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July 31, 2008

Indianapolis: a coiled spring in a recovery
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The massive housing bill gives the Department of Treasury an unprecedented “blank check” to place a floor on the price of housing in the United States and it increases the debt ceiling by \$800 Billion to insure Treasury has the funds to do so. Prudent borrowers who followed the rules and never missed a payment are bailing out imprudent lenders and borrowers.

Much of the crisis can be blamed on lenders diverging from the simple determinant that has guided them for years in evaluating a borrower’s ability to repay their mortgage: their INCOME. In many parts of the United States, median wage earners were unable to afford the median priced home. Lenders came up with exciting ways to enable this to occur in the higher priced housing markets such as Las Vegas. Eventually reality set in and the new homeowners discovered that their monthly income was insufficient for them to ever “own” their community’s median priced home.

Back in central Indiana our median home prices and median wages stayed closely aligned. For example, The Center for Housing Policy reported in 2004 that the percentage of working family homeowners paying more than HALF THEIR INCOME for housing in Indianapolis was 5.8%. In Los Angeles, it was 32%! In New York it was over 24%! In Chicago, 13%! So Congress has stepped in and said that housing prices in these inflated markets may never be aligned with median wages. And as lenders strengthen underwriting, home ownership just became a lot less affordable for many. We believe a national floor on housing unrelated to an area’s median wages benefits Indianapolis and presents an interesting scenario for our local recovery.

Whether you live in Noblesville or Mooresville, your downtown commute is less than 30 minutes. For most office workers the drive time is less than 15 minutes. If you are a first time home buyer you have geographical options. This holds true for the move up and luxury home buyers too. And we believe geographical choice coupled with affordability presents central Indiana with a strategic advantage in attracting employers. Prudent corporate executives will evaluate why they are based in markets with housing prices that are artificially inflated by the recent housing bailout bill. Rather than succumb to the wishes of their employee’s demands for higher wages to support the home prices, many employers will get out the roadmap, hire a consultant, and evaluate the markets that have a sparkling new international airport and public library, professional football and basketball teams, a world-class symphony orchestra, best-practices health care, thriving universities, and a ready supply of attractive and affordable housing for employees at ALL wage levels. Central Indiana just might be a coiled spring in this scenario. It will start quietly with a few leading edge employers that agree good workers should enjoy home ownership without sacrificing everything else. And it just might snowball into a significant resurgence. We have the infrastructure. We have ample and affordable utilities and land for growth. Bring it on.

Founded in 1993, Meridian Real Estate is one of Indiana’s largest office and industrial real estate brokerage firms. Named by the Indianapolis Business Journal as the area’s eighth fastest growing private company in September, 2003 and the sixteenth in 2004, the company was recognized by the Johnson Center for Innovation of the Kelly School of Business in 2002, 2003 and 2004 as an Indiana “Growth 100 Company”. Meridian is also recognized by many as one of Indianapolis’ leading commercial real estate companies in representing large corporate office and industrial tenants and institutional owners with their complex commercial real estate needs.

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