



INDIANA
ASSOCIATION
OF REALTORS®

Indiana Housing Market Report

Indiana Association of REALTORS®

August 16, 2023

What We'll Talk About Today:

- What we're seeing in the market in 2023
- A deeper dive into Indiana's housing shortage – the biggest threat to homeownership and housing affordability
- How housing has become a workforce and economic development priority
- How the real estate industry and the state are working together to rebuild a stronger housing market - **IHCDA programs are critical**



Primary Mortgage Market Survey[®]

U.S. weekly average mortgage rates as of 08/10/2023

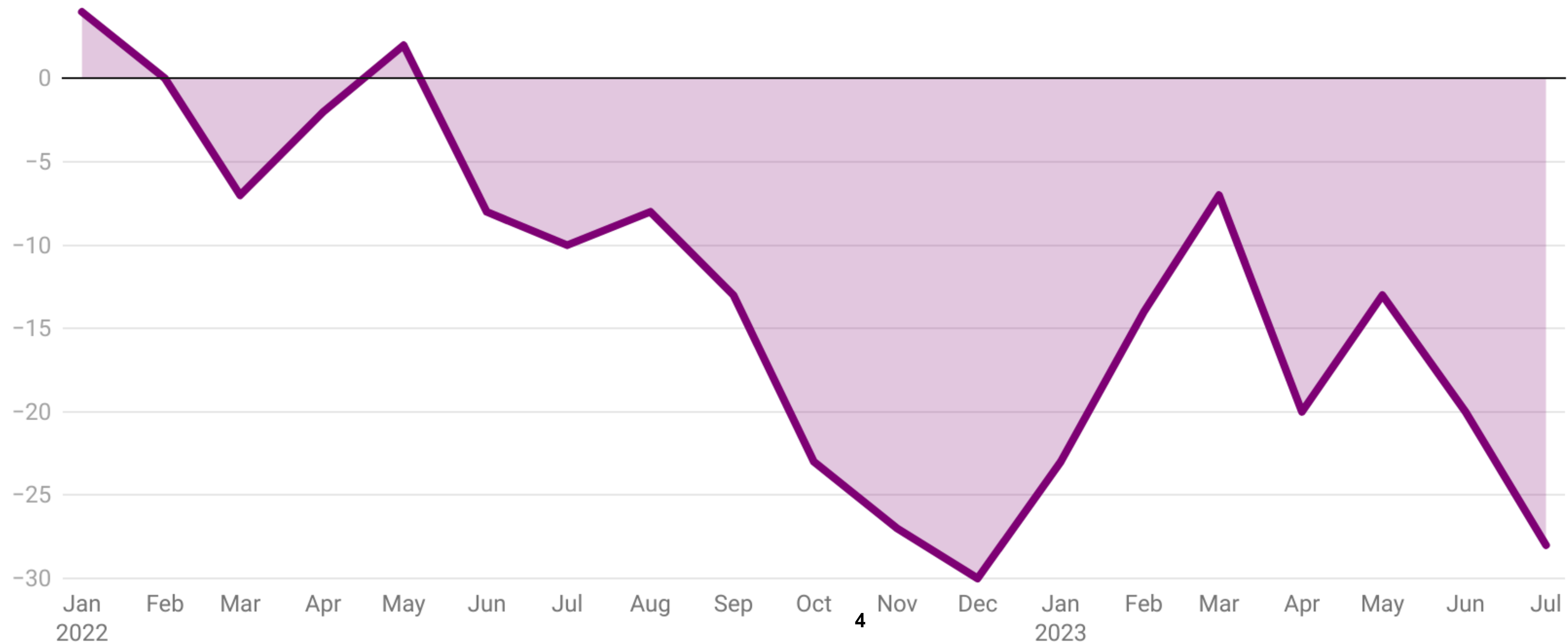




Sales continue to fall versus 2021 and 2022

- July finished **19%** below 2022, **28%** below 2021
- Based on June sales, expected 8,000 closings (actual **6,941**)

Percent Change vs. 2021

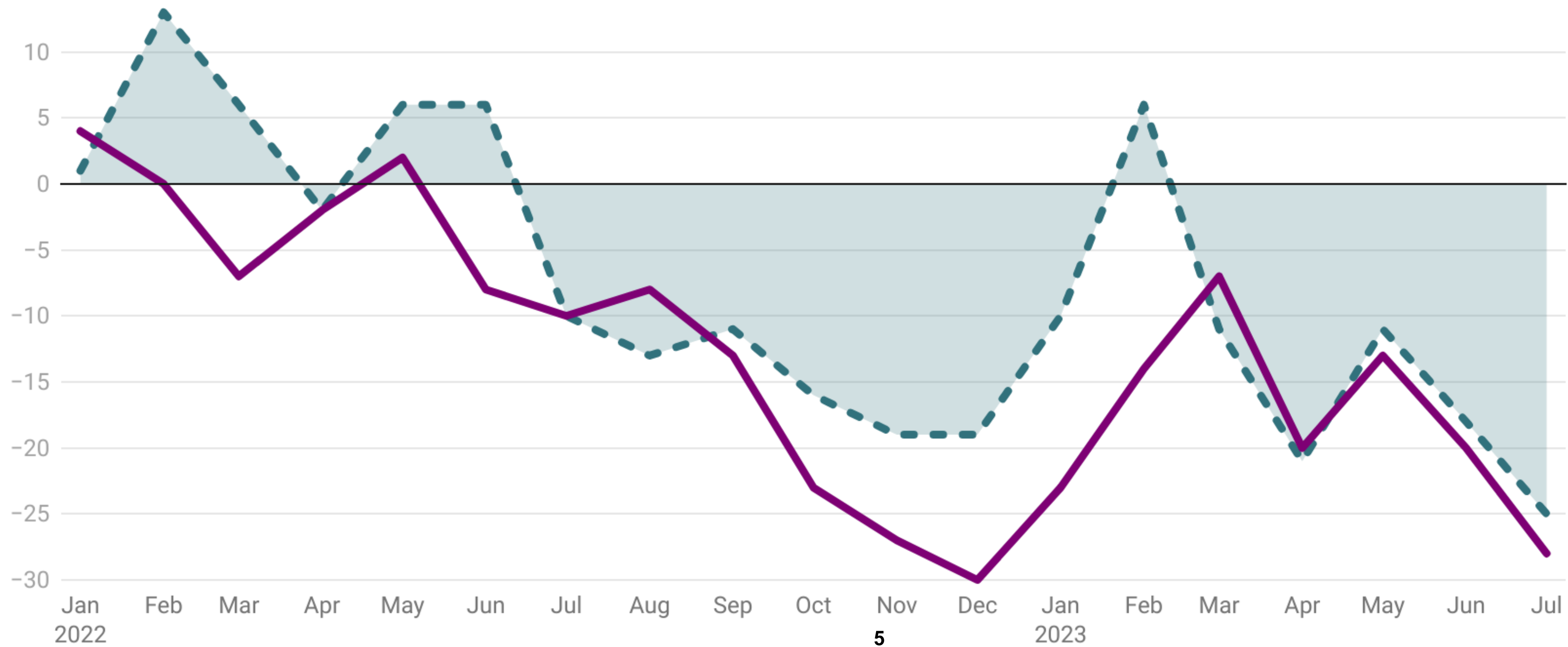




Listings have retreated faster in the past six months

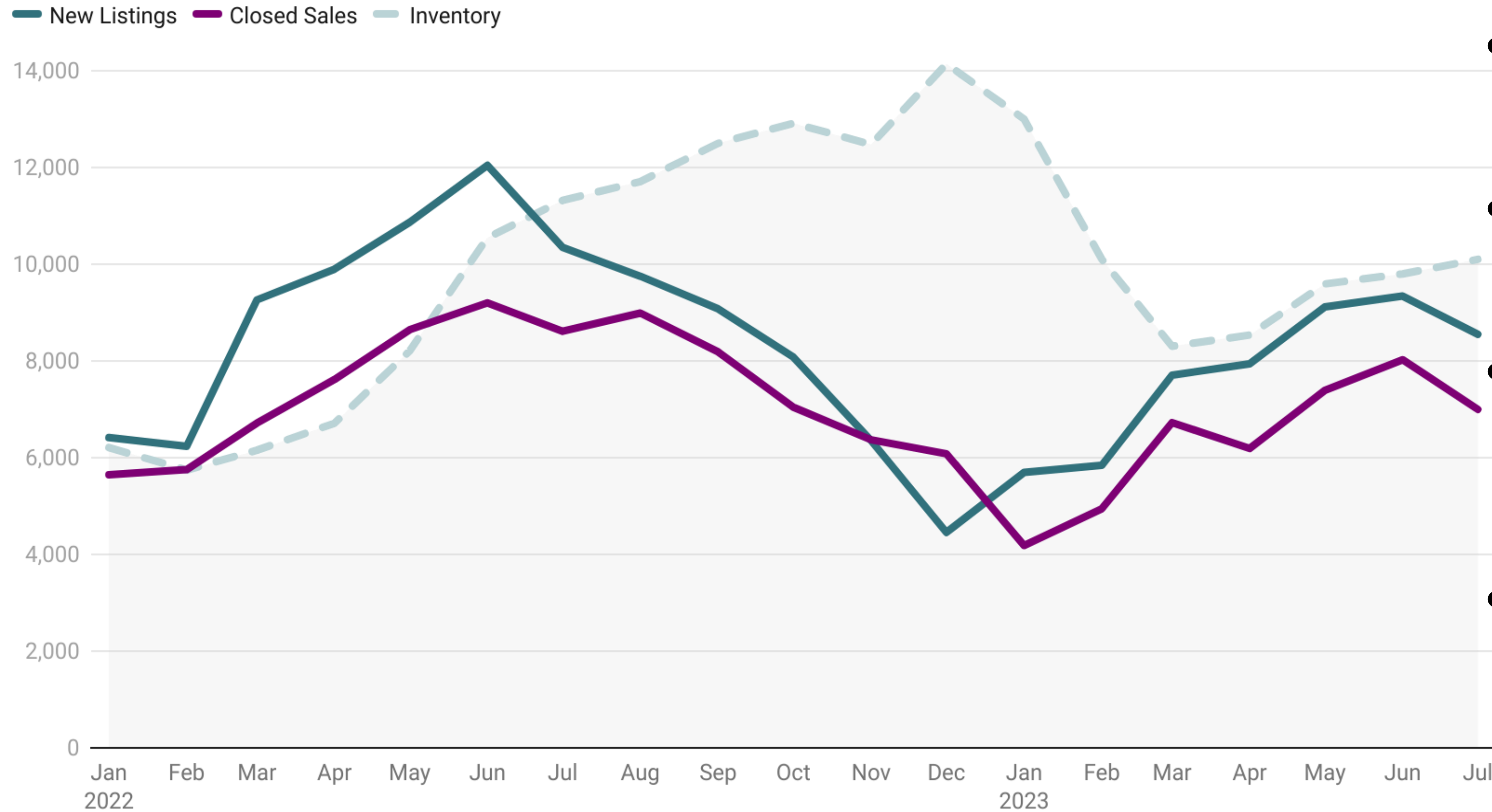
99% of outstanding mortgages have interest rates below 6.5%, **70%** are below 4%

Percent Change vs. 2021





Home sales rebounded ahead of new listings in Q1 – and inventory tightened

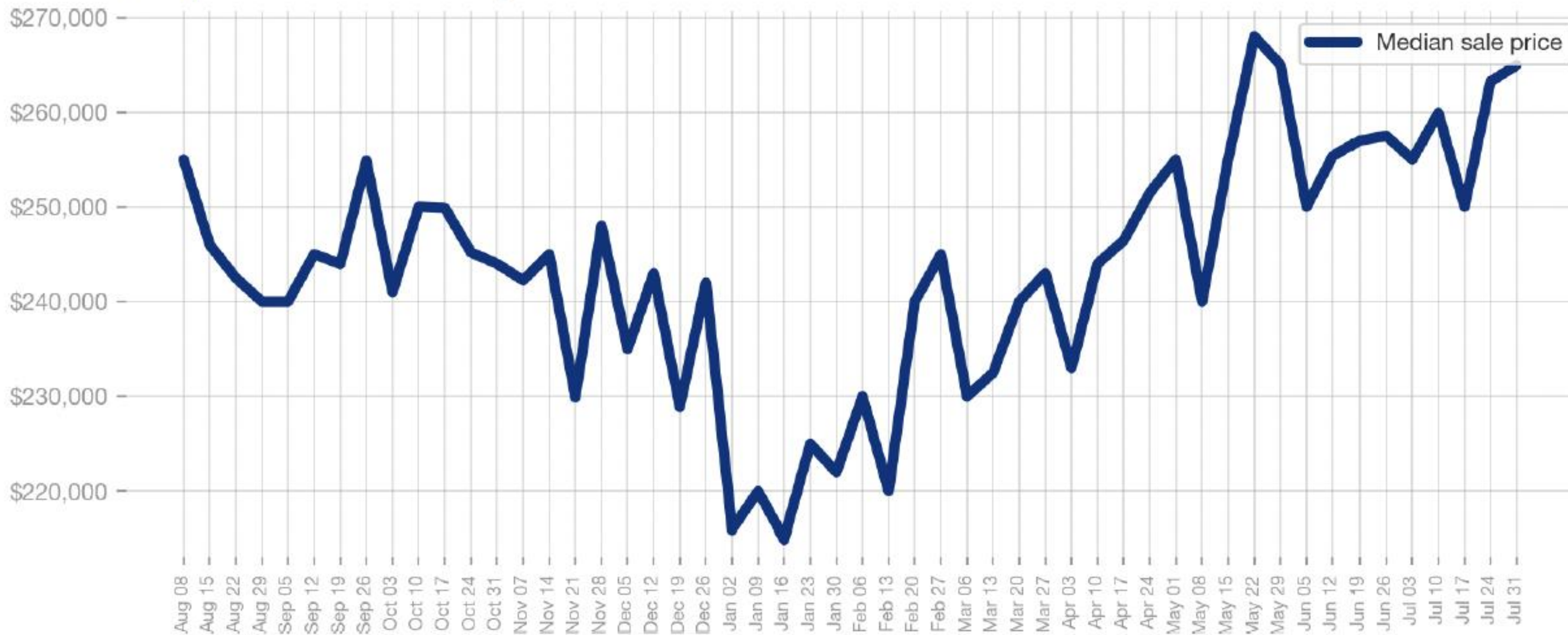


- Statewide **sales** grew 60% from January through March
- New **listings** grew 35% from January through March,
- Strong demand took a toll on **inventory** – 8,000 average daily listings to start April
- **Limited supply, elevated rates caused sales to slow**



Limited inventory still favors sellers

Median price of weekly sales



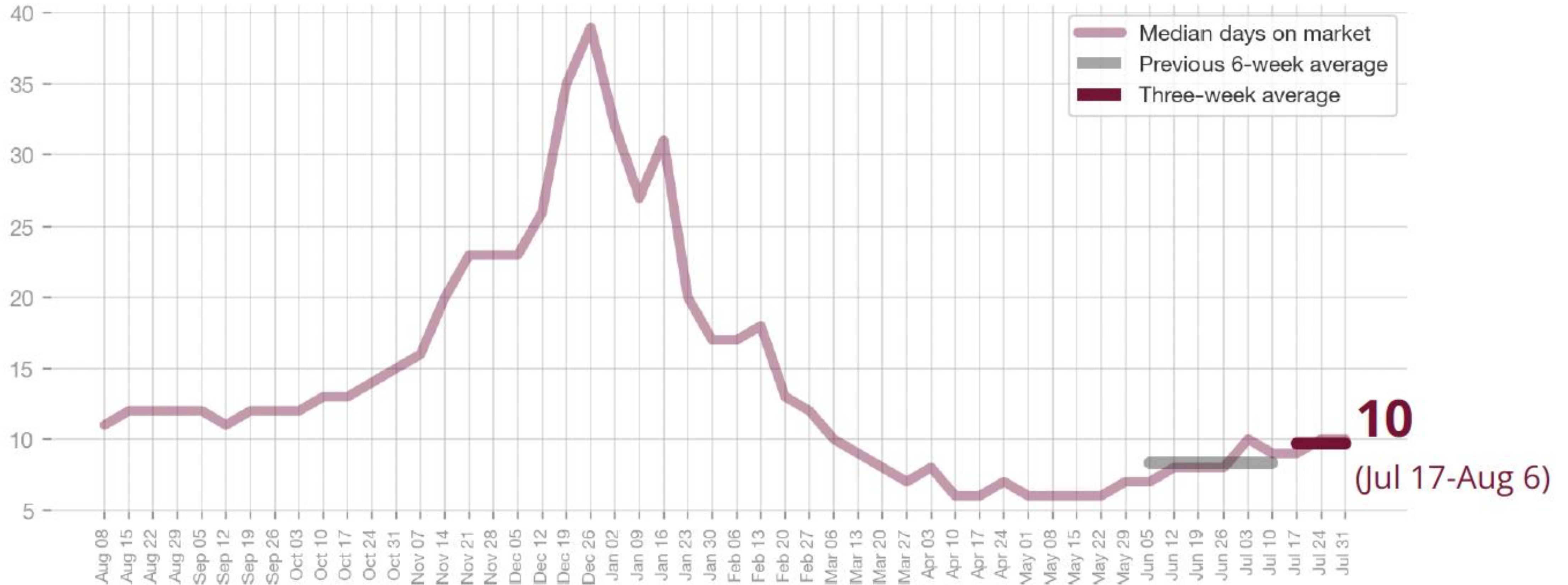
Four-week average

\$259,525

Limited inventory still favors sellers



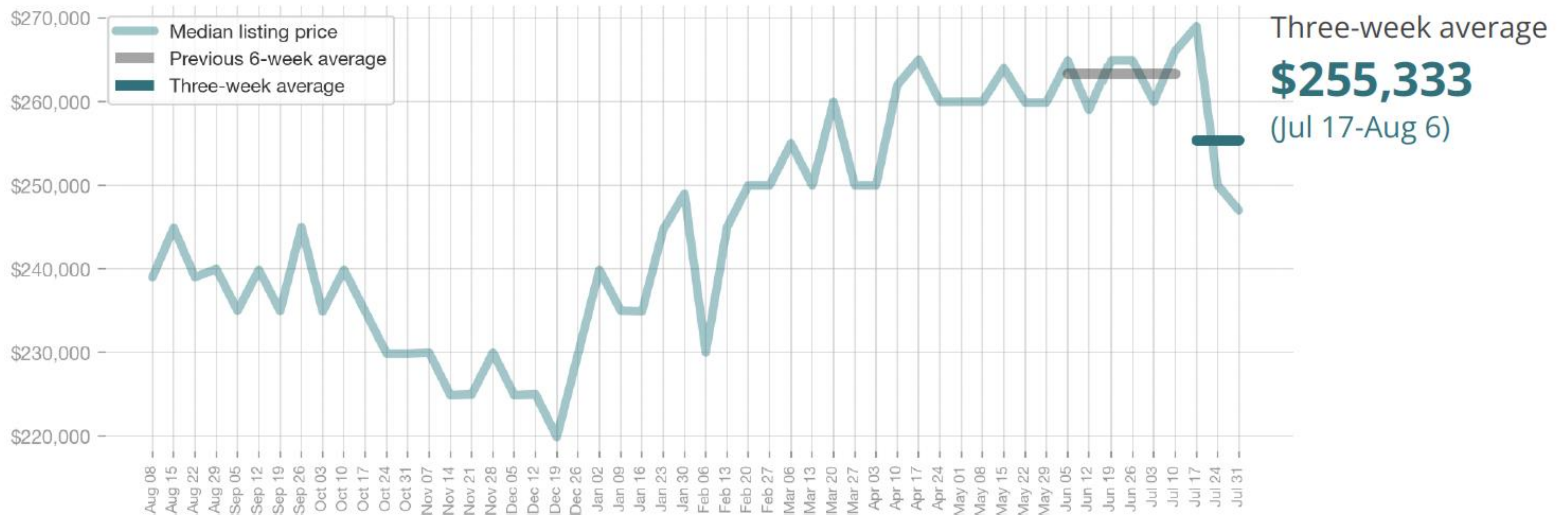
Median days from listing to pending sale





But determined homebuyers can take advantage of a more balanced market...

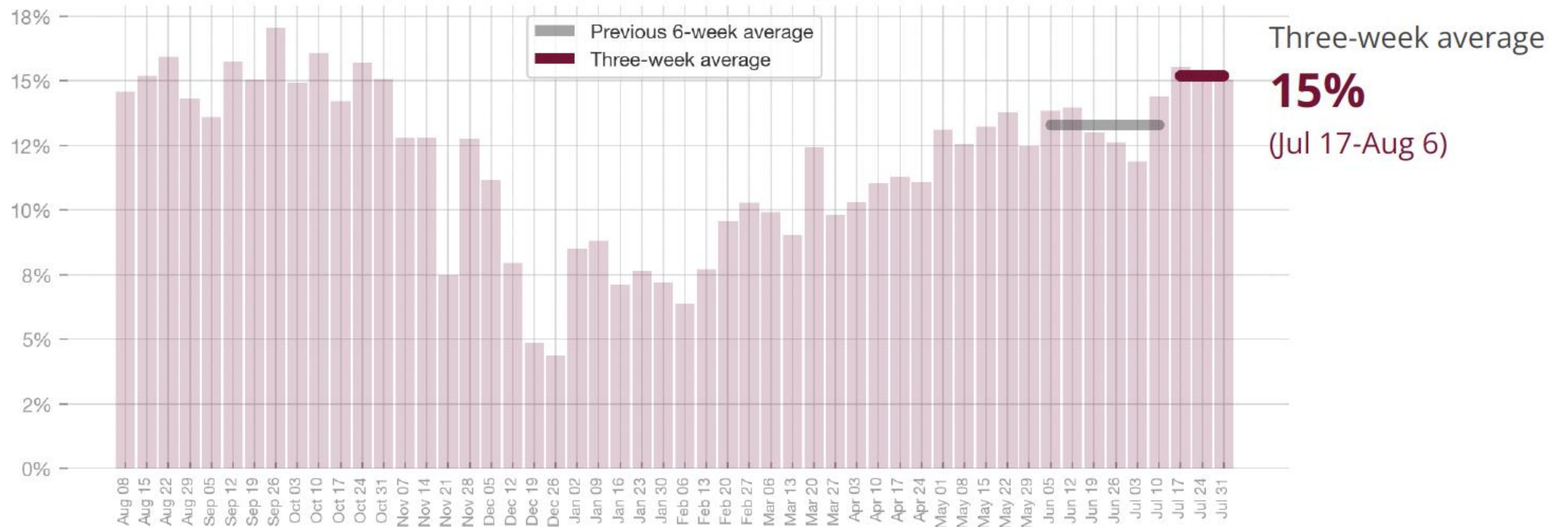
Median listing price for past three weeks





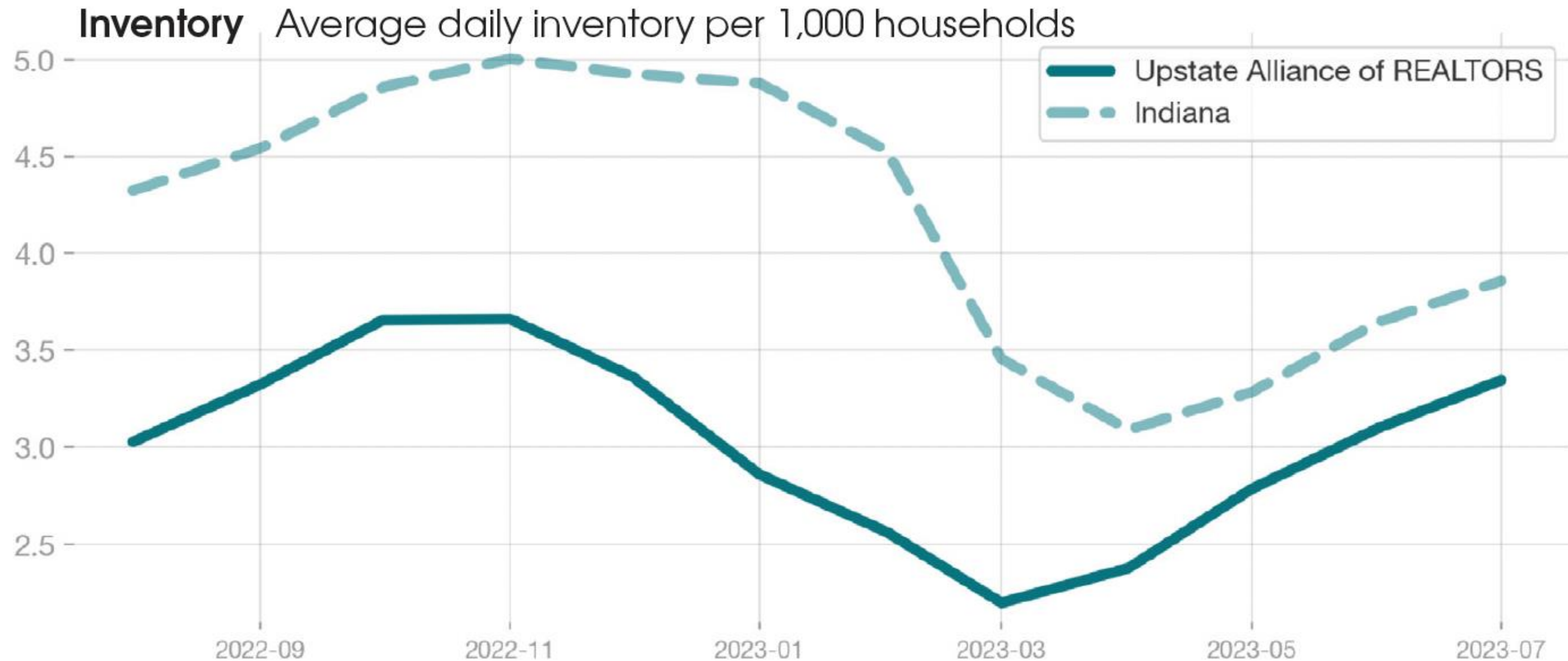
But determined homebuyers can take advantage of a more balanced market...

Price decreases as a percent of total inventory





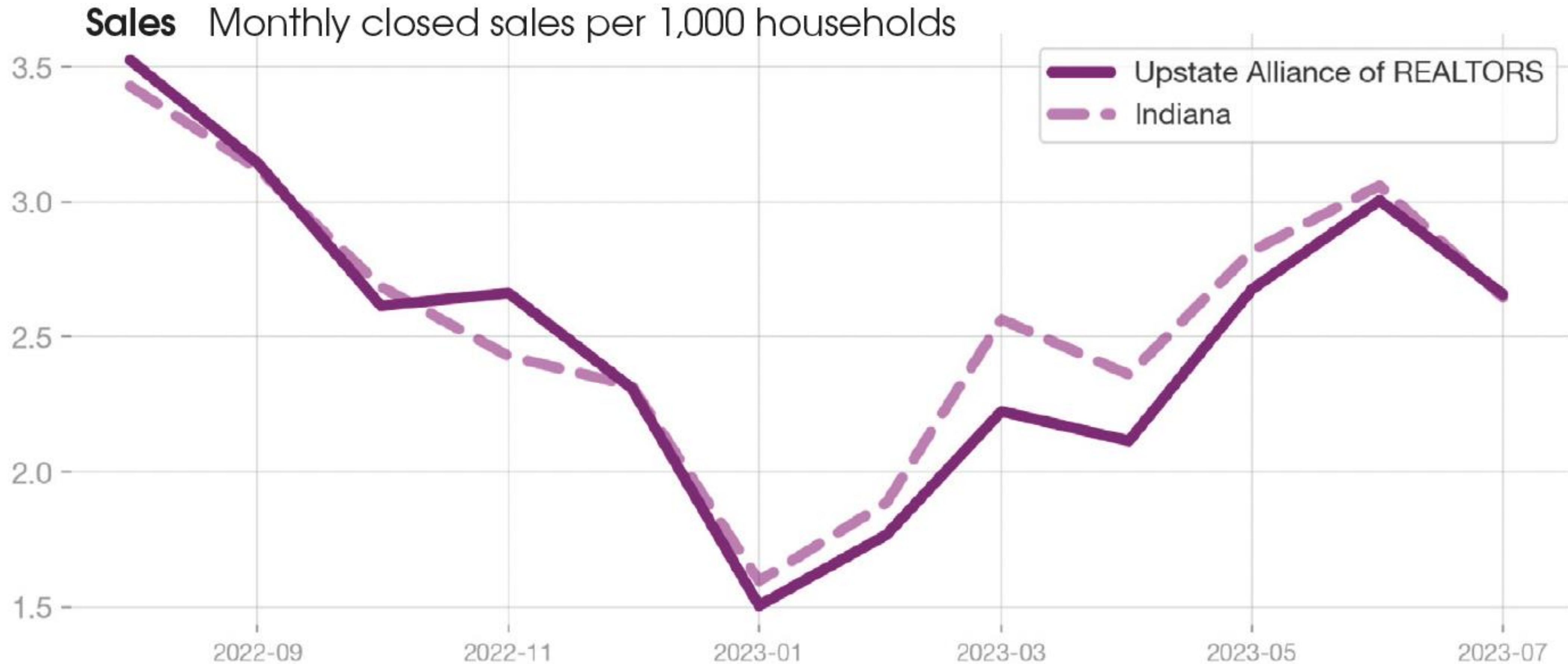
Inventory is an even bigger challenge for Northeast Indiana real estate:





Supply also holds back regional sales potential:

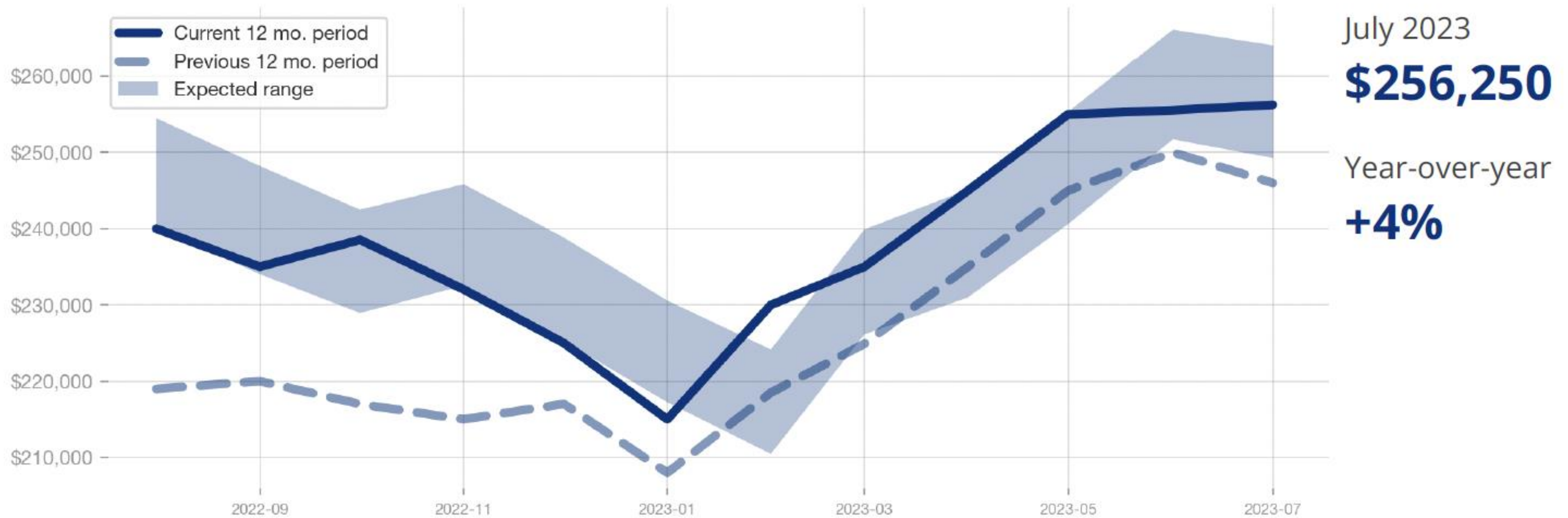
UPSTAR outperformed the statewide sales trend in 2022





Limited inventory has kept prices at historic highs

UPSTAR's monthly median sale price is **\$245,000**, **12%** above July 2022

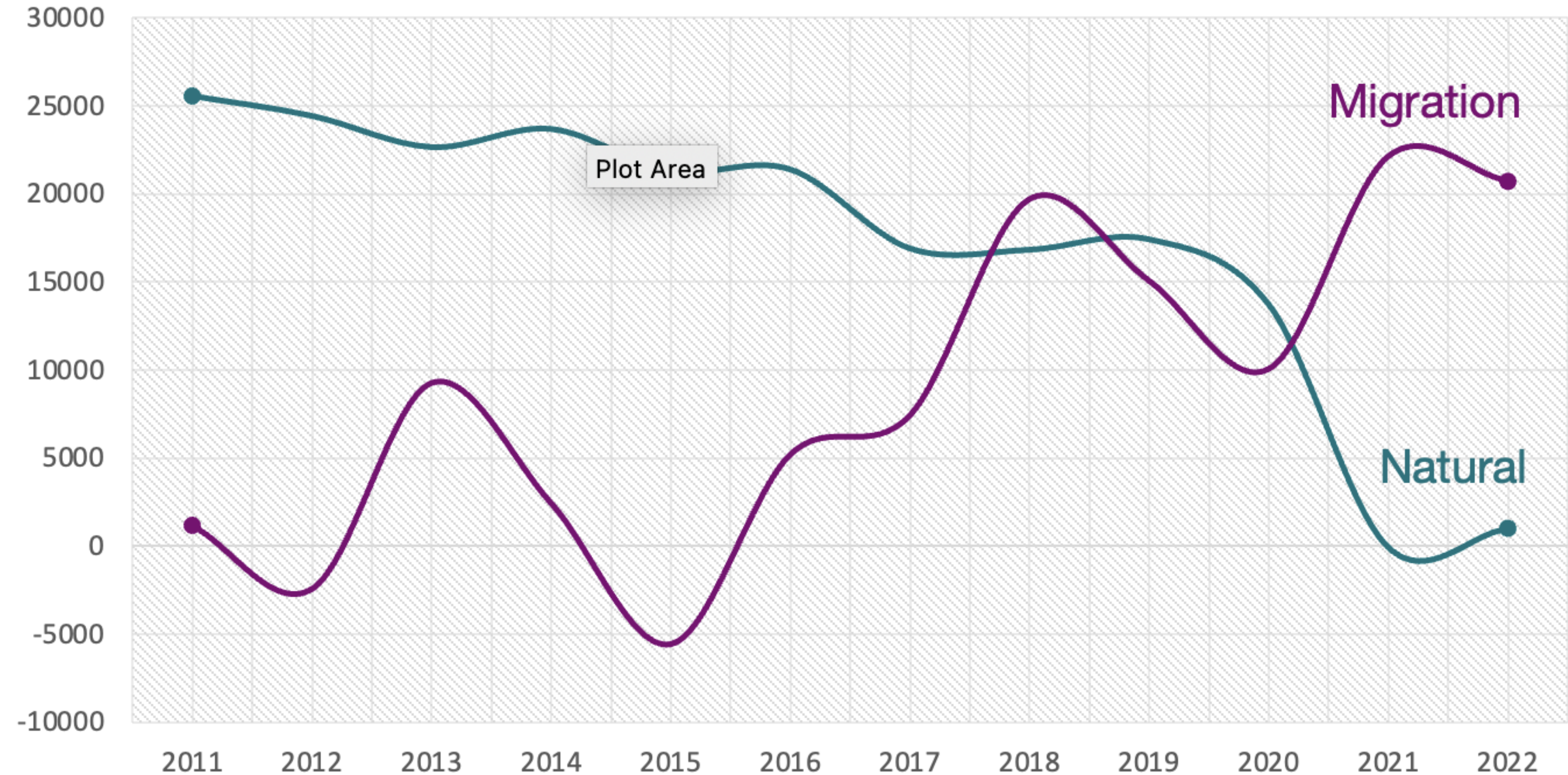


Indiana's housing shortage is a long-term challenge

First the good news: Indiana population growth accelerates after 2017

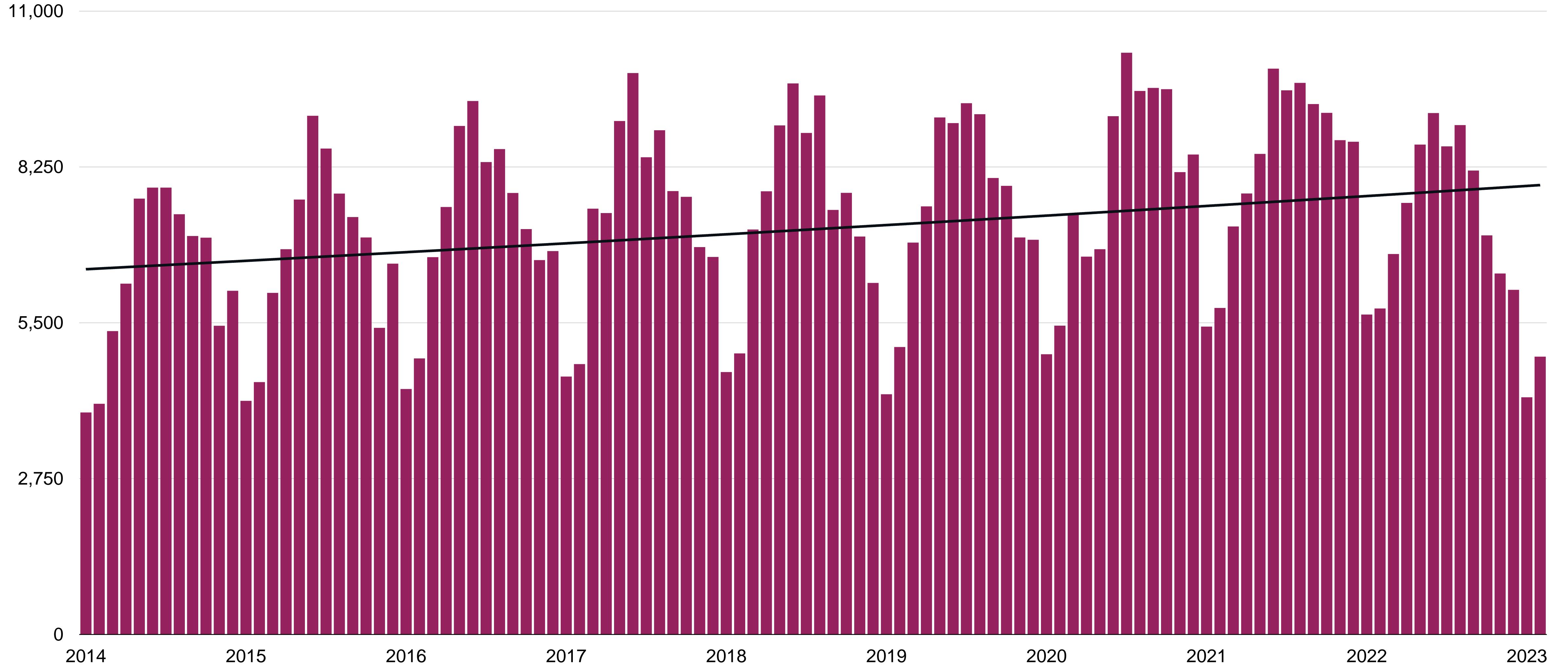


- Indiana's overall population has grown by 300,000 since 2011 (162,000 households)
- Lagged the nation but **led the Midwest** in population growth (2010-2022)
- Net domestic migration positive from 2018-2022 (**31,000+** new residents)
- 5,200+ net migration in 2022 (*Illinois, Ohio and Michigan lost a combined 158,000 residents*)



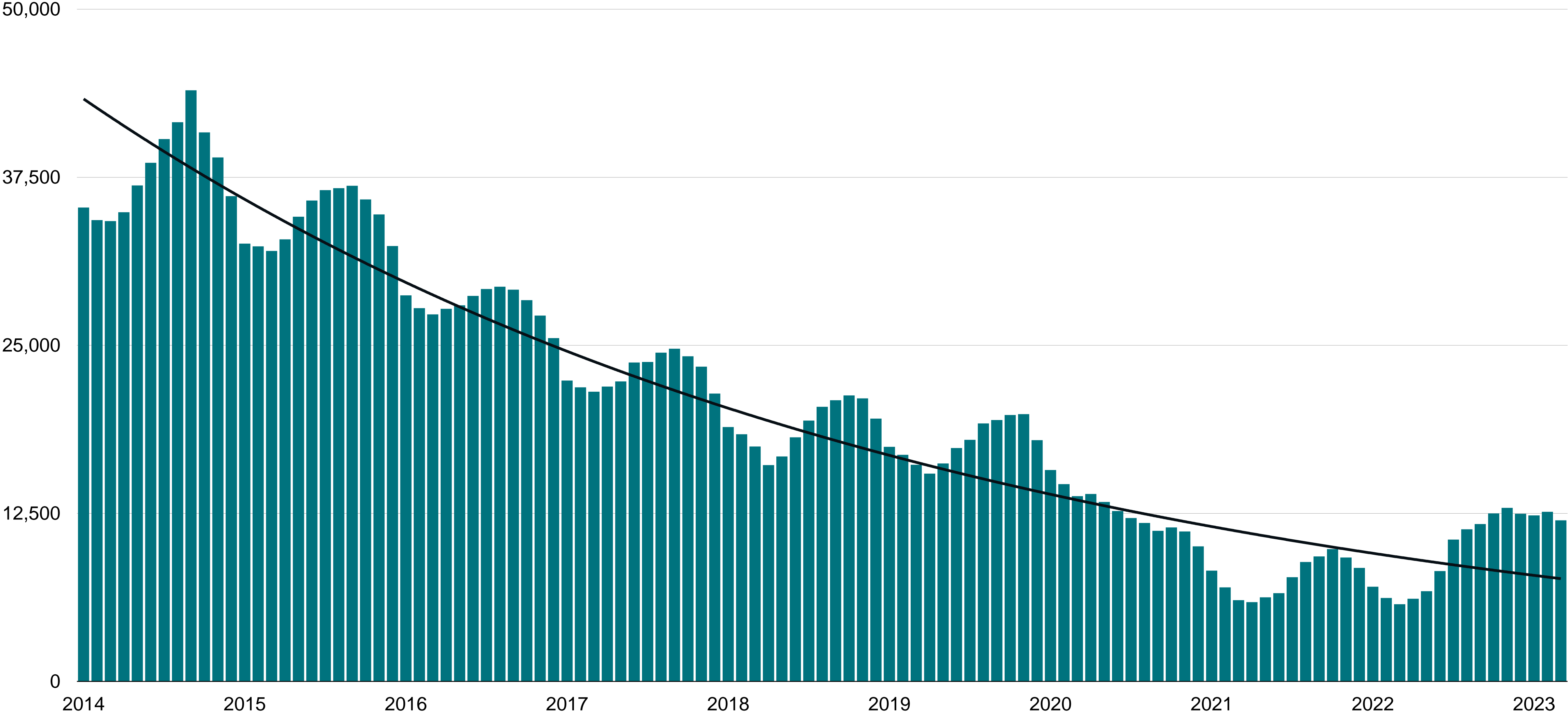
Existing home sales steadily climbed from 2013-2021

Indiana sales still outperformed national trends in 2022, 2023 YTD

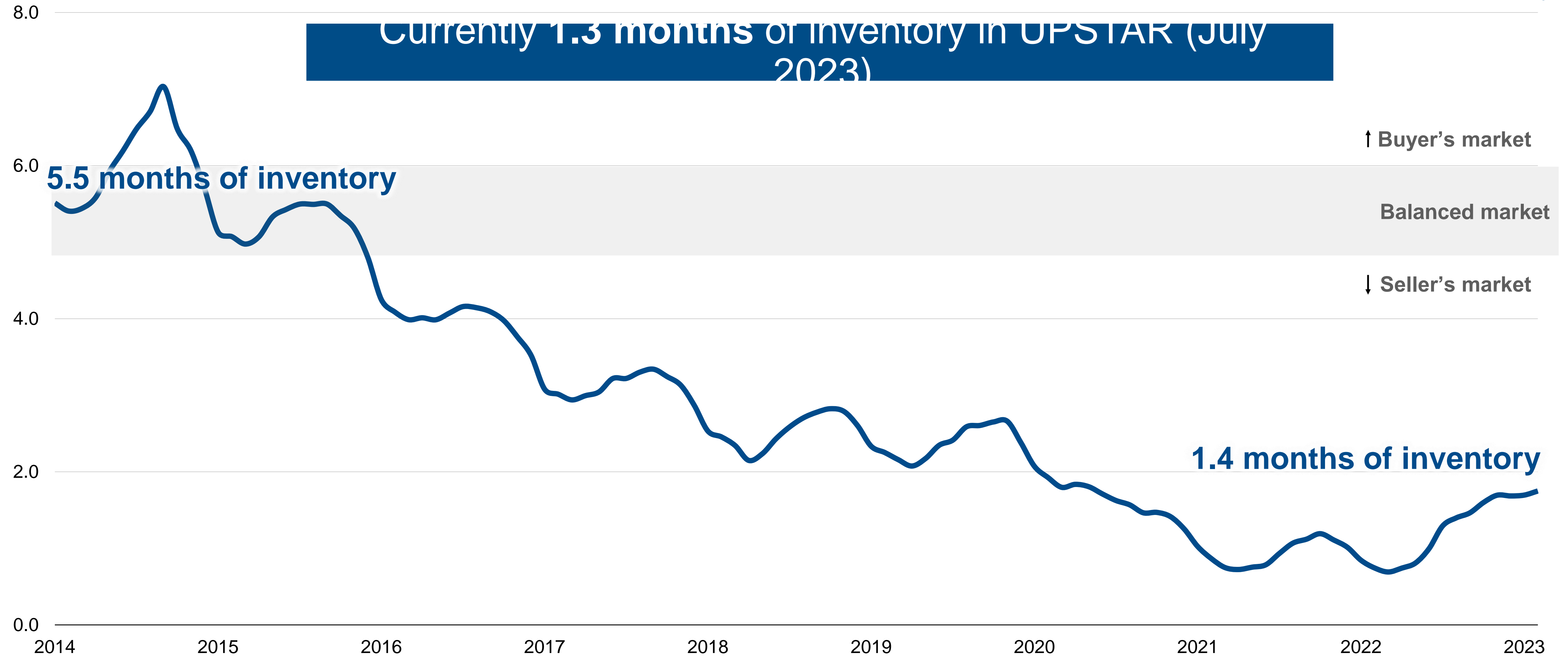


Source: IAR MLS Data Warehouse

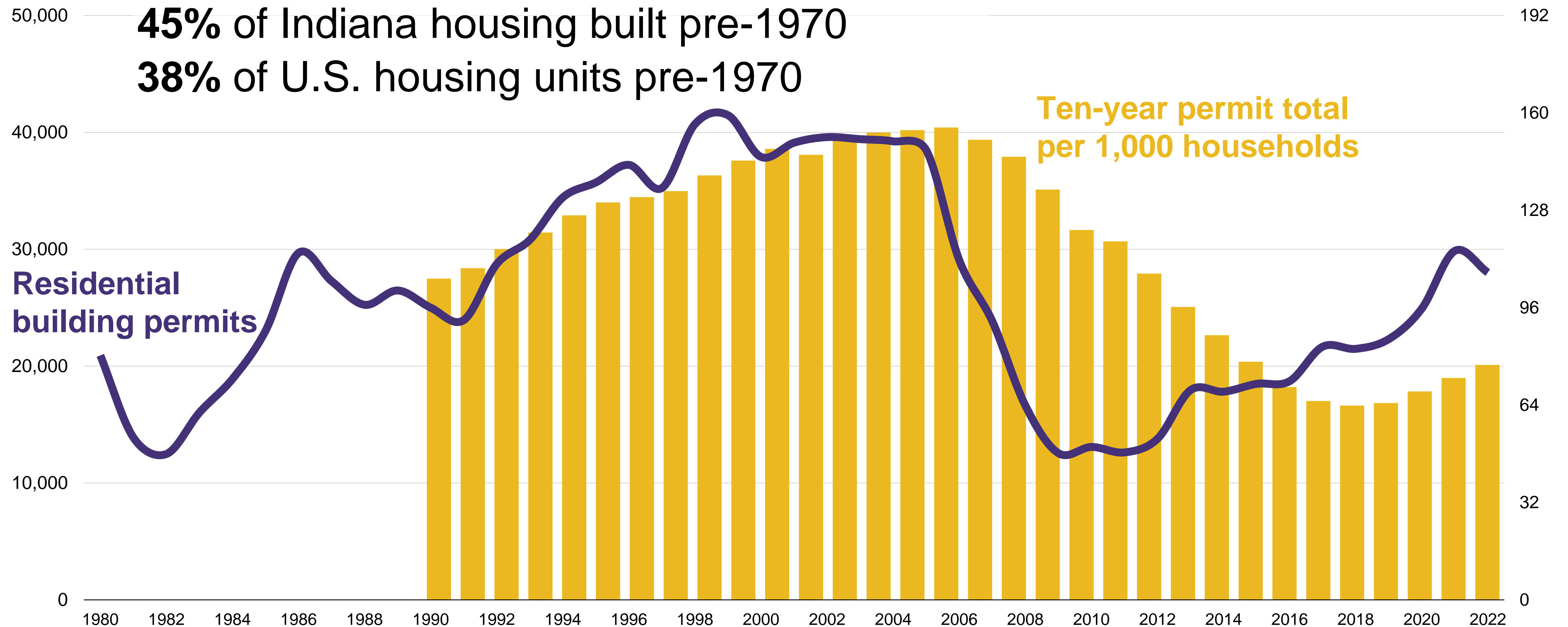
Residential inventory hasn't kept up with demand



With supply trailing demand, Indiana has been a seller's market since 2016



Hoosiers are staying in their homes longer as our housing stock ages – and new construction isn't filling the gap.

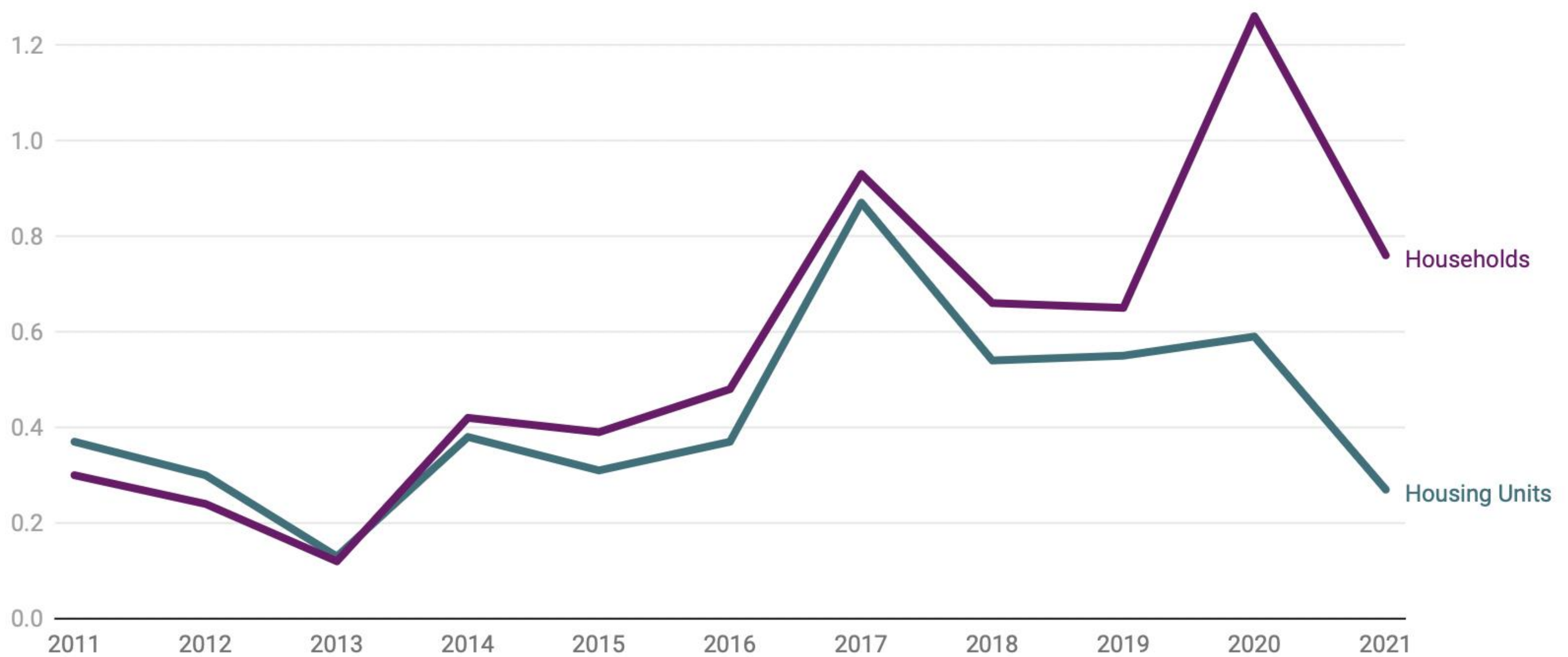


Source: Decennial Census, American Community Survey 1-Year Average, US Census Building Permit Survey



Indiana added 150,000 new households but >125,000 new (net) housing units, 2013-2021

Rate of annual change - Indiana households and housing units





Shut down the factory – we’ve got plenty of cars.

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

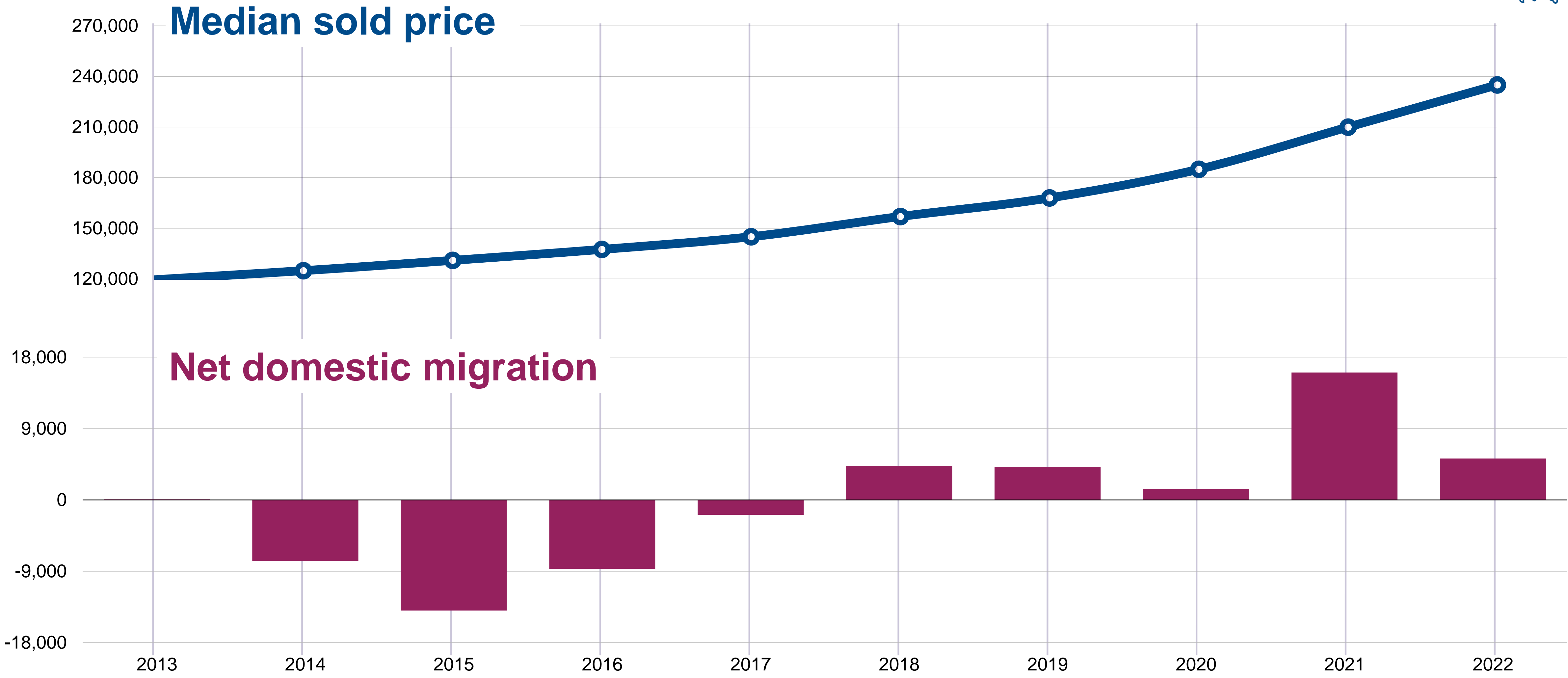
(Fourth Economy Consulting analysis for IAR)



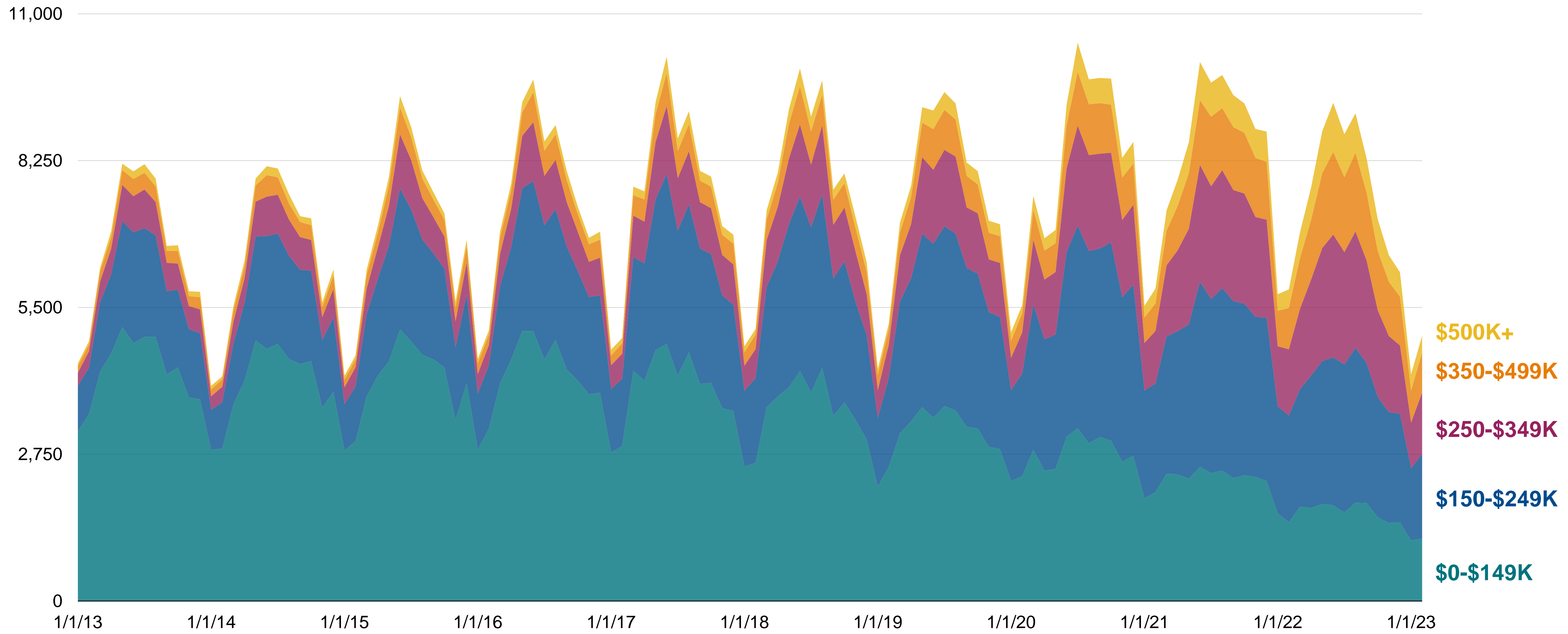
Price and affordability:



Our housing shortage, positive migration & pandemic demand fueled 10% average annual price growth since 2018



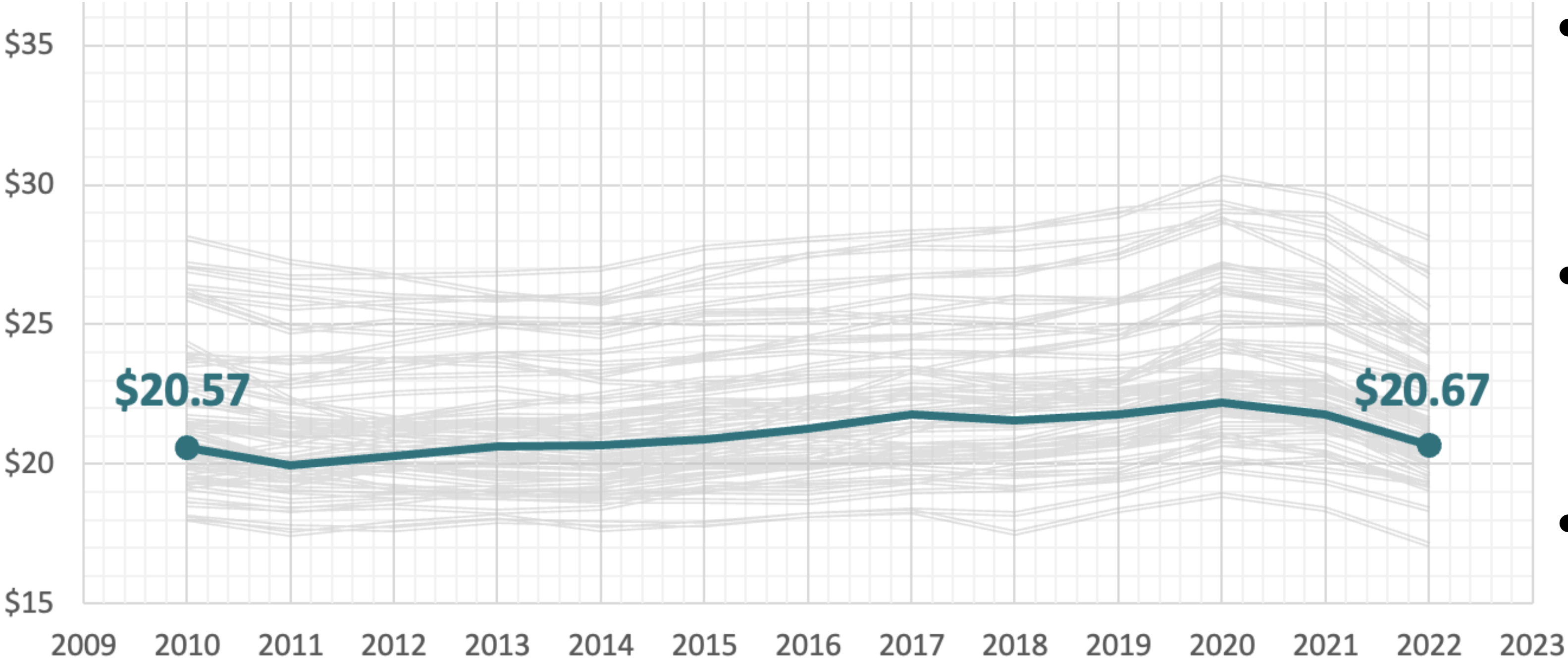
This pushed the median sale price from \$157,000 in 2018 to \$242,000 YTD





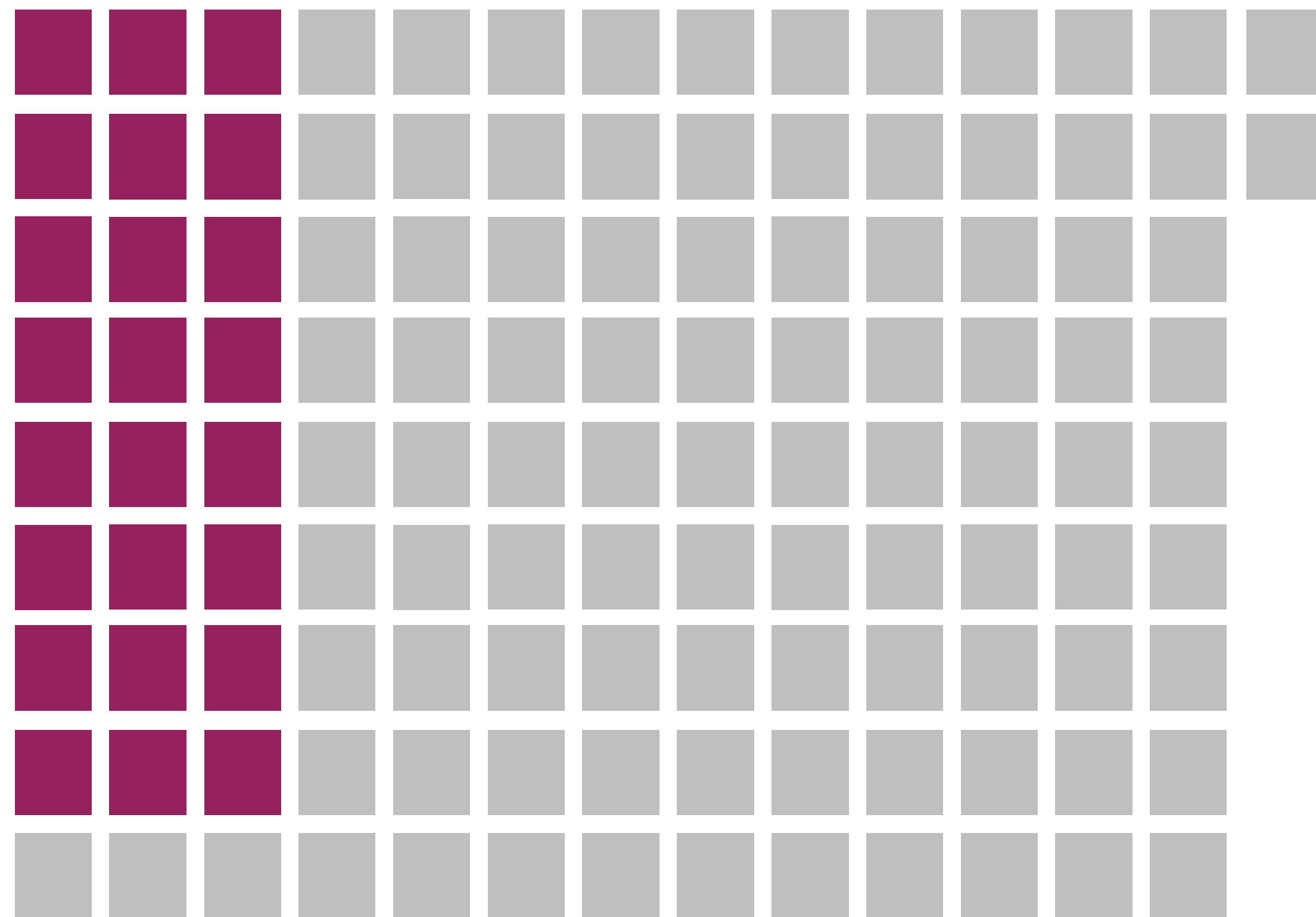
Home prices have risen much faster than earnings

Average hourly earnings adjusted for inflation (2010 dollars)




- Indiana’s earnings have been in the middle of the pack among states
- Buying power has diminished with 2021-2022 inflation – with home prices outgrowing CPI
- Hoosier households do carry less debt than the U.S. average

Indiana homeowners are managing financial stress; renters are under increasing pressure



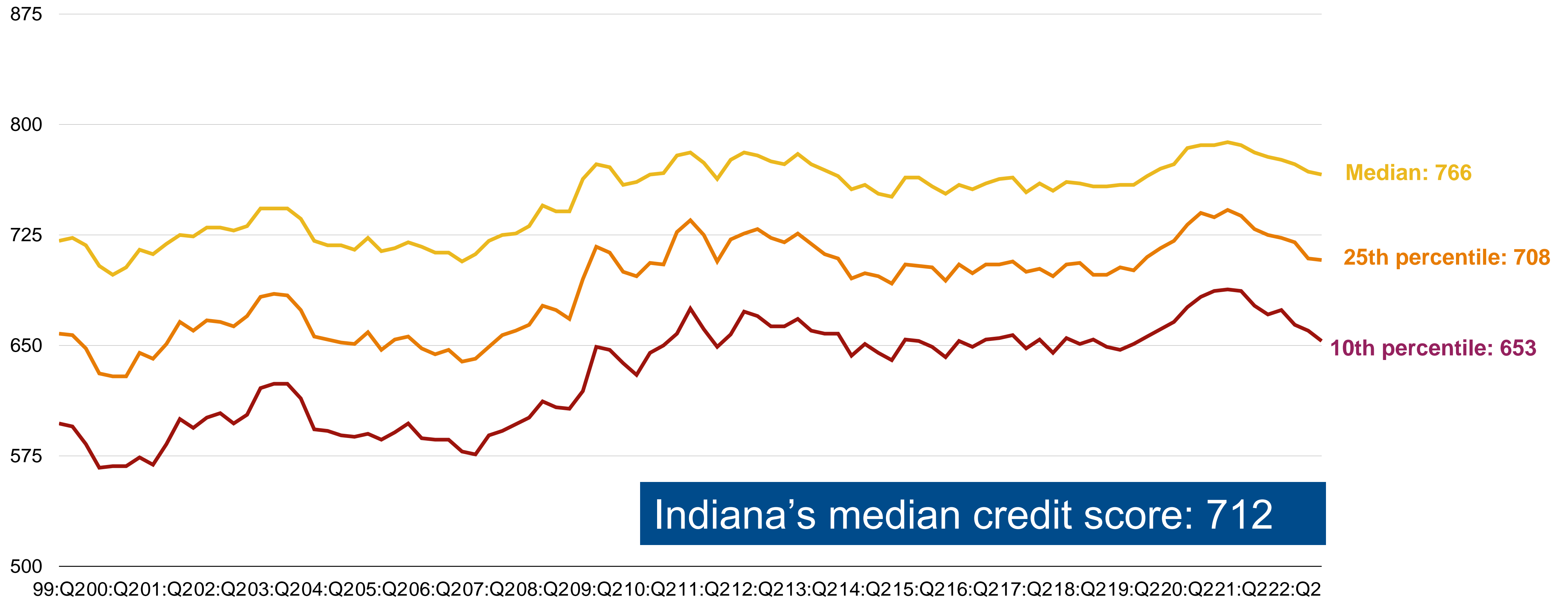
- Of the 1.2 million Indiana households with a mortgage, **235,000 are housing-cost burdened (19%)**
- 45% of renter households are housing-cost burdened
- The 'median' Indiana homeowner has gained roughly \$75,000 in equity since the end of 2018
- But the path to homeownership is more narrow than it's been in 30+ years

 = 10,000 households



75% of mortgage originations at credit scores >708; credit tighter, buyers pulling back from the lending pool

Credit scores and mortgage originations

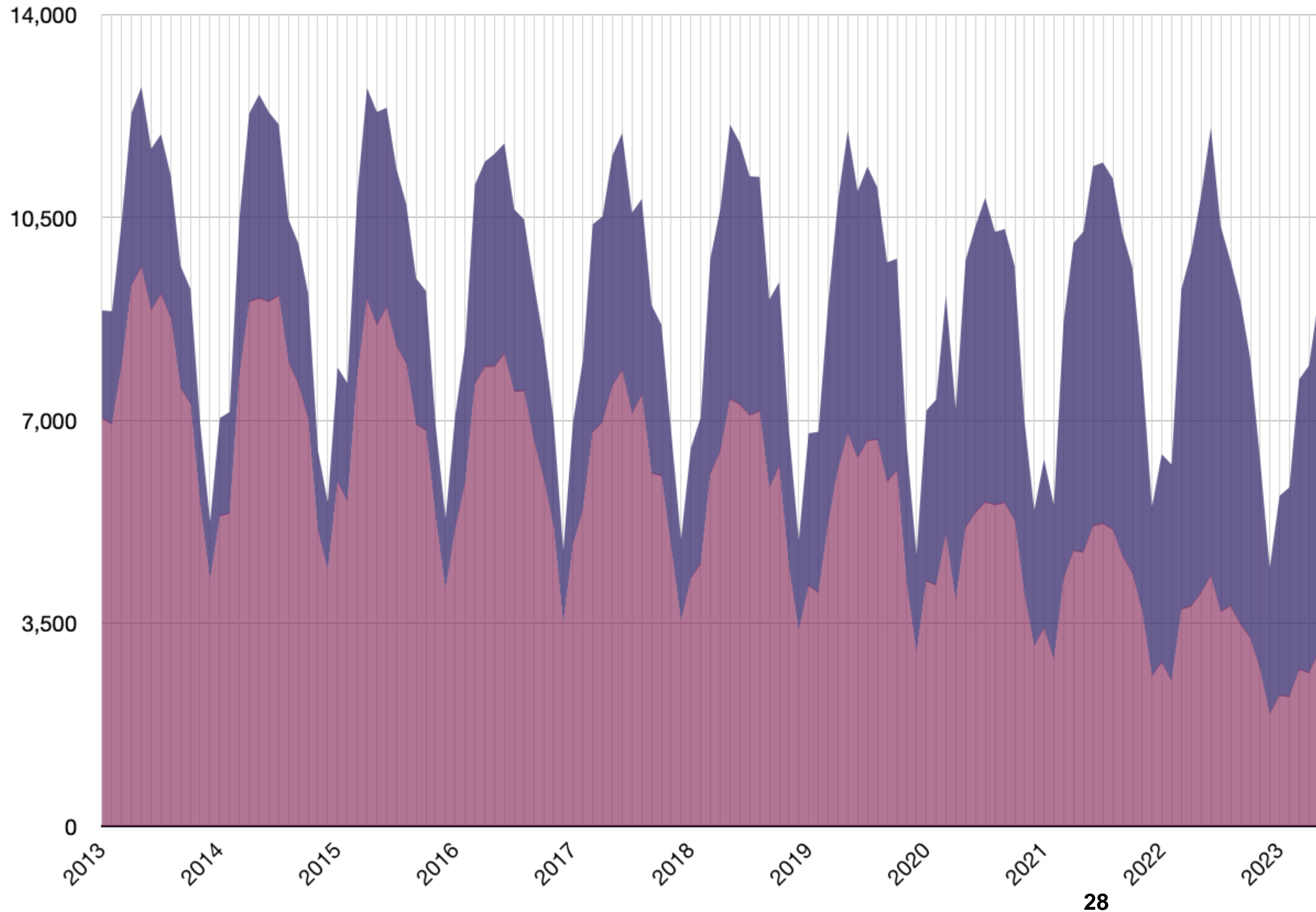


Inventory affordable to moderate-income households has decreased sharply



Listings under \$200K

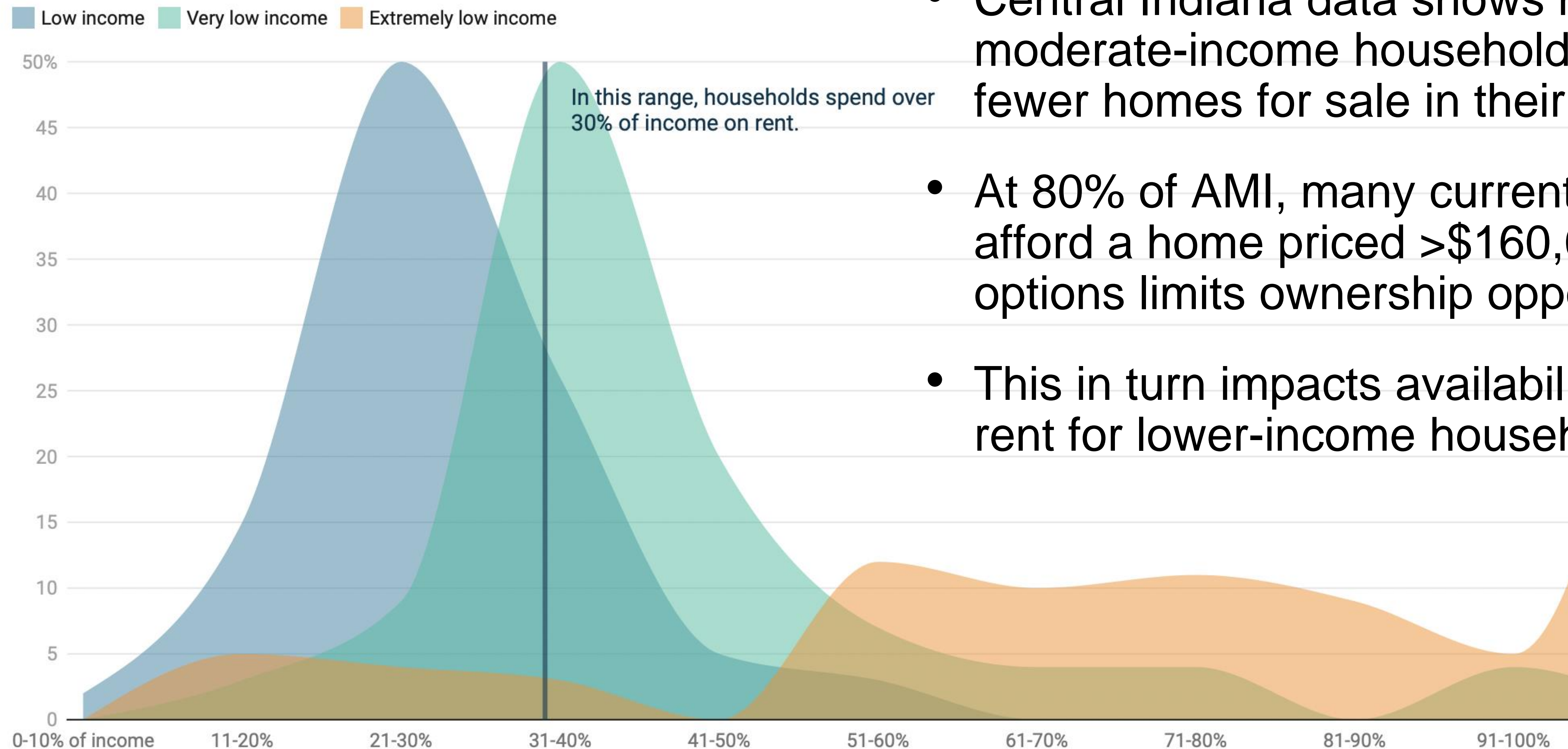
Listings \$200K+



- The median sale price of a home supported by IHEDA lending programs was **\$182,000** in 2022
- Based on a five-year estimate of median Indiana household income (\$62,000), a typical family can afford to buy a home just above **\$200,000**
- **The number of homes listed for sale under \$200,000 has decreased 50% since 2018**



Lack of inventory also puts pressure on the rental market:



- Central Indiana data shows more low-to-moderate-income households renting with fewer homes for sale in their price range
- At 80% of AMI, many current renters could afford a home priced >\$160,000 – a lack of options limits ownership opportunity
- This in turn impacts availability and average rent for lower-income households

Workforce housing demand has made residential development an economic development issue



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



- Indiana has gained **two new private sector jobs** per new housing unit from 2011-2022
- Indiana's median-priced home (\$242,000) is affordable at a \$68,000 income – well above average annual wages
- Housing availability is an increasingly important site selection priority, according to IEDC (40% of READI requests dedicated to housing projects)
- Lack of workforce housing pushes workers further from jobs, limits economic opportunity for Hoosiers

Indiana needs pro-growth housing policy



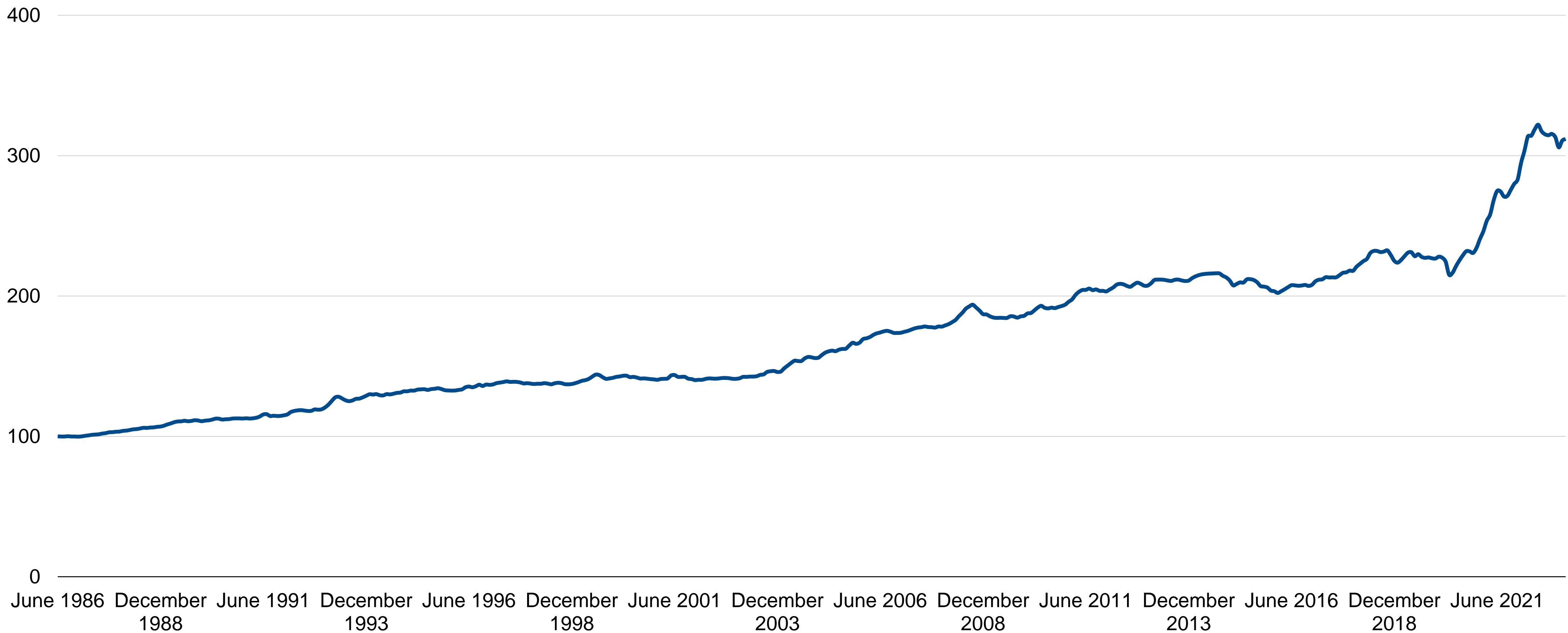
Indiana needs more affordable housing – but Indiana also needs more housing, period.

- Increased demand and limited supply has elevated the prices of existing housing – **the \$160,000 “starter homes” of 2017 are selling for \$240,000+ today**
- Targeting the gap of 100,000+ affordable units would require quadrupling Indiana’s annual average LIHTC development awards for at least a decade
- In 2021, for example, state/federal affordable housing programs supported the development of **3,387** housing units
- From 2021 to 2022, the number of homes listed under \$150,000 across Indiana’s MLS marketplaces dropped by **7,267**

Construction and infrastructure costs have 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 to solve our housing shortage to promote affordability, protect homeownership

- Current homeowners are building equity (and paying a larger share of the local property tax burden) **but first-time buyers are being priced out**
- The solution isn't subsidizing homebuilders, but providing local financing tools (HB1005) and allowing communities to make housing an economic development priority (READI)
- IHADA's Affordable Housing Tax Credit will help promote new development
- Expanded federal resources (Neighborhood Homes Investment Act) are also needed

And existing IHEDA programs – down payment assistance, lending products and rental/homeowner assistance – will continue to stabilize and strengthen our housing market.

Thank you!