

FRICTIONAL VACANCY

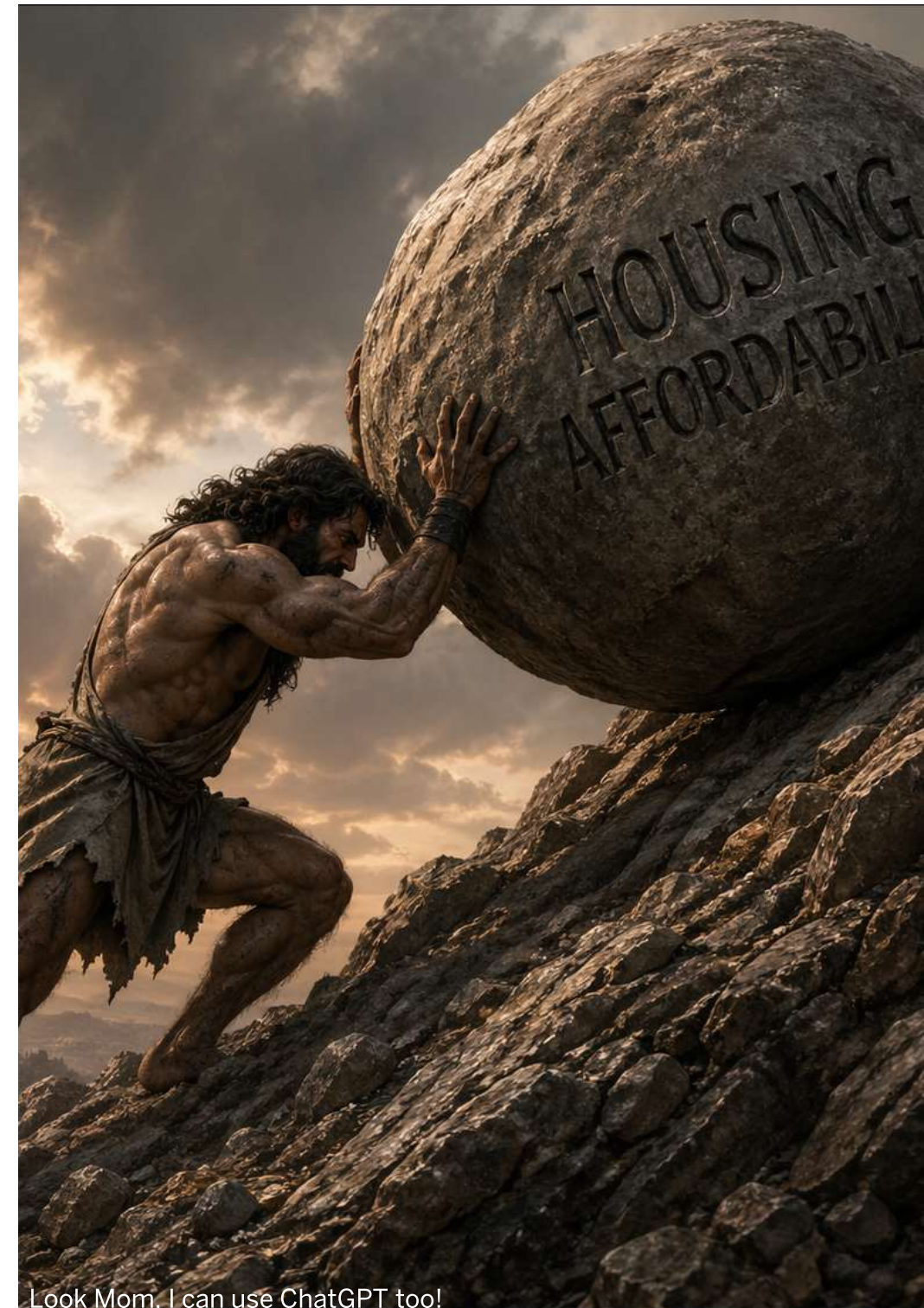
THE UPHILL BATTLE OF HOUSING

BRING ON TOMORROW

Sara Coers

Lecturer, Real Estate, Kelley School of Business

Associate Director, IU Center for Real Estate Studies



Look Mom, I can use ChatGPT too!



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Indianapolis

What is frictional vacancy?

The space needed to service market friction.

Prices can't normalize and supply & demand can't balance when there is insufficient frictional vacancy.

Hauser & Jaffe coin the term

1947

Hauser & Jaffe noted “continuous turnover in housing occupancy necessitates a minimum number of vacant units.”¹

Freddie Mac's benchmark

13%

Needed to keep pace with household formation, replace existing units, accommodate 2nd home demand, & maintain year-round & seasonal vacancy.²

The end of the housing market as we knew it

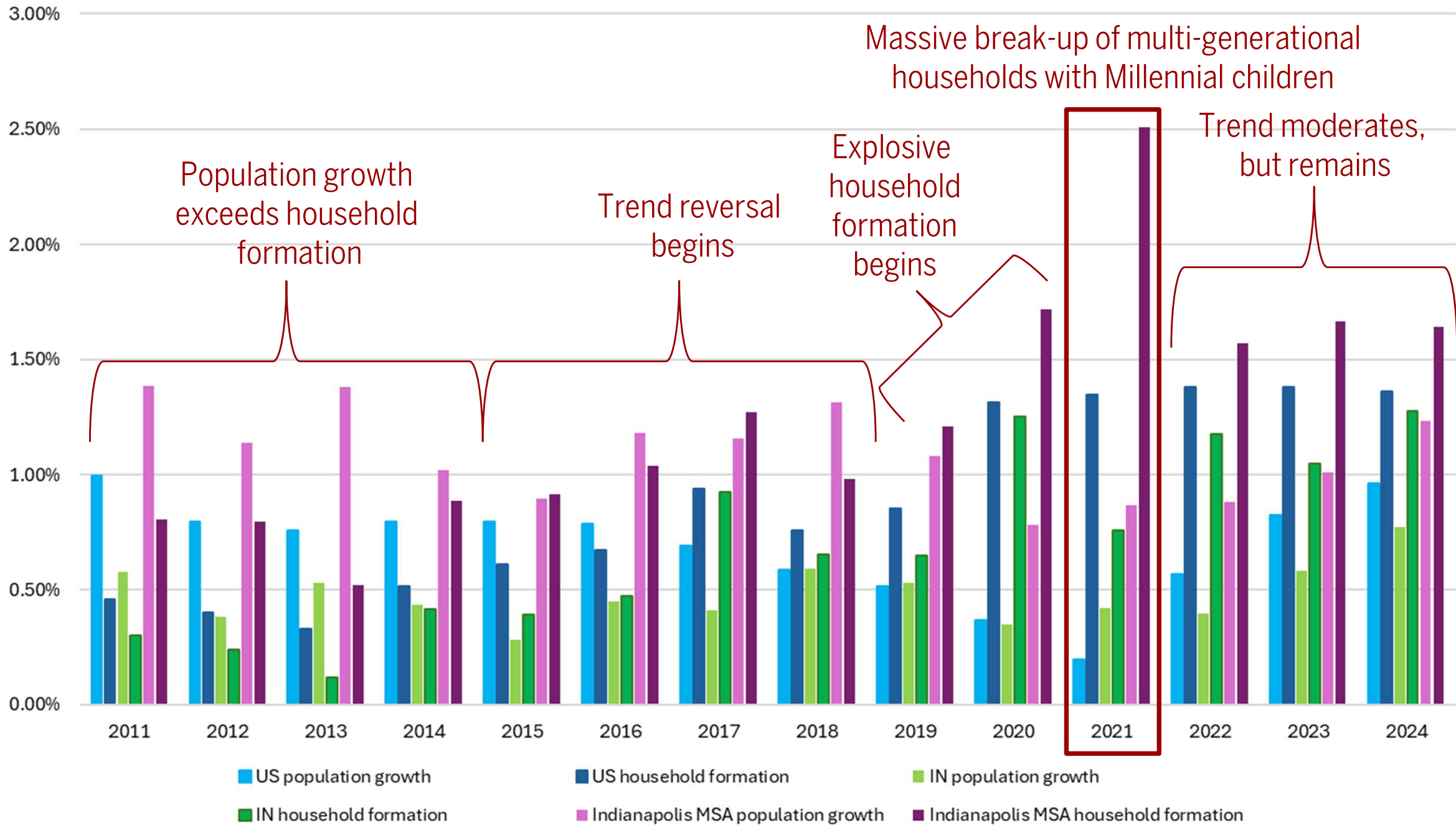
2021

The year our failure to identify & react to demographic trends blew up in our faces.



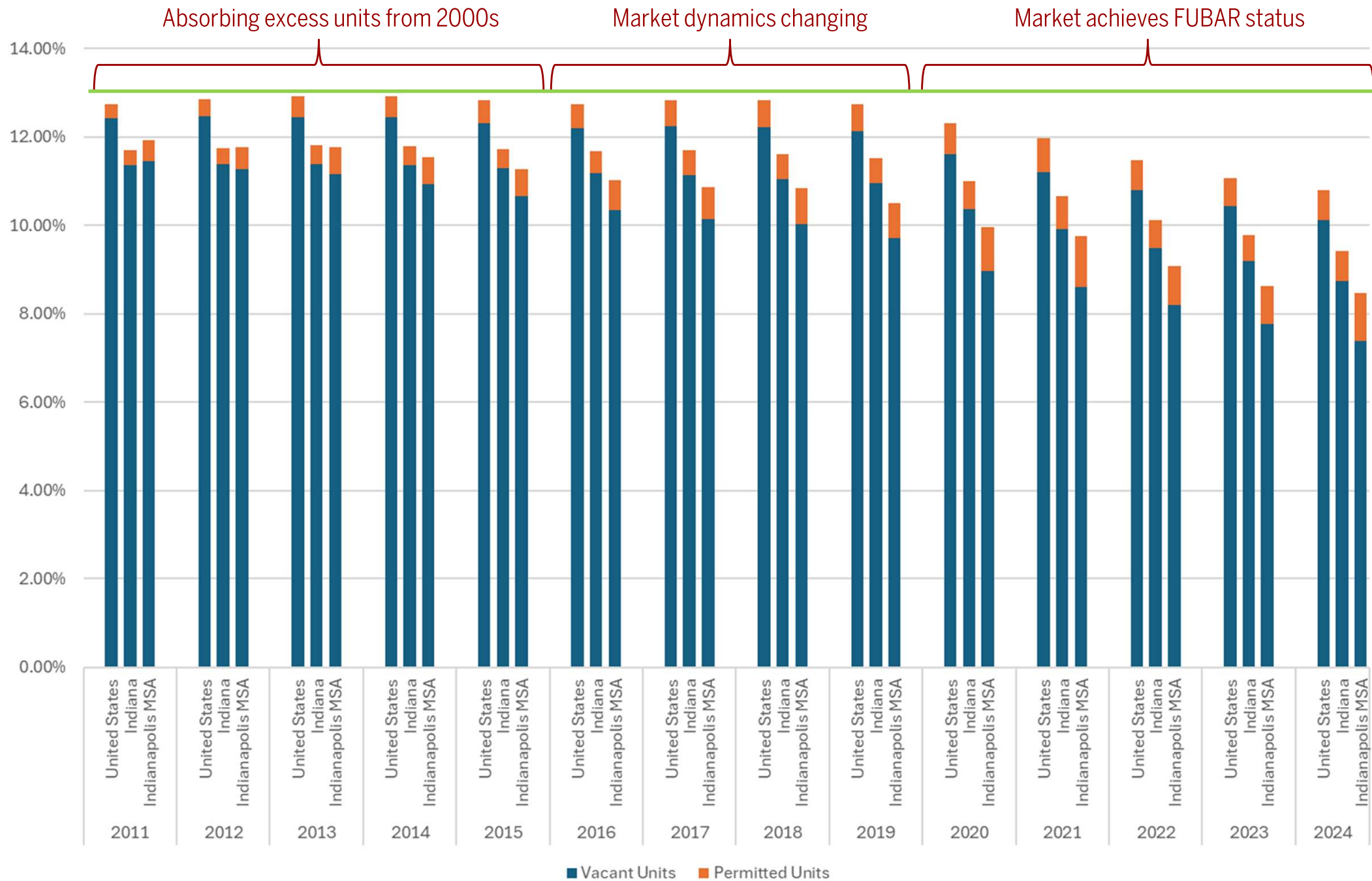
Population growth rates vs household formation rates 2011-2024

Indianapolis MSA calculations based on counties within current MSA definition.





Vacant Units + Permitted New Units = Total Frictional Vacancy



—
Insufficient frictional vacancy =

Upward pressure on prices and costs

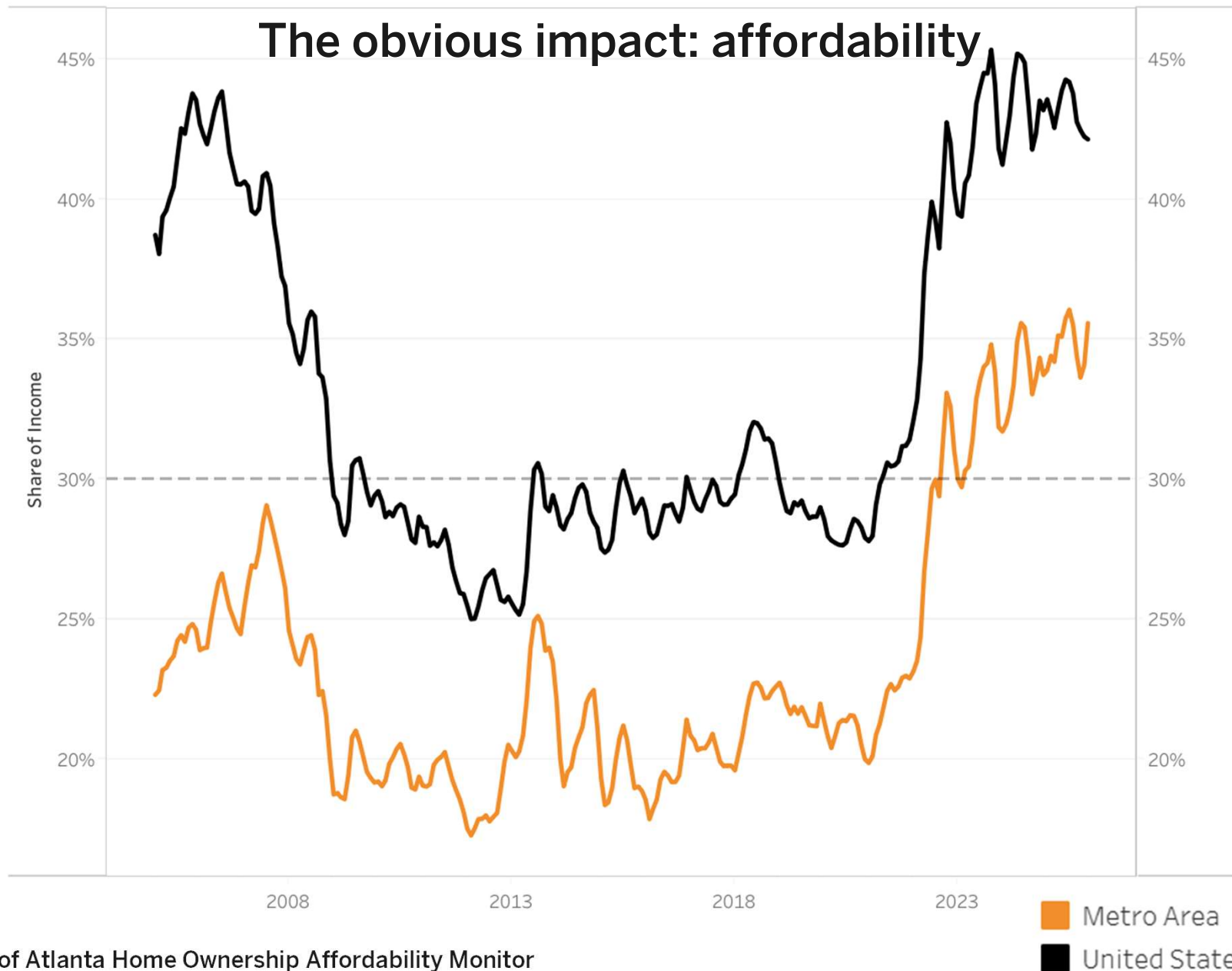


Indianapolis-Carmel-Greenwood, IN

Homeownership Cost as a Percent Share of Median Income - vs US (Black Line)

Share Greater than 30% = Unaffordable

Source: Federal Reserve Bank of Atlanta



Lack of frictional vacancy impacts buying habits, incites buying frenzies, & keeps prices elevated.

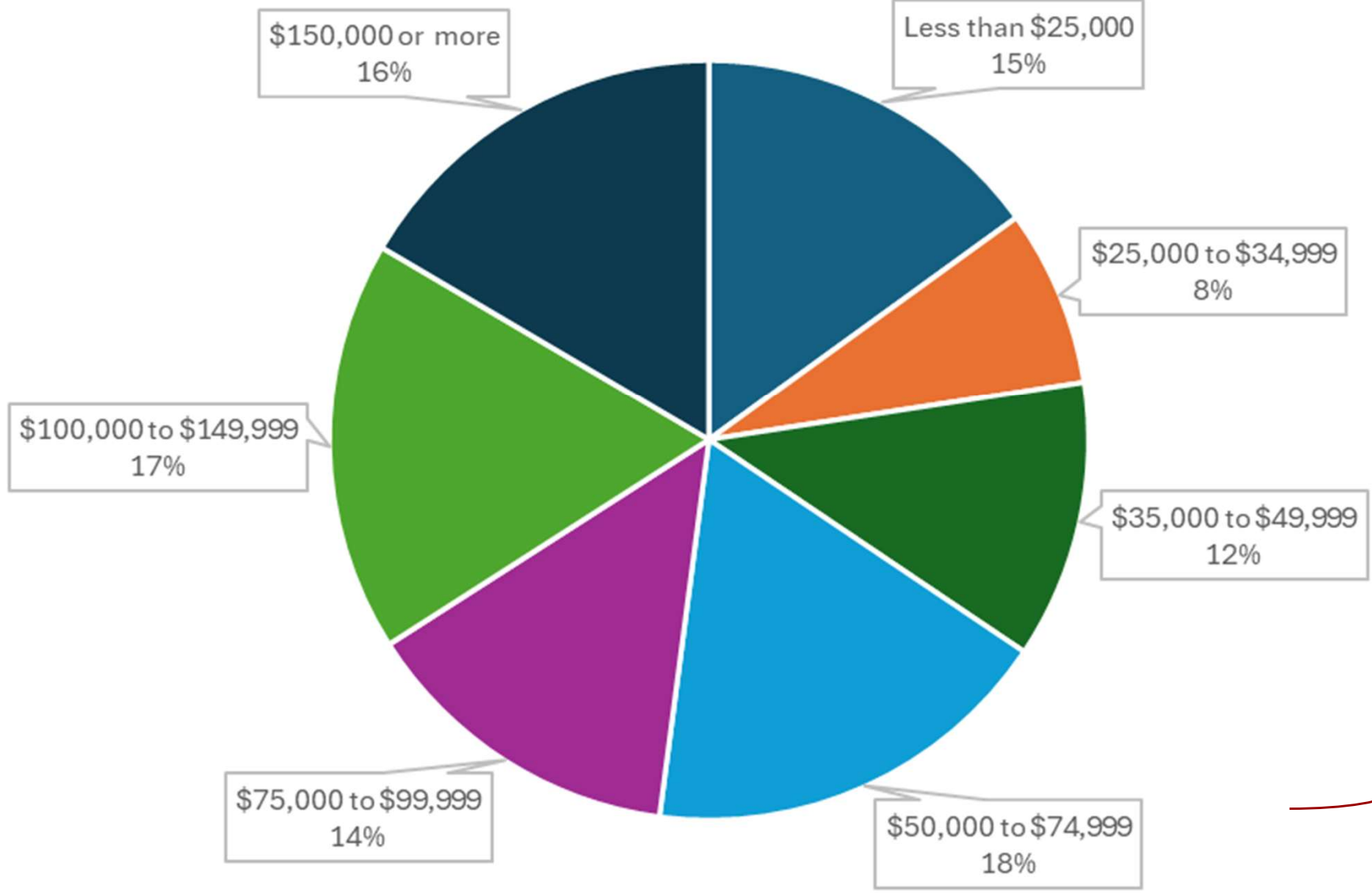
Indianapolis MSA is housing cost burdened.

30% of households make \$50,000 or less; cannot afford median home price.¹



Your barista cannot afford their own home

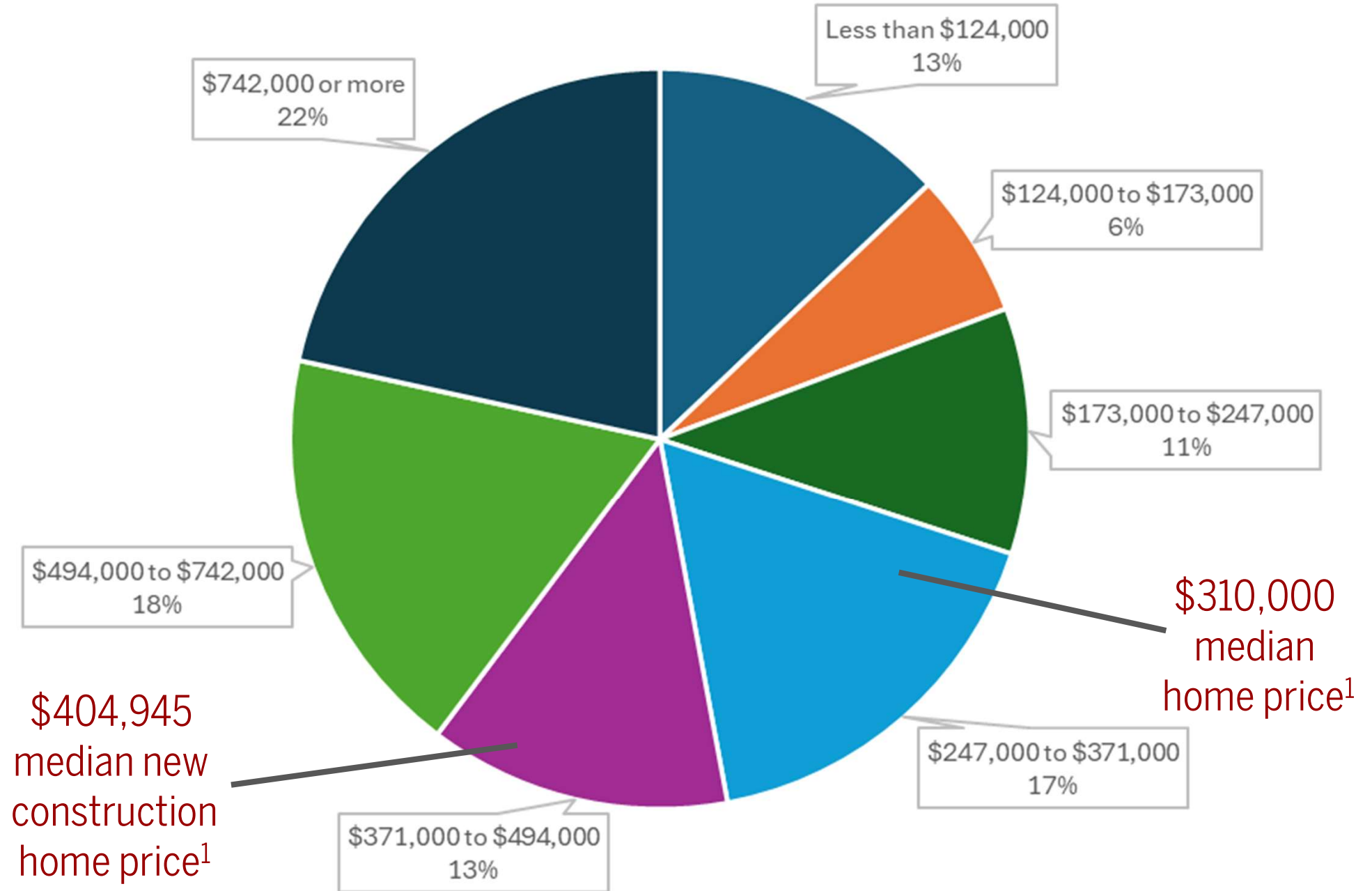
% of Households by Income Bracket - Indianapolis MSA



18% employed in logistics or retail, earning average of \$40,000 to \$60,000 per year



% of Households by Price Range They Can Afford - Indianapolis MSA

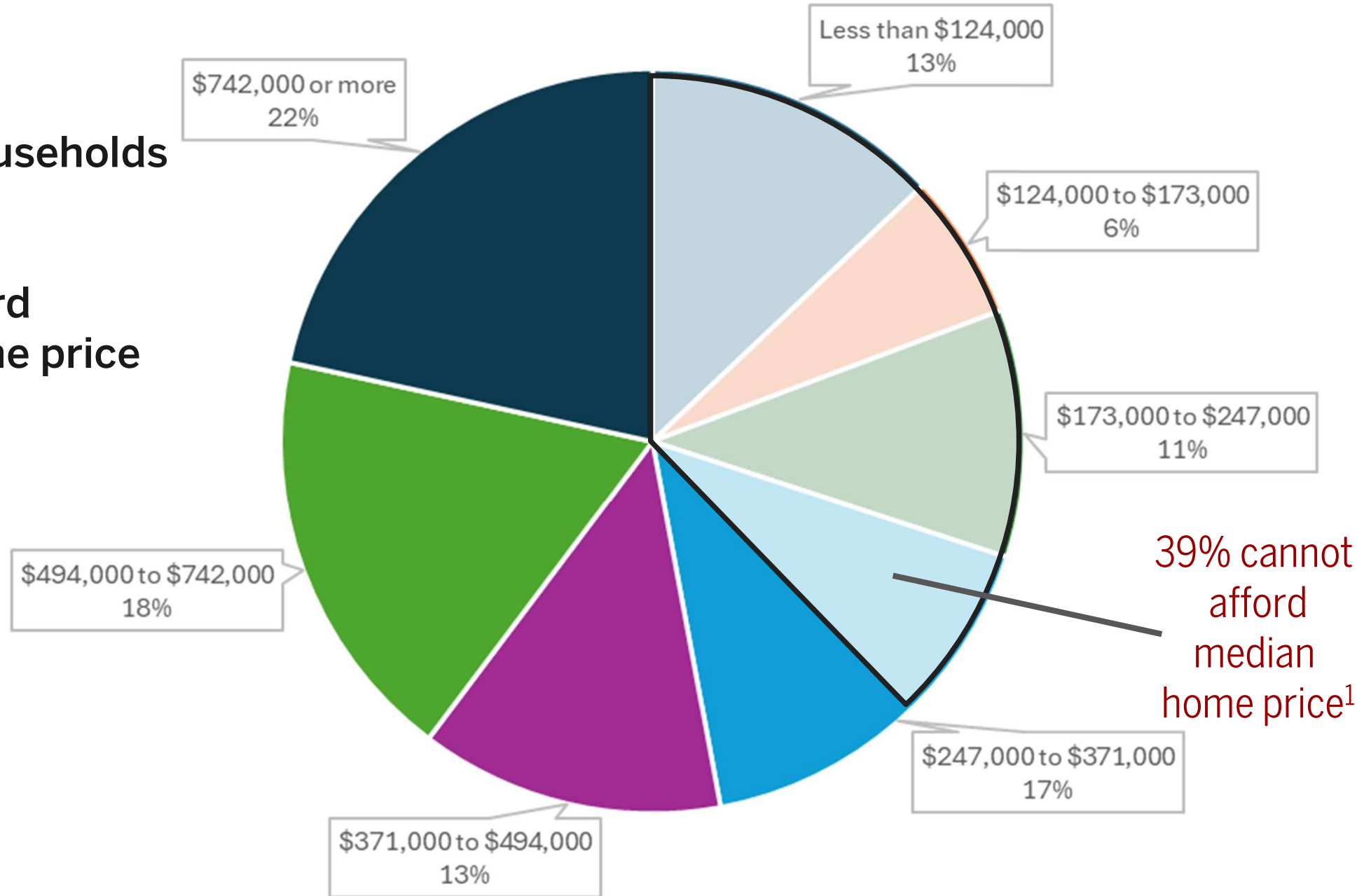


¹Per MIBOR March 2026 Market Insights



% of Households by Price Range They Can Afford - Indianapolis MSA

326,085 households
out of
842,765
cannot afford
median home price



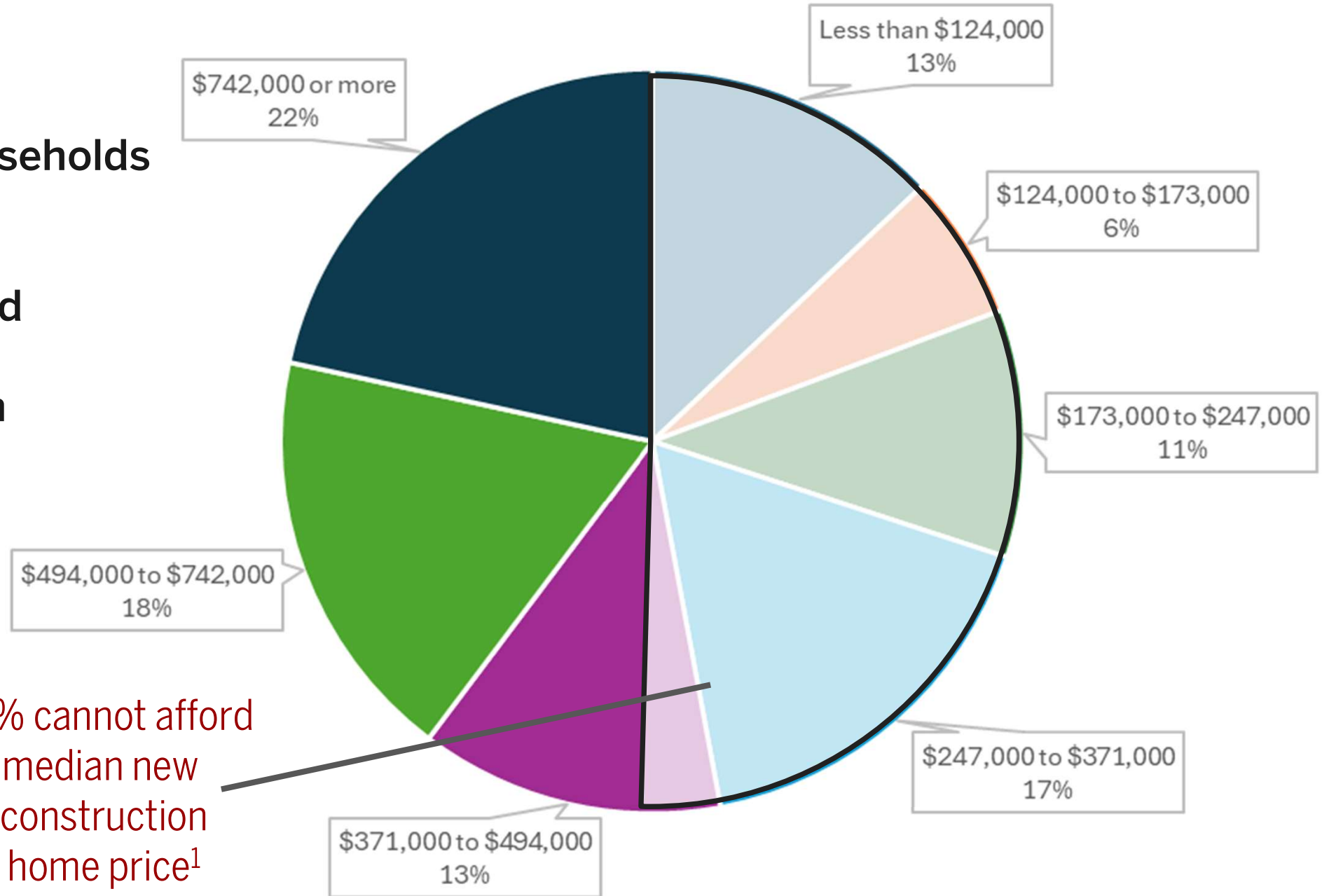
¹Per my calculations assuming an 80% down payment, 6.50% interest rate, and a 30-year conventional mortgage



% of Households by Price Range They Can Afford - Indianapolis MSA

427,414 households
out of
842,765
cannot afford
median new
construction
home price

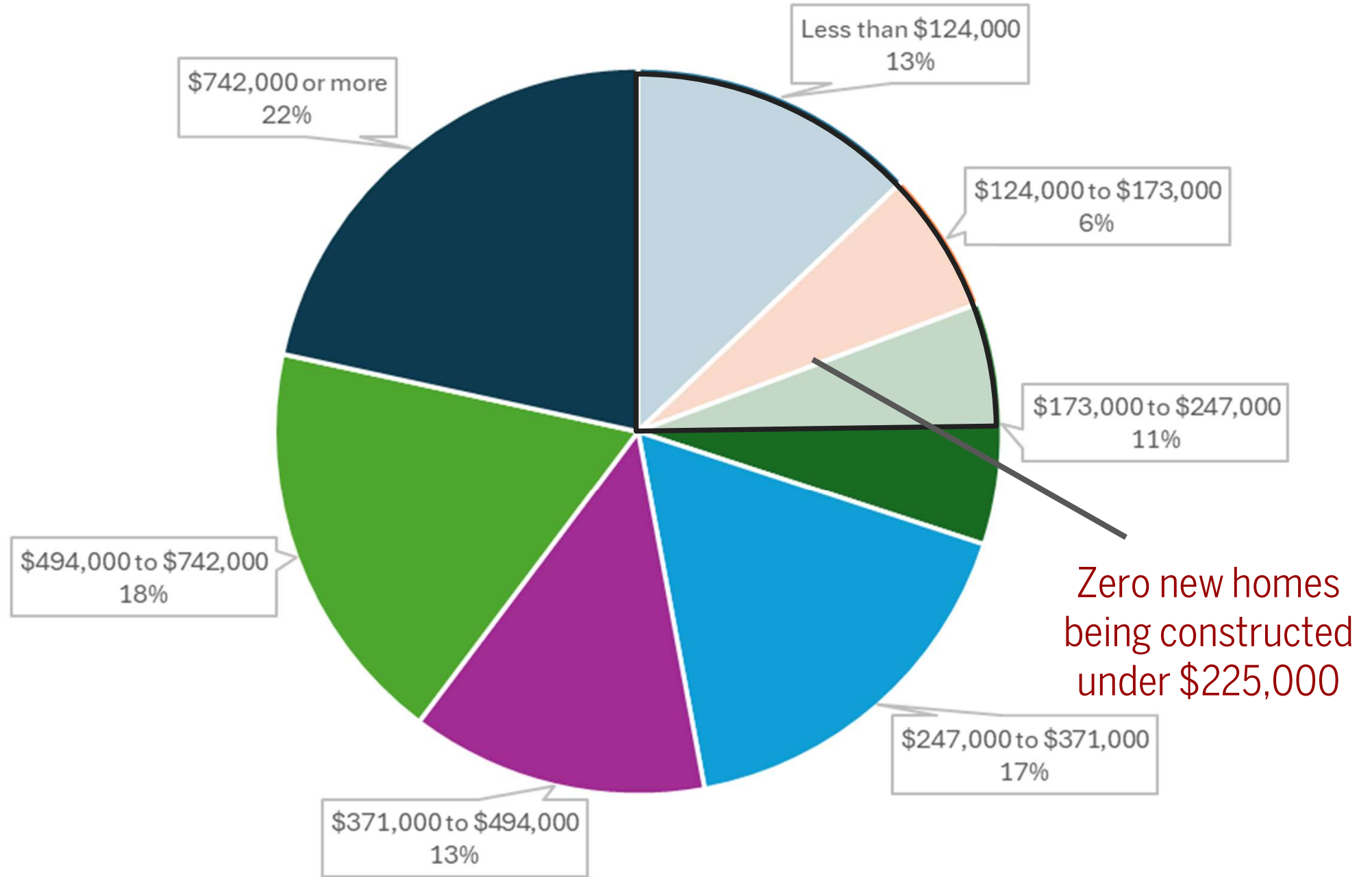
51% cannot afford
median new
construction
home price¹



¹Per my calculations assuming an 80% down payment, 6.50% interest rate, and a 30-year conventional mortgage



% of Households by Price Range They Can Afford - Indianapolis MSA

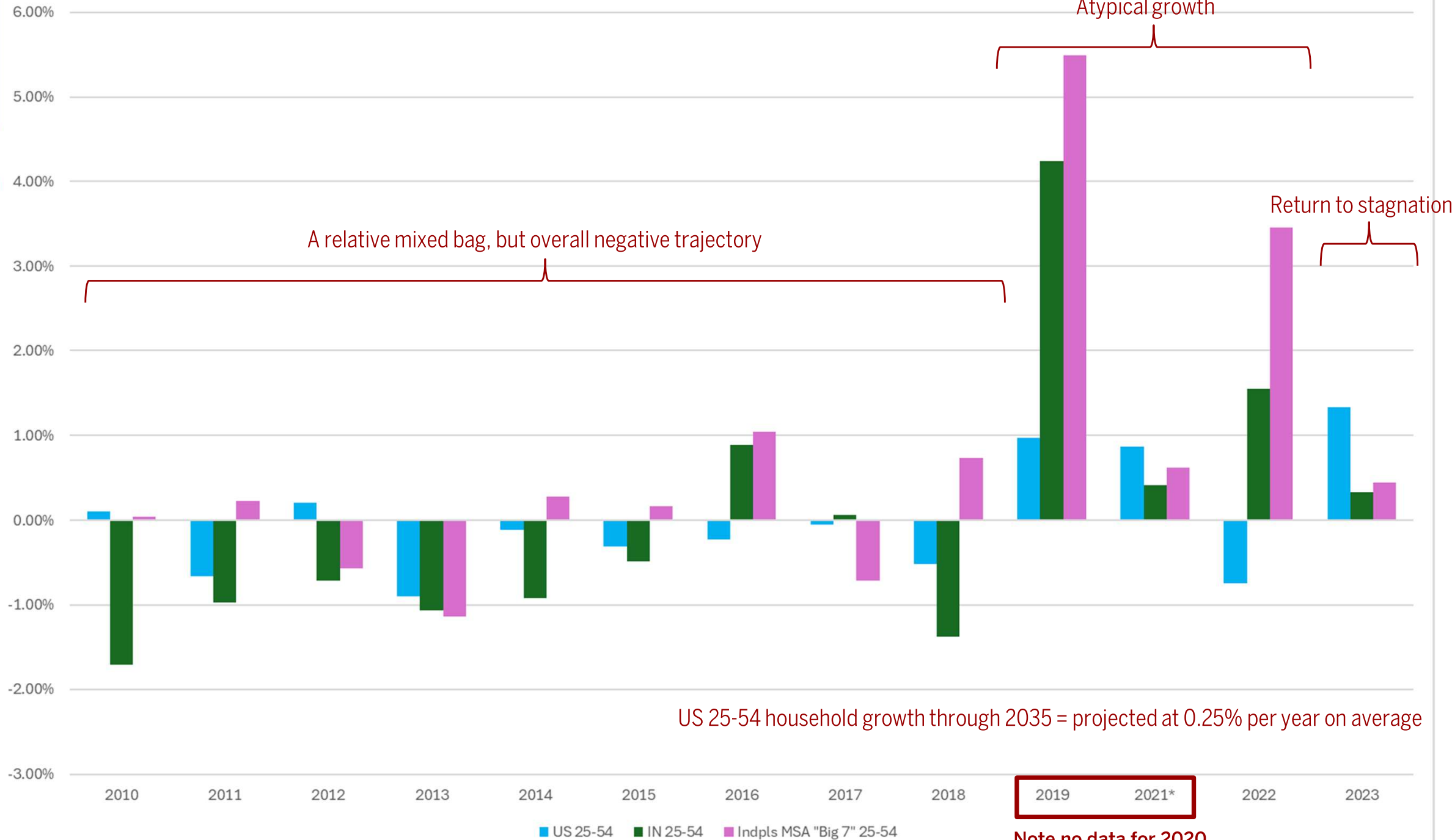


What else lies ahead?

Watch out for the Silver Tsunami.



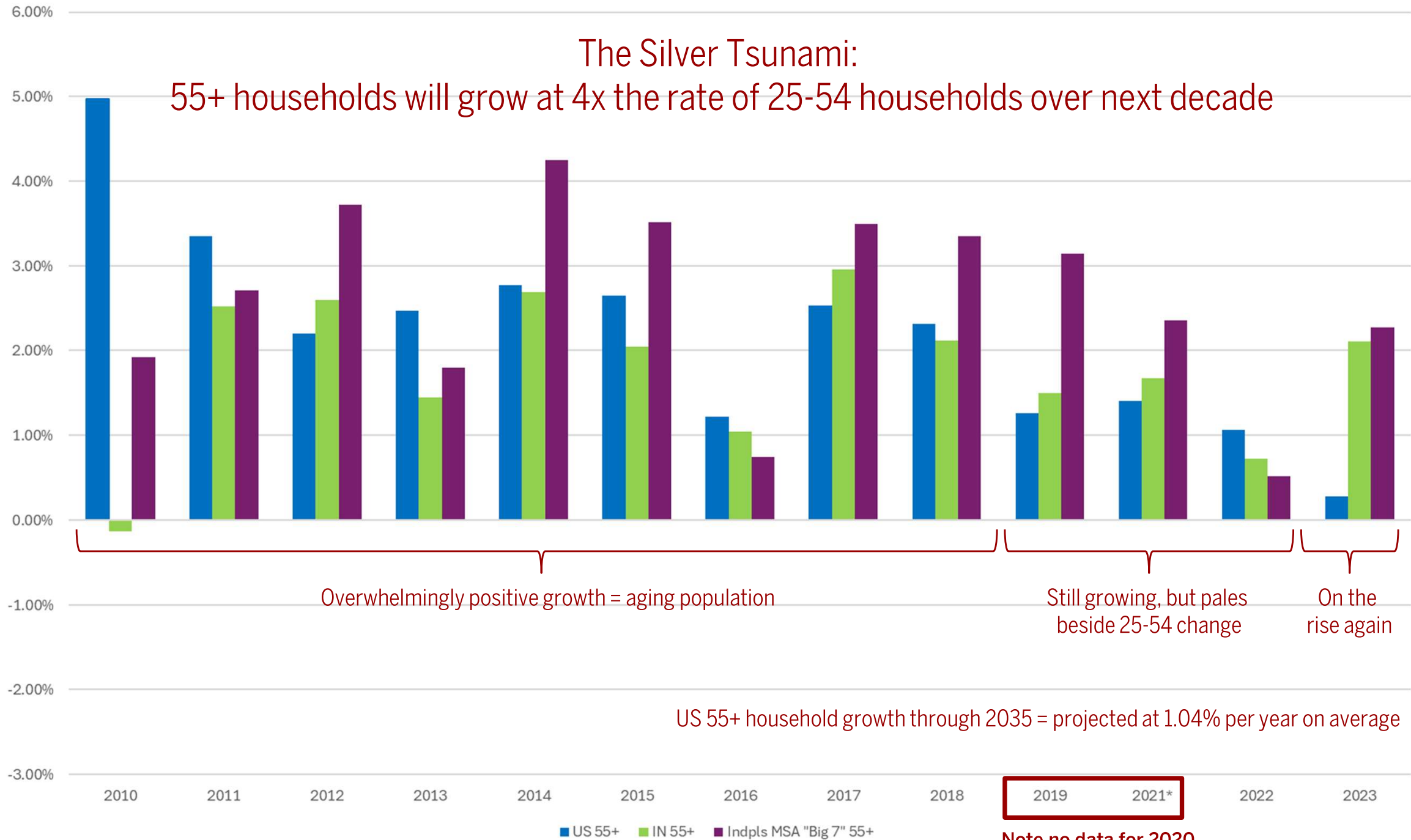
Household Formation for Prime Homeownership Age, 25-54





Household Formation for "Senior" Households, 55+

The Silver Tsunami:
55+ households will grow at 4x the rate of 25-54 households over next decade



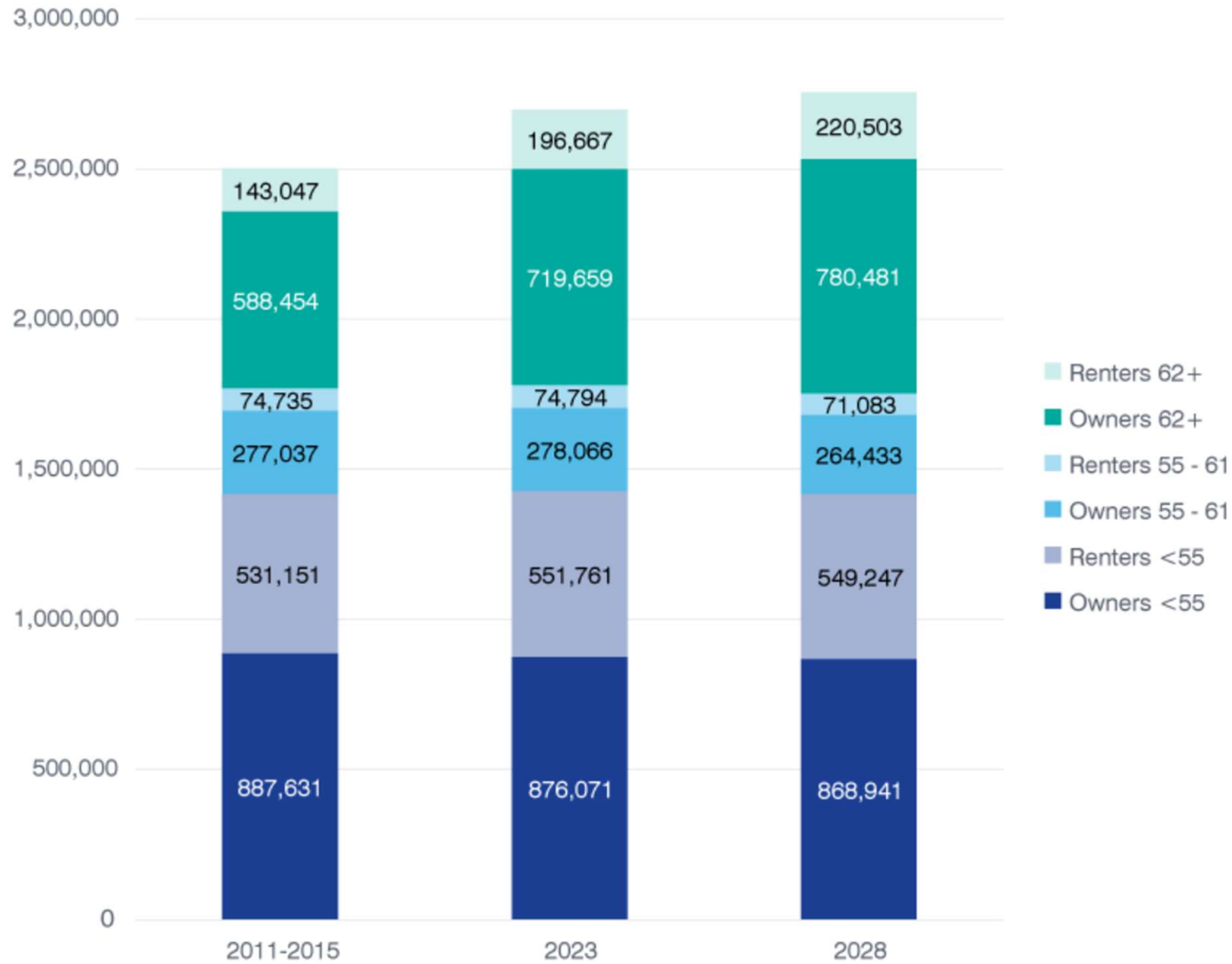
Overwhelmingly positive growth = aging population

Still growing, but pales beside 25-54 change

On the rise again



Indiana Households by Tenure & Age



By 2028,
55+ homeowners
will outnumber
owners <55
by 20%.

55+ homeowners
remaining in
“family” homes
limits
options for
<55 households.



In Indianapolis, releasing “boomer housing” is only part of the solution

Where Baby Boomers Live in Underused Homes vs. Where Young Families Need Them

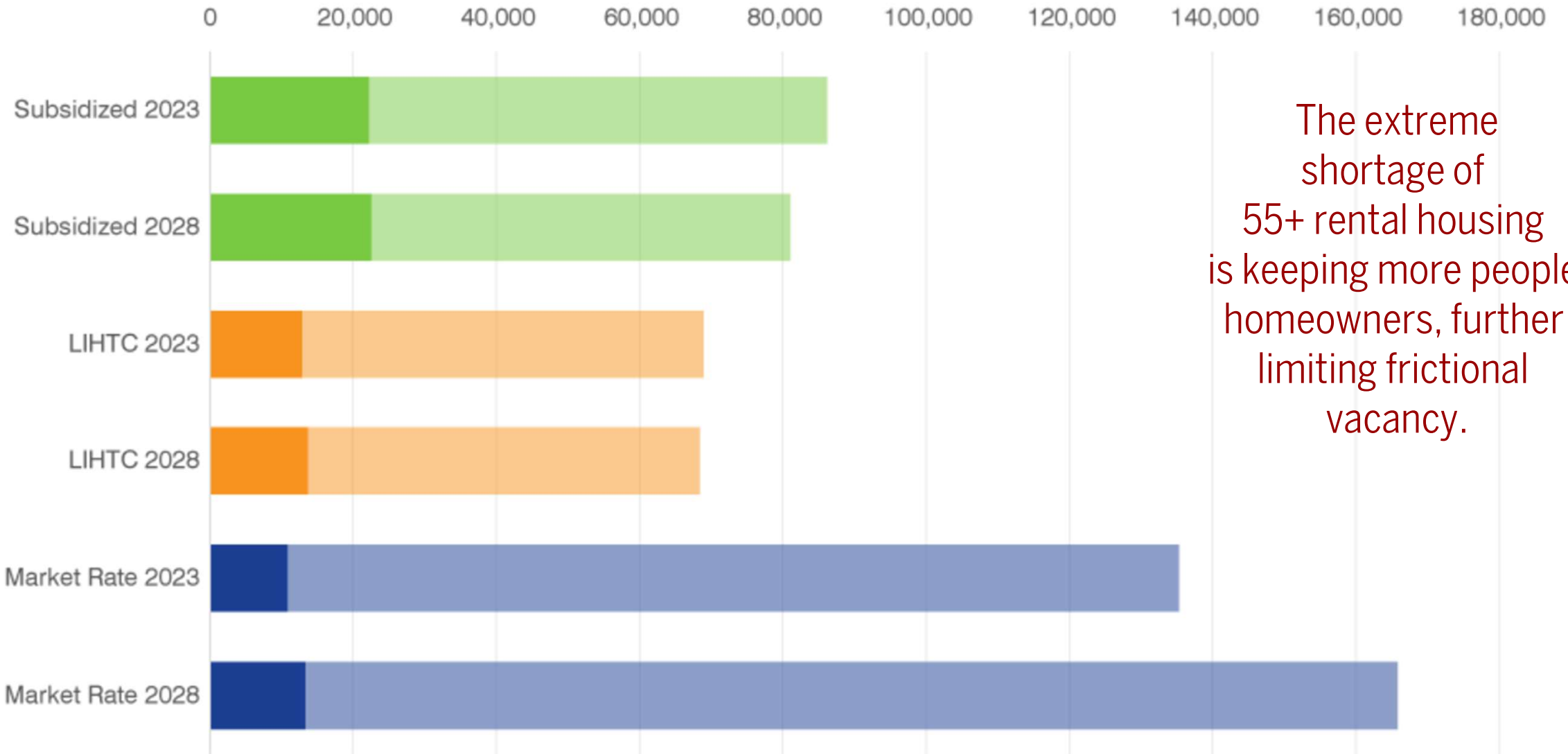


About 8% of affordable homes are underused by baby boomer-aged households.

Source: ACS 5-Year (2020-2024), IPUMS. 50 largest metro areas.
Y-axis: boomer (1946-1964) underused homes (2+ excess BR), 1-2 persons total, valued below metro P75, as share of all owner-occupied homes.
Bubble size = metro population.



Existing & Needed Senior Rental Housing Units



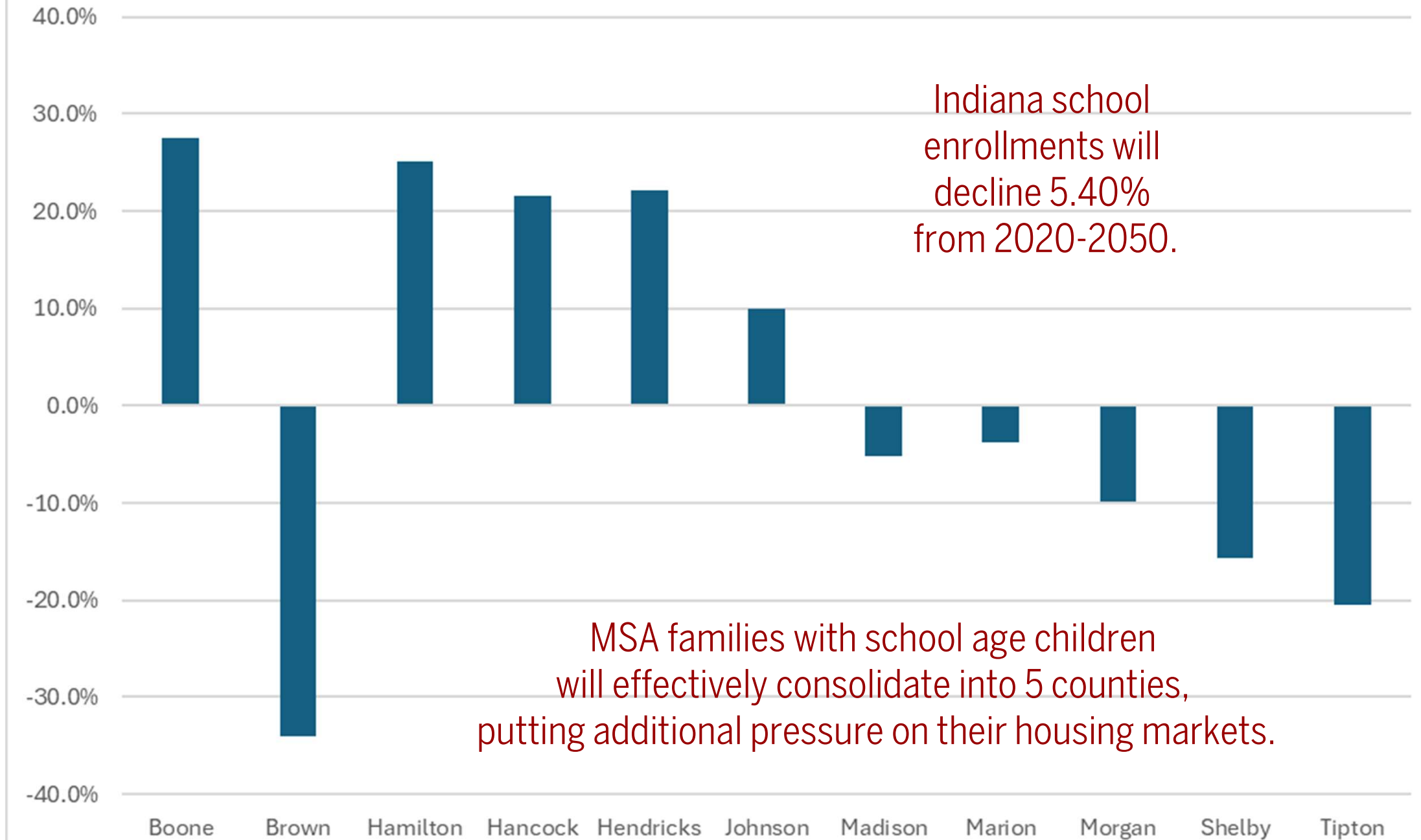
The extreme shortage of 55+ rental housing is keeping more people homeowners, further limiting frictional vacancy.

Note: The dark-colored bars show existing units, while the lighter bars show the unmet demand.

Source: MMA, Inc. 2023-2024 Analysis of Age-Restricted Housing Supply and Demand – State of Indiana (2024), 45



Indianapolis MSA School Enrollment Change 2020-2050



Indiana school enrollments will decline 5.40% from 2020-2050.

MSA families with school age children will effectively consolidate into 5 counties, putting additional pressure on their housing markets.

Moral of the story:

You can't stop demographics.

The need for solutions for workforce & affordable senior housing is clear.

BRING ON TOMORROW

THANK YOU



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