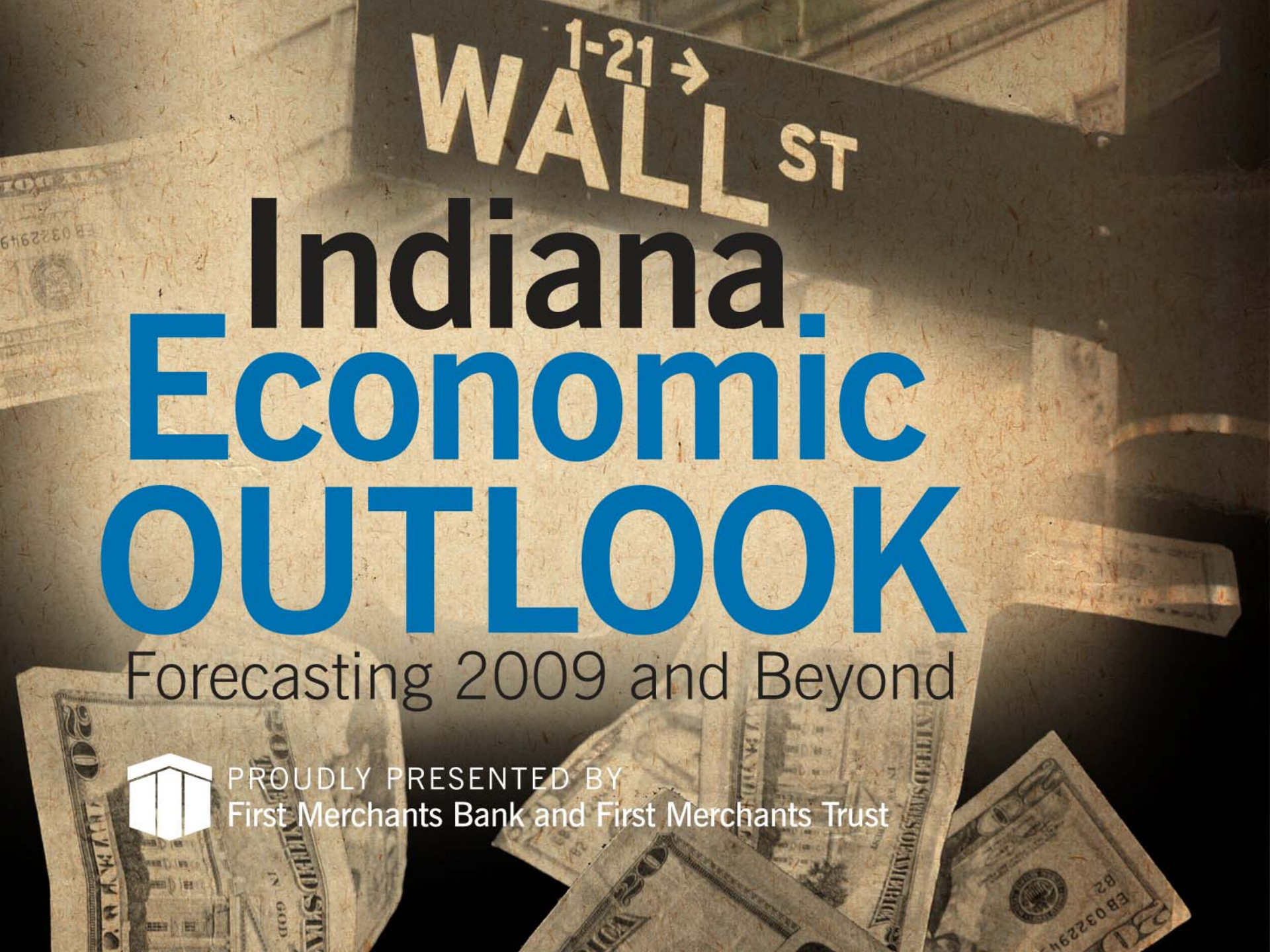

Indiana Economic OUTLOOK

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

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Don't let the situation confuse you...

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The State of Real Estate

Active Listings and Days on the Market

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

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The State of Real Estate

East Central Indiana

	2007	2008	Change
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%

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The State of Real Estate
Delaware County

	2007	2008	Change
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%

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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

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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.

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I hope you have a purr-fect Holiday Season!

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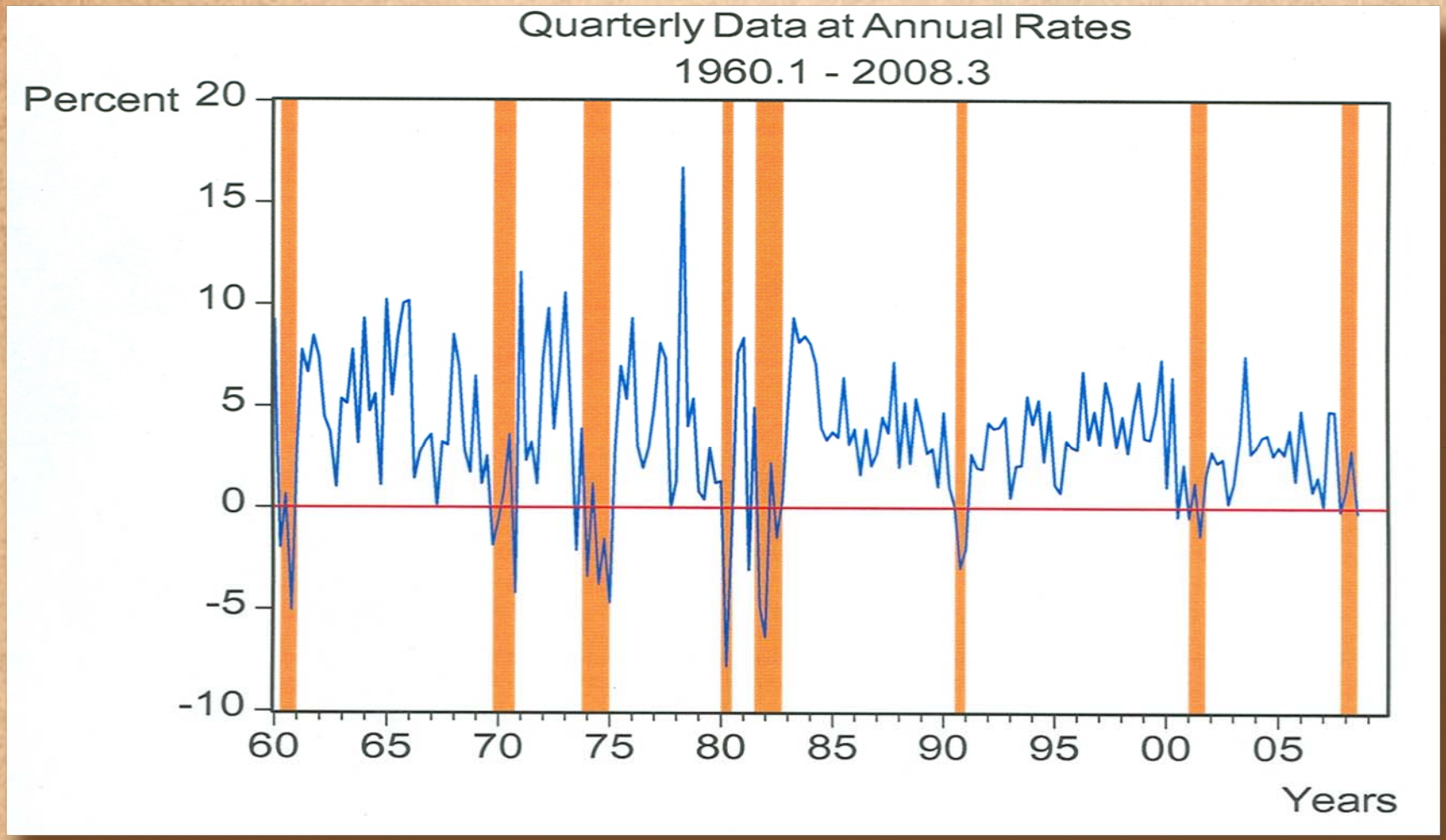
The U.S. Economy

Dr. Gary Santoni

Professor Emeritus, Ball State University

Growth in Real GDP and Recessions

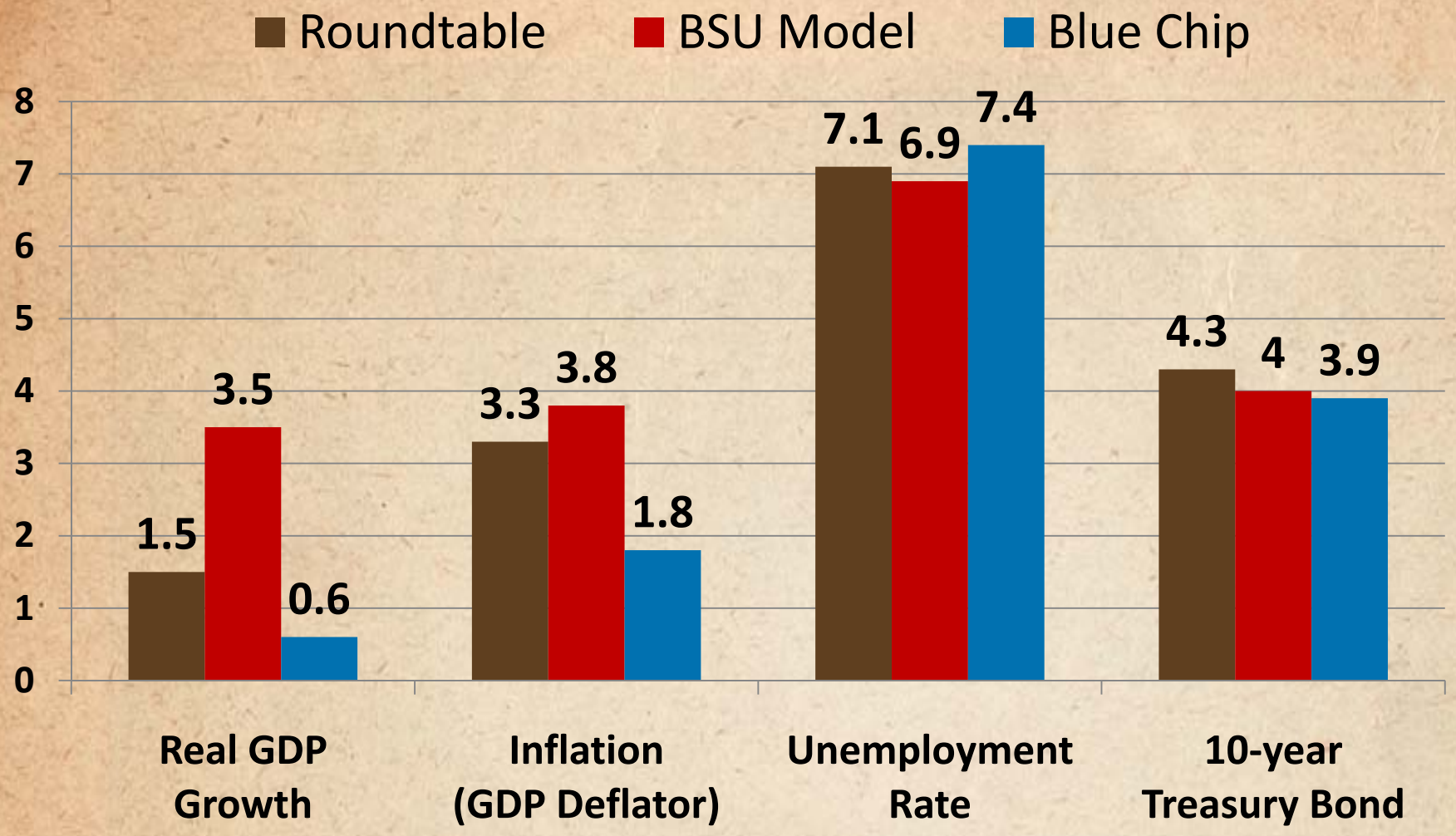


Economic Contractions
1900 - 2008

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



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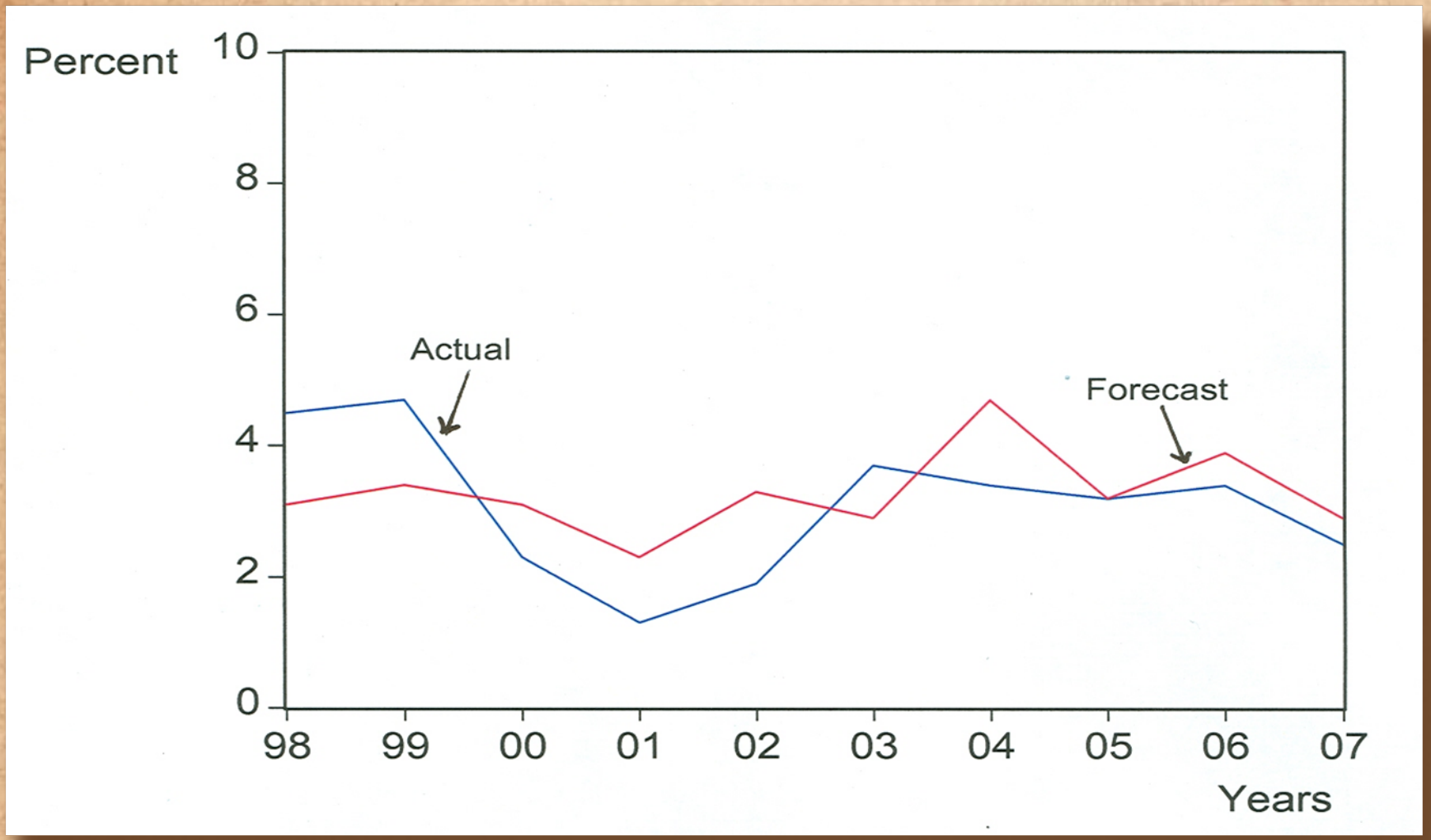
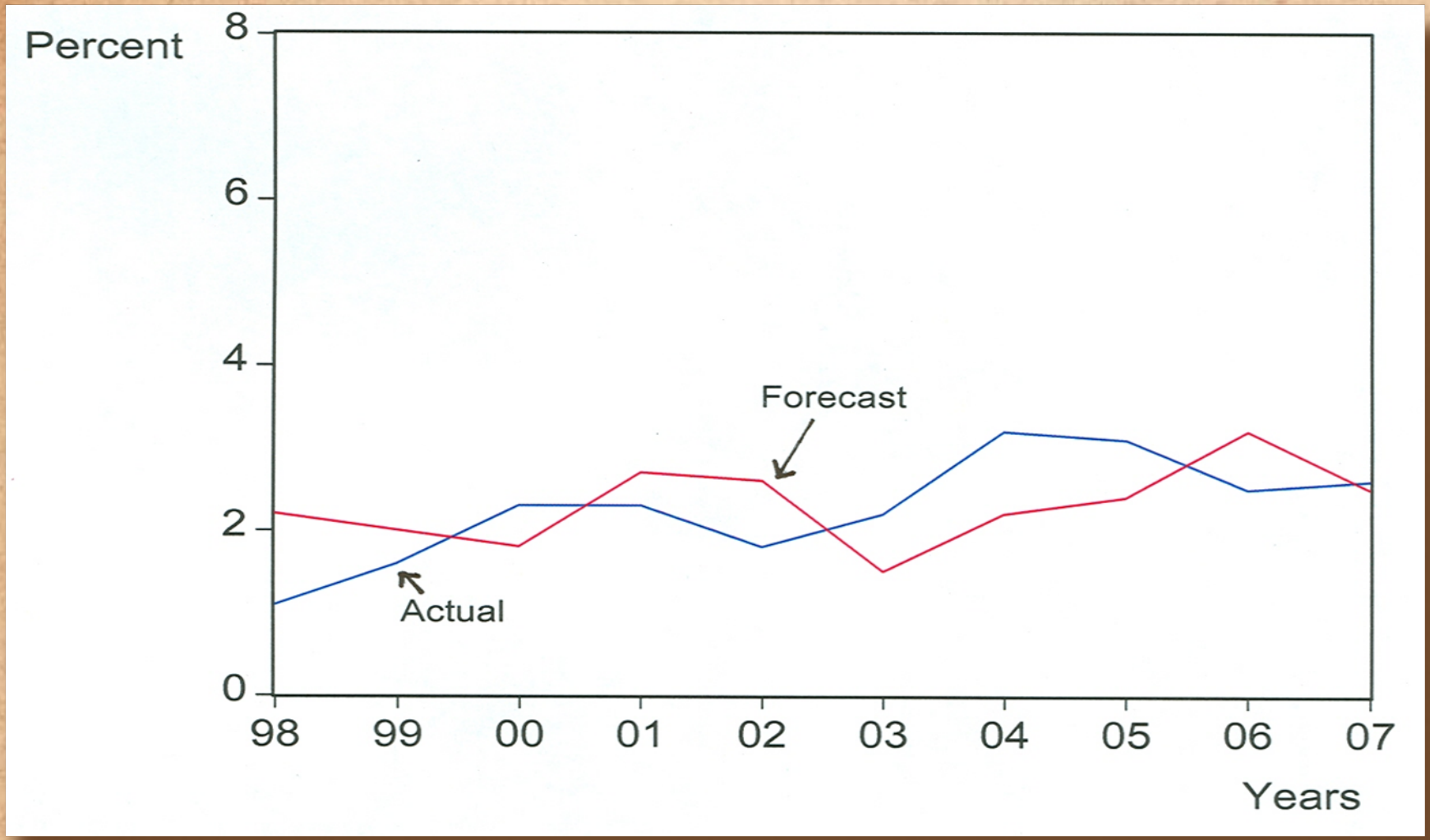
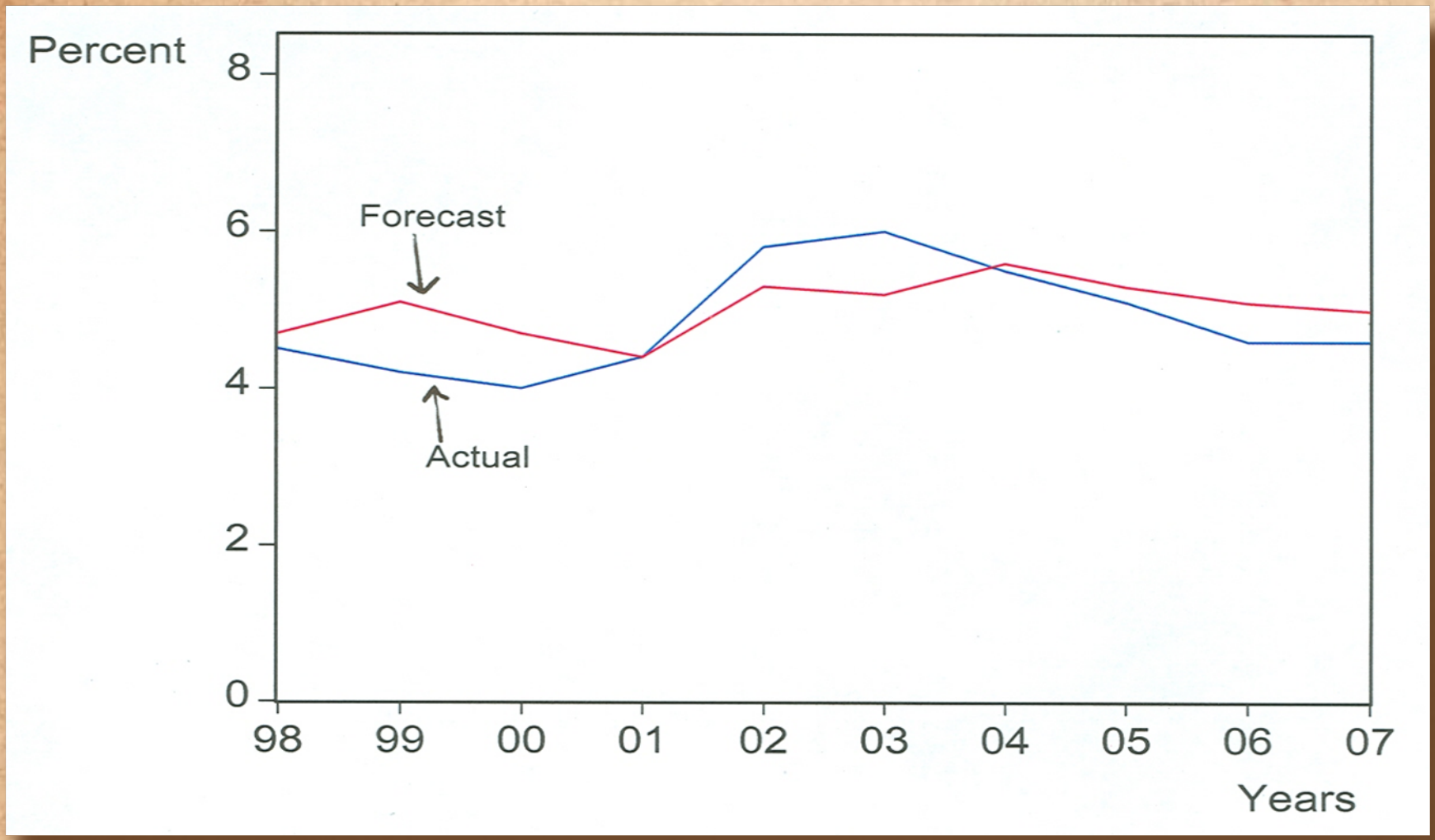
Growth in Real GDP



Inflation


Percent
8
6
4
2
0
Forecast
Actual
98
99
00
01
02
03
04
05
06
07
Years

Unemployment



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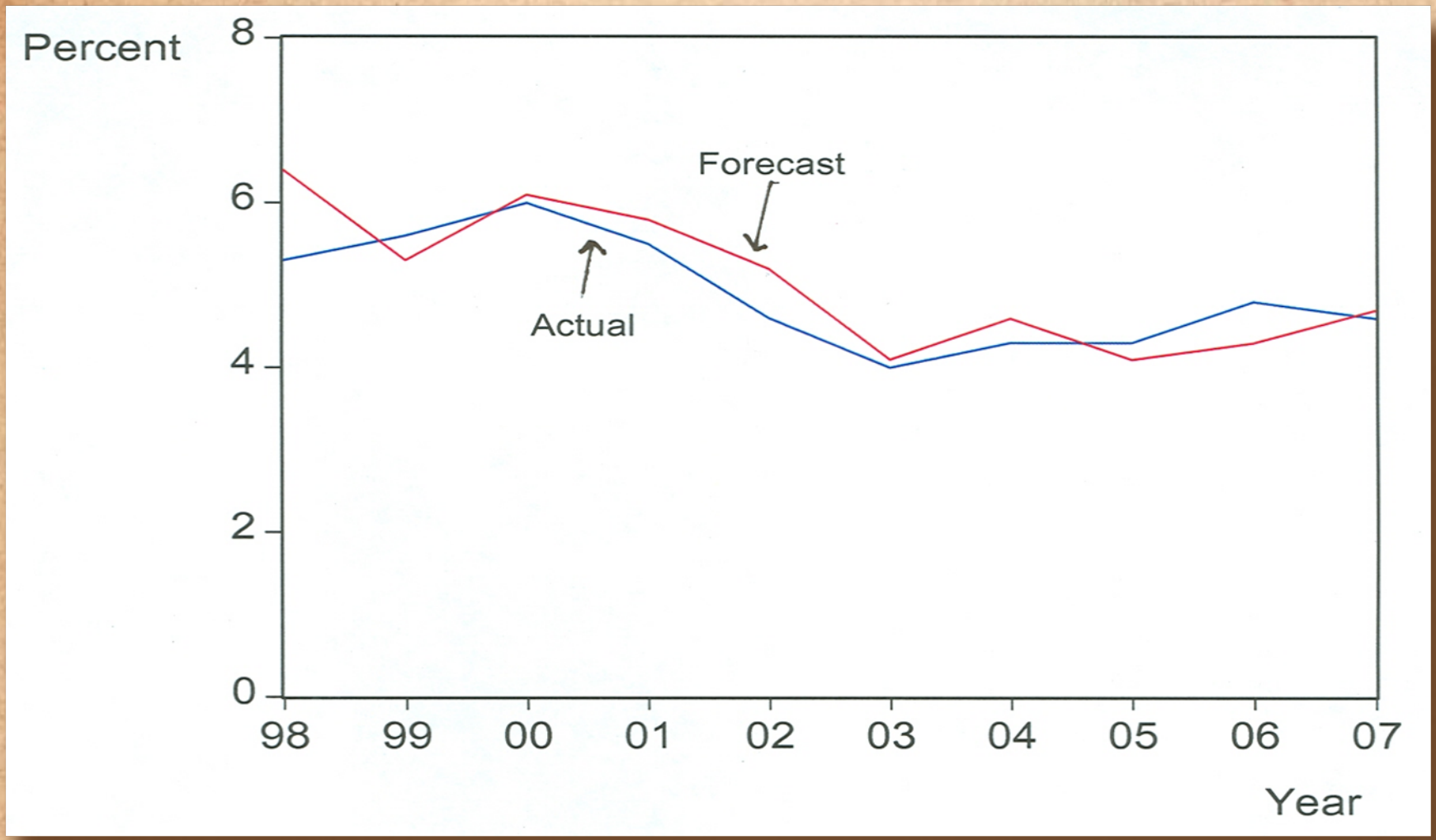
10-year Treasury Bond Rate



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

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3rd Quarter 2008

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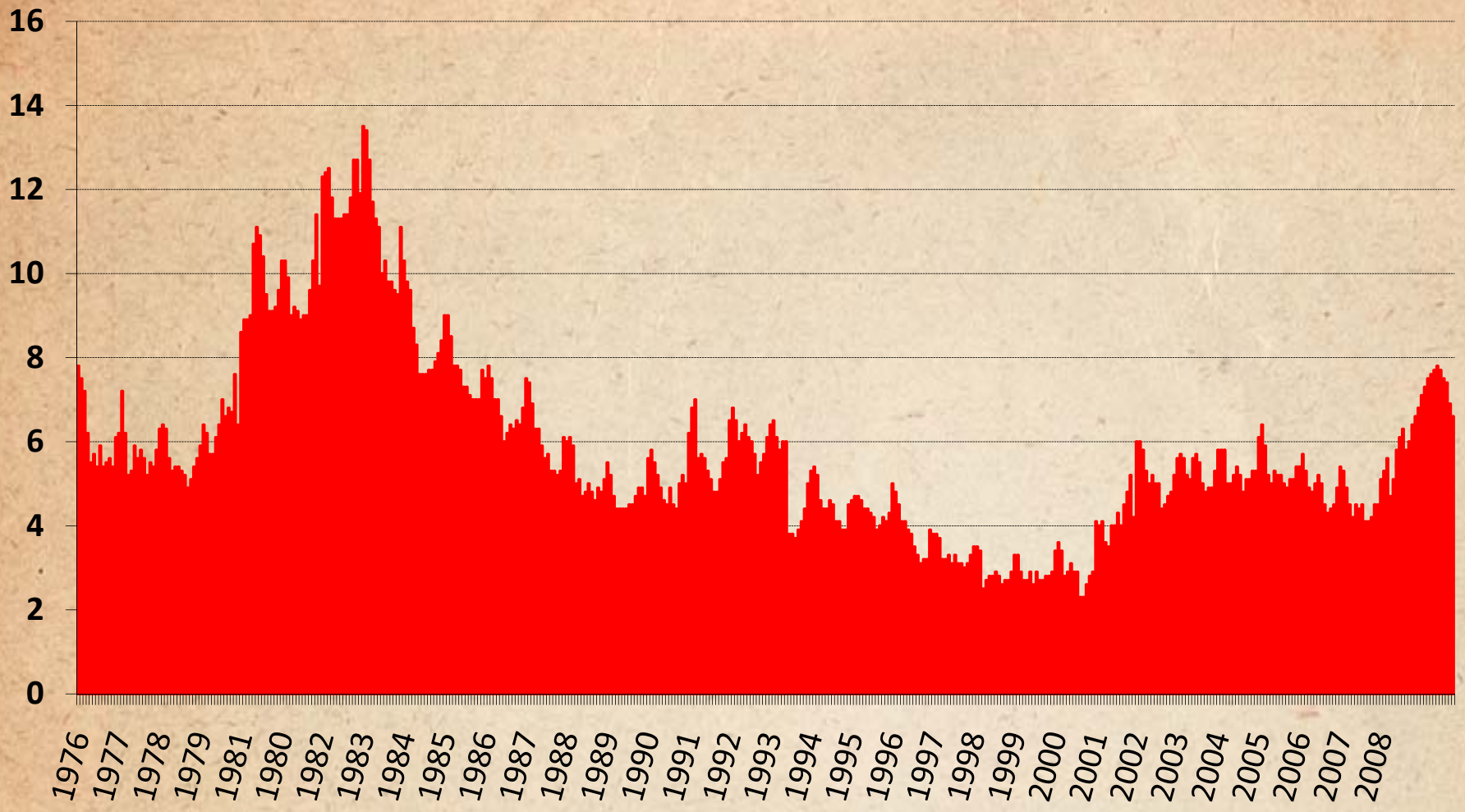
Indiana's Unemployment Rate



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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%

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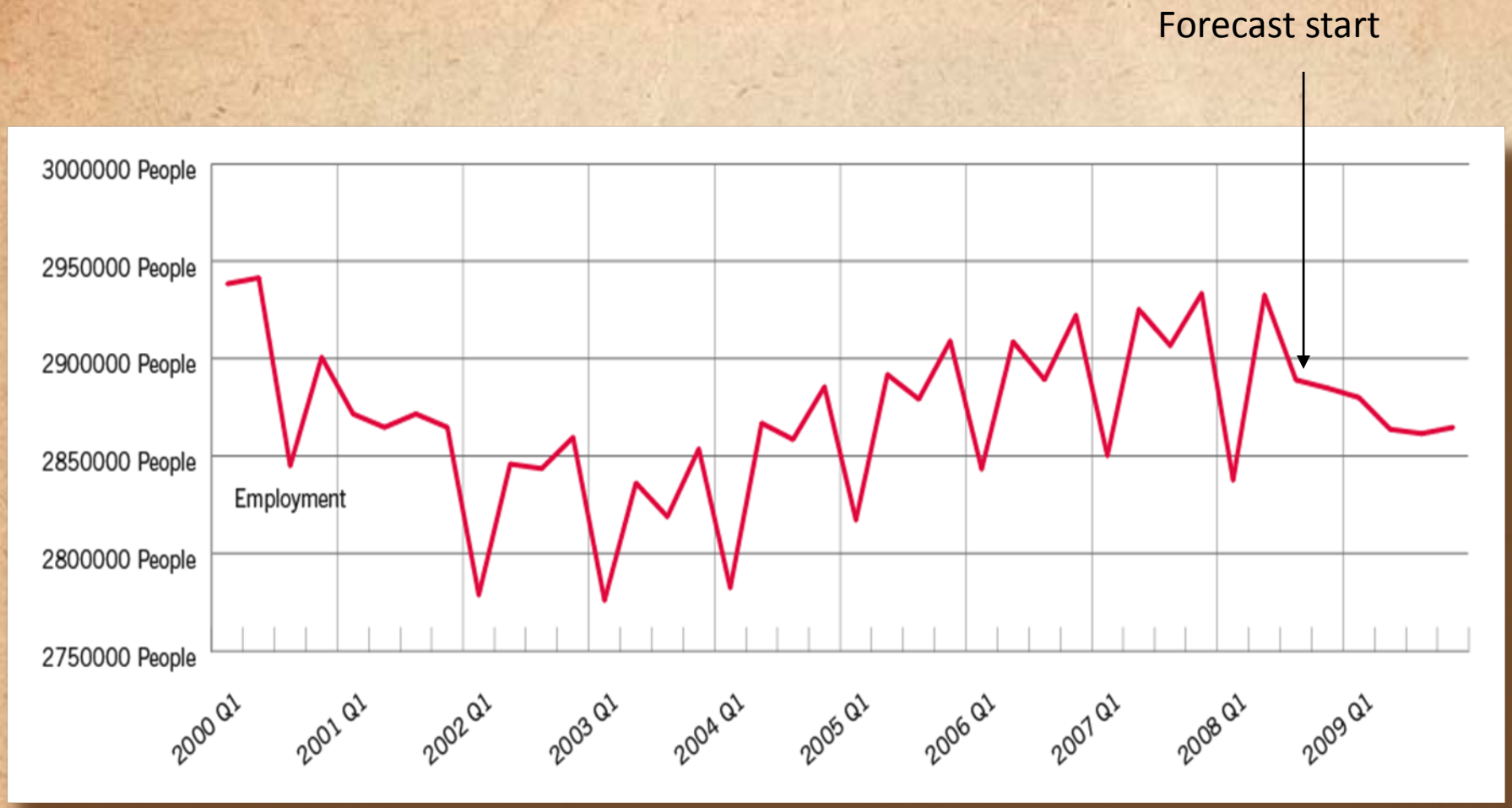
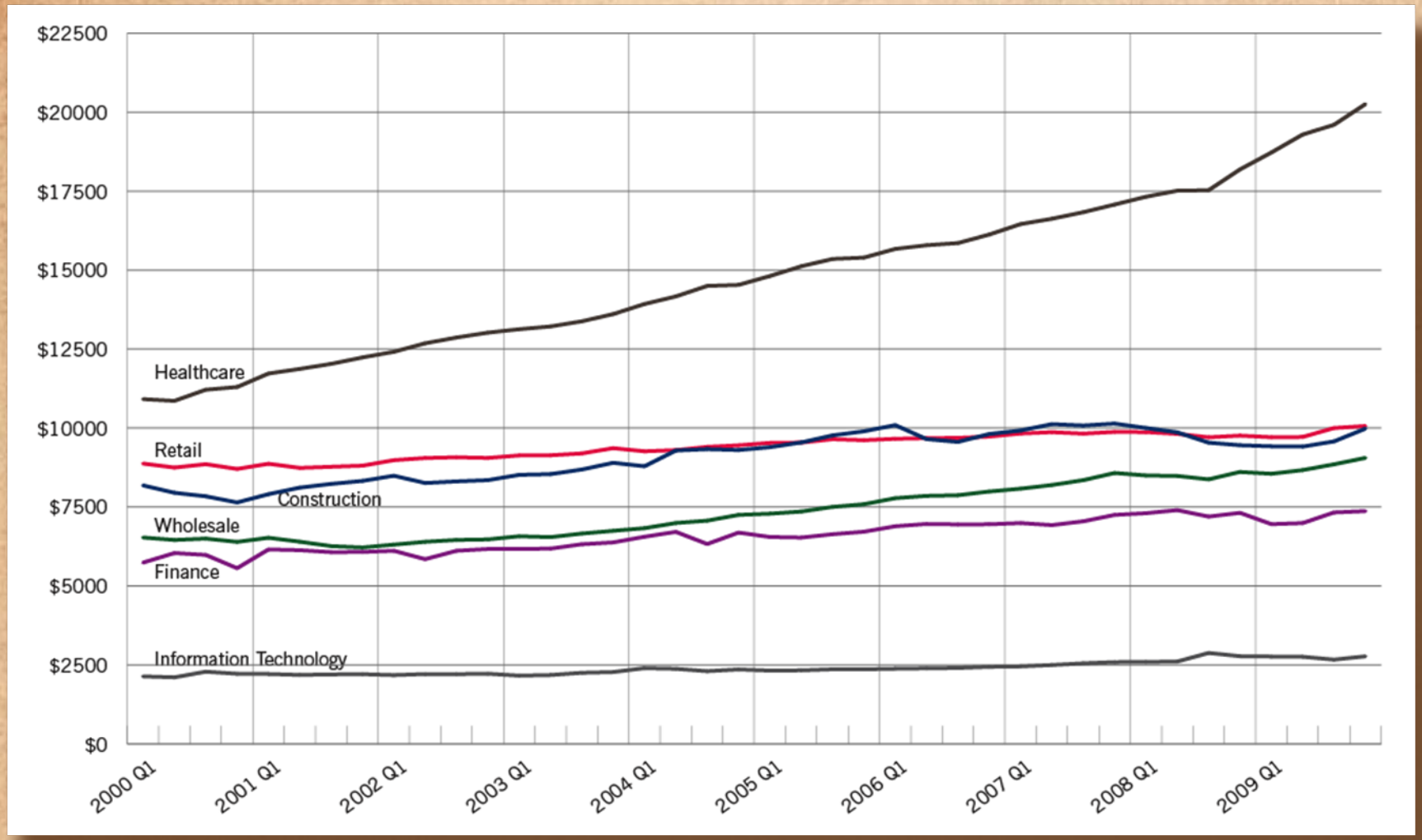
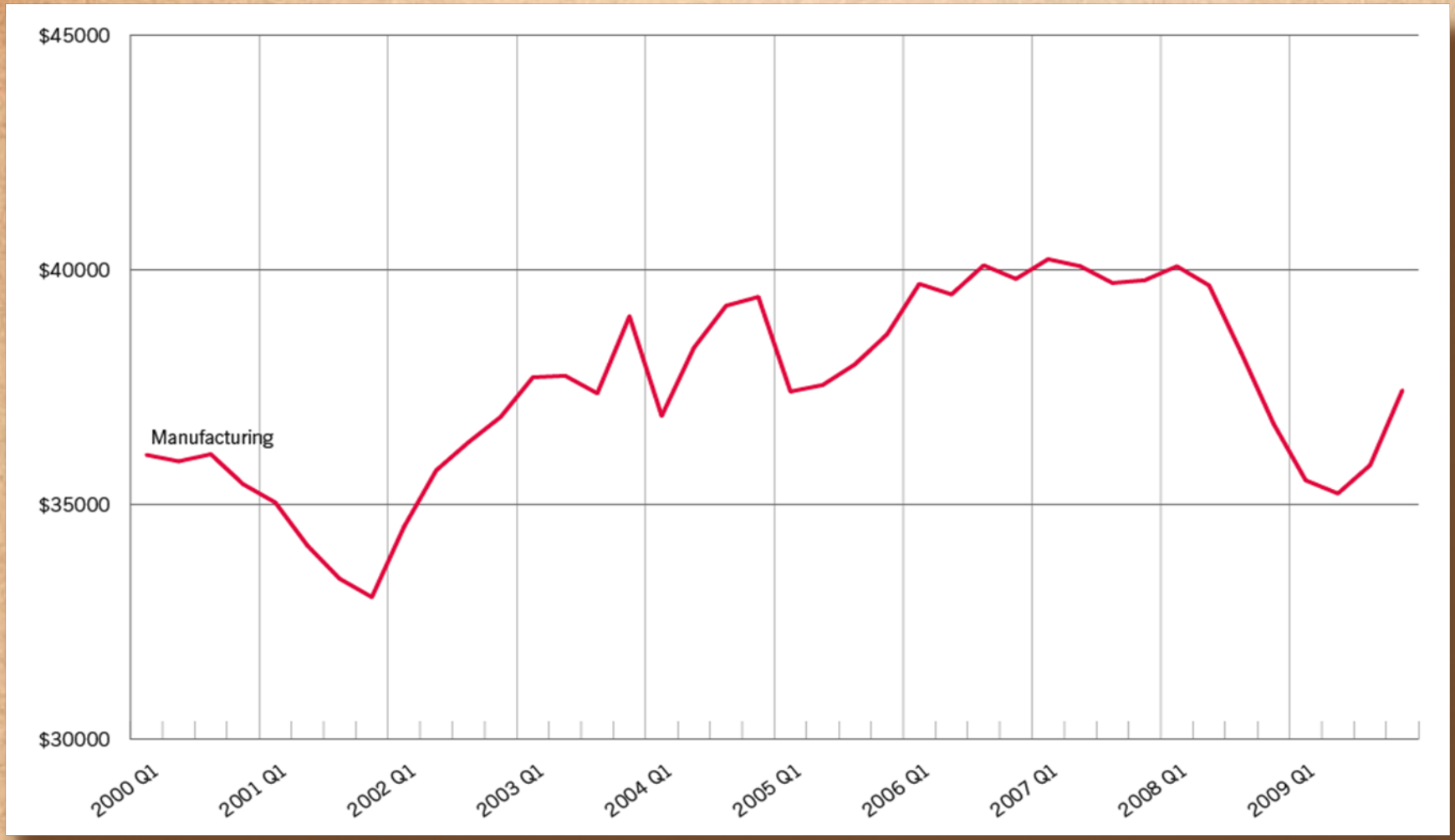
Employment


Forecast start
3000000 People
2950000 People
2900000 People
2850000 People
2800000 People
2750000 People
Employment
2000 Q1
2001 Q1
2002 Q1
2003 Q1
2004 Q1
2005 Q1
2006 Q1
2007 Q1
2008 Q1
2009 Q1

Industry Income ($1000s)



Manufacturing Income



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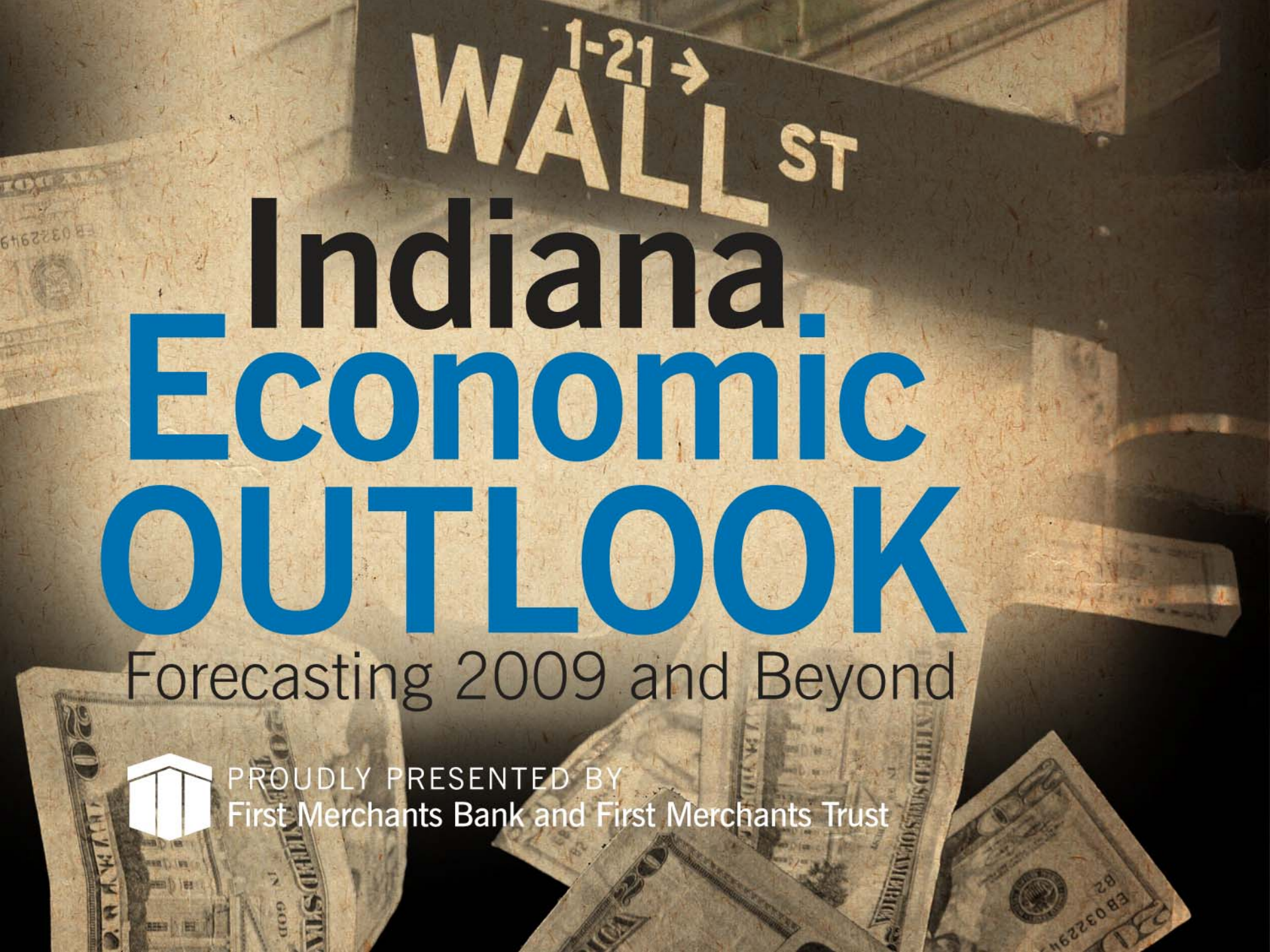

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