

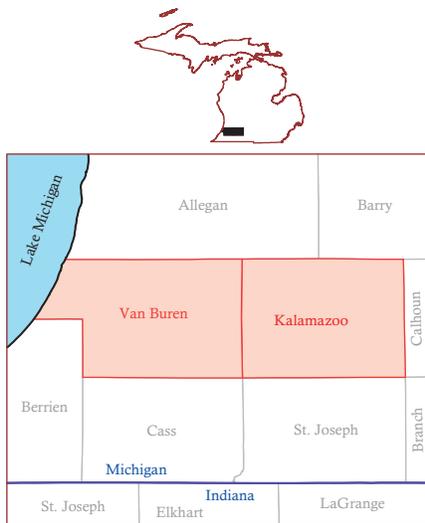


# Kalamazoo-Portage, Michigan

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2015



## Housing Market Area



The Kalamazoo-Portage Housing Market Area (HMA) consists of Kalamazoo and Van Buren Counties in western Michigan and is coterminous with the Kalamazoo-Portage, MI Metropolitan Statistical Area. The HMA is approximately 150 miles east of Chicago and 150 miles west of Detroit and includes 13 miles of Lake Michigan shoreline. The HMA was once one of the largest paper-producing areas in the United States and home of Checker Motors Corporation. Recent activities include craft beer brewing and medical research. The Kalamazoo Promise, a nonprofit corporation established in the HMA in 2005 and funded entirely by a small group of anonymous donors, is the first program in the nation to provide up to 100 percent funding for college tuition for any local high school graduate.

## Summary

### Economy

During the past 12 months, the economy of the Kalamazoo-Portage HMA continued job growth that began in 2012, marking the HMA's longest continuous period of growth since before 2000. Nonfarm payrolls during the 12 months ending September 2015 increased by 2,400 jobs, or 1.7 percent, to reach 141,600 jobs (Table DP-1 at the end of the report). Job growth is expected to continue during the next 3 years but at a slower average annual rate of 1.0 percent.

### Sales Market

The sales housing market is currently soft, with an estimated vacancy rate of 2.5 percent compared with 2.6 percent in April 2010. During the 12 months ending September 2015, 4,875 new and existing homes sold, an increase of 6 percent from the previous 12 months. Demand is expected for 2,150 new homes in during the next 3 years (Table 1). The 220 homes currently under construction and a portion of the 8,525 other vacant units in the HMA that may reenter the market will satisfy some of the forecast demand.

### Rental Market

The overall rental housing market (which includes renter-occupied single-family homes, mobile homes, and apartment units) is currently balanced, with an estimated vacancy rate of 7.6 percent, down from 10.5 percent recorded in April 2010. During the forecast period, demand is expected for 830 new market-rate rental units (Table 1). The 10 units currently under construction will meet a portion of that demand.

**Table 1. Housing Demand in the Kalamazoo-Portage HMA During the Forecast Period**

	Kalamazoo-Portage HMA	
	Sales Units	Rental Units
Total demand	2,150	830
Under construction	220	10

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2015. A portion of the estimated 8,525 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is October 1, 2015, to October 1, 2018.*

*Source: Estimates by analyst*

## Market Details

- Economic Conditions .....2
- Population and Households .....6
- Housing Market Trends .....8
- Data Profile .....12

# Economic Conditions

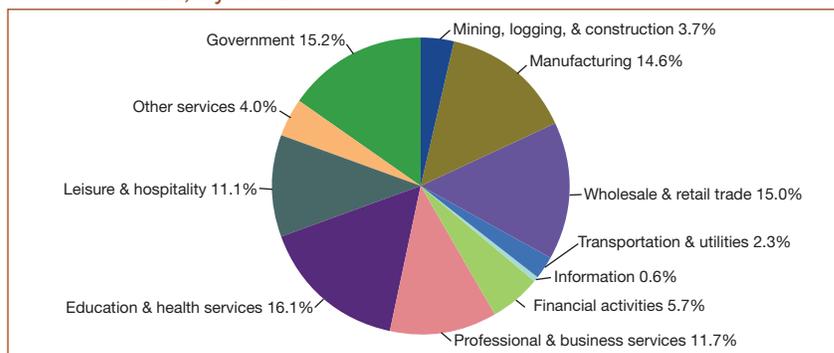
The largest employment sectors in the Kalamazoo-Portage HMA have changed significantly since 2000. Plant closures across manufacturing industries caused the manufacturing sector to decline from being the largest sector in 2000 to the fourth largest sector currently. The sector currently accounts for less than 15 percent of total nonfarm payrolls (Figure 1), compared with 20 percent in 2000. Since 2011, the sector has regained momentum and has been the second largest contributor to job growth in the HMA. By comparison, the education and health services sector, which was the fourth largest sector in 2000, is now

the largest sector, partly because of expansions in the medical research industry. The government and the wholesale and retail trade sectors continue to be the second and third largest sectors in the local economy, respectively, despite layoffs throughout the 2000s.

From a peak of 150,200 jobs in 2000, nonfarm payrolls declined by 0.8 percent a year to 145,200 in 2004. Payrolls rose slightly to 145,700 in 2005 and remained relatively unchanged through 2007. From 2008 through 2011, nonfarm payrolls declined by 1.8 percent a year to a low of 135,500. Since 2012, the Kalamazoo-Portage economy has been recovering, with growth averaging 1,400 jobs, or 1.0 percent annually, through 2014. The current expansion of more than 3 years is the longest consecutive period of growth that has occurred in the HMA since 2000. During the 12 months ending September 2015, economic conditions in the HMA continued improving, and total nonfarm payroll jobs increased by an average of 2,400 jobs, or 1.7 percent (Table 2), to 141,600.

The largest job gains were in the manufacturing and the professional and business services sectors, each increasing by 800 jobs, or 4.0 and 5.1 percent, respectively. In 2015, a \$50 million expansion at a Bell's Brewery, Inc. production facility increased production capacity from 800,000 barrels to 1 million barrels annually and contributed to growth in the manufacturing sector. Employment increased in the professional and business services sector because of job gains in the administrative and support services industry. Other notable gains occurred in the education and health services and the leisure and hospitality sectors. The

**Figure 1. Current Nonfarm Payroll Jobs in the Kalamazoo-Portage HMA, by Sector**



Note: Based on 12-month averages through September 2015.

Source: U.S. Bureau of Labor Statistics

**Table 2. 12-Month Average Nonfarm Payroll Jobs in the Kalamazoo-Portage HMA, by Sector**

	12 Months Ending		Absolute Change	Percent Change
	September 2014	September 2015		
Total nonfarm payroll jobs	139,200	141,600	2,400	1.7
Goods-producing sectors	24,900	25,900	1,000	4.0
Mining, logging, & construction	4,900	5,200	300	6.1
Manufacturing	19,900	20,700	800	4.0
Service-providing sectors	114,300	115,600	1,300	1.1
Wholesale & retail trade	21,300	21,200	-100	-0.5
Transportation & utilities	3,300	3,300	0	0.0
Information	1,000	900	-100	-10.0
Financial activities	7,900	8,000	100	1.3
Professional & business services	15,800	16,600	800	5.1
Education & health services	22,400	22,800	400	1.8
Leisure & hospitality	15,300	15,700	400	2.6
Other services	5,700	5,700	0	0.0
Government	21,400	21,500	100	0.5

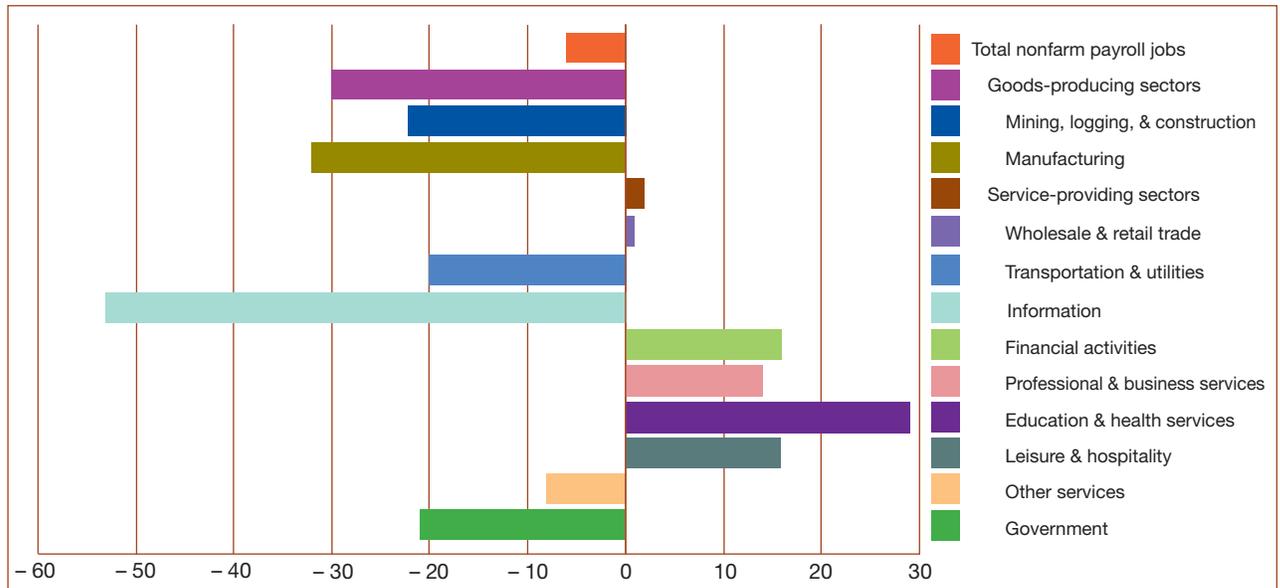
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through September 2014 and September 2015.

Source: U.S. Bureau of Labor Statistics

education and health services sector added 400 jobs, or 1.8 percent, during the 12 months ending September 2015. Job growth in the sector was partly attributed to Gilden Woods, a child-care center, which added 30 teacher positions. The leisure and hospitality sector added 400 jobs, or 2.6 percent, during the past 12 months. Bell's Brewery, Inc., awarded for having the second best beer in the United States (American Homebrewers Association, 2015), expanded its Eccentric Cafe into a full-service restaurant in 2015, hiring an additional 100 employees and contributing to growth in the sector.

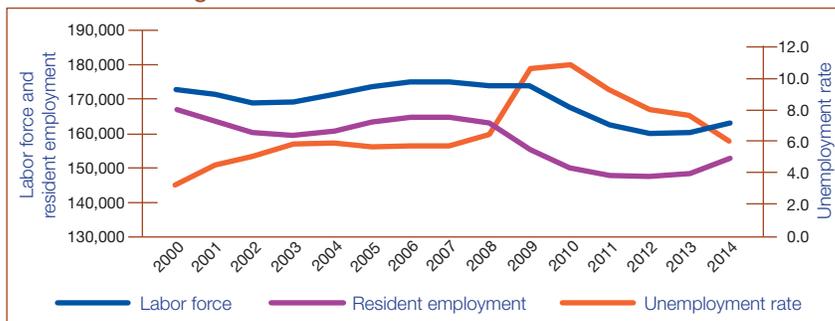
The only two sectors to lose jobs during the past 12 months were the wholesale and retail trade sector and the information sector, which lost 100 jobs each, or 0.5 percent and 10.0 percent, respectively. Since 2000, the information sector has recorded the largest percentage of job losses of all sectors, decreasing by 53 percent overall (Figure 2) because of losses in the telecommunication and the publishing subsectors, which includes newspaper, book, and directory publishers.

**Figure 2.** Sector Growth in the Kalamazoo-Portage HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through September 2015.  
Source: U.S. Bureau of Labor Statistics

**Figure 3.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Kalamazoo-Portage HMA, 2000 Through 2014



Source: U.S. Bureau of Labor Statistics

Because of overall strong employment growth during the past year, the unemployment rate has declined significantly. During the 12 months ending September 2015, the unemployment rate was 4.8 percent, down from 6.5 percent during the 12 months ending September 2014 and a peak of 10.8 percent in 2009 and 2010. Figure 3 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2014.

Major automotive stamping plant and paper-producing plant closures in 1999 and 2000 initiated the downward trend that would occur across manufacturing industries until 2010. General Motors Company eliminated 600 jobs in 1999 and Tower Automotive eliminated 375 jobs in 2000. Also in 2000, the closing of the Georgia-Pacific Corporation and the Mead Corporation paper-producing plants eliminated 285 and 180 jobs, respectively. From 2001 through 2007, the manufacturing sector declined by an average of 1,100 jobs, or 4.2 percent, annually. During this period, Pfizer's 2002 acquisition of Pharmacia, a pharmaceutical and biotechnology manufacturer, resulted in a loss of 1,200 local jobs, then the loss of an additional 500 jobs in 2005, when Pfizer announced a 52-percent decline in earnings. Despite the changes, Pfizer continues to be one of the largest employers in the HMA (Table 3).

From 2008 through 2010, the manufacturing sector declined by 1,400 jobs, or 6.8 percent, each year. Layoffs occurred at the Checker Motors Corporation in 2008, when the auto-parts supplier, most recognized for its production of yellow taxicabs from 1922 to 1982, laid off 150 employees. In 2008, Pfizer cut another 200 jobs.

The manufacturing sector began improving in 2011, ahead of total nonfarm payroll jobs, when nonfarm payrolls in the sector increased by 100 jobs, or 0.5 percent. Growth in the manufacturing sector continued and averaged 600 jobs annually, or 3.2 percent, from 2012 through 2014. Contributing to growth in the sector during the period, Summit Polymers, Inc., whose headquarters, manufacturing plant, and design facility are located in Portage, added more than 200 jobs from 2013 through 2014.

The government sector is currently the second largest sector in the HMA, accounting for 15 percent of nonfarm payrolls, down from 18 percent in 2000. From 2001 through 2008, the government sector lost an average of 500 jobs annually, or 2.1 percent, because of local government budget cutbacks; however, it became the largest employer in 2006 as a result of greater losses in the manufacturing sector. The government sector grew by 100 jobs, or 0.4 percent, in 2009 but contracted again from 2010 through 2013, losing an average of 500 jobs, or 2.1 percent, annually. Sixty percent of government payroll cuts resulted from a reduction in local government jobs. Despite payroll losses from 2010 through 2013, the government sector has remained

**Table 3. Major Employers in the Kalamazoo-Portage HMA**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Bronson Healthcare Group	Education & health services	8,975
Pfizer	Manufacturing	6,000
Western Michigan University	Government	4,050
Stryker Corporation	Manufacturing	3,000
PNC Financial Services Group, Inc.	Financial activities	2,000
Summit Polymers, Inc.	Manufacturing	1,550
Zoetis, Inc.	Manufacturing	1,000
State Farm Mutual Automobile Insurance Company	Professional & business services	950
Parker Hannifin Corporation	Manufacturing	640
Kalamazoo Regional Educational Service Agency	Education & health services	610

*Note: Excludes local school districts.*

*Source: Southwest Michigan First*

the second largest sector in the HMA since 2011 because of the local post-secondary institution presence. Since 2014, payrolls in the government sector have remained stable at 21,500 jobs. Western Michigan University (WMU), the largest university in the HMA, enrolled 23,900 students during the 2014–15 school year and employed 4,050 faculty and staff. The university had an annual impact of \$819 million on the local economy in 2010 (WMU; the most recent data available). The university opened the private nonprofit Homer Stryker M.D. School of Medicine in 2014, built a new dormitory in fall 2015, and is building a \$36 million dining hall. The university's Business Technology and Research (BTR) Park has increased to full capacity since Newell Rubbermaid leased space in 2014. Plans are under way to develop 44 acres of WMU land to house additional research and development companies. Kalamazoo Valley Community College (KVCC), which is in the local government sub-sector, teamed up with WMU to offer the nation's first higher education program in sustainable brewing. The KVCC part of the brewing program will operate out of the \$45 million KVCC Bronson Healthy Living Campus, which opens in 2016. In addition to offering the brewing program, the campus will address issues of food production, safety, and sustainability. The complex will eventually enroll 1,000 students.

The education and health services sector led job growth with an average annual increase of 500 jobs, or 2.7 percent, from 2001 through 2009 to 22,400 jobs and remained relatively unchanged through 2014. Despite steady conditions in the education

and health services sector, it became the largest payroll sector in the HMA in 2011 because of job declines in other sectors. During the 12 months ending September 2015, the education and health services sector grew by 400 jobs, or 1.8 percent, to 22,800. In addition to the gains in the manufacturing sector from 2011 through 2014, job growth also occurred in the professional and business services sector, which added 500 jobs, or 3.4 percent, annually, and in the wholesale and retail trade sector, up by 400 annually, or 2.1 percent. The leisure and hospitality sector gained an average of 200 jobs annually, or 1.6 percent, during the same period.

During the 3-year forecast period, nonfarm payrolls in the Kalamazoo-Portage HMA are expected to increase by an average of 1,475 jobs, or 1.0 percent, annually, but total nonfarm payrolls will remain below the 2000 peak of 150,200. The manufacturing and the professional and business services sectors are expected to lead growth, including an additional 120 jobs at Summit Polymers. Other job gains are expected in the retail sector because of the Field and Stream Outdoor Specialty store opening in March 2016. The store is in the \$70 million retail center, The Corner@Drake, in Portage. The center will also house the Consumer's Credit Union, which will add 15 jobs to the financial services sector. Finally, WMU has selected two firms to design the expansion of its BTR Park, which will be constructed next to the original park. Construction is expected to begin in the fall of 2016 and be completed by June 2017. The 44-acre project allows for 7 to 10 new buildings and is designed to attract research and development companies.

# Population and Households

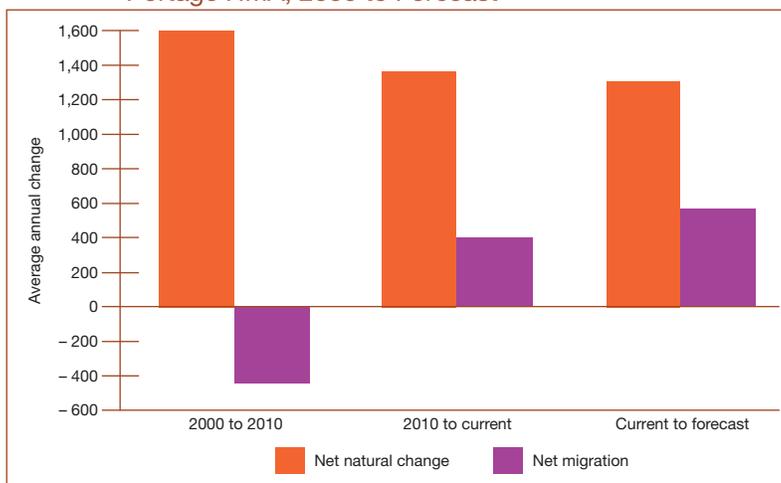
The Kalamazoo-Portage HMA continued to gain population in the past 15 years, despite job losses. The current population of the Kalamazoo-Portage HMA is 336,200, representing an average increase of 1,375, or 0.4 percent, annually since 2000. From 2000 to 2007, when manufacturing jobs were decreasing rapidly, population growth averaged 990 people, or 0.3 percent, annually. During this period, net out-migration averaged 640 people a year, peaking at 2,800 people from 2003 to 2004 (Census Bureau population estimates, as of July 1). Net natural increase (resident births minus resident deaths) averaged 1,625 people annually and accounted for all the population growth. From 2007 to 2011, when the economy recorded significant job losses, the population grew by an average of 1,600, or 0.5 percent, annually. Population growth was bolstered by the Kalamazoo Promise, announced in November 2005, which provides up to 100 percent funding to any Kalamazoo Public Schools graduate attending a public university in Michigan—the first such program in the nation. The scholarship amount is on a sliding scale and

is based on the length of enrollment. Although the program did not immediately add jobs, according to local sources, it became an appealing draw to the HMA for new and returning families. Net in-migration averaged 100 a year from 2007 to 2011 and accounted for 6 percent of population growth. Net natural change (resident births minus resident deaths) decreased to an average of 1,500 people a year. Since 2012, sustained economic recovery has led to an average net in-migration of 480 people a year, contributing to an increase in population growth to 1,825 people, or 0.5 percent, annually. At the same time, net natural change slowed to an average of 1,350 people a year.

During the next 3 years, the population of the HMA is expected to increase by an average of 1,875, or 0.6 percent, annually, to 341,800. Net in-migration is expected to increase to an average of 550 people annually (Figure 4) in response to improved economic conditions. Net in-migration is expected to account for nearly 30 percent of population growth compared with 26 percent since 2012.

The rate of household growth in the Kalamazoo-Portage HMA has been slightly higher since 2010 compared with the previous decade. Since 2010, household growth has averaged 860 households, or 0.7 percent, annually, to 134,250 households because of economic growth and greater net in-migration. By comparison, the number of households in the HMA rose by 810, or 0.6 percent, annually from 2000 to 2010. Mirroring the economic challenges in the previous decade, the homeownership rate declined from 68.9 percent in 2000 to 67 percent in 2010. Since then, an even more drastic

**Figure 4.** Components of Population Change in the Kalamazoo-Portage HMA, 2000 to Forecast

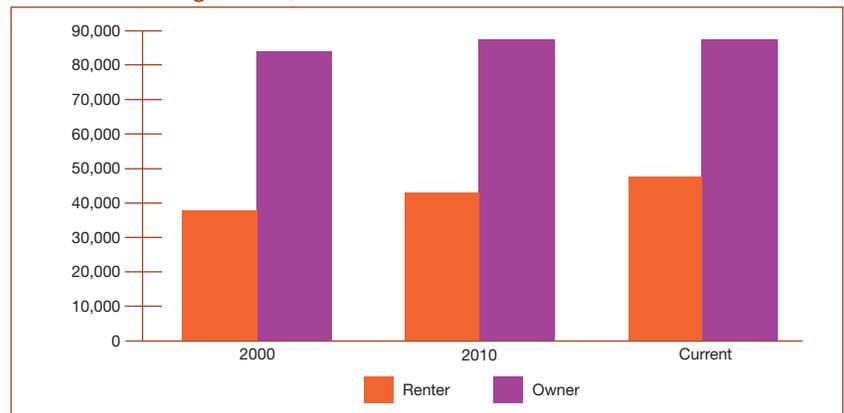


Notes: The current date is October 1, 2015. The forecast date is October 1, 2018.  
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

decline in the homeownership rate has occurred to a current rate of 64.9 percent because of foreclosures in the late 2000s and an increasing shift of households from owner to renter status. Renter households in the HMA grew from 42,750 in 2010 to a current estimate of 47,100, a 1.8-percent

annual increase, which accounted for 93 percent of household growth during the period (Figure 5). During the next 3 years, the number of households is expected to increase by an average annual rate of 880, or 0.7 percent (Figure 6), resulting in an estimated 136,900 households.

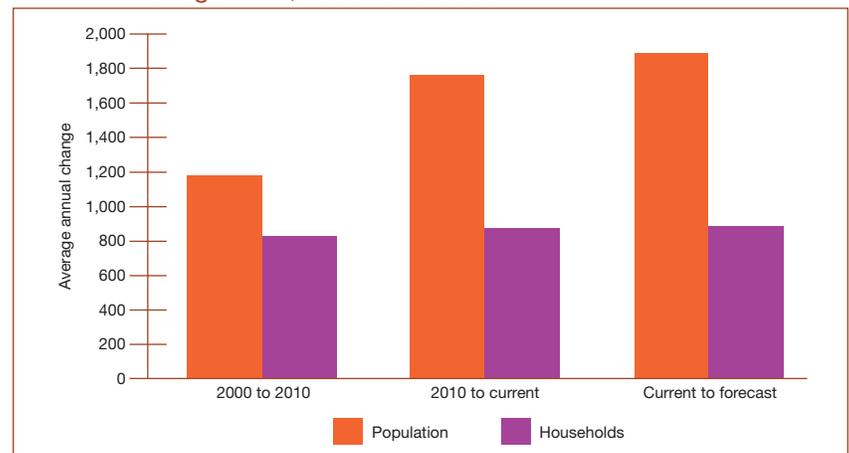
**Figure 5. Number of Households by Tenure in the Kalamazoo-Portage HMA, 2000 to Current**



Note: The current date is October 1, 2015.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

**Figure 6. Population and Household Growth in the Kalamazoo-Portage HMA, 2000 to Forecast**



Notes: The current date is October 1, 2015. The forecast date is October 1, 2018.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

# Housing Market Trends

## Sales Market

The sales housing market in the Kalamazoo-Portage HMA is slightly improved from the soft market conditions in 2010. The estimated sales vacancy rate is 2.5 percent, down slightly from 2.6 percent in April 2010. Although the population has increased at a generally steady pace since 2010, construction of new homes decreased, allowing for some of the vacant units to be absorbed. During the 12 months ending September 2015, the inventory of for-sale homes averaged 2,175, down from 2,550 during the 12 months ending September 2011 (Yahoo!-Zillow Real Estate Network).

The sales market began to improve in 2012, after the Great Recession, because of strengthening economic conditions and greater population growth in the HMA. From the beginning of 2012 through 2014, new and existing homes sales (including single-family homes, townhomes, and condominiums) averaged 5,250 annually, up 26 percent, or by 1,075 homes compared with the average sold annually from 2008 through 2011 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). From 2012 through 2014, existing home sales, which include regular resale and real estate owned (REO) sales, made up 97 percent of all sales, compared with 93 percent during the 2008 through 2011 period. During the 12 months ending September 2015, new and existing housing sales remained unchanged from the 5,475 homes sold during the previous 12 month period. Existing home sales during the 12 months ending September 2015 continued to account for 97 percent of total sales in the HMA.

During the period of weakest sales, which lasted from the beginning of 2008 through 2011, an average of 4,175 new and existing homes sold annually. The average number of homes sold was down 25 percent, or by 1,375 homes, compared with an average of 5,550 homes sold annually during 2006 and 2007, the period when market conditions were strongest.

The average new and existing home sales price in the HMA increased nearly 4 percent during the 12 months ending September 2015, to \$158,300, compared with the average annual price of \$152,500 during the previous 12 months, and higher than the 2012-through-2014 average annual sales price of \$142,700. Prices had decreased by \$2,800, or about 2 percent annually, from 2008 through 2011 to \$128,300, down from an average of \$136,700 annually during the peak years, from 2006 through 2007.

Sales of new condominiums have decreased, although sales of existing condominiums have increased over time. During the 12 months ending September 2015, only 55 new and 530 existing condominiums sold, accounting for less than 1 percent and 9 percent, respectively, of all sales. By comparison, new condominium sales averaged 150 units, or nearly 3 percent of all sales, from 2006 through 2007, whereas existing condominium sales averaged 280, or 5 percent, annually. The average condominium sales price was \$193,000 during the 12 months ending September 2015, up 21 percent from the 2012-through-2014 average price of \$158,700. The increase was the result of a \$78,100, or 36-percent, increase in new condominium sales

prices from 2012 through 2014. The average price was driven up in part by the sale of 38 duplex-style condominium homes constructed during Phases 1 and 2 at Walden Woods; prices started at \$219,000.

As the sales housing market improved in 2012, the rate of seriously delinquent (90 or more days delinquent or in foreclosure) home loans and REO properties in the HMA has decreased. As of October 2015, 2.5 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 2.8 percent in October 2014 and 4.9 percent in 2012 (Black Knight Financial Services, Inc.). The current rate for the HMA is lower than the 3.4-percent rate for Michigan and the 4.2-percent rate for the nation.

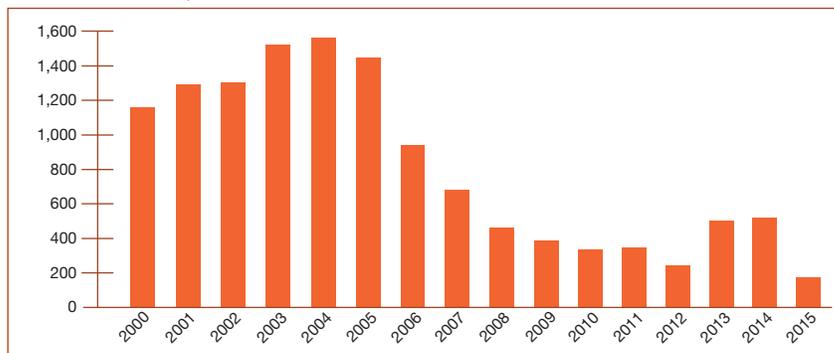
Despite improved sales market conditions, homebuilding activity, as measured by the number of single-family homes permitted, decreased to 150 homes during the 12 months ending September 2015, compared with 310 homes permitted during the previous 12 months (preliminary data). From 2000 through 2007, during the period of highest net out-migration and slow population growth, the number homes permitted annually averaged 1,375 from 2000 through 2005 before declining

to an average of 800 homes permitted annually from 2006 through 2007 (Figure 7). After the period of net out-migration, single-family permitting decreased to an average of 370 homes a year from 2008 to 2011. From 2012 through 2014, the number of homes permitted increased slightly, to an average of 410 annually, before the most recent decline.

Home construction is occurring primarily in Texas and Oshtemo Townships, on the western edge of Kalamazoo County, and on the east side of Van Buren County (adjacent to the Texas and Oshtemo Townships), which have developed as bedroom communities to the city of Kalamazoo. Barrington Shores, an upscale custom-home community in Texas Township, opened Phase 6 in June 2015. Prices range from \$85,000 to \$200,000 per lot. Construction of the Walden Woods subdivision in western Kalamazoo County includes 136 duplex-style condominiums. Phases 1 and 2 of the development have been completed, with 38 units ranging from 1,200 to 2,000 square feet. Prices for a new home in the subdivision start at \$219,000. Other single-family construction is occurring at the Homestead, Hidden Lake, Tamarron, Grand Colony, and Cranes Pond subdivisions, where prices start at \$250,000. Lower priced homes can be found in the Centennial subdivision in the City of Vicksburg; prices range from \$128,900 to \$188,900.

During the 3-year forecast period, demand is expected for 2,150 additional homes, with 80 percent of the demand for new homes expected to be for homes priced between \$120,000 and \$270,000 (Table 4). The 220 homes currently under construction and a portion of the 8,525 other vacant units

**Figure 7. Single-Family Homes Permitted in the Kalamazoo-Portage HMA, 2000 to Current**



Notes: Includes townhomes. Current includes data through September 2015.  
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

in the HMA that may reenter the market will satisfy some of the forecast demand (Table 1). Corresponding to the forecast trends in economic conditions and net migration, demand is expected to increase slightly through the next 3 years. To allow for the homes currently under construction and

excess vacant units to be absorbed, fewer additional homes will be needed during the first year of the forecast period. The expected increase in net migration by the second and third years of the forecast period is expected to support additional completions.

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Kalamazoo-Portage HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
120,000	169,999	430	20.0
170,000	219,999	750	35.0
220,000	269,999	540	25.0
270,000	319,999	210	10.0
320,000	369,999	110	5.0
370,000	and higher	110	5.0

*Notes: The 220 homes currently under construction and a portion of the estimated 8,525 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is October 1, 2015, to October 1, 2018.*

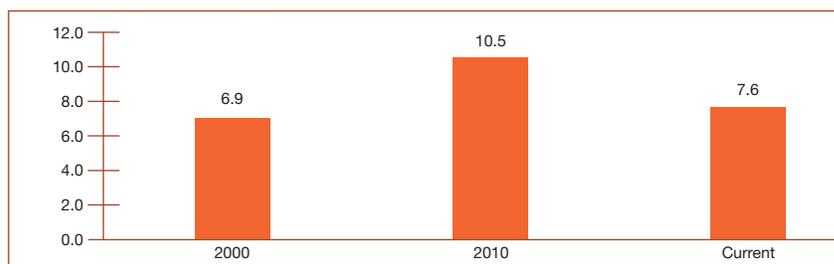
*Source: Estimates by analyst*

## Rental Market

The rental housing market in the Kalamazoo-Portage HMA is balanced, which is an improvement from 2010, when the market was soft. The estimated vacancy rate for all rental units, including apartments, single-family homes, and mobile homes, is 7.6 percent, a decrease from 10.5 percent in April 2010 (Figure 8). In 2010, 33 percent of occupied housing in the HMA was renter occupied, whereas currently approximately 35 percent of occupied housing is renter occupied.

Improved economic conditions, an increasing preference for renting, and a low volume of apartment construction have contributed to the decrease in the apartment vacancy rate. The apartment market is tight, and the vacancy rate is lower than the overall market, at 3.8 percent during the third quarter of 2015 (Reis, Inc.). The apartment vacancy rate was down from 5.5 percent a year earlier, a result of increasing in-migration to the HMA for jobs because of the improving economy. The average asking rent for an apartment during the third quarter of 2015 was \$700, an increase of \$20, or 3 percent, compared with rents during the third quarter of 2014. The average rents for one-, two-, and three-bedroom units were \$600, \$750, and \$930, respectively. The greatest demand for apartment units is in downtown Kalamazoo, which has been expanding

**Figure 8.** Rental Vacancy Rates in the Kalamazoo-Portage HMA, 2000 to Current



*Note: The current date is October 1, 2015.*

*Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst*

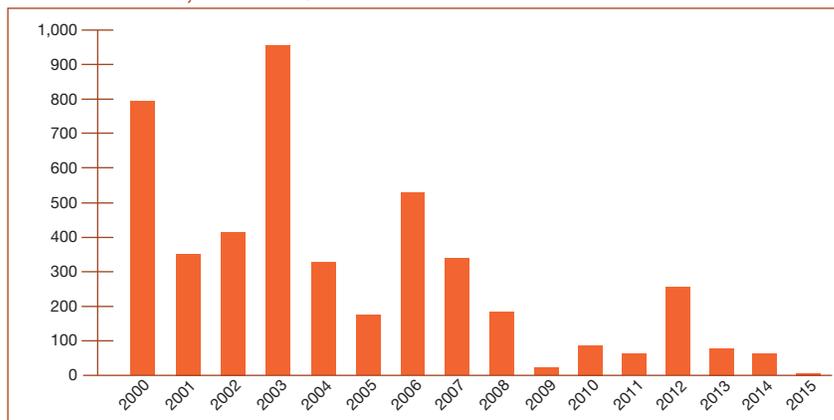
since 2005, when the city established the Downtown Design Guidelines for new and rehabilitated projects to create a more vibrant downtown. Because the city of Kalamazoo is built out and unable to annex land, former industrial areas are being converted into rental properties for young professionals and empty nesters. The expansion began the same year Pfizer announced that it would demolish five outdated buildings to make room for a campuslike atmosphere for its workers. The downtown area currently has 500 rental units, with a vacancy rate of 2.0 percent (Zimmerman/Volk Associates, Inc.).

A large student population in the HMA, most of them renters, has an effect on the rental market. The HMA has a total of approximately 37,000 students at four institutions of higher learning, including WMU and KVCC. Most of these students live off campus in an estimated 10,000 rental units, which comprises 21 percent of the occupied rental units in the HMA. In the 2014–15 academic school year, the 658 apartment-style units at WMU operated at 93 percent occupancy. WMU added a \$48 million residence hall, Western Heights, in September 2015, adding 750 beds, a net gain of

200 beds over the 550 that were demolished in 2013. Demolishing the aging dormitories and replacing them with a neighborhood-style hall is part of WMU's aim to earn at least a LEED-Silver rating from the U.S. Green Building Council. In 2011, WMU opened a 144-unit dormitory. Before this construction, WMU had not added to the dormitory stock since 1974. Enrollment in higher education in the HMA has been relatively unchanged since 2010 and is expected to remain constant during the next 3 years. Enrollment at the WMU School of Medicine is expected to increase by 84 students a year from the inaugural and second classes of 54 and 60 students, respectively.

Multifamily construction activity, as measured by the number of multifamily units permitted, has varied since 2000. Multifamily permitting averaged 520 units a year from 2000 through 2002 before increasing to a decade high of 950 units in 2003 (Figure 9). Multifamily construction slowed to an average of 310 units a year from 2004 through 2008 and then fell significantly, to an average of 50 units a year from 2009 through 2011. Permitting increased in 2012 to 250 units before declining to 70 in 2013 and 60 in 2014. During the 12 months ending September 2015, only 5 units were permitted, down from 90 units during the previous 12 months (preliminary data). Rents in downtown Kalamazoo range from \$490 for a 300-square-foot studio to \$3,500 for a 3,000-square foot, three-bedroom apartment. Typical projects are conversions of downtown buildings to apartments, ranging from 5 to 25 units, with retail on the first floor. In 2012, the 41-unit Lovell Square Apartments was substantially rehabilitated to target

**Figure 9. Multifamily Units Permitted in the Kalamazoo-Portage HMA, 2000 to Current**



Notes: Excludes townhomes. Current includes data through September 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

young professionals. Walbridge Common is currently in planning and is expected to start construction at the end of 2015 on the northeast side of downtown Kalamazoo. When the project is complete in the spring of 2016, it will include 48 apartments with rents ranging from \$500 to \$1,600.

During the 3-year forecast period, demand is estimated for 830 new

market-rate rental units (Table 1).

The greatest demand is expected for one-bedroom units, priced below \$900 (Table 5). The 10 units currently under construction will meet a portion of that demand. Demand is expected to be the lowest in the first year and increase in the second and third years, as net in-migration increases because of improving economic conditions.

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Kalamazoo-Portage HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
400 to 599	30	500 to 699	75	700 to 899	75	800 to 999	65
600 or more	15	700 to 899	100	900 to 1,099	90	1,000 to 1,199	75
		900 to 1,099	25	1,100 to 1,299	75	1,200 to 1,399	50
		1,100 to 1,299	25	1,300 to 1,499	30	1,400 to 1,599	40
		1,300 or more	25	1,500 to 1,699	15	1,600 to 1,799	15
				1,700 or more	15	1,800 or more	15
Total	40	Total	250	Total	290	Total	250

Notes: Numbers may not add to totals because of rounding. The 10 units currently under construction will likely satisfy some of the estimated demand. The forecast period is October 1, 2015, to October 1, 2018.

Source: Estimates by analyst

## Data Profile

**Table DP-1.** Kalamazoo-Portage HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	167,375	149,344	156,200	- 1.1	0.9
Unemployment rate	3.3%	10.8%	4.8%		
Nonfarm payroll jobs	150,200	135,600	141,600	- 1.0	0.9
Total population	314,866	326,589	336,200	0.4	0.5
Total households	121,461	129,538	134,250	0.6	0.7
Owner households	83,724	86,787	87,150	0.4	0.1
Percent owner	68.9%	67.0%	64.9%		
Renter households	37,737	42,751	47,100	1.3	1.8
Percent renter	31.1%	33.0%	35.1%		
Total housing units	133,225	146,792	148,800	1.0	0.2
Owner vacancy rate	1.7%	2.6%	2.5%		
Rental vacancy rate	6.9%	10.5%	7.6%		
Median Family Income	NA	\$62,900	\$58,000	NA	- 1.6

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through September 2015. Median Family Incomes are for 2009 and 2014. The current date is October 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

## Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census  
 2010: 4/1/2010—U.S. Decennial Census  
 Current date: 10/1/2015—Analyst’s estimates  
 Forecast period: 10/1/2015–10/1/2018—  
 Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

**Demand:** The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

**Other Vacant Units:** In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

**Building Permits:** Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits.

As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to [huduser.gov/publications/pdf/CMARtables\\_Kalamazoo-PortageMI\\_16.pdf](http://huduser.gov/publications/pdf/CMARtables_Kalamazoo-PortageMI_16.pdf).

## Contact Information

Diana Villavicencio, Economist  
 Chicago HUD Regional Office  
 312-913-8286  
[diana.villavicencio@hud.gov](mailto:diana.villavicencio@hud.gov)

This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to [huduser.gov/portal/ushmc/chma\\_archive.html](http://huduser.gov/portal/ushmc/chma_archive.html).