

The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of government policies to counteract the disruption. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Kalamazoo-Portage, Michigan

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of December 1, 2019



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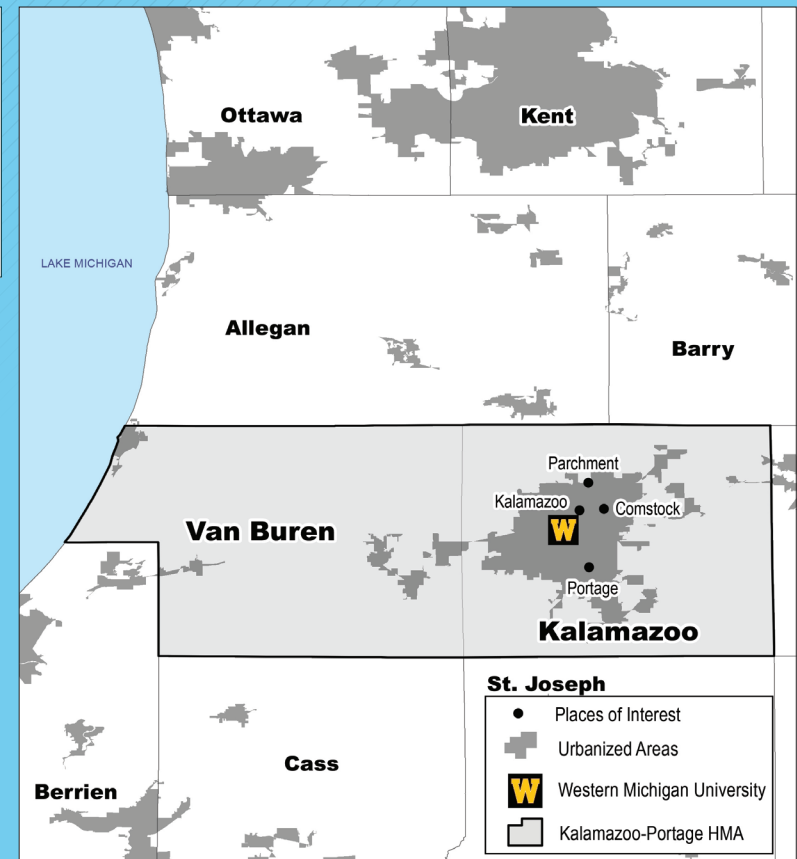


Executive Summary

Housing Market Area Description

The Kalamazoo-Portage Housing Market Area (hereafter, the Kalamazoo HMA) is coterminous with the Metropolitan Statistical Area (MSA) of the same name and includes Kalamazoo and Van Buren Counties. Located midway between Detroit, Michigan, and Chicago, Illinois, the HMA is home to Western Michigan University and Kalamazoo College. The HMA was also the original home for the Gibson Guitar Corporation, founded in 1902, which moved to Nashville, Tennessee in 1984.

The current population is estimated at 342,800.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Stable: Nonfarm payrolls in the HMA rose 0.5 percent to average 150,200 jobs during the 12 months ending November 2019, a figure equal to the prerecession high which occurred in 2000.

Economic conditions in the Kalamazoo HMA are stable, although job growth slowed from the previous year when nonfarm payrolls increased 1.2 percent. Since recovering from the local effects of the Great Recession during 2012, nonfarm payrolls have increased an average of 1.3 percent annually. Job gains in the goods-producing sectors have outpaced job growth in the service-providing sectors, increasing an average of 3.1 percent annually, compared with 0.9 percent annual growth in the service-providing sectors. The unemployment rate averaged 3.6 percent during the 12 months ending November 2019, down from 3.8 percent a year earlier. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 0.4 percent annually.

Sales Market



Slightly Tight: Limited home construction since the onset of the Great Recession has contributed to slightly tight sales market conditions.

Sales housing market conditions in the Kalamazoo HMA are currently slightly tight, with a 2.5-month supply of homes for sale in October 2019, up from 2.4-months' supply in October 2018 (Zillow Group). During the 12 months ending October 2019, 6,075 new and existing homes were sold, down 8 percent from a year earlier. The average home sales price was \$174,400—more than 5 percent higher than the average sales price a year earlier. Home construction has increased slightly since the early 2010s but remains at relatively low levels. Demand is estimated for 1,525 new homes during the forecast period, and the 180 homes currently under construction will satisfy part of this demand.

Rental Market



Slightly Tight: Despite increased apartment construction since 2014, rental market conditions have tightened in the HMA.

The overall rental housing market in the Kalamazoo HMA is slightly tight, with an estimated vacancy rate of 4.9 percent, down from 10.5 percent in April 2010. Apartment market conditions are tight, with a 3.2-percent vacancy rate during the third quarter of 2019, compared with a 3.3-percent vacancy rate a year earlier. The average asking apartment rent has risen approximately 5 percent annually since 2016, despite elevated levels of new apartment construction. During the 3-year forecast period, demand is estimated for 890 new apartment units, and the 430 units estimated to be currently under construction will meet a portion of this demand.

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3-Year Housing Demand Forecast

	Sales Units	Rental Units
Kalamazoo HMA		
Total Demand	1,525	890
Under Construction	180	430

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of December 1, 2019. The forecast period is from the current date (December 1, 2019) to December 1, 2022.

Source: Estimates by the analyst



Economic Conditions

Largest Sector: Education and Health Services

Since emerging from the Great Recession, the mining, logging, and construction sector has led job growth in the HMA.

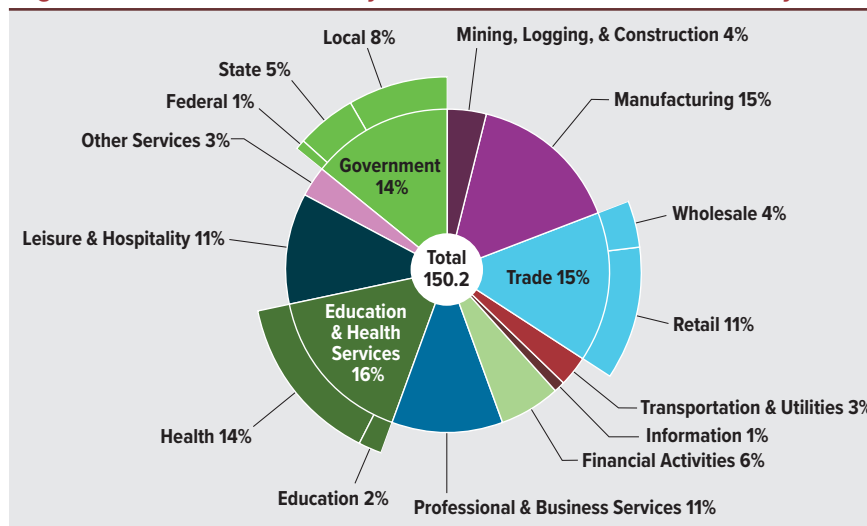
Influential Sectors in the Kalamazoo HMA

For the past two decades, the most influential sectors on the economy in the Kalamazoo HMA have been the education and health services and the manufacturing sectors. Along with the wholesale and retail trade sector, these represent the three largest sectors in the HMA (Figure 1). During 2000, the manufacturing sector was the largest payroll sector in the HMA, and the education and health services sector was the fourth largest. By 2010, the manufacturing sector had fallen to the fourth-largest sector, losing an average of 1,200 jobs, or 5.0 percent, annually since 2001. During the same period, the education and health services sector added 500 jobs, or 2.4 percent, and had become the second-largest sector. Since 2010, the education and health services and the manufacturing sectors have expanded by 200 and 400 jobs, or 0.9 and 1.9 percent, respectively. While the education and health services and the manufacturing sectors represent some of the largest sectors in the HMA, the mining, logging, and construction sector has been the fastest-growing sector since jobs began to increase in 2012 (Figure 2). From 2011 through 2018, jobs in the construction subsector rose 4.5 percent annually, on average, more than offsetting declines in the natural resources and mining subsector averaging 1.0 percent annually (Quarterly Census of Employment and Wages). Job growth in the construction subsector has been primarily because of increased residential construction.

Current Conditions—Nonfarm Payrolls

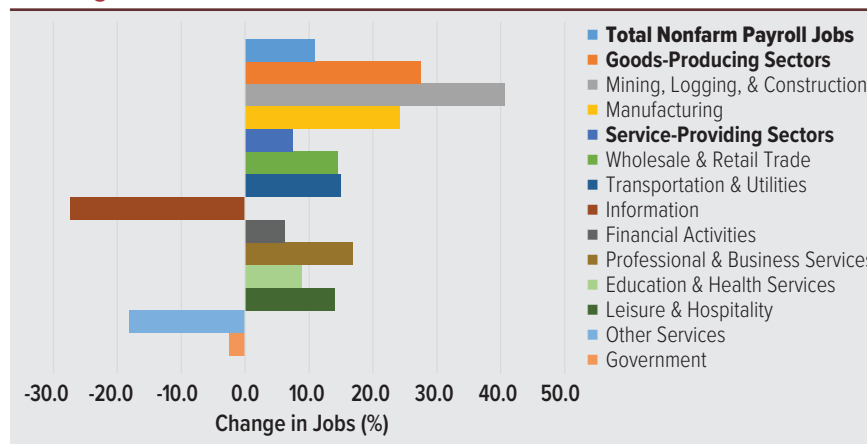
Nonfarm payroll job growth in the Kalamazoo HMA has slowed from rates earlier in the decade. During the 12 months ending November 2019, payrolls increased

Figure 1. Share of Nonfarm Payroll Jobs in the Kalamazoo HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through November 2019. Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Kalamazoo HMA, 2012 to Current



Note: The current date is December 1, 2019. Source: U.S. Bureau of Labor Statistics



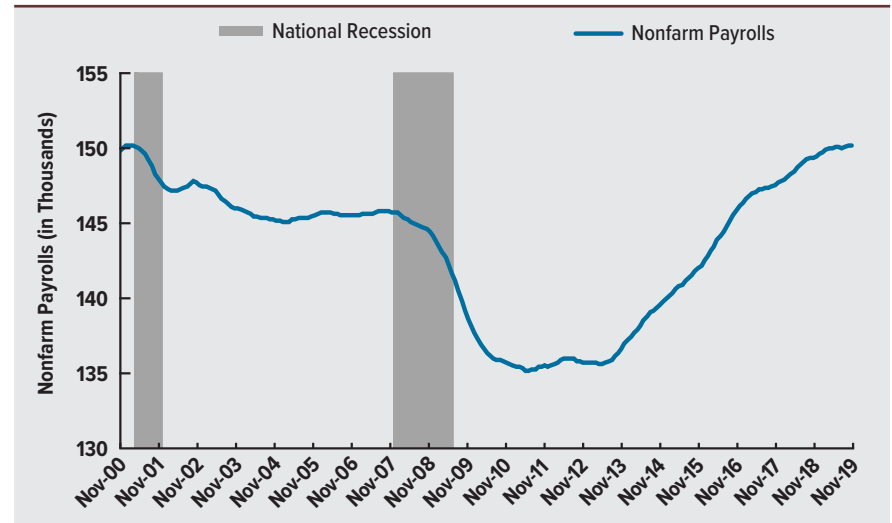
by 800 jobs, or 0.5 percent, from a year earlier to 150,200 jobs (Table 1). Nonfarm payrolls now equal the high reached in 2000, before the national recession in 2001 (Figure 3). Payroll growth during the past 12 months represents a slowdown compared to growth during the 12 months ending November 2018 when nonfarm payrolls increased by 1.2 percent, or 1,800 jobs. During the past 12 months, six sectors in the HMA grew, led by the goods-producing sectors. The mining, logging, and construction and the manufacturing sectors increased by 300 jobs each, or growth of 4.8 and 1.3 percent, respectively. Continued growth in multifamily residential construction has contributed to increased jobs in the

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Kalamazoo HMA, by Sector

	12 Months Ending November 2018	12 Months Ending November 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	149.4	150.2	0.8	0.5
Goods-Producing Sectors	28.9	29.4	0.5	1.7
Mining, Logging, & Construction	6.2	6.5	0.3	4.8
Manufacturing	22.7	23.0	0.3	1.3
Service-Providing Sectors	120.5	120.8	0.3	0.2
Wholesale & Retail Trade	23.0	22.9	-0.1	-0.4
Transportation & Utilities	3.8	4.0	0.2	5.3
Information	0.8	0.8	0.0	0.0
Financial Activities	8.3	8.4	0.1	1.2
Professional & Business Services	17.5	17.2	-0.3	-1.7
Education & Health Services	24.4	24.4	0.0	0.0
Leisure & Hospitality	16.3	16.5	0.2	1.2
Other Services	5.2	5.2	0.0	0.0
Government	21.2	21.4	0.2	0.9

Notes: Based on 12-month averages through November 2018 and November 2019. Numbers may not add to totals due to rounding. Data are in thousands. Source: U.S. Bureau of Labor Statistics

Figure 3. 12-Month Average Nonfarm Payrolls in the Kalamazoo HMA



Note: 12-month moving average. Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

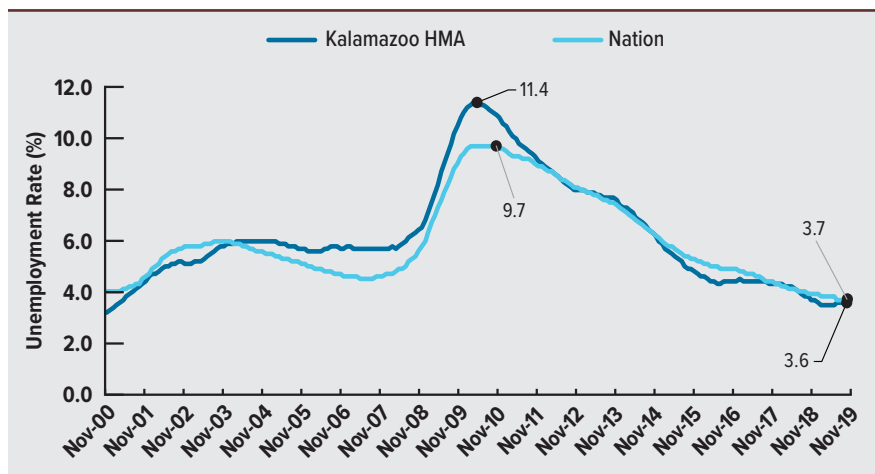
mining, logging, and construction sector, while job gains in the manufacturing sector have occurred each year since 2010. Two sectors declined in the HMA during the past 12 months: the professional and business services and the trade sectors fell by 300 and 100 jobs, or 1.7 and 0.4 percent, respectively.

Current Conditions—Unemployment

The unemployment rate, which peaked at 11.4 percent in 2010, averaged 3.6 percent during the 12 months ending November 2019, down from 3.8 percent a year earlier. Nationally, the unemployment rate averaged 3.7 percent during the 12 months ending November 2019, down from 3.9 percent a year earlier. Although the unemployment rate in the Kalamazoo HMA peaked at a higher level than the nation’s rate, the respective rates have been similar since mid-2011. Figure 4 shows trends in the unemployment rate for the HMA and the nation from 2000 to the current date.



Figure 4. 12-Month Average Unemployment Rate in the Kalamazoo HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Sectors of Significance

Education and Health Services

The education and health services sector has been a steadying influence on economic conditions in the Kalamazoo HMA during the past two decades. Jobs in this sector increased during most years since 2000, and currently average 24,400 jobs, or nearly 39 percent above their 2000 average. Bronson Healthcare and Ascension are presently the two largest employers in the HMA (Table 2). Bronson Healthcare recently announced the construction of seven new primary-care facilities with approximately 60 jobs, some of which will be filled by existing staff members. During 2019, Bronson Healthcare began construction on a new Cancer Pavilion in the city of Kalamazoo. The new center will be completed in early 2021. Because of anticipated growth in the older age cohort in the HMA, continued expansion in this sector is expected for the next few years.

Table 1. Major Employers in the Kalamazoo HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Bronson Healthcare	Education & Health Services	4,779
Ascension	Education & Health Services	4,201
Western Michigan University	Government	4,045
Pfizer Inc.	Manufacturing	3,200
Stryker Corporation	Manufacturing	2,300
PNC Bank	Financial Activities	1,700
MPI International	Professional & Business Services	1,600
Meijer Inc.	Wholesale & Retail Trade	1,500
Summit Polymers, Inc.	Manufacturing	1,200
JBS USA Food Company-Plainwell	Manufacturing	1,100

Note: Excludes local school districts.
Source: Moody's Analytics

Manufacturing

The manufacturing sector declined dramatically during the previous decade, and despite growth since 2010, the current number of manufacturing jobs is nearly 25 percent below the 2000 level. The manufacturing sector declined every year from 2000 through 2010, before expanding each year since 2010. During the previous decade, job losses in automobile manufacturing, paper production, and pharmaceutical manufacturing all contributed to the decline in manufacturing payrolls. The city of Parchment, Michigan, northeast of the city of Kalamazoo, was once known as “the city of paper,” after the Kalamazoo Vegetable Parchment Company began manufacturing there in 1909. Paper products were manufactured in the HMA until 2015 by companies including the Sutherland Paper Company, Brown Company, James River, and Crown-Pacific, which closed its plant in 2015, laying off approximately 60 workers who remained at the site.

Food manufacturing has contributed to the resurgence of manufacturing jobs in the Kalamazoo HMA during the current decade, with Bell’s Brewery, Inc. being one of the most notable food manufacturers. Bell’s Two-Hearted Ale was voted the “Best Beer in America” by the American Homebrewer’s Association during 2019—the third consecutive year for this recognition. Bell’s

Brewery, Inc., with offices and a taproom in the city of Kalamazoo and primary production in Comstock Township, invested \$50 million to expand production in 2015, contributing to growth in the manufacturing sector of an average of 900 jobs, or 5 percent, annually, from 2014 through 2016. Manufacturing was the leading growth sector in the HMA during these 2 years. Manufacturing of pharmaceuticals and medical devices and equipment by Pfizer Inc. and Stryker Corporation, respectively, have also contributed to manufacturing job growth since 2010.

Government

Currently contributing 14 percent of payroll jobs in the HMA, the government sector is the fourth-largest payroll sector. The government sector was the largest

sector in the HMA until 2011, but the sector has declined steadily since 2000—the current total of 21,400 government jobs is nearly 22 percent below the 2000 average. The third-largest employer, Western Michigan University (WMU) in the city of Kalamazoo, is in the government sector and has nearly 4,050 faculty and staff. Enrollment at WMU has declined an average of nearly 2 percent annually, however, from 27,850 students in 2004 to approximately 21,500 students in 2019. The university attributes declining enrollment to slower population growth in Michigan and nearby midwestern states, relative to the nation. Despite declining enrollment, a 2018 study estimated the economic impact of WMU at approximately \$1.6 billion annually, including nearly 16,700 direct, indirect, and induced jobs in the HMA and Calhoun County, which is located directly east of the HMA (Western Michigan University).

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 0.4 percent. Both Pfizer Inc. and Stryker Corporation are investing in facilities in the HMA. Pfizer Inc. announced a \$450 million investment in the city of Portage, to develop a new production facility that will create 450 new jobs during the next 3 years, which is part of an estimated \$1.1 billion investment in the HMA proposed by Pfizer Inc. during the next 6 years. Stryker Corporation is currently building a new facility, also in the city of Portage, with a planned completion date in late-2020 that will add approximately 260 jobs by 2025. In the city of Portage, a planned FedEx Corporation distribution center, with an estimated development cost of \$25 million, is expected to result

in nearly 770 new jobs when completed in the summer of 2021. Graphics Packaging International, which produces coated, recycled cardboard, received brownfield development funding from the state of Michigan to develop more than 120 acres on the north side of the city of Kalamazoo. The overall investment at the site will be approximately \$600 million. It will create an estimated 1,000 jobs during construction, through 2021, and between 25 and 50 new jobs upon completion. Local officials identify the Kalamazoo/Battle Creek International Airport as being an important economic driver for the HMA. In August 2019, the airport received a \$1.5 million federal grant to begin the study of expanding the airport's runway, with conclusions expected to be announced in 2021.



Population and Households

Current Population: 342,800

Since 2010, nearly 30 percent of population growth in the HMA has been from net in-migration; by contrast, during the previous decade, net out-migration occurred.

Population Trends

As of December 1, 2019, the population of the Kalamazoo HMA is estimated at 342,800 (Table 3). Since April 2010, population growth in the HMA has averaged 1,675 people, or 0.5 percent annually, with net in-migration accounting for approximately 500 people a year.

Population growth in the HMA has been relatively stable during the past two decades, with only 1 year of population decline during the period. From 2003 to 2004, the population fell sharply, by 1,100 or 0.3 percent, because net out-migration reached 2,800, at least partially as a result of the 3-year run of significant manufacturing job losses in the HMA. In all other years since 2000, the population has increased between 0.2 and 0.7 percent. Despite declining enrollment at WMU, the presence of institutions of higher education helps moderate population fluctuations resulting from changing economic conditions.

Table 3. Kalamazoo HMA Population and Household Quick Facts

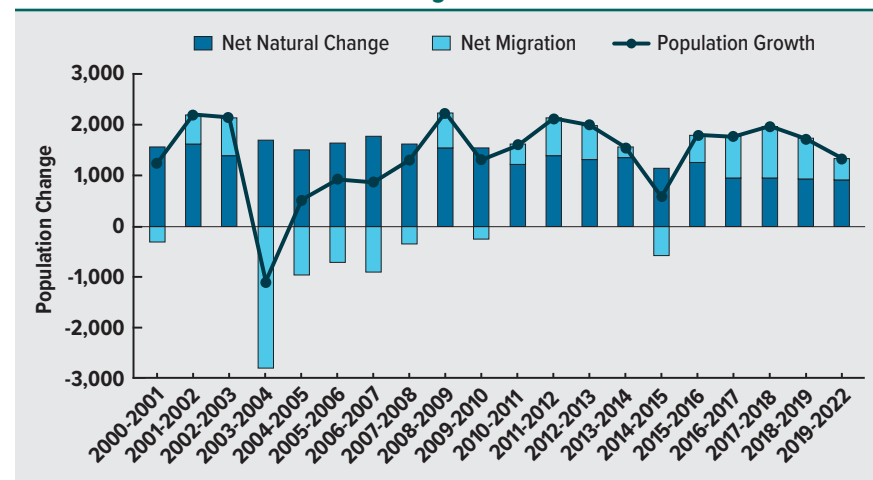
	2010	Current	Forecast	
Population Quick Facts	Population	326,589	342,800	346,800
	Average Annual Change	1,175	1,675	1,325
	Percentage Change	0.4	0.5	0.4
Household Quick Facts	Households	129,538	136,900	138,800
	Average Annual Change	810	770	620
	Percentage Change	0.6	0.6	0.5

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (December 1, 2019) to December 1, 2022.

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

From 2000 to 2003, population growth averaged 1,850 annually, or an average annual rate of 0.6 percent, and net in-migration averaged 280 people. From 2004 to 2008, economic conditions remained weak in the HMA compared with national trends, and population growth fell to only 900 annually, or an average of 0.3 percent; net out-migration averaged 750 annually. From 2008 to 2013, a period that includes the impact of the Great Recession (nationally, the Great Recession began in December 2007) and the subsequent recovery, population in the HMA increased at a comparatively strong rate. The population grew by an average of 1,850, or 0.6 percent a year, and net in-migration averaged 450 people annually. Since 2013, the rate of population growth has slowed slightly to an average of 0.5 percent, or 1,575 annually. Net in-migration rose slightly to an average of 480 people a year during the period, although net natural change (resident births minus resident deaths) fell significantly. This decline in net natural change mirrors the national trend of falling birth rates. Figure 5 shows the components of population change in the HMA from 2000 to the forecast date. Between 2010

Figure 5. Components of Population Change in the Kalamazoo HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (December 1, 2019) to December 1, 2022.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst



and 2018, the population in Kalamazoo County grew an average of 0.7 percent annually; in Van Buren County, the population declined an average of 0.2 percent annually (2010 and 2018 American Community Survey [ACS], 5-year data). Within Kalamazoo County, the population in the city of Kalamazoo grew an average of 0.3 percent annually, and the population in the city of Portage grew an average of 0.7 percent annually.

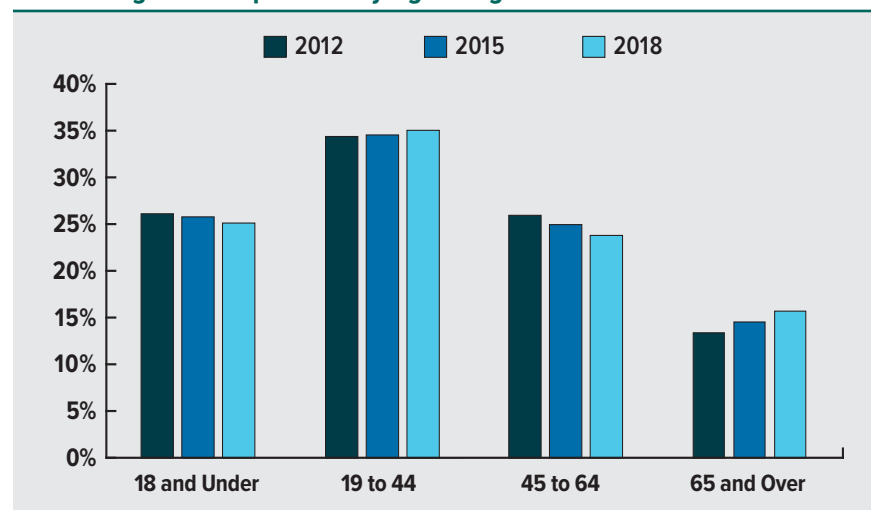
The Kalamazoo Promise

The Kalamazoo Promise is an initiative designed to stabilize and increase residency in the city of Kalamazoo. Inaugurated in November 2005, the program commits to pay some or all tuition and fees for residents of the city to attend any one of 58 public or private universities in the state of Michigan. This was the first such program in the country, although such efforts have since been undertaken in other communities. The amount of tuition and fees covered is based on years of residency in the city, with full coverage for students who attended Kalamazoo public schools for their entire K-12 education. Through 2018, an estimated 6,425 students have received tuition assistance via the program (www.upjohn.org). Research indicates that previously declining enrollment trends in the Kalamazoo public schools have reversed since the Promise was enacted, with student enrollment rising 24 percent from 2005 through 2014. The 715 graduates of the Kalamazoo Public Schools in 2019 was the largest graduating class since the program was established.

Age Cohort Trends

The largest age cohort in the HMA during 2018 was residents age 19 to 44, constituting approximately 35 percent of the total population (Figure 6). The next-largest age cohort was residents age 18 and under, constituting one-fourth of the total population. The age 65 and over cohort was the smallest in the HMA during 2018, but it was also the fastest-growing since the mid-2010s, increasing an average of 3.5 percent annually from 2015 to 2018 (American Community Survey, 1-year estimates). The large population among the two youngest age cohorts likely reflects the influence of colleges and universities on the HMA, and the rapid growth of the oldest age cohort encompasses the “baby-boom” generation of people born between 1946 and 1964.

Figure 6. Population by Age Range in the Kalamazoo HMA



Source: 2012, 2015, and 2018 American Community Survey, 1-year data

Migration Trends

People moving into the Kalamazoo HMA are nearly twice as likely to originate from Michigan than from any other state in the country. By contrast, nearly 40 percent of residents moving out of the HMA relocate to a different state (Table 4). Primary destinations for residents moving out of the Kalamazoo HMA are the Grand Rapids-Wyoming-MI MSA, to where approximately one-fourth of same-state movers moved; the Detroit-Warren-Dearborn, MI MSA, to where approximately 12 percent of same-state movers relocated; and the Battle Creek, MI MSA, to where an estimated 10 percent of same-state movers moved. For Kalamazoo HMA movers leaving Michigan, nearly 8 percent moved to the Chicago-Naperville-Elgin, IL-IN-WI MSA, and more than 7 percent moved to the Phoenix-Mesa-Scottsdale, AZ MSA. Among residents moving to the HMA, most came from the Detroit-Warren-Dearborn, MI MSA (22 percent of in-state movers), the Grand Rapids-Wyoming-MI MSA (13 percent of in-state movers), and the Niles-Benton Harbor, MI MSA (11 percent of in-state movers); 17 percent of movers into the HMA from out-of-state came from the Chicago-Naperville-Elgin, IL-IN-WI MSA.

Table 4. County-to-County Migration Flows in the Kalamazoo HMA, 2013–2017

Into the HMA	Michigan, Outside of HMA	13,890
	Different State	7,093
	Overseas	1,596
Out of the HMA	Michigan, Outside of HMA	10,676
	Different State	6,498
	Overseas	NA

NA = data not available.

Sources: 2013–2017 American Community Survey, 5-year data; U.S. Census Metro to Metro Migration Flows

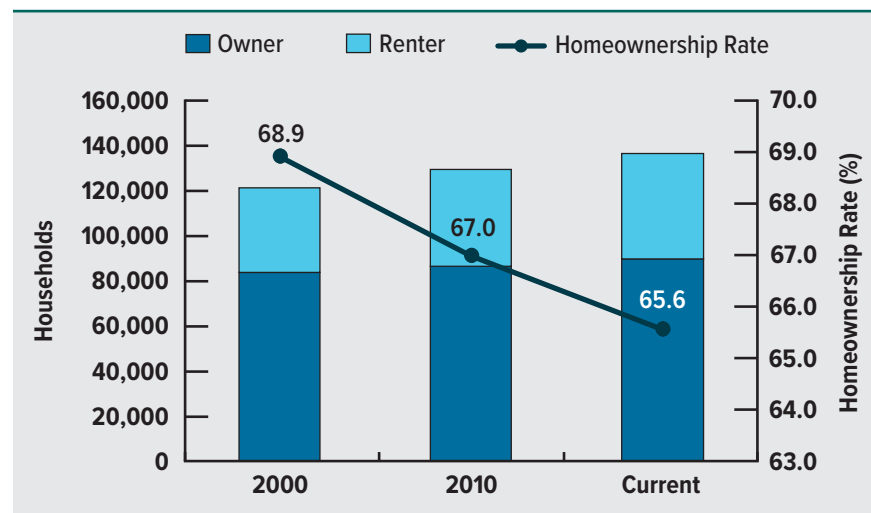
Population Forecast

Population growth is expected to continue during the 3-year forecast period, with the population expected to reach 346,800 by December 1, 2022, with growth averaging 1,325 people, or 0.4 percent, annually. During the forecast period, net in-migration is expected to contribute approximately 30 percent of population growth. Net natural change is anticipated to continue slowing as the proportion of the population in the 65 and over age cohort increases.

Household Trends and Forecast

The number of households in the HMA has grown at a slightly faster rate than the population since 2000. This is partly due to faster growth among older residents, who are likely to have smaller households. Currently, an estimated 136,900 households reside in the Kalamazoo HMA, representing an average growth of 770 households, or 0.6 percent, annually since 2010. From 2000 to 2010, the number of households grew at an average rate of 810 households, or 0.6 percent, annually. Currently, an estimated 89,800 households, or 65.6 percent of all households in the HMA, are homeowners, compared with a homeownership rate of 67.0 percent during 2010 (Figure 7). Since 2010,

Figure 7. Households by Tenure and Homeownership Rate in the Kalamazoo HMA



Note: The current date is December 1, 2019.

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

owner households rose at an average annual rate of 0.4 percent; by contrast, renter households increased at an average of 1.0 percent annually during the period. The difference in growth rates is likely due to lingering effects of the foreclosure crisis that contributed to the Great Recession, including more stringent underwriting standards and downpayment requirements, and an increased preference for renting by new households in the HMA. Households are expected to grow at a rate averaging 0.5 percent annually during the next 3 years, reaching 138,800 households by December 1, 2022.

Home Sales Market Conditions

Market Conditions: Slightly Tight

Total home sales fell 8 percent during the 12 months ending October 2019, and the average sales price for all home sales rose 5 percent.

Current Conditions

Sales housing market conditions in the Kalamazoo HMA are currently slightly tight, with an estimated vacancy rate of 0.7 percent (Table 5), down from 2.6 percent in April 2010 when conditions were soft. Limited new supply associated with low levels of new home construction and modest growth in the number of owner households in the HMA has resulted in significant absorption of for-sale inventory in the HMA since the early 2010s. The inventory of homes for sale has been below 3 months since late in 2016. As of October 2019, approximately 2.5 months' supply of homes were available in the HMA, up from 2.4 months' supply a year earlier (Zillow Group). During the 12 months ending October 2019,

6,075 homes were sold at an average sales price of \$174,400; the total sales count declined nearly 8 percent, and the average sales price rose nearly 5 percent from the values of a year earlier.

New Home Sales and Prices

New home sales in the Kalamazoo HMA have been at relatively low levels since the late 2000s, although new home sales prices have recovered to prerecession levels (Figures 8 and 9). After averaging 590 new home sales during 2006 and 2007, new home sales fell to 340 during 2008 and dropped again to 270 during 2009 (CoreLogic, Inc., with adjustments by the analyst). From 2010 through 2012, new home sales remained at very low levels, averaging 170 sales annually. A modest recovery in new home sales began in 2013 when 230 new homes sold. An average of 260 new homes sold each year during 2014 and 2015, falling to an average of 200 new sales annually during 2016 and 2017. During the 12 months ending October 2019, 160 new home sales were recorded, nearly 7 percent above the 150 sales recorded a year earlier.

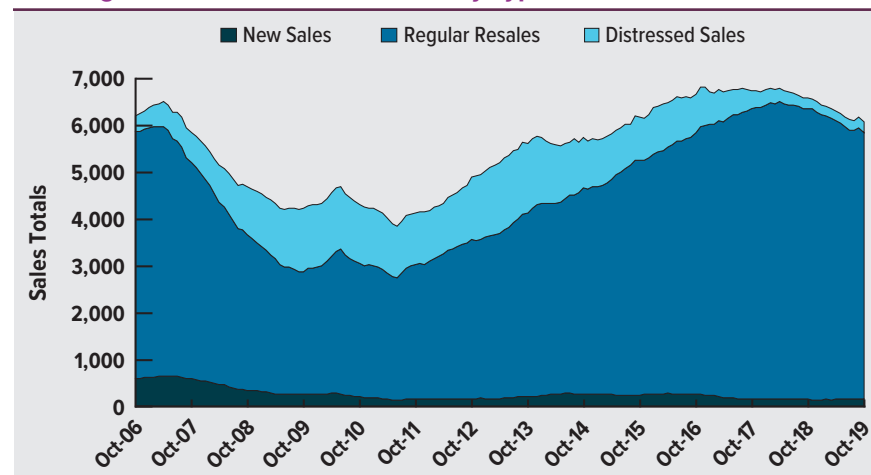
Table 5. Home Sales Quick Facts in the Kalamazoo HMA

	Kalamazoo HMA	Nation
Vacancy Rate	0.7%	NA
Months of Inventory	2.5	3.8
Total Home Sales	6,075	6,208,000
1-Year Change	-8%	-3%
Total Home Sales Price	\$174,400	\$300,100
1-Year Change	5%	4%
New Sales Price	\$208,200	\$385,300
1-Year Change	9%	1%
Mortgage Delinquency Rate	0.8%	1.4%

NA = data not available.

Notes: The vacancy rate is as of the current date (December 1, 2019). Home sales and prices are for the 12 months ending October 2019. Months of inventory and mortgage delinquency data are as of October 2019. Sources: Home sales and prices—CoreLogic, Inc., with adjustments by the analyst; delinquency rates—CoreLogic, Inc.; months of inventory—Zillow Group

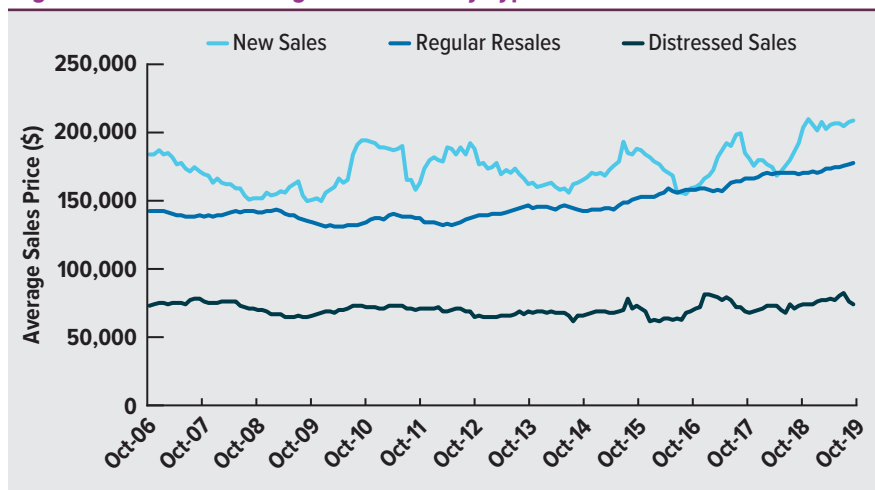
Figure 8. 12-Month Sales Totals by Type in the Kalamazoo HMA



Source: CoreLogic, Inc., with adjustments by the analyst



Figure 9. 12-Month Average Sales Price by Type of Sale in the Kalamazoo HMA



Source: CoreLogic, Inc., with adjustments by the analyst

Average new home sales prices in the HMA are currently near an all-time high. During the 12 months ending October 2019, the average new home sales price was \$208,200, or nearly 9 percent above the \$191,700 average a year earlier. From an average prerecession high of \$186,700 during 2006, new home sales prices in the HMA declined sharply to an average of \$149,400 during 2009, a decline of 7 percent annually. Nationally, average new home sales prices reached a prerecession high during 2007 of \$322,600 and declined 8 percent annually to a low of \$273,700 during 2009. From 2009 through 2017, average new home sales prices rose modestly in the HMA, with gains averaging 2 percent annually, to an average price of \$175,500. During this time, new home sales prices recovered more quickly in the nation, increasing an average of 4 percent annually, to \$373,900. The current average new home sales price of \$208,200 in the HMA is only slightly below the 2018 annual average of \$209,600.

Existing Home Sales and Prices

Despite a modest decline since 2017, existing home sales, including regular resales and distressed sales (real estate owned [REO] sales and short sales),

are above prerecession levels. Regular resale home sales reached a recent low during 2009, when an average of 2,700 home sales was recorded; this comparatively low level of sales continued through 2011 when regular resales totaled 2,875 (CoreLogic, Inc., with adjustments by the analyst). Regular resales rose steadily, with average increases of 14 percent, from 2012 through 2017, when a recent high of 6,225 sales occurred. Since this time, the limited supply of available inventory has begun to limit home sales. During the 12 months ending October 2019, regular resales totaled 5,675, a decline of more than 8 percent from a year earlier. The proportion of all existing home sales that were distressed peaked at 34 percent during 2009 and has subsequently declined to an average of less than 4 percent since 2018. During the 12 months ending October 2019, approximately 230 distressed homes were sold, slightly fewer than the 240 distressed home sales during the previous 12 months and well below the peak of 1,550 in 2013.

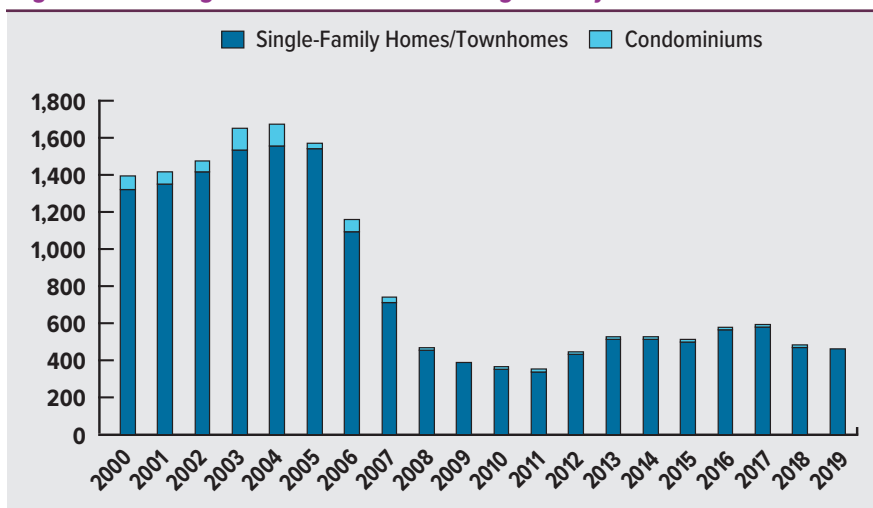
As with new home sales prices, prices for regular resale homes declined relatively modestly during the late 2000s and are currently at the highest levels on record. By annual average, the lowest recent average price for a regular resale home in the Kalamazoo HMA was recorded during 2009, when the average sales price was \$132,400. Since the prerecession high value of \$142,800, average sales prices fell 2 percent annually through 2009. By contrast, national regular resale prices fell an average of 5 percent annually during the same period, from a prerecessionary high of \$255,300 during 2006 to \$218,900 during 2009. The average price of a regular resale home in the HMA increased slightly, to \$136,000 during 2010, an increase of 2 percent; however, the price fell again during 2011, to \$133,900, a loss of 2 percent. The average regular resale sales price increased during each of the next 6 years, however, rising nearly 4 percent annually, to an average of \$167,000 during 2017. Nationally, growth in regular resale prices also averaged 4 percent annually, from \$222,000 during 2011 to \$280,200 during 2017. During the 12 months ending October 2019, the average regular resale price in the HMA was \$178,000, more than 5 percent above the average regular resale price a year earlier. Sales prices for distressed sales have been relatively constant, ranging from a high of \$76,700 during 2006 to a low of \$63,900 during 2012. During

the 12 months ending October 2019, the average sales price for a distressed home sale was \$72,700, a decline of nearly 2 percent from the average sales price a year earlier.

Sales Construction Activity

During the 12 months ending November 2019, approximately 500 sales units were permitted in the HMA, 4 percent more than the 480 units permitted a year earlier. From 2000 through 2005, an average of 1,525 sales units were permitted each year, including a high of 1,675 during 2004 (Figure 10). The number of sales units permitted began to fall during 2006, when 1,150 homes were permitted, down 25 percent from 2005. The following year, permitting

Figure 10. Average Annual Sales Permitting Activity in the Kalamazoo HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through November 2019. Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

of sales units declined further to 740 homes permitted during 2007—a decline of 36 percent from 2006. From 2008 through 2012, sales housing permitting remained very low in the HMA. An average of 390 homes were permitted each year during the period, including a recent low of 340 homes permitted during 2011. Since 2012, the number of sales units permitted has generally trended upwards but remained relatively limited. From 2013 through 2017, an average of 520 sales housing units were permitted annually in the HMA. Condominiums are not a large share of the market in the Kalamazoo HMA, but they were notably more prevalent during the 2000s. From 2000 through 2007, an average of 70 condominium units were permitted annually. Since 2007, however, the number of condominium units permitted in the HMA has been below 10 units in each year except 2015, when 18 units were permitted. Located in the city of Portage, in Kalamazoo County, Penridge Trail is one of the more significant recent condominium developments. The project includes 22 homesites in a proposed first phase, with 3- and 4-bedroom homes starting at \$190,900.

Forecast

Based on current and expected economic growth, demand is estimated for 1,525 new homes during the next 3 years (Table 6). Because of the current slightly tight sales housing market conditions, demand is expected to be strongest during the first year of the forecast period. The approximately 180 homes currently under construction will satisfy a portion of the expected demand.

Table 6. Demand for New Sales Units in the Kalamazoo HMA During the Forecast Period

Sales Units	
Demand	1,525 Units
Under Construction	180 Units

Note: The forecast period is from the current date (December 1, 2019) to December 1, 2022. Source: Estimates by the analyst



Rental Market Conditions

Market Conditions: Slightly Tight

The apartment vacancy rate has been below 5.0 percent since the fourth quarter of 2016, and average asking rents have increased an average of 4 percent annually since the third quarter of 2016.

Current Conditions and Recent Trends

Overall rental housing market conditions in the Kalamazoo HMA are currently slightly tight. Strong renter household growth has contributed to significant absorption of rental inventory since 2010, even while new apartment production, as measured by units permitted, has increased strongly since 2015. The vacancy rate for all rental units (including single-family homes, townhomes, mobile homes, and apartments) is currently estimated at 4.9 percent, down from 10.5 percent in April 2010 (Table 7). The proportion of renter households living in single-family homes fell slightly from 32 percent in April 2010 to 31 percent currently.

Table 7. Rental Market Quick Facts in the Kalamazoo HMA

	2010 (%)	Current (%)
Rental Vacancy Rate	10.5	4.9
Occupied Rental Units by Structure		
Single-Family Attached & Detached	32.0	31.0
Multifamily (2–4 Units)	14.0	13.0
Multifamily (5+ Units)	53.0	53.0
Other (Including Mobile Homes)	1.0	3.0

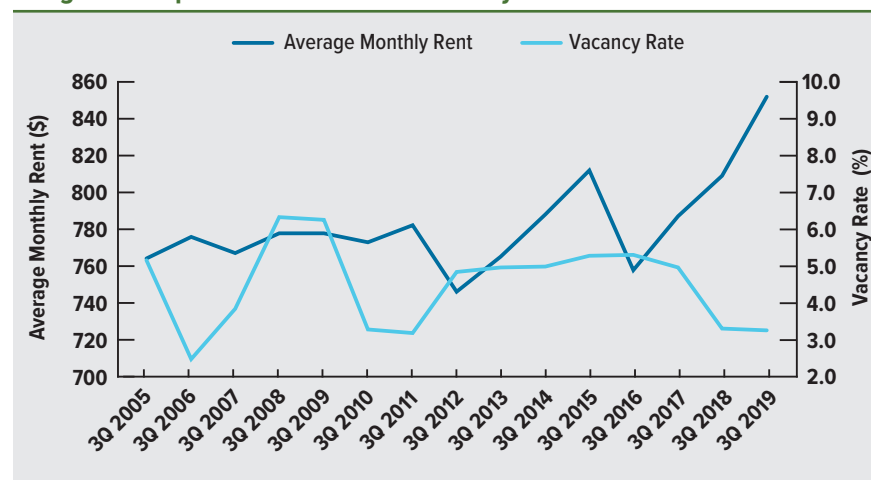
Notes: The current date is December 1, 2019. Percentages may not add to 100 percent due to rounding. Source: 2010 and 2018 American Community Survey, 1-year data

Apartment Market Conditions

Apartment market conditions in the Kalamazoo HMA have been tight since 2016, despite increased new apartment production beginning in 2015.

Apartment vacancy rates have been below 5 percent since the fourth quarter of 2016 and below 6 percent since the first quarter of 2010 (RealPage, Inc.). Average apartment asking rents declined during 2015 and 2016—likely due to modest numbers of new units entering the market starting in the latter half of 2015—but have been on an upward trend since 2016. As of the third quarter of 2019, the average apartment asking rent was \$852, or more than 5 percent above the average of \$809 a year earlier (Figure 11).

Figure 11. Apartment Rents and Vacancy Rates in the Kalamazoo HMA



3Q = third quarter.
Source: RealPage, Inc.

Students in the Rental Market

An estimated 75 percent of students at WMU live in off-campus housing, a majority of which is estimated to be rental units; a 2019 enrollment of approximately 21,500 students suggests 16,125 WMU students are in the HMA rental market. Kalamazoo College, which has a significantly smaller enrollment than WMU, with about 1,500 students and a higher share of students living on-campus (approximately 50 percent), contributes an estimated 750 additional



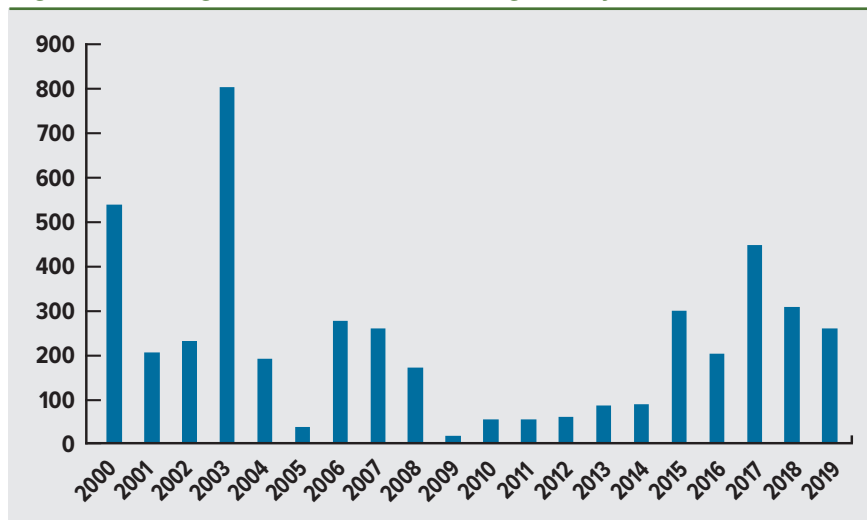
students to the rental market in the HMA. The other major educational institution in the HMA, Kalamazoo Valley Community College (KVCC), is a 2-year college with no on-campus housing. The overall student impact on the rental market in the HMA is estimated to be approximately 7,500 households, most of which are concentrated in the city of Kalamazoo. There are multiple student-oriented developments underway in the city, including WMU-owned Arcadia Flats, a 197-unit housing development that will open to WMU students in the fall of 2020 and house up to 341 students. The net gain in university-owned beds will only be about 120, however, because the WMU-owned Elmwood Apartments, built in 1954, was demolished during the development of Arcadia Flats. Rents at Arcadia Flats will range from \$585 to \$1,200 per month, depending on the size of the unit and the number of shared renters.

Rental Construction Activity

New apartment production in the Kalamazoo HMA, as measured by units permitted, has been relatively strong since the mid-2010s. During the 12 months ending November 2019, approximately 310 units were permitted in the HMA, down from approximately 410 units permitted a year earlier. From 2015 through 2017, new apartment units permitted averaged 320 annually. By comparison, from 2009 through 2014, only 60 new apartment units were permitted annually, while an average of 300 units was permitted annually from 2000 through 2008, including the 810 units permitted during 2003 (Figure 12).

New apartment development in the HMA since 2015 has been concentrated in Kalamazoo, particularly in the downtown, center-city area of Kalamazoo, and in Portage, one of the fastest-growing communities in the HMA. The Exchange, in downtown Kalamazoo, opened in the summer of 2019, and it includes 133 studio, one-, and two-bedroom apartments, with rents starting at \$1,300, \$1,400, and \$3,000, respectively. The property includes commercial space, indoor secured parking, and a variety of amenities and community spaces. Also in the city of Kalamazoo, The Creamery Apartments, which began construction in July 2019 and is scheduled for completion in the summer of 2020, will be a 48-unit, mixed-income development partially financed with low-income housing tax credits. Rents at The Creamery Apartments have not yet been determined.

Figure 12. Average Annual Rental Permitting Activity in the Kalamazoo HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through November 2019. Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

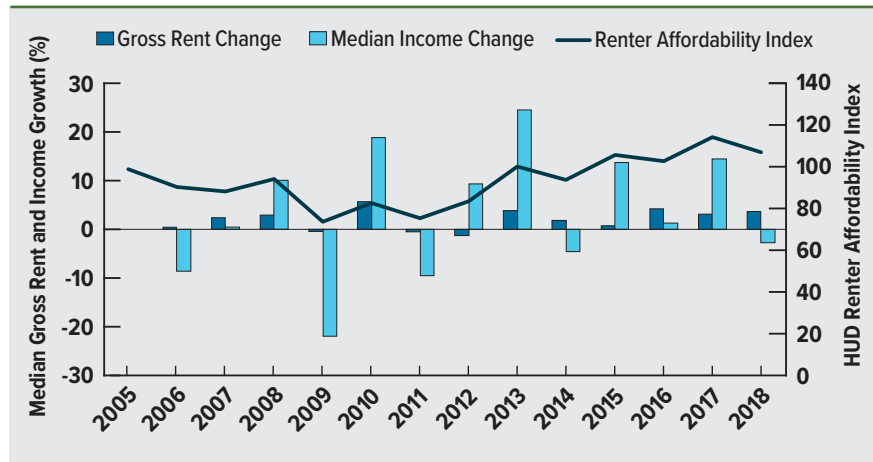
Housing Affordability: Rental

Rental housing in the Kalamazoo HMA is modestly affordable. Figure 13 shows the HUD Renter Affordability Index for the HMA, which is a measure of median renter household income relative to the qualifying income needed to rent a median-priced rental unit. The index has risen steadily during much of the past decade because median renter household incomes have risen faster than the median rent. As of 2018, the index was 107.5, down from 114.6 in 2017, but up significantly from a low of 73.6 in 2009. Another measure of rental affordability is the share of cost-burdened and severely cost-burdened households. In the Kalamazoo HMA, the percentage of renter households that are cost-burdened, 22.7 percent, is modestly higher than the 21.9-percent figure for the nation, although the share of renter households in the HMA that are severely cost-burdened, 22.8 percent, is lower than the 23.3-percent rate for the nation. (Table 8). Affordable rental housing is an ongoing need in the Kalamazoo HMA,



however, as demonstrated by the notably high share of cost-burdened renter households with incomes below 50 percent of Area Median Family Income, 29.5 percent, as compared to only 26.4 percent for the nation.

Figure 13. Kalamazoo HMA Rental Affordability



MSA = Metropolitan Statistical Area.
 Note: Rental affordability is for the larger Kalamazoo-Portage MSA.
 Source: American Community Survey, 1-year data

Table 8. Percentage of Cost Burdened Renter Households in the Kalamazoo HMA by Income, 2012–2016

	Cost Burdened		Severely Cost Burdened	
	Kalamazoo HMA	Nation	Kalamazoo HMA	Nation
Renter Households with Income <50% AMFI	29.5	26.4	47.2	49.3
Total Renter Households	22.7	21.9	22.8	23.3

AMFI = area median family income.
 Note: “Cost-burdened” households spend between 30–49 percent of their income on rent, and “severely cost-burdened” households spend over 50 percent of their income on rent.
 Sources: Consolidated Planning/Comprehensive Housing Affordability Strategy Data; 2012–2016 American Community Survey, 5-year estimates; huduser.gov

Forecast

During the next 3 years, demand is estimated for approximately 890 units of new rental housing in the HMA; the 430 units currently under construction will satisfy a part of this demand (Table 9). Due to continued job gains and population growth, demand for new rental units is expected to remain strong throughout the forecast period.

Table 9. Demand for New Rental Units in the Kalamazoo HMA During the Forecast Period

Rental Units	
Demand	890 Units
Under Construction	430 Units

Note: The forecast period is from the current date (December 1, 2019) to December 1, 2022.
 Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
Cost Burdened	Spending more than 30 percent of household income on housing costs.
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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Forecast Period	12/1/2019–12/1/2022—Estimates by the analyst
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.



Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Severely Cost Burdened	Spending more than 50 percent of household income on housing costs.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau’s 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.



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