

## Economic Report for LaPorte and Porter Counties

*This issue of ECON TRENDS 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.*

### Decline In Demand For Housing

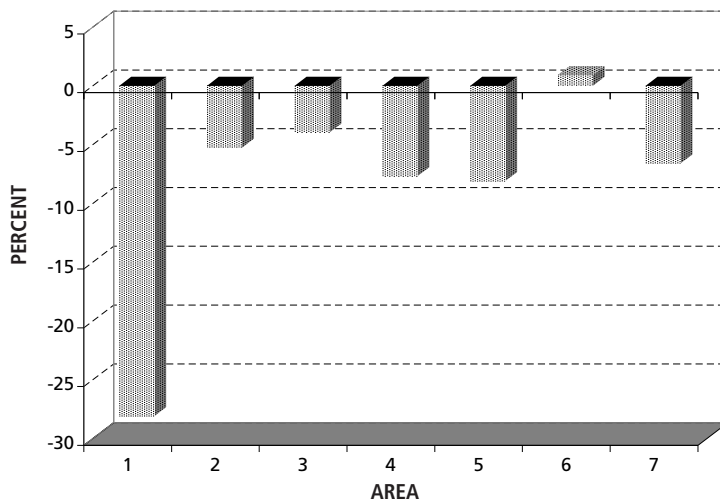
The hike in the national average of 30-year fixed rate mortgage from 5.86 percent in 2005 to 6.42 percent in 2006 (calculated from Federal Home Loan Mortgage Corporation, also known as Freddie Mac) was one of the factors that may have caused a downturn in the area housing market.

In 2006, all areas except Southeast in LaPorte County experienced a decline in percent sales activity (Figure 1). Michigan City and LaPorte showed declines of about 5.27 and 3.98 percent, respectively. The Beach area saw the largest decline of 28.11 percent. These rates in LaPorte and Beach areas were higher than previous year. Southeast is the only area that marginally gained by 0.9 percent.

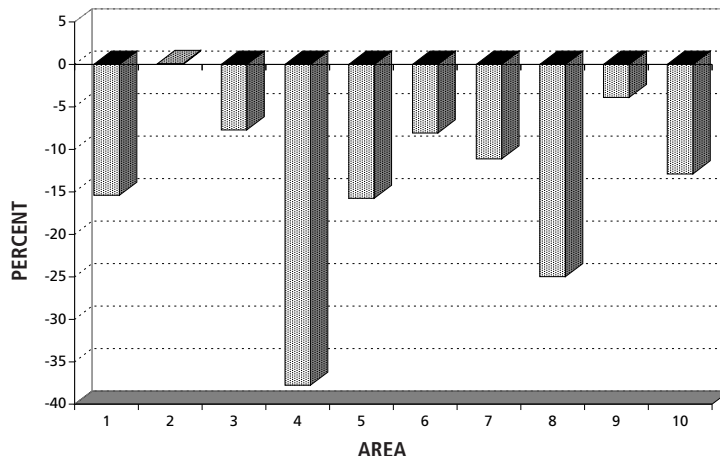
Figure 2 shows that all areas except Portage Township Unincorporated in Porter County experienced a decline in percent sales activity in 2006. The condition seems worsen because in 2005 four out of the ten areas in Porter County experienced an increase in percent sales activity. Valparaiso and Center Township Unincorporated decreased sales activity by 15.77 percent. Area 4, Shorewood had the largest drop of 37.76 percent compared to its largest gain of 34.72 percent in 2005.

In 2005, the market experienced only a small drop in sold activity of -1.63 percent in LaPorte County, and -2.6 percent in Porter County. However, that is not the case in 2006 when LaPorte and Porter counties

(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.



*ECON TRENDS 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. Received 2007 release time award for research.

### Congratulations first MBA graduates!

Our first MBA class at PNC graduated in March 2007, Karen Cheng, Portage; Michelle Cisarik, Portage; Christine Dearing, LaPorte; Elizabeth Depew, Valparaiso; Susan Finster; Three Oaks, MI; Matthew Johnson, Stevensville, MI; Stephen Makala, South Bend; Stephen Mosher, Valparaiso; Rhonda Orange, Westville; Tamra Thompson, Valparaiso; Elaine Vullmahn, LaPorte; Kristie Wendorf, Valparaiso

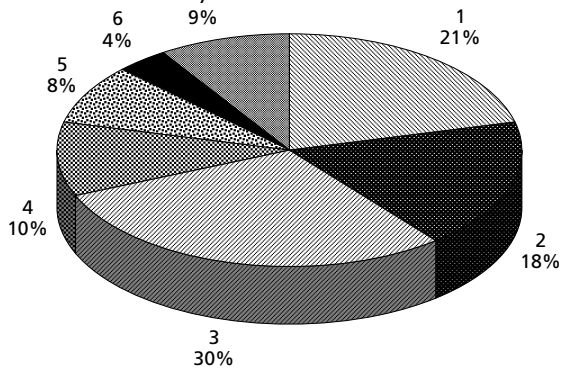
Source: The Graduate School of Purdue University

experienced a drop in sold activity of -7.42 and -13.61 percent, respectively. Higher interest rates 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 some areas.

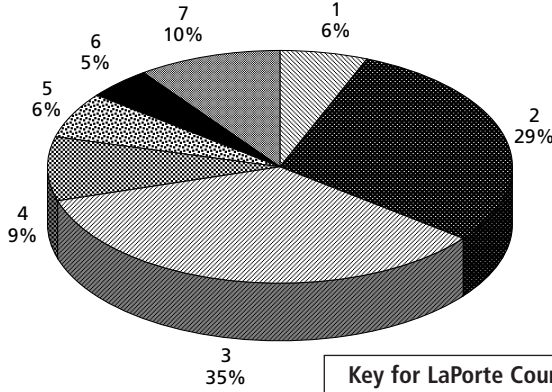
## View in Different Areas

Figure 3a and 3b presents the 2006 market share in terms of dollar volume and units sold. The market share by dollar volume was highest in the city of LaPorte (30 percent) at \$ 52,635,253 followed by the Beach area (21 percent) at \$ 37,918,535. LaPorte holds the record high in market share as determined by units sold (442 units or 35 percent). In Porter County, the highest dollar volume (29 percent or \$ 109,160,089) went to Area 5 which includes Valparaiso and Center Township Unincorporated (Figure 4a & 4b). Valparaiso led all Northwest Indiana areas in sales, with 526 units sold, followed by Portage & Ogden Dunes with 453 sales, Merrillville with 523, Hobart at 521 sales, while the Chesterton area registered 431 sales.

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



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



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

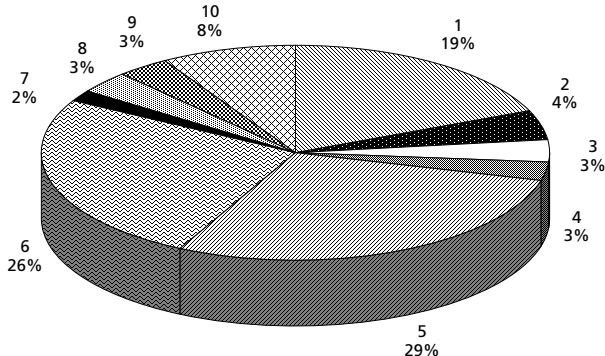
**Key for LaPorte County**

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

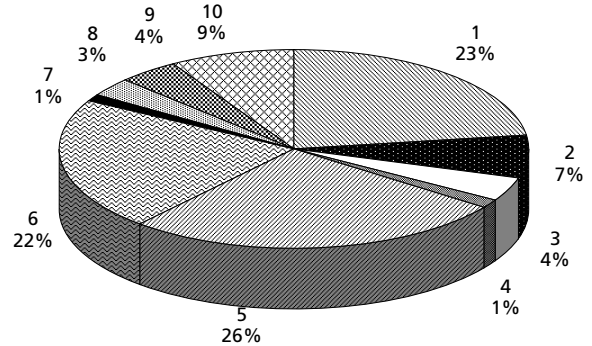
**Key for Porter County**

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.

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

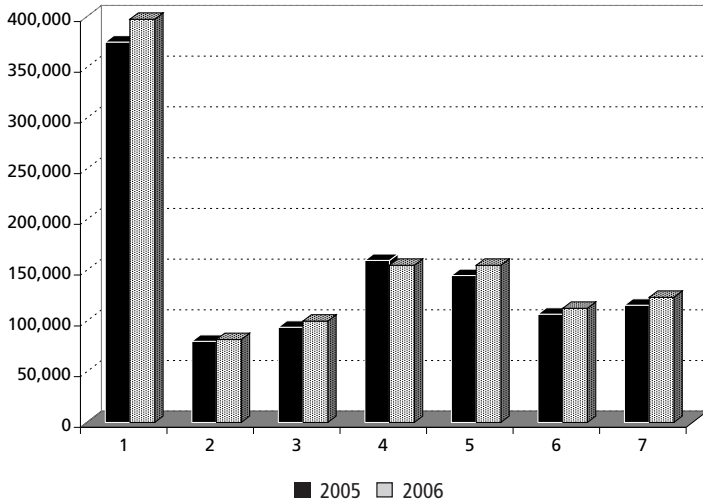


(Figure 4b)  
**HOUSING MARKET SHARE  
BY HOMES SOLD**  
Porter County



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

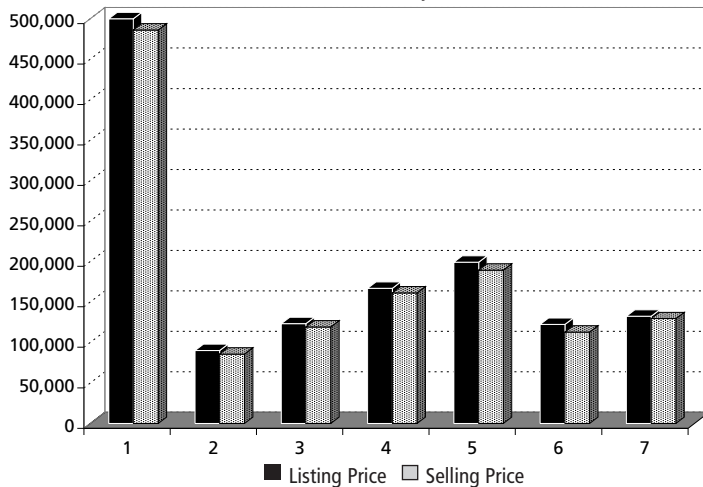
(Figure 5)  
**MEDIAN SALE PRICE**  
 LaPorte County



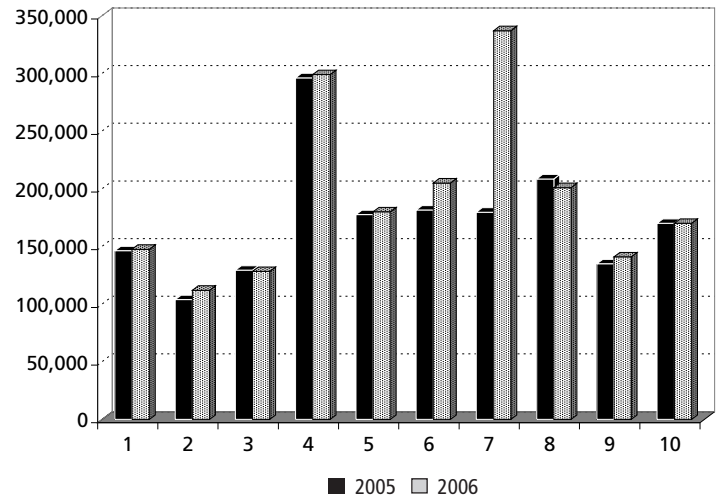
In LaPorte County, the Lake Michigan beach area shows the highest median sale price at \$397,450 in 2006 (Figure 5)– followed by the Northwest and Northeast areas equally at \$155,000). LaPorte and Michigan City median sale prices were \$81,900 and \$100,000, respectively. These latter two areas had median sale prices of \$80,000 and \$94,000 in 2005.

Figure 7 compares the 2006 average listing and selling prices in LaPorte County for each area. The Beach area had the highest average selling price of \$486,135, a 7.79 percent increase from \$450,987 in 2005. The average selling prices in Michigan City and LaPorte were \$85,846 and \$119,084, respectively.

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



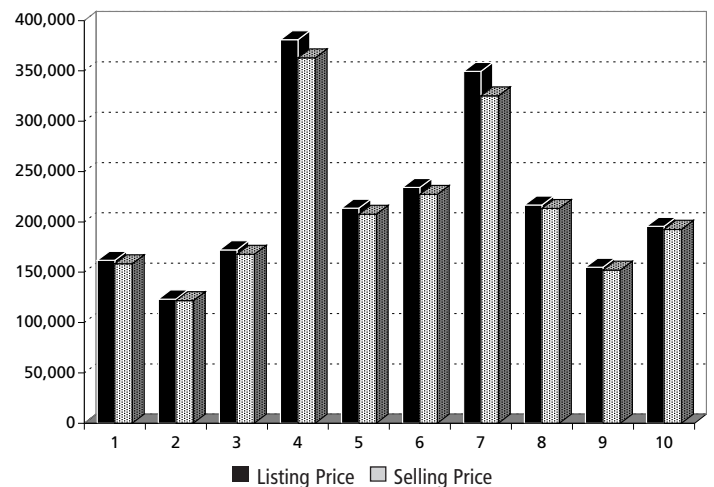
(Figure 6)  
**MEDIAN SALE PRICE**  
 Porter County



In Porter County, (Figure 6) the 2006 median sale price was highest in Area 7 (the Pines and Beverly Shores area) at \$ 337,000, followed by Area 4 (Shorewood) at about \$298,950. The median sale price in Area 5 (Valparaiso and Center Township Unincorporated) was \$180,000. In 2005, the median sale prices in these three areas were \$179,700, \$296,200 and \$177,500, respectively.

Figure 8 compares the 2006 average listing and selling prices in Porter County for each area. Shorewood had the highest average selling price of \$362,979. In 2005, 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 \$207,529, a 2.45 percent increase from \$202,559 in 2005.

(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 2.

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

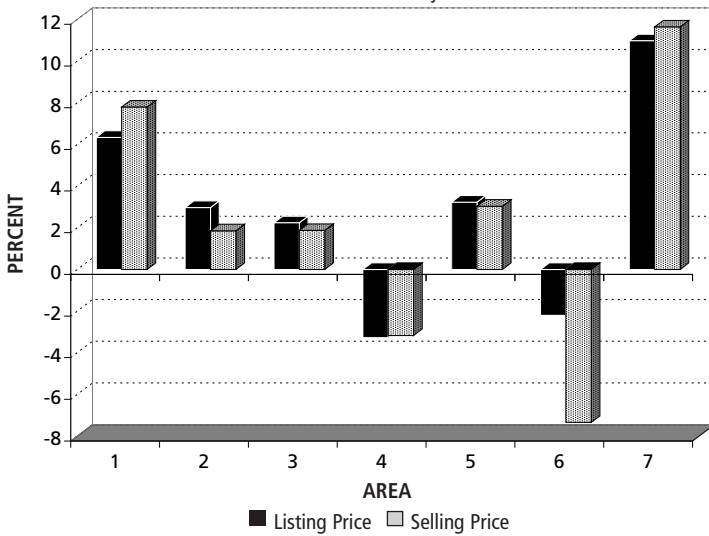


Figure 9 shows the change in listing and selling prices during 2005-06 in LaPorte County. The largest increase in selling price occurred in the Southwest area (11.64 percent), followed by the Beach area (7.79 percent). The selling prices in LaPorte and Michigan City increased by 1.85 and 1.87 percent, respectively. Other areas such as the Northwest and Southeast experienced a decline in selling prices by -3.18 and -7.34 percent, respectively.

Figure 10 shows the change in listing and selling prices from 2005 to 2006 in Porter County. All areas except Area 1 (Portage & Ogden Dunes) and Area 7 (the Pines and Beverly Shores area) experienced an increase. Area 5 (Valparaiso and Center Township Unincorporated) saw an increase of only 2.45 percent compared to 8.26 percent in 2005. The largest increase in selling price (9.35 percent) occurred in Area 2, Portage Township Unincorporated.

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

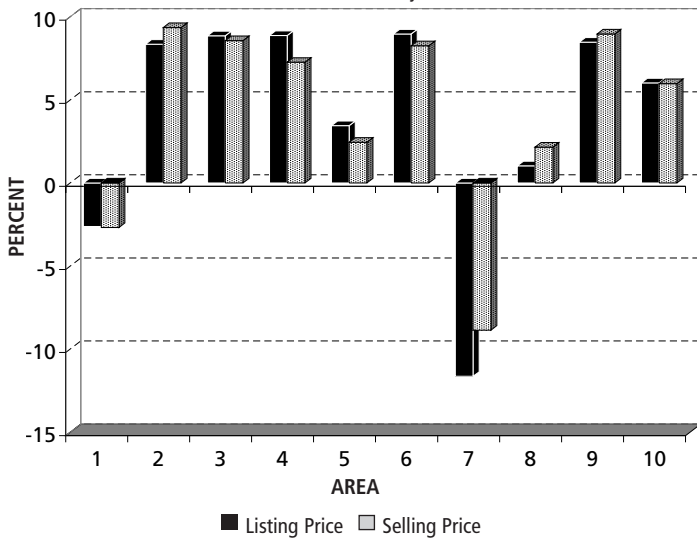


Table 1  
**HOUSING MARKET BY AREA**  
 LaPorte County

Area	% Listing Received		Avg. Properties Not Sold		Avg. Sold Time		% Sold Activity	
	2005	2006	2005	2006	2005	2006	2005	2006
1	93.19	94.46	605,906	601,699	152	154	26.86	19.31
2	96.23	95.19	99,351	102,431	119	124	39.65	37.56
3	96.82	96.47	145,636	172,610	101	115	40.7	39.08
4	96.61	96.71	302,292	266,412	123	128	43.88	40.50
5	95.26	95.08	206,410	312,317	147	155	36.74	33.76
6	97.26	92.15	174,303	188,802	115	167	39.78	40.14
7	97.20	97.79	130,436	151,126	121	118	47.67	44.52

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

Table 1 and 2 show additional statistics for all areas in 2005-06. On average the percentage of listing price received was about 95.41 percent in LaPorte County and 97.14 percent in Porter County. The percent of listing price received in LaPorte County varied between 92.15 and 97.79 percent in 2006 compared to the 2005 range of 93.19 to 97.26 percent (Table 1). The percent of listing price received in Porter County areas varied between 93.03 and 98.63 percent in 2006, compared to the 2005 range of 90.19 to 98.50 percent (Table 2). The average price of property not sold was significantly higher than of property sold, 1.4 times in LaPorte County and 1.53 times in Porter County. Generally, average sold time is longer in the areas with high property prices, e.g. 175 days in Area 7 (the Pines and Beverly Shores area) with the average price of properties not sold at \$476,742.

(Table 2)  
**HOUSING MARKET BY AREA**  
 Porter County

Area	% Listing Received		Average Properties Not Sold		Average Sold Time		% Sold Activity	
	2005	2006	2005	2006	2005	2006	2005	2006
1	97.93	97.86	199,503	199,447	101	109	53.08	44.9
2	97.73	98.63	125,127	141,291	91	98	49.60	49.65
3	97.68	97.41	239,145	277,303	98	97	48.95	45.18
4	96.70	95.27	570,280	418,503	132	141	48.89	30.43
5	98.07	97.12	300,818	285,288	106	107	44.64	37.60
6	97.91	97.08	331,167	331,079	120	116	37.96	34.90
7	90.19	93.03	693,567	476,742	148	175	36.92	32.81
8	97.29	98.38	302,417	359,143	240	126	37.82	28.37
9	97.75	98.19	168,773	194,631	86	91	51.11	49.12
10	98.50	98.47	210,169	267,705	118	103	50.92	44.36

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

Percent sold activity in Porter County (39.73 percent) was higher in comparison with LaPorte County (36.41 percent) due to various factors such as lower unemployment, higher income and geographical proximity to the Chicago metropolitan area. In LaPorte County, the Southwest area showed the highest sold activity at 44.52 percent while it was 39.08 percent in city of LaPorte. In area 5, Valparaiso and Center Township Unincorporated, the percent sold activity was 37.60 percent in 2006 compared to 44.64 in 2005. The highest sold activity in Porter County occurred in Area 2 (Portage Township Unincorporated) at 49.65 percent, not much different from 49.6 percent in 2005.

## Overall Picture of Greater Northwest Indiana

In spite of setback in LaPorte and Porter counties, Greater Northwest Indiana overall experienced an increase of 2.22 percent with a total of 10,072 units sold (Figure 11). The existing housing market in Greater Northwest Indiana was up in 2006 compared to the previous year according to the information obtained from Greater Northwest Indiana Association of Realtors, Inc. (GNIAR). Table 3 presents various historical housing market statistics for LaPorte and Porter counties as well as Greater Northwest Indiana. Between 2005-2006, the number of homes sold in LaPorte County decreased from 1,310 units in 2005 to 1,270 units in 2006. The 2006 figure represents a drop from the previous year of about -3.05 percent. In Porter County, the 2006 number of homes sold was 1,988 units, reflecting a decline of -4.97 percent from the previous year.

In LaPorte County, the average listing and selling prices in 2006 were \$ 192,726 and \$183,434, respectively, an increase of 3.60 and 3.53 percent, respectively, from the previous year (Table 3 and Figure 12a). Note that the inflation rate in 2006 was 3.23 percent. The annual average growth in the listing price since 2002 was 6.61 percent while the selling price averaged 6.85 percent. It should be noted here that the average annual rate of inflation (based on consumer price index) for that same period was 2.89 percent. The 2006 average listing and selling prices for a home in Porter County were \$220,298 and \$212,866, respectively (Figure 12b). These represented an increase from the previous year by 2.61 and 3.02 percent, respectively. The annual average growth in the listing price since 2002 was 4.11 percent while the selling price averaged at 4.39 percent. According to the GNIAR report, the average listing and selling prices in 2006 were \$152,827 and

(Figure 11)  
NUMBER OF HOMES SOLD

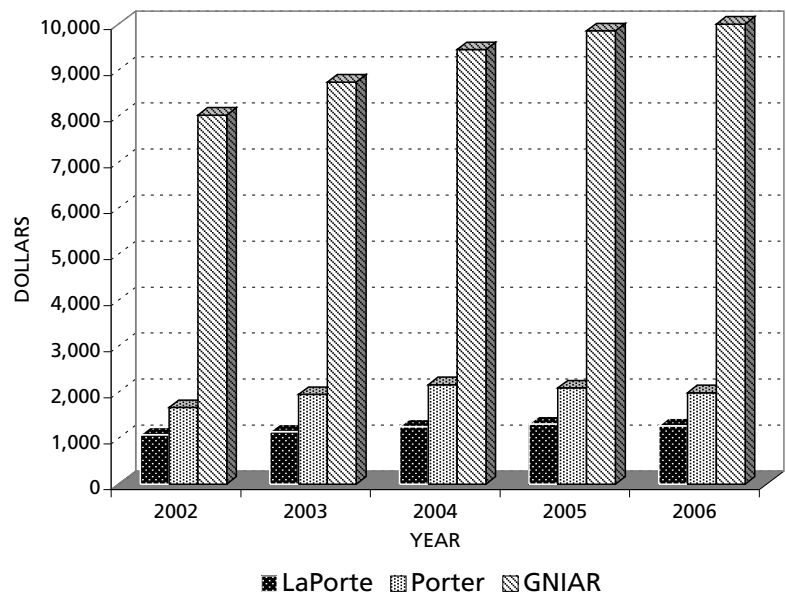


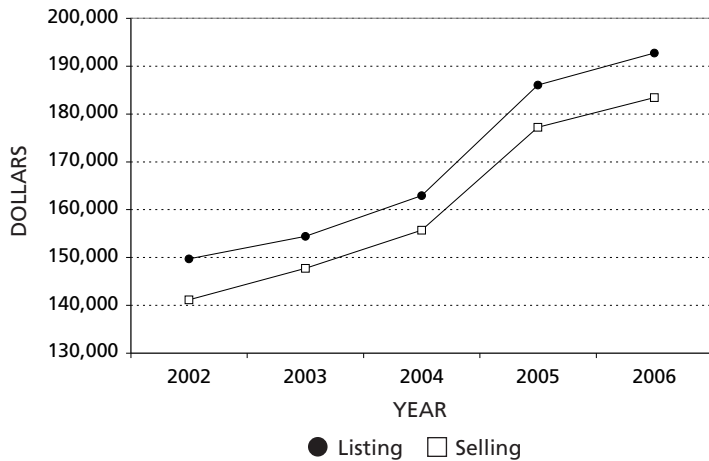
Table 3  
HOUSING MARKET STATISTICS

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)
<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
2006	1,270	-3.05	192,726	3.60	183,434	3.53	95.41	137
<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
2006	1,988	-4.97	220,298	2.61	212,866	3.02	97.14	116
<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	4.33	152,430	12.24	148,252	7.39	97.30	110
2006	10,072	2.22	152,827	0.30	148,571	0.22	97.22	111

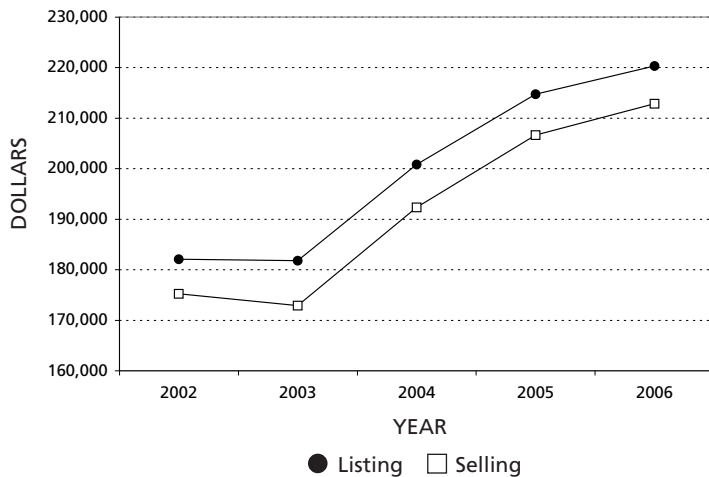
Analysis derived from Greater Northwest Indiana Association of Realtors, Inc. For LaPorte County and Porter County key see page 2.

\$148,571, respectively (Figure 12c). In 2006, Greater Northwest Indiana as a whole showed an increase of 0.30 percent in the average listing price and 0.22 percent in the average selling price. The annual average growth in the listing price and selling price since 2002 was 4.41 and 3.25 percent, respectively.

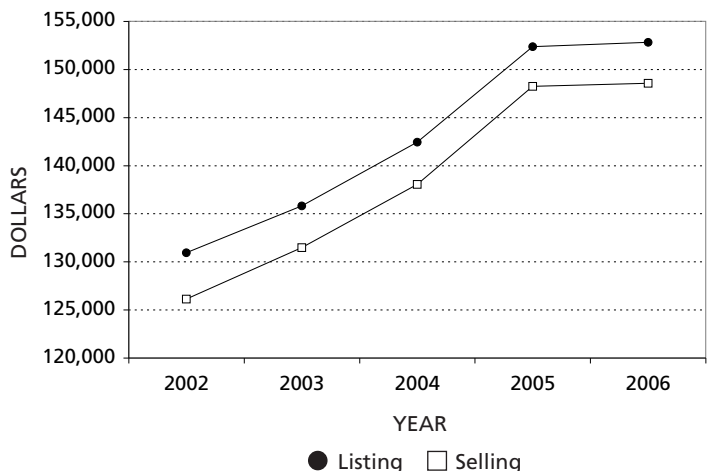
(Figure 12a)  
**PRICES FOR EXISTING HOME**  
 LaPorte County



(Figure 12b)  
**PRICES FOR EXISTING HOME**  
 Porter County



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



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

In 2006, sellers in LaPorte County received about 95.31 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 96.60 and 96.92 percent of the listing price, respectively. The market time of a home sold in LaPorte and Porter counties was 137 and 116 days, respectively, compared with 111 days for Greater Northwest Indiana as a whole. Higher home prices may take longer to sell. For instance, last year, the average listing price of properties not sold in LaPorte County, Porter County and Greater Northwest Indiana were \$256,485, \$295,113 and \$191,926, respectively. The annual average sold time since 2002 for Greater Northwest Indiana, LaPorte and Porter counties was 127, 123 and 115 days, respectively

In real terms, the 2006 average selling prices adjusted for inflation (1982-84 dollars) were \$90,989; \$105,588 and \$73,696 in LaPorte County, Porter County and Greater Northwest Indiana, respectively. This represents an increase from 2002 by 15.97, 8.40 and 5.11 percent in LaPorte County, Porter County and Greater Northwest Indiana, respectively. In other words, the annual real appreciation rates would be 3.19, 1.68 and 1.02 percent, respectively. 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.

## Majority High Ends and More Rooms

The majority of homes sold (17.76 percent or 1,789 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 (13.17 percent or 1,326 units). Moreover, the majority of homes sold were three-bedroom type (5,688 units or 57 percent), followed by four bedrooms (2,241 units or 22 percent) and two-bedrooms (1,713 units or 17 percent).

## Financing Methods Influenced Prices

In 2006, most of the homes sold in the Greater Northwest Indiana Region, were financed through conventional mortgages (58.60 percent), followed by insured mortgages (14.87 percent), cash (13.59 percent), the Federal Housing Administration (FHA, 8.30 percent), the Veterans Administration (VA) guaranteed mortgage (1.35 percent), and others (3.29 percent).

The percent of listing price received in 2006 was the highest with owner assist (99.63 percent), the FHA mortgage (98.99 percent), the VA mortgage (98.51 percent), but not much higher than other financing methods such as the insured mortgage (97.99 percent), the conventional mortgage (97.25 percent) and Federal Farmers Home Administration (FmHA) mortgage (97.23 percent), while cash was 94.23 percent. Home buyers certainly 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 29.96, 21.48 and 17.79 percent, respectively, while the cost of living index has advanced by 12.06 percent. To avoid being subject to the money illusion, recall that the real value of a home purchased during 2002 has gone up by 15.97, 8.4 and 5.11 percent in those areas, respectively. In terms of annual averages from 2002, the real gain would be about 3.19 percent for LaPorte County, 1.68 percent for Porter County and 1.02 percent for Greater Northwest Indiana. This simply means that homeowners or sellers in LaPorte County are somewhat better off than Porter County homeowners. Despite this discrepancy, home buyers more or less were later able to sell their homes for more than they paid because housing prices slightly outpace inflation rate. The Northwest Indiana housing market continues to possess the key strengths of affordability and variety. If economic conditions are favorable a rebound trend may occur in the near 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 6.18 percent in early March 2007 compared to 6.32 percent in March 2006 while the annual average in 2006 was 6.42 percent. Residential mortgages are influenced by changes in monthly and the long-term trend of economic indicators. Economic indicators can provide clues to the future direction of interest rates.

### Favorable Labor Market

The latest figures at press time released by the U.S. Bureau of Labor Statistics indicate that in December 2006, the unemployment rate in LaPorte County was 5.5 percent (about 3,009 persons out of a 55,036 labor force), compared to 6.1 percent in December 2005. The unemployment rate in Porter County showed a decline in December 2006 to 3.8 percent (about 3,137 persons out of 81,821 labor force), compared to 4.6 percent the year before. Overall statewide, the Indiana unemployment decreased from 4.6 percent in December 2005 to 4.3 percent in December 2006.

### Decline In Residential Building Permits

At the start of this year, new privately owned residential building permits in Porter County decreased from 71 buildings (85 units) in January 2006 to 58 buildings (61 units) in January 2007. In dollar terms, the construction cost for these permits decreased by -15.17 percent from \$16,338,934 to 13,859,844. LaPorte County reported a decline from 15 in January 2006 to 11 buildings or units in January 2007. The construction cost decreased by -31.22 percent from \$2,589,735 to 1,781,230. On a more positive note, a decline in residential building permits may further lower demand for loanable funds which in turn implies lower interest rates. Improved economic fundamentals such as lower interest rates, unemployment rates and greater hiring trends should invigorate future housing market activity.

## NEWS FROM COLLEGE OF BUSINESS 2007 BUSINESS DISCOVERY

Since November 2006, the College of Business faculty members have published the following articles.

### Department of Business

**Dr. Tantatape Brahmasrene**, Professor of Economics & Business, co-authored "Measuring Emerging Stock Market Correlations Utilizing The Gravity Model" Journal of Economics and Economic Education Research, Volume 7, Number 3, 2006. His joint research project with the National Institute of Development Administration, titled "Cointegration And Causality Between Stock Index And Macroeconomic Variables In An Emerging Market" was accepted for publication in 2007 Academy of Accounting and Financial Studies Journal.

### Department of Organizational Leadership & Supervision

**Sarah Sanders Smith**, M.B.A., Assistant Professor of Organizational Leadership & Supervision published "Hispanic Worker Safety: Understanding Culture Improves Training and Prevents Fatalities" in Professional Safety, February 2007 and "Best Practices Uncovered: Training the Bilingual Workforce" in Journal of Intercultural Disciplines, February 2007. In addition, she was appointed as a board member of the National Association of African American Studies (NAAAS) to represent the National Association of Hispanic/Latino Studies (NAHLS). NAAAS founded by staff at Virginia State University has held a joint annual conference and shared nation board with NAHLS, National Association of Native American Studies and International Association of Asian Studies.

## COLLEGE OF BUSINESS BOOK CLUB

**Richard Panton**, Lecturer in Department of Business, suggests a good read on "The Necessary Nature of Future Firms" by George P. Huber, Publisher: Sage Publications, Inc. 2004. Subtitled "Attributes of Survivors in a Changing World," Huber's text is a look at how businesses must change if they are to survive into the future. He is not a proponent of the quick fix of many popular management texts. His premise is that managers - even CEOs - are human and suffer the result of having our own frames of reference formed by our individual experiences and knowledge.

**Judy Jacobi**, Director of Marketing at PNC, recommends "Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time," book by founder Howard Schultz. In light of the fact that the Starbucks' brand experience is feeling some growing pains of late, this book is even more interesting! She also suggests "Building the Brand-Driven Business: Operationalize your brand to drive profitable growth." Scott Davis and Michel Dunn wrote this very accessible book in conjunction with the Association of National Advertisers. Highlights include important "touch points" to build brand awareness, equity and sales.



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James B. Dworkin ..... Chancellor  
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William Mack ..... Acting Chair, Department of Business  
Karen Prescott . . . . Coordinator of Graphic Design & Printing

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