

2022 MID-YEAR

# INDIANAPOLIS IN

## Multifamily Report

**BERKADIA**<sup>®</sup>

a Berkshire Hathaway and Jefferies Financial Group company





## Jobs Added / Lost

### LAST 12 MONTHS

38,100

↑ 3.5%

### NEXT 12 MONTHS\*

21,600

↑ 1.9%

## Unemployment

### MID-YEAR 2022

1.9%

↓ 180 BPS YOY

### MID-YEAR 2023\*

2.5%

↑ 60 BPS YOY

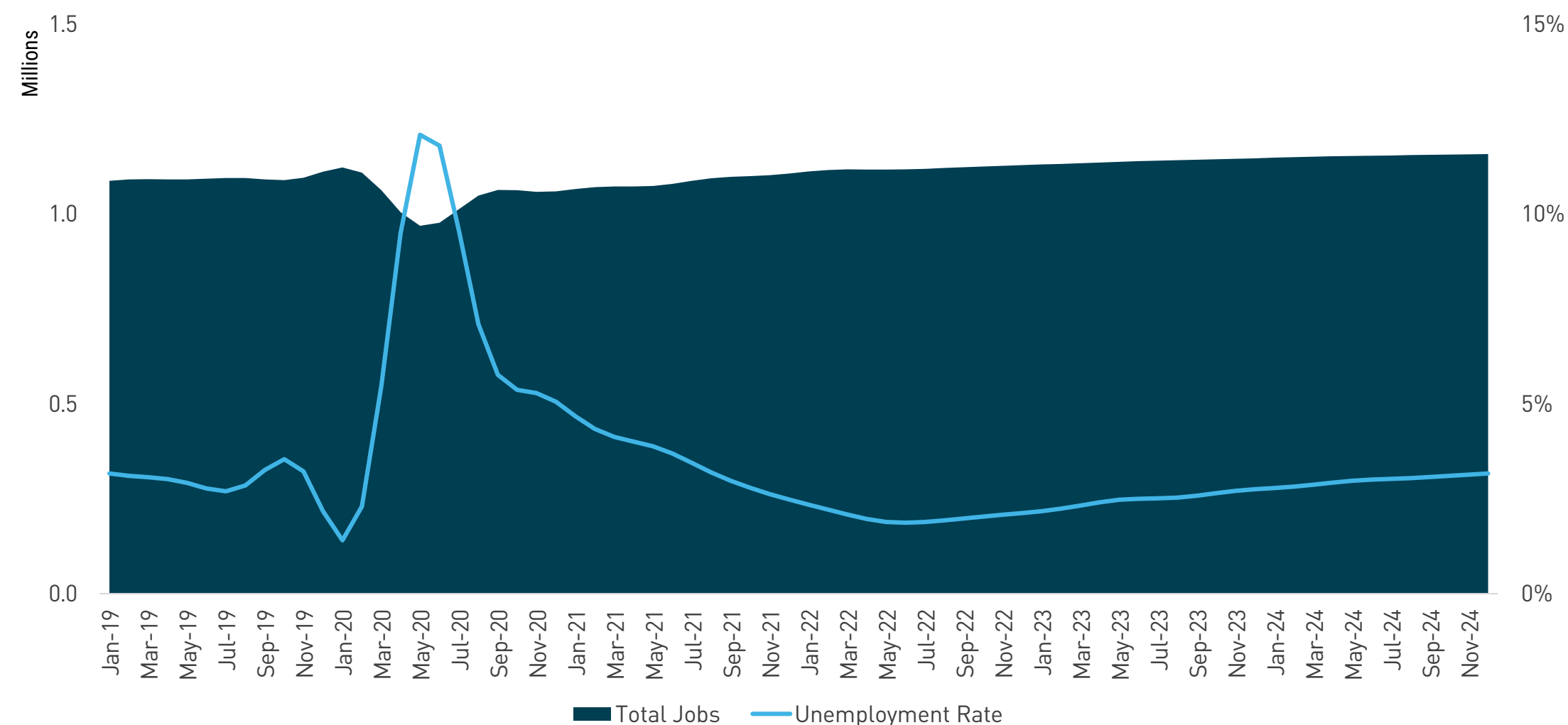
\*Projected

# INDIANAPOLIS, IN EMPLOYMENT

Employment in the Indianapolis metropolitan area expanded since the pandemic-driven contraction in 2020, owed to growth in industrial sectors and a surge in traction as a corporate hub. Total nonfarm employment grew 3.5% year over year to 1.2 million jobs in June 2022. The trade, transportation, and utilities sector, which makes up 22% of employment, swelled by over 10,400 jobs in the past 12 months. During this period, major players in distribution expanded their operations, like XPO Logistics, who promised 500 new jobs by 2024 at their new Apple Inc. distribution hub in Hendricks County. Additionally, the Ports of Indiana-Jeffersonville just completed a \$24 million infrastructure expansion aimed at increasing the

cargo capacity, which already made headlines in 2021 for a new shipping record of 3.2 million tons. Professional and business services positions accounted for 4,800 new jobs over the last 12 months. One of the largest announcements of mid-year 2022 is the relocation of Elanco Animal Health Inc.'s headquarters, which will bring 2,000 jobs to Indianapolis as soon as 2026. Within the next two years, advanced manufacturing may top charts for boosting local payrolls, as major employers including McLaren Racing, Stevanato Group, and Eli Lilly and Company, plan to hire hundreds of new employees.

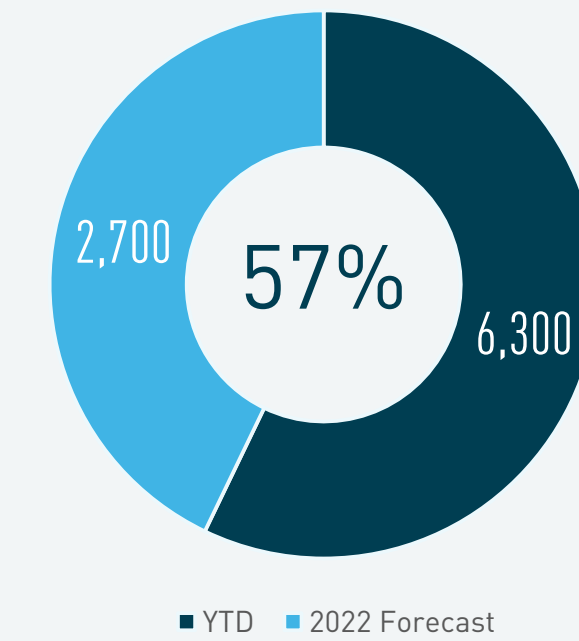
## Employment Trends



SOURCE: Moody's Analytics

## Who's Hiring?

### TRADE, TRANSPORTATION, & UTILITIES INDUSTRY



22%  
OF ALL JOBS IN THE METRO

\$39,900  
AVERAGE ANNUAL SALARY

## Top Trade, Transportation, & Utilities Employers

<b>Walmart</b>	8,900 JOBS
<b>Kroger</b>	7,700 JOBS
<b>FedEx</b>	5,000 JOBS

## In The News

- Walmart's new McCordsville facility will bring 1,000 jobs
- Tek Experts launch in Indianapolis creates 500 new jobs
- Two new Eli Lilly Company facilities to create 500 jobs



# INDIANAPOLIS, IN DELIVERIES & ABSORPTION

2022 Units\*

**DELIVERIES**

1,467

**ABSORPTION**

-635

2023 Units\*

**DELIVERIES**

4,355

**ABSORPTION**

1,155

\*Projected

Indianapolis' multifamily market maintained stability throughout the pandemic in terms of absorption and deliveries compared to other U.S. metro areas, many of which saw absorption plummet. The metro's strong fundamentals continued as the pandemic waned.

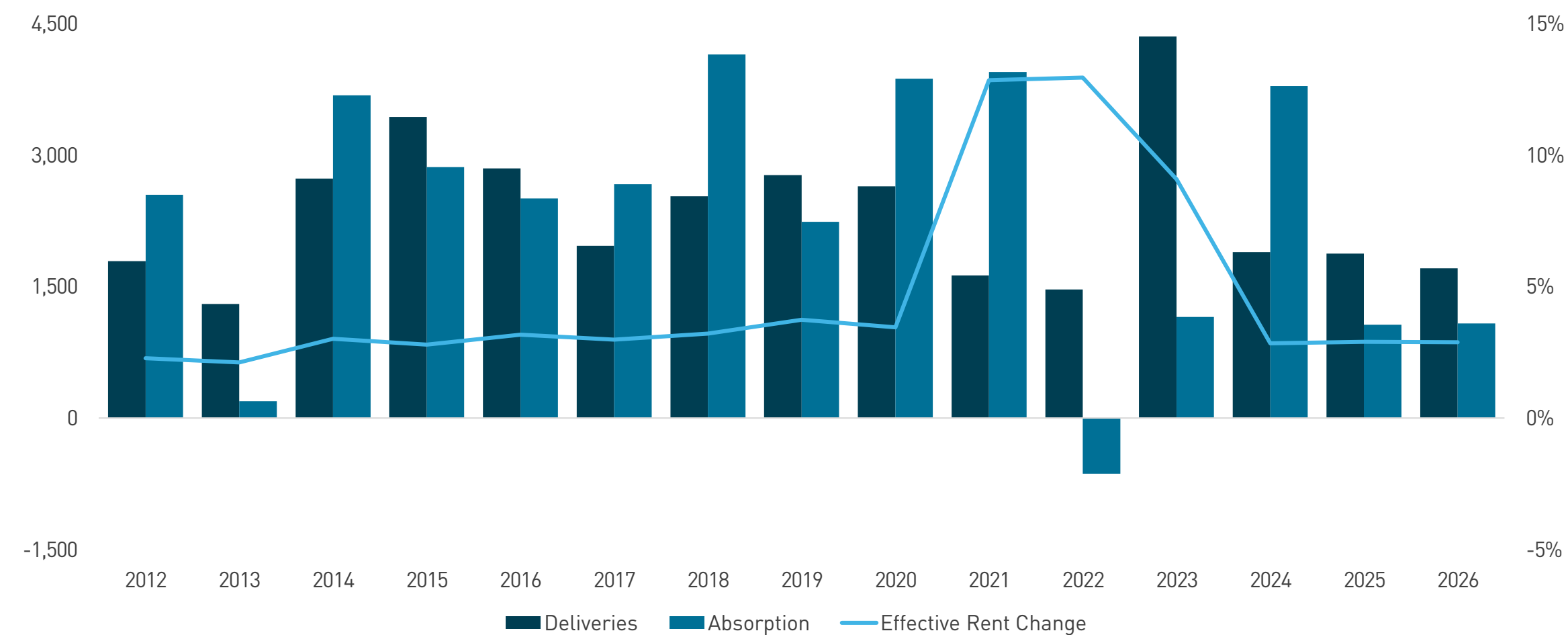
In the 12-month period ending in June 2022, renters in Metro Indianapolis absorbed 3,279 net apartments while developers delivered 1,570 units. The increase over the previous 12 months was minor for absorption, at 4.1%, and deliveries decreased by almost 22%.

While these metrics are positive, 91% of the units leased happened in second half of 2021. A lull in activity is forecast for the remainder of 2022. Without indication of

a mass exodus from the Indianapolis metropolitan area, deflated demand may be a symptom of rate increases. The largest year-over-year rent spike of 13.8% occurred in the second quarter of 2022 and estimates show little abatement of 11.2% over the next year. However, the predicted recess in demand is brief.

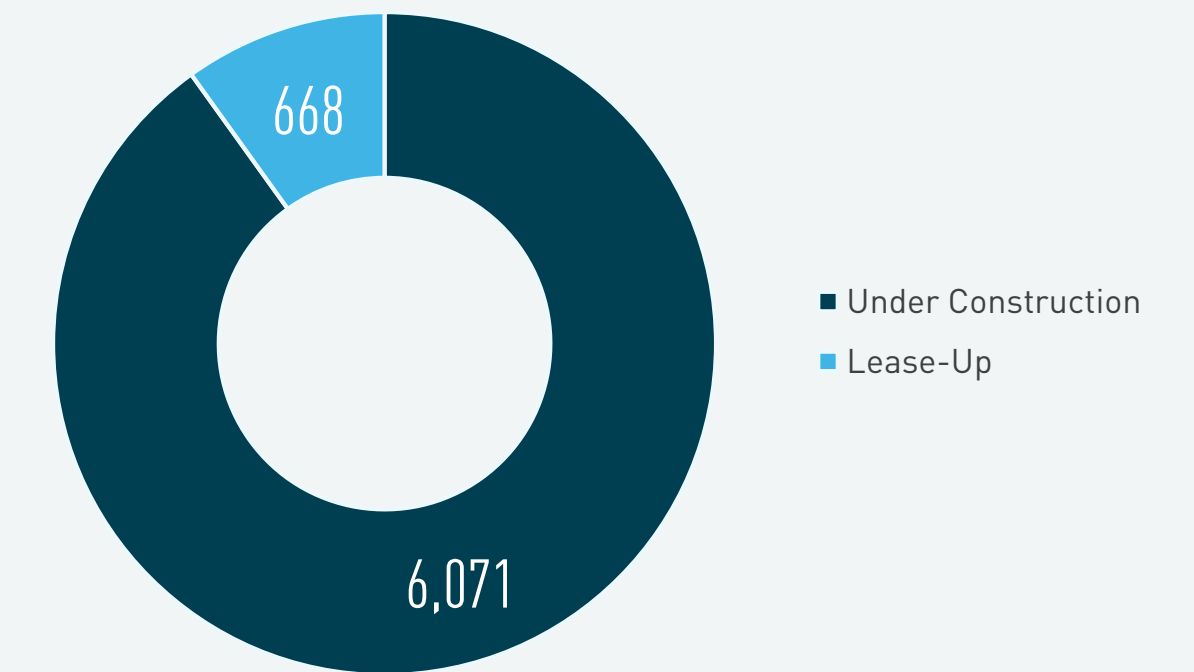
While leasing activity will be down over the next four quarters, absorption over the following year is projected to shift closer to the annual average since mid-2017, as incoming/expanding companies begin filling positions as announced.

## Deliveries, Absorption, & Effective Rent Change

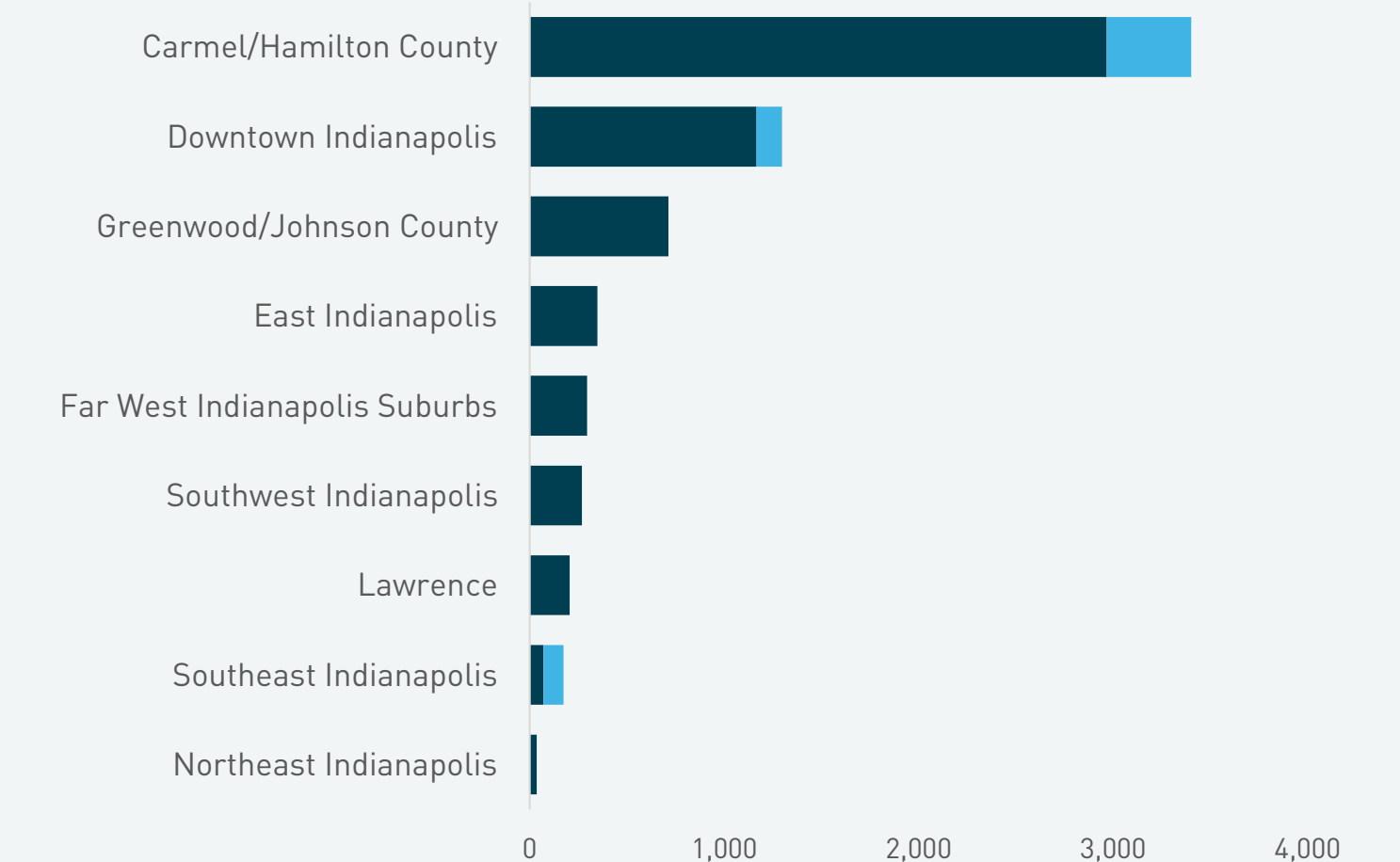


Source: RealPage

## Market Pipeline



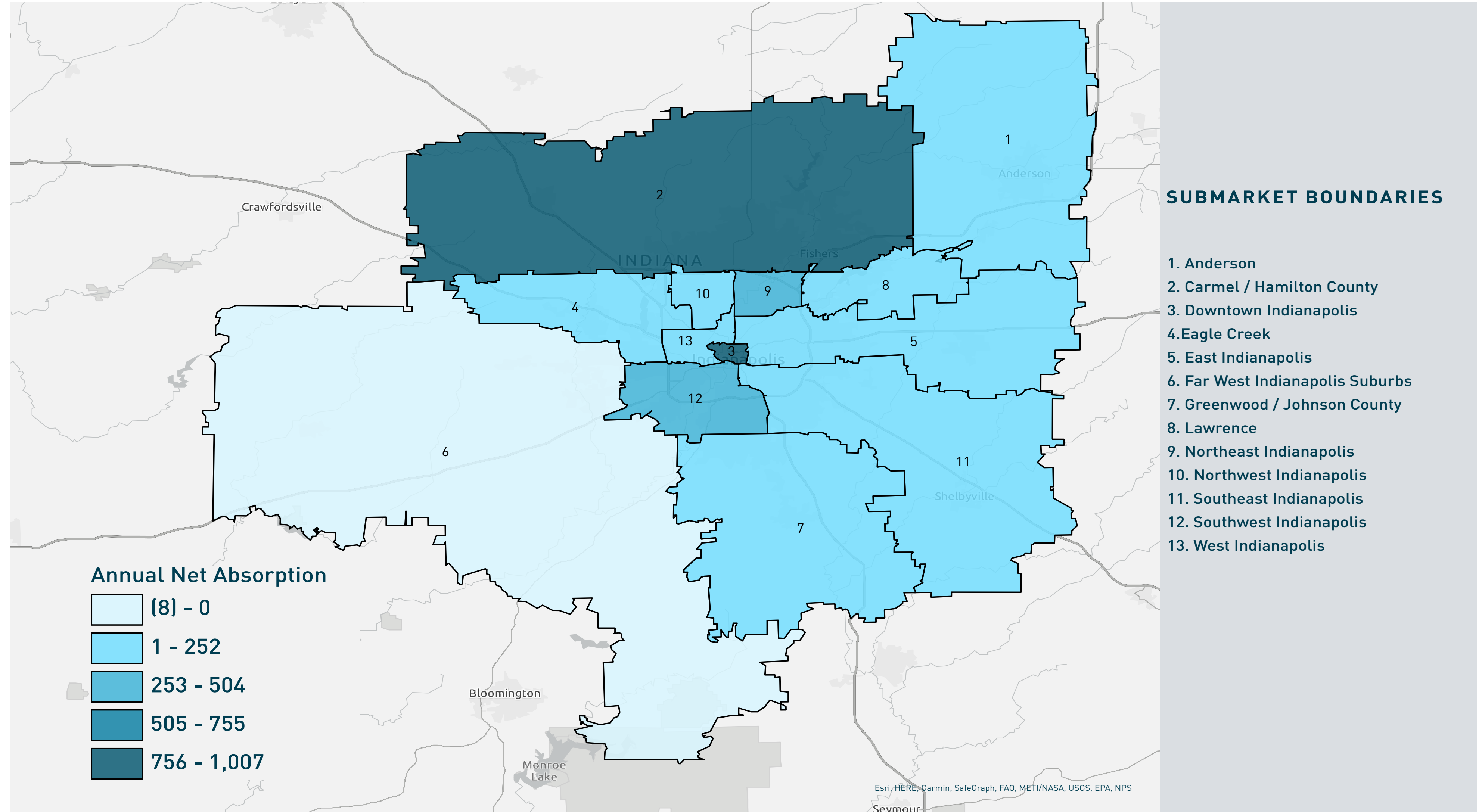
## Top Submarket Pipelines





# INDIANAPOLIS, IN SUBMARKET ANNUAL ABSORPTION

Two submarkets stood out among the rest of the Indianapolis metro in mid-year 2022. Carmel/Hamilton County and Downtown Indianapolis accounted for 54% of the total metrowide absorption and 63% of deliveries over the past 12 months. Renters in Carmel/Hamilton County, a suburban submarket that comprises a swath of area north of Downtown Indianapolis, absorbed 1,007 units as 966 units delivered over the past 12 months. Furthermore, Carmel/Hamilton County accounts for almost 49% of the 6,071 units currently under construction metrowide, more than five times the Downtown submarket's 1,167 units. Hamilton County's population grew approximately 2.9% annually, nearly double metro rate. Carmel/Hamilton County is a strategic location for residents, as it is only a 30- to 40-minute drive to employment clusters in Anderson, Lebanon, and downtown. Hamilton County is home to several of the largest metro employers.





# INDIANAPOLIS, IN RENT & OCCUPANCY

## Effective Rent

2Q 2022

\$1,145

↑ 13.8% YOY

## Occupancy

2Q 2022

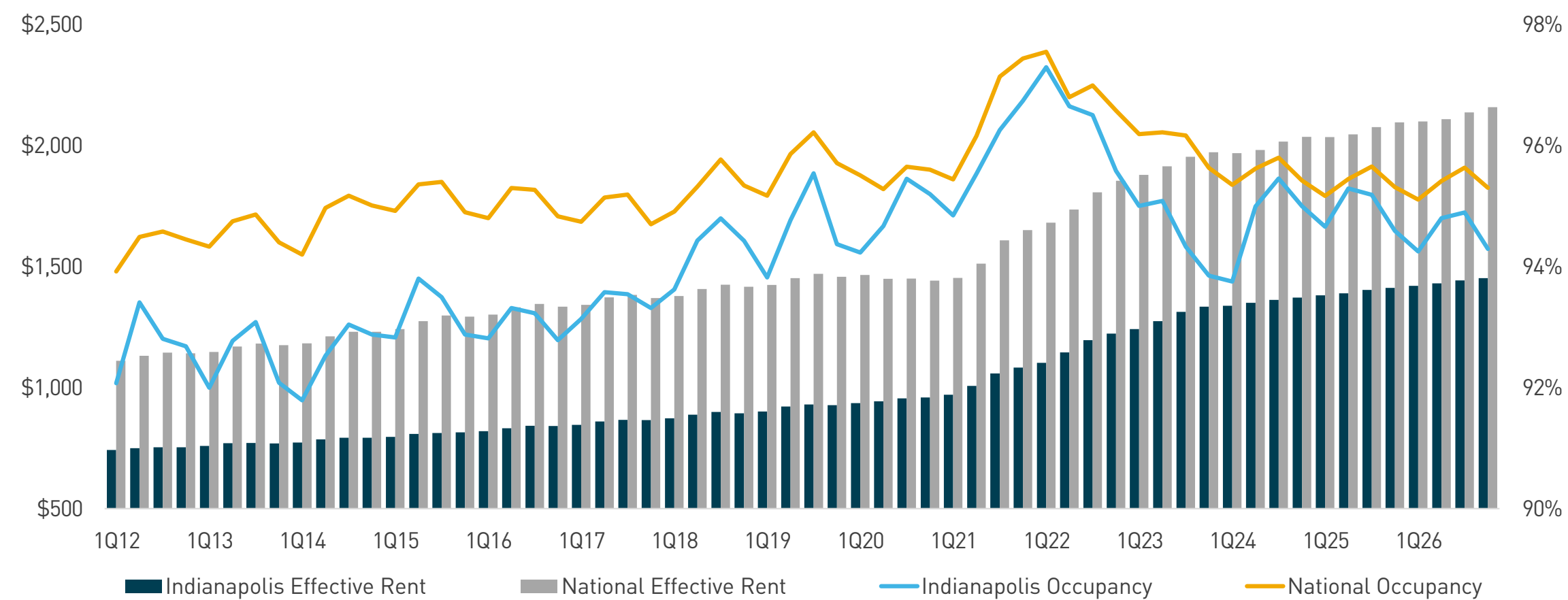
96.7%

↑ 110 BPS YOY

Greater Indianapolis' annual rent increase reached a historic high of 13.8% year over year, which put the average effective rent at \$1,145 per month in the second quarter of 2022. Indianapolis' effective rental rate is nearly \$600 dollars less than the national average, which keeps the market competitive, as it must retain and attract talent for the laudable amount corporate expansions and relocations anticipated for the next two years. A lower-than-average number of deliveries coupled with exceptional demand helped boost the metro's average occupancy rate 120 basis points over the past four quarters to 96.7%. With 5,830 units scheduled to come online over the next 24 months, market occupancy is forecast to drop to 95.0%. Even with the decrease, the

occupancy rate would be higher the previous five-year average of 94.8%. Over the next two years, annual rent escalations are expected to return to the historical five-year average growth rate. The cooling period and new supply should ensure future demand for multifamily housing should the metro's single-family home inventory continue to increase and show signs of stabilization, though June 2022 prices reached an all-time high. Greater Indianapolis' average mortgage payment in June was \$600 more per month than the average effective rent, but only about \$225 more than Class A rentals which averaged \$1,525 in the second quarter.

## Indianapolis vs. National Effective Rent & Occupancy



Source: RealPage

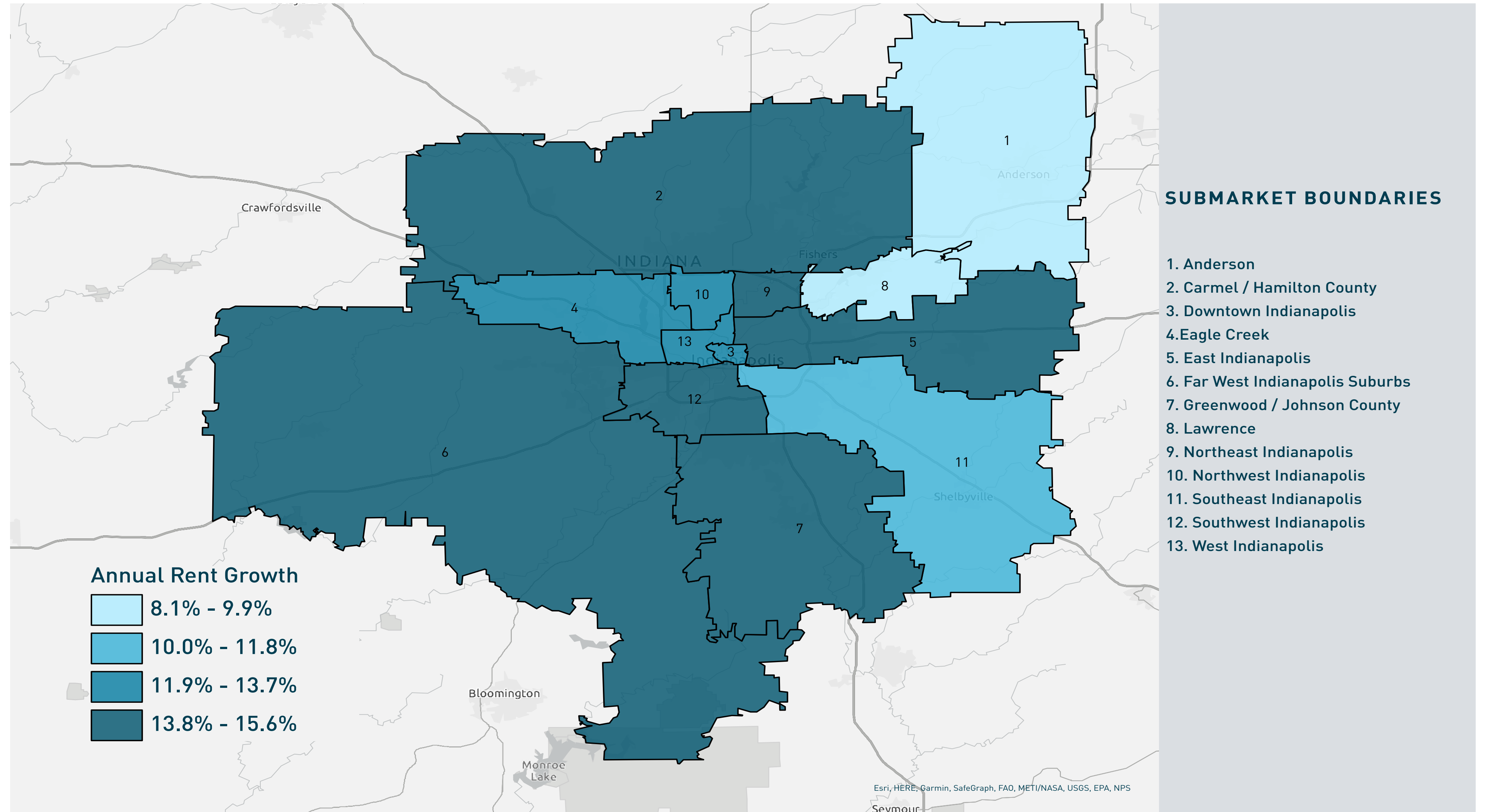
## Submarket Performance

SUBMARKET NAME	2Q22 OCCUPANCY	YOY (BPS)	2Q22 EFFECTIVE RENT	YOY
Anderson	97.7%	280	\$886	8.1%
Carmel/Hamilton County	97.1%	30	\$1,408	15.2%
Downtown Indianapolis	95.0%	580	\$1,461	11.8%
Eagle Creek	97.2%	120	\$1,029	12.7%
East Indianapolis	95.7%	110	\$938	14.9%
Far West Indianapolis Suburbs	97.2%	-10	\$1,327	14.4%
Greenwood/Johnson County	97.6%	-10	\$1,119	15.6%
Lawrence	96.3%	30	\$1,115	9.1%
Northeast Indianapolis	96.3%	60	\$1,228	13.9%
Northwest Indianapolis	97.1%	20	\$1,051	13.6%
Southeast Indianapolis	95.9%	30	\$1,143	11.4%
Southwest Indianapolis	97.1%	190	\$1,001	14.7%
West Indianapolis	97.1%	30	\$943	12.3%



# INDIANAPOLIS, IN SUBMARKET ANNUAL RENT CHANGE

Two of Greater Indianapolis' submarkets eclipsed the average effective rent increase metrowide by well over 100 basis points. The Greenwood/Johnson County submarket led with a 15.6% annual increase, just 40 basis points above Carmel/Hamilton County submarket. While Carmel/Hamilton County submarket owes the above-average rate increase to its desirable location with median household income of nearly \$100,000, the Greenwood/Johnson County spike is a product of meager deliveries—66—over the past year and the expectation of future growth. With access to Interstate 65 and Indianapolis' talent pool, Johnson County is an emerging industrial hub for Central Indiana. One of the notable developments underway in industrial cluster at the intersection of Interstate 65 and State Highway 44 is the 213-acre I-65 Commerce Center. The development will house an Amazon warehouse with over 1,000 workers.





Sources: RealPage; Moody's Analytics; Real Capital Analytics

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