Indiana's housing market in 2016: Strong demand, tight supply

MATT KINGHORN

Senior Demographer, *Indiana Business Research Center, Indiana University Kelley School of Business*

Indiana's key housing market indicators are all pointed in the right direction.

According to most key indicators, the Indiana housing market has continued to strengthen in the first half of 2016. Existing home sales, for instance, are approaching the state's pre-Great Recession peak and Indiana's foreclosure rate dropped below the 2 percent mark for the first time since 2000 (see **Table 1**).

Table 1: Indiana housing market by the numbers

	U.S.	Indiana
Existing home sales between July 2015 and June 2016, year-over-year change	5.1%	6.7%
House price appreciation, 2015 Q1 to 2016 Q1	5.5%	4.7%
Residential building permits between July 2015 and June 2016, year-over-year change	3.1%	7.4%
Foreclosure rate, 2016 Q2	1.6%	1.8%
Months' supply of inventory, June 2016	4.6	4.9
Rental vacancy rate, 2016 Q2	6.7%	10.0%

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

Mortgage Bankers Association

While buyer demand surges, the inventory of homes on the market continues to dwindle. In fact, the number of homes for sale in the state in June 2016 was down nearly 16 percent compared to the same month a year earlier—the sixth consecutive month of double-digit declines in this measure, according to the Indiana Association of Realtors.

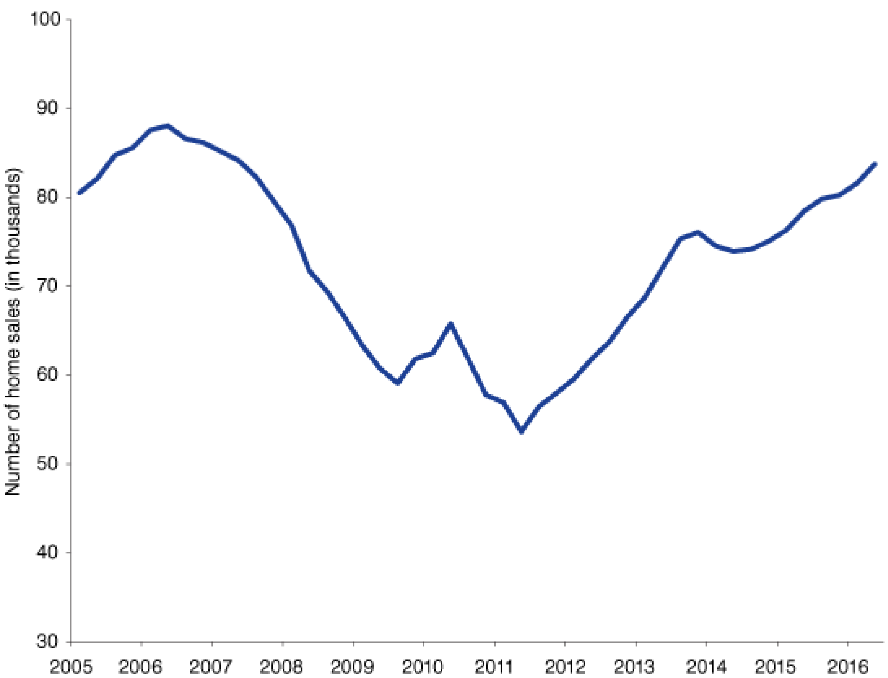
This seller's market is driving strong house price gains and beginning to breathe a little life into the residential construction industry. This article will assess the current state of Indiana's housing market by looking at the latest data in each of these areas and placing the numbers in historical context.

Home sales at record level in second quarter

Driven by exceptionally low mortgage rates, an improving economy and a dramatic slowdown in new home construction in recent years, the market for existing homes is now as hot as it's ever been. Over the 12-month period ending in June 2016, Indiana registered 83,700 existing home sales—a 6.7 percent increase over the previous year and the state's largest four-quarter total since the middle of 2007 (see **Figure 1**).

Looking at just the second quarter of 2016, Indiana posted 25,770 existing home sales—the state's largest tally on record for one quarter (data on Indiana home sales goes back to 2004). The state's previous high-water mark was 25,240 sales in the second quarter of 2006.

Figure 1: Indiana home sales, moving four-quarter total

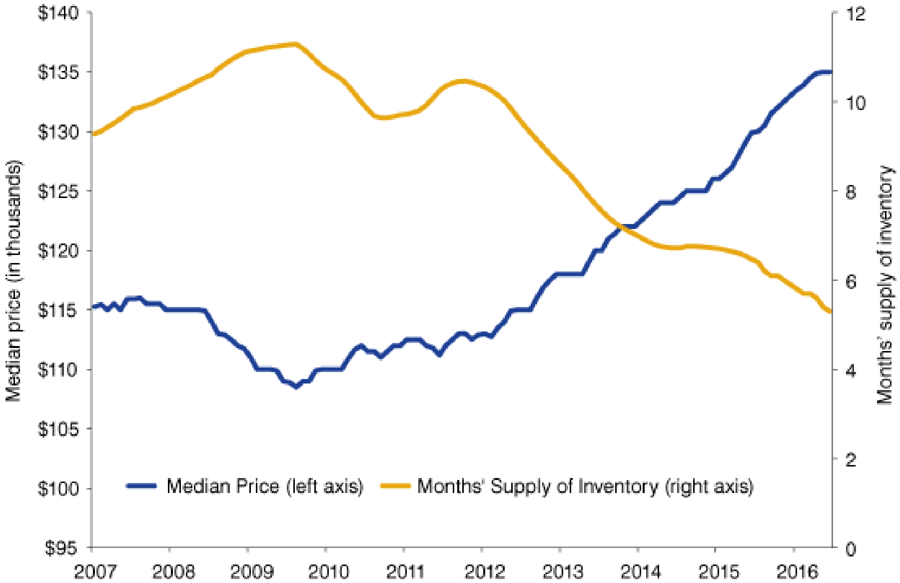


Source: Indiana Association of Realtors

House prices continue to climb

Given this extreme seller's market, it is little surprise that house prices are also seeing strong growth (see **Figure 2**). For the month of June 2016, the median sales price for existing homes in the state was $147,900—a 3.8 percent increase over the previous June. This was the 19th consecutive month that the state's median sales price increased more than 3 percent year-over-year (10 of these months saw gains above 5 percent).

Figure 2: Median sales price and months' supply of inventory, 12-month moving average

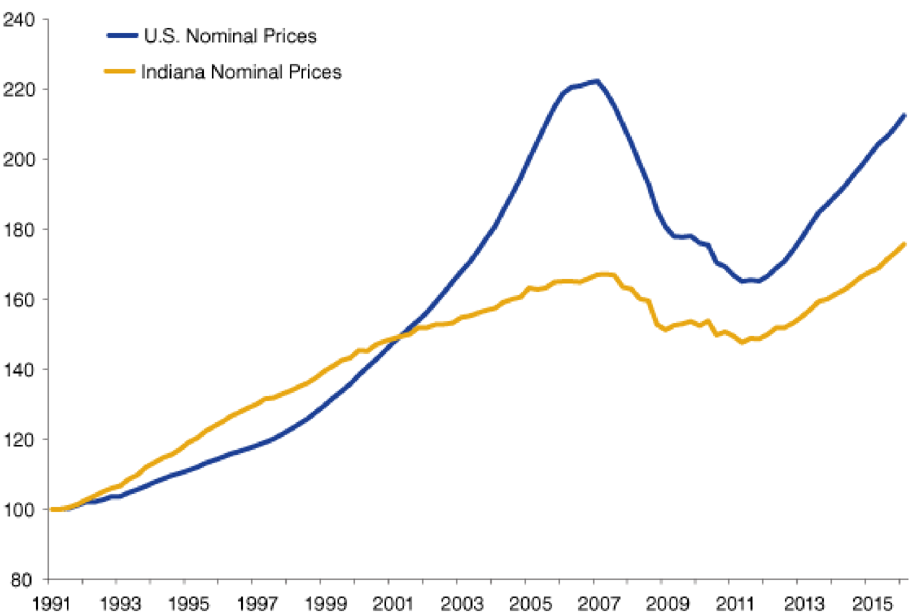


Source: Indiana Association of Realtors

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 17 consecutive quarters dating back to early 2012, and the state's home prices in the first quarter of 2016 are up 4.7 percent year-over-year. This rate of appreciation ranked 25th-fastest nationally. Among Indiana's neighbors, Michigan (10.9 percent), Kentucky (5.9 percent) and Ohio (5.5 percent) saw stronger rates of growth, while Illinois (3.8 percent) trailed Indiana.

It is important to note that comparing states based on one-year growth rates can be misleading. States like Michigan and Ohio are outpacing Indiana now because they are rebounding from far more severe price declines during the housing bust. House prices in Michigan declined by 45 percent after the crash and Ohio had a drop of 25 percent. Indiana had a comparatively mild 12 percent slide in prices between 2007 and 2011. In the first quarter of 2016, Indiana house prices were more than 5 percent above the pre-recession peak (see **Figure 3**). House prices in Michigan and Ohio, by contrast, are still 16.1 percent and 7.7 percent below their respective peaks.

Figure 3: House price index

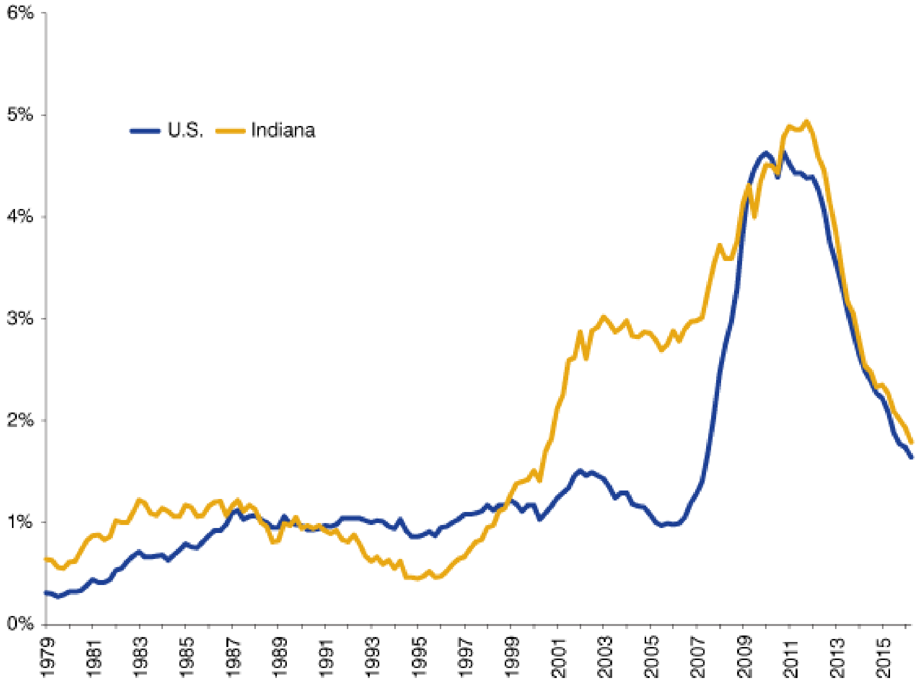


Source: Federal Housing Finance Agency, House Price Index (expanded data series, seasonally adjusted)

Indiana foreclosure rate at lowest level since 2001

Another factor helping to boost house prices is the dramatic decline in foreclosures. According to the Mortgage Bankers Association, the state's foreclosure rate has declined more than 3.1 percentage points from 4.94 in the fourth quarter of 2011 to 1.79 in mid-2016, which is the state's lowest rate since 2000 (see **Figure 4**). Even with this drop, however, Indiana's foreclosure rate remains slightly above the U.S. average and ranks 19th-highest among states.

Figure 4: Share of mortgages in foreclosure



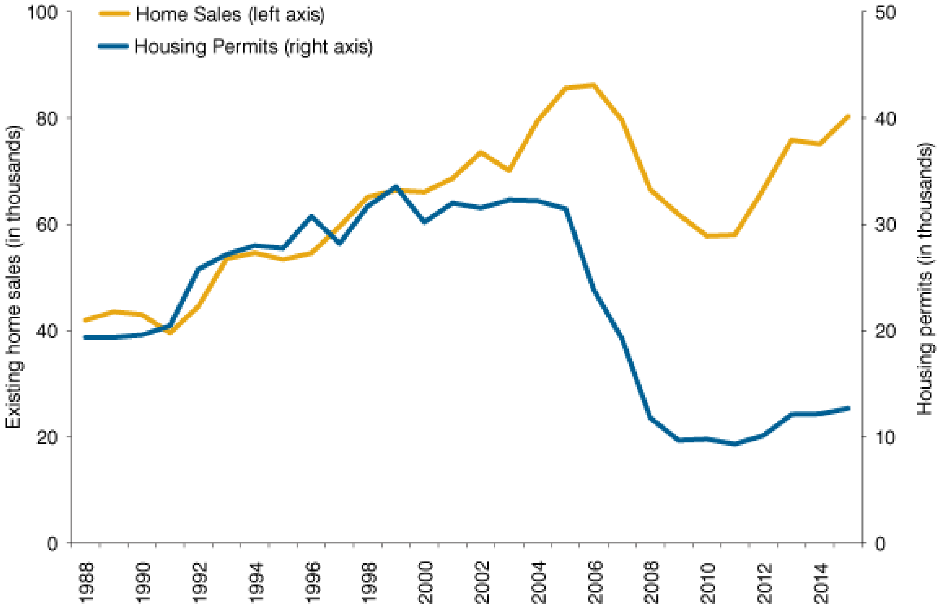
Source: National Delinquency Survey, Mortgage Bankers Association

Residential construction remains weak

With inventory so low and prices rising at a strong clip, Indiana is finally seeing an uptick in new construction. Through the first half of 2016, building permits were issued for roughly 8,600 new units in Indiana, a 9 percent increase over the same time last year. The growth in new single-family units has been even stronger, with a jump of 15.3 percent year-over-year in the first half of 2016. Comparing the same periods, the number of permits issued for multi-family units in the state is down 11 percent.

While there have been modest gains in 2016, residential construction is still weak by historical standards. The gap between the number of existing home sales and permits for new single-family homes highlights the extent to which construction is lagging. 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 5**). In 2015, however, that ratio was roughly six-to-one. This gap has held steady so far in 2016, as the boost in construction has been matched by an uptick in existing home sales.

Figure 5: Indiana existing home sales and single-family housing permits



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

Looking ahead

Indiana's key housing market indicators are all pointed in the right direction. In particular, existing home sales, house prices and the foreclosure rate are in good shape. With Indiana's economy on solid footing and mortgage rates likely to remain low for a while longer, these measures will likely remain strong. Residential construction has shown some improvement as well, but it remains the last sector of the state's housing market to see a true rebound after the recession. The extremely low inventory of homes for sale, along with climbing prices, suggests this rebound shouldn't be too far off, but only time will tell.

Next: Apprenticeship employment and wage outcomes

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Apprenticeship employment and wage outcomes

David Waldron

Research Analyst, *Research and Analysis Division of the Indiana Department of Workforce Development*

Teacher showing apprentice how to float cement.

Earlier this year, the White House described job-driven apprenticeship as being "among the surest pathways to provide American workers from all backgrounds with the skills and knowledge they need to acquire good-paying jobs and grow the economy."[1] David Audretsch, an economist at Indiana University, identified Germany's apprenticeship system as one of the key components driving that country's economic resurgence following sluggish growth in the 1990s.[2]

Apprenticeships offer a combination of classroom instruction and on-the-job training to provide workers with the knowledge and skills necessary to succeed in various occupations, usually construction trades such as electricians, carpenters and plumbers. Apprenticeships vary in length, but typically last about four years.[3] At Ivy Tech Community College, apprentices are awarded an apprenticeship certificate from the U.S. Department of Labor and an Associate of Applied Science degree.

This article provides a first look at employment and wage outcomes from Ivy Tech's apprenticeship program for participants in the 2009-2010 program year.[4] Employment outcomes are measured by matching participants to state wage records in the year prior to the program year, and in each year following the program year. Measurable outcomes for each year include whether a participant was

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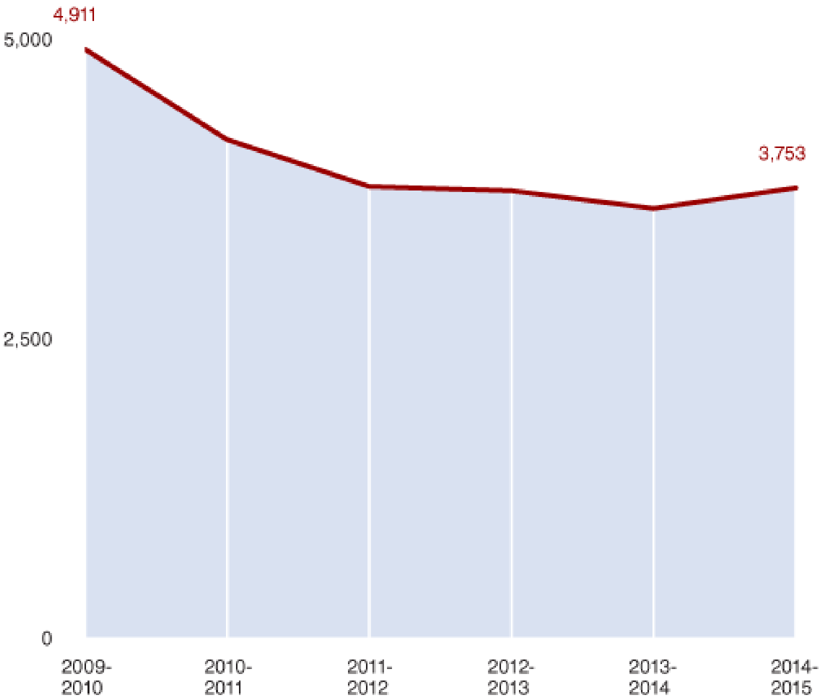
employed, what their annualized wages were and which industry they were employed in.

Participation in Ivy Tech apprenticeships

Ivy Tech's apprenticeship programs saw a decrease in participants from nearly 5,000 in 2009-2010 to less than 4,000 in 2014-2015. But reassuringly, participant numbers began to stabilize in 2011 following the Great Recession. This article focuses on outcomes for the 4,911 participants during the 2009-2010 program year.

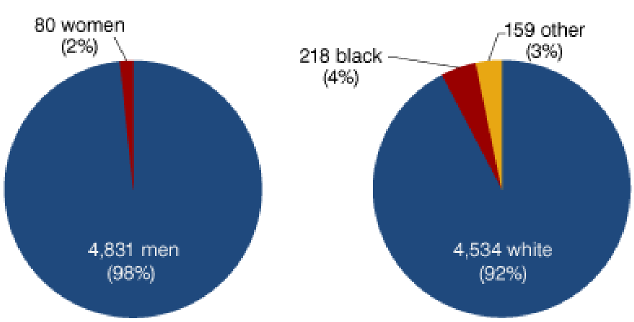
Figure 1: Number of Ivy Tech apprenticeship participants



Source: Indiana Department of Workforce Development

The vast majority of apprenticeship participants during the 2009-2010 program year were male (98 percent) and white (92 percent). About 4 percent were black and the remainder were of another race.

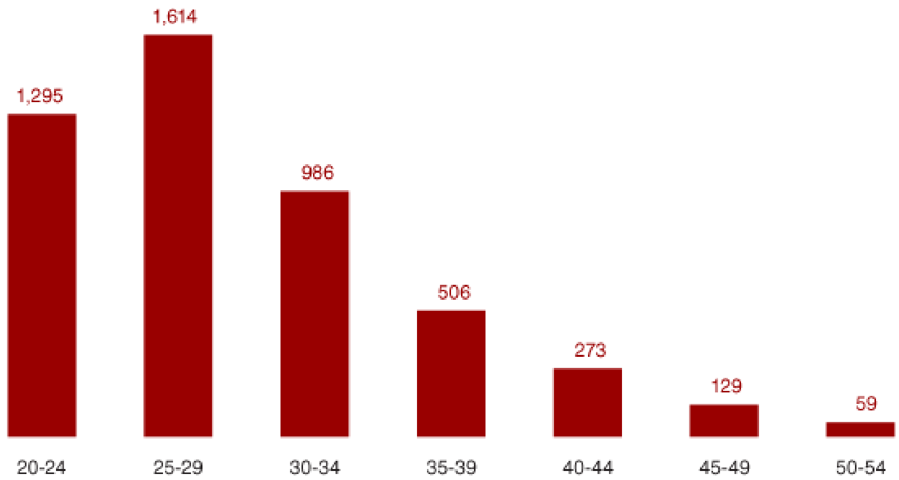
Figure 2: Race and gender of apprenticeship participants, 2009-2010 program year



Source: Indiana Department of Workforce Development

Apprenticeship participants also tend to be younger. Nearly 80 percent (3,895) of participants were in the 20-to-34 age group. Only 9 percent were between 40 and 54 years old.

Figure 3: Number of participants by age, 2009-2010 program year



Note: Some age groups are not shown to protect participant confidentiality.
Source: Indiana Department of Workforce Development

Employment outcomes

According to wage records, 3,974 of 4,911 participants (81 percent) were employed five years after program year 2009-2010. Employment rates were slightly higher among the 20-to-24 age group (83 percent) than in the older 50-to-54 age group (76 percent). The employment rate of black participants was 78 percent, slightly lower than the overall rate. Among other races (i.e., not white or black), only 57 percent were employed five years after the program year.

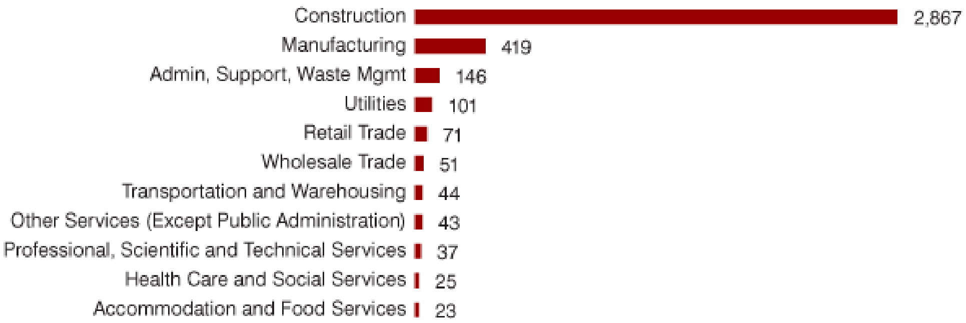
Table 1: Percent employed five years after 2009-2010 program year

	Percent employed
All participants	81%
Age	
20 to 24	83%
25 to 29	82%
30 to 34	81%
35 to 39	77%
40 to 44	78%
45 to 49	74%
50 to 54	76%
Race	
White	81%
Black	78%
Other	57%

Source: Indiana Department of Workforce Development

The vast majority (72 percent) of employed participants ended up working in the construction industry. (Industry data were available for all but a few—0.3 percent—participants employed five years after the program year.) Approximately 11 percent worked in manufacturing, 4 percent in the administrative services, support and waste management sector, and 3 percent in utilities. The remaining 11 percent were spread across various sectors including retail trade, wholesale trade, transportation and warehousing, and various service industry sectors.

Figure 4: Top industries of employment, five years after 2009-2010 program year

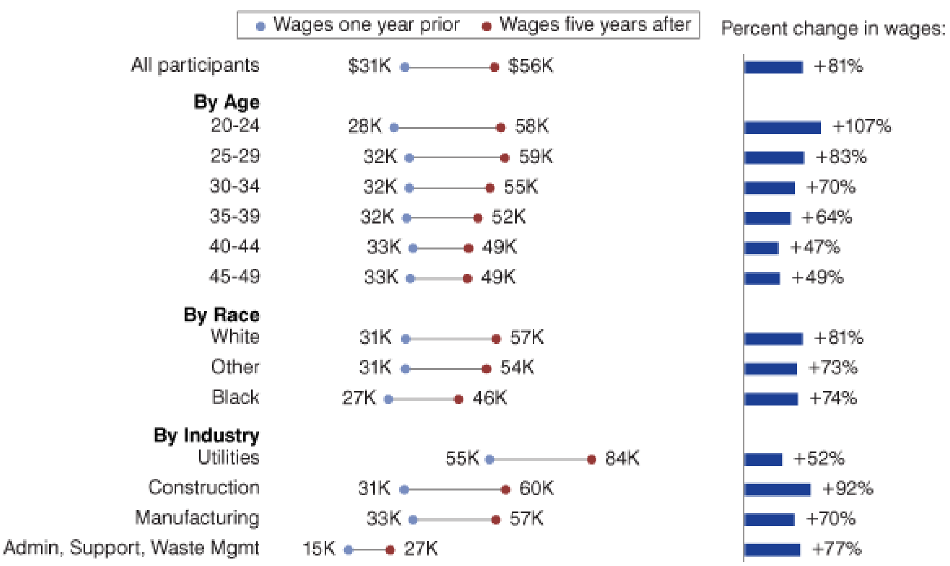


Source: Indiana Department of Workforce Development

Wage outcomes

The most notable outcome among the 2009-2010 apprenticeship participants was the increase in wages for employed participants from one year prior to the program year to five years after the program year. Among all employed participants, wages increased from an average of $31,171 in the year prior to the program year to $56,374 five years after the program year. This is an increase of 81 percent (or 10.4 percent annual wage growth over six years).

Figure 5: Wage outcomes by age, race, and industry, 2009-2010 program year



Note: Represents average wages among employed participants in each time period.
Source: Indiana Department of Workforce Development

On average, younger participants saw larger wage increases. Wages jumped from $28,119 to $58,200 in the 20-to-24 age group (a 107 percent increase), while the 45-to-49 group saw a 49 percent increase from $32,686 to $48,781. Nevertheless, that 49 percent increase still represents a 6.9 percent annual growth rate over six years.

Nonwhite participants received somewhat smaller wage increases (73 to 74 percent) than white participants (81 percent).

Of the four most popular sectors of employment, the utilities sector stood out as a high-paying sector both for beginning wages and wages five years after the program year. Utilities employees saw a 52 percent wage increase from $55,012 to $83,707. This $28,695 increase was the largest of the four sectors.

Construction, the most popular industry of employment among apprenticeship participants, saw an increase from $31,004 to $59,529 (a 92 percent increase).

Wages of participants in the manufacturing sector rose 70 percent from $33,452 to $56,793, while participants in the low-wage administrative services sector experienced a 77 percent increase from $15,277 to $27,110.

The future of apprenticeship in Indiana

In Indiana, the future of apprenticeship is bright. Two of the most popular occupations for apprentices—electricians and plumbers—are also among the Hoosier Hot 50 list of Indiana's fastest-growing, high-wage jobs of the future.[5] These programs also tend to have some of the highest completion rates of all programs at Ivy Tech Community College.[6]

The Indiana Department of Workforce Development (DWD) sees apprenticeship as proven, on-the-job training that produces benefits for both apprentices and employers. DWD is committed to growing and expanding apprenticeship opportunities in the state, and was recently awarded a $200,000 ApprenticeshipUSA State Accelerator Grant by the U.S. Department of Labor. This grant will provide technical assistance for planning and developing Indiana's state apprenticeship program.

In addition, the National Governor's Association Center for Best Practices selected Indiana as one of six states to participate in their Policy Academy on Work-Based Learning. Throughout this 18-month policy academy, Indiana will develop and refine strategies to elevate, define, enhance, scale and measure work-based learning opportunities that connect young adults (16-29) to quality work-based experiences.

DWD has submitted a formal proposal for up to $3 million in additional funding in the form of ApprenticeshipUSA State Expansion Grants from the U.S. Department of Labor. This funding would be used to expand and diversify registered apprenticeship opportunities in Indiana.

Visit www.mynextmove.org/ to find growing occupations with registered apprenticeship programs in Indiana.

Notes

1. The White House, Office of the Press Secretary, "FACT SHEET: Investing $90 Million through ApprenticeshipUSA to Expand Proven Pathways into the Middle Class," April 21, 2016, www.whitehouse.gov/the-press-office/2016/04/21/fact-sheet-investing-90-million-through-apprenticeshipusa-expand-proven.
2. Indiana University press release, "IU Economist Reveals 'Seven Secrets' for Germany's Resurgence, Highlights Lessons for U.S." October 21, 2015, http://news.indiana.edu/releases/iu/2015/10/germany-seven-secrets-book.shtml.
3. U.S. Bureau of Labor Statistics, "Apprenticeship: Earn While You Learn," Summer 2013, www.bls.gov/careeroutlook/2013/summer/art01.pdf.
4. This includes anyone participating in an apprenticeship during the year, regardless of how far they are into the apprenticeship or whether they ultimately completed the program.
5. View all of the Hoosier Hot 50 Jobs at https://netsolutions.dwd.in.gov/hh50/joblist.aspx.
6. Indiana Commission for Higher Education, "Strengthening Indiana's Community College System: A Report in Response to House Enrolled Act 1001-2015," December 10, 2015, https://iga.in.gov/static-documents/0/f/b/d/0fbd3a26/Ivy_Tech_Report_and_Recommendations_12_10_15_FINAL.pdf.

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