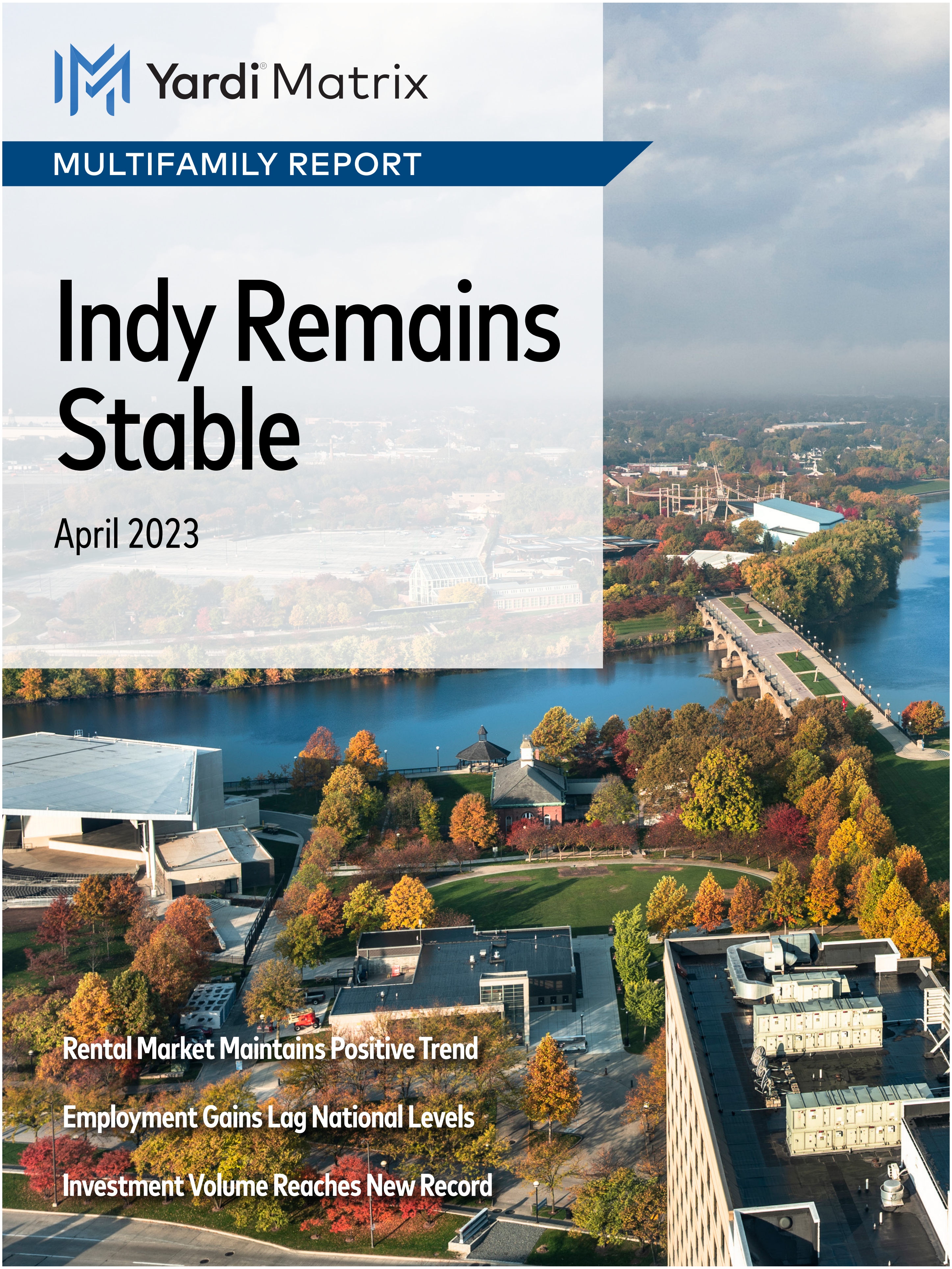
Yardi Matrix

MULTIFAMILY REPORT

Indy Remains Stable

April 2023



Rental Market Maintains Positive Trend

Employment Gains Lag National Levels

Investment Volume Reaches New Record

INDIANAPOLIS MULTIFAMILY

Yardi Matrix

Investors Stay Bullish On Indianapolis Market

Amid high inflation and continued economic uncertainty, the Indianapolis multifamily market started 2023 on a positive note. Somewhat in line with national trends, rent growth decelerated, with average rates up 0.1% on a trailing three-month basis through February, to $1,203. Meanwhile the national figure declined by 0.1%.

The metro's economic growth did not catch up to national levels, as Indianapolis' job market expanded by 2.5% in 2022, 120 basis points below the U.S. rate. However, the unemployment rate in the metro stood at 2.8% in January, 60 basis points lower than the national figure, according to preliminary data from the Bureau of Labor Statistics. Indianapolis added 18,700 jobs last year, with its largest sector—trade, transportation and utilities—leading growth with 9,200 jobs gained, or a 3.5% expansion. The metro continued to attract large investments that aim to revitalize some areas of the city—Adult & Child Health, Colliers, Innovcare and TWG teamed up to announce a $75 million master-planned development. Four vacant buildings are expected to be converted into affordable multifamily units, retail space and a 40,000-square-foot medical office building.

Investment activity reached a new record high in 2022, with $2.2 billion in multifamily sales registered—up 57.1% year-over-year.

Market Analysis | April 2023

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Recent Indianapolis Transactions

Northlake Village

City: Noblesville
Buyer: Pedcor Cos.
Purchase Price: $93 MM
Price per Unit: $267,569

Brookwood

City: Indianapolis
Buyer: RW Equities
Purchase Price: $41 MM
Price per Unit: $101,485

Trails at Lakeside

City: Indianapolis
Buyer: Capodagli Property Co.
Purchase Price: $29 MM
Price per Unit: $140,865

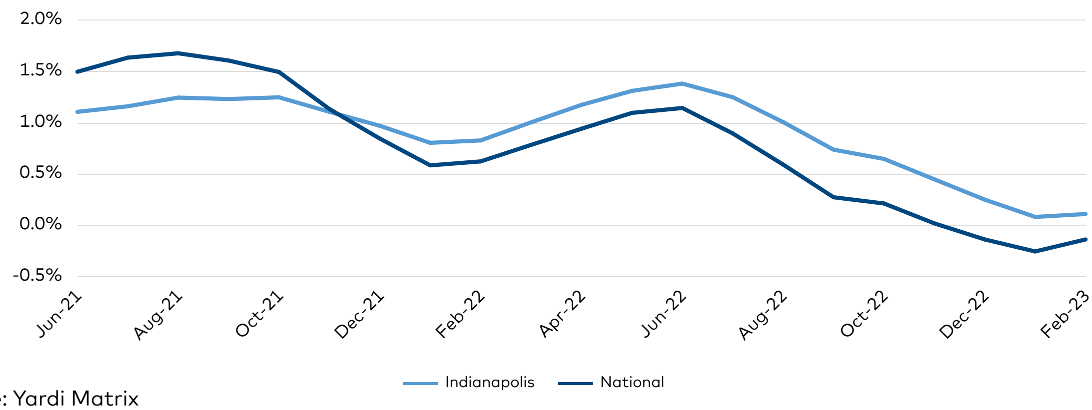
The Sycamores

City: Indianapolis
Buyer: Lightwater Capital
Purchase Price: $22 MM
Price per Unit: $105,925

RENT TRENDS

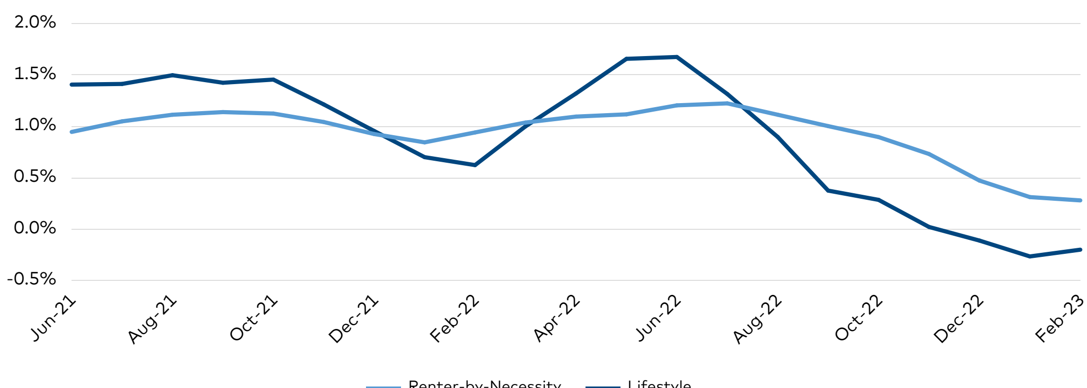
- Indianapolis rates were up 0.1% on a trailing three-month (T3) basis through February, 20 basis points above the national figure. Growth slowed down nationwide toward the end of last year, and many metros started 2023 with rent contractions. Indianapolis recorded positive gains all year and stayed ahead of the national rate, with T3 rent growth having peaked in June at 1.4%. Year-over-year, rates in the metro were up 9.0%, 420 basis points higher than the national figure.
- The overall rent was $1,203 as of February, well below the U.S. average of $1,702. The working-class Renter-by-Necessity segment maintained a stronger rate of growth, with rents up 0.3% on a T3 basis through February, to $1,073. Meanwhile, rates in the Lifestyle segment contracted by 0.1% through February, to $1,508.
- Overall occupancy rates for stabilized assets in the metro decreased 90 basis points year-over-year, to 94.9% as of January—30 basis points lower than the U.S. average. The RBN segment recorded a drop of 50 basis points in occupancy, to 95.1%, while Lifestyle properties had a 160-basis-point decline, to 94.7%.
- Rent expansion was the strongest in submarkets with exposure to major thoroughfares, with 13 out of the total 31 recording year-over-year growth of 10% or more. Mooresville led gains, with the average rate up 26.9% year-over-year, to $963 as of February. It was followed by Franklin (up 17.3%, to $1,092), Greenfield (17.0% to $1,192), Zionsville (15.0% to $1,625) and Westfield-Noblesville (12.7% to $1,450).

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 unemployment reached 2.8% as of January, according to preliminary BLS data. Although the metro's rate declined by 60 basis points over 12 months, it still remained below the national average throughout the year. In January, the U.S. rate stood at 3.4%.
- Indianapolis added 18,700 jobs in 2022 across all sectors, representing a 2.5% expansion rate—120 basis points below the national figure. The metro's job growth did not catch up to national levels throughout 2022.
- The metro's largest sector—trade, transportation and utilities—led gains with 9,200 jobs added, or a 3.5% expansion. It was followed by construction, which grew by 6.7% or 4,300 positions added and financial activities (4,100 jobs, up 5.1%). Two sectors recorded significant job losses during this period—professional and business services contracted by 1.3%, with 2,400 positions lost, while the other services sector declined by 1,000 jobs, or a 2.1% contraction.
- Indiana's strength as a logistics hub continued to attract investment in the space. In Whiteland, Mohr Capital completed the first building—comprising 1 million square feet—at its planned 475-acre industrial park. The firm is investing $350 million in the development, which will span 7 million square feet.

Indianapolis Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
40	Trade, Transportation and Utilities	273	21.6%
15	Mining, Logging and Construction	68	5.4%
55	Financial Activities	84	6.7%
30	Manufacturing	111	8.8%
90	Government	176	14.0%
65	Education and Health Services	185	14.7%
50	Information	13	1.0%
70	Leisure and Hospitality	115	9.1%
80	Other Services	46	3.6%
60	Professional and Business Services	189	15.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Indianapolis continued to be a desirable destination for residents moving from more expensive metro areas, with the city recording a 0.6% year-over-year population expansion in 2021, totaling 13,104 residents.

Indianapolis vs. National Population

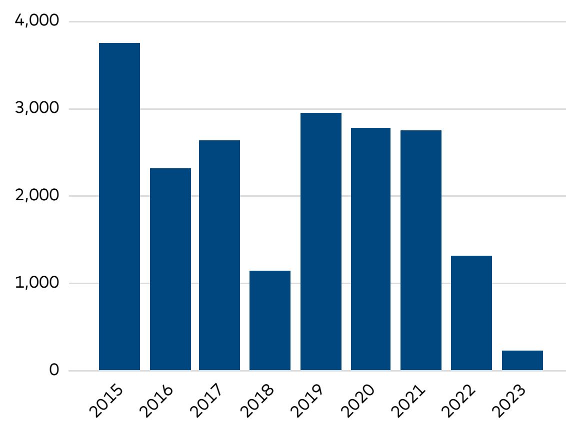
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Indianapolis	2,053,475	2,073,336	2,113,700	2,126,804

Source: U.S. Census

SUPPLY

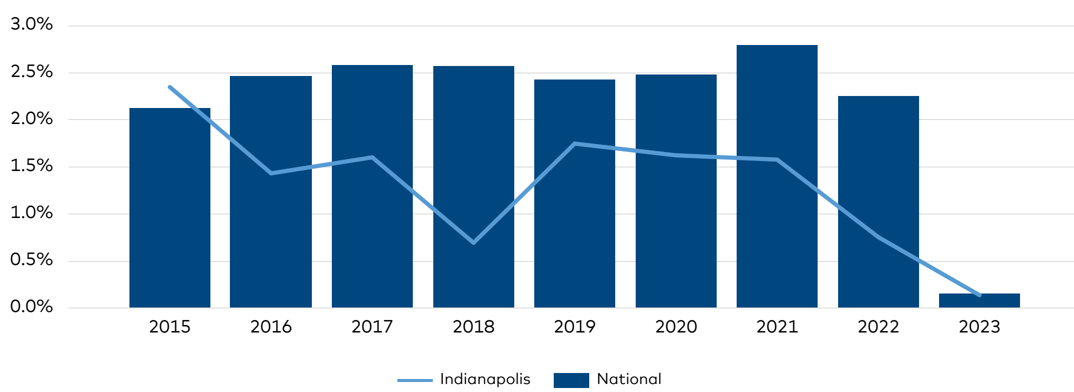
- As of February, Indianapolis had 6,165 units under construction. Developers targeted the upscale segment, as 80.7% of units underway were in Lifestyle projects, while units in fully affordable projects comprised 10.2% of the pipeline. The metro had an additional 31,100 units in the planning and permitting stages.
- In the first two months of 2023, developers added 240 units to the market, representing a 0.14% expansion of stock, just below the 0.15% national rate. Following a period of three years with elevated construction activity, Indianapolis saw new supply dwindle in 2022, as high interest rates contributed to limited access to financing. In 2022, the metro added 1,323 units, representing a 0.8% expansion of stock—80 basis points lower than the previous year and 150 basis points below the U.S. figure.
- Still, the rate of new construction was stronger in 2022 than in the previous year. A total of 28 properties broke ground last year, totaling 5,655 units—more than triple the amount recorded in 2021, 1,796 units.
- Should market conditions hold, Yardi Matrix expects Indianapolis to see the addition of 3,249 units in 2023, which would be significantly higher than the 2,194-unit annual average recorded over the previous five years.
- Central and northern submarkets led development activity, with Downtown Indianapolis recording the highest number of units underway—853. Other submarkets with major activity included Westfield-Noblesville (751 units), Carmel (663), Indianapolis-Washington East (478) and Fishers (414).

Indianapolis Completions (as of February 2023)



Source: Yardi Matrix

Indianapolis vs. National Completions as a Percentage of Total Stock (as of February 2023)

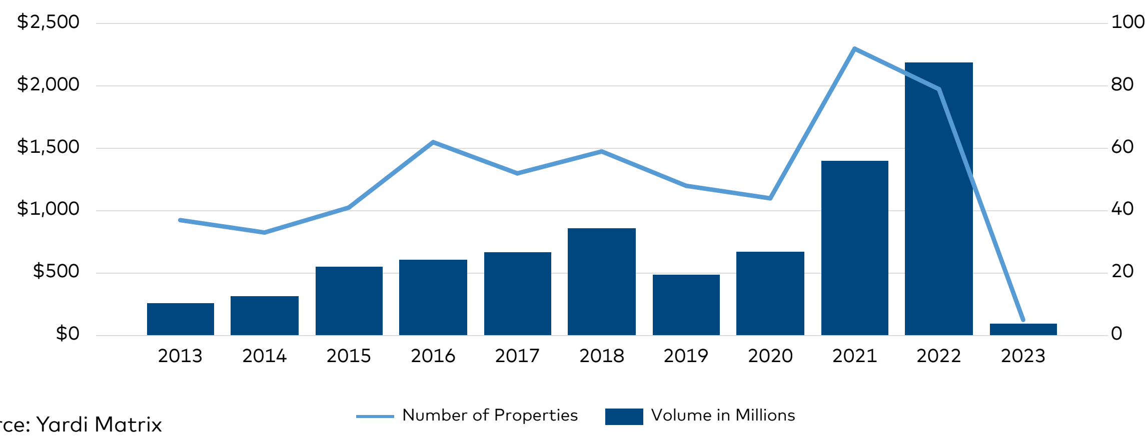


Source: Yardi Matrix

TRANSACTIONS

- Transactions totaled $93 million for the first two months of 2023, up 32.8% year-over-year. Last year, investment activity continued to grow to record levels, as $2.2 billion was generated by multifamily sales, the most ever recorded in the metro and 57.1% more than in 2021.
- The average price per unit grew 22.4% year-over-year, to $128,096 as of 2022, but remained significantly below the U.S. average of $211,138. The average price per unit for the RBN segment increased by 29.9% year-over-year, to $111,579. Meanwhile, the price of Lifestyle assets did not see significant changes and saw an average of $217,086.
- Investors in Indianapolis continued to target value-add plays in 2022—of a total of 79 sales, 59 were of RBN assets, generating a combined $1.6 billion.

Indianapolis Sales Volume and Number of Properties Sold (as of February 2023)



Source: Yardi Matrix

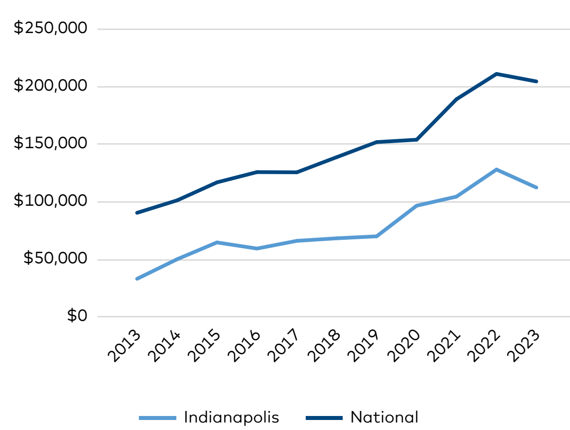
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Indianapolis-Wayne East	$366
Indianapolis-Lawrence	$316
Indianapolis-Pike	$189
Westfield-Noblesville	$182
Indianapolis-Perry East	$167
Indianapolis-Washington East	$122
Indianapolis-Franklin	$114

Source: Yardi Matrix

[1] From March 2022 to February 2023

Indianapolis vs. National Sales Price per Unit



Source: Yardi Matrix

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MULTI-HOUSING NEWS

What's Shaping Multifamily Development in the Midwest

By Anda Rosu

Multifamily developers continue to be active in the Midwest, despite the uncertain economic environment. This doesn't mean that they don't have challenges to deal with, but the region's historic resilience and lower cost of doing business are pushing multifamily developers' projects forward. Milhaus Vice President of Development Brad Vogelsmeier revealed details about the hottest markets for development today and trends in the region.

Are Midwestern markets more resilient in the face of adversity than markets in other regions of the country?

Yes, Midwestern markets are generally more resilient, especially during periods of economic uncertainty. Unemployment tends to stay lower in secondary Midwestern markets compared to both the national average and larger gateway markets, which creates a lot more stability, including in the multifamily space. The cost of doing business here is also more affordable, which plays a large part in driving both job and household growth. These items collectively make the Midwest an attractive place for new investment and development.

Are there any particular development trends you're seeing in the Midwest multifamily market?

The biggest trend in the last 12 to 24 months has been on densification, particularly in suburban locations. We're seeing this in a lot of Midwestern

markets that are capitalizing on more flexible remote work. Around Indianapolis, for example, suburban cities such as Carmel, Zionsville and Fishers, Ind., are noticeably investing in their downtowns. Their place-based development is giving people new options for entertainment and alternate housing options that really mimic larger cities' downtowns.

What is the mina challenges you're facing today as a multifamily developer in the Midwest?

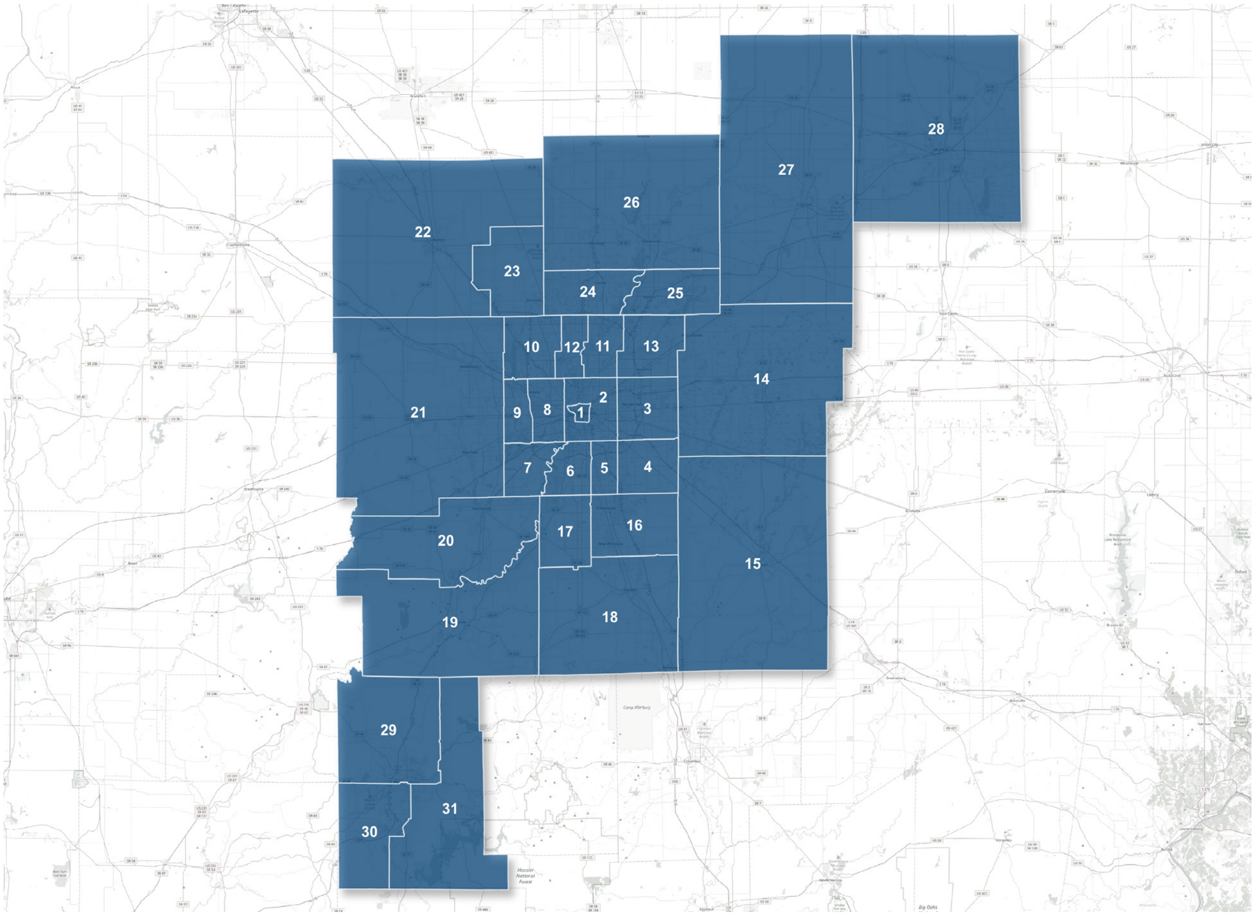
The challenge is still the unknown, but today it's a different type of unknown. Now it's tied to economic stability. Capital providers are more hesitant—people are worried about heading into a recession, if we're not in one already, and are looking at safer investment alternatives. This hesitancy, along with exorbitantly high construction costs, means a lot of projects aren't moving forward. With the country's undersupply of housing and the economic growth we are still seeing in many markets, we're working hard to navigate the current climate and find ways to get deals closed and under construction.

Why do you think development activity in the Midwest is still intense?

Developers, municipalities, as well as public and private stakeholders alike think more creatively about development in the Midwest. You don't find this in a lot of major gateway cities, and it's an important element of why these cities have seen so much growth over the last decade.

(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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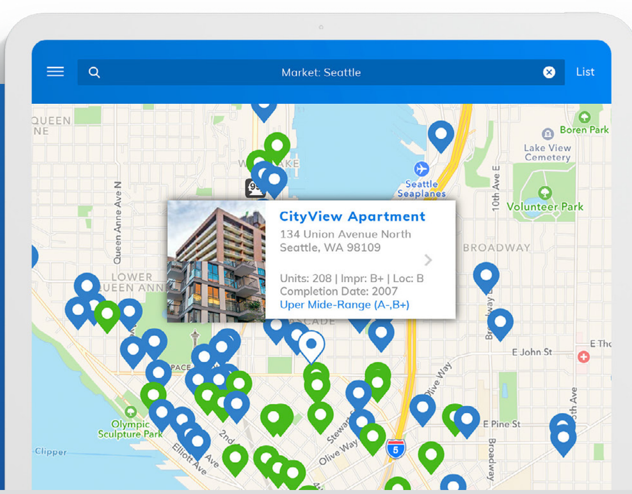
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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

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