Central Indiana Housing Summit

A Critical Look at Challenges and Change

Thursday, March 2, 2006

Indiana Convention Center & RCA Dome
Sagamore Ballroom

Builders Association of Greater Indianapolis
Where the Quality Standards are Set.

MIBOR

The Central Indiana Housing Summit

History

In 2002, MIBOR and BAGI hosted the first Central Indiana Housing Summit. That first gathering of 600 builders, developers, REALTORS® and public officials featured a "state of the real estate industry" address by the CEOs of MIBOR and BAGI, a presentation from the Center for Urban Policy and the Environment regarding the economic perspectives of Indiana's urban and rural communities and a moderated panel of mayors from across central Indiana. The event is often described as BAGI and MIBOR's "economic development" meeting as it has become a unique opportunity to educate REALTORS® and builders about the housing industry's place in our economic development evironment .

From that starting point of furthering the industry player's understanding of the correlation between housing and the economy, the Summits have utilized national and local speakers to explore a range of topics, including: housing affordability, changes to the housing industry brought about by population and economic shifts, the challenges to Indiana's public school funding, the link between taxes and public investment, and government efficiency.

The 2006 event seeks to bring together differing viewpoints on a variety of timely local housing topics in an effort to expose multiple perspectives on the issues and open the discussion that will lead to solutions.

Summit Panelists

Moderator, Abdul-Hakim Shabazz
Host of "Abdul in the Mornings", Newstalk 1430 AM, WXNT

Kevin Buchheit, AICP
Director of Community Development, Town of Westfield, Indiana

Cathy Burton
President, Marion County Alliance of Neighborhood Associations

Honorable John Ditslear
Mayor of Noblesville Indiana

Dr. Eric Damian Kelly, Ph.D., FAICP
Chairperson of the Department of Urban Planning & Development at Ball State University

Drew Klacik
Senior Policy Analyst, IUPUI Center for Urban Policy & the Environment

Tom Lazzara
REALTOR®, RE/MAX Ability Plus

Honorable Bart Peterson
Mayor of Indianapolis Indiana

Curtis Rector
President, Arbor Homes

In 2005, Indiana's one-year change in housing price was 4.95%, while the U.S. average was 12.02%. The five-year percent change in housing price in Indiana was 20.63%, the lowest of the Midwestern states listed above.

Home Price Appreciation, U.S. & Indiana's Surrounding States

***Percent change in house prices for period ending September 30, 2005**

	1 Year	Quarter	5 Year	Since 1980
United States	12.02	2.86	55.32	272.89
Illinois	8.12	1.84	40.65	247.79
Wisconsin	7.31	1.9	37.12	215.76
Kentucky	6.31	1.66	26.29	180.91
Indiana	**4.95**	**1.51**	**20.63**	**153.46**
Ohio	4.47	1.17	22.92	171.29
Michigan	4.01	0.89	24.44	224.16

Source: Office of Federal Housing Enterprise Oversight (Released Dec. 1, 2005)

The one-year appreciation rates in 2005 for Indiana MSA's varied from 2.25% in Lafayette to 7.63% in Bloomington, while Indianapolis MSA was 4.66%. The five-year appreciation rate for the Indianapolis MSA was 20.42%, just below the Indiana rate of 20.63%.

Home Price Appreciation, Indiana Communties

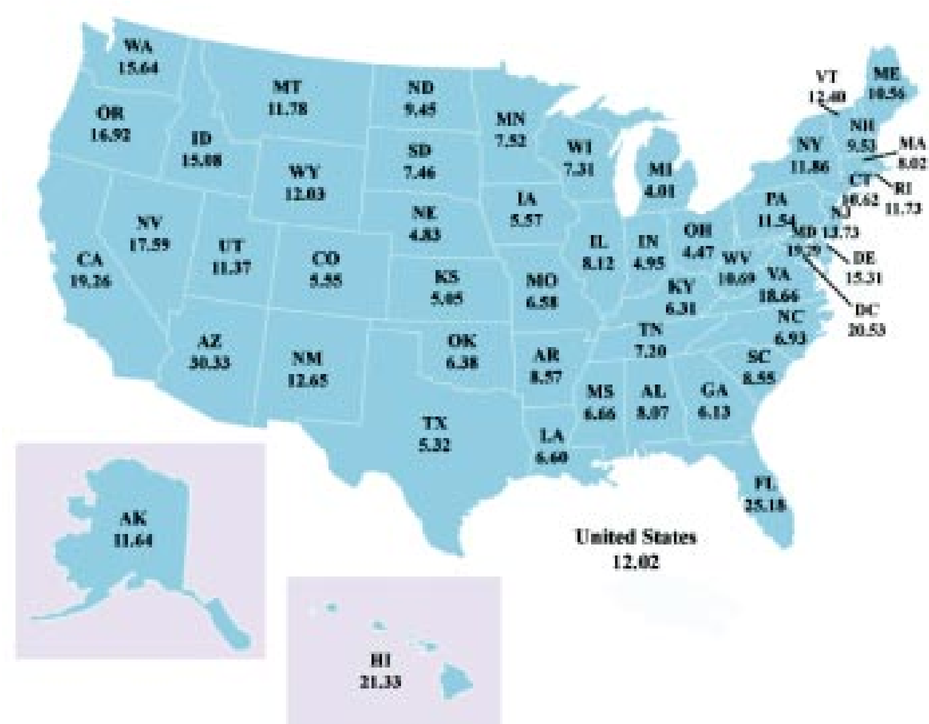
***Percent change in house prices for period ending September 30, 2005**

MSA/Division	1 Year	3rd Quarter 2005	5 Year
Anderson	2.62	2.86	18.17
Bloomington	7.63	1.58	28.63
Columbus	5.8	2.03	17.6
Elkhart-Goshen	6.5	3.17	20.92
Evansville	4.21	1.1	21.07
Fort Wayne	4.4	1.72	17.09
Gary (MSAD)	6.64	1.67	24.35
Indianapolis	**4.66**	**1.21**	**20.42**
Kokomo	4.51	1.79	14.88
Lafayette	2.25	0.86	10.7
South Bend	4.21	0.56	21.08

Source: Office of Federal Housing Enterprise Oversight (Released Dec. 1, 2005)

Arizona had the highest one-year increase at 30.33 percent. Indiana neighbor Michigan ranks last at 4.01 percent.

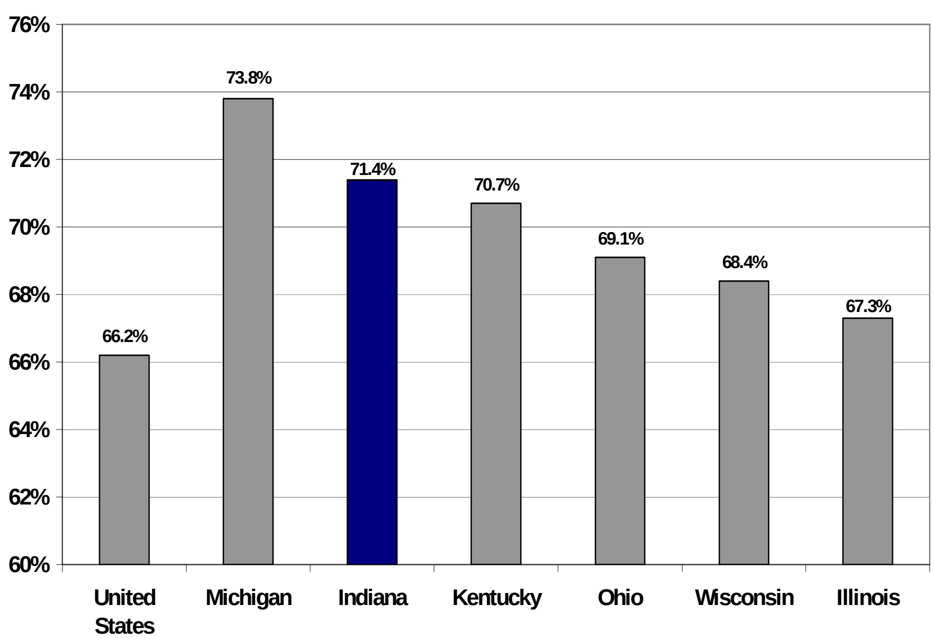
One Year Change in Home Prices
(Third Quarter 2004 to Third Quarter 2005)



Source: Office of Federal Housing Enterprise Oversight

The homeownership rate in Indiana in 2000 was 71.4%, over 5% above the national average of 66.2%. Only Michigan had a higher homeownership rate in the region, at 73.8%.

Homeownership Rate, U.S. & Indiana's Surrounding States (2000)

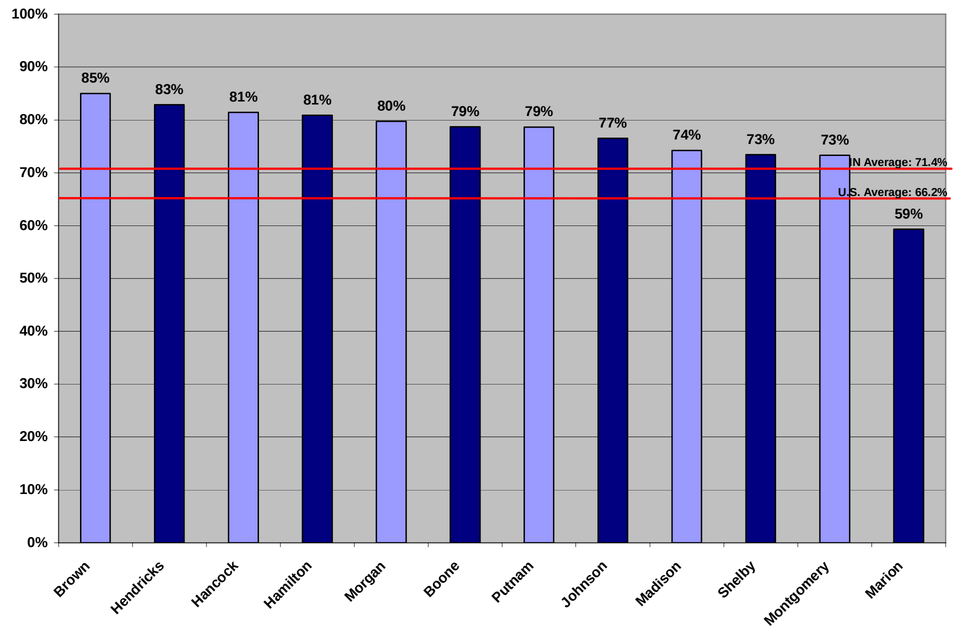


Source: DataPlace by Knowledgeplex

With the exception of Marion County, all central Indiana counties have a higher homeownership rate than the state or national average.

In the past 10 five years, the one-year increase in average sales price has ranged from 1.01 percent to 7.19 percent for the region.

Homeownership Rate By County (2000)



Source: www.dataplace.org

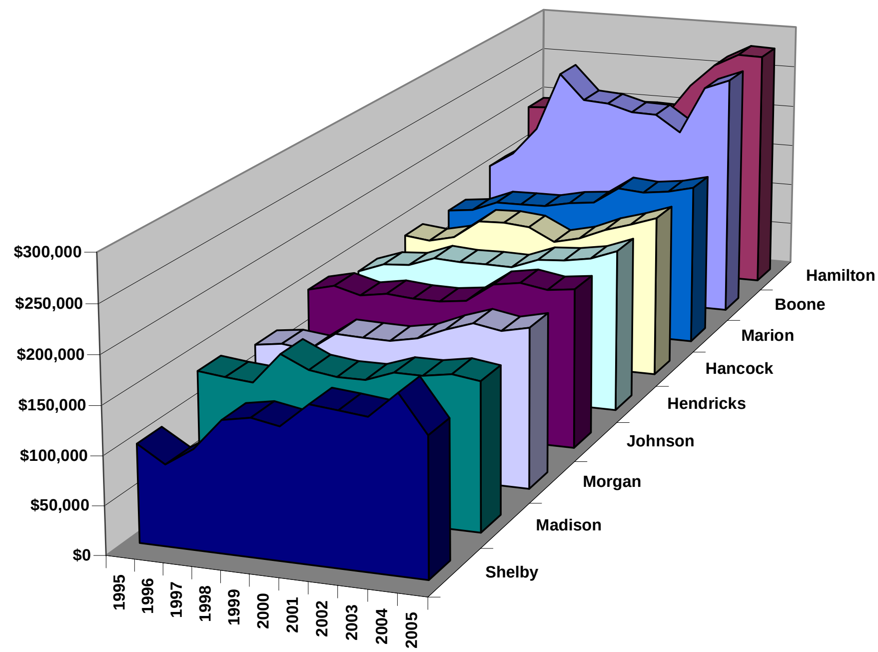
Residential Resale Average Sales Price

	2000	2001	2002	2003	2004	2005
Boone	$ 200,348	$ 197,669	$ 206,571	$ 204,733	$ 216,601	$ 238,900
Brown	$ 135,557	$ 141,779	$ 145,153	$ 155,881	$ 177,782	$ 190,202
Decatur	$ 80,053	$ 52,201	$ 93,069	$ 77,729	$ 80,782	$ 110,555
Hamilton	$ 202,198	$ 209,336	$ 215,359	$ 222,726	$ 235,965	$ 248,593
Hancock	$ 128,405	$ 140,125	$ 141,648	$ 148,048	$ 148,268	$ 153,090
Hendricks	$ 144,052	$ 148,968	$ 148,107	$ 152,949	$ 159,037	$ 165,210
Johnson	$ 133,582	$ 141,323	$ 138,673	$ 144,459	$ 139,131	$ 149,069
Madison	$ 85,098	$ 87,805	$ 90,225	$ 88,127	$ 90,528	$ 92,948
Marion	$ 106,591	$ 113,573	$ 114,028	$ 114,620	$ 115,986	$ 122,659
Montgomery	$ 96,897	$ 89,582	$ 95,460	$ 93,901	$ 101,604	$ 99,165
Morgan	$ 125,763	$ 125,784	$ 126,959	$ 133,258	$ 129,674	$ 137,292
Putnam	$ 104,233	$ 103,972	$ 107,097	$ 108,510	$ 106,992	$ 115,911
Shelby	$ 99,121	$ 106,342	$ 105,961	$ 107,975	$ 103,309	$ 111,807
Average	$ 126,300	$ 127,574	$ 132,947	$ 134,840	$ 138,897	$ 148,877
Percent Change in Average by Year		1.01%	4.21%	1.42%	3.01%	7.19%

Source: Metropolitan Indianapolis Board of REALTORS®

Boone County experienced the largest increase in average sales price of new construction in the last 10 years. Madison County experienced the smallest change in price.

Average Price of New Construction Based on Closings



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Shelby	$100,931	$83,125	$102,069	$134,619	$139,932	$134,683	$159,637	$156,932	$154,045	$180,400	$142,369
Madison	$133,525	$130,357	$127,897	$160,034	$146,970	$143,036	$143,124	$153,397	$153,404	$158,293	$154,490
Morgan	$121,693	$125,424	$122,150	$142,301	$141,216	$140,941	$146,611	$158,789	$168,270	$163,166	$169,531
Johnson	$143,700	$150,662	$143,087	$147,930	$145,359	$144,840	$148,583	$169,150	$173,841	$168,875	$172,441
Hendricks	$128,000	$138,597	$140,537	$151,134	$149,269	$149,627	$149,063	$160,305	$162,271	$167,069	$177,948
Hancock	$134,026	$130,977	$137,449	$158,540	$159,789	$157,061	$142,660	$149,547	$161,782	$170,520	$180,713
Marion	$129,722	$133,329	$144,824	$145,188	$145,570	$151,842	$154,884	$174,502	$172,039	$175,761	$182,791
Boone	$151,838	$170,124	$202,825	$272,563	$243,163	$240,922	$232,866	$231,772	$212,560	$268,372	$279,697
Hamilton	$195,925	$197,483	$194,553	$204,480	$200,241	$201,460	$200,643	$238,617	$265,970	$281,020	$280,320

Shelby **Madison** **Morgan** **Johnson** **Hendricks** **Hancock** **Marion** **Boone** **Hamilton**

Source: MarketGraphics, Inc. 2005

Indianapolis ranked the third most affordable major housing market in the United States in 2005 with a median multiple of 2.4. Median multiple is a median house price to median household income ratio.

Major Market Housing Affordability: Top Ten Affordable Markets

Market	1995	2005	Change	Affordability Rank: 1995	**Affordability Rank: 2005**	Land Shortage 2005?
Buffalo-Niagara Falls, NY	2.2	2.2	0	11	**1**	No
Rochester, NY	2	2.2	0.2	4	**2**	No
Indianapolis, IN	**2.6**	**2.4**	**-0.2**	**38**	**3**	**No**
Akron, OH	2.2	2.5	0.3	11	**4**	No
Omaha, NE-IA	2.1	2.5	0.4	7	**5**	No
Pittsburgh, PA	2.2	2.5	0.3	11	**6**	No
Tulsa, OK	2.2	2.6	0.4	11	**7**	No
Saint Louis, MO-IL	2.3	2.6	0.3	20	**8**	No
Grand Rapids, MI	2.1	2.6	0.5	7	**9**	No
Dayton, OH	2	2.7	0.7	4	**10**	No

Source: Demographia Housing Affordability Study
http://www.demographia.com/db-haff19952005us.htm

The least affordable major housing markets in 2005 have median multiples of 6.8 to 11.2. Historically, median multiple has been 3.0 or lower in nearly all markets.

Major Market Housing Affordability:
Indianapolis Compared to Bottom Ten Markets

Market	1995	2005	Change	Affordability Rank: 1995	**Affordability Rank: 2005**	Land Shortage 2005?
Indianapolis, IN	**2.6**	**2.4**	**-0.2**	**38**	**3**	No
Los Angeles-Long Beach-Santa Ana, CA	3.5	11.2	7.7	58	64	Yes
San Diego-Carlsbad-San Marcos, CA	3.6	10.8	7.2	60	63	Yes
Honolulu, HI	4.3	10.6	6.3	64	62	Yes
San Francisco-Oakland-Fremont, CA	4	9.3	5.3	63	61	Yes
Miami-Fort Lauderdale-Miami Beach, FL	2.4	8.8	6.4	25	60	Yes
New York-Northern New Jersey-Long Island, NY-NJ-PA	3.6	7.9	4.3	60	59	Yes
Riverside-San Bernardino-Ontario, CA	2.7	7.7	5	41	58	Yes
San Jose	3.6	7.4	3.8	60	57	Yes
Fresno	2.9	6.8	3.9	50	56	Yes
Sacramento--Arden-Arcade--Roseville, CA	2.9	6.8	3.9	50	55	Yes

Source: Demographia Housing Affordability Study
http://www.demographia.com/db-haff19952005us.htm

A National Association of REALTORS® study of Indianapolis described 3-year appreciation as “modest” and affordability in terms of price to income ratio and mortgage debt servicing ration as “very favorable”.

Indianapolis Metro Area “Bubble” Risk Analysis

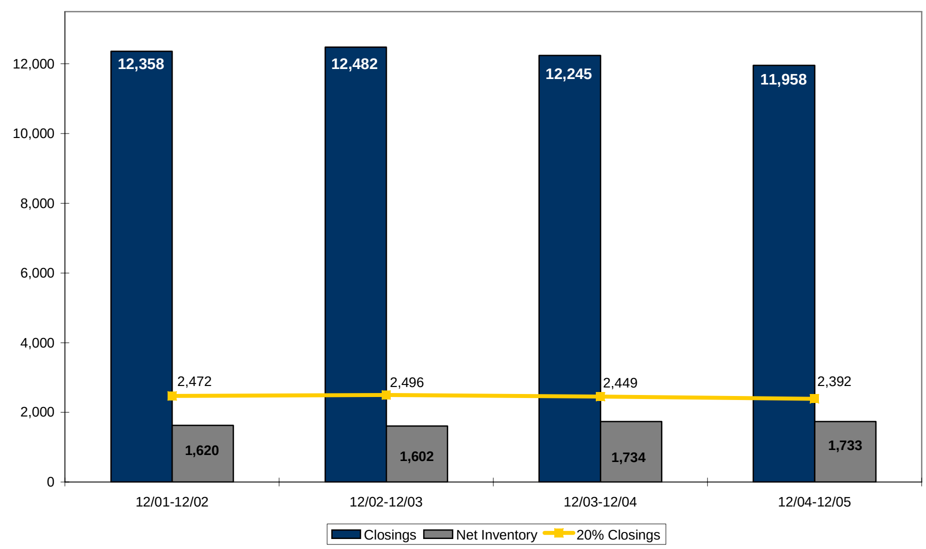
	Indianapolis	Top 20 Metro Areas	National Average	Comment
Price Activity				
Current Appreciation	-1%	25%	13%	Weak
3-year Appreciation	7%	79%	32%	Modest
Affordability				
Home Price to Income Ratio*	1.3	3.8	2.3	Very Favorable
Mortgage Debt Serving Cost to Income Ratio**	9%	30%	16%	Very Favorable
Local Fundamentals				
3-year Job Growth	2.1%	7.2%	2.4%	Favorable
Housing Starts to Total Employment	1.7%	1.0%	1.5%	Neutral
Net Migration	5,400	19,000	0	Favorable

Risk Factor: *A higher usage of adjustable rate mortgage loans places a greater exposure risk to interest rate changes. But the risks are mitigated from recent job additions. In addition, a housing demand support is provided from positive net in-migration trends. The region has very affordable mortgage debt servicing conditions suggesting potential for respectable future price gains.*

Source: National Association of REALTORS®, 2005

From 2001 to 2005, net inventory of new construction (the estimated or projected number of homes which are not under contract) remained well below 20% of closings, as is recommended by MarketGraphics.

New Construction Supply vs. Demand



Source: MarketGraphics, Inc. 2005

The National Association of REALTORS® considers a 6 month supply of housing inventory favorable. In 2005, central Indiana had an average of 6.69 months supply of residential housing inventory. (Source: Metropolitan Indianapolis Board of REALTORS®)

Residential Resale Housing Supply: Top Ten U.S. Markets

Metropolitan Statistical Area	Months Supply 2004: 3rd Quarter	Months Supply 2005: 3rd Quarter	Percent Change
1. Chicago-Naperville, IL	1.8	4.2	132.2
2. Bingingham, NY	2.3	5.3	125.6
3. Boston-Cambridge-Quincy MA/NH	1.8	4.0	115.7
4. Washington, DC-MD-VA	1.4	2.9	98.6
5. Baltimore-Towson, MD	1.6	3.2	95.9
6. Palm Bay-Melbourne-Titusville, FL	2.2	4.4	94.8
7. Champaign-Urbana-Rantoul, IL	1.2	2.2	83.6
8. Cumberland, MD/WV	2.7	4.7	73.1
9. Hagerstown-Martinsville, MD/WV	2.7	4.5	64.1
10. Madison, WI	3.3	5.1	55.1

Source: National Association of REALTORS®, 2005

A study of bank-owned and HUD-owned properties (foreclsoures) that were listed in the MLS service between January 2003 and 3rd quarter 2005 (a 27-month period) reveals a disproportionate number of foreclosures in Johnson, Madison, Marion and Putnam counties when compared with the number of total residences in those counties.

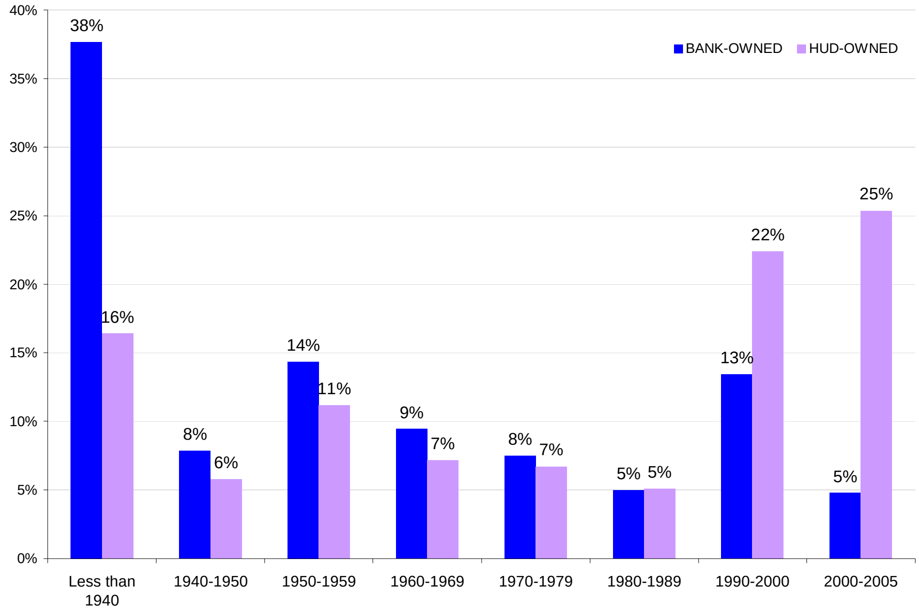
Distribution of Foreclosured Properties by County

	HUD-OWNED		BANK-OWNED		TOTAL RESIDENCES	
COUNTY	Count	Proportion	Count	Proportion	Count	Proportion
BOONE	19	0.8%	**173**	**1.6%**	15,248	2.8%
BROWN	4	0.2%	**76**	**0.7%**	6,306	1.2%
HAMILTON	**136**	**5.5%**	512	4.6%	57,252	10.6%
HANCOCK	**72**	**2.9%**	232	2.1%	19,525	3.6%
HENDRICKS	**142**	**5.7%**	352	3.2%	33,764	6.3%
JOHNSON	**206**	**8.3%**	587	5.3%	35,714	6.6%
MADISON	118	4.8%	**1,084**	**9.8%**	47,965	8.9%
MARION	**1,618**	**65.4%**	6,915	62.2%	263,990	48.9%
MONTGOMERY	1	0.0%	**213**	**1.9%**	12,858	2.4%
MORGAN	78	3.2%	**427**	**3.8%**	21,730	4.0%
PUTNAM	16	0.6%	**246**	**2.2%**	10,679	2.0%
SHELBY	65	2.6%	297	2.7%	14,919	2.8%
	2,475		11,114		539,950	

Source: Center for Urban Policy and the Environment, IUPUI

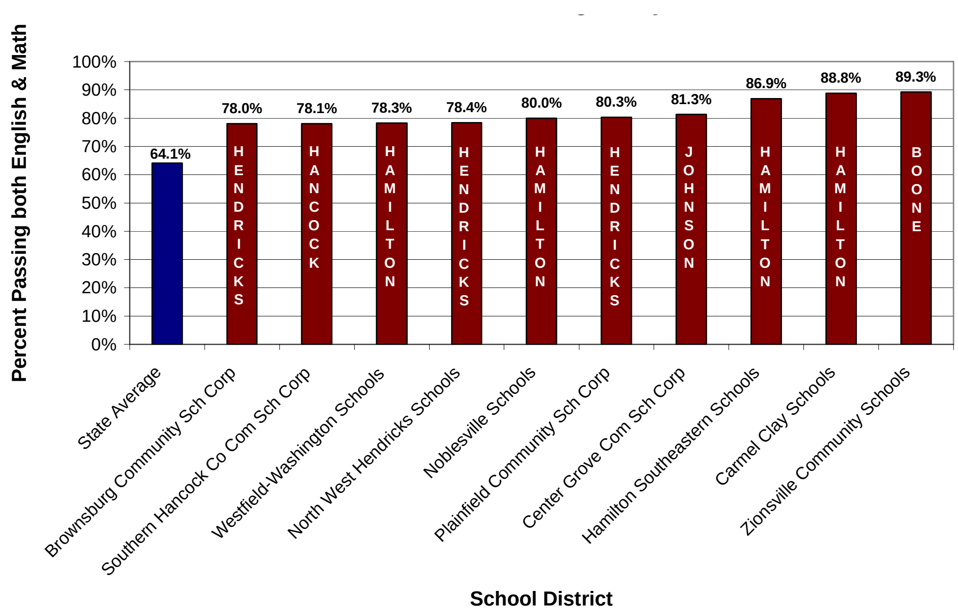
A study of bank-owned and HUD-owned properties (foreclosures) that were listed in the MLS service between January 2003 and 3rd quarter 2005 (a 27-month period) in 12 central Indiana counties reveals the largest percentage of the 13,589 foreclosures (referenced on page 8) on properties built before 1940 and those built after 1990.

Age of Foreclosured Properties



Source: Center for Urban Policy and the Environment, IUPUI

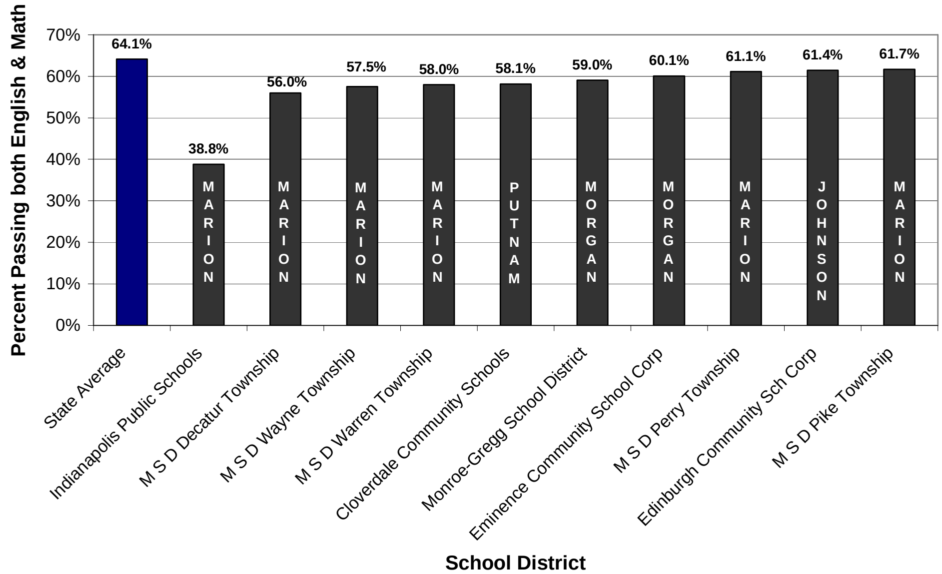
Top Ten Public Schools in Region by ISTEP Scores 2004-2005



Source: Indiana Department of Education

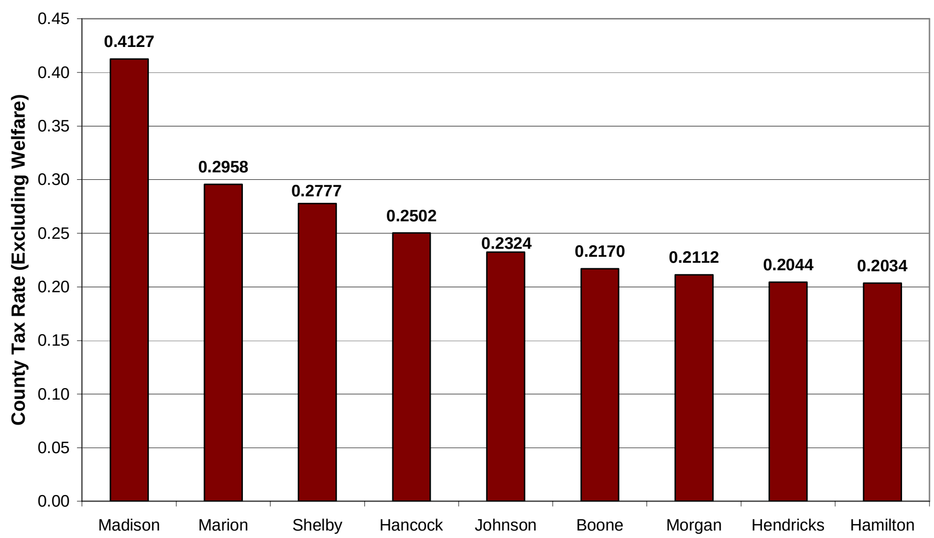
Hamilton and Hendricks Counties have the lowest county tax rates in the central Indiana region, 0.2034 and 0.2044, respectively, while Madison and Marion Counties have the highest county tax rates in the region, 0.4127 and 0.2958, respectively.

Bottom Ten Public Schools in Region by ISTEP Scores 2004-2005



Source: Indiana Department of Education

County Tax Rates (Payable 2004)

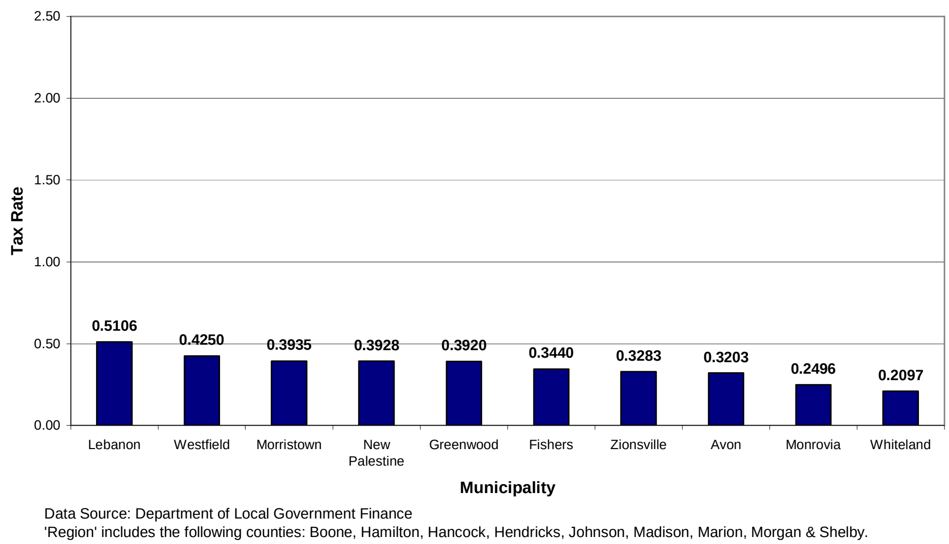


Source: Department of Local Government Finance
*County tax rate excludes state rate, county welfare, township, municipality, schools, library, fire & special districts.

Source: Department of Local Government Finance

The ten lowest municipal tax rates in the region range from Whiteland, 0.2097, to Lebanon, 0.5106.

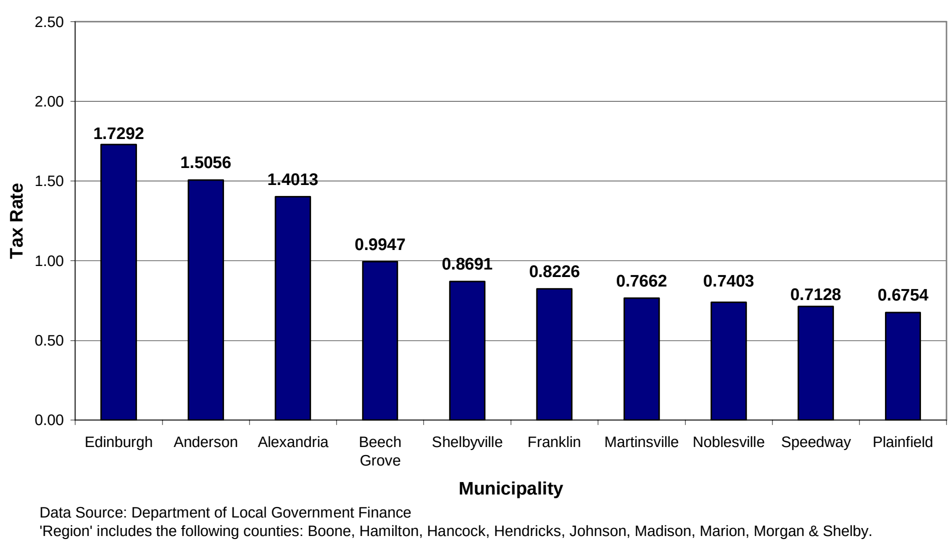
Lowest Municipal Tax Rates in Region (Payable 2004)



Source: Department of Local Government Finance

The ten highest municipal tax rates in the region range from Edinburgh, 1.7292, to Plainfield, 0.6754.

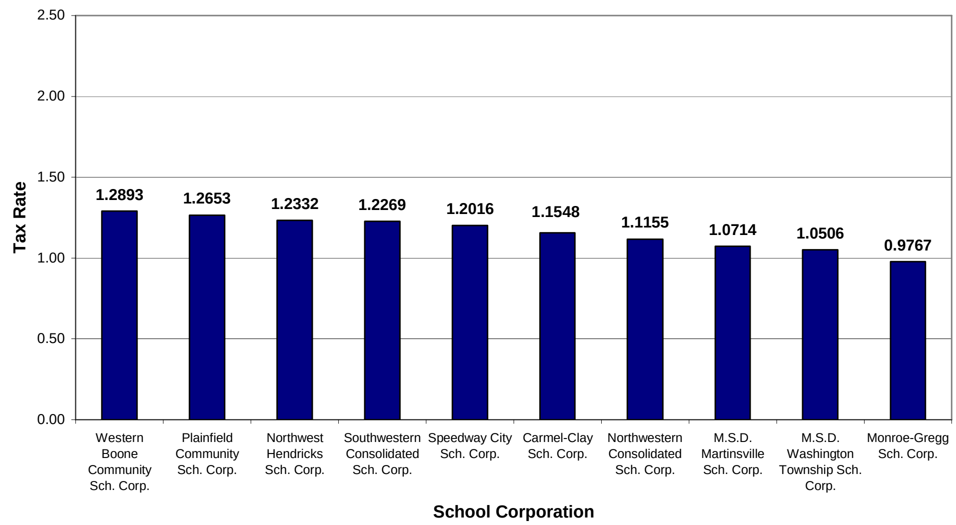
Highest Municipal Tax Rates in Region (Payable 2004)



Source: Department of Local Government Finance

The ten lowest school tax rates in the region range from Monroe-Gregg School Corporation, 0.9767, to Western Boone Community School Corporation, 1.2893.

Lowest School Tax Rates in Region (Payable 2004)

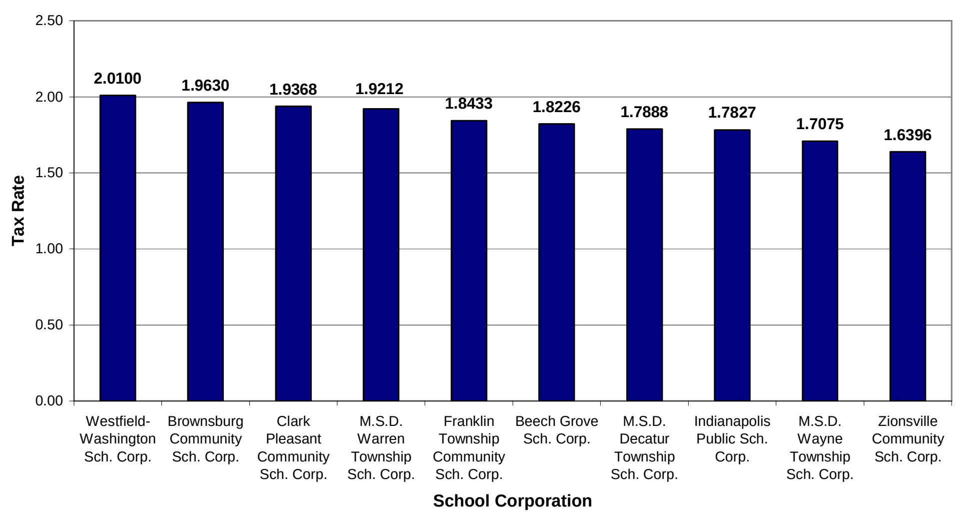


Data Source: Department of Local Government Finance
'Region' includes the following counties: Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Morgan & Shelby.

Source: Department of Local Government Finance

The ten highest school tax rates in the region range from Westfield-Washington School Corporation, 2.0100, to Zionsville Community School Corporation, 1.6396.

Highest School Tax Rates in Region (Payable 2004)

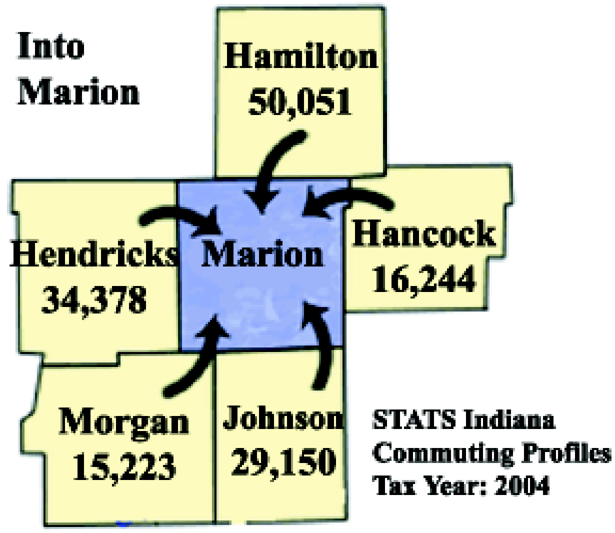


Data Source: Department of Local Government Finance
'Region' includes the following counties: Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Morgan & Shelby.

Source: Department of Local Government Finance

Hamilton County has the highest number of people commuting into Marion County, 50, 051 commuters, followed by Hendricks County, 34,378 commuters.

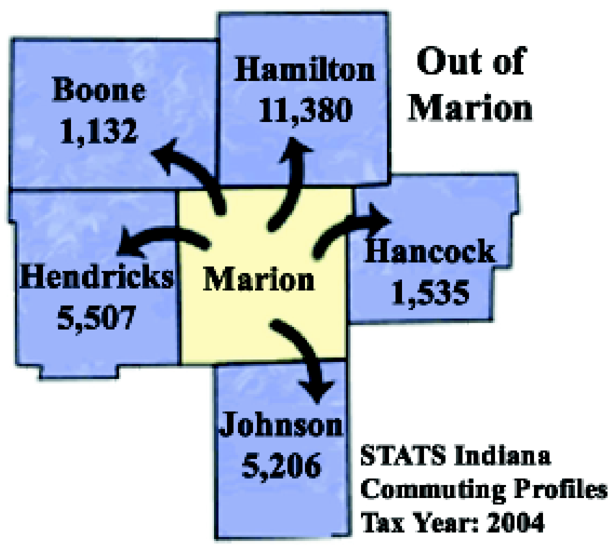
Commuting Patterns: Into Marion County



Source: Stats Indiana

Hamilton County receives the greatest number of commuters from Marion County, 11,380 commuters, followed by Hendricks, 5,507 commuters.

Commuting Patterns: Out of Marion County



Source: Stats Indiana

Work/Residence Patterns:
A STATS Indiana Annual Commuting Trends Profile

Marion County, Indiana	
Summary of what tax return information tells us about workers and commuters in this county:	
Workers:	
Number of persons who live in Marion County and work (implied resident labor force)	525,771
Number of persons who live AND work in Marion County	492,847
Total number of persons who work in Marion County (implied work force)	688,062
Commuters:	
Number of persons who live in Marion County but work outside the county	32,924
Number of persons who live in another county (or state) but work in Marion County	195,215

Source: STATS Indiana, based on Indiana IT-40 Returns for Tax Year 2004

Population Estimates by County

	2000 Census Population	2000 Census Households	2000 Census Persons/ Household	**Estimate Population 2005**	**Estimate: Households 2005**
Boone County	46,107	17,081	2.70	**52,880**	**19,590**
Hamilton County	182,740	65,933	2.77	**233,272**	**84,165**
Hancock County	55,391	20,718	2.67	**66,612**	**24,915**
Hendricks County	104,093	37,275	2.79	**131,516**	**47,095**
Johnson County	115,209	42,434	2.72	**132,707**	**48,879**
Madison County	133,358	53,052	2.51	**138,989**	**55,292**
Marion County	860,454	352,164	2.44	**913,350**	**373,813**
Morgan County	66,689	24,437	2.73	**72,060**	**26,405**
Shelby County	43,445	16,561	2.62	**46,370**	**17,676**

Source: U.S. Census Data

Building Permits Issued

	Building Permits 2001	Building Permits 2002	Building Permits 2003	Building Permits 2004	Building Permits 2005
Boone County	452	426	494	547	590
Hamilton County	3772	3466	3655	3731	3608
Hancock County	909	870	794	862	762
Hendricks County	1963	2054	2044	1825	1934
Johnson County	1369	1064	1030	1478	1504
Madison County	278	328	561	484	589
Marion County	5,583	4,616	4,223	3,590	3,637
Morgan County	511	492	357	316	292
Shelby County	217	214	194	204	286

Source: Builder's Association of Greater Indianapolis

Builders Association of Greater Indianapolis
P.O. Box 44670
Indianapolis, Indiana 46244-0670
(317) 236-6330
www.indybuildersassociation.com

Metropolitan Indianapolis Board of REALTORS®
1912 North Meridian Street
Indianapolis, Indiana 46202
(317) 956-1912
www.mibor.com