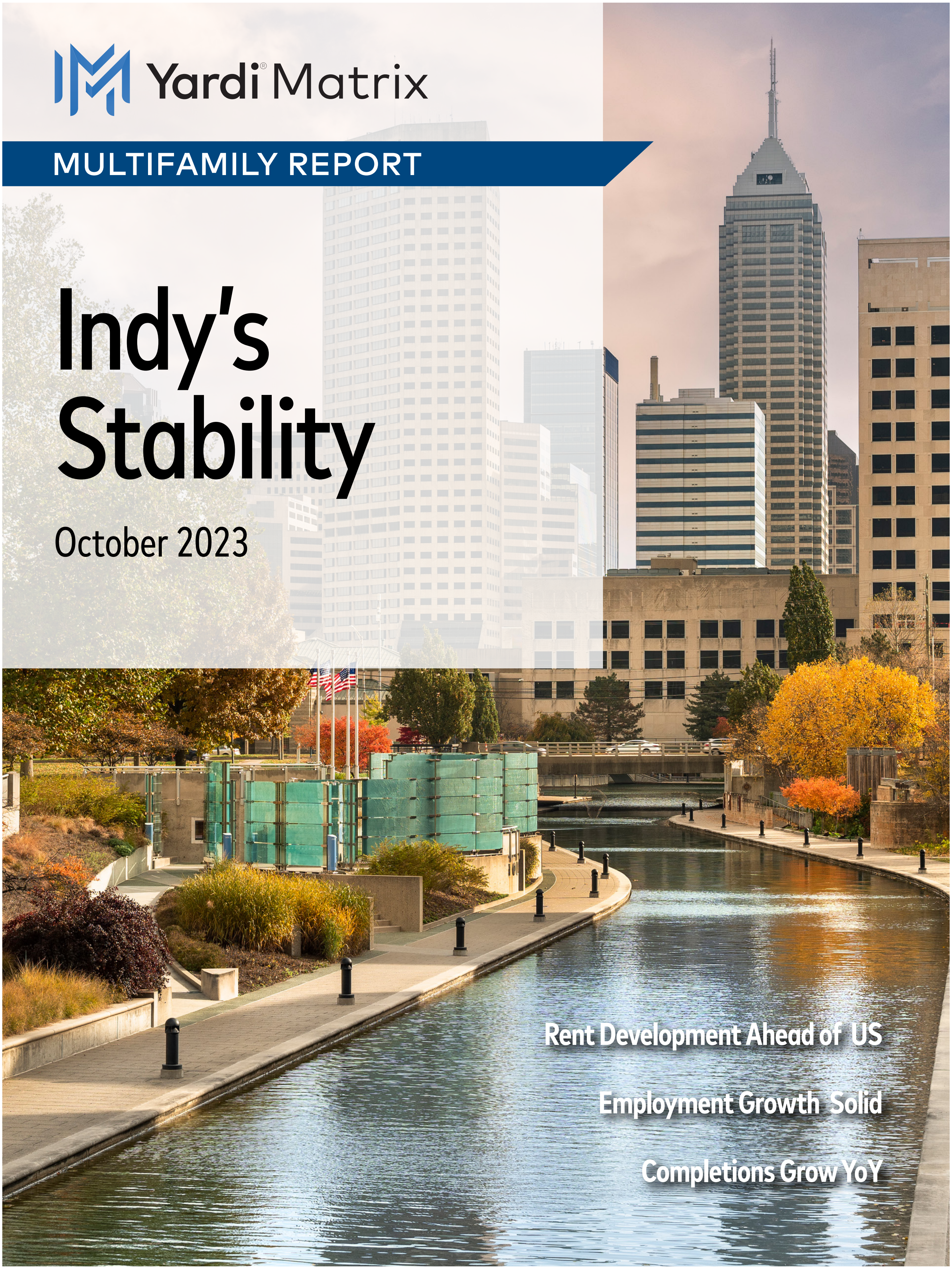
Yardi Matrix

MULTIFAMILY REPORT

# Indy's Stability

October 2023



Rent Development Ahead of US

Employment Growth Solid

Completions Grow YoY

Yardi Matrix

# Rent Growth Stabilizes, Development Slows

Indianapolis' multifamily market maintained a steady course through the nationwide economic slowdown. Rent growth was 0.4% on a trailing three-month basis through August—20 basis points above the national rate—to an average of $1,246. Year-over-year rent development stood at 4.8%, 330 basis points higher than the U.S. figure.

The unemployment rate in Indianapolis reached 3.6% as of July, according to preliminary data from the Bureau of Labor Statistics, 10 basis points higher than the U.S. rate. The figure climbed 80 basis points from January, in line with the overall economic slowdown. Over the 12-month period ending in June, Indianapolis gained 40,700 jobs, with the leisure and hospitality sector leading growth (8,100 jobs), followed by education and health services (7,900 jobs). Indiana's economic growth continues to be partially fueled by large investments in manufacturing, such as an upcoming $3.2 billion project.

Unlike most major metros tracked by Yardi Matrix, Indianapolis' completions did not slow down. The metro added 1,369 units year-to-date through August, which exceeded 2022's total. Meanwhile, investment volume during the same period dropped 72.9% year-over-year.

## Market Analysis | October 2023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### Recent Indianapolis Transactions

Harrison Point

City: Indianapolis
Buyer: Yellowstone Property Group
Purchase Price: $33 MM
Price per Unit: $95,332

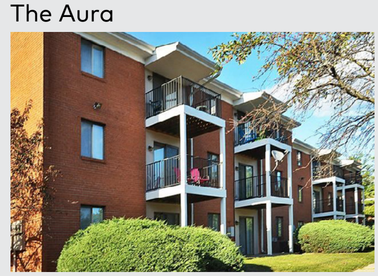
Aspen Pointe

City: Indianapolis
Buyer: Fairlawn Capital
Purchase Price: $24 MM
Price per Unit: $135,623

Warren Harbor

City: Indianapolis
Buyer: Lightwater Capital
Purchase Price: $22 MM
Price per Unit: $91,643

The Aura

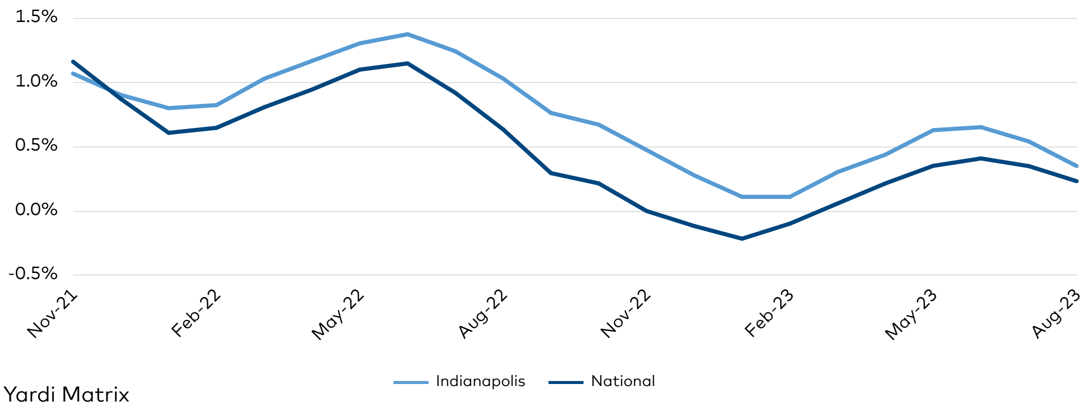


City: Indianapolis
Buyer: Yellowstone Property Group
Purchase Price: $15 MM
Price per Unit: $116,800

## RENT TRENDS

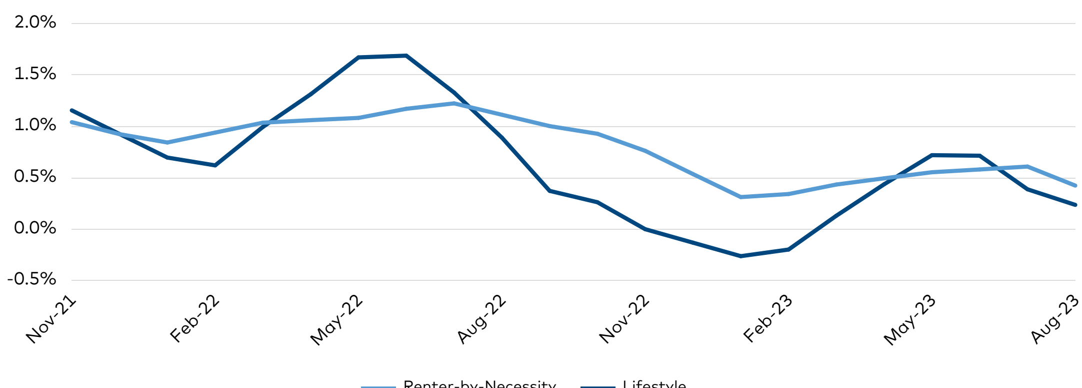
- Indianapolis rents were up 0.4%, on a trailing three-month (T3) basis through August, exceeding the national rate by 20 basis points. Rent development in the metro was above the national figure since March, while June represented the peak for this year, at 0.7%. On a year-over-year basis, rents were up 4.8%—330 basis points above the U.S. rate.
- Overall rates in the metro reached $1,246 as of August, remaining well below the national $1,728 figure. The working-class Renter-by-Necessity segment continued to record steadier gains, with rents up 0.4%, on a T3 basis through August, to $1,108. Lifestyle rates were up 0.2%, to $1,560. Rent development slowed down during the earlier part of the year—with the Lifestyle segment even recording a 0.3% contraction in January—but rates have since leveled off to pre-pandemic figures.
- Overall occupancy for stabilized assets in Indianapolis was down 80 basis points year-over-year, to 94.6% as of July—40 basis points below the national rate. The Lifestyle segment recorded a 50-basis-point drop in occupancy, to 95.1%. Meanwhile, RBN occupancy decreased 90 basis points, to 94.4%.
- Rent development was strongest in some core and suburban areas. Five submarkets recorded year-over-year gains of more than 10.0%—Franklin (up 18.1% to $1,148), Mooresville (up 15.6% to $1,028), Indianapolis-Pike (12.6% to $1,144), Martinsville (11.8% to $920) and Indianapolis-Wayne East (11.3% to $1,067).

**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 clocked in at 3.6% in July, according to preliminary data from the BLS. The rate stood 10 basis points above the national figure. Unemployment increased 80 basis points from January, as the economy slowed down. Meanwhile, Indiana's rate was 3.3% in July.
- Over the 12-month period ending in June, Indianapolis added 40,700 jobs across all its sectors. This represented a 3.4% expansion of the labor market, 60 basis points ahead of the U.S. rate. After last year's recovery efforts, employment growth stabilized to pre-pandemic levels.
- Gains were led by the leisure and hospitality sector, which added 8,100 jobs, representing a 6.6% increase. Other sectors with significant growth included education and health services (up 4.2% or 7,900 jobs), professional and business services (up 3.9%, 7,500 jobs) and financial activities (5.3%, 4,200 jobs).
- Indiana is working to attract more technology and manufacturing business to bolster its economic future. The Indiana Economic Development Corp. is seeking approval for $120 million in incentive funds for a $3.2 billion project from an undisclosed manufacturing company. The state governor's office announced the next round of the Regional Economic Acceleration and Development Initiative, with $500 million to be invested through grants.

### Indianapolis Employment Share by Sector

| | | Current Employment | |
|---|---|---|---|
| Code | Employment Sector | (000) | % Share |
| 70 | Leisure and Hospitality | 131 | 10.2% |
| 65 | Education and Health Services | 197 | 15.3% |
| 60 | Professional and Business Services | 200 | 15.6% |
| 55 | Financial Activities | 84 | 6.5% |
| 30 | Manufacturing | 115 | 8.9% |
| 15 | Mining, Logging and Construction | 69 | 5.4% |
| 40 | Trade, Transportation and Utilities | 264 | 20.5% |
| 90 | Government | 162 | 12.6% |
| 80 | Other Services | 50 | 3.9% |
| 50 | Information | 13 | 1.0% |

Sources: Yardi Matrix, Bureau of Labor Statistics

## Population

- While most major metros recorded a decline in population, Indianapolis grew by 0.6% between 2020 and 2021, gaining 13,104 residents.

### Indianapolis vs. National Population

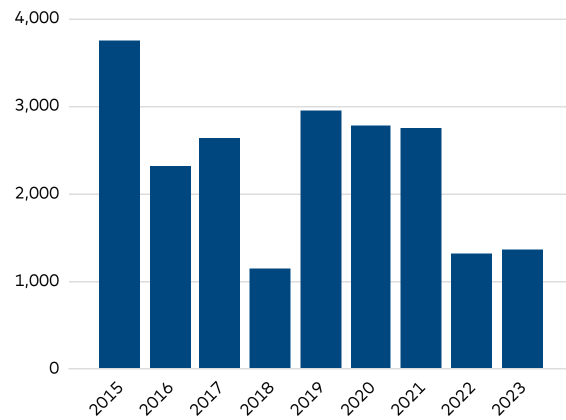
| | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| National | 326,838,199 | 328,329,953 | 331,501,080 | 331,893,745 |
| Indianapolis | 2,053,475 | 2,073,336 | 2,113,700 | 2,126,804 |

Source: U.S. Census

## SUPPLY

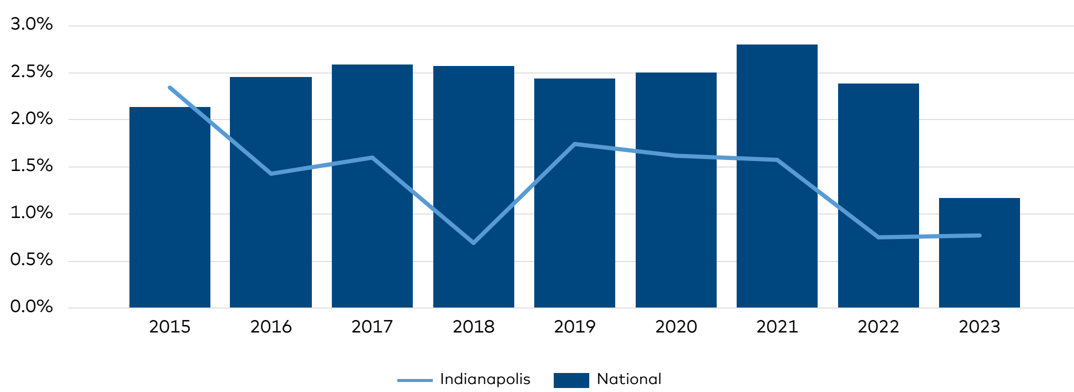
- Year-to-date through August, Indianapolis developers completed 1,369 units, which represented a 0.8% expansion of total stock—40 basis points below the national rate. Unlike most major metros, Indianapolis did not see a significant drop in completions. During the first eight months of the year, completions slightly surpassed the 1,323 units completed for all of 2023. However, the amount was below the 2,194 units completed annually over the previous five years.
- As of August, Indianapolis had 8,404 units under construction. More than two-thirds of the supply pipeline comprised units in Lifestyle properties, while 8.4% were fully affordable assets. An additional 27,900 units were in the planning and permitting stages.
- During the same eight-month period, construction starts amounted to 1,312 units across seven properties. The metro recorded a significant drop in new developments, as a total of 6,275 units—28 properties—broke ground during the same period last year.
- Five submarkets comprised more than half the number of units under construction. Westfield-Noblesville led development activity with 1,446 units underway, followed by Carmel (926 units), Indianapolis-Downtown (853 units), Plainfield/Brownsburg/Avon (656 units) and Greenfield (603 units).
- The largest property completed during the first eight months of the year was the 287-unit Nexus, in the Westfield-Noblesville submarket. Cityscape Residential developed the asset in partnership with the City of Noblesville.

**Indianapolis Completions** (as of August 2023)




Source: Yardi Matrix

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

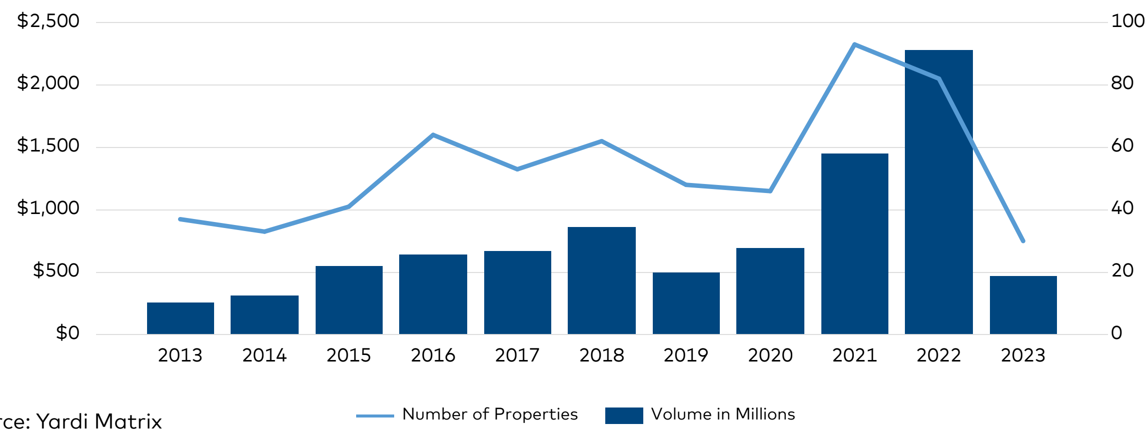



Source: Yardi Matrix

## TRANSACTIONS

- Year-to-date through August, Indianapolis investment activity totaled $474 million, a 72.9% decrease from the same period last year. A total of 30 properties changed hands, only five of which were in the Lifestyle segment, as investors focused on value-add plays.
- The average price per unit for these sales was $91,314—less than half the national average and down 29.0% from 2022's figure. The average per-unit price for RBN assets dropped 23.9% from last year, to $84,382, while prices for the Lifestyle segment declined 8.6%, to $194,968.
- The previous two years marked a peak in transaction activity nationwide. In 2022, Indianapolis recorded a total of $2.3 billion in investment volume, while in the previous year, the amount was $1.5 billion. On average, the previous five years saw an annual sales volume of $674 million.

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




Source: Yardi Matrix

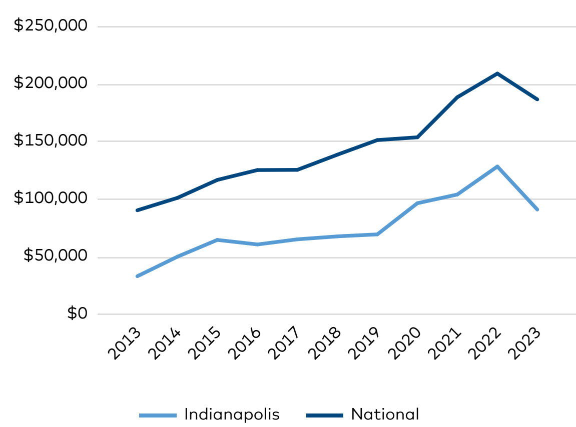
### Top Submarkets for Transaction Volume[1]

| Submarket | Volume ($MM) |
|---|---|
| Westfield-Noblesville | $221 |
| Indianapolis-Wayne East | $126 |
| Indianapolis-Washington East | $115 |
| Indianapolis-Perry West | $90 |
| Indianapolis-Wayne East | $83 |
| Indianapolis-Perry East | $68 |
| Indianapolis-Downtown | $61 |

Source: Yardi Matrix

[1] From September 2022 to August 2023

### Indianapolis vs. National Sales Price per Unit




Source: Yardi Matrix

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## 10 Most Affordable US Markets

By Anca Gagiuc

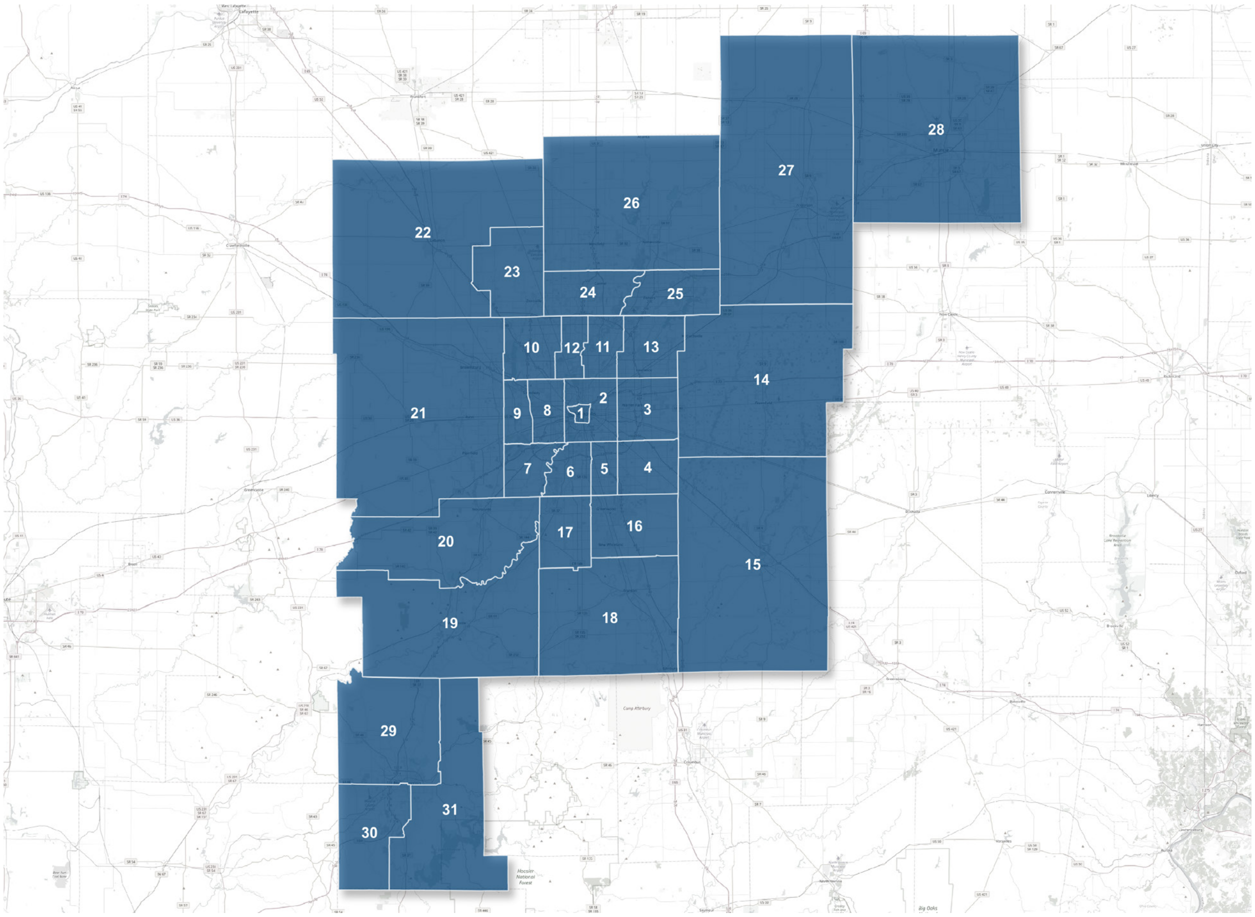
Affordable multifamily markets have become rare post-pandemic. Before the health crisis, metros located farther away from gateway cities used to boast more attainable rents. Then the sudden-imposed work-from-home practice morphed into a new way of living. Eliminating daily commutes enabled people to redesign their lives and suddenly, housing affordability improved, as long as relocation was considered.

| Rank | Metros | Average rent RBN Segment | Rent Growth T3 % RBN | Rent Growth RBN % March 2022 vs March 2023 |
|---|---|---|---|---|
| 1 | Kansas City | $1,031 | 1.5% | 8% |
| 2 | St Louis | $1,055 | 0.3% | 5.9% |
| 3 | Houston | $1,060 | 1.1% | 5.4% |
| 4 | San Antonio | $1,078 | -0.2% | 5.2% |
| 5 | Indianapolis | $1,093 | 1.7% | 9.1% |
| 6 | Columbus | $1,143 | 1.6% | 7.2% |
| 7 | Cincinnati | $1,151 | 2.1% | 8.8% |
| 8 | Albuquerque | $1,157 | -0.4% | 8.2% |
| 9 | Detroit | $1,179 | -0.5% | 3.3% |
| 10 | Pittsburgh | $1,198 | 1.5% | 6.3% |

### Indianapolis

Indianapolis topped national rent growth ranks for the whole of 2023, and still made it in the pool with the most affordable multifamily markets in the U.S. The average RBN rent stood at $1,093 in March, following a 1.7% increase on a T3 basis, a metric surpassed only by Cincinnati. However, the metro led in annual rent growth, up 9.1%. Rent payments accounted for 24% of the area median income.

## INDIANAPOLIS SUBMARKETS




| Area No. | Submarket | Area No. | Submarket |
|---|---|---|---|
| 1 | Indianapolis–Downtown | 17 | Greenwood–West |
| 2 | Indianapolis–Center | 18 | Franklin |
| 3 | Indianapolis–Warren | 19 | Martinsville |
| 4 | Indianapolis–Franklin | 20 | Mooresville |
| 5 | Indianapolis–Perry East | 21 | Plainfield–Brownsburg–Avon |
| 6 | Indianapolis–Perry West | 22 | Lebanon |
| 7 | Indianapolis–Decatur | 23 | Zionsville |
| 8 | Indianapolis–Wayne East | 24 | Carmel |
| 9 | Indianapolis–Wayne West | 25 | Fishers |
| 10 | Indianapolis–Pike | 26 | Westfield–Noblesville |
| 11 | Indianapolis–Washington East | 27 | Anderson |
| 12 | Indianapolis–Washington West | 28 | Muncie |
| 13 | Indianapolis–Lawrence | 29 | Bloomington–North |
| 14 | Greenfield | 30 | Bloomington–West |
| 15 | Shelbyville | 31 | Bloomington–East |
| 16 | Greenwood–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.

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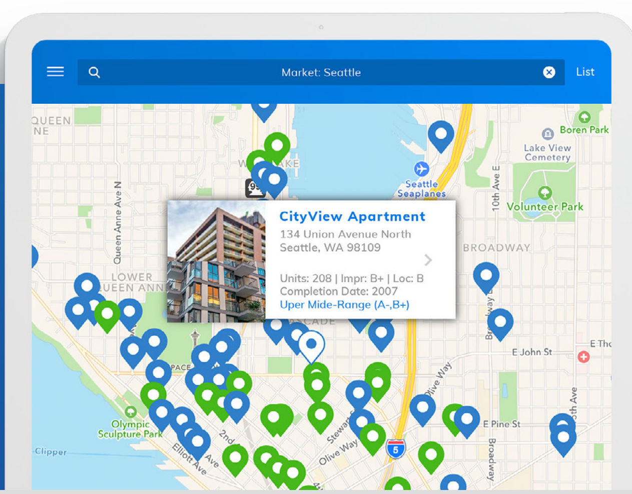


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