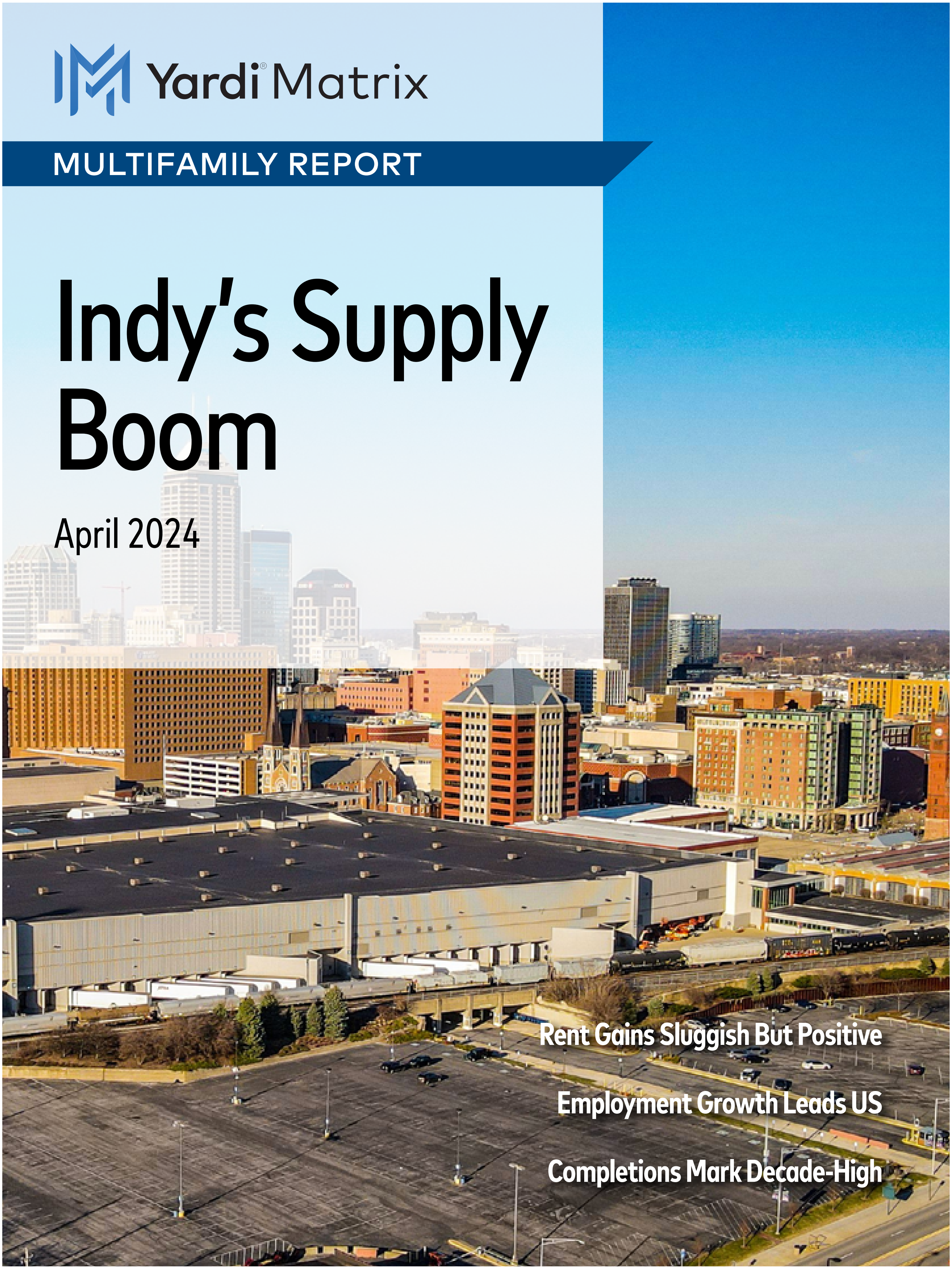
Yardi Matrix

MULTIFAMILY REPORT

Indy's Supply Boom

April 2024



Rent Gains Sluggish But Positive

Employment Growth Leads US

Completions Mark Decade-High

INDIANAPOLIS MULTIFAMILY

Yardi Matrix

Deliveries Outpace Demand

An outsize supply, an economy treading water and a seasonal slowdown led to a few months of rent declines across most major U.S. metros, but markets are showing signs of recovery. Indianapolis rents were up 0.1% on a trailing three-month basis through February, 20 basis points ahead of the U.S., to an average of $1,245. Nationally, strong deliveries resulted in occupancy sliding 60 basis points in 12 months. Meanwhile, in Indianapolis, the rate dropped 120 basis points, to 93.5%.

Indianapolis unemployment reached 2.5% in December, 120 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. The metro's employment gains surpassed the national pace throughout 2023, with 37,300 jobs added last year, for a 2.5% expansion rate. Meanwhile, the U.S. labor pool grew by 2.0%. Education and health services led growth in the metro, with 9,700 jobs gained or a 5.0% rise. The sector will probably continue to perform well, especially with projects such as the $4.3 billion IU Health hospital taking shape downtown.

Last year, Indianapolis added 3,314 rental units to its inventory, marking a decade-high. The risk of short-term oversupply remains, as the metro had an additional 10,494 units under construction, as well as another 24,000 apartments in the planning and permitting stages as of February 2024.

Market Analysis | April 2024

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Recent Indianapolis Transactions

Carmel Center

City: Carmel, Ind.
Buyer: The Connor Group
Purchase Price: $82 MM
Price per Unit: $254,348

Enclave at Eagle Creek

City: Indianapolis
Buyer: The Ardizzone Group
Purchase Price: $80 MM
Price per Unit: $126,582

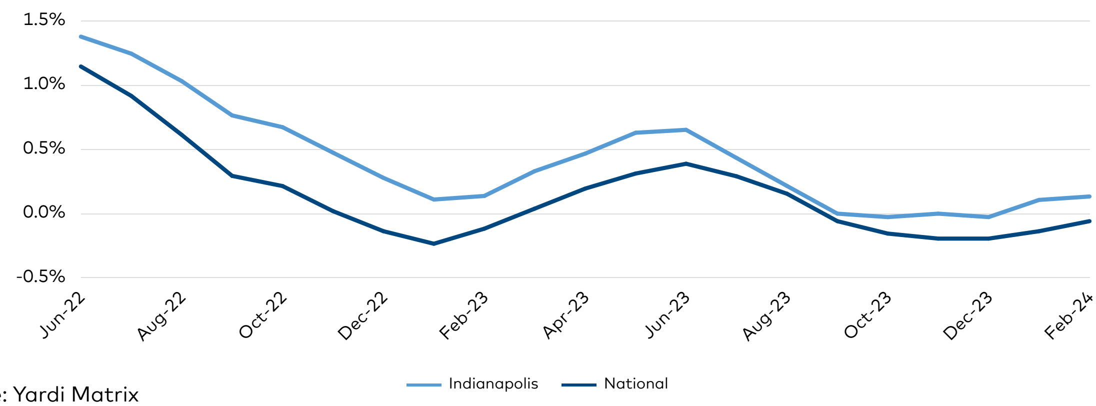
Briergate

City: Indianapolis
Buyer: Renewing Management
Purchase Price: $8 MM
Price per Unit: $51,875

RENT TRENDS

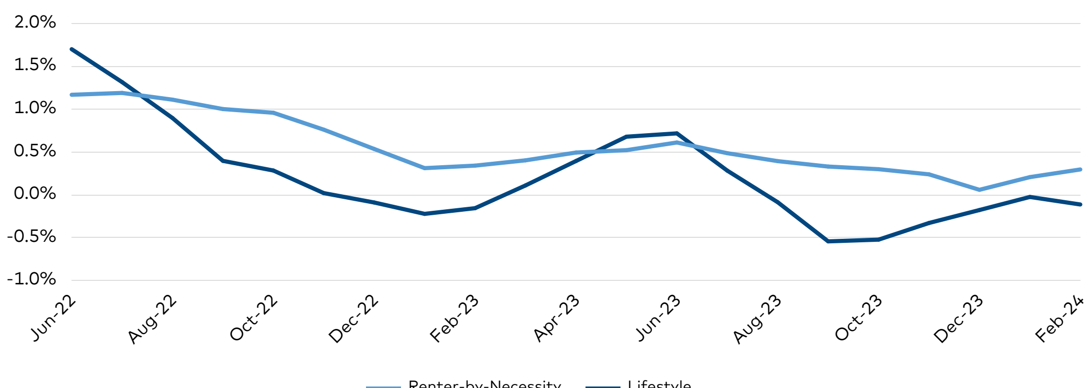
- Indianapolis rents were up 0.1% on a trailing three-month (T3) basis through February, while the U.S. rate was down by the same percentage. And while many metros are recording significant contractions, Indianapolis' performance stood out. Before this, rates were stagnant in September and December, preceded by slow growth that outpaced the nation. Year-over-year, Indianapolis rents were up 3.0%—one of the best rates in the country—while the U.S. figure stood at 0.6% in February.
- The average Indianapolis rent was $1,245 as of February, significantly below the nation's $1,713. Looking at T3 growth by quality segment, Indianapolis' working-class Renter-by-Necessity rates were up 0.3%, to $1,125, while the upscale Lifestyle segment recorded a 0.1% slide, to $1,515—a negative trend that started back in August.
- Overall occupancy in the metro dropped 120 basis points in the 12 months ending in February, to 93.5%, while the U.S. rate declined 60 basis points, to 94.5%. Deliveries in 2023 outpaced demand in the context of slower economic growth. Occupancy for RBN assets dropped 120 basis points, to 93.5%, while in the Lifestyle segment it declined 140 basis points, to 93.6%.
- A few suburban submarkets recorded above-average year-over-year rent growth, including Anderson (11.6% to $1,007), Franklin (9.9% to $1,200), Indianapolis – Pike (8.4% to $1,170) and Indianapolis – Decatur (8.1% to $1,282).

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 rate reached 2.5% as of December, according to preliminary data from the BLS. This was down 30 basis points since January 2023 and 120 basis points lower than the U.S. figure. In the first half of last year, unemployment grew steadily toward its highest point in July (3.6%), after which it stabilized in a healthier band.
- In 2023, Indianapolis added 37,300 net jobs, representing a 2.5% expansion, which was 50 basis points above the U.S. pace of growth. The metro's job growth outpaced the nation by 30 to 60 basis points throughout last year.
- Education and health services led gains, with 9,700 jobs added (a 5.0% expansion), followed by leisure and hospitality, which added 7,200 positions (6.1%). Government (6,800 jobs), professional and business services (4,300) and construction (3,100) also saw significant growth.
- Indiana recorded robust economic growth in 2023 amid a slowing national pace. At the end of last year, the Indiana Economic Development Corp. secured $28.7 billion in capital expenditures in 2023, including two advanced manufacturing projects totaling $7.2 billion. One of the largest ongoing projects in Indianapolis is the IU Health hospital; the $4.3 billion development is slated to become operational in 2027.

Indianapolis Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	203	15.4%
70	Leisure and Hospitality	126	9.5%
90	Government	180	13.6%
60	Professional and Business Services	203	15.4%
15	Mining, Logging and Construction	69	5.2%
40	Trade, Transportation and Utilities	278	21.1%
55	Financial Activities	84	6.4%
30	Manufacturing	114	8.6%
80	Other Services	51	3.9%
50	Information	13	1.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- As larger metros saw their population migrating out to more affordable locations, cities like Indianapolis benefited. The metro added roughly 20,000 residents in 2022, representing an almost 1.0% expansion. Meanwhile, the U.S. population grew by 0.4%.

Indianapolis vs. National Population

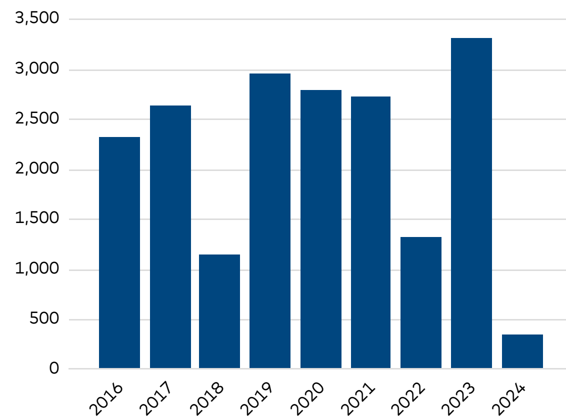
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Indianapolis	2,029,472	2,050,933	2,089,990	2,109,957

Source: U.S. Census

SUPPLY

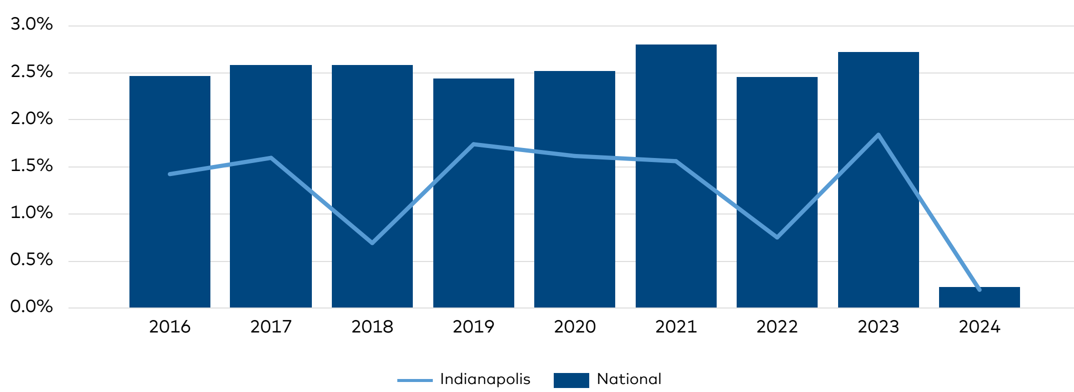
- Indianapolis had 10,494 units under construction as of February. In line with national trends and larger metros, developers focused on the upscale segment—82% of units underway were in Lifestyle projects. Units in RBN assets made up 6% of the pipeline, while the remaining 12% were in fully affordable properties. The metro had an additional 24,000 units in the planning and permitting stages.
- Last year, Indianapolis recorded the largest number of multifamily deliveries in at least a decade—3,314 units. This was a 150% year-over-year improvement, 90 basis points below the U.S. rate and represented a 1.8% expansion of stock. Indianapolis remained historically undersupplied compared to the national rate of expansion—over the past eight years, the metro's inventory growth fluctuated, with a 0.7% low point in 2018. On average, developers completed 2,404 units annually over this period. Yardi Matrix expects roughly 4,900 units to come online this year, should market conditions hold.
- Construction starts began slowing down in 2023 but were still on par with historical averages. Developers started work on 25 projects, encompassing 5,096 units, a 12% decline compared to 2022.
- Three northern submarkets encompassed almost half of the supply pipeline, with Westfield – Noblesville taking the lead (1,686 units underway), followed by Carmel (1,227 units) and Indianapolis – Washington East (1,099 units).
- The largest property that came online last year was Cityscape Residential's Nexus, located in Noblesville. The 287-unit asset includes a 36,000-square-foot office component.

Indianapolis Completions (as of February 2024)



Source: Yardi Matrix

Indianapolis vs. National Completions as a Percentage of Total Stock (as of February 2024)

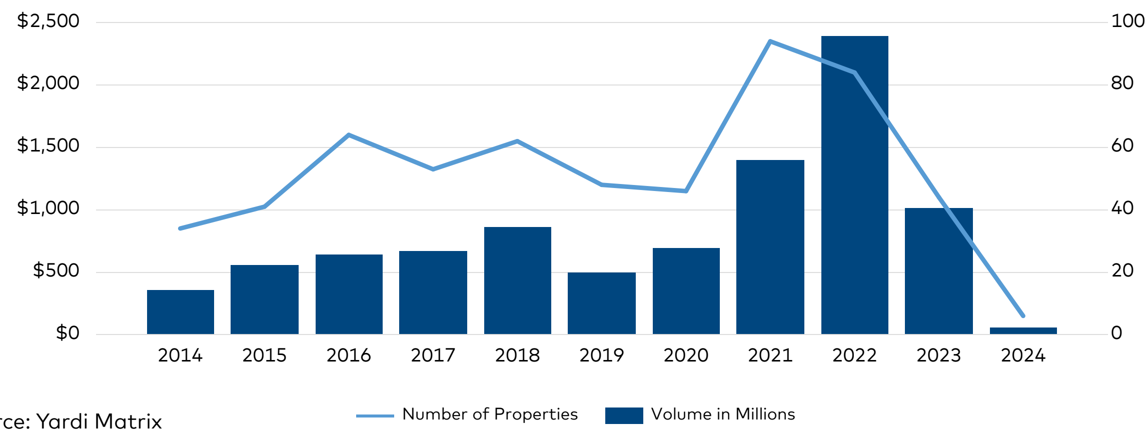


Source: Yardi Matrix

TRANSACTIONS

- Six properties changed hands in January across the metro for a total of $54.6 million, at an average of $136,467 per unit. In 2023, investors traded $1 billion in multifamily assets, rounding out a strong three-year streak. The peak was recorded in 2022, when $2.4 billion in assets traded. For comparison, between 2014 and 2020, the annual average was $611 million.
- For 2023, the average price per unit clocked in at $115,927, lagging the $185,662 U.S. figure. Prices dropped 12% year-over-year as activity tempered. Last year, Lifestyle assets traded at an average of $188,648, down 18% year-over-year, while prices for RBN properties were down 15%, to $93,964.
- In the 12 months ending in February, several companies bought multiple Indianapolis assets. The list included The Ardizzone Group (1,356 units), BAM Capital (756 units) and The Michaels Organization (339 units), all with three acquisitions each.

Indianapolis Sales Volume and Number of Properties Sold (as of February 2024)



Source: Yardi Matrix

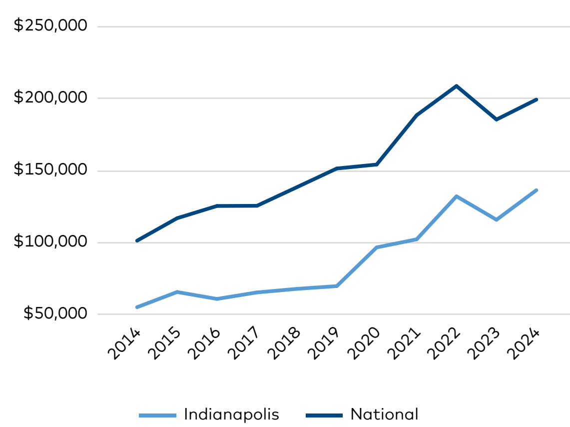
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Fishers	134
Indianapolis–Wayne West	92
Indianapolis–Decatur	88
Carmel	82
Indianapolis–Pike	80
Plainfield–Brownsburg–Avon	58
Indianapolis–Warren	54

Source: Yardi Matrix

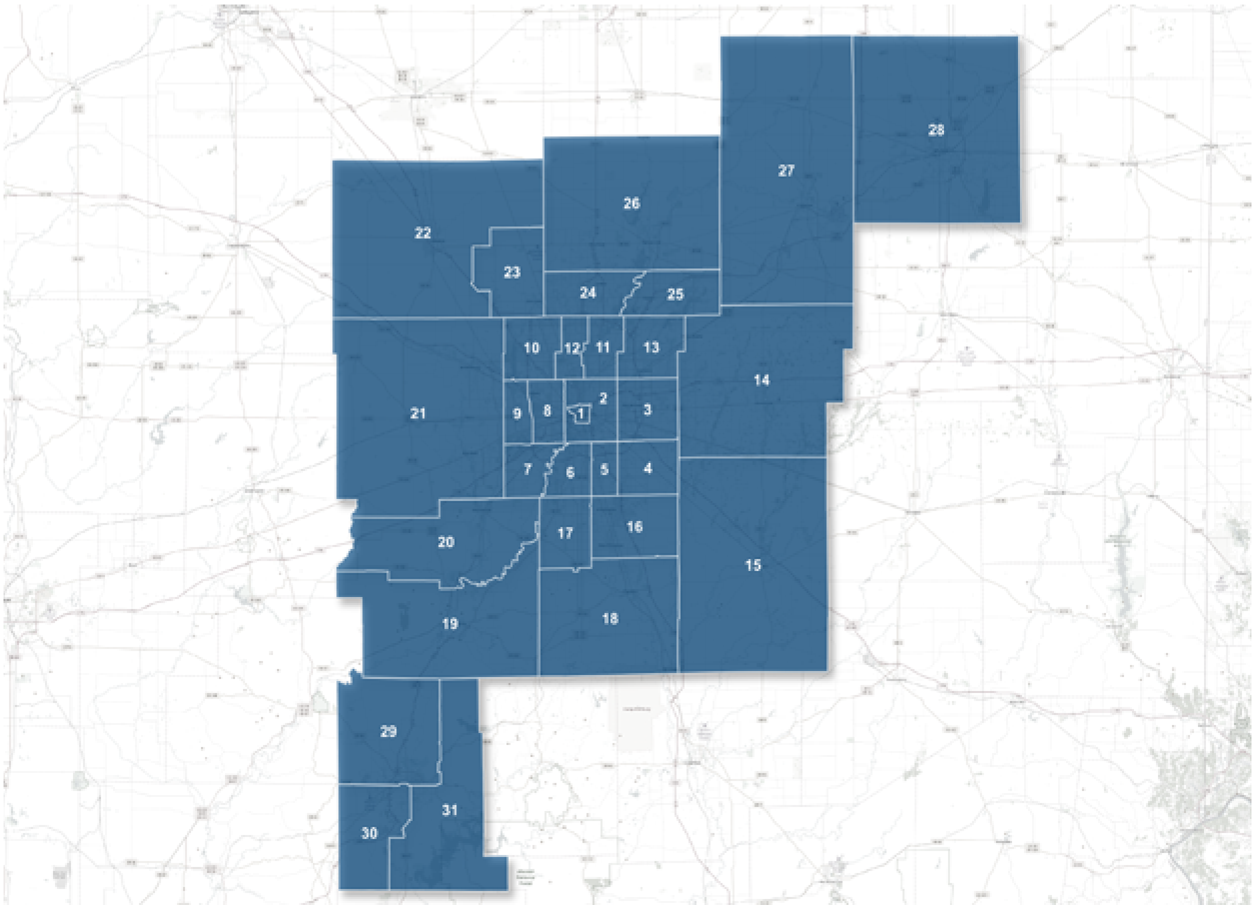
[1] From March 2023 to February 2024

Indianapolis vs. National Sales Price per Unit



Source: Yardi Matrix

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.

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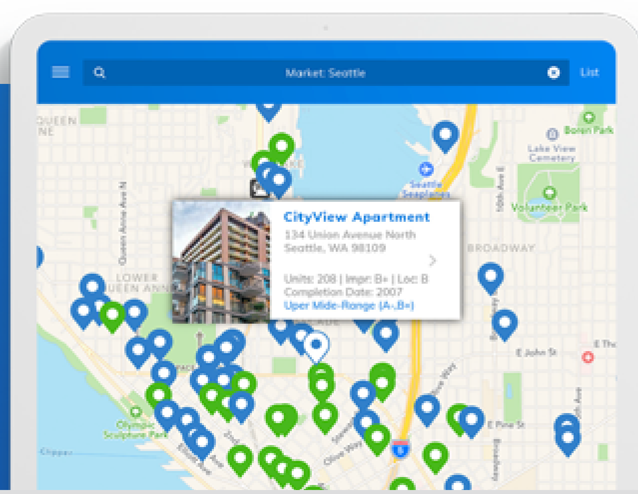
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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

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