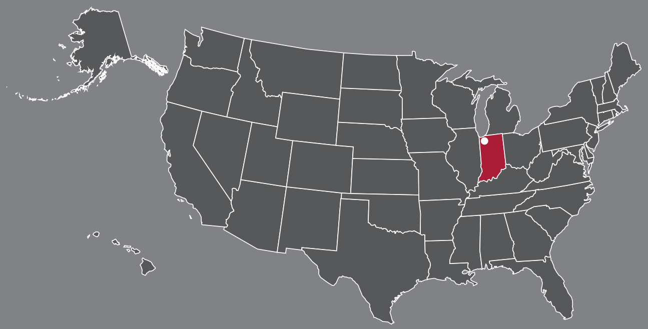
HUD PD&R Housing Market Profiles

Gary, Indiana

Quick Facts About Gary, Indiana

- **Current sales market conditions: balanced**
- **Current apartment market conditions: balanced**
- **Indiana leads the nation in steel production, which is concentrated in the northwest part of the state, including the Gary metropolitan division.**



By Sam Young | As of October 1, 2018

Overview

The Gary metropolitan division comprises the four Indiana counties of the Chicago-Naperville-Elgin Metropolitan Statistical Area (hereafter, Chicago MSA): Jasper, Lake, Newton, and Porter Counties. The metropolitan division is an industrial center of the Chicago MSA and is home to integrated steel mills along the south shore of Lake Michigan. Lake County has the largest number of metal manufacturing jobs of any U.S. county, and Porter County has the third most.

- As of October 1, 2018, the estimated population of the metropolitan division was 701,600, reflecting an average annual decrease of 760, or 0.1 percent, since April 2010. By comparison, population growth has averaged 0.1 and 0.3 percent annually in the Chicago MSA and the state of Indiana, respectively, since April 2010.
- Net natural change (resident births minus resident deaths) averaged 1,600 people annually since 2010, partially offsetting net out-migration. Population change in the Chicago MSA and Indiana was also entirely because of net natural change that averaged 49,600 and 24,700 people a year, respectively.

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- Despite improving economic conditions in the Gary metropolitan division from 2011 through 2013, the population declined from April 2010 to 2013 due to annual net out-migration, which averaged 1,275 people. Despite slower economic growth since 2013 relative to earlier in the decade, net out-migration fell to an average of 380 people annually; however, net natural change decreased during the period, which led to steeper population declines.

Economic Conditions

Economic conditions in the Gary metropolitan division are moderately improving, continuing the recovery that began in 2015. Following the effects of the national recession, economic conditions improved in the metropolitan division, and payrolls increased by an average of 3,800 jobs, or 1.4 percent, annually, from 2011 through 2013. Despite a moratorium on Chinese steel imports and tariffs on imported steel, economic growth slowed from 2014 through 2017, with payrolls rising by 600 jobs, or 0.2 percent, annually. By comparison, during the same period, both annual job growth in the Chicago MSA and Indiana averaged 1.4 percent. Nonfarm payrolls in the metropolitan division have not fully recovered from the average decline of 6,800 jobs, or 2.5 percent, annually from 2008 through 2010; the previous peak was 283,300 jobs in 2007.

During the third quarter of 2018—

- Nonfarm payrolls averaged 279,900, an increase of 3,700 jobs, or 1.3 percent, compared with an increase of 100 jobs, or less than 0.1 percent, a year earlier. By comparison, nonfarm payroll growth averaged 1.3 and 1.7 percent, respectively, in Indiana and the nation.
- Job growth was strongest in the manufacturing sector, with nonfarm payrolls increasing by 800 jobs, or 2.2 percent; despite

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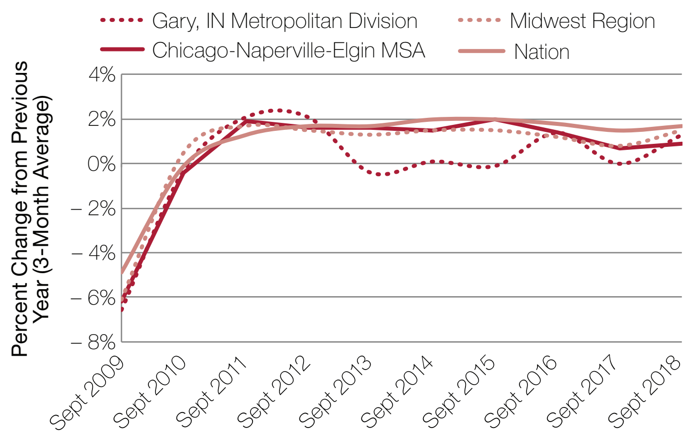
Nonfarm payroll growth in the Gary metropolitan division has been lower than in the Chicago MSA, the region, and the nation since 2012, but has increased in the past year.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Nonfarm payrolls increased in nearly every sector during the third quarter of 2018.

	3 Months Ending		Year-Over-Year Change	
	September 2017 (Thousands)	September 2018 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	276.2	279.9	3.7	1.3%
Goods-Producing Sectors	53.6	54.8	1.2	2.2%
Mining, Logging, & Construction	18.0	18.5	0.5	2.8%
Manufacturing	35.6	36.4	0.8	2.2%
Service-Providing Sectors	222.6	225.1	2.5	1.1%
Wholesale & Retail Trade	43.0	43.3	0.3	0.7%
Transportation & Utilities	15.3	15.8	0.5	3.3%
Information	2.0	1.9	– 0.1	– 5.0%
Financial Activities	8.8	8.9	0.1	1.1%
Professional & Business Services	23.8	24.5	0.7	2.9%
Education & Health Services	50.4	51.1	0.7	1.4%
Leisure & Hospitality	32.8	32.9	0.1	0.3%
Other Services	13.5	13.5	0.0	0.0%
Government	32.9	33.1	0.2	0.6%
	(Percent)	(Percent)		
Unemployment Rate	5.0%	4.7%		

Source: U.S. Bureau of Labor Statistics

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recent growth, the sector has generally declined since 2000. Rising steel prices encouraged job growth that averaged 700 jobs, or 2.1 percent, annually from 2011 through 2013. Despite limits on imported steel, slower growth in steel prices led to a decline in domestic steel production from 2014 through 2017, and the manufacturing sector lost an average of 100 jobs, or 0.3 percent, annually.

- The greatest rate of growth occurred in the transportation and utilities sector, rising 3.3 percent, or by 500 jobs, to average 15,800 jobs. The Port of Indiana-Burns Harbor is in the metropolitan division and processed 2.6 million tons of cargo in 2016 (Ports of Indiana). The Port is expected to receive $9.85 million in federal grant funding as part of a larger $19.9 million infrastructure expansion project. Construction is expected to begin in late 2018 and be complete by 2022; estimates of additional jobs are not yet known.
- The education and health services sector, the largest payroll sector in the Gary metropolitan division, increased by 700 jobs, or 1.4 percent, to 51,100 jobs, maintaining growth that averaged 700 jobs, or 1.4 percent, annually from 2010 through 2017. The sector gains were concentrated in the healthcare and social assistance industry, which grew by 600 jobs at the same time as 100 jobs were added in the educational services industry.

Largest Employers in the Gary Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
ArcelorMittal	Manufacturing	5,000–9,000
Franciscan Health System	Education & Health Services	2,500
Horseshoe Casino & Hotel	Leisure & Hospitality	1,866

Note: Excludes local school districts.
Sources: Moody's Analytics, Go Hammond 2018

- The unemployment rate declined from 5.0 percent a year ago to 4.7 percent. The unemployment rate in the metropolitan division reached a recent high of 11.9 percent during the first quarter of 2010.

In 1990, the manufacturing sector was the largest employment sector in the metropolitan division, with more than 22 percent of nonfarm payrolls, but is now the third largest sector, behind the education and health services and the wholesale and retail trade sectors. Recent job growth in the sector is expected to continue. U.S. Steel announced it will invest $750 million to upgrade the 110-year-old Gary Works steel plant. The construction is expected to be complete in 2023, and the existing 3,800 jobs will be retained. Although no new jobs were announced as a result of the upgrade, the investment represents an increased commitment of U.S. Steel's presence in the area.

Sales Market Conditions

The sales market in the Gary metropolitan division is currently balanced, with an estimated 1.8-percent vacancy rate, down from 2.1 percent reported in 2010. During the 12 months ending August 2018, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 16,650, nearly unchanged from the 16,675 homes sold during the previous 12 months. The for-sale inventory of single-family homes, townhomes, and condominiums in the metropolitan division fell from a 4.5-months supply in September 2017 to a 4.0-months supply in September 2018 (Greater Northwest Indiana Association of Realtors®). The

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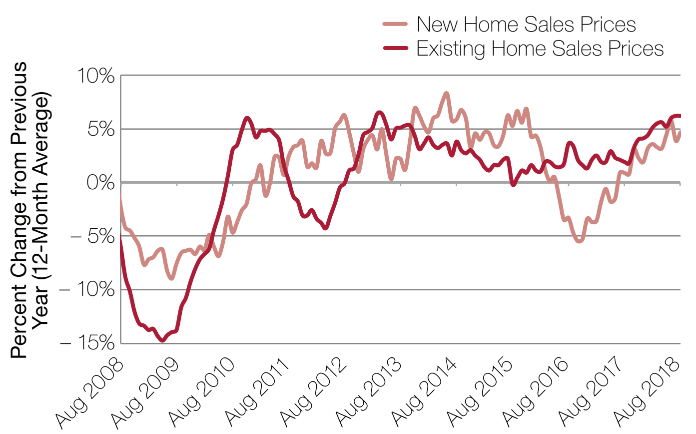
Despite some fluctuation, new and existing home sales prices have increased moderately in the Gary metropolitan division since 2010.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by analyst

In the Gary metropolitan division, the rate of growth of new and existing home sales has slowed since 2016.

Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by analyst

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percentage of home loans that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status declined from 3.4 percent in August 2017 to 2.7 percent in August 2018 (CoreLogic, Inc.). The current rate is higher than the 2.0-percent rate for both the Chicago MSA and the state of Indiana and the 1.8-percent rate for the nation.

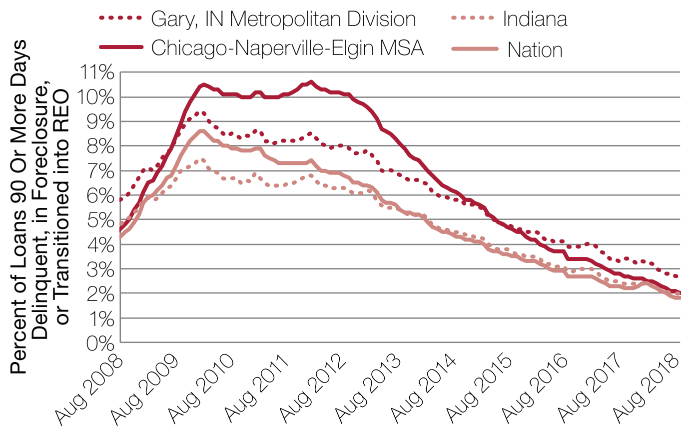
During the 12 months ending August 2018—

- New home sales totaled 1,425, a decrease of 25 sales, or nearly 2 percent, below sales during the previous 12 months. New home sales are below the average of 2,850 homes sold annually from 2004 through 2006.
- Existing home sales (including regular resales, short sales, and REO sales) totaled 15,250, unchanged from the same period a year earlier. During this period, REO sales fell 33 percent to 810, and were offset by a rise in regular resales. Existing home sales are below the average of 17,700 sales annually from 2004 through 2006 but above the average of 10,400 sales from 2009 through 2012.
- The average sales price for new homes was $279,800, a 5-percent increase from the average price a year earlier and 23 percent above the previous low of $227,100 during 2010.
- The average sales price for existing homes was $186,800, an increase of 6 percent compared with the average price during the previous 12 months. The average sales price for existing homes increased an average of nearly 3 percent annually from the end of 2011 through 2017.

Despite moderate economic growth and continued out-migration from the metropolitan division, single-family home construction activity, as measured by the number of single-family homes permitted, has increased since 2010.

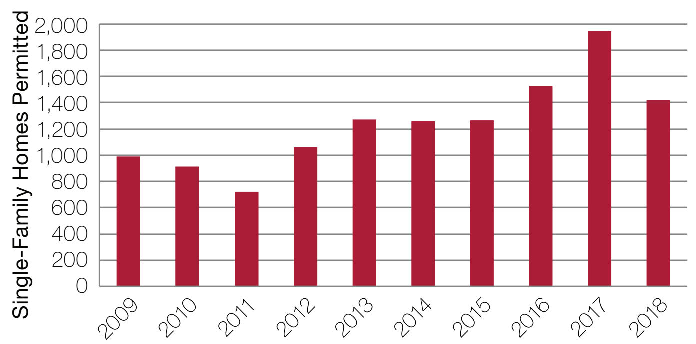
- The number of single-family homes permitted totaled 1,925 during the 12 months ending September 2018, up 3 percent from the 1,875 homes permitted a year earlier (preliminary data, with adjustments by the analyst).
- Single-family home construction activity averaged 3,250 homes permitted annually from 2000 through 2007, before declining sharply to an average of 1,075 homes a year from 2008 through 2010.
- Since 2010, single-family home construction increased from 720 homes permitted in 2011 to 1,950 homes during 2017, an average increase of 18 percent annually.
- New home construction is mostly occurring within and near the city of Crown Point, approximately 16 miles south of Gary in Lake County. The Regency at Crown Point, a golf course community, offers new paired homes that start at $184,000 and single-family homes starting at $202,000. Brighton in Crown Point, a 53-lot community, is underway with new single-family home prices starting at $263,000.

The percentage of seriously delinquent mortgages and REO properties in the Gary metropolitan division is well above the rates in the Chicago MSA, Indiana, and the nation.



REO = real estate owned.
Source: CoreLogic, Inc., with adjustments by analyst

The average number of single-family homes permitted in the Gary metropolitan division from 2012 through 2017 was nearly 60 percent higher than the average from 2009 through 2011.



Note: Includes preliminary data from January 2018 through September 2018.
Source: U.S. Census Bureau, Building Permits Survey

Rental Market Conditions

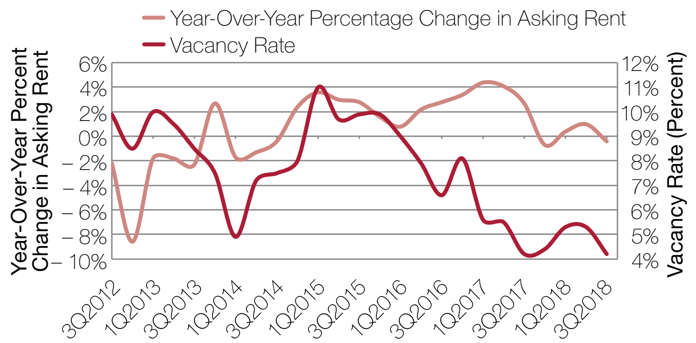
Rental housing market conditions in the Gary metropolitan division are soft, with a vacancy rate of 9.0 percent, near the rate of 9.3 percent in April 2010. The soft rental market is partly because of an increase of 2,975 single-family homes offered for rent from 2013 to 2017 and slow renter household growth (2013 and 2017 1-year ACS data). Despite lower levels of apartment construction since 2015, moderate economic growth and population declines have slowed apartment absorption, and apartment market conditions remained balanced.

- The apartment market is balanced, with a vacancy rate of 4.2 percent during the third quarter of 2018, unchanged from a year earlier (RealPage, Inc.).
- The average monthly apartment asking rent in the metropolitan division was $825 during the third quarter of 2018, unchanged from a year earlier, after increasing an average of less than 1 percent annually from 2010 through 2017 (RealPage, Inc.). By comparison, annual gains nationally averaged more than 3 percent from 2010 through 2017.
- Single-family rentals comprise approximately 41 percent of the rental housing supply in the Gary metropolitan division, up from 35 percent in April 2000. The vacancy rate for single-family units was 5.5 percent in August 2018, significantly higher than the rates of 2.6 and 2.8 percent, respectively, in the Chicago MSA and the nation.
- From January 2012 through August 2018, average single-family rents in the metropolitan division increased an average of 1 percent annually, compared with gains averaging 2 percent annually in the Chicago MSA and the nation.

Multifamily construction activity, as measured by the number of multifamily units permitted, increased from 2013 through 2015, spurred by economic growth, but has fallen since the high in 2015.

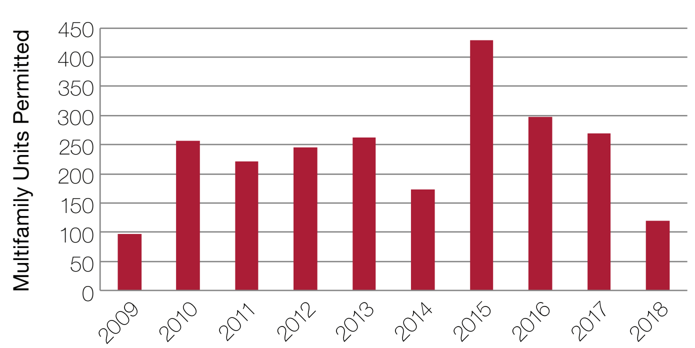
- During the 12 months ending September 2018, approximately 150 multifamily units were permitted compared with 350 units permitted a year earlier (preliminary data, with adjustments by the analyst).
- Multifamily construction averaged 670 units annually from 2000 through 2007 before falling dramatically to an average of 300 units annually from 2008 through 2012; this was in response to the national recession and falling steel prices that led to less steel manufacturing.
- Multifamily construction averaged 220 units permitted a year from 2013 through 2014 and then accelerated to 430 units permitted in 2015, the recent peak level of permitting. Multifamily permitting declined to an average of 280 units annually in 2016 and 2017 because of slowing economic growth.
- Approximately 60 percent of apartments under construction in the metropolitan division, or 170 units, are in the cities of Chesterton and Valparaiso. The 170-unit Eagle Crossing Apartments, in the city of Chesterton, was recently completed, with asking rents starting at $1,169, $1,622, and $1,892 for one-, two-, and three-bedroom units, respectively. The Residences at Coffee Creek, a 150-unit senior apartment property, is nearing completion in Chesterton. The development will offer senior apartments, senior living with assistance, and memory care units, allowing residents to age in place.

Despite declining apartment vacancy rates in the Gary metropolitan division since 2015, rent growth has remained moderate.



Source: RealPage, Inc.

Following a surge in multifamily permitting in the Gary metropolitan division during 2015, multifamily permitting has declined.



Note: Includes preliminary data from January 2018 through September 2018.
Source: U.S. Census Bureau, Building Permits Survey