

This issue of ECONTRENDS contains selected economic indicators for the housing market of LaPorte and Porter counties and Greater Northwest Indiana, and area which includes nine Indiana counties and contiguous areas in Illinois and Michigan.

Volume 19, Number 2, Spring 2009

Local Housing Market Meltdown

The collapse in the national housing market has contributed to credit constraint. Furthermore, a sharp rise in the unemployment rate or job loss induced a decline in demand for housing as reflected by a drop in sales activity in most areas. Decrease in demand for housing and an excess supply of housing put a downward pressure on selling prices.

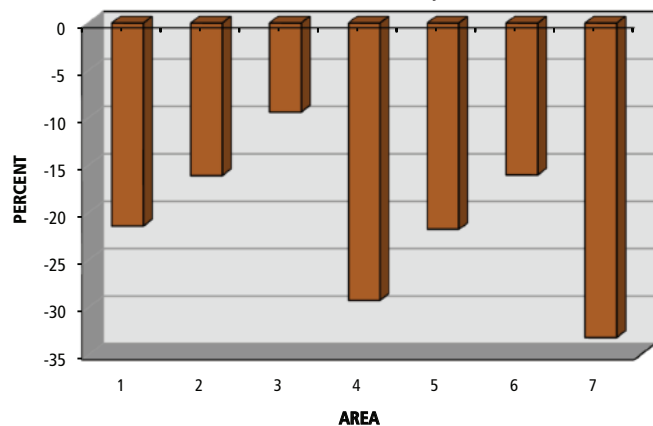
In 2008, all areas in LaPorte County experienced a decline in percent sales activity (Figure 1). The average decline in all areas was -21.09 percent in 2008 compared to -3.99 in 2007. Michigan City and LaPorte showed declines of about -16.10 and -9.39 percent, respectively. The Southwest area indicated the largest decline of -33.16 percent.

Figure 2 shows that all areas except Boone Grove & Porter Township Unincorporated in Porter County experienced a decline in percent sales activity in 2008. The condition seems worse because in 2007, three out of the ten areas in Porter County experienced an increase in percent sales activity. Valparaiso and Center Township Unincorporated decreased sales activity by -22.08 percent. Area 4, Shorewood had the largest drop of -50.12 percent compared to its gain of 11.82 percent in 2007.

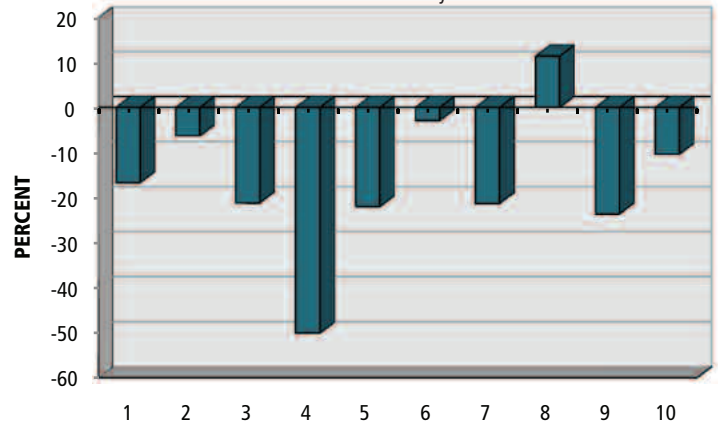


Dr. Tantatape Brahmasrene
Professor of Economics & Business
College of Business
2001 J. William Fulbright Senior Scholar
Fulbright Senior Specialists
(2003 Thailand & 2007 Kazakhstan)
2008 Distinguished Research Award
from the Academy of Entrepreneurship

(Figure 1)
PERCENT CHANGE IN SALES ACTIVITY
LaPorte County



(Figure 2)
PERCENT CHANGE IN SALES ACTIVITY
Porter County

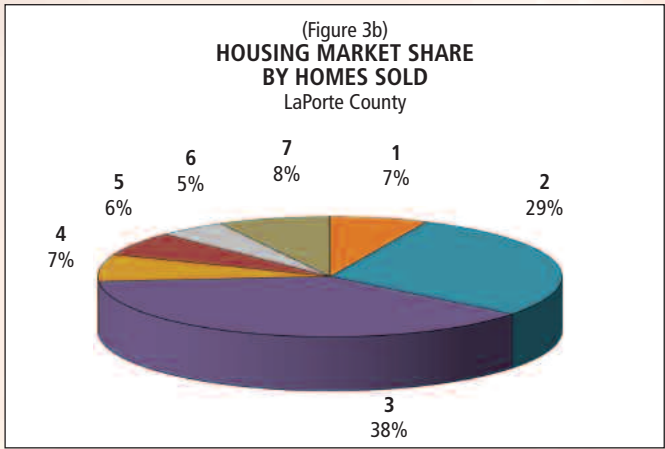
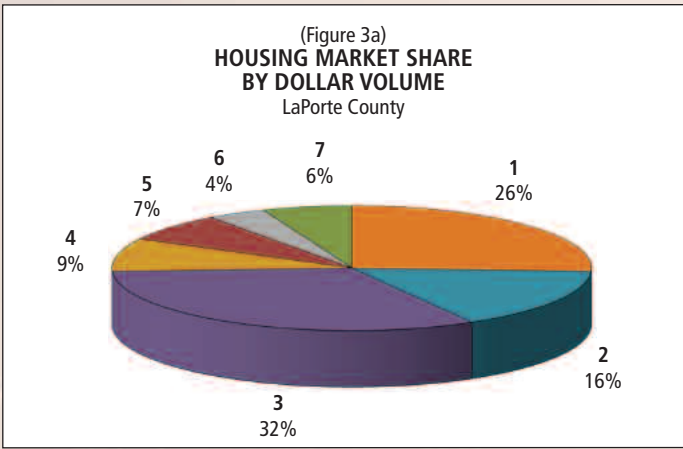


Analysis derived from Greater Northwest Indiana Association of Realtors, Inc.
For LaPorte County and Porter County key see page 2.

MBA Class Graduation

Our fifth MBA class at Purdue University North Central will graduate in Spring 2009. Congratulations to all of our MBA graduates below:

- | | | |
|----------------------------------|----------------------------------|-----------------------------|
| Barbara Brooks, LaPorte | Melissa Miodragovic, Crown Point | Linda Thomas, Michigan City |
| Billy Halfacre, Michigan City | Jessica Muhlemlan, Valparaiso | Steven Tylisz, Valparaiso |
| Aundrea Hoffman, Westville | Jenna Neuschafer, Chesterton | Curtis Webb, Crown Point |
| Heath Jenkins, Valparaiso | James Perry, Valparaiso | |
| Michael Laskowski, Michigan City | Vanessa Slatton, Michigan City | |



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

Some Areas Hit Harder Than Others

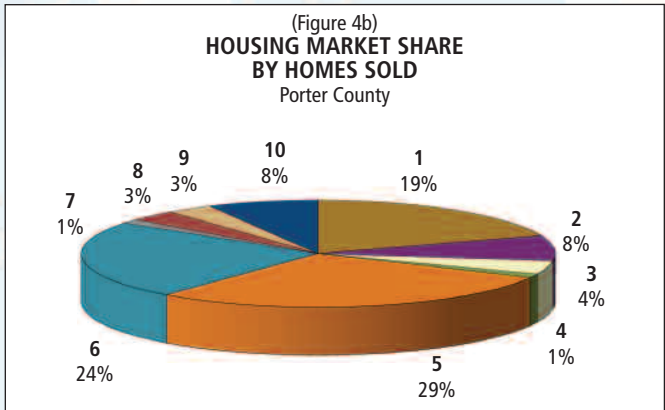
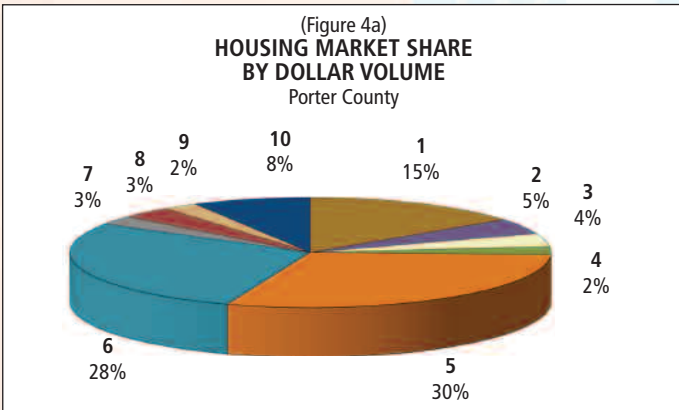
Figures 3a and 3b presents the 2008 market share in terms of dollar volume and units sold. The market share by dollar volume was highest in the city of LaPorte (32 percent) at \$ 41,451,678 followed by the Beach area (26 percent) at \$32,846,200. LaPorte holds the record high in market share as determined by units sold (335 units or 38 percent). In Porter County, the highest dollar volume (28 percent or \$85,196,498) went to Area 5 which includes Valparaiso and Center Township Unincorporated (Figures 4a & 4b). Valparaiso led all Northwest Indiana areas in sales, with 414 units sold, followed by Chesterton with 344 sales, Hobart at 336 sales, Crown Point with 324, Merrillville at 293, while the Portage & Ogden Dunes area registered 283 sales.

In LaPorte County, the Lake Michigan beach area showed the highest median sale price at \$488,750 in 2008 (Figure 5)– followed by the Northwest and Northeast areas at \$169,325 and \$157,500, respectively. LaPorte and Michigan City median sale prices were \$95,000 and \$74,900, respectively. These latter two areas had median sale prices of \$99,900 and \$76,900 in 2007.

Figure 7 compares the 2008 average listing and selling prices in LaPorte County for each area. The Beach area had the highest average selling price of \$547,437, a 27.43 percent increase from \$429,583 in 2007. The average selling prices in Michigan City and LaPorte were \$79,553 and \$123,736, respectively.

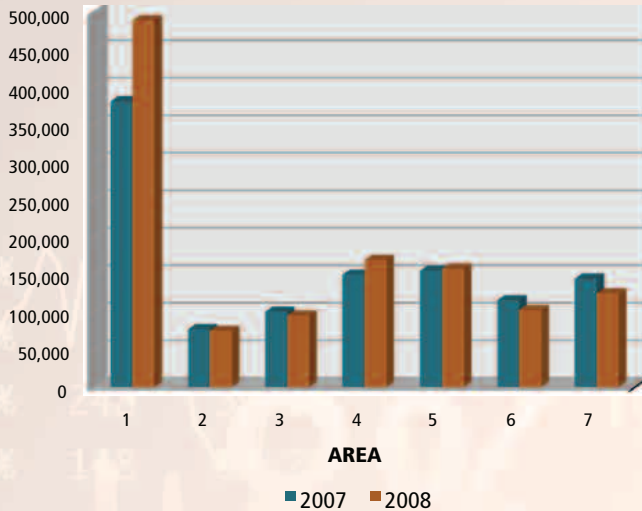
Key for LaPorte County	
Area	Name
1	Beach
2	Michigan City
3	LaPorte
4	Northwest
5	Northeast
6	Southeast
7	Southwest

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

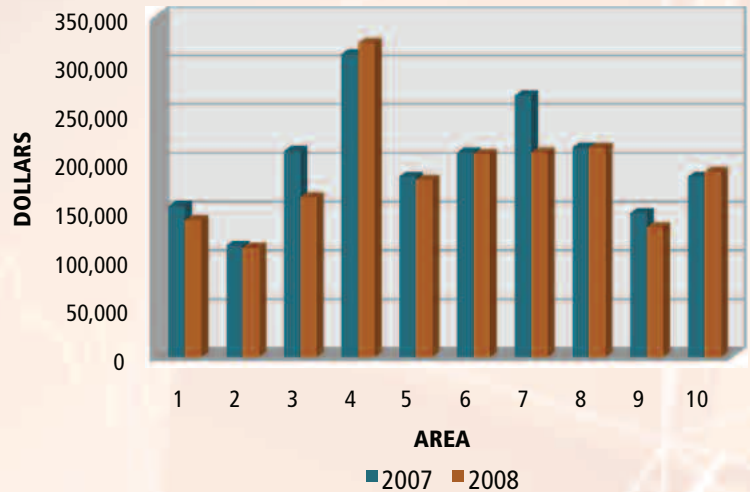


Analysis derived from Greater Northwest Indiana Association of Realtors, Inc.

(Figure 5)
MEDIAN SALE PRICE
 LaPorte County



(Figure 6)
MEDIAN SALE PRICE
 Porter County



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

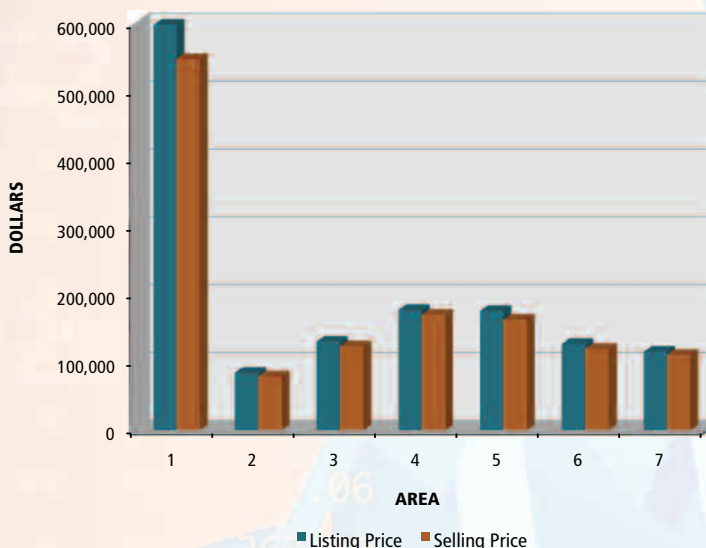
Key for LaPorte County	
Area	Name
1	Beach
2	Michigan City
3	LaPorte
4	Northwest
5	Northeast
6	Southeast
7	Southwest

In Porter County, (Figure 6) the 2008 median sale price was highest in Area 4 (Shorewood) at about \$322,500, followed by Area 8 Boone Grove & Porter Twp. Unincorporated at \$215,000. The median sale price in Area 5 (Valparaiso and Center Township Unincorporated) was \$181,500. In 2007, the median sale prices in these three areas were \$311,250, \$214,900 and \$185,000, respectively.

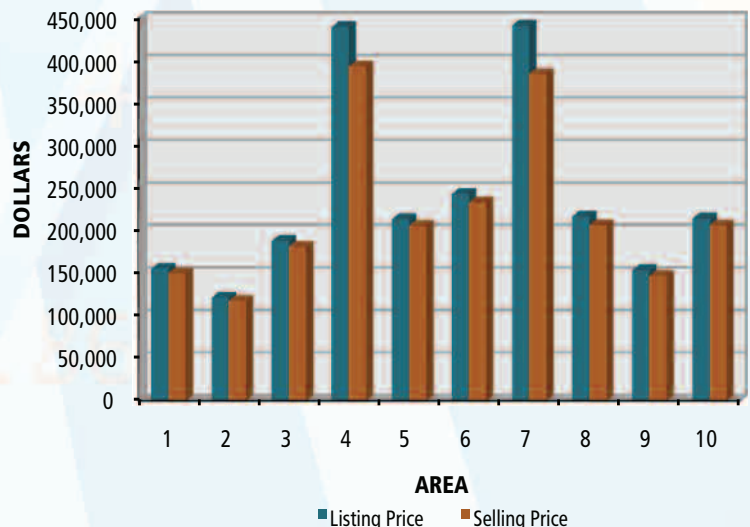
Key for Porter County	
Area	Name
1	Portage & Ogden Dunes
2	Portage Township
3	Wheeler & Union Twp.
4	Shorewood
5	Valparaiso, Center Twp.
6	Chesterton, Porter, Burns Harbor, Westchester Twp., Liberty Twp., Jackson Twp.
7	Pines, Beverly Shores, Pine Twp.
8	Boone Grove & Porter Twp.
9	Hebron & Boone Twp.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

Figure 8 compares the 2008 average listing and selling prices in Porter County for each area. Shorewood had the highest average selling price of \$393,299. This area also had the highest average selling price of \$410,470 in 2007. The average selling price in Valparaiso and Center Township Unincorporated was \$205,789, a 1.94 percent reduction from \$209,864 in 2007.

(Figure 7)
LISTING AND SELLING PRICE
 LaPorte County



(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 above.

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

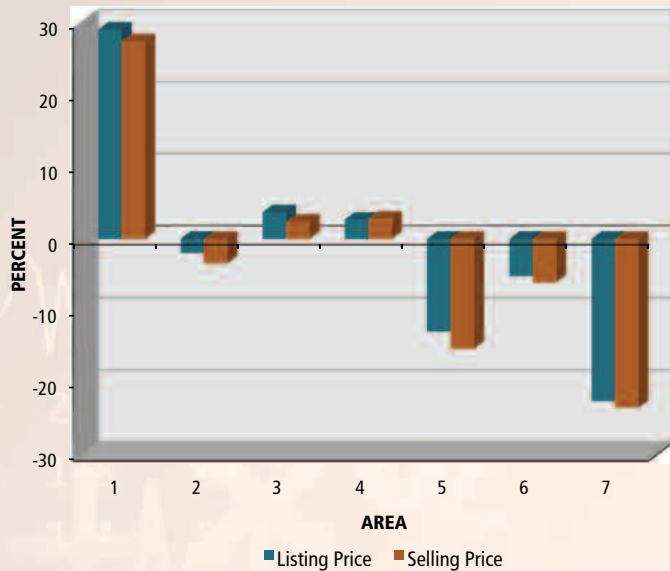
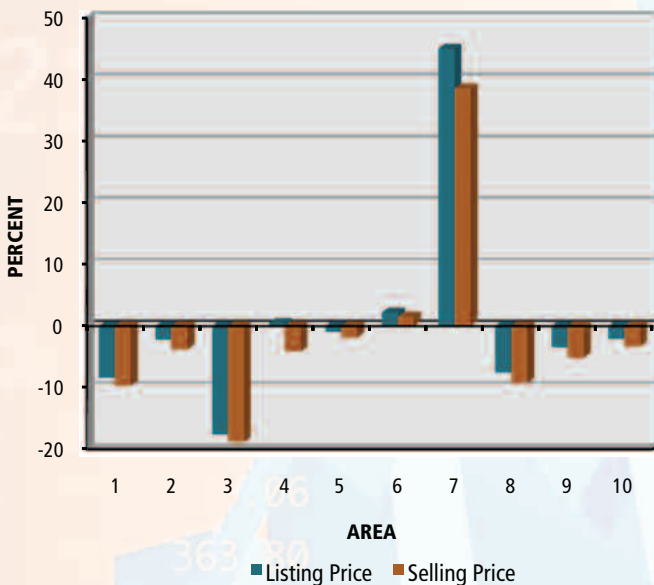


Figure 9 shows the change in listing and selling prices during 2007-08 in LaPorte County. The largest increase in selling price occurred in the Beach area (27.43 percent), followed by the Northwest area (2.84 percent). The selling prices in LaPorte increased by 2.39 percent while Michigan City decreased by -3.39 percent. Other areas such as the Northeast and Southwest experienced a decline in selling prices by -15.22 and -23.42 percent, respectively.

Figure 10 shows the change in listing and selling prices from 2007 to 2008 in Porter County. All areas except Area 6 (Chesterton, Porter, Burns Harbor, and Westchester, Liberty, and Jackson townships

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



(Table 1)
HOUSING MARKET BY AREA
 LaPorte County

Area	% Listing Received		Average Price Properties Not Sold		Average Sold Time		% Sales Activity	
	2007	2008	2007	2008	2007	2008	2007	2008
1	92.78	91.61	593,469	581,449	154	171	17.54	13.79
2	95.97	93.58	104,063	108,731	120	122	36.84	30.91
3	96.74	94.51	164,051	168,820	121	130	36.97	33.50
4	96.70	95.84	291,098	269,922	125	126	37.22	26.34
5	95.21	92.61	379,631	297,708	146	143	32.66	25.56
6	92.18	94.33	160,045	152,631	114	137	42.02	35.29
7	97.32	96.19	180,070	167,744	107	142	41.46	27.71

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

Unincorporated) and Area 7 (the Pines and Beverly Shores area) experienced an increase. Area 5 (Valparaiso and Center Township Unincorporated) saw a decline of only -1.94 percent compared to a slight increase of 1.13 percent in 2007. The largest increase in selling price (38.51 percent) occurred in Area 7, the Pines and Beverly Shores area.

Tables 1 and 2 show additional statistics for all areas in 2007-08. On average the percentage of listing price received was about 94.10 percent in LaPorte County and 93.17 percent in Porter County. The percent of listing price received in LaPorte County areas varied between 91.61

(Table 2)
HOUSING MARKET BY AREA
 Porter County

Area	% Listing Received		Average Properties Not Sold		Average Sold Time		% Sales Activity	
	2007	2008	2007	2008	2007	2008	2007	2008
1	97.78	96.46	205,116	186,231	127	118	42.76	35.60
2	98.61	96.99	154,267	172,110	98	94	45.93	43.02
3	97.80	96.35	297,243	276,610	105	107	39.43	31.05
4	93.72	89.43	480,429	478,769	122	187	34.04	16.98
5	97.25	96.27	290,992	297,394	109	112	35.42	27.60
6	96.35	95.72	365,796	328,727	122	133	34.08	33.08
7	91.05	87.04	443,754	564,248	112	148	41.67	32.76
8	97.10	95.30	362,545	354,067	141	136	28.50	31.76
9	97.36	95.60	202,925	210,003	168	125	40.72	31.08
10	97.49	96.24	276,774	247,473	129	115	40.00	35.83

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

and 96.19 percent in 2008, compared to the 2007 range of 92.78 to 97.32 percent (Table 1). The percent of listing price received in Porter County varied between 87.04 and 96.99 percent in 2008 compared to the 2007 range of 91.05 to 98.61 percent (Table 2). The average price of property not sold was significantly higher than of property sold, 1.33 times in LaPorte County and 1.40 times in Porter County. Generally, average sold time is longer in the areas with high property prices, e.g., 187 days in Area 4 (Shorewood) with the average price of properties not sold at \$478,769.

Percent sold activity in Porter County (32 percent) was higher in comparison with LaPorte County (28 percent) due to various factors such as lower unemployment, higher income and geographical proximity to the Chicago metropolitan area. In LaPorte County, the Southeast area showed the highest sold activity at 35.29 percent while it was 33.5 percent in the city of LaPorte. In area 5, Valparaiso and Center Township Unincorporated, the percent sold activity was 27.60 percent in 2008 compared to 35.42 in 2007. The highest sold activity in Porter County occurred in Area 2 (Portage Township Unincorporated) at 43.02 percent, not much different from 45.93 percent in 2007.

Overall Picture of Greater Northwest Indiana

The existing housing market in Greater Northwest Indiana was down in 2008 compared to the previous year according to the information obtained from the Greater Northwest Indiana Association of Realtors, Inc. (GNIAR). Similar to LaPorte and Porter counties, Greater Northwest Indiana overall experienced a decline of -22.34 percent with a total of 6,950 units sold (Figure 11). Table 3 presents various historical housing market statistics for LaPorte and Porter counties as well as Greater Northwest Indiana. Between 2007 and 2008, the number of homes sold in LaPorte County decreased from 1,155 units in 2007 to 882 units in 2008. The 2008 figure represents a drop from the previous year of about -23.64 percent. In Porter County, the 2008 number of homes sold was 1,451 units, reflecting a decline of -21.53 percent from the previous year.

In LaPorte County, the average listing and selling prices in 2006 were \$201,472 and \$187,929, respectively, an increase of 5.67 and 4.08 percent, respectively, from the previous year (Table 3 and Figure 12a). Note that the inflation rate in 2008 was 3.84 percent. The annual average growth in the listing price since 2002 was 5.17 percent while the selling price averaged 4.98 percent. It should be noted here that the average annual rate of

(Figure 11)
NUMBER OF HOMES SOLD

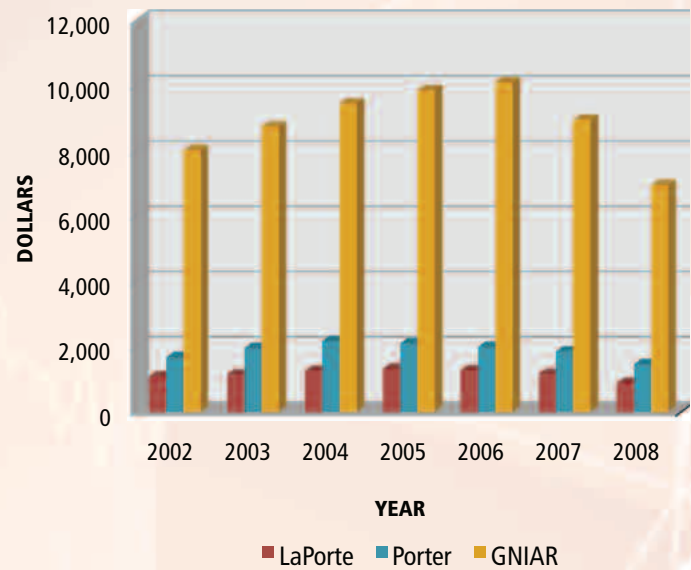
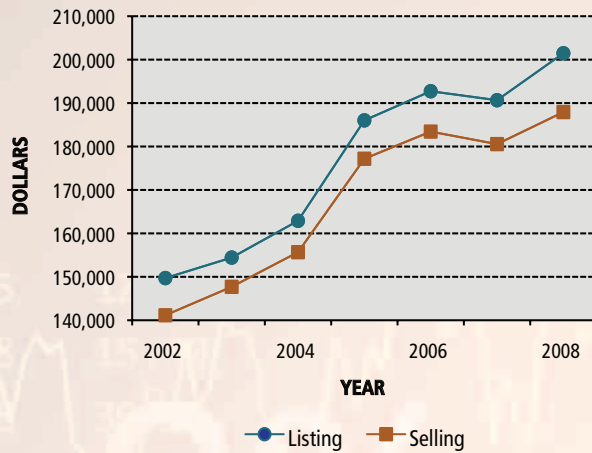


Table 3
HOUSING MARKET STATISTICS

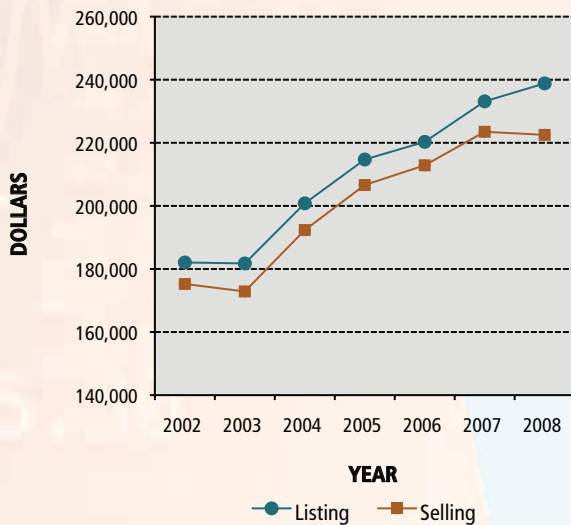
Year	Sold	% Change from Previous Year	Avg. Listing Price	% Change from Previous Year	Avg. Selling Price	% Change from Previous Year	% Listing Price Received	Avg. Mkt. Time of House Sold (Days)
LaPorte County								
2003	1,142	6.13	154,428	3.15	147,701	4.64	95.26	122
2004	1,251	9.54	162,897	5.48	155,671	5.40	95.65	117
2005	1,310	4.72	186,022	14.20	177,185	13.82	96.08	125
2006	1,270	-3.05	192,726	3.60	183,434	3.53	95.41	137
2007	1,155	-9.06	190,661	-1.07	180,554	-1.57	95.27	127
2008	882	-23.64	201,472	5.67	187,929	4.08	94.10	139
Porter County								
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
2006	1,988	-4.97	220,298	2.61	212,866	3.02	97.14	116
2007	1,849	-6.99	233,135	5.83	223,491	4.99	96.45	123
2008	1,451	-21.53	238,823	2.44	222,511	-0.44	93.17	128
Greater Northwest Indiana								
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	4.33	152,430	12.24	148,252	7.39	97.30	110
2006	10,088	2.22	152,827	0.30	148,571	0.22	97.22	111
2007	8,942	-11.36	158,104	3.50	152,936	2.98	96.73	119
2008	6,950	-22.34	153,595	-2.90	146,413	-4.31	95.32	126

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

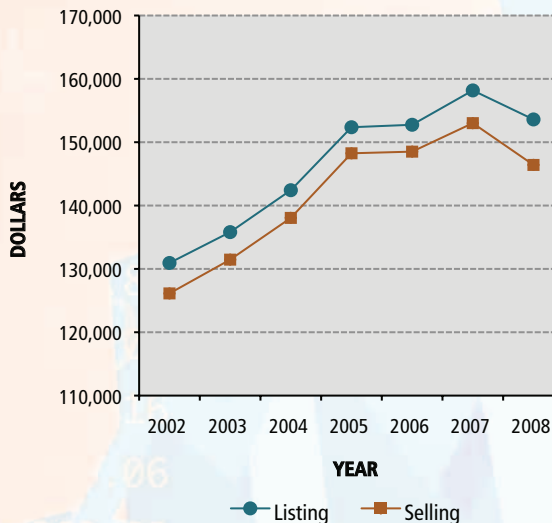
(Figure 12a)
LISTING AND SELLING PRICE
LaPorte County



(Figure 12b)
LISTING AND SELLING PRICE
Porter County



(Figure 12c)
PRICES FOR EXISTING HOME
Greater Northwest Indiana



inflation (based on consumer price index) for that same period was 3.04 percent.

The 2008 average listing and selling prices for a home in Porter County were \$238,823 and \$222,511, respectively (Figure 12b). These represented an increase in the listing price from the previous year by 2.44 percent and a decline in selling price by -0.44 percent. The annual average growth in the listing price since 2002 was 4.12 percent while the selling price averaged at 3.79 percent. According to the GNIAR report, the average listing and selling prices in 2008 were \$153,595 and \$146,413, respectively (Figure 12c). In 2008, Greater Northwest Indiana as a whole showed a decline of -2.90 percent in the average listing price and -4.31 percent in the average selling price. The annual average growth in the listing price and selling price since 2002 was 3.24 and 2.13 percent, respectively.

In 2008, sellers in LaPorte County received about 94.1 percent of the listing price. The average market time to sell a home rose by 12 days from the previous year. Sellers in Porter County and Greater Northwest Indiana received about 93.17 and 95.32 percent of the listing price, respectively. The market time of a home sold in LaPorte and Porter counties was 139 and 128 days, respectively, compared with 126 days for Greater Northwest Indiana as a whole. Higher home prices may take longer to sell. For instance, last year, the average listing prices of properties not sold in LaPorte County, Porter County and Greater Northwest Indiana were \$249,572, \$311,563 and \$193,525, respectively. The annual average sold time since 2002 for Greater Northwest Indiana, LaPorte and Porter counties was 129, 124 and 117 days, respectively.

In real terms, the 2008 average selling prices adjusted for inflation (1982-84 dollars) were \$87,286; \$103,348 and \$68,003 in LaPorte County, Porter County and Greater Northwest Indiana, respectively. This represents an increase from 2002 by 11.25 and 6.1 percent in LaPorte County and Porter County, respectively. Greater Northwest Indiana as a whole shows a decline of -3 percent in real value. On average, the annual real appreciation rates would be 1.88 and 1.08 in LaPorte County and Porter County, respectively, while Greater Northwest Indiana incurs an annual negative growth of -0.43 percent. Housing price in LaPorte County is relatively lower than Porter County. That typically may attract more home buyers and drive up the price faster than the high price areas.

Sales: Bigger Is Better

The majority of homes sold (16.73 percent or 1,163 units) in Greater Northwest Indiana were at the high ends such as the \$150,000 to \$199,999 price range, followed by the \$250,000 and over price range (13.38 percent or 1,326 units). Moreover, the majority of homes sold were three bedrooms (3,893 units or 56 percent), followed by four bedrooms (1,607 units or 23 percent) and two bedrooms (1,174 units or 17 percent).

The Outlook

The annual average selling price in LaPorte County, Porter County and Greater Northwest Indiana from 2002 to 2008 was 4.98, 4.15 and 2.59 percent, respectively, while the average annual cost of living index is 3.04 percent. It is obvious that LaPorte and Porter counties' prices barely outpace the inflation rate while Greater Northwest Indiana overall falls behind the inflation rate. At any rate, the Northwest Indiana housing market continues to possess the key strengths of affordability and variety. If the fiscal stimulus initiatives are effective, a rebound trend may occur in the future. Some indicators below may provide further insight.

Fixed-Rate Mortgage Dropped

Each week the Federal Home Loan Mortgage Corporation (Freddie Mac) surveys 125 lenders. This mix of lender types (thrifts, commercial banks and mortgage lending companies) is roughly proportional to the level of mortgage business that each type commands nationwide. According to the recent national survey of large lenders, the 30-year fixed-rate mortgage dropped to 4.85 percent in late March 2009 compared to 5.87 one year ago, while the annual average in 2008 was 6.62 percent. Residential mortgages are influenced by changes in monthly and long-term trends of economic indicators. Economic indicators can provide clues to the future direction of interest rates.

Unemployment Rate On The Rise

The latest figures at press time released by the U.S. Bureau of Labor Statistics indicate that in February 2009, the unemployment rate in LaPorte County was 11.7 percent (about 6,157 persons out of a 52,750 labor force), compared to 6.4 percent in February 2008. The unemployment rate in Porter County showed an increase in February 2009 to 9.2 percent (about 7,740 persons out of 83,851 labor force), compared to 4.7 percent the year before. Overall statewide, the Indiana unemployment rose from 5.4 percent in February 2008 to 10.1 percent in February 2009.

Improved economic fundamentals such as lower interest rates and greater future hiring trends, as a result of the economic stimulus package passed by Congress, may provide the momentum for the local economy and housing market to turn around.

Archived issues of *Econtrends* can be retrieved at
<http://www.pnc.edu/bols/econtrends.html>

NEWS FROM COLLEGE OF BUSINESS 2009 BUSINESS DISCOVERY

Congratulations to **Cynthia Roberts**, Chair of Business & Organizational Leadership, Associate Professor of Organizational Leadership and Supervision, on the successful defense of her dissertation on "Leaders at All Levels: An Action Learning Approach," and the upcoming conferral of her Ph.D. from Benedictine University in Lisle, Illinois.

Dr. Tantatape Brahmasrene, Professor of Economics & Business and **Sarah Sanders Smith**, M.B.A., Assistant Professor of Organizational Leadership & Supervision published "Empirical Evidence of Factors Affecting Experience Modification Rate Used by the U.S. Insurance Industry" in *The Journal of Transnational Management*, Volume 13, Issue 3, 2008.

COLLEGE OF BUSINESS BOOK CLUB

Book: *Fish Sticks*

Author: Stephen C. Lundin, Ph.D., John Christensen, Harry Paul

Publisher: Hyperion

Reviewer: Richard Panton, Continuing Lecturer in Management
"Fish Sticks" is the third book in this multi-million-selling pop culture series. "Fish" takes a light-hearted look at how we implement change in organizations, sometimes dragging participants kicking and screaming into an enlightened state. "Fish Sticks" is an entirely appropriate name for this follow-up, since its focus is how we can get the changes to "stick." How do we overcome leadership turnover? How do we make the improvements ours rather than theirs? Perhaps most importantly, how do we sustain the energy, enthusiasm and involvement created by the excitement of the change when it was new? "Fish Sticks" serves as a pleasant reminder that if we allow the energy and enthusiasm of progress to fade, then the bad things that caused us to make changes will creep back in, undoing whatever good we did.

SERVICE LEARNING AT COLLEGE OF BUSINESS

Accounting Students Offered Free Tax Service

Students from Purdue University North Central tax and accounting classes offered free assistance to the public in preparing federal and state income tax returns during February 21 through April 4, 2009. This is the 20th year that PNC has participated in the Internal Revenue Service's Volunteer Income Tax Assistance (VITA) program, which offers free filing help to individuals and families with gross incomes of \$42,000 or less. Approximately one-hundred returns were filed at PNC in 2009.

Thomas Holets, M.S.A., M.M.Ed., CPA, Continuing Lecturer of Accounting and Coordinator of the PNC program, said the student VITA volunteers assisted with basic returns, including the 1040, 1040A, 1040 EZ, and the Indiana IT-40. Fourteen volunteer tax preparers have completed 12 credit hours in accounting, including at least one tax course at Purdue North Central, and passed a rigorous IRS examination on tax rules and filing procedures. In addition, Connie Shaffer, Cameron Kelly-Johnson, Britne Winter, Rachael Sarson, and Cecilia Kajer assisted with administration, scheduling, and reception.



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