

Mini Market Update Indiana

National Council of Housing Market Analysts

Annual Meeting

November 12, 2019

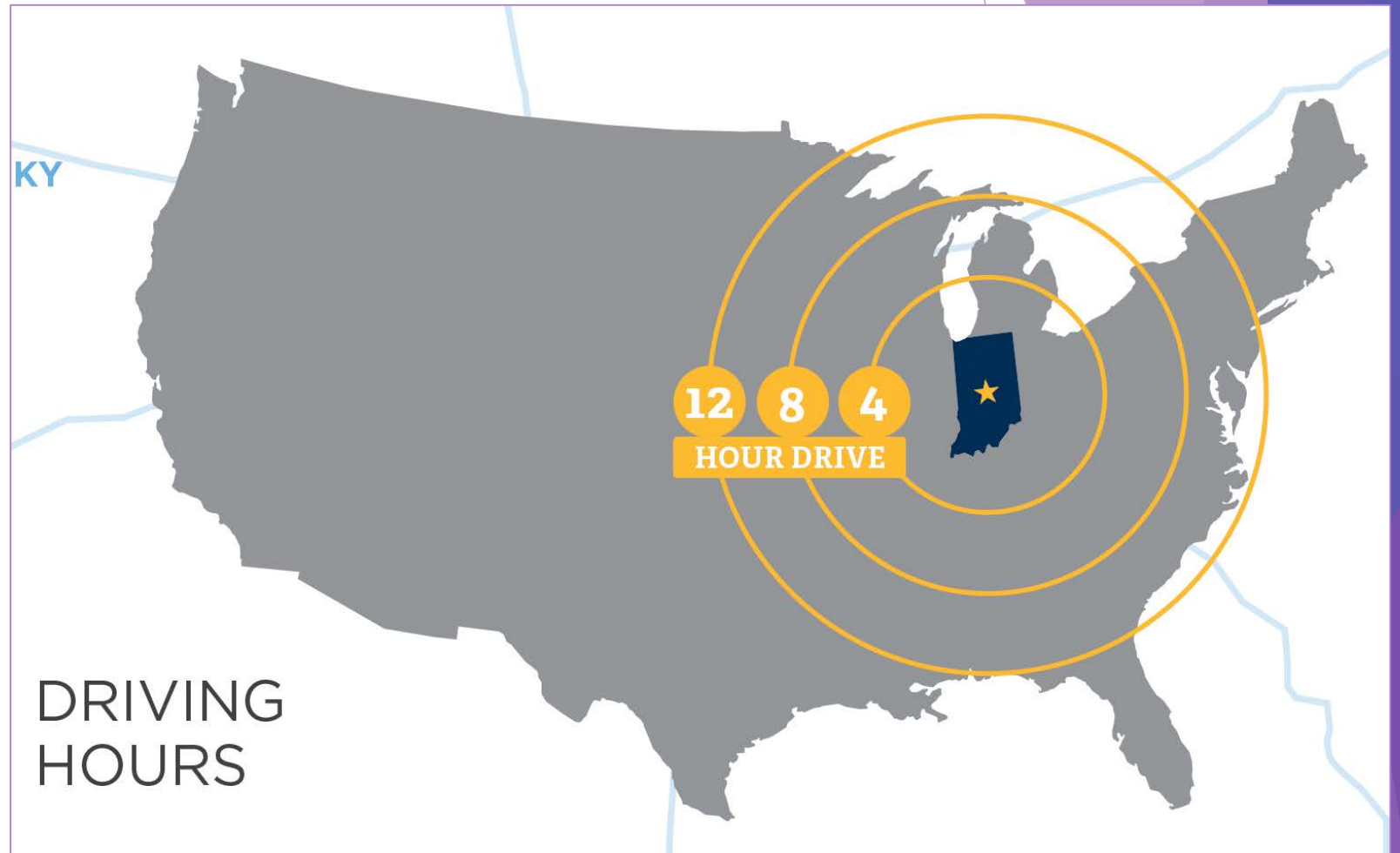
Nashville, Tennessee



Mitchell Market Analysts, Inc.

About Indiana – Crossroads of America

- ▶ Within one day's drive of 80% of the population
- ▶ 2nd largest FedEx air hub in the world
- ▶ Home to Purdue, Notre Dame, and Indiana University
 - ❖ In-state tuition to Purdue and IU around \$10k/year



Employment – Life Sciences

- ▶ 1,751 companies in the state in life sciences
- ▶ Warsaw, Indiana (pop. 13,600) is the orthopedics capital of the world
 - ❖ DePuy, Zimmer, Biomet all founded here
- ▶ Home of Eli Lilly Pharmaceuticals, \$24.5 billion revenue (2018)
- ▶ North American headquarters for Roche Diagnostics, world's largest biotech company
- ▶ Indiana exports \$10.2 billion of life sciences products, 2nd highest in the country



ZIMMER BIOMET
Your progress. Our promise.®



Mitchell Market Analysts, Inc.

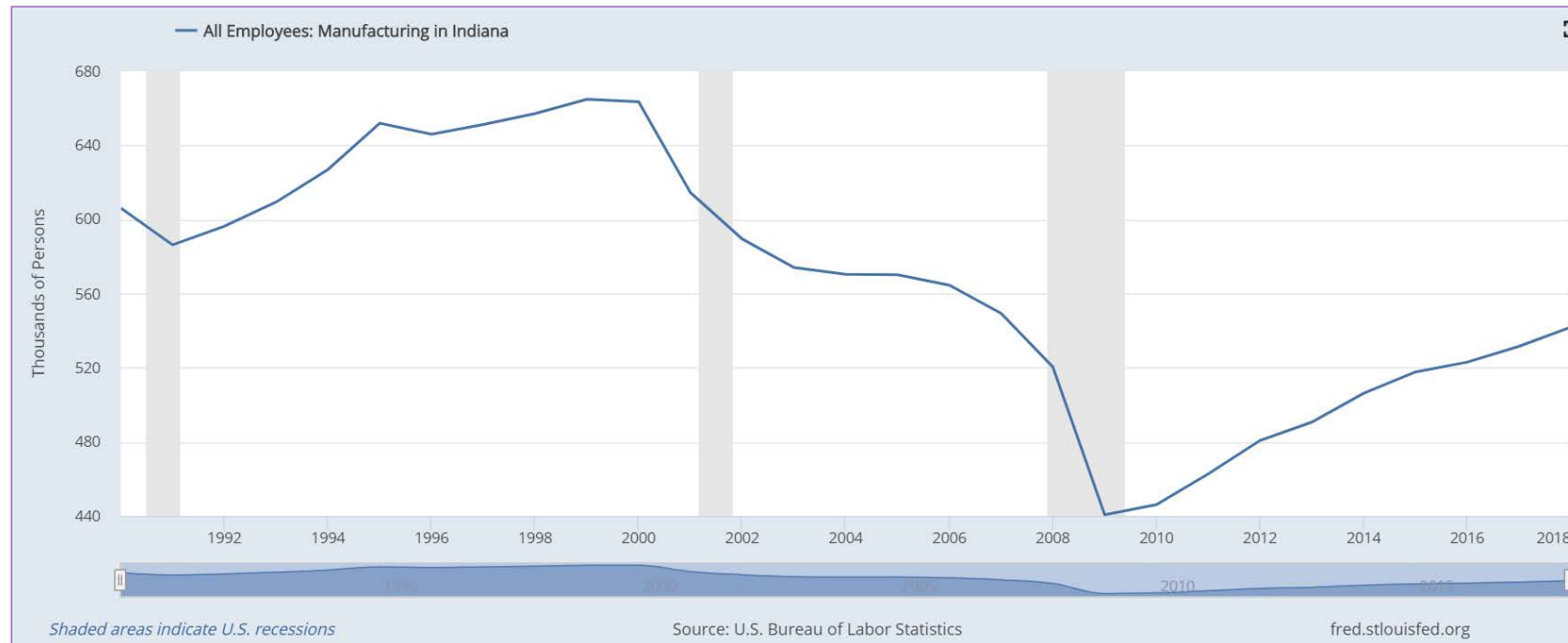
Employment – Manufacturing

- ▶ Part of the Rust Belt - Steel production, heavy industry, declining employment
- ▶ Steel employment in Gary went from 20,000 to 3,800 over the last 40 years



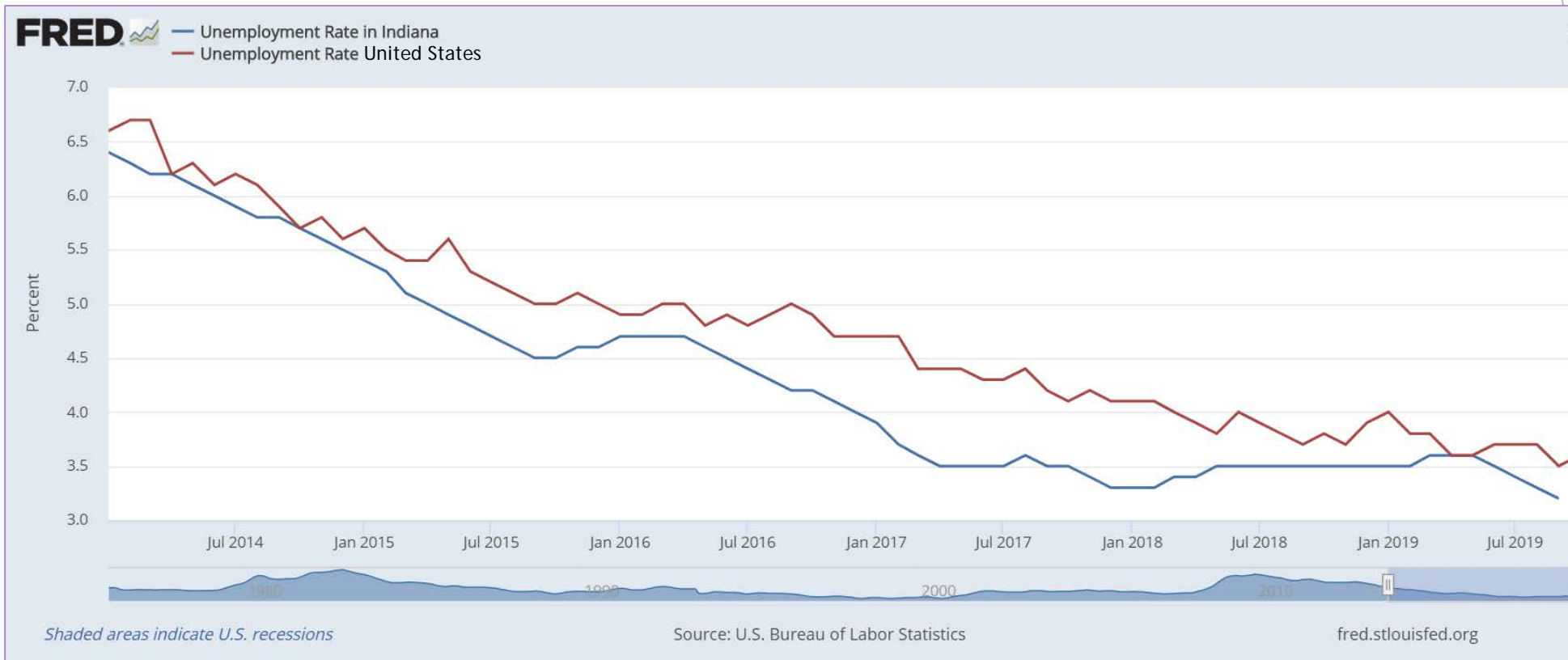
Employment - Manufacturing

- ▶ Indiana leads the country in percentage of manufacturing jobs (ACS 2014 - 18.6%)
- ▶ Only state with assembly plants for Honda, Subaru and Toyota
- ▶ Manufacturing dropped from 31% of employment in 1969
- ▶ Advanced manufacturing (biomedical and microtechnology) growing
- ▶ Added 93,000 manufacturing jobs since 2009



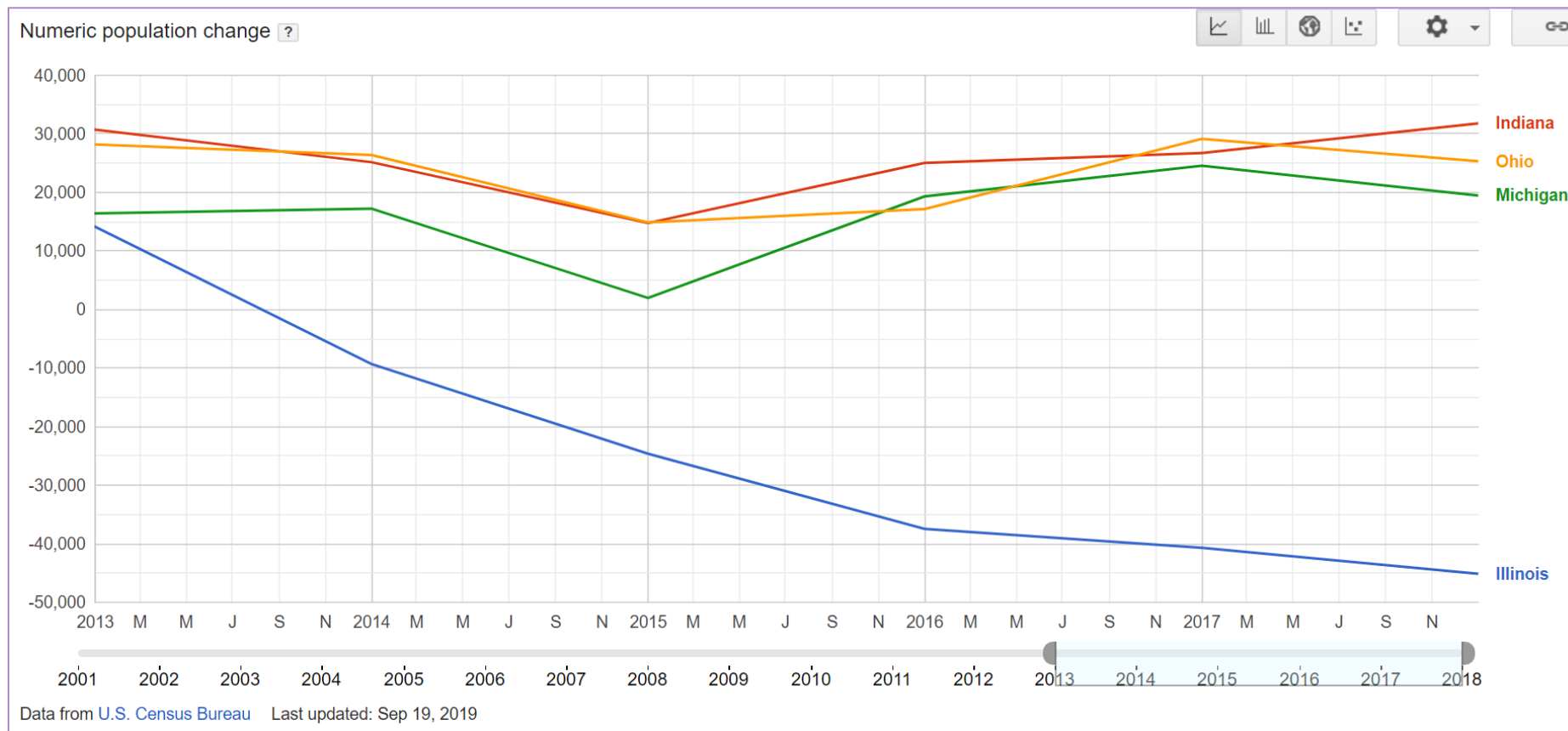
Unemployment very low

- ▶ Since 2014, Indiana has a lower unemployment rate than the U.S.
- ▶ The last time Indiana had unemployment rates this low was 2001
- ▶ September 2019: Indiana 3.2%, United States 3.5%



Population increasing, slowly

- ▶ Total population change: Indiana increasing since 2015
- ▶ Higher numeric increase than Ohio, Michigan, Illinois (losing population)



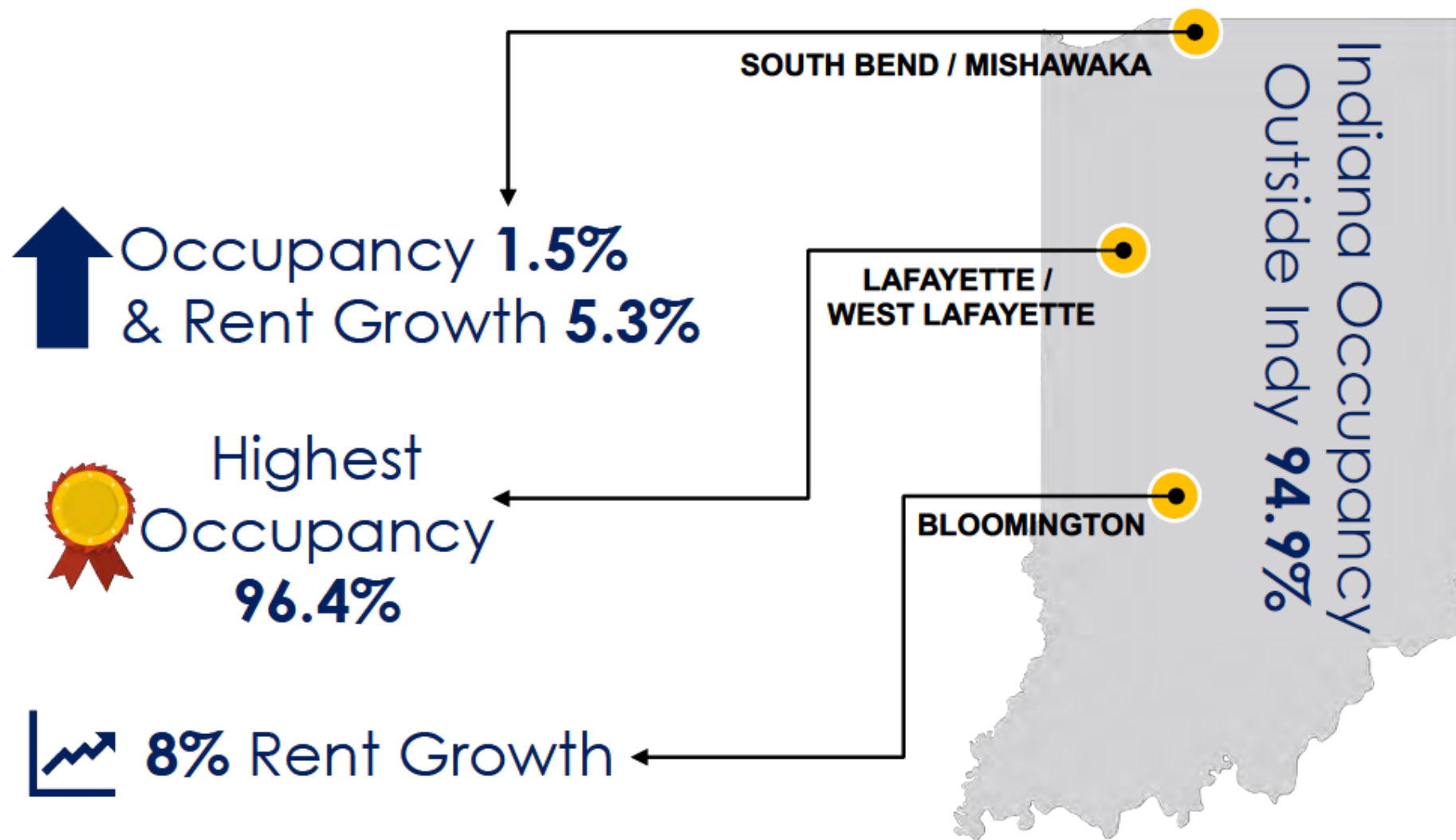
Multifamily market in Indiana

City	Average rent	Average rent PSF	Notes
Indianapolis	\$858	\$0.95	Capital, most populous
Evansville	\$711	\$0.83	
Fort Wayne	\$704	\$0.82	
Valparaiso	\$1,036	\$1.14	The Region
West Lafayette	\$1,065	\$1.09	Purdue
Bloomington	\$1,019	\$1.12	Indiana University

Source: Tikijian Associates



Mitchell Market Analysts, Inc.



Source: Tikijian Associates

IHCDA 9% round 2019

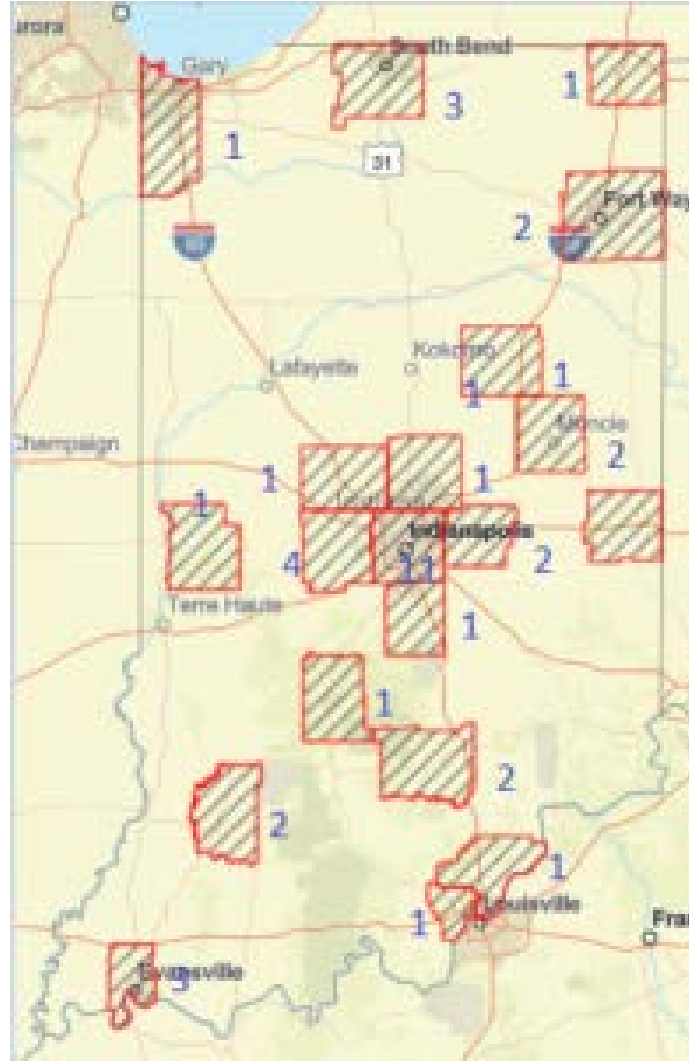
- ▶ One competitive round per year
- ▶ July 29, 2019 - 43 applications
- ▶ 9 applications in the Workforce Housing set-aside; required to use income averaging
- ▶ Average of 52 units per project
- ▶ Around 11 to 14 projects will receive tax credits in the next month



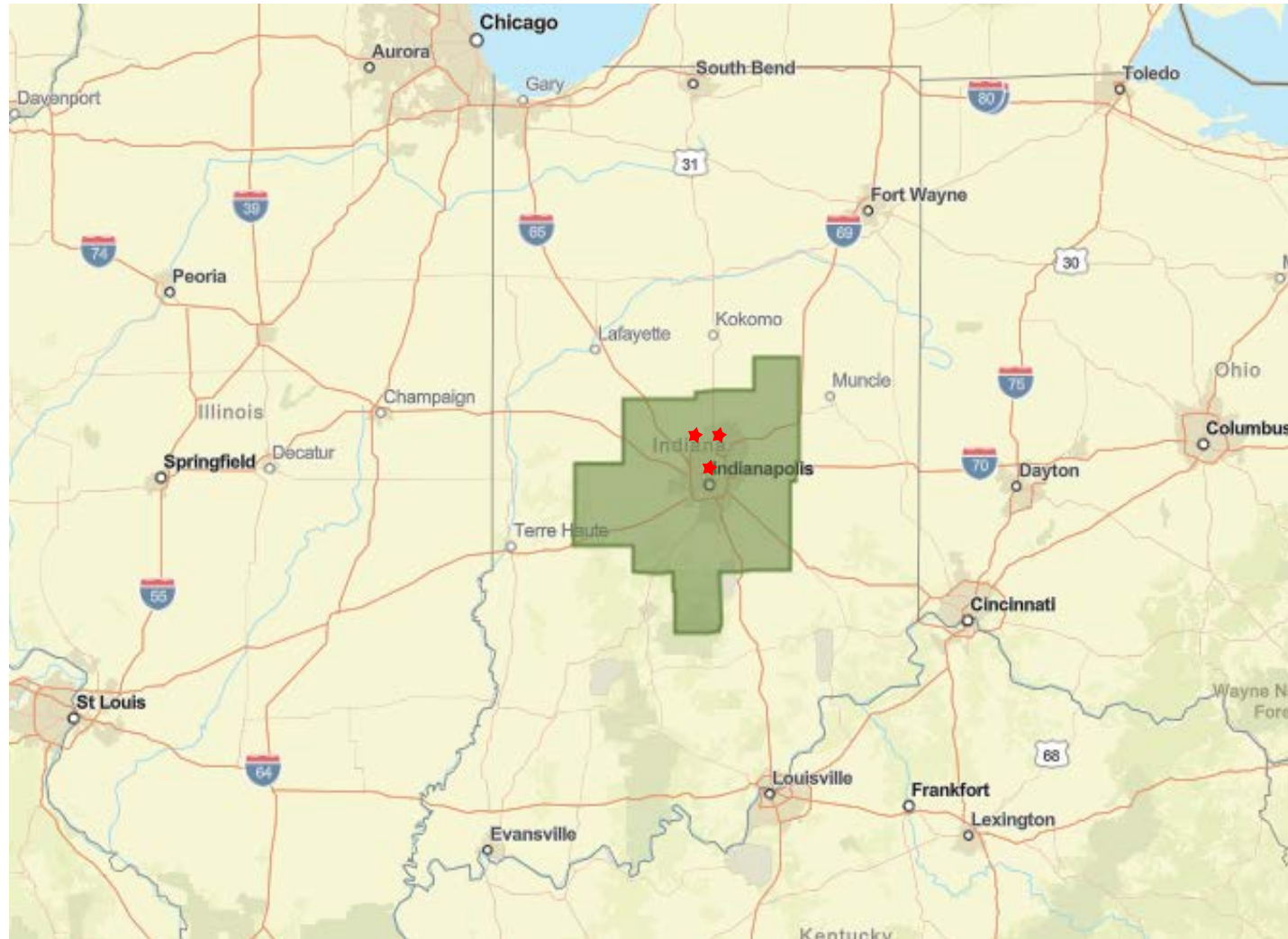
Applications were submitted in 20 Counties.
The most in Marion County at 11, 20 were in the
MSA.

Set Asides Include:

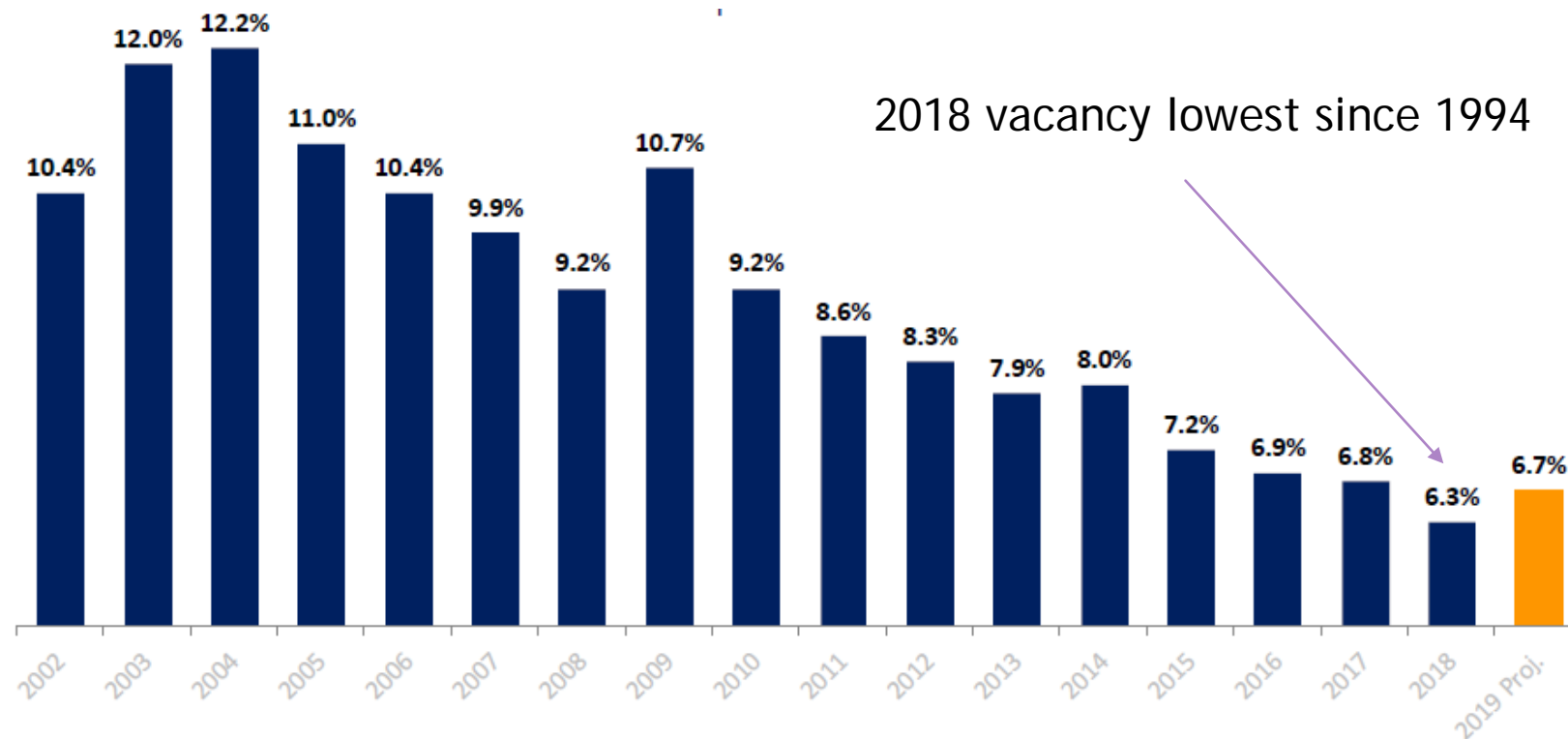
- 1 Housing First
- 3 Preservation
- 3 Community Integration
- 19 Large Cities
- 14 Small City
- 9 Workforce Housing
- 6 Rural



Indianapolis MSA



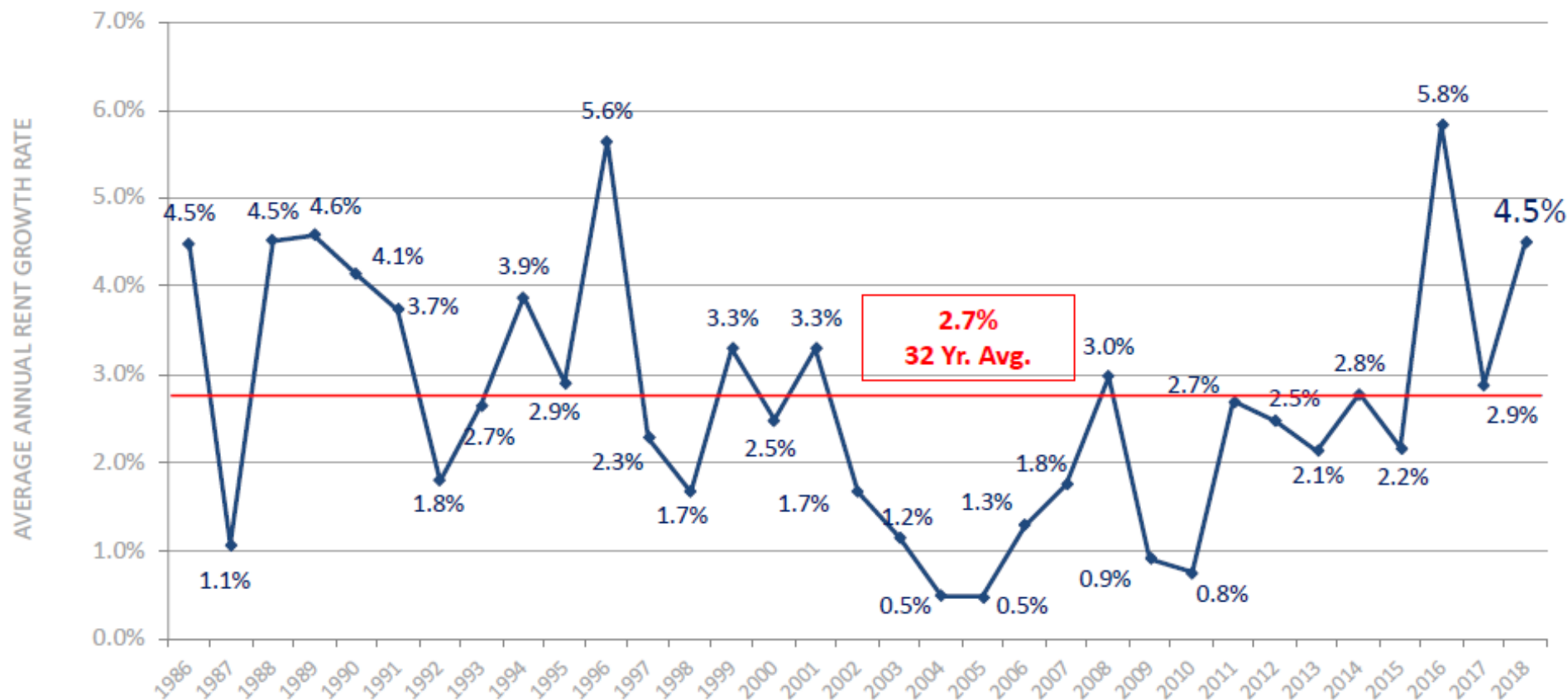
Indianapolis Metro Market Vacancy



- 2019 vacancy rate forecast assumes 3,400 units absorbed as compared to 3,400 units actually absorbed in 2018
- We are projecting 3,600 units will be delivered in 2018, hence the projected vacancy increases to 7.0%.
- Average annual absorption has been 3,400 units since 2010 and 2,150 since 1984.

Source: Tikijian Associates

Indianapolis Metro Rent Growth Rate

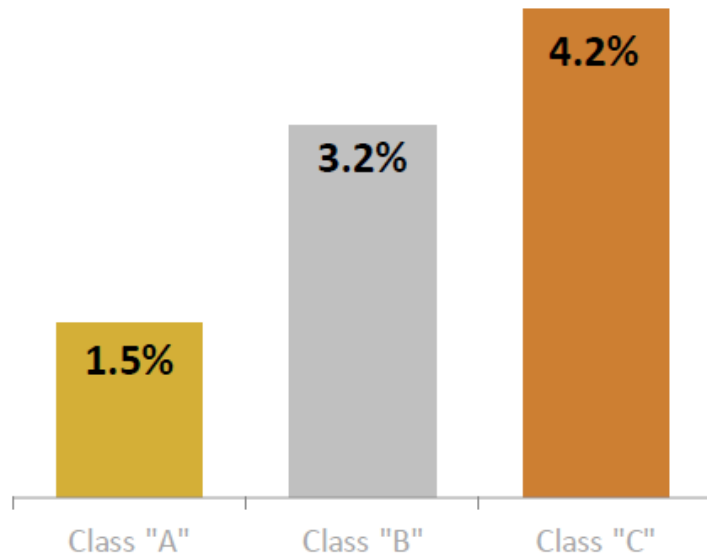


Source: Tikijian Associates

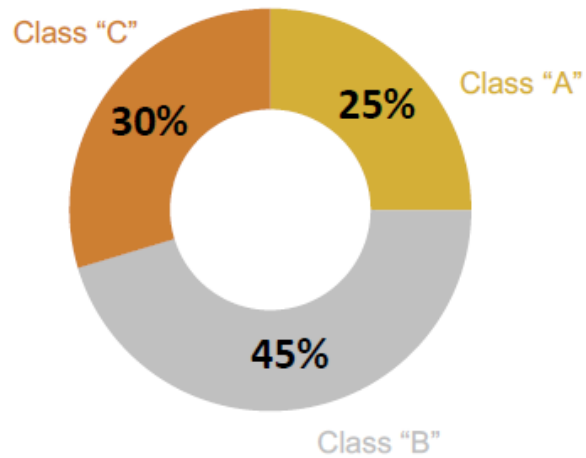
Average Rent Growth – By Class

Indianapolis Metro Area

AVERAGE RENT GROWTH
2017 TO 2018



UNIT BREAKDOWN BY CLASS



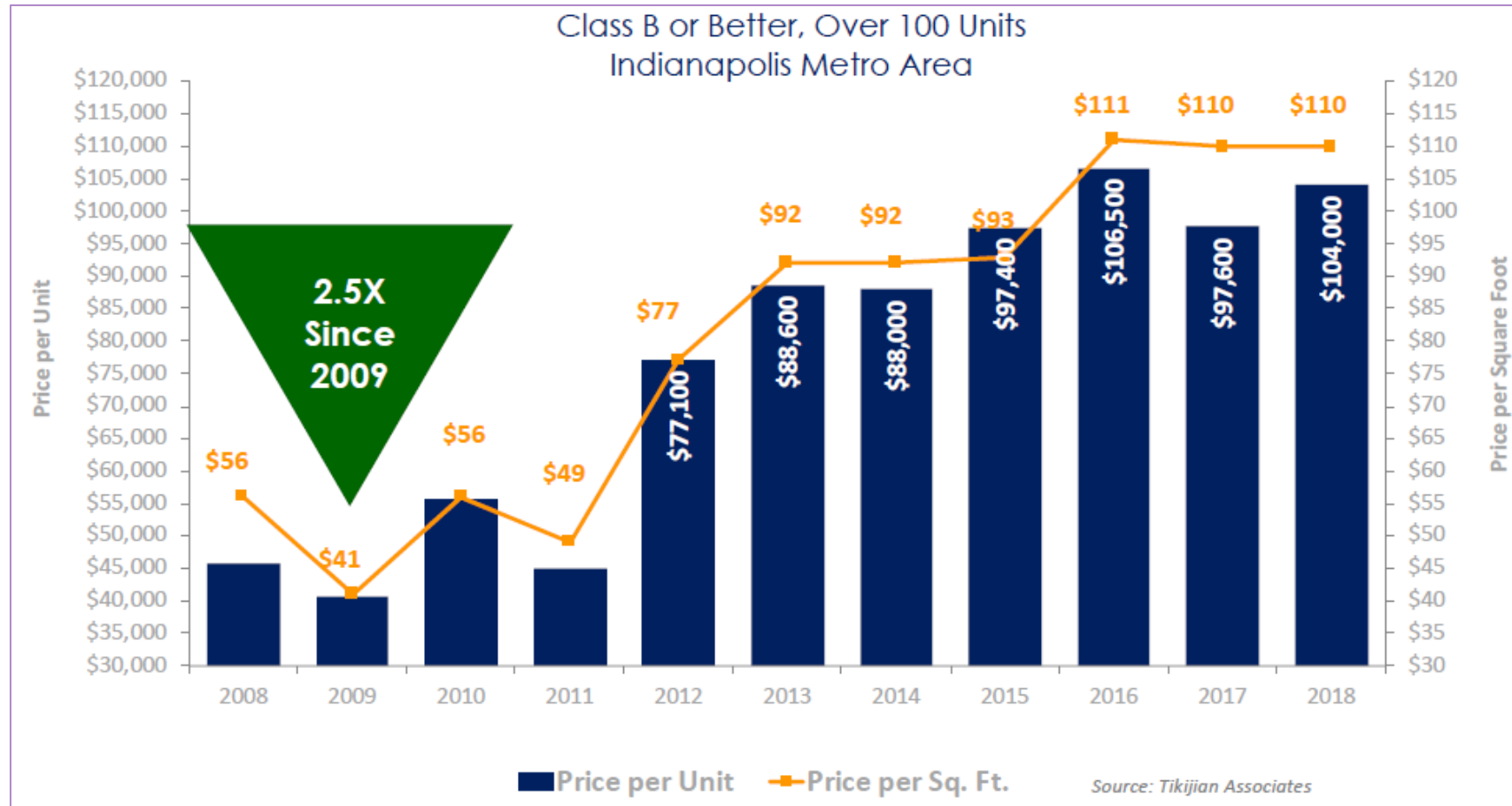
Source: Tikijian Associates



Mitchell Market Analysts, Inc.

Indianapolis Metro Multifamily Sales

Price per unit



Active Multifamily Sales Market - Why?

- ▶ Abundance of buyers looking for property in Indiana
- ▶ National buyer pool
- ▶ Fear of rising interest rates
- ▶ Lower capital gains tax rate
- ▶ Influx of 1031 Exchange buyers
- ▶ More portfolio sales
- ▶ IRR driven sales - low cap rate environment
- ▶ Developers turned merchant builders



Thank you!

Liza Mutzl

lmutzl@mitchellmarketanalysts.com

Mitchell Market Analysts, Inc.

www.mitchellmarketanalysts.com



Mitchell Market Analysts, Inc.