

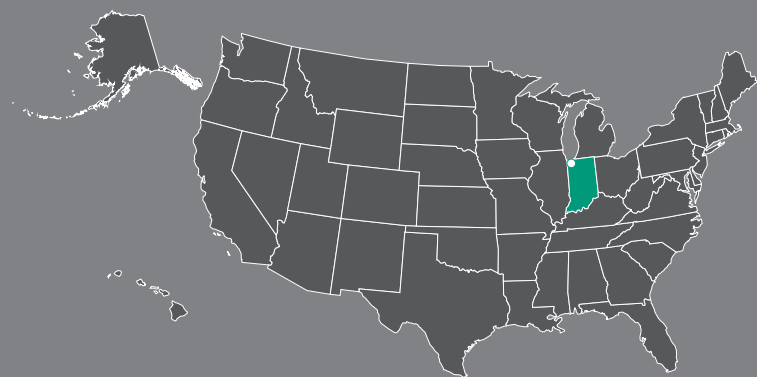
HUD PD&R Housing Market Profiles

Gary, Indiana



Quick Facts About Gary

- **Current sales market conditions: balanced**
- **Current rental market conditions: soft**
- **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 May 1, 2020

Overview

The Gary metropolitan division includes the four northwest 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. Although not one of the largest employers in the area, the Port of Indiana-Burns Harbor has a major economic impact. The port supports more than 60,000 jobs and handled 2.6 million tons of cargo during 2019; this number was down slightly from 2.7 million in 2018, due partly to high water levels and trade uncertainty (Ports of Indiana). Additionally, the area is home to several casinos, which benefited from the legalization of sports gambling in Indiana on September 1, 2019, although the industry has slowed recently partly because of disruptions in scheduling sports events.

- The population of the Gary metropolitan division is estimated at 704,600 as of May 1, 2020, representing an average increase of about 1,425, or 0.2 percent, annually since 2017 (U.S. Census Bureau population estimates as of July 1 and estimates by the analyst). Net in-migration,

continued on page 2



continued from page 1

which averaged 1,000 people annually during this period, accounted for 70 percent of total population growth.

- The population fell during the economic recovery after the Great Recession, averaging declines of 1,100, or 0.1 percent, annually from a population peak of 708,100 during 2010 to 2017. Net out-migration from the metropolitan division during that period averaged 2,750 people a year, more than offsetting net natural change (resident births minus resident deaths) that averaged 1,650 people annually. The slowdown in net natural change since 2016 was from a decline of 170 births and

an increase of 540 deaths from 2016 to 2017 in the Gary metropolitan area.

- In 2018, approximately 32 percent of migration to the Gary metropolitan division was from the adjacent Chicago-Naperville-Evanston metropolitan division, which is also within the larger Chicago MSA; this percentage was up slightly from 30 percent during 2012 (Internal Revenue Service migration data). The migration from the Chicago-Naperville-Evanston metropolitan division to the Gary metropolitan division is partly because of lower property taxes in Indiana, compared with Illinois.

Economy

Economic conditions in the Gary metropolitan division have weakened since 2019. Despite a moratorium on Chinese steel imports and tariffs on imported steel, payroll growth slowed to a moderate increase of 600 jobs, or 0.2 percent, annually from 2014 through 2017; this growth is compared with growth of 3,350 jobs, or 1.2 percent, annually from 2011 through 2013. From 2017 to 2019, economic conditions strengthened slightly, with the number of payrolls rising by 0.5 percent annually; then, the number fell year-over-year by 4.8 percent during the 3 months ending April 2020 as economy-wide job cuts from the COVID-19 pandemic occurred. Additionally, steel production in the area declined during the first quarter of 2020 partly because of a slowdown in automobile production (Federal Reserve Bank of Chicago, Beige Book, May 27, 2020).

During the 3 months ending April 2020 —

- Nonfarm payrolls in the Gary metropolitan division averaged 266,600 jobs, a decrease of 13,300 jobs, or 4.8 percent from

a year earlier. That rate of decline was greater than the 4.4- and 4.7-percent decreases in the Chicago MSA and state of Indiana, respectively.

- The transportation and utilities sector was the only sector to add jobs, increasing by 600 jobs, or 3.9 percent. Contributing to this increase was the opening of the 2020 international shipping season at the Port of Indiana-Burns Harbor, which opened its locks to ocean vessels for the season on April 1, 2020.
- The largest job decline was in the education and health services sector, which fell by 3,100 jobs, or 5.9 percent, to 49,400 jobs. The educational services and the healthcare and social assistance industries declined by 1,200 and 1,900 jobs, respectively. Previously, the sector grew every year from 2000 to a recent high of 51,600 jobs in 2017; the sector has fallen since.

continued on page 3

Payrolls decreased in most nonfarm payroll sectors in the Gary metropolitan division during the 3 months ending April 2020.

	3 Months Ending		Year-Over-Year Change	
	April 2019 (Thousands)	April 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	279.9	266.6	-13.3	-4.8
Goods-Producing Sectors	52.3	51.1	-1.2	-2.3
Mining, Logging, & Construction	16.6	15.9	-0.7	-4.2
Manufacturing	35.7	35.2	-0.5	-1.4
Service-Providing Sectors	227.7	215.4	-12.3	-5.4
Wholesale & Retail Trade	42.4	39.5	-2.9	-6.8
Transportation & Utilities	15.5	16.1	0.6	3.9
Information	1.8	1.8	0.0	0.0
Financial Activities	8.8	8.6	-0.2	-2.3
Professional & Business Services	24.9	23.0	-1.9	-7.6
Education & Health Services	52.5	49.4	-3.1	-5.9
Leisure & Hospitality	32.8	30.4	-2.4	-7.3
Other Services	14.9	13.7	-1.2	-8.1
Government	34.1	32.9	-1.2	-3.5
Unemployment Rate	5.1%	5.0%		

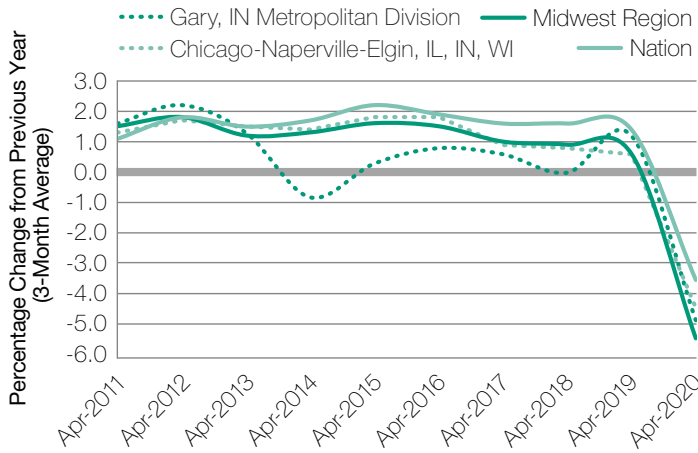
Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



continued from page 2

- The average unemployment rate was 5.0 percent, down from 5.1 percent a year earlier because a labor force decline

Nonfarm payroll growth in the Gary metropolitan division has generally been lower than growth in the Chicago MSA, the Midwest region, and the nation since 2013.



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

of 1.7 percent exceeded the resident employment decline of 1.0 percent. The national unemployment rate averaged 7.6 percent, up from 3.8 percent a year earlier.

Sectors with a substantial number of businesses reliant on in-person contact declined because consumers began reducing non-essential travel and spending before the statewide COVID-19 related stay-at-home order went into effect on March 24, 2020. Jobs in the leisure and hospitality sector during the 3 months ending April 2020 declined by 2,400, or 7.3 percent from a year earlier. As part of the statewide stay-at-home order, casinos in the Gary area completely shut down, impacting about 6,000 jobs in the area. The four Gary-area casinos are among the largest employers in the area.

Largest Employers in the Gary Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
ArcelorMittal	Manufacturing	5,000-9,999
Franciscan Health, Inc.	Education & Health Services	2,500
Horseshoe Hammond	Leisure & Hospitality	1,866

Note: Excludes local school districts.
Source: Moody's Economy.com

Sales Market Conditions

The home sales market in the Gary metropolitan division is currently balanced, with an estimated 1.5-percent vacancy rate, down from 2.1 percent reported in 2010. The average sales prices for new and existing homes have risen since late 2017 because the inventory of homes for sale has been relatively low, at less than 4.0 months during the period. Homes sales have fallen in recent years in response to low inventory and higher prices, which has limited the number of households that can afford to buy a home. During the 12 months ending March 2020, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 16,350, a decline of more than 4 percent from the 17,075 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 3.4-month supply in April 2019 to a 2.3-month supply in April 2020 (Greater Northwest Indiana Association of Realtors®). The 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 2.6 percent in February 2019 to 2.3 percent in February 2020 (CoreLogic, Inc.). The current rate in the Gary metropolitan division is higher than the 1.7-percent rate for the Chicago MSA, the 1.6-percent rate in the state of Indiana, and the 1.3-percent rate for the nation.

During the 12 months ending March 2020—

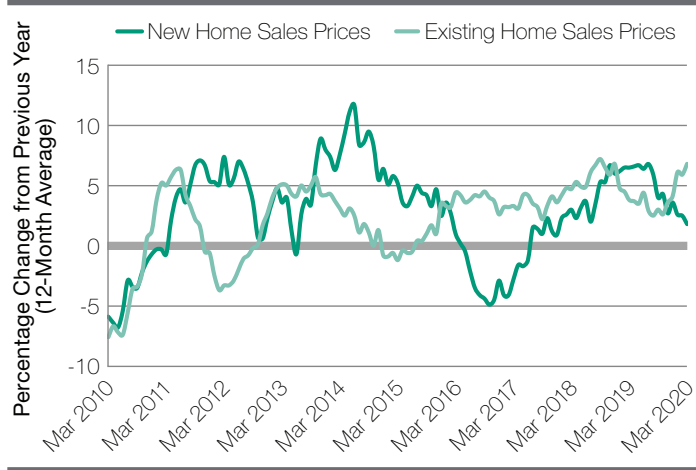
- New home sales totaled 1,325, a decrease of 130 sales, or nearly 9 percent below sales during the previous 12 months. New home sales are significantly below the average of 2,850 new homes sold annually during the previous peak from 2004 through 2006.
- Existing home sales (including regular resales, short sales, and REO sales) totaled 15,050, down nearly 4 percent from the same period a year earlier. Existing home sales are below the average of 17,700 sales annually from 2004 through 2006 but above the previous low average of 10,400 sales from 2009 through 2012.
- The average sales price for new homes was \$311,000, a 2-percent increase from the average price a year earlier and average growth of more than 3 percent annually from the previous low of \$227,400 during 2010.
- The average sales price for existing homes was \$209,100, an increase of 7 percent compared with the average price during the previous 12 months. The sales price for existing homes increased an average of more than 3 percent annually from the end of 2011 through 2018.

continued on page 4



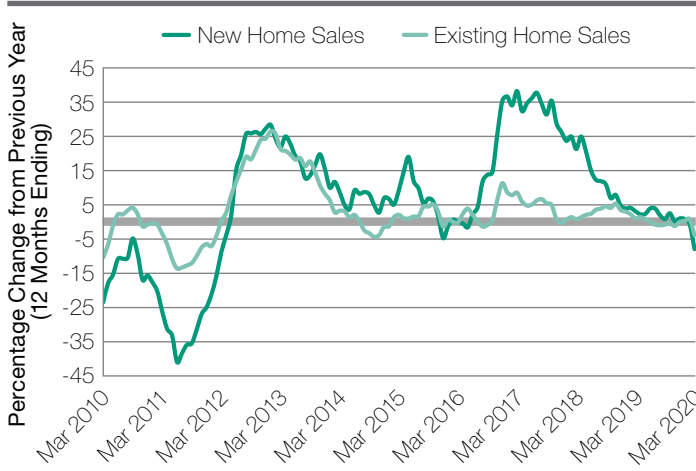
continued from page 3

Despite some fluctuation, new and existing home sales prices have increased in the Gary metropolitan division since 2017.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

In the Gary metropolitan division, the rate of growth of new and existing home sales has slowed since 2017.

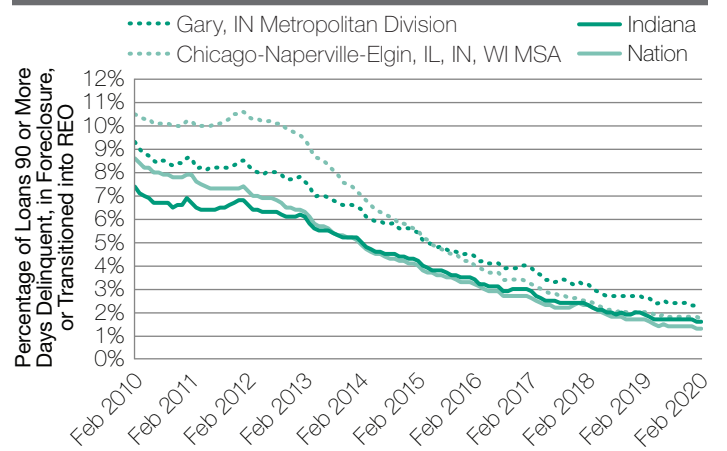


Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

Despite slow economic growth and a current population that is nearly 1 percent lower than during April 2010, single-family home construction activity, as measured by the number of single-family homes permitted, has generally increased since 2010.

- The number of single-family homes permitted totaled 1,875 during the 12 months ending March 2020, up nearly 6 percent from the 1,775 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.

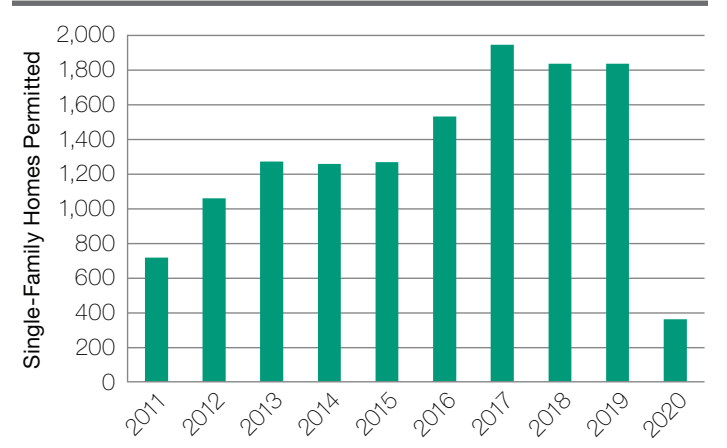
The percentage of seriously delinquent mortgages and REO properties in the Gary metropolitan division has been higher than the rates in the Chicago MSA, Indiana, and the nation since early 2016.



REO = real estate owned.
Source: CoreLogic, Inc.

- Since 2010, single-family home construction increased from 720 homes permitted in 2011 to 1,850 homes during 2018, an average increase of 14 percent annually.
- New home construction is mostly occurring within and near the cities of Crown Point and St. John in Lake County, approximately 16 miles south of the city of Gary. The Preserve, in the city of St. John, has 206 lots available in three phases, with single-family homes ranging from 2,575 to 4,300 square feet and prices starting at \$560,900. Brighton, a 53-lot community in the city of Crown Point, is underway with new single-family home prices starting at \$285,000.

The average number of single-family homes permitted annually in the Gary metropolitan division from 2017 through 2019 was nearly 60 percent higher than the average from 2011 through 2016.



Note: Includes preliminary data from January 2020 through April 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



Rental Market Conditions

Rental housing market conditions in the Gary metropolitan division are soft, with an estimated overall vacancy rate of 9.0 percent, only slightly below the rate of 9.3 percent in April 2010. The soft rental market is partly because of an increase of 3,450 single-family homes offered for rent from 2010 to 2018 and slow renter household growth (American Community Survey 1-year data). Despite lower levels of apartment construction since 2015, moderate economic growth and population declines have slowed apartment absorption, and apartment market conditions are also soft.

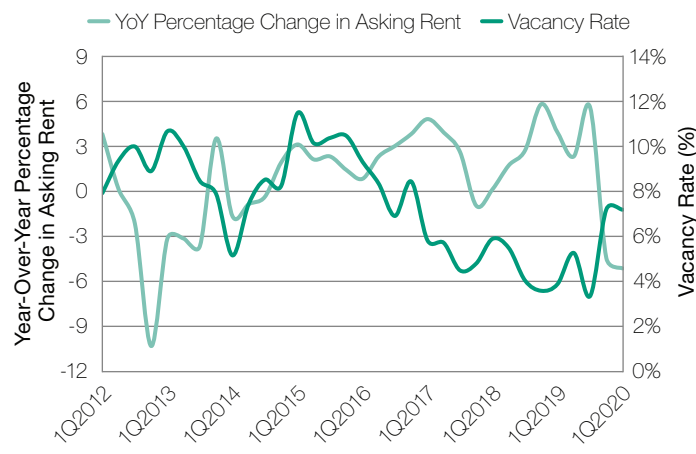
- The apartment market vacancy rate was 7.2 percent during the first quarter of 2020, up significantly from 3.8 percent a year earlier (RealPage, Inc.). The increase in vacancy rates is partly because developments completed in late 2019 are taking longer to absorb.
- The average monthly apartment asking rent in the metropolitan division was \$802 during the first quarter of 2020, down from \$846 a year earlier, after increasing an average of nearly 1 percent annually from 2010 through 2019 (RealPage, Inc.). By comparison, apartment rent gains nationally averaged more than 3 percent annually from 2010 through 2019.
- Single-family rentals comprise approximately 41 percent of the rental housing supply in the Gary metropolitan division, up slightly from 40 percent in 2010. The vacancy rate for professionally managed single-family rentals was 5.5 percent in February 2020, significantly higher than the rate of 2.8 percent each in the Chicago MSA and the nation (CoreLogic, Inc.).
- From January 2012 through August 2018, single-family rents for professionally managed properties 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, averaged 230 units annually from 2011 through 2014, before rising to 430 units during 2015, but has fallen since the recent high in 2015.

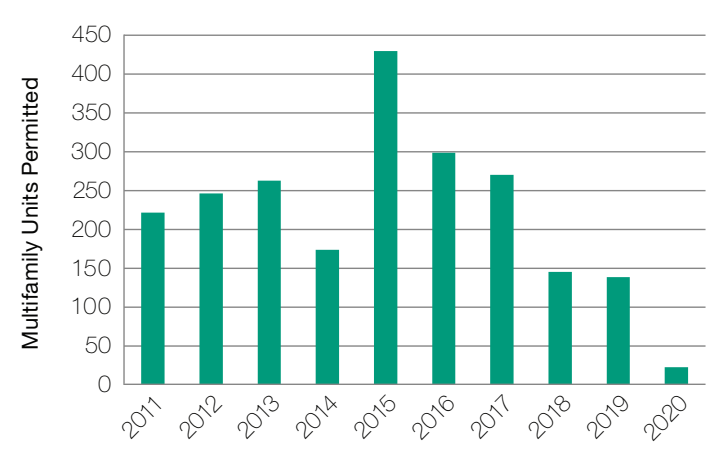
- During the 12 months ending March 2020, approximately 130 multifamily units were permitted compared with 170 units permitted a year earlier (preliminary data, with adjustments by the analyst).
- Multifamily construction averaged 670 units permitted annually from 2000 through 2007 before falling to an average of 300 units permitted annually from 2008 through 2012; this decline was in response to declining demand because of the national recession, and local job losses in the steel industry caused by falling steel prices.
- 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 240 units annually from 2016 through 2018 because of slowing economic growth.
- One of the larger developments currently underway is a 124-unit expansion of the Crown Point Christian Village senior-living community. The expansion, which is expected to be completed in 2022, will include 60 assisted living residences, 24 assisted living memory care residences, and 40 independent living apartments.

Despite declining apartment vacancy rates in the Gary metropolitan division since 2014, rent growth has generally been moderate.



1Q = first quarter. YoY = year-over-year. 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 2020 through April 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

