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WALL ST

Indiana Economic OUTLOOK

Forecasting 2009 and Beyond



PROUDLY PRESENTED BY
First Merchants Bank and First Merchants Trust

The Current State of Real Estate In East Central Indiana

Michael O. Lunsford





**Don't let the
situation
confuse you...**



The State of Real Estate

Active Listings and Days on the Market

	<u>Listings</u>	<u>DOM</u>
2005	1,498	134
2006	1,386	137
2007	1,308	130
2008	1,368	135

The State of Real Estate

East Central Indiana

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Avg. SP	\$81,457	\$80,489	-1.2%
L/S Ratio	94.16%	94.11%	None
Median SP	\$67,000	\$63,318	-5.5%
Units	1,965	1,556	-26.3%

The State of Real Estate

Delaware County

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Avg. LP	\$95,379	\$98,894	+3.8%
Avg. SP	\$90,352	\$93,339	+3.3%
DOM	127	148	+16.5%
Units	1,210	865	-28.5%
Median SP	\$75,017	\$82,183	+9.6%

Summary

Lack of Buyers in lower price ranges contributed to an overall lack of ability and interest in “moving up.” Low down payment programs for good credit buyers are critical!

Rates moving into the 4% range is necessary to incent purchasing at all levels

2+ year supply of homes over \$250,000. Values in the \$150,000 and lower have changed little, the increased DOM and competition are increasing downward pressure on values in the upper ranges

Summary

RE taxes have moderated for owner occupied properties. C & I properties have seen significant increases again causing great strain in operating costs and values. Acceleration of caps would offer needed relief!

Government efficiencies are essential in attracting new businesses and residents

2009 – more of the same until mid to late year. No chance for price increases but there should be more buyers in the market.

I hope you have a purr-fect
Holiday Season!



**COLDWELL
BANKER** 
LUNSFORD

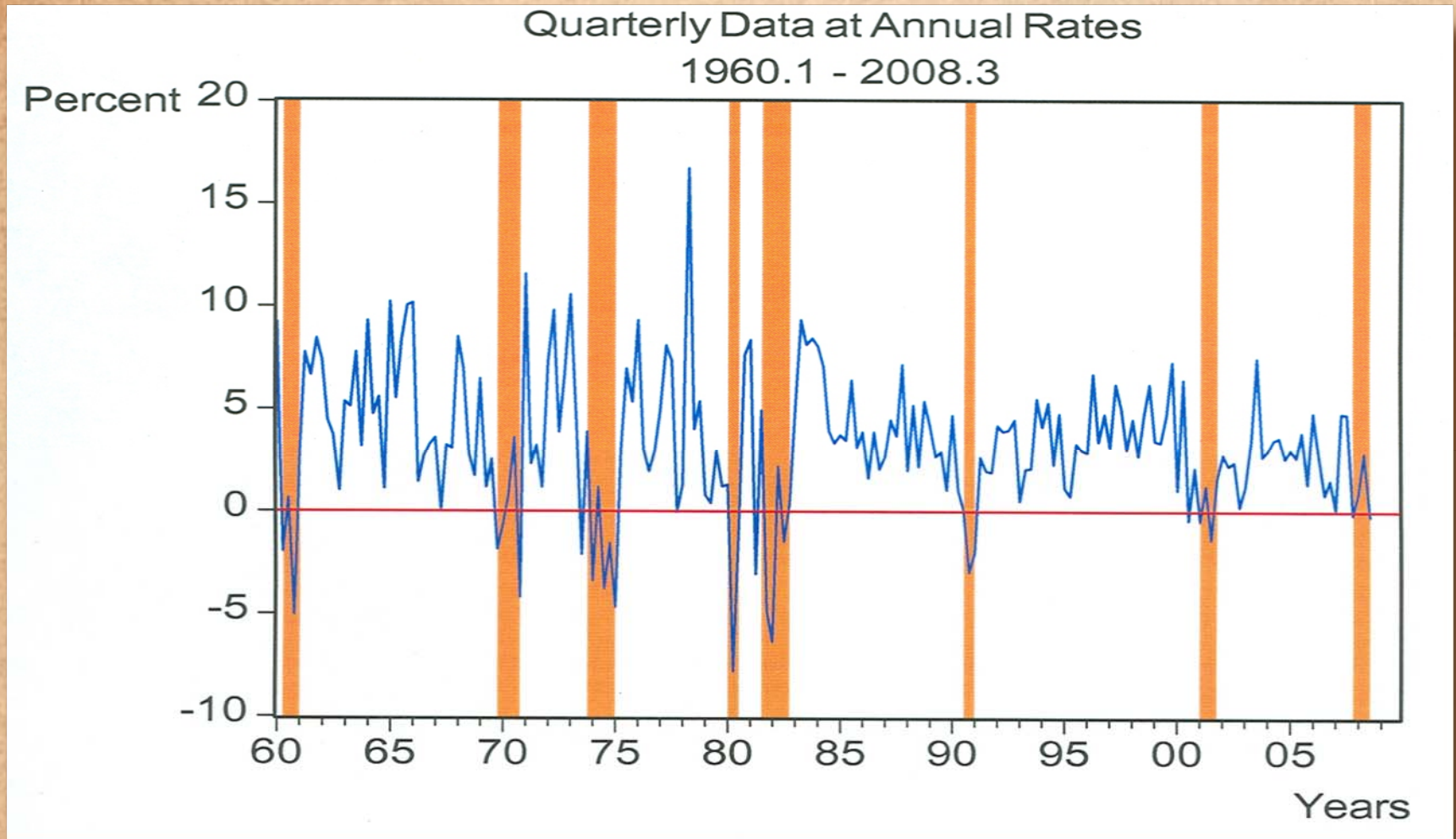
The U.S. Economy

Dr. Gary Santoni

Professor Emeritus, Ball State University



Growth in Real GDP and Recessions



Economic Contractions

1900 - 2008

Number = 22

Duration in months:

Months

Average

14.6

Range

6.0 – 43.0

Standard Deviation

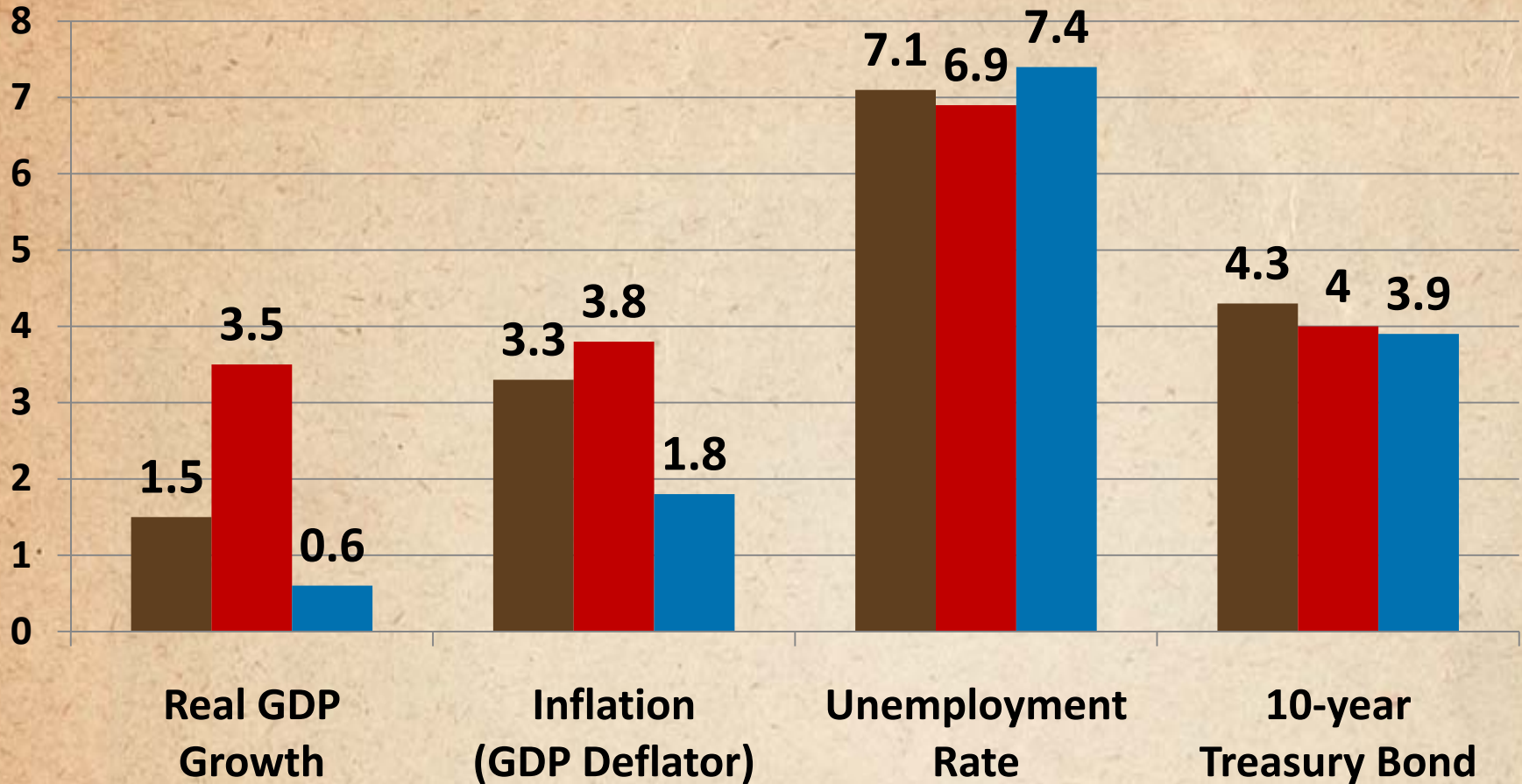
8.3

Average = ± 1.0 Std. Dev.

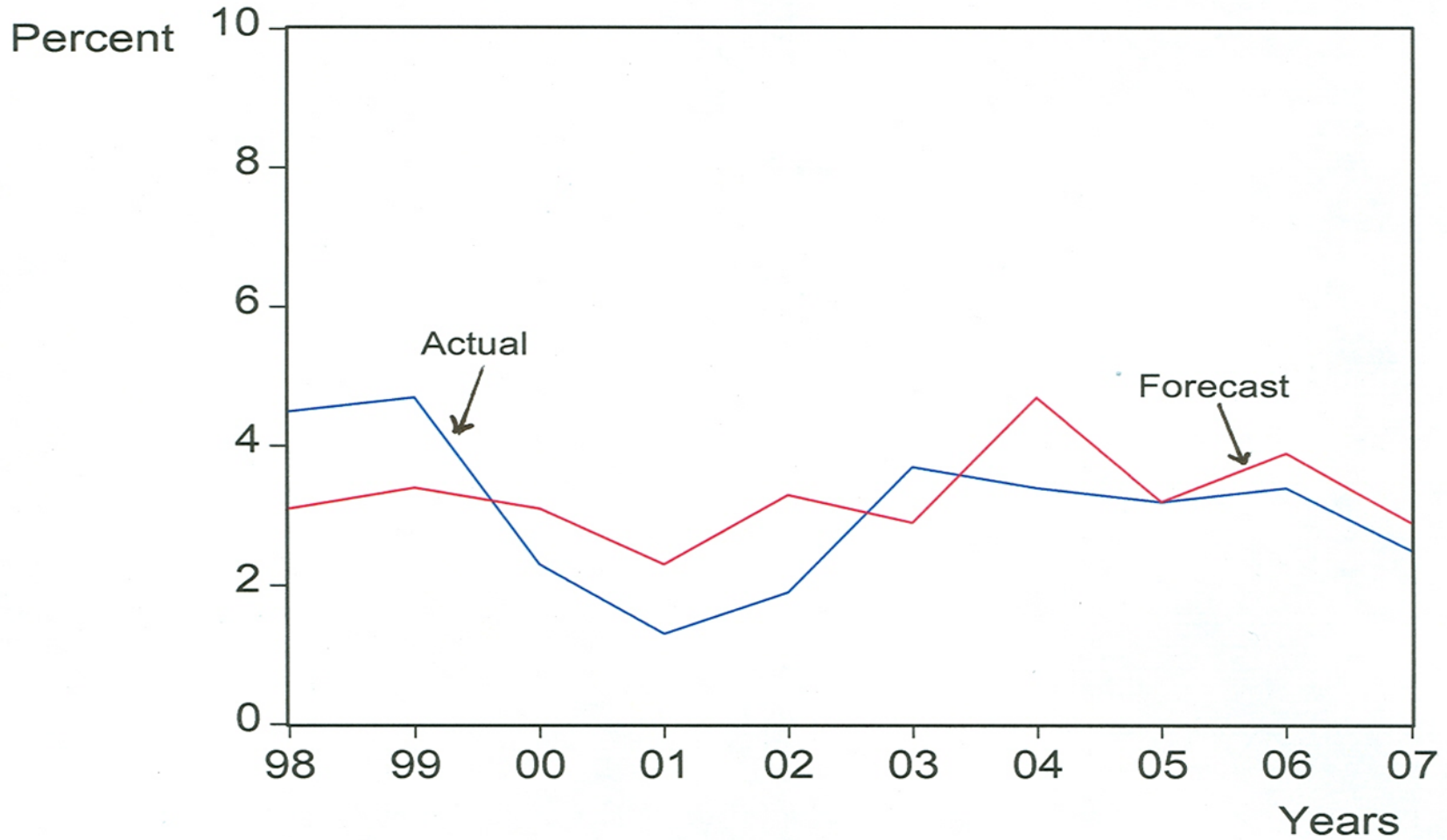
6.3 – 22.9

Forecast for 2009

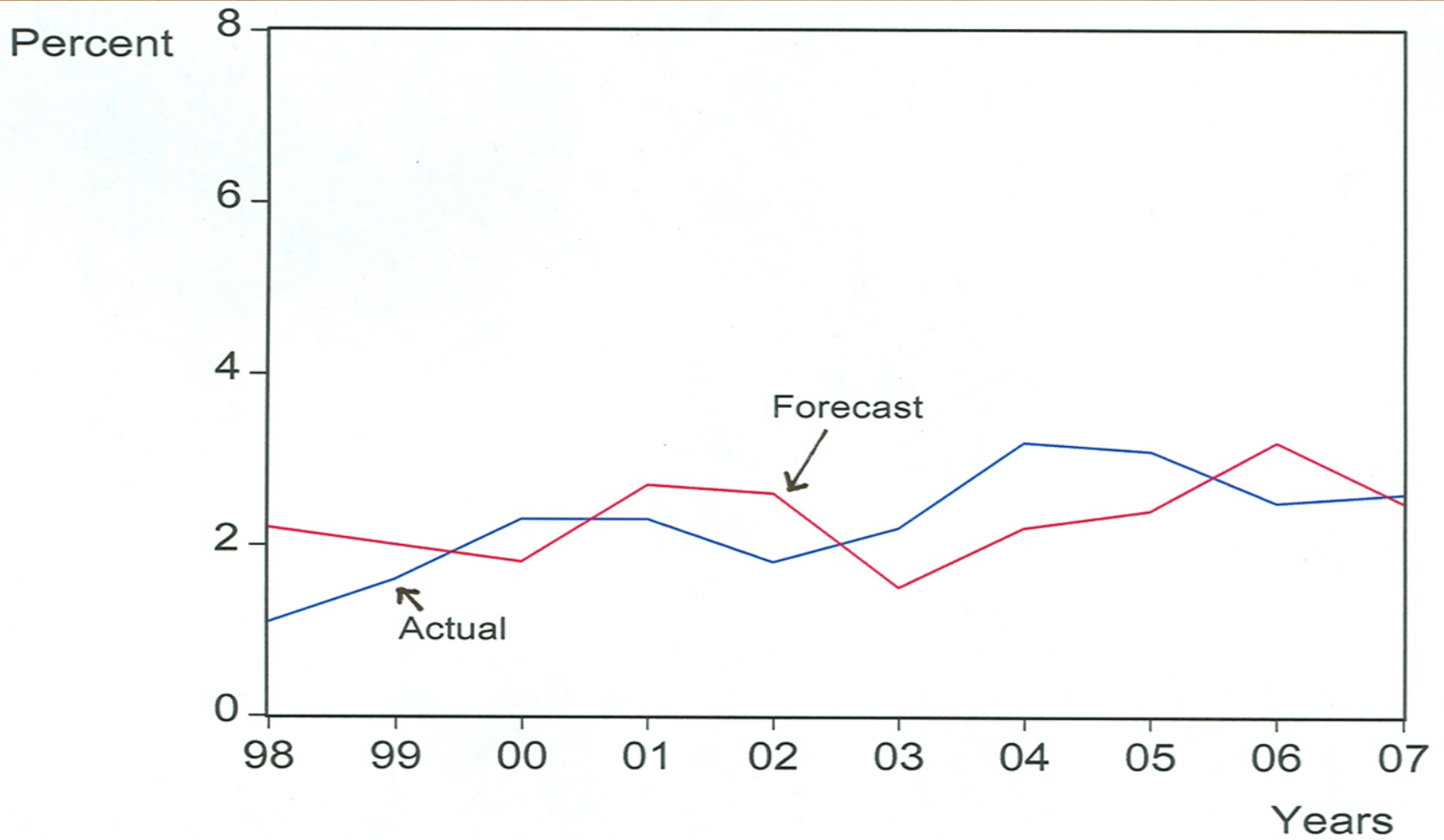
■ Roundtable ■ BSU Model ■ Blue Chip



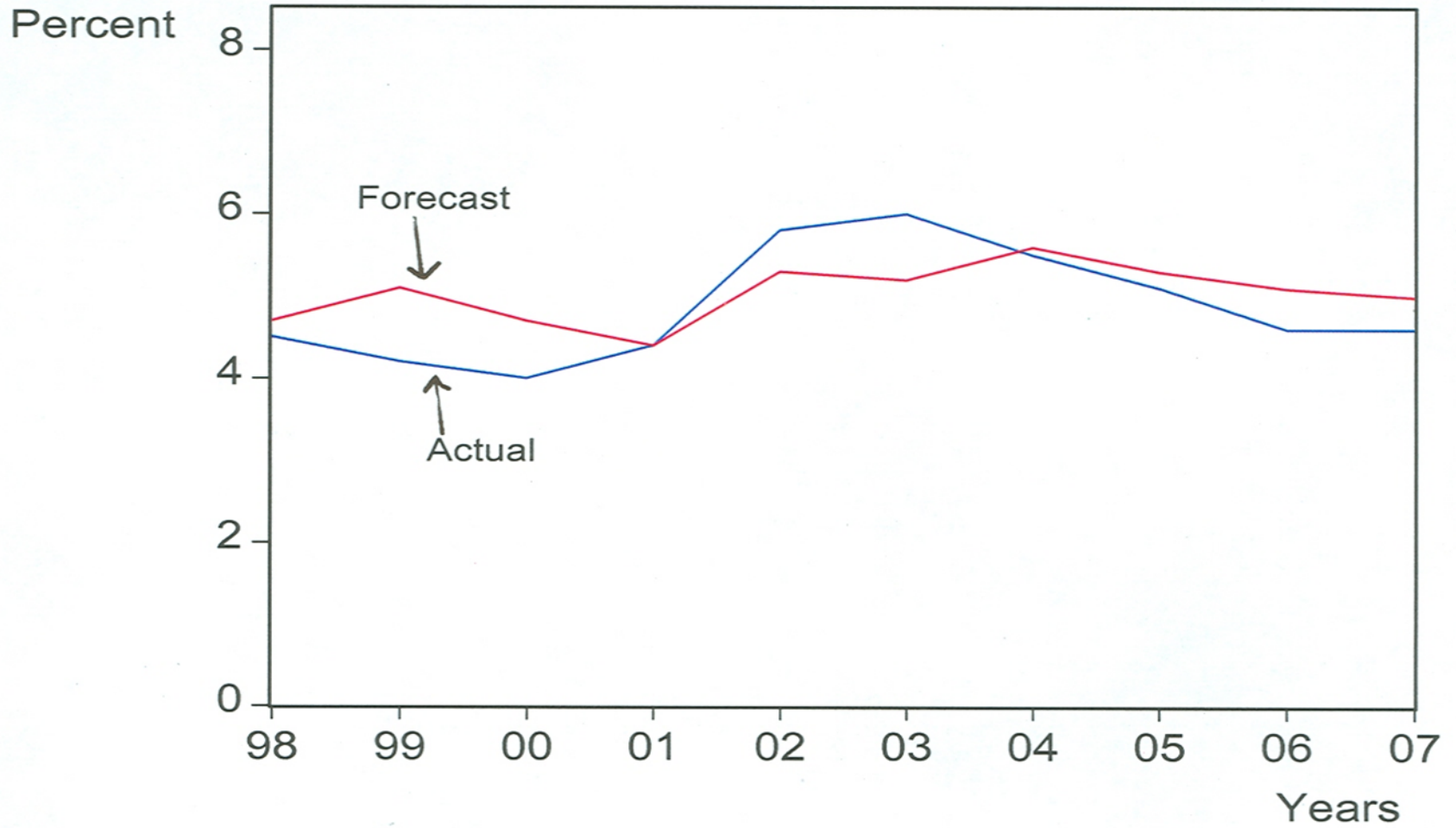
Growth in Real GDP



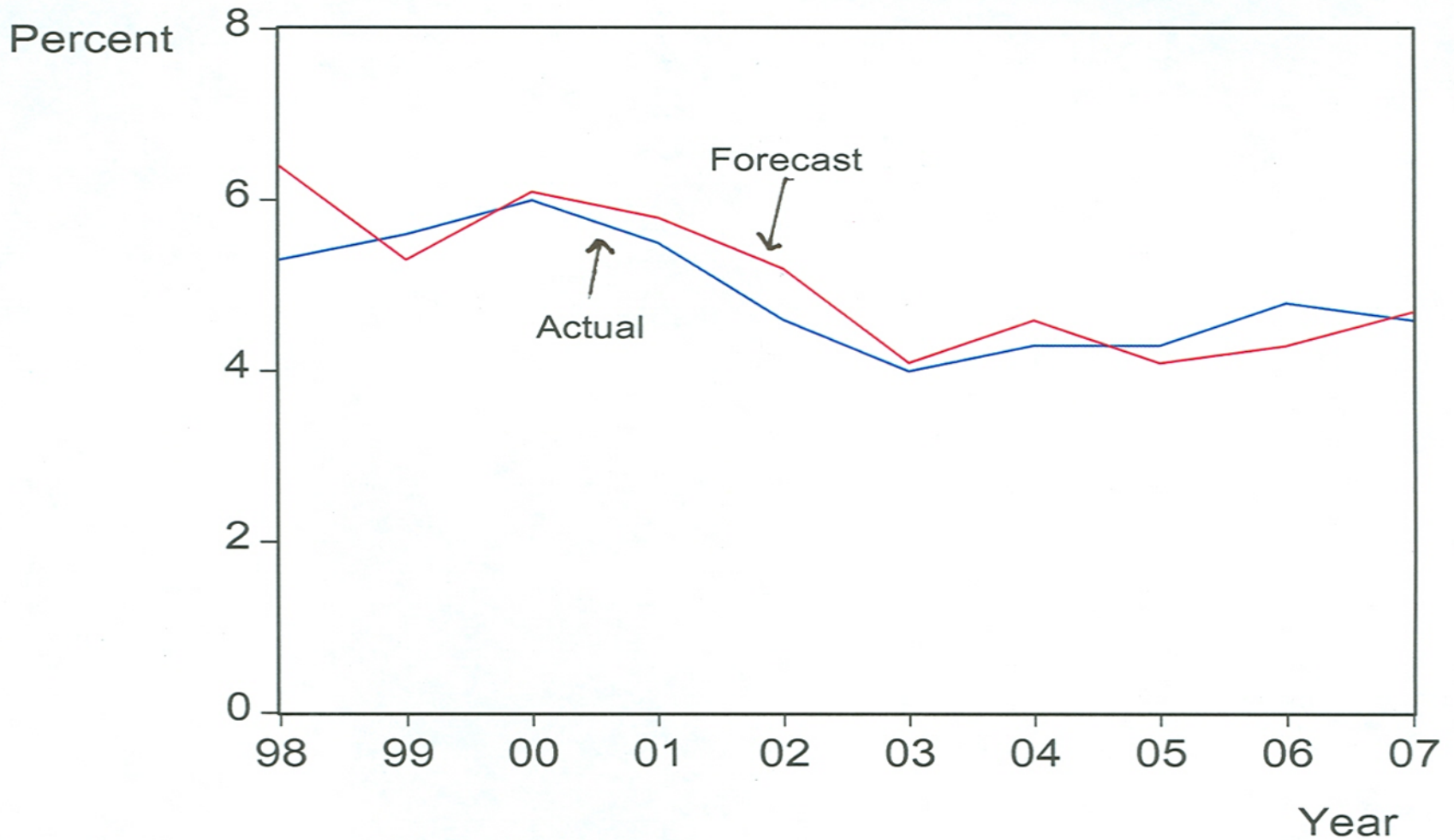
Inflation



Unemployment



10-year Treasury Bond Rate



The Score Card (RMSE)*

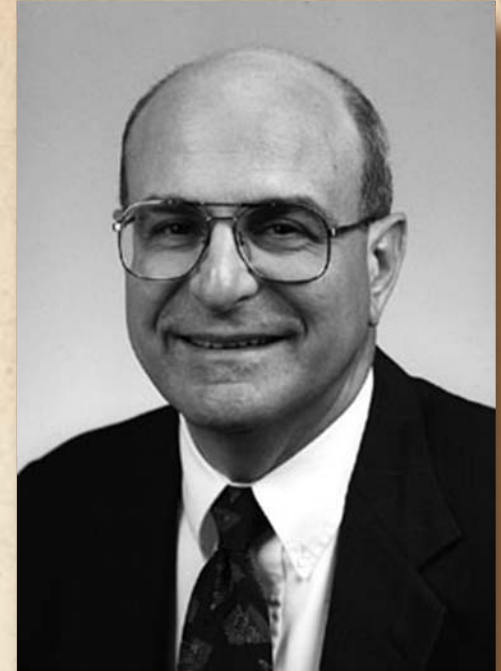
YEAR	MODEL	ROUNDTABLE	BLUE CHIP
1998	0.96		1.16
1999	0.76		1.25
2000	0.50	0.33	0.66
2001	0.90	1.11	1.33
2002	1.00	0.65	0.67
2003	0.49	0.48	0.34
2004	0.36	0.53	0.72
2005	0.34	0.38	0.64
2006	0.59	0.40	0.23
2007	0.29	0.53	0.78
AVERAGE	0.62	0.55	0.77

2009 Indiana Economic Forecast

Dr. Michael J. Hicks, Director
Center for Business and Economic Research
Ball State University



4th Quarter 2008



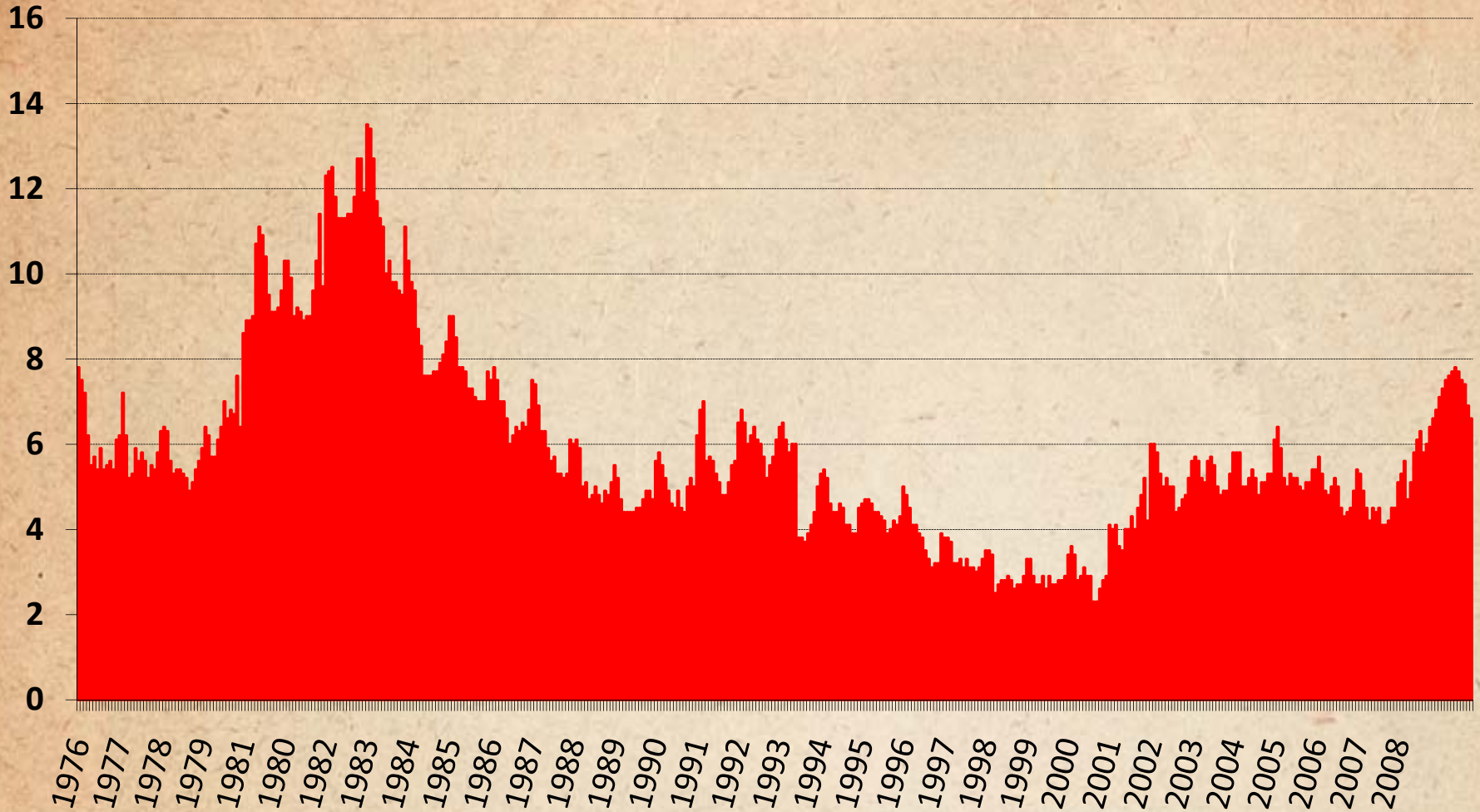
3rd Quarter 2008







































A gift from our sponsor



Indiana's Unemployment Rate

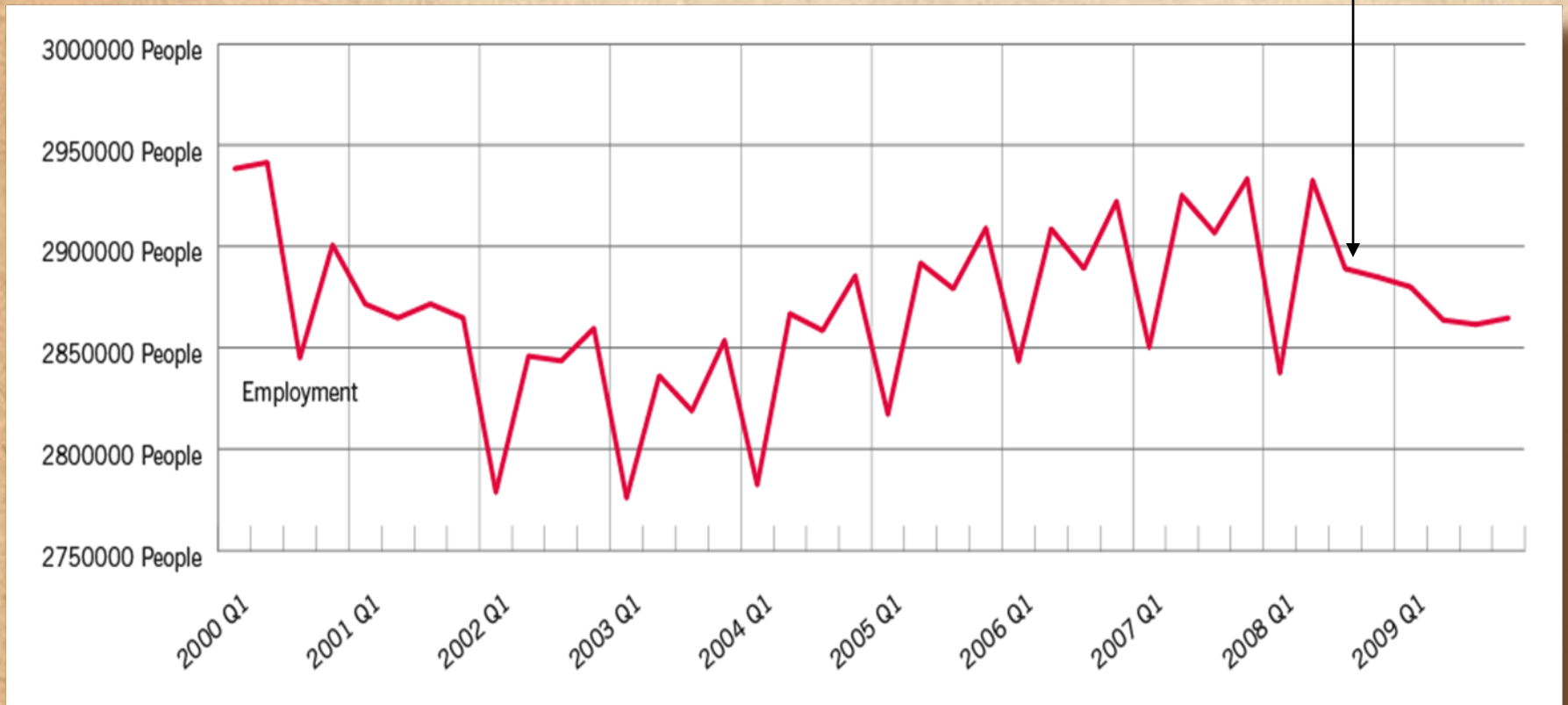


2009 Indiana Forecast

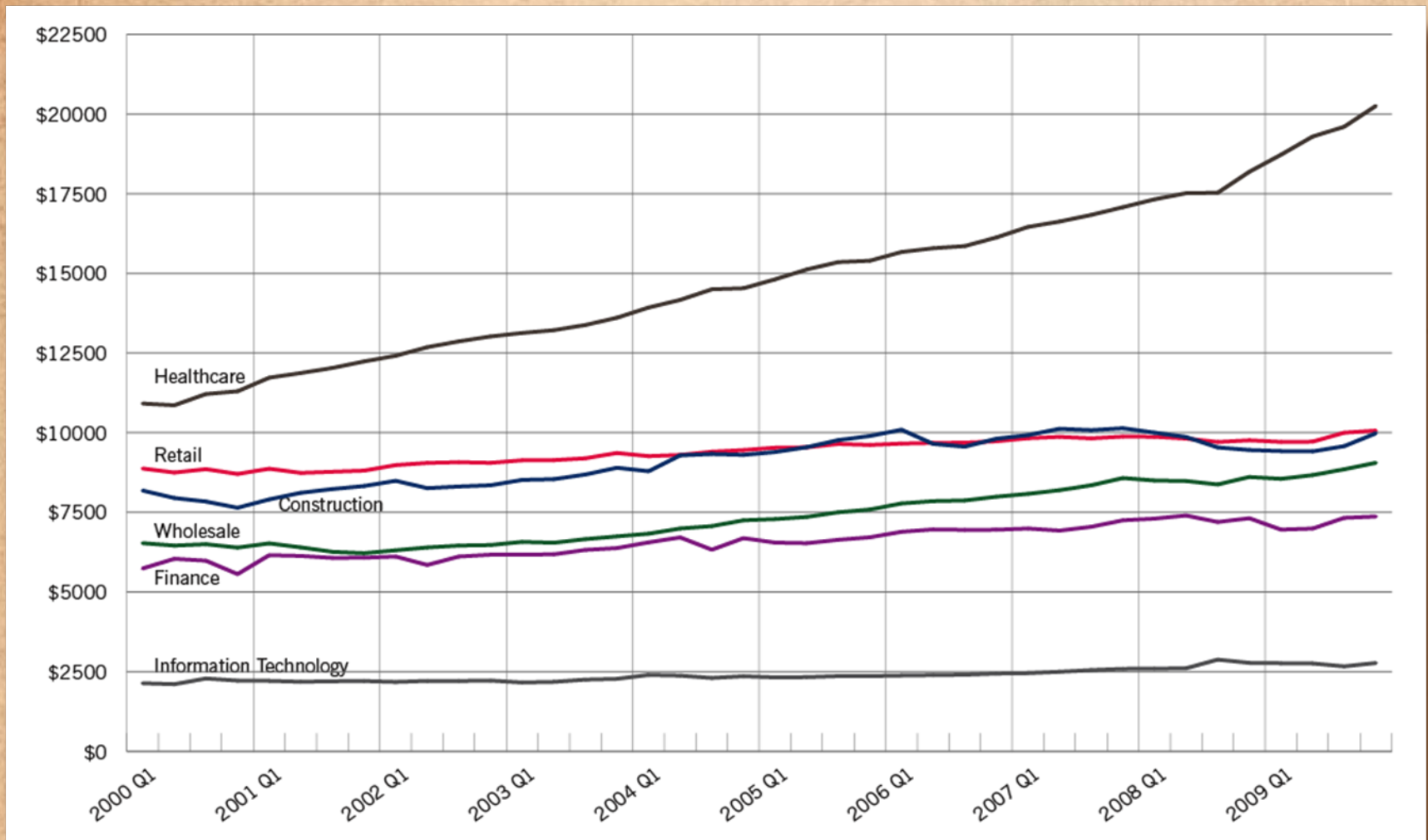
	2009 : Q1	2009 : Q2	2009 : Q3	2009 : Q4
EMPLOYMENT	 -0.2%	 -0.6%	 -0.1%	 0.1%
PERSONAL INCOME	 -0.1%	 1.8%	 0.6%	 2.1%
CONSTRUCTION (income)	 -0.4%	 -0.1%	 1.7%	 4.2%
FINANCIAL SERV. (income)	 -4.9%	 0.5%	 4.8%	 0.6%
HEALTHCARE (income)	 2.9%	 3.1%	 1.6%	 3.3%
INFO TECHNOLOGY (income)	 -0.4%	 -0.3%	 -3.3%	 3.9%
MANUFACTURING (income)	 -3.3%	 -0.8%	 1.7%	 4.4%
RETAIL (income)	 -0.5%	 0.1%	 2.9%	 0.7%
WHOLESALE (income)	 -0.7%	 1.4%	 2.1%	 2.3%

Employment

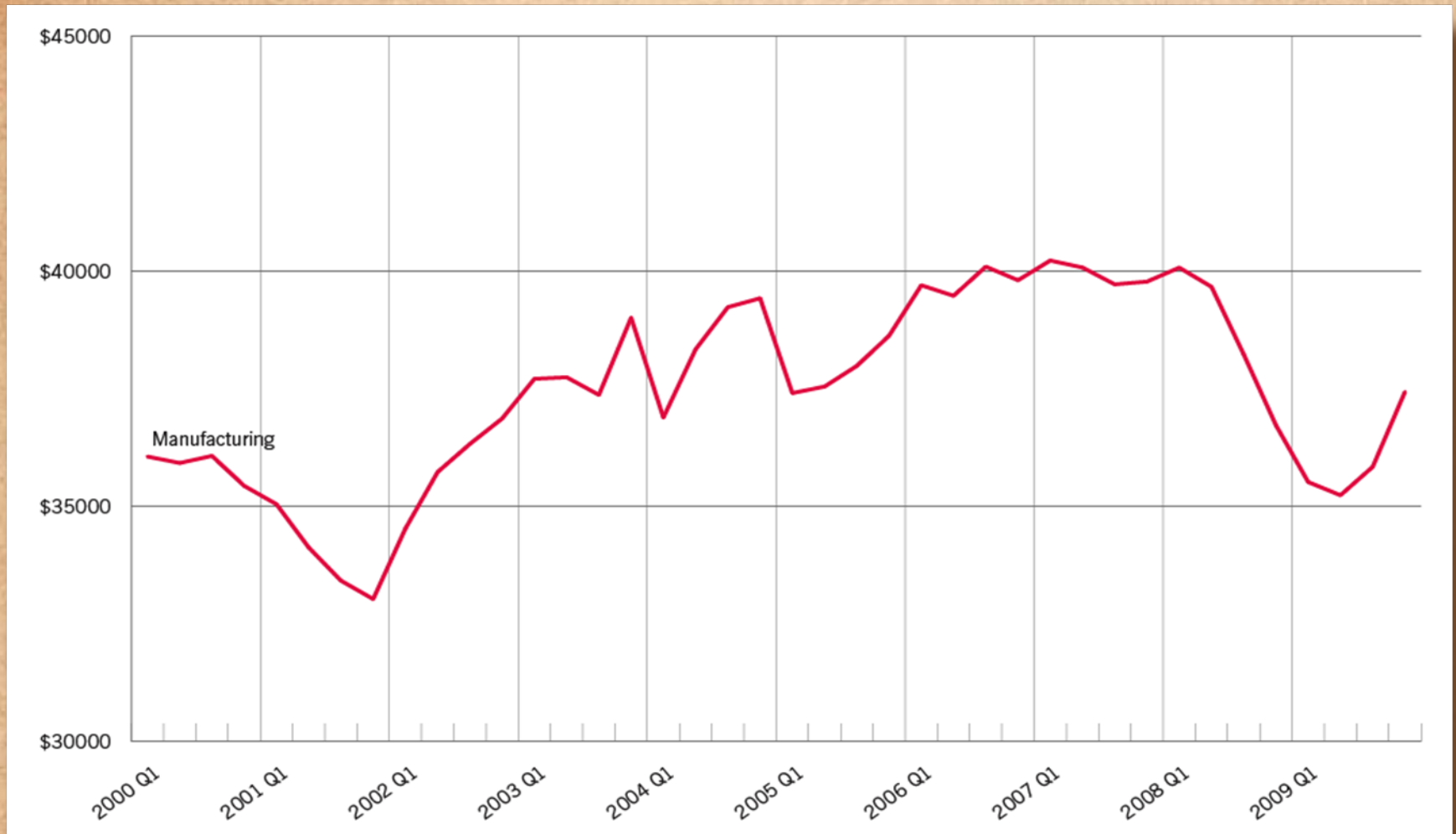
Forecast start



Industry Income (\$1000s)



Manufacturing Income



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