



INDIANA
ASSOCIATION
OF REALTORS®

Indiana Housing Market Report

Indiana Housing & Community Development Authority
June 8, 2023



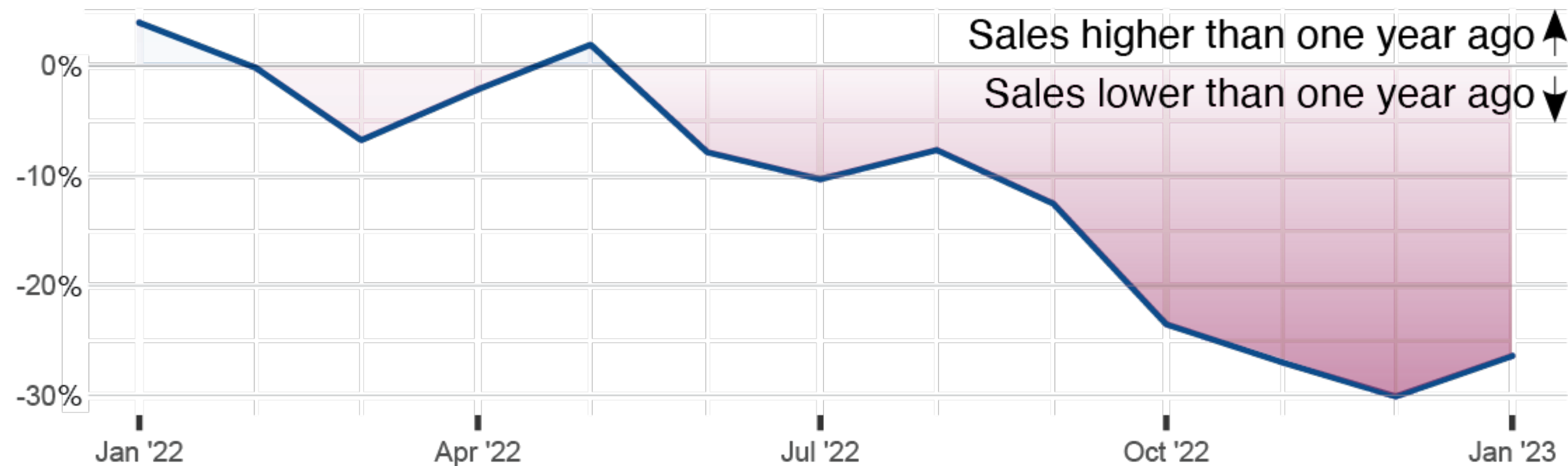
The Indiana Association of REALTORS® advocates on behalf of the real estate industry, advances ethical standards and sustainable success for its members and promotes thriving communities for a stronger Indiana.

Housing bore the brunt of the Fed's anti-inflation policies in 2022:



Indiana home sales ended the year on a steep decline (27% below 2021 in Q4)

Difference from previous year's sales



National Association of REALTORS®

A housing recession with surprising levels of consumer spending and job growth:

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

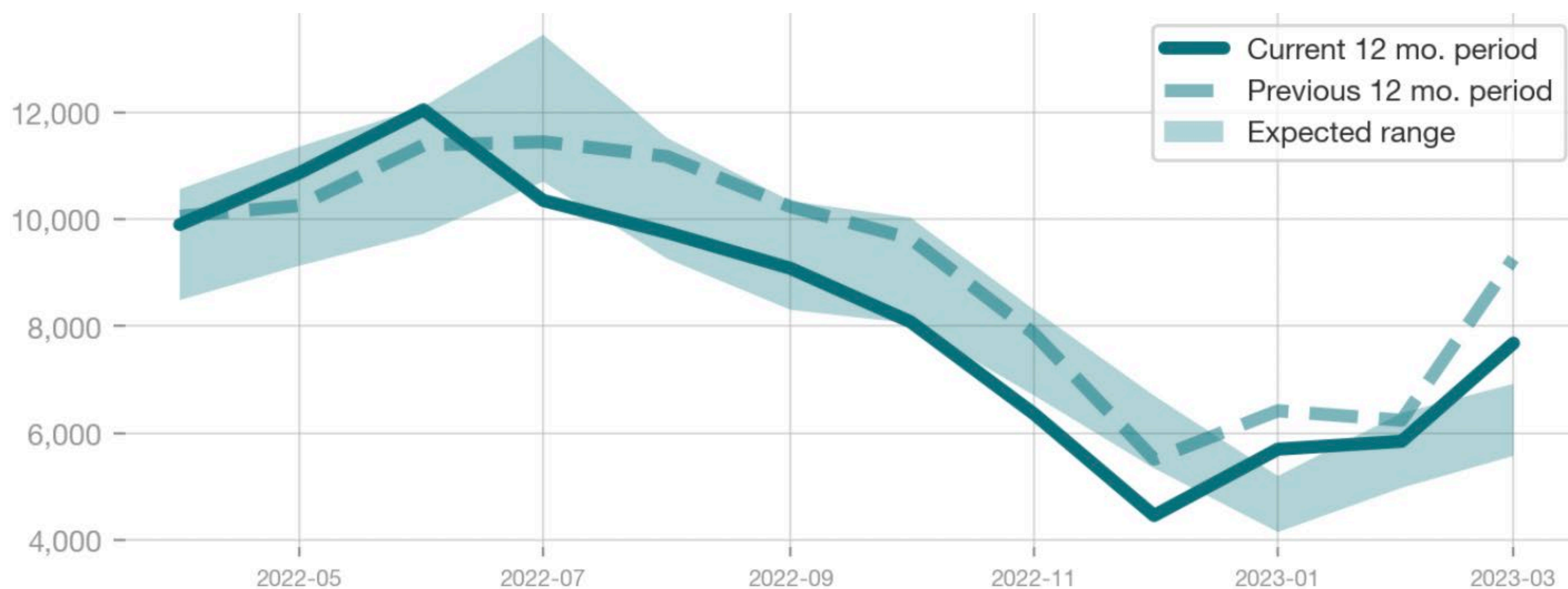
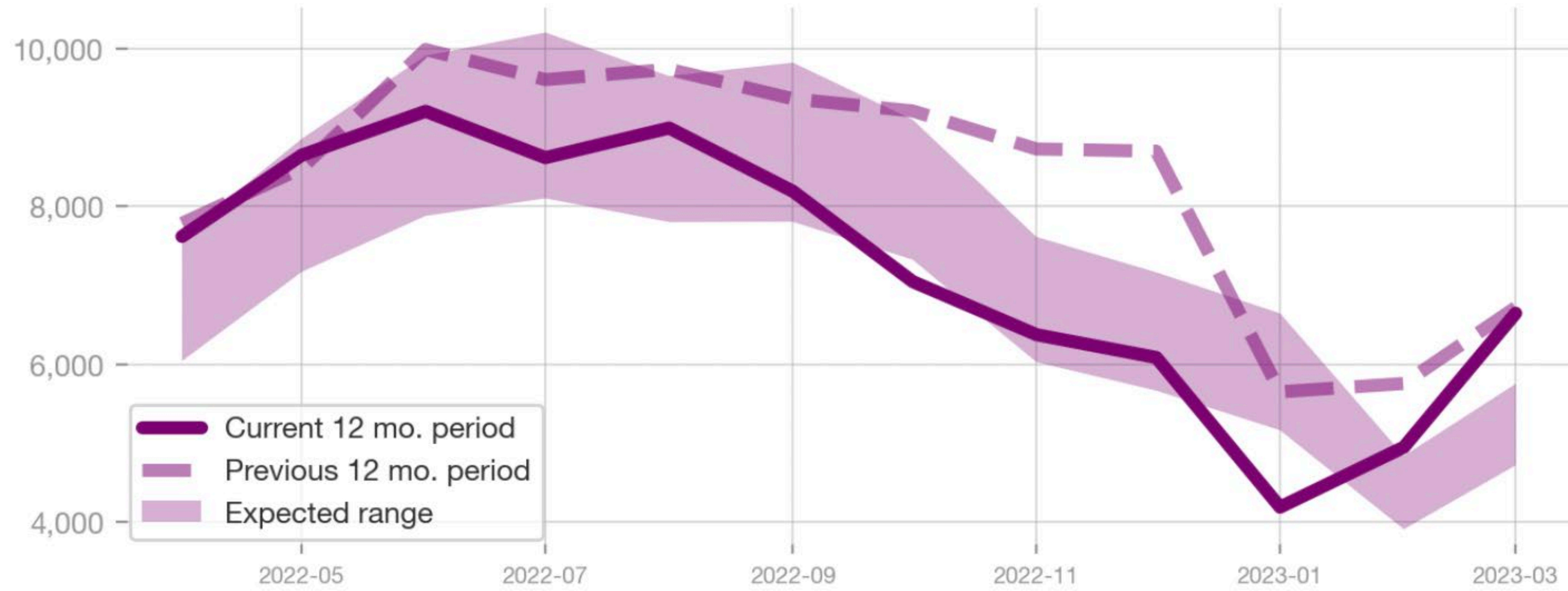
Indiana still outperformed national trends:

- Sales down **-11%** vs. 2021
- Median price up **11.9%** (\$235,000)

2023: Buyers are coming back, sellers are more cautious



Home sales rebounded faster than new listings in Q1

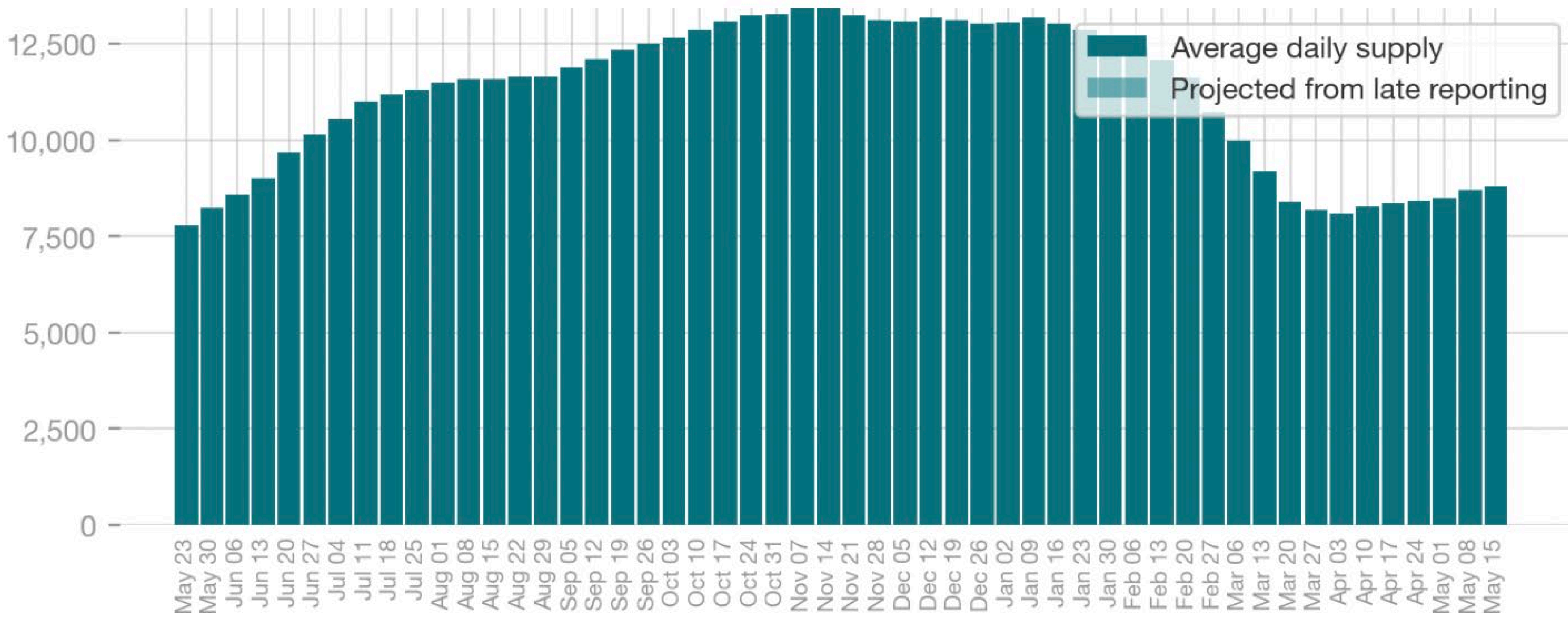


- Statewide **sales** grew 60% from January through March
- March fully closed the year-over-year gap vs. 2022
- New **listings** grew 35% from January – March
- Unexpectedly strong demand began to take a toll on total inventory



Inventory has declined >30% since January

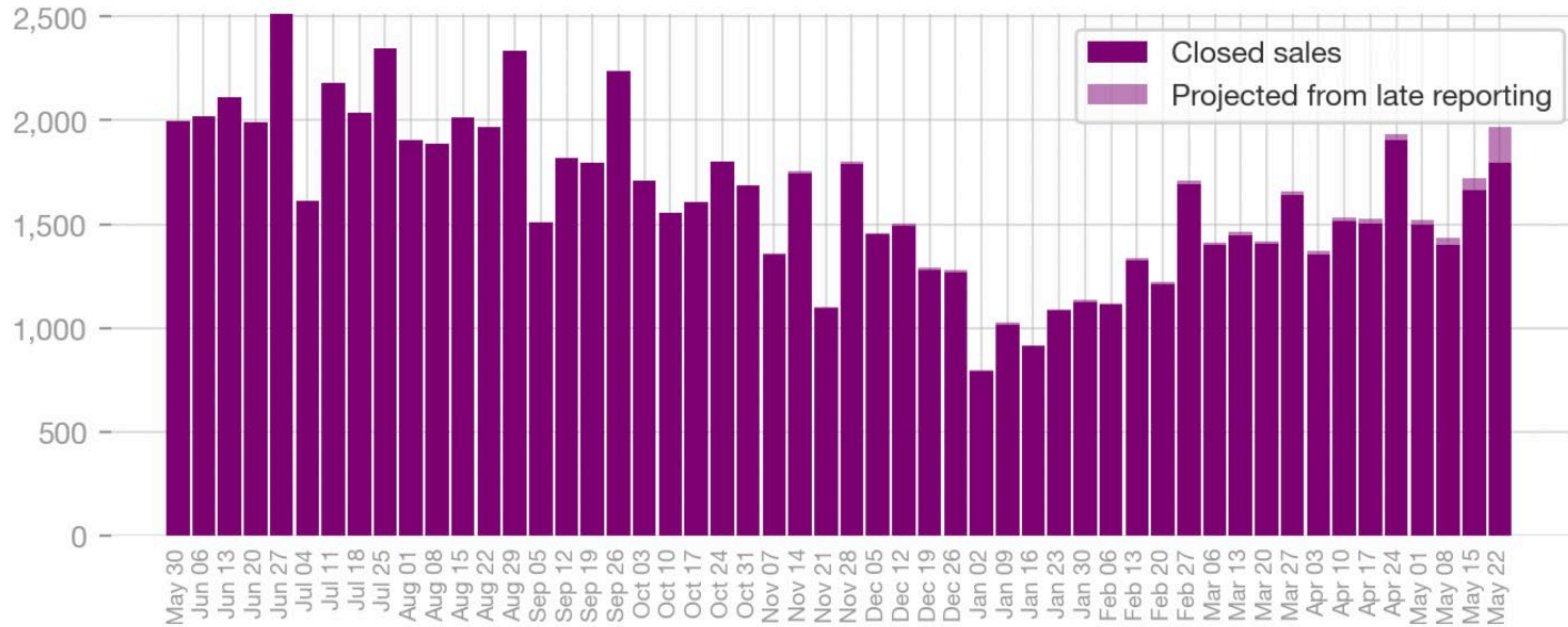
Average daily listings across Indiana's eight MLS marketplaces:
13,000 in January to **8,700** through May





With fewer options, buyers pulled back in April & May

Statewide sales on track to fall 19% below 2022 in April and May



Latest week

1,970

Week of May 22

Previous week

1,720

Week of May 15

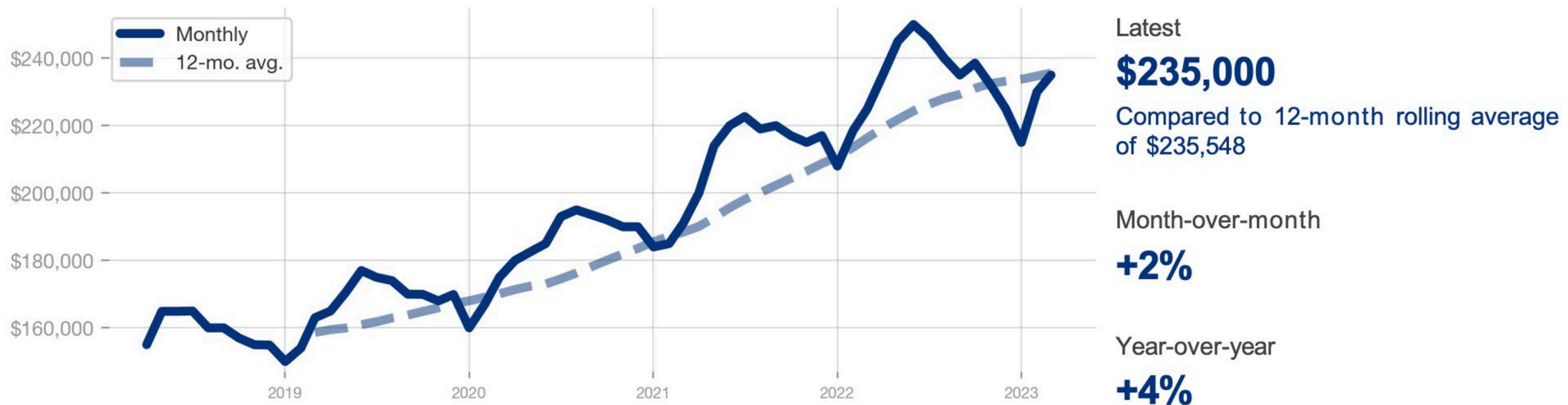
Four-week average

1,661



But median sale prices continue to rise year-over-year

U.S. home prices have seen three straight months of YOY declines (February-April) – Indiana continues a 75-month streak of YOY price growth (+4% vs. May 2022)

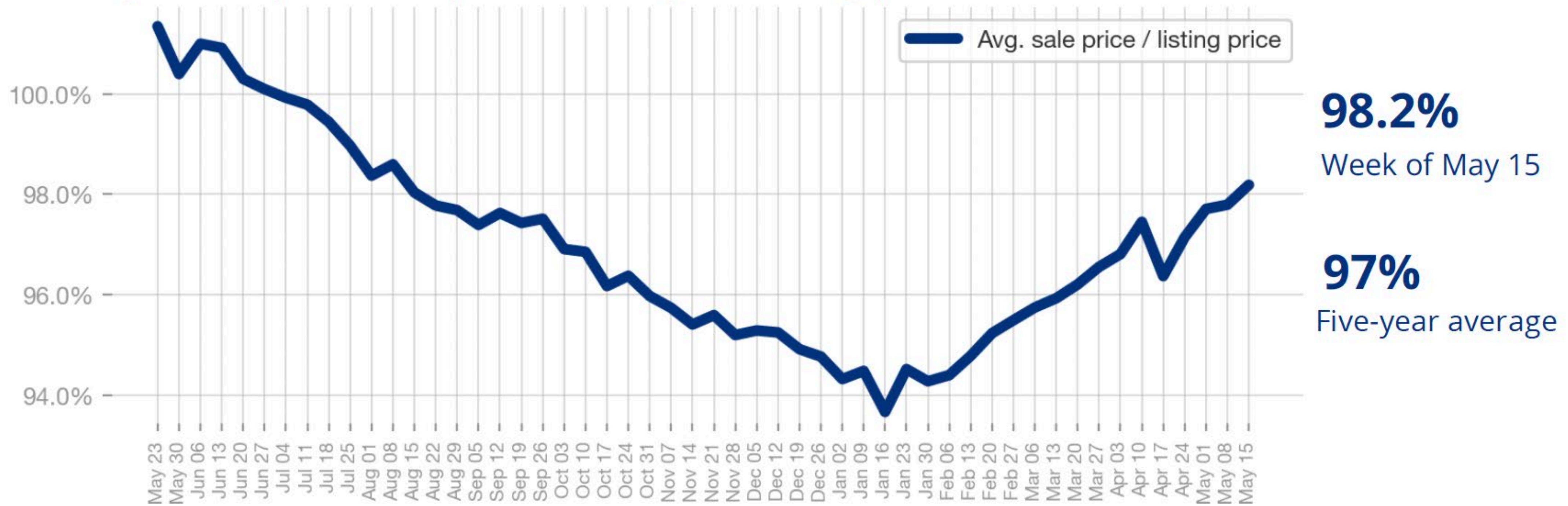


Homes are selling faster, sellers are gaining bargaining power



Median days from listing to pending sale: 25 days in January to one week currently

Average sales price compared to original listing price





Why have sellers been slower to return to the market?

- **99% of outstanding mortgages have interest rates below 6.5%**
- **70% of outstanding mortgage below 4%**
- Sellers face the prospect of finding and financing a new home at rates near 7%
- **The gap between supply and demand is a familiar dynamic for Indiana real estate**

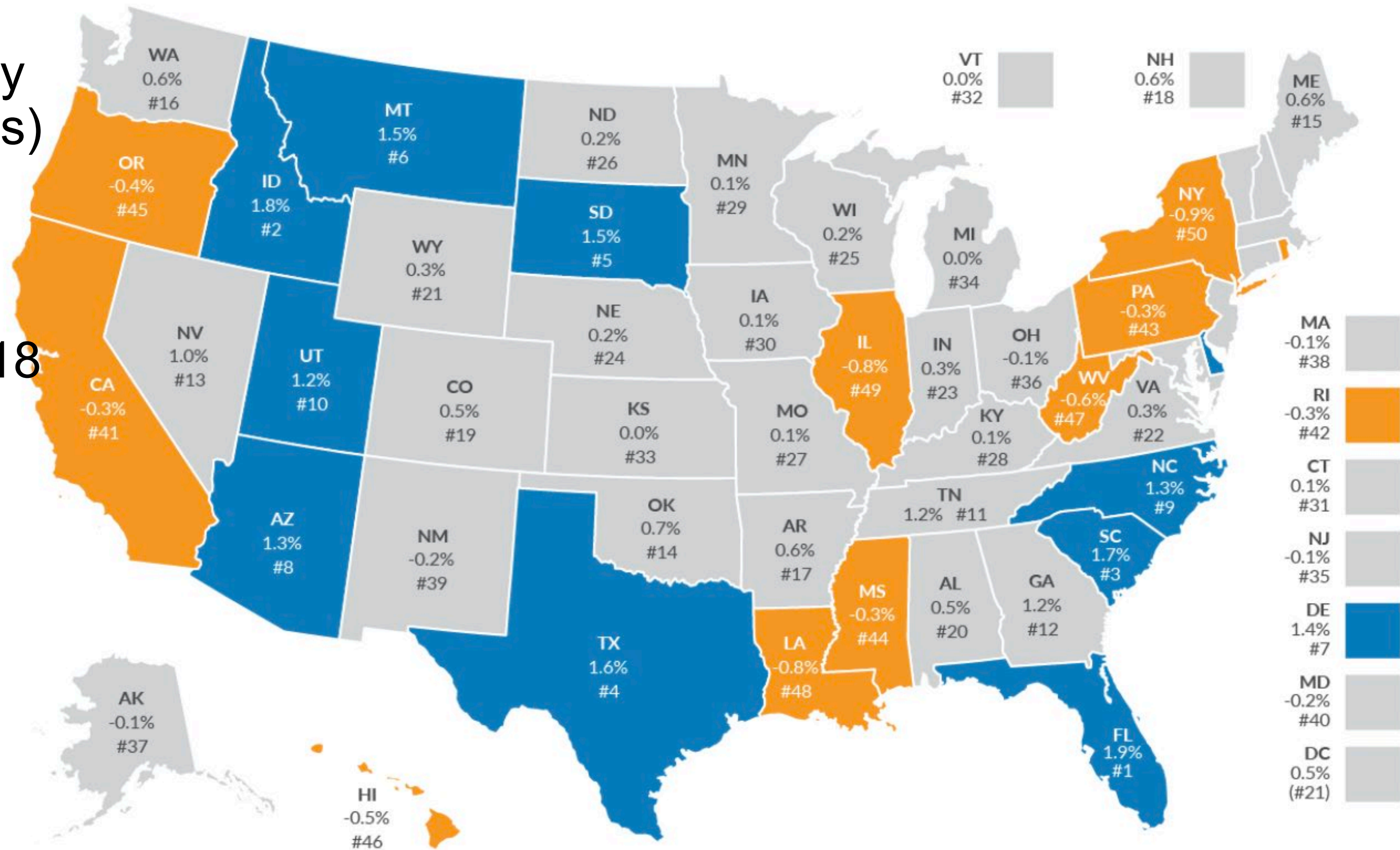
Supply & demand in Indiana's housing market:



First, the good news: Indiana population growth accelerates after 2017

Positive net migration begins driving housing demand pre-COVID

- 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*



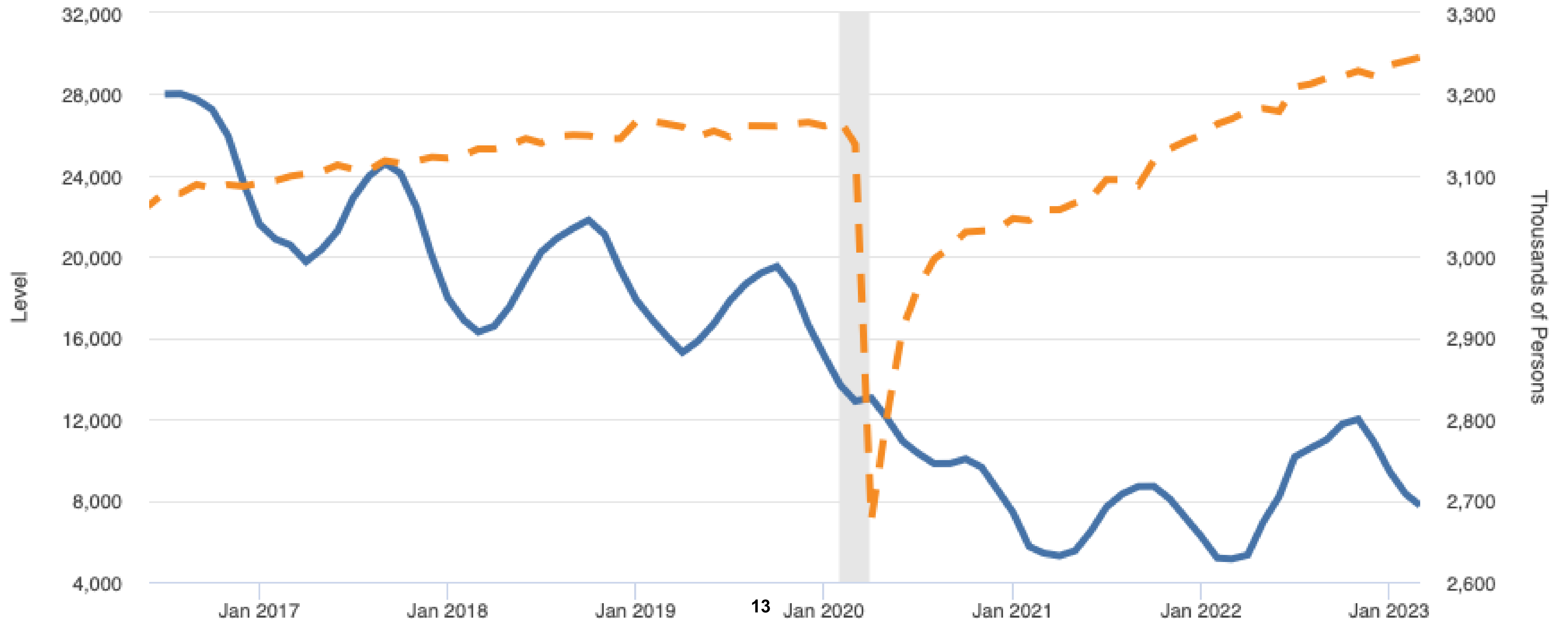
Employment, earnings growth creates housing demand:

2+ new jobs per new housing unit since 2010

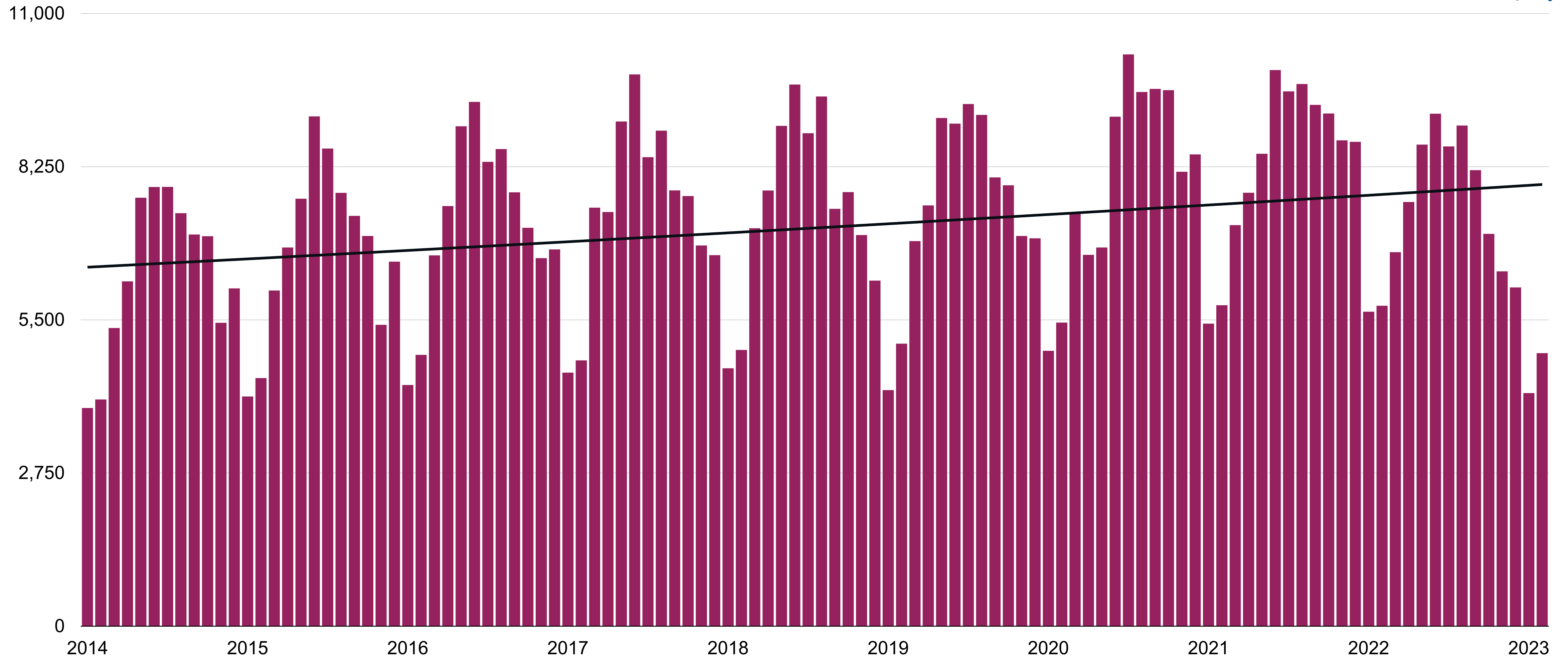


FRED.

— Housing Inventory: Active Listing Count in Indiana (left)
- - - All Employees: Total Nonfarm in Indiana (right)



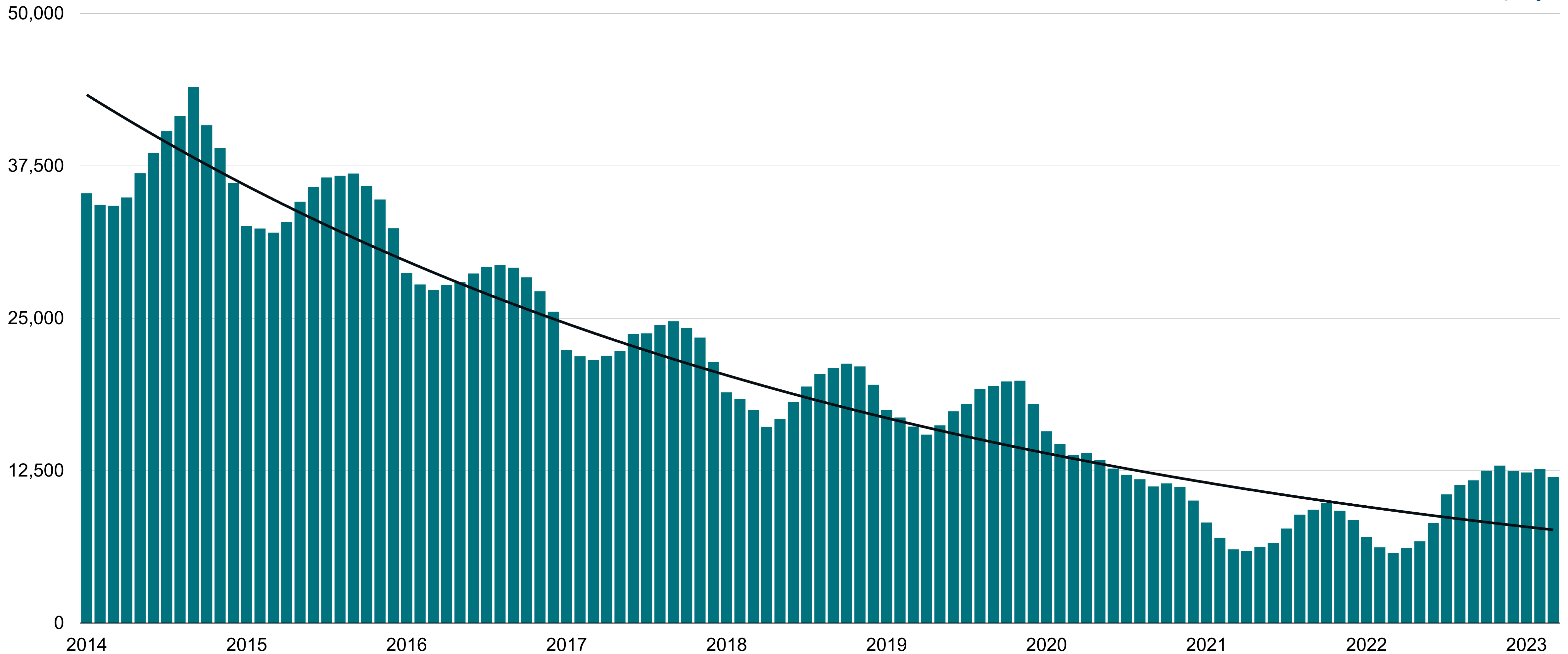
Existing home sales have steadily climbed (2022 retreated to 2018 levels)



Source: IAR MLS Data Warehouse

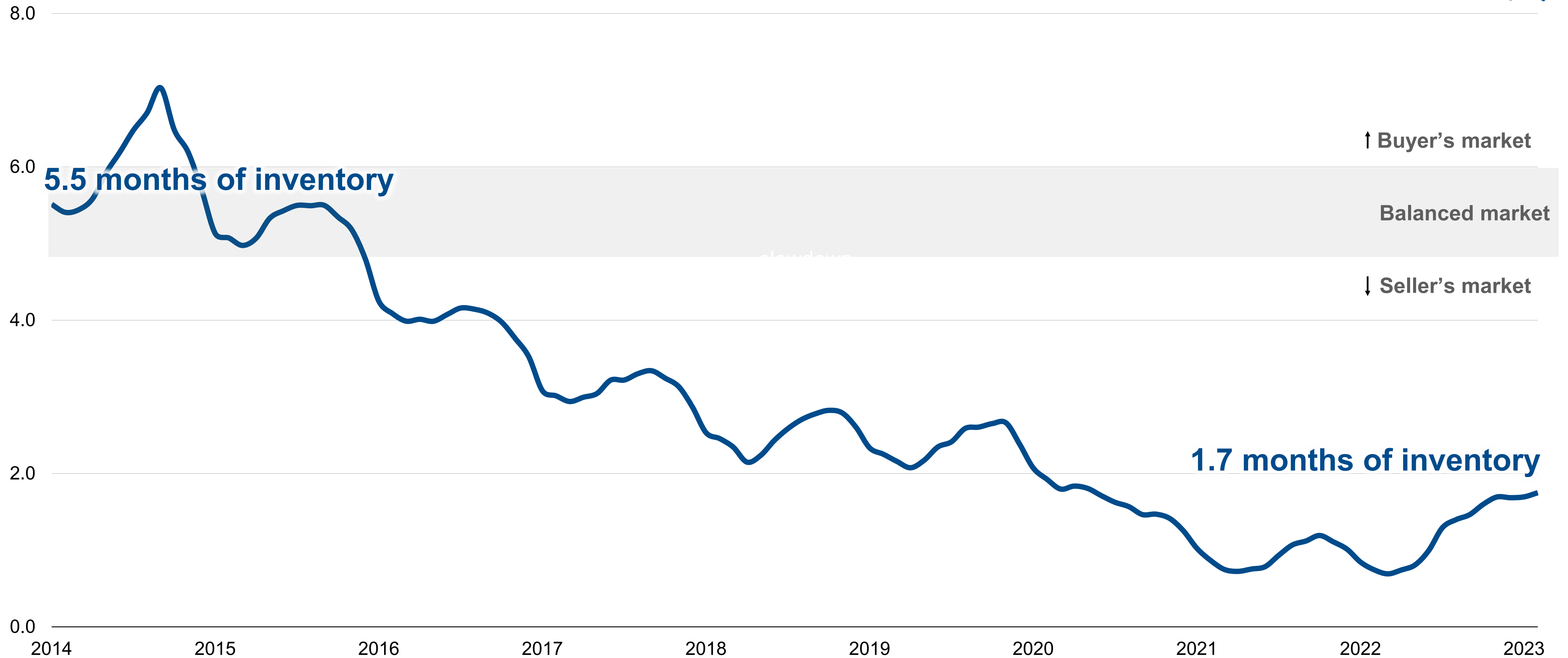
But residential inventory hasn't kept up:

Monthly active listings fell every year from 2014-2022, 80% since 2011



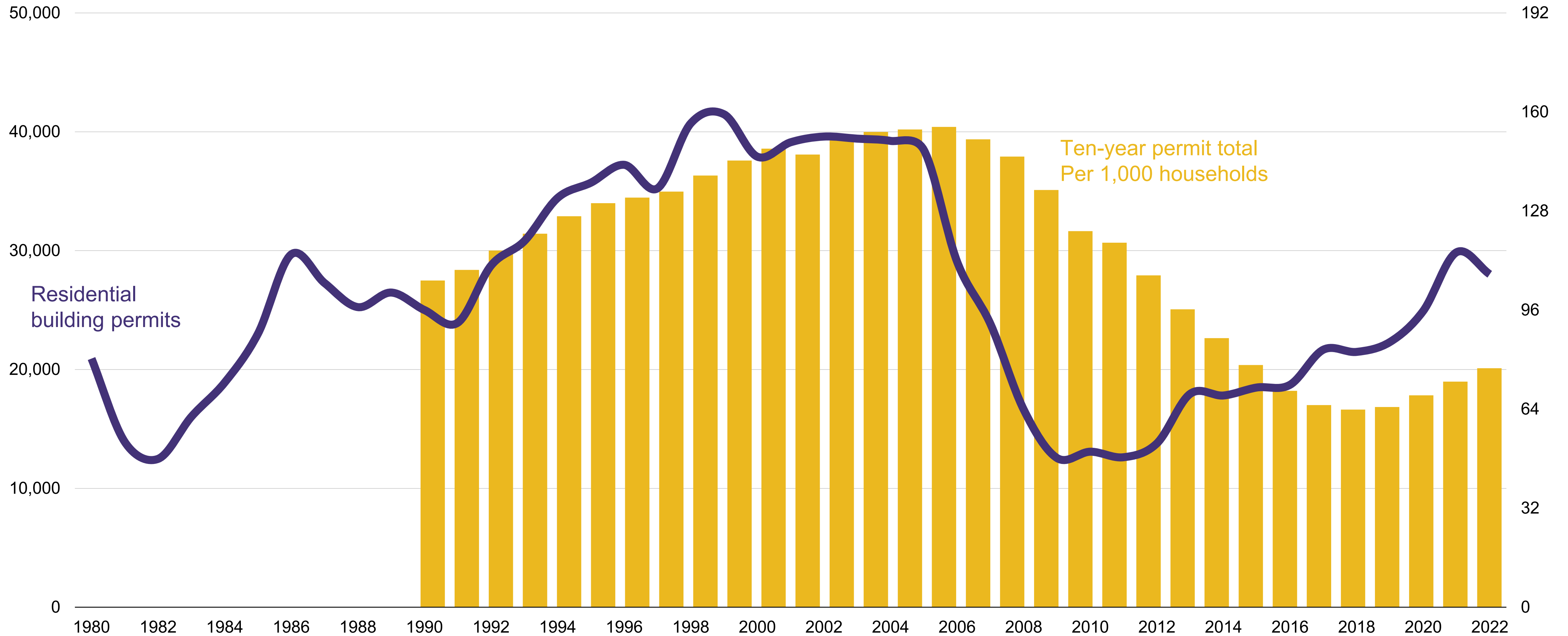
Source: IAR MLS Data Warehouse. Supply as of the end of each month. December 2022 is calculated as average daily supply due to an error in the MLS data.

Indiana has been a seller's market since 2016 – below two months of inventory through 2022



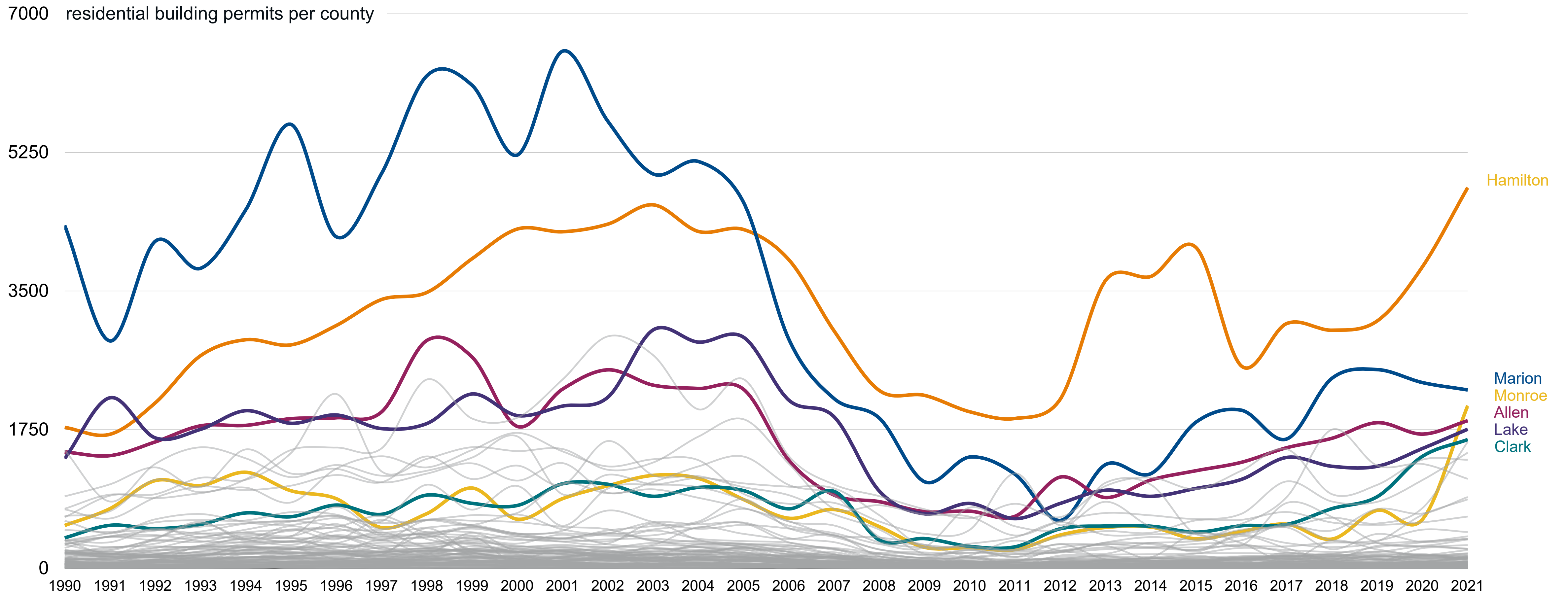
New construction isn't filling the gap.

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



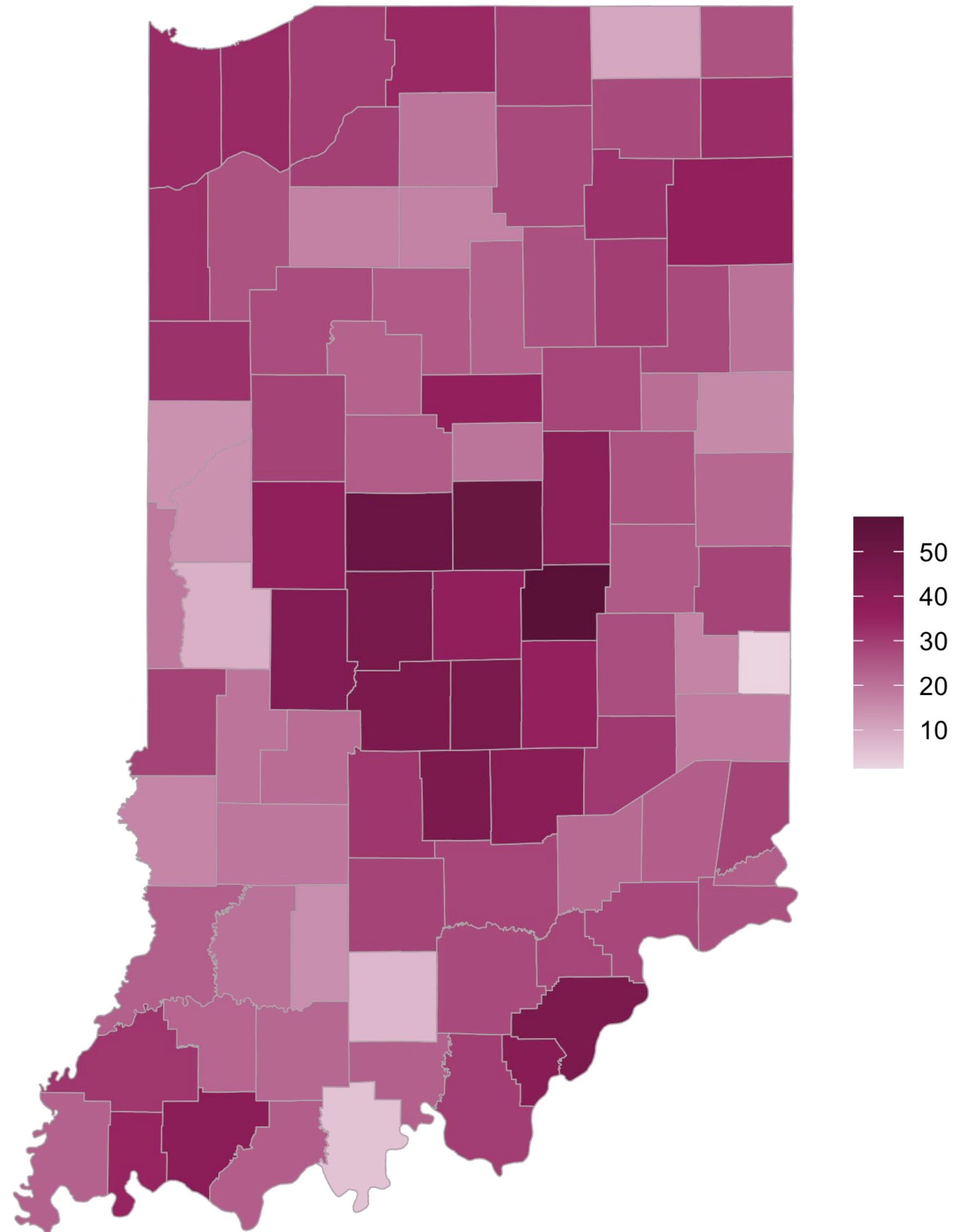
Source: Decennial Census, American Community Survey 1-Year Average, US Census Building Permit Survey

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



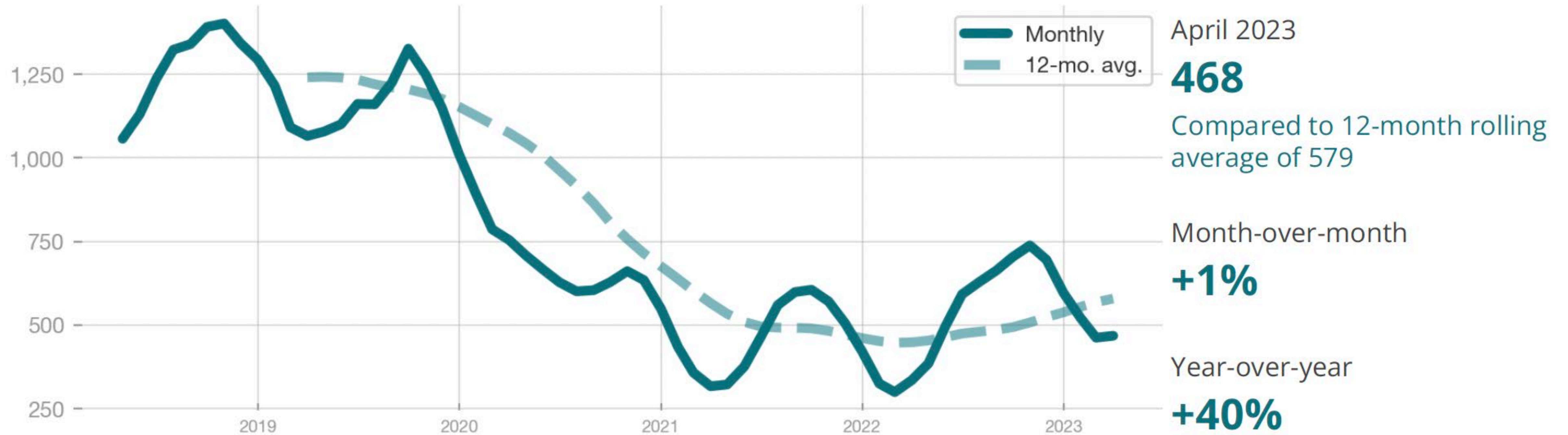
- Even normalized on a ‘per household’ basis, real estate activity is most heavily concentrated in relatively few urban/metropolitan counties
- New construction lags household growth and housing sales activity
- Non-metro rural counties have less market activity per household (despite some improvement in net migration since 2019)

The view from Southwest Indiana:



Inventory challenges impacting the region

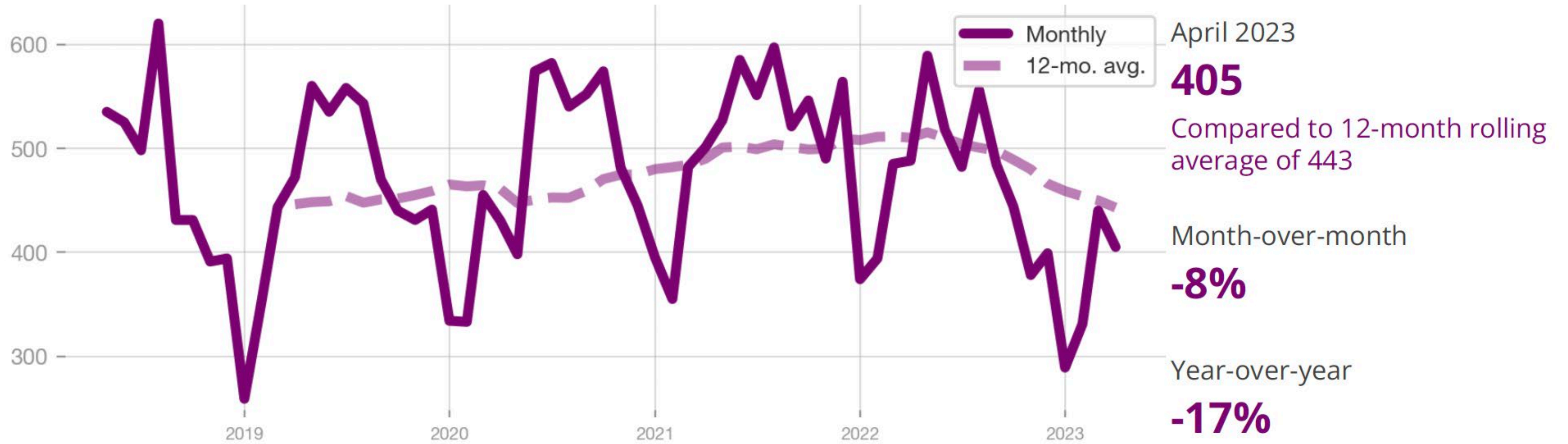
Average monthly listings cut in half over the past four years





The regional sales recovery has been slower in 2023

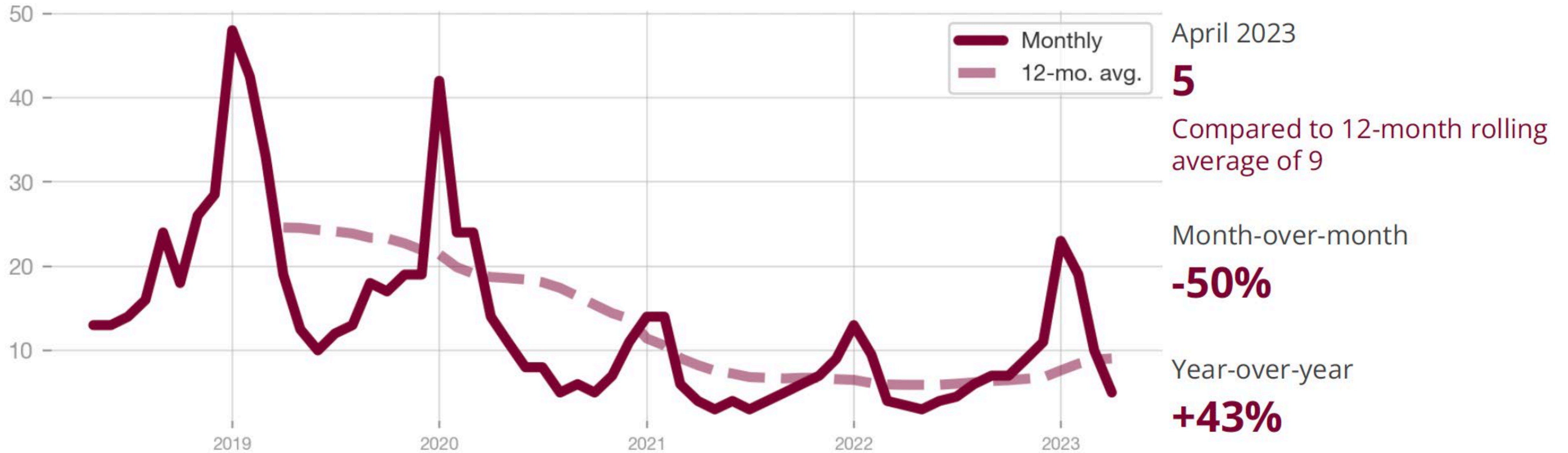
The longer-term sales trend is consistent with the statewide market



But Southwest Indiana sales held up better than the state in 2022



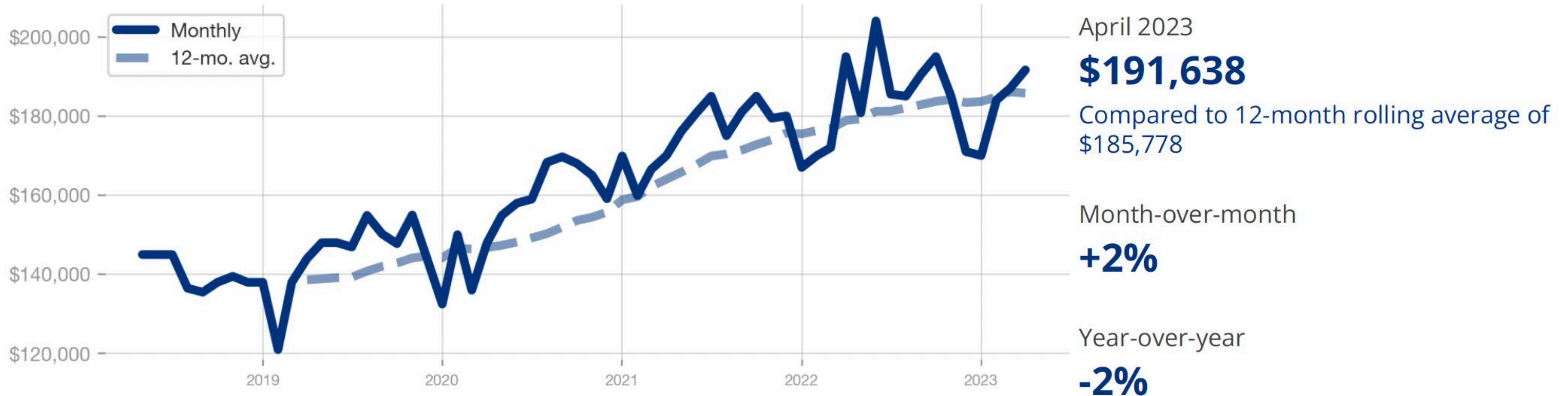
Homes continue to sell at a brisk pace:





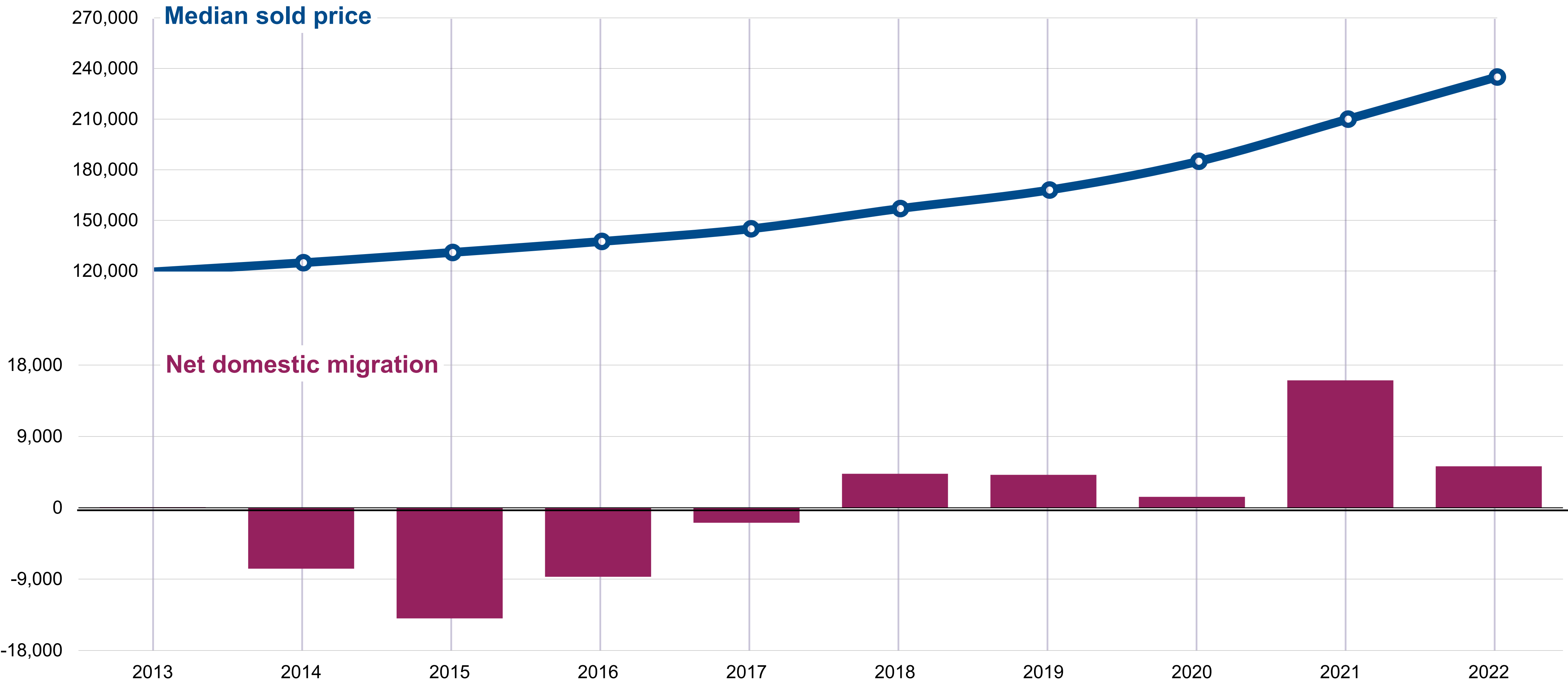
Price appreciation has been slower than the state

Homes are more affordable, even adjusting for per capita income/earnings per job



Cost and affordability:

Home price growth rose from 4% (2013-2017) to 10% annually after 2018 (as net migration turned positive and the pandemic influenced demand)

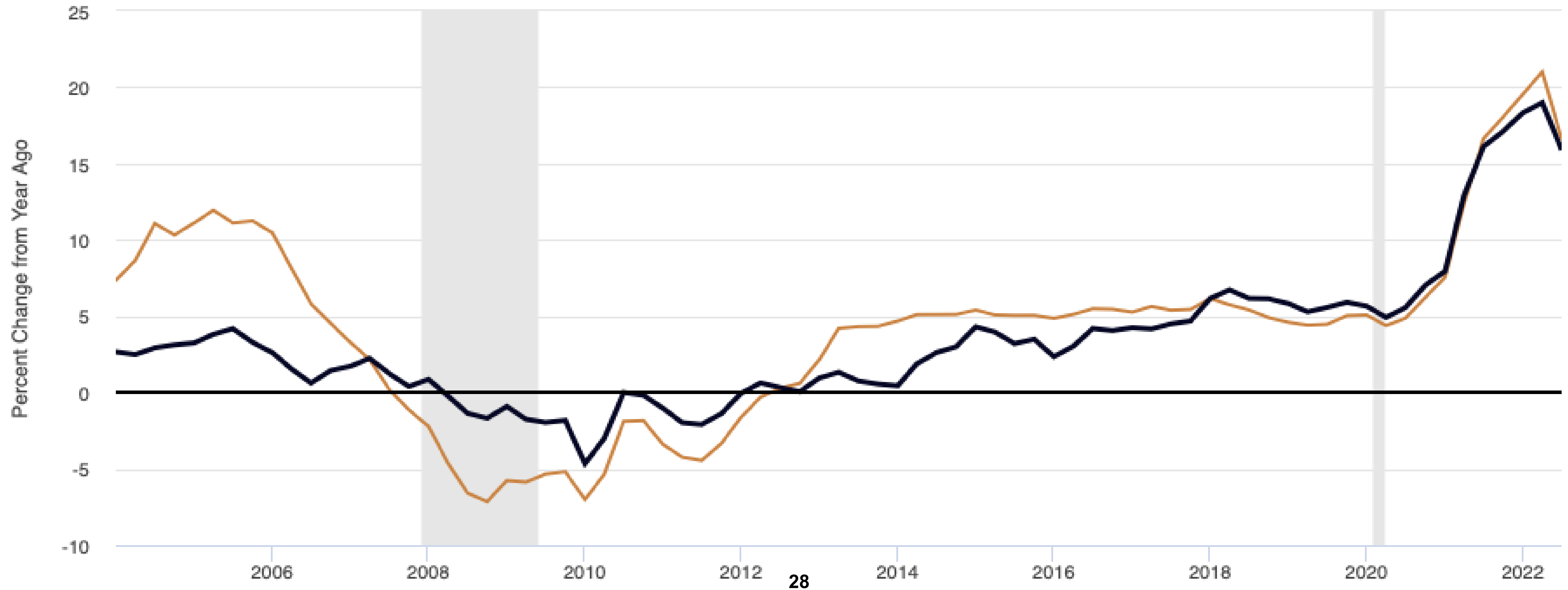


Indiana's housing shortage pushed sale prices above the U.S. growth rate

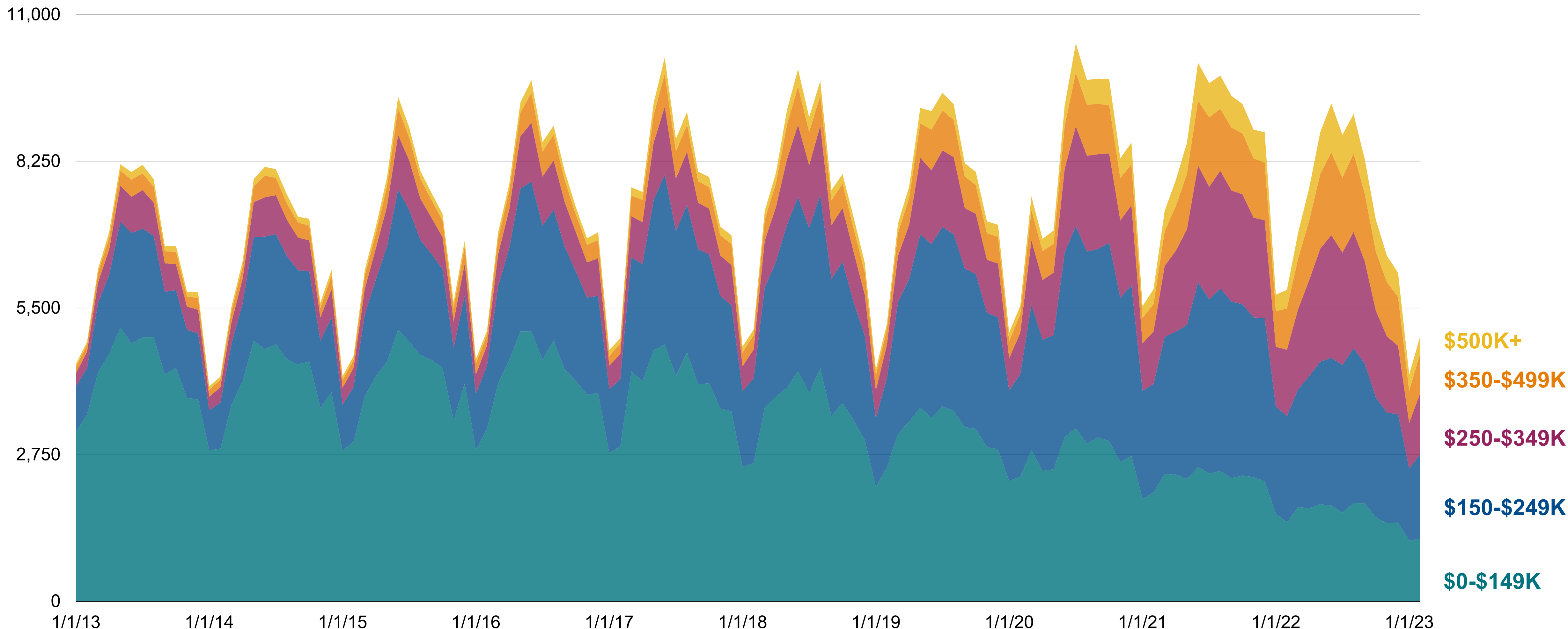


Indiana's current price trend predates 2020 – not a 'COVID bubble'

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



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%



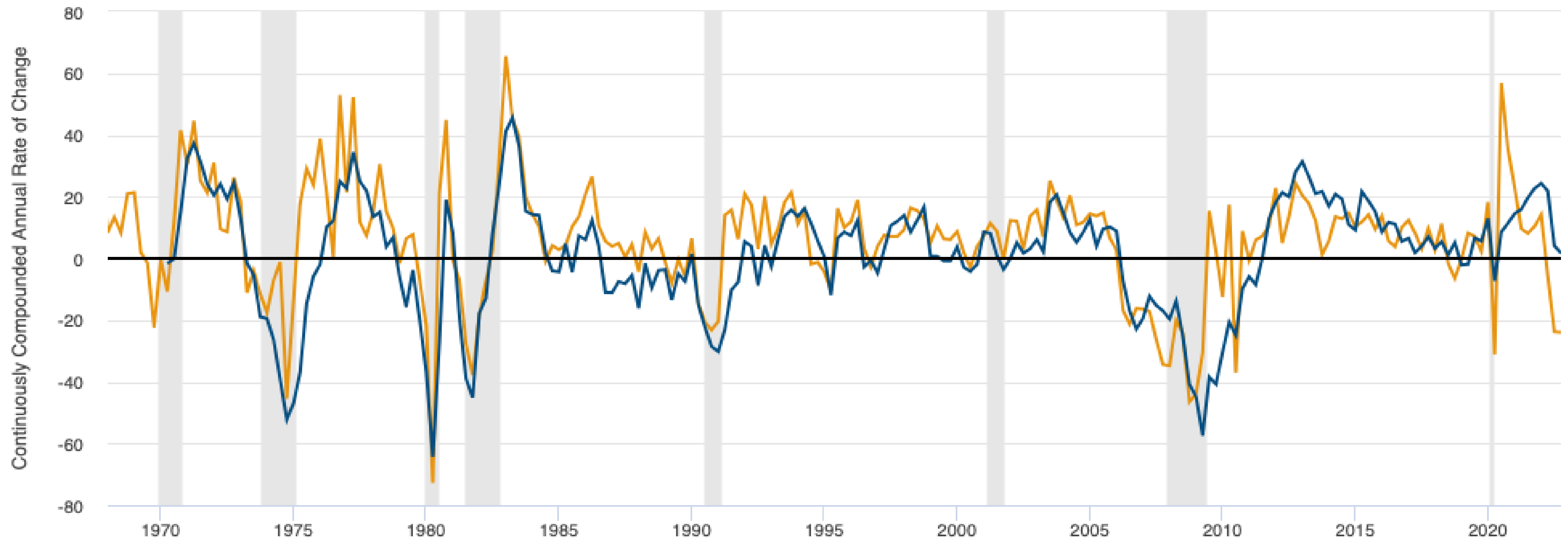
Financial stability and economic risk

Housing and the broader economy

Housing construction & residential investment fall early, rebound sharply



FRED  — Private Residential Fixed Investment
— New Privately-Owned Housing Units Under Construction: Total Units



Shaded areas indicate U.S. recessions.

Sources: BEA; Census; HUD

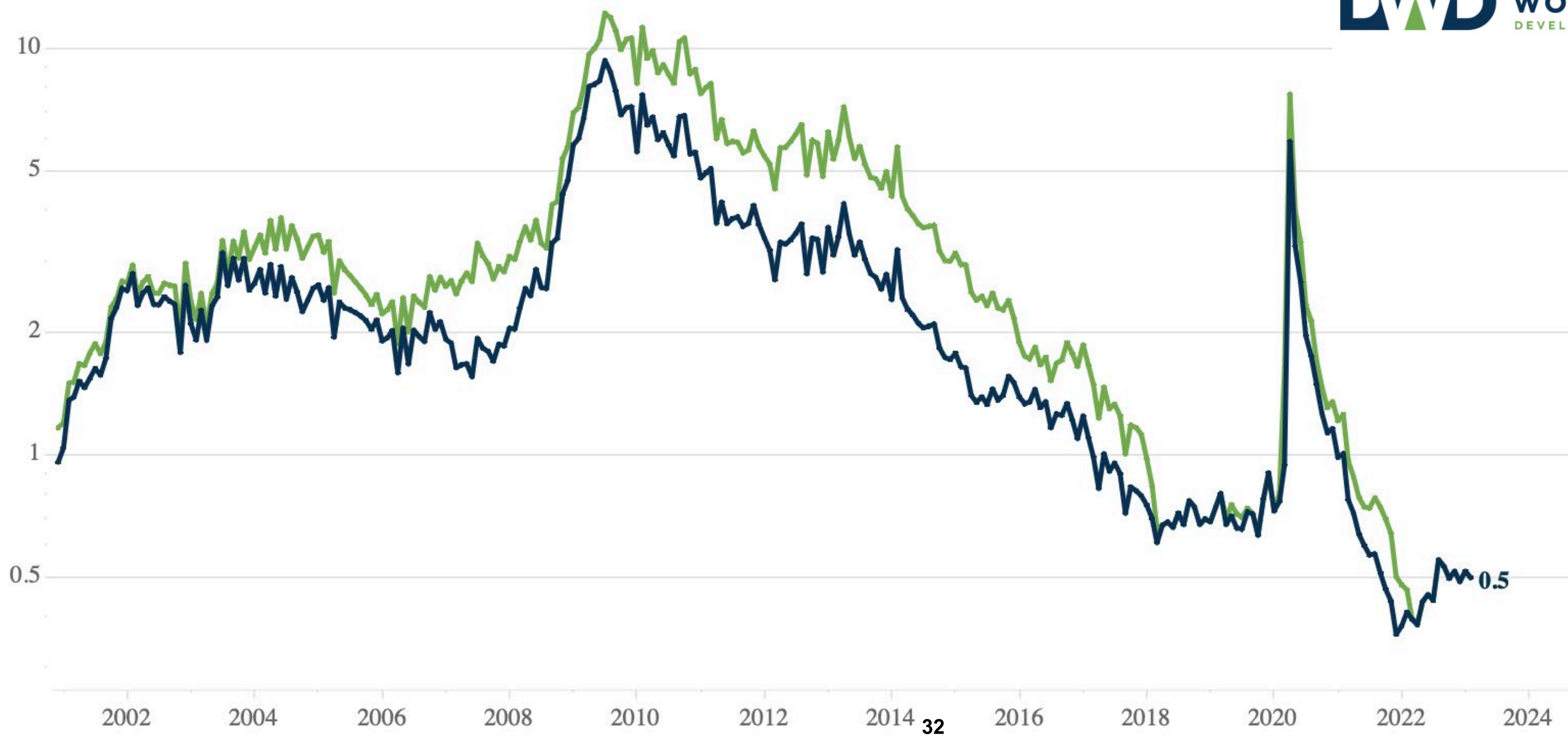
fred.stlouisfed.org

Indiana still has more job openings than workers



Job openings and hiring levels are dropping

Unemployed workers/job opening Potential workers/job opening

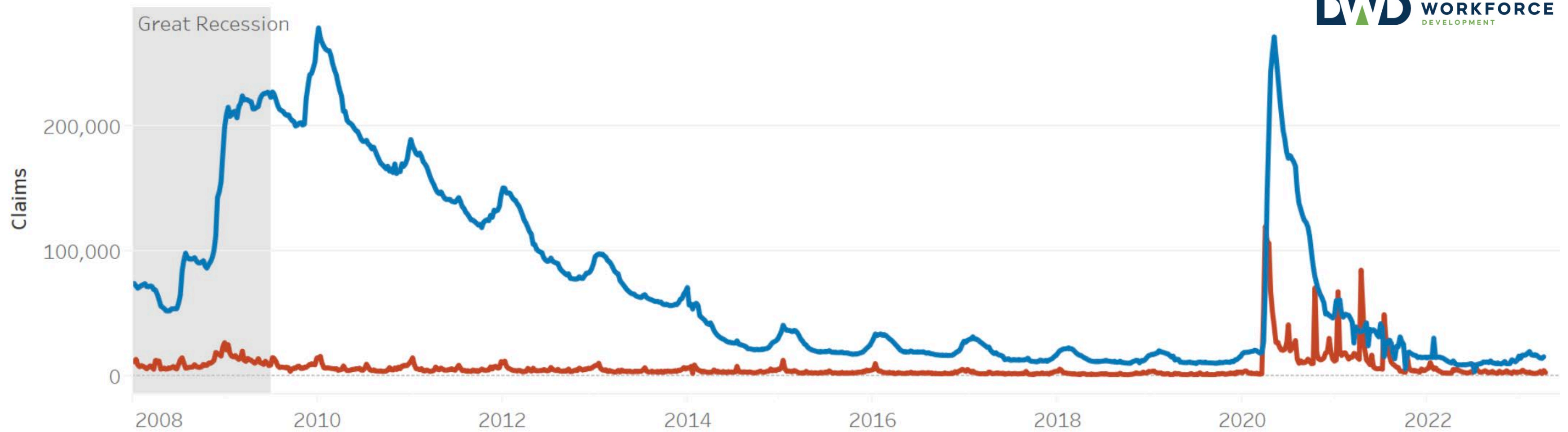




Unemployment claims remain historically low

Layoffs are up modestly versus the U.S. overall, manufacturing leads initial claims

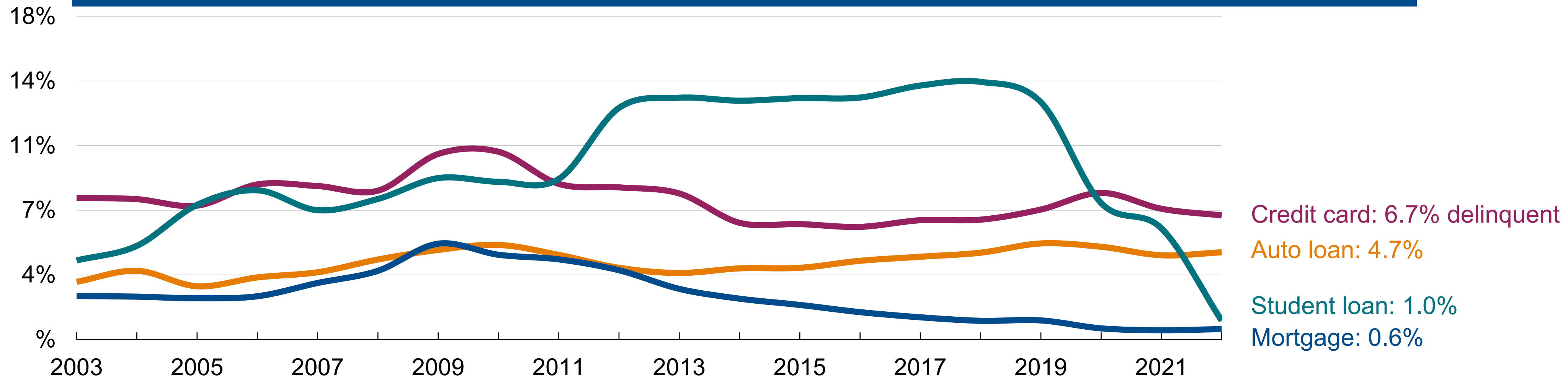
Indiana weekly **initial** and **continued** unemployment claims (Total, All Industries)



Household debt lower than the national average



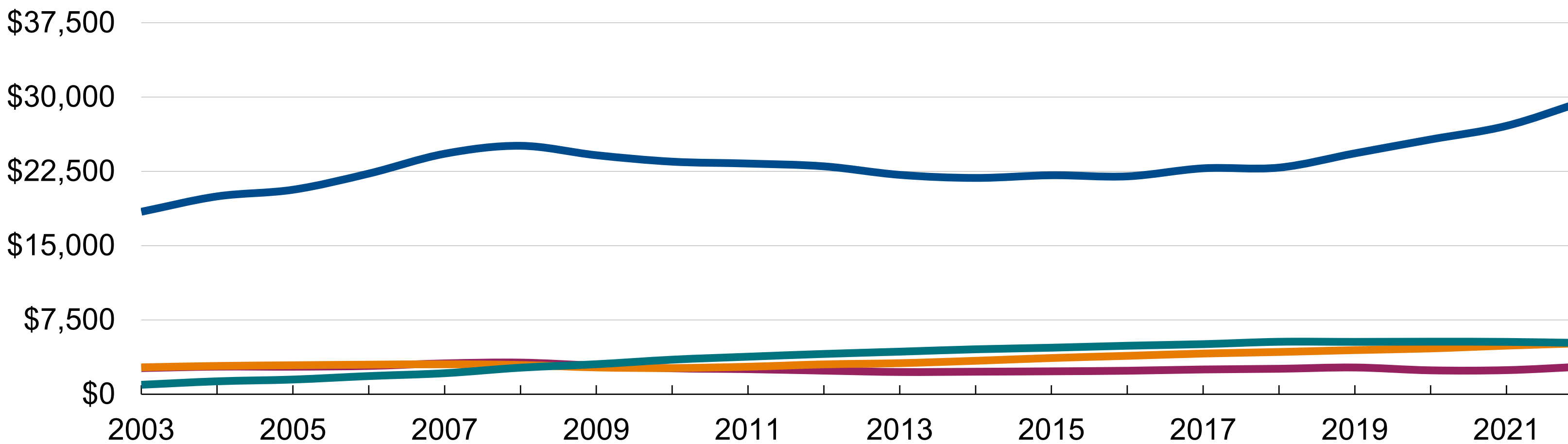
Debt per household is climbing, delinquency rates are not (yet)



Credit card: 6.7% delinquent
 Auto loan: 4.7%
 Student loan: 1.0%
 Mortgage: 0.6%

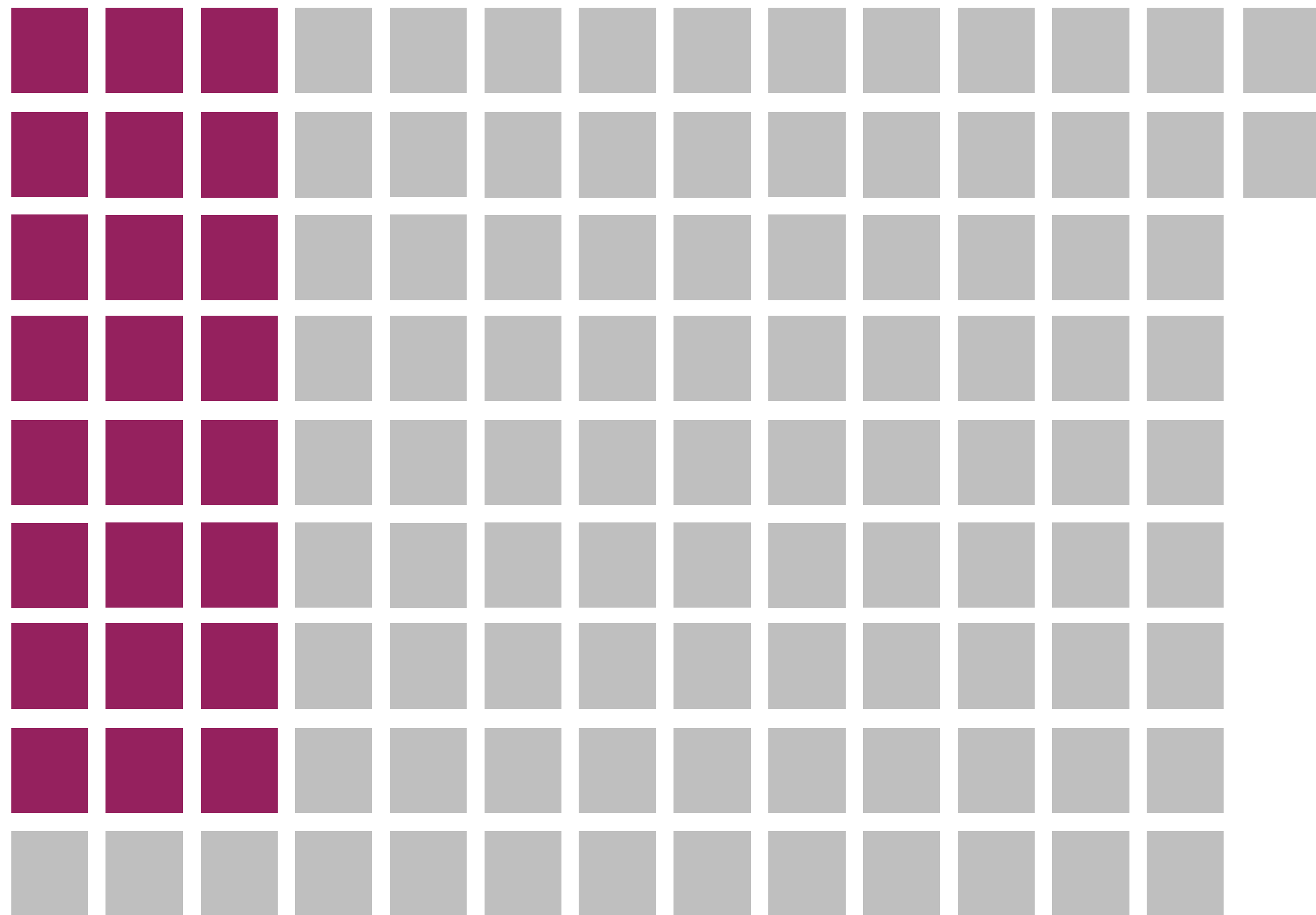
Mortgage: \$29,510 per household

Student loan: \$5,180
 Auto loan: \$5,150
 Credit card: \$2,780





One fifth of Indiana households with a mortgage are cost-burdened



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

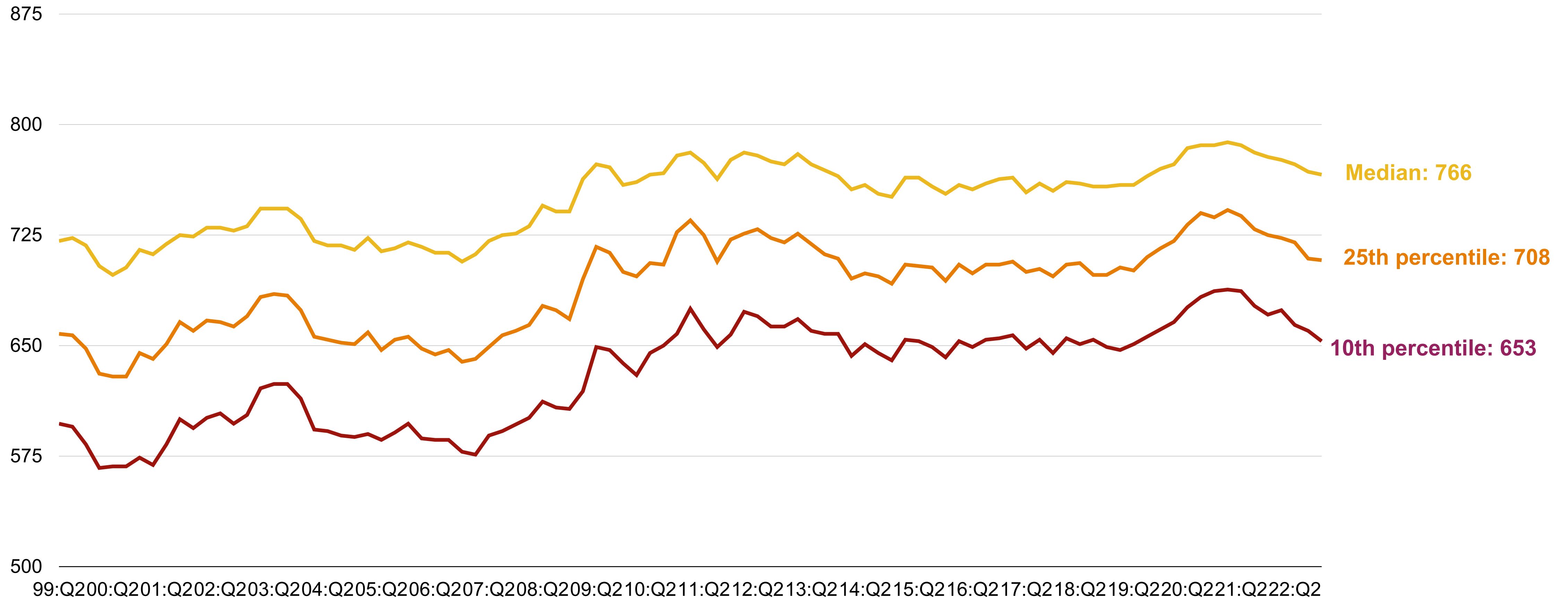
 = 10,000 households

Credit is tightening along with affordability/availability concerns



Credit scores and mortgage originations

Indiana's median credit score: 712





A challenging climate for first-time homebuyers

Tight credit and economic uncertainty 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

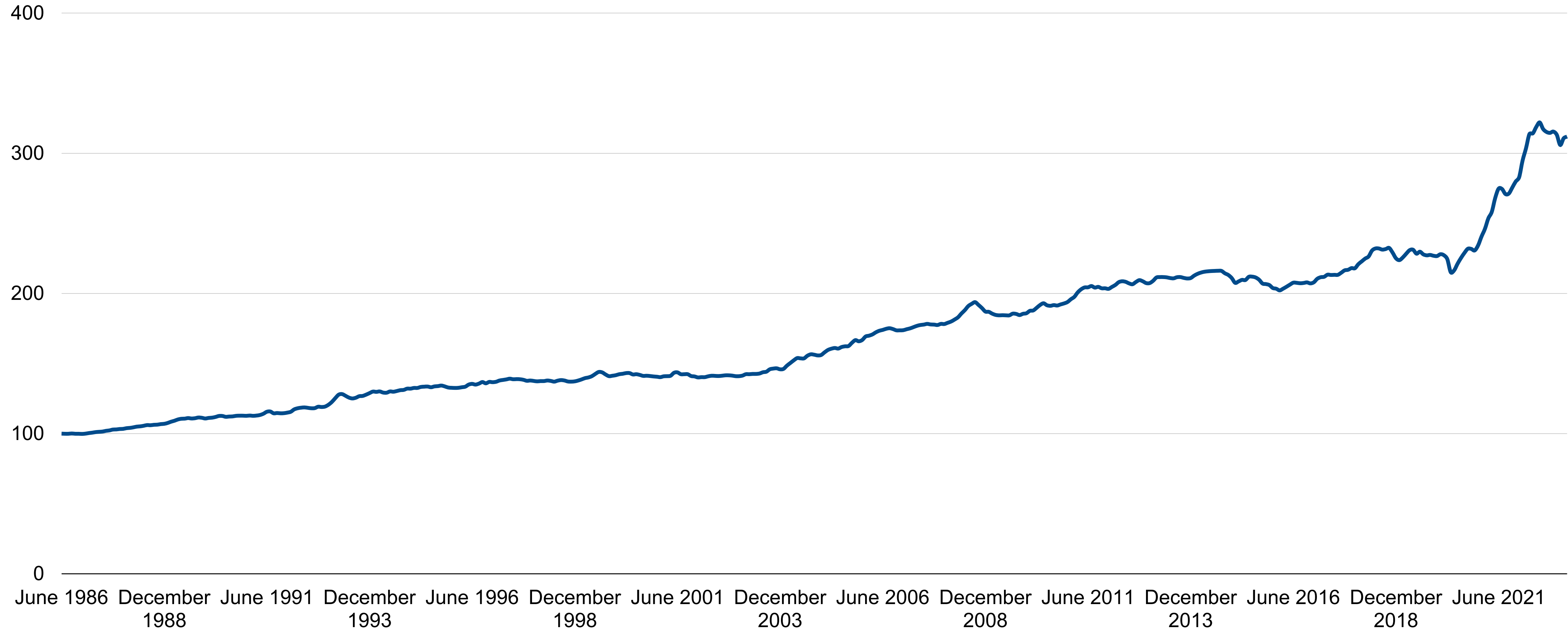
(<https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers>)

Indiana needs pro-growth housing policy

Homebuilding has become more expensive 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 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

The workforce housing shortage has implications for future economic development



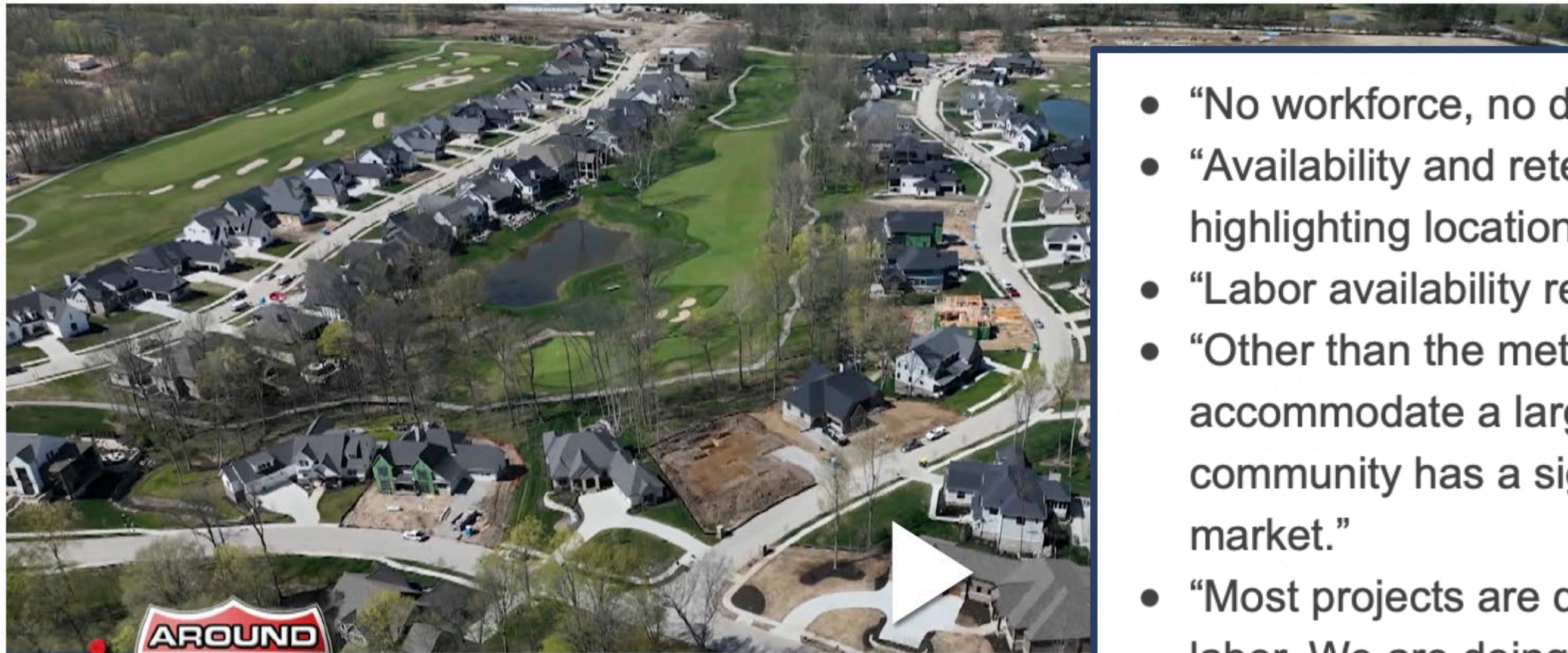
INSIDE INDIANASM
BUSINESS
WITH GERRY DICK

Housing demand expected to grow with LEAP district

Tuesday, April 25, 2023 12:18 PM EDT

Updated: Tuesday, April 25, 2023 01:05 PM EDT

By Alex Brown



BOONE CO. HOUSING SHORT

COMBINED RATINGS* CONSULTANTS SURVEY

Site Selection Factors	2022	2021
Ranking		
1T. Availability of skilled labor	98.3	98.2 (2)**
1T. Energy availability	98.3	91.2 (7)

- “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

- As homebuyers return to the market, inventory and affordability challenges aren't going away
- Current Indiana homeowners aren't under severe financial stress (though economic uncertainties loom)
- But homeownership is at risk for more Hoosiers – first-time buyers, low-to-moderate income households...even workers employed at median earnings
- **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 Indiana attacks supply-demand imbalances**

Thank you.

Questions & Discussion