which regained 10,000 jobs (8.9%). Manufacturing jobs in the state are about to get a boost, with a $491 million investment announced by General Motors. The company is planning to upgrade and expand its Grant County facility, which produces parts for electric vehicles.

Indianapolis had 7,095 units underway as of August. Deliveries amounted to 932 units, or 0.5% of stock, 80 basis points behind the national average. Construction activity is intensifying however, with 4,184 units breaking ground—up 160.8% year-over-year.

Market Analysis | October 2022

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Recent Indianapolis Transactions

The Boardwalk at Westlake

City: Indianapolis
Buyer: Morgan Properties
Purchase Price: $136 MM
Price per Unit: $98,117

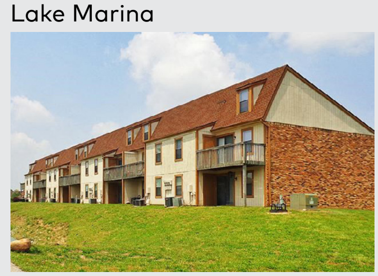
The Life at Harrison Trails

City: Indianapolis
Buyer: Olive Tree Holdings
Purchase Price: $39 MM
Price per Unit: $104,000

Jameson Apartment Homes

City: Indianapolis
Buyer: Ripe Alternatives
Purchase Price: $37 MM
Price per Unit: $145,508

Lake Marina



City: Indianapolis
Buyer: Lightwater Capital
Purchase Price: $36 MM
Price per Unit: $102,586

RENT TRENDS

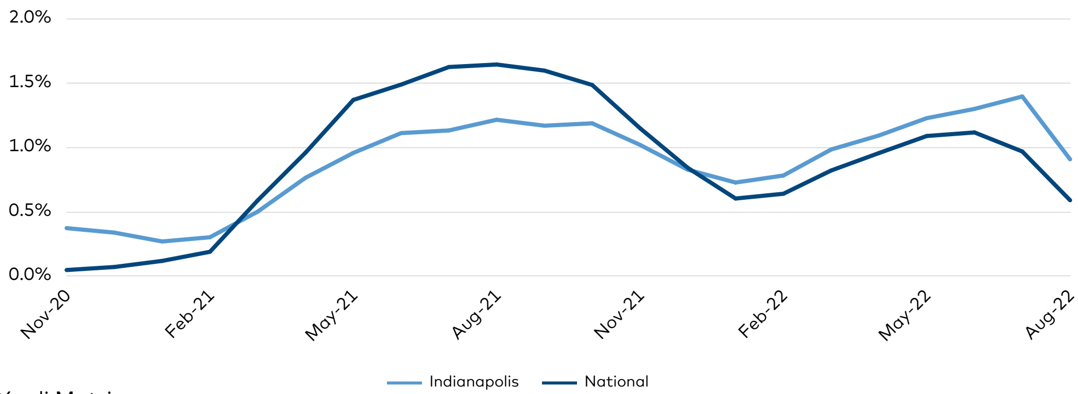
- Multifamily rents in Indianapolis were up 0.9% on a trailing three-month (T3) basis through August, 30 basis points above the national average. Since the second quarter, rent growth has stayed ahead of the national figure on a T3 basis, peaking in July (1.4%), followed by a slowdown. Year-over-year, overall rates were up 12.5% as of August, placing Indianapolis among other high-performing U.S. metros.

- The average rate reached $1,200 as of August, closing the gap, but still well below the national figure of $1,718. The Renter-by-Necessity segment drove growth, with rents there up 1.2%, to $1,051. Meanwhile, rates for Lifestyle assets grew 0.6%, to $1,532.

- The occupancy rate for stabilized assets was 95.7% as of July, virtually unchanged from the previous year, and below the national rate—which decreased 10 basis points year-over-year to 96.0%. In line with migration trends, demand for Lifestyle properties grew in the metro, with occupancy rising 50 basis points year-over-year, to 96.4%. RBN assets saw a decline of 10 basis points in occupancy, to 95.4% as of July.

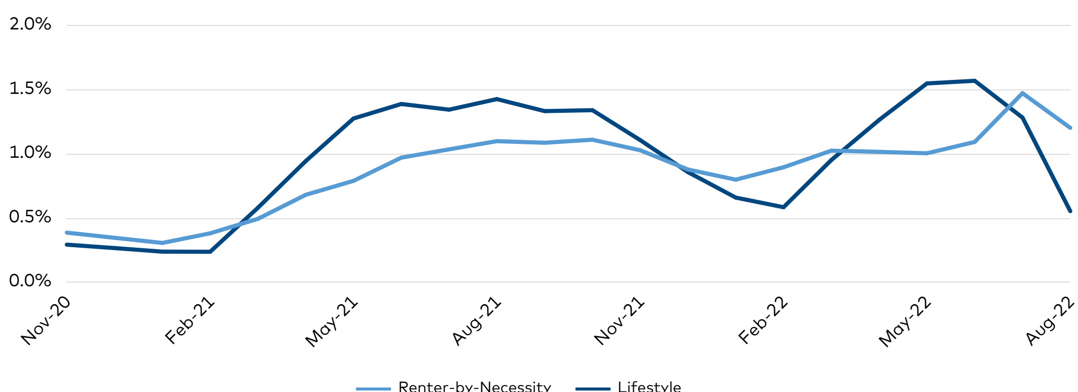
- Of the 31 Indianapolis submarkets, 24 recorded double-digit rent gains on a year-over-year basis. A mix of suburban and urban submarkets comprised the list of top markets for growth, including Greenfield (up 18.8% year-over-year, to $1,133), Greenwood-East (up 17.7%, to $1,181), Indianapolis-Washington West (16.6%, to $1,154) and Mooresville (16.5%, to $899).

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

- The metro's unemployment rate started expanding again after ending 2021 at 1.4%, its lowest rate in a decade. As of July, the figure stood at 3.2%, according to preliminary data from the Bureau of Labor Statistics, lagging the national average by 50 basis points. The statewide unemployment rate for Indiana was 2.6% in July.
- Over the 12 months ending in June, Indianapolis added 39,700 jobs, a 4.1% increase year-over-year. Employment growth was 60 basis points behind the U.S. rate. According to Indiana University's Kelley School of Business, labor shortages and supply-chain issues will continue to pose a challenge for economic recovery.
- Nearly all sectors recorded positive gains, with two exceptions. The government sector lost 3,500 positions—down 2.2%—while education and health services was down 0.1%, or 100 jobs. Gains were led by professional and business services, which added 11,100 positions (up 6.1%), and leisure and hospitality (up 8.9%, or 10,000 jobs).
- General Motors announced an investment of $491 million to expand and renovate its 2.7 million-square-foot Marion Metal Center plant in Grant County, which provides various parts for the company's electric vehicle production line. The upgrades are expected to come online in 2024.

Indianapolis Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
60	Professional and Business Services	193	15.6%
70	Leisure and Hospitality	122	9.9%
40	Trade, Transportation and Utilities	258	20.8%
55	Financial Activities	83	6.7%
30	Manufacturing	111	9.0%
15	Mining, Logging and Construction	66	5.3%
80	Other Services	48	3.9%
50	Information	14	1.1%
65	Education and Health Services	184	14.9%
90	Government	159	12.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- The metro's population continued to grow in 2021, with the cheaper cost of living emboldening migration trends. Indianapolis gained 13,104 residents year-over-year, representing a 0.6% increase. Meanwhile, the U.S. population grew by 0.1% in the same period.

Indianapolis vs. National Population

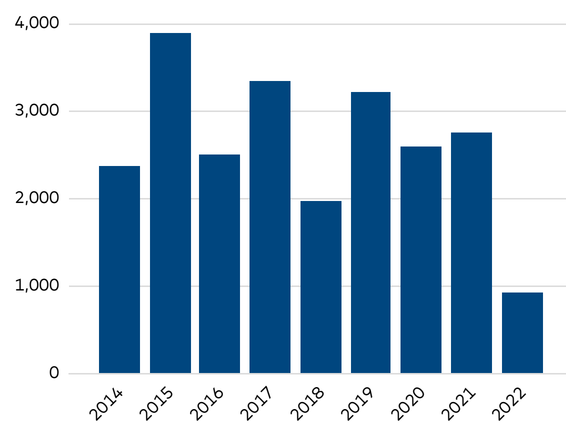
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Indianapolis	2,053,475	2,073,336	2,113,700	2,126,804

Source: U.S. Census

SUPPLY

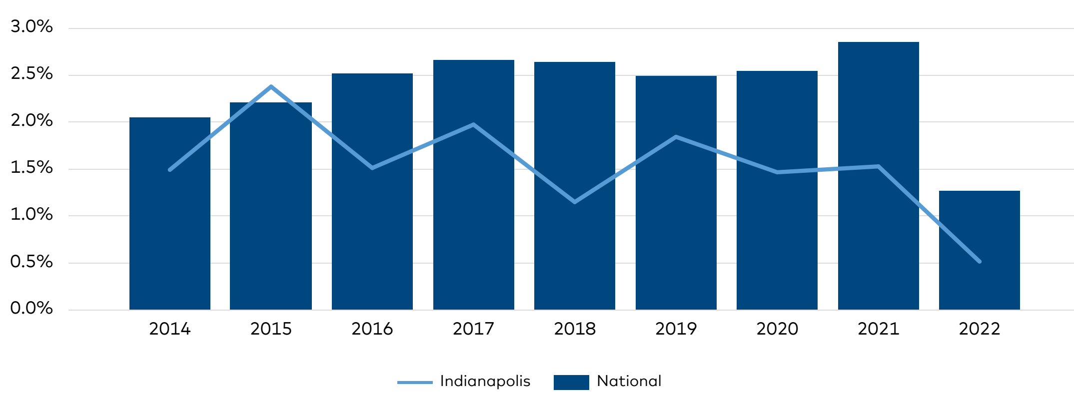
- As of August, Indianapolis had 7,095 units under construction. Multifamily developers remained focused on Lifestyle properties, which comprised 83% of the pipeline, while only 11.1% of units were in fully affordable communities. An additional 26,720 units were in the planning and permitting stages.
- During the first eight months of the year, developers brought online 932 units in four properties, slightly below the 1,026 units that were completed in the same period last year. Completions represented 0.5% of existing stock, 80 basis points below the U.S. rate. Meanwhile, construction activity is increasing. During the same period, development began on 17 other properties, totaling 4,184 units—a year-over-year increase of 160.8%.
- As of August, there were another 1,068 units expected to be completed in the remaining four months of 2022. Should market conditions hold, this year would come in below the average number of completions recorded over the past five years (2,781 units).
- The Bloomington-North submarket led development activity with 1,549 units under construction as of August. It was followed by Indianapolis-Downtown (795 units), Westfield-Noblesville (751 units), Carmel (663 units) and Zionsville (504 units).
- The largest property under construction was The Standard at Bloomington, situated in the Bloomington-North submarket. Landmark Properties is developing a 440-unit student housing community, which is set to serve Indiana University Bloomington. The project is scheduled for a 2024 completion.

Indianapolis Completions (as of August 2022)



Source: Yardi Matrix

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

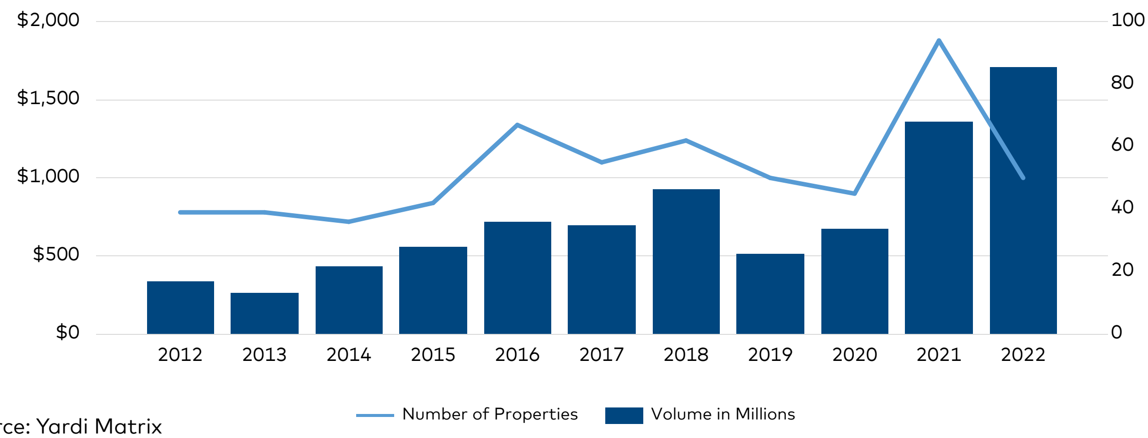


Source: Yardi Matrix

TRANSACTIONS

- Year-to-date through August, Indianapolis recorded $1.7 billion in multifamily sales—more than double the total over the same period last year and 25% more than all of 2021. Investors shifted their focus to RBN assets, which accounted for $1.2 billion, while Lifestyle properties accounted for the remainder.
- The average price per unit grew 21.6% since the end of last year, to $124,510, but remained well below the U.S. average of $217,196. The price for Lifestyle properties was up 26.2% year-over-year, to $270,186 per unit, while RBN assets reached a record-breaking average of $107,447 per unit, up 23.6% year-over-year.
- The top five submarkets for sales in the 12 months ending in August were all in urban locations, comprising more than $1.5 billion in value. The largest sale this year occurred in the Indianapolis-Lawrence submarket—Pepper Pike Capital Partners bought the 1,261-unit Lake Castleton from Sterling Group for $171 million.

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



Source: Yardi Matrix

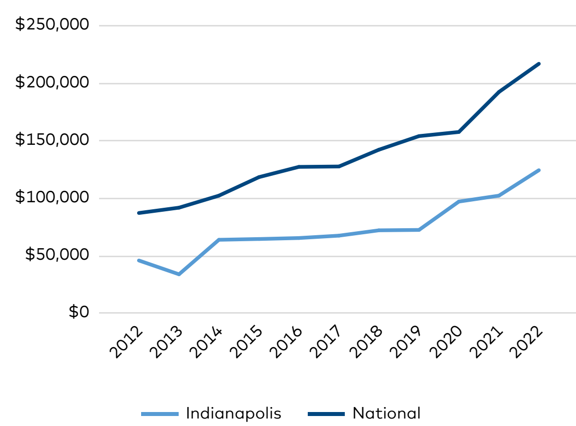
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Indianapolis–Wayne East	$393
Indianapolis–Lawrence	$347
Indianapolis–Downtown	$262
Indianapolis–Warren	$228
Indianapolis–Pike	$226
Indianapolis–Perry East	$163
Fishers	$119

Source: Yardi Matrix

[1] From September 2021 to August 2022

Indianapolis vs. National Sales Price per Unit



Source: Yardi Matrix

The Midwest Is Attracting Record-High Capital. Here's Why

By Beata Lorincz

The currently volatile state of the economy will most likely start to take its toll on the multifamily sector's high-paced expansion soon. But the Midwest poses some distinct advantages compared to other U.S. regions. Jeff Lamott, managing director at Northmarq, explains what is fueling the Midwest multifamily market's performance and shares his predictions for the remainder of the year.

Which are currently the hottest markets for multifamily development in the region?

The Midwest has not been subject to overbuilding the past several years, which has kept vacancy rates stable. While early 2022 got off to a slow start, Kansas City, Mo.; Indianapolis; St. Louis; Cincinnati, Ohio, and Chicago are some of the leading markets for new deliveries.

Which of the region's metros bore the highest and lowest vacancies in mid-2022?

Average vacancy rates were down around 70 basis points from one year ago, and hovered around 4.8 percent across the Midwest region in mid-2022.

Chicago and Kansas City saw vacancies average around 5 percent, with a surge in some urban development adding more units to absorb. Milwaukee; Omaha, Neb.; Cincinnati; Indianapolis and St. Louis were in the 4 percent vacancy range, with less fresh supply coming online in early 2022.

Where are the hottest areas for multifamily investment in the Midwest?

Multifamily investment activity has been mixed across the Midwest region to this point in 2022. Most Midwest markets recorded significant per-unit pricing increases in 2021, averaging $139,000. Kansas City saw prices spike at the outset of the year with median sales rising to $250,000 per unit, up from about $107,000 per unit in 2021. Indianapolis, Chicago and St. Louis all registered price increases of approximately 10 percent.

Is now the right time for investors to buy into the region?

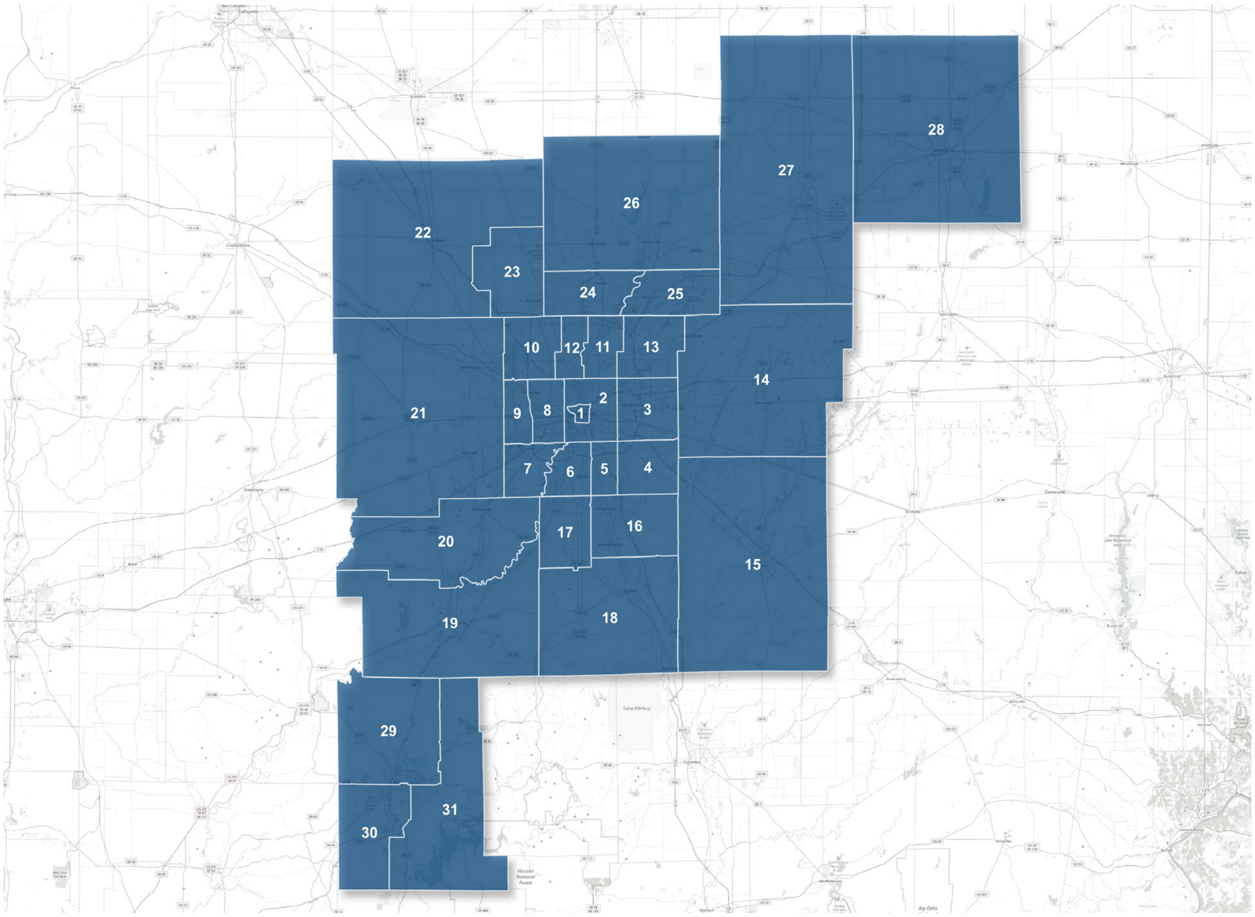
With the Federal Reserve signaling the continued increase in rates, it is still an excellent time to secure long-term financing at a favorable Midwest basis. While we might not see the continued record-high year-over-year accelerated appreciation driven by unsustainable double-digit rent growth, Midwest markets offer investors consistent appreciation, a favorable cost of living for renters and steady job growth.

What are your predictions for the market going forward this year?

The Midwest multifamily market continues to outperform the economy and a return to more normalized property performance is likely through the remainder of 2022. While there are many moving parts influencing multifamily markets across the country, the broad takeaway is that conditions are very strong and should remain healthy through the second half of 2022.

(Read the complete interview on 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 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 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, 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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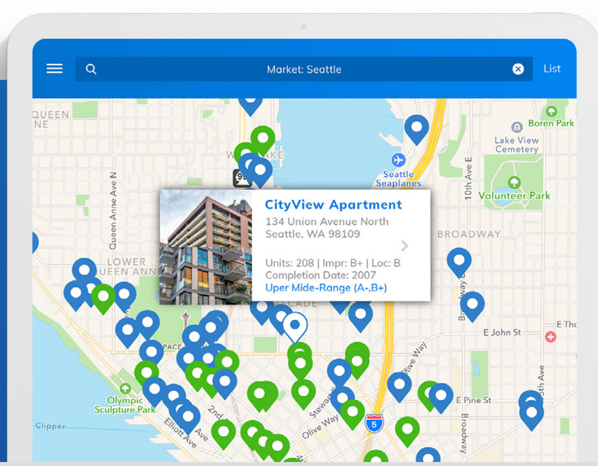
MULTIFAMILY KEY FEATURES

- 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.**

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