

COMPREHENSIVE HOUSING MARKET ANALYSIS

Gary, Indiana

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

As of April 1, 2023



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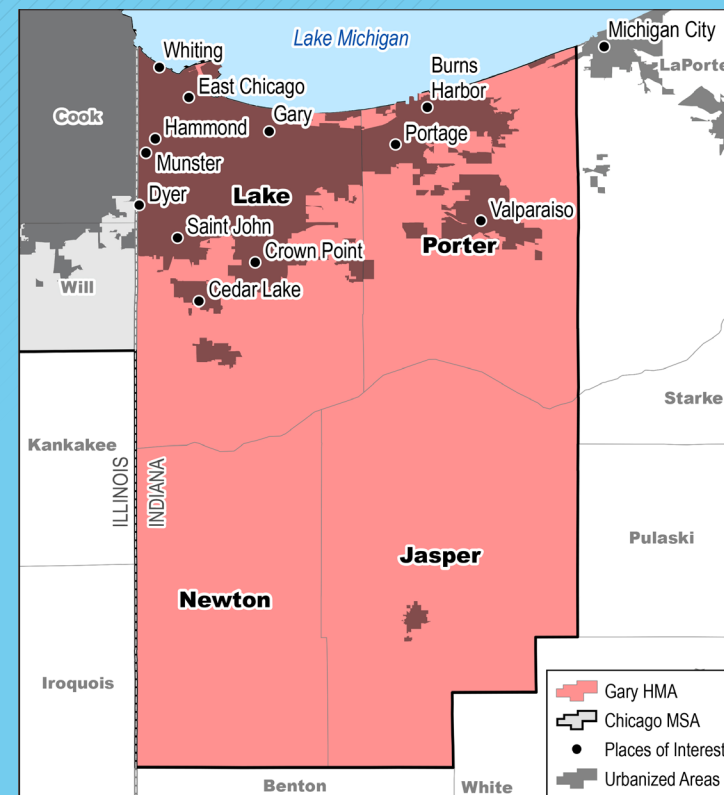
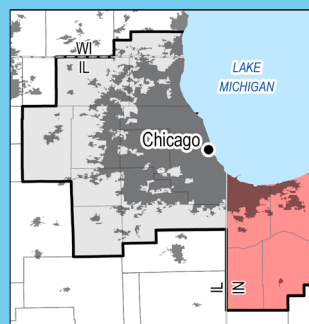


Executive Summary

Housing Market Area Description

The Gary Housing Market Area (hereafter Gary HMA) consists of four counties in northwestern Indiana on the coast of Lake Michigan: Jasper, Lake, Newton, and Porter. The HMA is coterminous with the Gary, Indiana, Metropolitan Division. The HMA is part of the 14-county Chicago-Naperville-Elgin, Illinois-Indiana-Wisconsin Metropolitan Statistical Area (Chicago MSA), and it is the second most populous metropolitan area in Indiana, after the Indianapolis-Carmel-Anderson, Indiana MSA.

The current population of the HMA is estimated at 722,200. Historically, the HMA is known as one of the main hubs for steel production in the country. Although the local economy is currently much less dependent on manufacturing, the HMA remains home to some of the largest steel mills in the world. Cleveland-Cliffs Inc. and United States Steel Corporation (U.S. Steel) are among the largest employers in the HMA, with approximately 7,500 and 3,800 employees, respectively. Located approximately 30 miles southeast of Chicago, Hammond and Gary are the principal cities in the HMA, with estimated populations of 77,000 and 68,300, respectively. The city of Gary has been one of the fastest shrinking cities in the nation, with the current population down 33 percent since 2000 and nearly 62 percent below the high of 178,300 in 1960 (U.S. Census Bureau). Smaller towns near the Illinois border have been growing and developing as southeastern suburbs of the Chicago MSA, whereas populations in other old industrial cities in the HMA have been declining.



Tools and Resources

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

Additional data for the HMA can be found in this report's [supplemental tables](#).

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



Market Qualifiers

Economy



Strong: The local economy recovered from substantial job losses during the downturn in early 2020 caused by efforts to limit the spread of COVID-19.

During the 12 months ending March 2023, nonfarm payrolls increased 3.1 percent to 277,000, approximately 1.0 percent above the 2019 prepandemic level of 274,600. The number of jobs either increased or remained unchanged in all sectors during the 12 months ending March 2023, with the largest increase in the leisure and hospitality sector, which added 1,300 jobs, or 4.1 percent. As labor market conditions tightened, the average unemployment rate in the Gary HMA declined from 5.1 percent a year earlier to 4.2 percent during the 12 months ending March 2023. During the next 3 years, job growth is expected to moderate to an average of 0.6 percent annually; the rate of growth is similar to the average annual gain during the 2010s.

Sales Market



Slightly Tight: The HMA had a 2.1-month supply of for-sale inventory in March 2023, up from a 1.5-month supply a year ago (Redfin, a national real estate brokerage).

The sales vacancy rate in the Gary HMA is estimated at 1.2 percent as of April 1, 2023, substantially below the 2.1 percent rate in April 2010, when the sales market was soft. During the 12 months ending March 2023, home sales totaled approximately 13,450, down 52 percent from a record high a year earlier, and the average home sales price rose 8 percent to \$265,200 (Zonda, with adjustments by the analyst). As of March 2023, 1.8 percent of home loans in the HMA were 90 or more days delinquent, were in foreclosure, or had transitioned into real estate owned (REO) status, down from 2.2 percent a year ago (CoreLogic, Inc.). Demand is expected for 6,300 new homes during the forecast period; a portion of that demand is expected to be met by the 340 homes currently under construction.

Rental Market



Balanced: Construction of new rental units in the Gary HMA rose sharply during the past year; the number of rental units permitted was the highest since 2016.

Rental housing market conditions in the HMA are balanced. The estimated rental vacancy rate is 7.7 percent, down from 9.3 percent in April 2010, when rental market conditions were soft. As of the first quarter of 2023, the apartment market is slightly tight, with a vacancy rate of 4.9 percent, up from 2.6 percent a year earlier, and an average apartment rent increase of 3 percent to \$1,132 (CoStar Group). During the forecast period, demand is estimated for 940 rental units; the 590 units currently under construction and an additional 200 units in the final planning stage are expected to meet all demand during the first 2 years of the forecast period.

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3-Year Housing Demand Forecast			
Gary HMA	Sales Units		Rental Units
	Total Demand	6,300	940
	Under Construction	340	590

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2023. The forecast period is April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst



Economic Conditions

Largest Sector: Education and Health Services

During the past 12 months, nonfarm payrolls in the Gary HMA reached the highest level since 278,100 in 2007.

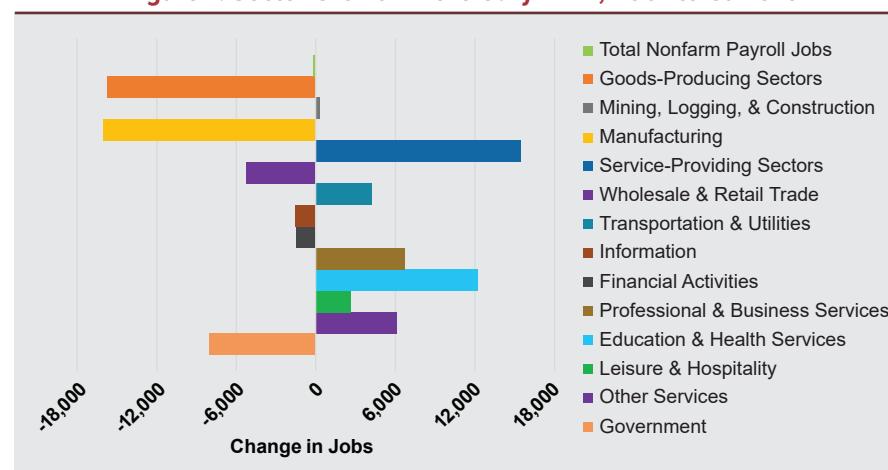
Primary Local Economic Factors

Late in the 19th century, the HMA was an attractive place for industrial development because of its proximity to a large city, railways, water, and water transportation. The steel industry emerged dominant by the mid-20th century, with five major steel mills in East Chicago and Gary. The manufacturing sector accounted for 40 percent of jobs in the HMA in the 1970s. Since then, the manufacturing sector has declined due to deindustrialization, automation, and international competition. Currently, nonfarm payrolls in the sector total 34,000, accounting for 12 percent of jobs in the HMA.

The education and health services sector has led payroll growth in the HMA since 2001 (Figure 1). Demand for health care has been supported by the senior population aged 65 years and older, which typically uses more healthcare services and has increased an average of 3 percent a year since 2010. With approximately 47,400 jobs, the education and health services sector accounts for approximately 17 percent of all nonfarm payroll jobs (Figure 2). This sector includes 4 of the 10 largest employers in the HMA (Table 1).

With approximately 32,900 jobs, the leisure and hospitality sector is one of the largest employment sectors in the HMA. Jobs in the sector have been supported by the gambling industry after Indiana legalized gambling in the mid-1990s. The HMA is home to three casinos; the gambling industry is estimated to have an annual impact of \$1.3 billion on the local economy (South Shore Convention and Visitors Authority). The sector continues to recover from heavy job losses caused by the COVID-19 pandemic.

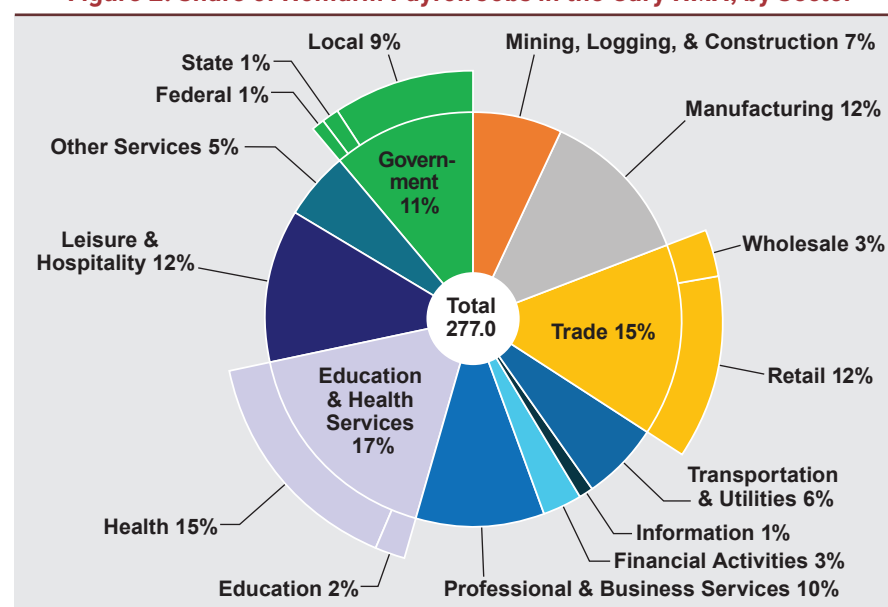
Figure 1. Sector Growth in the Gary HMA, 2001 to Current



Note: The current date is April 1, 2023.

Source: U.S. Bureau of Labor Statistics

Figure 2. Share of Nonfarm Payroll Jobs in the Gary HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Data are based on 12-month averages through March 2023.

Source: U.S. Bureau of Labor Statistics

Current Conditions— Nonfarm Payrolls

Economic conditions in the HMA have strengthened since the 2020 downturn caused by the COVID-19 pandemic. Following a sharp decline of 17,500 jobs, or 6.4 percent, in 2020, nonfarm payrolls during the next 2 years grew an average of 9,200 jobs, or 3.5 percent, a year. All jobs lost in the HMA during the pandemic were recovered fully by the end of 2022. During the 12 months ending March 2023, nonfarm payrolls in the HMA rose by 8,300 jobs, or 3.1 percent, to 277,000 (Table 2). However, job growth in the HMA was slower than the 3.6 percent rate nationwide during the same period.

The leisure and hospitality sector added the most jobs during the 12 months ending March 2023, gaining 1,300 jobs, or 4.1 percent, for a total of 32,900, which is approximately 2 percent below the previous peak of 33,500 jobs in 2019. The opening of the \$300 million Hard Rock Casino Northern Indiana in the city of Gary in 2021, which employs approximately 1,500 workers, has contributed to the recovery in the sector.

Fully recovering jobs lost during the pandemic, the mining, logging, and construction sector expanded by 1,200 jobs, or 7.1 percent, during the 12 months ending March 2023. Currently, the sector averages 18,200 jobs, the highest level since 2013. An uptick in multifamily construction activity and ongoing infrastructure improvement projects supported recent job growth. The

Table 1. Major Employers in the Gary HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Cleveland-Cliffs Inc.	Manufacturing	7,500
Franciscan Health	Education & Health Services	7,000
United States Steel Corporation (U.S. Steel)	Manufacturing	3,800
Community Hospital – Munster	Education & Health Services	2,325
Northwest Health – Porter	Education & Health Services	2,000
Horseshoe Hammond	Leisure & Hospitality	1,850
BP America Inc.	Manufacturing	1,500
Hard Rock Casino Northern Indiana	Leisure & Hospitality	1,500
Ameristar Casino East Chicago	Leisure & Hospitality	1,500
Methodist Hospital Southlake Campus	Education & Health Services	1,500

Note: Excludes local school districts.

Sources: STATS Indiana; Cleveland-Cliffs Inc.; U.S. Steel

Table 2. 12-Month Average Nonfarm Payroll Jobs (in 1,000s) in the Gary HMA, by Sector

	12 Months Ending March 2022	12 Months Ending March 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	268.7	277.0	8.3	3.1
Goods-Producing Sectors	49.8	52.2	2.4	4.8
Mining, Logging, & Construction	17.0	18.2	1.2	7.1
Manufacturing	32.8	34.0	1.2	3.7
Service-Providing Sectors	218.9	224.8	5.9	2.7
Wholesale & Retail Trade	41.5	42.5	1.0	2.4
Transportation & Utilities	17.2	17.5	0.3	1.7
Information	1.8	1.9	0.1	5.6
Financial Activities	9.0	9.0	0.0	0.0
Professional & Business Services	26.3	27.4	1.1	4.2
Education & Health Services	47.0	47.4	0.4	0.9
Leisure & Hospitality	31.6	32.9	1.3	4.1
Other Services	13.3	14.4	1.1	8.3
Government	31.3	31.7	0.4	1.3

Notes: Based on 12-month averages through March 2022 and March 2023. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

South Shore Line expansion to the Metra commuter rail system linking the HMA to the city of Chicago is slated to add a second track between Gary and Michigan City. The \$650 million project is expected to be completed in 2023. The \$950 million West Lake Corridor Project is expected to extend the South Shore Line to Munster and Dyer and to be completed in 2025.

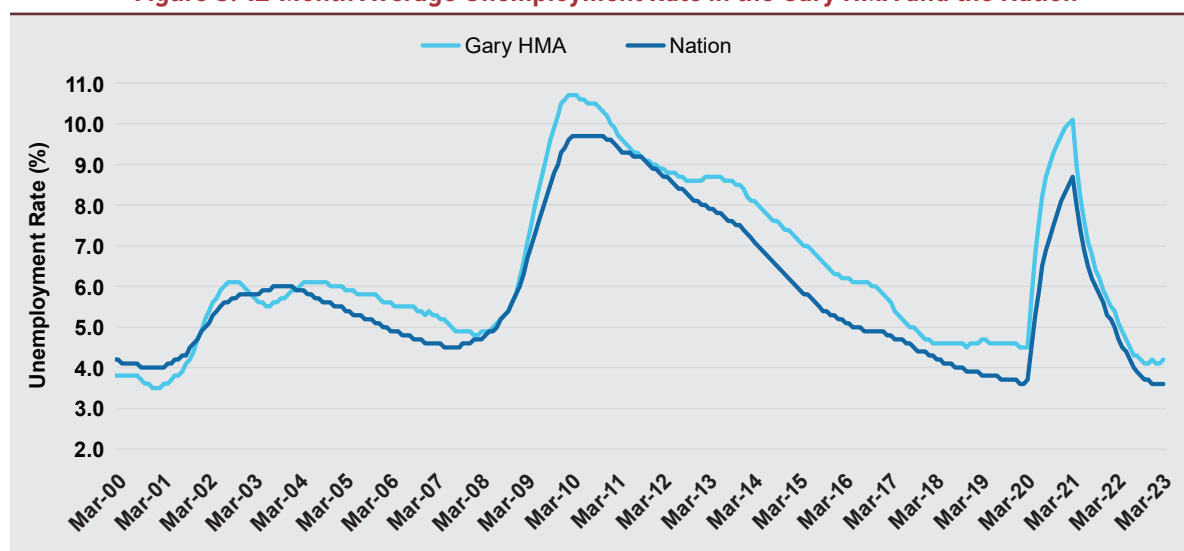
The manufacturing sector grew by 1,200 jobs, or 3.7 percent, to 34,000 jobs during the 12 months ending March 2023. Job growth occurred despite a slowdown in steel production by U.S. steelmakers to 88.8 million net tons of steel in 2022, down from 94.5 million in 2021 (American Iron and Steel Institute). Cleveland-Cliffs modernized its operations at the Indiana Harbor plant in East Chicago with an investment of \$100 million in 2021.

A resurgence of COVID-19 infections in late 2021 contributed to a slow recovery in the education and health services sector. During the 12 months ending March 2023, the sector increased by 400 jobs, or 0.9 percent, to 47,400, following an increase of 200 jobs, or 0.7 percent, a year earlier. Jobs in the sector are currently 5 percent below the prepandemic high of 49,800. During the past 12 months, a sexual assault treatment center by Methodist Hospitals opened at the Northlake Campus in the city of Gary, and the Outpatient Center at Rush Copley Medical Center opened in the city of Munster.

Current Conditions—The Unemployment Rate

The unemployment rate in the HMA has been trending down since the sharp increase during the pandemic and is currently at the lowest level since early 2001. During the 12 months ending March 2023, the unemployment rate in the HMA averaged 4.2 percent, down from 5.1 percent a year earlier and substantially below the 10.1-percent rate during the 12 months ending March 2021 (Figure 3). By comparison, during the 12 months ending March 2023, the unemployment rate in the HMA was above the 3.6-percent rate for the nation but below the 4.5-percent unemployment rate in the Chicago MSA.

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



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2003 Through 2007—

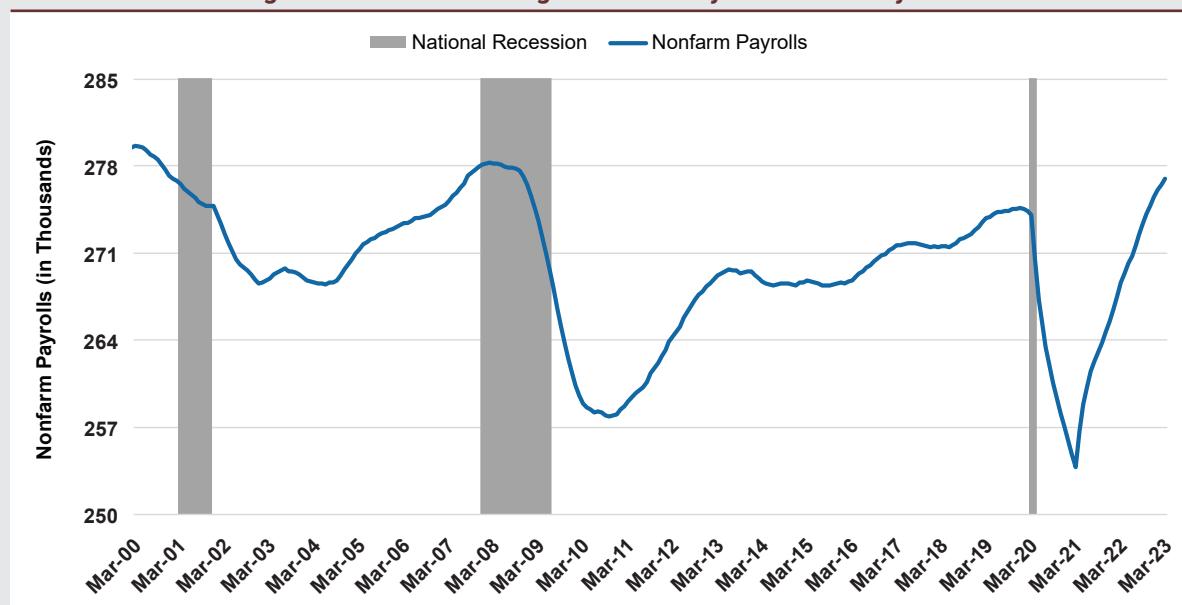
Job Growth and the Housing Boom

The HMA added jobs during the early and mid-2000s, largely because of strong job growth in the education and health services sector. From 2003 through 2007, nonfarm payrolls increased by an average of 1,900 jobs, or 0.7 percent, annually. Growth in the education and health services sector averaged 1,300 jobs, or 3.2 percent, annually, accounting for 68 percent of all nonfarm payroll growth in the HMA. During the period, the housing boom led to growth in the mining, logging, and construction sector, which grew by 600 jobs, or 3.3 percent annually. However, overall job gains were limited by declines in the manufacturing sector, averaging 600 jobs, or 1.5 percent, a year.

2008 Through 2010—The Great Recession

The economic downturn in the HMA caused by the Great Recession was severe, and the rate of job losses in the HMA was higher than in the Chicago MSA and the nation. From 2008 through 2010, nonfarm payrolls in the HMA decreased by an average of 6,700 jobs, or 2.5 percent, annually to a low of 258,100 in 2010 (Figure 4). Nonfarm payrolls in the Chicago MSA and the nation declined at an average annual rate of 2.3 and 1.9 percent, respectively. Substantial job losses

Figure 4. 12-Month Average Nonfarm Payrolls in the Gary HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

during the period occurred in the wholesale and retail trade and the manufacturing sectors, declining by averages of 1,600 and 1,500 jobs, or 3.6 and 4.2 percent, respectively, annually. The only payroll sector to expand from 2008 through 2010 was the education and health services sector, with growth averaging 700 jobs, or 1.7 percent, annually.

2011 Through 2019—Uneven Recovery

Economic recovery in the HMA was hampered partly by cyclical weakness in the goods-producing sectors during the mid-2010s. From 2011 through 2013, nonfarm payroll growth averaged 3,800, or 1.5 percent, annually, similar to growth in the Chicago MSA and nationwide, where payrolls rose by average annual rates of 1.5 and 1.6 percent, respectively. The mining, logging, and construction sector recovered strongly, assisted by a \$400 million modernization project at the BP North America Inc.-owned BP Whiting Refinery. Job growth in the sector averaged 800 jobs, or 4.5 percent, annually from 2011 through 2013. During the same period, the manufacturing sector added an average of 700 jobs, or 2.1 percent, annually, recovering

nearly one-half of the jobs lost during the Great Recession. The leisure and hospitality sector rose by an average of 600 jobs, or 1.8 percent, a year from 2011 through 2013, recovering nearly all jobs lost during the downturn. From 2014 through 2015, overall jobs declined largely because of decreases in the mining, logging, and construction sector, averaging 1,700 jobs, or 9.3 percent, annually. Layoffs following the completion of the BP Whiting Refinery modernization project contributed to job losses in the sector. The education and health services sector expanded an average of 700 jobs, or 1.5 percent, annually during the 2-year period. Job growth in the HMA resumed from 2016 through 2019, averaging 1,500 jobs, or 0.6 percent a year, but was slower than the average annual gains of 0.9 and 1.6 percent in the Chicago MSA and the nation, respectively. From 2016 through 2019, job growth in the HMA was led by the professional and business services sector, expanding by an average of 700 jobs, or 2.8 percent, annually because of faster population growth during the period. With an average gain of 600 jobs, or 3.4 percent, annually, the mining, logging, and construction sector partially recovered from previous losses; a \$20 million modernization project at the Ports of Indiana-Burns Harbor to increase cargo capacity aided the recovery. In 2019, jobs in the HMA averaged 274,600, approximately 1 percent below the previous high of 278,100 in 2007.

Forecast

Job growth is expected to continue during the next 3 years but at a slower pace than in the past 12 months. Nonfarm payrolls are expected to increase an average of 0.6 percent annually. Continued recovery from pandemic-related job losses is expected in the leisure and hospitality and the education and health services sectors. Franciscan Health Indianapolis is building a \$200 million hospital in the city of

2020—The Onset of the Pandemic

The prolonged economic recovery following the Great Recession halted in 2020; economic activity slowed abruptly because of safety protocols implemented to reduce the spread of COVID-19. Nonfarm payrolls in the HMA fell by 17,500 jobs, or 6.4 percent, to 257,100 jobs—surpassing the previous low of 258,100 in 2010. The rate of job decline in the HMA in 2020 was above the 5.7-percent rate for the nation but below the 7.2-percent rate in the Chicago MSA. All but one sector lost jobs. The most job losses occurred in the leisure and hospitality sector, falling by 4,900 jobs, or 14.6 percent, because entertainment venues and restaurants laid off workers. The education and health services sector lost 2,500 jobs, or 5.0 percent, after schools closed temporarily and hospitals postponed elective procedures. The manufacturing and the mining, logging, and construction sectors lost 2,600 and 2,100 jobs, or 7.3 and 11.9 percent, respectively. The only payroll sector to expand in 2020 was the transportation and utilities sector, which added 700 jobs, a gain of 4.4 percent. United Parcel Service (UPS) opened a next-day air service facility at the Gary/Chicago International Airport to satisfy growing demand from consumers shifting from traditional shopping to e-commerce and delivery, contributing to job growth in the sector.

Crown Point, projected to double the size of the University of St. Francis campus. The new hospital is part of a larger \$250 million development and is scheduled to open later this year. The University of Chicago is expanding its presence in the HMA by building a \$121 million, 130,00-square-foot care center and micro-hospital in Crown Point, scheduled to open early in 2024.



Population and Households

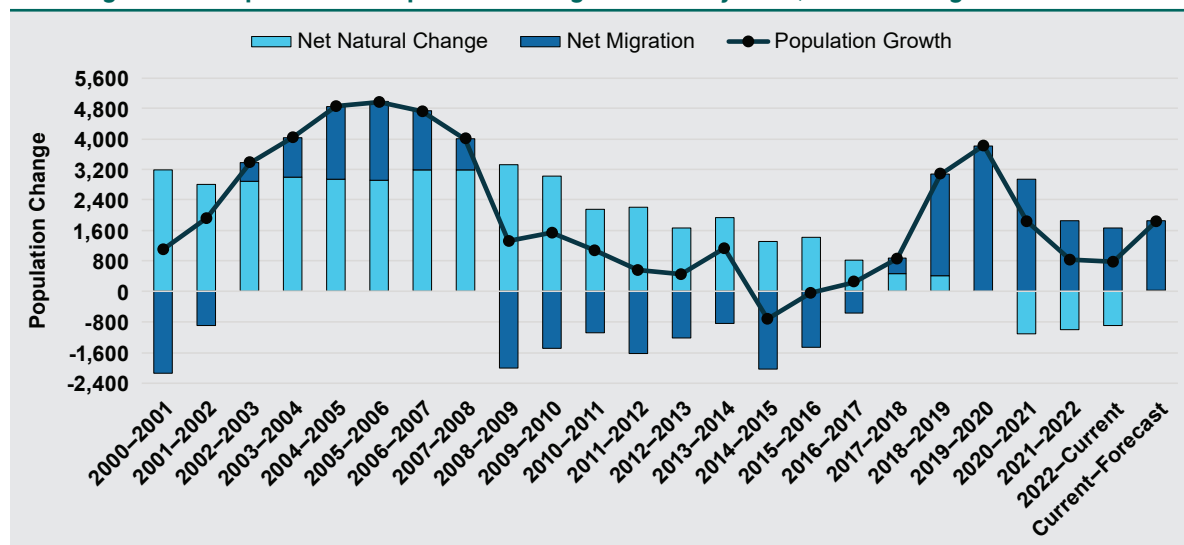
Current Population: 722,200

Net in-migration, primarily from people elsewhere in the Chicago MSA, has been responsible for most of the population growth in the Gary HMA since 2017.

Population Trends

Since 2000, population growth in the HMA has generally resulted from Illinois residents relocating to the HMA because the area has continued to grow in popularity as a southeastern suburb of Chicago. The highest period of population growth in the HMA in nearly two decades was from 2002 to 2008, with an average gain of 4,325, or 0.6 percent, a year (Census Bureau Population Estimates as of July 1). During the period that coincided with the housing boom, net in-migration to the HMA averaged 1,300 people annually, and net natural change averaged a gain of 3,025 people a year (Figure 5). A shift to net out-migration after the Great Recession and generally slowing net natural change contributed to tepid population growth in the HMA. From 2008 to 2017, the population increased by an average of 620, or 0.1 percent, annually. A shift to net out-migration occurred during the period, averaging 1,350 people a year, whereas the gain from net natural change slowed, averaging 1,975 people annually. During the late 2010s, stronger demand for homes,

Figure 5. Components of Population Change in the Gary HMA, 2000 Through the Forecast

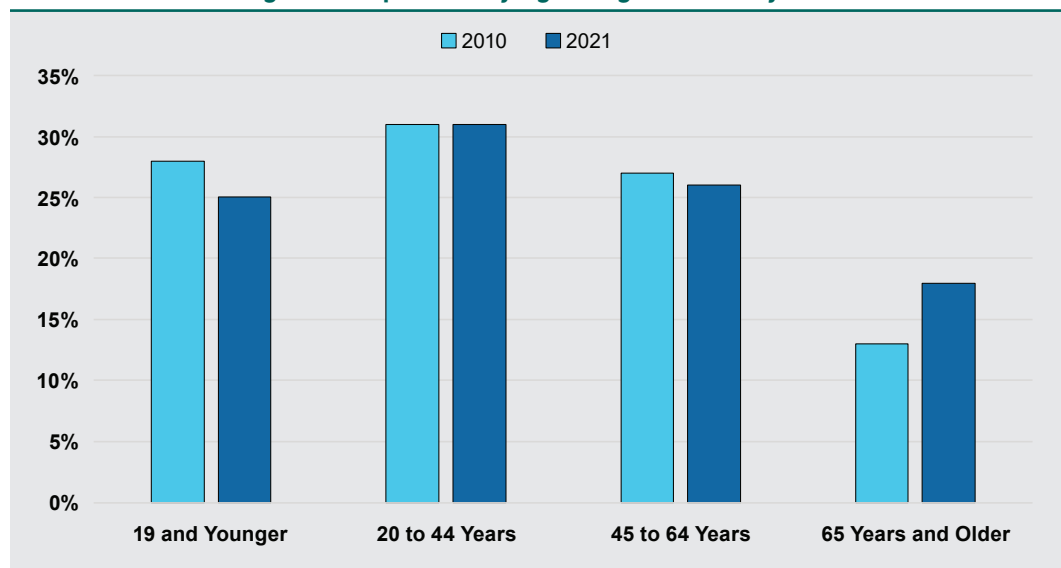


Notes: Data displayed are average annual totals. The forecast period is from the current date (April 1, 2023) to April 1, 2026.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

partly because of low-interest rates for mortgage loans and strengthening economic conditions, led to net in-migration and accelerated population growth in the HMA since 2017. The population has increased by an average of 1,925, or 0.3 percent, a year since 2017 to reach 722,200 currently, with an average net in-migration of 2,250 people a year. In the same period, net natural change, which had been slowing because of the aging population, has been further affected by approximately 2,850 COVID-19-related deaths in the HMA (Johns Hopkins Coronavirus Resource Center). Since 2017, net natural change has averaged a loss of 325 people a year.

Age Cohort Trends

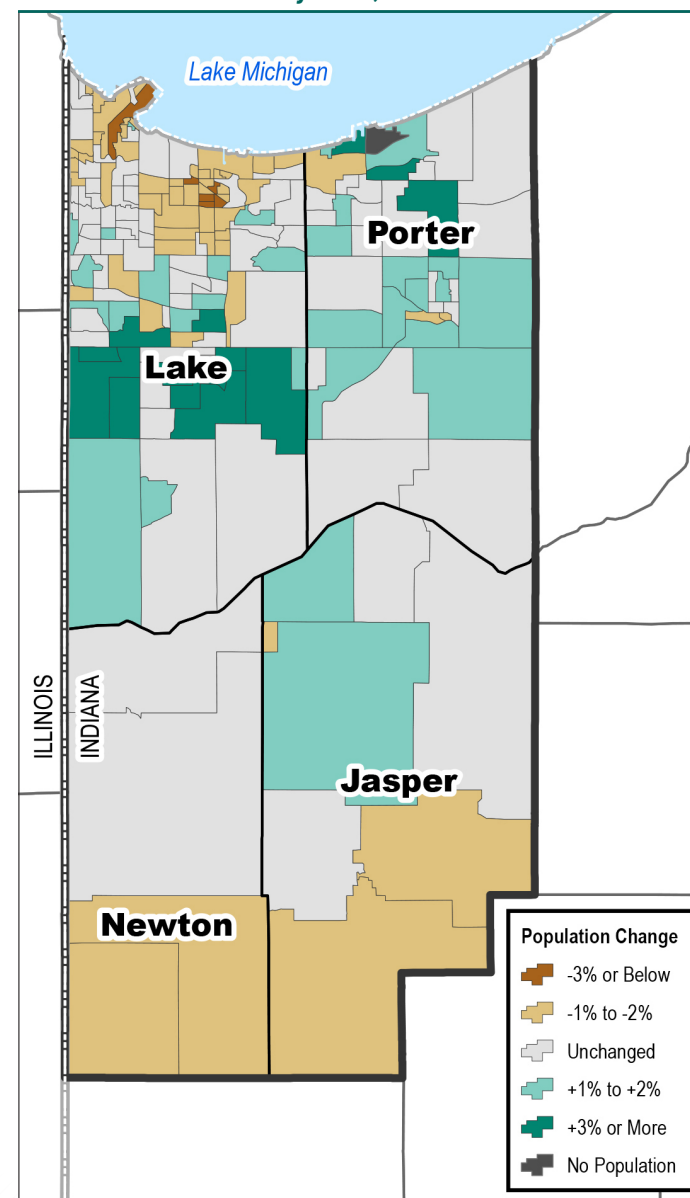
Unchanged since 2010, the largest age cohort in the HMA in 2021 was residents 20 to 44 years of age, representing approximately 31 percent of the total population (American Community Survey [ACS] 1-year data). The age cohort of those aged 65 years and older was the only cohort in the HMA to have increased during the same period, accounting for 18 percent of the HMA population in 2021—up from 13 percent in 2010 (Figure 6). In the Gary HMA, the 65-years-and-older cohort has grown because more adults are aging in place. The share of the population aged 65 and older was higher than the 17-percent share for the nation in 2021.

Figure 6. Population by Age Range in the Gary HMA

Sources: 2010 and 2021 American Community Survey 1-year data

Migration Trends

The proximity to the city of Chicago, generally less expensive homes, and lower taxes compared with Illinois have incentivized Illinois residents to buy homes in many small towns in the HMA. Home prices in the portion of the Chicago MSA excluding the Gary HMA averaged 47 percent higher than in the HMA in the past year (Zonda, with adjustments by the analyst). Approximately 7,600 residents relocated to the HMA from the Illinois portion of the Chicago MSA from 2016 to 2020, with most moving from the adjacent Cook and Will Counties in Illinois (Census Bureau Migration Flows, 2016–2020 ACS 1-year data). The most popular destinations for new residents are areas near the cities of St. John, Cedar Lake, and Crown Point in Lake County and Portage and Valparaiso in Porter County, where population growth from 2010 to 2020 averaged at least 3 percent annually (Map 1). Meanwhile, on aggregate, Gary residents were most likely to move to the Indianapolis MSA, where job growth from 2010 through 2019 outpaced the Gary HMA, and to the adjacent Michigan City-La Porte, IN MSA. Trends in migration flow to and from the HMA are provided in Table 3.

Map 1. Average Annual Population Change by Census Tract in the Gary HMA, 2010 to 2020

Source: U.S. Census Bureau

Table 3. Migration Flows Into and Out of the Gary HMA

Area	In	Out	Net
Chicago MSA	12,500	4,900	7,600
Indianapolis MSA	2,150	4,350	-2,200
Michigan City-La Porte MSA	740	1,500	-760

Source: U.S. Census Bureau Migration Flows, 2016–2020 American Community Survey 5-year data

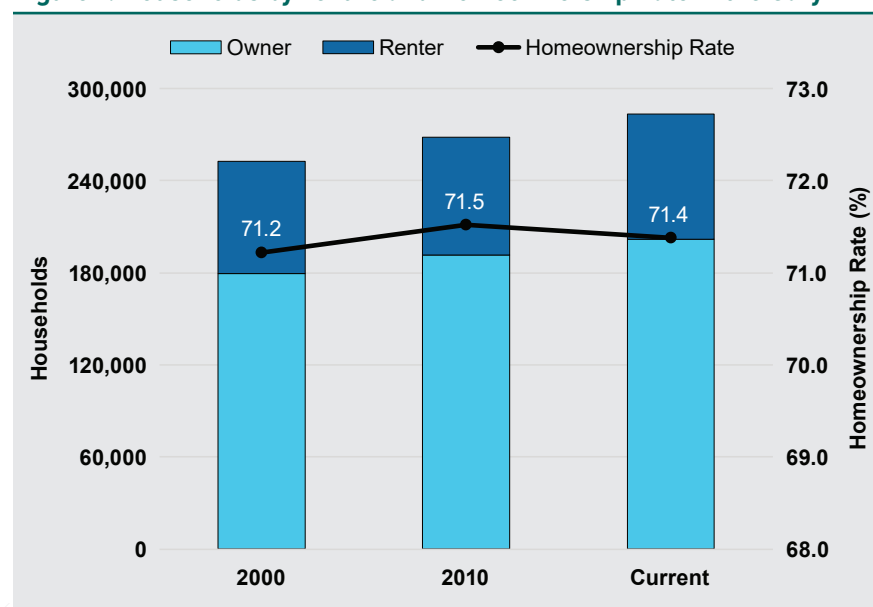
Household Trends

Household growth in the HMA has moderated since 2010, similar to the population growth trend. However, household growth has outpaced population gains partly because during the pandemic new household formation accelerated due to low mortgage interest rates and financial assistance from the government, while COVID-19-related deaths had a negative effect on net natural change in the HMA. The number of households in the HMA is currently estimated at 283,000, representing an average annual increase of 1,150, or 0.4 percent, from 267,890 households in 2010 (Table 4). By comparison, household growth in the HMA averaged 1,550, or 0.6 percent, a year during the previous decade. Slow economic recovery in the early 2010s following the housing crisis contributed to a slowdown in owner-household formation in the HMA. However, homeownership became more popular in recent years, boosted by a rush to buy suburban homes during the pandemic. Owner household formation accounted for 69 percent of all net household formation since 2010, compared with 77 percent during the 2000s. The homeownership rate in the HMA is estimated currently at 71.4 percent, down slightly from 71.5 in 2010 and above 71.2 percent in 2000 (Figure 7).

Table 4. Gary HMA Population and Household Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	708,070	722,200	727,800
	Average Annual Change	3,200	1,075	1,850
	Percentage Change	0.5	0.2	0.3
Household Quick Facts		2010	Current	Forecast
	Households	267,890	283,000	287,900
	Average Annual Change	1,550	1,150	1,625
	Percentage Change	0.6	0.4	0.6

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (April 1, 2023) to April 1, 2026. Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 7. Households by Tenure and Homeownership Rate in the Gary HMA

Note: The current date is April 1, 2023.

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

Forecast

Increased availability of remote work has made the HMA an attractive place to live because of the lower cost of living compared with the Illinois portion of the Chicago MSA. During the 3-year forecast period, nearly all growth is expected to result from net in-migration, with net natural change returning to positive, although low, levels. As a result, the population is expected to grow by an average of 1,850, or 0.3 percent, a year to 727,800 by the end of the forecast period. Household growth is also expected to increase during the forecast period, averaging a gain of 1,625 new households, or 0.6 percent, a year to 287,900 by April 1, 2026.

Home Sales Market

Market Conditions: Slightly Tight

Home sales construction activity has generally increased from the low levels during the early 2010s, but it is below the highs reached during the early 2000s, partly because of slower population and household growth in the Gary HMA.

Current Conditions

As of April 1, 2023, the overall sales vacancy rate in the Gary HMA is estimated at 1.2 percent (Table 5), down from 2.1 percent in April 2010, when conditions were soft. Following a period of strong homebuying activity during 2021, incentivized in part by low mortgage interest rates, demand for homes has moderated since early 2022 because record-high sales prices and increasing mortgage interest rates made homebuying more expensive. In December 2022, the average 30-year fixed mortgage rate was 6.4 percent, representing a sharp increase from 2.7 percent in December 2020 (Freddie Mac). The inventory of homes available for sale in the HMA is low. In March 2023, the HMA had 2.1 months of available for-sale inventory, up from 1.5 months a year earlier but below 4.3 months in March 2020, at the beginning of the pandemic (Redfin, a national real estate brokerage).

Home Sales Trends

Total home sales declined sharply in the past year, following a rapid surge a year earlier,

Table 5. Home Sales Quick Facts in the Gary HMA

	Gary HMA	Nation
Vacancy Rate	1.2%	NA
Months of Inventory	2.1	1.9
Total Home Sales	13,450	6,115,000
1-Year Change	-52%	-26%
New Home Sales Price	\$408,200	\$504,900
1-Year Change	14%	12%
Existing Home Sales Price	\$252,300	\$426,700
1-Year Change	7%	6%
Mortgage Delinquency Rate	1.8%	1.1%

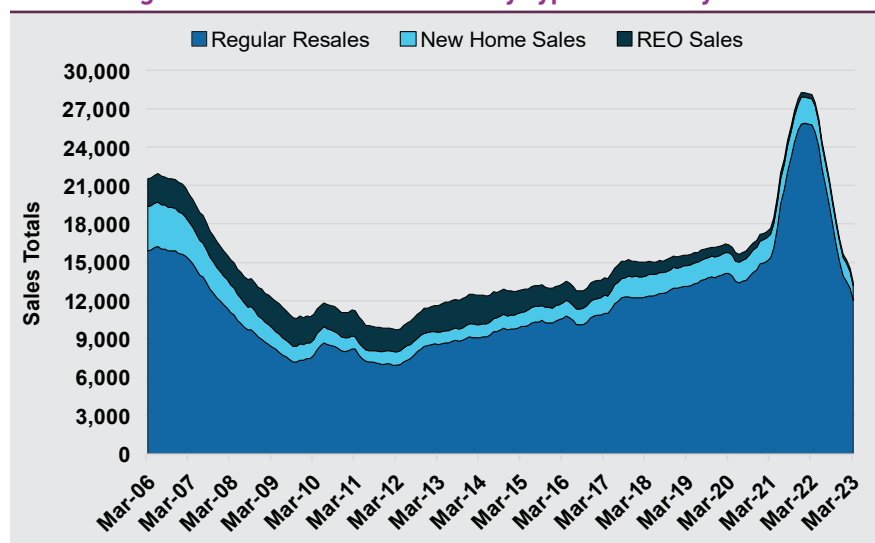
NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2023; and months of inventory and mortgage delinquency data are as of March 2023. The current date is April 1, 2023.

Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—Zonda, with adjustments by the analyst

when the number of homes sold in the HMA exceeded the previous high reached during the housing boom in 2006. The number of homes sold during the 12 months ending March 2023 totaled approximately 13,450, down 52 percent from a record high a year earlier (Zonda, with adjustments by the analyst). During the past year, resale sales and new home sales totaled 12,000 and 1,200, respectively, whereas REO sales in the HMA reached a new low of 250 sales, accounting for approximately 2 percent of all homes sold. This sharp decline in total home sales followed a robust increase during the 12 months ending March 2022, when overall sales rose 69 percent, largely because of an influx of Illinois residents who left the urban center of the Chicago MSA to buy suburban homes in the HMA. During the period, regular resales and new home sales totaled 25,700 and 2,050, respectively. With strong market conditions, REO sales declined 31 percent from a year earlier to approximately 330. By comparison, the number of homes sold in the HMA totaled 21,250 in 2006 before decreasing in all but one successive year to a low of only 9,875 homes sold in 2011. Regular resales and new home sales in 2006, which totaled 15,700 and 3,250, respectively, totaled only 7,050 and 1,000 in 2011 (Figure 8). From 2006 through 2011, REO sales in the HMA averaged 2,075 annually, accounting for approximately 15 percent of all homes sold during the period. As local economic conditions slowly recovered from the economic downturn, home sales in the HMA started to rise, with overall gains limited by declining numbers of REO sales. From 2012 through 2020, total home sales in the HMA increased an average of 6 percent a year to 17,150 homes sold in 2020. During the period, regular resales and new home sales rose an average of 9 and 7 percent annually, respectively, whereas REO sales declined an average of 13 percent a year.



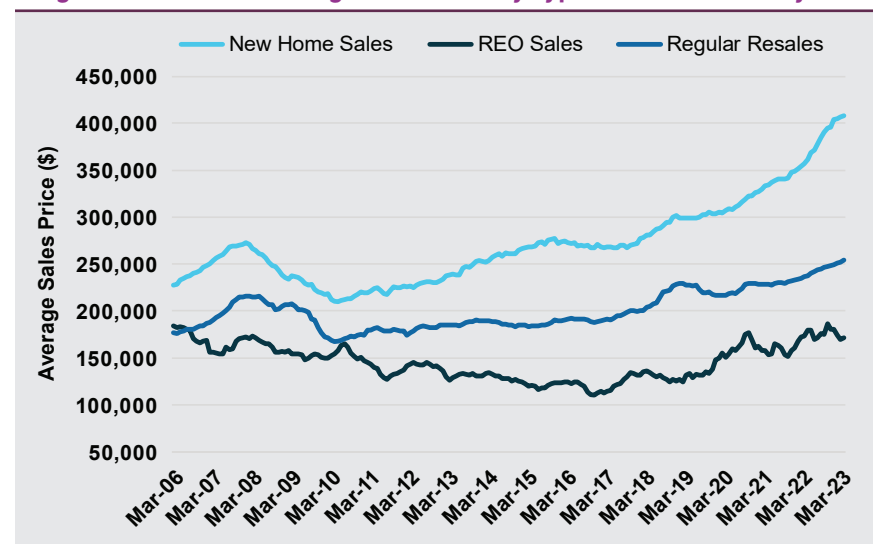
Figure 8. 12-Month Sales Totals by Type in the Gary HMA

Home Sale Prices

Sluggish economic recovery from the Great Recession and net out-migration from 2009 through 2017 contributed to relatively slow gains in home sales prices since 2010. Following a high of \$222,200 during 2007, the average home sales price in the HMA fell an average of 7 percent a year to a low of \$178,700 during 2010. The initial recovery was slow; the average home sales price increased modestly, with gains averaging 1 percent annually from 2011 through 2016 before accelerating to an average of 5 percent a year from 2017 through 2020. Despite the sharp increase in the number of home sales during the 12 months ending March 2022, the average home sales price in the HMA rose only 2 percent from a year earlier to \$244,500. However, home prices rose at a faster rate during the 12 months ending March 2023, with a gain of 8 percent to a new high of \$265,200, which was approximately 19 percent higher than the peak before the housing crisis.

New home sales prices have been increasing faster than existing home sales prices since the late 2010s, largely because of rising building material and labor costs. Following a peak of \$271,000 in 2007, new home sales prices declined an average of 10 percent a year to a low average of \$218,900 during

2009. During the economic recovery in the HMA, prices for new homes grew an average of 3 percent a year from 2010 through 2017 before accelerating to an average increase of 6 percent a year from 2018 through 2020. By comparison, the average price for a regular resale peaked at \$214,800 during 2007 before declining an average of 7 percent annually to \$175,000 during 2010. From 2011 through 2017, the average price for regular resales rose an average of 2 percent a year before accelerating to an average growth of 5 percent a year from 2018 through 2020. The average price for an REO home sale in the HMA reached a low of only \$112,900 during 2016, representing an average annual decline of 5 percent from the previous high of \$171,500 during 2007. Prices of REO home sales have generally increased since 2016, rising an average of 9 percent annually from 2017 through 2020. During the 12 months ending March 2023, average sales prices for new and regular resale homes increased 15 and 7 percent, respectively, to new highs of \$408,200 and \$253,800. At the same time, the average price for an REO home decreased 1 percent to \$171,500. Figure 9 shows trends in the average home sales price by type of sale in the Gary HMA. Approximately 46 percent of all homes sold

Figure 9. 12-Month Average Sales Price by Type of Sale in the Gary HMA

were priced between \$150,000 and \$299,999 (Figure 10), and 45 percent of new homes sold in the HMA were priced between \$300,000 and \$449,999.

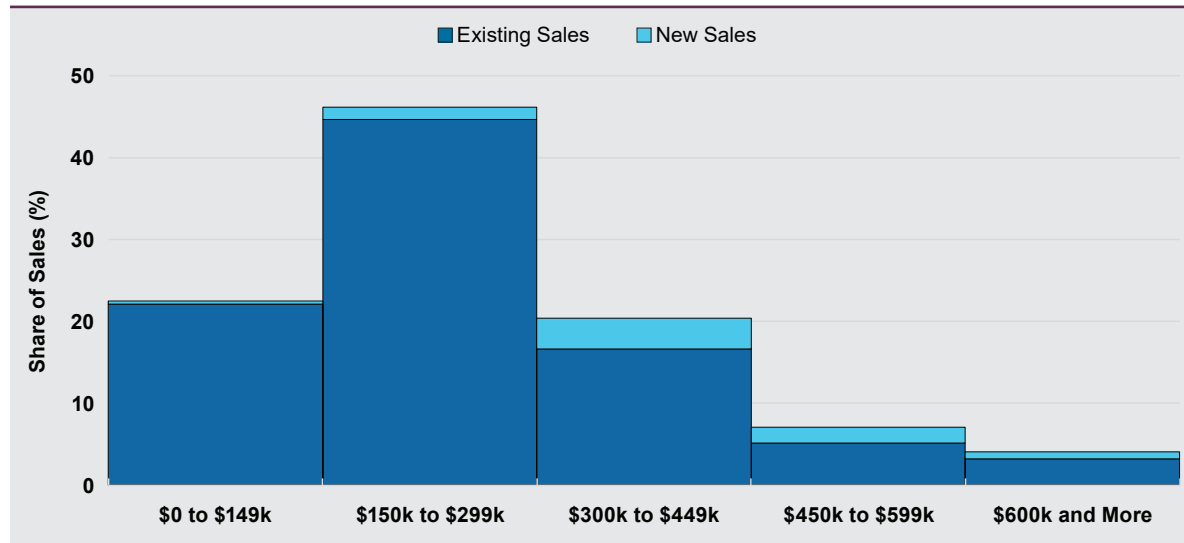
Seriously Delinquent Mortgages

Before the pandemic, the rate of seriously delinquent mortgages and REO properties in the HMA fell from a high of 9.4 percent in January 2010 to a low of 2.2 percent in March 2020 (CoreLogic, Inc.; Figure 11). The rate rose to 4.9 percent in December 2020 when the number of seriously delinquent loans rose entirely because of a sharp increase in the number of mortgages 90 or more days past due in the HMA after the number of unemployed people increased dramatically during the pandemic. However, mortgage forbearance programs allowed many homeowners to avoid foreclosures and REO sales. Following a brief spike during the pandemic, the mortgage delinquency rate in the HMA declined as economic conditions improved. As of March 2023, 1.8 percent of mortgages in the HMA were seriously delinquent or had transitioned into REO status, down from 2.2 percent a year earlier. The current rate for the HMA is higher than the 1.6 percent for the Chicago MSA and 1.1 percent for the nation.

Sales Construction

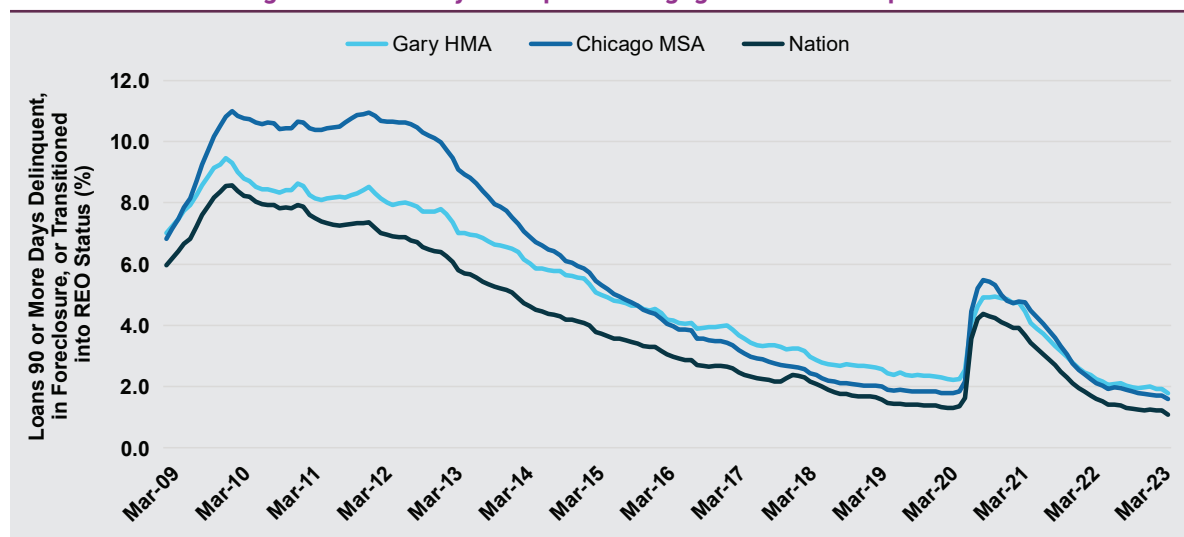
Homebuilding activity, as measured by the number of single-family homes, townhomes, and condominium units permitted (see building permits), slowed during the past year because the demand for new homes moderated due to rapidly rising homeownership costs. Homebuilding

Figure 10. Share of Overall Sales by Price Range During the 12 Months Ending March 2023 in the Gary HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda, with adjustments by the analyst

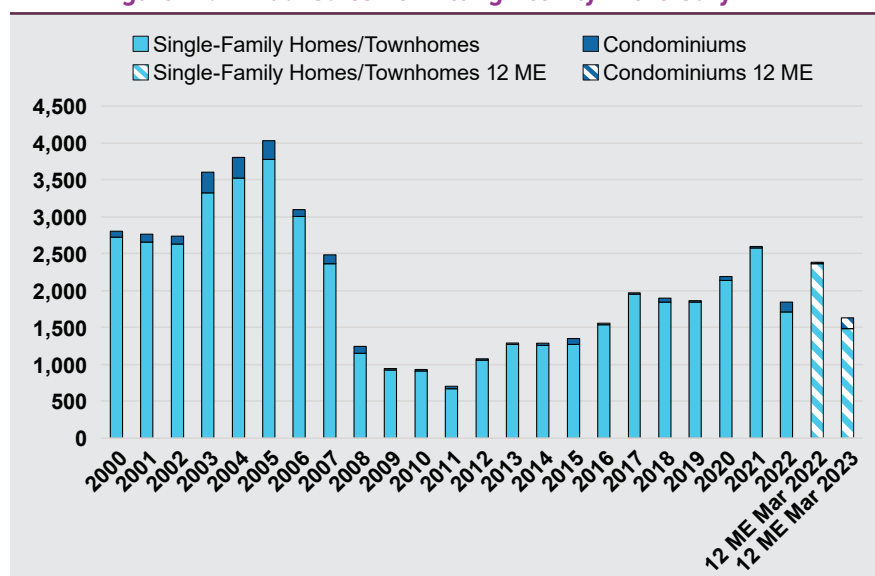
Figure 11. Seriously Delinquent Mortgages and REO Properties



REO = real estate owned.
Note: Chicago MSA includes the Gary HMA.
Source: CoreLogic, Inc.

totaled approximately 1,625 homes during the 12 months ending March 2023, a decline of 31 percent from 2,375 homes permitted a year earlier (preliminary data, with adjustments by the analyst). By comparison, during the 2000–2007 housing boom, sales permitting averaged 3,175 homes a year then declined 27 percent a year from 2008 to 2011, when only 690 homes were permitted, as demand decreased sharply, stemming from the weak local economy and the national housing crisis (Figure 12). From 2012 through 2016, construction activity in the HMA rebounded modestly but remained low, averaging 1,300 homes permitted a year, before increasing to an average of 1,875 homes permitted from 2016 through 2020 in response to a shift to net in-migration to the HMA.

Figure 12. Annual Sales Permitting Activity in the Gary HMA



12 ME = 12 months ending.

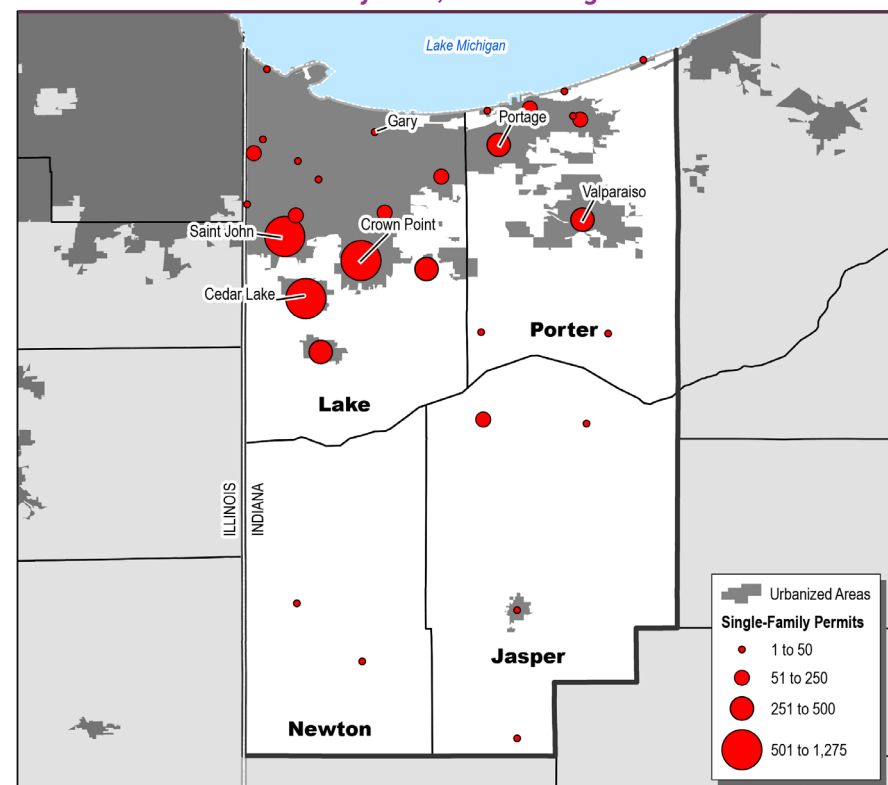
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Homebuilding Activity by Geography

New home construction is occurring mostly in small suburban towns in Lake County and, to a lesser degree, in Porter County. From 2019 through 2021, approximately 1,275 single-family homes were permitted in the town

of St. John in Lake County, accounting for approximately 20 percent of all single-family homes permitted in the HMA (Map 2). Cedar Lake and Crown Point in central Lake County had the second and third most homes permitted, with 860 and 625 homes, or 13 and 10 percent, respectively. By comparison, only 25 homes were permitted during the same period in the city of Gary and none in East Chicago. In Porter County, the most single-family homes permitted from 2019 through 2021 were in the cities of Portage and Valparaiso, with 390 and 380, respectively, or approximately 6 percent of the total each. Overall, single-family permitting in the Gary HMA during the past 12 months accounted for 25 percent of all single-family homes permitted

Map 2. Single-Family Permitting by Municipality in the Gary HMA, 2019 Through 2021



Source: State of the Cities Data Systems (SOCDS)

in the Chicago MSA, even though the HMA population accounts for only approximately 7 percent of the total population of the MSA.

Recent developments include the 136-lot Birchwood Farms in the city of Cedar Lake, where 59 new homes have been built thus far. The development consists of two- to four-bedroom single-family homes, with prices starting in the mid-\$300,000s. New development continues at various subdivisions of The Gates of Saint John, the largest active development in the HMA, with more than 1,100 lots. Approximately 140 new homes were sold at The Gates of Saint John during the past year (Zonda). Homes at The Gates of Saint John currently under construction range from three-bedroom townhomes with starting prices in the low \$300,000s to upscale single-family homes with home prices starting in the high \$400,000s.

Forecast

During the next 3 years, demand is estimated for 6,300 new homes (Table 6). The 340 homes under construction are expected to meet part of the demand during the first year of the forecast period. Demand for new homes in the HMA is expected to remain fairly stable during each year of the forecast period but may be limited by relatively high current mortgage interest rates.

Table 6. Demand for New Sales Units in the Gary HMA During the Forecast Period

Sales Units	
Demand	6,300 Units
Under Construction	340 Units

Note: The forecast period is from April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

Construction of new apartments in the Gary HMA rose sharply in the past year, following 5 years of very limited and declining construction activity.

Current Conditions and Recent Trends

Renter households currently account for nearly 29 percent of all households in the HMA, relatively unchanged since 2010. The rental market in the HMA is balanced, with an overall rental vacancy rate estimated at 7.7 percent, down from 9.3 percent in April 2010, when conditions were soft (Table 7). The housing crisis late in the 2000s led to softening rental market conditions after significant numbers of unsold homes entered the rental market. Relatively low levels of rental construction in the late 2010s and during the pandemic allowed the market conditions to move to balanced as previously vacant units were absorbed.

Apartment Market Trends

During the past year, apartment market conditions shifted from tight to slightly tight. The apartment vacancy rate as of the first quarter of 2023 was 4.9 percent, up from 2.6 percent as of the first quarter of 2022 (CoStar Group; Figure 13). By comparison, newly constructed apartments were absorbed slowly during the Great Recession, when

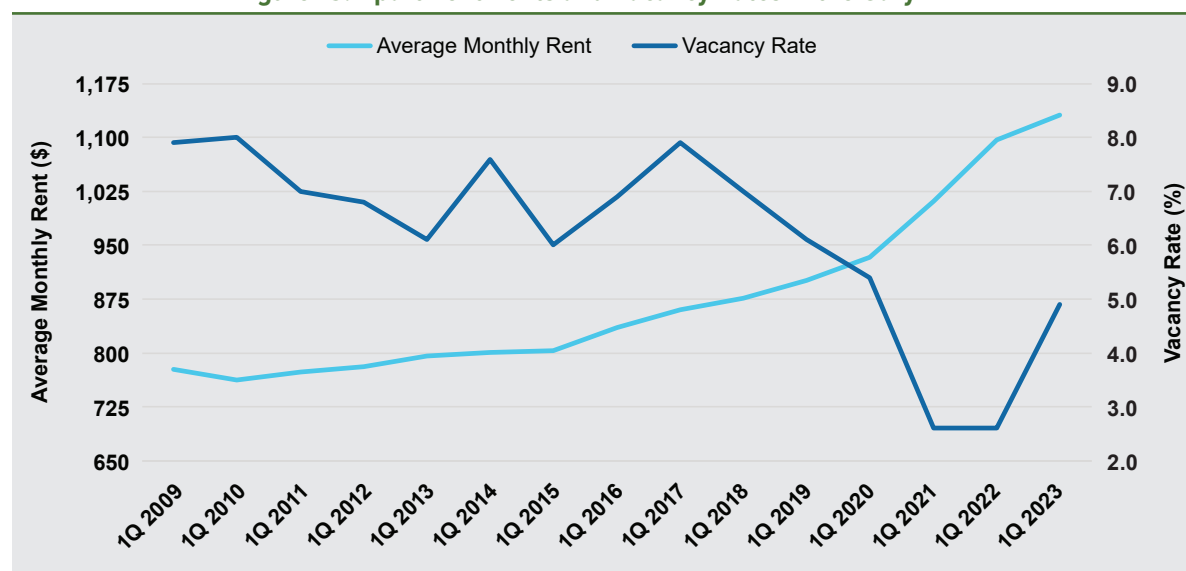
Table 7. Rental Market Quick Facts in the Gary HMA

Rental Market Quick Facts	2010 (%)	Current (%)
	Rental Vacancy Rate	9.3
	2010 (%)	2021 (%)
	Occupied Rental Units by Structure	
	Single-Family Attached & Detached	40
	Multifamily (2–4 Units)	21
	Multifamily (5+ Units)	37
	Other (Including Mobile Homes)	2

Notes: The current date is April 1, 2023. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data

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



1Q = first quarter.
Source: CoStar Group

the apartment market was slightly soft, and the apartment vacancy rate was 8.0 percent as of the first quarter of 2010. The vacancy rate initially declined to a low of 6.1 percent as of the first quarter of 2013 but began to rise again and remained elevated through the mid-2010s because of sluggish economic recovery and net out-migration. After reaching 7.9 percent as of the first quarter of 2017, the apartment vacancy rate in the HMA declined during the next 5 years to a recent low as of the first quarter of 2022. The steady decline in

the apartment vacancy rate occurred because of a shift to net in-migration and limited construction of new apartments. Rent growth in the HMA was weak during the early years of recovery. Rent growth averaged only 1 percent a year from the first quarter of 2010 through the first quarter of 2015 and then modestly accelerated to an average of 3 percent annually from the first quarter of 2016 through the first quarter of 2020. During the pandemic, strong demand for new apartments in the HMA led to a sharp rent increase, growing 9 percent from the first quarter of 2021 through the first quarter of 2022; however, rent growth has since moderated. As of the first quarter of 2023, the average rent in the HMA has risen 3 percent to \$1,132; by comparison, the average monthly rent in the Chicago MSA and the nation increased 4 and 2 percent, respectively, during the same period.

Single-Family Homes for Rent

Single-family homes for rent are popular as an alternative to larger apartments. Approximately 44 percent of all renter households in the HMA lived in single-family homes in 2021, up from 40 percent in 2010 (ACS 1-year data). Since the mid-2010s, the market for single-family rental homes in the HMA has been generally slightly tight. The vacancy rate among professionally managed three-bedroom single-family homes for rent averaged 4.6 percent from 2015 through 2021 (CoreLogic, Inc.). As of March 2023, the average vacancy rate for a three-bedroom single-family home for rent in the HMA was 4.4 percent, and the average monthly rent had increased 9 percent year over year to \$1,610.

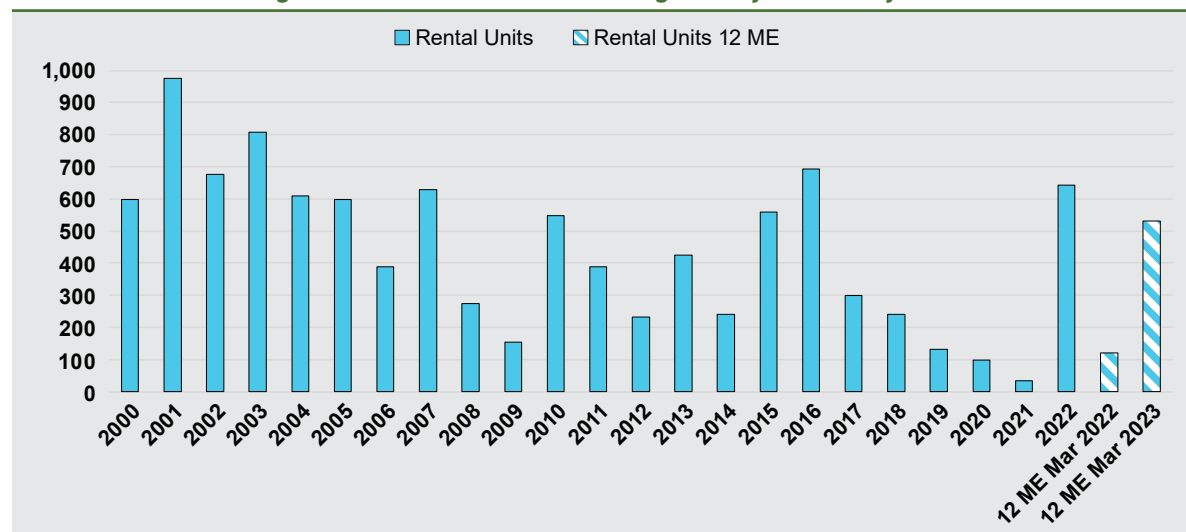
Senior Rental Housing

In 2021, households with adults aged 55 years and older accounted for approximately 31 percent of all renter households, up from 26 percent in 2010 (ACS 1-year data). Housing built to accommodate the growing share of senior renter households has accounted for 28 percent of rental housing built in the HMA since 2010—up sharply from a 14-percent share during the 2000s—and includes senior apartments and assisted- and independent-living facilities. Demand for most types of congregate senior housing decreased during the COVID-19 pandemic because of the higher perceived risk of contracting the virus but is beginning to increase slowly. As of the first quarter of 2023, the vacancy rate among apartments restricted to households headed by seniors, including assisted- and independent-living facilities, averaged 20.7 percent, down from 23.7 percent a year earlier but higher than the recent low of 16.0 percent during the first quarter of 2019 (Moody's Analytics REIS).

Rental Construction

Following 5 years of declining construction activity from 2017 through 2021, builders responded to tightening apartment market conditions by abruptly increasing construction in 2022. The number of rental units permitted during the 12 months ending March 2023 was approximately 530, sharply up from 120 rental units permitted during the previous 12 months (Figure 14). By comparison, from 2000 through 2007, rental

Figure 14. Annual Rental Permitting Activity in the Gary HMA



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

permitting averaged 660 units annually as the local economy generally expanded and included net in-migration to the HMA. Permitting slowed to an average of 320 rental units annually from 2008 through 2014, a period that included the housing market downturn, early recovery, and net out-migration from the HMA. During 2015 and 2016, the construction of new rental units rose to an average of 630 units annually but subsequently fell because apartment vacancy rates started to rise. From 2017 to 2021, the number of rental units permitted fell an average of 45 percent a year to only 35 units permitted in 2021. This period of low activity coincided with a shift to net in-migration, contributing to tightening apartment market conditions in the HMA. No large general-occupancy rental properties have been completed in the HMA since 2021. In the city of Hammond, construction is underway on converting the former Bank Calumet building into a 100-unit market-rate apartment building. The property is expected to open in early 2024; the unit breakdown and proposed rents have not been announced. The most recently completed development in the HMA is the 52-unit Broadway Lofts in the city of Gary. The property offers one- and two-bedroom affordable apartments with monthly rents ranging from \$879 to \$979, available to households with annual incomes not exceeding \$68,600.

Forecast

During the 3-year forecast period, demand is expected for an additional 940 rental units (Table 8). The 590 units under construction and an additional 200 units in planning are anticipated to meet all demand during the first 2 years of the forecast period. Rental demand is expected to be relatively steady throughout the forecast period, supported by continued household growth. Demand for new rental units targeted to seniors is expected to continue to increase. Apartment construction is expected to be most active in Lake County, specifically in cities along the rail network connecting the HMA with the city of Chicago.

Table 8. Demand for New Rental Units in the Gary HMA During the Forecast Period

Rental Units	
Demand	940 Units
Under Construction	590 Units

Note: The forecast period is from April 1, 2023, to April 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
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.
Existing Home Sales/Existing Home Sales Prices	Include regular resales and real estate owned (REO) sales.
Forecast Period	4/1/2023–4/1/2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.

Rental Housing Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

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 April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.

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.
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.

D. Photo/Map Credits

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