



INDIANA  
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REALTOR

# State of Indiana Real Estate

Indiana Association of REALTORS®  
Indiana Housing & Community Development Authority

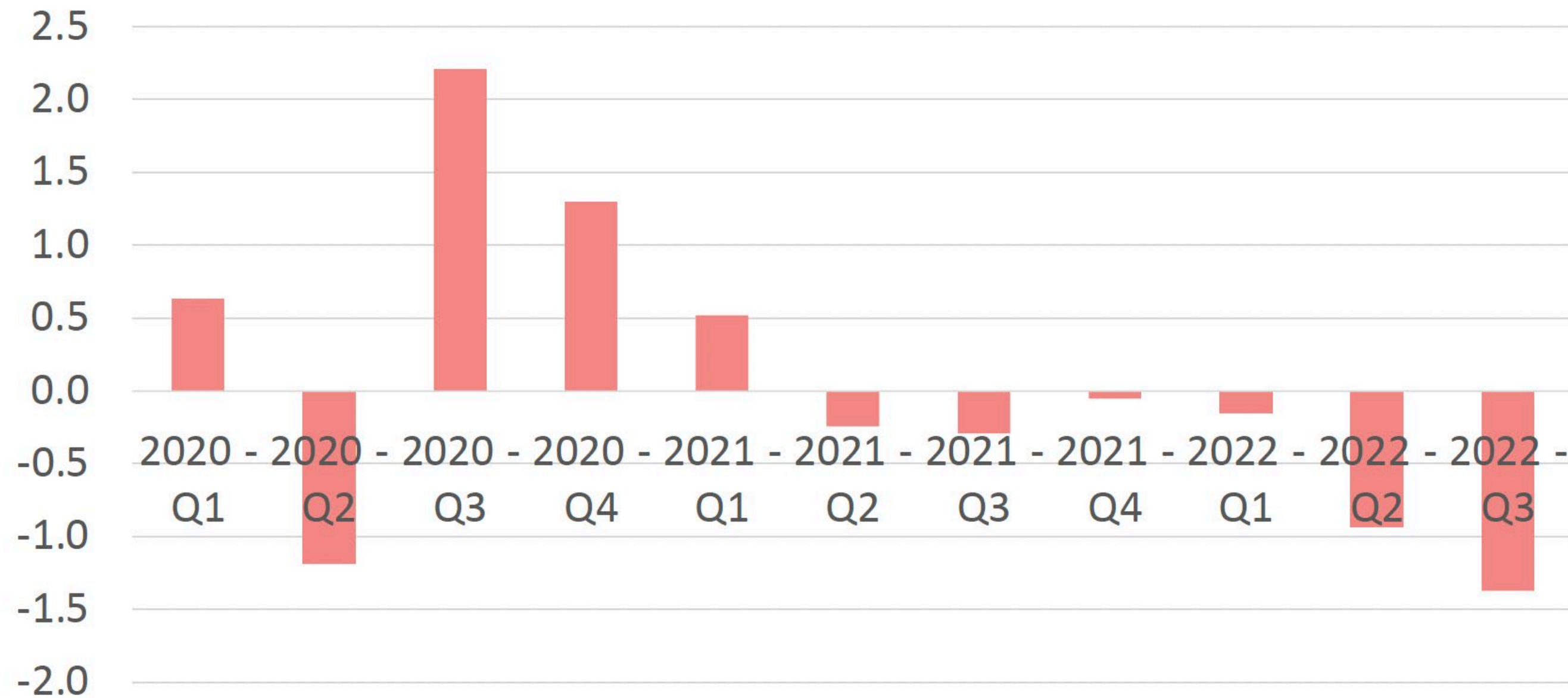
Recent market context:  
Healthy demand, interrupted.

# 2022 in review:



Housing is ground zero for the Fed's anti-inflation rate policies.

Residential sector's contribution to percent change in GDP



National Association of REALTORS®

**2022 saw a housing recession while surprising levels of consumer spending and job growth bolstered the broader economy**

- Residential investment finished 2022 down **20%**
- Housing (residential fixed investment) was the biggest drag on U.S. GDP in Q3 and Q4
- Existing home sales fell **16%** from 2021 to 2022 (NAR)
- Median existing home prices still grew 9% nationally (NAR)

# In Indiana, 2022 ended on a sharp year-over-year decline in existing home sales:



*Difference from previous year's sales*



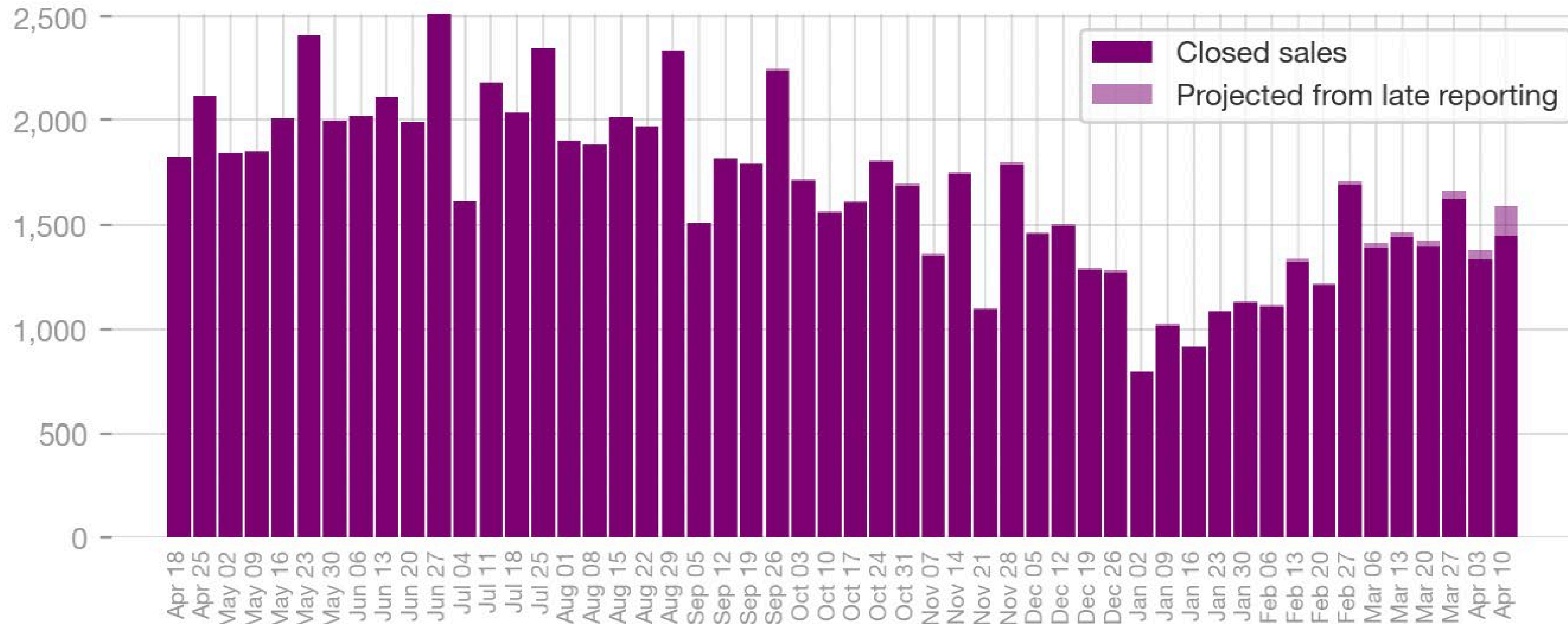
	August	September	October	November	December	January
<b>2021-22 Sales</b>	9,734	9,360	9,206	8,724	8,696	5,647
<b>2022-23 Sales</b>	8,990	8,129	7,043	6,335	6,071	4,158
<b>YOY Change (Sales)</b>	-7.5%	-13%	-23%	-27%	-30%	-26%
<b>2022-23 Median Sale</b>	\$240,000	\$235,000	\$237,000	\$232,000	\$225,000	\$215,000
<b>YOY Change (Median Price)</b>	9.5%	7%	9%	8%	3.4%	3.5%



# 2023 has seen sales stabilize and start to rebound:

Q1 home sales -12% year-over-year (starting the year -26% in January)

Sales grew 34% from February to March, on par with March '22



Latest week

**1,587**

Week of April 10

Previous week

**1,375**

Week of April 03

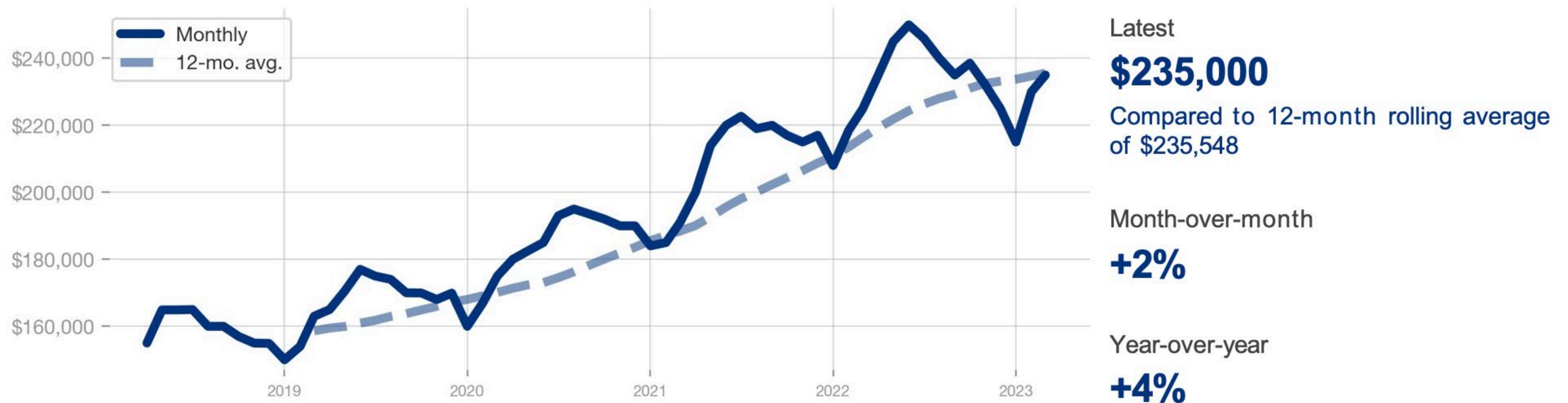
Four-week average

**1,511**



# Median sale prices continue to rise year-over-year

U.S. home prices have seen back-to-back YOY declines (February and March) – breaking a stretch of 131 consecutive months of YOY price appreciation

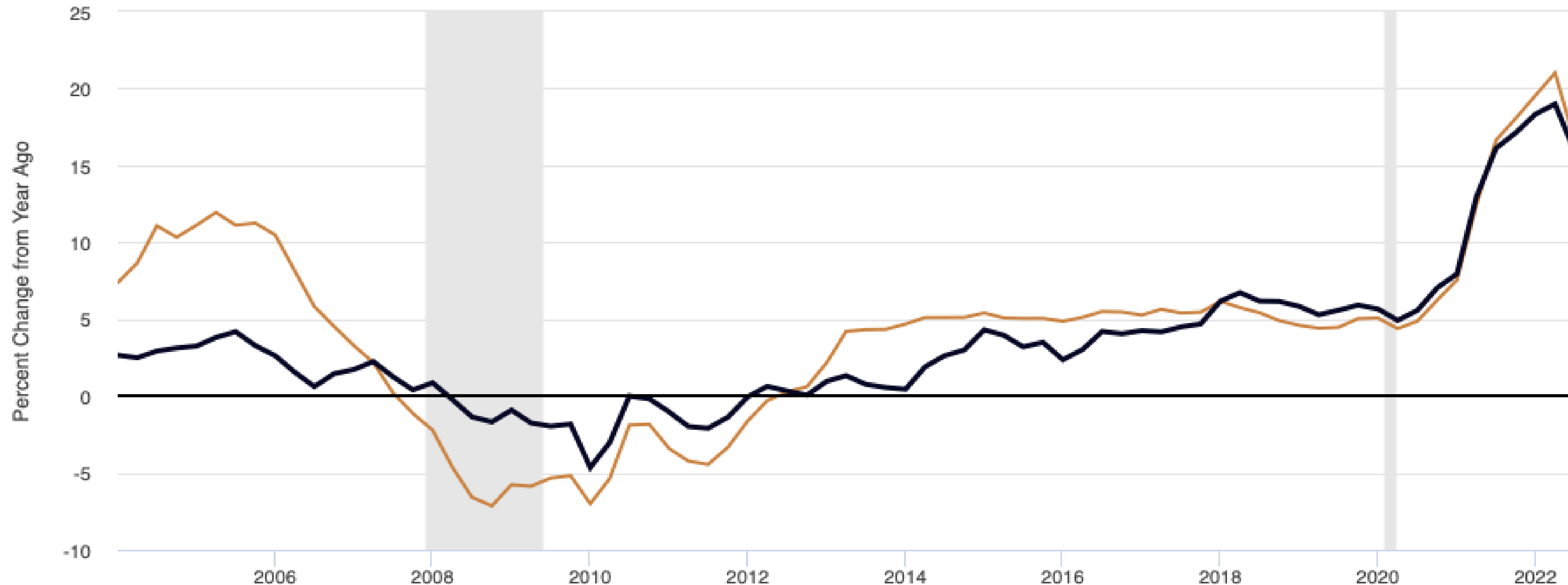


# Indiana's post-Great Recession price appreciation was slower than the U.S. until 2017-2018 – what happened?



Indiana's current price trend predates 2020 – not a 'COVID bubble'

**FRED**  — All-Transactions House Price Index for the United States  
— All-Transactions House Price Index for Indiana

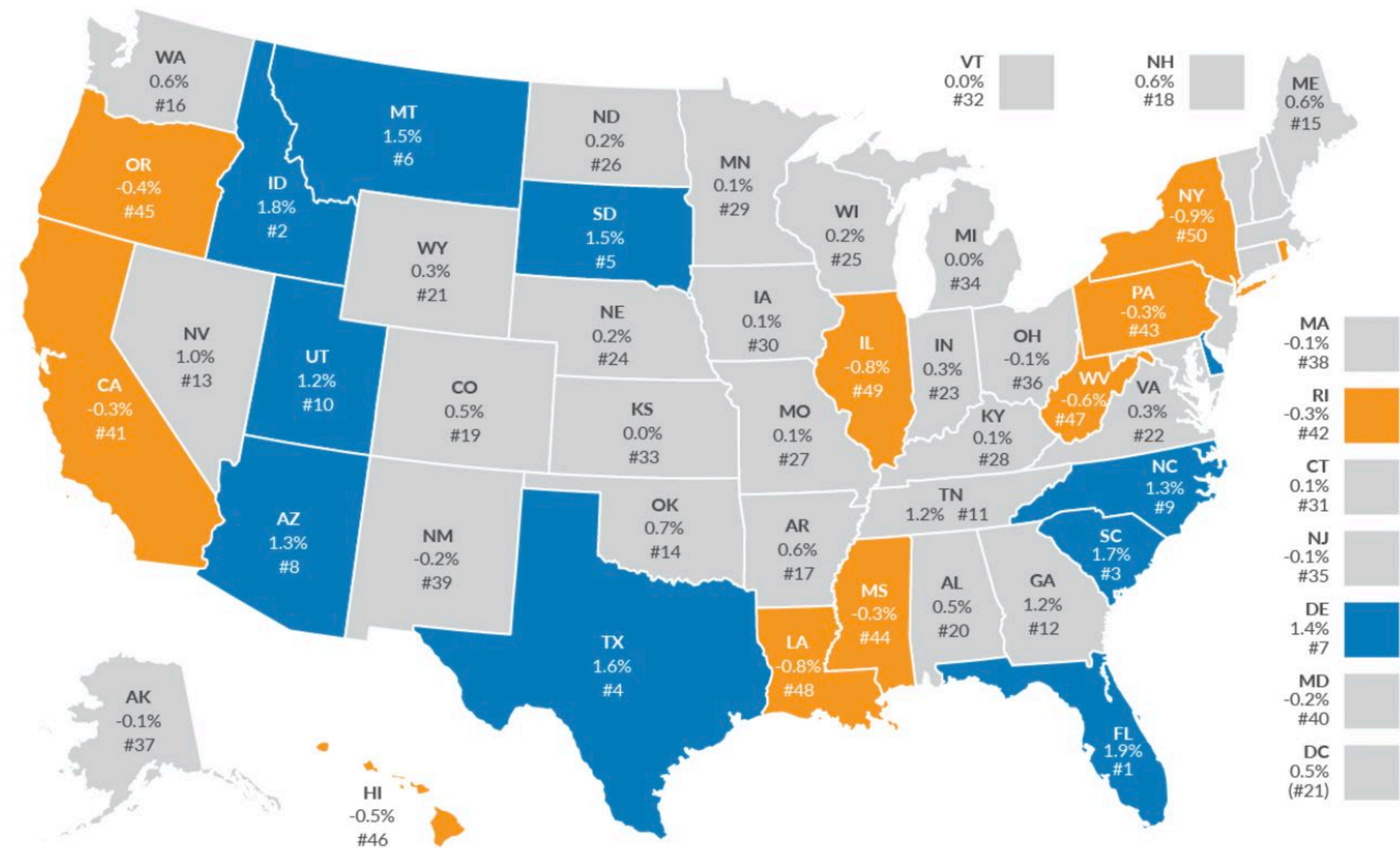




# Indiana population growth accelerates after 2017

Positive net migration is a potential factor driving recent housing sales – but with supply not keeping pace, prices are rising

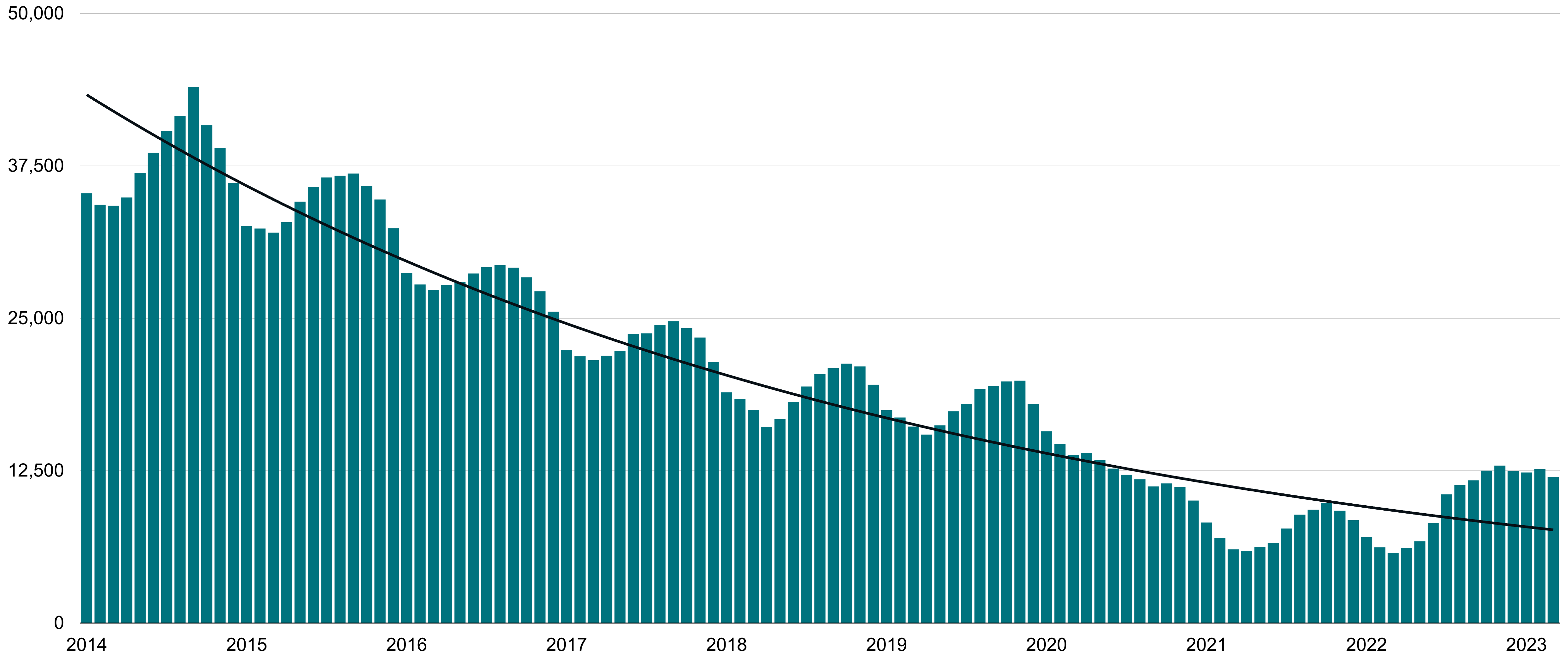
- Indiana's overall population has grown by 300,000 since 2011 (160,000 households)
- Lagged the nation but **led the Midwest** in population growth (2010-2020)
- Net domestic migration positive from 2018 through 2022 – **31,000+**
- +5,200 net migration in 2022
- *Illinois, Ohio and Michigan lost a combined 158,000 residents last year*





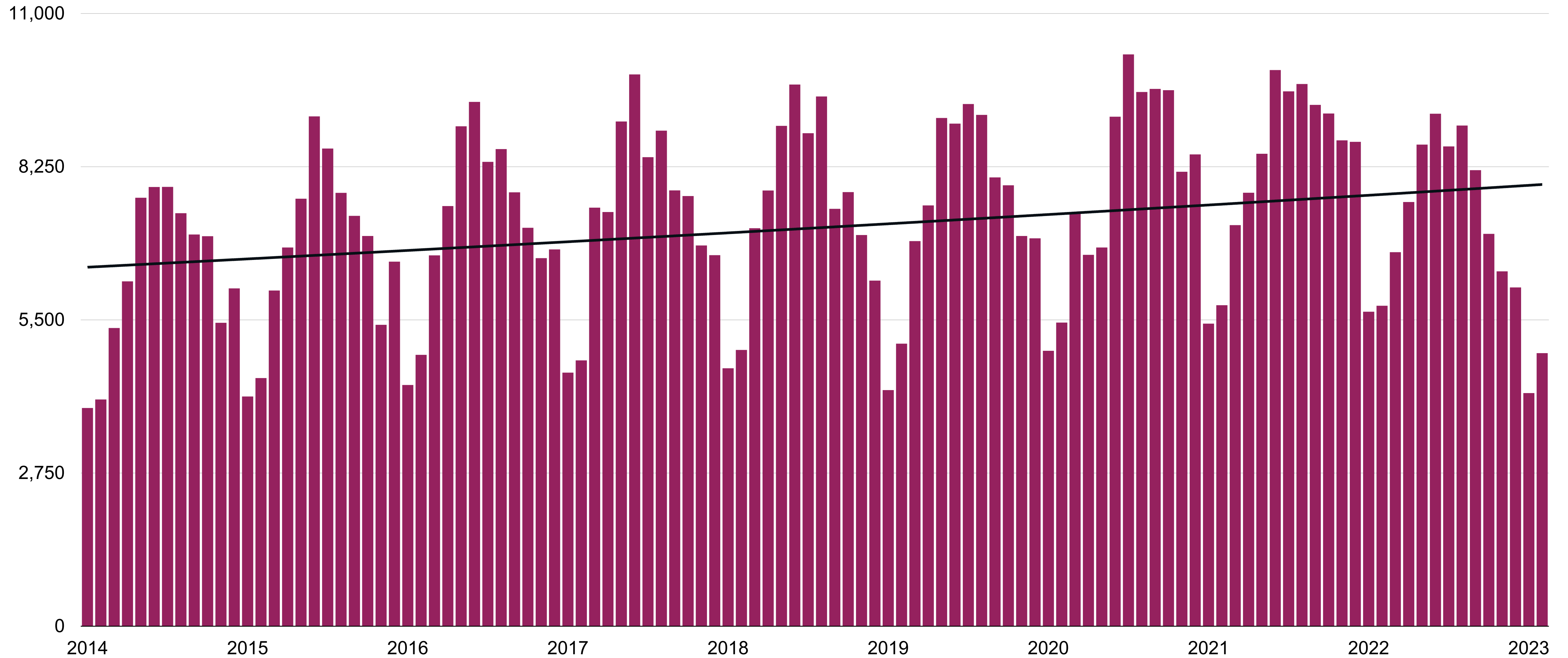
# Supply-side outlook

# Supply (monthly active listings) fell every year from 2014-2022, 75% since 2011



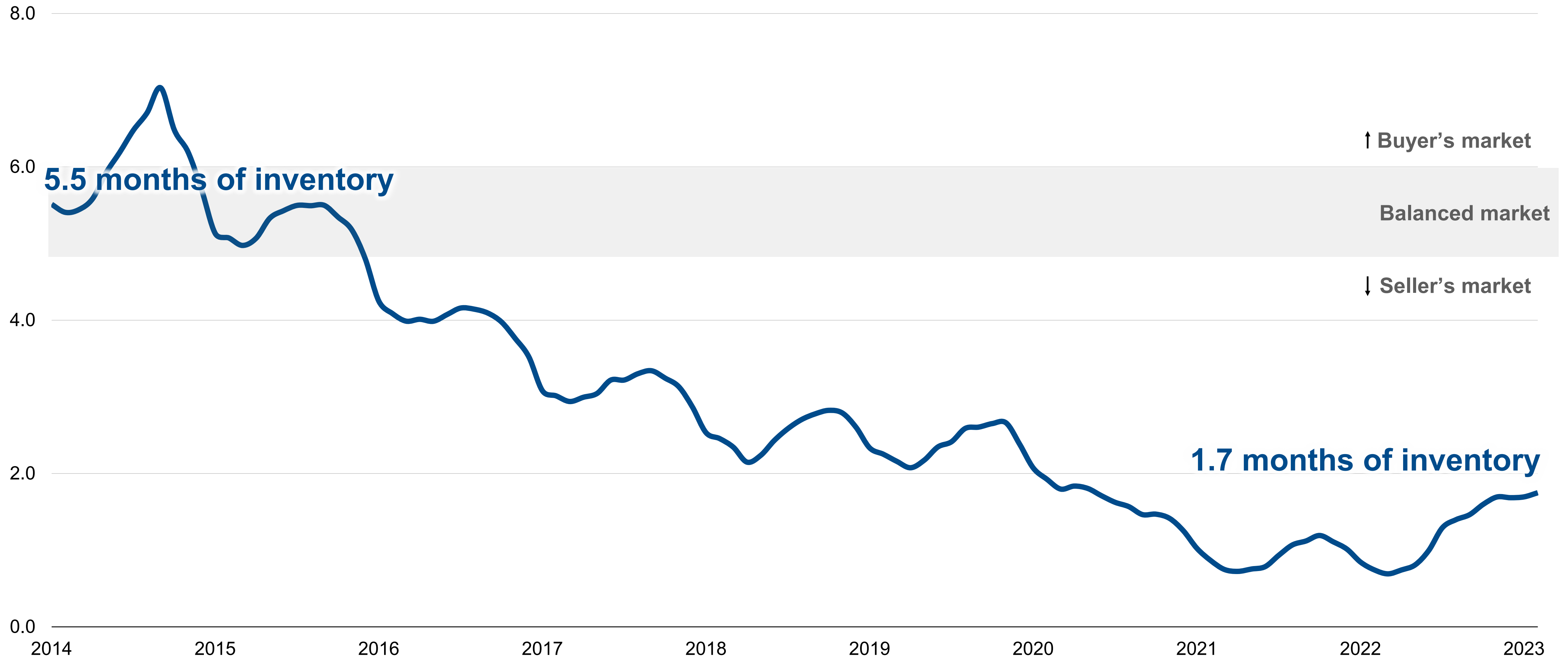
Source: IAR MLS Data Warehouse. Supply as of the end of each month. December 2022 is calculated as average daily supply due to an error in the MLS data.

# While sales have steadily climbed



Source: IAR MLS Data Warehouse

As a result, Indiana has been a seller's market since the Obama administration – below 2 months of inventory through 2022's slowdown





## High interest rates and low turnover could depress inventory

- **99% of outstanding mortgages have interest rates below 6.5%**
- 2021-2022 were consecutive years of historic low migration/moving rates (U.S. Census) – 70% of U.S. zip codes experienced fewer inbound moves in 2022 vs. 2021 (U.S. Postal Service data)
- Fewer Americans moved, but they moved further from their previous residence (50 miles in 2022 vs. an average of 15 miles from 2018-2021)
- The pandemic market accelerated “reasons for moving” trends – housing options/neighborhood characteristics over employment-related/family (NAR)
- **Turnover: Average tenure in home rebounded to pre-COVID peak (10 years) in 2022**



# New construction isn't filling the gap.

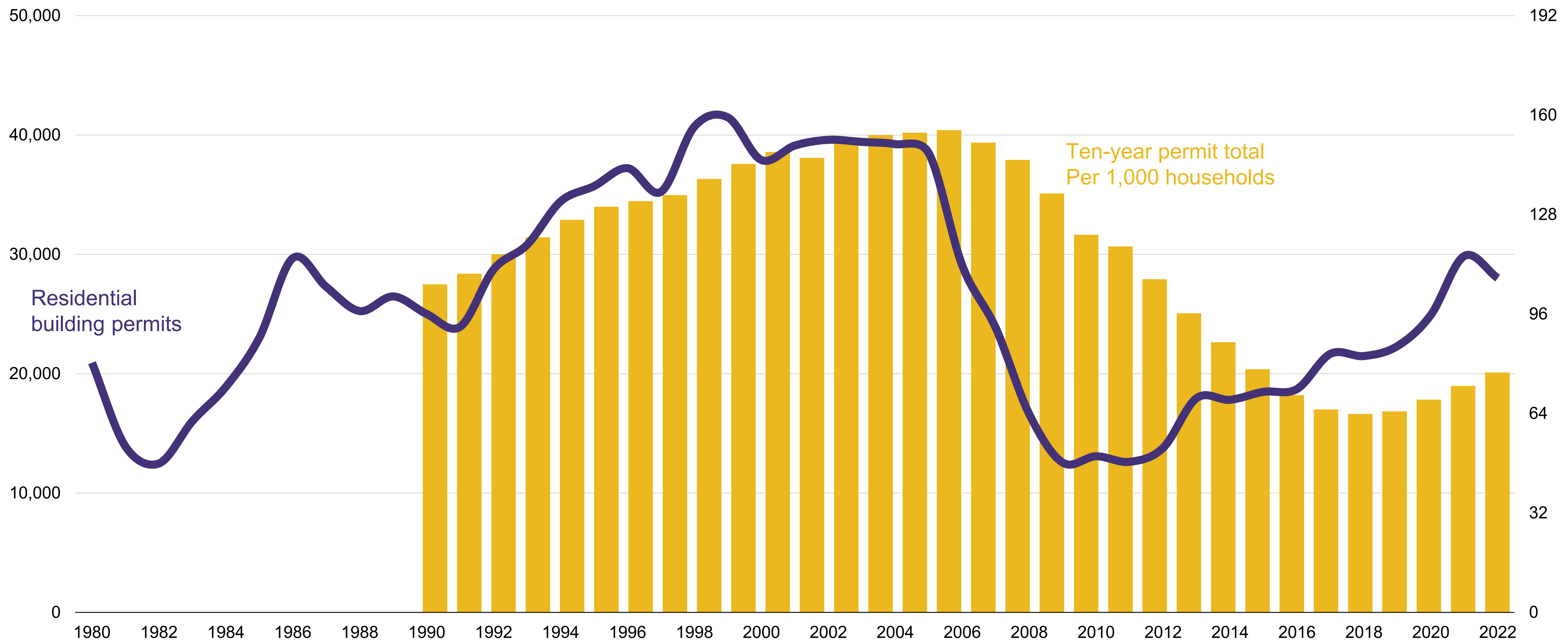
Indiana has a current estimated shortfall of **30,000+ housing units.**

(Fourth Economy Consulting analysis for IAR)

- Indiana has added >150,000 new housing units since 2010
- This falls well below gains in household formation (+162,000) and private sector employment (+325,000)
- Indiana housing stock is also older than U.S.:  
**44.5%** of Indiana housing built pre-1970  
(**38%** of U.S. housing units pre-1970)



# New construction has never recovered to pre-recession levels, leaving new homes per household at the lowest level in decades

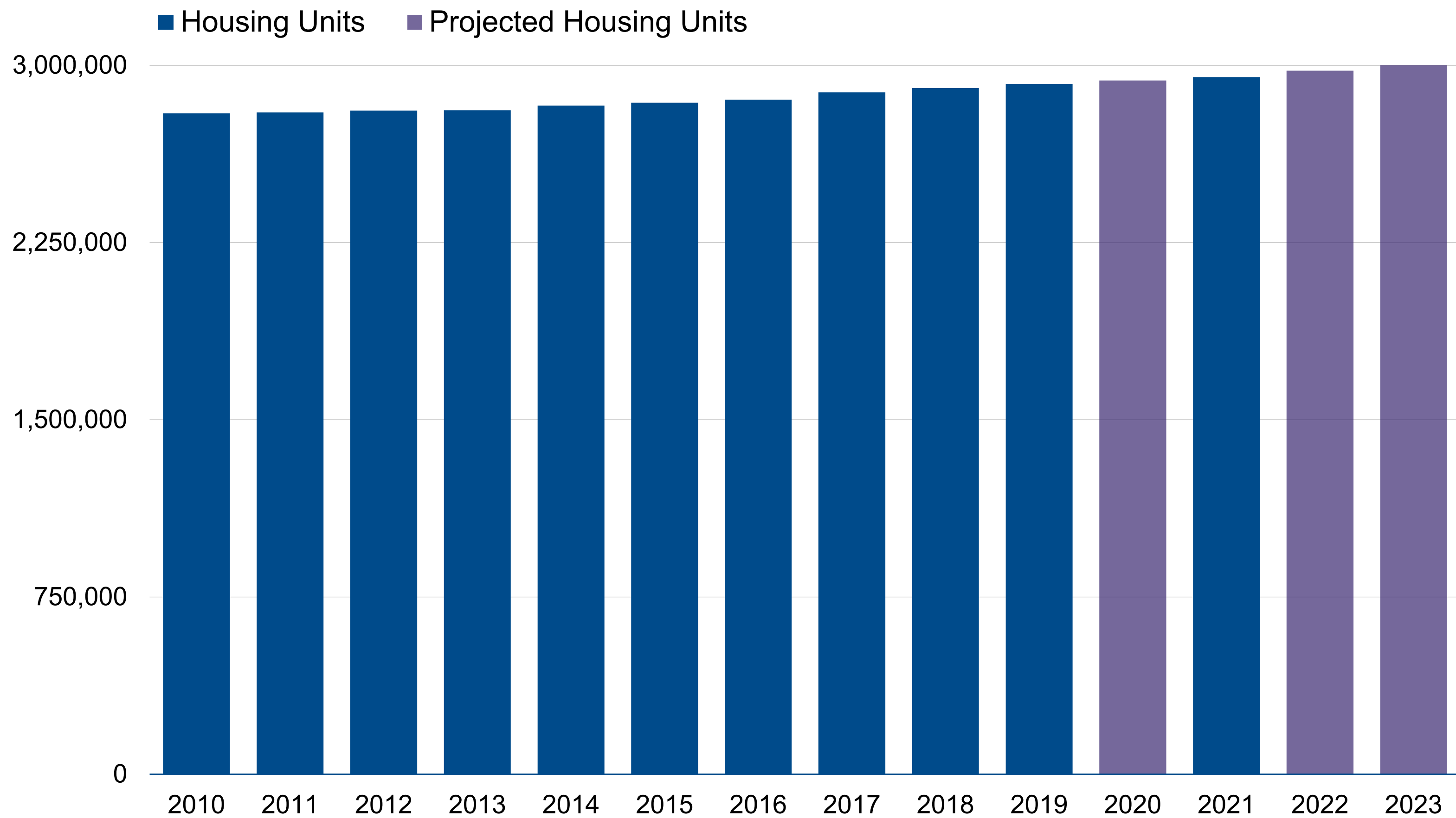


Source: Decennial Census, American Community Survey 1-Year Average, US Census Building Permit Survey

# Construction is growing – but not fast enough



Given permit activity, Indiana may reach three million housing units in 2023

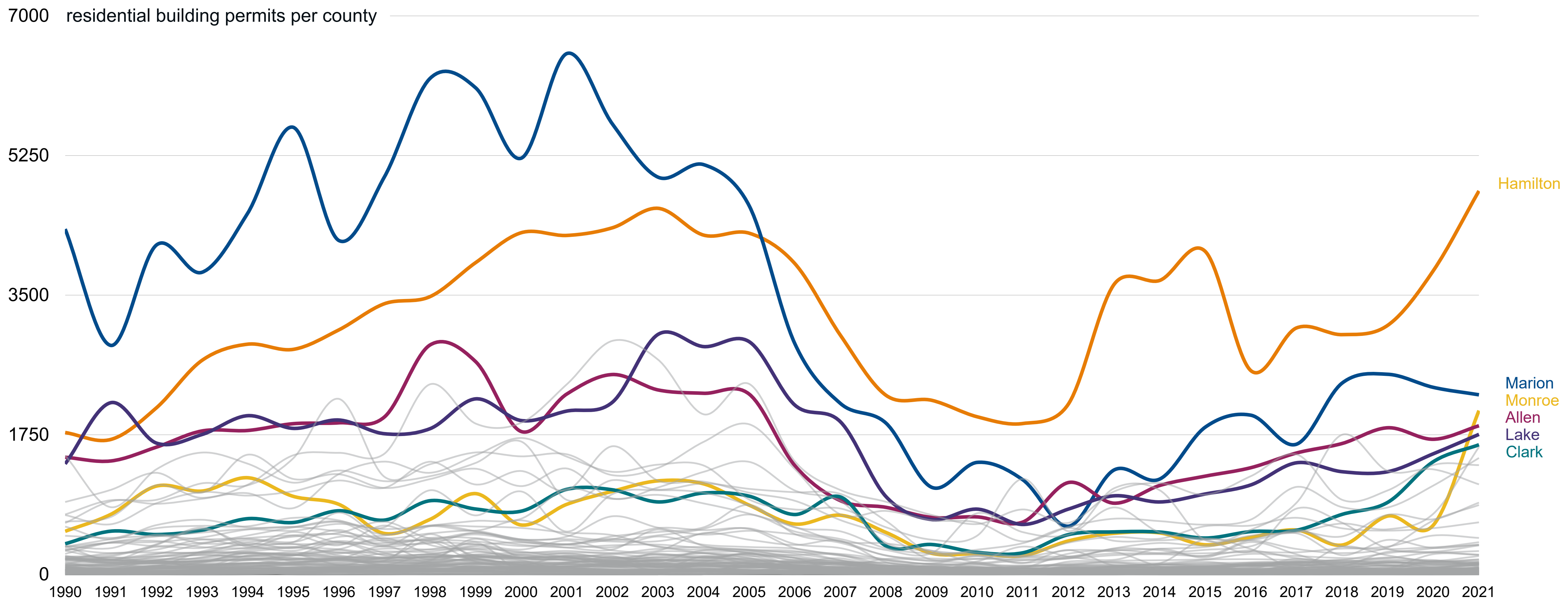


Source: IAR analysis of data from American Community Survey 1-Year Average, US Census Building Permit Survey



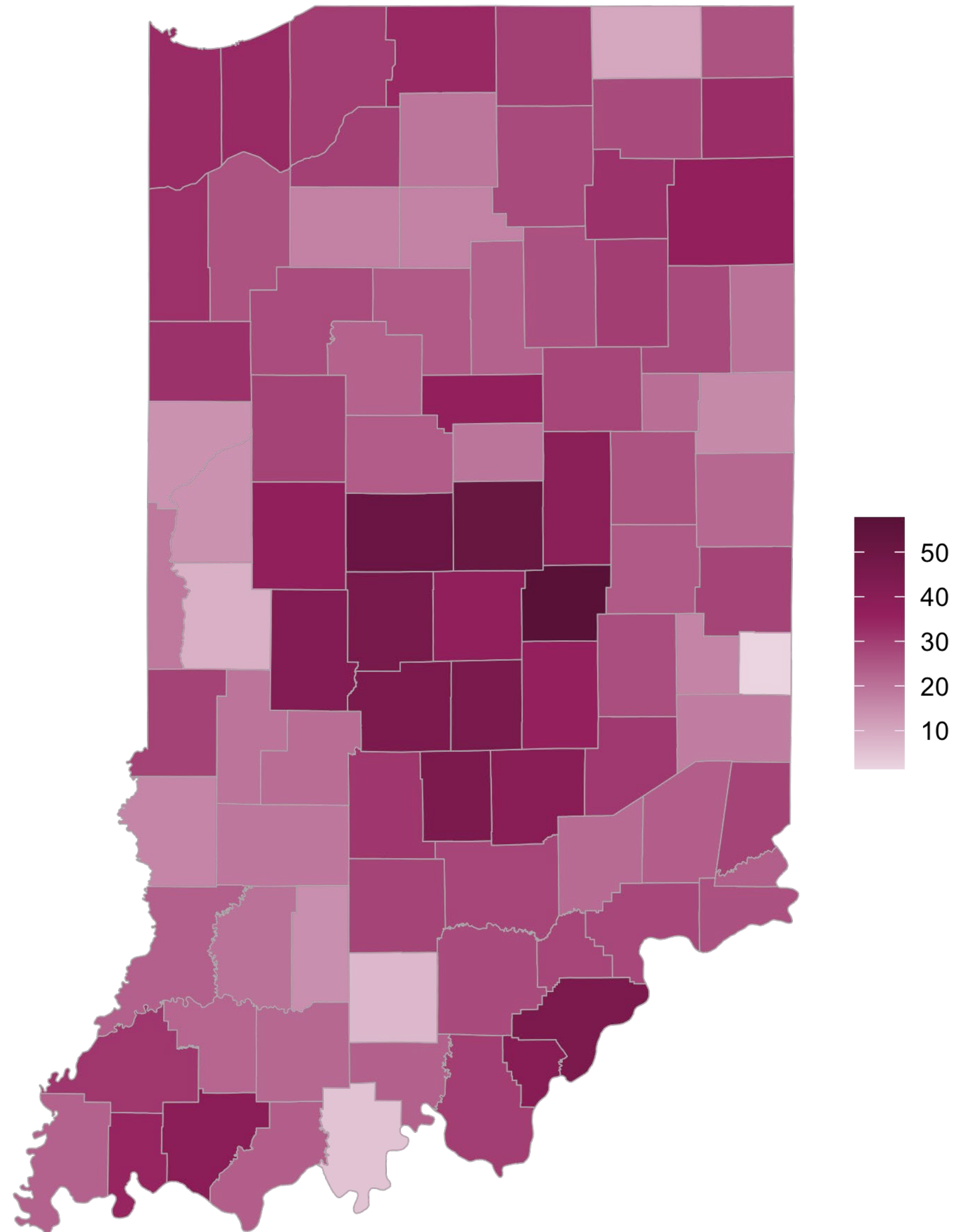


# Recent growth in building permits comes largely from development in **Hamilton** and **Monroe** Counties



Source: US Census Building Permit Survey

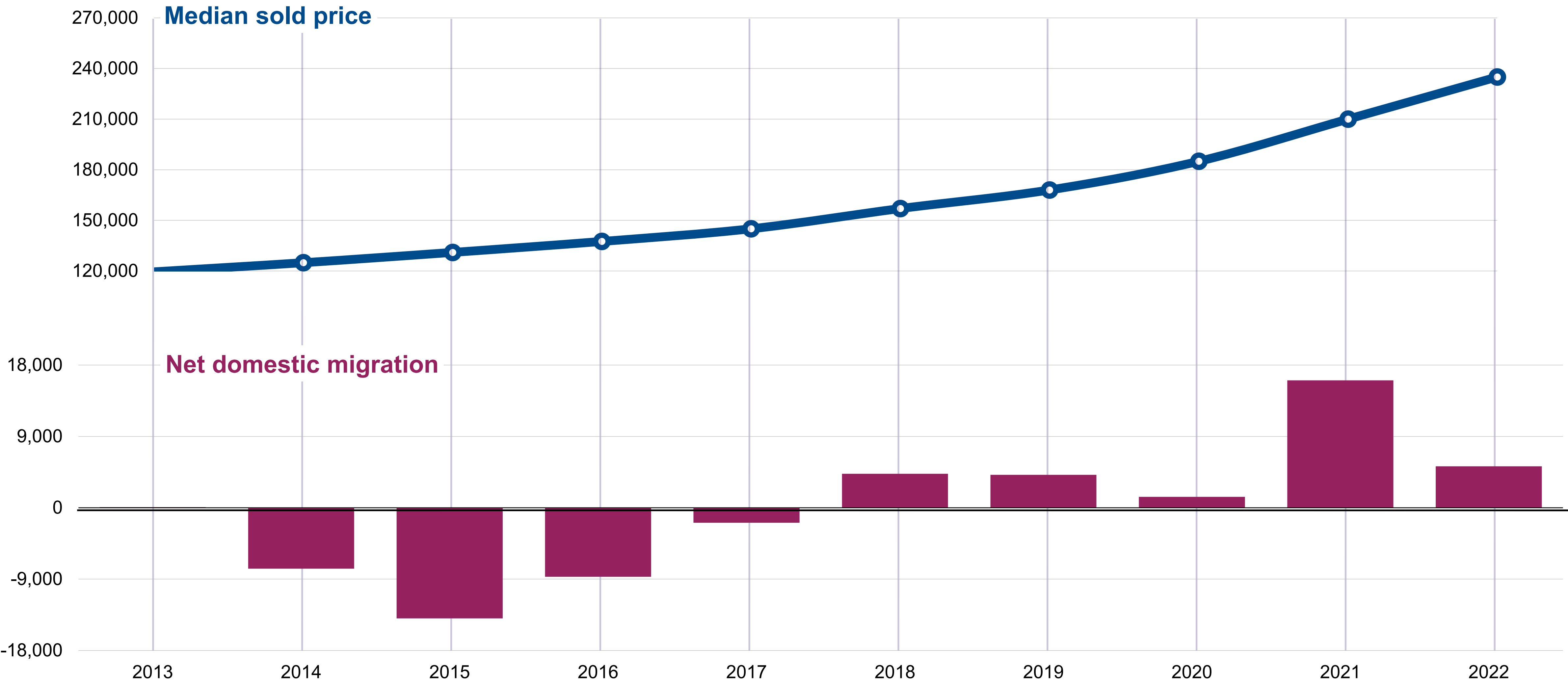
## Sales per 1,000 households, 2022



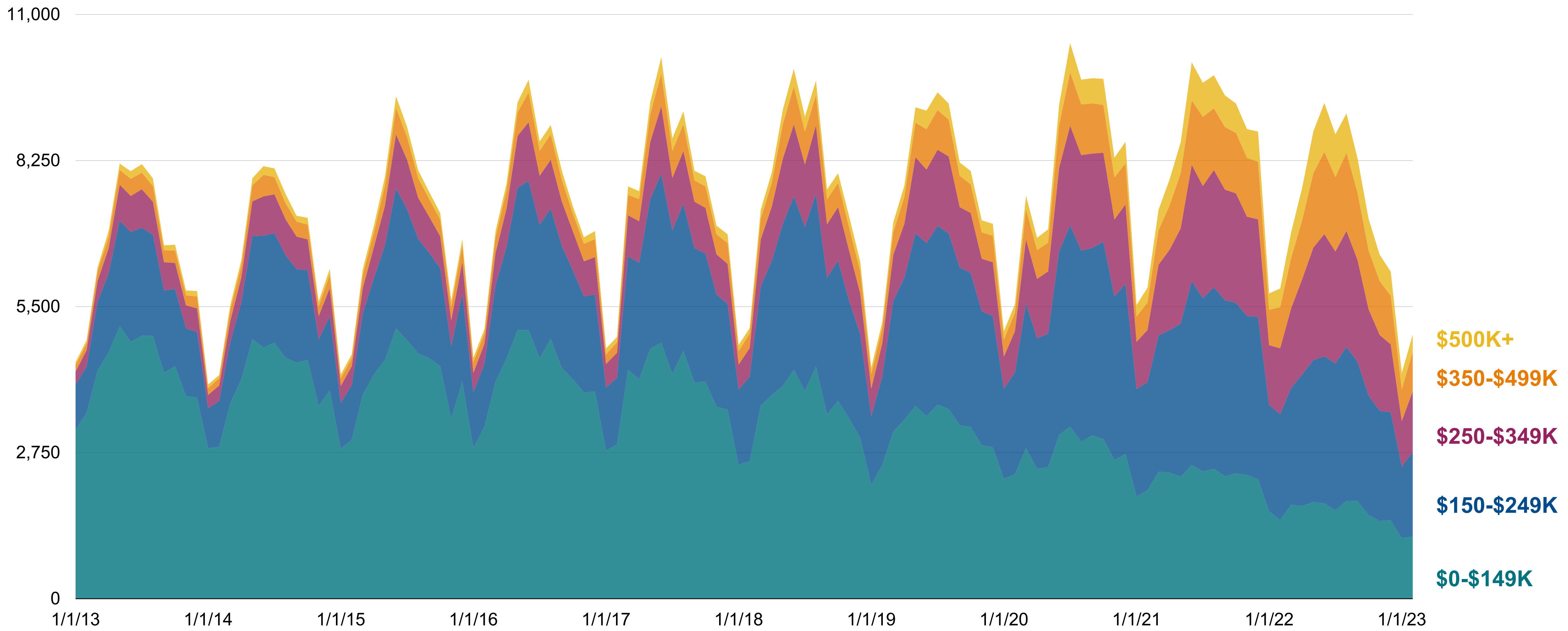
- Even normalized on a ‘per household’ basis, real estate activity is most heavily concentrated in relatively few urban/metropolitan counties
- Q1 2023 looks very similar
- Comparing sales trends with building permit activity implies builders are even more selective – high-demand markets, high-margin projects
- Non-metro rural counties have less market activity per household (despite some improvement in net migration since 2019)

Cost and affordability:

Home price growth rose from 4% annually (2013-2017) to 11% annually after 2018 (as net migration turned positive and the pandemic influenced demand)



Rising prices have led to declining availability of homes under \$150,000; from 2013 to 2022, overall sales grew by 13%, but sales under \$150K fell by 61%

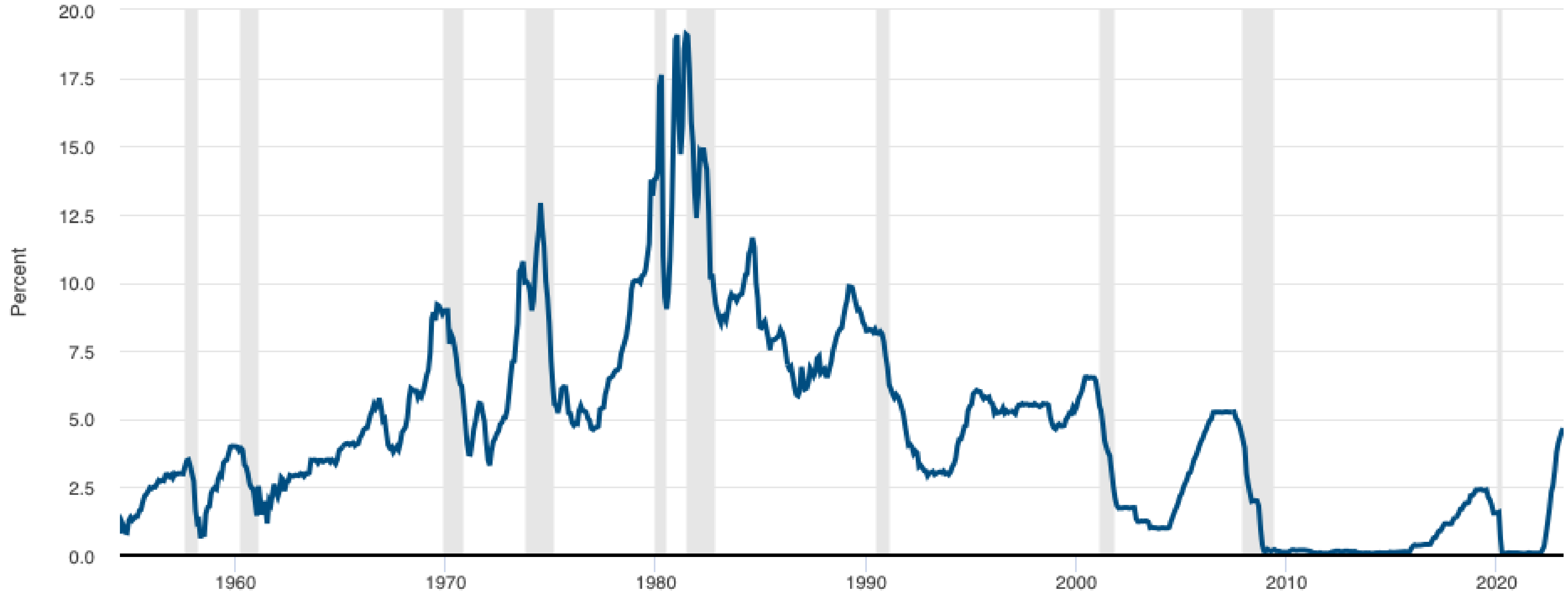


# Financial stability and economic risk

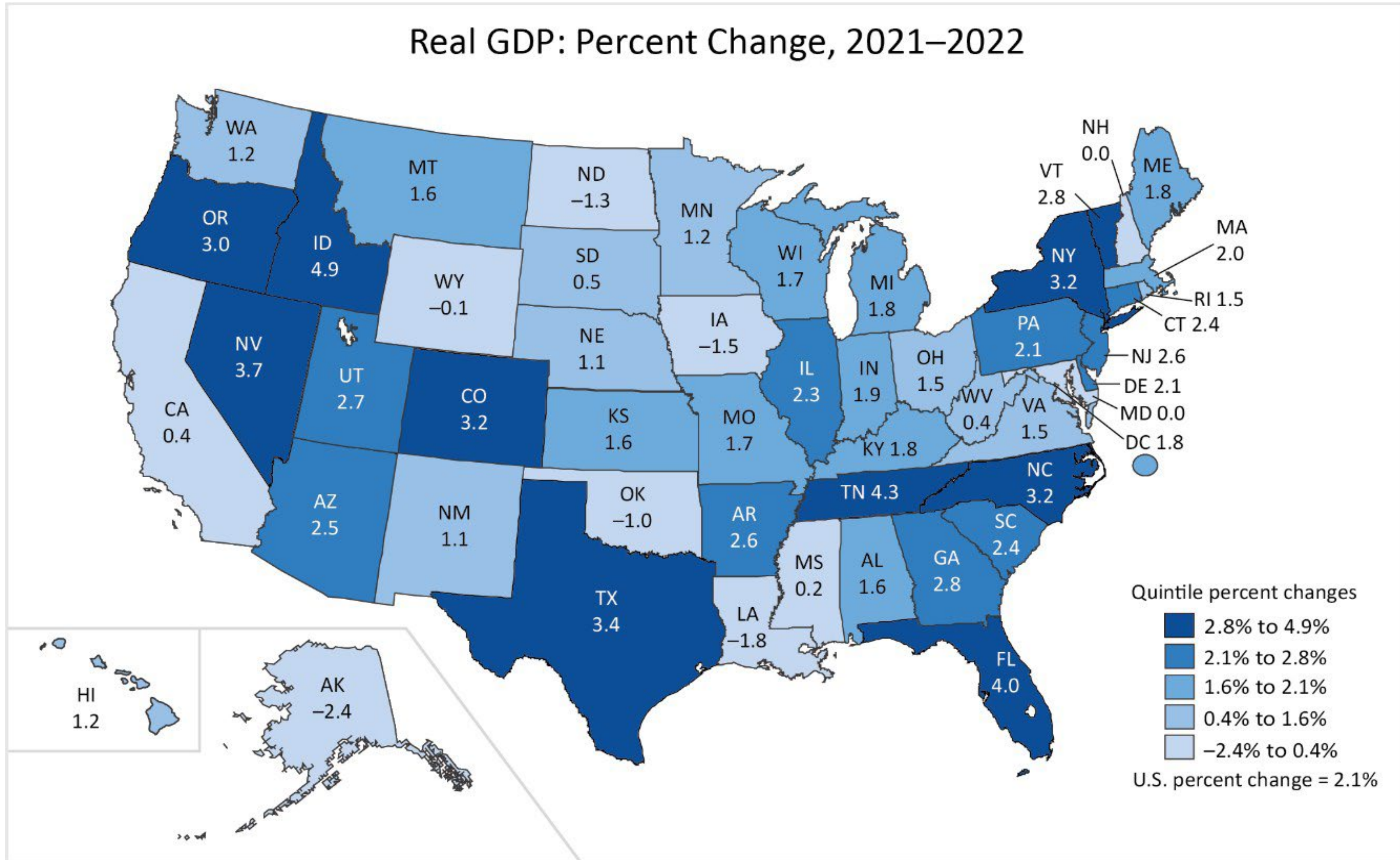
# Fed tightening has preceded every modern U.S. recession:



**FRED**  — Federal Funds Effective Rate



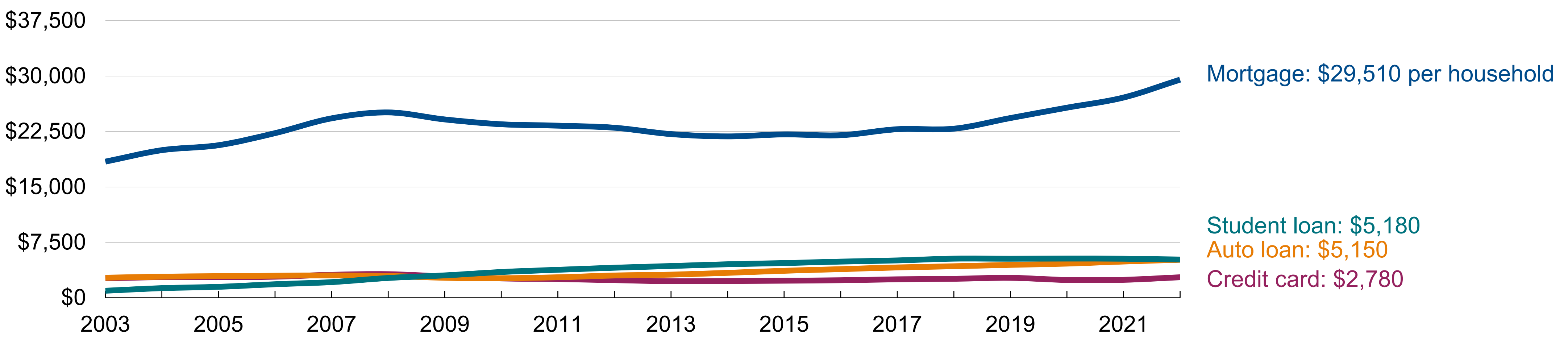
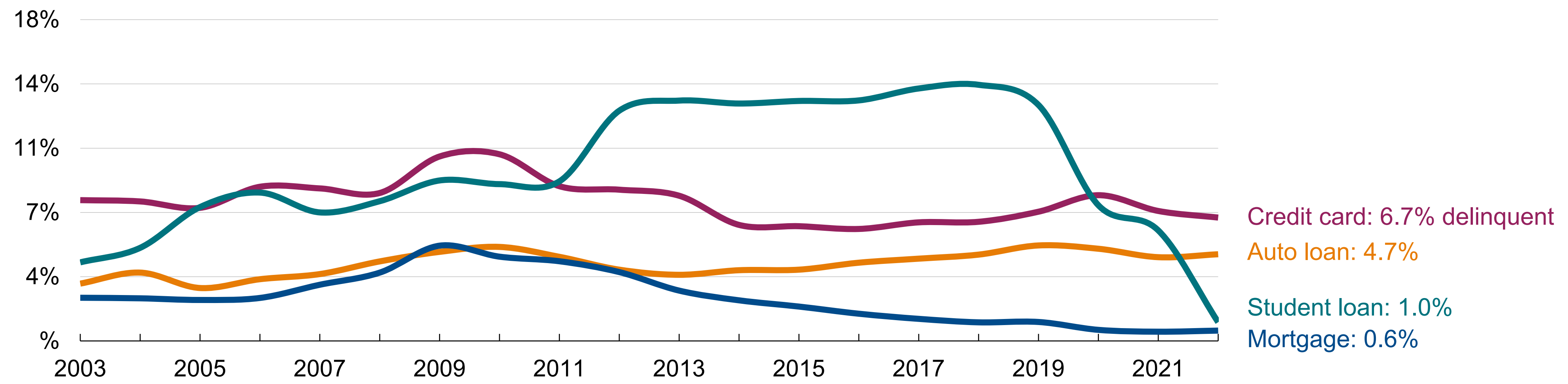
# Indiana finished below U.S. GDP growth in 2022





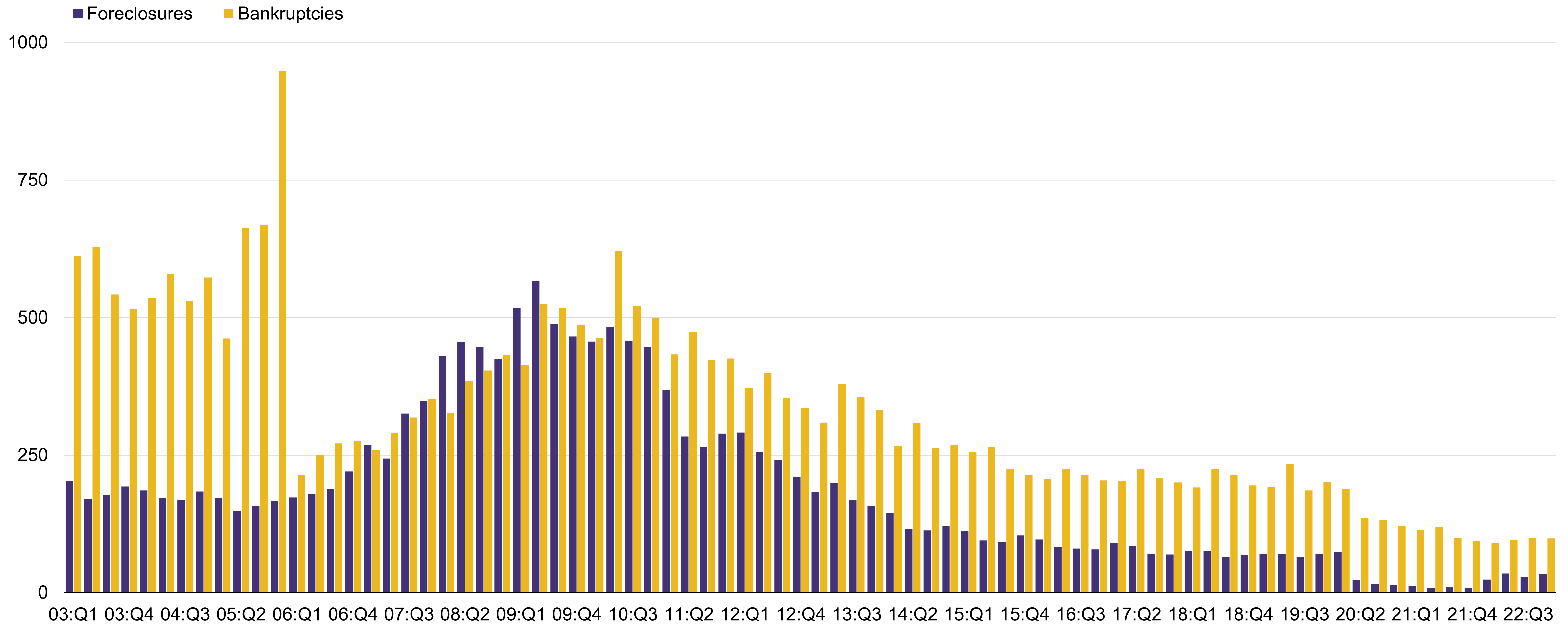


# Debt per household is climbing, but delinquency rates are not (yet)



Source: Federal Reserve Bank of New York Consumer Credit Panel / Equifax 25

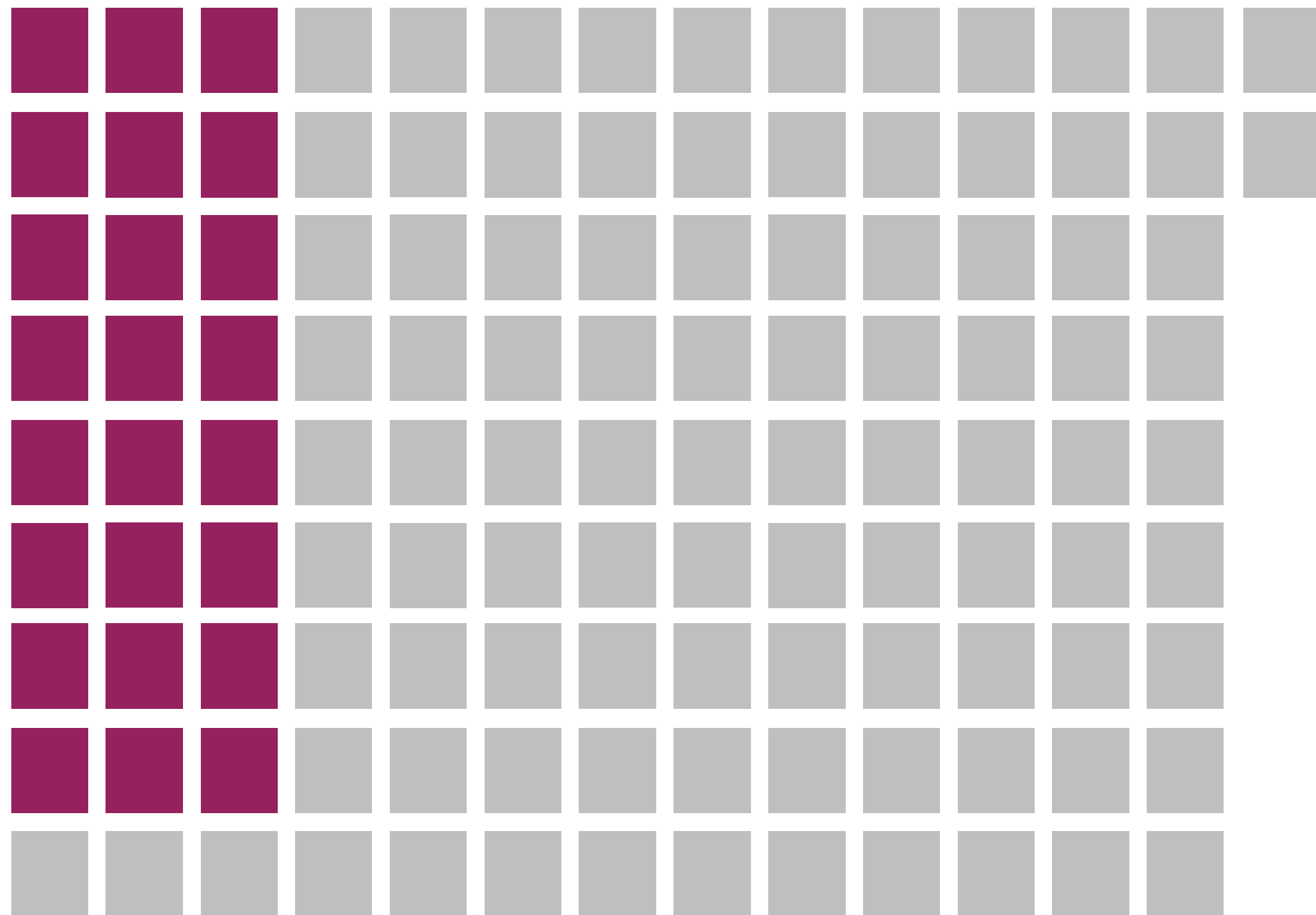
# Nationally, foreclosures rose in recent months but are still historically very low



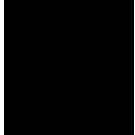
Source: Federal Reserve Bank of New York Consumer Credit Panel / Equifax



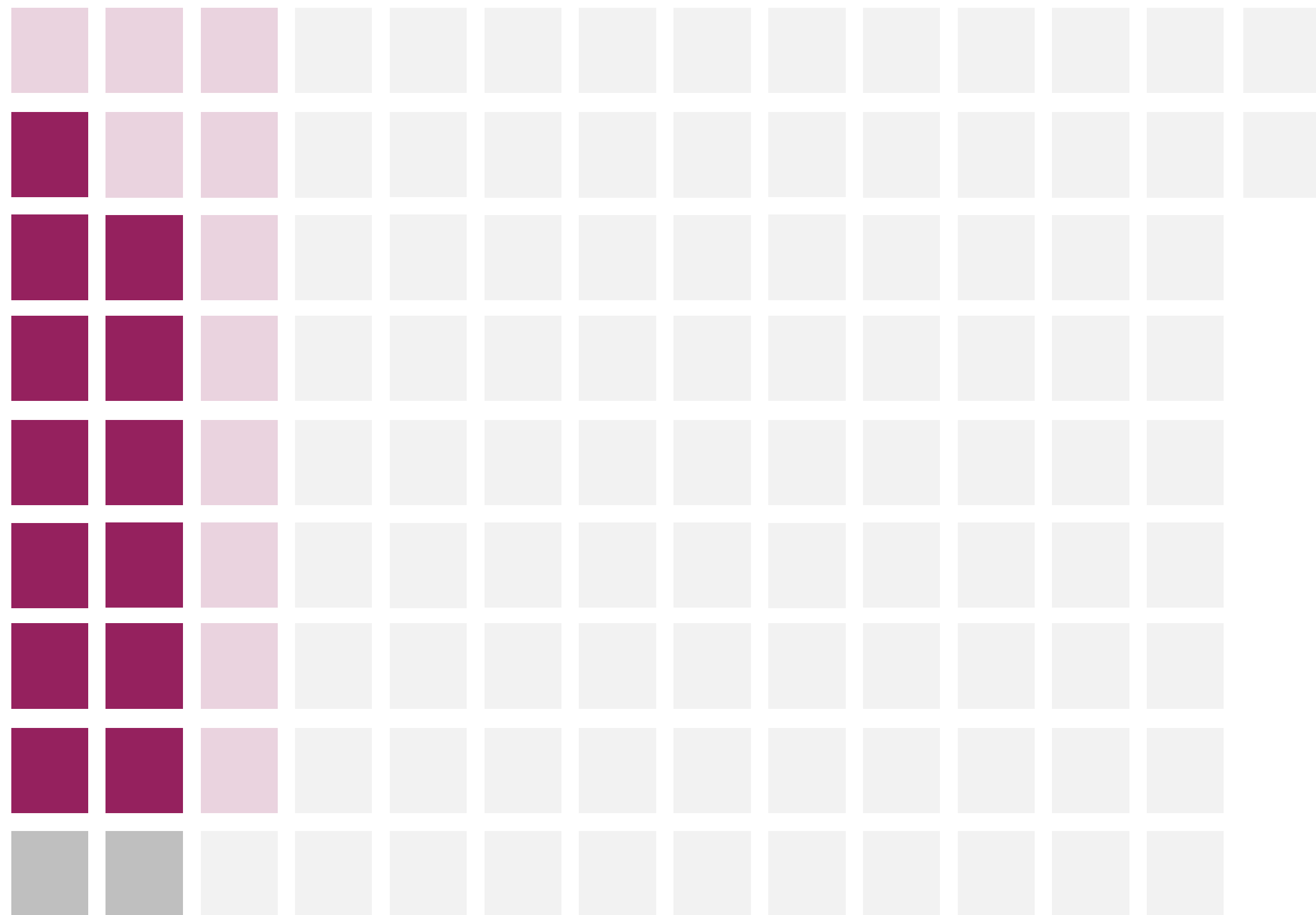
# One fifth of households with a mortgage are burdened by housing costs.



Of the 1.2 million Indiana households with a mortgage, **235,000 are housing-cost burdened (19%)**

 = 10,000 households

# 132,000 low-income households with a mortgage are burdened by housing costs.



154,000 households with mortgages earn less than \$35,000 per year.

**132,000 are burdened by housing costs (86%).**

 = 10,000 households



**Household debt has increased.**

**So far, Hoosiers are largely able to keep up.**

**But higher debt levels elevates risk in case of a downturn, especially for Hoosiers already cost-burdened.**



# **A challenging climate for first-time homebuyers**

**Tight credit and economic uncertainty also impact first-time buyers - disproportionately.**

**Nationally, the share of first-time homebuyers fell from 34% to 26% in 2022 (an all-time low).**

**The age of first-time buyers rose from 33 to 36 years old.**

**The share of all-cash buyers rose from 17% to 27%.**

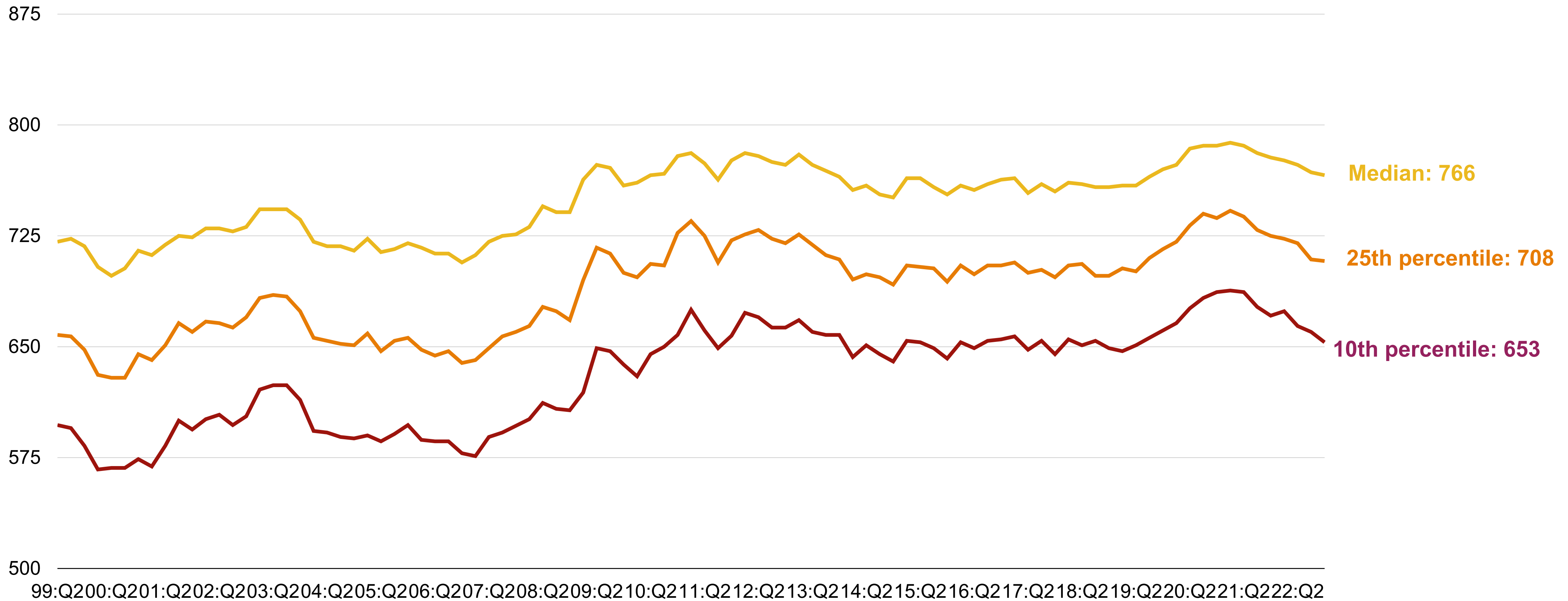
Source: National Association of Realtors

(<https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers>)

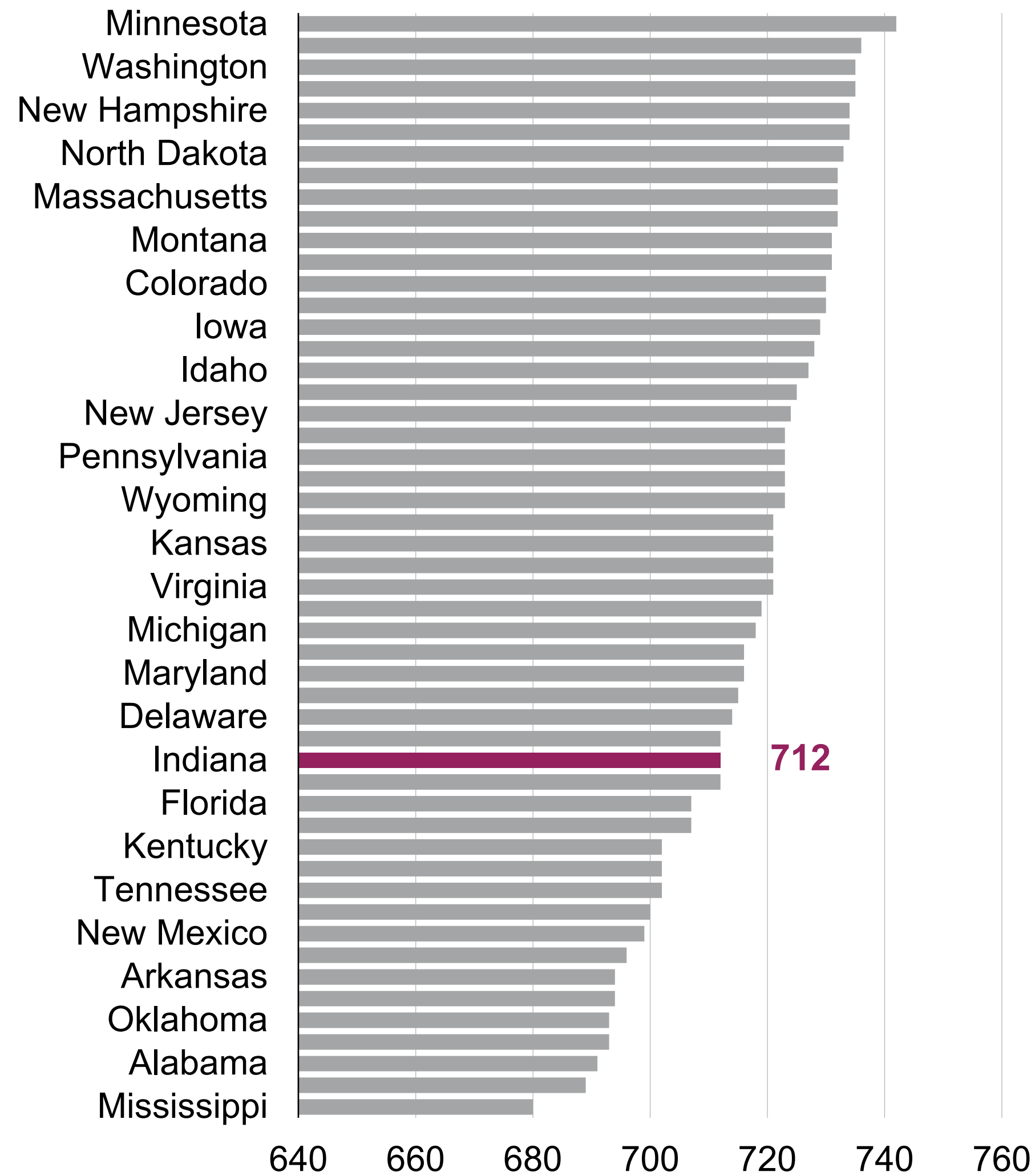


Since the Great Recession, mortgages have been more difficult to access for people with credit scores in the low 700s

### Credit scores and mortgage originations



# Indiana's average credit score is 712, posing a challenge to many Hoosiers applying for new mortgages



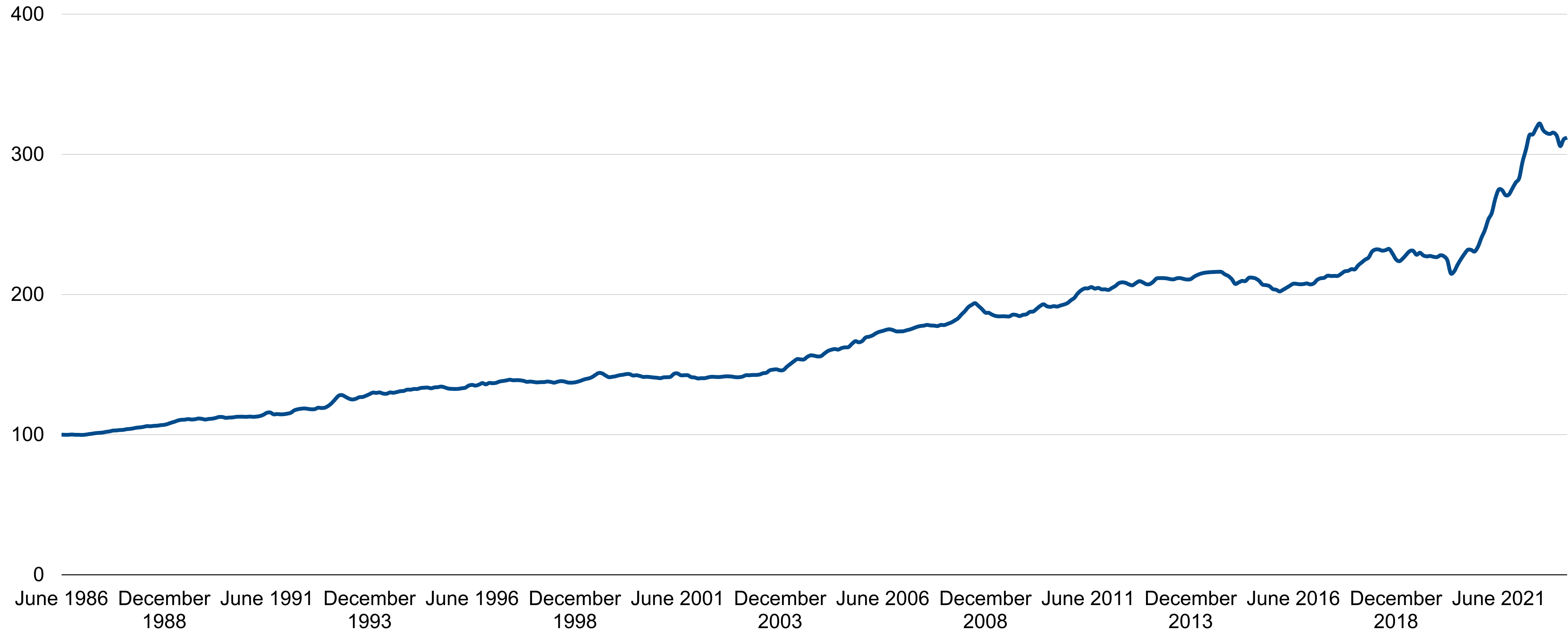


# Indiana needs pro-growth housing policy

# Homebuilding has become much more expensive in the last two years, and infrastructure costs have far outgrown consumer inflation



## Producer Price Index by Commodity: Inputs to Residential Construction



Source: US Bureau of Labor Statistics via Federal Reserve Bank of St. Louis



# Indiana needs more affordable housing...

...but Indiana also needs more housing, period.

- New construction may have shifted to higher price points as builders are pushed to seek higher-margin projects
- But the bigger issue is that demand has elevated the prices of existing housing – **the \$160,000 “starter homes” of 2017 are selling for \$240,000+ today**
- Expanding inventory at all levels is needed to help relieve market pressures and improve affordability/accessibility in a sustainable way

**In the meantime, more low-to-moderate income households will be pushed to the sidelines of the housing market**



# Housing access also means workforce access – ‘houses are where jobs sleep at night’

Housing development is economic development

## SITE SELECTION

MAGAZINE

### COMBINED RATINGS\* CONSULTANTS SURVEY

Site Selection Factors	2022	
Ranking		
1T. Availability of skilled labor	98.3	
1T. Energy availability	98.3	
3T. Labor costs	96.6	
3T. Proximity to major markets	96.6	
3T. State and local incentives	96.6	
6. Energy costs	96.5	
7T. Highway accessibility	94.9	
7T. Proximity to suppliers	94.9	
7T. Available land	94.9	95.0 (41)
10T. Expedited or “fast-track” permitting	91.4	89.5 (8)

- “No workforce, no deal.”
- “Availability and retention/sign-on incentives are the most discussed concerns highlighting location selections.”
- “Labor availability remains the pre-eminent location challenge.”
- “Other than the metropolitan communities, most communities do not have the labor to accommodate a large production facility. Unfortunately, almost every metropolitan community has a significant housing shortage, which is greatly skewing the labor market.”
- “Most projects are driven by two things: available real estate and availability of qualified labor. We are doing more analysis related to labor than has historically been done, and I don’t see this changing.”



# Takeaways for today

- Indiana homeowners aren't under severe financial stress – but there are potential economic concerns that could impact household stability
- Home sales are recovering, but as homebuyers return to the market, inventory challenges aren't going away
- Growing our housing market means making homeownership a realistic option for more Hoosiers – first-time buyers, low-to-moderate income households
- **Accessible, affordable housing** also has to be a priority in a comprehensive economic development strategy
- HB1005 (housing infrastructure), READI 2.0 are priorities – new development eases price pressures, supports growing communities
- **IHCDA programs are essential to help Hoosiers achieve – and sustain – homeownership as we attack supply-demand imbalances**

Thank you.

Questions & Discussion