



2023 Market Wrap-Up

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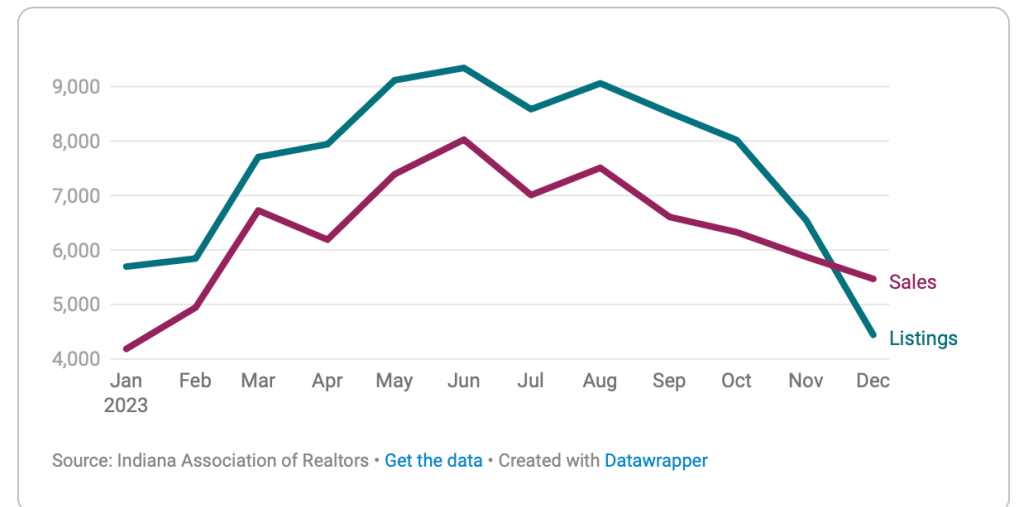
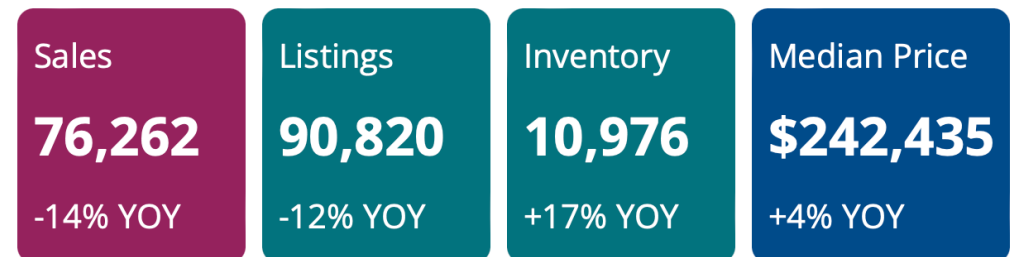
01 Housing Market



2023 Market Summary

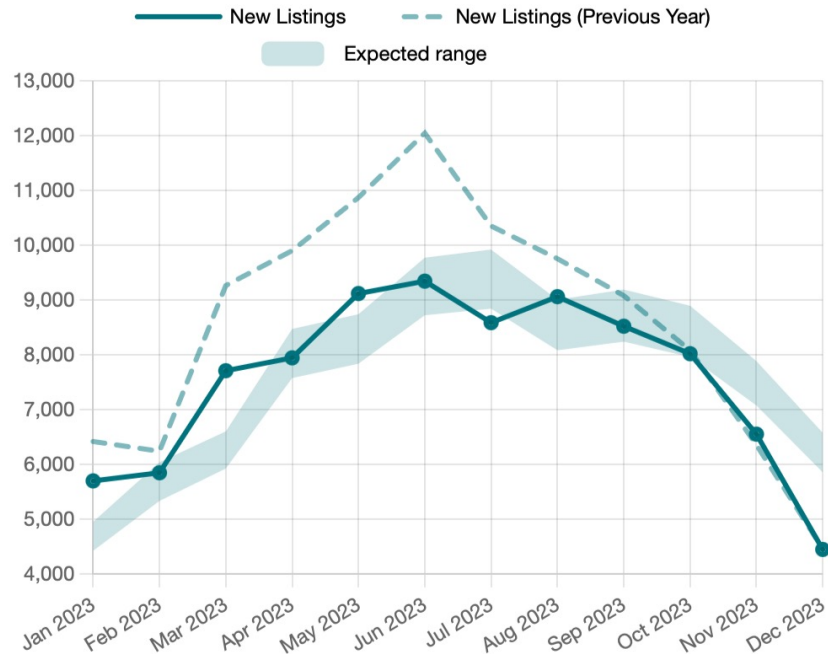
December added 5,470 closed home sales bring 2023's statewide total to 76,262, 14% below 2022 (and 24% behind the record-setting market of 2021).

Real estate labored under the weight of rising mortgage rates, which averaged 6.81% through 2023—a point-and-a-half higher than 2022 and more than double the historically-low rates that helped drive demand in 2021. Higher rates increased monthly payments and squeezed many homebuyers out of the market—especially first-time buyers already pressured by inflation to save an adequate down payment.



Rising mortgage rates lock in listings

90,820 new listings in 2023, lowest in at least two decades



Most buyers are also sellers, especially considering Indiana’s high homeownership rate (71%). Elevated rates took a dramatic toll on the number of homes listed for sale on Indiana’s eight MLS marketplaces: 90,820 new listings in 2023 represented the first time annual listings fell below 100,000 in at least twenty years.

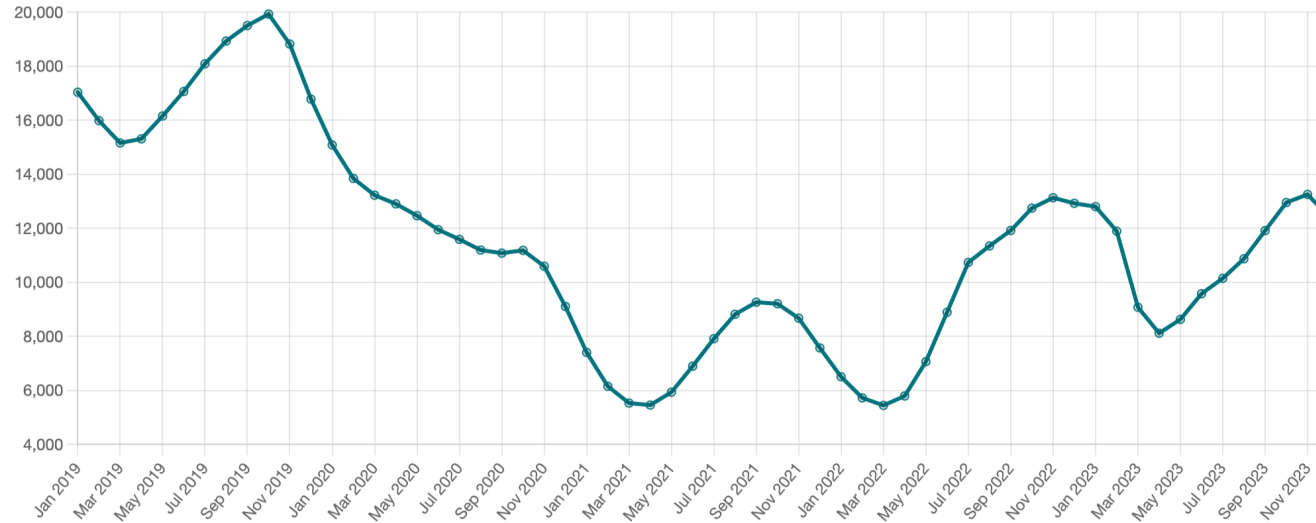
Many current homeowners pushed off potential moving plans to protect their pre-2022 loans rather than sell in a slowing market. **Weekly data**

shows that listings flatlined from mid-April through the end of August at just over 2,100 per week before slowing into the fall, when normal seasonal trends would see listing activity peak in May and June.

This lock in effect is a relatively new phenomenon created by rates rising from historic lows to fifteen-year highs in less than twelve months.

Inventory sees year-over-year increase, remains tight

Average daily inventory 2019-2023



Last update: Jan. 7, 2024, 4:49 a.m. Source: IAR MLS Data Warehouse Notes: A listing counts in inventory if its status is active, not pending or sold. Inventory fluctuates constantly, so we calculate the monthly measure as the inventory at the start of each day average across the entire month.

Fewer listings kept overall inventory tight by pre-2021 standards. 10,976 homes were listed for sale on an average day through 2023, up 16% from 2022. **But 2023 inventory levels were 9% below 2020 and more than 36% lower than 2019, when daily listings averaged over 17,400.**

Indiana averaged less than a two-month supply of inventory through 2023, marking the eighth straight year as a “seller’s market”.

Limited supply drives price appreciation, market pace

Median sale price

\$242.4K

+4% vs. 2022, +15% vs. 2021

Indiana's statewide median home sale price hit an all-time monthly high of \$256,000 in July, settling to \$242,435 for the year—4% above 2022 and more than 15% higher than 2021 despite less buying activity.

Median days on market

11 days

+5 days vs. 2022, -8 vs. 2019

Inventory pressure also kept days on market relatively low: Half of homes sold in 2023 moved from listing to pending in less than two weeks (11 days average).

Sale price as pct. of asking

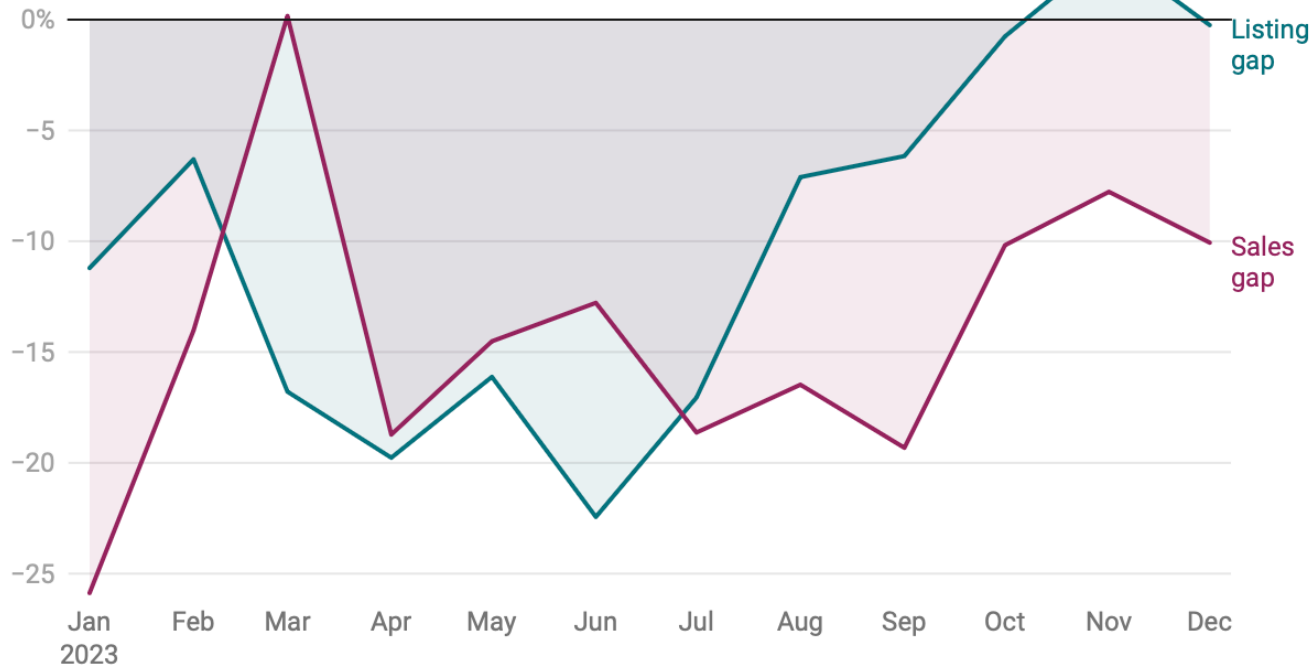
96.3%

-2.0% vs. 2022, -2.8% vs. 2021

Finally, fewer new listings favored sellers negotiating during the busiest months of the year. Homes sold for more than 97% of their original list price from April through August, falling back to 95% by December.

Peaks and valleys in market activity

Year-over-Year Sales and Listings Gap



Source: Indiana Association of Realtors • [Get the data](#) • Created with [Datawrapper](#)

Behind the annual totals, 2023 saw significant fluctuations in activity through the year.

Dramatic swings in mortgage rates again nudged the housing market out of its typical month-to-month patterns—thirty-year rates rose or fell by at least a half percentage point within a 4-5 week period five times during 2023, an unusually turbulent trend. Rates ranged from a low near 6% in early February to hitting 8% in late October.

Shifting rates and inventory led to ups and downs

From January through March, home sales surged 60% as rates stayed closer to 6% in January and February while inventory averaged over 12,000 daily listings; closings in March (6,726) rebounded to beat 2022 by 11 sales.

But as homebuyers came back to the market faster than sellers (pending sales grew nearly three times faster than new listings in the first three months), inventory plummeted to 9,081 average daily listings in March; mortgage rates also ticked back up to 6.7% in mid-March. This set the stage for a sharp sales downturn in April

that rallied in May and June: **The year-over-year gap of 12.5% from January through March widened to 15% in the second quarter.** (With the lowest three months of inventory, homes also sold in less than a week as prices stayed more than 3% ahead of 2022 during this period.)

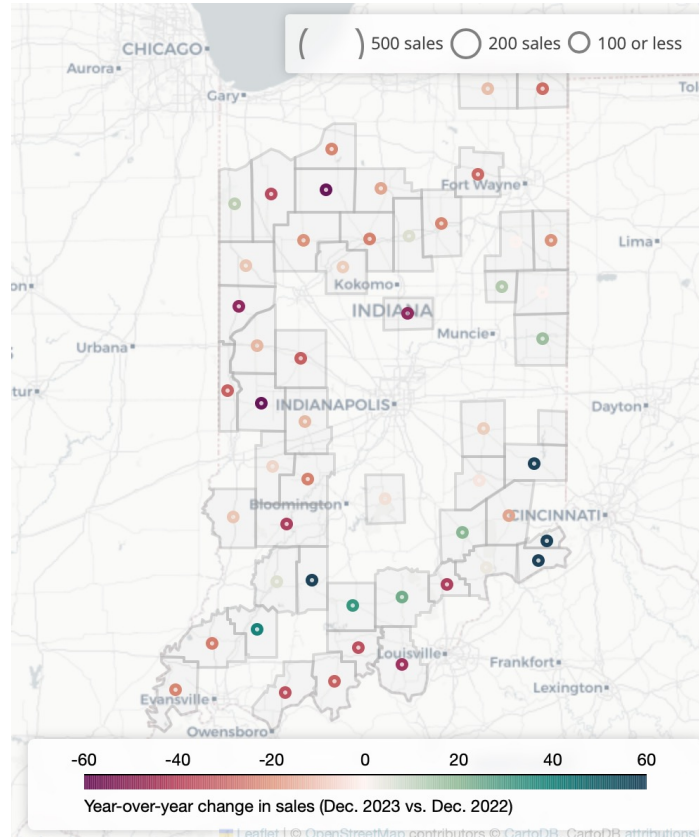
Sales stalled from mid-summer on, falling even further behind 2022 from July through September (-18%); total inventory had begun to climb in May, but new listings were flat and mortgage rates averaged over 7%.

The final three months of 2023 saw inventory passing 12,000 average daily listings and mortgage rates finally starting to ease in late October. Sales activity picked up in late September with a stable trend through October before fading through the end of the year.

The fourth quarter of 2023 finished with the smallest year-over-year sales gap versus 2022 (-9%); however, comparison should acknowledge the final months of 2022 had seen sales sharply decline as mortgage rates passed 6.5% and briefly eclipsed 7% for the first time since 2002.

Local and regional trends

Indiana's rural counties outperformed statewide sales trends on a year-over-year basis, as closings fell 13% from 2022 to 2023 (and just 5% in the fourth quarter). With more affordable median prices (\$184,000 for the year), these communities may have attracted buyers willing to widen their search to match their budgets, or simply continued to capitalize on more evenly distributed population growth since 2020.



Rural Counties

Sales

-13% YOY 2023 Total

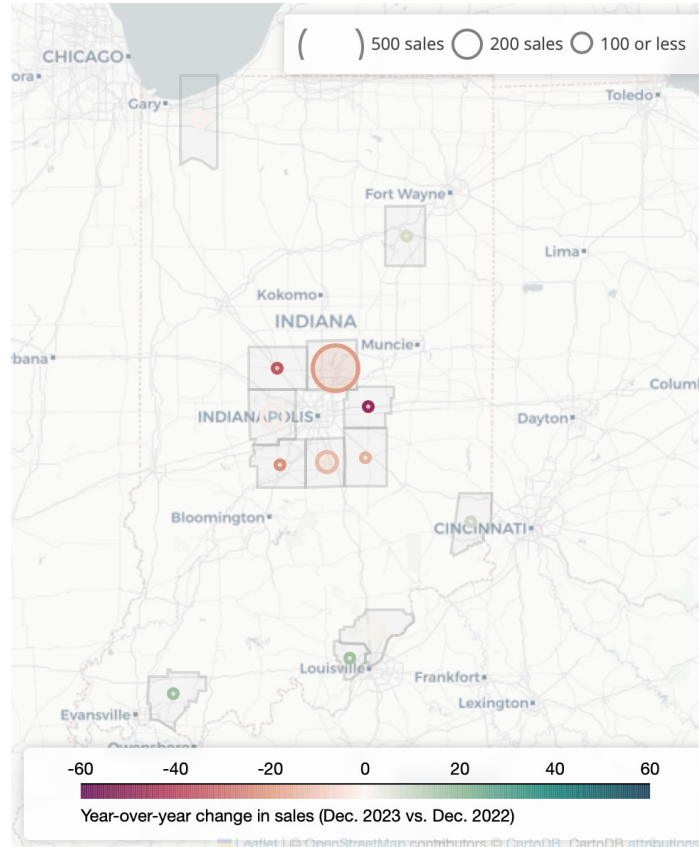
-5% YOY 2023 Q4

Median sale price

\$184,000

Local and regional trends

On the other hand, suburban price growth slowed (but still hit \$327,000) and sales dropped more sharply (down 15% year-over-year). Hamilton County was an exception, where total sales (5,952) declined just 10% versus 2022 and the median sales price finished the year just below \$425,000.



Suburban Counties

Sales

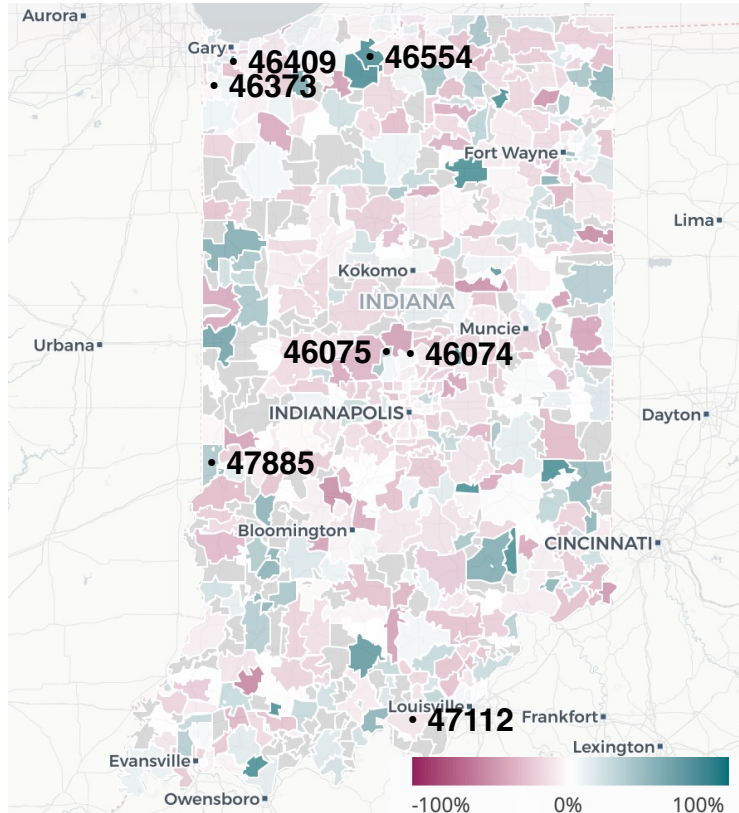
-15% YOY 2023 Total

Median sale price

\$327,000

Local and regional trends

YOY Sales Gap 2023 Q4



Despite slower sales across the state, some ZIP Codes stood out with positive sales growth. Of ZIP Codes with between 50 and 185 sales, the strongest growth was in 46409 (Lake County, 44% YOY growth), 47885 (Vigo County, 39% YOY growth), and 46554 (southwest of South Bend, 37% YOY growth).

Of larger ZIP Codes, the fastest sales growth was in 46075 (Whitestown, 33% YOY growth),

47122 (Georgetown/Floyd County, 24% YOY growth), and 46373 (St. John/Lake County, 15% YOY growth). A ZIP Code in Westfield (46074) had the most sales (1,439) and grew 8% compared to 2022 (when it also had the highest number of sales).

02 Market Drivers



Demographics



Population Growth

+29,900 people between 2022 and 2023

+12,000-15,000 households estimated

+0.4% lower than U.S. / higher than Midwest

Indiana's growth rate was steady at 0.4%, driven by increased international migration and another year of positive net domestic migration, despite a falling birth rate. Overall, Indiana added nearly 30,000 people, which would roughly translate to 12,000-15,000 new households.

Demographics

Increased migration led to modes population growth despite falling birth rate, rising death

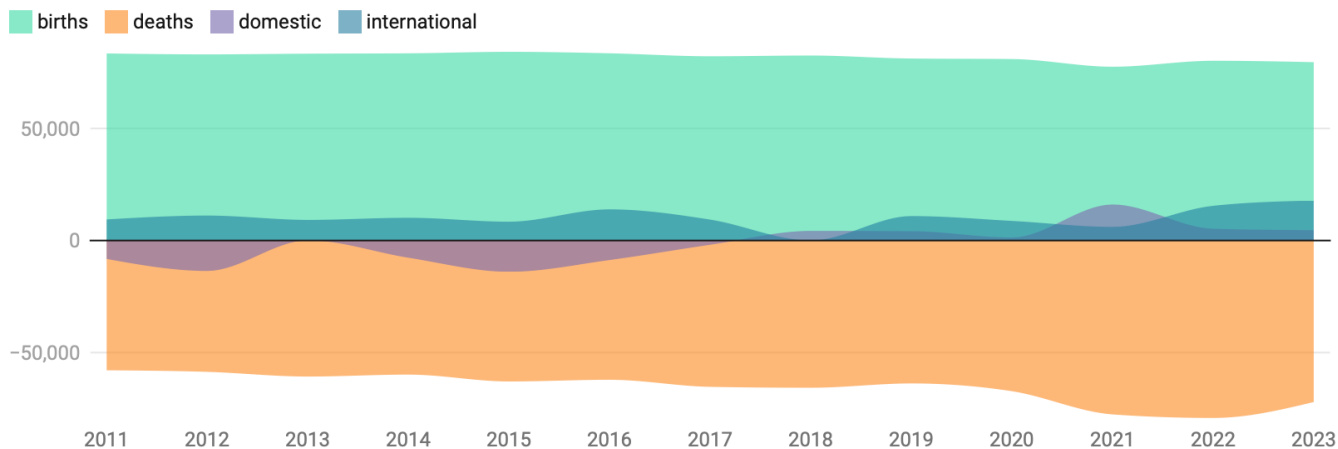


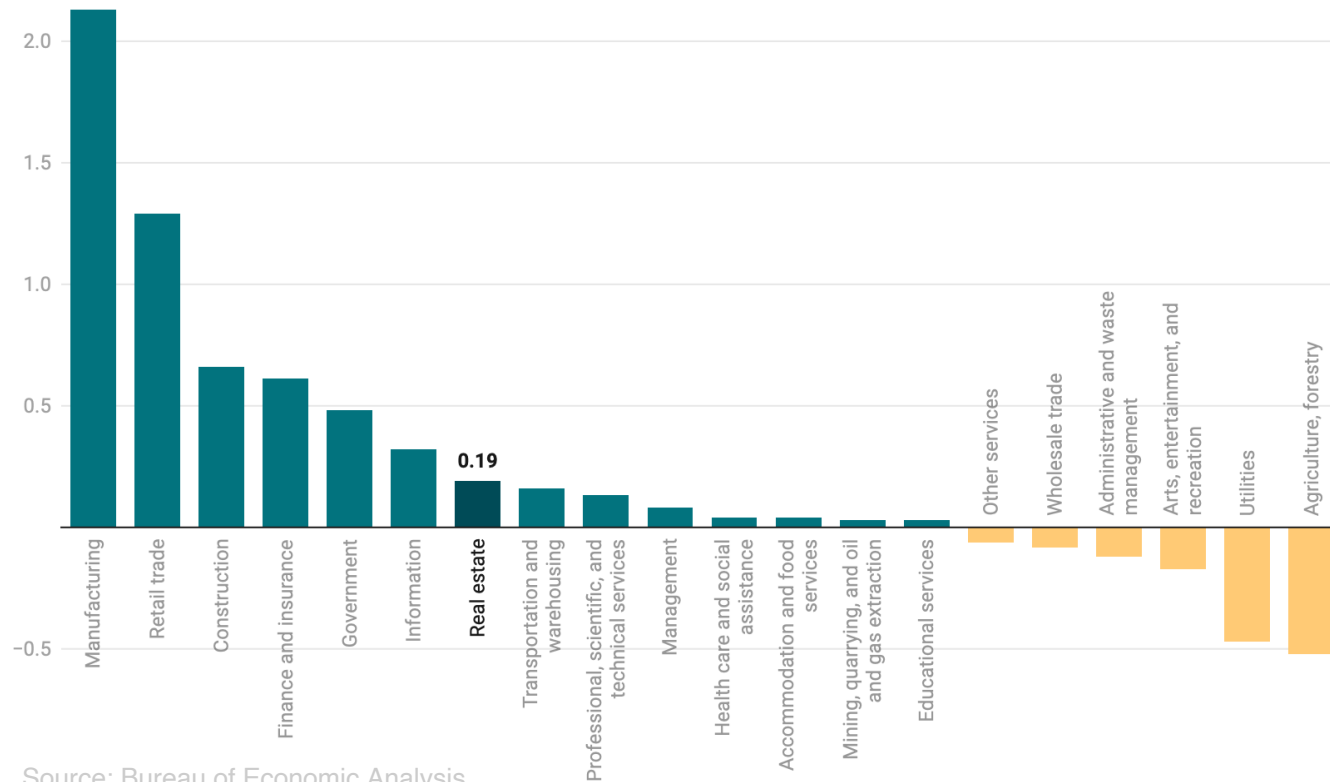
Chart: Indiana Association of Realtors • Source: [Census Bureau Population Estimates](#) • [Get the data](#) • Created with [Datawrapper](#)

Indiana's growth was fueled mostly by migration. Domestic migration remained positive at 4,600, though much lower than the 16,100 net domestic migrants of 2021. International migration reached a new high of 17,900.

Natural population change added 7,500 residents. Births fell to 79,600, the second-lowest level of the past decade, but deaths also fell to 72,100 for a net gain of 7,500. The number of deaths in 2023 is still higher than any year outside of the pandemic.

Economic Conditions

Percentage points contributed to Indiana's GDP growth in Q3 2023



Source: Bureau of Economic Analysis

Indiana's economy grew at an annual rate of 1.8% through the first three quarters of 2023, consistent with other midwestern states but slower than U.S. GDP. In the third quarter, Indiana's economy accelerated to an annual growth rate of 4.8%, about as fast as the U.S. and faster than all Midwestern peers but Wisconsin. In the third quarter, manufacturing contributed 2.1% to Indiana's 4.8% real GDP growth, and retail contributed 1.3%. Real estate, including rental and leasing, grew by 0.2% while construction grew by 0.7%.

Market Drivers



Economic Conditions

Personal income grew by 2.7% in the third quarter, faster than the first half of 2023, but slower than the U.S. and slower than all Midwestern states but Michigan. Annual income growth was 2.7% in 2022 as well.

Unemployment grew from 3.2% in November 2022 to 3.7% in November 2023 to match the U.S. rate. The labor force grew by 13,400, but unemployed people grew by 17,300.

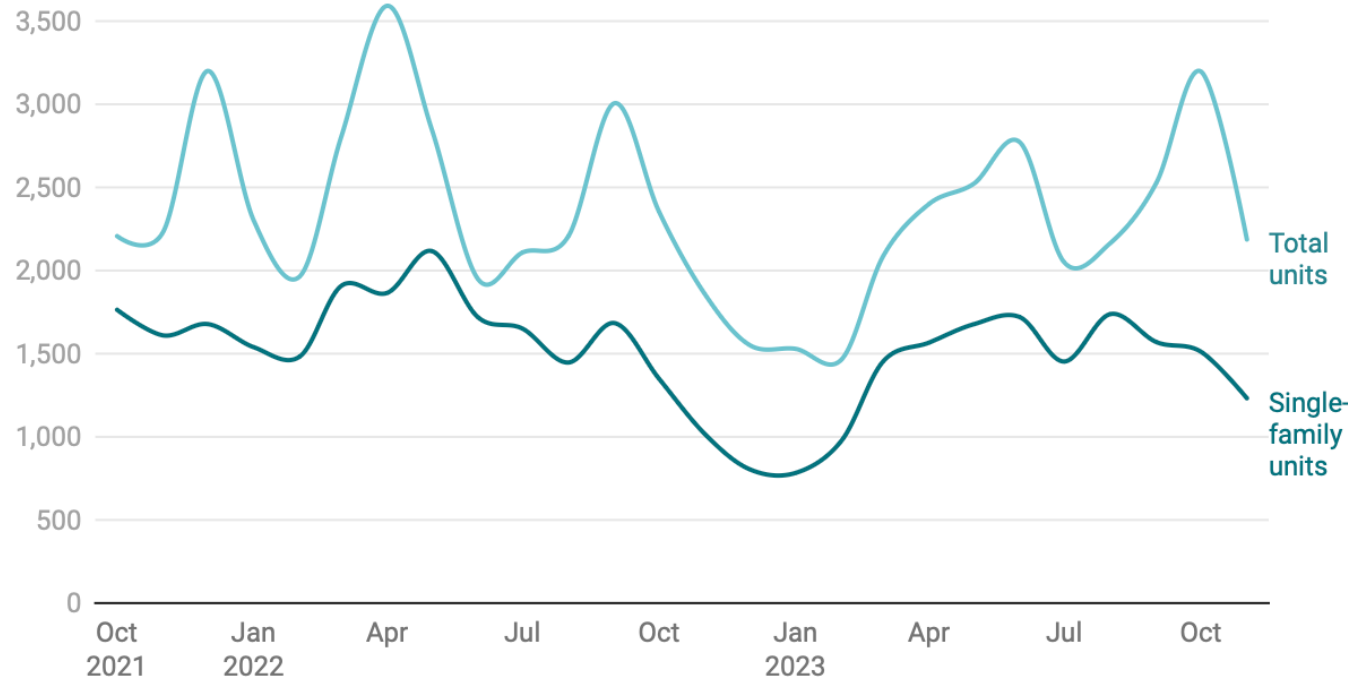
Employment increased by 54,600 to reach 3.28 million workers. Indiana's employment growth rate of 1.7% is slower than Kentucky, similar to Ohio, and faster than Illinois or Michigan.

Because employment and unemployment are measured with different surveys and methods, employment and unemployment figures cannot be directly compared.

- +2.7% Personal income growth, Q3
- 3.7% Unemployment rate, Nov. '23
- +54,600 jobs created since Nov. '22
 - + Faster Illinois, Michigan
 - Similar to Ohio
 - Slower than Kentucky

Home Construction

Home permitted statewide per month



25,000 residential building permits were issued in the state through November. Permits slowed in 2023, but the partial year total already tops every year from 2007-2020. Strong demand and anticipation of improved credit climates drove monthly permit totals to year-over-year growth in the fall. This solid three-year permitting trend (2021-2023) still leaves Indiana scrambling to catch up from a decade of Midwest-leading population growth and lagging post-Great Recession levels of residential construction.

Chart: Indiana Association of Realtors • Source: [Census Bureau](#) • [Get the data](#) • Created with [Datawrapper](#)

Market Drivers



Home Construction

Permitting slowed to start 2023 but increased to positive year-over-year growth in recent months. Half of the state's permits were issued in the Indianapolis region, which ranks 27th among all metro areas in total permits issued.

Through November 2023, permits were issued for 25,000 housing units, including 15,700 single-family units. (As of this publication, November is the latest available data.) Single-family permits fell by 12% compared to 2022,

but in November, permits were issued for 1,232 single-family homes, 21% higher than last November. In the last six months, only two months had negative year-over-year growth.

The average value of single-family homes permitted in 2023 grew to \$353,300, up 8% over 2022. Because of the increased value of new homes, the year-to-date \$5.3 billion in single-family permitting is only 4% down from the same period last year.

25,000 total units permitted

15,700 single-family units

-12% change in single-family permits 2023 total

+21% change in single-family permits November 2023

\$353,300 average value of single-family permits

+8% YOY

Home Construction



Name	Multi-family	Single-family	Multi-family YOY	Single-family YOY
Bloomington	243	261	16%	-21%
Columbus	0	146	0%	-27%
Elkhart	8	262	-87%	-17%
Evansville	148	684	-54%	-10%
Fort Wayne	756	1,607	20%	18%
Indianapolis	4,961	6,692	1%	-20%
Kokomo	24	107	0%	0%
Lafayette	1,474	473	49%	-3%
Michigan City	64	145	-68%	31%
Muncie	5	68	-50%	-65%
South Bend	22	341	-88%	-9%
Terre Haute	22	122	-83%	12%
Rest of Indiana	1,491	4,776	-5%	-6%

Michigan City MSA contains La Porte. Lafayette MSA contains West-Lafayette. Indianapolis MSA contains 11 Central Indiana counties.

Table: Indiana Association of Realtors • Source: Census Bureau • Get the data • Created with Datawrapper

Three out of four Indiana permits were issued within a metropolitan area, and half were for homes within the Indianapolis region. In the Indianapolis metro area, single-family permitting flagged (down 20%), but multi-family permitting held steady. In the Fort Wayne metro area, permitting increased by about one fifth for single-family and multi-family units. Bloomington and Lafayette issued more multi-family permits this year but fewer single-family permits. In addition to Fort Wayne, Terre Haute and Michigan City are the only regions with more single-family permits this year

Market Drivers



03 Equity



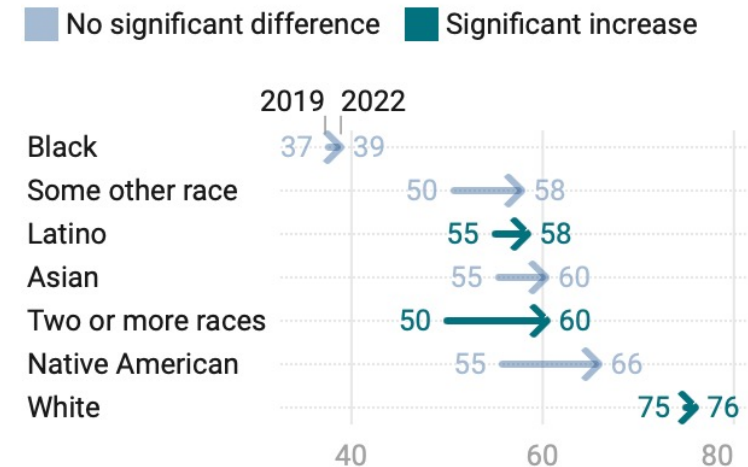
Home Ownership and Race

Three quarters of white households are homeowners—driving Indiana’s overall homeownership rate of 71%—compared to only 39% of Black households. Asian and Latino households fall in the middle. These gaps represent missing potential in ownership, potential sales and listing activity, and wealth-building that comes with rising property values. If Black and White households owned homes at the same rate, there

would be 95,000 more Black households participating in the real estate market.

There has been progress in closing the racial homeownership gap for some groups. Between 2019 and 2022, Latino homeownership increased from 55% to 58%, and multiracial homeownership jumped from 50% to 60% homeownership. This is not a small group, representing 6% of Indiana.

Percent of households that own their home by race of householder



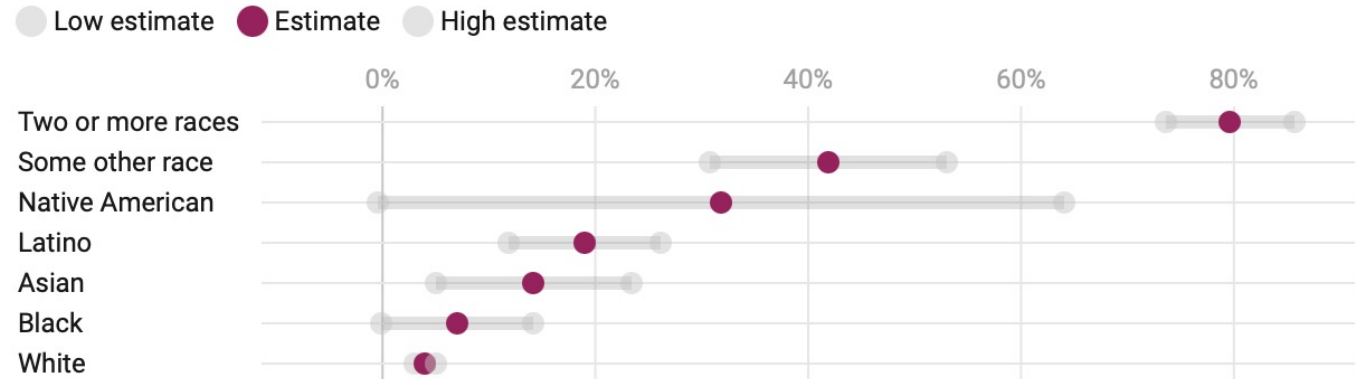
In the context of statistics, a "significant difference" means the estimates are likely to represent a real difference rather than random error. These data are estimates from a survey and have a margin of error like any survey.

Chart: Indiana Association of Realtors • Source: [IAR analysis of data from American Community Survey 1-Year Estimates](#) • [Get the data](#) • Created with [Datawrapper](#)

Home Ownership and Race

The Census Bureau estimates the number of Black homeowner households increased between 0% and 14%, with their best estimate falling at 7%. It is likely that all racial groups experienced a rise in the number of homeowner households in these three years. There's an 89% chance that there are more Black and Native American homeowners than before the pandemic. It is almost certain that the number of homeowners increased among Asian, White, Latino, and multiracial Hoosiers.

Percent increase in homeowner households by race, 2019-2022



— There is a 90% the actual change in homeowners falls in this range.

These data are from a survey and have a margin of error. There is a small chance change from year to year is caused by random noise in the survey data, and not by actual changes. We are 89% certain that homeownership increased among Black and Native American households. We are 98% homeownership increased among Asian households. We are 99% certain homeownership increased among all other households.

Chart: Indiana Association of Realtors • Source: IAR analysis of data from American Community Survey 1-Year Estimates • [Get the data](#) • Created with [Datawrapper](#)

Home Ownership and Age



Homeownership rate by age of householder in Indiana and U.S.

Indiana's homeownership rate (71%) is 6 points higher than the U.S. (65%). Much of the difference is from the 9-point advantage in our state's homeownership rate for households under 45.

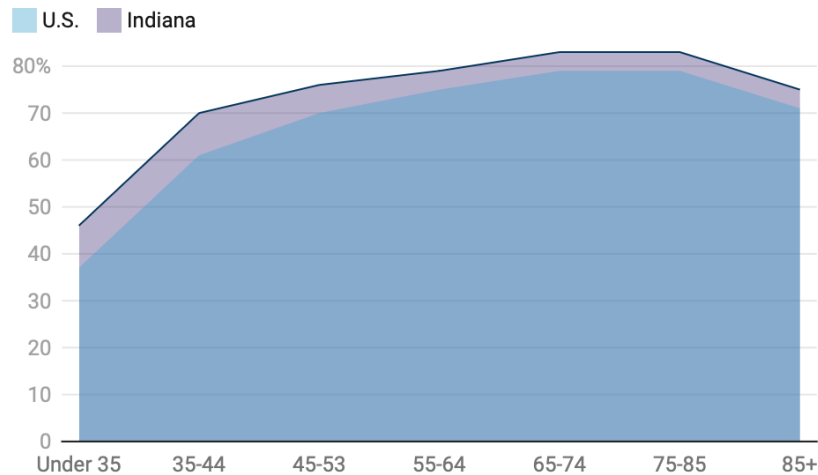


Chart: Indiana Association of REALTORS® • Source: American Community Survey 1-Year Estimates • [Get the data](#) • Created with [Datawrapper](#)

There is also a disparity in home ownership by age. **Households led by someone of prime working age are 23% less likely to own their home than a household led by someone 55 or older.** Among householders under age 55, 63% own their home, but among householders aged 55 or older, 81% own their home. This is relatively unchanged since before the pandemic—these rates were 60% and 80% in 2019.

The largest gap in homeownership is for households under age 35, where 46% own their home. This increased slightly from 43% in 2019, despite rising prices and a competitive market driving up the median age of first-time homebuyers.

While lower than older Hoosiers, homeownership levels under 45 are 9 points higher than the nation, driving much of our overall advantage in homeownership rate.



Equity

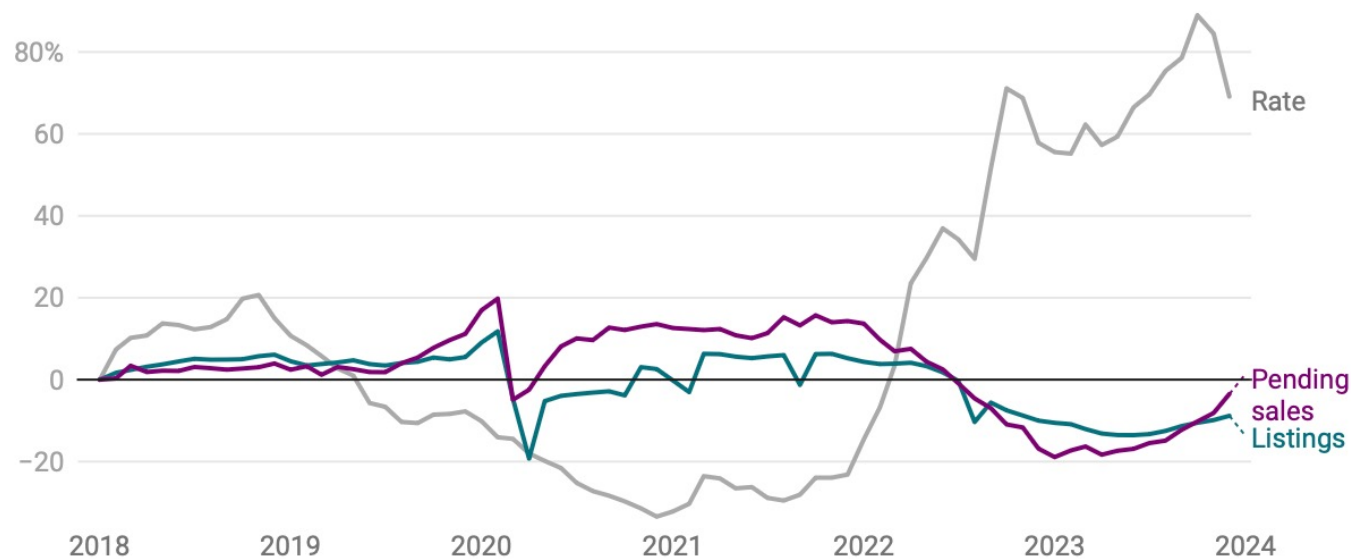
04 Analysis



High Rates Always Impacted Demand, but Now Impact Supply

Listings and sales have been depressed by high interest rates since 2022

Percent change since January 2018



Rate is the national average 30-year mortgage rate according to Freddie Mac. Listings and pending sales are seasonally adjusted using X13 ARIMA (0,1,1) (0,1,0)

Source: Indiana Association of Realtors, Freddie Mac • [Get the data](#) • Created with [Datawrapper](#)

When interest rates are higher, this has a dampening effect on buyers. Since 2021, higher rates have also led to fewer listings. Since 2018, **each one-point increase in the average 30-year mortgage rate has led to between 100-140 fewer pending sales per week.**

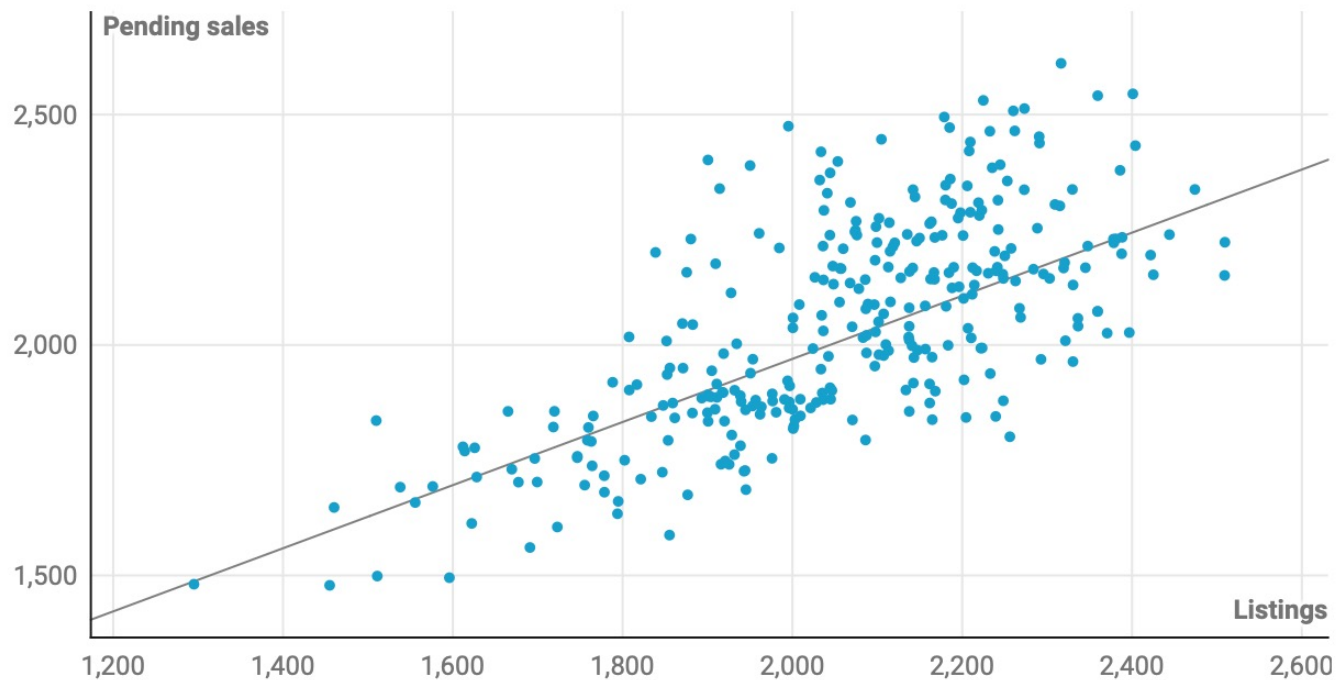
The impact of rates on supply is a new trend, however. Supply was not impacted by interest rates until they started to rise. Since 2021, **each one-point increase leads to 60-115 fewer listings per week.**

Falling rates should increase listings, sales, but not cool prices



Pending sales rise as listings increase

Weekly, seasonally adjusted listings and pending sales, 2018-2023



Source: Indiana Association of Realtors • [Get the data](#) • Created with [Datawrapper](#)



Analysis

Over the past six years, every 100 listings per week have generated 60-75 pending sales. Falling rates could have a double impact on sales. Falling rates could encourage more listings. Falling rates and increased listings will both act to create more sales. Sales are more sensitive to rates than listings. This means that falling rates will likely not flood the market with enough supply to calm price increases. Instead, **it is likely that a slight increase in listings will facilitate a jump in sales, but price pressure will remain high as new listings are acquired quickly and supply remains low.**

05 Expectations



Forecast scenarios

We base our forecasts on three scenarios, each representing a different interest rate projection.

For our conservative scenario, we used a [Fannie Mae projection](#) that expects rates to end 2024 at 6.5%.

For our middle scenario, we use a [forecast from Lawrence Yun](#), chief economist for the National Association of REALTORS®.

He expects rates to average 6.3% through 2024. (To implement this forecast, we assume rates start the year at 6.6% and end at 6.0%.)

Our optimistic scenario assumes rates fall to 5.75% according to a [projection by Greg McBride](#), chief financial analyst for Bankrate, and a similar [projection from HousingWire](#).

Conservative scenario

Rates projected end 2024 at 6.5%

Source: Fannie Mae

Middle scenario

Rates projected to average 6.3% in 2024

Source: Lawrence Yun, NAR

Optimistic scenario

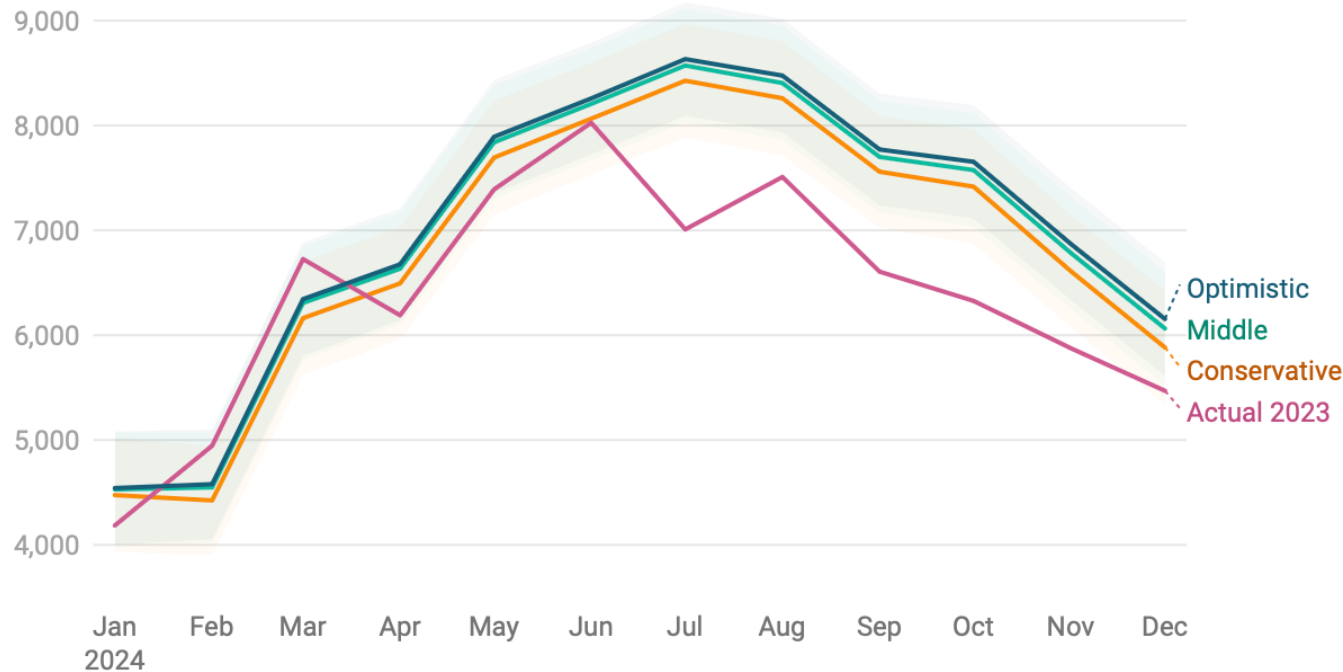
Rates fall to 5.75% by end of 2024

Source: Bankrate, HousingWire

Sales forecasted to grow 7-10% year-over-year



Comparison of scenario forecasts



Source: Indiana Association of Realtors • [Get the data](#) • Created with [Datawrapper](#)

We predict **81,500 sales** in our **conservative scenario**. This would be a 7% improvement over 2023, which had 76,262 sales, but fewer than the 88,868 sales in 2022.

Under our middle forecast, **sales would total 83,200**—9% higher than 2023. Our optimistic scenario estimates **83,900 sales** if rates drop below 6%, up 10% over 2023.

We forecast a rebound in sales, but nothing to match 2021 or 2022. Rates are still higher than since before the Great Recession, so we still forecast fewer sales than the past 8 years (except 2023).



Expectations

Sources and data notes

For complete text, visit

<https://data.indianarealtors.com/reports/stories/2023-annual-wrap-up>.

Sources

Population estimates: [Census Bureau Population Estimates](#)

GDP by state: [Bureau of Economic Analysis](#)

Building permits by state: [Census Bureau Building Permit Survey](#)

Building permits by metro area: [Census Bureau Building Permit Survey](#)

Homeownership by age: [American Community Survey](#)

Interest rates: [Freddie Mac Primary Mortgage Market Survey](#)

Housing market statistics are from Indiana Association of REALTORS® MLS Data Warehouse, which integrates MLS records from all of Indiana.

Data notes

Forecasts were developed from weekly data using ARIMA models with Fourier terms. This means the seasonality of cyclical real estate market was modeled using pairs of sine and cosine waves at different frequencies.

Weekly forecasts were aggregated into monthly and annual forecasts. To measure the accuracy of our method, forecasts were developed for 2023 using 2021-2022 data. The forecasts were within 2% of the actual 2023 sales total.

Sales forecasts are predicted using projected mortgage interest rates, projected listings, and projected sales contracts.

Statistical relationships between sales, listings, pending sales, and interest rates were also developed using weekly data and ARIMA models with Fourier terms. Seasonally adjusted monthly data shown in the monthly chart titled "Listings and sales have been depressed by high interest rates since 2022" were adjusted using the X13 SARIMA, developed by the Census Bureau and used by NAR.