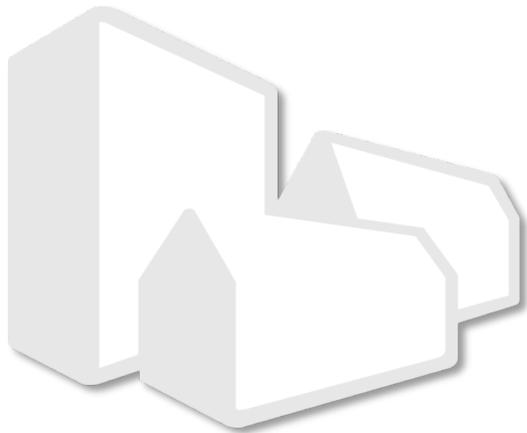


FINAL



Shelby County, Indiana

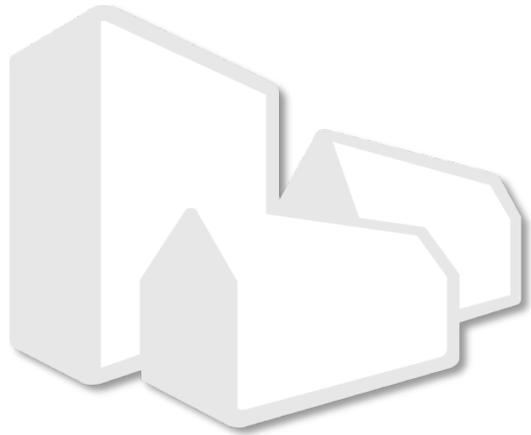
**Housing Demand Study –
Apartment and For-Sale Housing**

Draft Issued: December 6, 2017

Final Issued: March 5, 2018

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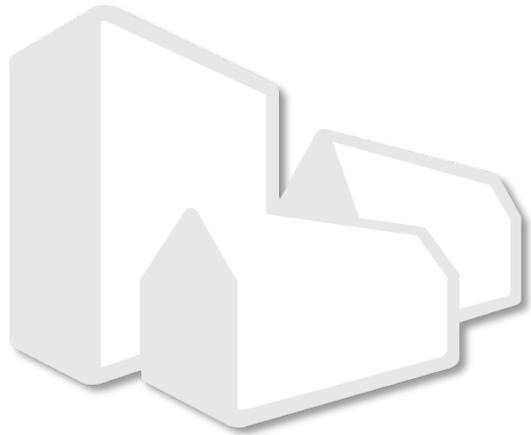
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Background and Objective

Background and Objective

- Background:** Shelby County (“Client”) engaged John Burns Real Estate Consulting, LLC (“JBREC”) to provide a market assessment of current and future housing demand for rental and for-sale housing in Shelby County. Shelby County wanted to better understand macro market conditions in the greater Indianapolis area, demographic trends, and housing demand across renter and buyer segments (defined by age cohorts) as they plan for future housing needs.
- Objective:** The primary objective of this assignment was to quantify current housing demand in Shelby County as well as forecast rental and for-sale housing demand for the next five years (2017-2022).
- Secondary objectives included: 1) analysis of housing market fundamentals in the Indianapolis-Carmel-Anderson, IN Metropolitan Statistical Area (“Indianapolis MSA”); 2) a demographic comparison of Shelby County to the southeast Indianapolis area (“southeast Indianapolis”) and Indianapolis MSA; and 3) analysis of location attributes for Shelby County.
- Contact Information:** John Burns Real Estate Consulting, LLC prepared this analysis.
- Danielle Leach, Manager, served as Project Manager and managed the day-to-day operations of the analysis. Chris Porter, Chief Demographer, formulated current and future demand conclusions. Lesley Deutch, Principal, completed the Internal Peer Review.
- Follow-up questions should be directed to us at:
- 100 Illinois Street, Suite 200
St. Charles, IL 60174
847.812.3925



Executive Summary

We summarize key conclusions regarding supply and estimated household growth in Shelby County through 2022.

SUPPLY

- According to Redfin, Shelby County recorded 325 owner-occupied closings in the last 6 months, or approximately 54 closings per month.
- There are currently 106 available listings in Shelby County, according to Redfin, which translates to approximately 2 months of supply based on the last 6 month closing history – which is below the U.S. “equilibrium” level of 4 to 5 months of supply.
- Based on the anticipated household growth from 2017-2022 as well as the aging of current housing stock, additional supply for owner-occupied housing valued \$150K-\$275K is potentially needed in Shelby County to satisfy expected incremental demand.

ESTIMATED HOUSING DEMAND – NEXT FIVE YEARS (2017-2022)

- JBREC estimates approximately 17,577 total households currently in Shelby County in 2017 – with approximately 5,284 renter and 12,293 owner households.
- JBREC estimates a total of approximately 197 net new households in Shelby County from 2017 to 2022 – which is approximately 40 net new households per year.
- Our household growth forecast translates to an annual net loss of approximately 36 renter households and an annual net gain of approximately 76 owner households.
- Although a net loss of rental households is expected annually in Shelby County, growth from 2017 to 2022 will be positive for renter households with incomes of \$75,000 or higher.

PROFILE OF GROWTH – NEXT FIVE YEARS (2017-2022)

- According to ESRI, the current median household income in Shelby County is \$54,967. ESRI expects the median household income to increase to \$61,227 by 2022.
- ESRI expects annual household growth from 2017 to 2022 in Shelby County to primarily come from those earning \$75K+. Specifically, 3.1% annual household growth from those earning \$75K-\$99K, 4.9% annual household growth from those earning \$100K-\$149K, 5.0% annual household growth from those earning \$150K-\$199K, and 4.3% annual household growth from those earning \$200K+.
- The current median age in Shelby County is 41.5, according to ESRI – and is expected to increase to 42.5 by 2022.
- ESRI projects annual population growth in Shelby County from 2017 to 2022 to primarily come from those aged 65+ (3.5%), aged 35-44 (0.5%), and aged 55-64 (0.1%).

We detail considerations for Shelby County as they work to positively influence future population growth within the County.

LIMITED POPULATION GROWTH

- Annual population growth in Shelby County has historically trended mostly flat – with slight population loss noted in 2015 and 2016.
- Based on our analysis of current market fundamentals and U.S. Census Bureau data, our projections are for this trend to continue through 2022.
- Annual population growth in the Indianapolis MSA from 2017 to 2022 is expected at 1.1% – which is more than five times the annual increase in population expected in Shelby County.

POSITIVE CHARACTERISTICS OF SHELBY COUNTY

- Shelby County is a reasonable commute to employment in downtown Indianapolis.
- Shelby County has a stronger presence of family households (71%) than the U.S., Indianapolis MSA, and southeast Indianapolis.
- The schools in Shelby County are generally well accepted and have average to above average GreatSchools ratings.
- Shelby County could potentially offer builders/developers the ability to deliver attainable housing to households in the Indianapolis MSA earning below the median household income – which is becoming increasingly more challenging in historically strong growth areas (e.g., southern Hamilton County). Currently, demand from these buyer groups is largely met by the rental and resale markets.

EXAMPLES OF SUCCESS

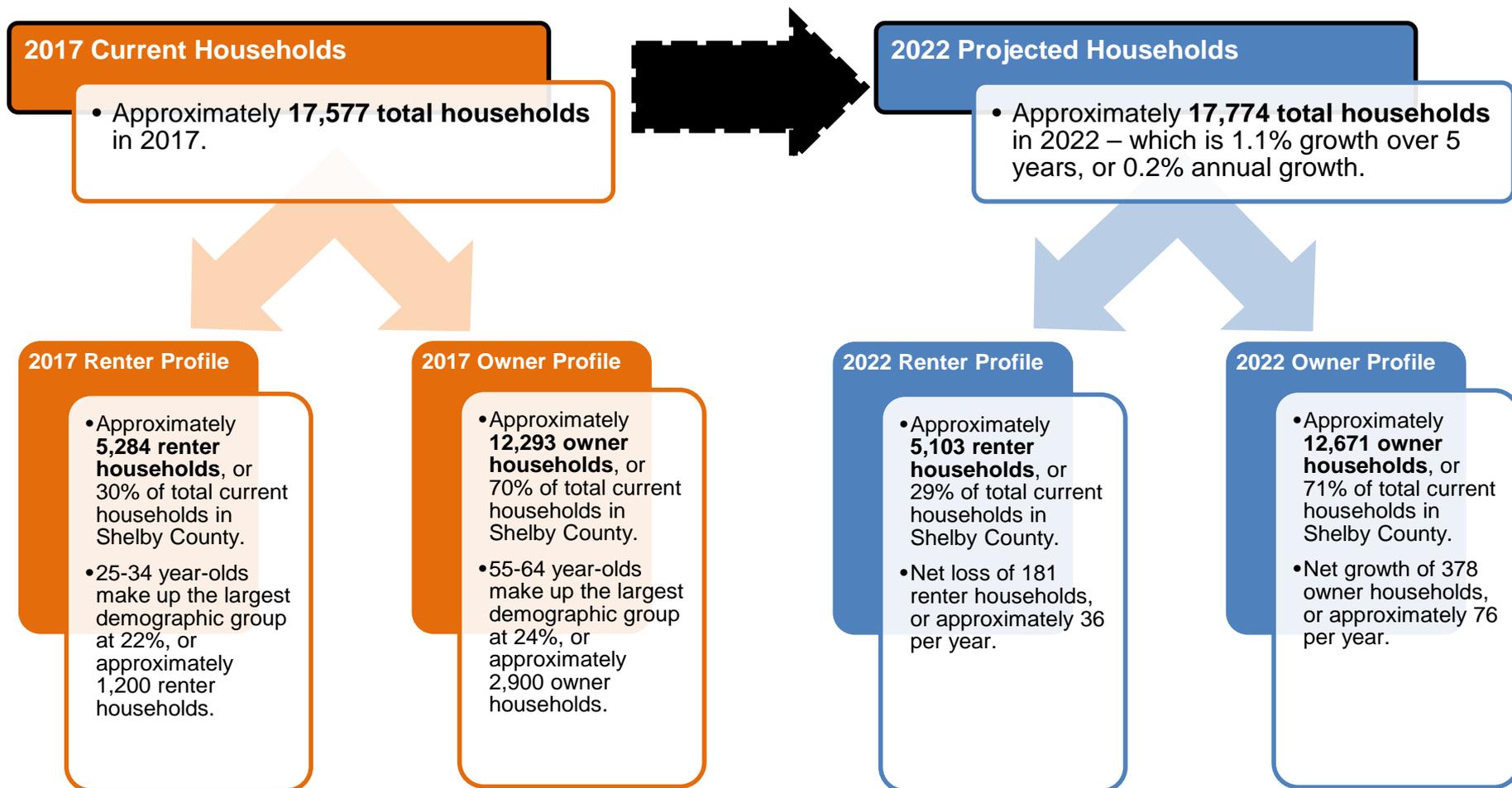
- Hancock and Johnson Counties are benefitting from pro-growth housing regulations, job growth, and revitalization of downtown areas – evidenced by moderate population and household growth.
- Whitestown, McCordsville, and Avon are examples of cities seeing housing demand increase due to an influx of new jobs.

FUTURE CONSIDERATIONS FOR SHELBY COUNTY

- As new comprehensive plans are adopted at the County and City levels, consider relaxation of current housing rules to allow for new development (e.g., reduce the 2-acre lot minimum to lot sizes attractive to builders/developers).
- Consider favorable tax structures for new businesses to locate in the County or existing businesses to expand.
- New jobs typically translate to additional housing demand – which then translates to additional rooftops that support retail expansion.
- The revitalization of downtown Shelbyville will likely add to the overall appeal of the area and promote household growth.

- **Initiatives are currently underway or being considering which could have a positive impact on future population and household growth within Shelby County.**
- These initiatives include:
 - Modification of existing comp plans to address the two-acre constraint – note that provisions are currently in place to allow development under two acres if utilities are in place
 - Recent job announcements – including Kimura, Ryobi, and MHP (Major Health Partners)
 - The Advantage Shelby County program
 - The East Washington Street project – which will significantly enhance downtown Shelbyville and create a destination for work/recreation (first phase in a multi-phase effort is currently underway)
 - An enhanced bike and pedestrian trail system – including the new Blue River Trailhead and Amos Road multi-use path
 - The capitalization of Blue River as a natural amenity and asset – including a potential canoe trail as a tourism draw and the Riverfront District
 - Potential utilities with the Northwest sewer district
 - Enhancements to underground utilities in the Fairland area – which will transform the district and potentially be the catalyst for development throughout the area

Shelby County – Housing Demand

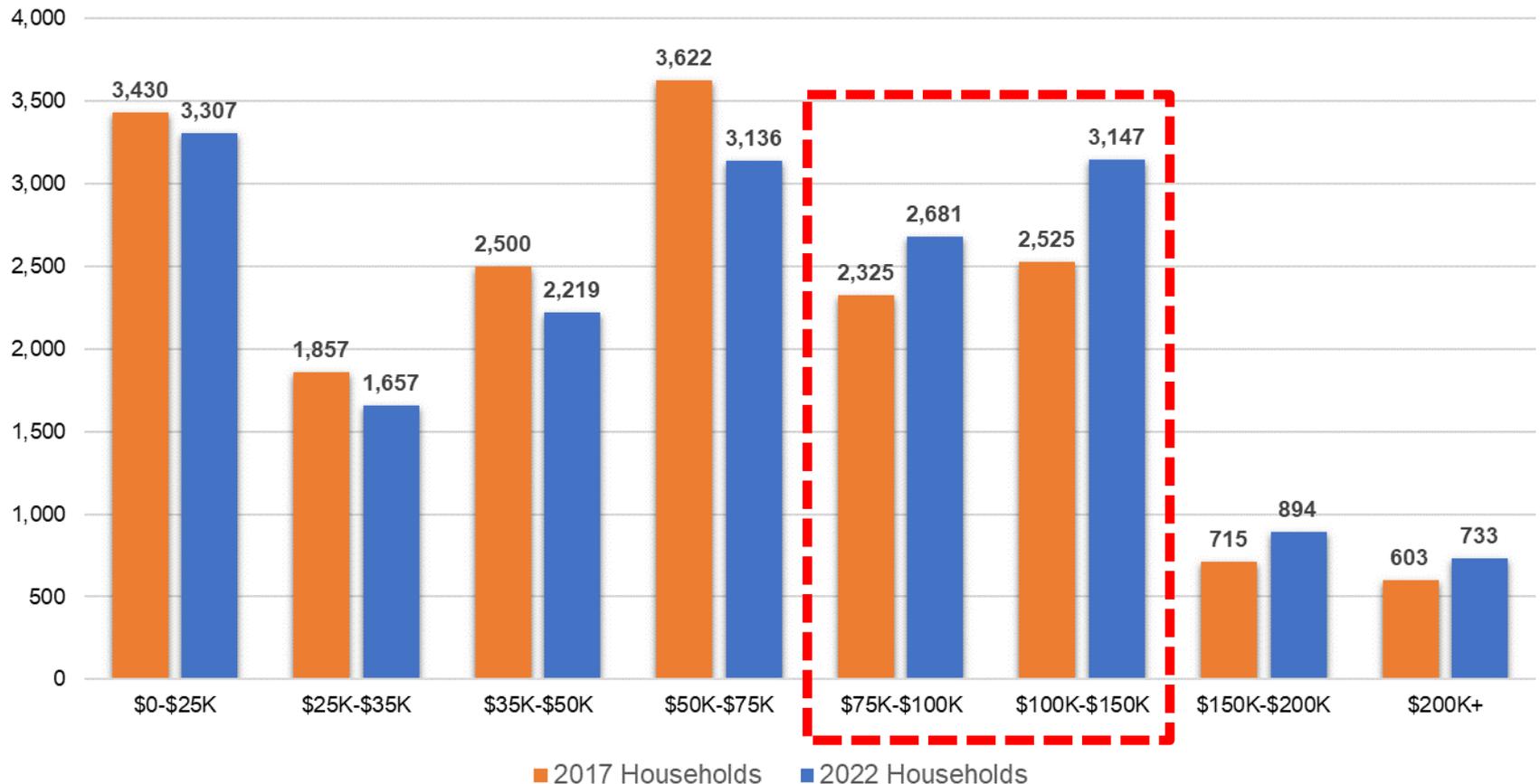


Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data

Comparison of 2017 and 2022 – Total Households by Income

- The chart below compares total households by income in 2017 to projections in 2022.
- **Annual household growth in Shelby County is expected to primarily come from those households earning \$75K-\$150K, with notable annual loss among households earning less than \$75K.**

2017 vs. 2022: Total Households by Annual Household Income

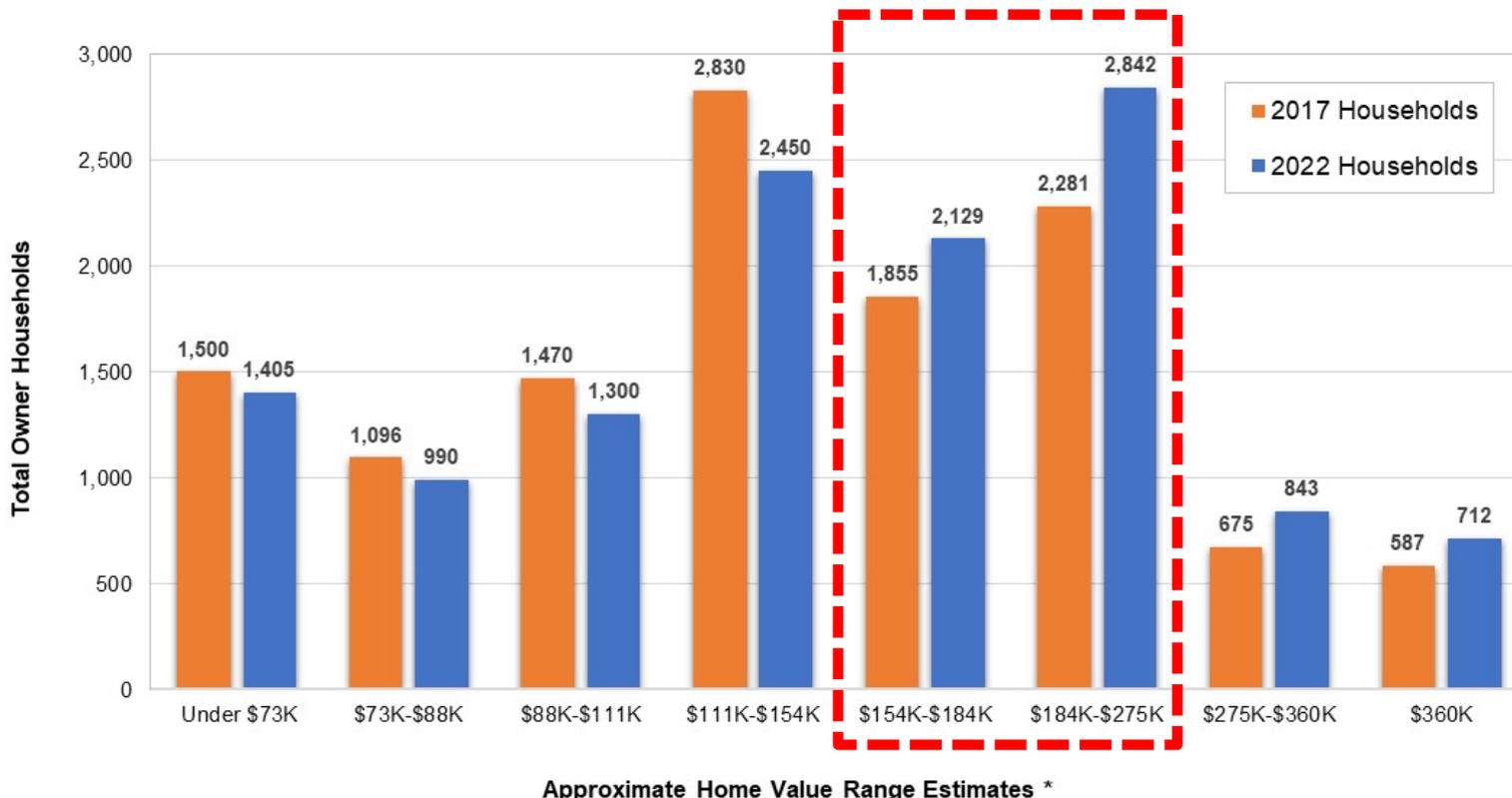


Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data

2017 vs. 2022 – Owner Households by Home Value

A comparison of owner households in 2017 to 2022 by approximate home value ranges shows the greatest household growth and **potentially the greatest future housing needs are for homes valued in the \$150K-\$275K range**. Please note that these are rough estimates based on U.S. Census Bureau data regarding reported home values.

2017 vs. 2022: Owner Households by Approximate Home Value



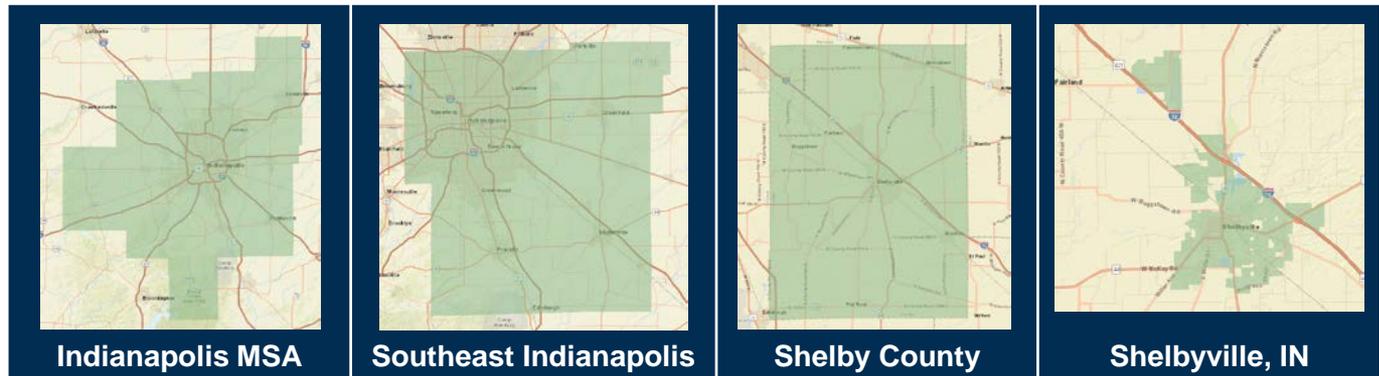
*** Note: The “approximate home value range estimates” are based on data from the U.S. Census Bureau – American Community Survey. These are rough estimates based on the relationship between annual household income and reported home value and should be treated as such for future housing planning.**

Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data

Overview of Demographic Trends

The table below compares demographics in the **Indianapolis MSA, southeast Indianapolis, Shelby County, and Shelbyville.**

- Annual population and household growth in Shelby County are expected to trail the growth anticipated in the Indianapolis MSA and southeast Indianapolis are over the next five years (2017 to 2022). The current median household income in Shelby County (\$54,967) is lower than in the Indianapolis MSA but relatively high for southeast Indianapolis.
- Shelbyville, which accounts for approximately 44% of the households in Shelby County and the location of the only new home developments in the County, currently has a median household income of \$42,820 and a median home value of \$109,057 – both well below the figures for the Indianapolis MSA and Shelby County.



	Indianapolis MSA	Southeast Indianapolis	Shelby County	Shelbyville, IN
Population (2017)	2,038,559	1,226,606	45,029	19,382
Annual Population Growth (2017 to 2022)	1.1%	0.8%	0.2%	0.2%
Households (2017)	784,927	485,430	17,577	7,740
Annual Household Growth (2017 to 2022)	1.0%	0.7%	0.2%	0.2%
Median HH Income (2017)	\$55,500	\$48,934	\$54,967	\$42,820
Median Age (2017)	37.0	36.1	41.5	37.4
Median Home Value (2017)	\$155,638	\$136,570	\$143,410	\$109,057

Sources: ESRI; John Burns Real Estate Consulting, LLC. Note that additional detail on these trends can be found in the "Demographic Analysis" section of this report.

Overview of Indianapolis MSA Market Fundamentals

We highlight **Indianapolis MSA** fundamentals below. *Note that additional detail on these trends can be found in the “Metro Analysis and Forecasts” section of this report.*

General Market Overview

- The Indianapolis MSA has solid housing market fundamentals and is currently 17% under priced based on the JBREC Burns Intrinsic Home Value Index which measures housing value trends for the entire market.
- The JBREC Affordability Index for the Indianapolis MSA is currently 1.6 (on a scale from 0 to 10 from best to worst affordability relative to its own history).
- The Indianapolis MSA housing market remains very affordable relative to its own history, with low risk supply and demand levels that support new home development.
- ESRI estimates 785K households currently in the Indianapolis MSA, with 1% annual growth projected from 2017 to 2022.

Employment and Income

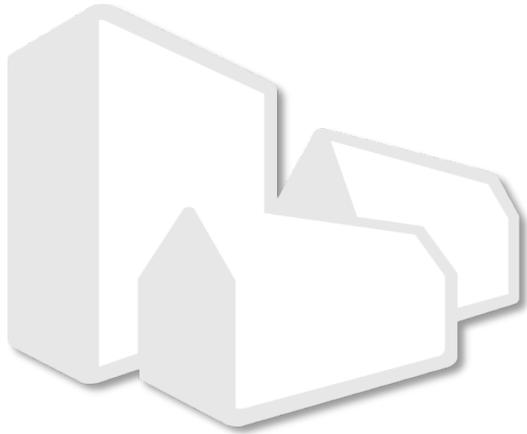
- The Indianapolis MSA added 25K jobs over the last twelve months, a 2.3% YOY growth rate, according to the U.S. Bureau of Labor Statistics (BLS).
- JBREC anticipates slowing employment fundamentals in the MSA through 2020, with annual employment growth projections ranging from 2.0% in 2017 to 0.2% in 2020. This deceleration of growth is in-line with our national forecast.
- The median household income in the Indianapolis MSA is currently \$56K, according to ESRI.

New Home Market

- Total permits are currently down 4% YOY at 8.0K, according to the U.S. Census Bureau.
- JBREC is projecting total permits to increase 9% in 2017 to 8.5K. After a 9% increase in permits in 2018 and a 2% increase in 2019, we are projecting a decrease in permits in 2020 (-5%).
- The current median new home price is down 1% YOY to \$291K, according to CoreLogic. JBREC forecasts positive but decelerating price appreciation from 2017 through 2020.
- New home sales volume is currently up 11% YOY at 5.0K, according to CoreLogic. JBREC projects an increase in new home sales volume in 2017 (11%), 2018 (8%), and 2019 (6%), followed by a decrease in volume in 2020 (-2%).

Existing Home Market

- Based on MLS data, listings are currently down 6.9% YOY at 9.6K with 2.9 months of supply.
- The current median resale price is up 11% YOY at \$184K, according to CoreLogic. JBREC forecasts positive but decelerating price appreciation from 2017 through 2020.
- Resale transaction volume is currently up 4% YOY at 39.4K, according to CoreLogic. JBREC forecasts resale volume to increase 5% in 2017, followed by a decrease in 2018 (-2%), 2019 (-2%), and 2020 (-3%).



Demand Analysis – Methodology and Conclusions

2017 Shelby County – Total Households by Age and Income

- We define demographic groups by decade-born in Shelby County, specifically, the 10-year cohorts as shown in the table below.
- In 2017:
 - 55-64 year-olds currently make up the largest demographic group at 21%, or approximately 3,700 households.
 - 45-54 year-olds are the second-largest demographic group at 20%, or approximately 3,500 households.
 - 35-44 year-olds represent 16% of total households, or approximately 2,800 households.
 - 25-34 year-olds represent 13% of total households, or approximately 2,300 households.
 - The 65+ population represents 27% of total households in Shelby County.

HOUSEHOLDS BY AGE AND INCOME - 2017								
Annual Household Income	Under 25	25-34	35-44	45-54	55-64	65-74	75+	Total
\$0 to \$25,000	210	327	380	415	649	634	815	3,430
\$25,000 to \$35,000	97	249	272	262	312	328	337	1,857
\$35,000 to \$50,000	105	359	360	460	483	419	314	2,500
\$50,000 to \$75,000	143	583	627	723	763	523	260	3,622
\$75,000 to \$100,000	29	347	427	514	589	301	118	2,325
\$100,000 to \$150,000	30	287	532	720	541	332	83	2,525
\$150,000 to \$200,000	5	58	122	204	199	106	21	715
\$200,000+	5	59	112	183	159	70	15	603
Total	624	2,269	2,832	3,481	3,695	2,713	1,963	17,577
Share of Total	3.6%	12.9%	16.1%	19.8%	21.0%	15.4%	11.2%	100.0%

Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data

Shelby County – Housing Demand in 2017

2017 Current Households

- We determined the current number of total households by age and income in Shelby County utilizing ESRI and U.S. Census Bureau data.
- Currently there are approximately **17,577 total households** in Shelby County. Total households are profiled by age and income on the following slide.
- We then determined the renter versus owner profiles in Shelby County in 2017.



2017 Renter Profile

- We determined the current **renter** profile in Shelby County – by age and income level – in 2017.
- ✓ There are approximately **5,284 renter households**, or 30% of total current households, in Shelby County.
- ✓ 25-34 year-olds make up the largest demographic group at 22%, or approximately 1,200 renter households.

2017 Owner Profile

- We determined the current **owner** profile in Shelby County – by age and income level – in 2017.
- ✓ There are approximately **12,293 owner households**, or 70% of total current households, in Shelby County.
- ✓ 55-64 year-olds make up the largest demographic group at 24%, or approximately 2,900 owner households.

Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data

2022 Shelby County – Total Households by Age and Income

- Population growth for Shelby County is estimated at 1.0% over the next five years (or 0.2% per year), per ESRI.
- Total households are expected to grow from 17,577 in 2017 to 17,774 in 2022, per ESRI.
- The subtle shift in households from 2017 to 2022 by decade-born is primarily due to the natural aging of the current population in Shelby County, as the area is anticipating limited household growth over the next five years (specifically, a growth of 197 total households – or approximately 40 additional households per year).
- In 2022:
 - 55-64 year-olds will make up the largest demographic group at 21%, or approximately 3,700 households.
 - 45-54 year-olds will be the second-largest demographic group at 18%, or approximately 3,200 households.
 - 35-44 year-olds will represent 16% of total households, or approximately 2,800 households.
 - 25-34 year-olds will represent 12% of total households, or approximately 2,200 households.
 - **The 65+ population is expected to represent approximately 30% of households in Shelby County.**

HOUSEHOLDS BY AGE AND INCOME - 2022								
Annual Household Income	Under 25	25-34	35-44	45-54	55-64	65-74	75+	Total
\$0 to \$25,000	200	301	350	333	575	673	875	3,307
\$25,000 to \$35,000	85	204	229	193	258	339	349	1,657
\$35,000 to \$50,000	100	298	303	355	404	427	332	2,219
\$50,000 to \$75,000	123	489	533	537	645	531	278	3,136
\$75,000 to \$100,000	40	394	490	517	660	403	177	2,681
\$100,000 to \$150,000	36	342	665	801	673	489	141	3,147
\$150,000 to \$200,000	5	69	153	224	249	158	36	894
\$200,000+	6	71	135	202	186	108	25	733
Total	595	2,168	2,858	3,162	3,650	3,128	2,213	17,774
Share of Total	3.3%	12.2%	16.1%	17.8%	20.5%	17.6%	12.5%	100.0%

Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data

Shelby County – Housing Demand Projected for 2022

2022 Projected Households

- Using proprietary population and income forecasts, we projected total households in Shelby County in 2022.
 - ✓ We estimate approximately **17,774 total households** in 2022, which is 1.1% growth over 5 years or 0.2% annual growth. These total households are profiled by age and income on the following slide.
 - ✓ We then determined the renter versus owner profiles in Shelby County in 2022.

2022 Renter Profile

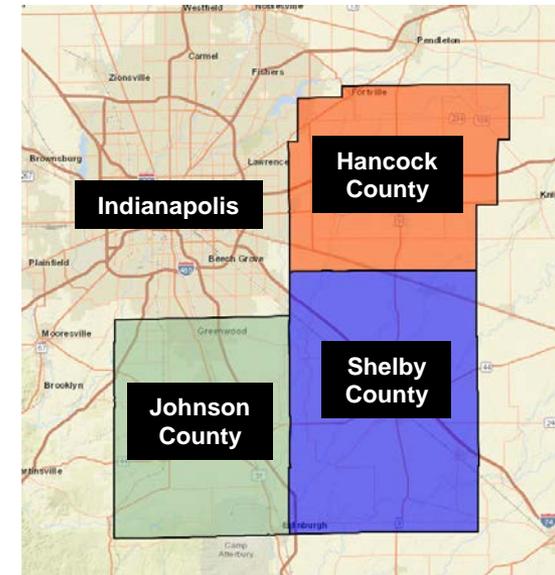
- Based on 0.2% annual growth for total households:
 - ✓ There will be approximately **5,103 renter households**, or 29% of total households, in Shelby County in 2022.
 - ✓ This translates to a **net loss of 181 renter households**, or approximately 36 per year.

2022 Owner Profile

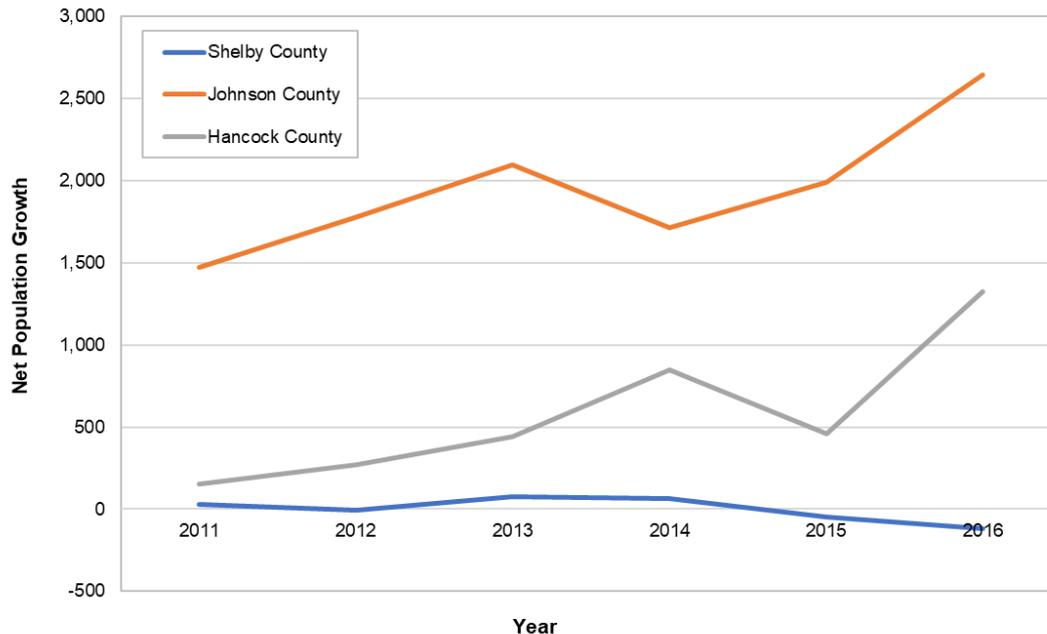
- Based on 0.2% annual growth for total households:
 - ✓ There will be approximately **12,671 owner households**, or 71% of total households, in Shelby County in 2022.
 - ✓ This translates to a **net growth of 378 owner households**, or approximately 76 per year.

Population Growth – County Comparison

- Based on data from the U.S. Census Bureau and ESRI as well as historical population and household trends in Shelby County, we used a 1.0% rate for population growth over the next 5 years (or 0.2% annual growth). These figures established our “base case scenario” for household growth from 2017 to 2022 in Shelby County.
- To explore a possible “upside scenario” for household growth from 2017 to 2022 in Shelby County, we analyzed population growth trends for comparable areas at County and City levels (*this analysis can be found on this slide as well as the following two slides*).
- Without a significant change in housing regulations and/or job centers, we believe the **base case scenario accurately reflects population and household growth in Shelby County through 2022.**



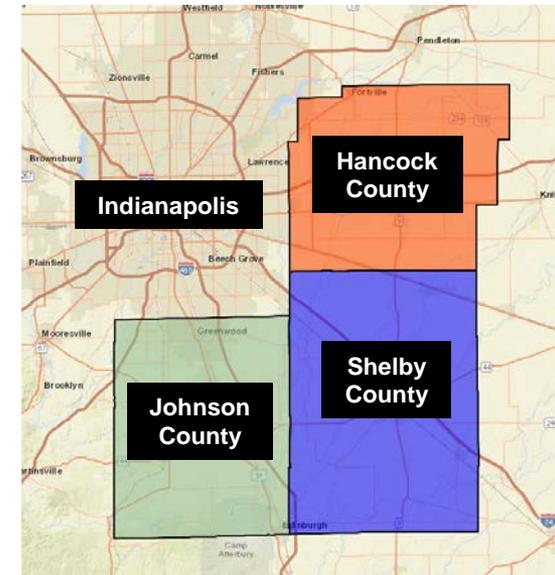
County Comparison: Annual Net Population Growth



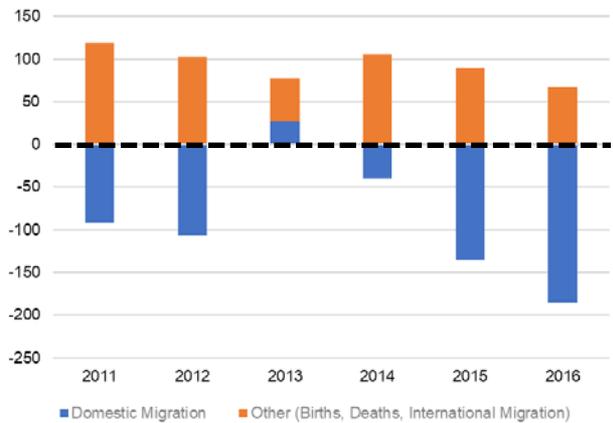
- In the line chart to the left, we compare annual net population growth from 2010 through 2016 in Shelby County to Johnson County and Hancock County – nearby counties that have experienced moderate population growth over the past couple of years.
- Annual population growth in Shelby County has **historically trended mostly flat** – with slight population loss noted in 2015 and 2016.

Population Growth – County Comparison (Continued)

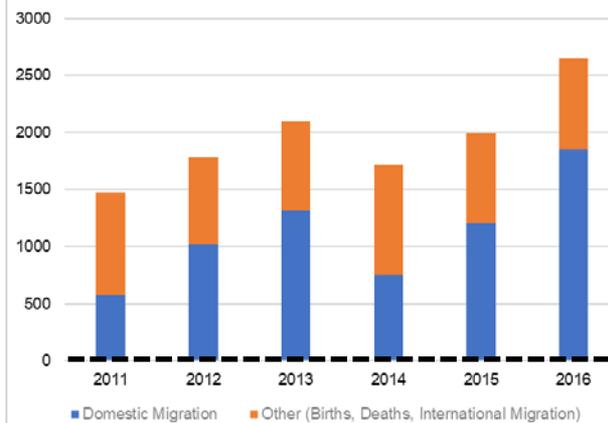
- **Migration into Shelby County has not kept pace with migration out of Shelby County in recent years**, with net population growth becoming negative in 2015 and 2016 (a loss of 45 people in 2015 and 118 people in 2016).
- Johnson County and Hancock County have experienced positive net population growth during this same time period – with population growth in 2016 far exceeding the population growth experienced in 2015 for both Counties.
- Johnson County and Hancock County are similarly located to downtown Indianapolis as Shelby County and **exhibit the upside potential in population and household growth with pro-growth housing regulations, job growth, and revitalized downtown areas.**



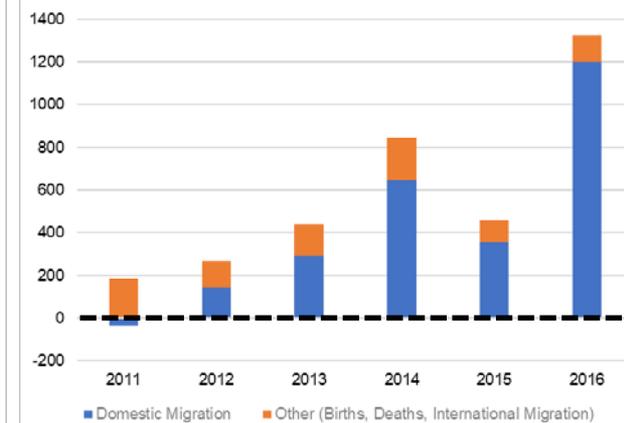
Shelby County Population Growth



Johnson County Population Growth



Hancock County Population Growth

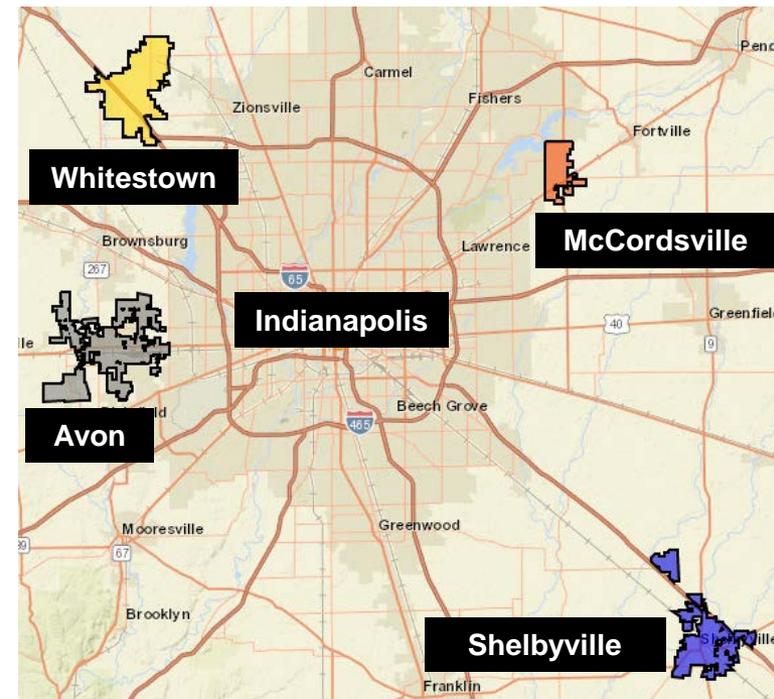
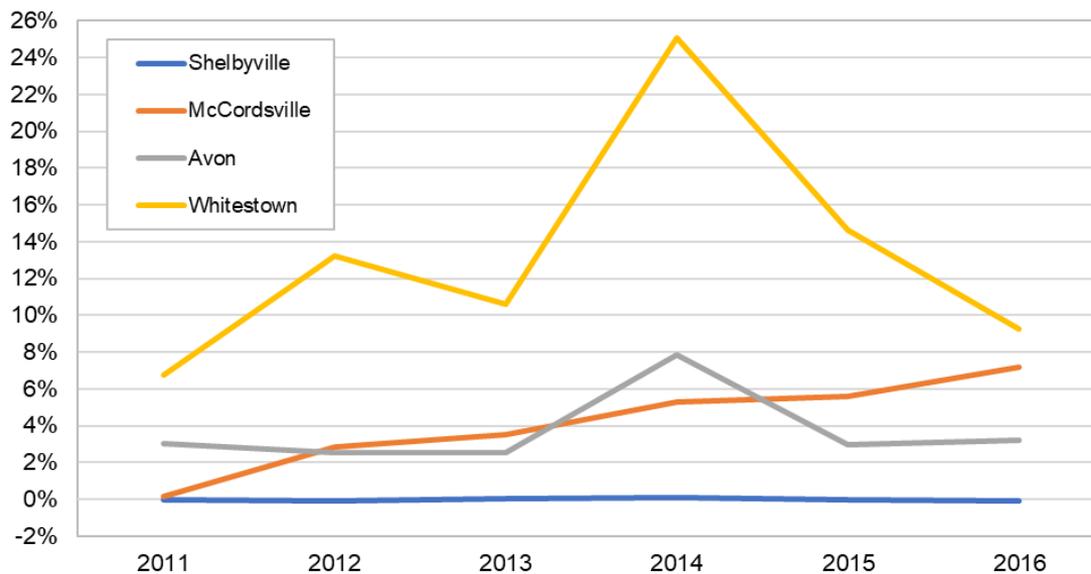


Sources: John Burns Real Estate Consulting, LLC; U.S Census Bureau; ESRI

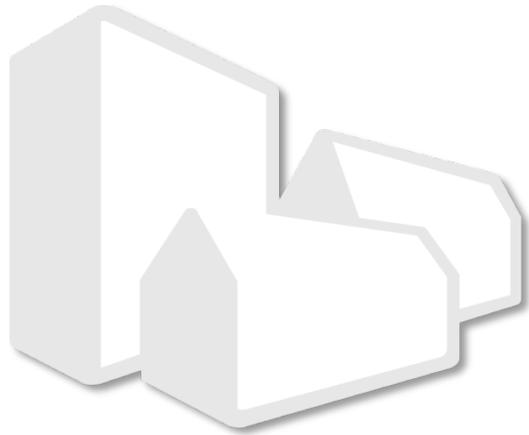
Population Growth – City Comparison

- Shelbyville accounts for approximately 43% of total population in Shelby County. Population growth trends in Shelbyville are therefore highly correlated to population growth trends for the overall County.
- In the chart below, we compare annual population growth from 2010 through 2016 in Shelbyville to other cities with a similar distance to downtown Indianapolis, specifically, McCordsville, Avon, and Whitestown.
 - ✓ **The compounded annual growth rate for Shelbyville for 2010 through 2016 is 0.0%** – which compares to a compounded annual growth rate of 4.1% in McCordsville, 3.7% in Avon, and 13.1% in Whitestown.
 - ✓ McCordsville, Avon, and Whitestown are similarly located to downtown Indianapolis as Shelbyville and **exhibit the upside potential in population and household growth with pro-growth housing regulations, job growth, and revitalized downtown areas.**
 - ✓ As an example, the population of Whitestown more than doubled between 2010 and 2016. Much of Whitestown’s population growth can be attributed to the 2008 opening of the Amazon Fulfillment Center. Growth is expected to continue in this area, as a \$50 million retail complex is set to open in Whitestown in 2018.

City Comparison: Annual Population Growth



Sources: John Burns Real Estate Consulting, LLC; U.S Census Bureau; ESRI



Demand Analysis – Rental Housing

2017-2022 Shelby County – Renter Household Profile by Income

- We expect a **net loss of 181 renter households** in Shelby County between 2017 and 2022, or an average of approximately 36 households per year.
 - ✓ 25% of renter households in Shelby County rent an apartment, defined as a unit in a building with at least 5 units.
 - ✓ The remaining 75% of renter households rent either a single-family detached home, condominium, a 2- to 4-unit dwelling, mobile home, or boat/RV/van.
 - ✓ Growth from 2017 to 2022 will be positive for renter households with incomes of \$75,000 or higher. Households earning under \$75,000 are expected to see a net loss in renter households.
 - ✓ Very few households earning \$150,000 or more rent in Shelby County.

Annual Household Income	Monthly Rental Rate 1/	TOTAL HOUSEHOLDS		RENTER HOUSEHOLDS - TOTAL			
		Total Households - 2017 2/	Total Households - 2022 2/	% Renter Households 2017 3/	2017 Calculated Renter Households	% Renter Households 2022 3/	2022 Calculated Renter Households (P)
\$0 to \$25,000	\$0 - \$600	3,430	3,307	56%	1,930	58%	1,902
\$25,000 to \$35,000	\$600 - \$800	1,857	1,657	41%	761	40%	667
\$35,000 to \$50,000	\$800 - \$1,100	2,500	2,219	41%	1,030	41%	919
\$50,000 to \$75,000	\$1,100 - \$1,700	3,622	3,136	22%	792	22%	686
\$75,000 to \$100,000	\$1,700 - \$2,200	2,325	2,681	20%	470	21%	552
\$100,000 to \$150,000	\$2,200 - \$3,300	2,525	3,147	10%	244	10%	305
\$150,000 to \$200,000	\$3,300 - \$4,400	715	894	6%	40	6%	51
\$200,000+	\$4,400 - \$6,600	603	733	3%	16	3%	21
Total		17,577	17,774	30%	5,284	29%	5,103

Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data

30% of Shelby County households are renters in 2017, which is below the U.S. average of 37%.

- 25-34 year-olds make up the largest demographic group at 22%, or approximately 1,200 renter households.
- 35-44 year-olds are the second-largest demographic group at 20%, or approximately 1,100 renter households.
- 45-54 year-olds represent 17% of the total renter households, or approximately 900 households.
- Those aged 55+ represent 32% of total renter households.

		RENTER HOUSEHOLDS BY AGE AND INCOME - 2017							
Annual Household Income	Monthly Rental Rate 1/	Under 25	25-34	35-44	45-54	55-64	65-74	75+	Total
\$0 to \$25,000	\$0 - \$600	184	288	286	262	353	329	227	1,930
\$25,000 to \$35,000	\$600 - \$800	82	185	166	126	101	60	42	761
\$35,000 to \$50,000	\$800 - \$1,100	91	240	217	196	154	91	41	1,030
\$50,000 to \$75,000	\$1,100 - \$1,700	85	238	150	162	100	37	20	792
\$75,000 to \$100,000	\$1,700 - \$2,200	21	131	146	93	51	21	7	470
\$100,000 to \$150,000	\$2,200 - \$3,300	16	66	80	56	15	8	3	244
\$150,000 to \$200,000	\$3,300 - \$4,400	2	10	8	11	4	5	0	40
\$200,000+	\$4,400 - \$6,600	0	6	1	5	1	3	0	16
Total		483	1,165	1,054	909	779	554	339	5,284
Share of Total		9.1%	22.1%	20.0%	17.2%	14.7%	10.5%	6.4%	100.0%

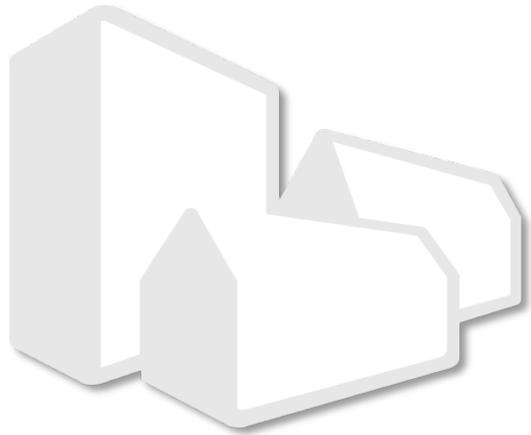
Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data

In 2022, rentership will decline slightly to 29%, with a net loss in renter households.

- 25-34 year-olds will make up the largest demographic group at 21%, or approximately 1,100 renter households.
- 35-44 year-olds are the second-largest demographic group at 20%, or approximately 1,000 renter households.
- 45-54 year-olds represent 16% of the total renter households, or approximately 800 renter households.
- **Those aged 55+ are expected to represent 35% of total renter households**, reflecting a large number of people aging into their retirement years who show a greater tendency to rent at an older age than prior generations.

		RENTER HOUSEHOLDS BY AGE AND INCOME - 2022							
Annual Household Income	Monthly Rental Rate 1/	Under 25	25-34	35-44	45-54	55-64	65-74	75+	Total
\$0 to \$25,000	\$0 - \$600	177	269	266	224	335	392	240	1,902
\$25,000 to \$35,000	\$600 - \$800	72	153	140	99	90	69	43	667
\$35,000 to \$50,000	\$800 - \$1,100	88	202	184	161	138	104	42	919
\$50,000 to \$75,000	\$1,100 - \$1,700	74	202	128	128	90	42	21	686
\$75,000 to \$100,000	\$1,700 - \$2,200	30	151	169	99	61	32	10	552
\$100,000 to \$150,000	\$2,200 - \$3,300	20	80	101	66	20	13	5	305
\$150,000 to \$200,000	\$3,300 - \$4,400	2	12	10	13	5	9	0	51
\$200,000+	\$4,400 - \$6,600	0	7	1	6	1	6	0	21
Total		462	1,077	1,000	796	739	667	361	5,103
Share of Total		9.1%	21.1%	19.6%	15.6%	14.5%	13.1%	7.1%	100.0%

Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data



Demand Analysis – For-Sale Housing

2017-2022 Shelby County – Owner Household Profile by Income

- We expect a **net gain of 378 owner households** in Shelby County between 2017 and 2022, or an average of approximately 76 households per year.
- Growth from 2017 to 2022 will be positive for owner households with incomes of \$75,000 or higher. Households earning under \$75,000 are expected to see a net loss in owner households.
- The approximate home value range estimates are based on data from the U.S. Census Bureau – American Community Survey. These are rough estimates based on the relationship between annual household income and reported home value.

Annual Household Income	Approximate Home Value Range Estimate	TOTAL HOUSEHOLDS		OWNER HOUSEHOLDS - TOTAL			
		Total Households - 2017 2/	Total Households - 2022 2/	% Owner Households 2017 3/	2017 Calculated Owner Households	% Owner Households 2022 3/	2022 Calculated Owner Households (P)
\$0 to \$25,000	Under \$73,000	3,430	3,307	44%	1,500	42%	1,405
\$25,000 to \$35,000	\$73,000-\$88,000	1,857	1,657	59%	1,096	60%	990
\$35,000 to \$50,000	\$88,000-\$111,000	2,500	2,219	59%	1,470	59%	1,300
\$50,000 to \$75,000	\$111,000-\$154,000	3,622	3,136	78%	2,830	78%	2,450
\$75,000 to \$100,000	\$154,000-\$184,000	2,325	2,681	80%	1,855	79%	2,129
\$100,000 to \$150,000	\$184,000-\$275,000	2,525	3,147	90%	2,281	90%	2,842
\$150,000 to \$200,000	\$275,000-\$360,000	715	894	94%	675	94%	843
\$200,000+	\$360,000+	603	733	97%	587	97%	712
Total		17,577	17,774	70%	12,293	71%	12,671

Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data

70% of Shelby County households are owners in 2017, which is higher than the U.S. average of 63%.

- 55-64 year-olds make up the largest demographic group at 24%, or approximately 2,900 owner households.
- 45-54 year-olds are the second-largest demographic group at 21%, or approximately 2,600 owner households.
- 65-74 year-olds represent 18% of the total owner households, or approximately 2,200 owner households.
- Households under the age of 45 represent 25% of owner households – which compares to 33% of total households in Shelby County.

		OWNER HOUSEHOLDS BY AGE AND INCOME - 2017							
Annual Household Income	Approximate Home Value Range Estimate	Under 25	25-34	35-44	45-54	55-64	65-74	75+	Total
\$0 to \$25,000	Under \$73,000	26	39	94	153	296	305	588	1,500
\$25,000 to \$35,000	\$73,000-\$88,000	15	64	106	136	211	268	295	1,096
\$35,000 to \$50,000	\$88,000-\$111,000	14	119	143	264	329	328	273	1,470
\$50,000 to \$75,000	\$111,000-\$154,000	58	345	477	561	663	486	240	2,830
\$75,000 to \$100,000	\$154,000-\$184,000	8	216	281	421	538	280	111	1,855
\$100,000 to \$150,000	\$184,000-\$275,000	14	221	452	664	526	324	80	2,281
\$150,000 to \$200,000	\$275,000-\$360,000	3	48	114	193	195	101	21	675
\$200,000+	\$360,000+	5	53	111	178	158	67	15	587
Total		141	1,104	1,778	2,572	2,916	2,159	1,624	12,293
Share of Total		1.1%	9.0%	14.5%	20.9%	23.7%	17.6%	13.2%	100.0%

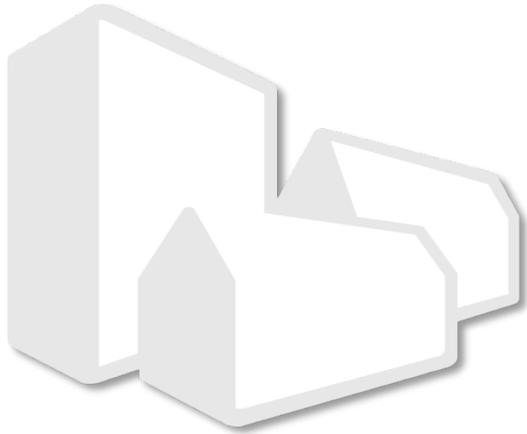
Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data

In 2022, ownership will rise slightly to 71%, accelerating the net gain in homeowners.

- 55-64 year-olds will make up the largest demographic group at 23%, or approximately 2,900 owner households.
- 65-74 year-olds will be the second-largest demographic group at 19%, or approximately 2,500 owner households.
- 45-54 year-olds will represent 19% of the total owner households, or approximately 2,400 owner households.
- Households under the age of 45 represent 24% of owner households – which compares to 32% of total households in Shelby County.

		OWNER HOUSEHOLDS BY AGE AND INCOME - 2022							
Annual Household Income	Approximate Home Value Range Estimate	Under 25	25-34	35-44	45-54	55-64	65-74	75+	Total
\$0 to \$25,000	Under \$73,000	23	32	84	109	240	281	635	1,405
\$25,000 to \$35,000	\$73,000-\$88,000	13	51	89	94	168	270	306	990
\$35,000 to \$50,000	\$88,000-\$111,000	12	96	119	194	266	323	290	1,300
\$50,000 to \$75,000	\$111,000-\$154,000	49	287	405	409	555	489	257	2,450
\$75,000 to \$100,000	\$154,000-\$184,000	10	243	321	418	599	371	167	2,129
\$100,000 to \$150,000	\$184,000-\$275,000	16	262	564	735	653	476	136	2,842
\$150,000 to \$200,000	\$275,000-\$360,000	3	57	143	211	244	149	36	843
\$200,000+	\$360,000+	6	64	134	196	185	102	25	712
Total		133	1,091	1,858	2,366	2,911	2,461	1,852	12,671
Share of Total		1.0%	8.6%	14.7%	18.7%	23.0%	19.4%	14.6%	100.0%

Sources: John Burns Real Estate Consulting, LLC calculations of ESRI and U.S. Census Bureau data



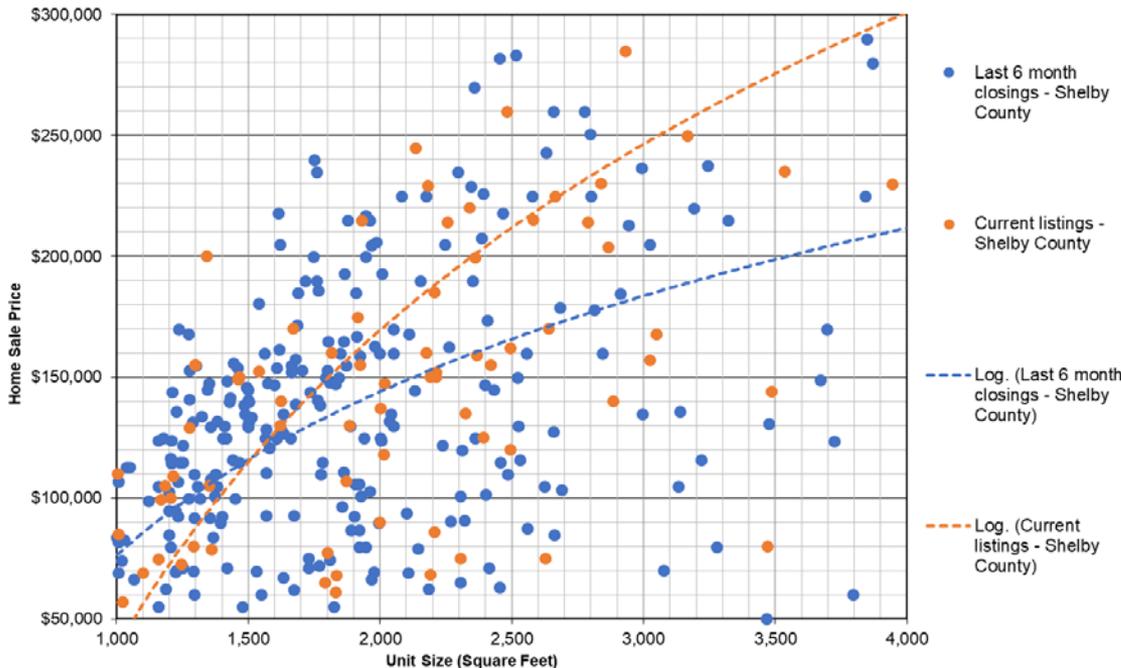
Permit, Closing, and Listing Activity – Shelby County

Last 12 Month Closings and Current Listings in Shelby County

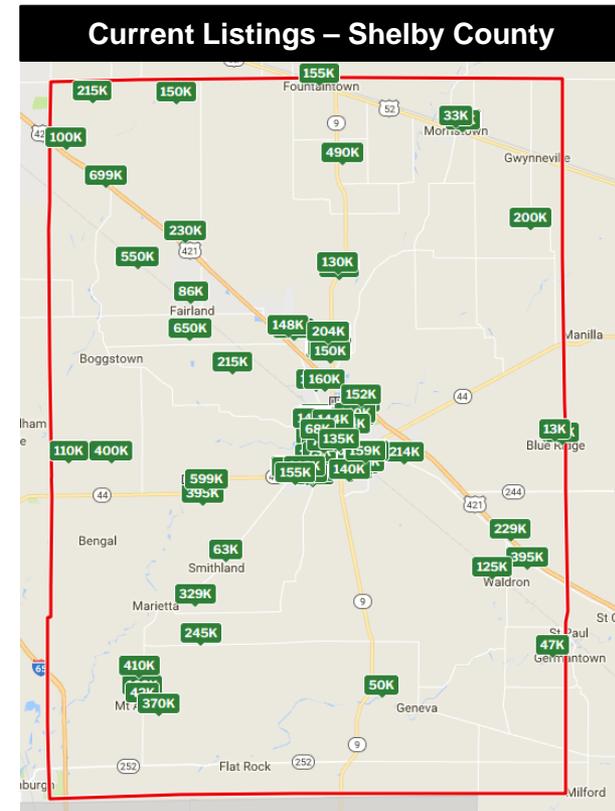
- According to Redfin, there were 325 closings in the last 6 months in Shelby County (approximately 54 closings per month). These units averaged 1,900 square feet with an average selling price of \$131K and average year built of 1956.
- 34 of the 325 closed units (10%) were built in 2000-2017. These more recently built units averaged 2,056 square feet with an average selling price of \$180K.
- According to Redfin, there are currently 106 available listings – which translates to approximately 2 months of supply based on the last 6 month closing history. **A supply of 2 months is tight and well below the U.S. “equilibrium” level of 4 to 5 months of supply**
- Based on the anticipated household growth from 2017-2022 as well as the aging of current housing stock, **additional supply for owner-occupied housing valued \$150K-\$275K is potentially needed in Shelby County to satisfy expected incremental demand.**

325 Closings	Sales Price	Unit Size	Lot Size	Year Built	Price / Sq. Ft.
Average	\$131,451	1,916	46,955	1956	\$91
Median	\$125,000	1,759	17,027	1962	\$91

106 Listings	Sales Price	Unit Size	Lot Size	Year Built	Price / Sq. Ft.
Average	\$171,069	2,220	103,594	1951	\$77
Median	\$148,200	2,121	13,939	1959	\$70



Source: JBREC, Redfin - last 6 month closings and current listings in Shelby County

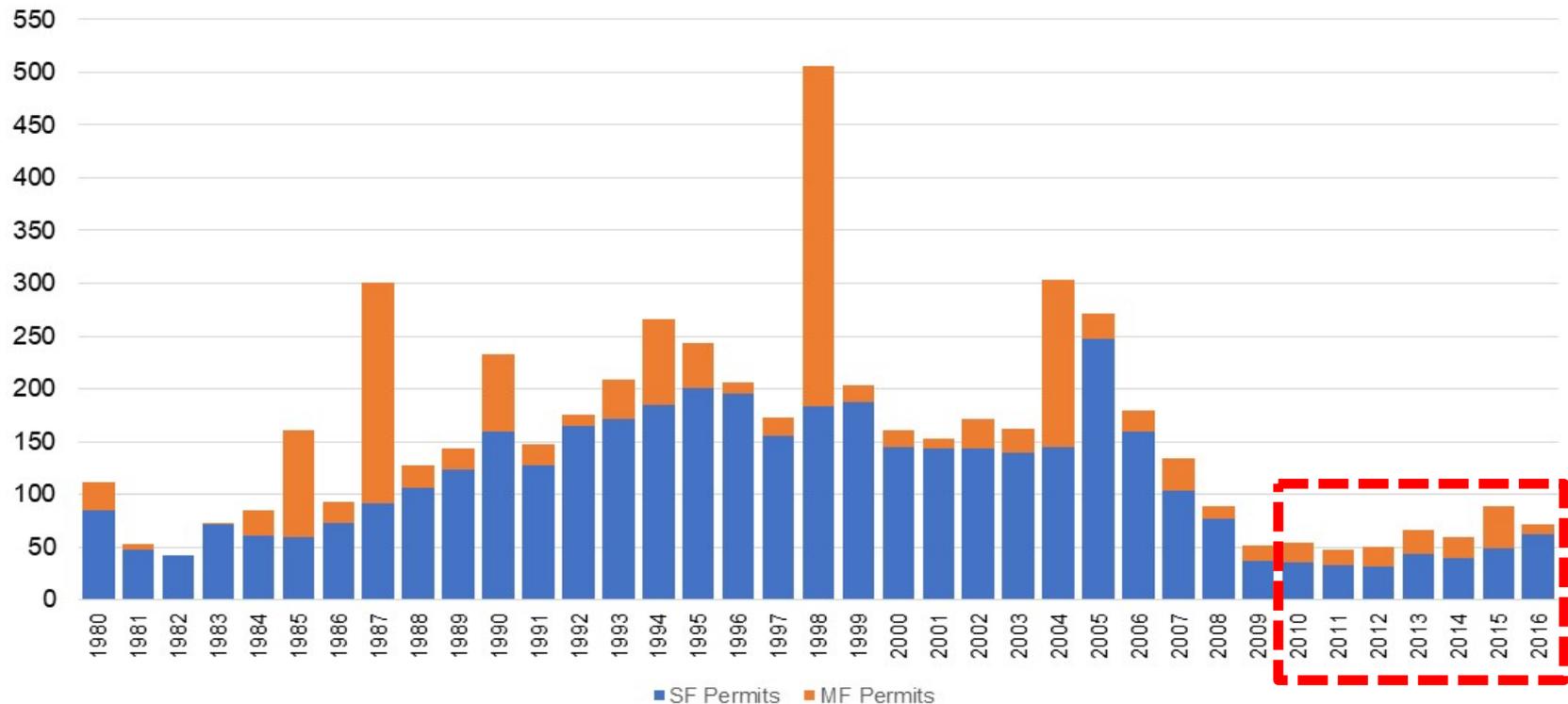


Source: John Burns Real Estate Consulting, LLC; Redfin – house, condo, townhouse, and multifamily closings.

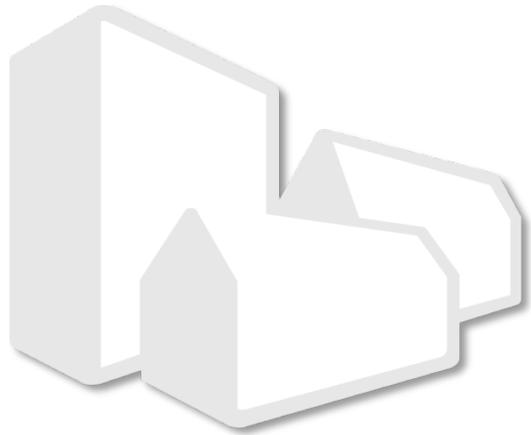
Permit Issuance in Shelby County

- According to the U.S. Census Bureau, Shelby County has issued 42 single-family and 21 multifamily permits on average annually post-recession (2010 through 2016).
- In 2016, Shelby County issued 72 total permits (62 single-family and 10 multifamily permits).
- We anticipate a total net growth of 197 households in Shelby County from 2017 to 2020, **with a net loss of approximately 36 renter households and a net gain of approximately 76 owner households per year.**
- Based on historical permit issuance and anticipated household growth through 2020, **additional single-family, owner-occupied units will be needed – while the current supply of multifamily, rental units is satisfying demand.**

Shelby County Permits



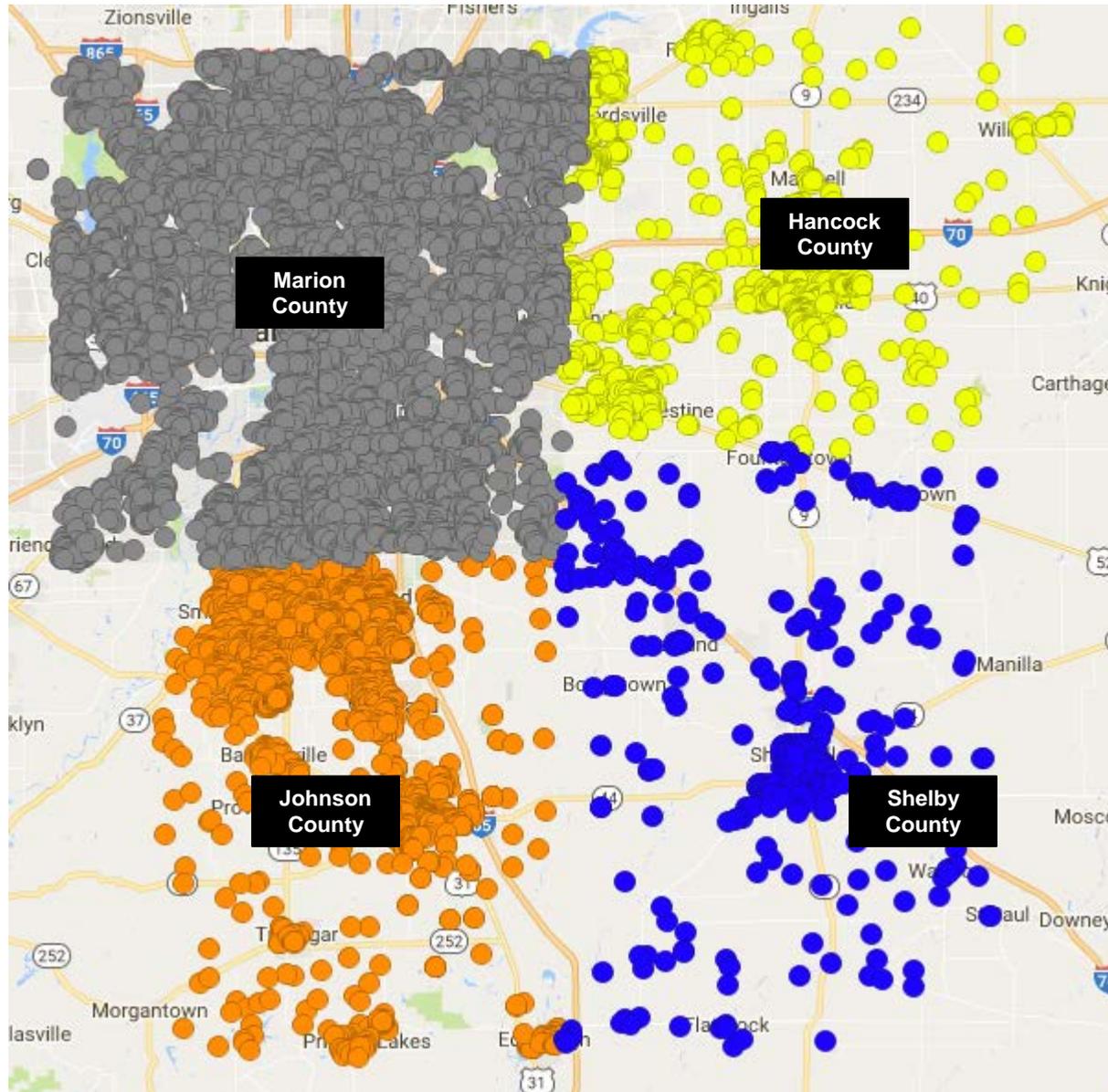
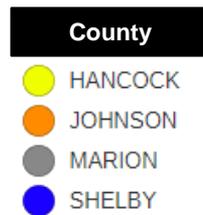
Sources: John Burns Real Estate Consulting, LLC; U.S. Census Bureau.



Home Sale Transaction Analysis

Last 12 Month Closing Transactions – By County – Map

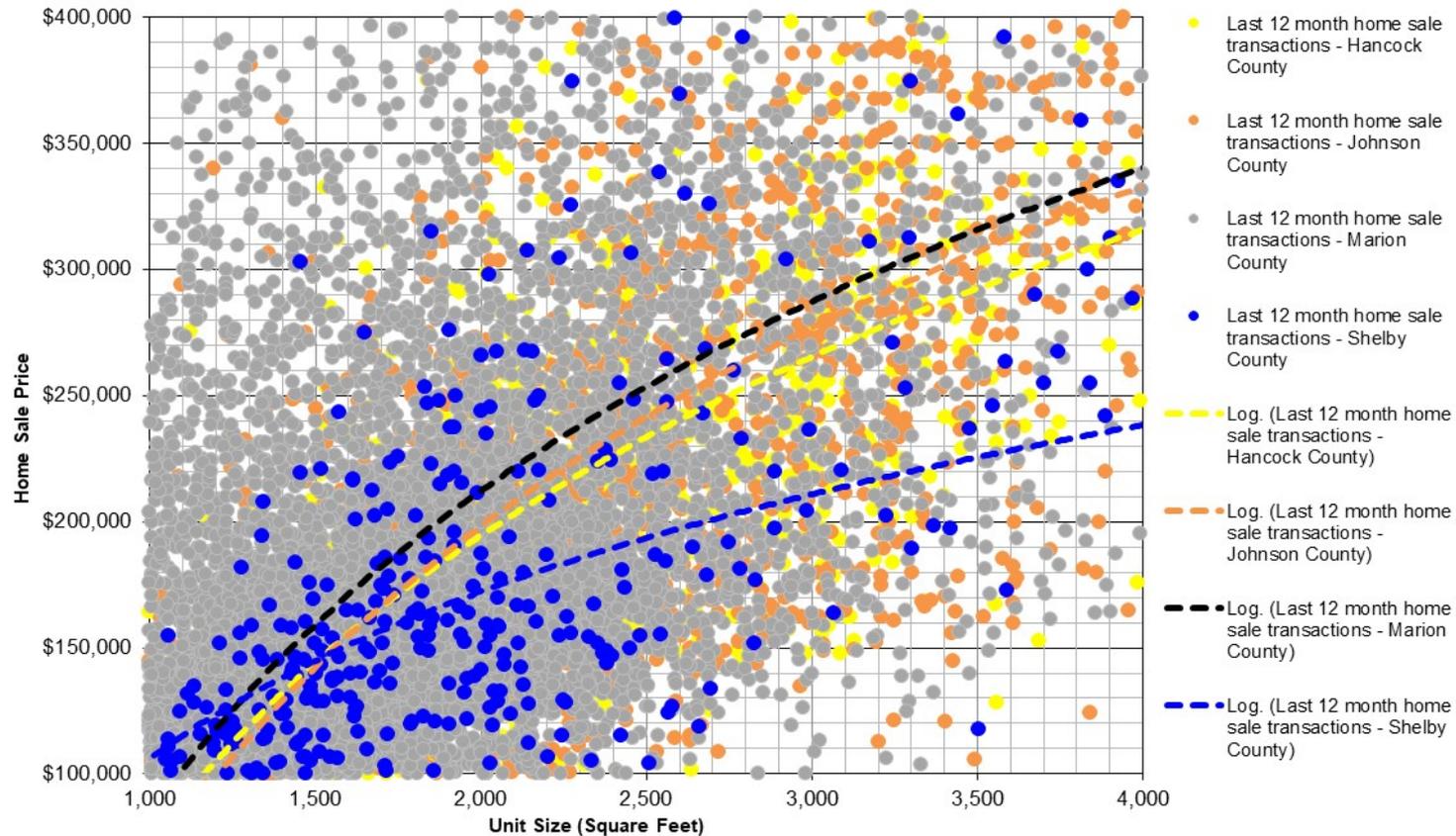
- This map details home sale transactions by county in southeast Indianapolis – defined as Shelby County, Hancock County, Johnson County, and Marion County – over the last 12 months.
- Marion County accounts for approximately 73% of home sale transactions in southeast Indianapolis.
- Shelby County accounts for approximately 3% of home sales volume in southeast Indianapolis.



Sources: John Burns Real Estate Consulting, LLC; CoreLogic – last 12 month home sale transactions in Shelby (ending 8/2017), Hancock (ending 8/2017), Johnson (ending 5/2017), and Marion (ending 10/2017) Counties. Includes new and existing, attached and detached, single-family home sales. Prices are estimated using the first purchase loan, where available.

Last 12 Month Closing Transactions – By County – Chart

- The chart below details home sale transactions by county in southeast Indianapolis – defined as Shelby County, Hancock County, Johnson County, and Marion County – over the last 12 months. *This chart corresponds to the map on the previous slide as well as the data tables on the following slide.*
- In general, home sales in Shelby County transact at a discount to those occurring in Marion, Hancock, and Johnson Counties – as evidenced by the trend lines in the chart below as well as the median price per square foot (*data included in the tables on the following slide.*)



Source: JBREC, Corelogic - last 12 month home sale transactions

Sources: John Burns Real Estate Consulting, LLC; CoreLogic – last 12 month home sale transactions in Shelby (ending 8/2017), Hancock (ending 8/2017), Johnson (ending 5/2017), and Marion (ending 10/2017) Counties. Includes new and existing, attached and detached, single-family home sales. Prices are estimated using the first purchase loan, where available.

Last 12 Month Closing Transactions – By County – Chart Data

The data tables below reflect a summary of the home closing transactions detailed in the chart on the previous slide.

12224 Home Sales in Marion County	Sales Price	Unit Size	Price / Sq. Ft.
Average	\$171,690	1,742	\$100
Median	\$143,697	1,568	\$89

1171 Home Sales in Hancock County	Sales Price	Unit Size	Price / Sq. Ft.
Average	\$199,026	2,189	\$92
Median	\$181,665	2,069	\$91

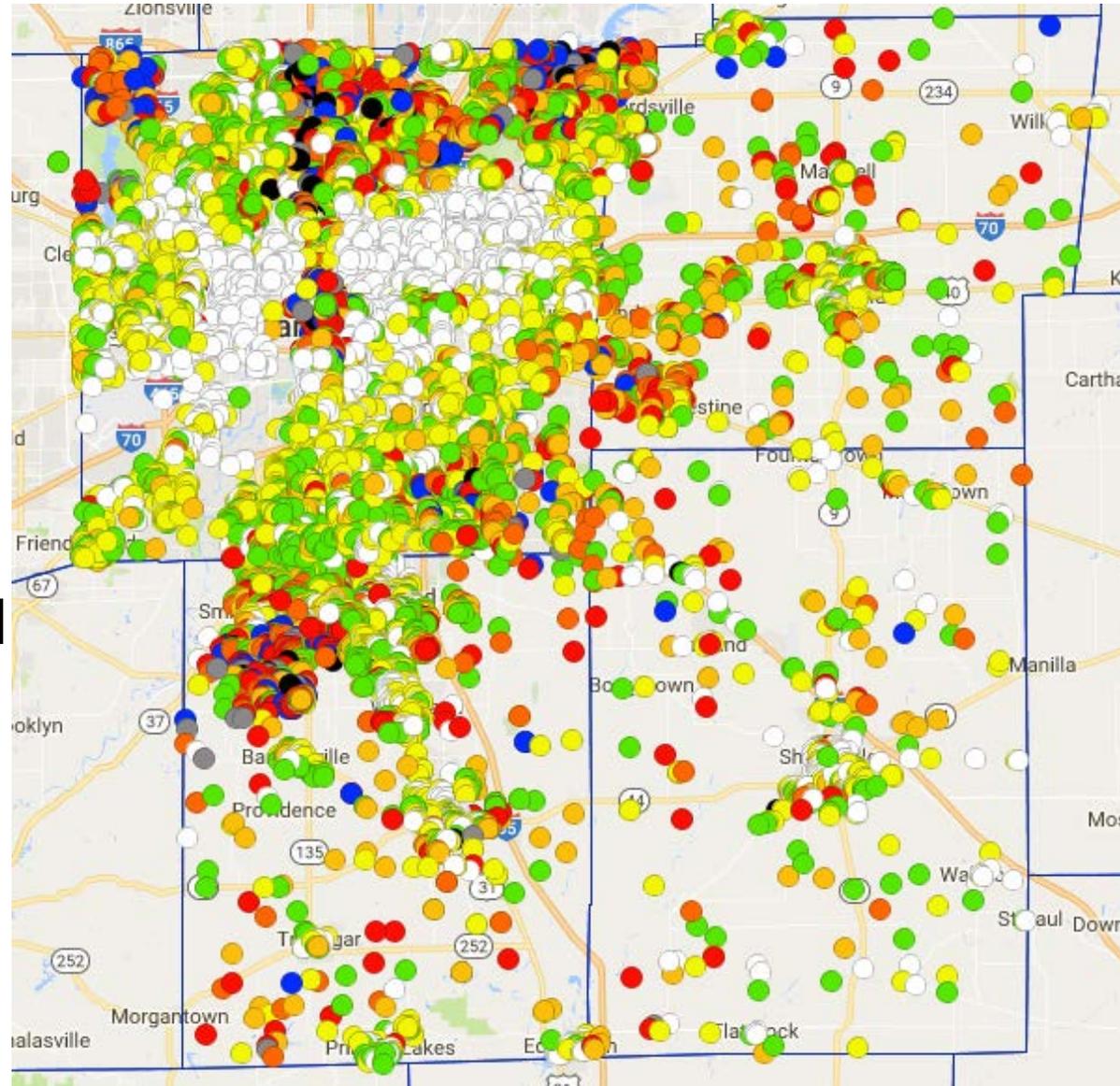
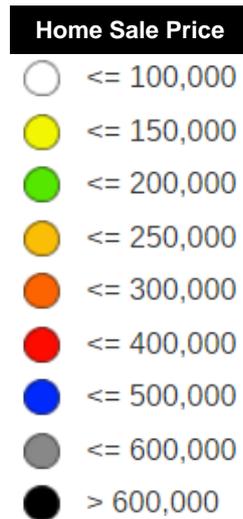
522 Home Sales in Shelby County	Sales Price	Unit Size	Price / Sq. Ft.
Average	\$154,806	1,802	\$92
Median	\$127,250	1,654	\$79

2823 Home Sales in Johnson County	Sales Price	Unit Size	Price / Sq. Ft.
Average	\$192,853	2,129	\$91
Median	\$166,250	1,897	\$90

Sources: John Burns Real Estate Consulting, LLC; CoreLogic – last 12 month home sale transactions in Shelby (ending 8/2017), Hancock (ending 8/2017), Johnson (ending 5/2017), and Marion (ending 10/2017) Counties. Includes new and existing, attached and detached, single-family home sales. Prices are estimated using the first purchase loan, where available.

Last 12 Month Closing Transactions – By Home Sale Price

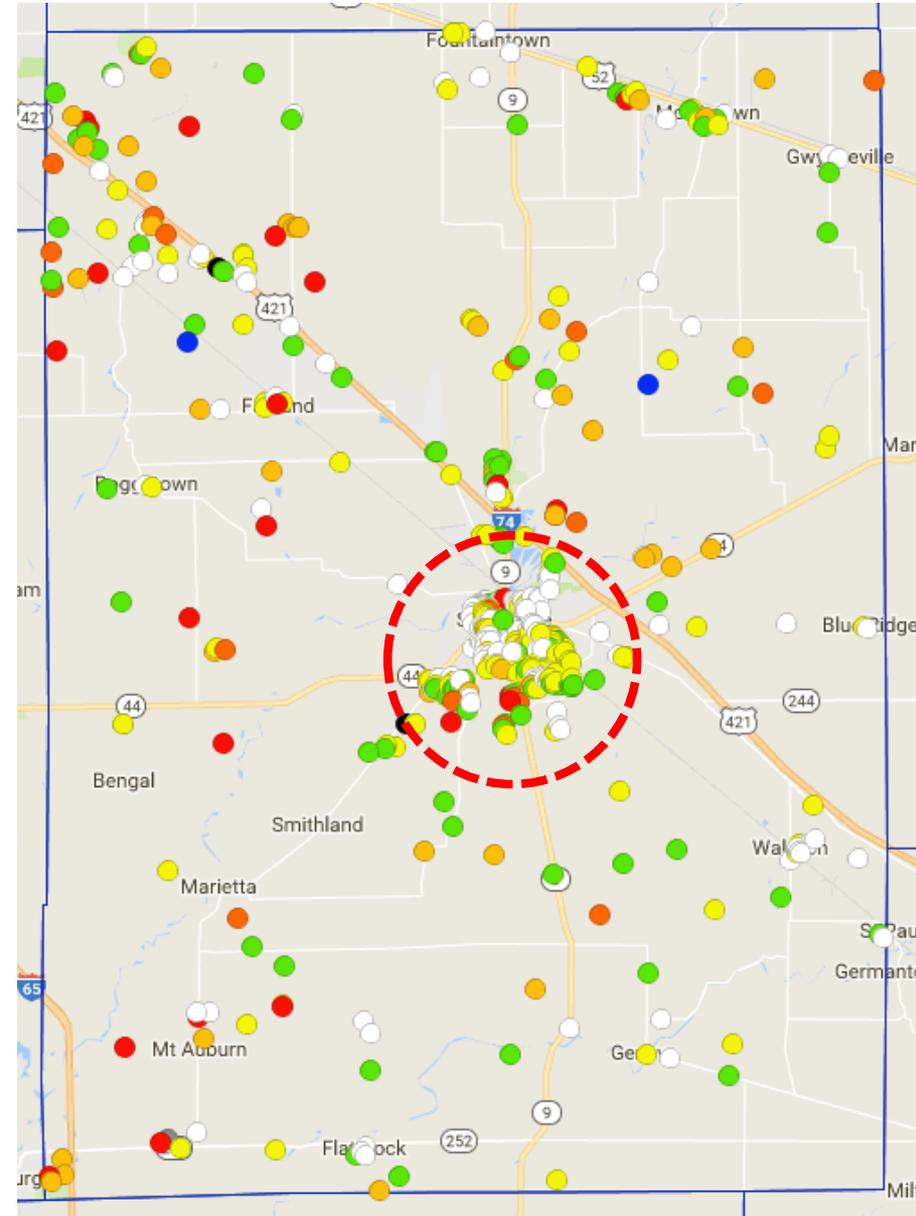
- This map details home sale transactions by price in southeast Indianapolis – defined as Shelby County, Hancock County, Johnson County, and Marion County – over the last 12 months.



Sources: John Burns Real Estate Consulting, LLC; CoreLogic – last 12 month home sale transactions in Shelby (ending 8/2017), Hancock (ending 8/2017), Johnson (ending 5/2017), and Marion (ending 10/2017) Counties. Includes new and existing, attached and detached, single-family home sales. Prices are estimated using the first purchase loan, where available.

Last 12 Month Closing Transactions – Shelby County

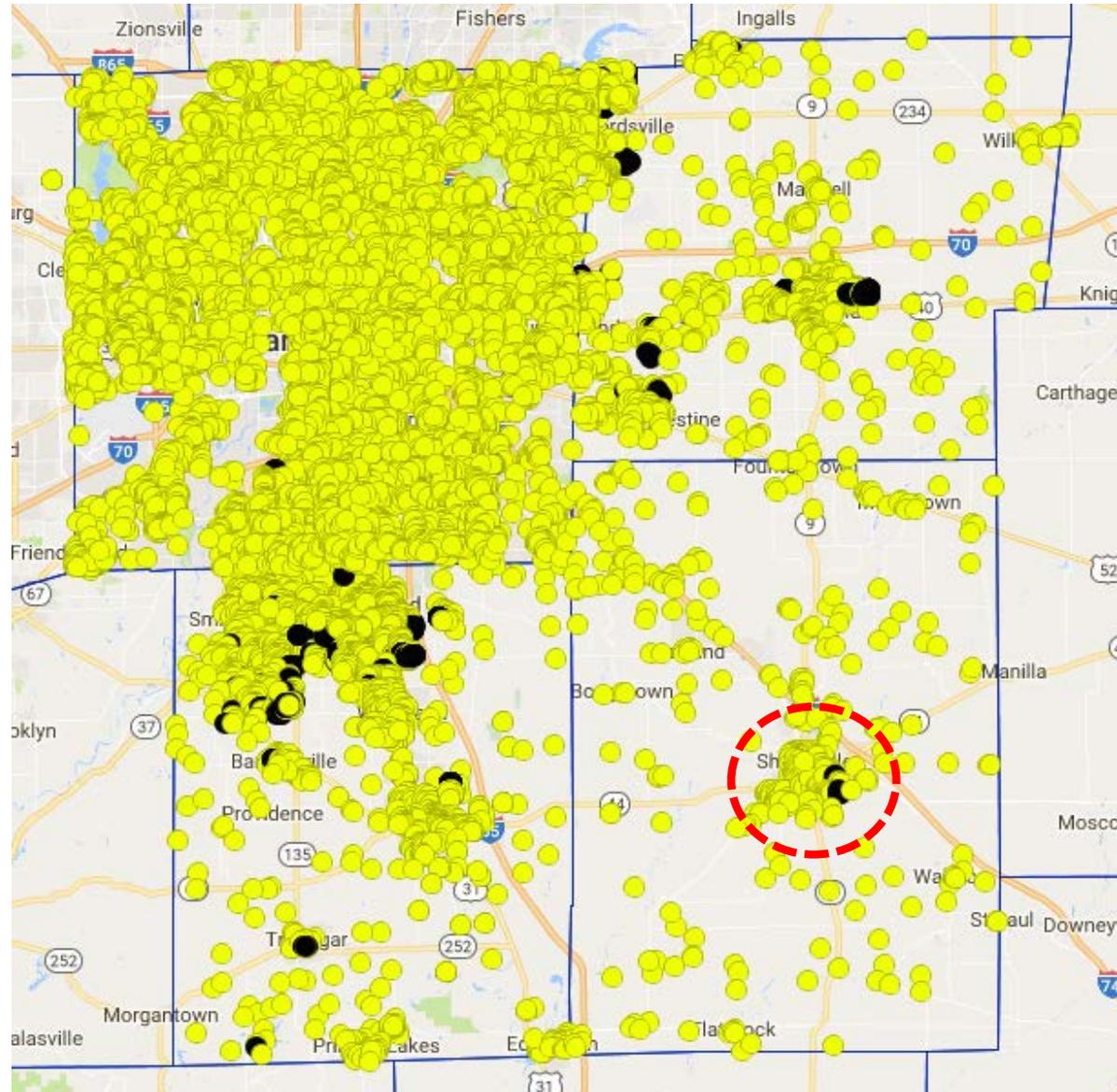
- This map details home sale transactions by price in Shelby County over the last 12 months.
- Home sale transactions are concentrated in the Shelbyville area.



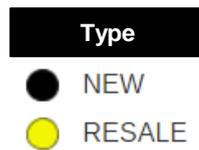
Sources: John Burns Real Estate Consulting, LLC; CoreLogic – last 12 month home sale transactions in Shelby (ending 8/2017), Hancock (ending 8/2017), Johnson (ending 5/2017), and Marion (ending 10/2017) Counties. Includes new and existing, attached and detached, single-family home sales. Prices are estimated using the first purchase loan, where available.

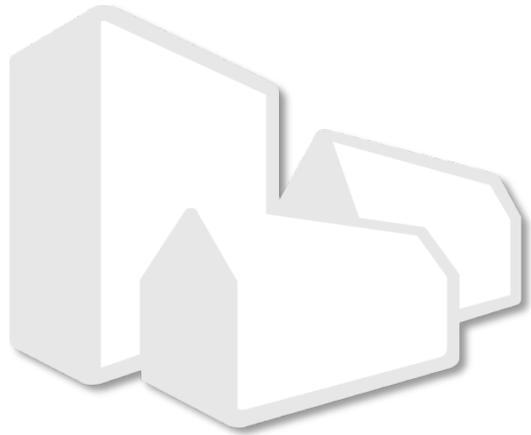
Last 12 Month Closing Transactions – By New and Resale

- This map details home sale transactions by new and resale in southeast Indianapolis – defined as Shelby County, Hancock County, Johnson County, and Marion County – over the last 12 months.
- Limited new construction housing is available in Shelby County – with new home sales occurring only in Shelbyville.
- The majority of new construction communities in the Indianapolis MSA can be found in Hamilton County, which is directly north of Marion County.



Sources: John Burns Real Estate Consulting, LLC; CoreLogic – last 12 month home sale transactions in Shelby (ending 8/2017), Hancock (ending 8/2017), Johnson (ending 5/2017), and Marion (ending 10/2017) Counties. Includes new and existing, attached and detached, single-family home sales. Prices are estimated using the first purchase loan, where available.





Location Analysis

S

Strengths

- Schools are rated average to above average by GreatSchools.
- Reasonable commute to employment in downtown Indianapolis.

W

Weaknesses

- Limited retail, dining, and entertainment options currently available.
- Annual population and household growth in Shelby County are expected to trail the growth expected in the Indianapolis MSA over the next five years.
- The median household income and median home value in Shelbyville are significantly lower than in the Indianapolis MSA. These statistics challenge new home builders to deliver homes at acceptable, attainable consumer prices.

O

Opportunities

- Shelby County has the ability to deliver new and resale housing below the median new and resale prices for the Indianapolis MSA – which is becoming increasingly more difficult in historically strong growth areas (e.g., southern Hamilton County).
- Shelbyville has plans to revitalize its downtown – similar to what Franklin has done and seen positive results.

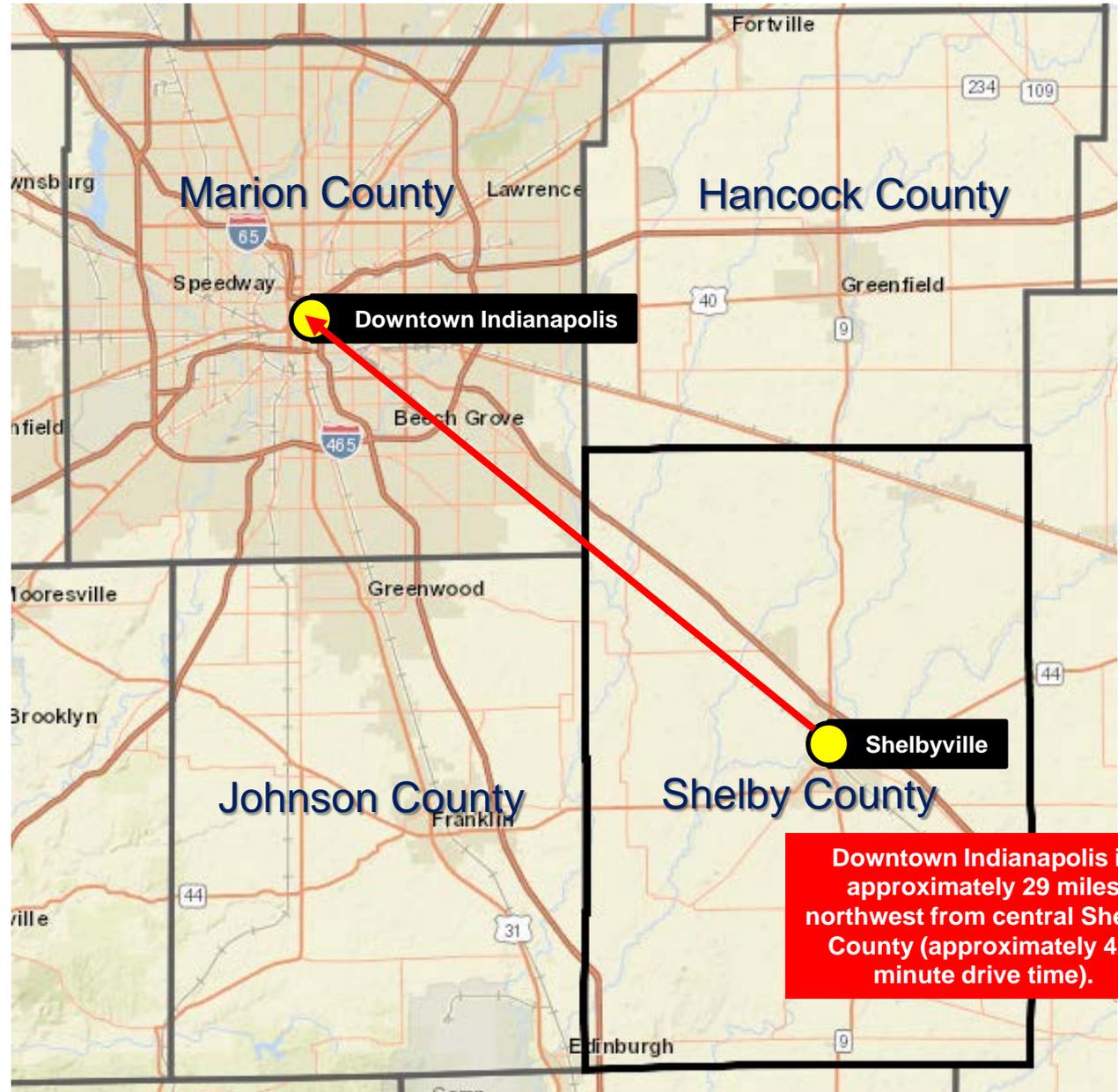
T

Threats

- Current comp plans in Shelby County are restrictive to new home development – but modified comp plans should address this current threat and allow for more development.
- Sewer and water expansions are necessary for new housing developments in possible growth areas (e.g., Fairland and Morristown), and these efforts are underway.
- Softening market fundamentals are expected in the Indianapolis MSA over the next several years – which might prevent growth from expanding east from Marion County.

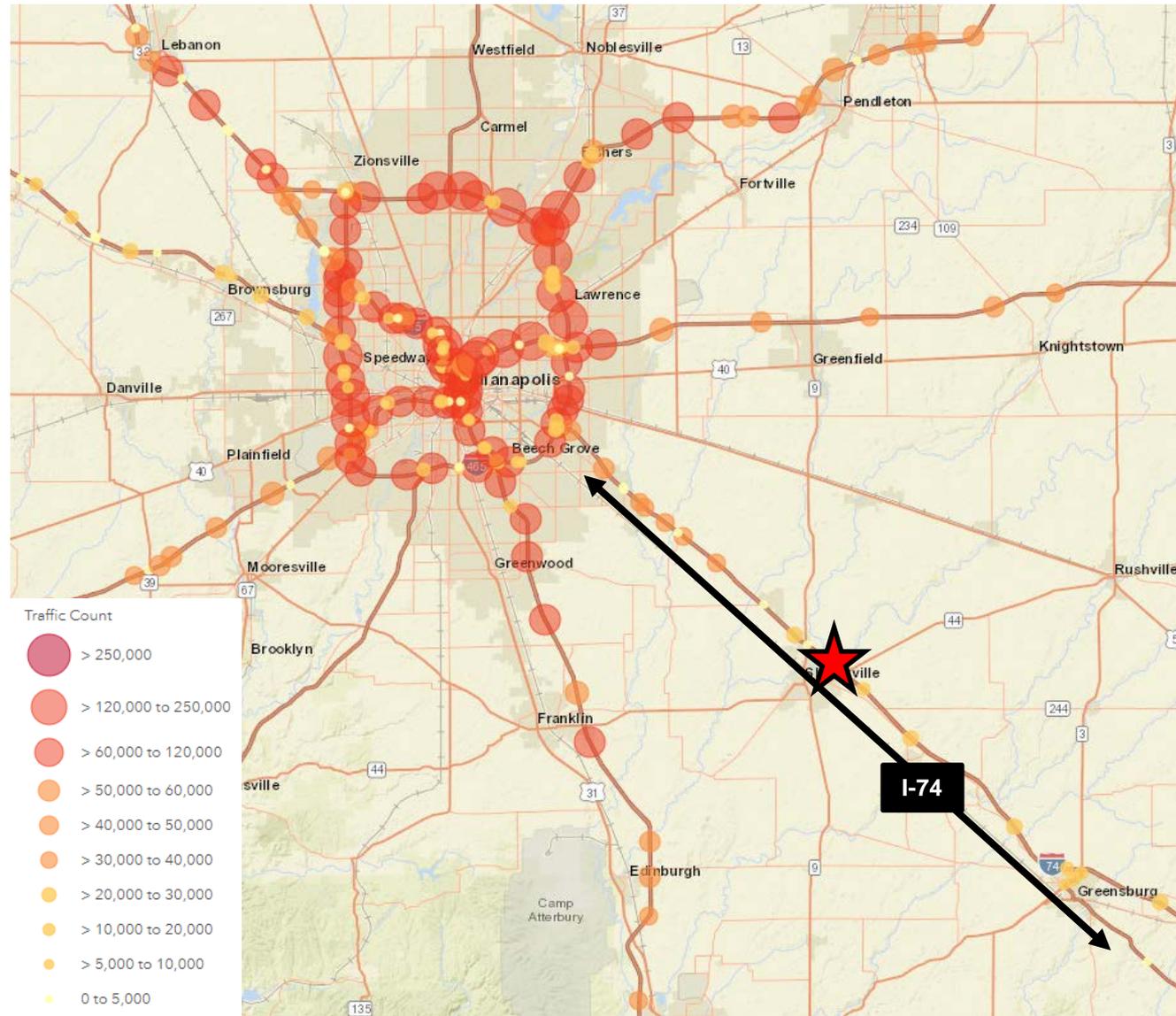
Location Analysis – Proximity Map

- Shelby County is located approximately 29 miles southeast of downtown Indianapolis but is relatively rural.
- Approximately 44% of Shelby County households are concentrated in Shelbyville – which is centrally located in the County.



Location Analysis – Historical Traffic Data

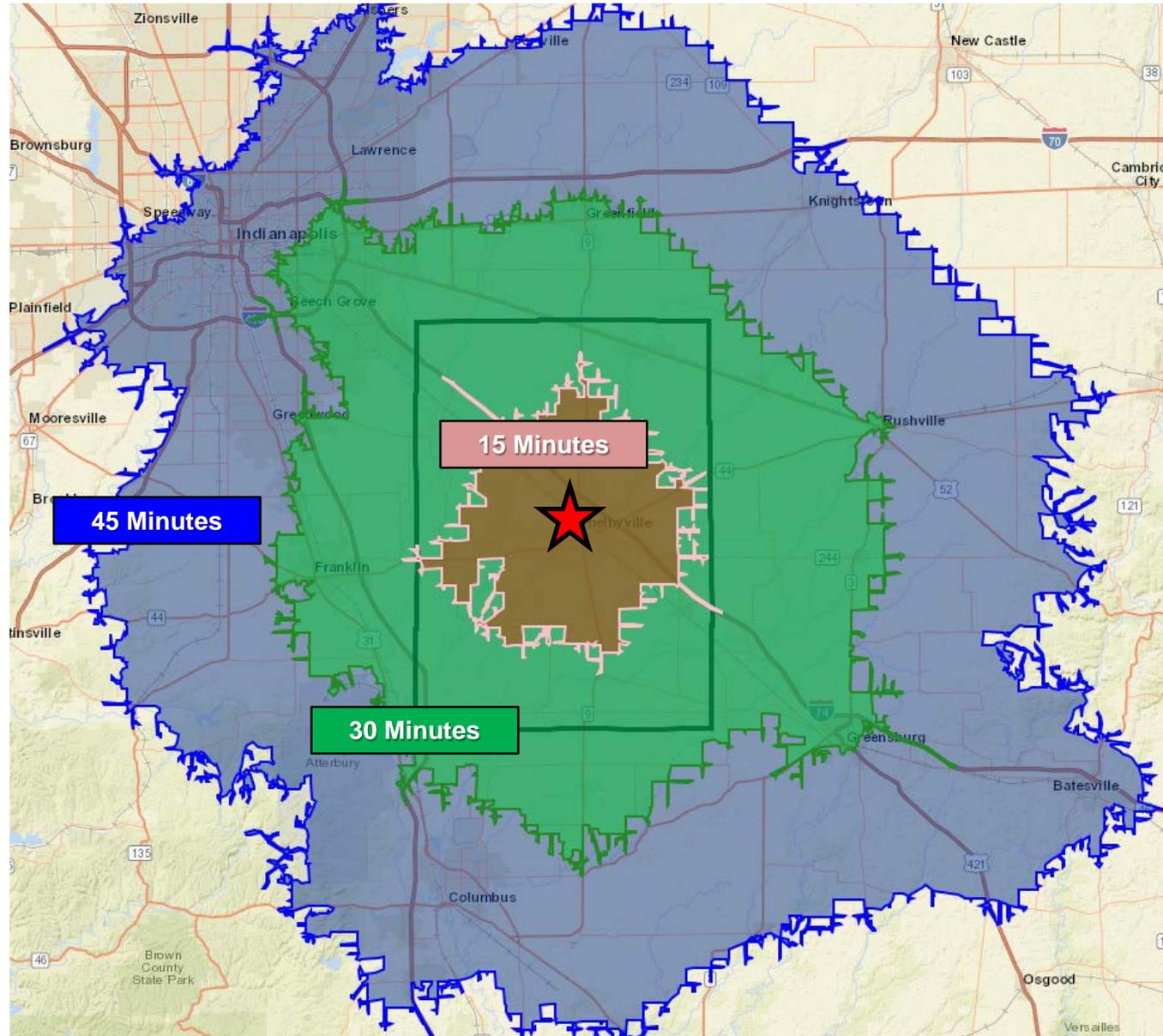
- I-74 is the major thoroughfare in Shelby County and connects residents to downtown Indianapolis.
- As indicated with the shaded bubbles, I-74 is not as well travelled as other interstates in the Indianapolis MSA.



Location Analysis – Drive Time Map

- Most of Shelby County is accessible with a 15- to 30-minute commute from central Shelby County.
- Downtown Indianapolis is accessible with an approximately 45-minute commute from central Shelby County.
- While not detailed on this map, Shelby County is a reasonable drive to Cincinnati, Dayton, and Louisville.

(Note: the map does not take into account traffic, which can be significant along major transportation routes during peak drive times.)

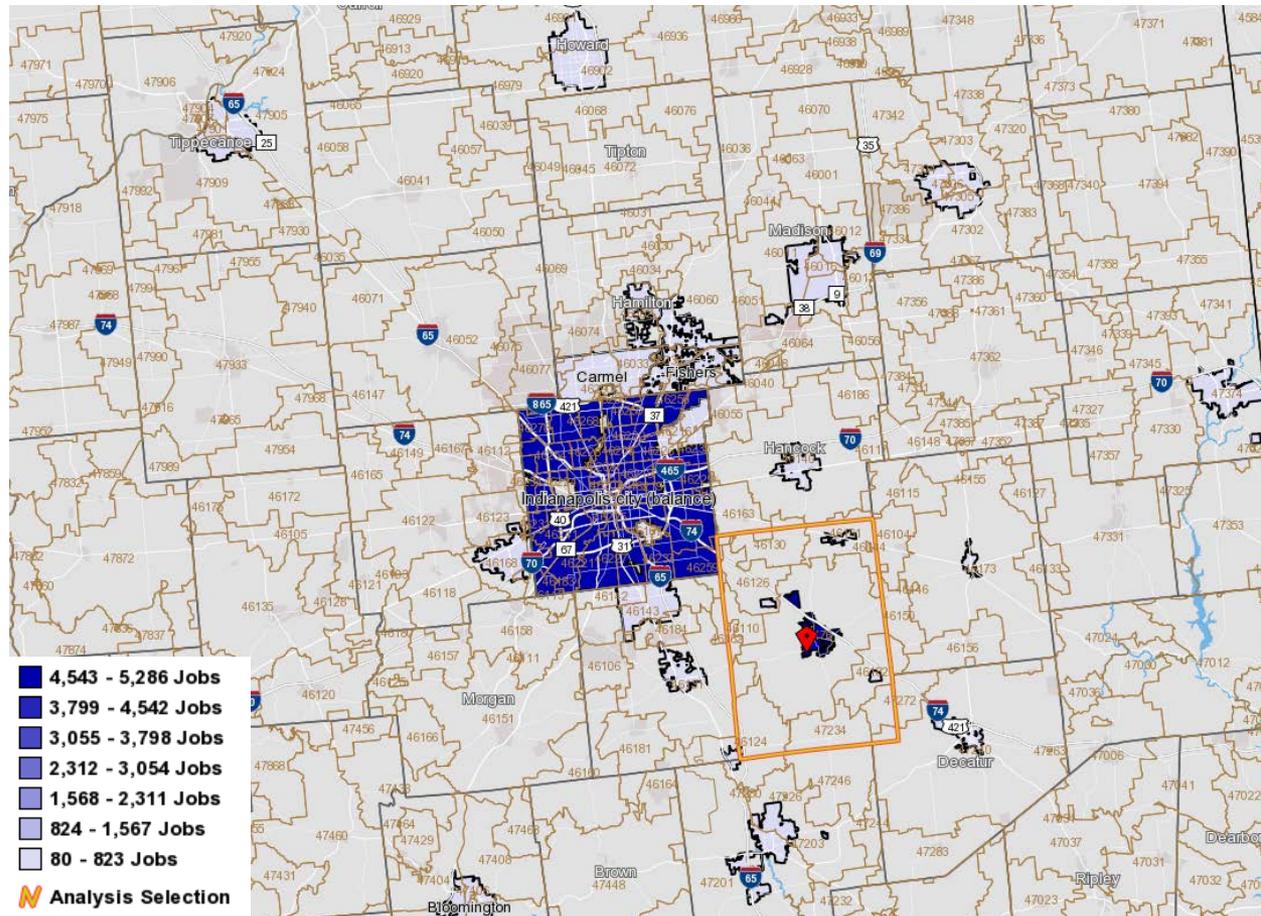


Source: ESRI

Location Analysis – Employment Concentration

- Approximately 36% of Shelby County residents work in Shelby County and 27% work in Marion County.
- Approximately 26% of Shelby County residents work in Shelbyville.
- The majority of Shelby County residents who commute use I-74.

Source: U.S. Census



Jobs Counts by Places (Cities, CDPs, etc.) Where Workers are Employed - Primary Jobs 2015

	Count	Share
All Places (Cities, CDPs, etc.)	20,734	100.0%
Shelbyville city, IN	5,286	25.5%
Indianapolis city (balance), IN	5,111	24.7%
Columbus city, IN	750	3.6%
Franklin city, IN	502	2.4%
Greensburg city, IN	454	2.2%
Greenfield city, IN	417	2.0%
Greenwood city, IN	406	2.0%
Carmel city, IN	287	1.4%
Morristown town, IN	245	1.2%
Fishers city, IN	222	1.1%
Plainfield town, IN	215	1.0%
Anderson city, IN	184	0.9%
Lawrence city, IN	163	0.8%
Fort Wayne city, IN	159	0.8%
Beech Grove city, IN	154	0.7%
Edinburgh town, IN	141	0.7%
Muncie city, IN	134	0.6%
Noblesville city, IN	124	0.6%
Bloomington city, IN	113	0.5%
Waldron CDP, IN	111	0.5%
Kokomo city, IN	96	0.5%
Lafayette city, IN	94	0.5%
Rushville city, IN	93	0.4%
Richmond city, IN	81	0.4%
Fairland town, IN	80	0.4%
All Other Locations	5,112	24.7%

Jobs Counts by Counties Where Workers are Employed - Primary Jobs

	Count	Share
All Counties	20,734	100.0%
Shelby County, IN	7,472	36.0%
Marion County, IN	5,505	26.6%
Johnson County, IN	1,148	5.5%
Bartholomew County, IN	1,029	5.0%
Hamilton County, IN	727	3.5%
Hancock County, IN	648	3.1%
Decatur County, IN	640	3.1%
Hendricks County, IN	395	1.9%
Madison County, IN	256	1.2%
Allen County, IN	196	0.9%
All Other Locations	2,718	13.1%

Location Analysis – Employment Centers in Shelby County, IN

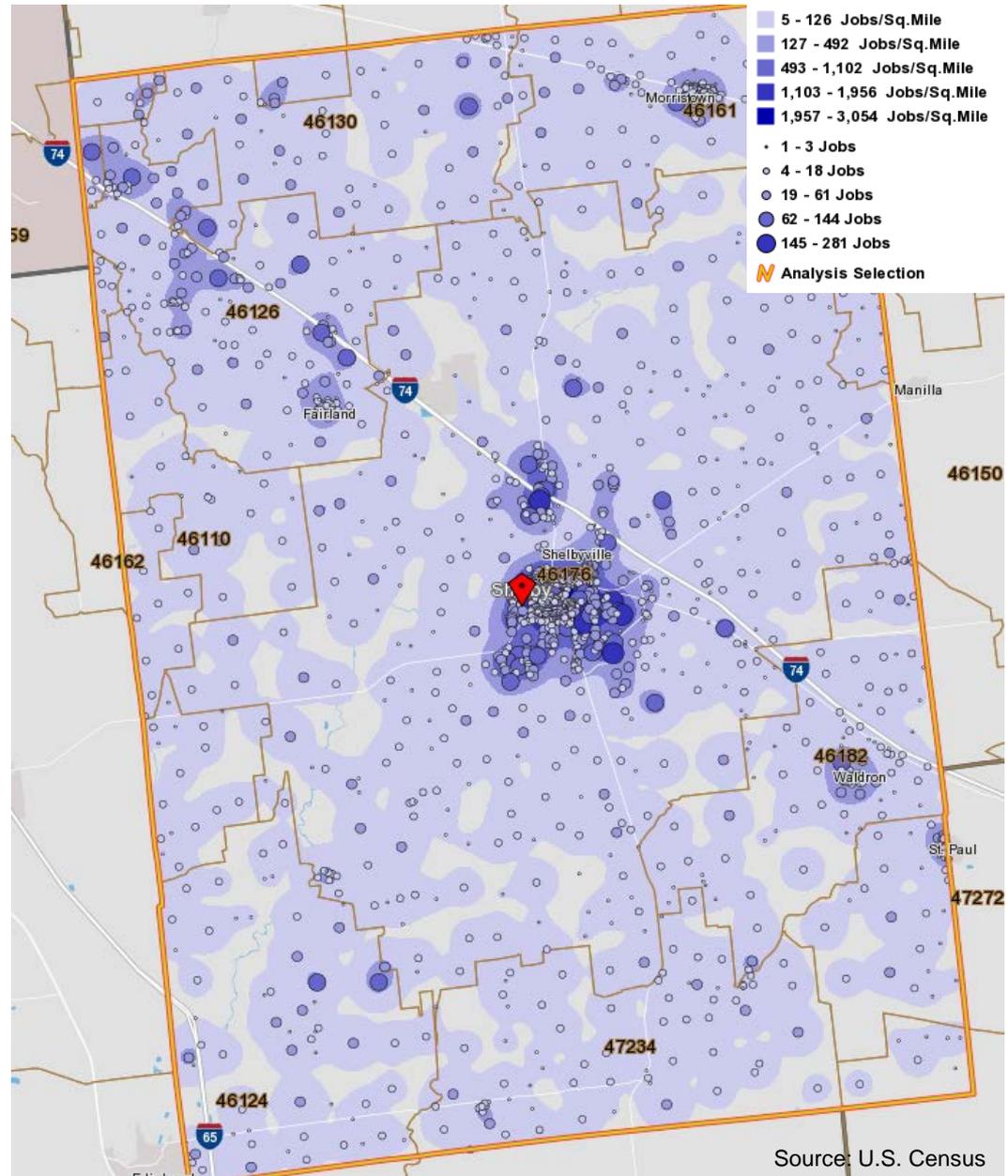
Approximately 36% of Shelby County residents work in Shelby County. The **employment centers within Shelby County** are shown in the map by the darker shading. Employment centers are concentrated along I-74, the major thoroughfare through the County.

According to the U.S. Census, **dominant employment industries in Shelby County** include:

- Manufacturing
- Health Care and Social Assistance
- Retail Trade
- Accommodation and Food Services
- Waste Management and Remediation

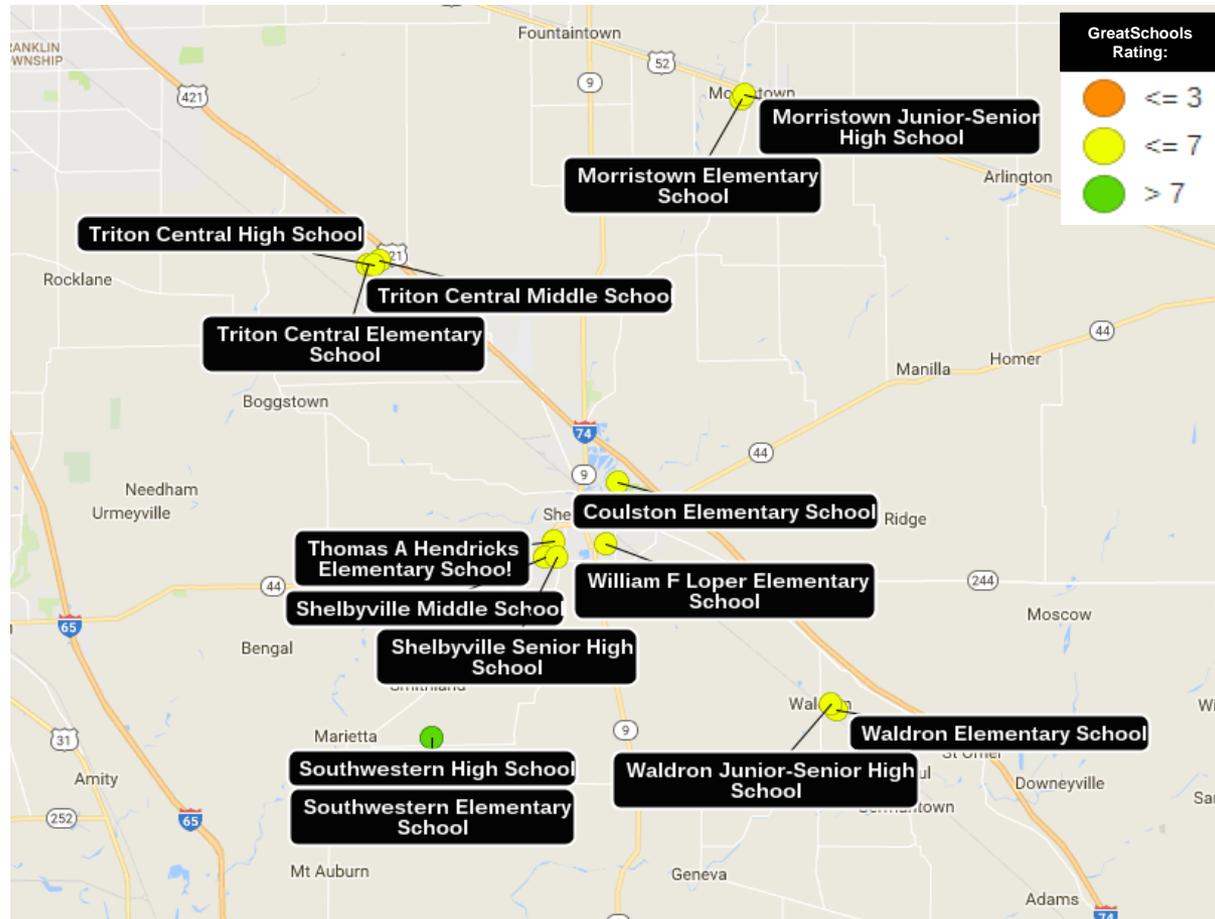
According to the Indiana Department of Workforce Development and Infogroup, **major employers in Shelby County** include:

- Indiana Downs (Shelbyville)
- Knauf Insulation North America (Shelbyville)
- Penske Logistics (Shelbyville)
- Major Hospital of Shelbyville (Shelbyville)
- Ryobi Die Casting USA Inc (Shelbyville)
- Pilkington North America Inc (Shelbyville)
- Indiana Grand Casino (Shelbyville)
- Danzer Veneer Americas (Edinburgh)
- Walmart Supercenter (Shelbyville)
- Hisada America Inc (Edinburgh)



Location Analysis – Public School Summary

- Shelby County residents are serviced by the following school districts:
 - ✓ Northwestern Consolidated School Corp
 - ✓ Shelby Eastern Schools
 - ✓ Shelbyville Central Schools
 - ✓ Southwestern Consolidated Schools of Shelby County
- There are 14 schools within these 4 districts, with 12 of the 14 receiving an average rating based on GreatSchools rating system. The remaining 2 schools received an above average rating (*additional information included on the following slide*).
- Note that children in Indiana can attend any school in the district (called intradistrict choice). Students can also attend charter schools. In some cases, students may transfer outside the district (interdistrict transfer). This may mean paying tuition to the school transferred to. If a family is low-income, they may be eligible for a private school voucher. Under the federal No Child Left Behind law, students attending a Title I school designated as "in need of improvement" have the right to attend a higher performing school in the district.



Sources: GreatSchools and eSpatial

GreatSchools ratings follow a 1-10 scale, where 10 is the highest and 1 is the lowest. Ratings at the lower end of the scale (1-3) signal that the school is "below average," 4-7 indicate "average," and 8-10 are "above average."

Location Analysis – Public School Summary (Continued)

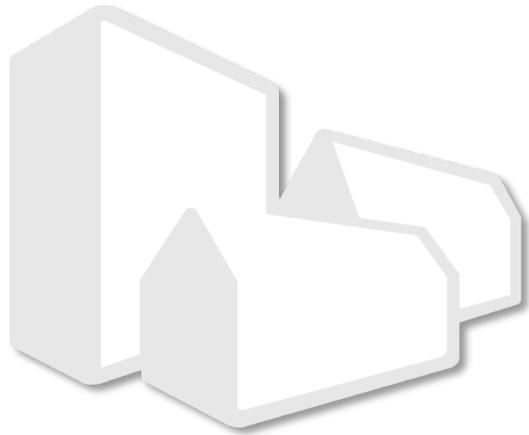
There are 14 schools within 4 school districts in Shelby County, with 12 of the 14 schools receiving an **average** rating based on GreatSchools rating system. The remaining 2 schools received an **above average** rating.

District	School	Type	Grades	GreatSchools Rating
Northwestern Consolidated School Corp	Triton Central Elementary School	E	K-4	6
Northwestern Consolidated School Corp	Triton Central Middle School	M	5-8	7
Northwestern Consolidated School Corp	Triton Central High School	HS	9-12	5
Shelby Eastern Schools	Waldron Elementary School	E	PK-5	6
Shelby Eastern Schools	Morristown Elementary School	E	PK-5	4
Shelby Eastern Schools	Waldron Junior-Senior High School	M/HS	6-12	5
Shelby Eastern Schools	Morristown Junior-Senior High School	M/HS	6-12	4
Shelbyville Central Schools	Coulston Elementary School	E	PK-5	6
Shelbyville Central Schools	William F Loper Elementary School	E	PK-5	6
Shelbyville Central Schools	Thomas A Hendricks Elementary School	E	PK-5	4
Shelbyville Central Schools	Shelbyville Middle School	M	6-8	6
Shelbyville Central Schools	Shelbyville Senior High School	HS	9-12	7
Southwestern Consolidated Schools Shelby County	Southwestern Elementary School	E	K-6	9
Southwestern Consolidated Schools Shelby County	Southwestern High School	HS	7-12	8

Note: For "Type," E=Elementary, M=Middle, and HS=High School

Source: GreatSchools

GreatSchools ratings follow a 1-10 scale, where 10 is the highest and 1 is the lowest. Ratings at the lower end of the scale (1-3) signal that the school is "below average," 4-7 indicate "average," and 8-10 are "above average."

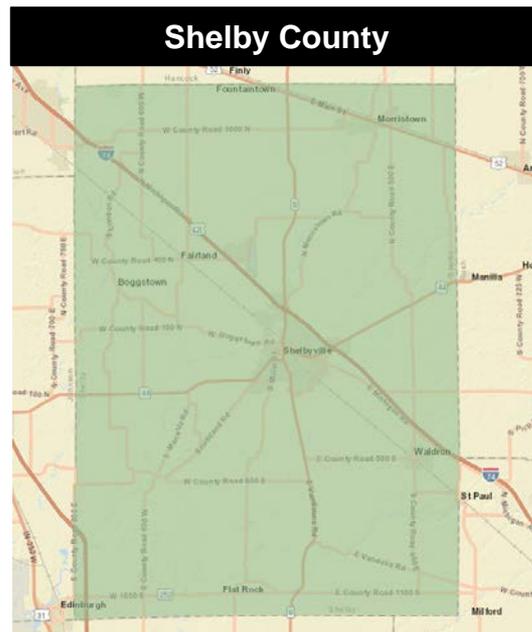
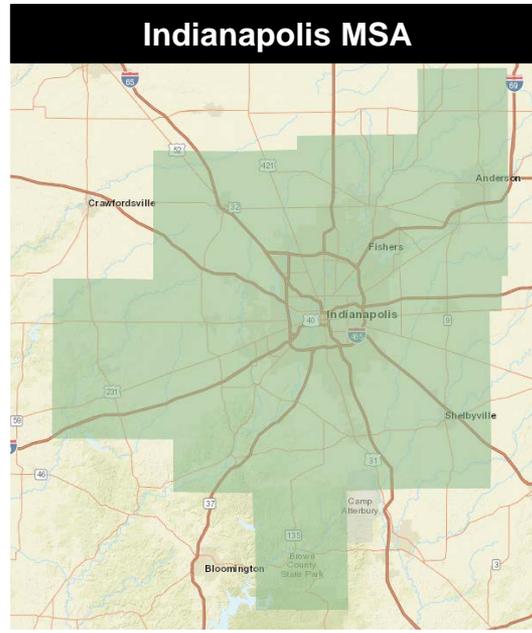


Demographic Analysis

Demographic Analysis – Analysis Areas

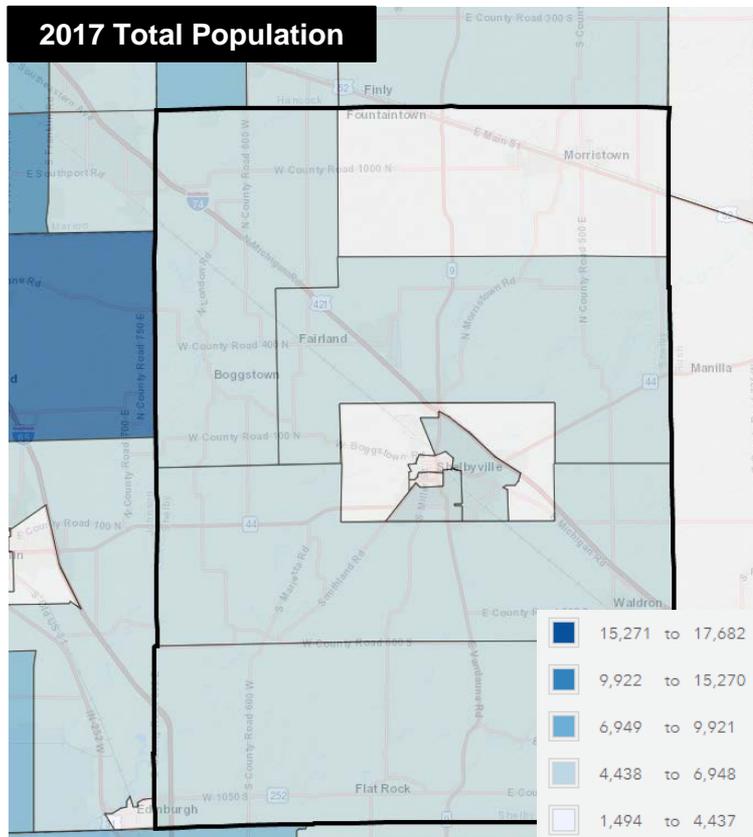
For the purpose of this market study, we defined and analyzed the following geographies:

- **Indianapolis MSA** – which includes Boone County, Brown County, Hamilton County, Hancock County, Hendricks County, Johnson County, Madison County, Marion County, Morgan County, Putnam County, and Shelby County
- **Southeast Indianapolis** – which includes Marion County, Hancock County, Johnson County, and Shelby County
- **Shelby County**
- **Shelbyville, IN**



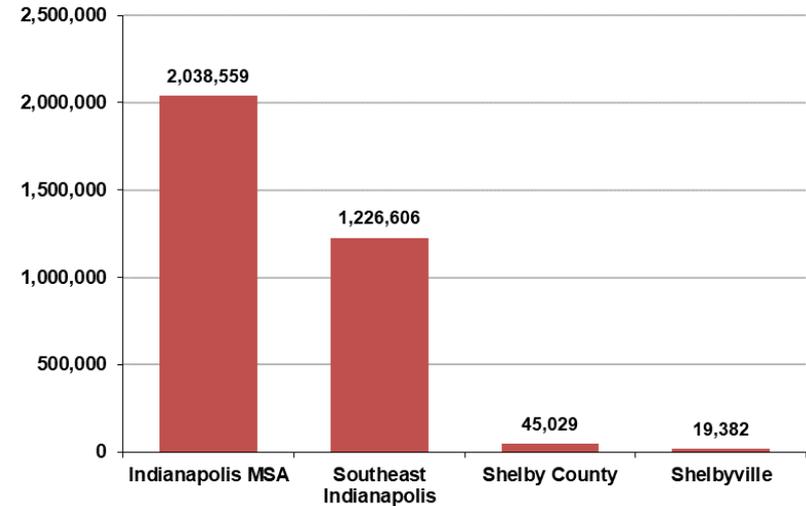
Demographic Trends – Population Concentration and Growth

- There are 45,029 people currently residing in Shelby County; 43% of those residents live in Shelbyville.
- Annual population growth in Shelby County and Shelbyville is expected to trail the growth expected in the Indianapolis MSA and southeast Indianapolis are over the next five years (2017 to 2022).
- See “Demand Analysis” section for additional insight regarding population growth through 2022 in Shelby County.



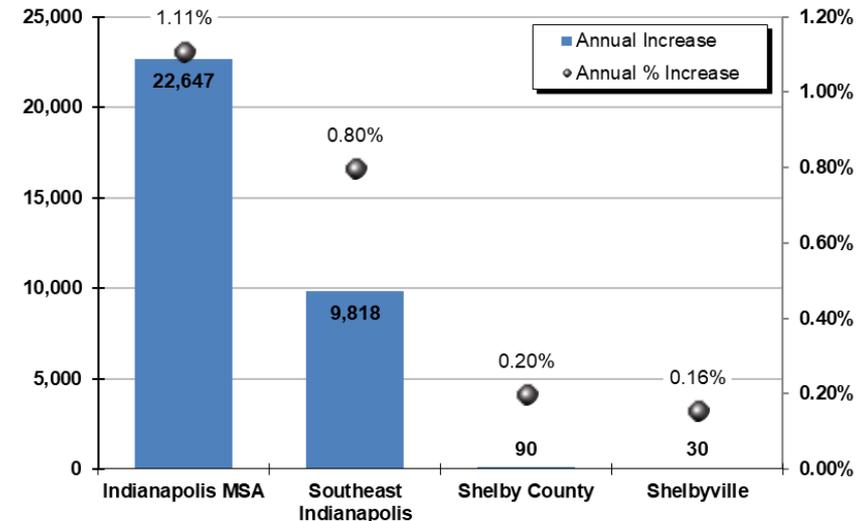
Source: ESRI

Population Comparison (2017)



Sources: ESRI; John Burns Real Estate Consulting, LLC

Expected Annual Population Growth (2017 to 2022)

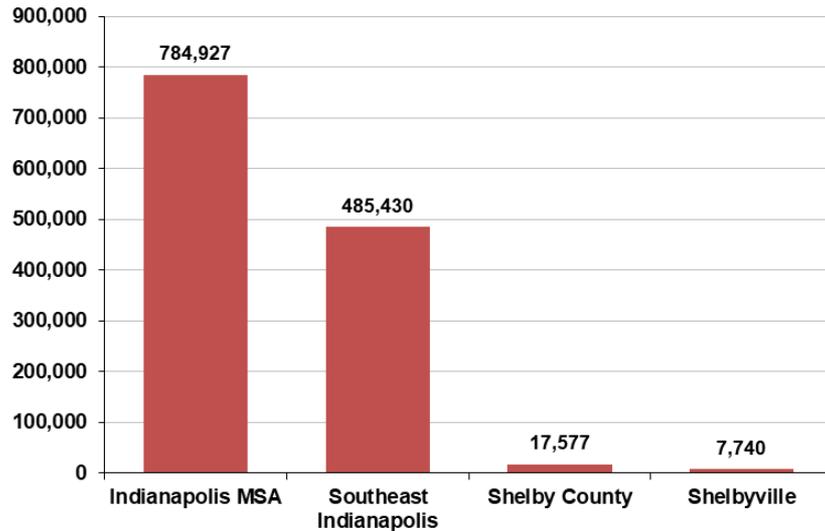


Sources: ESRI; John Burns Real Estate Consulting, LLC

Demographic Trends – Household Concentration and Growth

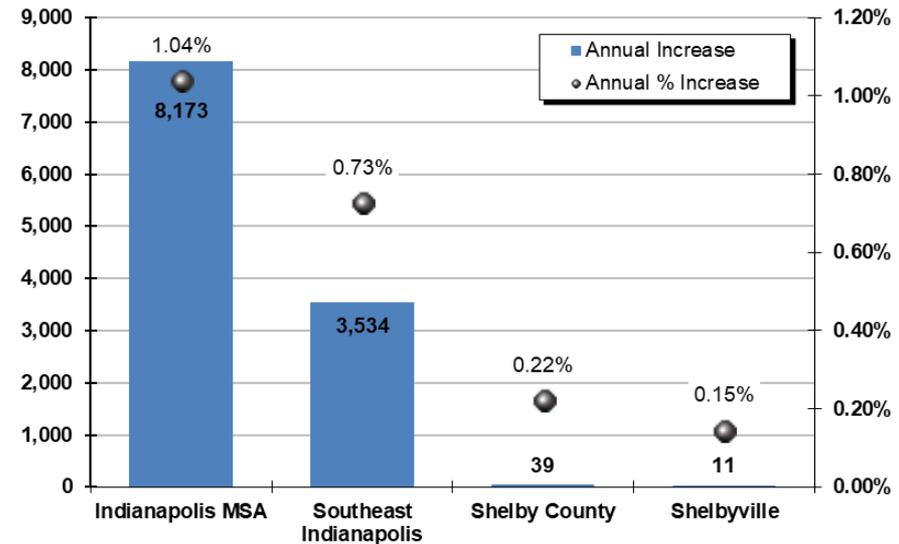
- There are 17,577 households in Shelby County, with approximately 44% of those households located in Shelbyville.
- Annual household growth in Shelby County and Shelbyville is expected to trail the growth expected in the Indianapolis MSA and southeast Indianapolis area over the next five years (2017 to 2022).
- Shelbyville is expected to account for approximately 28% of the annual household growth anticipated in Shelby County through 2022.
- See “Demand Analysis” section for additional insight regarding household growth through 2022 in Shelby County.

Household Comparison (2017)



Sources: ESRI; John Burns Real Estate Consulting, LLC

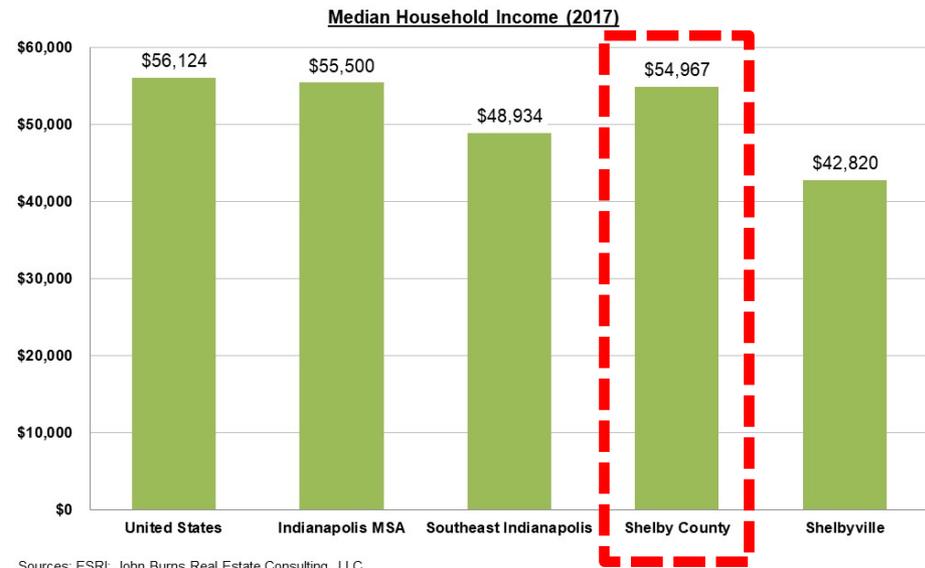
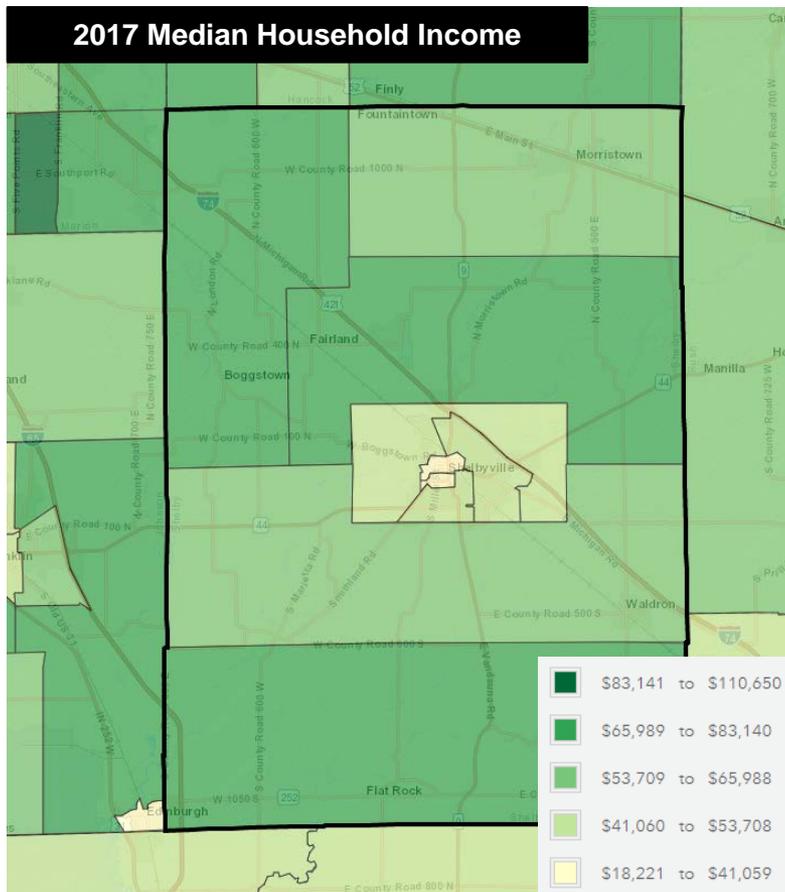
Expected Annual Household Growth (2017 to 2022)



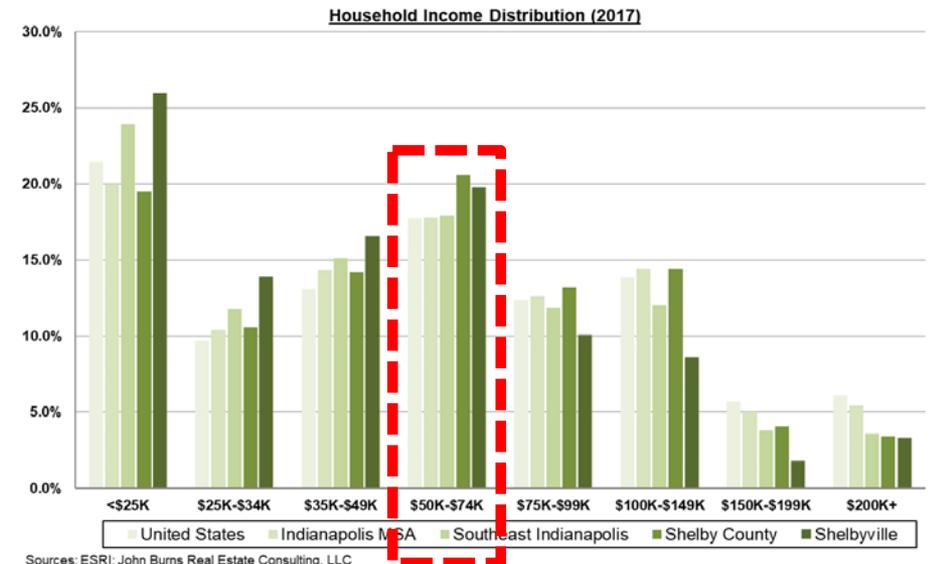
Sources: ESRI; John Burns Real Estate Consulting, LLC

Demographic Trends – Income Concentration

- The current median household income in Shelby County is \$54,967 – which is just below the median household income in the U.S. and Indianapolis MSA. Households earning \$50K-\$75K make up the largest demographic group at 21%.
- The current median household income in Shelbyville is \$42,820 – which is well below the median household income in the U.S., Indianapolis MSA, and Shelby County.



Sources: ESRI, John Burns Real Estate Consulting, LLC

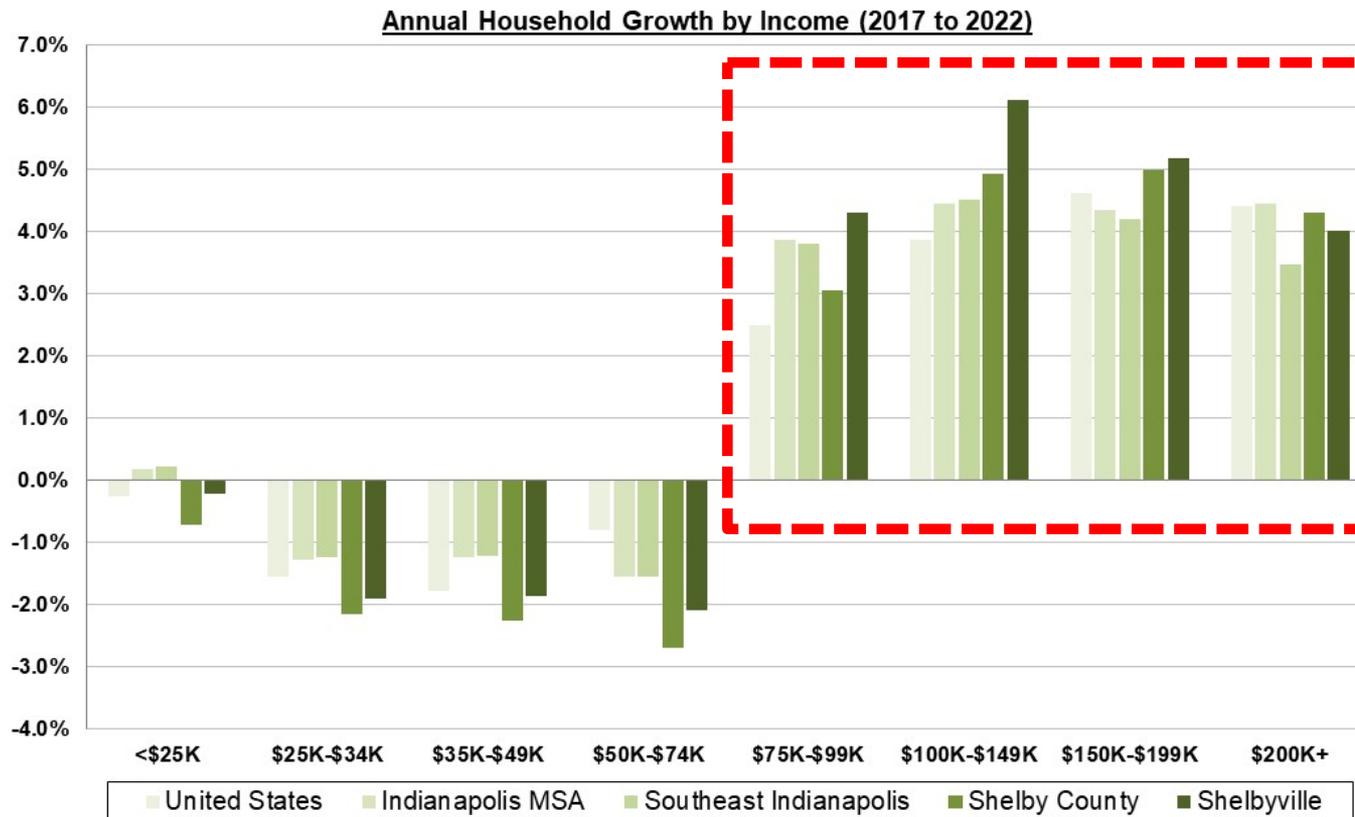


Sources: ESRI, John Burns Real Estate Consulting, LLC

Source: ESRI

Demographic Trends – Income Growth

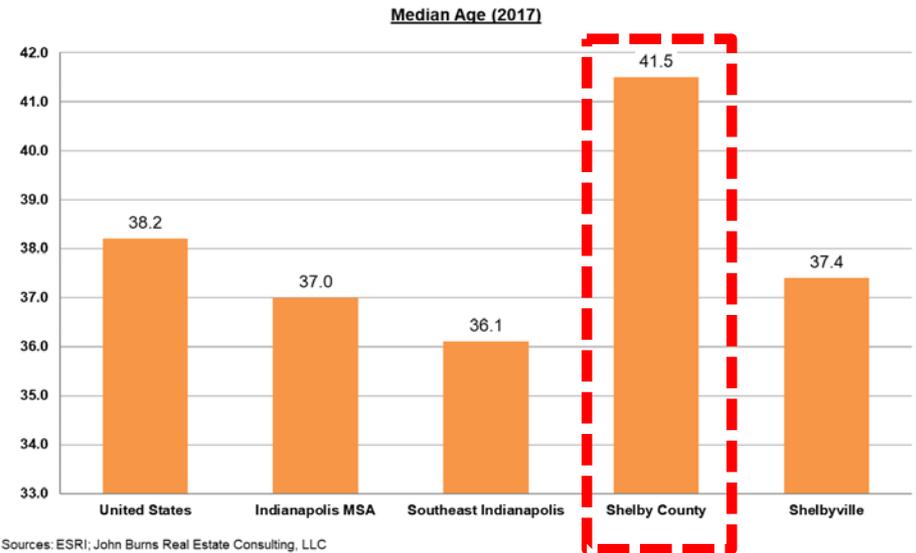
- Annual household growth from 2017 to 2022 in Shelby County is expected to primarily come from those earning \$75K+.
- Specifically, 3.1% annual household growth from those earning \$75K-\$99K, 4.9% annual household growth from those earning \$100K-\$149K, 5.0% annual household growth from those earning \$150K-\$199K, and 4.3% annual household growth from those earning \$200K+.
- Growth in higher earning groups is expected to boost the median household income in Shelby County to \$61,227 by 2022.
- Strong household growth in higher earning groups generally supports new housing in the area for price points above the current household median home value of \$143K. Note that 28% of annual net new households are expected in Shelbyville, where the median home value is \$109K.



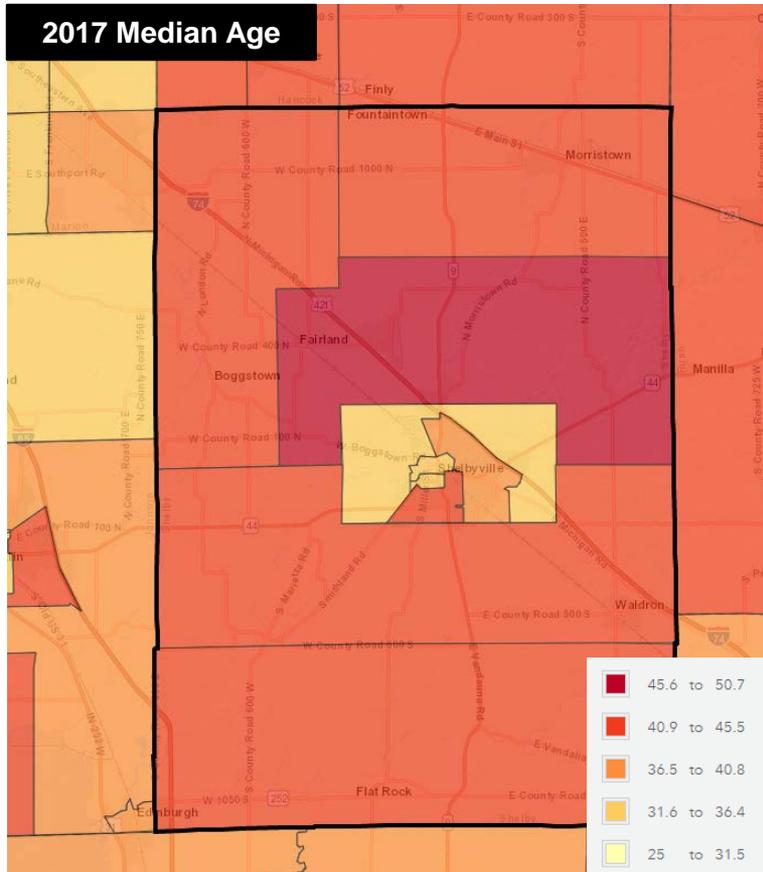
Sources: ESRI; John Burns Real Estate Consulting, LLC

Demographic Trends – Median Age

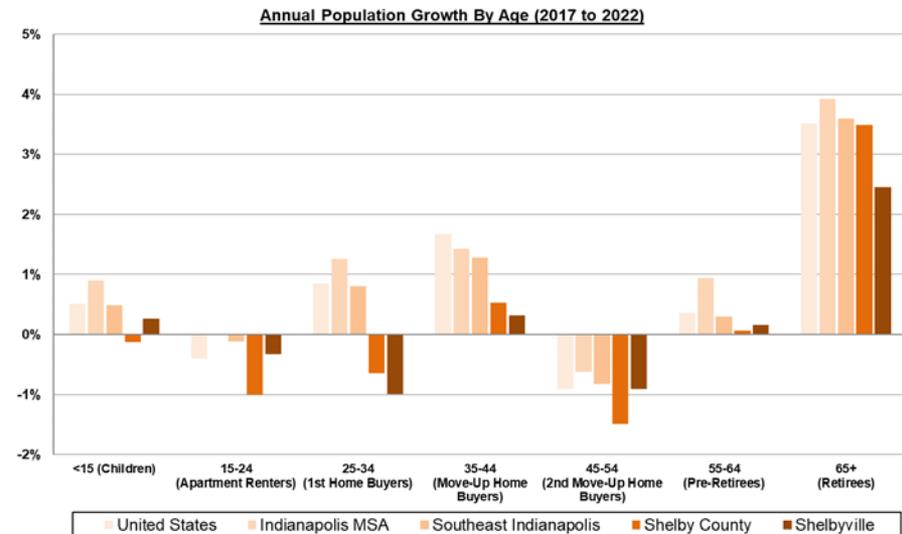
- Shelby County has an older median age at 41.5 – which compares to the Indianapolis MSA at 37.0 and southeast Indianapolis at 36.1. Shelby County currently has a strong pre-retiree (aged 55-64) and retiree (aged 65+) population.
- Annual population growth in Shelby County is expected to primarily come from those aged 65+ (3.5%), aged 35-44 (0.5%), and aged 55-64 (0.1%) through 2022.



Sources: ESRI; John Burns Real Estate Consulting, LLC



Source: ESRI
www.realestateconsulting.com

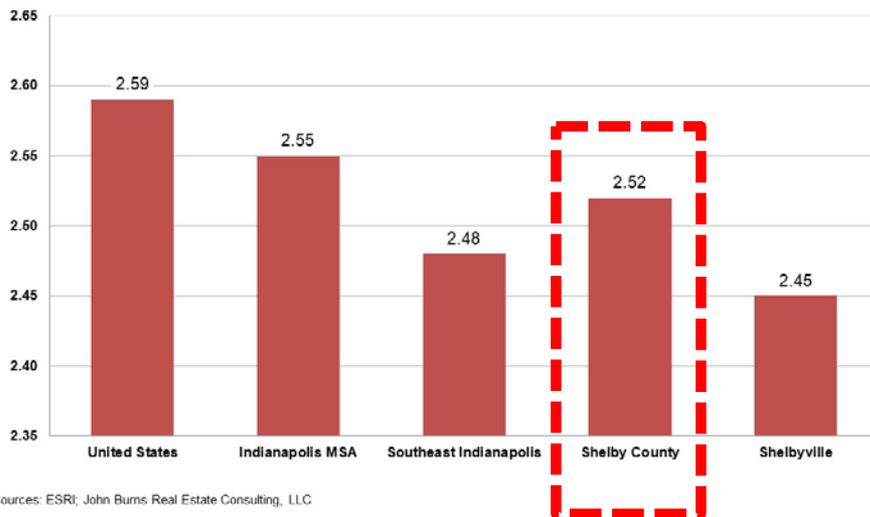


Sources: ESRI; John Burns Real Estate Consulting, LLC

Demographic Trends – Household Dynamics

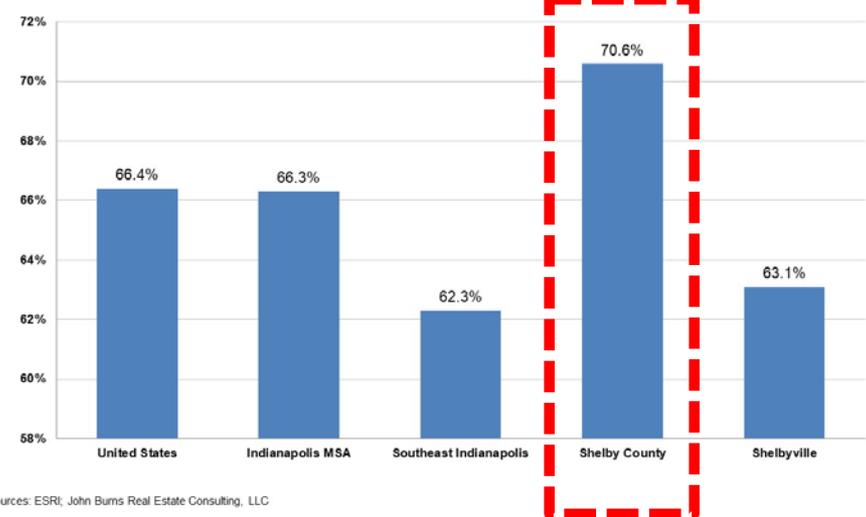
- Shelby County has an average household size of 2.52, indicating a number of families in the area.
- Shelby County has a stronger presence of family households (71%) than the U.S., Indianapolis MSA, and southeast Indianapolis. However, Shelbyville at 63% family households is more in line with national and metro statistics.

Average Household Size (2017)



Sources: ESRI, John Burns Real Estate Consulting, LLC

Family Households (2017)

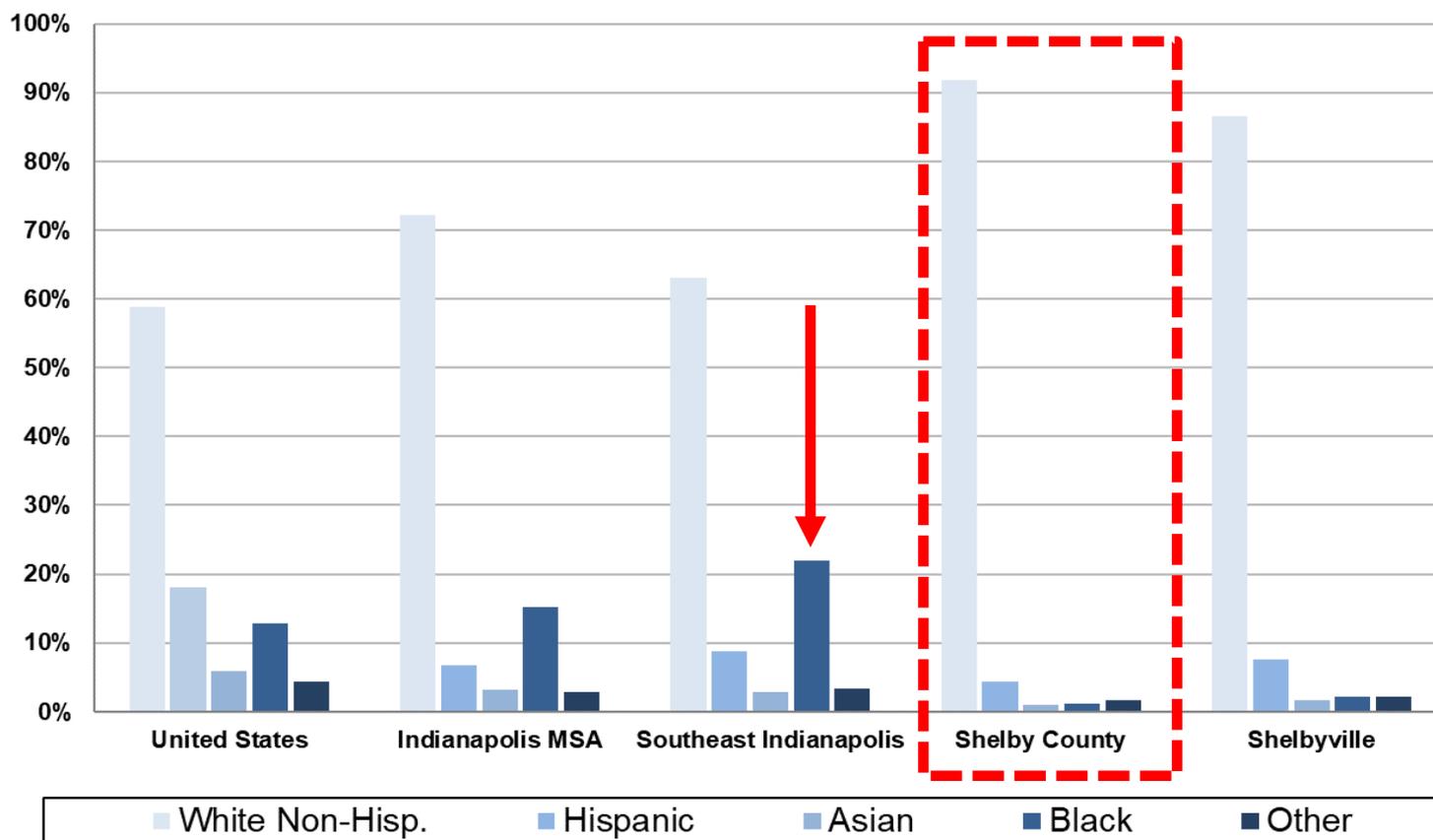


Sources: ESRI, John Burns Real Estate Consulting, LLC

Demographic Trends – Ethnicity

- Shelby County is predominately White, non-Hispanic (92%).
- While southeast Indianapolis has a strong presence of White, non-Hispanic population (63%), this area has a notable Black population (22%) as well.

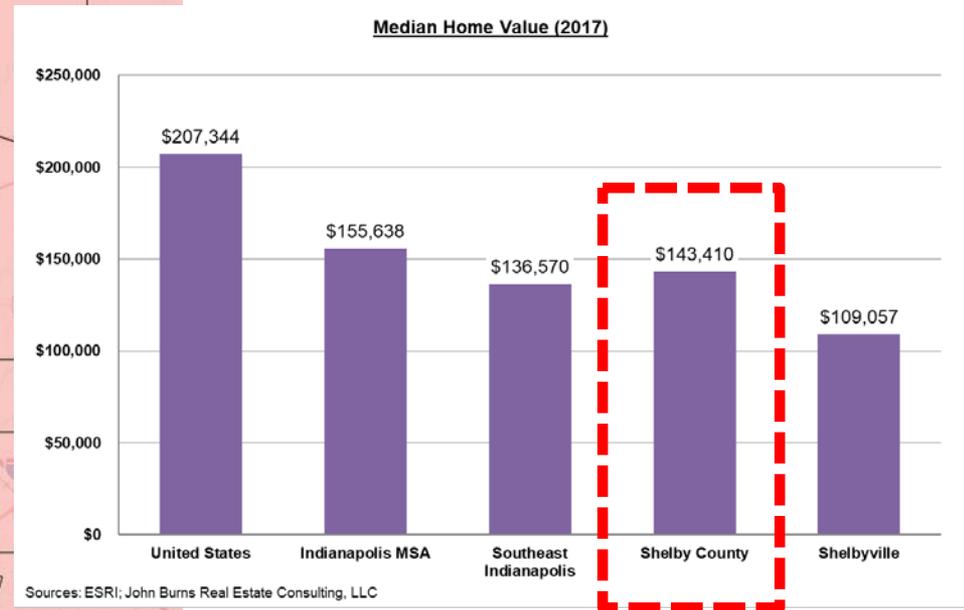
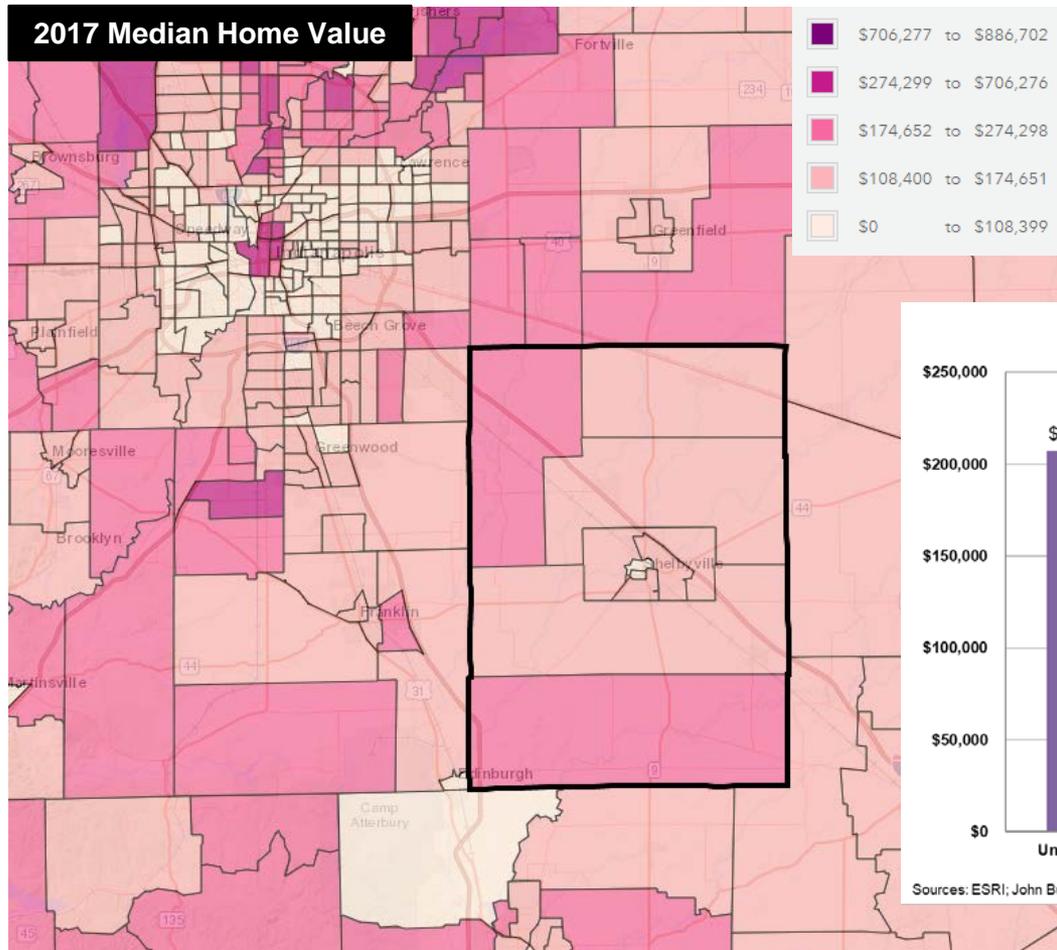
Population Distribution by Ethnicity (2017)



Sources: ESRI; John Burns Real Estate Consulting, LLC

Demographic Trends – Median Home Value

- The median home value of \$143,410 in Shelby County is below the median home value in the U.S. as well as the Indianapolis MSA.
- Again, it is important to note that 28% of annual net new households are expected in Shelbyville, where the median home value is \$109,057.



Source: ESRI

Demographic Trends – Tapestry Profiles

The data table below includes tapestry profiles for the Indianapolis MSA, southeast Indianapolis, Shelby County (which corresponds to the thematic map on the following slide), and Shelbyville. Demographic characteristics are provided for each cluster group.

INDIANAPOLIS MSA								Locally Adjusted Characteristics					
Rank	Cluster	Lifestyle Group	Urbanization Group	Household Type	Diversity Index	Own vs. Rent	Preferred Housing	Age	HH Size	HH Income	Net Worth	Home Value	HH %
1	Middleburg (4C)	Family Landscapes	Semirural	Married Couples	46.8	74%	Single Family	34.4	2.7	\$55,377	\$108,017	\$126,631	7.6%
2	Traditional Living (12B)	Hometown	Metro Cities	Married Couples	53.6	60%	Single Family	33.8	2.5	\$37,281	\$35,970	\$61,777	6.8%
3	Hardscrabble Road (8G)	Middle Ground	Metro Cities	Singles	74.5	41%	Single Family	30.8	2.6	\$26,898	\$13,246	\$55,997	6.0%
4	Up and Coming Families (7A)	Ethnic Enclaves	Suburban Periphery	Married Couples	72.8	75%	Single Family	29.9	3.1	\$64,376	\$108,448	\$140,893	5.8%
5	Green Acres (6A)	Cozy Country Living	Rural	Married Couples	24.4	87%	Single Family	41.8	2.6	\$74,759	\$273,327	\$159,583	5.5%
6	Salt of the Earth (6B)	Cozy Country Living	Rural	Married Couples	18.5	84%	Single Family	42.0	2.5	\$52,806	\$164,772	\$102,911	4.9%
7	Soccer Moms (4A)	Family Landscapes	Suburban Periphery	Married Couples	48.9	85%	Single Family	35.5	2.9	\$85,934	\$281,727	\$182,402	4.8%
8	Rustbelt Traditions (5D)	GenXurban	Urban Periphery	Married Couples	44.8	72%	Single Family	37.3	2.4	\$49,543	\$99,724	\$91,952	4.4%
9	Professional Pride (1B)	Affluent Estates	Suburban Periphery	Married Couples	42.1	92%	Single Family	39.3	3.1	\$128,357	\$576,593	\$315,864	4.1%
10	Boomburbs (1C)	Affluent Estates	Suburban Periphery	Married Couples	61.6	84%	Single Family	32.5	3.2	\$108,381	\$327,066	\$244,404	3.5%

SOUTHEAST INDIANAPOLIS								Locally Adjusted Characteristics					
Rank	Cluster	Lifestyle Group	Urbanization Group	Household Type	Diversity Index	Own vs. Rent	Preferred Housing	Age	HH Size	HH Income	Net Worth	Home Value	HH %
1	Hardscrabble Road (8G)	Middle Ground	Metro Cities	Singles	74.5	41%	Single Family	30.8	2.6	\$26,898	\$13,246	\$55,997	8.9%
2	Traditional Living (12B)	Hometown	Metro Cities	Married Couples	53.6	60%	Single Family	33.8	2.5	\$37,281	\$35,970	\$61,777	8.7%
3	Middleburg (4C)	Family Landscapes	Semirural	Married Couples	46.8	74%	Single Family	34.4	2.7	\$55,377	\$108,017	\$126,631	7.0%
4	Rustbelt Traditions (5D)	GenXurban	Urban Periphery	Married Couples	44.8	72%	Single Family	37.3	2.4	\$49,543	\$99,724	\$91,952	4.9%
5	Up and Coming Families (7A)	Ethnic Enclaves	Suburban Periphery	Married Couples	72.8	75%	Single Family	29.9	3.1	\$64,376	\$108,448	\$140,893	4.9%
6	Metro Fusion (11C)	Midtown Singles	Urban Periphery	Singles	84.2	25%	Multi-Unit Rentals; Single Family	28.0	2.6	\$32,238	\$12,816	\$105,238	4.8%
7	Old and Newcomers (8F)	Middle Ground	Metro Cities	Singles	50.7	46%	Single Family; Multi-Units	37.6	2.1	\$38,764	\$29,077	\$121,376	4.5%
8	Young and Restless (11B)	Midtown Singles	Metro Cities	Singles	76.4	13%	Multi-Unit Rentals	28.6	2.0	\$36,391	\$12,708	\$125,280	3.9%
9	Emerald City (8B)	Middle Ground	Metro Cities	Singles	48.7	49%	Single Family; Multi-Units	35.6	2.0	\$52,114	\$44,585	\$176,998	3.9%
10	Soccer Moms (4A)	Family Landscapes	Suburban Periphery	Married Couples	48.9	85%	Single Family	35.5	2.9	\$85,934	\$281,727	\$182,402	3.4%

SHELBY COUNTY								Locally Adjusted Characteristics					
Rank	Cluster	Lifestyle Group	Urbanization Group	Household Type	Diversity Index	Own vs. Rent	Preferred Housing	Age	HH Size	HH Income	Net Worth	Home Value	HH %
1	Salt of the Earth (6B)	Cozy Country Living	Rural	Married Couples	18.5	84%	Single Family	42.0	2.5	\$52,806	\$164,772	\$102,911	31.3%
2	Green Acres (6A)	Cozy Country Living	Rural	Married Couples	24.4	87%	Single Family	41.8	2.6	\$74,759	\$273,327	\$159,583	21.9%
3	Heartland Communities (6F)	Cozy Country Living	Semirural	Married Couples	29.9	70%	Single Family	40.4	2.3	\$39,852	\$71,401	\$67,481	15.8%
4	Traditional Living (12B)	Hometown	Metro Cities	Married Couples	53.6	60%	Single Family	33.8	2.5	\$37,281	\$35,970	\$61,777	12.0%
5	Front Porches (8E)	Middle Ground	Metro Cities	Married Couples	71	47%	Single Family; Multi-Units	33.3	2.5	\$40,050	\$25,200	\$120,250	5.3%
6	Hardscrabble Road (8G)	Middle Ground	Metro Cities	Singles	74.5	41%	Single Family	30.8	2.6	\$26,898	\$13,246	\$55,997	4.9%
7	Midlife Constants (5E)	GenXurban	Suburban Periphery	Married Couples w/No Kids	34.4	73%	Single Family	44.7	2.3	\$46,477	\$129,233	\$110,642	3.7%
8	Rustbelt Traditions (5D)	GenXurban	Urban Periphery	Married Couples	44.8	72%	Single Family	37.3	2.4	\$49,543	\$99,724	\$91,952	2.9%
9	Prairie Living (6D)	Cozy Country Living	Rural	Married Couples	22.6	80%	Single Family	42.3	2.5	\$51,026	\$145,925	\$93,078	2.2%

SHELBYVILLE								Locally Adjusted Characteristics					
Rank	Cluster	Lifestyle Group	Urbanization Group	Household Type	Diversity Index	Own vs. Rent	Preferred Housing	Age	HH Size	HH Income	Net Worth	Home Value	HH %
1	Heartland Communities (6F)	Cozy Country Living	Semirural	Married Couples	29.9	70%	Single Family	40.4	2.3	\$39,852	\$71,401	\$67,481	29.0%
2	Traditional Living (12B)	Hometown	Metro Cities	Married Couples	53.6	60%	Single Family	33.8	2.5	\$37,281	\$35,970	\$61,777	27.1%
3	Hardscrabble Road (8G)	Middle Ground	Metro Cities	Singles	74.5	41%	Single Family	30.8	2.6	\$26,898	\$13,246	\$55,997	11.0%
4	Front Porches (8E)	Middle Ground	Metro Cities	Married Couples	71	47%	Single Family; Multi-Units	33.3	2.5	\$40,050	\$25,200	\$120,250	8.8%
5	Midlife Constants (5E)	GenXurban	Suburban Periphery	Married Couples w/No Kids	34.4	73%	Single Family	44.7	2.3	\$46,477	\$129,233	\$110,642	8.2%
6	Salt of the Earth (6B)	Cozy Country Living	Rural	Married Couples	18.5	84%	Single Family	42.0	2.5	\$52,806	\$164,772	\$102,911	6.8%
7	Rustbelt Traditions (5D)	GenXurban	Urban Periphery	Married Couples	44.8	72%	Single Family	37.3	2.4	\$49,543	\$99,724	\$91,952	6.4%
8	Green Acres (6A)	Cozy Country Living	Rural	Married Couples	24.4	87%	Single Family	41.8	2.6	\$74,759	\$273,327	\$159,583	2.6%

Sources: ESRI; John Burns Real Estate Consulting, LLC

- The **“Cozy Country Living”** lifestyle group dominates Shelby County, as illustrated with the dark green shading in the map below – representing approximately 71.2% of households. “Salt of the Earth” (31.3%), “Green Acres” (21.9%), “Heartland Communities” (15.8%), and “Prairie Living” (2.2%) cluster groups comprise **“Cozy Country Living.”**
- Shelbyville is also dominated by the **“Cozy Country Living”** lifestyle group at 38% of households – but this area has a large presence of the **“Hometown”** lifestyle group as well with 27% of households.
- *Note that statistics on these lifestyle and cluster groups can be found on the previous slide, with full descriptions found on the next three slides.*

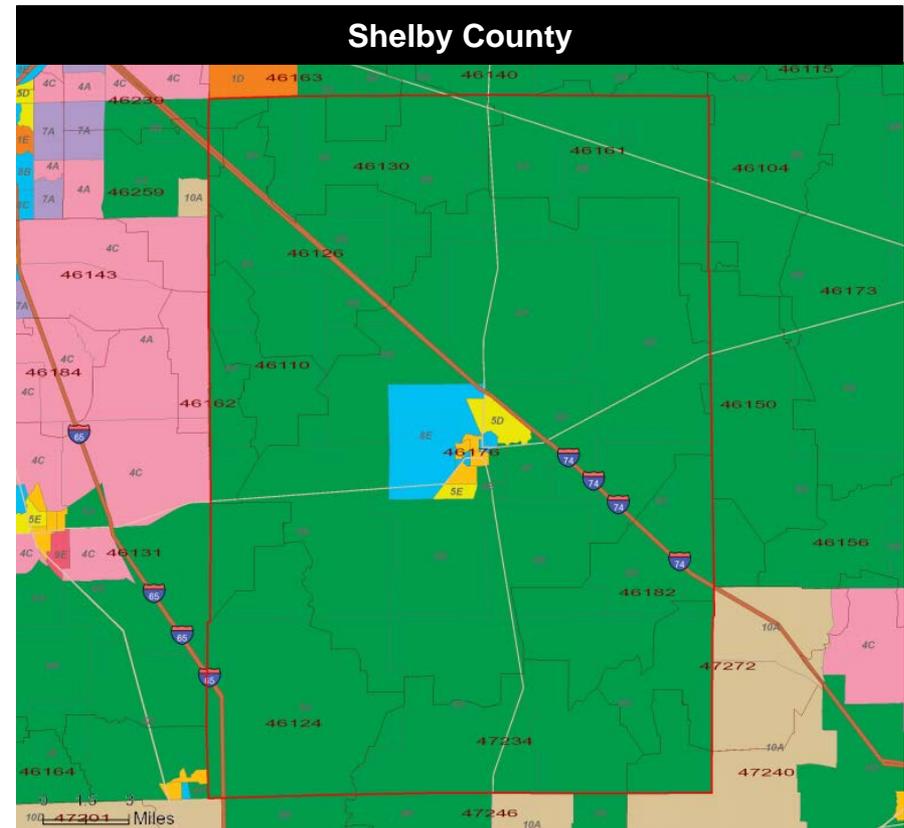
Lifestyle Group: Source: ESRI

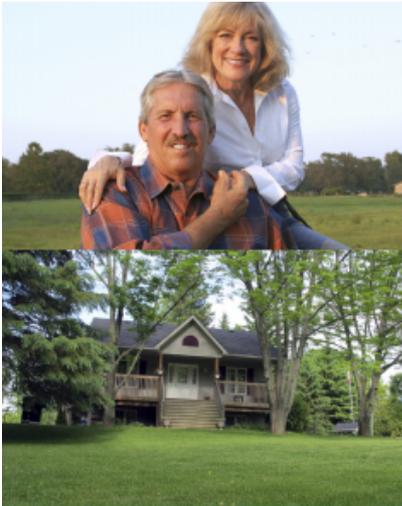
Highest Income ↑

Middle Income

↓ Lowest Income

- 1. **Affluent Estates:** Established wealth—educated, well-travelled married couples
- 2. **Upscale Avenues:** Prosperous, married couples in higher density neighborhoods
- 3. **Uptown Individuals:** Younger, urban singles on the move
- 4. **Family Landscapes:** Successful younger families in newer housing
- 5. **GenXurban:** Gen X in middle age; families with fewer kids and a mortgage
- 6. **Cozy Country Living:** Empty nesters in bucolic settings
- 7. **Ethnic Enclaves:** Established diversity—young, Hispanic homeowners with families
- 8. **Middle Ground:** Lifestyles of thirtysomethings
- 9. **Senior Styles:** Senior lifestyles reveal the effects of saving for retirement
- 10. **Rustic Outposts:** Country life with older families, older homes
- 11. **Midtown Singles:** Millennials on the move; single, diverse, and urban
- 12. **Hometown:** Growing up and staying close to home; single householders
- 13. **Next Wave:** Urban denizens; young, diverse, hardworking families
- 14. **Scholars and Patriots:** College campuses and military neighborhoods





LifeMode Group: Cozy Country Living
Salt of the Earth

6B

Households: 3,517,000

Average Household Size: 2.58

Median Age: 43.1

Median Household Income: \$53,000

WHO ARE WE?

Salt of the Earth residents are entrenched in their traditional, rural lifestyles. Citizens here are older, and many have grown children that have moved away. They still cherish family time and also tending to their vegetable gardens and preparing homemade meals. Residents embrace the outdoors; they spend most of their free time preparing for their next fishing, boating, or camping trip. The majority has at least a high school diploma or some college education; many have expanded their skill set during their years of employment in the manufacturing and related industries. They may be experts with DIY projects, but the latest technology is not their forte. They use it when absolutely necessary, but seek face-to-face contact in their routine activities.

OUR NEIGHBORHOOD

- This large segment is concentrated in the Midwest, particularly in Ohio, Pennsylvania, and Indiana.
- Due to their rural setting, households own two vehicles to cover their long commutes, often across county boundaries.
- Home ownership rates are very high (Index 132). Single-family homes are affordable, valued at 25 percent less than the national market.
- Two in three households are composed of married couples; less than half have children at home.

SOCIOECONOMIC TRAITS

- Steady employment in construction, manufacturing, and related service industries.
- Completed education: 42% with a high school diploma only.
- Household income just over the national median, while net worth is double the national median.
- Spending time with family their top priority.
- Cost-conscious consumers, loyal to brands they like, with a focus on buying American.
- Last to buy the latest and greatest products.
- Try to eat healthy, tracking the nutrition and ingredients in the food they purchase.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.



LifeMode Group: Cozy Country Living

Green Acres

6A

Households: 3,794,000

Average Household Size: 2.69

Median Age: 43.0

Median Household Income: \$72,000

WHO ARE WE?

The *Green Acres* lifestyle features country living and self-reliance. They are avid do-it-yourselfers, maintaining and remodeling their homes, with all the necessary power tools to accomplish the jobs. Gardening, especially growing vegetables, is also a priority, again with the right tools, tillers, tractors, and riding mowers. Outdoor living also features a variety of sports: hunting and fishing, motorcycling, hiking and camping, and even golf. Self-described conservatives, residents of *Green Acres* remain pessimistic about the near future yet are heavily invested in it.

OUR NEIGHBORHOOD

- Rural enclaves in metropolitan areas, primarily (not exclusively) older homes with acreage; new housing growth in the past 10 years.
- Single-family, owner-occupied housing, with a median value of \$197,000.
- An older market, primarily married couples, most with no children.

SOCIOECONOMIC TRAITS

- Education: 60% are college educated.
- Unemployment is low at 6% (Index 70); labor force participation rate is high at 67.4% (Index 108).
- Income is derived not only from wages and salaries but also from self-employment (more than 15% of households), investments (30% of households), and increasingly, from retirement.
- They are cautious consumers with a focus on quality and durability.
- Comfortable with technology, more as a tool than a trend: banking or paying bills online is convenient; but the Internet is not viewed as entertainment.
- Economic outlook is professed as pessimistic, but consumers are comfortable with debt, primarily as home and auto loans, and investments.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.



LifeMode Group: Cozy Country Living

Heartland Communities

6F

Households: 2,864,000

Average Household Size: 2.38

Median Age: 41.5

Median Household Income: \$39,000

WHO ARE WE?

Well settled and close-knit, *Heartland Communities* are semirural and semiretired. These older householders are primarily homeowners, and many have paid off their mortgages. Their children have moved away, but they have no plans to leave their homes. Their hearts are with the country; they embrace the slower pace of life here but actively participate in outdoor activities and community events. Traditional and patriotic, these residents support their local businesses, always buy American, and favor domestic driving vacations over foreign plane trips.

OUR NEIGHBORHOOD

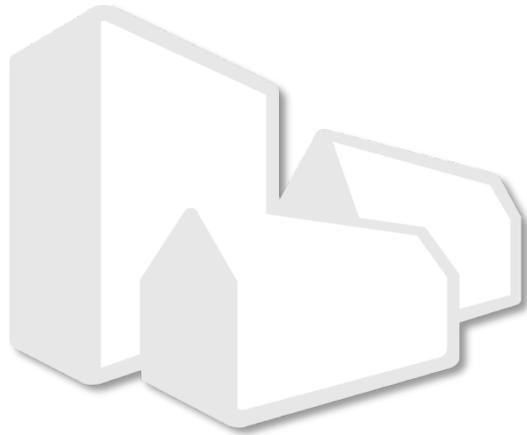
- Rural communities or small towns are concentrated in the Midwest, from older Rustbelt cities to the Great Plains.
- Distribution of household types is comparable to the US, primarily (but not the majority) married couples, more with no children, and a slightly higher proportion of singles (Index 112) that reflects the aging of the population.
- Residents own modest, single-family homes built before 1970.
- They own one or two vehicles; commutes are short (Index 95).

SOCIOECONOMIC TRAITS

- Retirees in this market depress the average labor force participation rate to less than 60% (Index 95), but the unemployment rate is comparable to the US.
- More workers are white collar than blue collar; more skilled than unskilled.
- The rural economy of this market provides employment in the manufacturing, construction, and agriculture industries.
- These are budget savvy consumers; they stick to brands they grew up with and know the price of goods they purchase. Buying American is important.
- Daily life is busy, but routine. Working on the weekends is not uncommon.
- Residents trust TV and newspapers more than any other media.
- Skeptical about their financial future, they stick to community banks and low-risk investments.



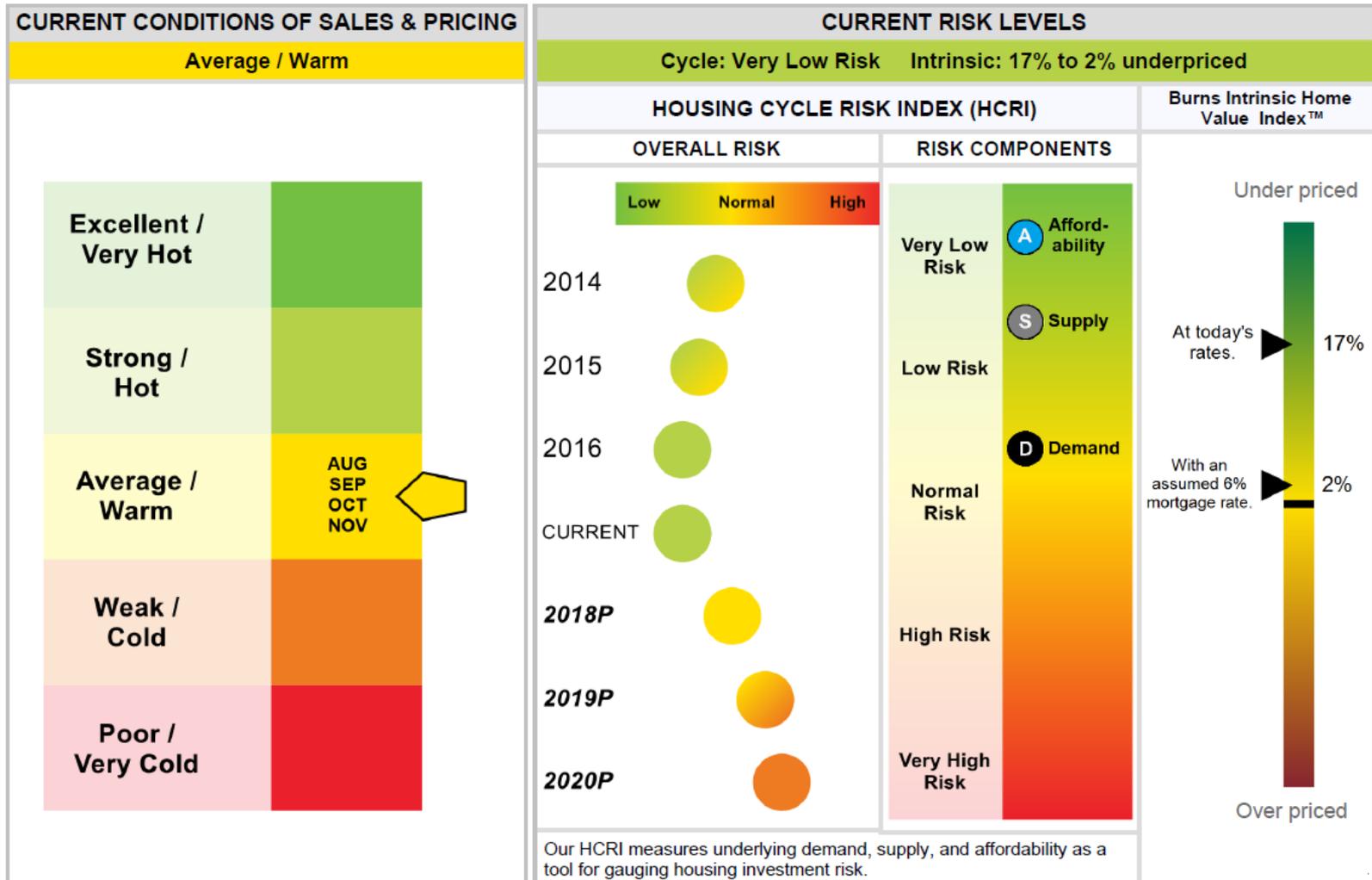
Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GK/MRL.



Metro Analysis and Forecasts – Indianapolis MSA

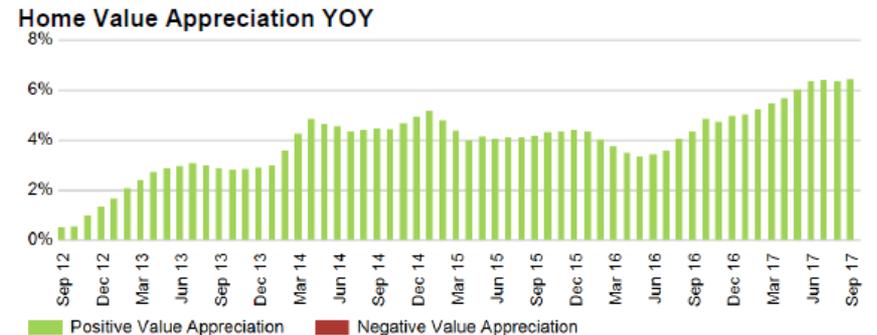
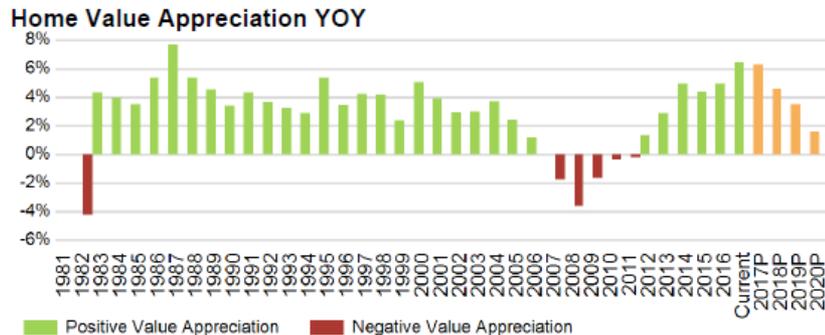
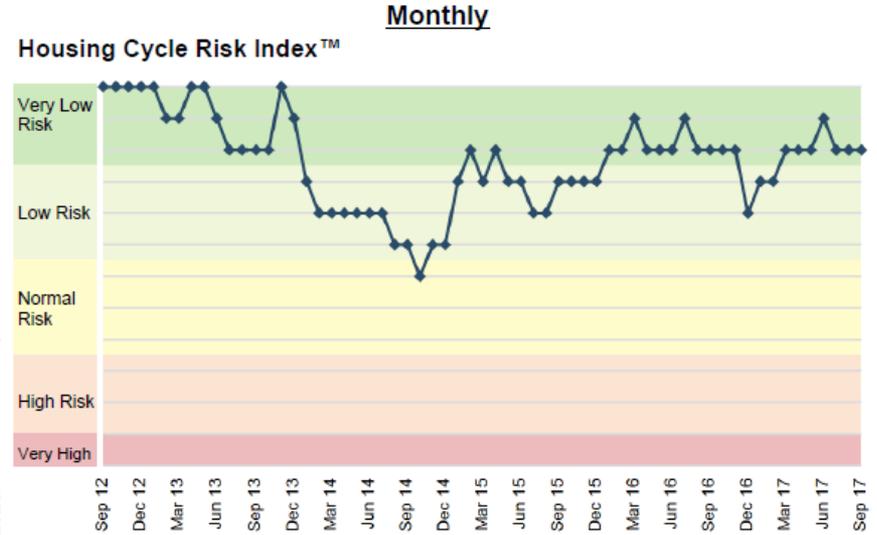
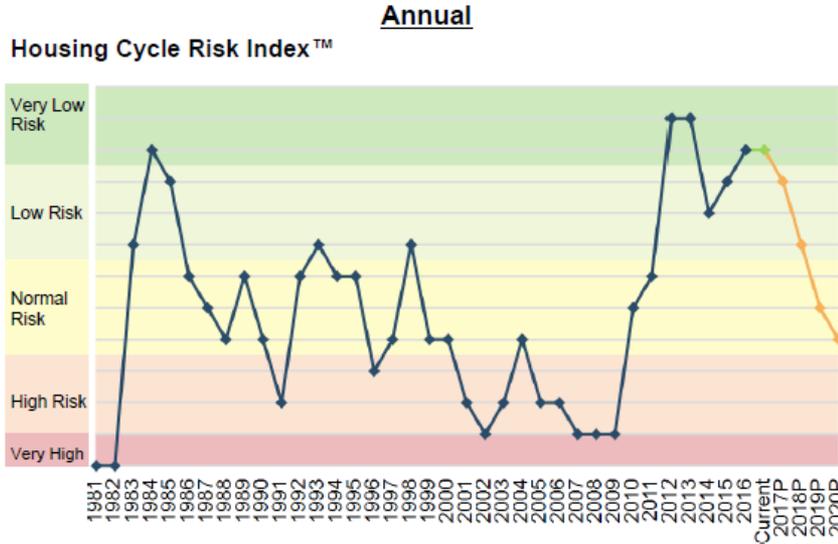
Metro Analysis and Forecasts – Current Conditions and Risk Level

- JBREC currently rates conditions of new home sales and pricing in the Indianapolis MSA as **Average / Warm**, with solid housing market fundamentals and approximately 17% under priced at today's rates based on the Burns Intrinsic Home Value Index. An **Average / Warm** rating is indicative of consistent sales at approximately 2-3 per month per new home community and flat to increasing prices.
- Affordability and supply are very good with very low to low risk levels, with average demand at normal risk.



Metro Analysis and Forecasts – Housing Cycle Risk Index

JBREC's Housing Cycle Risk Index (HCRI) is a measure of housing market fundamentals in a given market. The index includes 4 major categories, 11 subcategories, and 25 calculations based on factors that include Demand, Supply, Affordability, and Economic Indicators. The HCRI score for the Indianapolis MSA is currently **Very Low Risk**. We forecast the risk level will trend to **Normal Risk** by 2020. It is important to remember that the index is a broad one and not all products and price points will react the same. JBREC projects continued, but slowing, year-over-year price appreciation in the Indianapolis MSA from 2017 through 2020.

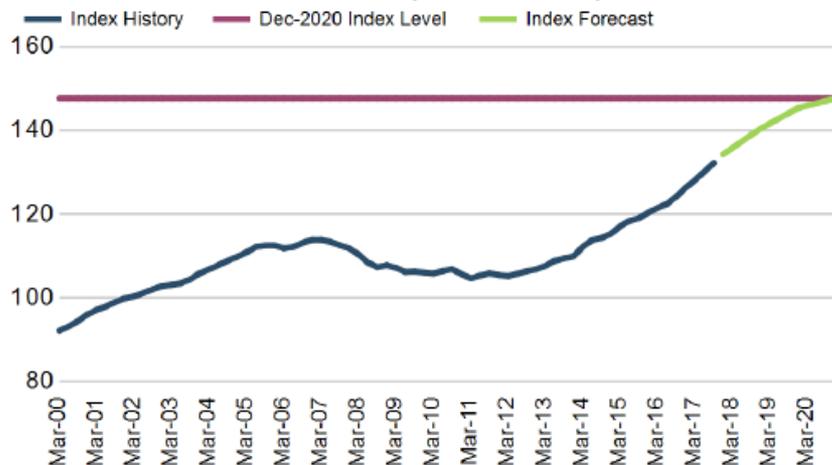


Our Housing Cycle Risk Index (HCRI) measures the health of market fundamentals (i.e., demand, supply, and affordability) and gauges investment risk within a housing market. For example, Average indicates relatively normal risk levels, while Poor indicates a high level of risk. When the HCRI increases from High Risk (below average fundamentals) to Low Risk (good fundamentals), it is time to invest. When the index falls from Low Risk to High Risk, it is time to divest. When the HCRI is improving and has reached Normal Risk or better, we recommend investing with optimism, including long-term investments.

Metro Analysis and Forecasts – Burns Home Value Index (BHVI)

The Burns Home Value Index (BHVI) measures housing value trends for the entire market. In 2016 home prices in the Indianapolis MSA improved 4.9% year-over-year, with home prices currently up 6.3% year-over-year. Prices are expected to appreciate 11% through 2020 in the Indianapolis MSA, with each year redefining peak value for the market.

Burns Home Value Index™ (2000 to 2020)



Source: John Burns Real Estate Consulting, LLC (Data: Oct 17, Pub: Nov 17)

YOY Growth
6.3%
MOM Growth
0.5%
Current Value
132.9
Current to Dec-2020
11%
Dec-20 value is above peak levels

Monthly Data

Date	Value	YOY %
Dec-15	120.4	4.4%
Jan-16	120.8	4.3%
Feb-16	121.1	4.0%
Mar-16	121.5	3.7%
Apr-16	121.9	3.5%
May-16	122.1	3.3%
Jun-16	122.4	3.4%
Jul-16	122.9	3.6%
Aug-16	123.6	4.1%
Sep-16	124.2	4.3%
Oct-16	125.1	4.9%
Nov-16	125.5	4.7%
Dec-16	126.3	4.9%
Jan-17	126.9	5.0%
Feb-17	127.5	5.2%
Mar-17	128.1	5.4%
Apr-17	128.8	5.7%
May-17	129.5	6.0%
Jun-17	130.2	6.3%
Jul-17	130.8	6.4%
Aug-17	131.5	6.4%
Sep-17	132.2	6.4%
Oct-17	132.9	6.3%

Year End Values

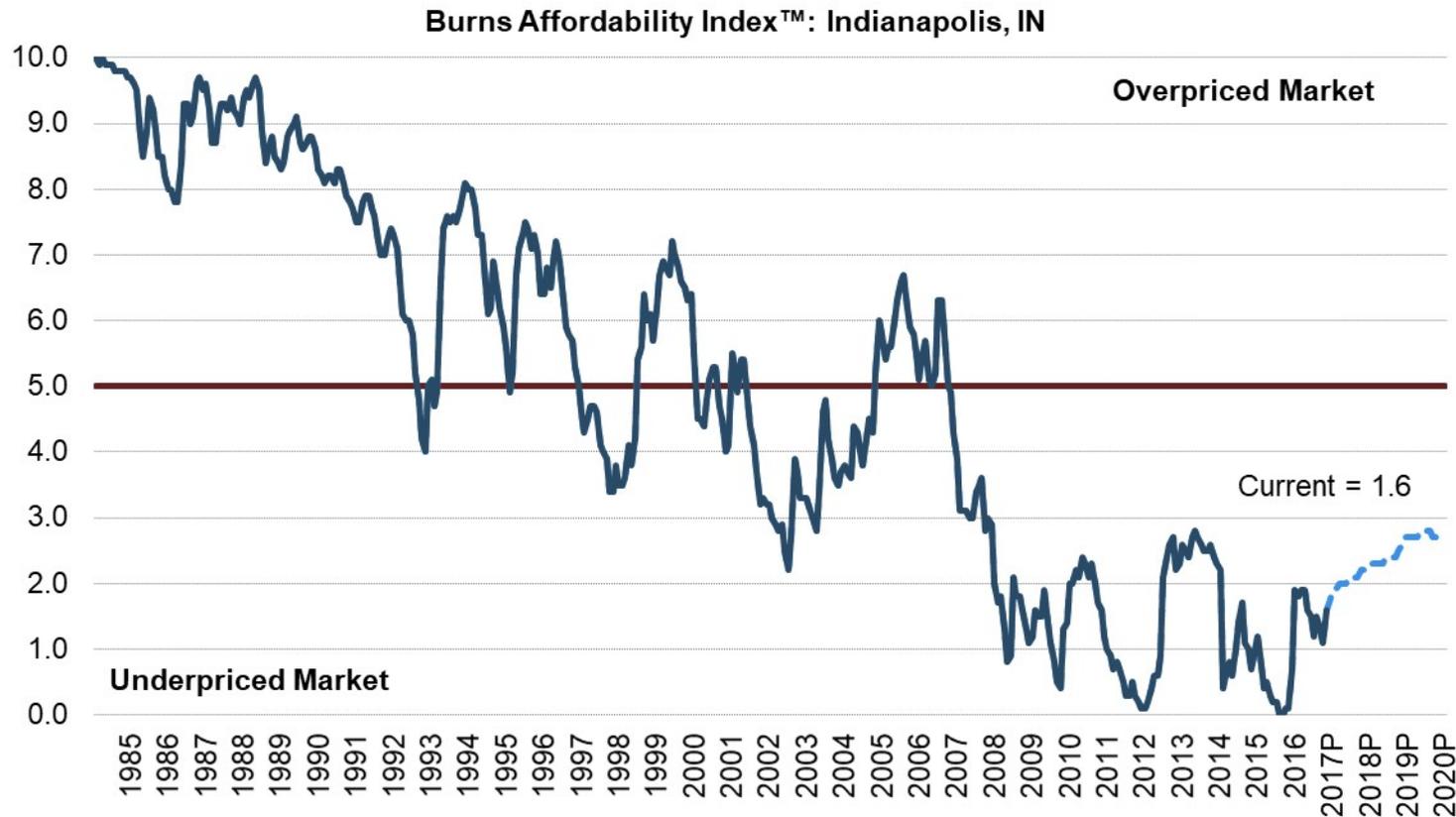
Date	Value	YOY %
Dec-00	96.0	
Dec-01	99.8	4.0%
Dec-02	102.7	2.9%
Dec-03	105.8	3.0%
Dec-04	109.8	3.7%
Dec-05	112.5	2.5%
Dec-06	113.8	1.2%
Dec-07	111.8	-1.8%
Dec-08	107.7	-3.6%
Dec-09	106.0	-1.6%
Dec-10	105.6	-0.3%
Dec-11	105.4	-0.2%
Dec-12	106.8	1.3%
Dec-13	109.9	2.9%
Dec-14	115.3	4.9%
Dec-15	120.4	4.4%
Dec-16	126.3	4.9%
Dec-17P	134.3	6.3%
Dec-18P	140.4	4.6%
Dec-19P	145.4	3.5%
Dec-20P	147.7	1.6%

BHVI indexed to 100 in January 2002

* Historical average growth rate based on annual averages.

Metro Analysis and Forecasts – Affordability Index

The JBREC Affordability Index measures the relationship between the monthly cost of owning the median priced home and median household income. The current index for the Indianapolis MSA is 1.6 (where 5.0 represents the historical median dating back to 1985, with 0-1 on the index representing the top 10% of the most affordable months since 1985 and 9-10 represents the top 10% of least affordable months during the same period). The Indianapolis MSA is extremely affordable (underpriced) compared to its historical norm and expected to remain so through 2020. Affordability is a strength of the Indianapolis MSA.



Source: John Burns Real Estate Consulting, LLC (Data as of October 2017, projections as of November 2017)

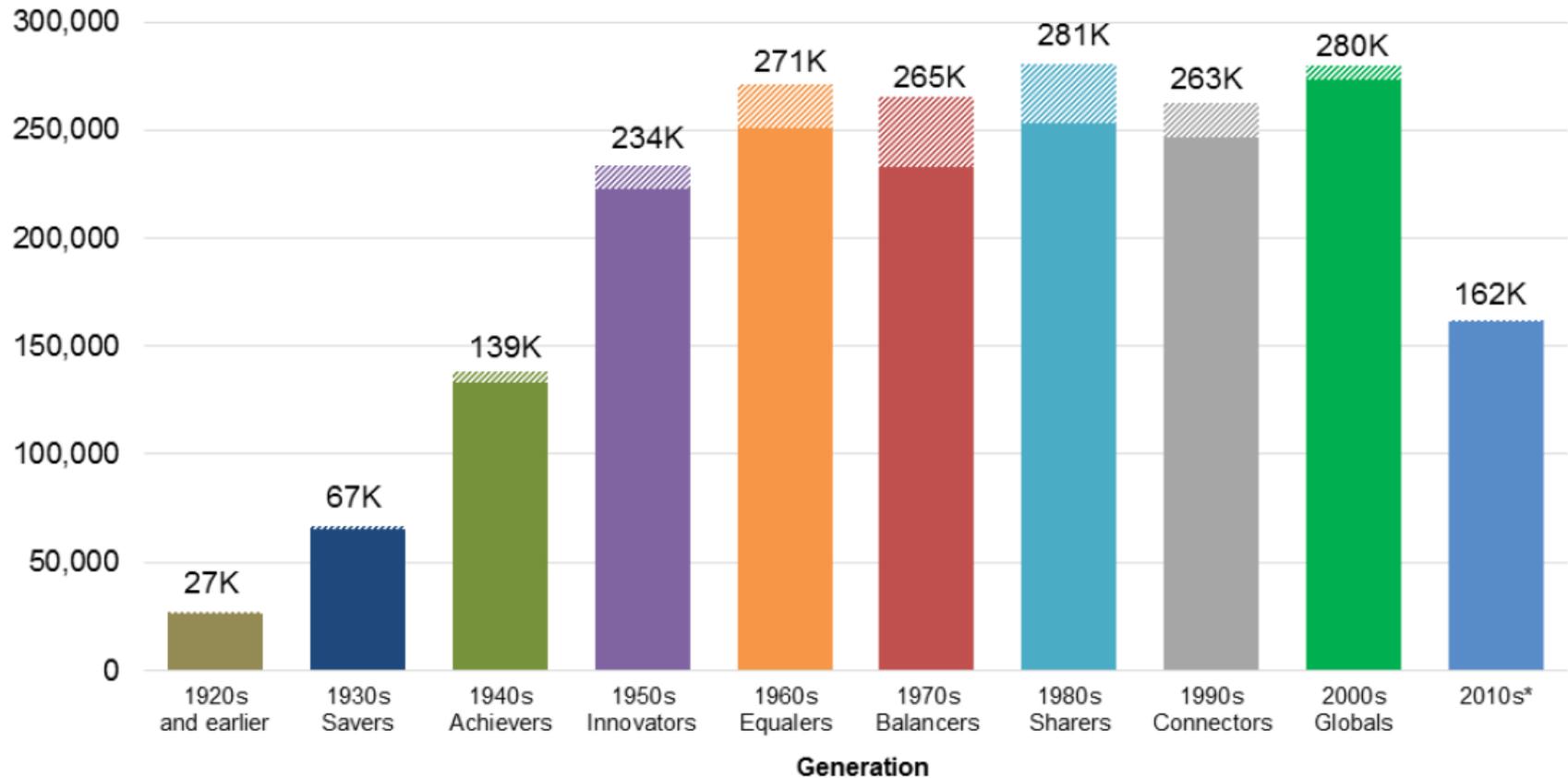
Affordability History & Projections	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Current	Dec-17P	Dec-18P	Dec-19P	Dec-20P
Burns Affordability Index™	1.2	2.0	1.0	0.1	2.6	2.2	1.2	1.9	1.6	1.9	2.3	2.7	2.7
Median Housing Costs/Median Income	18%	19%	18%	18%	20%	19%	18%	19%	19%	19%	19%	20%	20%

Metro Analysis and Forecasts – Population by Generation

The Indianapolis MSA has a young population. Sharers (JBREC’s name for those born in the 1980s) are the largest age cohort in the Indianapolis MSA at 281K, while Globals (those born in the 2000s) are the second-largest group. This demographic trend should boost entry-level demand in the MSA.

2015 Population by Generation: Indianapolis, IN

▨ Foreign born ■ US born

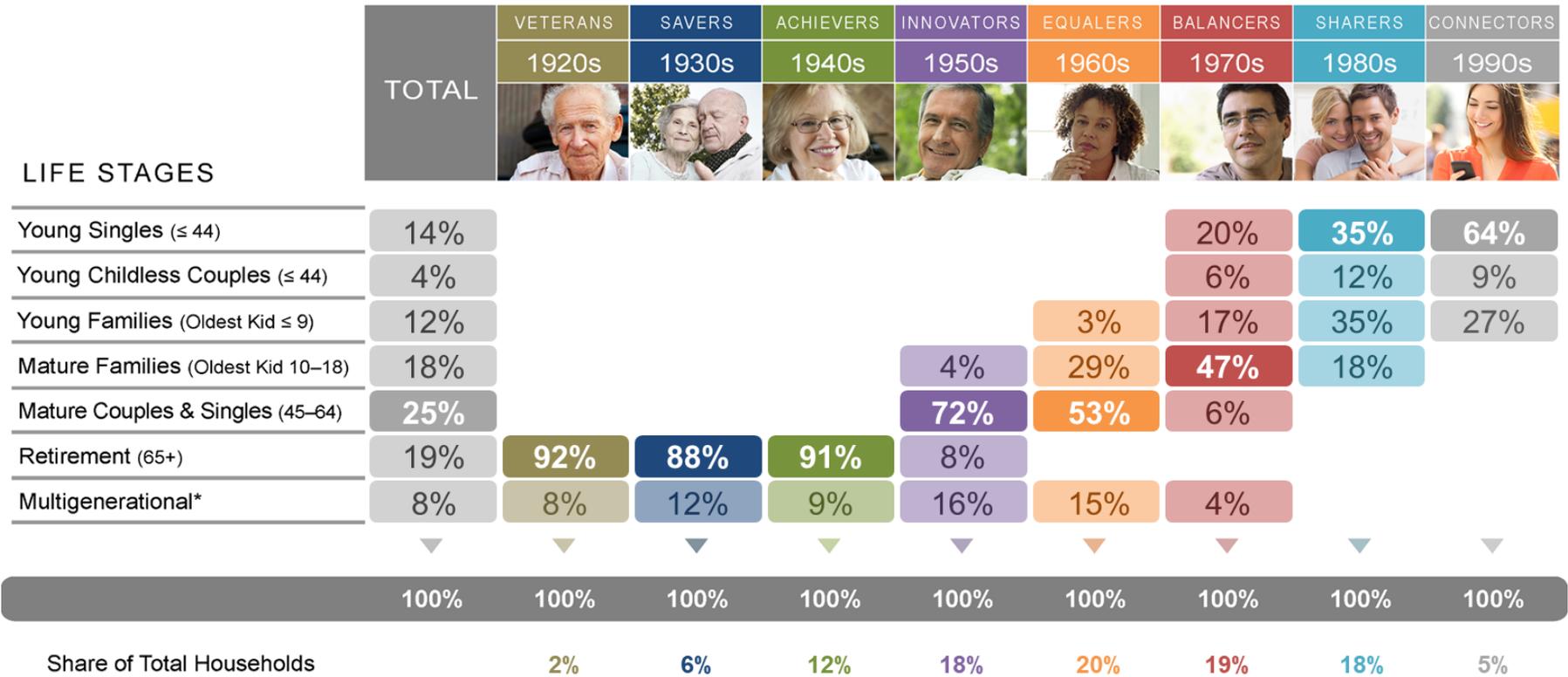


* 2010s represents population born from 2010–2015 only.

Source: John Burns Real Estate Consulting, LLC, calculations of U.S. Census Bureau 2015 population estimates

- In the Indianapolis MSA, 25% of households are in the “mature couples and singles” life stage.
- Equaler households (JBREC’s name for those born in the 1960s) are the largest age cohort in the Indianapolis MSA at 20%.

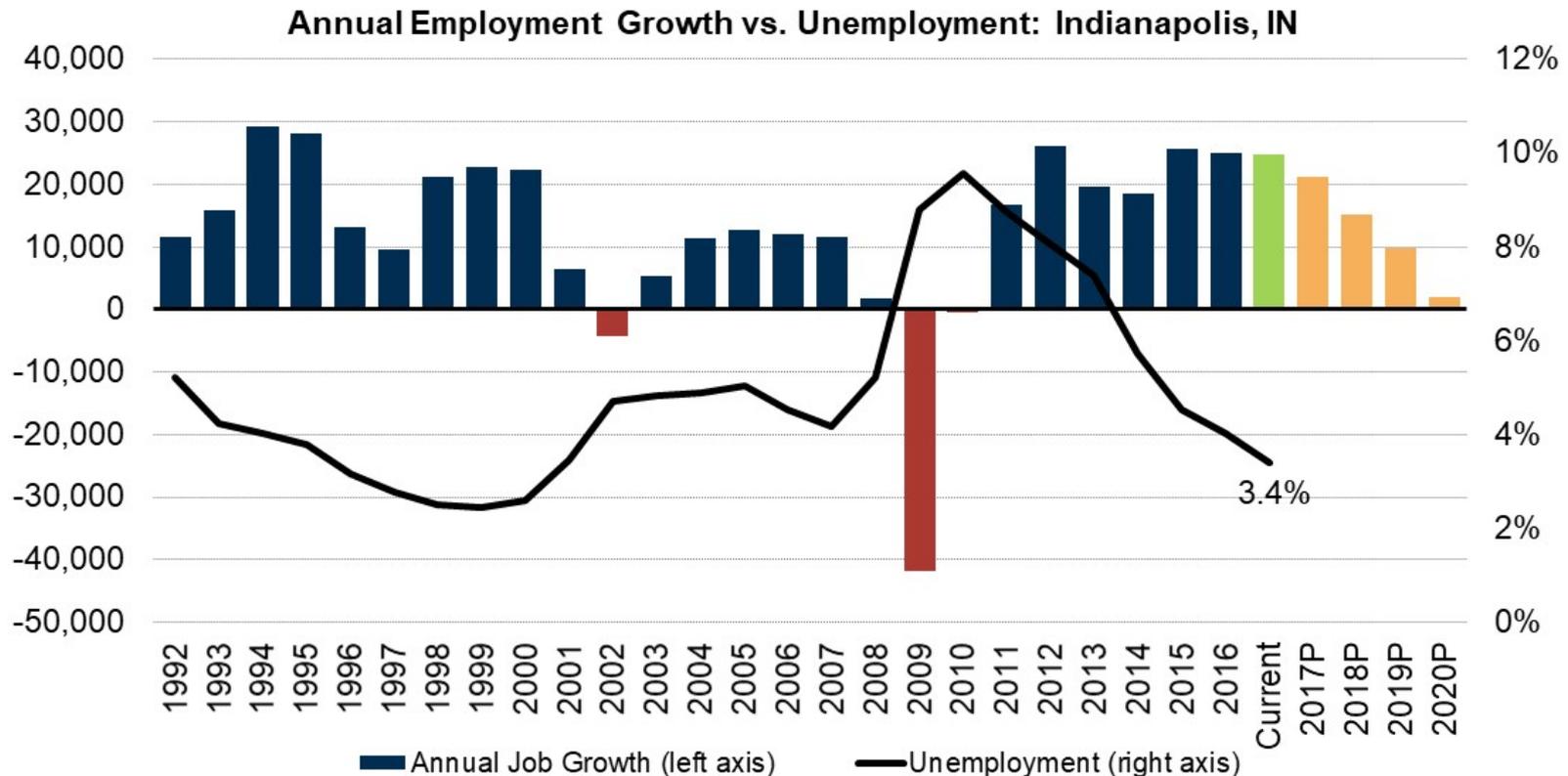
2015 INDIANAPOLIS, IN



Percentages less than 1% have been left out, and rounding adjustments were made to total to 100%
 Households with both adult children and younger children are categorized as Young Families or Mature Families.
 *Multigenerational households have at least one child 19+ and no children 18 or under.

Metro Analysis and Forecasts – Employment

The Indianapolis MSA added 24,700 jobs over the last twelve months, a 2.3% year-over-year growth rate. The unemployment rate is currently 3.4% – which is better than the 4.1% U.S. unemployment rate. We anticipate slowing employment fundamentals through 2020, with employment growth projections ranging from 2.0% in 2017 to 0.2% in 2020. This deceleration of growth is a nationwide trend from 2017 to 2020.

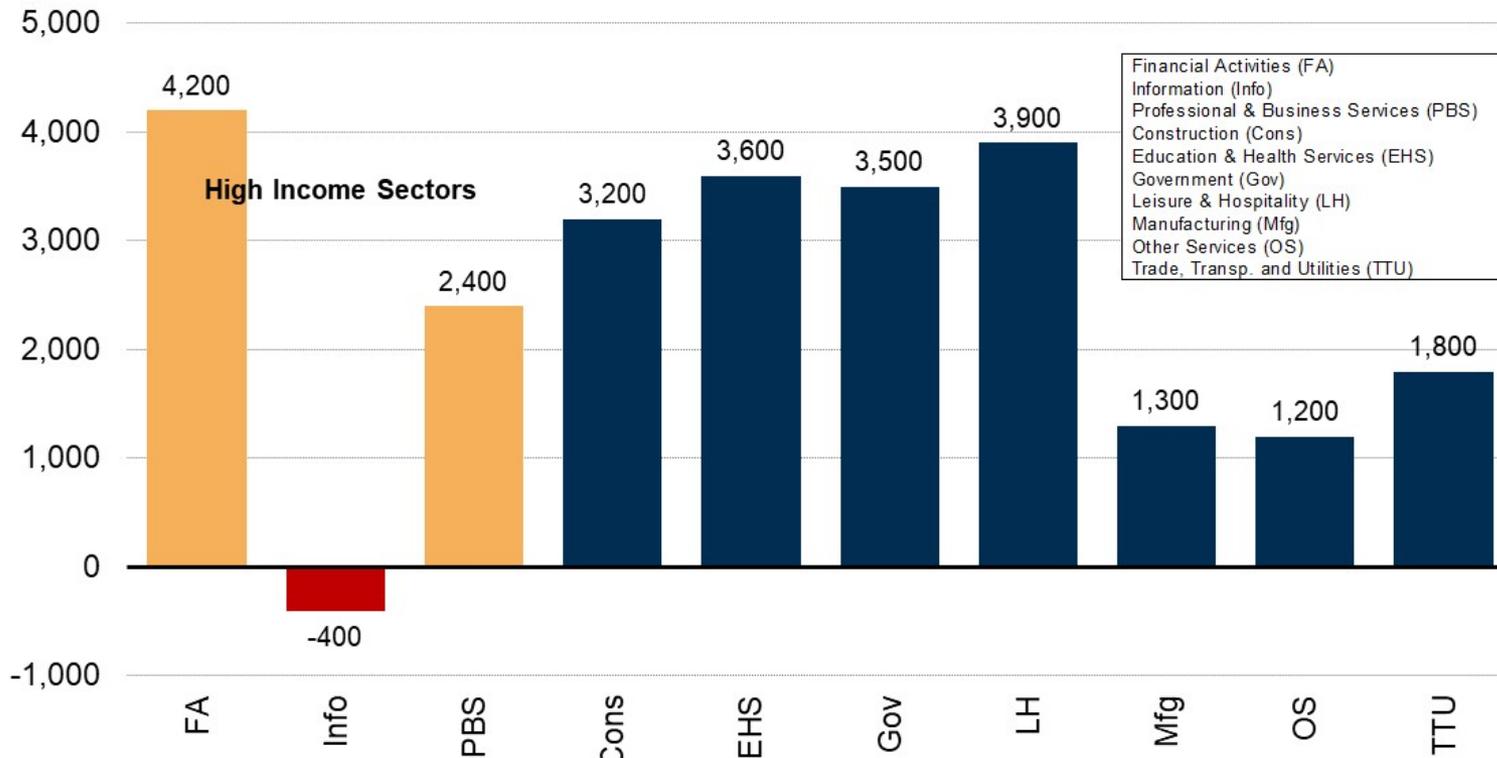


Sources: U.S. Bureau of Labor Statistics (BLS); John Burns Real Estate Consulting, LLC (Data as of September 2017, projections as of November 2017)

Employment History & Projections	2009	2010	2011	2012	2013	2014	2015	2016	Current	2017P	2018P	2019P	2020P
Payroll Survey Total	912,800	912,300	929,100	955,300	975,000	993,500	1,019,100	1,044,100	1,081,000	1,065,400	1,080,600	1,090,500	1,092,400
1-Year Change	-41,800	-500	16,800	26,200	19,700	18,500	25,600	25,000	24,700	21,300	15,200	9,900	1,900
1-Year Growth Rate	-4.4%	-0.1%	1.8%	2.8%	2.1%	1.9%	2.6%	2.5%	2.3%	2.0%	1.4%	0.9%	0.2%
Unemployment Rate	8.8%	9.6%	8.8%	8.0%	7.4%	5.7%	4.5%	4.0%	3.4%				

- Employment growth in the Indianapolis MSA over the last twelve months has been fueled by job creation across most sectors, with notable growth in the high income Financial Activities (+4,200 net new jobs) and Professional and Business Services(+2,400 net new jobs) sectors. Job growth in high income sectors is indicative of new housing demand.
- Top employers in the metro include St. Vincent Hospital and Health, Indiana University Health, Eli Lilly and Co., Community Health Network, Wal-Mart, Marsh Supermarkets, Kroger, Federal Express, Roche Diagnostics, and Rolls-Royce.
- Shelby County also benefits from auto jobs located in several exurban cities outside downtown Indianapolis. These exurban cities have extremely high concentrations of auto-related employment and are home to auto manufacturing plants and suppliers, including Kokomo, Lafayette, Columbus, and Greenburg.

Current Employment Growth by Sector: Indianapolis, IN



Sources: U.S. Bureau of Labor Statistics (BLS); John Burns Real Estate Consulting, LLC (Data as of September 2017, projections as of November 2017)

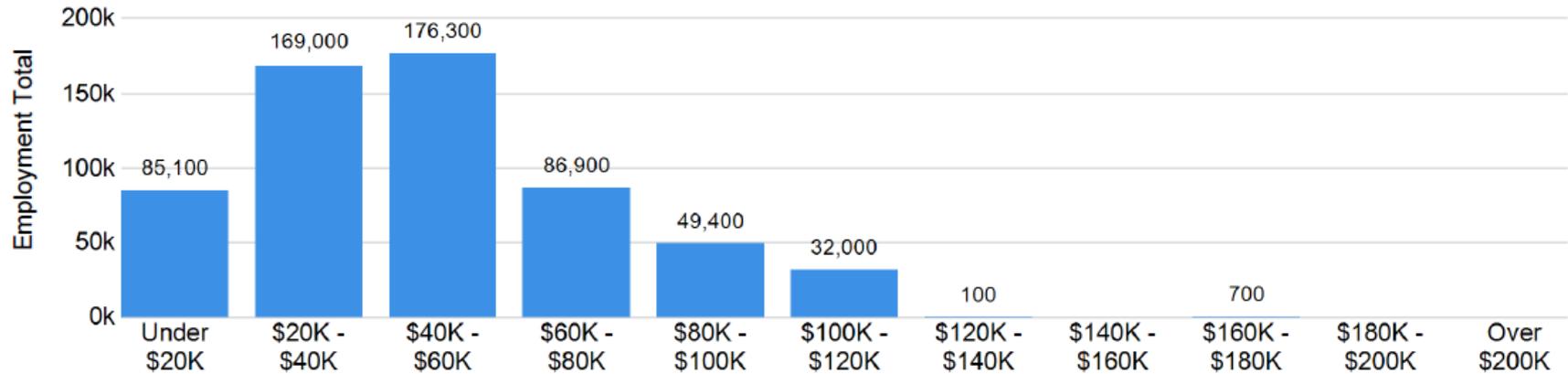
Metro Analysis and Forecasts – Employment by Income

Job growth in the Indianapolis MSA has been strongest in the \$40K-\$60K income bracket, followed by the \$60K-\$80K income bracket.

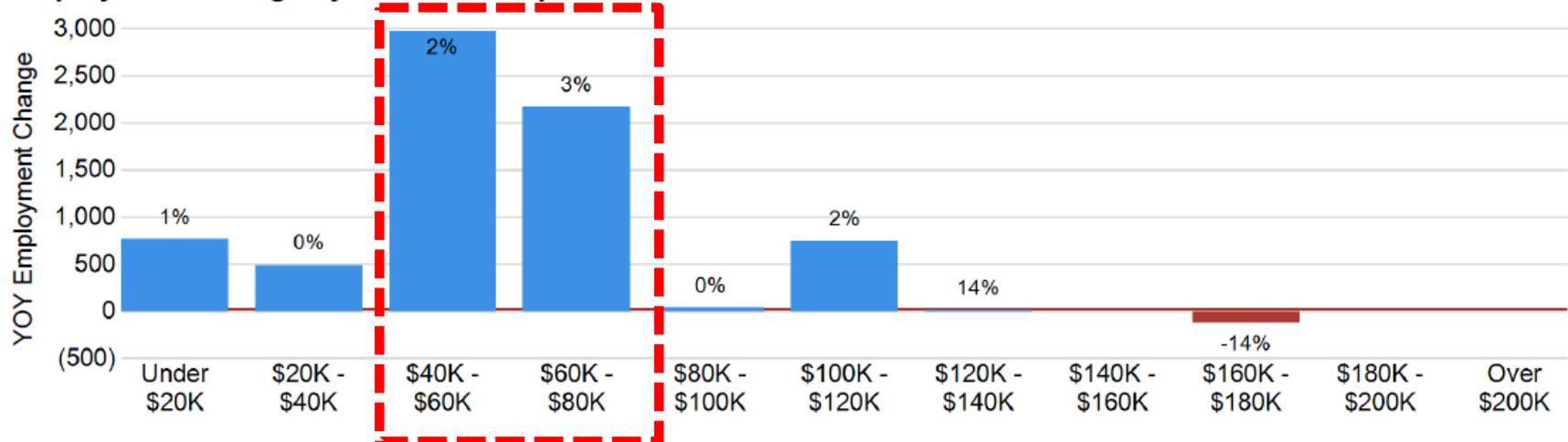
Employment Total by Income Group

(Grouping by Annual Average Income)

Current Median Income: \$59,800. Data in chart represents 63% of total non-government employment.



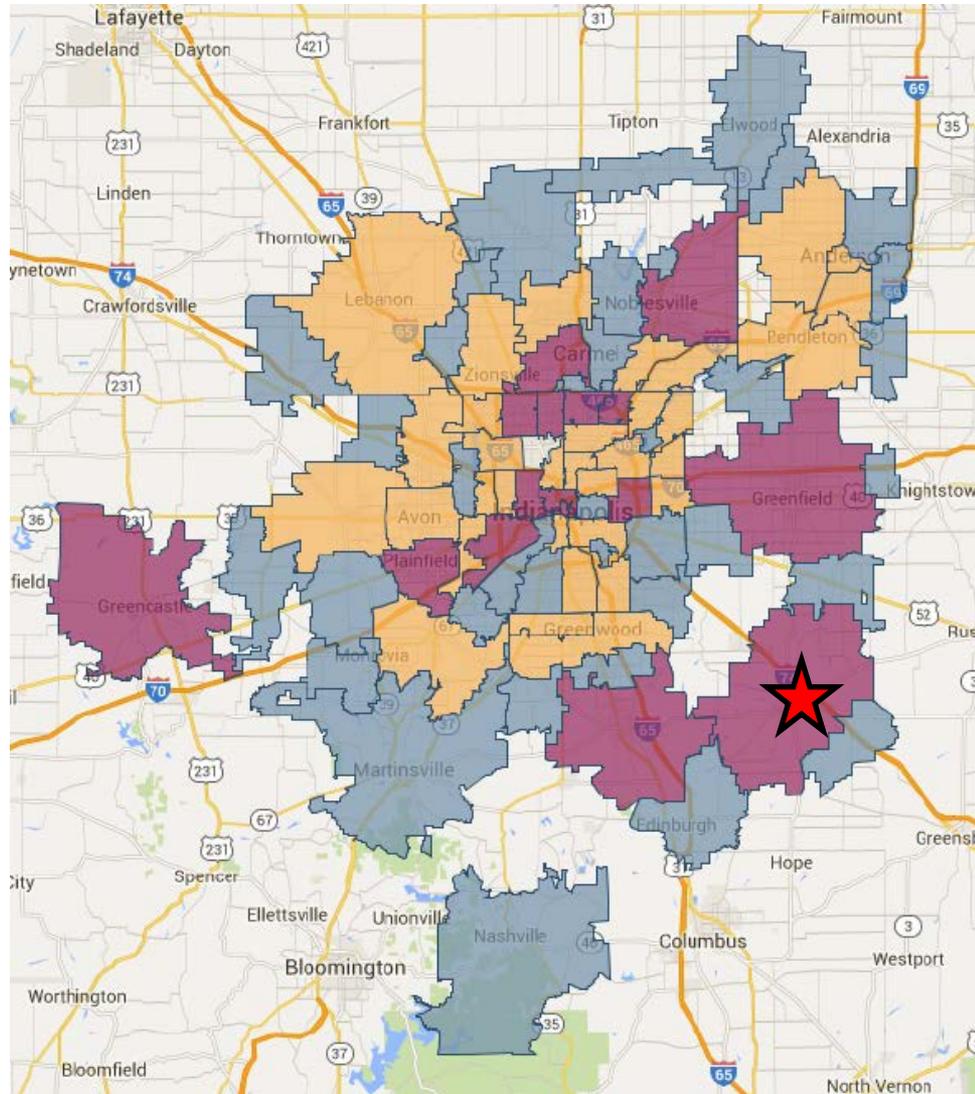
Employment Change by Income Group YOY



Data only includes private sector employment - non-government
JBREC estimates based on the most recent data available from the BLS (Data Date: Mar-17)

Metro Analysis and Forecasts– Employment Centers

The map below illustrates total employees in companies with more than 100 people by zip code.



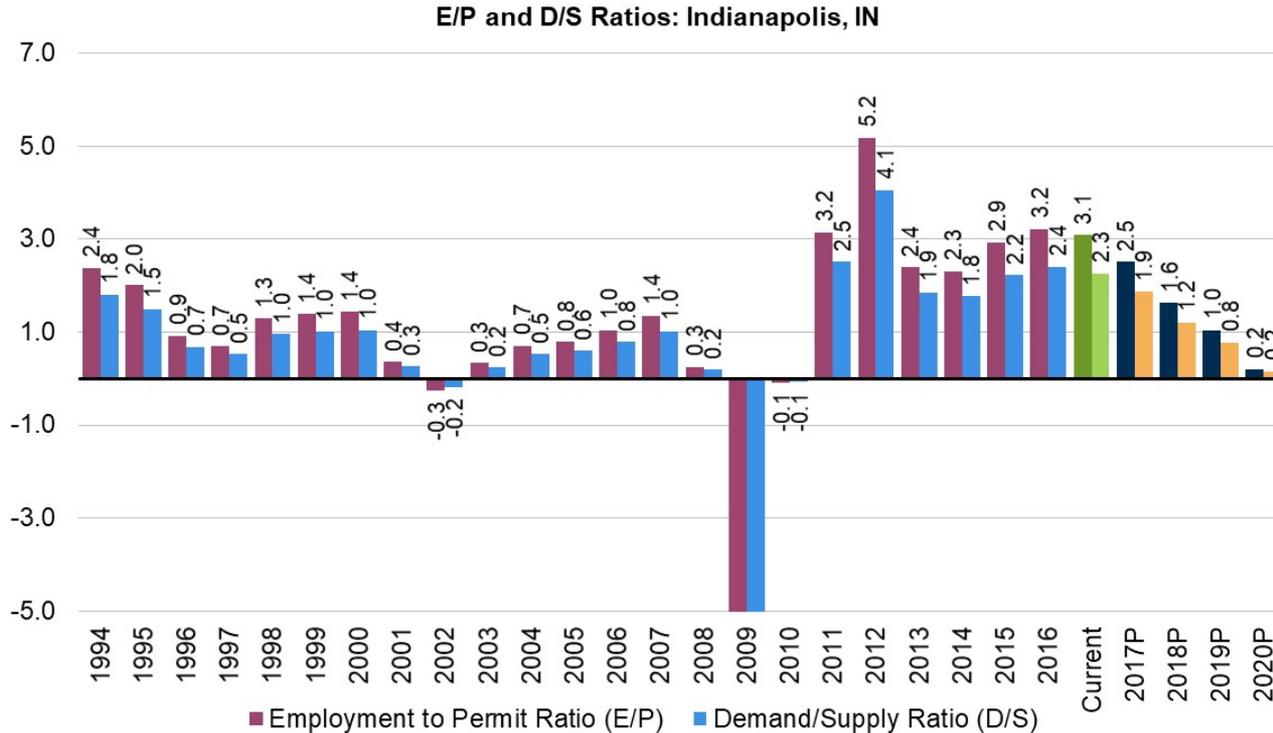
of Employees
by zipcode

- 100 to 1,499
- 2,000 to 4,999
- > 5,000

Source: InfoUSA,
JBREC estimates

As of March 2016

These ratios show whether or not more housing is needed to meet the demand from economic and demographic growth in the Indianapolis MSA. The current employment growth to building permit ratio in the Indianapolis MSA is 3.1, which is indicative of a favorable market. A market is considered balanced with a 1.0 to 1.5 job-to-permit ratio. The demand to supply ratio is currently 2.3.



Sources: U.S. Bureau of Labor Statistics (BLS); U.S. Census Bureau; JBREC (Data as of September 2017, projections as of November 2017)

Chart cropped at -5 to better illustrate the variations between years.

These ratios show whether or not more housing is needed to meet the demand from economic and demographic growth. Affordability and other factors can also help determine whether prices will rise or fall.

Employment growth to building permit ratio (E/P Ratio) refers to the ratio of the employment growth to the total building permits (singlefamily and multifamily).

- An E/P Ratio above 1 generally suggests that housing demand is healthy. It shows that job growth is outpacing the growth of the housing stock, as measured by permits issued, and thus demand for home purchases should be strong
- An E/P Ratio below 1 is generally an indication that growth of the housing stock is outpacing job growth. Supply is building without adequate demand for consumption, which is normally spurred by job growth.

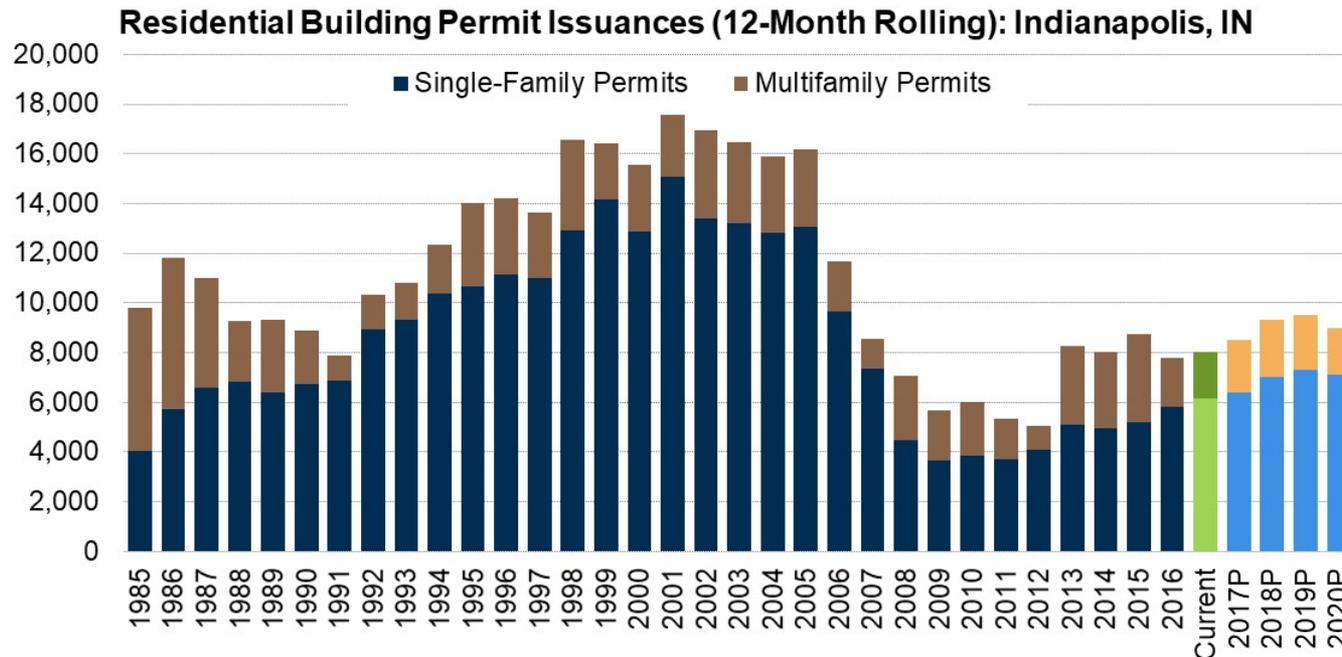
It is important to note that job growth and permits are not the only components of housing demand. There are many instances where housing demand is strong despite an E/P Ratio that is well below 1. The E/P Ratio is just one of many indicators of housing demand.

Employees to households ratio refers to the ratio of the employment totals to total households.

Demand to supply ratio refers to the ratio of the Employment Growth / Permits Ratio to the Employees/Households Ratio.

Metro Analysis and Forecasts – Building Permits

- Permit activity bottomed out in the Indianapolis MSA at 5,062 total units in 2012. The metro rebounded in 2013 to approximately 8K permits and has stayed near that level since. The Indianapolis MSA is currently at 8,024 total permits, which is down 4% year-over-year. The primary driver of the decrease in total permits is the 27% decline in multifamily permits, as single-family permits are currently up 6% year-over-year at 6,168.
- We are projecting total permits to increase 9% in 2017 to 8,500 units, which is 48% of peak permit level achieved in 2001. After a 9% increase in permits in 2018 and 2% increase in 2019, we are projecting a decrease in permits in 2020 (-5%).



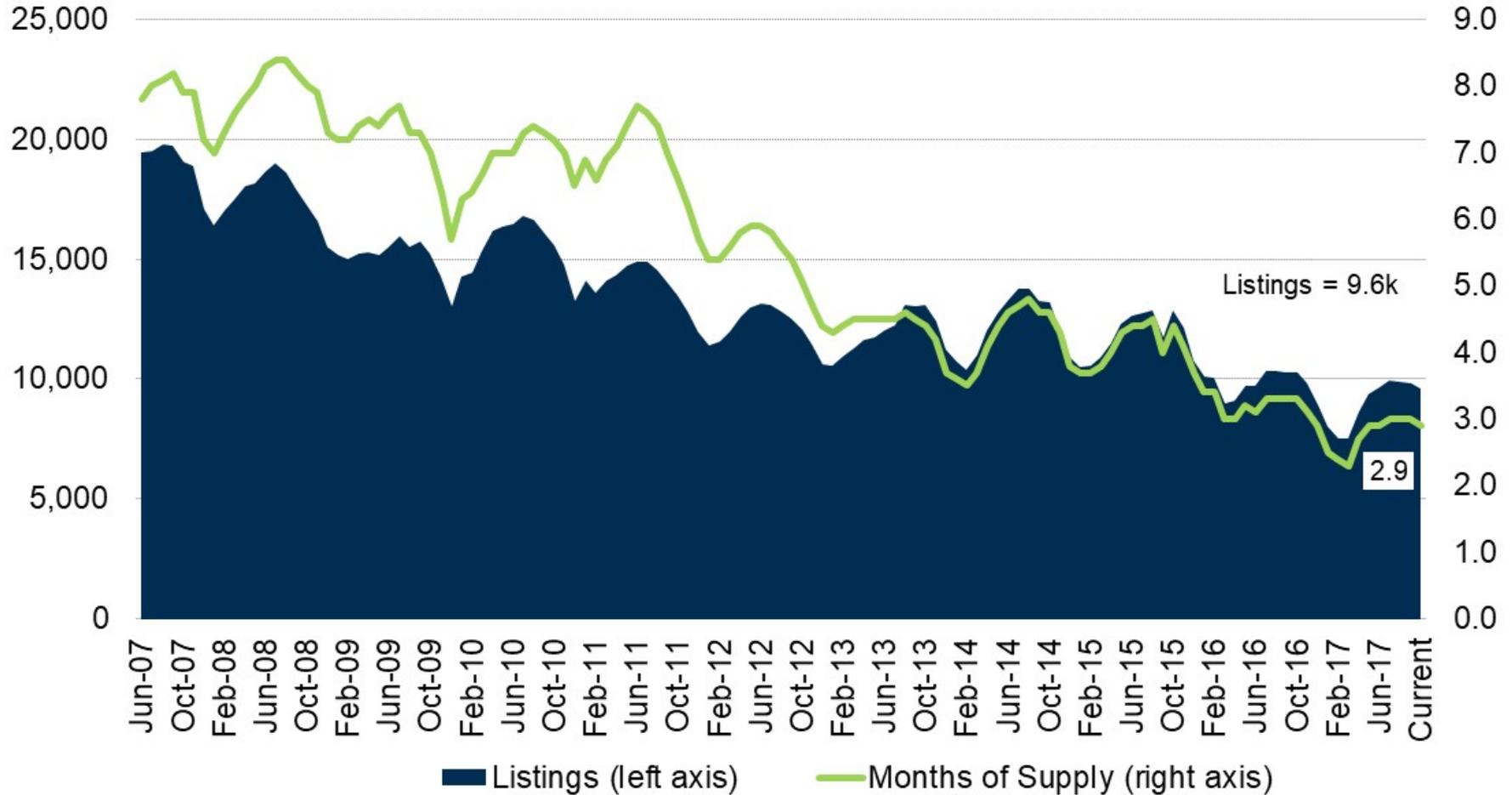
Sources: U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data as of September 2017, projections as of November 2017)

Permit History & Projections	2009	2010	2011	2012	2013	2014	2015	2016	Current	2017P	2018P	2019P	2020P
Single-Family Permits	3,662	3,869	3,687	4,070	5,107	4,965	5,172	5,828	6,168	6,400	7,000	7,300	7,100
1-Year Growth Rate	-18%	6%	-5%	10%	25%	-3%	4%	13%	6%	10%	9%	4%	-3%
Multifamily Permits	2,007	2,132	1,647	992	3,137	3,041	3,563	1,945	1,856	2,100	2,300	2,200	1,900
1-Year Growth Rate	-23%	6%	-23%	-40%	216%	-3%	17%	-45%	-27%	8%	10%	-4%	-14%
Total Permits	5,669	6,001	5,334	5,062	8,244	8,006	8,735	7,773	8,024	8,500	9,300	9,500	9,000
1-Year Growth Rate	-20%	6%	-11%	-5%	63%	-3%	9%	-11%	-4%	9%	9%	2%	-5%

Metro Analysis and Forecasts – Inventory

There are currently 9,579 listings (down 6.9% YOY) and 2.9 months of supply in the Indianapolis MSA. Listings are well below the historical average of 13,723 (average since 2006). The current months of supply is well below the historical average of 5.6 months (average since 2006).

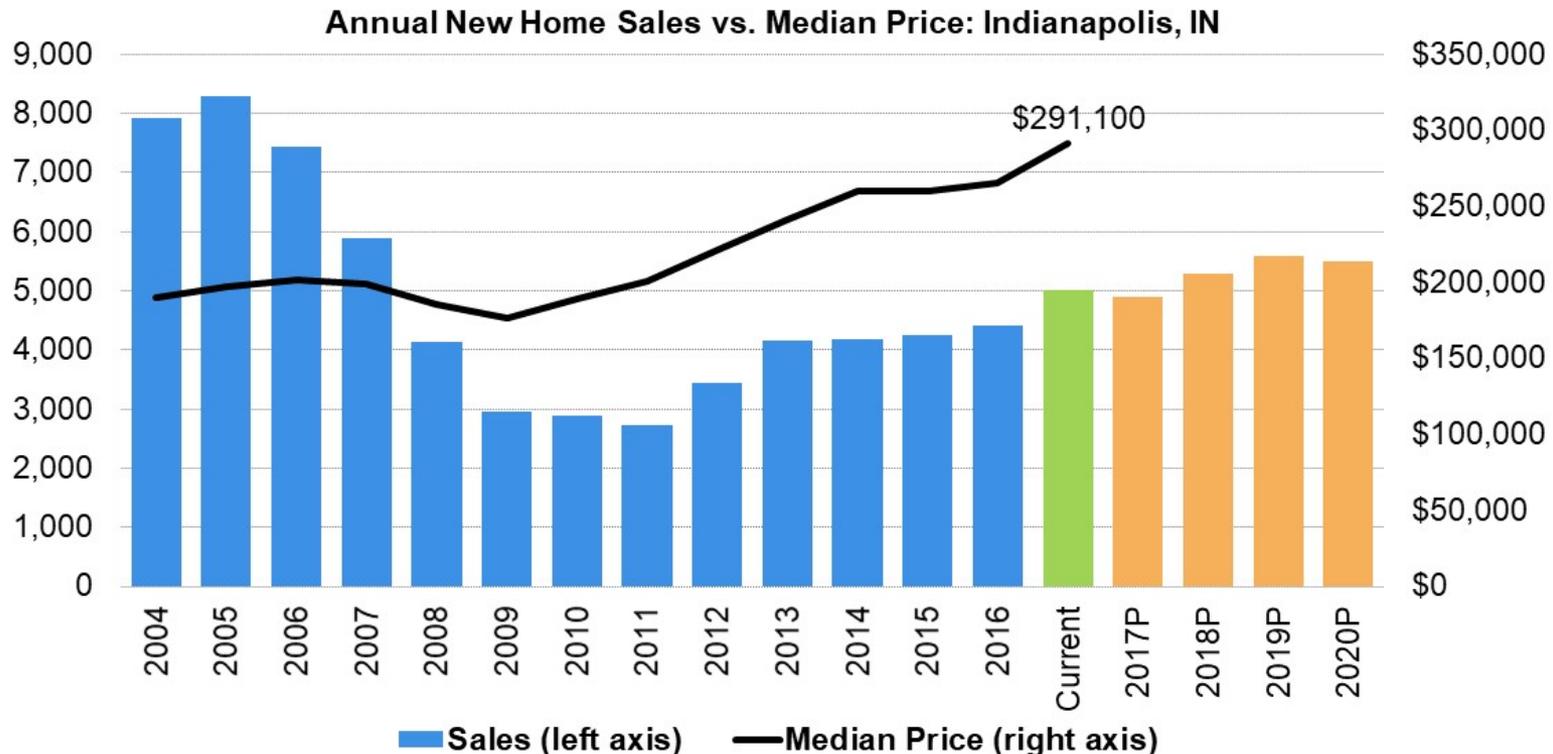
Monthly Home Inventory (Existing): Indianapolis, IN



Sources: John Burns Real Estate Consulting, LLC estimates or various MLS sources (Data as of October 2017, projections as of November 2017)

Metro Analysis and Forecasts – New Home Sales and Pricing

- The median new home price has increased in the Indianapolis MSA annually since 2010 but is currently down 1% year-over-year at \$291,100 (a YOY comparison from September 2016 at \$292,900 to September 2017 at \$291,100). We forecast positive price appreciation from 2017 through 2020 but at a more modest pace.
- New home sales volume is currently 5,023, which is up 11% year-over-year. We are projecting an increase in new home sales volume in 2017 (11%), 2018 (8%), and 2019 (6%), followed by a decrease in volume in 2020 (-2%).



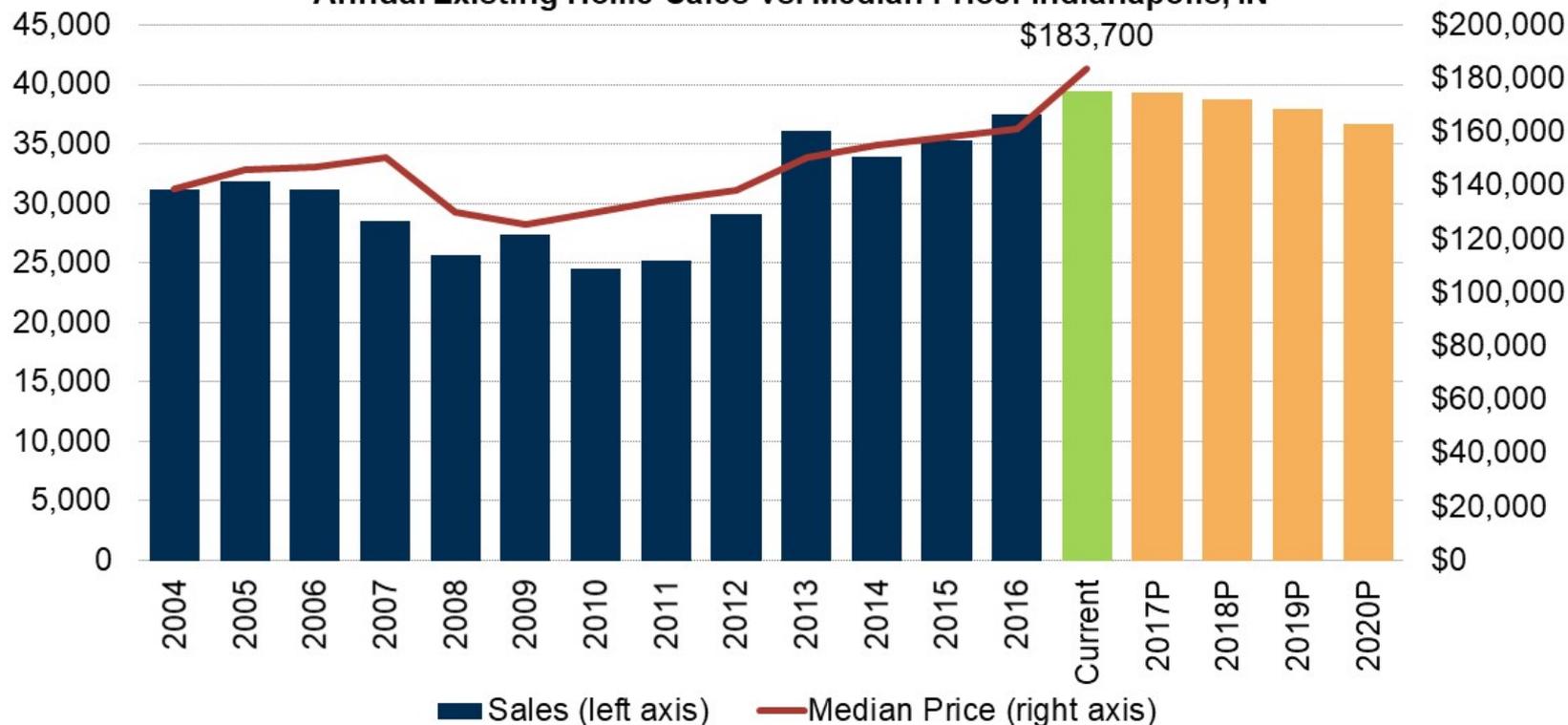
Sources: CoreLogic, Texas Real Estate Center, M.O.R.E, RB Intel, NAR, Various MLS's; John Burns Real Estate Consulting, LLC (Data as of September 2017, projections as of November 2017)

New Home Projections	2009	2010	2011	2012	2013	2014	2015	2016	Current	2017P	2018P	2019P	2020P
Annualized New Home Sales	2,968	2,886	2,733	3,446	4,163	4,183	4,249	4,406	5,023	4,900	5,300	5,600	5,500
1-Year Growth Rate	-28%	-3%	-5%	26%	21%	0%	2%	4%	11%	11%	8%	6%	-2%
Median New Home Price	\$177,000	\$188,800	\$200,800	\$221,900	\$241,000	\$260,400	\$259,700	\$265,500	\$291,100	n/a	n/a	n/a	n/a
1-Year Growth Rate	-5%	7%	6%	11%	9%	8%	0%	2%	-1%				
New Home Price Appreciation Forecast	n/a	3.4%	3.0%	2.2%	0.7%								

Metro Analysis and Forecasts – Existing Home Sales and Pricing

- The current median resale price in the Indianapolis MSA is \$183,700, which is up 11% year-over-year. We forecast positive but decelerating price appreciation from 2017 through 2020 (per BHVI detailed in the data table below).
- Resale transaction volume is currently 39,392, a 4% year-over-year gain. Resale volume is expected to increase 5% in 2017, followed by a decrease in 2018 (-2%), 2019 (-2%), and 2020 (-3%).

Annual Existing Home Sales vs. Median Price: Indianapolis, IN



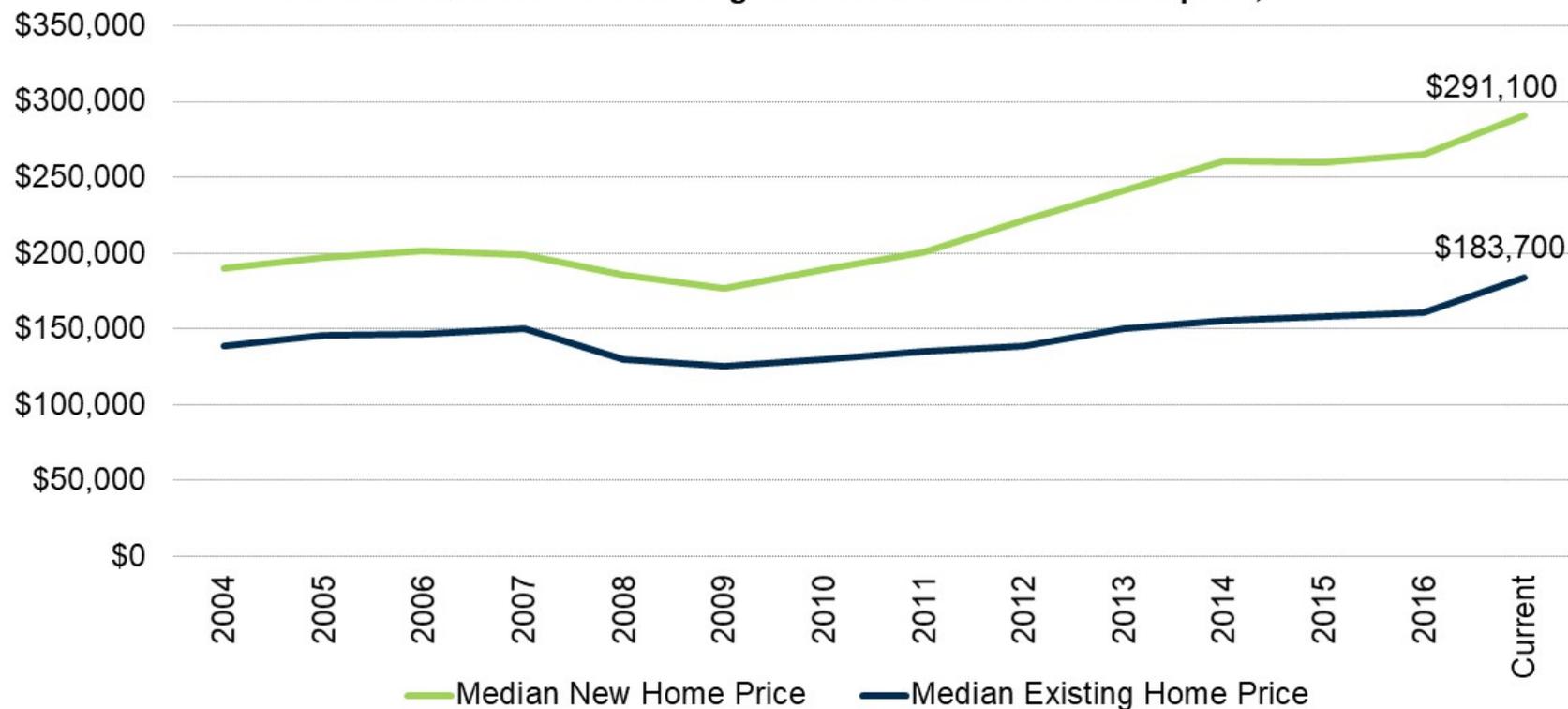
Sources: CoreLogic, Texas Real Estate Center, M.O.R.E., RB Intel, NAR, Various MLS's; John Burns Real Estate Consulting, LLC (Data as of September 2017, projections as of November 2017)

Resale Home History & Projections	2009	2010	2011	2012	2013	2014	2015	2016	Current	2017P	2018P	2019P	2020P
Annualized Existing Home Sales	27,375	24,492	25,224	29,147	36,139	33,962	35,357	37,500	39,392	39,300	38,700	38,000	36,700
1-Year Growth Rate	7%	-11%	3%	16%	24%	-6%	4%	6%	4%	5%	-2%	-2%	-3%
Median Existing Home Price	\$125,500	\$129,900	\$134,800	\$138,400	\$150,300	\$155,100	\$158,400	\$161,000	\$183,700	n/a	n/a	n/a	n/a
1-Year Growth Rate	-4%	4%	4%	3%	9%	3%	2%	2%	11%	n/a	n/a	n/a	n/a
Burns Home Value Index™	-2%	0%	0%	1%	3%	5%	4%	5%	6%	6%	5%	4%	2%

Metro Analysis and Forecasts – New vs. Resale Home Price

The gap between the median new home price and the median resale home price is currently 58% in the Indianapolis MSA.

Annual New Home vs. Existing Home Median Price: Indianapolis, IN



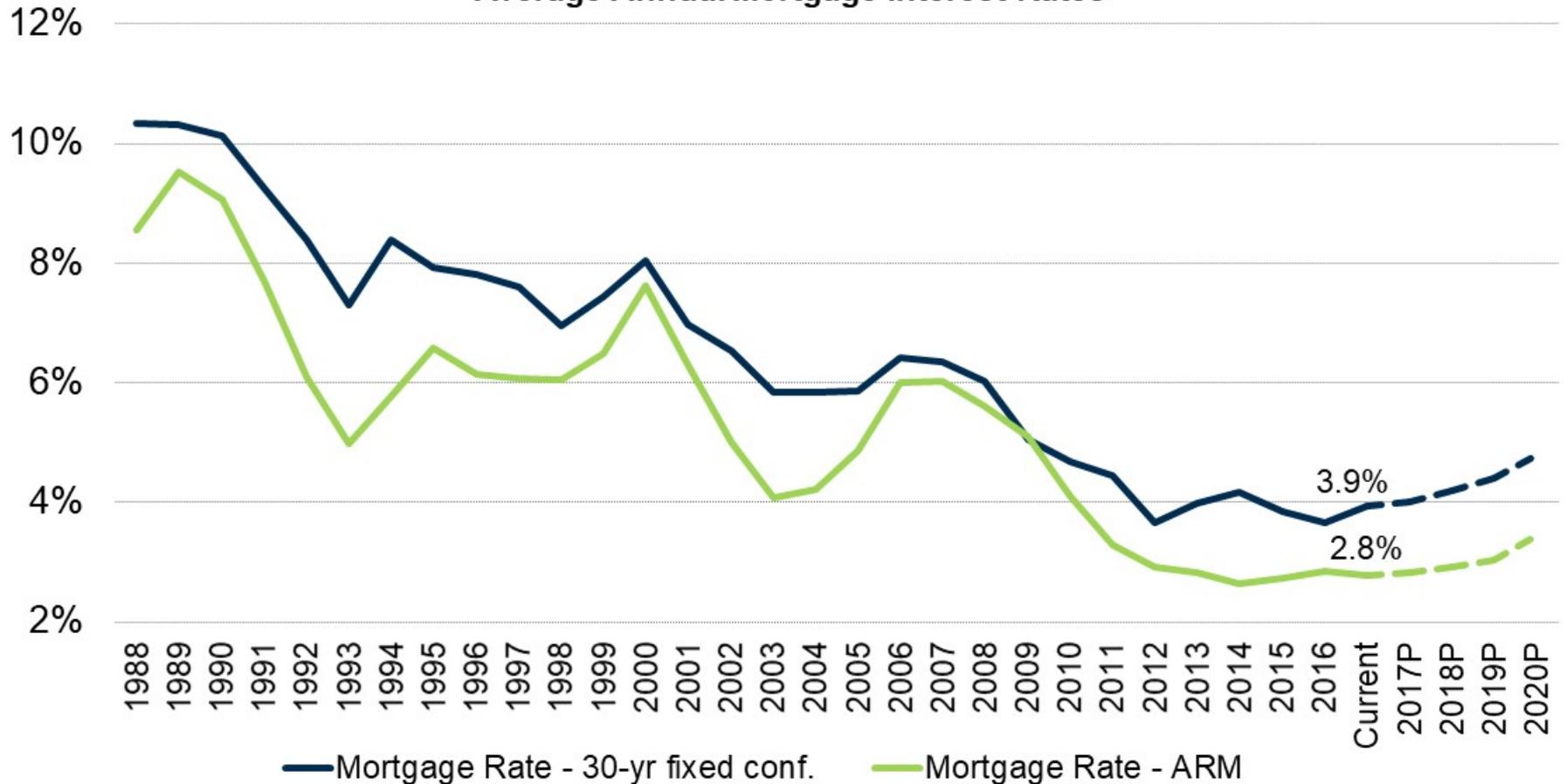
Sources: CoreLogic, Texas Real Estate Center, M.O.R.E, RB Intel, NAR, Various MLS's; John Burns Real Estate Consulting, LLC (Data as of September 2017, projections as of November 2017)

Home Price Compare	2009	2010	2011	2012	2013	2014	2015	2016	Current
Median New Home Price	\$177,000	\$188,800	\$200,800	\$221,900	\$241,000	\$260,400	\$259,700	\$265,500	\$291,100
1-Year Growth Rate	-5%	7%	6%	11%	9%	8%	0%	2%	-1%
Median Existing Home Price	\$125,500	\$129,900	\$134,800	\$138,400	\$150,300	\$155,100	\$158,400	\$161,000	\$183,700
1-Year Growth Rate	-4%	4%	4%	3%	9%	3%	2%	2%	11%
Home Price Spread - New over Resale	\$51,500	\$58,900	\$66,000	\$83,500	\$90,700	\$105,300	\$101,300	\$104,500	\$107,400
Spread to New Price	41%	45%	49%	60%	60%	68%	64%	65%	58%

Metro Analysis and Forecasts – Mortgage Interest Rates

Mortgage interest rates are currently very attractive for potential home buyers seeking a loan. While annual mortgage interest rates are near the lowest the nation has seen over the past two decades, they are projected to slightly increase annually through 2020 – but expected to stay well below the long-term historical average of 6.0%.

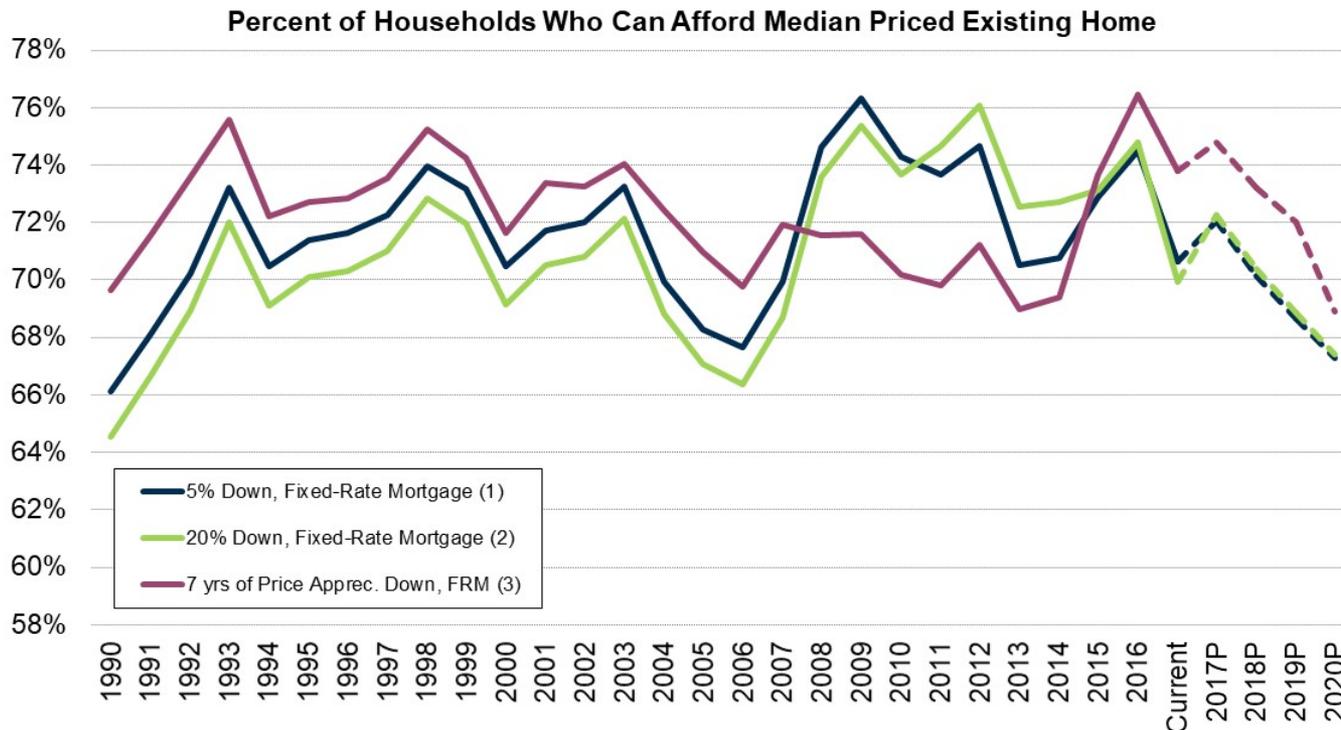
Average Annual Mortgage Interest Rates



Notes: The current rate is the last week of the month, historic rates are the national monthly average.

Sources: Freddie Mac; John Burns Real Estate Consulting, LLC (Data as of October 2017, projections as of November 2017)

- The Indianapolis MSA currently shows moderate affordability conditions.
- The percent of households who can currently afford the median priced existing home in the Indianapolis MSA are 70% for a 20% down, fixed-rate mortgage; 71% for a 5% down, fixed-rate mortgage; and 74% for a 7 years of price appreciate down, FRM.
- The percent of households who can afford a median priced existing home in the market is expected to decline for each of the mortgage types through 2020.



Source: John Burns Real Estate Consulting, LLC (Data as of September 2017, projections as of November 2017)

JBREC calculates the affordability ratios, which refer to the percentage of households that can afford the median-priced existing home.

(1) **Entry-level 5% down with PMI** buyer assumes the purchase of a home at 80% of the market's median-priced existing home with a 5% down payment and a 30-year, fixed-rate mortgage. Payment includes PITI plus mortgage insurance.

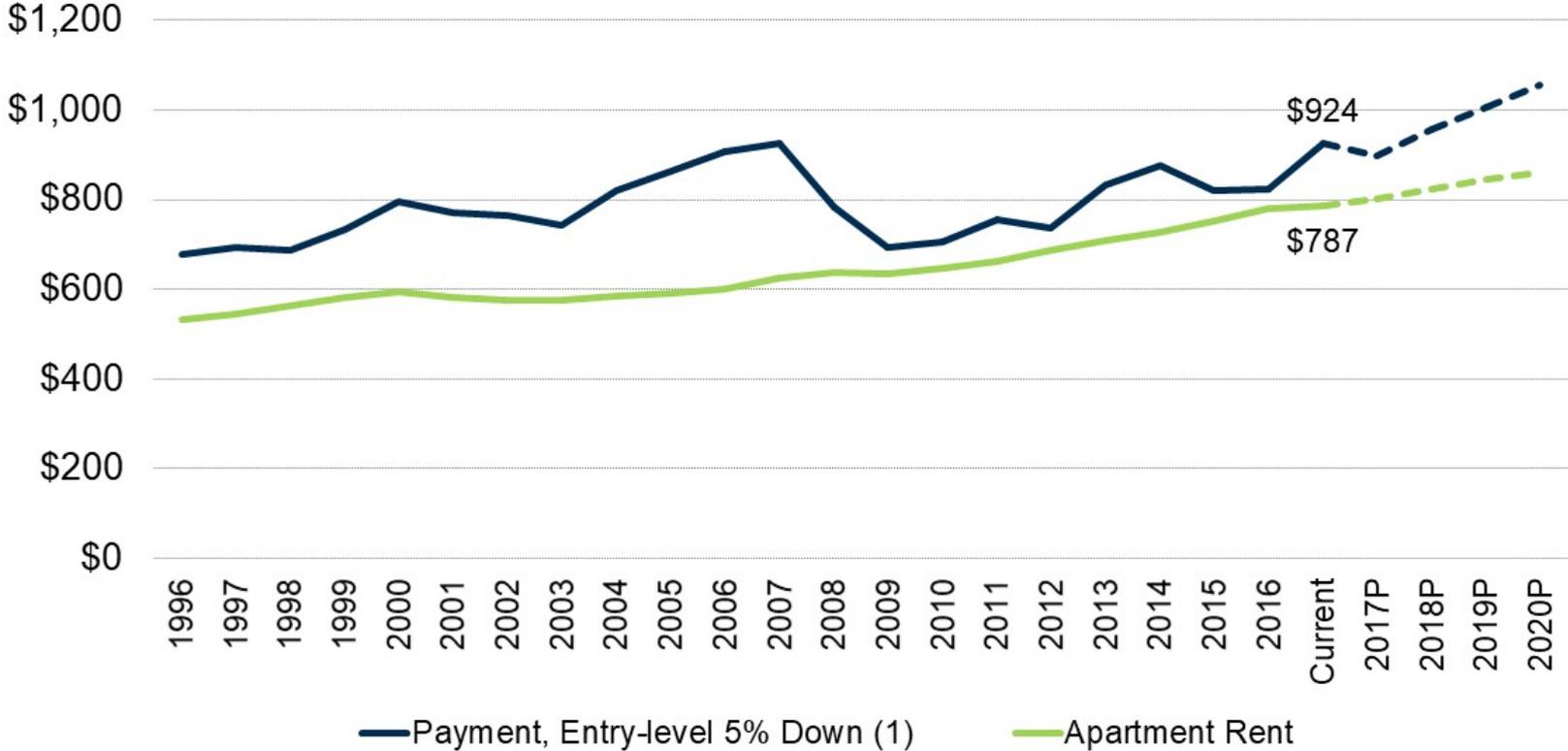
(2) **Traditional conventional 20% down, fixed-rate mortgage** assumes the use of a 20% down payment and a 30-year, fixed-rate mortgage. PITI payment.

(3) **Move up with 7 years of price appreciation down, fixed-rate mortgage** assumes the following: Current down payment = Current price - (price 7 years ago - 5% down payment). 30-year, fixed-rate mortgage, PITI payment.

Metro Analysis and Forecasts – Own vs. Rent

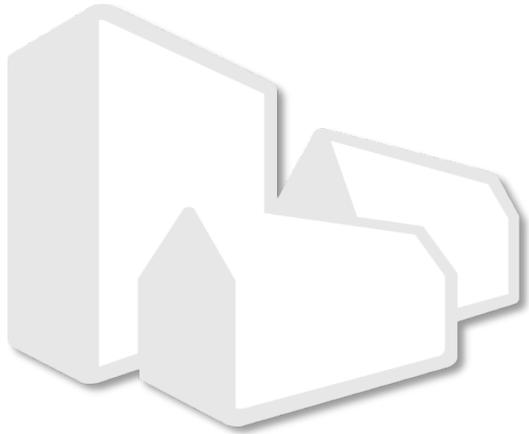
In the Indianapolis MSA, the current monthly gap between the cost of owning an entry-level priced home and the average asking rent is \$137. The gap between home ownership and average asking rent is forecast to gradually widen through 2020.

Housing Cost Of Owning An Entry-Level Priced Home Versus Renting An Apartment: Indianapolis, IN



Sources: Reis Services, LLC Effective Rent; John Burns Real Estate Consulting, LLC (Data as of September 2017, projections as of November 2017)

After-Tax Housing Cost:	\$924	Occupancy:	94.5%
Average Apartment Rent:	\$787	Variance:	\$137



Appendix

Limiting Conditions

The conclusions and recommendations presented in this report are based on our analysis of the information available to us from our own research and from the client as of the date of this report. We assume that the information is correct and reliable and that we have been informed about any issues that would affect project marketability or success potential.

Our conclusions and recommendations are based on current and expected performance of the national, and/or local economy and real estate market. Given that economic conditions can change and real estate markets are cyclical, it is critical to monitor the economy and real estate market continuously and to revisit key project assumptions periodically to ensure that they are still justified.

The future is difficult to predict, particularly given that the economy and housing markets can be cyclical, as well as subject to changing consumer and market psychology. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the differences may be material. We do not express any form of assurance on the achievability of any pricing or absorption estimates or reasonableness of the underlying assumptions.

In general, for projects out in the future, we are assuming "normal" real estate market conditions and not a condition of either prolonged "boom" or "bust" market conditions. We do assume that economic, employment, and household growth will occur more or less in accordance with current expectations. We are not taking into account major shifts in the level of consumer confidence; in the ability of developers to secure needed project entitlements; in the cost of development or construction; in tax laws that favor or disfavor real estate markets; or in the availability and/or cost of capital and mortgage financing for real estate developers, owners and buyers. Should there be such major shifts affecting real estate markets, this analysis should be updated, with the conclusions and recommendations summarized herein reviewed and reevaluated under a potential range of build-out scenarios reflecting changed market conditions.

We have no responsibility to update our analysis for events and circumstances occurring after the date of our report.

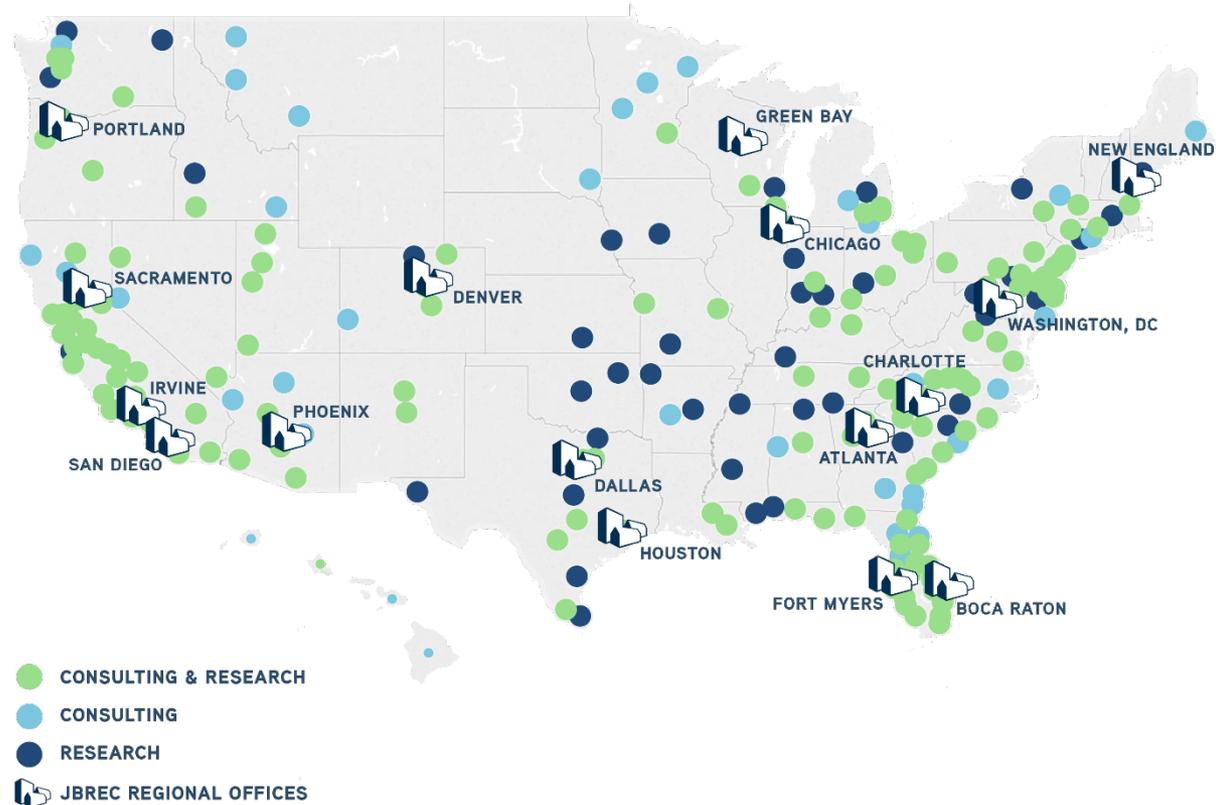
Our company is a national consulting and research firm (e.g., office locations and national assignment locations shown in map) designed to help real estate professionals make better decisions with their real estate investments. The following is a brief summary of the additional tools we can offer outside of this agreement. Please inquire for more information.

CONSULTING

- Strategic Direction & Planning
- Home Builder Operations Assessment
- Demand Analysis
- Consumer Research & Focus Groups
- Economic Analysis & Forecasting
- Litigation Support & Expert Witness
- Financial Modeling
- Project & Product Positioning

RESEARCH

- Exclusive Access to our Research & Consulting Executives
- Metro Analysis & Forecast
- Regional Analysis & Forecast
- Home Builder Analysis & Forecast
- Apartment Analysis & Forecast
- Exclusive Client Events
- Public Builder Call Summaries
- Weekly Insight
- Presentations & Webinars
- Consumer Research
- Proprietary Surveys



The following are the data sources most frequently used by John Burns Real Estate Consulting, LLC.

DATA SOURCES

- **Employment** – U.S. Bureau of Labor Statistics (BLS)
- **Population / Households** – JBREC
- **Household Income** – JBREC, Moody's Analytics
- **Population Growth / Household Growth / Income Growth** – JBREC, Moody's Analytics
- **Population by Age** – Moody's Analytics, U.S. Census Bureau
- **Population Migration** – Internal Revenue Service, Moody's Analytics
- **Home Sales and Prices (new and resale)** – CoreLogic, Texas Real Estate Center, M.O.R.E, RB Intel, NAR, Various MLS's
- **Investor Activity** – CoreLogic
- **Permits** – U.S. Census Bureau
- **Listings** – Various MLS's, Altos Research, RB Intel, Texas Real Estate Center
- **Pre-foreclosure Notices / Foreclosures** – RealtyTrac, DataQuick, CoreLogic
- **Loan Delinquency (for shadow inventory)** – Mortgage Bankers Association
- **Apartment Rents / Occupancy** – RealFacts, Axiometrics, REIS
- **Businesses, Population, Crime, Net Worth, Income, Ethnicity** – ESRI
- **Consumer Segmentation** – Tapestry / ESRI
- **School Scores** – State Department of Education, GreatSchools
- **Forecasts** – John Burns Real Estate Consulting, LLC (not including Income, occupancy rates, ESRI data and population by age)