

COMPREHENSIVE HOUSING MARKET ANALYSIS

Gary, Indiana

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of August 1, 2018



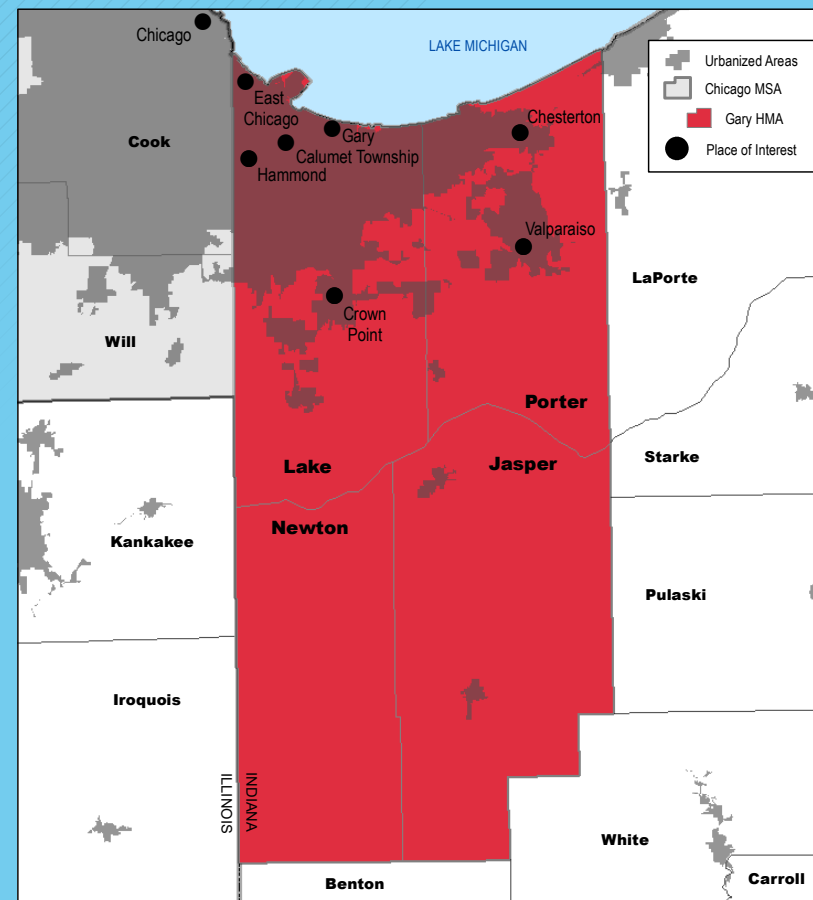
Executive Summary

Housing Market Area Description

The Gary Housing Market Area (HMA) is coterminous with the Gary, Indiana Metropolitan Division and is comprised of the four counties of the Chicago-Naperville-Elgin Metropolitan Statistical Area (MSA) located in Indiana: Jasper, Lake, Newton, and Porter Counties.

The current population is estimated at 701,600.

The HMA is an industrial center of the Chicago-Naperville-Elgin 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.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-At-A-Glance [tool](#).

For additional information pertaining to the housing market for this HMA, go [here](#).

For information on HUD-supported activity in this area, see the Community Assessment Reporting [Tool](#).



Market Qualifiers

Economy



Stable, with **100 jobs added** during the 12 months ending July 2018

The economy has been growing moderately since 2014, although growth has slowed during the past 12 months, rising by 100 jobs, or less than 0.1 percent, to 277,200 jobs. Recent job gains have been concentrated in the goods-producing sectors, and two of the largest employers are steel manufacturers. During the next 3 years, nonfarm payrolls are expected to decline an average of 0.1 percent annually.

Sales Market



Balanced, with a **6% home sales price increase** during the 12 months ending June 2018

The home sales market is balanced, with a current vacancy rate of 1.8 percent, down from 2.1 percent during April 2010. The inventory of homes for sale fell to 3.8-months supply in June 2018, from 4.3 months a year earlier. Home sales declined less than 1 percent during the 12 months ending June 2018, and average home prices rose 6 percent, to \$193,700 (CoreLogic, Inc.). During the 3-year forecast period, demand is estimated for 2,950 additional units. The 550 units under construction are expected to meet a portion of demand during the first year of the 3-year forecast period.

Rental Market



Soft, with a **65% decline** in the number of rental units permitted during the 12 months ending July 2018

Rental market conditions in the HMA are soft, with an overall vacancy rate of 9.0 percent, relatively unchanged from 9.3 percent in April 2010. Annual rent growth in the HMA has averaged 1 percent annually since 2010, lagging average national growth of nearly 4 percent annually. During the next 3 years, the 150 apartments under construction are expected to meet demand for additional units.

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3-Year Housing Demand Forecast

Gary HMA	Sales Units	Rental Units
	Total Demand	0
	Under Construction	150

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2018. The forecast period is August 1, 2018, to August 1, 2021.

Source: Estimates by analyst



Economic Conditions

Largest sector: Education & health services

The education and health services sector has been the fastest growing payroll sector in the HMA since 2000 (Figure 1).

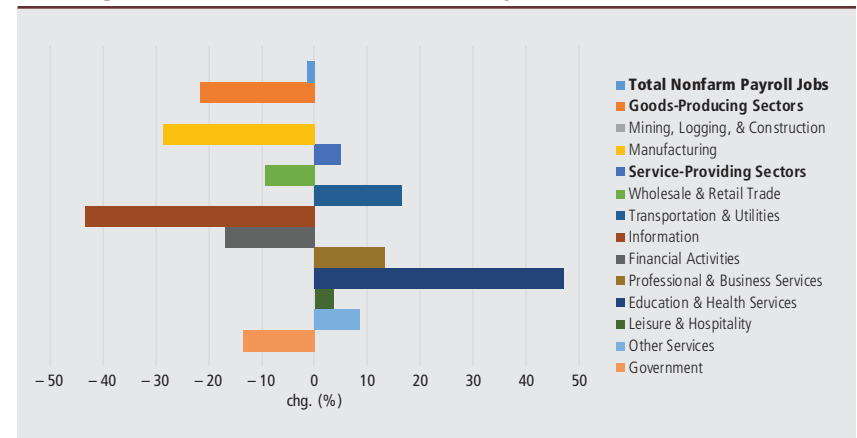
Primary Local Economic Factors

The Gary HMA developed as an industrial area linked to the water and rail transportation center in the city of Chicago. U.S. Steel, the world's first billion-dollar corporation, founded the city of Gary in 1906, and the area is still one of the nation's leading steel manufacturers. The HMA economy has since diversified to include large hospitals and casinos.

Nonfarm Payroll Trends – Overview

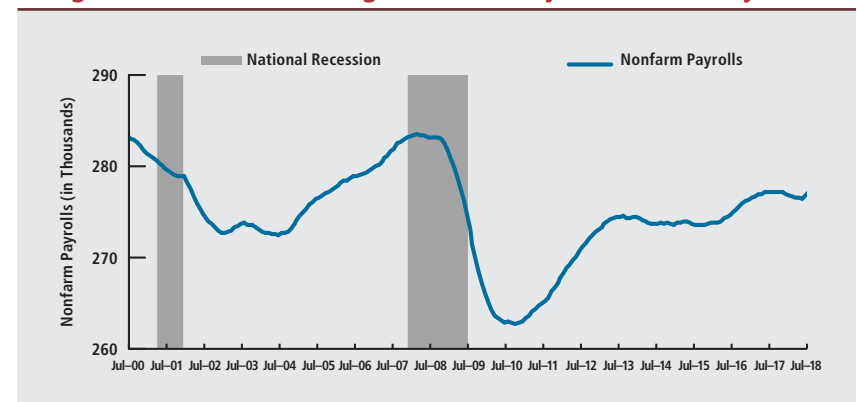
Economic conditions in the Gary HMA are moderately improving, continuing the recovery that began in 2015. From 2001 through 2002, nonfarm payrolls decreased an average of 4,300 jobs, or 1.6 percent, annually led by declines in the manufacturing sector. Nonfarm payroll growth averaged 2,100 jobs, or 0.8 percent, annually from 2003 through 2007 (Figure 2). The effects of the national recession, which began in December 2007 and ended in June 2009, caused employment declines in the HMA. Nonfarm payrolls in the HMA fell by 6,800 jobs, or 2.5 percent, annually from 2008 through 2010, more sharply than the 2.3- and 1.9-percent annual declines in the Chicago-Naperville-Elgin MSA and the nation, respectively. Following the effects of the national recession, economic conditions improved in the HMA, and payrolls increased by an average of 3,800 jobs, or 1.4 percent, annually from 2011 through 2013, with significant gains in the mining, logging, and construction sector. Even with a moratorium on Chinese steel imports and tariffs on imported steel, economic growth moderated from 2014 through 2017, with payrolls rising by 600 jobs, or 0.2 percent, annually. Gains during the period in the education and health services sector were partially offset by losses in the goods-producing sectors and the government sector.

Figure 1. Sector Growth in the Gary HMA, 2000 to Current



Source: U.S. Bureau of Labor Statistics

Figure 2. 12-Month Average Nonfarm Payrolls in the Gary HMA



Note: Annual data.

Source: U.S. Bureau of Labor Statistics

Current Conditions – Nonfarm Payrolls

During the 12 months ending July 2018, nonfarm payrolls in the Gary HMA increased by 100 jobs, or less than 0.1 percent, to 277,200 jobs (Table 1), following growth of 0.8 percent, or 2,100 jobs, during the previous 12 months. Since 2010, nonfarm payrolls have moderately expanded every year except 2014, following declines from 2007 through 2010, but are still more than 2 percent below the prerecessionary peak of 283,300 jobs in 2007.

Current Conditions – Unemployment

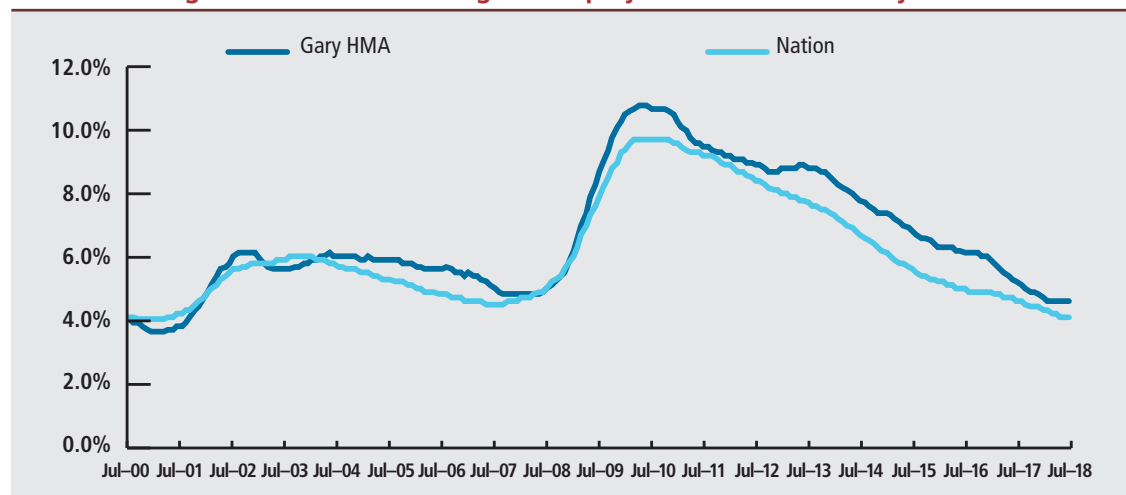
The unemployment rate, which peaked at 10.5 percent during 2010, averaged 4.6 percent during the 12 months ending July 2018, down from 5.2 percent a year earlier. By comparison, the national unemployment rate declined from an average of 4.6 percent to 4.1 percent during the period. Labor force declines since 2016 have contributed to the declining unemployment rate. Figure 3 shows trends in the unemployment rate from 2000 to current.

Table 1. 12-Month Average Nonfarm Payroll Jobs in the Gary HMA, by Sector

	12 Months Ending July 2017	12 Months Ending July 2018	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	277.1	277.2	0.1	0.0
Goods-Producing Sectors	52.7	53.2	0.4	0.8
Mining, Logging, & Construction	17.0	17.5	0.5	2.9
Manufacturing	35.7	35.7	- 0.1	- 0.2
Service-Providing Sectors	224.4	224.0	- 0.4	- 0.2
Wholesale & Retail Trade	43.6	43.3	- 0.3	- 0.7
Transportation & Utilities	15.3	15.5	0.2	1.4
Information	2.0	1.9	- 0.1	- 4.9
Financial Activities	8.7	8.7	0.0	0.0
Professional & Business Services	23.3	23.5	0.2	0.7
Education & Health Services	51.6	51.9	0.2	0.5
Leisure & Hospitality	32.1	31.4	- 0.8	- 2.4
Other Services	13.6	13.5	- 0.1	- 0.7
Government	34.1	34.4	0.3	0.9

Notes: Based on 12-month averages through July 2017 and July 2018. Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Figure 3. 12-Month Average Unemployment Rate in the Gary HMA



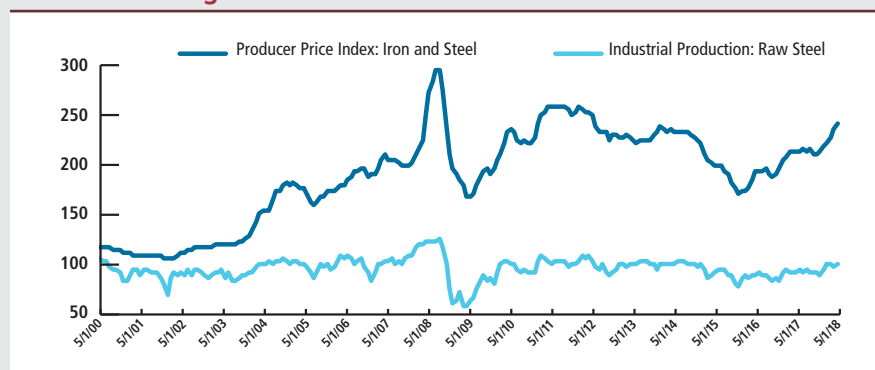
Source: U.S. Bureau of Labor Statistics

Economic Sectors of Significance

Manufacturing

The steel industry has been an integral part of the HMA economy since the early 1900s. Following World War II, the U.S. steel industry dominated the world. In 1959, approximately 11 percent of domestic steel production was exported, but by 1998, even with a 65-percent increase in domestic steel production, only 5 percent was exported (Statistical Abstract of the United States, 1960 and 2000). Imported steel had increased nearly 200 percent during the period, bringing increased competition and lower prices to the United States. These national trends had a large impact in the Gary HMA. Domestic steel production is greatest in Indiana, and this production is concentrated in the northwest part of the state, including the HMA. In 1990, the manufacturing sector was the largest employment sector in the HMA, with more than 22 percent of nonfarm payrolls. The sector steadily declined, and the wholesale and retail trade sector surpassed it in 2001. In 2017, the state of Indiana produced 34 percent more steel than it did in 1990, but with 33 percent fewer workers (U.S. Geological Survey, Minerals Yearbook and Historical Statistics for Mineral and Material Commodities). Increased productivity and automation contributed to a reduction in the number of manufacturing jobs in the HMA.

Figure 4. National Steel Production and PPI



Note: PPI data indexed 1982 = 100, production data indexed 2012 = 100.
Source: St. Louis Federal Reserve, FRED data

From 2001 through 2010, the manufacturing sector lost an average of 1,600 jobs, or 3.8 percent, annually. Rising steel prices encouraged job growth from 2011 through 2013, and the sector added an average of 700 jobs, or 2.1 percent, annually. Even with limits on imported steel, lower steel prices led to a decline in domestic steel production from 2014 through 2017 (Figure 4), and the manufacturing sector lost an average of 100 jobs, or 0.3 percent, annually. During the 12 months ending July 2018, the manufacturing sector also lost 100 jobs, or 0.2 percent.

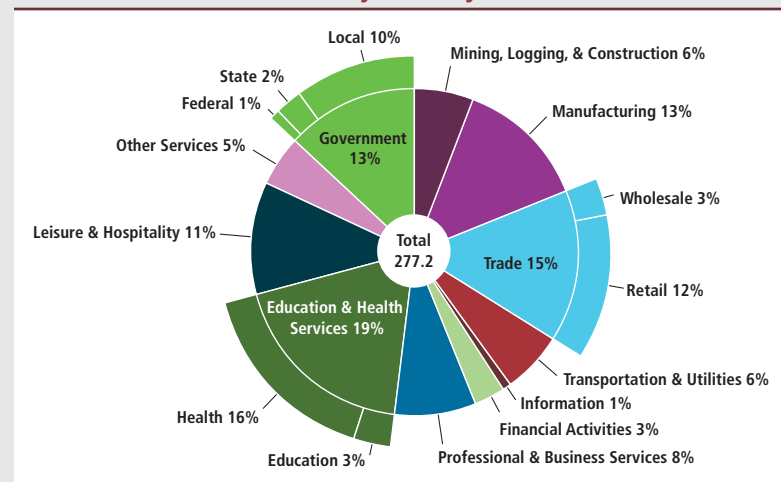
Transportation and Utilities

The Port of Indiana-Burns Harbor (hereafter, The Port), although not one of the largest employers in the HMA, does have an economic impact in the HMA. The Port handled 2.6 million tons of cargo in 2016, down from a peak of 3.2 million tons in 2014 (Ports of Indiana). The Port supported 29,825 direct jobs and generated \$4.87 billion in economic activity in 2014 (Ports of Indiana). From 2001 through 2008, jobs in the transportation and utilities sector increased an average of 300 jobs, or 1.9 percent, annually, before declining by 1,100 jobs, or 7.0 percent, annually from 2009 through 2010. Following the local effects of the national recession, sector job growth returned, with payrolls increasing by an average of 500 jobs, or 3.7 percent, a year from 2011 through 2014. Since 2014, sector growth has stalled, with no net gain in jobs since 2015, but job growth is expected during the next 3 years. The Port is expected to receive a \$9.85 million federal grant to build more infrastructure to handle multimodal containers. The grant will support a larger \$19.9 million infrastructure expansion project to expand the Port's cargo handling capacity. The planned expansion will include a 2.3-acre cargo terminal, 6-acre truck marshalling yard, 4.4 miles of rail, and two new rail yards to store up to 165 rail cars. Construction is expected to begin in late 2018 and be completed by 2022 and will create an unannounced number of construction jobs.

Education and Health Services

The education and health services sector is the largest payroll sector in the HMA (Figure 5), and the only sector in the HMA to gain jobs every year since 2000. Five of the largest employers in the HMA are hospitals (Table 2). During the 12 months ending July 2018, the sector increased by 200 jobs, or 0.5 percent, to 51,900 jobs. By comparison, the sector grew by an average of 1,000 jobs, or 2.3 percent, annually from 2001 through 2017. The sector gains have been concentrated in the healthcare and social assistance industry, which grew by 400 jobs during the 12 months ending July 2018, offsetting losses of 200 jobs in the educational services industry. Construction is currently underway on a 45,000-square-foot medical office building in Valparaiso. When complete, the building is expected to house three tenants, including Porter Regional Hospital facilities, a dialysis center, and a doctor's office. No announced jobs are associated with this new building.

Figure 5. Current Nonfarm Payroll Jobs in the Gary HMA by Sector



Note: Total nonfarm payrolls is in thousands.
Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Gary HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
ArcelorMittal	Manufacturing	5,000–9,000
Franciscan	Education & Health Services	2,500
Horseshoe Casino & Hotel	Leisure & Hospitality	1,866
Porter Valparaiso Hospital	Education & Health Services	1,600
BP America	Manufacturing	1,500
Purdue University Calumet	Government	1,109
Saint Margaret Mercy Healthcare	Education & Health Services	1,000–4,999
Community Hospital	Education & Health Services	1,000–4,999
St. Anthony Medical Centers	Education & Health Services	1,000–4,999
Ameristar East Chicago Casino	Leisure & Hospitality	1,000–4,999

Note: Excludes local school districts.

Sources: Economy.com; Go Hammond 2018

Commuting Patterns

Approximately 234,500 workers aged 16 years and older, or 77 percent of the HMA population, both live and work in the Gary HMA (U.S. Census, 2009–2013 5-year American Community Survey [ACS] Commuting Flows). More than 16 percent of working residents of the HMA commute to Cook County, the employment center of the Chicago-Naperville-Elgin MSA.

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to decrease an average of 0.1 percent, or by 270 jobs, annually. Growth in the transportation and utilities, and manufacturing sectors should largely offset losses in other sectors. Job growth is expected to continue in the transportation and utilities sector, as the previously mentioned expansions and hiring take place. Job gains in the manufacturing sector are forecast to be moderate. 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 workers 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 HMA.

Population and Households

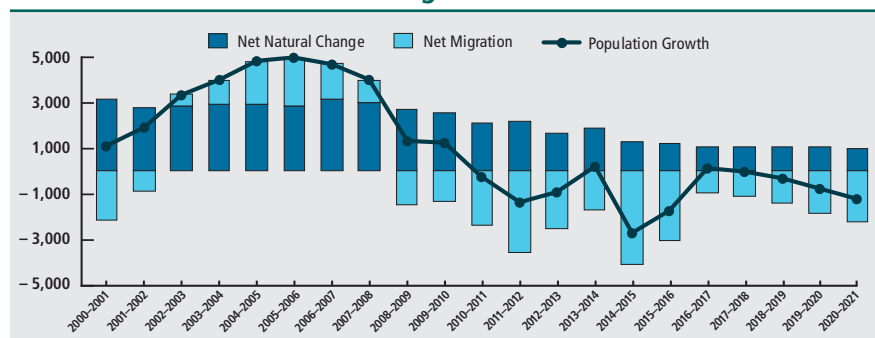
Current population: 701,600

The HMA population has declined since 2010, partly because of rapidly slowing net natural change.

Population Trends

Population trends have largely mirrored economic conditions in the Gary HMA since 2000. From April 2000 to 2002, when nonfarm payrolls were falling, the HMA population grew moderately by an average of 1,575, or 0.2 percent, annually, with average annual net out-migration of 1,450 people. As economic conditions improved, population growth surged to an average of 4,400, or 0.6 percent, annually from 2002 to 2007. This growth was supported by a switch to average net in-migration of 1,400 people annually (Figure 6). From 2007 to 2010, following the local effects of the national recession, population growth slowed to an average of 2,375, or 0.3 percent, annually. During the period, net out-migration averaged 480 people annually. Even with improving economic conditions from 2011 through 2013, the HMA population declined from

Figure 6. Components of Population Change in the Gary HMA 2000 through the Forecast



Note: Net natural change and net migration totals are average annual totals over the time period.
Source: U.S. Census Bureau

April 2010 to 2013, falling by 730, or 0.1 percent, annually, because of average annual net out-migration of 1,275 people. Slowing economic growth since 2013 led to continued population declines, with population losses averaging 1,025, or 0.1 percent, annually from 2013 to 2017. Net out-migration slowed to an average of 380 people annually. Steep declines in net natural change (resident births minus resident deaths), which averaged 1,400 people annually from 2013 to 2017 compared with an average of 2,950 people annually during the previous decade, limited population gains.

From 2011 through 2016, the urban portion of Lake County had average population declines of more than 1 percent annually, including the towns of East Chicago, Calumet, and Hammond (Map 2). By comparison, large portions of Porter County, including the towns of Chesterton and Valparaiso, had average annual population growth greater than 1 percent. The two southern counties of the HMA, Newton and Jasper, are more rural and generally had average population losses of 1 percent annually from 2011 through 2016.

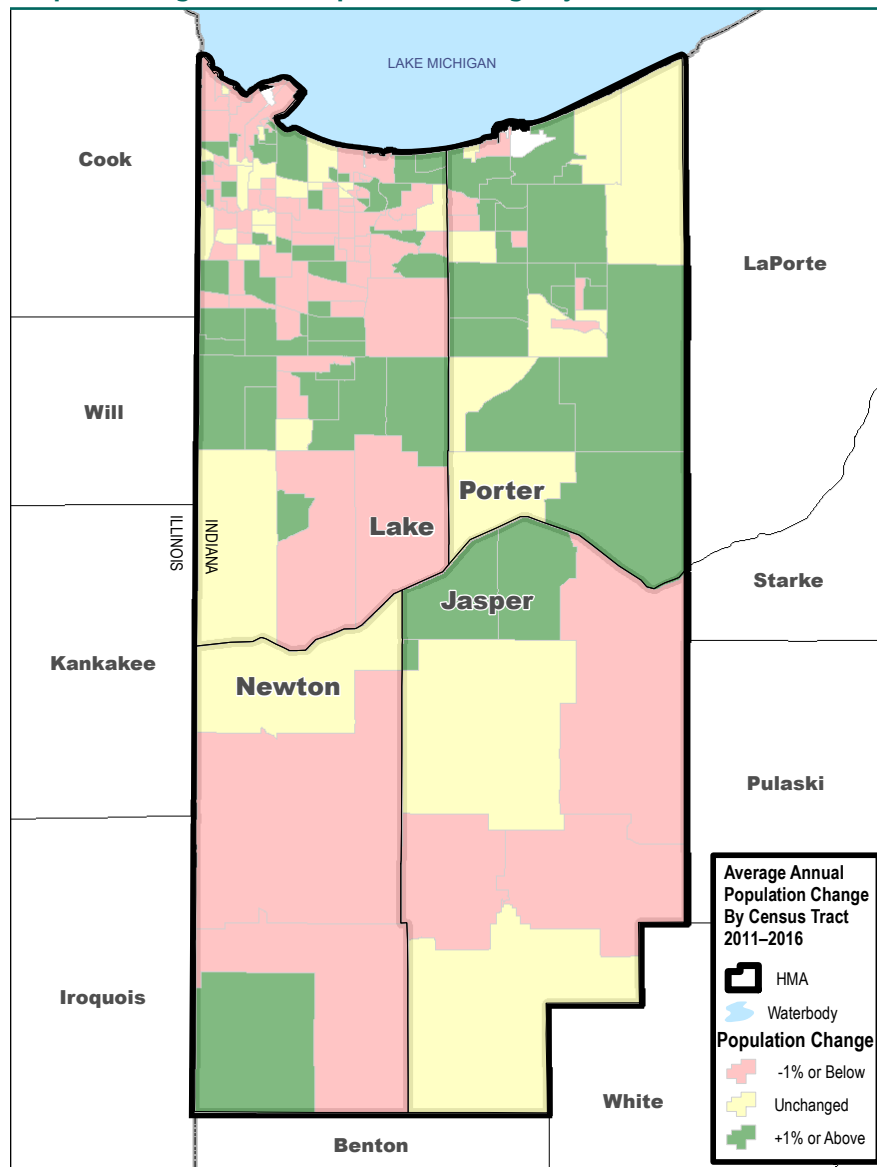
Age Cohort Trends

In the Gary HMA, people aged 18 to 64 years old account for 61 percent of the total population (Figure 7). The fastest growing cohort is people aged 65 and older. The share of residents aged 65 and older grew from 13 percent of the total population in 2010 to 16 percent in 2017. By comparison, the population under the age of 18 fell from 25 percent in 2010 to 23 percent in 2017. The rising share of older residents is partly the cause of slower net natural increase since 2010.

Household Trends

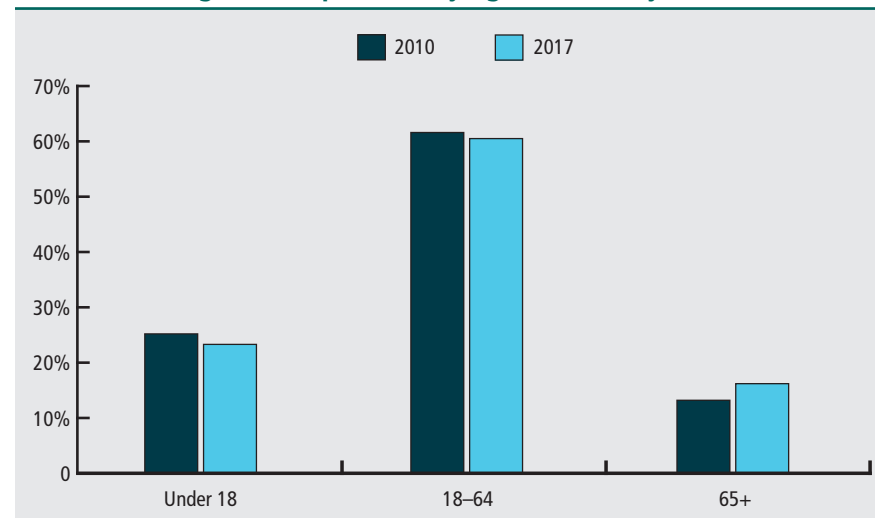
Even with population declines, household growth has continued since 2010, although at a slower pace than the previous decade. Since 2010, the number of households increased by an average of 770, or 0.3 percent, annually, down from an average increase of 1,550 households, or 0.6 percent, annually

Map 2. Average Annual Population Change by Census Tract 2011–2016



Source: U.S. Census Bureau

Figure 7. Population by Age in the Gary HMA



Source: American Community Survey, 2010 and 2017, 1-year data

from 2000 to 2010 (Table 3). During the 2000s, approximately 76 percent of additional households were owner-households, contributing to an increase in the homeownership rate from 2000 to 2010. Since 2010, the number of additional owner-households fell to 65 percent of total household growth. The moderate decline in the rate of owner household growth led to a decline in the homeownership rate, from 71.5 percent in 2010 to 71.4 percent in August 2018 (Figure 8).

Forecast

Population decline is expected to continue during the 3-year forecast period, similar to the rate since 2010. Labor force declines and fewer jobs are expected to contribute to ongoing net out-migration. During the next 3 years, population is expected to decrease by an average of 750, or 0.1 percent, annually.

Table 3. Gary HMA Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	708,070	701,600	699,400
	Average Annual Change	3,200	– 770	– 750
	Percentage Change	0.5%	– 0.1%	– 0.1%

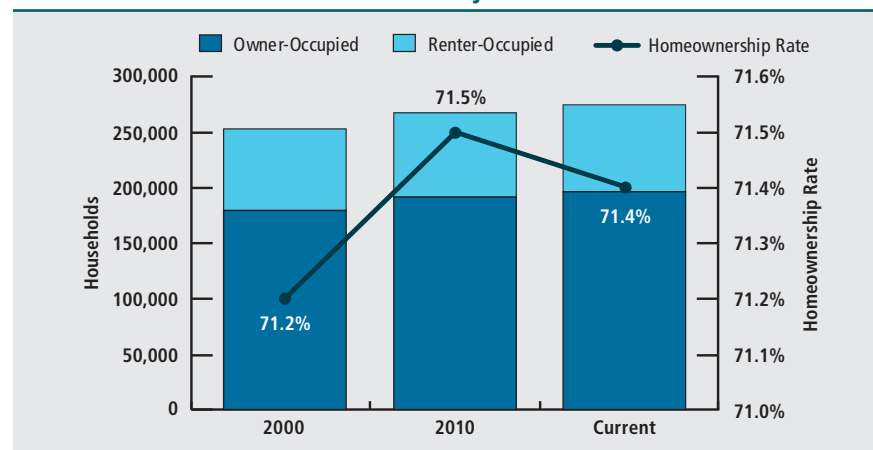
Household Quick Facts		2010	Current	Forecast
	Households	267,890	274,300	275,300
	Average Annual Change	1,550	770	320
	Percentage Change	0.6%	0.3%	0.1%

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Household growth is expected to slow further, to an average of 320, or 0.1 percent, annually, partially because of the slowdown in population growth. Owner households are expected to comprise 65 percent of total household growth during the next 3 years and will likely support current homeownership rates.

Figure 8. Households by Tenure and Homeownership Rate in the Gary HMA



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Home Sales Market Conditions

Market Conditions: Balanced

Home sale prices rose 6 percent during the 12 months ending June 2018, the strongest rate of annual growth since 2010.

Current Conditions

The sales housing market in the Gary HMA is currently balanced, with an estimated sales vacancy rate of 1.8 percent (Table 4), down from 2.1 percent in 2010. The for-sale inventory for single-family homes, townhomes, and condominiums in the HMA fell from a 4.3-months supply in June 2017 to a 3.8-months supply in June 2018 (Greater Northwest Indiana Association of Realtors®). A decline in existing home sales led the slight decline in home sales in the HMA to 16,300 homes sold during the 12 months ending June 2018, down less than 1 percent compared with the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). The average home sales price rose 6 percent to \$193,700.

Table 4. Home Sales Quick Facts in the Gary HMA

Home Sales Quick Facts	Gary HMA		Nation
	Vacancy Rate	1.8%	NA
	Months of Inventory	3.8	4.3
	Total Home Sales	16,300	6,013,000
	1-Year Change	- 0.5%	- 1.5%
	Average Price-Total	\$193,700	\$289,400
	1-Year Change	6.3%	6.1%
	Average Price-New	\$278,800	\$377,400
	1-Year Change	5.8%	3.4%
	Mortgage Delinquency Rate	2.8%	2.0%

NA = data not available.

Note: Vacancy rate is as of the current date, home sales and prices are for the 12 months ending June 2018, and months of inventory and mortgage delinquency data are as of June 2018.

Sources: NAR, Greater Northwest Indiana Association of Realtors®, CoreLogic, Inc.

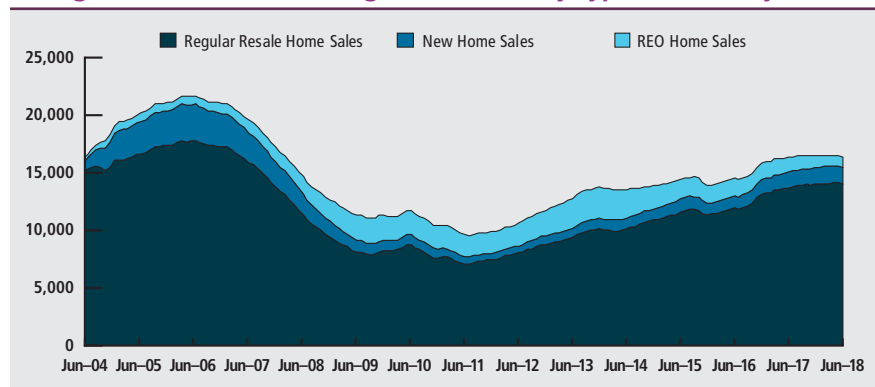
New and Existing Home Sales

Existing home sales (which include regular resales and real estate owned [REO] sales) in the HMA increased from 2004 through 2006, before falling from 2007 through 2011, and have generally increased each year since. From 2004 through 2006, existing home sales rose an average of 990 sales, or 6 percent, annually. From a prerecession high of 18,250 existing home sales during 2006, sales fell an average of 12 percent, or by 1,700 sales, annually to a recent low of 9,700 sales during 2011 (CoreLogic, Inc., with adjustments by the analyst). Since 2011, existing home sales have risen, although the increase slowed after 2013. During 2012 and 2013, existing home sales rose by an average of 1,775, or 17 percent, annually, before slowing to an average gain of 490 sales, or 4 percent, annually from 2014 through 2017. During the 12 months ending June 2018, a decline in REO sales led to a decline in existing home sales, which averaged 15,050, down 1 percent from the 15,200 sales recorded a year earlier.

New home sales have generally increased since a low in 2011, following a sharp decline from the peak in 2005. The 1,425 new home sales during the 12 months ending June 2018 was an increase of 4 percent from a year earlier but far below the peak of 3,000 new homes sold during 2005 (CoreLogic, Inc., with adjustments by the analyst). Following the recent peak in 2005, new home sales declined an average of 25 percent annually to 550 homes sold in 2011, as economic conditions worsened. From 2012 through 2013, new home sales increased an average of 31 percent annually before the rate of growth slowed to an average of 12 percent a year from 2014 through 2017 (Figure 9).

New and Existing Home Sale Prices

The average sales price for existing homes peaked during 2007 at \$185,200, the same year that economic conditions in the HMA began to decline and fell an average of nearly 11 percent annually to a recent low of \$147,700 during 2009. The prevalence of real estate owned (REO) sales, which grew to an average of

Figure 9. 12-Month Average Total Sales by Type in the Gary HMA

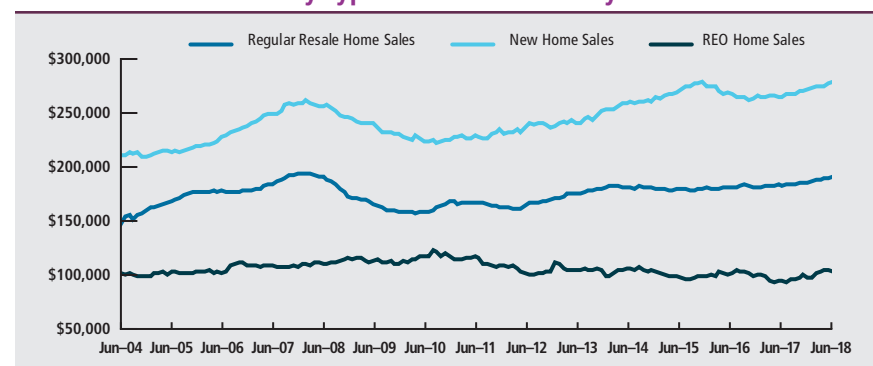
Source: CoreLogic, Inc., with adjustments by analyst

20 percent of all existing sales from 2009 through 2013, impacted average sales prices, particularly in the period of rapidly declining prices from 2008 through 2009. From 2008 through 2009, the average REO sales price was only 68 percent of the average sales price for all existing homes. From 2010 through 2017, when the economy improved, the average existing home sales price increased 2 percent annually to \$178,400. During the 12 months ending June 2018, the average sales price for existing homes was \$185,000, approximately 6 percent higher than the average price of \$174,500 a year ago, and nearly equal the previous peak in 2007.

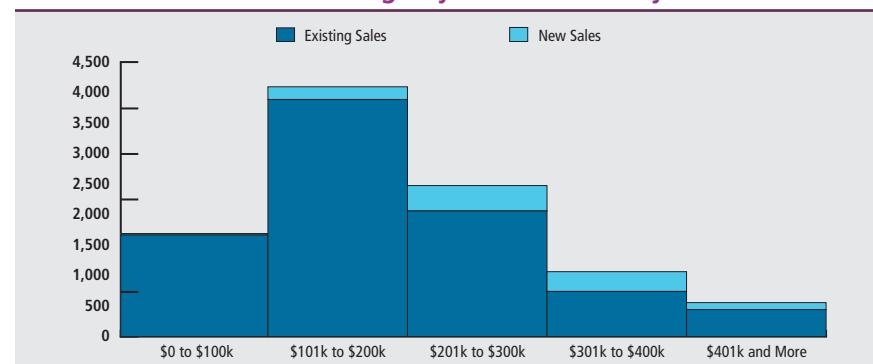
The average sales price for a new home during the 12 months ending June 2018 was \$278,800, reflecting an increase of nearly 6 percent from a year earlier. By contrast, sales prices decreased an average of 1 percent a year from 2006 through 2011, to a low of approximately \$230,600. An increase in demand from improving economic conditions caused sales prices to increase beginning in 2012; from 2012 through 2013, the sales price increased an average of 5 percent annually and rose an average of 2 percent annually from 2014 through 2017 (Figure 10). During the 12 months ending June 2018, nearly 40 percent of new homes sold in the \$201,000-to-\$300,000 sales price range (Figure 11).

REO Sales and Delinquent Mortgages

The national foreclosure crisis had a large impact within the HMA. Following an increase in the number of seriously delinquent mortgages and REO properties from 2009 through 2012, conditions have improved recently. During January 2010, the rate of seriously delinquent mortgages and REO properties peaked at 9.4 percent of all home loans, compared with 1.7 and 7.0 percent in January 2000 and January

Figure 10. 12-Month Average Sales Price by Type of Sale in the Gary HMA

Source: CoreLogic, Inc., with adjustments by analyst

Figure 11. Sales by Price Range During the 12 Months Ending July 2018 in the Gary HMA

Source: Metrostudy, A Hanley Wood Company

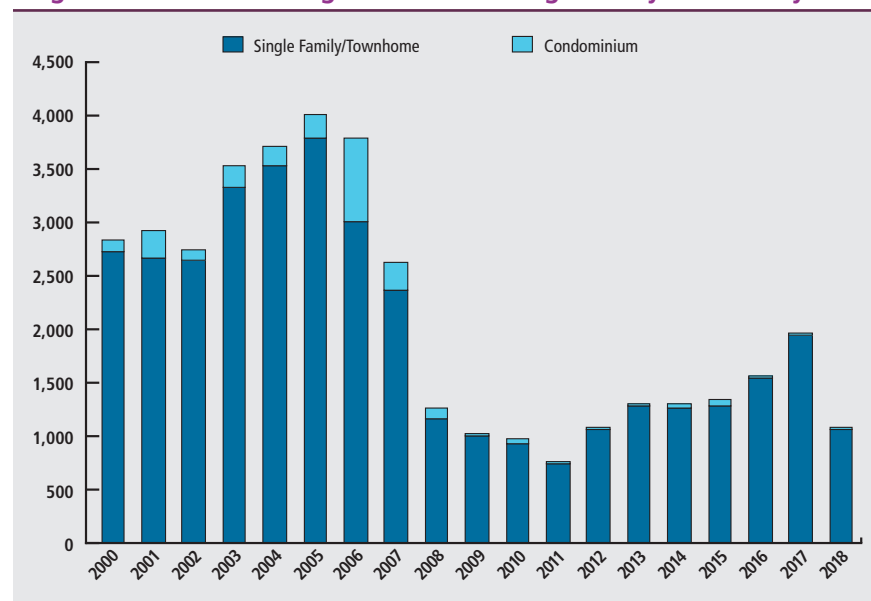
2009, respectively (CoreLogic, Inc., with adjustments by the analyst). By comparison, seriously delinquent mortgages and REO properties accounted for 8.6 percent of home loans nationally in January 2010. REO home sales averaged 2,200 annually from 2009 through 2013, accounting for 20 percent of all existing home sales in the HMA (CoreLogic, Inc., with adjustments by the analyst). By contrast, from 2004 through 2008, approximately 1,100 REO homes sold annually, accounting for less than 7 percent of existing home sales. Since 2013, as the sales market improved, REO home sales declined to 1,450 sales in 2016, accounting for 10 percent of existing home sales, and fell further to 840 sales, or 6 percent of existing sales, during the 12 months ending June 2018. The rate of seriously delinquent mortgages and REO properties declined to 2.8 percent in June 2018, down from 3.4 percent a year earlier, but higher than the national rate of 2.0 percent.

Sales Permit Activity

Beginning in 2012, builders responded to the increase in new home sales by increasing home construction (Figure 12). New home construction was strong from 2003 through 2006, when an average of 3,550 homes were permitted annually. At the same time net in-migration began to slow from its peak during 2006, demand for new homes declined, and permits fell sharply to 760 homes during 2011, a decline of 11 percent annually. The number of homes permitted during 2011 was the lowest level in the HMA since the mid-1980s. Builders responded to improving economic conditions and rising new home sales prices, and an average of 1,300 homes were permitted annually from 2012 through 2016. During the 12 months ending July 2018, the number of homes permitted increased by 150 homes, or 8 percent, from the previous 12 months, to 1,925 homes permitted (preliminary data). Condominium construction averaged 270 units annually from 2000 through 2007, before declining to an average of 40 units annually from 2008 through 2017.

New home construction is mostly occurring within 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.

Figure 12. Annual Average Sales Permitting Activity in the Gary HMA



Note: Annual data 2000–2017. Monthly data is preliminary.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Forecast

During the 3-year forecast period, demand is expected for 2,950 new homes, with demand evenly distributed annually during the 3-year period (Table 5). The 550 homes currently under construction will satisfy some of the demand during the first year of the forecast.

Table 5. Demand for New Sales Construction Units in the Gary HMA During the Forecast Period

Sales Units	
Demand	2,950 Units
Under Construction	550 Units

Source: Estimates by analyst

Rental Market Conditions

Market Conditions: Soft

An increased number of single-family homes offered for rent and higher levels of apartment construction during 2016 has led to slow rent growth.

Current Conditions

Rental housing market conditions in the Gary HMA are soft, with a vacancy rate of 9.0 percent as of August 1, 2018, near the April 2010 rate of 9.3 percent (Table 6). The soft overall rental market conditions are partly because of an increase of 1,800 single-family homes offered for rent since 2010 and slow renter household growth (2010 and 2016 1-year ACS data). Apartment market conditions in the HMA are balanced, with a 5.3-percent vacancy rate during the second quarter of 2018, down slightly from 5.5 percent a year earlier (RealPage, Inc.).

Recent Trends

Economic growth from 2011 through 2013 and renter household growth led to improving rental market conditions. The apartment vacancy rate fell from 9.0 percent during the third quarter of 2011 to 4.9 percent in the first quarter of 2014 (Figure 13). A surge in apartment construction caused rental market conditions to weaken, and vacancy rates rose to a recent peak of 11.0 percent during the first quarter of 2015. A decline in apartment construction since 2015 allowed new units to be absorbed, and apartment vacancy rates declined to 4.2 percent in the third quarter of 2017.

Average asking rents in the HMA increased at an average of less than 1 percent annually from 2010 through 2017, compared with average annual national gains of more than 3 percent (RealPage, Inc.). During the second quarter of 2018, average rents rose 1 percent, to \$844, from the same quarter a year earlier. By comparison, national average rents rose nearly 5 percent, to \$1,405.

Table 6. Rental and Apartment Market Quick Facts in the Gary HMA

	2010	Current
Rental Market Quick Facts		
Rental Vacancy Rate	9.3%	9.0%
Occupied Rental Units by Structure		
Single-Family Attached & Detached	40%	41%
Multifamily (2-4 units)	21%	18%
Multifamily (5+ units)	37%	38%
Other (including Mobile Homes)	2%	3%

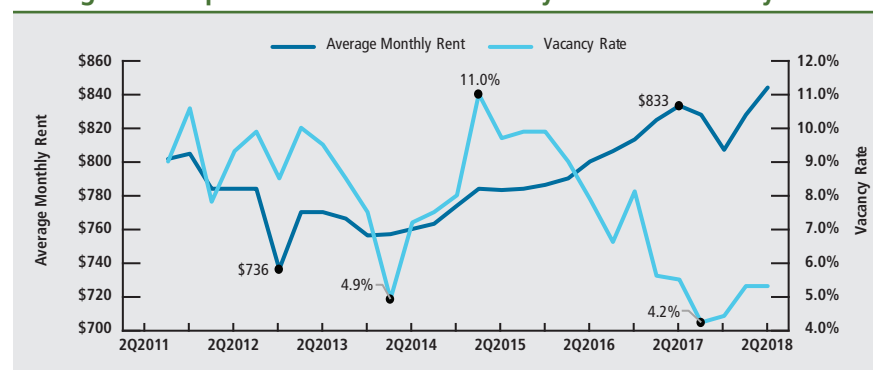
	Current	YoY Change
Apartment Market Quick Facts		
Apartment Vacancy Rate	5.3%	- 0.2
Average Rent	\$844	1%
Studio	\$595	2%
One-Bedroom	\$777	3%
Two-Bedroom	\$915	2%
Three-Bedroom	\$1,156	- 2%

YoY = year-over-year.

Notes: The current date is as of August 1, 2018. Current data for "rental units by structure" is from American Community Survey, 2016 1-year data. Apartment data is from American Community Survey, 1-year data; Reis, Inc.; RealPage, Inc.

Sources: American Community Survey, 1-year data; Reis, Inc.; RealPage, Inc.

Figure 13. Apartment Rents and Vacancy Rates in the Gary HMA



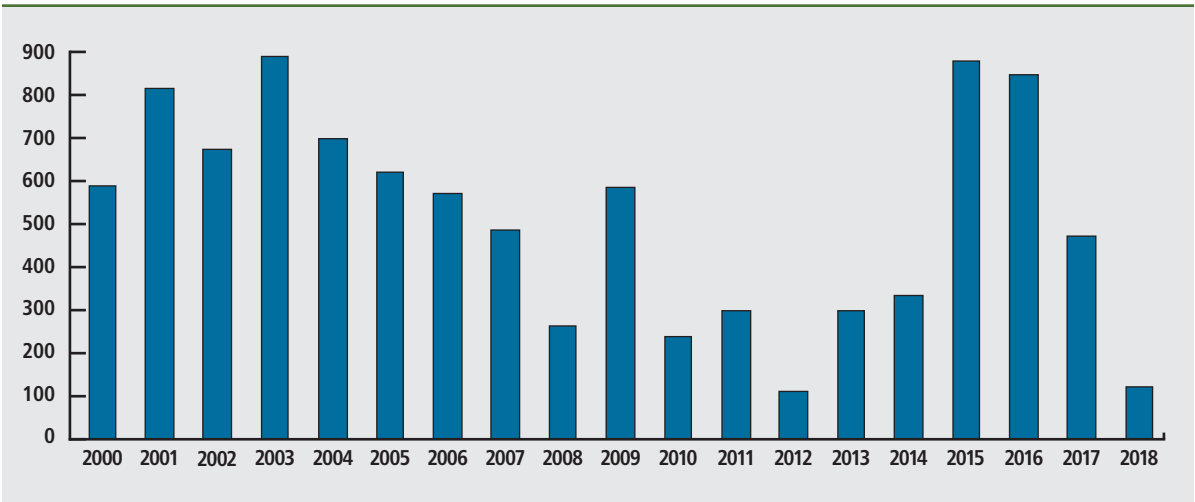
Source: RealPage, Inc.

Rental Permit Activity

Rental construction, as measured by the number of rental units permitted, increased from 2013 through 2015, spurred by economic growth, but has fallen since the high in 2015 (Figure 14). Rental construction averaged 670 units annually from 2000 through 2007 before falling dramatically to an average of 300 units annually from 2008 through 2012 in response to the national recession and falling steel prices that led to less steel manufacturing. From the low of 110 units permitted during 2012, rental construction rose precipitously to 880 units during 2015, an average increase of 260 units, or 99 percent, annually. This increased activity was partly in response to improved economic conditions and higher steel production. During the 12 months ending July 2018, 110 rental units were permitted in the HMA, down from the 310 units permitted a year earlier (preliminary data).

The 170-unit Eagle Crossing Apartments, in the city of Chesterton, was recently completed. Asking rents start at \$1,169 for one-bedroom units, \$1,622 for two-bedroom units, and \$1,892 for three-bedroom units. The Residences at Coffee Creek, a 150-unit senior apartment property, is nearing completion in the city of Chesterton. The development is adjacent to the Coffee Creek Watershed Preserve, and offers studio, one-, and two-bedroom units. The aging in place concept offers senior apartments, senior living with assistance, and memory care units.

Figure 14. Annual Average Rental Permitting Activity in the Gary HMA



Note: Annual data 2000–2017. Monthly data is preliminary.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Single-Family Rentals

Single-family rentals currently comprise approximately 41 percent of the rental housing supply in the HMA, up from 35 percent in April 2000 (Decennial Census). The vacancy rate for professionally managed single-family units, which is estimated to be a small portion of the overall single-family rental market, was 5.6 percent during June 2018, double the national vacancy rate of 2.8 percent, but down from a peak of 6.2 percent in February 2015 (CoreLogic, Inc.). From January 2012 through June 2018, the average rent for professionally managed single-family units in the HMA increased an average of 1 percent annually, compared to national gains of 2 percent. Single-family rents in the HMA averaged \$686, \$738,

\$1,094, and \$1,498 for one-, two-, three-, and four-bedroom units, respectively, during June 2018.

Forecast

There is no expected demand for new apartment units during the 3-year forecast period (Table 7). The 150 apartments under construction will exceed anticipated demand.

Table 7. Demand for New Rental Construction Units in the Gary HMA During the Forecast Period

Rental Units	
Demand	0
Under Construction	150

Source: Estimates by analyst



Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 8/1/2018—Estimates by the analyst

Forecast period: 8/1/2018–8/1/2021—Estimates by the analyst

A. Terminology Definitions

Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.
Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.



Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Forecast Period	8/1/2018–8/1/2021—Estimates by the analyst

B. Notes on Geography

1.	The metropolitan division definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The Census Tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
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2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.
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D. Photo Credit

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For additional data pertaining to the housing market for this HMA, go to huduser.gov/portal/ushmc/chma_archive.html.