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Background and Objective

Background:
The City of Lebanon (“Lebanon” or “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. The City of Lebanon 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 the City of Lebanon as well as forecast rental and for-sale housing demand for the next five years.

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 the City of Lebanon to Boone County, the northwest Indianapolis area (“northwest Indianapolis”), and the Indianapolis MSA; and 3) analysis of location attributes for the City of Lebanon.

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 the City of Lebanon through 2022.

SUPPLY

• According to Redfin, the City of Lebanon recorded 289 owner-occupied closings in the last 12 months, or approximately 24 closings per month.
• There are currently 50 available listings in the City of Lebanon, according to Redfin, which translates to approximately 2.1 months of supply based on the last 12 month closing history.
• Based on the anticipated household growth from 2017-2022 in the City of Lebanon, housing demand is expected to outpace the current supply.

ESTIMATED HOUSING DEMAND – NEXT FIVE YEARS

• JBREC estimates approximately 6,692 total households currently in the City of Lebanon – with approximately 2,398 renter and 4,294 owner households.
• JBREC estimates approximately 111 to 181 net new households per year in the City of Lebanon from 2017 through 2022.
• Our household growth forecast translates to approximately 23 to 37 net new renter households and 89 to 144 net new owner households per year.

PROFILE OF GROWTH – NEXT FIVE YEARS

• The current median household income in the City of Lebanon is $51,164, according to ESRI.
• ESRI expects annual household income growth from 2017 to 2022 in the City of Lebanon to primarily come from those earning $75K+. Specifically, 5.4% annual household growth from those earning $75K-$99K, 7.2% annual household growth from those earning $100K-$149K, 5.7% annual household growth from those earning $150K-$199K, and 5.4% annual household growth from those earning $200K+.
• The current median age in the City of Lebanon is 39.1, according to ESRI.
• ESRI projects annual population growth from 2017 to 2022 to primarily come from those aged 35-44, aged 55-64, and 65+
Demand Conclusions – Renter and Owner Households

City of Lebanon – Housing Demand

2017 Current Households

2017 Renter Profile
- Approximately 2,398 renter households, or 36% of total current households in Lebanon.
- 25-34 year-olds make up the largest demographic group at 24%, or approx. 600 renter households.

2017 Owner Profile
- Approximately 4,294 owner households, or 64% of total current households in Lebanon.
- 55-64 year-olds make up the largest demographic group at 22%, or approx. 950 owner households.

JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.

2017 Current Households

2022 Projected Households
- Approximately 7,248 total households in 2022 – which is 8.3% growth over 5 years, or 1.7% annual growth. This rate is used to formulate the base case growth scenario.
- We use a 2.6% annual growth rate to estimate the upside growth scenario, which is based on the average of growth experienced in the nearby cities of Westfield, Fishers, and Noblesville.

2017 Renter Profile
- Approximately 2,398 renter households, or 36% of total current households in Lebanon.
- 25-34 year-olds make up the largest demographic group at 24%, or approx. 600 renter households.

2017 Owner Profile
- Approximately 4,294 owner households, or 64% of total current households in Lebanon.
- 55-64 year-olds make up the largest demographic group at 22%, or approx. 950 owner households.

2022 Projected Households
- Approximately 7,248 total households in 2022 – which is 8.3% growth over 5 years, or 1.7% annual growth. This rate is used to formulate the base case growth scenario.

2022 Renter Profile – Base Case and Upside Growth Scenarios
- **Base:** Approx. 2,511 renter households.
  - Net growth of 113 renter households, or approx. 23 per year.

- **Upside:** Approx. 2,584 renter households.
  - Net growth of 186 renter households, or approx. 37 per year.

2022 Owner Profile – Base Case and Upside Growth Scenarios
- **Base:** Approx. 4,737 owner households.
  - Net growth of 443 owner households, or approx. 89 per year.

- **Upside:** Approx. 5,013 owner households.
  - Net growth of 719 owner households, or approx. 144 per year.

Source: 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 total households by income in 2022 in the base case scenario. Annual household growth in the City of Lebanon is expected to primarily come from those households earning $75+.

2017 vs. 2022: Total Households by Annual Household Income

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

JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.
Overview of Demographic Trends

The table below compares demographics in the Indianapolis MSA, northwest Indianapolis, Boone County, and the City of Lebanon.

- The annual population and household growth in Boone County and the City of Lebanon are expected to outpace the Indianapolis MSA and northwest Indianapolis are over the next five years.
- The current median household income in the City of Lebanon ($51,164) is significantly lower than in Boone County and northwest Indianapolis. Likewise, the current median home value in the City of Lebanon ($125,234) is significantly lower than in Boone County and northwest Indianapolis.
- These statistics suggest additional value-oriented housing can be supported in the City of Lebanon.

<table>
<thead>
<tr>
<th></th>
<th>Indianapolis MSA</th>
<th>Northwest Indianapolis</th>
<th>Boone County</th>
<th>City of Lebanon</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population (2017)</strong></td>
<td>2,038,559</td>
<td>573,789</td>
<td>68,123</td>
<td>16,382</td>
</tr>
<tr>
<td><strong>Annual Population Growth (2017 to 2022)</strong></td>
<td>1.1%</td>
<td>1.4%</td>
<td>2.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td><strong>Households (2017)</strong></td>
<td>784,927</td>
<td>229,247</td>
<td>25,260</td>
<td>6,692</td>
</tr>
<tr>
<td><strong>Annual Household Growth (2017 to 2022)</strong></td>
<td>1.0%</td>
<td>1.3%</td>
<td>2.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Median HH Income (2017)</strong></td>
<td>$55,500</td>
<td>$66,680</td>
<td>$75,598</td>
<td>$51,164</td>
</tr>
<tr>
<td><strong>Median Age (2017)</strong></td>
<td>37.0</td>
<td>36.5</td>
<td>39.5</td>
<td>39.1</td>
</tr>
<tr>
<td><strong>Median Home Value (2017)</strong></td>
<td>$155,638</td>
<td>$205,856</td>
<td>$228,616</td>
<td>$125,234</td>
</tr>
</tbody>
</table>

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 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.

<table>
<thead>
<tr>
<th>General Market Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Indianapolis MSA has solid housing market fundamentals and is currently 20% under priced based on the JBREC Burns Intrinsic Home Value Index which measures housing value trends for the entire market.</td>
</tr>
<tr>
<td>• The JBREC Affordability Index for the Indianapolis MSA is currently 0.3 (on a scale from 0 to 10 from best to worst affordability relative to its own history).</td>
</tr>
<tr>
<td>• 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.</td>
</tr>
<tr>
<td>• ESRI estimates 785K households currently in the Indianapolis MSA, with 1% annual growth projected from 2017 to 2022.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment and Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Indianapolis MSA added 32K jobs over the last twelve months, a 3.1% YOY growth rate, according to the U.S. Bureau of Labor Statistics (BLS).</td>
</tr>
<tr>
<td>• JBREC anticipates slowing employment fundamentals in the MSA through 2020, with employment growth projections ranging from 2.0% in 2017 to 0.0% in 2020. This deceleration of growth is in-line with our national forecast.</td>
</tr>
<tr>
<td>• The median household income in the Indianapolis MSA is currently $56K, according to ESRI.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Home Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Total permits are currently down 4% YOY at 8.4K, according to the U.S. Census Bureau.</td>
</tr>
<tr>
<td>• JBREC is projecting total permits to increase 5% in 2017 to 8.2K. After a 4% increase in permits in 2018 and a 1% increase in 2019, we are projecting a decrease in permits in 2020 (-6%).</td>
</tr>
<tr>
<td>• The current median new home price is up 11% YOY at $300K, according to CoreLogic. JBREC forecasts positive but decelerating price appreciation from 2017 through 2020.</td>
</tr>
<tr>
<td>• New home sales volume is currently flat YOY at 4.6K, according to CoreLogic. JBREC projects an increase in new home sales volume in 2017 (11%), 2018 (6%), and 2019 (4%), followed by a decrease in volume in 2020 (-6%).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing Home Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Based on MLS data, listings are currently down 3.7% YOY at 9.9K with 3.1 months of supply.</td>
</tr>
<tr>
<td>• The current median resale price is up 8% YOY at $183K, according to CoreLogic. JBREC forecasts positive but decelerating price appreciation from 2017 through 2020.</td>
</tr>
<tr>
<td>• Resale transaction volume is currently up 3% YOY at 38.5K, according to CoreLogic. JBREC forecasts resale volume to increase 9% in 2017, followed by a decrease in 2018 (-4%) and 2019 (-1%) and flat in 2020 (0%).</td>
</tr>
</tbody>
</table>
Demand Analysis – Methodology and Conclusions
Demand Model – Methodology and Conclusions

City of Lebanon – Housing Demand in 2017

2017 Current Households

- We determined the current number of total households by age and income in Lebanon utilizing ESRI and U.S. Census Bureau data. Note that JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.
- Currently there are approximately 6,692 total households in Lebanon. Total households are profiled by age and income on the following slide.
- We then determined the renter versus owner profiles in Lebanon in 2017.

2017 Renter Profile

- We determined the current renter profile in Lebanon – by age and income level – in 2017.
- Approximately 2,398 renter households, or 36% of total current households in Lebanon.
- 25-34 year-olds make up the largest demographic group at 24%, or approximately 600 renter households.

2017 Owner Profile

- We determined the current owner profile in Lebanon – by age and income level – in 2017.
- Approximately 4,294 owner households, or 64% of total current households in Lebanon.
- 55-64 year-olds make up the largest demographic group at 22%, or approximately 950 owner households.

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

JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.
• We define demographic cohorts by decade-born (the 10-year cohorts as shown in the table below).

- 55-64 year-olds make up the largest demographic group at 19%, or approximately 1,300 households.
- 45-54 year-olds are the second-largest demographic group at 18%, or approximately 1,200 households.
- 35-44 year-olds represent 17% of the households, or approximately 1,150 households.
- 25-34 year-olds represent 16% of total households, or approximately 1,100 households.
- The 65+ population represents one-quarter of households in Lebanon.

<table>
<thead>
<tr>
<th>Annual Household Income</th>
<th>Under 25</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65-74</th>
<th>75+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $25,000</td>
<td>87</td>
<td>165</td>
<td>170</td>
<td>188</td>
<td>301</td>
<td>248</td>
<td>350</td>
<td>1,508</td>
</tr>
<tr>
<td>$25,000 to $35,000</td>
<td>35</td>
<td>98</td>
<td>86</td>
<td>84</td>
<td>99</td>
<td>117</td>
<td>109</td>
<td>628</td>
</tr>
<tr>
<td>$35,000 to $50,000</td>
<td>42</td>
<td>175</td>
<td>178</td>
<td>179</td>
<td>206</td>
<td>175</td>
<td>140</td>
<td>1,095</td>
</tr>
<tr>
<td>$50,000 to $75,000</td>
<td>75</td>
<td>338</td>
<td>277</td>
<td>307</td>
<td>280</td>
<td>167</td>
<td>91</td>
<td>1,535</td>
</tr>
<tr>
<td>$75,000 to $100,000</td>
<td>30</td>
<td>162</td>
<td>166</td>
<td>180</td>
<td>158</td>
<td>81</td>
<td>48</td>
<td>825</td>
</tr>
<tr>
<td>$100,000 to $150,000</td>
<td>10</td>
<td>118</td>
<td>203</td>
<td>178</td>
<td>155</td>
<td>85</td>
<td>29</td>
<td>777</td>
</tr>
<tr>
<td>$150,000 to $200,000</td>
<td>4</td>
<td>16</td>
<td>29</td>
<td>47</td>
<td>35</td>
<td>14</td>
<td>5</td>
<td>149</td>
</tr>
<tr>
<td>$200,000+</td>
<td>2</td>
<td>17</td>
<td>39</td>
<td>49</td>
<td>45</td>
<td>18</td>
<td>5</td>
<td>175</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>285</strong></td>
<td><strong>1,088</strong></td>
<td><strong>1,147</strong></td>
<td><strong>1,212</strong></td>
<td><strong>1,278</strong></td>
<td><strong>905</strong></td>
<td><strong>776</strong></td>
<td><strong>6,692</strong></td>
</tr>
<tr>
<td><strong>Share of Total</strong></td>
<td><strong>4.3%</strong></td>
<td><strong>16.3%</strong></td>
<td><strong>17.1%</strong></td>
<td><strong>18.1%</strong></td>
<td><strong>19.1%</strong></td>
<td><strong>13.5%</strong></td>
<td><strong>11.6%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

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

JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.
Demand Model – Methodology and Conclusions

City of Lebanon – Housing Demand Projected for 2022

2022 Projected Households

• Using proprietary population and income forecasts, we projected total households in Lebanon in 2022.
  ✓ We estimate approximately **7,248 total households in 2022, which is 8.3% growth over 5 years or 1.7% annual growth.** We use this growth as our “base case scenario” for anticipated household growth in Lebanon. Total households in the base case scenario are profiled by age and income on the following slide.
  ✓ We then determined the renter versus owner profiles in Lebanon in 2022.

• We then generated an “upside scenario” for **annual population growth of 2.6%** based on growth trends for the average of Westfield, Fishers, and Noblesville – cities with relatively similar proximity to Indianapolis. *(See Slide 18 for a comparison of the base case and upside scenarios.)*

2022 Renters

**Base Case Scenario – 1.7% Annual Growth:**
  ✓ Approximately 2,511 renter households in 2022, or 35% of total households in Lebanon.
  ✓ Net growth of 113 renter households, or approximately 23 per year.

**Upside Scenario – 2.6% Annual Growth:**
  ✓ Approximately 2,584 renter households in 2022.
  ✓ Net growth of 186 renter households, or approximately 37 per year.

2022 Owners

**Base Case Scenario – 1.7% Annual Growth:**
  ✓ Approximately 4,737 owner households in 2022, or 65% of total households in Lebanon.
  ✓ Net growth of 443 owner households, or approximately 89 per year.

**Upside Scenario – 2.6% Annual Growth:**
  ✓ Approximately 5,013 owner households in 2022.
  ✓ Net growth of 719 owner households, or approximately 144 per year.

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

JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.

www.realestateconsulting.com
2022 City of Lebanon – Total Households by Age and Income

- Population growth for Lebanon is estimated at 8.3% over the next five years (or 1.7% per year), per ESRI – which we define as the base case growth scenario.
- Total households are growing from 6,692 (2017) to 7,248 (2022).*

- 55-64 year-olds will make up the largest demographic group at 19%, or approximately 1,400 households.
- 45-54 year-olds will be the third-largest demographic group at 16%, or approximately 1,200 households.
- 35-44 year-olds will represent 18% of the households, or approximately 1,300 households.
- 25-34 year-olds will represent 15% of total households, or approximately 1,100 households.
- The 65+ population is expected to represent nearly 28% of households in Lebanon.

<table>
<thead>
<tr>
<th>Annual Household Income</th>
<th>Under 25</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65-74</th>
<th>75+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $25,000</td>
<td>88</td>
<td>163</td>
<td>173</td>
<td>167</td>
<td>301</td>
<td>290</td>
<td>391</td>
<td>1,574</td>
</tr>
<tr>
<td>$25,000 to $35,000</td>
<td>32</td>
<td>83</td>
<td>81</td>
<td>67</td>
<td>92</td>
<td>131</td>
<td>119</td>
<td>605</td>
</tr>
<tr>
<td>$35,000 to $50,000</td>
<td>42</td>
<td>159</td>
<td>173</td>
<td>154</td>
<td>198</td>
<td>202</td>
<td>202</td>
<td>1,079</td>
</tr>
<tr>
<td>$50,000 to $75,000</td>
<td>74</td>
<td>299</td>
<td>277</td>
<td>261</td>
<td>272</td>
<td>193</td>
<td>95</td>
<td>1,471</td>
</tr>
<tr>
<td>$75,000 to $100,000</td>
<td>42</td>
<td>191</td>
<td>217</td>
<td>202</td>
<td>203</td>
<td>122</td>
<td>72</td>
<td>1,049</td>
</tr>
<tr>
<td>$100,000 to $150,000</td>
<td>12</td>
<td>152</td>
<td>292</td>
<td>219</td>
<td>211</td>
<td>128</td>
<td>43</td>
<td>1,058</td>
</tr>
<tr>
<td>$150,000 to $200,000</td>
<td>4</td>
<td>19</td>
<td>41</td>
<td>51</td>
<td>46</td>
<td>24</td>
<td>8</td>
<td>192</td>
</tr>
<tr>
<td>$200,000+</td>
<td>2</td>
<td>22</td>
<td>52</td>
<td>57</td>
<td>56</td>
<td>26</td>
<td>7</td>
<td>221</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>297</strong></td>
<td><strong>1,087</strong></td>
<td><strong>1,306</strong></td>
<td><strong>1,178</strong></td>
<td><strong>1,379</strong></td>
<td><strong>1,115</strong></td>
<td><strong>886</strong></td>
<td><strong>7,248</strong></td>
</tr>
</tbody>
</table>

| Share of Total          | **4.1%** | **15.0%** | **18.0%** | **16.3%** | **19.0%** | **15.4%** | **12.2%** | **100.0%** |

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

* JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.
Population Growth – City of Lebanon

- The population in Boone County has grown at an average annual rate of 2.2% since 2011. The majority of this growth has occurred in Whitestown and Zionsville, which have achieved annual growth rates of 13.1% and 2.1%, respectively.

- 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.

- The City of Lebanon has grown at an average annual rate of 0.3% from 2011 to 2016, but the rate of growth has been stronger in recent years, growing 1.2% in 2016.

### Annual Population Growth

Source: John Burns Real Estate Consulting, LLC analysis of U.S. Census Bureau Population Estimates, 2016 vintage
Population Growth – City of Lebanon

• If the population rate for Lebanon were to grow at a rate more similar to Boone County, we could expect annual growth rates on the magnitude of 2.6%. Note that Boone County’s growth has been significantly impacted by the growth of Whitestown. Boone County grew at 2.2% compounded annually from 2010 to 2016. If you take Whitestown out of that number, Boone County only grew by a compounded annual rate of 1.3%.

• Outside of Boone County, cities with a relatively similar proximity to Indianapolis have exhibited growth in excess of 2% annually since 2011: Westfield (3.5% growth), Fishers (2.5% growth), and Noblesville (2.2%).

Annual Population Growth

Sources: John Burns Real Estate Consulting, LLC; ESRI
Population Growth Scenarios – City of Lebanon

- The base case population growth scenario assumes annual average growth of 1.6% in Lebanon between 2018 and 2022.
- We further define an “upside scenario” for growth in Lebanon that mirrors the growth trends for the combined cities of Westfield, Fishers, and Noblesville from 2012 to 2016. This upside scenario would result in average annual growth of 2.6%.
- The upside scenario results in approximately 7,597 total households, with 2,584 renter households and 5,013 owner households – which is a net growth of 181 households per year. The upside scenario would result in an additional 70 net new households per year, on average, than the base case scenario.

**City of Lebanon Population Growth Scenarios**

<table>
<thead>
<tr>
<th>2017-2022 Annual Average</th>
<th>Base Case Scenario</th>
<th>Upside Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Growth</td>
<td>269</td>
<td>443</td>
</tr>
<tr>
<td>Population % Growth</td>
<td>1.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Household Growth</td>
<td>111</td>
<td>181</td>
</tr>
<tr>
<td>Household % Growth</td>
<td>1.7%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

Source: John Burns Real Estate Consulting, LLC analysis of U.S. Census Bureau Population Estimates, 2016 vintage
Demand Analysis – Rental Housing
For the base case growth scenario, we expect a net gain of 113 renter households in Lebanon between 2017 and 2022, or an average of nearly 23 per year.

Growth will be positive for renter households with incomes of $75,000 or higher and for incomes below $25,000. Income levels between $25,000 and $75,000 will see a net loss in renter households.

40% of households in the City of Lebanon rent an apartment, defined here as a unit in a building with at least 5 units. The remaining 60% of households rent either a single-family detached home, condominium, or a 2- to 4-unit dwelling. Very few households earning $100,000 or more rent in an apartment in Lebanon.

<table>
<thead>
<tr>
<th>Annual Household Income</th>
<th>Monthly Rental Rate 1/</th>
<th>Total Households - Total Households 2017 2/</th>
<th>Total Households - Total Households 2022 2/</th>
<th>% Renter Households 2017 3/</th>
<th>2017 Calculated Renter Households</th>
<th>% Renter Households 2022 3/</th>
<th>2022 Calculated Renter Households (P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $25,000</td>
<td>$0 - $700</td>
<td>1,509</td>
<td>1,574</td>
<td>60%</td>
<td>899</td>
<td>61%</td>
<td>961</td>
</tr>
<tr>
<td>$25,000 to $35,000</td>
<td>$700 - $1,000</td>
<td>629</td>
<td>605</td>
<td>46%</td>
<td>290</td>
<td>46%</td>
<td>275</td>
</tr>
<tr>
<td>$35,000 to $50,000</td>
<td>$1,000 - $1,400</td>
<td>1,095</td>
<td>1,079</td>
<td>40%</td>
<td>442</td>
<td>41%</td>
<td>439</td>
</tr>
<tr>
<td>$50,000 to $75,000</td>
<td>$1,400 - $2,100</td>
<td>1,534</td>
<td>1,471</td>
<td>32%</td>
<td>486</td>
<td>32%</td>
<td>465</td>
</tr>
<tr>
<td>$75,000 to $100,000</td>
<td>$2,100 - $2,800</td>
<td>825</td>
<td>1,049</td>
<td>20%</td>
<td>164</td>
<td>20%</td>
<td>212</td>
</tr>
<tr>
<td>$100,000 to $150,000</td>
<td>$2,800 - $4,200</td>
<td>777</td>
<td>1,058</td>
<td>13%</td>
<td>98</td>
<td>13%</td>
<td>134</td>
</tr>
<tr>
<td>$150,000 to $200,000</td>
<td>$4,200 - $5,600</td>
<td>149</td>
<td>192</td>
<td>7%</td>
<td>11</td>
<td>7%</td>
<td>13</td>
</tr>
<tr>
<td>$200,000+</td>
<td>$5,600 - $8,300</td>
<td>174</td>
<td>221</td>
<td>5%</td>
<td>9</td>
<td>5%</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>6,692</strong></td>
<td><strong>7,248</strong></td>
<td><strong>36%</strong></td>
<td><strong>2,398</strong></td>
<td><strong>35%</strong></td>
<td><strong>2,511</strong></td>
</tr>
</tbody>
</table>

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

JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.
36% of Lebanon households are renters in 2017, slightly lower than the US average of 37%.

- 25-34 year-olds make up the largest demographic group at 24%, or approximately 585 renter households.
- 35-44 year-olds are the second-largest demographic group at 19%, or approximately 450 renter households.
- 45-54 year-olds represent 16% of the total renter households, or approximately 375 households.
- Those aged 55+ represent 31% of total renter households.

### RENTER HOUSEHOLDS BY AGE AND INCOME - 2017

<table>
<thead>
<tr>
<th>Annual Household Income</th>
<th>Monthly Rental Rate 1/</th>
<th>Under 25</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65-74</th>
<th>75+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $25,000</td>
<td>$0 - $700</td>
<td>80</td>
<td>142</td>
<td>128</td>
<td>122</td>
<td>168</td>
<td>119</td>
<td>140</td>
<td>899</td>
</tr>
<tr>
<td>$25,000 to $35,000</td>
<td>$700 - $1,000</td>
<td>32</td>
<td>74</td>
<td>53</td>
<td>42</td>
<td>34</td>
<td>20</td>
<td>34</td>
<td>290</td>
</tr>
<tr>
<td>$35,000 to $50,000</td>
<td>$1,000 - $1,400</td>
<td>36</td>
<td>108</td>
<td>101</td>
<td>74</td>
<td>64</td>
<td>33</td>
<td>26</td>
<td>442</td>
</tr>
<tr>
<td>$50,000 to $75,000</td>
<td>$1,400 - $2,100</td>
<td>62</td>
<td>179</td>
<td>84</td>
<td>88</td>
<td>48</td>
<td>13</td>
<td>12</td>
<td>486</td>
</tr>
<tr>
<td>$75,000 to $100,000</td>
<td>$2,100 - $2,800</td>
<td>19</td>
<td>49</td>
<td>47</td>
<td>28</td>
<td>12</td>
<td>5</td>
<td>5</td>
<td>164</td>
</tr>
<tr>
<td>$100,000 to $150,000</td>
<td>$2,800 - $4,200</td>
<td>7</td>
<td>30</td>
<td>34</td>
<td>16</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>98</td>
</tr>
<tr>
<td>$150,000 to $200,000</td>
<td>$4,200 - $5,600</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>$200,000+</td>
<td>$5,600 - $8,300</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>239</td>
<td>10.0%</td>
</tr>
<tr>
<td></td>
<td>586</td>
<td>24.4%</td>
</tr>
<tr>
<td></td>
<td>451</td>
<td>18.8%</td>
</tr>
<tr>
<td></td>
<td>375</td>
<td>15.7%</td>
</tr>
<tr>
<td></td>
<td>331</td>
<td>13.8%</td>
</tr>
<tr>
<td></td>
<td>194</td>
<td>8.1%</td>
</tr>
<tr>
<td></td>
<td>221</td>
<td>9.2%</td>
</tr>
<tr>
<td></td>
<td>2,398</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

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

JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.
In 2022, rentership will decline slightly to 35%, but the net gain in renters will be positive.

- 25-34 year-olds will make up the largest demographic group at 23%, or approximately 570 renter households.
- 35-44 year-olds are the second-largest demographic group at 19%, or approximately 480 renter households.
- 45-54 year-olds represent 14% of the total renter households, or approximately 360 renter households.
- Those aged 55+ are expected to represent 34% 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.

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

JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.
Demand Analysis – For-Sale Housing
For the base case growth scenario, we expect a net gain of 443 owner households in Lebanon between 2017 and 2022, or an average of nearly 89 per year.

Growth will be positive for owner households with incomes of $75,000 or higher. Income levels below $75,000 will 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.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $25,000</td>
<td>Under $67,000</td>
<td>1,509</td>
<td>40%</td>
<td>610</td>
<td>39%</td>
<td>613</td>
</tr>
<tr>
<td>$25,000 to $35,000</td>
<td>$67,000-$82,000</td>
<td>629</td>
<td>54%</td>
<td>338</td>
<td>54%</td>
<td>330</td>
</tr>
<tr>
<td>$35,000 to $50,000</td>
<td>$82,000-$98,000</td>
<td>1,095</td>
<td>60%</td>
<td>653</td>
<td>59%</td>
<td>640</td>
</tr>
<tr>
<td>$50,000 to $75,000</td>
<td>$98,000-$130,000</td>
<td>1,534</td>
<td>68%</td>
<td>1,049</td>
<td>68%</td>
<td>1,005</td>
</tr>
<tr>
<td>$75,000 to $100,000</td>
<td>$130,000-$145,000</td>
<td>825</td>
<td>80%</td>
<td>660</td>
<td>80%</td>
<td>837</td>
</tr>
<tr>
<td>$100,000 to $150,000</td>
<td>$145,000-$225,000</td>
<td>777</td>
<td>87%</td>
<td>679</td>
<td>87%</td>
<td>924</td>
</tr>
<tr>
<td>$150,000 to $200,000</td>
<td>$225,000-$265,000</td>
<td>149</td>
<td>93%</td>
<td>139</td>
<td>93%</td>
<td>179</td>
</tr>
<tr>
<td>$200,000+</td>
<td>$265,000+</td>
<td>174</td>
<td>95%</td>
<td>166</td>
<td>95%</td>
<td>209</td>
</tr>
<tr>
<td>Total</td>
<td>6,692</td>
<td>7,248</td>
<td>64%</td>
<td>4,294</td>
<td>65%</td>
<td>4,737</td>
</tr>
</tbody>
</table>

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

JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.
64% of Lebanon households are owners in 2017, slightly higher than the US average of 63%.

- 55-64 year-olds make up the largest demographic group at 22%, or approximately 950 owner households.
- 45-54 year-olds are the second-largest demographic group at 20%, or approximately 835 owner households.
- 65-74 year-olds represent 17% of the total owner households, or approximately 710 households.
- Households under the age of 45 represent 29% of owner households, compared to 38% of total households.

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

JBREC adjusted downward the total household estimates from ESRI for 2017 to be more consistent with recent population growth trends reported by the U.S. Census Bureau. JBREC used ESRI’s rate of growth for the forecasted period and applied that rate to the revised household estimates.
In 2022, ownership will rise slightly to 65%, accelerating the net gain in homeowners.

- 55-64 year-olds will make up the largest demographic group at 22%, or approximately 1,030 owner households.
- 65-74 year-olds will be the second-largest demographic group at 18%, or approximately 860 owner households.
- 45-54 year-olds will represent 17% of the total owner households, or approximately 820 households.
- Households under the age of 45 will represent 29% of owner households, compared to 37% of total households.

<table>
<thead>
<tr>
<th>Annual Household Income</th>
<th>Approximate Home Value Range Estimate</th>
<th>Under 25</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65-74</th>
<th>75+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $25,000</td>
<td>Under $67,000</td>
<td>6</td>
<td>20</td>
<td>42</td>
<td>52</td>
<td>121</td>
<td>134</td>
<td>237</td>
<td>613</td>
</tr>
<tr>
<td>$25,000 to $35,000</td>
<td>$67,000-$82,000</td>
<td>3</td>
<td>20</td>
<td>30</td>
<td>31</td>
<td>59</td>
<td>106</td>
<td>82</td>
<td>330</td>
</tr>
<tr>
<td>$35,000 to $50,000</td>
<td>$82,000-$98,000</td>
<td>6</td>
<td>60</td>
<td>74</td>
<td>86</td>
<td>132</td>
<td>158</td>
<td>124</td>
<td>640</td>
</tr>
<tr>
<td>$50,000 to $75,000</td>
<td>$98,000-$130,000</td>
<td>13</td>
<td>139</td>
<td>192</td>
<td>181</td>
<td>222</td>
<td>176</td>
<td>83</td>
<td>1,005</td>
</tr>
<tr>
<td>$75,000 to $100,000</td>
<td>$130,000-$145,000</td>
<td>15</td>
<td>133</td>
<td>155</td>
<td>168</td>
<td>187</td>
<td>114</td>
<td>65</td>
<td>837</td>
</tr>
<tr>
<td>$100,000 to $150,000</td>
<td>$145,000-$225,000</td>
<td>4</td>
<td>112</td>
<td>243</td>
<td>198</td>
<td>204</td>
<td>125</td>
<td>38</td>
<td>924</td>
</tr>
<tr>
<td>$150,000 to $200,000</td>
<td>$225,000-$265,000</td>
<td>1</td>
<td>17</td>
<td>37</td>
<td>49</td>
<td>45</td>
<td>24</td>
<td>8</td>
<td>179</td>
</tr>
<tr>
<td>$200,000+</td>
<td>$265,000+</td>
<td>2</td>
<td>18</td>
<td>51</td>
<td>54</td>
<td>55</td>
<td>23</td>
<td>6</td>
<td>209</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>49</td>
<td>519</td>
<td>824</td>
<td>818</td>
<td>1,025</td>
<td>859</td>
<td>642</td>
<td>4,737</td>
</tr>
</tbody>
</table>

| Share of Total         |                                      | 1.0%     | 11.0% | 17.4% | 17.3% | 21.6% | 18.1% | 13.6%| 100.0% |
Permit, Closing, and Listing Activity – City of Lebanon
The City of Lebanon has issued 13 single-family, 4 duplex, and 28 multifamily permits on average annually post-recession (2010 through 2016).
The City of Lebanon has issued 17 owner-occupied and 28 renter-occupied permits on average annually post-recession (2010 through 2016).

Source: John Burns Real Estate Consulting, LLC calculations of City of Lebanon data.

“Owner” is defined as single-family and duplex permits, and “rental” is defined as multifamily permits.
Last 12 Month Closings and Current Listings – City of Lebanon

- According to Redfin, there were 289 closings in the last 12 months in the City of Lebanon (approximately 24 closings per month). These units averaged 1,800 square feet, $133K, and built in 1957.
- 42 of the 289 closed units (15%) were built in 2000-2017. These more recently built units averaged 2,122 square feet and $186K.
- According to Redfin, there are currently 50 available listings – which translates to approximately 2 months of supply based on the last 12 month closing history.
- Based on the anticipated household growth from 2017-2022 in the City of Lebanon, housing demand is expected to outpace the current supply.

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

<table>
<thead>
<tr>
<th>289 Closings</th>
<th>Unit Size</th>
<th>Lot Size</th>
<th>Sales Price</th>
<th>Price / Sq. Ft.</th>
<th>Year Built</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>1,764</td>
<td>16,313</td>
<td>$133,312</td>
<td>$79</td>
<td>1957</td>
</tr>
<tr>
<td>Median</td>
<td>1,581</td>
<td>8,734</td>
<td>$126,000</td>
<td>$84</td>
<td>1964</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>50 Listings</th>
<th>Unit Size</th>
<th>Lot Size</th>
<th>Sales Price</th>
<th>Price / Sq. Ft.</th>
<th>Year Built</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>2,244</td>
<td>48,068</td>
<td>$204,250</td>
<td>$93</td>
<td>1956</td>
</tr>
<tr>
<td>Median</td>
<td>1,961</td>
<td>9,191</td>
<td>$154,900</td>
<td>$92</td>
<td>1965</td>
</tr>
</tbody>
</table>
Home Sale Transaction Analysis
This map details home sale transactions by county in Hamilton County, Hendricks County, and Marion County over the last 12 months.

City of Lebanon is located in Boone County. CoreLogic does not supply closing transactions data in Boone County.
The chart below includes the home closing transactions detailed in the map on the previous slide. Generally speaking, there is a premium associated with housing in Hamilton County – in comparison to housing in Hendricks and Marion Counties.

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

Sources: John Burns Real Estate Consulting, LLC; CoreLogic – last 12 month home sale transactions in Hamilton, Hendricks, and Marion Counties. CoreLogic does not supply home sale transactions in Boone County. Includes new and existing, attached and detached, single-family home sales. Prices are estimated using the first purchase loan, when available.
• This map details home sale transactions by price in Hamilton County, Hendricks County, and Marion County over the last 12 months.

• Generally speaking, higher home sale prices can be found in southern Hamilton County – specifically, Westfield, Noblesville, Camel, and Fishers as well as portions of Zionsville.

• While closing transaction data in Boone County is not supplied by CoreLogic, Whitestown (located in Boone County) has experienced significant population and household growth (see additional insight in “Demand Analysis” section) over the past few years. Multiple new construction developments are currently active in Whitestown.

• Growth has been sprawling northwest along I-65 and north toward Route 32.

Sources: John Burns Real Estate Consulting, LLC; CoreLogic – last 12 month home sale transactions in Hamilton, Hendricks, and Marion Counties. CoreLogic does not supply home sale transactions in Boone County. Includes new and existing, attached and detached, single-family home sales. Prices are estimated using the first purchase loan, when available.
This map details home sale transactions by price in Hamilton County, Hendricks County, and Marion County over the last 12 months.

This is a zoomed in view from the previous slide to show detail in Westfield, Fishers, and Noblesville as well as portions of Zionsville.

Sources: John Burns Real Estate Consulting, LLC; CoreLogic – last 12 month home sale transactions in Hamilton, Hendricks, and Marion Counties. CoreLogic does not supply home sale transactions in Boone County. Includes new and existing, attached and detached, single-family home sales. Prices are estimated using the first purchase loan, when available.
Last 12 Month Closing Transactions – By New and Resale

- This map details home sale transactions by new and resale in Hamilton County, Hendricks County, and Marion County over the last 12 months.

- Most new construction developments can be found in southern Hamilton County – in Westfield, Noblesville, Carmel, Fishers, and Zionsville.

Sources: John Burns Real Estate Consulting, LLC; CoreLogic – last 12 month home sale transactions in Hamilton, Hendricks, and Marion Counties. CoreLogic does not supply home sale transactions in Boone County. Includes new and existing, attached and detached, single-family home sales. Prices are estimated using the first purchase loan, when available.
### Location Analysis – **Opportunities and Challenges**

<table>
<thead>
<tr>
<th>S</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lebanon is located along highly traveled I-65 and has direct access to employment centers in the northwest area of the Indianapolis market.</td>
<td></td>
</tr>
<tr>
<td>• Annual population and household growth in Lebanon are expected to outpace the Indianapolis MSA over the next five years.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>W</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Currently there are limited retail, dining, and entertainment options available in Lebanon.</td>
<td></td>
</tr>
<tr>
<td>• While the schools in Lebanon are considered acceptable and have average ratings by GreatSchools, they are less desirable than those schools located in southern Hamilton County.</td>
<td></td>
</tr>
<tr>
<td>• The median household income and median home value in the City of Lebanon are significantly lower than in Boone County and northwest Indianapolis. These statistics challenge new home builders to deliver homes at acceptable, value-oriented consumer pricing.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>O</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Several municipalities in southern Hamilton County have building codes and architectural enhancement requirements that cause builders to deliver homes in the $350K to $450K+ range; Lebanon has the opportunity to capture value-oriented home buyers with both resale and new home construction.</td>
<td></td>
</tr>
<tr>
<td>• Jobs are currently available in Lebanon, and additional jobs are expected in the general area over the next five years.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>T</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Softening market fundamentals over the next several years in the Indianapolis MSA might prevent growth from expanding north of Route 32 and northwest along I-65.</td>
<td></td>
</tr>
</tbody>
</table>
Lebanon is located in Boone County – approximately 28 miles northwest of downtown Indianapolis. Boone County is adjacent to Hamilton County, which has experienced tremendous growth post-recession. Westfield, Noblesville, Carmel and Fishers as well as portions of Zionsville are located in southern Hamilton County – where much of that growth has been concentrated.

Source: ESRI, John Burns Real Estate Consulting LLC

Downtown Indianapolis is approximately 28 miles from Downtown Lebanon (approximately 35-minute drive time).
Approximately 35% of the residents of Lebanon work in Boone County and 29% work in Marion County. The majority of Lebanon residents who commute use I-65 and the I-465 circle.

Source: U.S. Census
Location Analysis – Employment Centers in Boone County, IN

Approximately 35% of the residents of Lebanon work in Boone County. The employment centers within Boone County are shown in the map by the darker shading.

According to the U.S. Census, dominant employment industries in Boone County include:
- Manufacturing
- Health Care and Social Assistance
- Retail Trade
- Educational Services

According to the Indiana Department of Workforce Development, major employers in Boone County include: Fukai Toyotetsu in Jamestown, Amazon Fulfillment Center in Whitestown, Witham Memorial Hospital in Lebanon, Witham Health Service in Lebanon, Witham Visiting Nurse Service in Lebanon, Zionsville Meadows in Zionsville, Jet Star Inc. in Zionsville, and Meijer in Zionsville.

Source: U.S. Census
Most of Boone County is accessible with a 15- to 30-minute commute from Lebanon. Lafayette and downtown Indianapolis are accessible with a 30- to 45-minute commute from Lebanon.

Numerous retail, dining, and entertainment options can be found with a 30- to 45-minute commute to southern Hamilton County and northern Marion County.

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

- Lebanon is serviced by the Lebanon Community School Corporation school district (overall GreatSchools rating of 7 out of 10, which is an average rating based on their system).
- The school district includes four elementary schools, one middle school, and one high school.
- The following are the breakdown of ratings from GreatSchools:
  - Central Elementary School received a 6 out of 10 rating (average)
  - Harney Elementary School received a 7 out of 10 rating (average)
  - Hattle B Stokes Elementary School received a 5 out of 10 rating (average)
  - Perry Worth Elementary School received a 4 out of 10 rating (average)
  - Lebanon Middle School received a 7 out of 10 rating (average)
  - Lebanon Senior High School received an 8 out of 10 rating (above average)
- 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.
- Generally speaking, the schools serving Lebanon are well received but considered less desirable than those located in southern Hamilton County.

Sources: GreatSchools and eSpatial
Demographic Analysis
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

- **Northwest Indianapolis Area** (“northwest Indianapolis”) – defined primarily as southern Hamilton County and northern Marion County

- **Boone County, IN**

- **City of Lebanon, IN** – Zip Code 46052
Demographic Trends – Population Concentration and Growth

- There are 16,382 people currently residing in City of Lebanon, which is approximately 24% of the population in Boone County.
- Annual population growth in Boone County and the City of Lebanon is expected to outpace the Indianapolis MSA and northwest Indianapolis are over the next five years.
- See “Demand Analysis” section for additional insight regarding population growth through 2022 in the City of Lebanon.

Source: ESRI – note that City of Lebanon are JBREC estimates based on US Census figures

Population Comparison (2017)

Expected Annual Population Growth (2017 to 2022)

Sources: ESRI, John Burns Real Estate Consulting, LLC
Demographic Trends – Household Concentration and Growth

- Currently there are 6,692 households in the City of Lebanon, which is approximately 26% of the households in Boone County.
- Annual household growth in Boone County and the City of Lebanon is expected to outpace the Indianapolis MSA and northwest Indianapolis area over the next five years.
- The City of Lebanon is expected to account for approximately 17% of the household growth anticipated in Boone County through 2022.
- See “Demand Analysis” section for additional insight regarding household growth through 2022 in the City of Lebanon.

**Household Comparison (2017)**

Source: ESRI; John Burns Real Estate Consulting, LLC

**Expected Annual Household Growth (2017 to 2022)**

Source: ESRI; John Burns Real Estate Consulting, LLC

Source: ESRI – note that City of Lebanon are JBREC estimates based on US Census figures
Demographic Trends - **Income Concentration**

- The current median household income in the City of Lebanon is $51,164 – which is below the median household income in the U.S., Indianapolis MSA, northwest Indianapolis, and Boone County. 23% of households in the City of Lebanon earn less than $25K, 16% earn $35K-$49K, and 23% earn $50K-$75K.

- Household income defines buying and renting power within the City of Lebanon.
Demographic Trends – **Income Growth**

- Annual household growth from 2017 to 2022 in the City of Lebanon is expected to primarily come from those earning $75K+. Specifically, 5.4% annual household growth from those earning $75K-$99K, 7.2% annual household growth from those earning $100K-$149K, 5.7% annual household growth from those earning $150K-$199K, and 5.4% annual household growth from those earning $200K+.

- Growth in higher earning groups should boost the median household income in the City of Lebanon. Strong household growth in higher earning groups supports new housing in the area for price points above the current household median home value of $125K.
Demographic Trends – Median Age

- Boone County and the City of Lebanon have an older median age, 39.5 and 39.1 respectively, in comparison to the Indianapolis MSA (37.0) and northwest Indianapolis (36.5).

- Annual population growth in the City of Lebanon is expected to primarily come from those aged 35-44 (3.0%), aged 55-64 (1.8%), and aged 65+ (4.0%) through 2022.
The City of Lebanon is 63% family households with an average household size of 2.4 – both statistics are lower than the Indianapolis MSA, northwest Indianapolis, and Boone County. This is largely due to a strong presence of first time home buyers and retirees in the City of Lebanon.
Demographic Trends - **Ethnicity**

- City of Lebanon is predominately White, non-Hispanic (92%).
- Boone County is also predominately White, non-Hispanic (90%).
- While northwest Indianapolis has a strong presence of White, non-Hispanic population (62%), this feeder area to the City of Lebanon has a notable Black population (15%) as well.
Demographic Trends – **Median Home Value**

- The median home value of $125,234 in the City of Lebanon is well below the median home value in Boone County as well as in northwest Indianapolis.

- The darker shading in the map below (median home value range of $328K-$526K) includes portions of Zionsville, Carmel, and Fishers – areas that have already experienced tremendous population growth. These areas are close to employment centers and home to highly desirable schools.
## Demographic Trends - **Tapestry**

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

### INDIANAPOLIS MSA

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cluster</th>
<th>Lifestyle Group</th>
<th>Urbanization Group</th>
<th>Household Type</th>
<th>Diversity Index</th>
<th>Own vs. Rent</th>
<th>Preferred Housing</th>
<th>Age</th>
<th>HH Size</th>
<th>HH Income</th>
<th>Net Worth</th>
<th>Home</th>
<th>HH %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Middleburg (4C)</td>
<td>Family Landscapes</td>
<td>Semirural</td>
<td>Married Couples</td>
<td>46.8</td>
<td>74%</td>
<td>Single Family</td>
<td>34.4</td>
<td>2.7</td>
<td>$55,377</td>
<td>$108,017</td>
<td>$126,691</td>
<td>7.6%</td>
</tr>
<tr>
<td>2</td>
<td>Traditional Living (12B)</td>
<td>Hometown</td>
<td>Metro Cities</td>
<td>Married Couples</td>
<td>53.6</td>
<td>60%</td>
<td>Single Family</td>
<td>33.8</td>
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<tr>
<td>3</td>
<td>Hardscrabble Road (8G)</td>
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<td>Metro Cities</td>
<td>Singles</td>
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<td>4</td>
<td>Up and Coming Families (7A)</td>
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<td>Suburban Periphery</td>
<td>Married Couples</td>
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<td>5</td>
<td>Green Acres (BA)</td>
<td>Cozy Country Living</td>
<td>Rural</td>
<td>Married Couples</td>
<td>24.6</td>
<td>84%</td>
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<td>Married Couples</td>
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<td>Married Couples</td>
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<td>Single Family</td>
<td>32.5</td>
<td>3.2</td>
<td>$108,381</td>
<td>$32,786</td>
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<td>3.7%</td>
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### NORTHWEST INDIANAPOLIS

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<th>Urbanization Group</th>
<th>Household Type</th>
<th>Diversity Index</th>
<th>Own vs. Rent</th>
<th>Preferred Housing</th>
<th>Age</th>
<th>HH Size</th>
<th>HH Income</th>
<th>Net Worth</th>
<th>Home</th>
<th>HH %</th>
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</thead>
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<td>Single Family</td>
<td>39.3</td>
<td>3.1</td>
<td>$128,357</td>
<td>$576,593</td>
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<td>10.5%</td>
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<td>Married Couples</td>
<td>61.6</td>
<td>84%</td>
<td>Single Family</td>
<td>32.5</td>
<td>3.2</td>
<td>$108,381</td>
<td>$32,786</td>
<td>$244,404</td>
<td>7.4%</td>
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<td>Emerald City (8B)</td>
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<td>Green Acres (BA)</td>
<td>Cozy Country Living</td>
<td>Rural</td>
<td>Married Couples</td>
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<td>44%</td>
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<td>$36,744</td>
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<td>$107,786</td>
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### BOONE COUNTY

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<td>$128,357</td>
<td>$576,593</td>
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<td>Boomburbs (1C)</td>
<td>Affluent Estates</td>
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<td>Married Couples</td>
<td>61.6</td>
<td>84%</td>
<td>Single Family</td>
<td>32.5</td>
<td>3.2</td>
<td>$108,381</td>
<td>$32,786</td>
<td>$244,404</td>
<td>7.4%</td>
</tr>
<tr>
<td>3</td>
<td>Emerald City (8B)</td>
<td>Middle Ground</td>
<td>Metro Cities</td>
<td>Singles</td>
<td>48.7</td>
<td>49%</td>
<td>Single Family</td>
<td>35.6</td>
<td>2.0</td>
<td>$52,114</td>
<td>$44,585</td>
<td>$176,998</td>
<td>7.2%</td>
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<tr>
<td>4</td>
<td>Green Acres (BA)</td>
<td>Cozy Country Living</td>
<td>Rural</td>
<td>Married Couples</td>
<td>50.7</td>
<td>44%</td>
<td>Single Family</td>
<td>37.6</td>
<td>2.1</td>
<td>$36,744</td>
<td>$32,077</td>
<td>$121,376</td>
<td>6.7%</td>
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</table>

### CITY OF LEBANON

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cluster</th>
<th>Lifestyle Group</th>
<th>Urbanization Group</th>
<th>Household Type</th>
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<th>Net Worth</th>
<th>Home</th>
<th>HH %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Middleburg (4C)</td>
<td>Family Landscapes</td>
<td>Suburban Periphery</td>
<td>Married Couples w/No Kids</td>
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<td>2</td>
<td>Middleburg (4C)</td>
<td>Family Landscapes</td>
<td>Semirural</td>
<td>Married Couples</td>
<td>46.8</td>
<td>74%</td>
<td>Single Family</td>
<td>34.4</td>
<td>2.7</td>
<td>$55,377</td>
<td>$108,017</td>
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<td>4.3%</td>
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<td>Southern Estates (10A)</td>
<td>Rustic Outposts</td>
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<td>Single Family</td>
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<td>2.6</td>
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<td>4</td>
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<td>Hometown</td>
<td>Metro Cities</td>
<td>Married Couples</td>
<td>53.8</td>
<td>60%</td>
<td>Single Family</td>
<td>33.8</td>
<td>2.5</td>
<td>$57,391</td>
<td>$35,970</td>
<td>$61,777</td>
<td>2.9%</td>
</tr>
<tr>
<td>5</td>
<td>Rustbelt Traditions (5D)</td>
<td>GenXurban</td>
<td>Urban Periphery</td>
<td>Married Couples</td>
<td>44.8</td>
<td>72%</td>
<td>Single Family</td>
<td>37.3</td>
<td>2.4</td>
<td>$49,543</td>
<td>$99,724</td>
<td>$91,952</td>
<td>7.8%</td>
</tr>
<tr>
<td>6</td>
<td>Green Acres (BA)</td>
<td>Cozy Country Living</td>
<td>Rural</td>
<td>Married Couples</td>
<td>24.4</td>
<td>87%</td>
<td>Single Family</td>
<td>41.8</td>
<td>2.6</td>
<td>$74,759</td>
<td>$219,323</td>
<td>$159,583</td>
<td>7.6%</td>
</tr>
<tr>
<td>7</td>
<td>Old and Newcomers (8F)</td>
<td>Middle Ground</td>
<td>Metro Cities</td>
<td>Singles</td>
<td>50.7</td>
<td>46%</td>
<td>Single Family</td>
<td>37.6</td>
<td>2.1</td>
<td>$36,744</td>
<td>$99,724</td>
<td>$121,376</td>
<td>7.6%</td>
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<tr>
<td>8</td>
<td>Front Porches (8E)</td>
<td>Middle Ground</td>
<td>Suburban Periphery</td>
<td>Married Couples</td>
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<td>2.5</td>
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<td>$25,200</td>
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<td>4.7%</td>
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<td>9</td>
<td>Down the Road (10D)</td>
<td>Rustic Outposts</td>
<td>Semirural</td>
<td>Married Couples</td>
<td>70.7</td>
<td>66%</td>
<td>Single Family</td>
<td>33.3</td>
<td>2.7</td>
<td>$36,688</td>
<td>$42,754</td>
<td>$77,184</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Sources: ESRI; John Burns Real Estate Consulting, LLC

www.realestateconsulting.com
The “GenXurban” lifestyle group dominates Lebanon, as illustrated with the bright yellow shading in the map below. The “Midlife Constants” (24.3%) and “Rustbelt Traditions” (7.8%) cluster groups comprise “GenXurban.”

The “Family Landscapes” lifestyle group also has a strong presence in this area, as illustrated with the light pink shading in the map below. The “Middleburg” (17.1%) cluster group comprises “Family Landscapes.”

Note that statistics on these lifestyle and cluster groups can be found on the previous slide, with full descriptions found on the next two slides.

### Lifestyle Group:

- **Highest 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

### City of Lebanon, IN

Source: ESRI
Demographic Trends - Tapestry - GenXurban: Midlife Constants

WHO ARE WE?
Midlife Constants residents are seniors, at or approaching retirement, with below average labor force participation and above average net worth. Although located in predominantly metropolitan areas, they live outside the central cities, in smaller communities. Their lifestyle is more country than urban. They are generous, but not spendthrifts.

OUR NEIGHBORHOOD
- Older homes (most built before 1980) found in the suburban periphery of smaller metropolitan markets.
- Primarily married couples, with a growing share of singles.
- Settled neighborhoods with slow rates of change and residents that have lived in the same house for years.
- Single-family homes, less than half still mortgaged, with a median home value of $141,000 (Index 80).

SOCIOECONOMIC TRAITS
- Education: 64% have a high school diploma or some college.
- Unemployment is lower in this market at 7.4% (Index 86), but so is the labor force participation rate (Index 89).
- Almost 42% of households are receiving Social Security (Index 150); 28% also receive retirement income (Index 160).
- Traditional, not trendy; opt for convenience and comfort, not cutting-edge. Technology has its uses, but the bells and whistles are a bother.
- Attentive to price, but not at the expense of quality, they prefer to buy American and natural products.
- Radio and newspapers are the media of choice (after television).

Notes: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by DK MM.
Demographic Trends - **Tapestry - Family Landscapes: Middleburg**

**LifeMode Group: Family Landscapes**

**Middleburg**

- Households: 3,319,000
- Average Household Size: 2.73
- Median Age: 35.3
- Median Household Income: $55,000

**WHO ARE WE?**

*Middleburg* neighborhoods transformed from the easy pace of country living to semirural subdivisions in the last decade, when the housing boom reached out. Residents are conservative, family-oriented consumers. Still more country than rock and roll, they are thrifty but willing to carry some debt and are already investing in their futures. They rely on their smartphones and mobile devices to stay in touch and pride themselves on their expertise. They prefer to buy American and travel in the US. This market is younger but growing in size and assets.

**OUR NEIGHBORHOOD**

- Semirural locales within metropolitan areas.
- Neighborhoods changed rapidly in the previous decade with the addition of new single-family homes.
- Include a number of mobile homes (Index 152).
- Affordable housing, median value of $158,000 (Index 89) with a low vacancy rate.
- Young couples, many with children; average household size is 2.73.

**SOCIOECONOMIC TRAITS**

- Education: 66% with a high school diploma or some college.
- Unemployment rate lower at 7.4% (Index 85).
- Labor force participation typical of a younger population at 66.7% (Index 106).
- Traditional values are the norm here—faith, country, and family.
- Prefer to buy American and for a good price.
- Comfortable with the latest in technology, for convenience (online banking or saving money on landlines) and entertainment.

**Note:** The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by ESRI MRI.
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 20% 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.
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 **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.
The Burns Home Value Index (BHVI) measures housing value trends for the entire market. In 2016 home prices in the Indianapolis MSA improved 3.6% year-over-year, with home prices currently up 2.6% year-over-year. Prices are expected to appreciate 10% through 2020 in the Indianapolis MSA, with each year redefining peak value for the market.
Metro Analysis and Forecasts – Burns Intrinsic Home Value

The Burns Intrinsic Home Value Index™ measures how home values would trend if mortgage rates were always 6% and the housing cost / income ratio was always 22.0%. We believe these percentages to be the correct long-term assumptions to use for this market.

Interest rates have a substantial impact on home values. Home values are currently 20% below their intrinsic value (Burns Home Value Index using today’s interest rates compared to the intrinsic value). However, home values would be underpriced by 5% if interest rates returned to their long-term average of 6% with a housing cost / income ratio of 22.0%.

We forecast that home values will be 1% underpriced in 2020 in comparison to their intrinsic value.

### Under priced vs Over priced

- **20%**
  - At today's rates.
- **5%**
  - With an assumed 6% interest rate.

### Housing Costs to Income Ratios used in the Analysis

<table>
<thead>
<tr>
<th>Ratio Type</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrinsic</td>
<td>22.0%</td>
</tr>
<tr>
<td>Current if 6% Mtg. Rate</td>
<td>21.0%</td>
</tr>
<tr>
<td>Current*</td>
<td>17.7%</td>
</tr>
<tr>
<td>Last 10 yrs</td>
<td>18.3%</td>
</tr>
<tr>
<td>Last 20 yrs</td>
<td>20.2%</td>
</tr>
<tr>
<td>Last 30 yrs</td>
<td>21.2%</td>
</tr>
</tbody>
</table>

* Current value uses long term average incomes

### Historical and Forecasted Percent Over/Undervalued

We calculate the Burns Intrinsic Home Value Index™ (shown in green in the graph to the left) based on the following key assumptions:

1. A 6% mortgage rate, which is higher than today but is our best estimate of what a “normal” rate would be. Over the past 20 years, mortgage rates have ranged between 3.4% and 9.2%.
2. A housing cost / income ratio (the Intrinsic Ratio) that is consistent with the past 10, 20, and 30 years, and that takes into account any fundamental shifts in demand and supply for each market.
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 0.3 (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.
Generally speaking, the Indianapolis MSA has a young population. Sharers (our 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.

Source: John Burns Real Estate Consulting, LLC; calculations of U.S. Census Bureau 2015 population estimates
The Indianapolis MSA added 31,800 jobs over the last twelve months, a 3.1% year-over-year growth rate. The unemployment rate is currently 2.9% – which is significantly better than the 4.3% U.S. unemployment rate and considered near full employment. We anticipate slowing employment fundamentals through 2020, with employment growth projections ranging from 2.0% in 2017 to 0.0% in 2020. This deceleration of growth is a nationwide trend from 2017 to 2020.
• 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 sector (+3,900 net new jobs).

• 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.

• The City of Lebanon benefits from auto jobs to the north in Lafayette as well as in Kokomo. These cities have extremely high concentrations of auto-related employment and are home to auto manufacturing plants and suppliers.

Sources: U.S. Bureau of Labor Statistics (BLS); John Burns Real Estate Consulting, LLC (Data as of June 2017, projections as of August 2017)
Job growth in the Indianapolis MSA has been strongest in the $40K-$60K income bracket, followed by the $60K-$80K and $80K-$100K income brackets.
The map below illustrates total employees in companies with more than 100 people by zip code.
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 3.8, 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 2.8.

- 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 8,382 total permits, which is down 4% year-over-year. The primary driver of this decrease in total permits is the 30% decline in multifamily permits. Single-family permits are currently up 11% year-over-year at 6,116 and expected to increase 8% in 2017.

- We are projecting total permits to increase 5% in 2017 to 8,200 units, which is 47% of peak permit level achieved in 2001. After a 4% increase in permits in 2018 and a 1% increase in 2019, we are projecting a decrease in permits in 2020 (-6%).

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</tr>
</thead>
<tbody>
<tr>
<td>Single-Family Permits</td>
<td>3,662</td>
<td>3,869</td>
<td>3,687</td>
<td>4,070</td>
<td>5,107</td>
<td>4,965</td>
<td>5,172</td>
<td>5,828</td>
<td>6,116</td>
<td>6,300</td>
<td>6,800</td>
<td>6,900</td>
<td>6,600</td>
</tr>
<tr>
<td>1-Year Growth Rate</td>
<td>-18%</td>
<td>6%</td>
<td>-5%</td>
<td>10%</td>
<td>25%</td>
<td>-3%</td>
<td>4%</td>
<td>13%</td>
<td>11%</td>
<td>8%</td>
<td>8%</td>
<td>1%</td>
<td>-4%</td>
</tr>
<tr>
<td>Multifamily Permits</td>
<td>2,007</td>
<td>2,132</td>
<td>1,647</td>
<td>992</td>
<td>3,137</td>
<td>3,041</td>
<td>3,563</td>
<td>1,945</td>
<td>2,266</td>
<td>1,900</td>
<td>1,700</td>
<td>1,700</td>
<td>1,500</td>
</tr>
<tr>
<td>1-Year Growth Rate</td>
<td>-23%</td>
<td>6%</td>
<td>-23%</td>
<td>-40%</td>
<td>216%</td>
<td>-3%</td>
<td>17%</td>
<td>-45%</td>
<td>-30%</td>
<td>-2%</td>
<td>-11%</td>
<td>0%</td>
<td>-12%</td>
</tr>
<tr>
<td>Total Permits</td>
<td>5,669</td>
<td>6,001</td>
<td>5,334</td>
<td>5,062</td>
<td>8,244</td>
<td>8,006</td>
<td>8,735</td>
<td>7,773</td>
<td>8,382</td>
<td>8,200</td>
<td>8,500</td>
<td>8,600</td>
<td>8,100</td>
</tr>
<tr>
<td>1-Year Growth Rate</td>
<td>-20%</td>
<td>6%</td>
<td>-11%</td>
<td>-5%</td>
<td>63%</td>
<td>-3%</td>
<td>9%</td>
<td>-11%</td>
<td>-4%</td>
<td>5%</td>
<td>4%</td>
<td>1%</td>
<td>-6%</td>
</tr>
</tbody>
</table>

Sources: U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data as of June 2017, projections as of August 2017)
There are currently 9,937 listings (down 3.7% YOY) and 3.1 months of supply in the Indianapolis MSA. Listings are well below the historical average of 13,811 (average since 2006). The current months of supply is well below the historical average of 5.6 months (average since 2006).

Sources: John Burns Real Estate Consulting, LLC estimates or various MLS sources (Data as of July 2017, projections as of August 2017)
Metro Analysis and Forecasts – New Home Sales and Pricing

- The median new home price has increased in the Indianapolis MSA annually since 2010 and is currently up 11% year-over-year to $300,400. We forecast positive price appreciation from 2017 through 2020, but at a more modest pace.

- New home sales volume is currently 4,562, which is flat year-over-year. We are projecting an increase in new home sales volume in 2017 (11%), 2018 (6%), and 2019 (4%), followed by a decrease in volume in 2020 (-6%).

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</thead>
<tbody>
<tr>
<td>Annualized New Home Sales</td>
<td>2,968</td>
<td>2,886</td>
<td>2,733</td>
<td>3,446</td>
<td>4,163</td>
<td>4,183</td>
<td>4,249</td>
<td>4,406</td>
<td>4,562</td>
<td>4,900</td>
<td>5,200</td>
<td>5,400</td>
<td>5,100</td>
</tr>
<tr>
<td>1-Year Growth Rate</td>
<td>-28%</td>
<td>-3%</td>
<td>-5%</td>
<td>26%</td>
<td>21%</td>
<td>0%</td>
<td>2%</td>
<td>4%</td>
<td>0%</td>
<td>11%</td>
<td>6%</td>
<td>4%</td>
<td>-6%</td>
</tr>
<tr>
<td>Median New Home Price</td>
<td>$177,000</td>
<td>$188,800</td>
<td>$200,800</td>
<td>$221,900</td>
<td>$241,000</td>
<td>$260,400</td>
<td>$259,700</td>
<td>$265,500</td>
<td>$300,400</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>1-Year Growth Rate</td>
<td>-5%</td>
<td>7%</td>
<td>6%</td>
<td>11%</td>
<td>9%</td>
<td>8%</td>
<td>0%</td>
<td>2%</td>
<td>11%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>New Home Price Appreciation Forecast</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>2.6%</td>
<td>2.2%</td>
<td>1.5%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

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 June 2017, projections as of August 2017)
Metro Analysis and Forecasts - Existing Home Sales and Pricing

- The current median resale price in the Indianapolis MSA is $183,000, which is up 8% 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 38,452, a 3% year-over-year gain. Resale volume is expected to increase 9% in 2017, followed by a decrease in 2018 (-4%) and 2019 (-1%) and flat in 2020 (0%).

### Resale Home History & Projections

<table>
<thead>
<tr>
<th>Year</th>
<th>Annualized Existing Home Sales</th>
<th>1-Year Growth Rate</th>
<th>Median Existing Home Price</th>
<th>1-Year Growth Rate</th>
<th>Burns Home Value Index™</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>27,375</td>
<td>7%</td>
<td>$125,500</td>
<td>-4%</td>
<td>-1%</td>
</tr>
<tr>
<td>2010</td>
<td>24,492</td>
<td>-11%</td>
<td>$129,900</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>2011</td>
<td>25,224</td>
<td>3%</td>
<td>$134,800</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>2012</td>
<td>29,147</td>
<td>16%</td>
<td>$138,400</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>2013</td>
<td>36,139</td>
<td>24%</td>
<td>$150,300</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>2014</td>
<td>33,962</td>
<td>-6%</td>
<td>$155,100</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>2015</td>
<td>35,357</td>
<td>4%</td>
<td>$158,400</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>2016</td>
<td>37,500</td>
<td>6%</td>
<td>$161,000</td>
<td>2%</td>
<td>n/a</td>
</tr>
<tr>
<td>2017</td>
<td>38,452</td>
<td>3%</td>
<td>$183,000</td>
<td>8%</td>
<td>n/a</td>
</tr>
<tr>
<td>2018</td>
<td>40,900</td>
<td>9%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2019</td>
<td>39,200</td>
<td>-4%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2020</td>
<td>38,800</td>
<td>-1%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

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 June 2017, projections as of August 2017)
The gap between the median new home price and the median resale home price is currently 64% in the Indianapolis MSA.

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 June 2017, projections as of August 2017)
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**

- **Mortgage Rate - 30-yr fixed conf.**
- **Mortgage Rate - ARM**

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 July 2017, projections as of August 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 69% for a 20% down, fixed-rate mortgage; 72% for a 5% down, fixed-rate mortgage; and 72% 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.

---

### Percent of Households Who Can Afford Median Priced Existing Home

- **5% Down, Fixed-Rate Mortgage (1)**
- **20% Down, Fixed-Rate Mortgage (2)**
- **7 yrs of Price Apprec. Down, FRM (3)**

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

JBCREC 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.
In the Indianapolis MSA, the current monthly gap between the cost of owning an entry-level priced home and the average asking rent is $80. The gap between home ownership and average asking rent is forecast to gradually widen through 2020.
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
**Data Sources**

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)