

## Economic Report for LaPorte and Porter Counties

This issue of ECONTRENDSTRENDS contains selected economic indicators for the housing market of LaPorte and Porter counties and Greater Northwest Indiana, an area which includes nine Indiana counties and contiguous areas in Illinois and Michigan. We hope you find this issue informative.

### Homeownership Up in Northwest Indiana

Despite the hike in the national average of 30-year fixed rate mortgage from 5.35 percent in 2004 to 5.55 percent in 2005 (calculated from HSH Associates national survey), the existing housing market in Greater Northwest Indiana was up in 2005 compared to the previous year according to the information obtained from Greater Northwest Indiana Association of Realtors, Inc. (GNIAR). Table 1 presents various historical housing market statistics for LaPorte and Porter counties as well as Greater Northwest Indiana. Between 2004-2005, the number of homes sold in LaPorte County increased from 1,251 units in 2004 to 1,310 units in 2005. The 2005 figure represents a rise from the previous year of about 4.72 percent. In Porter County, the 2005 number of homes sold was 2,092 units, reflecting a decline of 3.19 percent from the previous year. In spite of a setback in Porter County, Greater Northwest Indiana overall experienced an increase of 3.91 percent with a total of 9,813 units sold (Figure 1).



*ECONTRENDSTRENDS is prepared by Tantatape Brahmasrene, Ph.D. Professor of Economics & Business Purdue University North Central*

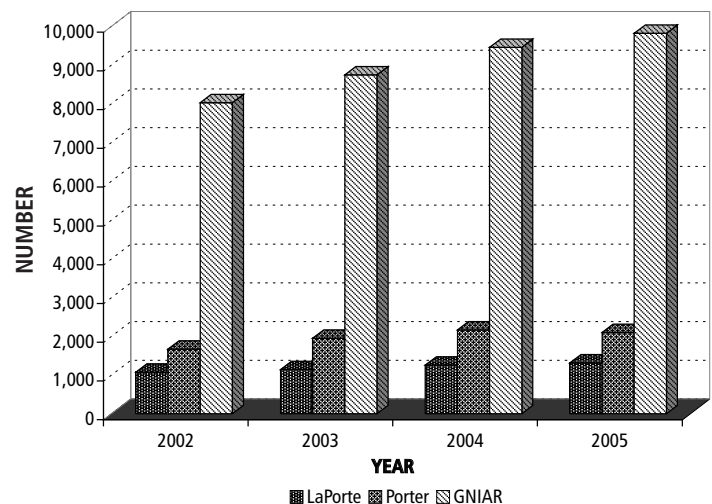
Brahmasrene, 2001-02 J. William Fulbright Senior Scholar, 2003-04 Fulbright Senior Specialist. He received 2006 Purdue Research Foundation International Travel Grant.

Table 1  
HOUSING MARKET STATISTICS

Year	Sold	% change from Previous Year	Avg. Listing Price	% Change from Previous Year	Avg. Listing Price	% Change from Previous Year	% Listing Price Received	Avg. Mkt. Time of House Sold (Days)
<b>LaPorte County</b>								
2002	1,076		149,712		141,150		94.16	134
2003	1,142	6.13	154,428	3.15	147,701	4.64	95.26	122
2004	1,251	9.54	162,897	5.48	155,671	5.40	95.65	117
2005	1,310	4.72	186,022	14.20	177,185	13.82	96.08	125
<b>Porter County</b>								
2002	1,665	1.22	182,063	0.73	175,233	1.60	96.25	126
2003	1,948	17.00	181,756	-0.17	172,873	-1.35	95.11	122
2004	2,161	10.93	200,803	10.48	192,328	11.25	95.78	126
2005	2,092	-3.19	214,700	6.92	206,628	7.44	96.24	124
<b>Greater Northwest Indiana</b>								
2002	8,022	19.86	130,937	0.97	126,131	-0.60	96.33	122
2003	8,738	8.93	135,809	3.72	131,463	4.23	96.80	116
2004	9,444	8.08	142,424	4.87	138,051	5.01	96.93	116
2005	9,813	3.91	152,430	12.24	148,327	7.44	97.31	110

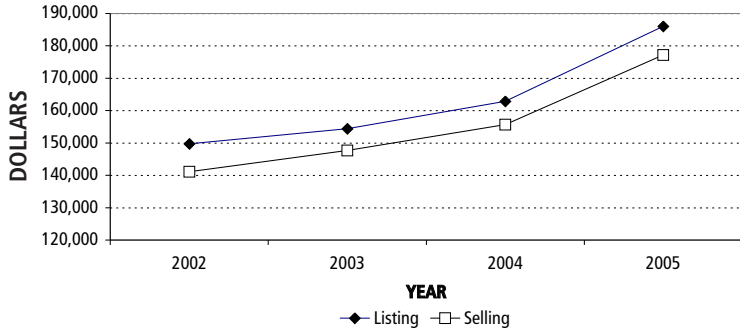
Analysis derived from Greater Northwest Indiana Association of Realtors, Inc.

(Figure 1)  
NUMBER OF HOMES SOLD

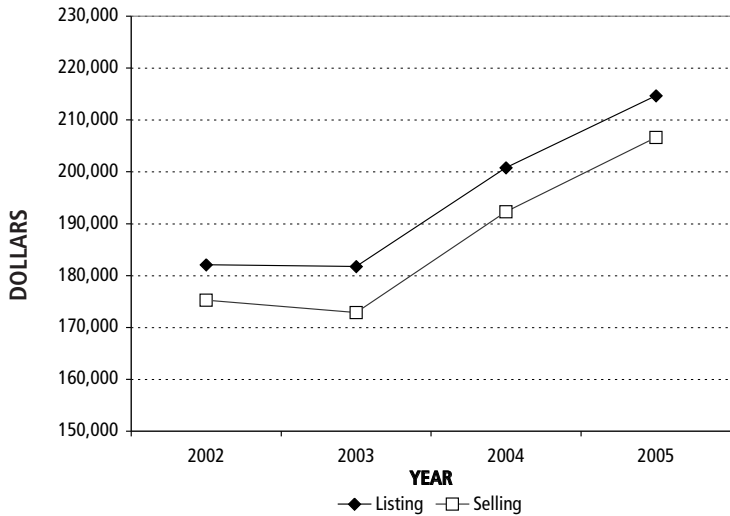


Analysis derived from Greater Northwest Indiana Association of Realtors, Inc. GNIAR – Greater Northwest Indiana

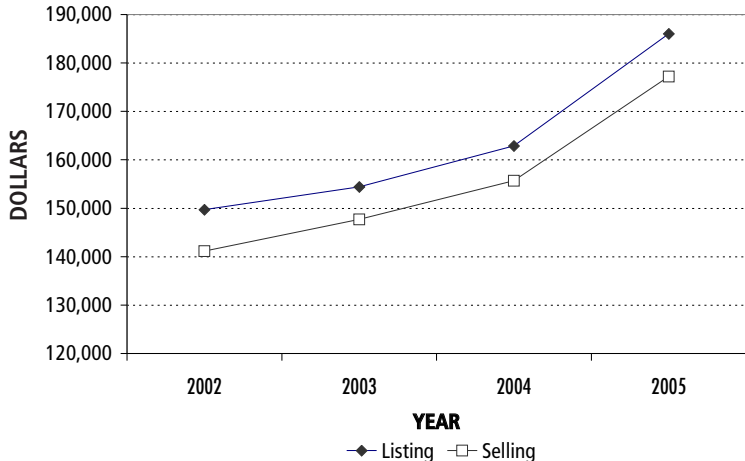
(Figure 2a)  
**PRICES FOR EXISTING HOME**  
 LaPorte County



(Figure 2b)  
**PRICES FOR EXISTING HOME**  
 Porter County



(Figure 2c)  
**PRICES FOR EXISTING HOME**  
 Greater Northwest Indiana



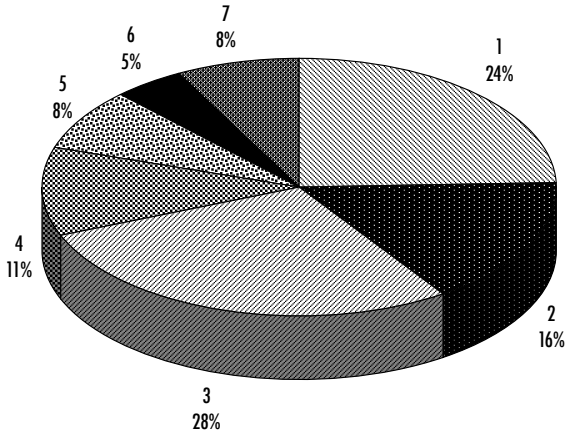
In LaPorte County, the average listing and selling prices in 2005 were \$186,022 and \$177,185, respectively, an increase of 14.20 and 13.82 percent, from the previous year (Table 1 and Figure 2). Note that the inflation rate in 2005 was 3.39 percent. The annual average growth in the listing price since 2002 was 7.61 percent while the selling price averaged a 7.95 percent increase. Note that the average annual rate of inflation (based on consumer price index) for that period was 2.78 percent. The 2005 average listing and selling prices for a home in Porter County were \$214,700 and \$206,628, respectively. These represented an increase from the previous year by 6.92 and 7.44 percent. The annual average growth in the listing price since 2002 was 5.74 percent while the selling price averaged a 5.78 percent increase. According to the GNIAR report, the average listing and selling prices in 2005 were \$152,430 and \$148,327, respectively. In 2005, Greater Northwest Indiana showed an increase of 12.24 percent in average listing price and 7.44 percent in selling price. The annual average growth in the listing price and selling price since 2002 were 6.94 and 5.56 percent, respectively.

Overall housing costs in LaPorte and Porter counties are reasonable and are relatively lower than similar Chicago area neighborhoods. Last year, sellers in LaPorte County received about 96.08 percent of the listing price. The average market time to sell a home rose by 8 days from 2004. Sellers in Porter County and Greater Northwest Indiana received about 96.24 and 97.31 percent of the listing price, respectively. The average market time of a home sold in LaPorte and Porter County was higher (about 125-124 days over the last year) compared with 110 days for Greater Northwest Indiana as a whole due to higher prices. The annual average market time since 2002 was 125 days in Porter County and 116 days in Greater Northwest Indiana.

The housing market seems to offer buyers many homes at reasonable prices. On the other hand, sellers are getting good returns and homes are not in the market long unless the price is very high. For instance, last year, the average listing price of properties not sold in LaPorte County, Porter County and Greater Northwest Indiana were \$237,762, \$314,097 and \$179,678. The 2005 average selling prices adjusted for inflation (1982-84 dollars) were \$90,724, \$105,800 and \$75,948 in LaPorte County, Porter County and Greater Northwest Indiana. In real terms, this represents an increase from 2002 of 15.63, 8.62 and 8.32 percent in LaPorte County, Porter County and Greater Northwest Indiana, respectively. The annual appreciation rates would be 3.91, 2.16 and 2.08 percent. Housing prices in LaPorte County are relatively lower than Porter County. That may attract more home buyers and drive up prices faster than the higher price areas.

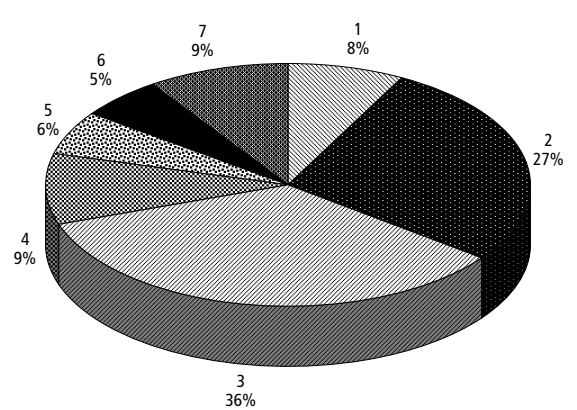
Analysis derived from Greater Northwest Indiana Association of Realtors, Inc.

(Figure 3a)  
HOUSING MARKET SHARE  
BY DOLLAR VOLUME  
LaPorte County



Key for LaPorte County	
Area	Name
1	Beach
2	Michigan City
3	LaPorte
4	Northwest
5	Northeast
6	Southeast
7	Southwest

(Figure 3b)  
HOUSING MARKET SHARE  
BY HOMES SOLD  
LaPorte County



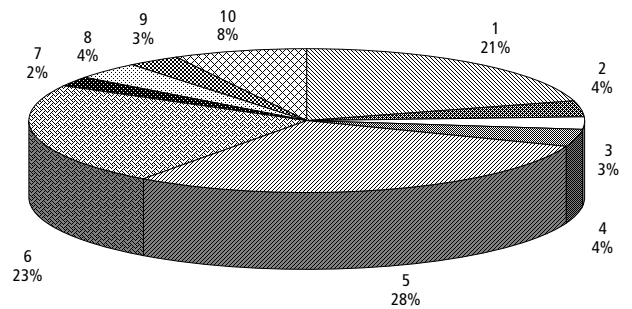
Analysis derived from Greater Northwest Indiana Association of Realtors, Inc.

## Scene From Different Areas

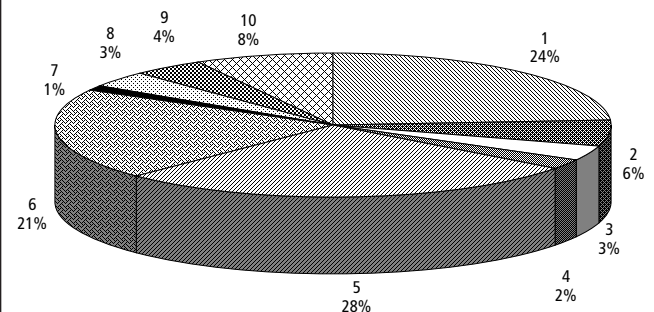
Figure 3a and 3b presents the 2005 market share in terms of dollar volume and units sold in LaPorte County. The market share by dollar volume was highest in the city of LaPorte (28 percent) at \$52,954,545 followed by Beach area (24 percent) at \$45,549,665. The city of LaPorte holds the record high in market share as determined by units sold (453 units or 36 percent). In Porter County, the highest dollar volume (28 percent or \$115,458,608) was in Area 5 which includes Valparaiso and Center Township Unincorporated (Figure 4a & 4b). Valparaiso led all Northwest Indiana areas in sales, with 570 units sold, followed by Portage & Ogden Dunes with 500 sales, Merrillville with 471, Hobart at 438 sales, while Chesterton registered 429 sales.

Key for Porter County	
Area	Name
1	Portage & Ogden Dunes
2	Portage Township Unicorp.
3	Wheeler & Union Twp. Unincorp.
4	Shorewood
5	Valparaiso, Center Twp. Unincorp.
6	Chesterton, Porter, Burns Harbor, Westchester Twp. Liberty Twp., Jackson Twp. Unincorp.
7	Pines, Beverly Shores, Pine Twp Unincorp.
8	Boone Grove & Porter Twp.
9	Hebron & Boone Twp. Unincorp.
10	Kouts, Washington Twp., Morgan Twp., Pleasant Twp. Unincorp.

(Figure 4a)  
HOUSING MARKET SHARE  
BY DOLLAR VOLUME  
Porter County

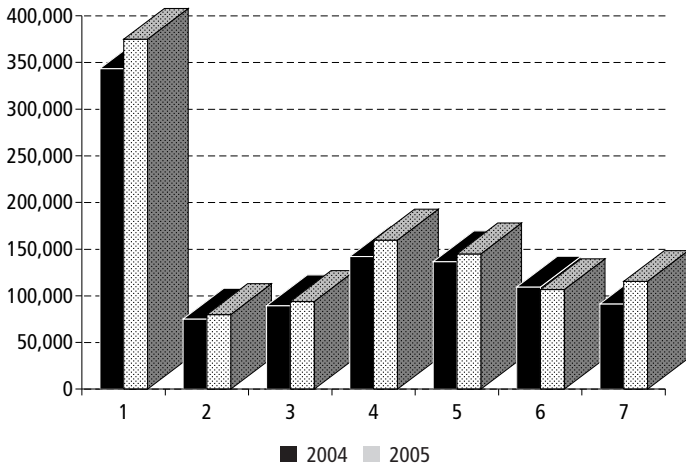


(Figure 4b)  
HOUSING MARKET SHARE  
BY HOMES SOLD  
Porter County



Analysis derived from Greater Northwest Indiana Association of Realtors, Inc.

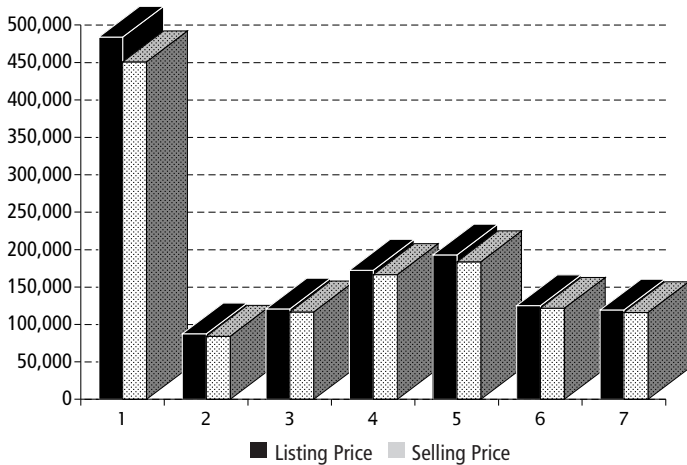
(Figure 5)  
**MEDIAN SALE PRICE**  
 LaPorte County



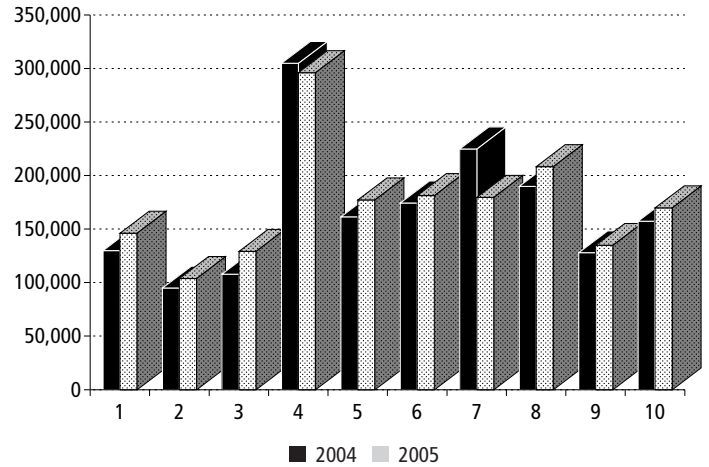
In LaPorte County, Lake Michigan Beach area shows the highest median sale price at \$375,000 in 2005 (Figure 5) followed by Northwest (\$159,813) and Northeast (\$145,000). The city of LaPorte and Michigan City median sale prices were \$94,000 and \$80,000, respectively. These latter two areas had the median sale prices of \$89,500 and \$75,250 in 2004.

Figure 7 compares the 2005 average listing and selling prices in LaPorte County for each area. The Beach area had the highest average selling price of \$450,987. The average selling prices in Michigan City and LaPorte were \$84,286 and \$116,897, respectively.

(Figure 7)  
**LISTING AND SELLING PRICE**  
 LaPorte County



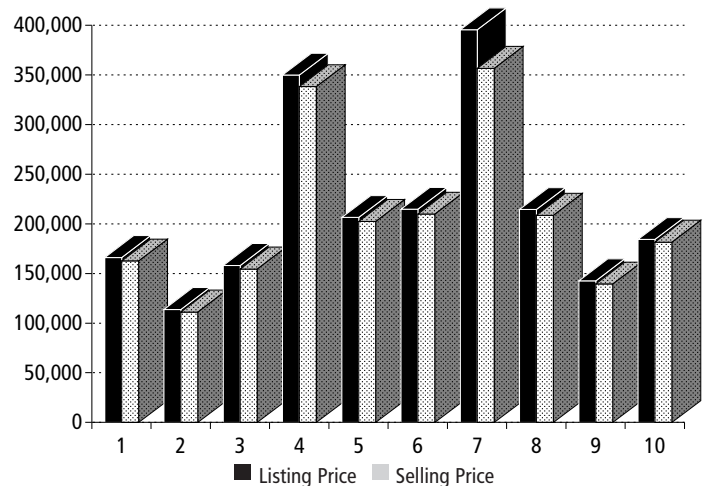
(Figure 6)  
**MEDIAN SALE PRICE**  
 Porter County



In Porter County, (Figure 6) the 2005 median sale price was highest in area 4, Shorewood, at about \$296,200. The median sale price in area 5, Valparaiso and Center Township Unincorporated, was \$177,500. In 2004, the median sale prices in these two areas were \$305,000 and \$161,500, respectively.

Figure 8 compares the 2005 average listing and selling prices in Porter County for each area. The Pines and Beverly Shores area had the highest average selling price of \$356,796. The average selling prices in Valparaiso and Center Township Unincorporated was \$202,559.

(Figure 8)  
**LISTING AND SELLING PRICE**  
 Porter County



Analysis derived from Greater Northwest Indiana Association of Realtors, Inc.  
 For LaPorte County and Porter County key see page 3.

(Figure 9)  
**PERCENT CHANGE IN LISTING AND SELLING PRICE**  
 LaPorte County

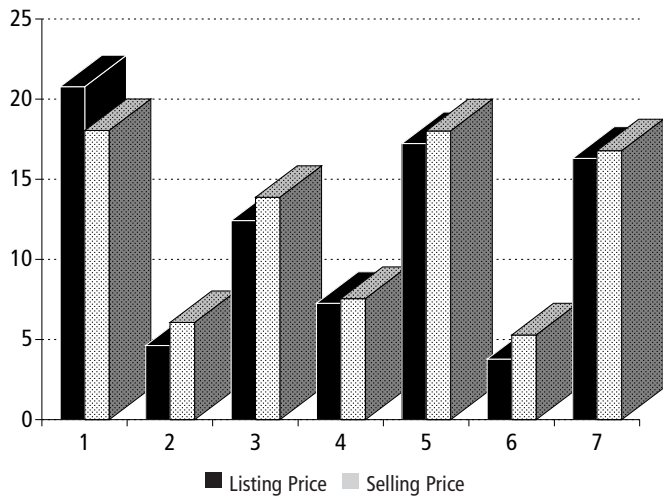
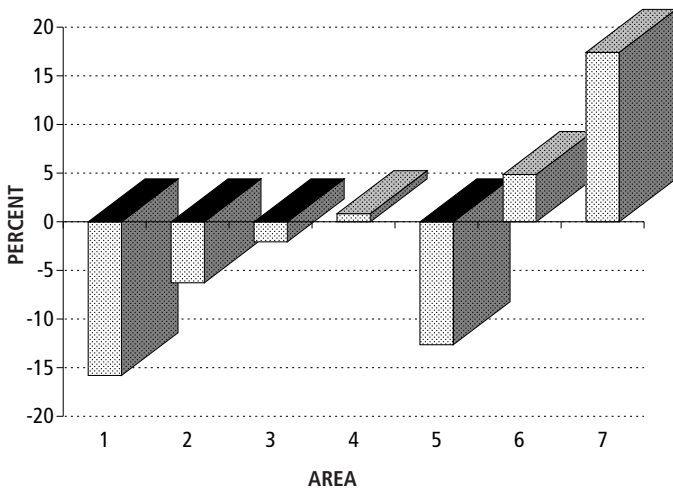


Figure 9 shows the change in listing and selling prices during 2004-05 in LaPorte County. The largest increase in selling price occurred in the Beach (18.05 percent), followed closely by Northeast (18.03 percent). The selling prices in the city of LaPorte and Michigan City increased by 13.88 and 6.07 percent, respectively. Other areas in LaPorte county experienced an increase in selling prices by 5.29 to 16.79 percent.

Last year all areas except Northwest, Southeast and Southwest in LaPorte County experienced a decline in percent sales activity (Figure 11). Michigan City and the City of LaPorte showed declines of 6.26 and 2.05 percent, respectively. The Beach area saw a decline of 15.8 percent in sales activities.

(Figure 11)  
**PERCENT CHANGE IN SALES ACTIVITY**  
 LaPorte County



(Figure 10)  
**PERCENT CHANGE IN LISTING AND SELLING PRICE**  
 Porter County

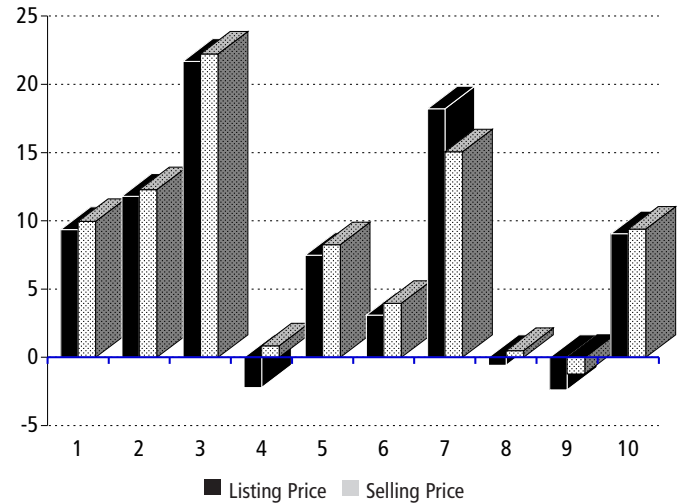


Figure 10 shows the change in listing and selling prices during 2004-05 in Porter County. All areas except Area 9 (Hebron & Boone Township Unincorporated) experienced an increase. Area 5, Valparaiso and Center Township Unincorporated, saw an increase of 8.26 percent. The largest increase in selling price (22.23 percent) occurred in Area 3, Wheeler and Union Township Unincorporated.

Figure 12 shows that four out of ten areas in Porter County experienced an increase in percent sales activity. Valparaiso and Center Township Unincorporated decreased sales activity by 5.5 percent. Area 4, Shorewood had the largest increase of 34.72 percent.

(Figure 12)  
**PERCENT CHANGE IN SALES ACTIVITY**  
 Porter County

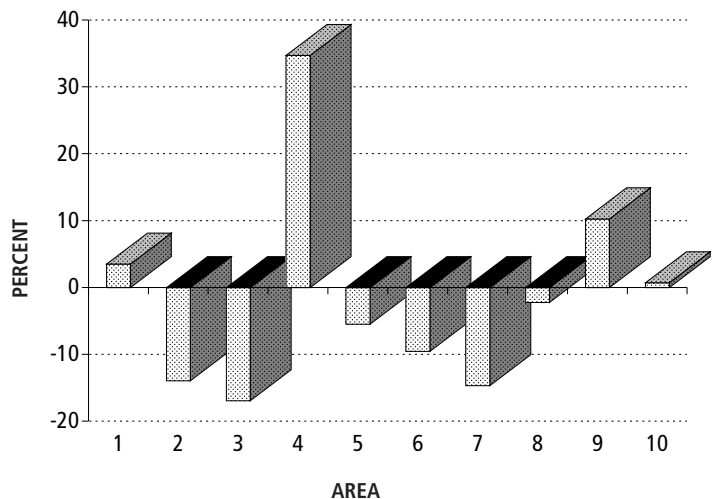


Table 2  
HOUSING MARKET BY AREA  
LaPorte County

Area	% Listing Received		Avg. Properties Not Sold		Avg. Sold Time		% Sold Activity	
	2004	2005	2004	2005	2004	2005	2004	2005
1	95.35	93.19	597,309	605,906	130	152	31.9	26.86
2	94.94	96.23	93,860	99,351	119	199	42.3	39.65
3	95.59	96.82	122,408	145,636	103	101	41.55	40.7
4	96.35	96.61	176,946	302,292	125	123	43.51	43.88
5	94.61	95.26	323,138	206,410	114	147	42.05	36.74
6	95.87	97.26	133,410	174,303	115	115	37.93	39.78
7	96.81	97.20	110,235	130,436	115	121	40.6	47.67

Analysis derived from Greater Northwest Indiana Association of Realtors, Inc.

Overall from 2004 to 2005, the market experienced only a small change in sold activity from 39.98 to 39.33 percent in LaPorte County, and from 47.22 to 45.99 percent in Porter County. The drop in selling prices and sales activity in many areas may be a result of a decline in demand for housing due to higher interest rates and also more home for sales in these areas.

Table 2 and 3 show additional statistics for all areas in 2004-05. On average the percentage of listing price received was about 96.08 percent in LaPorte County and 96.96 percent in Porter County. Percent of listing price received in LaPorte County varied between 93.19 and 97.26 percent in 2005 compared to the 2004 range of 94.61 to 96.81 percent (Table 2). The percent of listing price received in Porter County areas varied between 90.19 and 98.07 percent in 2005, compared to the 2004 range of 93.78 to 98.20 percent (Table 3). The average price of property not sold was significantly higher than the price of properties that did sell, 1.3 times in LaPorte County and 1.5 times in Porter County. Generally, average sold time is longer in the areas with high property prices e.g. 152 days in the Beach area with the average selling price of \$450,987.

Percent sold activity in Porter County (45.99 percent) was higher in comparison with LaPorte County (39.33 percent) due to factors such as lower unemployment, higher income and proximity to a metropolitan area. In LaPorte County, Southwest showed the highest activities at 47.67 percent, and 40.7 percent in LaPorte. In Area 5, Valparaiso and Center Township, percent sold activity was 44.64 percent in 2005 compared to 47.24 a year ago. The highest sold activity in this county occurred in Area 1 at 53.08 percent compared to 51.28 percent in 2004.

## Type of Homes Sold

The majority of homes sold (18.92 percent or 1,857 units) in Greater Northwest Indiana were in the high ends such as the \$150,000-199,999 price range, followed by the \$125,000-149,999 price range (13.83 percent or 1,357 units). Moreover, the majority of homes sold were three-bedroom type (5,510 units or 56 percent), followed by four bedrooms (2,330 units or 24 percent) and two-bedrooms (1,544 units or 16 percent).

(Table 3)  
HOUSING MARKET BY AREA  
Porter Counties

Area	Percent Listing Received		Average Properties Not Sold		Average Sold Time		Percent Sold Activity	
	2004	2005	2004	2005	2004	2005	2004	2005
1	97.41	97.93	180,834	199,503	110	101	51.28	53.08
2	97.31	97.73	122,837	125,127	103	91	57.63	49.60
3	97.25	97.68	191,133	239,145	118	98	58.93	48.95
4	93.78	96.70	415,998	570,280	168	132	36.29	48.89
5	97.36	98.07	239,709	300,818	108	106	47.24	44.64
6	96.90	97.91	253,890	331,167	129	120	41.96	37.96
7	92.66	90.19	317,347	693,567	154	148	43.28	36.92
8	96.25	97.29	212,358	302,417	138	240	38.69	37.82
9	96.59	97.75	152,749	168,773	102	86	46.35	51.11
10	98.20	98.50	185,231	210,169	127	118	50.56	50.92

Analysis derived from Greater Northwest Indiana Association of Realtors, Inc.

## Financing Methods May Affect Prices

In 2005, most of the homes sold in the Greater Northwest Indiana Region, were financed through conventional mortgages (56.78 percent), followed by insured mortgages (14.84 percent), cash (14.37 percent), the Federal Housing Administration (FHA, 10.44 percent), the Veterans Administration (VA) guaranteed mortgage (1.43 percent), and others (2.14 percent).

Percent of listing price received in 2005 was highest with Federal Farmers Home Administration (FmHA) mortgage (99.83 percent), the FHA mortgage (99.22 percent), and owner assist (98.79 percent), but not much higher other financing methods such as the VA mortgage (97.96 percent), the insured mortgage (97.8 percent) and the conventional mortgages (97.34 percent) while cash was 94.8 percent. Home buyers seem to have more bargaining power with cash.

## The Outlook

The average selling price in LaPorte County, Porter County and Greater Northwest Indiana have gone up from the 2002 level by 25.53, 17.92 and 17.60 percent, respectively, while the cost of living index has advanced by 8.56 percent. In other words, the real value of a home purchased during 2002 has gone up by 15.63, 8.62 and 8.32 percent in those areas, respectively. In terms of annual averages from 2002, these would be about 3.91 percent for LaPorte County, 2.16 percent for Porter County and 2.08 percent for Greater Northwest Indiana. This simply means that homeowners or sellers are fairly well off. Many home buyers were later able to sell their homes for much more than they paid because housing prices appreciated steadily. The Northwest Indiana housing market continues to possess the key strengths of affordability and variety. As long as economic conditions remain favorable the trend may occur through out the remainder of the year. The following labor market trend may provide further insight.

## Favorable Labor Market

Figures released by the U.S. Bureau of Labor Statistics indicate that in January 2006, the unemployment rate in LaPorte County was 6.3 percent (about 3,380 persons out of the 53,910 labor force), compared to 7 percent in January a year ago. The unemployment rate in Porter County showed a decline to 4.6 percent (about 3,690 persons out of the 80,610 labor force), compared to 5.6 percent in January a year ago. The Indiana unemployment decreased from 6.1 percent in January 2005 to 5.3 percent in January 2006.

## Additional Interest Rate Hikes

According to Bankrate.com's recent national survey of large lenders the 30-year fixed-rate mortgage rose to 6.45 percent. The Federal Reserve's future course of action was mixed. While the Chicago Federal Reserve President Michael Moskow said there was no increase in inflation expectations, the St. Louis Federal Reserve President, William Poole, did suggest further rate increases.

## Continued Increase in Residential Building Permits

From 2004 to 2005, new privately-owned residential building permits in Porter County increased by 6.4 percent from 587 buildings to 630 buildings. Number of units increased by 9.6 percent from 595 to 652 units. The construction cost for these permits increased 21.2 percent from \$126,230,990 to 153,042,749. LaPorte County reported an increase of 3.6 percent from 282 buildings or units to 292. The construction cost increased 14.4 percent from \$41,046,940 to 46,970,771.

Despite interest rate hikes, rates are still lower than the national average of 7.89 in 2000 and 6.68 percent 2001 (calculated from HSH Associates Survey). On a positive note, the January 2006 new residential building units (51) more than doubled the January 2005 figure in Porter County. In LaPorte County, the January figure increases from 12 in 2005 to 15 units in 2006. Several years of price appreciation and stronger economic fundamentals such as lower unemployment rates and greater hiring trends should contribute to the stability of 2006 housing market.

## DEPARTMENT OF BUSINESS NEWS

**Drs. Derek Bjonback and Samuel Pavel**, assistant professors of Business, developed a training module for the United Way of La Porte County. The training incorporates measurable social outcomes to improve the agencies' programs. The module includes a short presentation on the concept of outcomes-based budgeting, and a case study for a hypothetical community considering an after-school program. Three four-hour training sessions were held at PNC for United Way agencies in January 2006. Training for Porter County non-profit organizations was held on February 26 and March 3. The next session will meet in June. These training sessions will be incorporated into a Certificate Program in the Non-Profit Management.

### Involvement with Student Research

**Dr. Tantatape Brahmasrene**, professor of Business and Economics, served as an invited member of a dissertation committee in economics at American University where he supervised a Ph.D. candidate from 2003-05 who completed a dissertation on "Exchange Risk and Exchange Rate Pass-Through" which was defended successfully.

### Business Book Club

For an interesting read for financial accounting, **Donna Whitten**, MBA, CPA, Associate Professor of Business, suggested: Mulford, Charles W. and Comiskey, Eugene E., (2002), *The Financial Numbers Game: Detecting Creative Accounting Practices*, New York: John Wiley & Sons, Inc, 378 pp. \$39.95. ISBN 0-471-37008-8. Everybody will benefit by gaining a better understanding of how the Generally Accepted Accounting Principles (GAAP) can be manipulated in practice. This book is basic enough for audiences who may not have a strong background in accounting theory to gain a better understanding of some of the problems with financial reporting from a user perspective.

### 2006 Business Discovery

Since November 2005

**Dr. Tantatape Brahmasrene** published "Education and Economic Performance: A Tale of Two Counties," in a refereed journal, *The Journal for the Liberal Arts and Sciences*, Volume 10, Number 1, 2005

**Dr. Tantatape Brahmasrene** co-authored "Gender Effect on the Perceived Value of Human Capital in Management," *Journal of Organizational Culture, Communications and Conflict*, Volume 9, Number 2, 2005.

**Dr. Tantatape Brahmasrene's** paper titled "Cointegration and Causality Between Stock Prices and Macroeconomic Variables in an Emerging Financial Market" has been accepted by the Academic Steering Committee of the International Management Development Association to be presented at the Fifteenth Annual World Business Congress to be held at Sarajevo Graduate School of Business, Bosnia and Herzegovina, from June 18 through 21, 2006.

### PNC MBA Program Format

The program is offered on Saturdays at Purdue North Central - Porter County (formerly the Valparaiso Academic Center) and is organized in 10 week terms. Each term begins in January, April, July and October. The fourth term ends at least a week before Christmas. Each course in the program will combine traditional classroom and on-line instruction. There are currently 52 students enrolled in the MBA and new enrollees will start taking classes in July. For further information, visit the Web site at <http://www.pnc.edu/mba/index.html>.



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