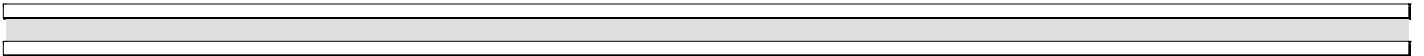
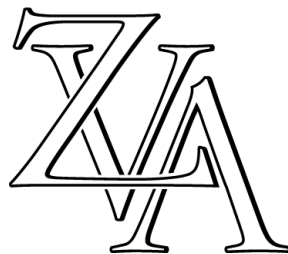

RESIDENTIAL MARKET POTENTIAL

The CMI Target Area

City of Kalamazoo
Kalamazoo County, Michigan

September 30, 2002

Conducted by
ZIMMERMAN/VOLK ASSOCIATES, INC.
17 East Main Street
Clinton, New Jersey 08809



ZIMMERMAN/VOLK ASSOCIATES, INC.

17 East Main Street
Clinton, New Jersey 08809
908 735-6336 • 908 735-4751 *facsimile*
info@ZVA.cc • www.ZVA.cc

Research & Strategic Analysis

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17 East Main Street
Clinton, New Jersey 08809
908 735-6336 • 908 735-4751 *facsimile*
info@ZVA.cc • www.ZVA.cc

Research & Strategic Analysis

RESIDENTIAL MARKET POTENTIAL

CMI Target Area

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September 30, 2002

Tables 1 and 2 contain summaries of the market potential for new market-rate housing units, created through new construction and/or adaptive re-use of existing buildings within the Clean Michigan Initiative (CMI) Target Area, City of Kalamazoo, Kalamazoo County, Michigan. Tables 3 through 5 summarize the relevant supply-side context. Table 6 outlines the optimum market position for new residential development within the Target Area. The appendix tables contain migration and target market data covering the appropriate draw area(s) for the City of Kalamazoo and the CMI Target Area.

INTRODUCTION

This study identifies the market potential for new market-rate housing units—created both through new construction and through the adaptive re-use of existing non-residential buildings—to be leased or sold in the Clean Michigan Initiative (CMI) Target Area. (For the purposes of this study, the approximate boundaries of the CMI Target Area are: Riverview Avenue to the east; Broadway to the east; Paterson Street to the north; Walbridge Street to the west; and East Kalamazoo Avenue to the south.)

The market feasibility of up to 800 new housing units introduced over a five- to seven-year period on the site has been analyzed using Zimmerman/Volk Associates' proprietary target market methodology (the capture of qualified households that have the potential to move to and within the City of Kalamazoo) and established within the context of supply-side dynamics in the city and surrounding municipalities.

This methodology was developed in response to the challenges that are inherent in the application of classical supply/demand analysis to urban development and redevelopment. Since conventional supply/demand analyses generally project the continuation of past trends, the projections of "demand" in cities are often minimal, if not negative. Supply/demand analysis ignores the potential impact of newly-introduced housing supply on settlement patterns, which can be

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substantial when that supply is specifically targeted to match the housing preferences and economic capabilities of the draw area households.

In contrast to classical supply/demand analysis, then—which is based on supply-side dynamics and baseline demographic projections—target market analysis determines the depth and breadth of the potential market derived from the housing preferences and socio-economic characteristics of households in the defined draw area. Because it considers not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues, the target market methodology is particularly effective in defining a realistic housing potential for urban development and redevelopment.

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MARKET POTENTIAL

American households, perhaps more than any other nation's, have always demonstrated extraordinary mobility. Last year, approximately 16 percent of American households moved from one dwelling unit to another. Household mobility is higher in urban areas; a higher percentage of renters move than owners; and a higher percentage of younger households move than older households.

Analysis of Kalamazoo County migration and mobility patterns from 1996 through 1999—based on the latest data available from the Internal Revenue Service—shows that the county—and by extrapolation, the City of Kalamazoo—continues to lose population to surrounding counties. (See Appendix One, Table 1.) On average, more than 6,300 households a year moved out of the county in the late 1990s, compared to about 5,900 households a year that moved in. Each year, Kalamazoo County has lost an average of 430 households to out-migration.

Between the 1990 Census and the 2000 Census, the number of households living in the City remained stable, rising from 29,409 in 1990 to 29,413 in 2000. In comparison, the number of households living in Kalamazoo County rose from 83,702 households in 1990 to 93,479 households in 2000, an increase of 9,717 households, or 11.6 percent. A core premise for the City of Kalamazoo, then, is that it is just as important to retain current residents as it is to attract new ones.

This study therefore identifies the depth and breadth of the potential market for market-rate housing units within both the City of Kalamazoo and the CMI Target Area, including those households already living in the city and those households that are likely to move into the city if appropriate housing options were available.

—THE DRAW AREAS—

The depth and breadth of the potential market for market-rate housing units in the City of Kalamazoo was determined through migration, mobility and target market analyses of households currently living within defined draw areas. The draw areas for the City of Kalamazoo have been delineated as follows:

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- The local (or internal) draw area, covering households currently living within the Kalamazoo city limits, as well as those currently living in the balance of Kalamazoo County. Again, it is as critical for the city to retain its current residents as it is to attract new ones.
- The Detroit metropolitan draw area, covering households with the potential to move to the City of Kalamazoo from four of the counties of the Detroit Metropolitan Statistical Area (MSA). Households moving to Kalamazoo County from this region comprise more than seven percent of total in-migration.
- The Chicago metropolitan draw area, covering households with the potential to move to the City of Kalamazoo from Cook and DuPage Counties, Illinois. Households moving to Kalamazoo County from this region comprise more than two percent of total in-migration.
- The national draw area, covering households with the potential to move to the City of Kalamazoo from all other U.S. counties.

The optimum market position for new residential development is therefore based on the housing preferences and income levels of households moving from within these draw areas.

The draw area distribution of market potential (those households with the potential to move within or to the City of Kalamazoo if appropriate housing options were available) is therefore as follows (see Appendix One, Tables 2 through 10):

Market Potential By Draw Area
 City of Kalamazoo, Kalamazoo County, Michigan

City of Kalamazoo/Kalamazoo County (Local Draw Area):	59 percent
Detroit Metro Draw Area:	6 percent
Chicago Metro Draw Area:	2 percent
Balance of US (National Draw Area):	33 percent
Total:	100 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2002

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As determined by the target market methodology, which accounts for household mobility within the City of Kalamazoo and Kalamazoo County as well as mobility patterns for households currently living in all other counties, in the year 2002, nearly 1,600 younger singles and couples, empty nesters and retirees, and traditional and non-traditional families currently living in the draw areas comprise the potential market for new residential construction within the Target Area. The tenure (renter/buyer) preferences and income levels of these draw area households result in the following optimum distribution of housing types (*see* Table 1):

Potential Market For New Housing Units CMI TARGET AREA City of Kalamazoo, Kalamazoo County, Michigan		
HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent	540	34.0%
Multi-family for-sale	160	10.1%
Single-family attached for-sale	190	11.9%
Low-range single-family detached	350	22.0%
Mid-range single-family detached	230	14.5%
High-range single-family detached	<u>120</u>	<u>7.5%</u>
Total	1,590	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2002

These numbers indicate the depth of the potential market for market-rate housing units on the site, not housing need. These are the households that are likely to move within or to the area if appropriate housing options were to be made available.

The target market methodology also identifies those households with a preference for urban neighborhoods. The distribution of draw area market potential for new housing units in the CMI Target Area is therefore as follows (*see* Appendix One, Table 11):

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Market Potential
By Draw Area
CMI TARGET AREA
City of Kalamazoo, Kalamazoo County, Michigan

City of Kalamazoo/Kalamazoo County (Local Draw Area):	65 percent
Detroit Metro Draw Area:	9 percent
Chicago Metro Draw Area:	3 percent
Balance of US (National Draw Area):	23 percent
Total:	100 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2002

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—TARGET RESIDENTIAL MIX—

From the perspective of draw area target market propensities and compatibility, and within the context of the new housing marketplace in the Kalamazoo market area, the potential market for new housing units within a traditional neighborhood development of the CMI Target Area could include the full range of housing types, from rental multi-family to large-lot single-family detached. However, new construction within the Target Area should concentrate on higher-density housing types (target residential mix), which support urban development and redevelopment most efficiently and include:

- Multi-family for-rent (one- and two-story apartment units);
- Multi-family for-sale (one- and two-story apartment units);
- For-sale attached (townhouses, rowhouses, live-work or flex units); and
- For-sale detached (houses on small lots).

The target mix of housing units for new residential development within the CMI Target Area has been derived from the housing preferences and income levels of the draw area households. In the year 2002, more than 1,200 households currently living in the defined draw areas represent the pool of potential renters/buyers of new market-rate housing units (new construction and/or adaptive re-use of formerly non-residential structures and excluding large-lot single-family detached units) within the CMI Target Area. The tenure (renter/buyer) preferences and income levels of these draw area households result in the following optimum distribution of housing types (*see* Table 1):

Target Residential Mix
 For New Housing Units
 CMI TARGET AREA
 City of Kalamazoo, Kalamazoo County, Michigan

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent	540	43.6%
Multi-family for-sale	160	12.9%
Single-family attached for-sale	190	15.3%
Small-lot single-family detached	<u>350</u>	<u>28.2%</u>
Total	1,240	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2002

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—TARGET RESIDENTIAL MIX—783 UNITS—

Based on the Hamilton Anderson Associates Draft Plan, at least 783 new dwelling units can be developed within the CMI Target Area. Following the proportions of multi-family and single-family detached units as established by the target residential mix above, a distribution of 783 housing units would be as follows (*see again* Table 1):

Target Residential Mix—783 Units
 CMI TARGET AREA
 City of Kalamazoo, Kalamazoo County, Michigan

HOUSING TYPE	PERCENT OF TOTAL	NUMBER OF UNITS
Multi-family for-rent	43.6%	341
Multi-family for-sale	12.9%	101
Single-family attached for-sale	15.3%	120
Small-lot single-family detached	<u>28.2%</u>	<u>221</u>
Total	100.0%	783

SOURCE: Zimmerman/Volk Associates, Inc., 2002

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—COMPARISON OF TARGET RESIDENTIAL MIX
 AND THE HAMILTON ANDERSON DRAFT PLAN—

To establish a basis for comparison, the proposed housing types outlined in the Hamilton Anderson Associates Draft Plan (HAA) have been grouped within the Zimmerman/Volk Associates' (ZVA) framework as follows:

Draft Plan—783 Units
 CMI TARGET AREA
 City of Kalamazoo, Kalamazoo County, Michigan

ZVA HOUSING TYPE	HAA DESIGNATION	NUMBER OF UNITS	PERCENT
Multi-family for-rent	Flex 4 Units	120	
	Flex 3 Units	51	
	Courtyard	228	
	Apts over Commercial	<u>10</u>	
		409	52.2%
Multi-family for-sale	Quad "Big Home"	24	
	Flats	<u>72</u>	
		96	12.3%
Single-family attached for-sale	Townhouses	118	15.1%
Small-lot single-family detached	Single-Family	120	
	Duplex	<u>40</u>	
		160	20.4%
	Total	783	100.0%

SOURCE: Hamilton Anderson Associates; Zimmerman/Volk Associates, Inc., 2002

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A comparison of the target residential mix and the proposed mix of units as detailed in the Draft Plan, then, would be as follows:

Target and Proposed Residential Mixes—783 Units
 CMI TARGET AREA
 City of Kalamazoo, Kalamazoo County, Michigan

HOUSING TYPE	TARGET RESIDENTIAL MIX		PROPOSED RESIDENTIAL MIX	
	PERCENT OF TOTAL	NUMBER OF UNITS	PERCENT OF TOTAL	NUMBER OF UNITS
Multi-family for-rent	43.6%	341	52.2%	409
Multi-family for-sale	12.9%	101	12.3%	96
Single-family attached for-sale	15.3%	120	15.1%	118
Small-lot single-family detached	<u>28.2%</u>	<u>350</u>	<u>20.4%</u>	<u>160</u>
Total	100.0%	783	100.0%	783

SOURCE: Hamilton Anderson; Zimmerman/Volk Associates, Inc., 2002

The proportions of multi-family for-rent and single-family attached for-sale are quite similar between the two mixes. The proposed residential mix represents a larger number of multi-family for-rent units and a smaller number of small-lot single-family detached units. However, a higher percentage of rentals could be beneficial, at least in the early phases of development; because rental housing leases at a much faster rate than ownership housing sells, rental apartments will facilitate the establishment of a “critical mass” of housing within the CMI Target Area. Rentals allow households to experiment with living in an area without the commitment of home ownership; renters also form a pool of potential purchasers of for-sale dwelling units in later phases and throughout the neighborhood. Ultimately, the tenure balance could shift toward ownership since many new rental properties are designed for future conversion to condominium ownership.

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TARGET MARKET ANALYSIS

—Target Markets—

As determined by this analysis, the potential market for new market-rate housing units in the CMI Target Area can be characterized by general household type (*see also* Table 2):

Potential Market
 By Household and Unit Types
 CMI TARGET AREA
 City of Kalamazoo, Kalamazoo County, Michigan

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE ROWHOUSES	FOR-SALE HOUSES
Empty-Nesters & Retirees	25%	19%	13%	21%	43%
Traditional & Non-Traditional Families	24%	19%	18%	26%	34%
Younger Singles & Couples	<u>51%</u>	<u>62%</u>	<u>69%</u>	<u>53%</u>	<u>23%</u>
Total	100%	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2002

The largest general market segment is composed of younger, mostly childless households (younger singles and couples). These households typically choose to live in neighborhoods that contain a diverse mix of people, housing types, and uses. In city after city across the country, neighborhoods have been populated or re-populated by “risk-tolerant” younger singles and couples, when appropriate housing options have been made available.

The largest potential markets for the CMI Target Area in this segment are *Fast-Track Professionals*, *Twentysomethings*, and *University/College Affiliates*—young professionals, office and retail workers, small business owners, and graduate students, teachers, or others connected with higher-education. These households are true urbanites who prefer to live in or near downtowns for the availability of a variety of activities, cultural opportunities, restaurants and clubs.

Depending on housing type, younger singles and couples account for between 23 and 69 percent of the market for new housing units in the CMI Target Area.

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The next largest market segment is comprised of older households (empty nesters and retirees). A significant number of these households have children who have grown up and moved away; another large percentage are retirees, with incomes from pensions, savings and investments, and social security.

These older households have very specific expectations of housing that would induce them to move, and paramount among them is the perceived ease and convenience of single-level living. They want their dwelling unit to accommodate, to the fullest extent possible, their ability to age in place.

The largest potential market for the CMI Target Area in this segment are *Middle-Class Move-Downs*, predominantly middle-income, empty-nest couples whose children have grown and moved out of the family house.

Empty-nest and retiree households represent between 13 percent and 43 percent of the market for housing units in the CMI Target Area, depending on housing type. However, over the next several years, this market segment should comprise a significantly larger proportion of the market for new housing because increasing numbers of the “Baby Boom” generation—the huge population cohort born between 1946 and 1964—will be entering the empty-nest life stage. In 2002, the leading edge members of the Baby Boom turned 56 years old.

The third, and smallest, general market segment is comprised of family-oriented households (traditional and non-traditional families). Non-traditional families, which during the 1990s became an increasingly larger proportion of all U.S. households, encompass a wide range of family households, from a single parent with one or more children, an adult caring for younger siblings, a grandparent with grown children and grandchildren, to an unrelated couple of the same sex with children. Traditional families contain a married man and woman with an average of two or more children. These can also include “blended” families, in which each parent was previously married to another individual and each has children from that marriage.

Although this is the smallest market segment, two of the target family groups for the CMI Target Area—*Cosmopolitan Families* and *Mainstream Families*—are households that have a preference for urban living. Most of the adults in these households were raised in or near an urban center and

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have rejected the suburban alternative; most will already have made appropriate school accommodations—public, parochial or private.

Depending on housing type, family-oriented households comprise between 18 and 34 percent of the market for housing units in the CMI Target Area.

The primary target groups, their median and range of incomes, and median home values, are as follows:

Primary Target Groups
 (50 Households or More, in Order of Median Income)
 CMI TARGET AREA
 City of Kalamazoo, Kalamazoo County, Michigan

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees			
<i>Affluent Empty Nesters</i>	\$59,400	\$40,000–\$100,000	\$123,800
<i>Blue-Collar Button-Downs</i>	\$54,900	\$35,000–\$90,000	\$88,200
<i>Middle-Class Move-Downs</i>	\$48,400	\$30,000–\$80,000	\$89,500
Traditional & Non-Traditional Families			
<i>Cosmopolitan Families</i>	\$73,900	\$50,000–\$150,000	\$156,600
<i>Unibox Transferees</i>	\$71,700	\$45,000–\$130,000	\$141,200
<i>Mainstream Families</i>	\$38,000	\$25,000–\$75,000	\$68,200
<i>Multi-Cultural Families</i>	\$35,700	\$20,000–\$80,000	\$85,800
Younger Singles & Couples			
<i>Fast-Track Professionals</i>	\$59,700	\$30,000–\$120,000	\$156,500
<i>Suburban Strivers</i>	\$53,600	\$25,000–\$90,000	\$111,900
<i>Generation X</i>	\$41,100	\$20,000–\$85,000	\$94,000
<i>Twentysomethings</i>	\$37,100	\$20,000–\$95,000	\$77,200
<i>University/College Affiliates</i>	\$25,700	\$10,000–\$80,000	\$75,300

SOURCE: Zimmerman/Volk Associates, Inc., 2002

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain “anomalous” households, such as empty-nester households within a “full-nest” category.

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OPTIMUM MARKET POSITION

The optimum market position for the CMI Target Area has therefore been developed based on a variety of factors, including but not limited to:

- Development of the site following the planning principles of the New Urbanism;
- The site's assets—its adjacency to the Kalamazoo River, the public greenway that will connect to other public parks, and its proximity to Downtown Kalamazoo;
- The site's challenges—the large number of existing buildings within the Target Area and the variety of on-site uses, some of which are incompatible with residential uses;
- A Hamilton Anderson Associates land plan;
- The new unit purchase and rental propensities of draw area households;
- Current residential market dynamics in the Kalamazoo market area; and
- A high-profile advertising and marketing campaign.

Therefore, based on the socio-economic and lifestyle characteristics of the target households, the residential context in the Kalamazoo market area (*see* Tables 3 *through* 5), and development of the area according to traditional neighborhood planning principles, the optimum market position for new residential development within the CMI Target Area would be as follows (*see also* Table 6):

Optimum Market Position
 CMI TARGET AREA
 City of Kalamazoo, Kalamazoo County, Michigan

Number	Housing Type	Approx. Base Rent/ Price Range	Approx. Unit Size Range	Approx. Rent/Price Per Sq. Ft.
MULTI-FAMILY FOR-RENT—52.2%				
10	Lofts Over Commercial	\$400 to \$800/mo.	450 to 950 sf	\$0.84 to \$0.89
120	Flex 4	\$525 to	500 to	\$0.82 to
51	Flex 3	\$1,025/mo.	1,250 sf	\$1.05
228	Courtyard			

continued on following page . . .

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... continued from preceding page

Number	Housing Type	Approx. Base Rent/ Price Range	Approx. Unit Size Range	Approx. Rent/Price Per Sq. Ft.
MULTI-FAMILY FOR-SALE—12.3%				
72	Maisonette Apts.	\$120,000 to \$155,000	900 to 1,250 sf	\$124 to \$133
24	Quad “Big Home”	\$130,000 to \$180,000	1,000 to 1,500 sf	\$120 to \$130
SINGLE-FAMILY ATTACHED FOR-SALE—15.1%				
27	Rowhouses	\$160,000 to \$190,000	1,200 to 1,500 sf	\$127 to \$133
36	Rowhouses/ {master-down}	\$175,000 to \$275,000	1,300 to 2,000 sf	\$133 to \$138
SMALL-LOT SINGLE-FAMILY DETACHED FOR-SALE—20.4%				
<u>160</u>	Bungalows	\$145,000 to \$235,000	1,000 to 1,800	\$131 to \$145
783 total units				

SOURCE: Zimmerman/Volk Associates, Inc., 2002

The above rents and prices are in year 2002 dollars and are exclusive of options, upgrades, and location premiums; significant premiums should be achieved on lots or units that face the Kalamazoo River, and/or have other special conditions. These rents and prices apply to new construction of 50 or more adjacent units; new houses on infill lots would likely be priced between \$5,000 and \$25,000 below the above price levels, depending on location and adjacencies. The rental loft-over-commercial buildings could also be integrated into sites with existing commercial buildings; again, these units are likely to carry lower values than those proposed above.

The recommended price points place the units within the current purchasing capabilities of the target market households and establish an optimum initial market position for residential development on the sites. Anecdotal data as well as hedonic analysis of traditional neighborhood developments currently under construction indicate that, once the neighborhood is established, appreciation of remaining dwelling units—manifest as either escalating absorption or rising values of those units—occurs at a higher rate than within an otherwise comparable conventionally-planned project.

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The optimum market position also incorporates several advantages of traditional neighborhood development: diversity, compactness, flexibility and efficiency.

- Diversity is achieved by providing a wide range of housing types that meet the housing preferences of a correspondingly wide range of potential renters and purchasers.
- Compactness is achieved both 1) by matching lot sizes—often smaller than are typical for new detached houses in the marketplace—and residential densities to the characteristics and propensities of potential buyer households, and 2) by mixing housing types, even on the same block, eliminating the need for purposeless buffers between housing types and enhancing neighborhood pedestrian mobility.
- Flexibility is achieved through the mixing of housing types on lots with similar depths in close proximity, permitting adjustment of the mix of housing types to accommodate fluctuations in the housing marketplace over time.
- Efficiency is achieved not only through compactness—with fewer linear feet of infrastructure per unit—but also through the fine-grained mix of housing types: less infrastructure is required to serve a variety of housing types in a range of prices than would be required in a conventional property.

From a commercial perspective, there will be little market for retail or office users without frontage on Riverview Avenue; from the residential perspective, it will be difficult to create a “marketing window” without that same frontage.

—ABSORPTION FORECASTS—

Absorption of 783 dwelling units within the CMI Target Area could be achieved within 10 years from commencement of marketing, depending on phasing and construction, and barring a significant and persistent downturn in the national, regional and local economies. A development of this size and scale should be divided into phases, where all housing types within that phase can be absorbed within a five- to seven-year period, in order to obtain development financing. Because absorption is influenced by many factors in addition to market acceptance, absorption projections beyond the five- to seven-year window are speculative. Although it is likely that up to

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800 dwelling units could be absorbed in fewer than 10 years, it is also possible that more than 10 years could be required to sell the last units.

The optimum market position has been designed to maximize values and the potential for escalation, within a reasonable time frame for a property of this scale. Unlike conventional residential development in which initial absorption is usually the peak rate, traditional neighborhood developments generally have lower initial absorption, with the pace increasing along with price escalation once the neighborhood character has been established and its differences from conventional development can be discerned by potential residents.

Assuming a well-executed development and marketing program, absorption paces have been forecast as annualized averages. For example, although the annualized average absorption of the master-down rowhouses is forecast at four units per year, it is quite possible that, due to pent-up demand, more of these units, at the recommended prices and sizes, could be sold during the first year rowhouses are marketed. However, it is also possible that, because of landplan constraints or construction availability, none of these units would be available for sale another year or so. Therefore, absorption forecasts have been annualized over the projected absorption period for each housing type, from initial marketing to build-out of the last unit.

Annualized Average Absorption
 CMI TARGET AREA
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Multi-family for-rent	54
Hard lofts over Commercial	10
Flex 4, Flex 3, Courtyard Apartments	44
Multi-family for-sale	12
Maisonette apartments	8
Quad "Big Home" apartments	4
Single-family attached for-sale	12
Rowhouses	8
Rowhouses {master-down}	4
Small-lot single-family detached for-sale	18
Bungalows	18

SOURCE: Zimmerman/Volk Associates, Inc., 2002

At the forecast absorption of 96 units, including rental apartments, in one year, new residential development within the CMI Target Area would require a capture rate of 7.7 percent of the 1,240

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households, identified through target market analysis, that have the potential to rent or purchase new higher-density housing units within the CMI Target Area in the year 2002—a rate well within the target market methodology’s parameters of feasibility.

REQUIRED CAPTURE RATES
 Based on Annualized Average Absorption
 CMI TARGET AREA
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Housing Type	Annual Market Potential (HHs)	Average Annual Absorption (Units)	Required Capture Rate
Multi-family for-rent	540	54	10.0%
Multi-family for-sale	160	12	7.5
Single-family attached for-sale	190	12	6.3
Single-family detached for-sale	350	18	5.1

SOURCE: Zimmerman/Volk Associates, Inc., 2002

These housing type-specific capture rates are within the target market methodology’s parameters. For a development of this size and scale, there is a high degree of confidence in a capture rate of 15 to 20 percent for rental apartments, and a capture rate of five to 10 percent for each of the for-sale housing types.

The target market capture rates of the potential purchaser or renter pool are a unique and highly-refined measure of feasibility. Target market capture rates are not equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The target market capture rate is derived by dividing the annual forecast absorption by the number of households that have the potential to move to the site in a given year.

The penetration rate is derived by dividing the total number of dwelling units planned for a property by the total number of draw area households, sometimes qualified by income.

The traffic conversion rate is derived by dividing the total number of buyers or renters by the total number of prospects that have visited a site.

Because the prospective market for a property is more precisely defined using target market methodology, a substantially smaller number of households are qualified; as a result, target

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market capture rates are higher than the more grossly-derived penetration rates. The resulting higher capture rates remain within the range of feasibility.

Based on the migration and mobility analyses, and dependent on the creation of appropriate new housing units, more than 35 percent of the annual market potential of 90 new dwelling units in the CMI Target Area, or more than 30 units per year, could be from households moving from outside Kalamazoo County. Over five years, the realization of that market potential could lead to an increase of more than 150 households living in the CMI Target Area that moved from elsewhere.

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BUILDING AND UNIT CONFIGURATIONS

All building façades, whether attached or detached, should reflect traditional proportions and designs, such as minimum six-foot-deep porches, shutters scaled to match windows, and single-height entries. Traditional elevations can be somewhat more efficient to build than most of the conventional tract houses, since they do not require any articulation other than a portico or porch.

The multi-family component can be successfully integrated with other uses by using loft apartments and flex 3, flex 4 and courtyard buildings for rental development and the maisonette and quad “Big Home” buildings for for-sale development.

- Loft Apartments: Apartments within a new-construction building type inspired by adaptive re-use of 19th century warehouse and manufacturing buildings, combined with non-residential uses on the ground floor. The building is usually elevator-served with double-loaded corridors. Unit interiors typically have high ceilings and commercial windows and can be minimally finished, limited to architectural elements such as columns and fin walls, or unfinished, with no interior partitions except those for bathrooms. As with the adaptive re-use version, new construction lofts should include work space as a permitted use.

Loft apartments should include a mix of 450- to 950-square-foot, minimally-finished units, without interior partitions, but including a small kitchen area, a bathroom, 14-foot ceilings, and windows that occupy 50 to 75 percent of the exterior walls. These buildings would be appropriate along Riverview Avenue, with the potential for retailers to lease the ground-floor units.

- Courtyard Apartment Building, including Flex 3 and Flex 4: Urban, pedestrian-oriented equivalent to conventional garden apartments. In this context, an urban courtyard building is two to four stories, often combined with non-residential uses on the ground floor. The building should be built to the sidewalk edge and, to provide privacy and a sense of security, the first floor should be elevated significantly above grade. Parking is either below grade or in an integral structure.

These rental buildings should contain a mix of studios (500 square feet), one-bedroom/one-bath apartments (700 square feet), two bedroom/two-bath apartments (1,000 square feet), and three-

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bedroom/two-bath apartments (1,250 square feet) would be appropriate for the mix of younger and older singles and couples—including roommates in the two-bedroom/two-baths—and compact families that represent the market for new rental apartments.

- Maisonette Apartment Building: A three-story building with an elevation that resembles a row of townhouses; the interior, however, combines single-level and two-level apartments. Each unit has its own street entrance and attached garage, accessed from the rear of the building.

The single-level apartment, with one bedroom and one-and-one-half baths, should contain approximately 900 square feet; the two-story townhouse, with two bedrooms and two-and-a-half baths, should contain approximately 1,250 square feet. Across the country, these units have proven particularly attractive as first-time purchases for single householders, particularly women.

- Quad “Big House”: A small two-story, four-unit apartment building with a street façade resembling a large detached house. Each unit has its own street entrance and attached garage, accessed from the rear of the building.

The smaller apartment, with two bedrooms and two baths, should contain approximately 1,000 square feet; the larger unit, with three bedrooms and two-and-a-half baths, should contain approximately 1,500 square feet. These units should be designed as move-down units for empty nesters and retirees.

- Rowhouse: Similar in form to a conventional suburban townhouse except that the garage—either attached or detached—is located to the rear of the unit and accessed from an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks. To provide privacy and a sense of security, the first floor should be elevated significantly above grade.

The rowhouses should include two-and-one-half-story, two- and three-bedroom/two-and-a-half-bath units (1,200 to 1,500 square feet) with all bedrooms on the second floor as well as two-and-a-half story, two- and three-bedroom/two-and-a-half-bath units (1,300 to 2,000 square feet) with the master suite on the first floor, and one or two additional bedrooms on the second floor. Wrought-iron fences would create a sense of security for the rowhouses and allow space for small front “dooryard” gardens. The rowhouses provide a more expensive entry-level and move-up

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housing type for younger singles and couples and compact families and move-down units for empty nesters and retirees.

- Bungalow: A relatively small, one- or one-and-a-half-story single-family detached house. Parking is from rear lanes, alleys or in a common, rear- or side-loaded lot. A bungalow almost always includes a large porch.

The small-lot single-family detached houses are targeted to senior buyers, first-time buyers, and compact families. The bungalows targeted to senior buyers should include the master suite on the ground floor; the majority of these houses, with all bedrooms on the second floor, should be targeted to young, first-time buyers. Each house type should have a one- or two-car attached garage integrated within the rear of the house. Lots should average 36 feet wide by 60 feet deep.

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COMPATIBLE USES

A traditional neighborhood development divides roughly into three physical conditions: the exclusively-residential, lowest-density neighborhood edge, the general neighborhood with a range of residential densities, and the mixed-use, highest-density neighborhood center.

A mix of uses, tenures and densities can be successfully achieved through traditional neighborhood design, assuming that those uses also meet basic feasibility criteria:

1. Public (or civic) uses, such as a community center, branch library, or postal center.

In addition to providing a focus for the organization of the civic aspects of the community, public uses can often stimulate the development of related retail and office space through establishment of the site as a destination.

2. Higher-density residential uses, such as rental and for-sale apartments, rowhouses and small-lot detached houses.
3. Retail uses, such as restaurants/cafés, beauty parlors/barber shops/hair salons; dry-cleaners; shoe repair shops; pharmacies; copy and business centers.

An early “retail” use could be a combination sales center and “corner store,” which would require support from the sales and marketing budget.

Specific potential retail/commercial uses, based on the lifestyle and product affinities of the combined draw area households with the potential to rent/purchase new housing units within the CMI Target Area, include:

- Sporting goods store, including sports equipment sales (new and used) and repairs.
- Health/fitness club, offering aerobics, weight training, and exercise facilities.
- Music/video store. The target households have higher than average CD/record purchases. Based on demand, this store could sell new CDs, DVDs, records and tapes.

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NOTE—These retail recommendations are based only on the consumer characteristics of the draw area households with the potential to move to the CMI Target Area. Trade area dynamics, existing potentially-competitive retail establishments, and other issues specific to retail or commercial feasibility have not been examined.

4. Small floorplate office uses, such as computer-based firms, lawyers, accountants, and other professionals;
5. Hospitality uses, such as a bed and breakfast or inn.

NOTE—Retail and office market analysis must be conducted to determine the potential, if any, for non-residential uses.

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THE SUPPLY-SIDE CONTEXT

–Multi-Family Rental–

Base rents in the Kalamazoo market area generally range between approximately \$400 and \$700 per month for a one-bedroom apartment, between \$500 and \$950 per month for a two-bedroom apartment, and between \$600 and \$1,050 per month for a three-bedroom apartment or townhouse. (See Table 3.) The majority of apartments contain between 550 and 1,200 square feet, and most of the properties surveyed are at or near functional full occupancy.

Some of the highest rents in the city are found at Lake Forest, on Lake Forest Drive in the southwestern part of Kalamazoo, and Drake's Pond, on South Drake Road in the western section of Kalamazoo, both of which were constructed in the late 1980s. Rents at the 292-unit Lake Forest range between \$0.64 and \$0.83 per square foot, and start at \$615 per month for a 740-square-foot one-bedroom unit (\$0.83 per square foot) and reach nearly \$900 per month for a 1,395-square-foot two-bedroom unit (\$0.64 per square foot). Amenities include fitness center and swimming pool; the property is 96 percent occupied.

At Drake's Pond, rents range from \$675 to \$1,050 for the 497 one- to three-bedroom apartments (\$0.79 to \$0.92 per square foot), with unit sizes starting at 780-square-foot one-bedrooms to 1,300-square-foot three-bedroom units. Amenities include a swimming pool, spa and hot tub. This property is also 96 percent occupied.

One of the newest properties in the area is the 72-unit Cooper's Landing, off G Avenue northeast of Kalamazoo, which was built in 2001. Rents are fairly low for new construction, ranging between \$0.73 and \$0.83 per square foot; rents are \$559 per month for a 670-square-foot one-bedroom unit (\$0.76 per square foot) and \$689 per month for a 950-square-foot two-bedroom unit (\$0.80 per square foot). There are no common amenities; the property is currently 93 percent occupied.

The broadest range of apartments is available at the 482-unit Candlewyck Apartments, built in 1981 on the original Pratt family estate, spread over acres of rolling hills and flower gardens. Rents start at \$515 per month for a 635-square-foot studio (\$0.81 per square foot) and go as high as \$915 per month for a 1,540-square-foot four-bedroom unit (\$0.59 per square foot). The on-

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site mansion has been converted into the property's clubhouse, with kitchen, pool table, dartboard room and card room. Other amenities include a new fitness center and two swimming pools; the property is currently 96 percent occupied.

–Multi-Family and Single-Family For-Sale–

Only a few for-sale properties in the Kalamazoo area are marketing new condominiums, two in the city, one in the county and one in Portage Township. (*See* Table 4.) The condominium properties in the city are flats, while those in the county and in Portage are duplexes. With the exception of West Point Condominiums, in Portage, which has averaged sales of two duplexes per month since opening last year, sales generally average fewer than one unit a month.

Apartment prices at West Point start at just under \$175,000 and exceed \$181,000 for units containing approximately 1,390 square feet of living space (\$126 to \$131 per square foot).

In the city, apartment prices at the Thistle Mill Condominiums start at just under \$144,000 and exceed \$190,000 for units containing approximately 1,300 square feet of living space (\$108 to \$143 per square foot). The property, which opened for sales in 1999, has sold 21 of the 24 planned units, for an average sales pace of just under one unit per month. A small two-unit building, The Style Shop, has sold one of the apartments since opening last year, and the remaining apartment is priced at \$179,900 for 1,174 square feet (\$153 per square foot).

Several resales are available at the Marlborough Condominiums, on West South Street. Current units on the market include a 1,000-square-foot, two-bedroom, two-bath apartment priced at \$119,000 (\$119 per square foot); a 1,685-square-foot, two-bedroom, two-bath apartment priced at \$169,000 (\$101 per square foot); and a 2,525-square-foot, three-bedroom, two-and-a-half-bath apartment priced at \$279,900 (\$111 per square foot).

Most of the new single-family detached construction is occurring outside Kalamazoo's city limits west of U.S. Route 131. (*See* Table 5.) New housing construction in the city's urban neighborhoods is almost exclusively limited to small infill sites. New detached houses are being marketed at Pine Meadows, priced from \$127,000 to \$195,000, and at Autumn View, priced from \$150,000 to \$175,000. Outside the city limits, dozens of subdivisions are marketing detached houses; in general, base prices start below \$120,000 and can exceed \$500,000. House

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sizes generally range between 1,100 and 2,400 square feet, for an average per-square-foot range of between \$87 and \$129. Multiple properties report sales of fewer than one house per month; the highest sales pace is reported by Valleywood in Oshtemo, where an average of 3.7 houses a month have been sold since the property opened in 1993.

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METHODOLOGY

The technical analysis of market potential, both city-wide and for the CMI Target Area included delineation of the draw area(s) and evaluation of the Target Area's market potential.

The delineation of the draw area(s) for housing within the City of Kalamazoo was based on historic settlement patterns, migration trends for Kalamazoo County, and other market dynamics.

The evaluation of the CMI Target Area's market potential was derived from target market analysis of households in the draw area(s), and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples).

Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM geo-demographic system, that establishes the optimum market position for residential development of any property—from a specific site to an entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to classical supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

In geo-demographic segmentation, clusters of households (usually between 10 and 15) are grouped according to a variety of significant factors, ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes such as mobility rates, lifestyle patterns and compatibility issues. Zimmerman/Volk Associates has refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

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As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing. The most affluent of the 41 groups can afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments.

Once the draw area(s) for specific city, location or site have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential market for market-rate units is then determined by the correlation of a number of factors—including, but not limited to household mobility rates; median incomes; lifestyle characteristics and housing preferences; and the competitive environment.

Delineation of the Draw Areas (Migration Analysis)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to Kalamazoo County. These data are maintained at the county and “county equivalent” level by the Internal Revenue Service and provide a clear representation of mobility patterns.

—Migration Trends—

During the second half of the 1990s, the number of households moving into Kalamazoo County ranged between just under 5,750 in 1996 to nearly 6,100 households in 1999. The majority of the county’s in-migration is regional—households moving to the county from adjacent or nearby counties. Approximately 30 percent of all households who move to Kalamazoo County move from adjacent or nearby counties: Van Buren, Allegan, Calhoun, and Kent. In addition, significant numbers of households move from the Detroit metropolitan area—Wayne, Oakland, Macomb and St. Clair Counties—and from the Chicago metropolitan area—Cook and DuPage Counties, Illinois.

Between 1996 and 1999, Kalamazoo County experienced net migration loss, *i.e.*—the county lost more households through out-migration than it gained through in-migration. The county lost on average 430 households per year; however, the number of households lost dropped significantly in 1999, from a net loss of nearly 500 households in 1998 to a net loss of just 325 households in 1999.

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NOTE: Although net migration provides insights into the county's historic ability to attract or retain households compared to other locations, it is those households likely to move into the county (gross in-migration) that represent the county's external market potential.

Based on the migration data, the draw areas for the City of Kalamazoo have been delineated as follows:

- The local (or internal) draw area, covering households currently living within the Kalamazoo city limits, as well as those currently living in the balance of Kalamazoo County.
- The Detroit metropolitan draw area, covering households with the potential to move to the City of Kalamazoo from four counties of the Detroit MSA.
- The Chicago metropolitan draw area, covering households with the potential to move to the City of Kalamazoo from two counties within the Chicago metropolitan area.
- The national draw area, covering households with the potential to move to the City of Kalamazoo from all other U.S. counties.

As noted above, the Detroit metropolitan draw area consists of four counties in the Detroit MSA, including Wayne, Oakland, Macomb and St. Clair Counties, Michigan (*see* Appendix One, Table 1). The Chicago metropolitan draw area includes Cook and DuPage Counties, Illinois. The national draw area consists of those counties outlined in detail for several counties in Michigan (Van Buren, Allegan, Calhoun, Kent, St. Joseph, Barry, Berrien, Ingham, Cass, Ottawa, Washtenaw, Jackson, Genesee, Branch, Muskegon, Eaton, Saginaw, Bay, Hillsdale, Clinton, Grand Traverse and Lenawee Counties); counties in Indiana (St. Joseph, Allen, Marion and Elkhart Counties); Maricopa County, Arizona; Los Angeles County, California; and the balance of the country taken in aggregate.

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Determination of the Potential Market for the City of Kalamazoo (Mobility Analysis)—

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move to the City of Kalamazoo in the year 2002. The total number from each county is derived from historic migration trends; the number of households from each group is based on each group's mobility rate.

Internal Mobility (Households Moving Within The City Of Kalamazoo)

Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that nearly 2,400 households currently living in the City of Kalamazoo have the potential to move from one residence to another in the city this year. (See Appendix One, Table 4.) Nearly 44 percent of these households are likely to be younger singles and couples (as characterized within two Zimmerman/Volk Associates target market groups); just over 31 percent are likely to be empty nesters and retirees (in three groups); and the remaining 25 percent are likely to be traditional and non-traditional families (in three groups).

External Mobility (Households Moving To The City Of Kalamazoo)

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same county. Using these data, nearly 1,800 households currently living in the balance of Kalamazoo County have the potential to move from a residence in the county to a residence in the City of Kalamazoo this year. (See Appendix One, Table 5.) More than 57 percent of these households are likely to be traditional and non-traditional families (in 11 market groups); 25.4 percent are likely to be younger singles and couples (in five groups); and the remaining 18 percent are likely to be empty nesters and retirees (in seven groups).

The following tables determine the number of households in each target market group living in each draw area county that are likely to move to the City of Kalamazoo this year (through a

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correlation of Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data). (See Appendix One, Tables 6 through 9 and Appendix Two, Tables 1 through 41.)

The total potential market for the City of Kalamazoo includes the local, Detroit metropolitan, Chicago metropolitan, and national draw areas. (See Appendix One, Table 10.) Just under 7,000 households have the potential to move within or to the City of Kalamazoo this year. Traditional and non-traditional families are likely to account for 47.2 percent of these households (in 18 market groups); 29.6 percent are likely to be younger singles and couples (in 11 groups); and 23.2 percent are likely to be empty nester and retiree households (in 12 groups).

The distribution of the draw areas as a percentage of the potential market for the City of Kalamazoo is as follows:

Market Potential By Draw Area City of Kalamazoo, Kalamazoo County, Michigan		
City of Kalamazoo/Kalamazoo County(Local Draw Area):	4,130	59 percent
Detroit Metro Draw Area:	410	6 percent
Chicago Metro Draw Area:	130	2 percent
Balance of US (National Draw Area):	2,320	33 percent
Total:	6,990	100 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2002

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Determination of the Potential Market for the CMI Target Area—

The total potential market for the CMI Target Area also includes the local, Detroit and Chicago metro, and national draw areas. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine which target market groups, as well as how many households within each group, are likely to move to a location in the CMI Target Area in a given year.

Using these data, Zimmerman/Volk Associates has determined that 2,080 households have the potential to move to the CMI Target Area this year. (See Appendix One, Table 11.) Just over 52 percent of these households are likely to be younger singles and couples (in eight market groups); another 24.5 percent are likely to be traditional and non-traditional family households (in six groups); and the remaining 23.1 percent are likely to be empty-nester and retiree households (in five groups).

The distribution of the draw areas as a percentage of the potential market for the CMI Target Area is as follows:

Market Potential By Draw Area CMI TARGET AREA City of Kalamazoo, Kalamazoo County, Michigan		
City of Kalamazoo/Kalamazoo County(Local Draw Area):	1,360	65 percent
Detroit Metro Draw Area:	190	9 percent
Chicago Metro Draw Area:	60	3 percent
Balance of US (National Draw Area):	470	23 percent
Total:	2,080	100 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2002

The 2,080 draw area households that have the potential to move to the CMI Target Area this year have also been categorized by tenure propensities to determine the appropriate renter/owner ratio. (See Appendix One, Table 12.) Just under half of these households (or 1,030 households) comprise the potential market for rental units, of which 540 households comprise the potential market for rental units at the rent levels required to support newly-constructed market-rate housing. The remaining 50.5 percent (or 1,050 households) comprise the market for market-rate for-sale housing units.

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Of these 1,050 households, 15.2 percent (or 160 households) comprise the market for multi-family for-sale units (condominium/cooperative apartments); another 18.1 percent (190 households) comprise the market for attached single-family (townhouse or duplex) units; and the remaining 66.7 percent (700 households) comprise a market for all ranges of single-family detached houses. (See Appendix One, Table 13.)

—Target Markets—

Zimmerman/Volk Associates' target market classifications are updated periodically to reflect the slow, but relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Strivers* and the *Urban Achievers*; a move by the *Suburban Strivers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Strivers* who move up socio-economically, but remain within the metropolitan suburbs may become *Fast-Track Professionals* or *The VIPs*.

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Migration Methodology:

County-to-county migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

Target Market Data—

Target market data are based on the Claritas PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Household Classification Methodology:

Household classifications are based on the Claritas PRIZM geo-demographic segmentation system, which was established in 1974 and is the most widely-used neighborhood target marketing system in the United States. Claritas uses 15 unique clustering algorithms to define various domains of affluence and settlement density. These algorithms isolate the key factors in each density-affluence domain that accounted for the most statistical difference among neighborhoods within that group.

Over the past 15 years, Zimmerman/Volk Associates has augmented the PRIZM cluster system for use within the company's proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. (*See Target Market Methodology above.*) For purposes of this study, only those household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables. (An appendix containing detailed descriptions of each of these target market groups is provided.)



Table 1

Potential Housing Market

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Area In 2002

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Total Target Market Households
With Potential To Rent/Purchase In
City of Kalamazoo, Kalamazoo County, Michigan 6,990

Total Target Market Households
With Potential To Rent/Purchase In
CMI Target Area 1,590

Potential Housing Market

	<i>Multi- Family</i>		<i>Single- Family</i>				<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached ..</i> <u>All Ranges</u>	<i>..... Detached</i> <u>Low-Range</u>	<u>Mid-Range</u>	<u>High-Range</u>	
Total Households:	540	160	190	350	230	120	1,590
{Mix Distribution}:	34.0%	10.1%	11.9%	22.0%	14.5%	7.5%	100.0%

**CMI Target Area Residential Mix
(Excluding Large-Lot Single-Family Detached)**

	<i>Multi- Family</i>		<i>Single- ... Family ...</i>		<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached ..</i> <u>All Ranges</u>	<u>Small-Lot</u>	
Total Households:	540	160	190	350	1,240
{Mix Distribution}:	43.6%	12.9%	15.3%	28.2%	100.0%

NOTE: Reference Appendix One, Tables 1 through 13.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 2

Potential Housing Market By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Area In 2002

CMI Target Area

City of Kalamazoo, Kalamazoo County, Michigan

	Potential Housing Market						
	<u>Total</u>	<i>Multi-Family</i>		<i>Single-Family</i>			<u>High-Range</u>
		<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached ..</i>	<u>Low-Range</u>	<u>Mid-Range</u>	
Number of Households:	1,590	540	160	190	350	230	120
Empty Nesters & Retirees	26%	19%	13%	21%	43%	35%	25%
Traditional & Non-Traditional Families	28%	19%	18%	26%	34%	39%	50%
Younger Singles & Couples	46%	62%	69%	53%	23%	26%	25%
	100%	100%	100%	100%	100%	100%	100%

CMI Target Area Residential Mix

	<u>Total</u>	<i>Multi-Family</i>		<i>Single-Family</i>	
		<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached ..</i>	<u>Low-Range</u>
	Number of Households:	1,240	540	160	190
Empty Nesters & Retirees	25%	19%	13%	21%	43%
Traditional & Non-Traditional Families	24%	19%	18%	26%	34%
Younger Singles & Couples	51%	62%	69%	53%	23%
	100%	100%	100%	100%	100%

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties
City of Kalamazoo, Michigan
December, 2001

<u>Property</u> Location	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
Madeira Apartments (1977) 1610 East Cork Street	140				100% occupancy
1BR/1BA		\$390 to \$410	550 to	\$0.71 to \$0.75	Laundry facility and pool.
2BR/1BA		\$485 to \$495	675 to	\$0.72 to \$0.73	
Concord Place (1972) 1548 Concord Place Drive	613				99% occupancy
Studio		\$365 to \$370	450	\$0.81 to \$0.82	Clubhouse and pool.
1BR/1BA		\$400 to \$410	544	\$0.74 to \$0.75	
2BR/2BA		\$490 to \$500	676	\$0.72 to \$0.74	
Spring Lake (1965) 1928 Colgrove Avenue	280				94% occupancy
1BR/1BA		\$400	624	\$0.64	Laundry facility and pool.
2BR/1BA		\$495 to \$515	825 to 980	\$0.53 to \$0.60	
3BR/2BA		\$615	1,200	\$0.51	
Peppertree (1971) 1842 South 11th Street	70				99% occupancy
1BR/1BA		\$415	541	\$0.77	Covered parking and laundry facility.
2BR/1BA		\$490	657	\$0.75	
Alpine Village (1975) 4307 Duke Street	140				93% occupancy
1BR/1BA		\$435 to \$455	556	\$0.78 to \$0.82	Covered parking, pool and laundry facility.
2BR/1BA		\$515 to \$535	682 to 724	\$0.74 to \$0.76	

Summary Of Selected Rental Properties
City of Kalamazoo, Michigan
December, 2001

<u>Property Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
Mount Royal THs (1975) 505 Beckley Drive	342				90% occupancy
1BR/1BA		\$435 to \$605	627 to 734	\$0.69 to \$0.82	Covered parking, laundry facility and pool.
2BR/1BA		\$535 to \$545	860 to 1,000	\$0.55 to \$0.62	
2BR/1.5BA TH		\$660	951	\$0.69	
3BR/1.5BA TH		\$710	1,164	\$0.61	
Danford Creek (1980) 2930 Danford Creek Drive	117				97% occupancy
1BR/1BA		\$440 to \$460	541	\$0.81 to \$0.85	Covered parking, laundry facility, pool, volleyball court and barbecue pits.
2BR/2BA		\$525 to \$545	657	\$0.80 to \$0.83	
Westchester Woods (1970*) 1230 Little Drive	120				92% occupancy
1BR/1BA		\$449	614	\$0.73	Laundry facility and volleyball.
2BR/1BA		\$525	840	\$0.63	
Whitehall (1965) 332 South Kendall Avenue	129				99% occupancy
1BR/1BA		\$455	640	\$0.71	Covered parking, pool and laundry facility.
2BR/1BA		\$545	920	\$0.59	
Embassy Terrace (1971) 3420 West Main Street	85				98% occupancy
1BR/1BA		\$455 to \$515	550	\$0.83 to \$0.94	Gated entrance, laundry facility and pool.
2BR/2BA		\$570 to \$665	1,000	\$0.57 to \$0.67	

* Renovated in 2000.

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties
City of Kalamazoo, Michigan
December, 2001

<u>Property Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
Denway Circle (1966:2000) 433 Denway Circle	64				99% occupancy
1BR/1BA		\$460	800	\$0.58	<i>Gated entrance and laundry facilities.</i>
2BR/2BA		\$525	880	\$0.60	
Country Meadow (1976) 2024 Sunnyside Drive	176				93% occupancy
1BR/1BA		\$460	660	\$0.70	<i>Covered parking, pool and laundry facility.</i>
2BR/2BA		\$530	860	\$0.62	
Village Square (1973) 2890 South 9th Street	90				95% occupancy
1BR/1BA		\$475	700	\$0.68	<i>Covered parking, pool laundry facility, volleyball.</i>
2BR/2BA		\$535	800	\$0.67	
Mill Creek (1981 - 1999) 3080 Mill Creek Drive	174				91% occupancy
1BR/1BA		\$480 to \$600	640 770	\$0.75 to \$0.78	<i>Gated entrance, garage and pool.</i>
2BR/2BA		\$635 to \$650	890	\$0.71 to \$0.73	
Milwood 1412 Banbury Road	229				99% occupancy
1BR/1BA		\$490 to \$560	700 to 750	\$0.70 to \$0.75	<i>Covered parking, pool and laundry facility.</i>
2BR/1BA		\$625 to \$670	900 to 1,100	\$0.69 to \$0.61	
2BR/1.5BA		\$825	1,300	\$0.63	
Carriage Green (1966) 4525 West Main Street	132				92% occupancy
1BR/1BA		\$495 to \$525	800	\$0.62 to \$0.66	<i>Covered parking, pool, laundry facility and clubhouse.</i>
2BR/2BA		\$570 to \$612	960	\$0.59 to \$0.64	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties
City of Kalamazoo, Michigan
December, 2001

<u>Property Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
Sage Terrace (1965) 328 North Sage Street	132				98% occupancy
Studio		\$370	500	\$0.74	<i>Covered parking, pool, laundry facility and clubhouse.</i>
1BR/1BA		\$500	714	\$0.70	
2BR/1BA		\$570	934	\$0.61	
Gull Run (1990 & 1997) 4495 Gull Run Drive					98% occupancy
1BR/1BA		\$505 to \$580	689 to 841	\$0.69 to \$0.73	<i>Covered parking, pool, laundry facility and clubhouse.</i>
2BR/1BA		\$630 to \$645	890 to 919	\$0.70 to \$0.71	
2BR/2BA		\$660 to \$675	970 to 988	\$0.68 to \$0.68	
Nottingham Place (1969) 704 South Drake Road	283				96% occupancy
1BR/1BA		\$510 to \$545	600 to 650	\$0.84 to \$0.85	<i>Covered parking, laundry facility, pool, hot tub and fitness center.</i>
2BR/1BA		\$600 to \$630	950	\$0.63 to \$0.66	
2BR/1.5BA		\$625 to \$655	1,010	\$0.62 to \$0.65	
3BR/1.5BA		\$790 to \$810	1,150	\$0.69 to \$0.70	
Ramblewood (1981) 129 North Sage Street	72				100% occupancy
1BR/1BA		\$510 to \$530	630 to 650	\$0.81 to \$0.82	<i>Covered parking and laundry facility.</i>
2BR/1BA		\$630 to \$675	950 to 990	\$0.66 to \$0.68	
Regency Square (1968) 611 Whites Road	144				93% occupancy
1BR/1BA		\$510 to \$560	753 to 800	\$0.68 to \$0.70	<i>Covered parking, pool and laundry facilities.</i>
2BR/2BA		\$585 to \$595	1,114 to 1,126	\$0.53	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties
City of Kalamazoo, Michigan
December, 2001

<u>Property Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
New Towne Terrace (1975) 123 North Sage Street	84				98% occupancy
1BR/1BA		\$510	632	\$0.81	Covered parking, pool and laundry facility.
2BR/2BA		\$635	950	\$0.67	
Emerald Park (1989) 2210 East Cork Street	246				99% occupancy
1BR/1BA		\$520 to \$530	699 to	\$0.74 to \$0.76	Covered parking and pool.
2BR/1BA		\$630 to \$640	879 to	\$0.72 to \$0.73	
Winchell Way (1981) 3740 Winchell Avenue	168				99% occupancy
1BR/1BA		\$539 to \$590	800	\$0.67 to \$0.74	Covered parking, pool, laundry facility and clubhouse.
2BR/1BA		\$614 to \$685	1,000	\$0.61 to \$0.69	
Cedar Trail (1973) 4412 Ridgeway Circle	176				97% occupancy
1BR/1BA		\$545 to \$610	600 to 708	\$0.86 to \$0.91	Covered parking, pool, laundry facility, tennis and clubhouse.
2BR/1BA		\$645 to \$710	800 to 848	\$0.81 to \$0.84	
Willow Creek (1970) 3707 Greenleaf BLVD	321				99% occupancy
1BR/1BA		\$549 to \$594	759	\$0.72 to \$0.78	Covered parking, pool, laundry facility, spa and hot tub, tennis courts, clubhouse.
2BR/1BA		\$677 to \$709	965	\$0.70 to \$0.73	
2BR/2BA		\$719 to \$739	1,023	\$0.70 to \$0.72	
3BR/2BA		\$849 to \$904	1,282	\$0.66 to \$0.71	

Summary Of Selected Rental Properties
City of Kalamazoo, Michigan
December, 2001

<u>Property Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
Candlewyck (1981) <i>100 East Candlewyck Drive</i>	487				96% occupancy
Studio		\$515	635	\$0.81	<i>Laundry facility, fitness center, Mansion clubhouse, 2 pools and garages.</i>
1BR/1BA		\$551 to	718	\$0.77 to	
		\$585	730	\$0.81	
2BR/1BA		\$625 to	898	\$0.70 to	
		\$643		\$0.72	
2BR/2BA		\$650 to	931 to	\$0.68 to	
		\$690	1,014	\$0.70	
3BR/2BA		\$815	1,254	\$0.65	
4BR/2BA		\$915	1,540	\$0.59	
Cooper's Landing (2001) <i>5001 Cooper's Landing Drive</i>	72				93% occupancy
1BR/1BA		\$559 to	670	\$0.76 to	<i>Covered parking.</i>
		\$609	800	\$0.83	
2BR/2BA		\$639 to	800	\$0.73 to	
		\$689	950	\$0.80	
Western Pines Apts (1995) <i>3814 Terrace Blvd.</i>	88				100% occupancy
2BR/1BA		\$650	1,045	\$0.62	<i>Covered parking and major utilities included.</i>
3BR/2BA		\$825	1,155	\$0.71	
Pinewood Glen (1986) <i>4139 Valley Ridge Drive</i>	180				92% occupancy
1BR/1BA		\$580	800	\$0.73	<i>Gated entrance, laundry facility, pool, clubhouse, and covered parking.</i>
2BR/1.5BA		\$650	973	\$0.67	
2BR/2BA		\$655	991	\$0.66	
Dover Hills (1996) <i>4520 Dover Hills Drive</i>	378				99% occupancy
1BR/1BA		\$600 to	760 to	\$0.79 to	<i>Fitness center, pool, spa, major utilities included, and fireside lounge.</i>
		\$665	900	\$0.74	
2BR/1BA		\$700	950	\$0.74	
2BR/2BA		\$795	1,150	\$0.69	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties
City of Kalamazoo, Michigan
December, 2001

<u>Property Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
Summer Ridge (1989) 5545 Summer Ridge Blvd.	248				95% occupancy
1BR/1BA		\$600 to \$670	750 to 960	\$0.70 to \$0.80	<i>Major utilities included, covered parking, fitness center, basketball courts, hiking trails and clubhouse.</i>
2BR/1BA		\$675 to \$725	920 to 1,055	\$0.70 to \$0.73	
2BR/2BA		\$725 to \$790	1,055 to 1,150	\$0.69	
Lake Forest (1988) 200 Lake Forest Blvd	292				96% occupancy
1BR/1BA		\$615 to \$650	740 to 800	\$0.81 to \$0.83	<i>Fitness center, pool and covered parking.</i>
1BR/1.5BA		\$720 to \$745	1,005	\$0.72 to \$0.74	
2BR/1BA		\$730 to \$755	1,005	\$0.73 to \$0.75	
2BR/1.5BA		\$750 to \$790	1,170 to 1,240	\$0.64 to \$0.64	
2BR/2BA		\$860 to \$890	1,330 to 1,395	\$0.64 to \$0.65	
Drakes Pond (1987) 555 South Drake Road	497				96% occupancy
1BR/1BA		\$675 to \$720	780	\$0.87 to \$0.92	<i>Covered parking, pool, laundry facility, spa and hot tub.</i>
2BR/1BA		\$790 to \$845	1,000 to 1,020	\$0.79 to \$0.83	
2BR/2BA		\$905 to \$955	1,125	\$0.80 to \$0.85	
3BR/2BA		\$1,010 to \$1,050	1,250 to 1,300	\$0.81 to \$0.81	

Summary Of Selected Rental Properties
City of Kalamazoo, Michigan
December, 2001

<u>Property</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
Forest Hills (1992) 4600 Forest Hill Lane	81				100% occupancy
2BR/1.5BA		\$740 to \$765	1,078	\$0.69 to \$0.71	<i>Covered parking, laundry facility and pool.</i>
3BR/1.5BA		\$845 to \$870	1,225	\$0.69 to \$0.71	
Skyrise Luxury Apts (1983) 525 South Burdick	55				100% occupancy
2BR/2BA		\$800 to \$1,325	1,062 to 1,838	\$0.72 to \$0.75	<i>Wait list, gated entrance and laundry facility.</i>
University Club at Howard (2001) 700 S. Howard Street	120				100% occupancy
4BR/2BA		\$1,440 to \$1,480	1400	\$1.03 to \$1.06	<i>Utilities included, pool, clubhouse and spa.</i>
The Arboretum (2001) 1010 Arboretum Drive	240				100% occupancy
2BR/2BA		\$420 †	1,004	\$0.84	<i>Fitness center, pool, tanning salon and game room.</i>
3BR/3BA		\$410 †	1,245	\$0.99	
4BR/2BA		\$395 †	1,499	\$1.05	

† Rents are per bedroom.

SOURCE: Zimmerman/Volk Associates, Inc.

Table 4

**Summary Of Selected For-Sale Multi-Family
And Single-Family Attached Developments**

Kalamazoo County, Michigan

December, 2001

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Unit Type</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Units</u>	<u>Total Sales (Monthly Average)</u>
<i>..... City of Kalamazoo</i>						
Thistle Mill Condos (1999)					24	21 (0.9)
	Flat	\$143,452 to \$190,115	1,330	\$108 to \$143		
The Style Shop Condos (2001)					2	1 (0.2)
<i>Mike Harrell</i>	Flat	\$179,900	1,174	\$153		
<i>..... Kalamazoo County</i>						
Hunter's Creek (2000)					104	17 (0.9)
<i>Watts Construction</i>	Duplex	\$147,600 to \$222,600	1,452 2,028	\$102 to \$110		
<i>..... Portage Township</i>						
West Point Condos (2001)					50	2 (2.0)
<i>Granger Group</i>	Duplex	\$174,514 to \$181,514	1,384 to 1,390	\$126 to \$131		

**Summary Of Selected For-Sale
Single-Family Detached Developments**

Kalamazoo County, Michigan

December, 2001

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Average Lot Width</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Units</u>	<u>Total Sales (Monthly Average)</u>
. City of Kalamazoo						
Pine Meadows					36	
<i>American Village Builders</i>		\$127,000	1,314	\$91		
		\$195,795	2,162	\$97		
Autumn View						
<i>Pendowski Builders, LLC</i>		† \$150,000 to	1,771	\$85 to		
		\$175,000		\$99		
. Kalamazoo and Comstock Counties						
Rose Blossom Trails (1999)					110	18 (0.8)
<i>Century 21</i>	70	\$117,900 to	1,278	\$87 to		
		\$139,900	1,614	\$92		
Greenfield Point (1999)					175	65 (2.7)
<i>First American Construction</i>	80	\$127,900 to	1,120 to	\$87 to		
		\$189,900	2,190	\$114		
Hunter's Run (1986)					62	49 (0.3)
<i>Watts Construction</i>	80	\$219,500 to	2,305	\$95 to		
		\$272,540	2,441	\$112		

† Spec House - price depends on lot.

SOURCE: Zimmerman/Volk Associates, Inc.

**Summary Of Selected For-Sale
Single-Family Detached Developments**

Kalamazoo County, Michigan

December, 2001

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Average Lot Width</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Units</u>	<u>Total Sales (Monthly Average)</u>
. Portage Township						
Holiday Village (1997) <i>Lawrence R. Rogers Builders</i>	80 - 100 ft	\$128,900 to \$175,900	1,300 to 1,969	\$89 to \$99	246	40 (0.8)
Ashton Farms (2000) <i>Allen Edwin Homes</i>	70 - 90 ft	\$138,988 to \$159,900	1,224 to 1,620	\$99 to \$114	54	28 (2.3)
Sprinkle Woods (1994) <i>Four Seasons & Allen Edwin Homes</i>	80 - 100 ft	\$139,900 to \$154,900	1,400 to 1,572	\$99 to \$100	40	38 (0.4)
Austin View (1996) <i>Lawrence R. Rogers Builders</i>	70 - 90 ft	\$148,900 to \$240,000	1,400 to 2,571	\$93 to \$106	145	70 (1.2)
Deer Crossing (1999) <i>C&E Construction</i>	100 ft	\$160,000 to \$190,000	1,700 to 2,600	\$73 to \$94	73	33 (1.1)
The Meadows at Constitution (1998) <i>Allen Edwin Homes</i>	70 - 90 ft	\$160,158 to \$222,900	1,275 to 2,247	\$99 to \$126	70	58 (0.6)
Fox Valley (1995) <i>Four Seasons Development</i>	80 - 100 ft	\$162,000	1,500	\$108	52	46 (0.6)
The Harbors West (1999) <i>Argondelis Builders</i>	70 ft	\$166,500 to \$229,900	1,487 to 2,304	\$100 to \$112	22	16 (0.7)

**Summary Of Selected For-Sale
Single-Family Detached Developments**

Kalamazoo County, Michigan

December, 2001

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Average Lot Width</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Units</u>	<u>Total Sales (Monthly Average)</u>
. Portage Township (continued)						
Steeplechase (1999)					76	45 (2.5)
<i>Four Seasons & American Village Builders</i>	100 ft	\$167,180 to \$253,880	1,535 to 2,442	\$104 to \$109		
Andover Woods (2001)					42	10 (0.7)
<i>Four Seasons Development & Allen Edwin Homes</i>	80 - 100 ft	\$169,900 to \$197,900	1,446 1,536	\$117 to \$129		
Hawthorn Woods (1998)					45	30 (0.8)
<i>Shave Builder & Argondelis Builders</i>	100 ft	\$174,900 to \$198,000	1,536 to 1,931	\$103 to \$114		
The Pines (1999)					80	18 (0.8)
<i>Argondelis Builders</i>	100 ft	\$179,900 to \$249,900	1,950 to 2,260	\$92 to \$111		
Rudgate Farms V (1991)					120	90 (0.8)
<i>Argondelis Builders</i>	70 - 90 ft	\$179,900 to \$259,900	2,050 to 2,320	\$88 to \$112		<i>(total of 6 phases ~20 lots per phase)</i>
Foxwood Hills (1998)					80	79 (2.2)
<i>Allen Edwin Homes</i>	80 - 100 ft	\$185,430 to \$251,000	1,573 to 2,450	\$102 to \$118		
Romence Ridge (1999)					55	27 (1.1)
<i>Allen Edwin Homes</i>	80 - 100 ft	\$187,000 to \$234,500	1,635 to 2,404	\$98 to \$114		
Rose Arbor (1994)					67	34 (0.4)
<i>RE Modderman</i>	100 ft	\$190,000 to \$350,000	1,800 to 2,800	\$106 to \$125		

**Summary Of Selected For-Sale
Single-Family Detached Developments**

Kalamazoo County, Michigan

December, 2001

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Average</u> <u>Lot Width</u>	<u>Unit Price</u> <u>Range</u>	<u>Unit Size</u> <u>Range</u>	<u>Price Per</u> <u>Sq. Ft.</u>	<u>Total</u> <u>Units</u>	<u>Total Sales</u> <u>(Monthly</u> <u>Average)</u>
<i>..... Portage Township (continued)</i>						
The Harbors West (2001)					20	5 (1.3)
<i>Allen Edwin Builders</i>	70 ft	\$214,900 to \$229,900	2,067 to 2,304	\$100 to \$104		
The Meadows at Woodbridge Hills (1995)					38	30 (0.4)
<i>American Village Builders</i>	80 - 100 ft	\$231,900 to \$281,335	2,225 to 2,252	\$104 to \$125		
The Highlands at Woodbridge Hills (1995)					22	19 (0.3)
<i>American Village Builders</i>	90 - 100 ft	\$305,000 to \$583,466	2,890 to 4,188	\$106 to \$139		
<i>..... Texas Township</i>						
Applegate Farms (1999)					50	35 (1.5)
<i>(recently bought by)</i>	80 - 100	\$239,900 to	1,903 to	\$98 to		
<i>Allen Edwin Builders</i>	ft	\$335,675	3,413	\$126		
Barrington Shores					40	12
<i>American Village Builders</i>	1/2 acre sf	\$300,000 to \$550,000	3,500 to 4,500	\$86 to (phase I) \$122		

**Summary Of Selected For-Sale
Single-Family Detached Developments**

Kalamazoo County, Michigan

December, 2001

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Average</u> <u>Lot Width</u>	<u>Unit Price</u> <u>Range</u>	<u>Unit Size</u> <u>Range</u>	<u>Price Per</u> <u>Sq. Ft.</u>	<u>Total</u> <u>Units</u>	<u>Total Sales</u> <u>(Monthly</u> <u>Average)</u>
<i>. Village of Richland and Richland Township</i>						
Richland Village (1999)					32	28 (1.2)
<i>Allen Edwin Homes</i>	70 - 90 ft	\$179,900 to \$239,900	1,500 to 1,900	\$120 to \$126		
Prairie Crossings (1999)					28	7 (0.3)
<i>Legacy Fine Homes</i>	3/4 acre sf	\$239,900	2,480	\$97		
Hidden Pond (1993)					95	<i>(developer</i> <i>reports 12 sales</i> <i>a year)</i>
<i>American Village Builders</i>	1/2 acre sf	\$300,000 to \$550,000	3,500 to 4,500	\$86 to \$122		
<i>. Oshtemo</i>						
Valleywood (1993)					340	337 (3.7)
<i>First American Construction Co.</i>	70 - 90 ft	\$114,900 to \$189,900	1,120 to 2,190	\$87 to \$103		
LaSalle (1994)					70	67 (0.8)
<i>LaSalle Home Builders, Inc.</i>	1/3 - 1/2 acre sf	\$130,000 to \$220,000	1,150 to 2,000	\$110 to \$113		
Buckam Highlands (2000)					40	10 (0.5)
<i>BeyMoure, LLC</i>	70 - 90 ft	\$174,000 to \$235,000	1,470 to 1,677	\$118 to \$140		
Savannah (2001)					117	0 (0.0)
<i>Dominion Homes</i>	70 - 90 ft	\$205,000 to \$295,000	1,475 to 3,600	\$82 to \$139		

SOURCE: Zimmerman/Volk Associates, Inc.

**Summary Of Selected For-Sale
Single-Family Detached Developments**

Kalamazoo County, Michigan

December, 2001

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Average Lot Width</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Units</u>	<u>Total Sales (Monthly Average)</u>
..... Paw Paw						
Birmingham Meadows (2001)					66	12 (1.7)
<i>Powell Custom Homes</i>	1/3 - 1/2 acre sf	\$130,000 to \$170,000	1,300 to 1,700	\$100		
..... Mattawan						
Trestle Creek (2000)					93	24 (2.0)
<i>Powell Custom Homes & Various Builders</i>	1/2 acre sf	\$142,900 to \$326,000	1,540 to 3,045	\$93 to \$107		
Stratford Hills (1998)					83	73 (2.0)
<i>Allen Edwin Homes</i>	70 - 90 ft	\$165,000 to \$264,000	1,560 to 2,150	\$106 to \$123		
..... Schoolcraft Township						
Park West (1999)					31	15 (0.8)
<i>TA Scott Construction</i>	80 ft	\$144,900 to \$155,900	1,452 to 1,630	\$96 to \$100		

Optimum Market Position
CMI Target Area
City of Kalamazoo, Kalamazoo County, Michigan
September, 2002

<i>Percent of Units Number</i>	<i>Housing Type Building Type</i>	<i>Approx. Rent/Price Range</i>	<i>Approx. Unit Size Range</i>	<i>Approx. Rent/Price Per Sq. Ft.</i>	<i>Annualized Average Absorption</i>
52.2%	Multi-Family For-Rent				54
10	Lofts Over Commercial	\$400 to \$800	450 to 950	\$0.84 to \$0.89	10
..... All Building Types					
120	Flex 4	Studio	\$525	500	\$1.05
51	Flex 3	1br	\$675	700	\$0.96
228	Courtyard	2br	\$875	1,000	\$0.88
		3br	\$1,025	1,250	\$0.82
12.3%	Multi-Family For-Sale				12
72	Maisonette Apts. {each w/ 1-car garage}	1br 2br	\$120,000 to \$155,000	900 to 1,250	\$133 \$124
24	Quad "Big Home" {each w/ 1-car garage}	2br 3br	\$130,000 \$180,000	1,000 1,500	\$130 \$120
15.1%	Single-Family Attached For-Sale				12
82	Rowhouses {each w/ 2-car garage}	2br 3br	\$160,000 to \$190,000	1,200 to 1,500	\$127 \$133
36	Rowhouses {master-down} {each w/ 2-car garage}	2br 3br	\$175,000 to \$275,000	1,300 to 2,000	\$135 to \$138

NOTE: Base rents/prices are in year 2002 dollars and do not include premiums, options or upgrades.

SOURCE: Hamilton Anderson Associates;
 Zimmerman/Volk Associates, Inc.

Optimum Market Position
CMI Target Area
City of Kalamazoo, Kalamazoo County, Michigan
March, 2002

<i>Percent of Units Number</i>	<i>Housing Type Building Type</i>	<i>Approx. Rent/Price Range</i>	<i>Approx. Unit Size Range</i>	<i>Approx. Rent/Price Per Sq. Ft.</i>	<i>Annualized Average Absorption</i>
20.4%	Single-Family Detached For-Sale				18
160	Bungalows	2br 3br	\$145,000 to \$235,000	1,000 to 1,800	\$131 to \$145
100.0%					96 including rentals
783					42 excluding rentals

NOTE: Base rents/prices are in year 2002 dollars and do not include premiums, options or upgrades.

SOURCE: Hamilton Anderson Associates;
 Zimmerman/Volk Associates, Inc.

ZIMMERMAN/VOLK ASSOCIATES, INC.

17 East Main Street
Clinton, New Jersey 08809
908 735-6336 • 908 735-4751 *facsimile*

Research & Strategic Analysis

ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.



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17 East Main Street
Clinton, New Jersey 08809
908 735-6336 • 908 735-4751 *facsimile*

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