

# Terre Haute

manufacturing and nonmanufacturing in 2006, average wages will likely continue to rise over the next year—even more so if national expectations of inflation cause upward pressure on wages.

## Commercial Real Estate

Regional real estate markets have remained strong despite rising interest rates over the past year.<sup>3</sup> Occupancy rates rose for many commercial developments in the region. Significant commercial development will continue in 2006 with new retail and industrial developments throughout the region.

## Housing

Residential construction, measured by a seasonally adjusted index of new single-dwelling housing permits issued in St. Joseph County, remains active (see **Figure 1**). From January 2004 to September 2005, new housing permits increased 8.2 percent. More dramatic is the substantial growth of 49.2 percent in the first nine months of 2005. It remains to be seen if demand for homes will be dampened by expected interest rate hikes in the near future.

In 2005, the Michiana region has experienced mixed economic signals: fairly flat employment, relatively low but fluctuating unemployment rates, rising wages, increased production in certain sectors, and active real estate markets. The outlook for the coming year is optimistic, with the region expanding production in some manufacturing and nonmanufacturing sectors, growth in retail, higher employment, continued growth in wages, and considerable real estate activity. ■

## Notes

1. Linda Lipp, "Indiana's RV, housing manufacturers prepare to aid Katrina's victims," *Indiana Economic Digest* 5 September 2005.
2. [www.stats.indiana.edu/cew/simple\\_cew\\_naics.asp](http://www.stats.indiana.edu/cew/simple_cew_naics.asp).
3. CB Richard Ellis, *2004 Real Estate Market Study: Northcentral Indiana and Southwestern Michigan* Summer 2005.

## Robert Guell

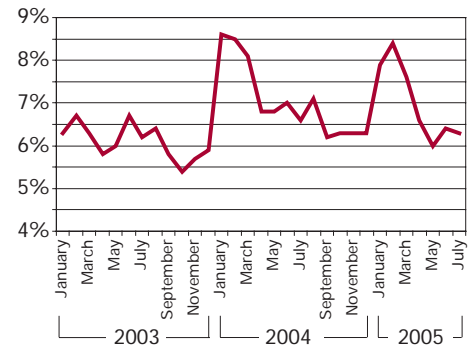
Associate Professor of Economics and Coordinator of First-Year Programs, Indiana State University, Terre Haute

**A**fter decades of steady decline, the Terre Haute economic horizon has noticeable signs of economic progress but a few lingering clouds. The demolition of the city's iconic Terre Haute House, a retail construction boom, and a significant expansion at Aisin Brake suggest a new economic vitality to the city. Still, the uncertain future of Sony's Blu-ray technology for the high definition home movie market, the uncertain future of Pfizer's yet-to-be approved inhaled insulin, and the almost certain total closure of Columbia House prevent unbridled enthusiasm.

As 2005 opened, Mayor Kevin Burke announced the city had secured an option on the Terre Haute House. The hotel, closed since the early 1970s, was an icon for many. Those who loved its Mayflower Room considered it a potential cornerstone to a revitalized downtown, while others viewed it as a symbol of the city's inability to move forward. By April, several plans had been submitted but none were judged by the city to have sufficient financial backing to succeed. By fall, the Hulman family sold the building to Terre Haute's Greg Gibson for \$1 and demolition began shortly thereafter. Amid demolition came the November announcement of plans for a new "Hilton Garden Inn—Terre Haute House" to open in the summer of 2007.

Also in 2005, retail construction began a boom not seen in the city for decades. South of the existing Wal-Mart Supercenter, construction began on a retail complex that will ultimately include a Kohl's, a TJ Maxx, and several small stores and restaurants. Meanwhile, construction of a new Wal-Mart Supercenter on the east side of the city (near the I-70–Indiana 46 interchange) promises to bring a significant

**Figure 1**  
Terre Haute Unemployment Rate



Note: Data are not seasonally adjusted.  
Source: Bureau of Labor Statistics

expansion of retail activity. Several other smaller construction endeavors also significantly upgraded the retail options in the city.

It is not entirely clear that there will be good-paying jobs to support these new retail ventures. Though Aisin Brake announced a significant planned expansion of its workforce during the year, the BMG purchase of Columbia House makes it all but certain that one of the city's former employment mainstays will ultimately abandon its Terre Haute northeast location. As shown in **Figure 1**, the city's unemployment rate jumped markedly in early 2004 and 2005 with Columbia House job-cut announcements. Each time it has returned near its previous levels.

In 2006, two decisions—one made by the Food and Drug Administration (FDA) and one made by movie studios and consumers worldwide—will provide significant clarity for Terre Haute's economic future. The FDA stands ready to approve Pfizer's inhaled insulin. Terre Haute's southside Pfizer plant would likely manufacture much of these delivery systems, adding significant jobs in the process. On the other end of the city, Terre Haute's northside Sony plant stands ready to produce a significant portion of the high definition movies that will be sold throughout the world. The uncertainty here is that Sony's Blu-ray technology is incompatible with Toshiba's HD DVD and a BetaMax vs. VHS type war is likely in the offing. If Blu-ray wins, so will Terre Haute. ■