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Terre Haute
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Analysis of the
**TERRE HAUTE, INDIANA
HOUSING MARKET**

as of July 1, 1969

**A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411**

October 1969

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FHA Housing Market Analysis
Terre Haute, Indiana, as of July 1, 1969

Foreword

This analysis has been prepared for the assistance and guidance of the Federal Housing Administration in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Field Market Analysis Service as thoroughly as possible on the basis of information available on the "as of" date from both local and national sources. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

The prospective demand or occupancy potentials expressed in the analysis are based upon an evaluation of the factors available on the "as of" date. They cannot be construed as forecasts of building activity; rather, they express the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Federal Housing Administration
Field Market Analysis Service
Washington, D.C.

FHA HOUSING MARKET ANALYSIS - TERRE HAUTE, INDIANA
AS OF JULY 1, 1969 ^{1/}

The Terre Haute, Indiana, Housing Market Area (HMA) is defined as Vigo County, Indiana. Although the Standard Metropolitan Statistical Area (SMSA) also includes Clay, Sullivan, and Vermillion Counties, the housing market area remains confined to Vigo County. On July 1, 1969, the population of the HMA was estimated at 116,000.

Indiana State University has been the primary source of growth in the local economy during the past three years; increasing student enrollment has stimulated trade, services, and the rental market, while new administrative and faculty positions at the university have had an impact on the sales market. Economic expansion independent of the university also has contributed significantly to recent growth. The entrance of several new firms, particularly the C. I. Case Company, has further diversified and strengthened the economy.

Anticipated Housing Demand

Based on the expected growth in the number of households and the need to replace units to be lost from the inventory, it is estimated that 165 new nonsubsidized housing units could be absorbed annually in the Terre Haute HMA during the two-year forecast period ending July 1, 1971 in addition to an estimated 150 mobile home units expected to be added annually. Adjustments have been made with respect to a reasonable level

^{1/} Data in this analysis are supplementary to a previous FMA analysis of the area as of April 1, 1966.

of vacancies and residential construction. On the basis of these considerations and barring unanticipated changes in economic, demographic, or housing factors incorporated in this analysis, the most desirable demand-supply balance would be achieved with the construction of 115 single-family houses (for distribution see table I) and 50 multifamily units. The estimated demand for new multifamily units could best be absorbed at the minimum rents achievable with market interest rate financing; one- and two-bedroom units could be marketed with the least difficulty. The demand estimates are not intended to be a prediction of short-term construction, but rather suggestive of levels of construction designed to provide stability in the housing market based on long-term trends evident in the area.

Occupancy Potential for Subsidized Housing

Household eligibility for federal subsidy programs is determined primarily by evidence that household or family income is below established limits. Some families may be alternatively eligible for assistance under one or more of these programs or under other assistance programs using federal or state support. Since the potential for each program is estimated separately, there is no attempt to eliminate the overlaps among program estimates. Accordingly, the occupancy potentials for various programs are not additive. Furthermore, future approvals under each program should take into account any intervening approvals under other programs which serve the same requirements. The potentials^{1/} discussed in the following paragraphs reflect estimates adjusted for housing provided or under construction under alternative FHA or other programs.

The annual occupancy potentials for subsidized housing in FHA programs discussed below are based upon 1969 incomes, on the occupancy of substandard housing, on estimates of the elderly population, on April 1, 1969 income limits, and on available market experience.^{2/} The occupancy potentials by size of units are shown in table II.

^{1/} The occupancy potentials referred to in this analysis have been calculated to reflect the strength of the market in view of existing vacancy. The successful attainment of the calculated potentials for subsidized housing may well depend upon construction in suitably accessible locations, as well as distribution of rents and sales prices over the complete range attainable for housing under the specified programs.

^{2/} Families with incomes inadequate to purchase or rent nonsubsidized housing generally are eligible for one form or another of subsidized housing. However, little or no housing has been provided under some of the subsidized housing programs and absorption rates remain to be tested.

Section 221(d)(3)BMIR. If federal funds are available, it is estimated that 125 units of Section 221(d)(3)BMIR housing probably could be absorbed annually during the two-year forecast period.^{1/} Approximately 90 percent of those eligible for BMIR housing also are eligible for housing under Section 236. To date, accommodations which have been made available in the first BMIR project (100 units) in the HMA have been readily absorbed.

Rent-Supplement. There is an annual occupancy potential under the rent-supplement program for approximately 105 units for families and 135 units for the elderly. Only about five percent of the families and less than 10 percent of the elderly households also are eligible for housing under Section 236. Although there are no rent-supplement projects in the HMA, 150 units of public housing, specifically designed for the elderly, were under construction in the city of Terre Haute on July 1, 1969.

Section 235, Sales Housing. Low-cost sales housing could be provided for low- to moderate-income families under Section 235. Based on the exception income limits, approximately 100 houses a year could be absorbed in the HMA during the forecast period. Based on regular income limits, the potential would be only about 40 percent of that number. All of the families eligible for Section 235 housing also are eligible under the Section 236 program and about 75 percent are eligible for Section 221(d)(3)BMIR housing.

Section 236, Rental Housing. Under the exception income limits, there is an annual occupancy potential for 155 units of Section 236 housing, including 60 units for the elderly. Based on regular income limits, the potential for families would be about 40 percent of the potential based on exception income limits and the potential for elderly household would be about 70 percent of the exception limits potential. All of the families eligible for Section 236 housing also are eligible under the Section 235 program but are not additive. Approximately five percent of the families eligible for housing under Section 236 are alternatively eligible for rent-supplements and 15 percent of the elderly households qualify for rent-supplement payments.

Sales Market

The market for new sales housing in the Terre Haute HMA has strengthened moderately in recent years. The volume of sales has been sustained by the expansion of Indiana State University, the entrance of new firms, and a generally prosperous economy. The price of new sales housing has risen sharply. Construction costs have pushed prices into a range which is frequently beyond the reach of most moderate-income families. Few houses are being built for less than \$20,000 and most new homes are being offered at prices approaching \$30,000.

^{1/} At the present time, funds for allocations are available only from recaptures resulting from reductions, withdrawals, and cancellation of outstanding allocations.

The market for existing property is sound in nearly all price ranges. The large turnover of older homes selling for less than \$10,000 is indicative of the strength of the market. During the past eighteen months, available existing homes in the \$15,000 to \$18,000 range have become increasingly more difficult to find. Available homes which are unsold, in many instances, have been difficult to market because of location.

Rental Market

The rental market in the Terre Haute HMA has tightened moderately since 1966. The renter vacancy rate is suggestive of a balanced market, although a large percentage of the available units are in marginal condition. New units in good locations have been absorbed readily. Demand for off-campus student accommodations continues strong; married student housing needs remain to be satisfied. Rents for new units are relatively high, ranging from \$135 plus utilities for a one-bedroom unit to \$165 plus utilities for a two-bedroom unit. Moderately priced rental accommodations are in critically short supply.

Economic, Demographic, and Housing Factors

The anticipated annual demand for 165 new nonsubsidized housing units is based upon the following projected trends in employment, income, population, and housing factors.

Employment. For the twelve-month period ending April 30, 1969, non-agricultural wage and salary employment in the four-county Terre Haute Labor Market Area averaged 52,300, an increase of 1,000 jobs over the corresponding period ending April 30, 1968. The economic climate of the past three years has improved substantially over the period of relatively high unemployment which prevailed during the early 1960's. From 1965 to 1968, employment gains averaged 1,900 annually; the largest gain occurred between 1965 and 1966 when 3,300 jobs were added to the economy. The most significant expansion was in the nonmanufacturing sector, as Indiana State University continued to provide the basis for a growing economy. Increased employment in government and service categories accounted for more than 50 percent of the jobs added during the 1965-1968 period; employment in the manufacturing sector improved moderately when plant facilities for a new firm, the C. I. Case Company, became operational in 1966. In recent months, gains in the nonmanufacturing sector have continued, while employment in manufacturing has declined slightly.

Prospects for economic growth during the two-year forecast period rest with the continued expansion of Indiana State University and with anticipated increases in manufacturing. Although the university is not expected to grow as rapidly as in recent years, larger enrollments and additional faculty will be necessary to meet the growing demands for higher education. The recent decline in manufacturing is viewed as temporary. Employment in food products should regain its posture as

the Ann Page Division of The Atlantic and Pacific Tea Company begins marketing a new line of products. Plant additions to the "Record of the Month Club" Division of the Columbia Broadcasting Company will be completed during the forecast period (creating an estimated 500 new jobs, largely for females). Employment in the remainder of the manufacturing sector, particularly in primary metals, is expected to increase moderately. From July 1969 to July 1971, it is anticipated that nonagricultural wage and salary employment in the four-county area will increase by 1,500 jobs annually.

Income. As of July 1, 1969, the median annual income of all families in the HMA, after deduction of federal income tax, approximated \$7,350 and the median after-tax income of two- or more-person renter households was \$5,950 (see table IV).

Population and Households. The population of the Terre Haute HMA is estimated to be 116,000 as of July 1, 1969. Since April 1, 1966, population has increased by an average of 990 persons annually, during which time the gain in student population averaged 370 annually; in the 1960 to 1966 period, there was an average annual increase in total population of 720, including an average gain in student population of 500 annually. The higher level of annual population gain can be attributed to improved employment opportunities as well as an expanding student enrollment at the university. During the two-year forecast period, population is expected to increase by 900 persons a year.

There were approximately 35,300 households in the HMA in July 1969, reflecting an average annual increase of 250 since April 1966. In the 1960 to 1966 period net additions to households were negligible. As prospects for additional employment gains remain strong, the recent level of household growth is expected to continue.

Housing Inventory. On July 1, 1969, there were an estimated 38,050 housing units in the HMA, a net increase of 600 since April 1966 (see table VII). The increase resulted from the construction or conversion of approximately 700 housing units, the addition of 500 mobile homes, and the loss of 600 units through demolitions and other causes. About 50 of the net additions resulted from conversion and about 400 units were added through new construction in Terre Haute. An estimated 565 units were under construction in July 1969, of which 140 were single-family houses and 425 were multifamily units.

In recent years, residential building activity inside the city of Terre Haute (largely multifamily) has constituted about 80 percent of the new construction in the HMA (see table VI). Prior to 1966, with the exception of public housing and university-built married student housing, multifamily building averaged fewer than 90 units a year. With the lack of mortgage funds in 1966, interest in multifamily structures

declined sharply; less than 40 units are estimated to have been added to the inventory. During 1967 and 1968, however, more than 250 units were added inside the city and another 60 units were built in close proximity to Terre Haute. Interest in the development of multifamily projects continues, but enthusiasm has been adversely affected by the rising costs of construction and finance.

Beyond the immediate vicinity of the city, residential building has been almost exclusively single-family houses. The majority of new homes have been built on scattered lots, rather than in subdivisions.

Vacancy. During the past three years, there has been a moderate decline in the number of available vacancies (see table VII). The quality of the remaining units is marginal, however. Available sales housing is in fair condition, but a large percentage of the vacant rental inventory is in relatively poor condition. As of July 1, 1969, homeowner and renter vacancy rates were estimated to be 1.5 percent and 7.3 percent, respectively, compared with ratios of 1.7 and 8.8 in April 1966.

Table I

Estimated Annual Demand for New Single-family Housing
Terre Haute, Indiana, Housing Market Area
July 1, 1969 to July 1, 1971

<u>Sales price</u>	<u>Number of units</u>	<u>Percent of total</u>
Under \$17,500	10	9
\$17,500 - 19,999	20	17
20,000 - 24,999	40	35
25,000 - 29,999	20	17
30,000 and over	<u>25</u>	<u>22</u>
Total	115	100

Table IV

Percentage Distribution of All Families and Renter Households by Estimated
Annual Income after Deduction of Federal Income Tax
Terre Haute, Indiana, Housing Market Area, 1966 and 1969

	<u>All families</u>		<u>Renter households</u> ^{a/}	
	<u>1966</u>	<u>1969</u>	<u>1966</u>	<u>1969</u>
Under - \$4,000	23	19	33	29
\$4,000 - 4,999	9	8	11	11
5,000 - 5,999	9	8	13	11
6,000 - 6,999	11	11	11	11
7,000 - 7,999	10	10	9	9
8,000 - 8,999	9	9	7	7
9,000 - 9,999	7	8	6	7
10,000 - 11,999	10	11	5	9
12,000 - 14,999	7	9	3	4
15,000 and over	<u>5</u>	<u>7</u>	<u>2</u>	<u>2</u>
Total	100	100	100	100
Median	\$6,850	\$7,350	\$5,425	\$5,950

^{a/} Includes two- or more persons renter households.

Source: Estimated by Housing Market Analyst.

Table V

Population and Household Trends
Terre Haute, Indiana, Housing Market Area
April 1960-July 1969

<u>Component</u>	<u>April</u> <u>1960</u>	<u>April</u> <u>1966</u>	<u>July</u> <u>1969</u>	<u>Average annual change ^{a/}</u>			
				<u>1960-1966</u>		<u>1966-1969</u>	
				<u>Number</u>	<u>Rate</u> ^{b/}	<u>Number</u>	<u>Rate</u> ^{b/}
<u>Population</u>							
HMA total	<u>108,458</u>	<u>112,800</u>	<u>116,000</u>	<u>720</u>	<u>.6</u>	<u>990</u>	<u>.9</u>
Terre Haute	<u>72,500</u>	<u>74,350</u>	<u>75,000</u>	<u>310</u>	<u>.4</u>	<u>200</u>	<u>.3</u>
Remainder of HMA	<u>35,958</u>	<u>38,450</u>	<u>41,000</u>	<u>410</u>	<u>1.1</u>	<u>790</u>	<u>2.0</u>
<u>Households</u>							
HMA total	<u>34,440</u>	<u>34,500</u>	<u>35,300</u>	<u>10</u>	<u>.1</u>	<u>250</u>	<u>.7</u>
Terre Haute	<u>24,230</u>	<u>23,600</u>	<u>23,600</u>	<u>-100</u>	<u>-.4</u>	<u>-</u>	<u>-</u>
Remainder of HMA	<u>10,210</u>	<u>10,900</u>	<u>11,700</u>	<u>110</u>	<u>1.1</u>	<u>250</u>	<u>2.2</u>

^{a/} Rounded; may not add to totals.

^{b/} Derived through the use of a formula designed to calculate the percentage rate of change on a compound basis.

Sources: 1960 Census of Population and Housing
1966 and 1969 estimated by Housing Market Analyst.

Table VI

Privately Financed Housing Units Authorized by Building Permits
City of Terre Haute, Indiana
January 1960-April 1969

<u>Year</u>	<u>Single-Family</u>	<u>Multi-family</u>	<u>Total</u>
1960	75	12	87
1961	74	-	74
1962	72	-	72
1963	61	48 ^{a/}	109
1964	57	28 ^{b/}	85
1965	44	40	84
1966	34	8	42
1967	37	61 ^{c/}	98
1968	26	177	203
1969 Jan.-Apr.	11	36	47

a/ Excludes 200 units of public housing.

b/ Excludes 100 units of public housing, and 80 units of married student housing.

c/ Excludes 80 units of public housing.

Source: U. S. Bureau of the Census and local building inspector.

Table VII

Components of the Housing Inventory
Terre Haute, Indiana, Housing Market Area
April 1960-July 1969

<u>Components</u>	<u>April</u> <u>1960</u>	<u>April</u> <u>1966</u>	<u>July</u> <u>1969</u>
Total housing supply	<u>37,004</u>	<u>37,450</u>	<u>38,050</u>
Occupied housing units	<u>34,440</u>	<u>34,500</u>	<u>35,300</u>
Owner occupied	25,243	25,450	26,100
Percent of all occupied	73.3	73.8	73.9
Rent occupied	9,197	9,050	9,200
Percent of all occupied	26.7	26.2	26.1
Vacant housing units	<u>2,564</u>	<u>2,950</u>	<u>2,750</u>
Available vacant	<u>972</u>	<u>1,325</u>	<u>1,125</u>
For sale	333	450	400
Homeowner vacancy rate	1.3	1.7	1.5
For rent	639	875	725
Rental vacancy rate	6.5	8.8	7.3
Other vacant ^{a/}	1,592	1,625	1,625

^{a/} Includes seasonal units, vacant dilapidated units, units rented or sold awaiting occupancy, and units held off the market for other reasons.

Sources: 1960 Census of Housing
1966 and 1969 estimated by Housing Market Analyst.

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