

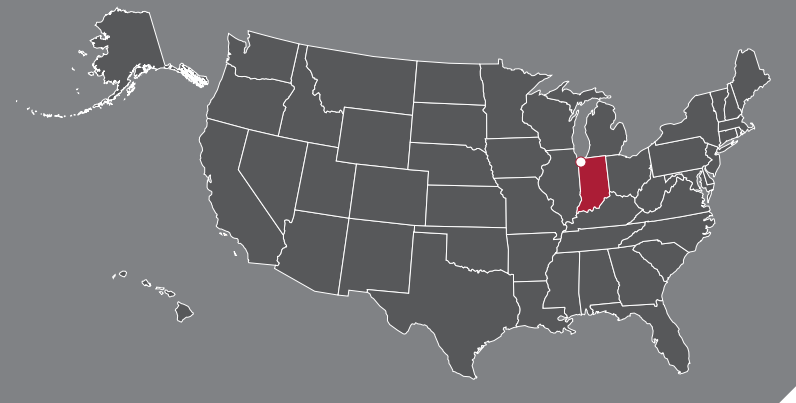
HUD PD&R Housing Market Profiles

Gary, Indiana



Quick Facts About Gary

- **Current sales market conditions: tight**
- **Current rental market conditions: balanced**
- **The city of Gary was developed in the early 1900s to support the Gary Works steel mill. Jobs in the primary metals manufacturing industry, which includes steel mills, peaked at nearly 70,000 in the 1970s and averaged 16,000 in 2019. Indiana has been the top steel-producing state in the nation since the 1970s (American Iron and Steel Institute), mostly because of the steel mills in the Gary metropolitan area.**



By Marissa Dolin | As of September 1, 2021

Overview

The Gary metropolitan area, in northwest Indiana, consists of four counties: Lake and Porter—the two most populous, with coastline along Lake Michigan—and Jasper and Newton, which are mostly rural. The area is coterminous with the Gary Metropolitan Division and is one of four metropolitan divisions in the 14-county Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area (hereafter, Chicago MSA). In 2018, about 19 percent of workers living in the Gary metropolitan area commuted to jobs elsewhere in the Chicago MSA (U.S. Census Bureau, OnTheMap). Industries of significance to the Gary metropolitan area include iron and steel mills and casino gambling.

- The current population of the metropolitan area is estimated at 722,300, rising an average of 2,750, or 0.4 percent, annually since 2017, and accelerating from an average annual gain of 390, or 0.1 percent, from 2010 to 2017 (U.S. Census Bureau decennial census and July 1 estimates, with adjustments by the analyst). An increase in net immigration, partially because of relative housing affordability compared with other parts of the Chicago MSA, has led to higher population growth since 2017.

continued on page 2



continued from page 1

- Higher net in-migration contributed to the higher population growth since 2017, averaging 2,475 people annually, a shift from average annual net out-migration of 1,250 people from 2010 to 2017. The largest source of net in-migration is from the Illinois portion of the Chicago MSA.
- The fastest growing age cohort is the population age 60 and older, which increased an average of 3 percent annually from 2013 to 2019 (2013 and 2019 American Community Survey [ACS] 1-year data). The population of working-age adults age 20 to 59 years old declined about 1 percent annually during that period.

Economic Conditions

Nonfarm payrolls in the Gary metropolitan area are in recovery from jobs lost during the March and April 2020 recession, which was primarily caused by measures to limit the spread of COVID-19. On a monthly, non-seasonally adjusted basis, payrolls declined by 39,600 jobs during the 2-month recession. As of August 2021, 70 percent of payrolls had been recovered from the early-2020 losses. Based on monthly data, the only sector to fully recover is the transportation and utilities sector. By comparison, 81 percent of payrolls in the nation have been recovered, and three sectors—transportation and utilities, professional and business services, and mining, logging, and construction—have fully recovered. Job growth in the Gary metropolitan area also lagged that of the nation during the 2010s. From 2011 to 2019, payrolls increased an average of 0.7 percent annually, including a decline in 2015, growing slower than the nation, which had a 1.6-percent average annual payroll growth rate and no years of decline during the same period.

During the 3 months ending August 2021—

- Total nonfarm payrolls averaged 258,200 jobs, an increase of 6,000 jobs, or 2.4 percent, from the same 3-month period
- Manufacturing jobs, which account for 13 percent of payrolls in the metropolitan area, averaged 33,900, up 1,600 jobs, or 5.0 percent, from a year earlier. Although sector payrolls are 2,000 jobs, or 5.6 percent, below the same period in 2019, a sharp increase in steel prices since late 2020 enabled steel companies to bring back workers furloughed in early 2020, contributing to a partial recovery in the sector.
- The leisure and hospitality sector added the most jobs, up by 3,000, or 10.5 percent, compared with the same period in 2020. The lifting of all capacity restrictions for entertainment venues in Indiana in April 2021 and the opening of the Hard Rock Casino and Hotel in May 2021 supported the recent job gains, but payrolls in the sector remain 2,700 jobs, or 7.8 percent, below the same period in 2019.
- The unemployment rate averaged 6.6 percent, down from 11.9 percent a year earlier but above the 4.3-percent rate

continued on page 3

In the Gary metropolitan area, seven of the nonfarm payroll sectors added jobs, three were unchanged, and one declined during the 3 months ending August 2021.

	3 Months Ending		Year-Over-Year Change	
	August 2020 (Thousands)	August 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	252.2	258.2	6.0	2.4
Goods-Producing Sectors	47.5	48.7	1.2	2.5
Mining, Logging, & Construction	15.2	14.8	-0.4	-2.6
Manufacturing	32.3	33.9	1.6	5.0
Service-Providing Sectors	204.7	209.6	4.9	2.4
Wholesale & Retail Trade	40.3	40.8	0.5	1.2
Transportation & Utilities	16.6	17.0	0.4	2.4
Information	1.7	1.7	0.0	0.0
Financial Activities	8.6	8.6	0.0	0.0
Professional & Business Services	23.4	23.5	0.1	0.4
Education & Health Services	46.2	46.7	0.5	1.1
Leisure & Hospitality	28.7	31.7	3.0	10.5
Other Services	9.8	10.3	0.5	5.1
Government	29.2	29.2	0.0	0.0
Unemployment Rate	11.9%	6.6%		

Note: Numbers may not add to totals due to rounding.

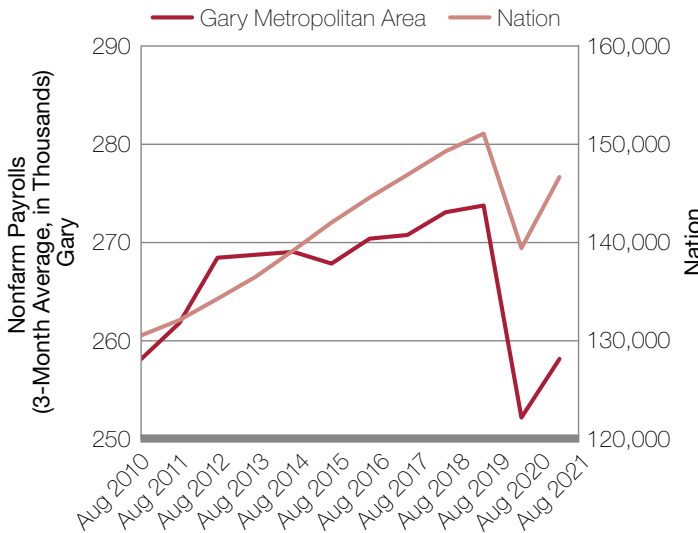
Source: U.S. Bureau of Labor Statistics



continued from page 2

from 2 years earlier. Prolonged social distancing restrictions in Illinois contributed to a higher unemployment rate in the Chicago MSA, averaging 7.7 percent, down from 13.3 percent a year earlier.

During the 3 months ending August 2021, nonfarm payrolls in the Gary metropolitan area were 6 percent below the same period in 2019, compared with a 3-percent deficit in the nation.



Source: U.S. Bureau of Labor Statistics

Ongoing expansions at two major ports in the Gary metropolitan area—the Port of Burns Harbor, on Lake Michigan, and the Gary/Chicago International Airport (GYY)—have supported average annual growth of 800 jobs, or 5.0 percent, in the transportation and utilities sector since 2019. At the Port of Burns Harbor, a \$20 million, 4-year expansion project began in 2019, and during the first half of 2021, the tonnage of shipments was up 24 percent from a year ago. At the Gary/Chicago Airport, which is primarily used for cargo and private jets, several expansion projects have been completed since 2018, including lengthening of the main runway, a customs facility for international arrivals, an additional corporate jet hangar, and the addition of United Parcel Service, Inc. (UPS) flights.

Largest Employers in the Gary Metropolitan Area

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

Note: Excludes local school districts.
Source: Go Hammond, 2019

Sales Market Conditions

The home sales market is currently tight. Home sales prices and home sales are at their highest levels in more than a decade, and the inventory of homes for sale is low. The average home sales price, including new and existing homes, increased 21 percent during the 12 months ending August 2021 to \$253,100 (Zonda). The recent gain is above the 7-percent increase a year earlier and well above the 2-percent average annual increase from 2010 through 2019. During the 12 months ending August 2021, home sales totaled 19,650, up 15 percent from 12 months earlier and more than double the 2011 low. Contributing to the rapidly rising prices is a low inventory of homes for sale, at 1.2 months in August 2021, down from 2.1 months a year earlier (Greater Northwest Indiana Association of Realtors®; includes Jasper, Lake, LaPorte, Newton, Porter, Pulaski, and Starke Counties). Inventory was most recently more than 6 months—generally a sign of balanced conditions—in 2016. Relative affordability compared with the other metropolitan divisions in the Chicago MSA also contributed to tight conditions, as households from elsewhere in the MSA, enabled by the increase in telework since early 2020 and historically low mortgage interest rates, bought homes in the area. During the fourth quarter of 2020, the Gary

metropolitan area was ranked 43rd most affordable among the 55 metropolitan areas in the NAHB-defined Midwest region, compared with rankings of 55th, 50th, and 54th for the other three metropolitan divisions in the Chicago MSA: Chicago-Naperville-Arlington Heights, Elgin, and Lake County-Kenosha County (National Association of Home Builders [NAHB]/Wells Fargo Housing Opportunity Index).

- Existing home sales increased 18 percent, to 18,200, during the 12 months ending August 2021, including a 20-percent increase in regular resales, to 17,850, and a 43-percent decline in real estate owned (REO) sales, to 350 (Zonda). The reduction in REO sales is partially because of provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act allowing homeowners to request mortgage forbearance, limiting foreclosures and REO sales.
- New home sales declined for the first time since 2011, down 6 percent, to 1,450, during the 12 months ending August 2021, following a 12-year high of 1,525 during the previous 12 months. A decline in the supply of vacant, developable lots to build new homes—with 17.7 months of supply during

continued on page 4



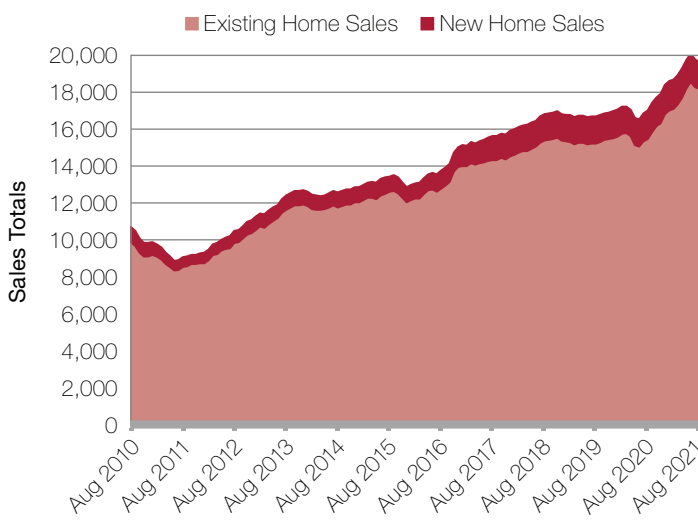
continued from page 3

the second quarter of 2021, down from 24.9 months of supply a year earlier (Zonda)—contributed to the decline in new home sales.

- Both new and existing home prices increased during the 12 months ending August 2021, partially in response to the low inventory of homes for sale and a decline in REO sales, which have an average sales price 20 to 40 percent below regular resale prices. New home sales prices averaged \$365,300, up 16 percent from 12 months earlier, and existing home sales prices averaged \$242,600, up 23 percent from 12 months earlier.
- The share of home loans 90 or more days delinquent, in foreclosure, or transitioned to REO status increased sharply immediately after the early-2020 recession but has fallen most months in 2021, as economic conditions have improved. In the Gary metropolitan area, the rate was 3.5 percent in July 2021, down from a high of 4.9 percent in late 2020 but up from a recent low of 2.2 percent in March 2020 (CoreLogic, Inc.). The current rates in the Chicago MSA and the nation follow a similar trend, at 3.6 and 2.9 percent, respectively, in July 2021, down from highs of 5.2 and 4.4 percent in late 2020 and above the recent lows of 1.7 and 1.3 percent in early 2020.

In response to rising home prices, single-family home construction, as measured by the number of homes permitted, increased during the 12 months ending August 2021, up from relatively high levels in the late 2010s.

New home sales were 7 percent of total home sales in the Gary metropolitan area during the 12 months ending August 2021, down from 9 percent during the 12 months earlier.

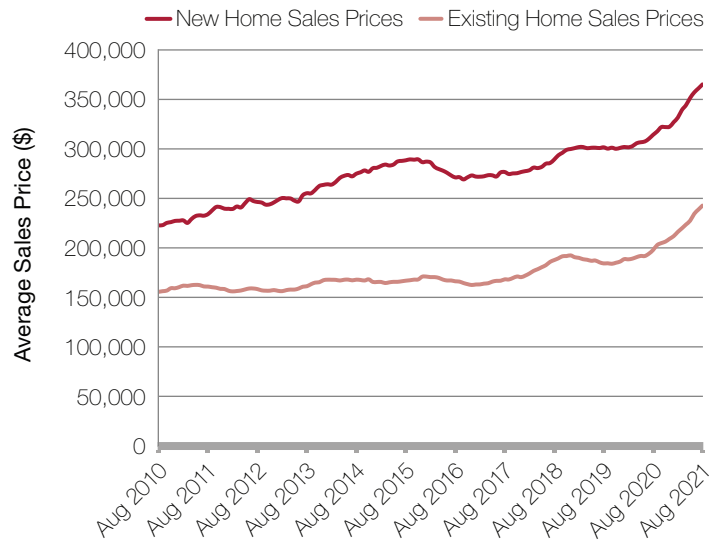


Notes: Includes single-family homes, townhomes, and condominiums. Data for Newton County were not available. Source: Zonda

- During the 12 months ending August 2021, 2,700 single-family homes were permitted, up nearly 50 percent from the 1,850 homes permitted a year earlier. New home construction in the Gary metropolitan area accounted for

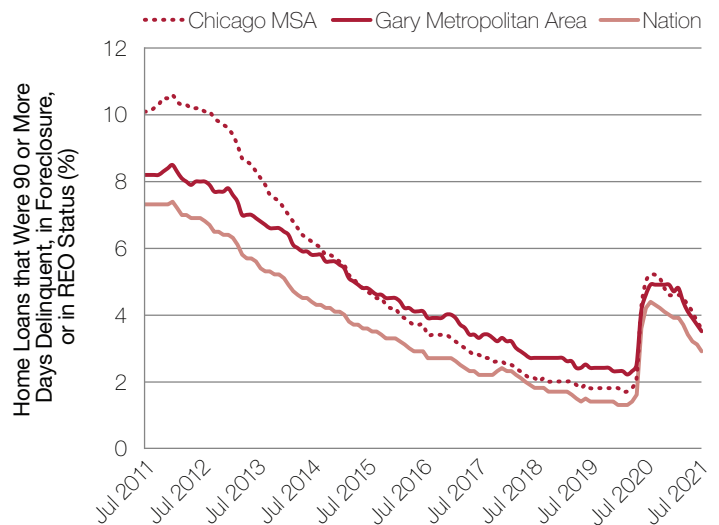
continued on page 5

Since 2010, new and existing home sales prices have increased 64 and 56 percent, respectively, in the Gary metropolitan area.



Notes: Includes single-family homes, townhomes, and condominiums. Data for Newton County were not available. Source: Zonda

The rate of seriously delinquent mortgages and REO properties in the Gary metropolitan area has been declining in 2021.



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

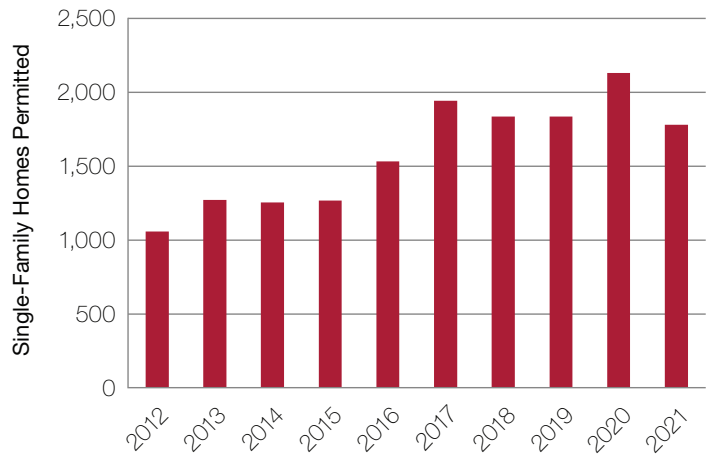


continued from page 4

27 percent of all single-family home construction in the Chicago MSA during the most recent 12 months, despite the area being home to only 7 percent of the MSA population.

- From 2017 through 2020, permitting averaged 1,925 homes annually, up from an average of 1,275 homes annually from 2012 through 2016. A shift to net in-migration and a low inventory of homes for sale contributed to the increase in permitting in the late 2010s.
- The subdivision with the most home sales in the Gary metropolitan area and the Chicago MSA overall was the Gates of Saint John in the central Lake County suburb of Saint John. During the 12 months ending July 2021, 157 homes in the subdivision were sold, with prices ranging from \$193,000 to \$630,000.

Single-family home permitting in the Gary metropolitan area was higher during the 2017-through-2020 period compared with the 2012-through-2016 period.



Note: Includes preliminary data from January 2021 through August 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

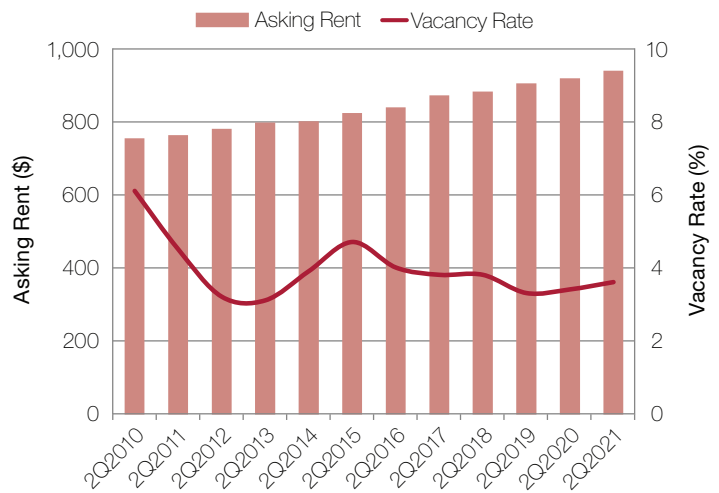
Rental Market Conditions

Rental market conditions are currently balanced in the Gary metropolitan area. A tight home sales market, which has prevented some households from becoming homeowners, and higher net-in migration in recent years, has contributed to a slight acceleration in single-family rent growth and a lower vacancy rate in single-family rental homes compared with a year earlier. The average rent for a professionally managed 3-bedroom single-family home increased to \$1,310 in July 2021, up 5 percent from a year ago and slightly above the average annual increase of 3 percent from 2013 through 2020 (CoreLogic, Inc.). The three-bedroom single-family home vacancy rate has fluctuated between 4.5 and 5.1 percent since 2012 and is currently on the low side of the range, at 4.5 percent in July 2021. Single-family homes account for the largest share of rental units, at 45 percent of occupied rental housing, up from 40 percent in 2010. Large multifamily buildings with 20 or more units, which are most likely to be professionally managed apartments, account for 11 percent of occupied rental units, and the remaining 44 percent are mostly in small and mid-sized buildings with 2 to 19 units (2010 and 2019 ACS 1-year data).

During the second quarter of 2021 —

- Apartment market conditions are also balanced in the Gary metropolitan area. The vacancy rate was 3.6 percent, up 0.2 percentage point from a year earlier, and has been below 4.0 percent since 2017 (Moody's Analytics REIS).

The average apartment rent has increased slowly and steadily since 2011, and the vacancy rate has been relatively stable since 2016.



2Q = second quarter. YoY = year-over-year. Source: Moody's Analytics REIS

- The average apartment asking rent was \$938, up 2 percent from a year ago—the same rate of increase as the 2-percent average annual rent growth from the second quarter of 2011 through the second quarter of 2019.
- The RealPage, Inc.-defined Gary/Hammond apartment market area is one of two market areas in the metropolitan

continued on page 6



continued from page 5

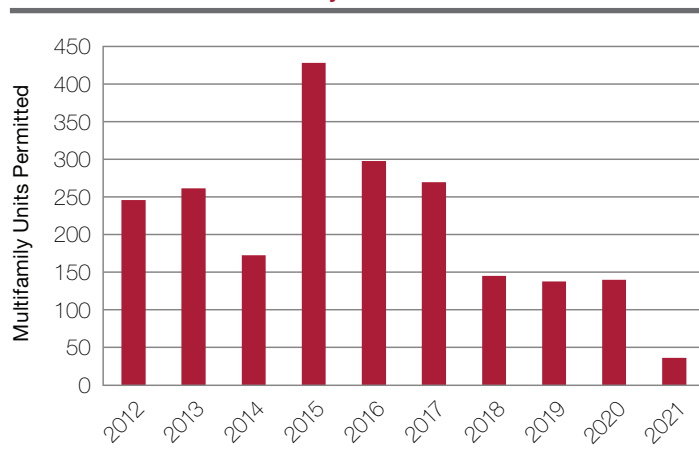
area. It includes cities and towns in northern Lake County and is proximate to many of the steel mills in the metropolitan area. The average rent increased 1 percent to \$921, and the vacancy rate was 3.3 percent, up 0.8 percentage point from a year earlier.

- The RealPage, Inc.-defined Merrillville/Portage/Valparaiso market area includes central and southern Lake County and all of Porter County. The average rent increased 12 percent to \$1,102, and the vacancy rate was 2.7 percent, down 1.4 percentage points from a year earlier.

Most of the demand for additional rental units in the Gary metropolitan area has been met by single-family homes that have shifted to the rental market, with an estimated 72 percent of rental unit growth attributed to previously owner-occupied units shifting to renter occupancy since 2010. For that reason, new multifamily construction, as measured by the number of units permitted, has been relatively limited.

- During the 12 months ending August 2021, multifamily home permitting declined to 80 units, down from 110 units during the previous 12 months (preliminary data). Slower-than-the-nation economic recovery, combined with demand concentrated in the single-family home market, contributed to the decline.
- From 2018 through 2020, multifamily permitting in the Gary metropolitan division was a disproportionately small share of permitting in the Chicago MSA, at less than 2 percent of all multifamily units permitted, despite the Gary metropolitan division being home to 7 percent of the population. The share of multifamily units permitted in buildings with two to

In the Gary metropolitan area, multifamily permitting averaged 140 units annually from 2018 through 2020, below levels from the early and mid-2010s.



Note: Includes preliminary data from January 2021 through August 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

four units was much higher in the Gary area, at 52 percent, compared with 11 percent in the Chicago MSA.

- The most recently completed apartment is The Illiana, a 32-unit property in Whiting completed in 2020, with ground-floor retail space. All units have two bedrooms and two bathrooms, and rents range from \$1,600 to \$1,700.
- The Promenade at Founders Square, a two-phase, 304-unit apartment property completed in 2019, is the most recently completed large apartment development. Rents for studio, one-bedroom, two-bedroom, and three-bedroom units average \$842, \$1,105, \$1,432, and \$1,757, and the property is fully occupied.