Spotlight: Indiana

By Will McDermott

The Hoosier State is a manufacturing powerhouse.

Indiana's economy trailed the national average in a number of areas during the recovery from the Great Recession, but recent forecasts predict that the Hoosier State will begin leading in certain indicators in the next two years.

According to the Indiana Business Research Center at Indiana University (IBRC), the state's gross domestic product (GDP) grew slower than the national average for four of the past five years leading into 2016. IBR forecasts presented this past November, however, predicted Indiana's GDP growth will top 3 percent in 2016, which could be as much as a full percentage point above IBRC's predicted national growth rate of 1.6 percent to 2 percent for the same period.

The core of Indiana's economy is manufacturing, and brisk auto sales during the past three years have been good for the state. Nationwide, auto sales hit 14 million units in 2014, 17 million units in 2015, and IBR forecasts a similar number for 2016. This has helped the state reach full employment, with unemployment figures statewide running at just 4.5 percent.

In addition to transportation equipment, Indiana also is a hub for the manufacturing of pharmaceutical and medical devices. In 2014, Indiana exported $10.5 billion in transportation equipment, $8.7 billion in life-sciences products and another $4.2 billion in industrial machinery. The increasing strength of Indiana's manufacturing sector is due, in part, to higher productivity because of increased automation.

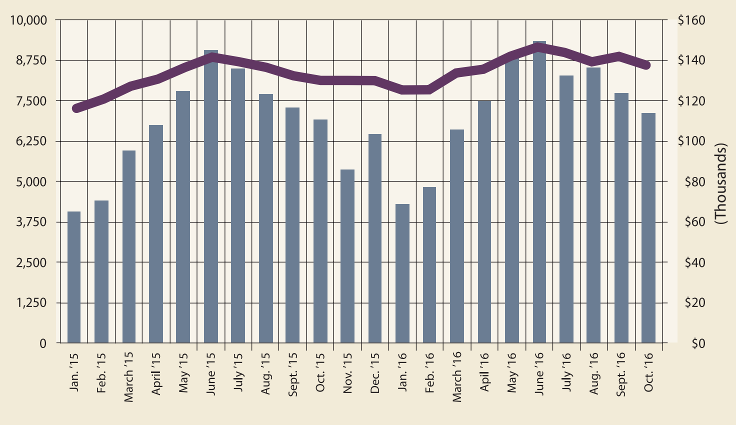
Indiana plant closings made headlines during and after the presidential campaign last year, but according to the IBRC 2017 forecast, "These are part of broader trends." The report cautions that technology has allowed companies to increase output without increasing the size of the workforce.

In fact, auto-sector employment in the state dropped from 3.5 percent of the workforce in 2005 to 2.9 percent in 2015, according to IBRC. More recently, the Federal Deposit Insurance Corp.'s state profile for Indiana showed that manufacturing employment, which accounts for 17 percent of the state's nonfarm employment, actually fell by 0.2 percent and 0.9 percent year over year during the second and third quarters of 2016, respectively.

So, even though the IBRC's forecast predicts that Indiana's GDP will outpace the national average through 2018, this may not translate to higher employment or more personal income, at least for some Indiana residents.

A forecast from the Center for Business and Economic Research (CBER) at Ball State University paints a different picture of the future, however. The CBER report expects the state to add 46,000 new jobs in 2017 and 37,500 more in 2018, which is good news for state workers. Unfortunately, this report predicts only a modest 2.1 percent growth in state GDP in 2017 and another 1.9 percent growth spurt in 2018, which would come in at or below CBER's predicted national GDP growth rates, of 2.1 percent and 2.2 percent, respectively, over those two years. ■

Indiana Home Sales



Median sales price | Total home sales

Source: Indiana Association of Realtors

Home sales and prices

Indiana home-sale and median-price data from the past two years shows the cyclical nature of Midwestern real estate, where hot summers increase sales and prices, while cold winters have the opposite effect. Home sales and median prices peaked in June and bottomed out in January in both 2015 and 2016 in the Hoosier state.

The Indiana housing market has shown signs of strengthening over the past two years, however. The June high mark for median sales price increased from $142,500 in 2015 to $147,900 in 2016, a 3.7 percent uptick. The Indiana Business Research Center reported similar gains in 2015, stating that the August 2015 median sales prices increased 6.3 percent year over year.

What the locals say

"Our taxes are so much more affordable than surrounding states, and we still have some very good schools. That really impresses people when the move here. And our pricing [in Fort Wayne] compared to your largest cities is very favorable. A lot of people who move here maybe didn't want to move here, but then they don't want to leave [Fort Wayne] when they're transferred."

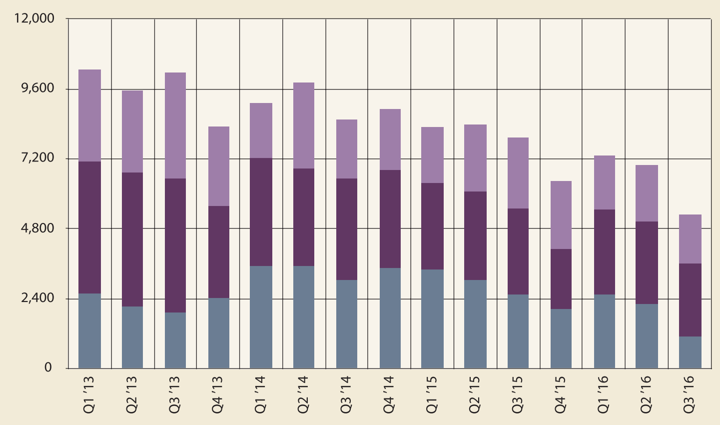
Greg Adams
Partner, Adams-Watkins Team, Century 21 Bradley Realty Inc.

Unemployment

Indiana felt the bite of the recession early, seeing its unemployment rate jump from 4.8 percent in January 2008 to 9 percent in January 2009. The state unemployment rate hit 10.2 percent in March 2009, a full seven months before the national rate hit 10 percent. Indiana stayed above 10 percent unemployment for 15 months until September 2010 and didn't drop below 9 percent for good until December 2011.

After staying above 9 percent for three years, Indiana's unemployment rate fell steadily over the ensuing four years, hitting its post-recession low of 4.5 percent in September 2015, at a time when the national rate still hovered just above 5 percent. As of this past October, Indiana's unemployment rate stood at 4.4 percent — 50 basis points below the 4.9 percent national rate.

Indiana Foreclosure Filings



REO | Auction | Default

Source: Attom Data Solutions

Delinquencies and foreclosures

Indiana uses judicial foreclosure procedures, so lenders must file a lawsuit and obtain a court order to foreclose. Foreclosures typically take 150 days to complete in Indiana. This may be the primary reason that the state continues to have more than 5,000 foreclosure filings (defaults, auctions, and real estate owned) per quarter, according to estimates from Attom Data Solutions. Attom's data shows that filings have dropped by half over the past five years, however.

Indiana's foreclosure inventory as of this past September stood at 1 percent of all homes with a mortgage, according to CoreLogic, and the state's serious delinquency rate (mortgages more than 90 days overdue) stood at 2.8 percent. Both of these rates in Indiana were just slightly higher than the national averages.

Sources: Attom Data Solutions, Center for Business and Economic Research, CoreLogic, Federal Deposit Insurance Corp., Google, Indiana Association of Realtors, Indiana Business Research Center, Internet Movie Database, Neighborhood Scout, U.S. Bureau of Labor Statistics, U.S. Census Bureau, Purdue University, Sperling's Best Places, *U.S. News and World Report*

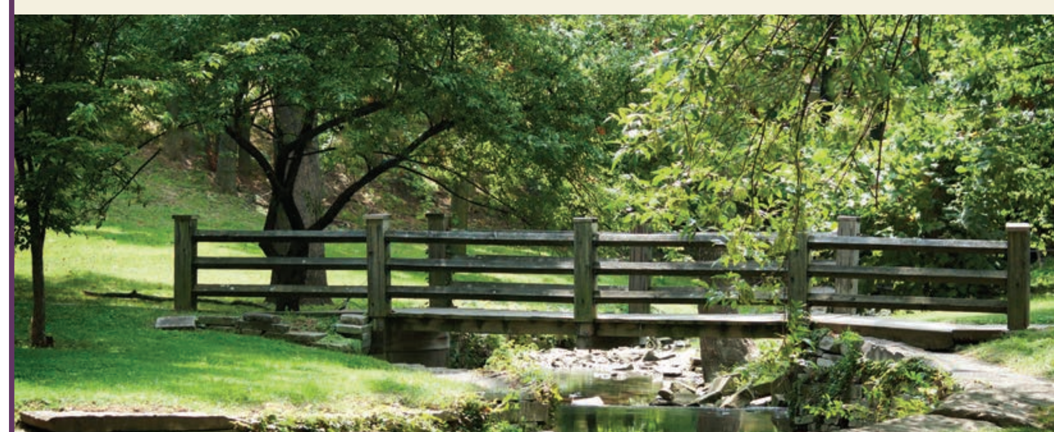
3 Cities to Watch

CARMEL

Pronounced like the chewy candy, Carmel is "the" suburb of Indianapolis, boasting a median household income of $106,000, median home prices over $300,000, and an unemployment rate of only 3 percent as of this past October. Just a short commute to downtown Indy, Carmel has one of the best school systems in the state and very little crime, all with low sales and income taxes.

WEST LAFAYETTE

Home to Purdue University and located between Indianapolis and Chicago along Interstate Highway 65, West Lafayette has easy access to plenty of cultural and sporting events. Along with Lafayette, across the Wabash River, the area's population tops 115,000 — not including Purdue's 30,000 undergrads. Housing is much cheaper across the river in Lafayette, however. The median price in Lafayette's blue-collar market is $101,900, but in West Lafayette's college market it is $178,500.



BLOOMINGTON

Nestled next to beautiful Brown County State Park, Bloomington is located in the southern third of Indiana, which is marked by rolling hills and forests instead of the flat plains and corn fields to the north. Home to Indiana University, Bloomington is the consummate college town and the inspiration for the acclaimed 1979 movie "Breaking Away." The median home price in Bloomington is $173,400.

Will McDermott is editor of *Scotsman Guide* Residential Edition. Reach him at (800) 297-6061 or willm@scotsmanguide.com.