Indiana's Housing Market in 2015

Back on Track

Prepared for
Indiana Association of REALTORS®

September 2015

KELLEY SCHOOL OF BUSINESS
INDIANA UNIVERSITY
Indiana Business Research Center

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By
Matt Kinghorn, Economic Analyst
Zoe Caplan, Research Assistant
Indiana Business Research Center,
Kelley School of Business, Indiana University

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Contact Information

For more information about this report, contact the Indiana Business Research Center at (812) 855-5507 or email ibrc@iupui.edu.

Executive Summary

At this time last year, declining home sales raised some concerns that Indiana's strong housing recovery may be running out of steam. This slowdown proved to be short-lived, however, as a return to climbing homes sales was one of a number of key housing indicators to show marked improvement over the last year. Home sales over a 12-month period ending in June 2015 were up more than 6 percent over the same stretch a year earlier. Buyer demand was so strong this summer that Hoosiers purchased 9,080 existing homes in June alone—the state's second-largest one-month sales tally in the last 12 years.

The state reached a couple of other important milestones in 2015. According to the Federal Housing Finance Agency, Indiana's house prices in the first quarter of 2015 finally eclipsed their pre-recession peak, meaning that the state's home values have now recovered all of the ground they lost in the wake of the housing slump. Indiana's foreclosure rate, meanwhile, has been cut by more than half since the end of 2011, and now sits at its lowest point in 14 years.

Residential construction is the one area of the housing market that continues to lag. After construction nosedived with the Great Recession, Indiana had seen modest gains in this industry during 2012 and 2013, driven in part by a surge in new multi-family developments. Apartment construction has slowed so far in 2015, though, and the number of new housing units permitted for construction through the first seven months of this year is down nearly 11 percent compared to the same period in 2014.

Table 1: Indiana Housing Market by the Numbers

	U.S.	Indiana
Existing Home Sales, July 2014 to June 2015, Year-over-Year Change	3.2%	6.2%
House Price Appreciation, 2014:1 to 2015:1	5.8%	3.5%
Residential Building Permits, July 2014 to June 2015, Year-over-Year Change	10.3%	-2.9%
Foreclosure Rate, 2015:2	2.1%	2.3%
Share of Mortgages with Negative Equity, 2015:2	8.7%	4.1%

Sources: Indiana Association of Realtors, National Association of Realtors, Federal Housing Finance Agency, U.S. Census Bureau, Mortgage Bankers Association and CoreLogic

The inventory of existing homes for sale continues to be exceptionally low, and rental vacancy rates are down as well. These trends should eventually translate into demand for new construction, as long as the economy continues to improve. Fortunately, Indiana has posted relatively strong economic numbers of late. As of July 2015, the state has added 63,900 jobs in the last year, and its unemployment rate dropped 1.1 percentage points over the same period.

The latest data on Hoosier incomes raise some red flags, however. The Census Bureau reports that the state's median household income declined a bit in 2014, and growth in Indiana's per capita personal income was outpaced by the U.S. for the first time in the last five years.

Many aspects of the Indiana housing market are back on track, but the recovery isn't complete. The state's economy will have to continue to improve for the market to begin to hit on all cylinders.

This report examines the latest data to gauge the state of Indiana's housing market. The first section presents a detailed overview of market conditions with a focus on home sales and prices, mortgage delinquency and foreclosure, and affordability. The next section examines the demographic drivers of the housing market, including household formation rates, migration and generational shifts in the population. Finally, we consider the role of housing in Indiana's economy with a look at construction trends.

Key Findings

- After a slight decline in 2014, Indiana's existing home sales are on the rise again this year. Looking over a four-quarter period ending in mid-2015, the state registered 78,440 existing home sales—Indiana's largest four-quarter total since 2007.
- Indiana's median price for existing home sales rose to $126,000 in 2014—more than a 3 percent increase over the previous year and 15 percent above the low point in 2009. The Federal Housing Finance Agency's House Price Index shows that Indiana had the 40th-fastest rate of price appreciation among states in the last year.
- Indiana's foreclosure rate has declined dramatically of late, falling to its lowest point since 2001. The state's foreclosure rate has dropped by nearly 2.7 percentage points since the end of 2011 and now sits at 2.3 percent. Over this period, Indiana has improved from the nation's ninth-highest foreclosure rate to 17th-highest.
- One of the many positive effects of a lower foreclosure rate is that the state's homeownership rate may be stabilizing. Between 2006 and 2013, Indiana's homeownership rate dropped steadily from 72.1 percent to 68.5 percent. In 2014, however, the share of homeowners was essentially unchanged at 68.6 percent. Indiana had the nation's 11th-highest homeownership rate in 2014.
- Housing affordability conditions have declined slightly in the last couple of years as house prices rise and mortgage rates fluctuate, but housing in Indiana remains very affordable. According to the National Association of Realtors, each of the Indiana metro areas for which they report data ranked in the top one-third of all metros for housing affordability in 2014.
- After posting a strong household formation rate in 2013, this key demographic driver of housing activity appears to have stalled in 2014. The American Community Survey shows Indiana had a slight increase in the number of households between 2013 and 2014, but the difference was not statistically significant, suggesting that there was little to no household growth last year. A sharp drop in net migration in 2014 is partially responsible for this slowdown.
- The value of residential construction covered by building permits increased by 5 percent in 2014—the fifth consecutive year of gains. This is good news, yet construction has fallen to such an extent that the value of permits in 2014—even when measured in nominal terms (i.e., not adjusted for inflation)—was a shade below the level seen in 1994.
- The number of new housing units permitted for construction in 2014 slipped by less than 1 percent compared to the previous year. The decline in new units has accelerated so far in 2015, as the number of permitted units through July is 11 percent lower than the same period in 2014. This decline has been driven in large part by a slowdown in multi-family development. The number of permits for new apartment units through July 2015 is down nearly 39 percent year-over-year.

Market Conditions

Home Sales Activity on the Rise Again in 2015

After two years of strong gains, Indiana's home sales rebound stalled temporarily in 2014. The state's sales tally last year was slightly more than 75,000 homes—a 1 percent decline from the 2013 mark. While the recent growth trend did tail-off, total sales for the year remained relatively healthy compared to the housing crash years, with almost 18,000 more existing home purchases in 2014 than during Indiana's post-recession low in 2010 (see **Table 2**).

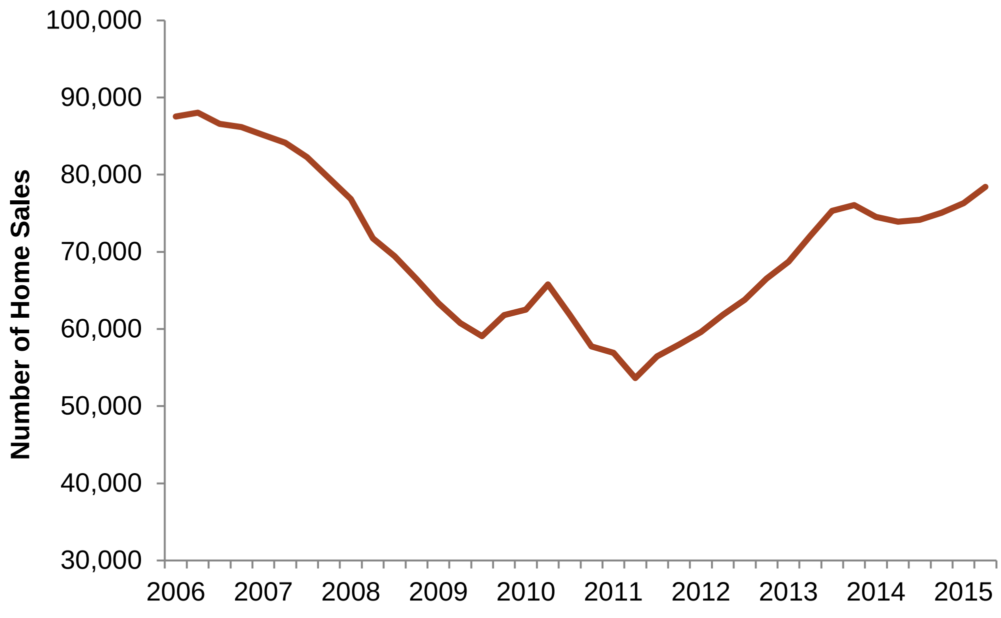
Table 2: Indiana Existing Home Sales, 2006 to 2014

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Existing Home Sales	86,142	79,545	66,505	61,826	57,765	57,985	66,516	75,849	75,055
Annual % Change	n/a	-7.7%	-16.4%	-7.0%	-6.6%	0.4%	14.7%	14.0%	-1.0%

Source: Indiana Association of Realtors

Last year's softening in buyer demand turned out to be temporary, however, as existing home sales are off to a strong start again this year. Sales in the second quarter of 2015 were 10 percent higher than during the same period in 2014, and 7 percent higher than the second quarter of 2013. Looking over the past year (i.e., Q3 2014 to Q2 2015), Indiana had roughly 78,440 sales—the state's largest four-quarter total since the end of 2007 (see **Figure 1**).

Figure 1: Indiana Home Sales, Moving Four-Quarter Total, 2006:1 to 2015:2



Source: Indiana Association of Realtors

Several factors contribute to the ebb and flow in the existing home sales trend over the last couple of years. A fluctuation in mortgage rates certainly plays a leading role, as the 30-year conventional rate jumped a full percentage point in the second half of 2013, and remained above 4 percent throughout 2014. Rates began to fall again in a big way late last year, and held below the 4 percent mark through the first half of 2015, which no doubt boosted demand during the spring and summer selling season.

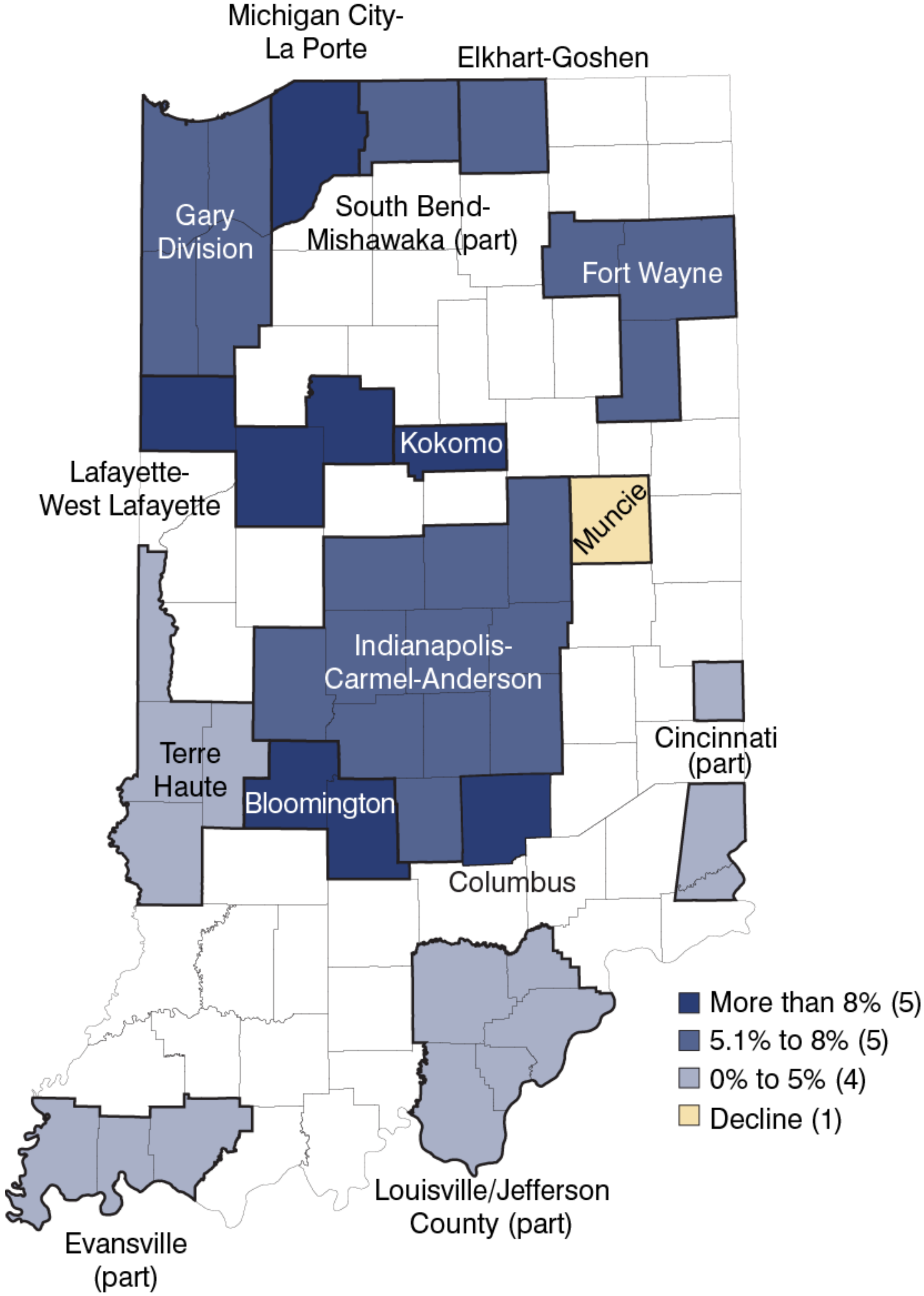
Another factor influencing the housing market in recent years has been investor groups purchasing large numbers of single-family homes and converting them to rental properties.[1] This trend helped to drive the rebound in home sales in 2012 and 2013, but the practice has been declining ever since, which helps to explain the slowdown in home sales in 2014.[2] An encouraging aspect of Indiana's strong sales numbers so far in 2015 is that they are not likely inflated by abnormally high investor purchases, which is another good sign that the market is stabilizing with more and more individual homeowners looking to purchase.

Looking at local markets for a 12-month period ending in June 2015, the Kokomo and Columbus metro areas had the state's greatest increases in existing home sales with gains of nearly 13 percent and 12 percent, respectively (see **Figure 2**). The Bloomington and Lafayette-West Lafayette areas also posted a strong jump in sales with both showing a 9 percent improvement year-over-year. The 11-county Indianapolis-Carmel-Anderson metro, which accounts for 30 percent of the state's total population, claimed 39 percent of Indiana's home sales over this period.

[1] Jeff Swiatek, "Indianapolis Official Wary of Investor Groups Snapping Up Homes," Indystar.com, September 4, 2013.

[2] John Krainer, "The Slowdown in Existing Home Sales," Federal Reserve Bank of San Francisco, May 2014, www.frbsf.org/economic-research/publications/economic-letter/2014/may/existing-home-sales-slowdown/.

Figure 2: Total Home Sales by Metro Area, Year-over-Year Change, July 2014 to June 2015



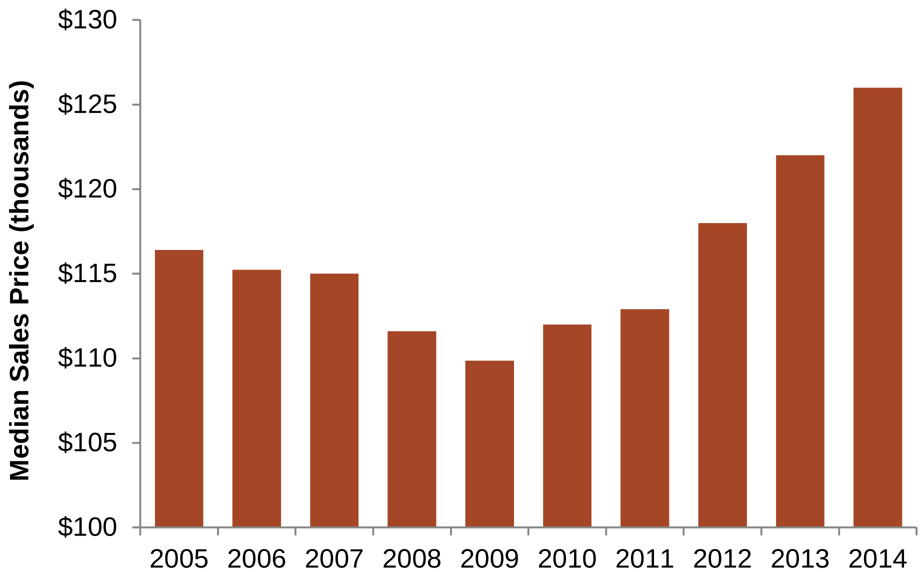
Source: Indiana Association of Realtors

The 48 counties that are outside of metro areas combined to post a 4 percent increase in sales. Among counties with at least 100 sales, Franklin County had the largest increase at 41 percent followed closely by Spencer (40 percent), Starke (30 percent) and Dubois (18 percent) counties.[3] Statewide, sales are up roughly 6 percent over this period.

Sales Prices Continue Steady Growth

As demand picks up, house prices are climbing, too. At $126,000 last year, the state's median sales price for existing homes increased more than 3 percent for the third consecutive year (see **Figure 3**). Furthermore, the median price in 2014 was almost 15 percent above the low point in 2009.

Figure 3: Indiana Median Sales Price, 2005 to 2014



Source: Indiana Association of Realtors

The state's median house price is increasing at an even faster pace so far in 2015. Through the first seven months of this year, Indiana's median price has climbed to $133,500—a 6.8 percent increase year-over-year. Looking around the state over the same period, the median sales price held steady or increased in 75 of Indiana's 92 counties. Among the state's larger markets, Howard (15.9 percent increase), DeKalb (14.0 percent), Hendricks (11.3 percent), Steuben (10.9 percent) Floyd (10.6 percent) and Kosciusko (10.4 percent) counties posted the largest year-over-year increases through July 2015.

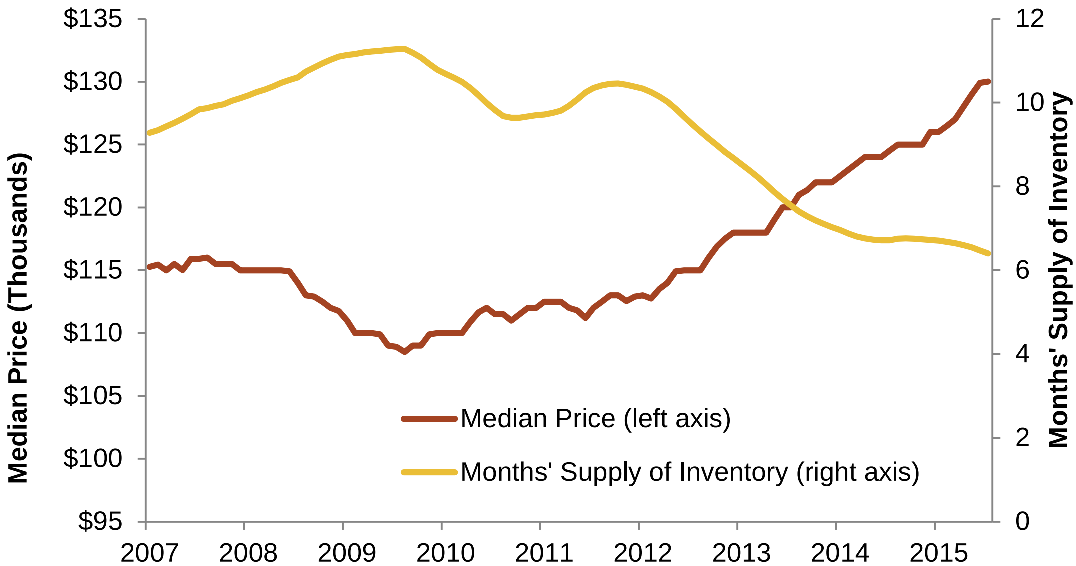
The sharp increase in prices over the last three years has been driven in large part by a shrinking inventory of existing homes for sale. As of July 2015, Indiana's inventory was slightly more than 41,000 existing homes. This is 10 percent lower than for the same month in 2014 and 48 percent lower than the inventory in July 2007.

The decline in inventory coupled with an uptick in demand has led to an eight-year low in the estimated months' supply of existing homes for sale in Indiana. The months' supply measure is an estimate of how long it would take to work through the inventory of homes for sale in a given month at the average monthly sales rate over the previous year. As one would expect, there is a strong negative relationship

[3] See the appendix for home sales and median sales price data for all Indiana counties.

between months' supply and prices (correlation = -0.95), with prices increasing as supply began to drop steadily in 2011 (see **Figure 4**).

Figure 4: Median Sales Price and Months' Supply, 12-Month Moving Average, January 2007 to July 2015



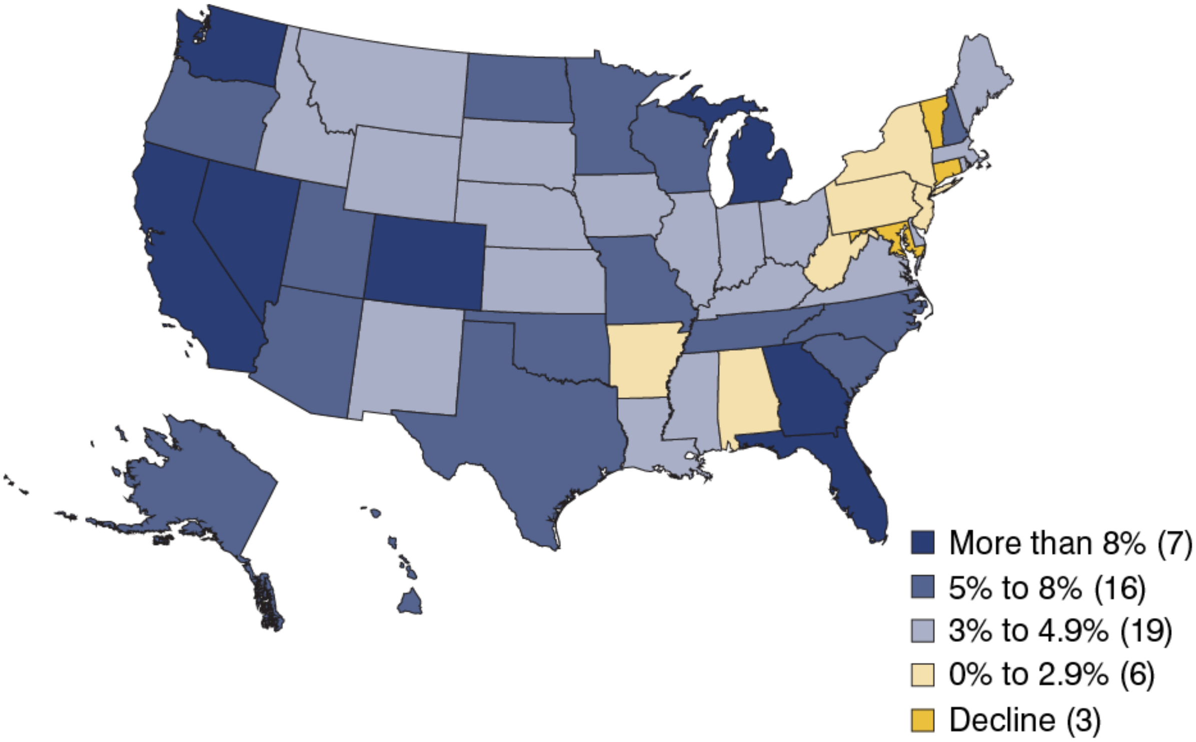
Source: Indiana Association of Realtors

Indiana House Prices in Perspective

Other measures show that Indiana's house prices are improving as well. According to the Federal Housing Finance Agency's House Price Index (HPI), Indiana has seen price appreciation for 13 consecutive quarters dating back to early 2012 and the state's home prices in the first quarter of 2015 are up 3.5 percent year-over-year.[4] This rate of appreciation ranked 40th-fastest among states and was the lowest among all Midwestern states except South Dakota (3.3 percent). Michigan had the highest change of any state (10.9 percent), while neighboring Kentucky (4.8 percent), Illinois (4.0 percent), and Ohio (3.8 percent) were closer to Indiana levels (see **Figure 5**).

[4] An HPI like this one from the Federal Housing Finance Agency is conceptually different from the median sales price indicator discussed earlier. Comparing the median sales price from one period to another can be misleading since the median price is influenced by the mix of homes sold in each period. The HPI is a repeat-sales index, meaning that it measures the changes in sales price when a given property is sold multiple times. This approach removes a good deal of the comparability problems inherent in the median sales price.

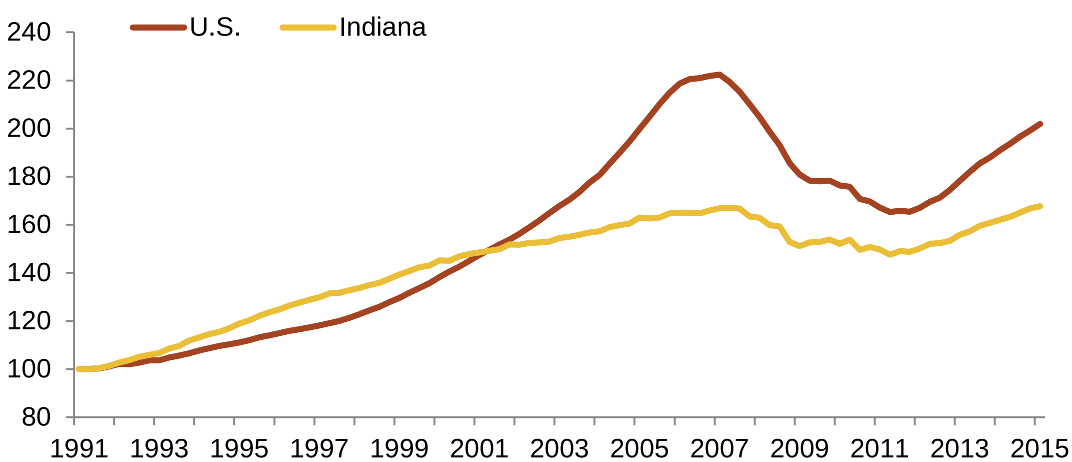
Figure 5: Change in House Price Index by State, 2014:1 to 2015:1



Source: Federal Housing Finance Agency, House Price Index (expanded data series, seasonally adjusted)

It is important to note that comparing states based on one-year growth rates can be a little misleading. States like Michigan, Ohio and Illinois are outpacing Indiana now because they are rebounding from far more severe price declines through the housing bust. House prices in Michigan declined by 45 percent after the crash. Ohio and Illinois saw drops of 25 percent and 32 percent, respectively. Indiana had a comparatively mild 12 percent slide in prices between 2007 and 2011. In the first quarter of 2015, the HPI for Indiana exceeded its pre-recession peak (see **Figure 6**). House prices in Michigan and Illinois, by contrast, are both still more than 20 percent below their respective peaks, and Ohio is 13 percent off its previous high.

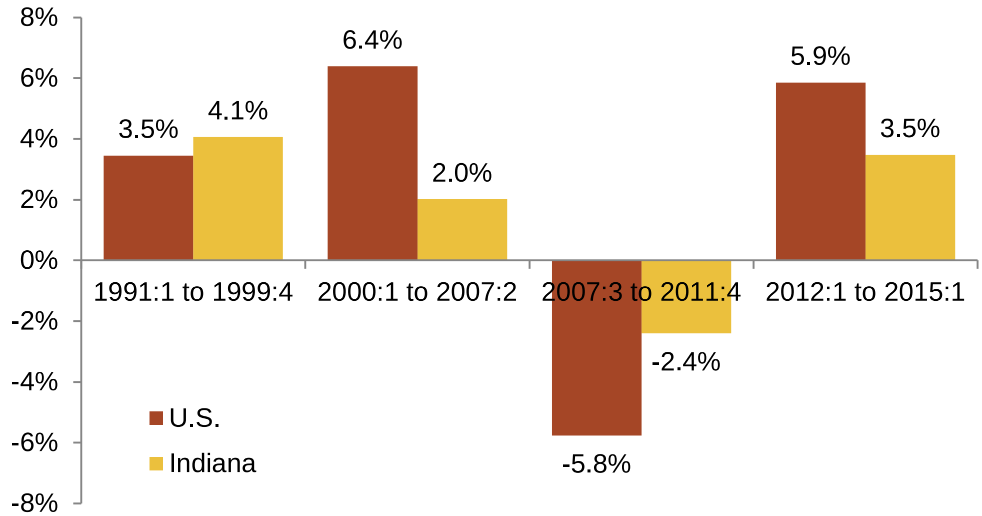
Figure 6: House Price Index, 1991:1 to 2015:1



Source: Federal Housing Finance Agency, House Price Index (expanded data series, seasonally adjusted)

Looking at the previous graphic, it's easy to see that both Indiana and the U.S. have undergone four distinct periods of house price appreciation trends over the past 25 years. The Hoosier state saw comparatively strong gains during much of the 1990s, but its pace of growth began to slow just as the price bubble era started to emerge elsewhere. Prices began to decline in Indiana and the U.S. in 2007, but both have had a sustained rebound in effect since early 2012 (see **Figure 7**). Since early 2012, prices in Indiana have been growing at an average annualized rate of 3.5 percent—much stronger than the pace the state set between 2000 and 2007 and not far off the trend of the 1990s.

Figure 7: Average Annualized Growth in HPI over Select Periods, 1991:1 to 2015:1



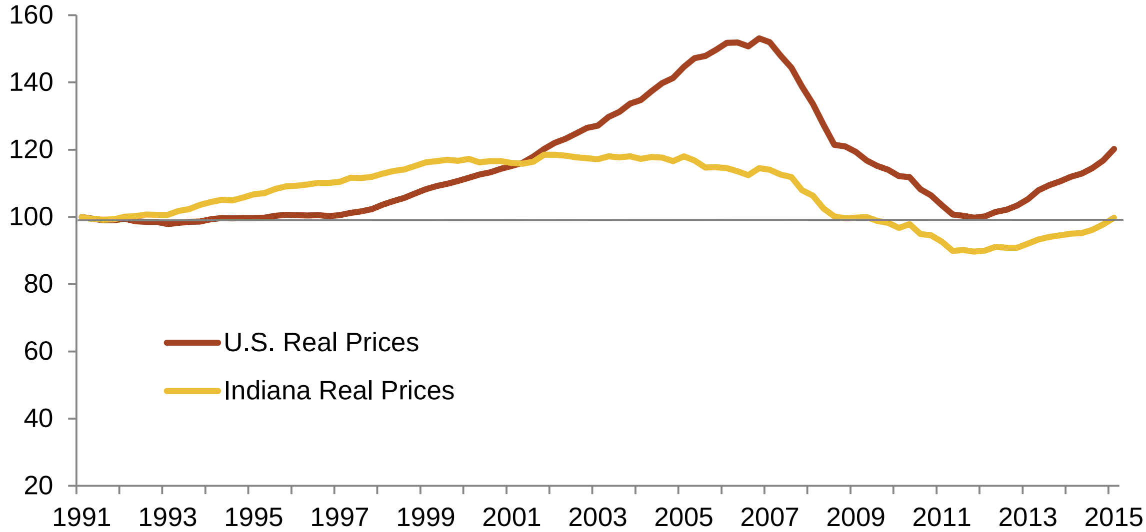
Source: Federal Housing Finance Agency, House Price Index (expanded data series, seasonally adjusted)

The HPI and median sales price data presented so far indicate that Indiana house prices are at an all-time high in 2015, and now that the worst of the housing slump is in the rearview mirror, prices should continue to set new records as long as there is inflation.[5] But how do Indiana's current home values stack up when adjusted for inflation?

Figure 8 shows the trends in Indiana's and the nation's price index in "real terms" (i.e., adjusted for inflation). When measured in real terms, Indiana's house prices last peaked in late 2001—when home values had appreciated nearly 19 percent since 1991. The state's real house prices in the first quarter of 2015 were still about 16 percent below this 2001 peak, and roughly on par with home values in 1991. Looking back over the past 24 years, the only periods of sustained real house price appreciation in Indiana have been from 1991 to 1999 and from 2013 to 2015.

[5] Nick Timiroas, "Are Home Prices Again Breaking Records? Not Really," Real Time Economics (blog): Wall Street Journal, July 28, 2015, http://blogs.wsj.com/economics/2015/07/28/are-home-prices-again-breaking-records-not-really/.

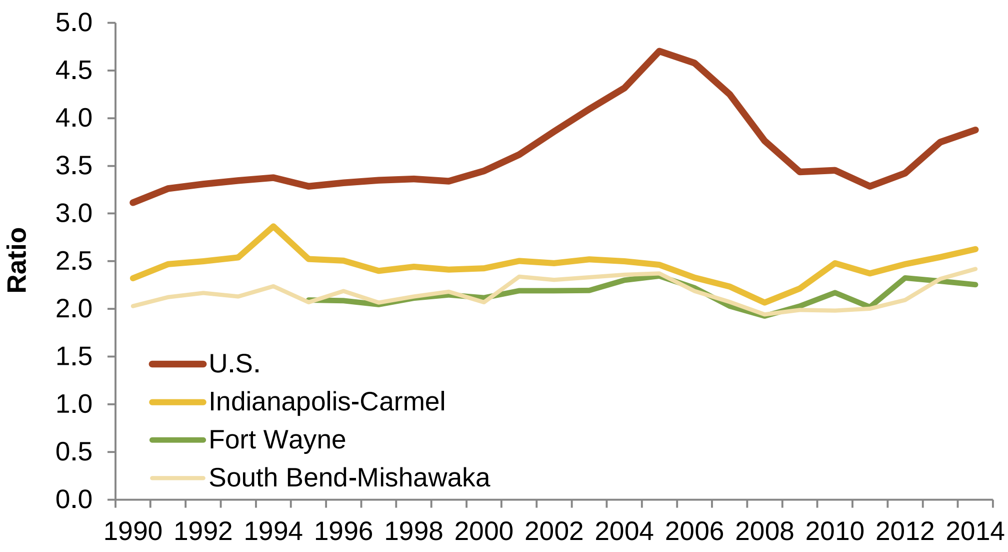
Figure 8: House Price Index Adjusted for Inflation, 1991:1 to 2015:1



Note: The HPI values are adjusted for inflation using the Consumer Price Index for all items less shelter (Series SA0L2)
Source: Federal Housing Finance Agency, House Price Index (expanded data series, seasonally adjusted)

Of course, the U.S. as a whole has also had periods where price gains outpaced inflation, with the disastrous housing bubble era the most notable example. In Indiana, however, changes in house price trends have historically been tied to the state's economic performance. During the 1990s, for example, the state's real house price appreciation was fueled by a rise in the state's real median household income that far outpaced the national average. When income gains slowed or reversed in Indiana, the rate of house price appreciation followed in turn. As a result, the ratio of median sales prices to median household incomes in most Indiana housing markets has held remarkably steady over the last quarter century—even during the bubble years and subsequent crash (see **Figure 9**).

Figure 9: Ratio of Median Sales Price to Median Household Income, U.S. and Select Metro Areas, 1990 to 2014



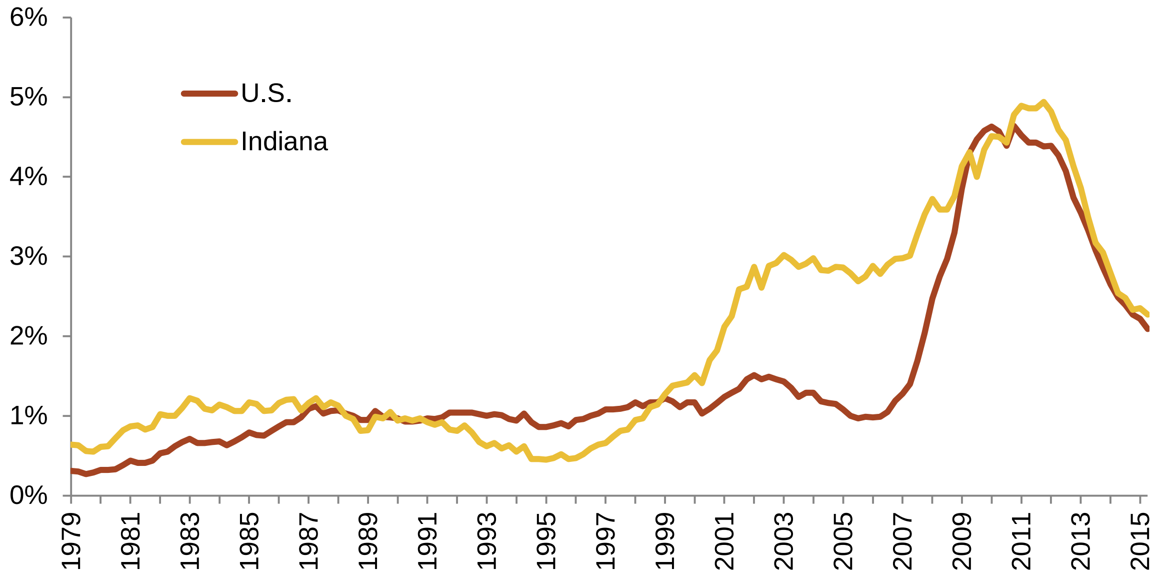
Source: Joint Center for Housing Studies at Harvard University, using data from Moody's Data Buffet®

Indiana Foreclosure Rate at Lowest Level since 2001

Foreclosures have also had an impact on prices in recent years. At the height of the crisis, not only did foreclosures sell at deep discounts, but they had negative effects on house prices across the board by adding to inventory at a time of weak demand and often depressing value of other homes located near foreclosed properties. The foreclosure situation has improved in recent years, however, and its effect on prices has certainly diminished. According to the mortgage technology firm FNC Inc., for instance, foreclosures accounted for roughly 37 percent of all U.S. home sales in early 2009, but the share has dropped to 9.7 percent in June 2015—the first time this measure has been in single digits since 2007.[6]

As **Figure 10** shows, Indiana's foreclosure situation has improved dramatically, too. According to the Mortgage Bankers Association, the state's foreclosure rate has declined more than two-and-a-half percentage points from 4.96 in the fourth quarter of 2011 to 2.27 in mid-2015, which is the state's lowest rate since 2001. Even with this dramatic decline, Indiana's foreclosure rate remains slightly above the U.S. average and ranks 17th-highest among states.

Figure 10: Share of Mortgages in Foreclosure, 1979:1 to 2015:1

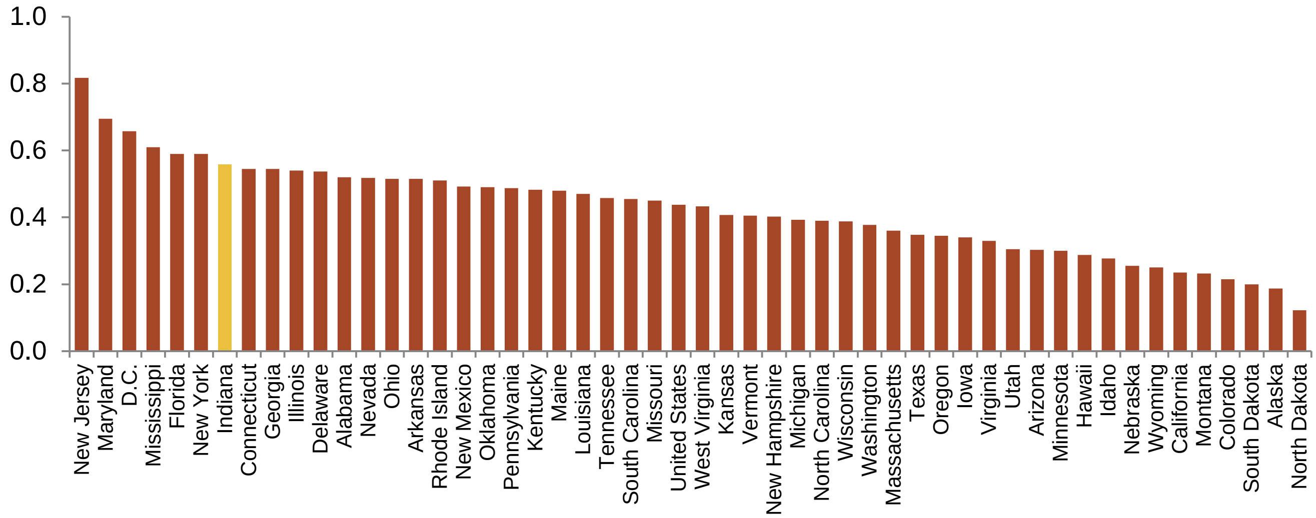


Source: National Delinquency Survey, Mortgage Bankers Association

Indiana's trend for the rate of new foreclosure starts per quarter has followed a similar path to the state's overall foreclosure rate. This measure peaked in the first quarter of 2009 when 1.3 percent of all mortgages in Indiana started the foreclosure process, and the state had an average quarterly start rate of approximately 1 percent between 2002 and 2012. In the second quarter of 2015, Indiana's rate was down to 0.5 percent—its lowest mark since the summer of 2000. While this is a significant improvement, the state's foreclosure start rate sits at the higher end of the spectrum when compared to other states. Over the past four quarters, Indiana's start rate averaged 0.56, which was the highest mark for a Midwestern state and ranked 8th-highest overall (see **Figure 11**).

[6] "FNC Index: Home Prices Up 3.5% in the Second Quarter," FNC Inc., August 14, 2015, www.fncresidentialpriceindex.com/press_releases.aspx?pr=97.

Figure 11: Share of Mortgages Starting a New Foreclosure, Four-Quarter Average, 2015:2



Source: National Delinquency Survey, Mortgage Bankers Association

Looking Ahead

Indiana's market for existing homes is squarely back on track, and it should continue to improve through 2016. Look for the state's foreclosure rate to continue to slide for another year or two, although the pace of decline will likely become far more moderate than it was between 2011 and 2014. Indiana's foreclosure rate is already at its lowest point in 14 years, and while it may not drop to the levels set in the mid to late 1990s, it will likely settle somewhere well below the rates seen between 2002 and 2006—a period before the housing crash when Indiana had one of the highest foreclosure rates in the nation.

One reason for such optimism is that the state's improving economy and rising house prices mean that fewer Hoosiers are at risk of falling into foreclosure. According to CoreLogic, roughly 4 percent of Indiana homeowners with a mortgage had negative equity during the second quarter of 2015.[7] This mark is down sharply from nearly 12 percent at the beginning of 2013, and is well below the U.S. share of 8.7 percent. About one-quarter of Indiana homeowners with negative equity were close to getting their heads back above water (i.e., within 5 percent of home value). So as prices continue rising, more and more of these (currently) underwater homeowners will be in a better position to avoid foreclosure in the event that they fall behind on their payments.

While the wave of foreclosures was a significant drag on the housing market, the rebound from this crisis could help boost home sales over the next several years. That is, given that foreclosures really began to take off roughly nine years ago, many of these former homeowners have had enough time to repair their credit and qualify for mortgages again. Many others may not be eligible yet, but will be soon. The National Association of Realtors estimates that roughly 150,000 Hoosiers lost their homes through foreclosures or

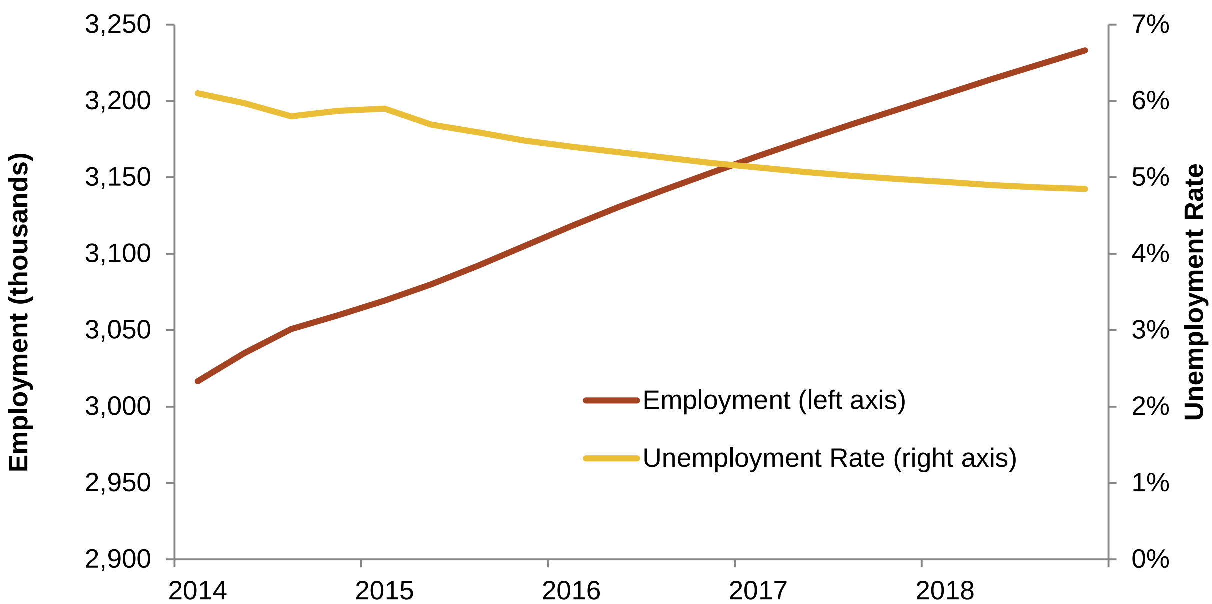
[7] "CoreLogic Equity Report," Second Quarter 2015, www.corelogic.com/research/negative-equity/corelogic-q2-2015-equity-report.pdf.

short sales in the eight years following the crash, but that 18,000 of them were already homeowners again by the end of 2014, and another 30,000 will be looking to buy in the next several years.[8]

The return of these so-called "boomerang buyers"—along with the emergence of the large millennial generation—should be important sources of additional buyer demand for years to come. Whether Indiana home sales continue to climb in the near term, however, will depend more on the strength of the economy and housing affordability.

Indiana's economy appears to be on solid footing. As of July 2015, Indiana has added 63,900 jobs over the past 12 months. According to the latest forecast from the Indiana Business Research Center (IBRC) and the Center for Econometric Model Research (CEMR) at Indiana University, employment growth should continue at a pace of nearly 43,000 new jobs per year between 2016 and 2018 (see **Figure 12**). The state's unemployment rate is expected to decline some over that period, as well. Perhaps the best economic news for Indiana is that the CEMR forecasts also indicate that the state's per capita personal income will grow at a faster rate than the national average over the next three years.

Figure 12: Indiana Employment and Unemployment Rate Forecast, 2014:1 to 2018:4

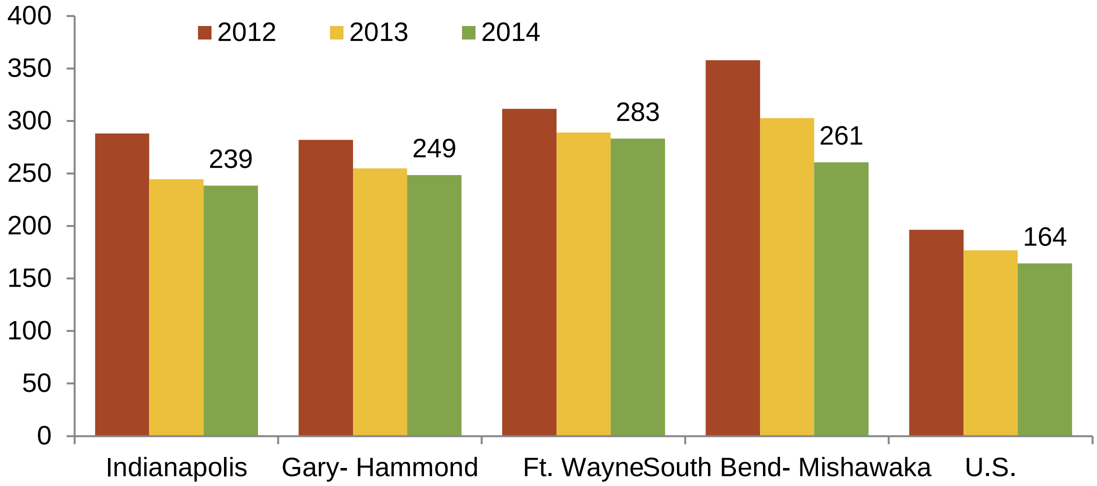


Source: Center for Econometric Model Research and Indiana Business Research Center (released in June 2015)

As for affordability, Indiana's housing markets are among the most buyer-friendly in the country. According to the National Association of Realtors, each of the Indiana metro areas for which they publish data ranked among the top one-third of all metros in affordability in 2014. As house prices and interest rates climbed in the last couple of years, the costs of homeownership have increased some, but housing in Indiana remains far more affordable than the national average (see **Figure 13**).

[8] Ken Fears, "Return Buyers: Many Already Here, Many More to Come," *Economists' Outlook* (blog): National Association of Realtors, April 17, 2015, www.economistsoutlook.blogs.realtor.org/2015/04/17/return-buyers-many-already-here-many-more-to-come/.

Figure 13: Housing Affordability Index, Select Metro Areas, 2012 to 2014

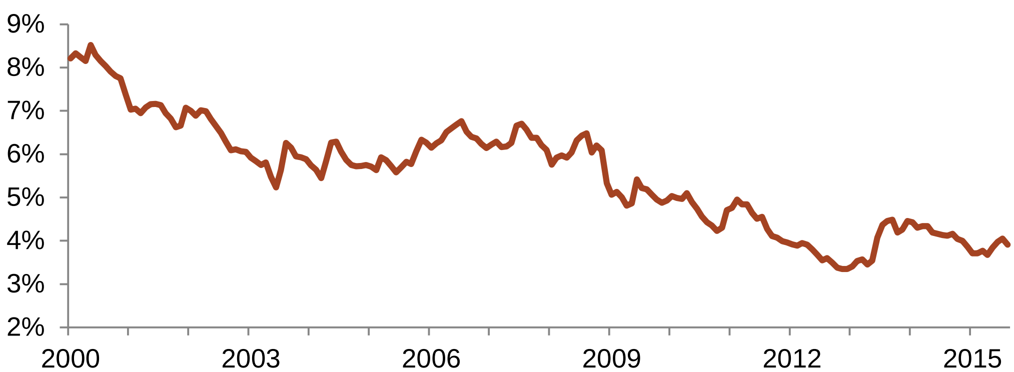


Note: An index value of 100 means that a metro's median household income is exactly enough to qualify for a mortgage on a home priced at the median level for that area. Values above 100 indicate that the median income is more than enough to qualify. Ft. Wayne's index value was 283 in 2014, meaning that its median household income was 283 percent of the income needed for a mortgage on the median-priced house.
Source: National Association of Realtors

Of course, the degree of homebuyer affordability is heavily influenced by mortgage rates. After peaking at 4.5 percent in December 2013, the 30-year conventional mortgage rate has declined steadily to a low of 3.7 in April of this year. Since that point, rates increased for three consecutive months before falling to 3.9 in August 2015 (see **Figure 14**). These lower rates certainly helped to fuel the strong home sales in 2015, but many market-watchers expect them to start climbing again soon. In their August forecasts, both the Mortgage Bankers Association and Freddie Mac predict rates will be above the 5 percent mark by the end of 2016.

The future path of mortgage rates will depend in part on Federal Reserve policy. The Fed chose to not raise the federal funds rate during its September 2015 meeting, but it probably won't wait much longer to act. The degree to which the market is able to tolerate the higher mortgage rates we are likely to see will be one of the key questions facing the Indiana housing market over the next year. While housing in Indiana will remain affordable by most objective measures, rising rates will likely shut some Hoosiers out of the homebuyer market and could hinder residential construction.

Figure 14: 30-Year Conventional Mortgage Rate, January 2000 to August 2015



Source: Freddie Mac

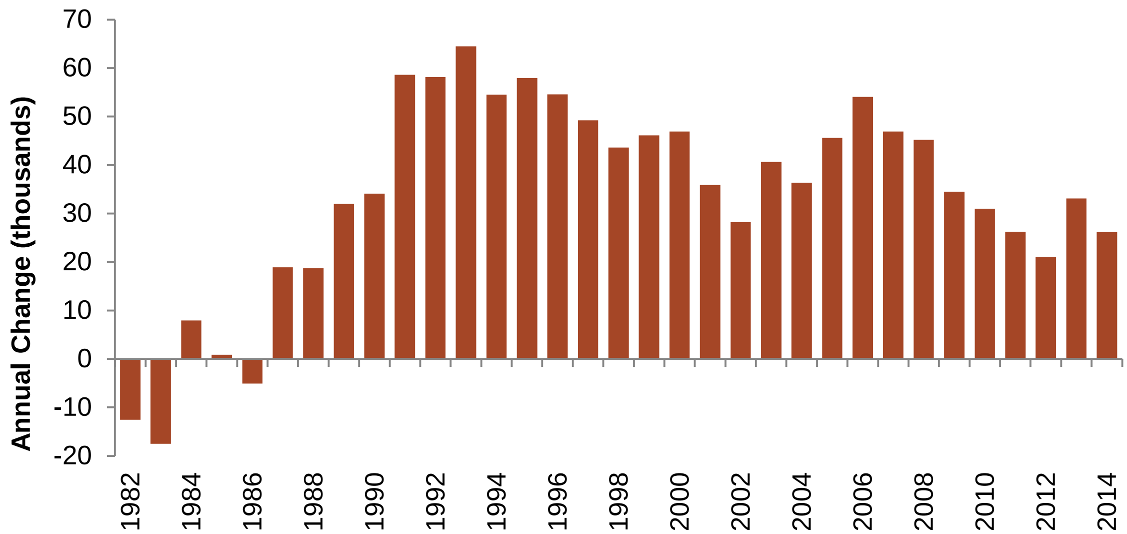
Demographic Fundamentals

Population Growth and Household Formation Cools in 2014

A slowdown in the demographic drivers of housing demand may have been another factor in 2014's lull in home sales. After finally snapping a stretch of six consecutive years of declining annual population growth in 2013, Indiana saw its rate of population change slip again last year (see **Figure 15**). The 26,140 residents added in 2014 is the state's second-lowest annual gain in the last 25 years. To highlight how low Indiana's population growth has been in recent years, the state grew by more than 40,000 residents a year between 2000 and 2010, and the last round of projections by the IBRC indicated that absent the effects of the Great Recession, Indiana should have expected to add more than 38,000 people a year between 2010 and 2015.

From the housing market perspective, one bright spot in the population numbers is that some key age groups are showing growth. Indiana's population between the ages of 25 and 44, for instance, grew by roughly 2,800 in 2014. This is a fairly modest number, but it is the second consecutive year that this young adult group has grown after declining for at least 12 years previously. This important age group, which is typically responsible for net gains in new households and home purchases, will continue to grow as the comparatively large millennial generation comes of age.

Figure 15: Indiana Annual Population Change, 1982 to 2014

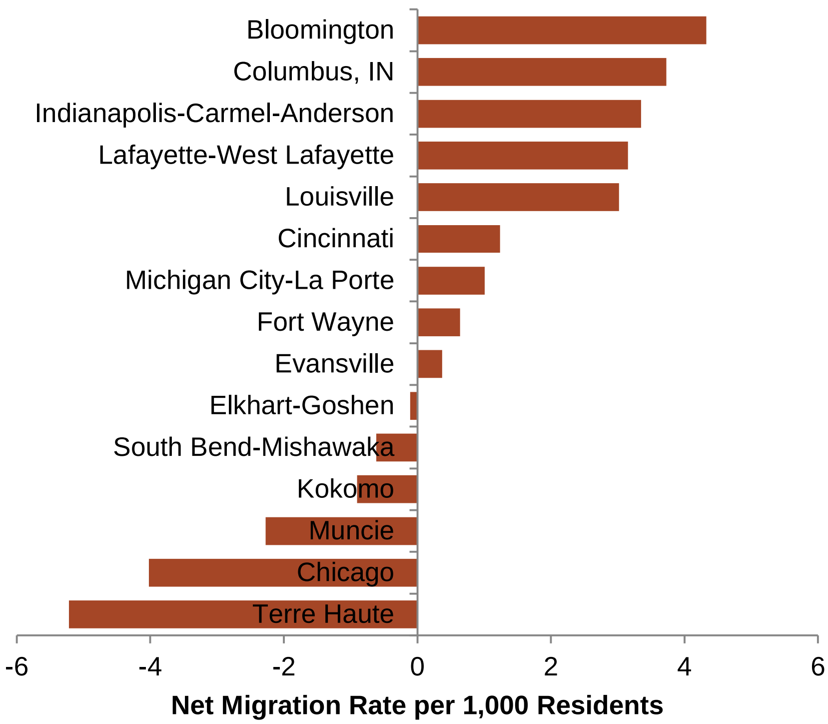


Source: U.S. Census Bureau population estimates

The causes of Indiana's shortfall in population growth have been equal parts a slowdown in migration and a decline in the number of births. In terms of migration, for the first time since 2009, the state has posted a net inflow of residents for two consecutive years, but the net in-migration of 2,600 residents in 2014 is well below the nearly 8,900 mark posted the previous year.

As **Figure 16** shows, there was a mixed bag of migration rates in 2014 for metro areas that are at least partially located in Indiana. The Bloomington, Columbus and Indianapolis areas showed the strongest net in-migration rates last year, while Terre Haute, Chicago and Muncie had the largest relative net outflows. The state's 48 counties that are not a part of a metro area had a combined net out-migration rate of nearly three migrants per 1,000 residents.

Figure 16: Net Migration Rates for Select Metro Areas, 2014

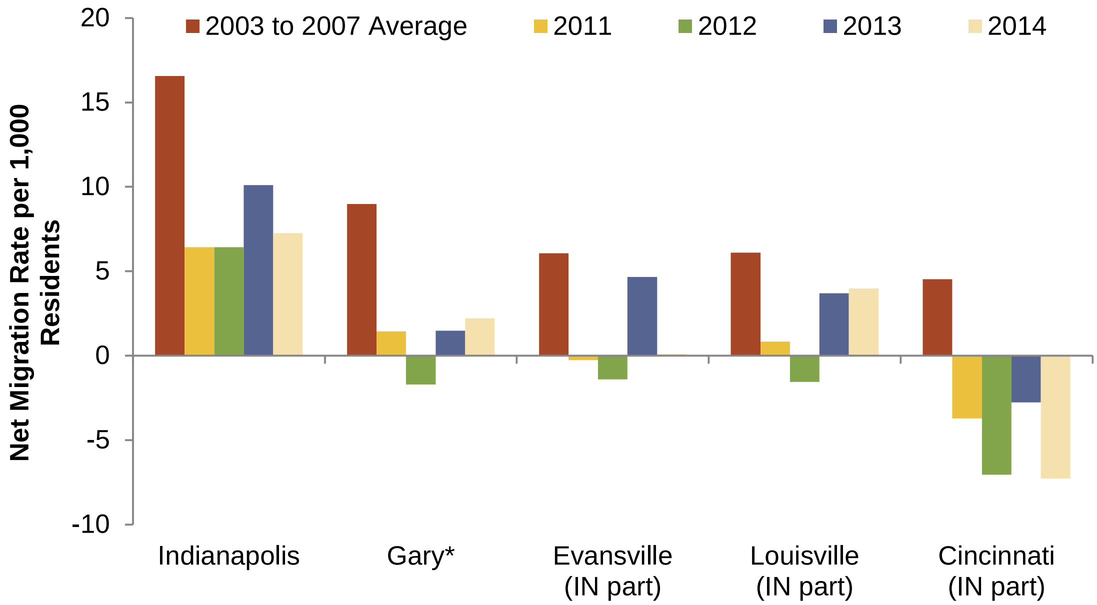


Source: U.S. Census Bureau population estimates

The migration slowdown is proving to be one of the most durable side effects of the Great Recession. Even as the economy improves and home sales trend up, the movement of households to a new state, or even to a neighboring county, remains low by pre-recession standards. This slowdown is most evident in many traditionally fast-growing suburban areas.

Figure 17 compares the annual net migration rates over the last four years for the suburban counties of several metro areas in the state against their average annual levels before the recession. The 10 suburban counties of the Indianapolis metro averaged an annual net in-migration rate of nearly 17 migrants per 1,000 residents between 2003 and 2007, but the average annual inflow so far this decade is well below half of this pre-recession level. For the suburban counties in the Gary Metropolitan Division (i.e., Porter, Jasper and Newton counties), the average annual migration rate so far this decade is just one-tenth of the mark set between 2003 and 2007. Migration is also down in Indiana's suburban counties in the Evansville, Louisville and Cincinnati metros, although Clark County is leading a bit of a revival in the Indiana portion of the Louisville area.

Figure 17: Comparison of Net Migration Estimates for Indiana's Suburban Counties in Select Metro Areas

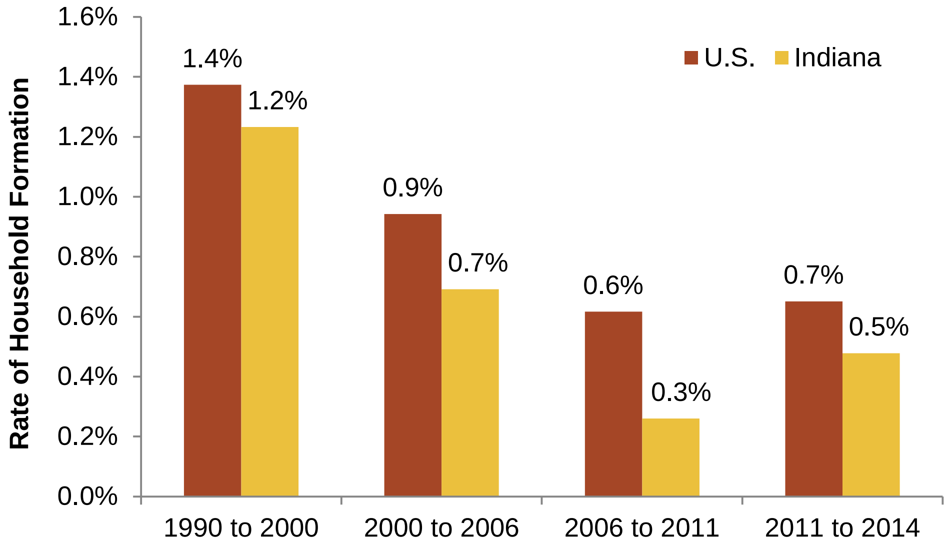


* The Gary Metropolitan Division is the Indiana portion of the larger Chicago-Naperville-Elgin metro area.
Source: U.S. Census Bureau population estimates

As one might expect, the lower level of migration to the state led to a weak rate of household formation in 2014. The Census Bureau's American Community Survey (ACS) shows that Indiana had a small increase in the number of households between 2013 and 2014, but the difference was not statistically significant. Thus, it's difficult to know whether Indiana added any households last year or not.

Even with the sluggish 2014, the state's household formation rates in 2012 and 2013 were strong enough to make Indiana's average annual increase over the last three years a marked improvement over the previous five years (see **Figure 18**) Stated in raw numbers: Indiana added more households in the last three years (35,600) than it did over the five years between 2006 and 2011 (31,800).

Figure 18: Average Annual Household Formation Rates, 1990 to 2014



Source: U.S. Census Bureau, Decennial Census and American Community Survey

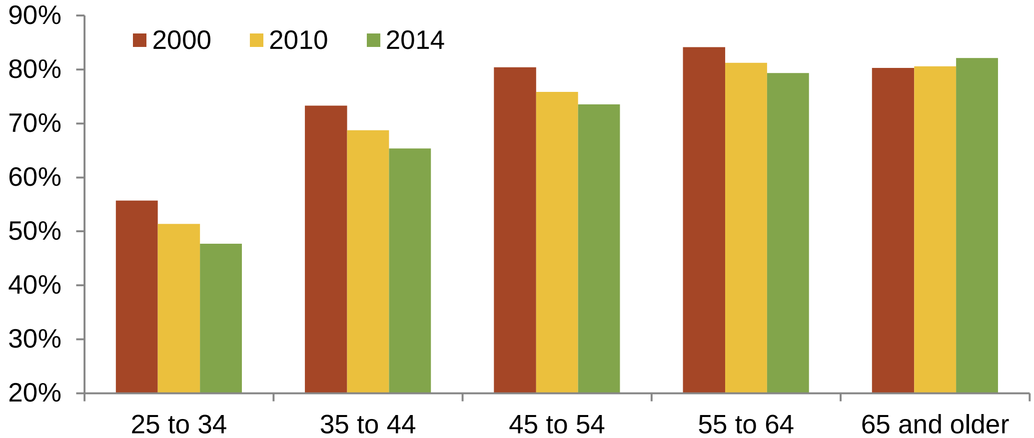
Indiana's Homeownership Rate Holds Steady in 2014

As new households form in Indiana, will they be looking to buy or rent? If the trend over the past six years holds, more will be looking to the rental market than was the case before the housing slump. According to the Census Bureau, Indiana's homeownership rate peaked at 72.1 percent in 2006, and then tumbled more than 3 percentage points to 68.5 percent in 2013. With lowering foreclosure rates and strong buyer demand in recent years, the state homeownership rate held steady in 2014 at 68.6 percent. Indiana had the 11th-highest homeownership rate in the nation last year.

While the homeownership rate holding firm in 2014 is certainly welcome news, the focus on the overall homeownership rate tends to distract attention from even larger shifts in most age group–specific rates. Comparing results from the 2000 Census and the 2014 ACS, for instance, Indiana's total homeownership rate was down 2.8 percentage points. The homeownership rate for Indiana's 25-to-34 and 35-to-44 age groups, however, were each down by roughly 8 percentage points over the same period (see **Figure 19**). The state's 45-to-54 age group didn't fare much better, declining nearly 7 percentage points over the same period. Only Indiana's senior age group has seen its homeownership rate on the rise.

The comparatively small change in the overall homeownership rate is simply a function of the fact that the Indiana population is growing older and the likelihood of being a homeowner increases with age. With the baby boom generation now between the ages of 51 and 69, this age group holds a larger share of the state's population than ever before. This is also the prime age group for homeownership. So the continued aging of this outsized cohort will boost the state's total homeownership rate, even if age-specific rates only hold constant going forward.

Figure 19: Indiana Homeownership Rates by Age, 2000 to 2014



Source: U.S. Census Bureau, Decennial Census and American Community Survey

Looking Ahead

The key demographic question for the Indiana housing market in the near term will be whether or not household formation rates improve. The household formation rate is driven by two factors: so-called headship rates (i.e., the number of households divided by the adult population) and the level of migration to the state. With regard to headship rates, the negative effects of the Great Recession caused many young adults to delay forming a new household while some older adults were forced to leave their homes and reside with family or friends. This increased "doubling up" has led to a decline in headship rates in nearly all age groups in Indiana. In 2007, for instance, approximately 50 percent of Hoosiers between the ages of 25 and 34 were the head of their own household, but the headship rate for this age group had dropped to 46 percent by 2014.

Table 3 provides estimates of the shortfall in the number of households in Indiana caused by the decline in headship rates. The shortfalls were calculated by looking at the differences in the actual number of households in 2014 compared to the number of households we would expect if age-specific headship rates were still at the levels seen before the recession hit in 2007. The decline in the headship rate for the 25-to-34 age group referenced earlier translates to nearly 43,000 fewer households in the state within this group alone. This number accounts for 47 percent of the state's total estimated shortfall. All told, Indiana would have had nearly 91,000 more households in 2014 if headship rates were still at 2007 levels.

Table 3: Estimated Shortfall in Number of Indiana Households in 2014

Age Group	Headship Rate, 2007	Headship Rate, 2014	Actual Number of Households in 2014 (thousands)	Number at 2007 Headship Rates (thousands)	Difference (thousands)
15 to 24	14.5%	12.7%	122.5	137.03	-14.5
25 to 34	49.8%	46.0%	376.9	419.47	-42.6
35 to 44	54.5%	52.2%	440.8	453.59	-12.8
45 to 54	57.4%	55.9%	490.3	509.42	-19.2
55 to 64	58.3%	58.0%	486.5	489.27	-2.7
65+	62.1%	62.9%	585.7	584.85	0.8
Total	**48.9%**	**47.6%**	**2,502.7**	**2,593.63**	**-90.9**

Source: U.S. Census Bureau, American Community Survey

This shortfall in households represents a sizable pool of currently untapped housing demand that could enter the market as the economy improves. While Indiana's headship rates may not get back to 2007 levels, the state should see a rebound in this measure over the next few years if it is anything like the rest of the nation. A recent analysis from the Urban Institute indicates that the U.S. headship rate should improve by roughly 1.5 percentage points between 2013 and 2020.[9] This increase reflects both the effect of an aging population and more young adults starting households as the labor market improves.

As for migration, the number of new residents moving to Indiana continues to disappoint. So far in this decade, the state is averaging a net in-migration of 2,300 residents a year, which is down from the average annual net inflow of 8,000 residents a year last decade. The numbers over the last two years have shown improvement over the three years prior, however, so there is hope that migration to the state is trending upward.

The IBRC's population projections produced in 2012 indicate that Indiana should expect an average annual net in-migration of 6,000 residents per year between 2015 and 2020. If Indiana can come close to hitting this mark in the second half of the decade and headship rates rebound as expected, then household formation should pick up steam through the rest of this decade.

The emergence of the large millennial generation will also provide a shot in the arm to household formation. This group, which is currently between the ages of 19 and 34, outnumbered Generation X (age 35 to 50) by nearly 93,000 residents in Indiana in 2014. This gap will likely shrink some as younger millennials advance past college-age, but they will still help to boost household formation if Indiana can retain and attract its fair share from this group.

An important question concerning millennials, though, is whether their housing decisions will be similar to previous generations. Although there is much talk that this generation will usher in a significant shift in housing preferences, research indicates that this group may not end up that different after all. According to a Fannie Mae survey conducted this summer, 72 percent of current renters between the ages of 25 and 34 feel that owning a home makes more financial sense than renting does, and 91 percent of millennials who currently rent expect to buy a home someday.[10] Meanwhile, a 2013 survey conducted by the Demand Institute indicates that nearly half of all millennials expect to settle in the suburbs compared to 38 percent who stated they prefer urban living.[11]

While the desire to buy a home may be there, the means may not. Sixty-two percent of the renters between the ages of 25 and 34 questioned in the Fannie Mae survey referenced above indicated they believe it would be difficult for them to get a mortgage at this time. Roughly 60 percent of renters in this age group who plan to buy say that they are waiting for their incomes or their credit ratings to improve before entering the market. Even with these caveats, millennials are already driving the market for existing homes, accounting for nearly one-third of all home sales in the U.S. in 2014—the largest share of any defined generation group.[12]

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[9] Laurie Goodman, Rolf Pendall and Jun Zhu,, "Headship and Homeownership: What Does the Future Hold?," The Urban Institute, June 2015, www.urban.org/sites/default/files/2000257-headship-and-homeownership-what-does-the-future-hold.pdf .

[10] "Millennials Look to Income Improvements as Key to Unlocking Homeownership," Fannie Mae National Housing Survey, August 2015, www.fanniemae.com/resources/file/research/housingsurvey/pdf/082115-topicanalysis.pdf.

[11] Jeremy Burbank and Louise Keely, "Millennials and Their Homes: Still Seeking the American Dream," The Demand Institute, September 16, 2014, www.demandinstitute.org/millennials-and-their-homes/ .

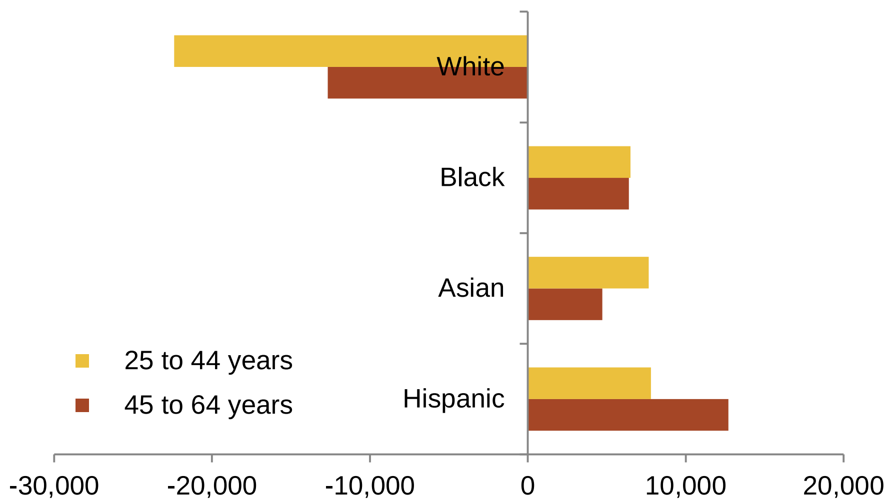
[12] "Home Buyer and Seller Generational Trends 2015," National Association of Realtors, March 11, 2015, www.realtor.org/reports/home-buyer-and-seller-generational-trends.

The aging of the baby boom generation will also influence the housing market over the next two decades. The oldest members of this generation turned 65 in 2011 and the entire cohort will be of traditional retirement age by 2030. By that point, the share of Indiana's population that is age 65 or older will increase to 20 percent from 13 percent in 2010, according to the IBRC's population projections.

This process will impact the housing market in a number of ways, such as increasing demand for senior-oriented housing. That said, there is a lot of evidence that a healthy share of boomers plan to spend their retirement years in their current homes, or "age in place." A national survey of boomers by the Demand Institute in 2013 found that 63 percent of respondents did not plan to move after retirement. Of those who stated they did plan to move, two-thirds said that they wanted to remain in their current state of residence.[13] So even though the size of Indiana's population over the age of 65 will balloon, we may not necessarily see a flood of Hoosier retirees moving to warmer climes over the next two decades.

Another demographic shift with potential implications for the housing market is the state's increasing racial and ethnic diversity. So far in this decade, each of the larger race and ethnic groups in Indiana grew in number, but the state's white population had the smallest increase by far at roughly 2,300 residents between 2010 and 2014. What's more, all of the white population's growth over this period happened in the 65 or older age group, while younger age groups have been on the decline (see **Figure 20**).

Figure 20: Indiana Population Change by Race and Ethnicity for Select Age Groups, 2010 to 2014



Note: The term Hispanic refers to an ethnicity, not a race. Hispanic residents can be of any race. These specific race groups refer to non-Hispanic residents of that race only.
Source: U.S. Census Bureau population estimates

Growth in minority groups has more than made up for the decline in both the 25-to-44 age group and the 45-to-64 bracket. With these shifts among adult age groups, the white population's share of the Indiana total in 2014 ranges from 91 percent of all Hoosiers age 65 or older to 78 percent of the total in the 25-to-44 age group.

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[13] Jeremy Burbank and Louise Keely, "Baby Boomers and Their Homes: On Their Own Terms," The Demand Institute, October 30, 2014, www.demandinstitute.org/baby-boomers-and-their-homes/.

These are meaningful shifts considering that housing and income trends vary widely by race and ethnic groups in Indiana. For instance, the homeownership rate for Indiana's white householders was 73 percent in 2014. By contrast, 54 percent of the state's Hispanic households own their homes and 37 percent of black households are owner-occupied.

Income disparities certainly play a role in these different rates as the median household income for Indiana's white population in 2014 ($52,100) was much higher than for Hispanic ($41,120) and black ($30,110) households. Clearly, economic development and improved educational outcomes will be critical to closing the gaps in income and homeownership.

Housing and the Economy

Residential Construction Remains Weak

Residential Fixed Investment (RFI)—a component of GDP that includes investment in new construction and home improvements—is the most commonly watched indicator of housing's contribution to the economy.[14] One reason that RFI is widely followed is that it tends to be a leading indicator of economic activity since RFI typically peaks before the start of a recession and it tends to rebound before a downturn ends, helping to pull the country out of its slump.[15] However, given housing's central role in this most recent economic downturn, RFI is only now beginning to provide a boost to the recovery.

While residential investment has picked up some in recent years, it remains very low by historical standards. Between 1950 and 2007, RFI accounted for 4.9 percent of annual U.S. GDP on average. As the demand for new single-family homes has plummeted, however, RFI's share of economic activity bottomed out at 2.5 percent in 2011 and stood at just 3.2 percent in 2014—the sixth-lowest annual mark since the end of World War II. Through the first half of 2015, RFI's share of the national economy has ticked up slightly to 3.3 percent.

There is no measure of RFI at the state level, but other indicators such as the value of annual building permits tend to follow the same path. **Figure 21** compares the change in national RFI to Indiana's annual value of building permits. Both indicators peaked in 2005 and have fallen dramatically since. Indiana did have two strong rebound years in 2012 and 2013, with the value of permits jumping 19 percent and 30 percent, respectively. Growth in this measure has moderated, however, increasing by 5 percent in 2014. Similarly, the value of housing permits through July 2015 is up 5 percent over the same period last year. Even with these improvements, the value of construction has fallen to an extent that the dollar total for permits in 2014, even when measured in nominal terms (i.e., not adjusted for inflation), was a shade below the level seen in 1994.

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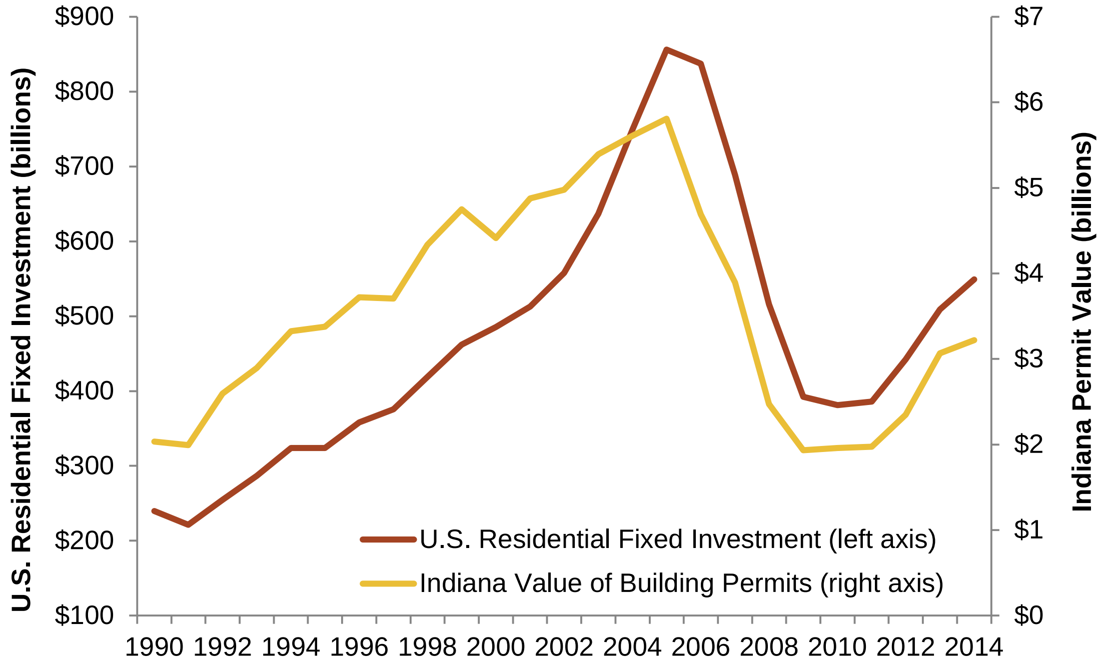
[14] According to the U.S. Bureau of Economic Analysis, RFI consists of the purchase of residential structures and the residential equipment that is owned by landlords and rented to tenants. Investment in residential structures includes the new construction of housing units, improvements to existing housing units, the purchase of manufactured homes and brokers' commissions on sales.

[15] Kathryn Byun, "The U.S. Housing Bubble and Bust: Impacts on Employment," *Monthly Labor Review*, December 2010.

Figure 21: U.S. Residential Fixed Investment and Indiana Value of Building Permits, 1991 to 2014



Source: U.S. Bureau of Economic Analysis and U.S. Census Bureau

Housing's Impact on Employment

The trend in the number of permitted units has been even more dramatic. The number of units permitted in Indiana in 2014 was just 43 percent of the peak level seen in 1999 and was the 11th-lowest mark since 1960. The state saw a decent jump in new units in 2013, but activity has faded since. The number of permitted units in Indiana dipped by a little less than 1 percent in 2014. Through July 2015, new permitted units are down by 11 percent compared to the first seven months of 2014.

The primary reason for the decline in new units has been a recent slowdown in multi-family development. Apartment construction accounted for 30 percent of all new permitted units in 2013, and roughly 28 percent of the total in 2014—the two highest shares since 1986. So far in 2015, however, permits for new apartment units are down nearly 39 percent year-over-year and account for roughly 19 percent of all permits.

Of course, this lower level of residential construction has triggered a decline in employment in this industry. Compared to 2005, Indiana had around 6,900 fewer residential construction jobs in 2014—a 36 percent decline. By comparison, the state's total employment was off by less than 1 percent over the same period.

The employment impacts of this decline don't end with the construction industry. With fewer housing units built, there is a reduced demand for other goods and services related to the industry such as architecture and design, building materials and home furnishings. According to IMPLAN economic modeling data, residential construction has an employment multiplier of 2.3 in Indiana, meaning that each job in this industry supports an additional 1.3 jobs in other industries throughout the state. If this multiplier holds, the decline of 6,900 construction jobs between 2005 and 2014 translates to a loss of an estimated 8,970 jobs in other industries in the state.

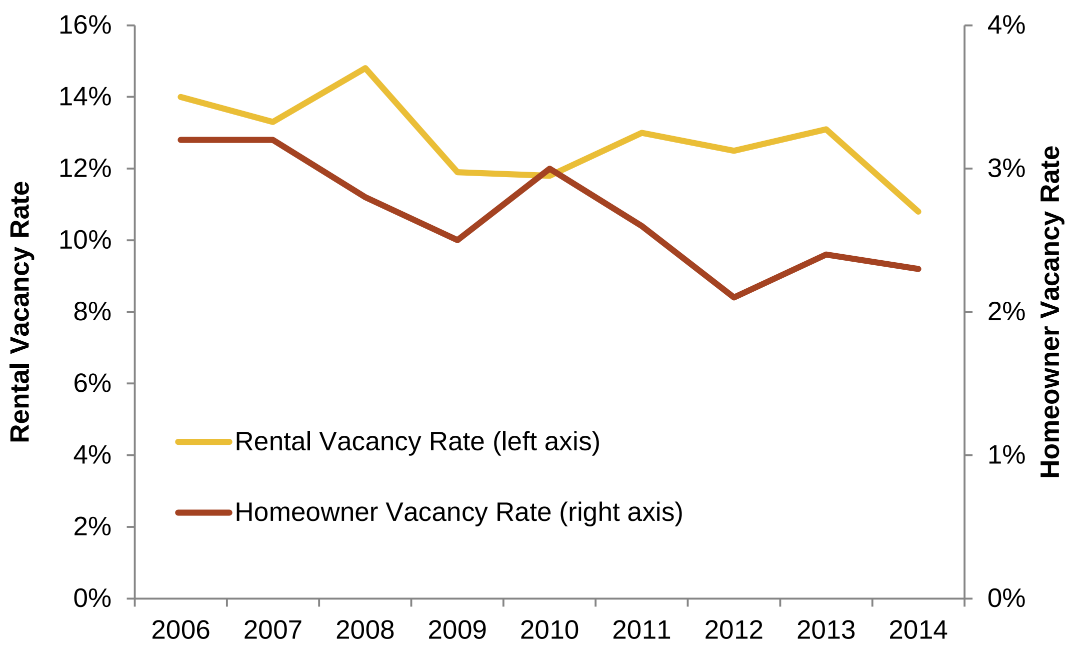
Fortunately, residential construction employment has begun to rebound. After declining for six consecutive years between 2006 and 2011, Indiana's residential construction companies have added workers in each of the last three years, with the gain of nearly 660 jobs in 2014 the largest annual increase over this stretch.

Looking Ahead

Clearly, a return to growth in residential construction would be a shot in the arm for the Indiana economy. Fortunately, several industry forecasts predict that construction activity at the national level will pick up steam in 2016. Freddie Mac's August 2015 forecast, for instance, predicts that total housing starts in 2016 will be nearly 23 percent higher than the year before. The Mortgage Bankers Association's August forecast is not quite as optimistic, predicting a 12 percent increase in 2016. Either way, if residential construction in Indiana can follow national trends, then housing will come closer to assuming its usual role in the state's economy.

Several indicators show that construction is bound to improve at some point. First, vacancy rates continue to decline in Indiana, indicating a tightening housing market. Both the rental vacancy rate (10.8 percent) and the homeowner vacancy rate (2.3 percent) in Indiana have seen a general pattern of decline since 2006 (see **Figure 22**).

Figure 22: Indiana Homeowner and Rental Vacancy Rates, 2006 to 2014

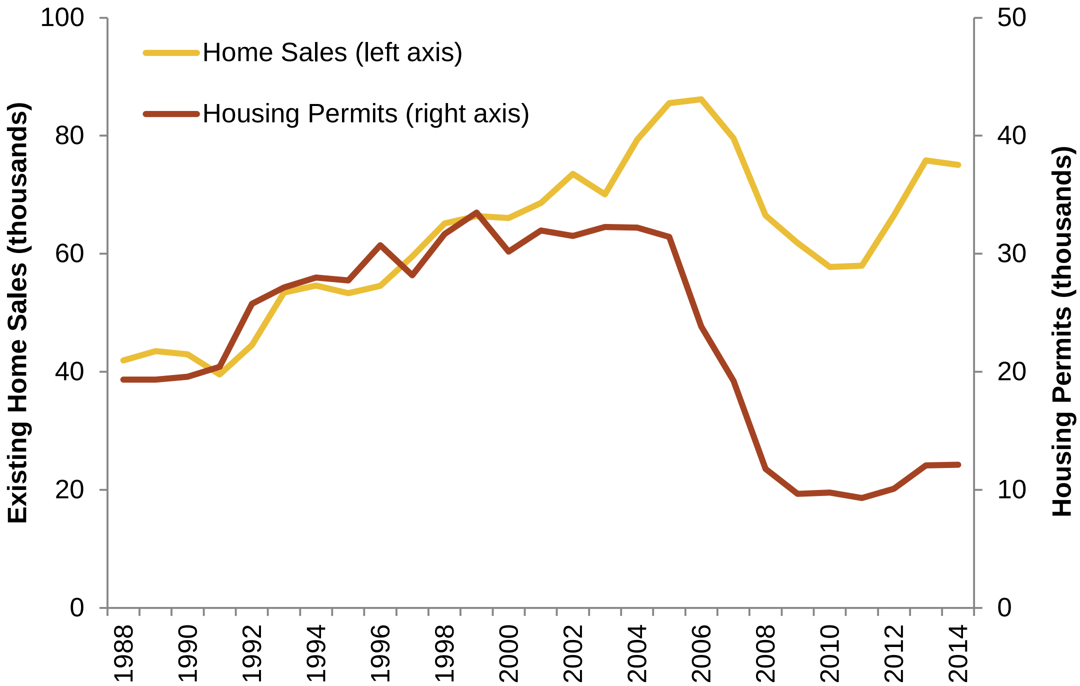


Source: U.S. Census Bureau, Housing Vacancy Survey

Another sign that new construction could pick up soon is the wide gap between the number of existing home sales in the state and the number of new single-family permits. From 1988 to 2005, there was a fairly consistent ratio of approximately two existing home sales for each single-family housing permit in

Indiana (see **Figure 23**). In 2014, however, that ratio was roughly six-to-one. This gap is only widening so far in 2015 as sales climb and single-family permits have declined year-over-year through July. Given the current situation of strong buyer demand but low inventory of existing homes for sale, the demand for new homes is bound to improve over the next few years.

Figure 23: Indiana Existing Home Sales and Single-Family Housing Permits, 1988 to 2014



Source: U.S. Census Bureau, Moody's Economy.com, Indiana Association of Realtors

Conclusion

Many of Indiana's key housing market indicators have shown strong improvement in the last year. Most notably, after a period of declining home sales in 2014, the state's existing home market has heated up in 2015. Through the first half of 2015, the number of existing home sales in the state was 10 percent higher than during the same period in 2014. House prices continued to climb, as well, and the state's foreclosure rate is still falling.

In the next year or two, expect these measures to remain strong, but they will likely transition from recovery-mode to patterns that are more stable. The days of double-digit increases in the rate of change in home sales or a foreclosure rate in free fall should be replaced by less dramatic trends that are driven by the unique economic and demographic fundamentals in local markets.

Of course, the one area that we hope will finally kick into recovery-mode is residential construction. The extremely low inventory of existing homes for sale and lower vacancy rates suggest a tightening housing market, which should spur demand for new construction. As always, though, factors such as the direction of interest rates and the strength of the economy will determine whether demand strengthens throughout the Indiana housing market.

Appendix

Table 4: Home Sales and Median Sales Price by County, Year-over-Year Change

County	Sales, July 2013 to June 2014	Sales, July 2014 to June 2015	Percent Change	Median Price, July 2013 to June 2014	Median Price, July 2014 to June 2015	Percent Change
Indiana Total	73,894	78,440	6.2%	$124,000	$129,900	4.8%
Adams	264	271	2.7%	$83,250	$85,500	2.7%
Allen	4,862	5,171	6.4%	$112,000	$117,950	5.3%
Bartholomew	1,049	1,172	11.7%	$152,000	$157,000	3.3%
Benton	90	81	-10.0%	$61,000	$68,950	13.0%
Blackford	83	76	-8.4%	$54,000	$59,950	11.0%
Boone	1,069	1,130	5.7%	$205,000	$215,000	4.9%
Brown	173	188	8.7%	$140,000	$147,000	5.0%
Carroll	162	182	12.3%	$88,650	$97,000	9.4%
Cass	318	340	6.9%	$62,000	$59,900	-3.4%
Clark	1,612	1,701	5.5%	$127,000	$133,400	5.0%
Clay	213	202	-5.2%	$80,000	$88,000	10.0%
Clinton	213	247	16.0%	$76,000	$88,000	15.8%
Crawford	71	63	-11.3%	$84,000	$71,220	-15.2%
Daviess	190	203	6.8%	$81,450	$100,000	22.8%
Dearborn	490	496	1.2%	$140,000	$140,000	0.0%
Decatur	255	254	-0.4%	$114,500	$106,500	-7.0%
Dekalb	450	525	16.7%	$95,000	$110,000	15.8%
Delaware	1,022	1,013	-0.9%	$82,500	$83,875	1.7%
Dubois	331	390	17.8%	$124,000	$135,000	8.9%
Elkhart	1,752	1,854	5.8%	$112,000	$119,960	7.1%
Fayette	141	150	6.4%	$61,272	$62,000	1.2%
Floyd	1,064	1,111	4.4%	$130,000	$140,000	7.7%
Fountain	41	53	29.3%	$66,500	$75,500	13.5%
Franklin	121	171	41.3%	$140,000	$150,000	7.1%
Fulton	173	190	9.8%	$80,500	$82,000	1.9%
Gibson	306	307	0.3%	$99,900	$110,000	10.1%
Grant	564	529	-6.2%	$70,000	$70,000	0.0%
Greene	149	169	13.4%	$75,900	$75,000	-1.2%
Hamilton	6,171	6,680	8.2%	$212,825	$220,000	3.4%
Hancock	1,132	1,208	6.7%	$139,350	$146,775	5.3%
Harrison	418	376	-10.0%	$120,000	$130,000	8.3%
Hendricks	2,621	2,737	4.4%	$152,000	$162,000	6.6%
Henry	331	370	11.8%	$63,000	$72,500	15.1%
Howard	1,029	1,158	12.5%	$81,000	$89,900	11.0%

County	Sales, July 2013 to June 2014	Sales, July 2014 to June 2015	Percent Change	Median Price, July 2013 to June 2014	Median Price, July 2014 to June 2015	Percent Change
Huntington	403	412	2.2%	$81,500	$89,700	10.1%
Jackson	383	417	8.9%	$99,500	$113,000	13.6%
Jasper	297	334	12.5%	$136,250	$136,000	-0.2%
Jay	105	94	-10.5%	$55,500	$64,900	16.9%
Jefferson	286	278	-2.8%	$114,400	$114,000	-0.3%
Jennings	148	161	8.8%	$83,500	$92,563	10.9%
Johnson	2,404	2,585	7.5%	$132,000	$145,000	9.8%
Knox	282	290	2.8%	$85,250	$75,500	-11.4%
Kosciusko	980	906	-7.6%	$126,500	$135,000	6.7%
Lagrange	244	237	-2.9%	$114,950	$125,000	8.7%
Lake	5,258	5,586	6.2%	$129,900	$138,000	6.2%
LaPorte	1,087	1,176	8.2%	$114,000	$115,000	0.9%
Lawrence	407	418	2.7%	$85,000	$88,750	4.4%
Madison	1,394	1,498	7.5%	$77,000	$83,500	8.4%
Marion	11,660	12,566	7.8%	$115,000	$119,500	3.9%
Marshall	366	365	-0.3%	$118,750	$114,900	-3.2%
Martin	45	50	11.1%	$64,750	$84,400	30.3%
Miami	276	273	-1.1%	$55,000	$61,500	11.8%
Monroe	1,473	1,589	7.9%	$154,500	$160,000	3.6%
Montgomery	455	430	-5.5%	$97,500	$100,000	2.6%
Morgan	920	952	3.5%	$127,000	$135,000	6.3%
Newton	130	143	10.0%	$84,600	$110,000	30.0%
Noble	438	468	6.8%	$90,000	$107,800	19.8%
Ohio	33	51	54.5%	$100,000	$95,000	-5.0%
Orange	48	32	-33.3%	$65,000	$60,750	-6.5%
Owen	127	155	22.0%	$85,100	$95,000	11.6%
Parke	50	43	-14.0%	$70,750	$78,750	11.3%
Perry	110	101	-8.2%	$85,000	$94,500	11.2%
Pike	94	97	3.2%	$80,000	$65,000	-18.8%
Porter	2,053	2,148	4.6%	$165,000	$172,000	4.2%
Posey	193	205	6.2%	$102,500	$115,650	12.8%
Pulaski	52	54	3.8%	$84,250	$66,500	-21.1%
Putnam	398	413	3.8%	$112,000	$105,000	-6.3%
Randolph	152	159	4.6%	$54,824	$62,750	14.5%
Ripley	200	216	8.0%	$115,000	$125,000	8.7%
Rush	10	16	60.0%	$15,500	$37,000	138.7%
Scott	182	178	-2.2%	$81,200	$84,950	4.6%
Shelby	441	528	19.7%	$111,250	$110,000	-1.1%
Spencer	152	213	40.1%	$117,950	$118,000	0.0%
St. Joseph	2,638	2,807	6.4%	$113,725	$115,000	1.1%
Starke	166	216	30.1%	$79,900	$77,000	-3.6%
Steuben	446	459	2.9%	$127,250	$130,000	2.2%

County	Sales, July 2013 to June 2014	Sales, July 2014 to June 2015	Percent Change	Median Price, July 2013 to June 2014	Median Price, July 2014 to June 2015	Percent Change
Sullivan	91	109	19.8%	$78,950	$75,000	-5.0%
Switzerland	46	66	43.5%	$98,750	$86,700	-12.2%
Tippecanoe	2,023	2,209	9.2%	$133,000	$136,500	2.6%
Tipton	127	142	11.8%	$85,000	$94,125	10.7%
Union	17	13	-23.5%	$63,000	$69,500	10.3%
Vanderburgh	2,264	2,263	0.0%	$112,000	$117,000	4.5%
Vermillion	118	87	-26.3%	$52,000	$60,000	15.4%
Vigo	992	1,041	4.9%	$84,000	$90,875	8.2%
Wabash	317	260	-18.0%	$76,000	$75,000	-1.3%
Warren	38	51	34.2%	$73,000	$105,000	43.8%
Warrick	818	852	4.2%	$156,000	$159,900	2.5%
Washington	205	237	15.6%	$76,750	$89,900	17.1%
Wells	284	326	14.8%	$97,500	$105,000	7.7%
White	251	265	5.6%	$91,400	$104,900	14.8%
Whitley	387	432	11.6%	$113,000	$117,500	4.0%

Note: Home sales data are not available for Wayne County.
Source: Indiana Association of Realtors

Table 5: Number of Units and Value of Residential Building Permits by County

County	Number of Units, 2013	Number of Units, 2014	Percent Change	Value of Permits (in thousands), 2013	Value of Permits (in thousands), 2014	Percent Change
Indiana Total	17,950	17,816	-0.7%	$3,065,788	$3,222,176	5.1%
Adams	56	79	41.1%	$9,226	$10,253	11.1%
Allen	893	1,115	24.9%	$179,991	$201,106	11.7%
Bartholomew	241	254	5.4%	$59,560	$62,387	4.7%
Benton	5	2	-60.0%	$2,033	$1,184	-41.8%
Blackford	2	3	50.0%	$592	$357	-39.7%
Boone	840	526	-37.4%	$142,972	$122,884	-14.1%
Brown	48	48	0.0%	$9,288	$9,058	-2.5%
Carroll	0	24	n/a	$0	$4,039	n/a
Cass	12	12	0.0%	$2,060	$1,817	-11.8%
Clark	533	531	-0.4%	$74,541	$92,349	23.9%
Clay	18	14	-22.2%	$2,105	$1,732	-17.7%
Clinton	28	24	-14.3%	$5,037	$4,495	-10.8%
Crawford	0	0	n/a	$0	$0	n/a
Daviess	23	4	-82.6%	$3,055	$400	-86.9%
Dearborn	68	65	-4.4%	$14,548	$14,207	-2.3%
Decatur	36	50	38.9%	$8,719	$8,318	-4.6%
DeKalb	79	94	19.0%	$14,954	$18,867	26.2%
Delaware	284	98	-65.5%	$29,030	$15,776	-45.7%
Dubois	107	124	15.9%	$22,024	$23,441	6.4%
Elkhart	303	270	-10.9%	$60,976	$57,187	-6.2%

County	Number of Units, 2013	Number of Units, 2014	Percent Change	Value of Permits (in thousands), 2013	Value of Permits (in thousands), 2014	Percent Change
Fayette	11	11	0.0%	$1,431	$1,431	0.0%
Floyd	153	142	-7.2%	$40,055	$32,723	-18.3%
Fountain	4	2	-50.0%	$929	$289	-68.9%
Franklin	35	35	0.0%	$6,840	$8,433	23.3%
Fulton	14	15	7.1%	$3,135	$3,204	2.2%
Gibson	101	121	19.8%	$17,456	$18,995	8.8%
Grant	48	68	41.7%	$8,190	$7,913	-3.4%
Greene	n/a	n/a	n/a	n/a	n/a	n/a
Hamilton	3,635	3,684	1.3%	$656,739	$729,080	11.0%
Hancock	327	395	20.8%	$50,918	$73,451	44.3%
Harrison	92	84	-8.7%	$35,807	$14,513	-59.5%
Hendricks	1,039	1,145	10.2%	$168,124	$186,405	10.9%
Henry	13	18	38.5%	$2,297	$4,757	107.1%
Howard	151	140	-7.3%	$17,304	$19,488	12.6%
Huntington	50	53	6.0%	$10,100	$10,328	2.3%
Jackson	170	178	4.7%	$20,366	$19,468	-4.4%
Jasper	58	51	-12.1%	$12,134	$10,632	-12.4%
Jay	22	21	-4.5%	$2,960	$2,969	0.3%
Jefferson	31	29	-6.5%	$3,730	$3,518	-5.7%
Jennings	46	47	2.2%	$4,632	$4,996	7.9%
Johnson	698	668	-4.3%	$135,284	$136,000	0.5%
Knox	48	34	-29.2%	$7,297	$5,190	-28.9%
Kosciusko	262	261	-0.4%	$35,721	$38,626	8.1%
LaGrange	129	121	-6.2%	$20,168	$18,433	-8.6%
Lake	985	908	-7.8%	$213,174	$211,716	-0.7%
LaPorte	113	125	10.6%	$21,378	$24,548	14.8%
Lawrence	27	42	55.6%	$4,565	$6,336	38.8%
Madison	93	92	-1.1%	$21,286	$18,789	-11.7%
Marion	1,309	1,195	-8.7%	$185,524	$177,765	-4.2%
Marshall	98	83	-15.3%	$14,788	$18,071	22.2%
Martin	3	8	166.7%	$297	$1,075	262.0%
Miami	12	10	-16.7%	$2,056	$2,397	16.6%
Monroe	516	521	1.0%	$59,208	$80,041	35.2%
Montgomery	47	45	-4.3%	$8,278	$7,556	-8.7%
Morgan	106	129	21.7%	$17,990	$24,221	34.6%
Newton	21	22	4.8%	$4,519	$4,852	7.4%
Noble	82	87	6.1%	$13,361	$14,224	6.5%
Ohio	4	20	400.0%	$598	$3,524	489.3%
Orange	4	1	-75.0%	$791	$100	-87.4%
Owen	0	18	n/a	$0	$3,051	n/a
Parke	25	26	4.0%	$3,587	$3,046	-15.1%
Perry	52	48	-7.7%	$5,322	$4,277	-19.6%

County	Number of Units, 2013	Number of Units, 2014	Percent Change	Value of Permits (in thousands), 2013	Value of Permits (in thousands), 2014	Percent Change
Pike	20	20	0.0%	$2,701	$2,816	4.3%
Porter	469	448	-4.5%	$121,185	$109,639	-9.5%
Posey	45	55	22.2%	$8,152	$10,468	28.4%
Pulaski	13	13	0.0%	$1,907	$1,835	-3.8%
Putnam	83	65	-21.7%	$11,858	$11,669	-1.6%
Randolph	15	6	-60.0%	$2,458	$2,204	-10.3%
Ripley	81	86	6.2%	$11,715	$12,281	4.8%
Rush	10	10	0.0%	$1,390	$1,390	0.0%
Scott	30	26	-13.3%	$3,919	$3,427	-12.6%
Shelby	66	59	-10.6%	$8,437	$9,189	8.9%
Spencer	34	36	5.9%	$5,941	$6,650	11.9%
St. Joseph	422	428	1.4%	$64,678	$67,951	5.1%
Starke	37	36	-2.7%	$6,559	$6,861	4.6%
Steuben	113	98	-13.3%	$27,089	$26,941	-0.5%
Sullivan	2	2	0.0%	$190	$240	26.3%
Switzerland	47	54	14.9%	$2,739	$3,146	14.9%
Tippecanoe	1,080	1,055	-2.3%	$129,670	$158,393	22.2%
Tipton	15	7	-53.3%	$3,127	$1,284	-58.9%
Union	6	3	-50.0%	$1,075	$675	-37.2%
Vanderburgh	302	322	6.6%	$41,988	$45,522	8.4%
Vermillion	65	1	-98.5%	$8,770	$70	-99.2%
Vigo	184	321	74.5%	$22,595	$32,872	45.5%
Wabash	24	24	0.0%	$4,240	$4,970	17.2%
Warren	16	19	18.8%	$1,768	$2,102	18.9%
Warrick	322	304	-5.6%	$46,837	$49,312	5.3%
Washington	45	32	-28.9%	$7,189	$4,422	-38.5%
Wayne	26	85	226.9%	$4,961	$9,853	98.6%
Wells	49	36	-26.5%	$9,495	$7,974	-16.0%
White	26	31	19.2%	$5,026	$4,755	-5.4%
Whitley	93	94	1.1%	$19,078	$16,980	-11.0%

Note: Residential permit data are not available for Greene County.
Source: U.S. Census Bureau