



MULTIFAMILY REPORT

Indy's Strong Performance

October 2024



Rent Growth 4th Among Large Markets

Employment Gains Still Robust

Completions Increase YoY

INDIANAPOLIS MULTIFAMILY



Job Gains, Healthy Demand Power Indy

Indianapolis fundamentals regained momentum in the third quarter of 2024. Advertised asking rents were up 0.3% on a trailing three-month basis through August, to \$1,277, exceeding the national rate by 20 basis points. The metro ranked fourth nationwide for year-over-year growth among major metros, at 3.0%. A surge in supply brought overall occupancy down 40 basis points, to 94.1% as of July, below the 94.7% national figure.

Although unemployment climbed 100 basis points since January, to 4.4% in July, Indianapolis continued to see robust job growth, according to preliminary data from the BLS. In the 12 months ending in June, it added 29,600 net positions, for a 2.0% expansion. That was 70 basis points ahead of the national average. Education and health services led growth, with 10,500 jobs gained. The \$9 billion Eli Lilly and Co. drug manufacturing facility coming to Lebanon promises to boost economic development once it becomes operational in 2026. The developer expects to create some 5,000 construction jobs and 900 permanent jobs by the time the facility is fully online.

Indy's multifamily stock expanded 1.7% year-to-date through August, with developers bringing 3,149 units online. This was already above the 2,402-unit annual average recorded from 2016 to 2023 and only about 300 units short of 2023's overall total.

Market Analysis | October 2024

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Recent Indianapolis Transactions

Canterbury House



City: Indianapolis
Buyer: Midwest Living
Management
Purchase Price: \$9 MM
Price per Unit: \$77,273

The Jeffersonian

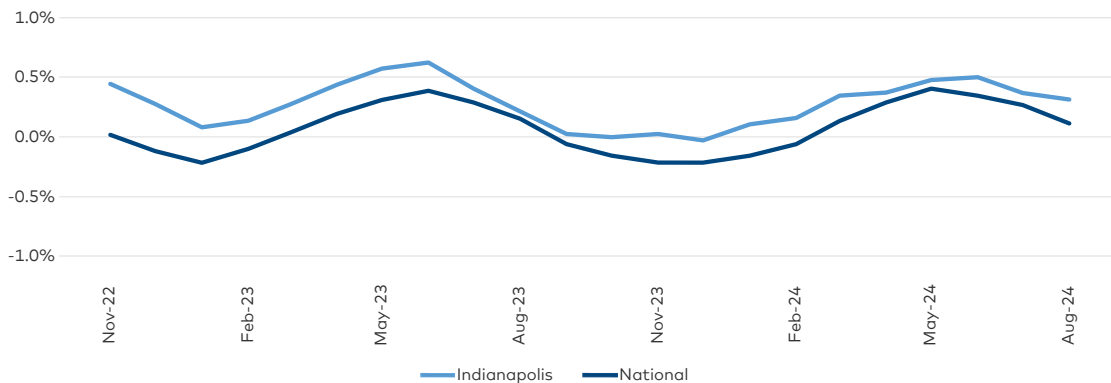


City: Indianapolis
Buyer: Terra Capital
Purchase Price: \$8 MM
Price per Unit: \$75,000

RENT TRENDS

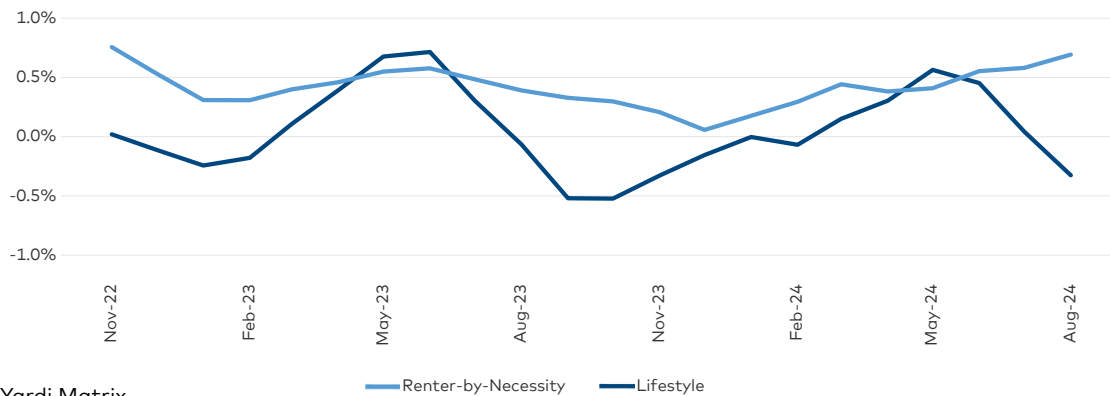
- ▶ Indianapolis advertised asking rents were up 0.3%, to \$1,277, on a trailing three-month (T3) basis through August, 20 basis points higher than the U.S. rate. Rents were up 3.0% year-over-year, ranking fourth among large U.S. cities and joining Kansas City, Mo., (4.1%) and Columbus, Ohio, (2.9%) as part of the Midwest's top three. The national figure remained 0.8%.
- ▶ Advertised asking rents for the working-class Renter-by-Necessity segment were up 0.7% on a T3 basis through August, to \$1,164. Rents for the upscale Lifestyle segment, on the other hand, were down 0.3%, to \$1,529. Rates for RBN assets recorded no contractions during the seasonal slowdown, while Lifestyle T3 rates dipped as low as -0.5%.
- ▶ Overall occupancy in stabilized Indianapolis assets was down 40 basis points year-over-year, to 94.1% as of July, below the 94.7% national figure. Occupancy for RBN assets dipped 10 basis points, to 94.2%, while Lifestyle figures decreased 90 basis points, to 93.9%.
- ▶ In anticipation of the Eli Lilly and Co. project, advertised asking rents in Lebanon grew 22.0% year-over-year, to \$1,149. Other submarkets with strong gains included Anderson (8.6% to \$1,030), Indianapolis–Warren (8.6% to \$1,096) and Indianapolis–Perry East (7.4% to \$1,123).
- ▶ Rents in the city's single-family rental sector grew 4.0% year-over-year through August, while occupancy was down 3.7%. The national figures stood at 0.8% and -0.4%, respectively.

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 was 4.4% as of July, according to preliminary data from the Bureau of Labor Statistics. This was up 100 basis points since January, following last year's relatively good performance. It was also 10 basis points higher than the national figure and 40 basis points above Indiana's rate.
- ▶ Employment growth in the metro stood at 2.0% over the 12 months ending in June, 70 basis points higher than the national figure. Indianapolis added 29,600 net jobs, with nearly all sectors seeing net positive results.
- ▶ Education and health services, Indy's second-largest sector, led growth with 10,500 jobs, or a 5.2% expansion. Leisure and hospitality (5,700 jobs, 4.4%), construction (4,200, 6.1%) and government (3,500, 2.2%) also had significant gains.
- ▶ In June, Indiana's Economic Development Corp. announced \$27.1 billion in pledged investments across the state for the first two quarters. One of the largest projects is Eli Lilly and Co.'s LEAP District, which is roughly 30 miles from downtown Indianapolis. The company will invest an additional \$5.3 billion in developing the drug manufacturing facility, bringing the total commitment to \$9 billion so far. The facility will create an estimated 5,000 construction jobs, as well as 900 permanent jobs once the facility is fully operational.

Indianapolis Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	211.9	16.2%
70	Leisure and Hospitality	135	10.3%
15	Mining, Logging and Construction	73.4	5.6%
90	Government	164.8	12.6%
60	Professional and Business Services	195.2	15.0%
80	Other Services	52.4	4.0%
55	Financial Activities	82.1	6.3%
30	Manufacturing	115.2	8.8%
40	Trade, Transportation and Utilities	262	20.1%
50	Information	12.9	1.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ With solid job growth and more affordable housing than the big cities, Indianapolis continues to grow.
- ▶ The city gained roughly 20,000 residents in 2022. That was an almost 1.0% expansion, while the U.S. population grew 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

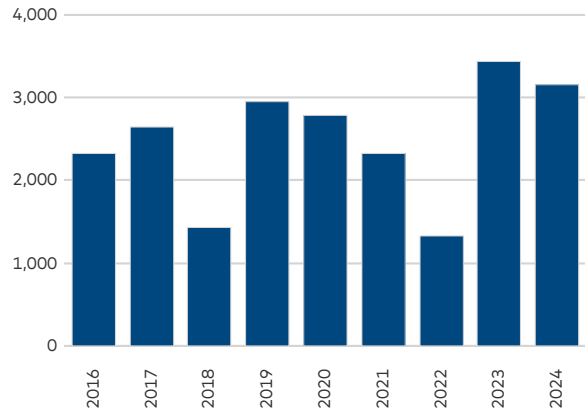
SUPPLY

- ▶ Indianapolis' pipeline included 9,503 units under construction as of August, along with some 24,000 units in the planning and permitting stages. Of the apartments under construction, more than 80% were in Lifestyle projects, while units in fully affordable projects comprised just above 13% of the pipeline. The remaining were in RBN developments.
- ▶ Developers completed 3,149 units, or 1.7% of existing stock, year-to-date through August. The volume was on par with the national rate. Completions were roughly 300 units short of 2023's overall total, which clocked in at 3,428. This year has already exceeded the 2,402-unit annual average recorded from 2016 to 2023. Unlike larger metros, especially in the West, Indianapolis and similar Midwestern markets continue to see a healthy supply/demand balance.
- ▶ Indianapolis developers broke ground on 12 projects, encompassing 2,180 units, in the first eight months of this year. This marked a slight drop from the 2,605 units that started construction in the same period last year.
- ▶ Two submarkets had more than 1,000 units underway each as of August: Westfield–Noblesville (1,455 units) and Indianapolis–Center (1,022). In-

dianapolis–Washington East (997), Carmel (942) and Zionsville (866) rounded out the top five.

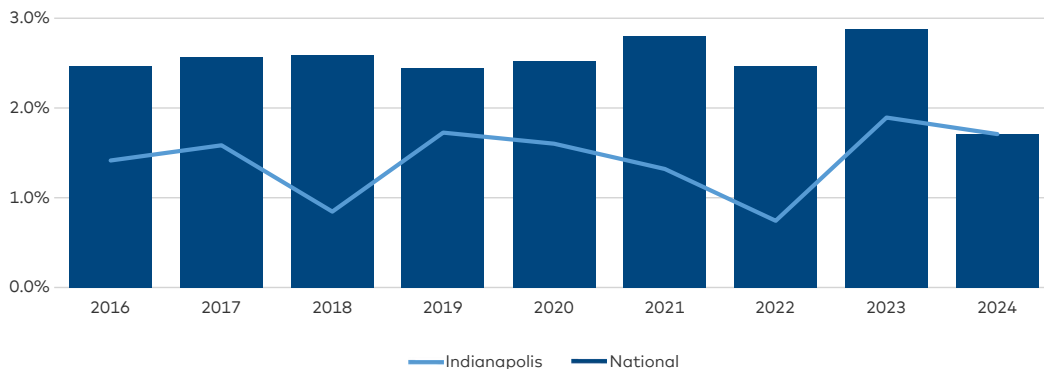
- ▶ Muesing Management completed Preserve on Blue Road in the Greenfield submarket. At 348 units, it was the largest community to come online through August this year. On the other hand, the largest asset under construction was Denton–Floyd's Arlington Farms, with 408 units slated to come online by December.

Indianapolis Completions (as of August 2024)



Source: Yardi Matrix

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



Source: Yardi Matrix

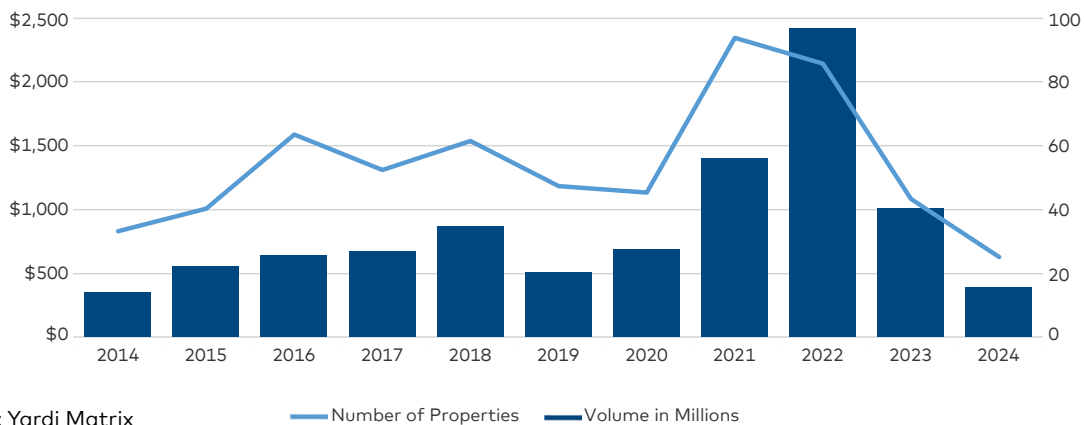
TRANSACTIONS

- ▶ Indianapolis investors closed on 26 single-asset transactions year-to-date through August, for a total of \$386 million. Volume was down by one-third compared to the same period last year, in line with nationwide trends. However, with interest rate cuts becoming a reality, investors are bound to start deploying some dry powder.
- ▶ Indianapolis' average per-unit price dropped to \$100,635 for sales recorded this year through August, significantly below the \$184,269 nation-

al figure. Of the total sales this year, 23 were for RBN properties, at an average of \$94,479 per unit. Meanwhile, just three Lifestyle assets changed hands, at \$192,861 per unit.

- ▶ Emerald Empire was the most active Indianapolis buyer this year through August. It acquired nine properties, totaling 2,622 units, spread across multiple submarkets, for a combined total of roughly \$100 million.

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



Source: Yardi Matrix

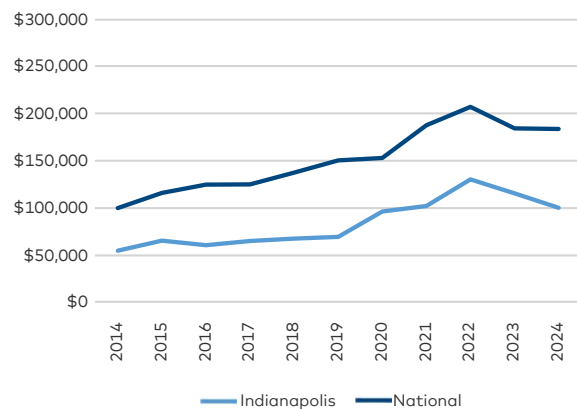
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Fishers	134
Indianapolis-Wayne East	95
Westfield-Noblesville	94
Carmel	82
Indianapolis-Pike	80
Plainfield/Brownsburg/Avon	76
Indianapolis-Wayne West	61

Source: Yardi Matrix

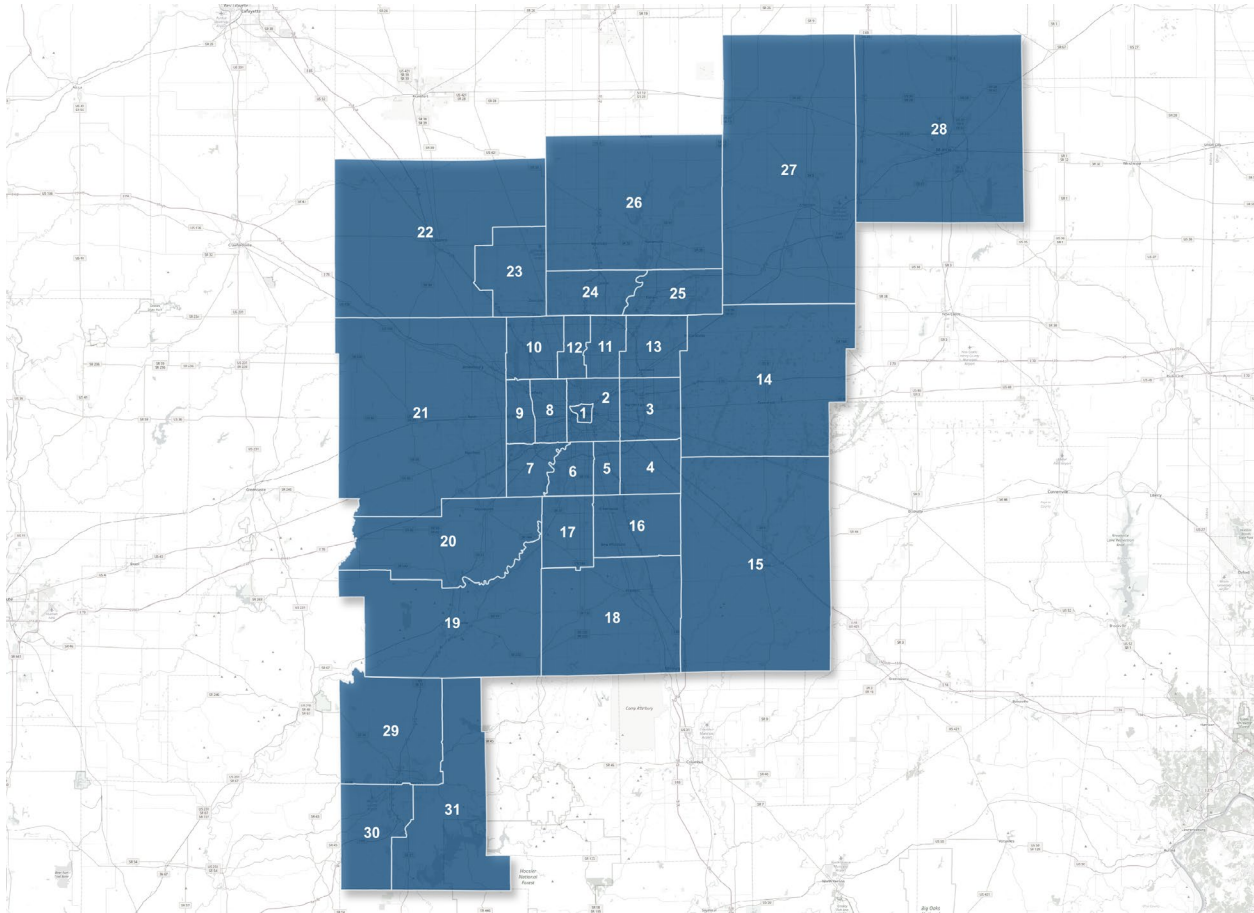
¹ From September 2023 to August 2024

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x14006.



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