

**Builders Association of Greater Indianapolis
State of the Industry – June 2023**

Dear Industry Members and Consumers,

As homebuilders, we understand the importance of staying up to date with the latest trends and data affecting our industry. With that in mind, we would like to share with you this June 2023 State of this Industry update.

The following chart indicates the permits that have been issued in the 9-county metro area through April. Permits through April are 32% less in comparison to 2022 but this lagging indicator of activity shows the slowdown in the market that occurred in the 3rd and 4th quarters of 2022 when interest rates spiked causing an abrupt hesitation in the market of consumers purchasing new homes.

<https://www.bagi.com/local-homebuilder-association-reveals-april-permit-breakdown-by-county/>

However, the feedback from the industry members indicates that consumer sales activity returned in November/December 2022 and has continued through the 1st quarter of 2023. We expect that activity will begin to show in the permit numbers moving forward for the remaining months of 2023.

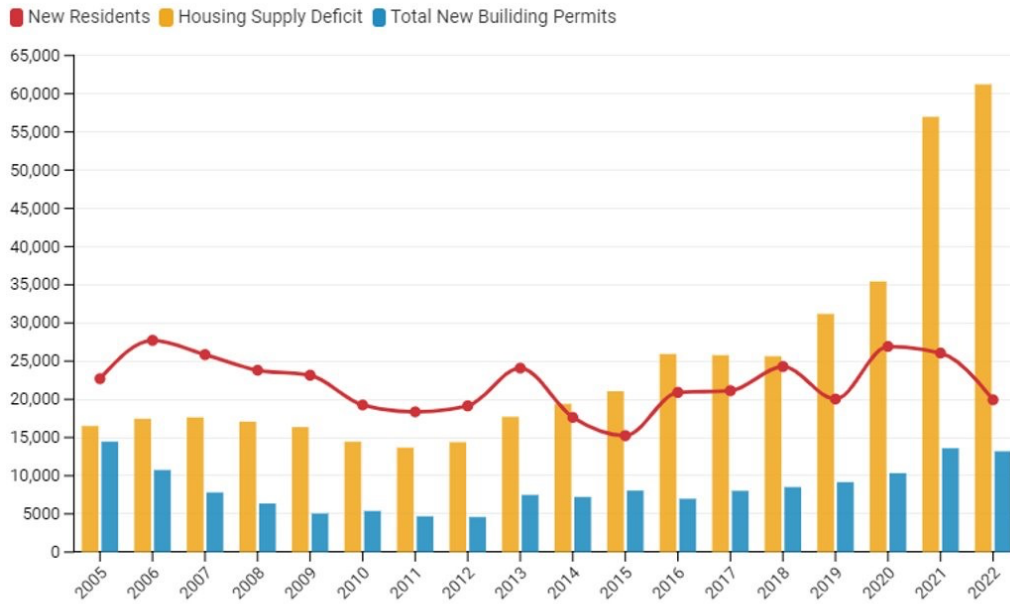
Given that activity and the strong market fundamentals (increasing household formations, positive job and wage growth, and low inventories in both the existing and newly constructed homes), we are expecting 2023 to end the year close to or slightly below the 2022 permit activity level.

This strong market does have headwinds that need to be recognized as we look at 2023 and beyond. To help us identify those issues, BAGI has commissioned semi-annual housing studies from the Common Sense Institute (CSI).

The January 2023 study highlighted the current state of Indiana's housing market and identified the key issues that are affecting our industry. It found that there is a high demand for new homes in Indiana, but there is also an overall shortage of available housing inventory. This research highlights the supply of new homes along with the affordability of those homes.

This research points out that in 2022, the Central Indiana area had a housing deficit of up to 61,000 homes, and by 2028, the area needs to build 115,000 new units to accommodate projected population growth and close the supply gap. This is a substantial gap that is unlikely to be reduced given the current building capacity and regulatory environment in the area.

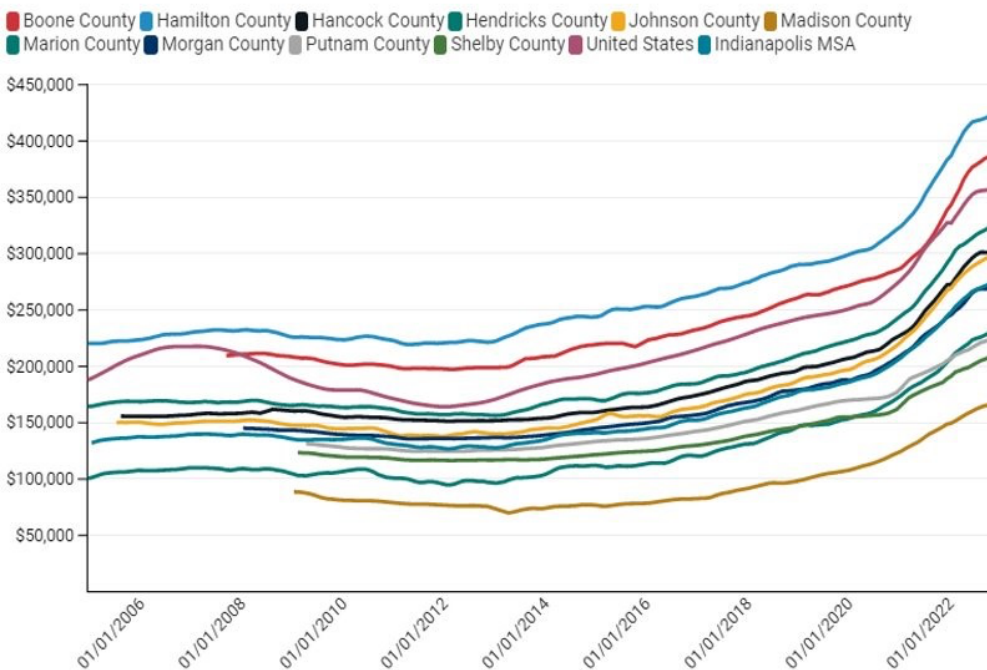
New Residents, New Unit Permits, and the Housing Supply Deficit - Indianapolis Metro Area



Sources: National Association of Homebuilders, Indiana Business Research Center, U.S. Census Bureau ACS

The study also revealed that the COVID-19 pandemic had, and continues to have, an impact on the cost of housing leading to increasing affordability gaps between household incomes and new home prices. The cost of finished goods and increased labor costs, combined with government regulatory hurdles (zoning and development standards) continue to increase that affordability gap in all counties in the metro market.

Indianapolis Metro Area Home Prices



Source: Zillow

However, despite these challenges, the study concluded that the outlook for Indiana's housing market remains positive, and there are opportunities for growth and expansion if we can work collaboratively together with communities to address some of these regulatory issues that impact the cost of development and building. BAGI has worked to create a forum for that discussion by developing a web-based resource that identifies those hurdles and provides solutions to those issues - [Build Indiana Roots](#).

BAGI remains unwavering in our dedication to assist homebuilding experts and consumers through education, advocacy, and promotional resources and will keep providing market updates to coincide with changing market conditions. Our members are devoted to constructing and renovating top-quality homes in central Indiana.

As BAGI members, we are in a unique position to contribute to the growth and expansion of the homebuilding industry in Indiana. By staying informed and adapting to the changing market conditions, we can continue to build homes that meet the needs of our communities and contribute to the economic development of our state.

I encourage you to review the latest industry news and learn about additional resources available to you on the Market Updates page of the BAGI website at <https://www.bagi.com/market-updates/>.

Please do not hesitate to contact BAGI if you have questions, need additional information, or have ideas for additional resources we can provide to make your business or home purchasing decisions easier in this ever-changing, dynamic housing market.



Steve Lains, BAGI CEO