

HUD PD&R Housing Market Profiles

Kalamazoo-Portage, Michigan



Quick Facts About Kalamazoo-Portage

- Current sales market conditions: tight but easing
- Current apartment market conditions: tight but easing
- Located midway between Detroit, Michigan and Chicago, Illinois, the Kalamazoo metropolitan area is home to Western Michigan University and Kalamazoo College. The metropolitan area was also the original home for the Gibson Guitar Corporation, founded in 1902, which moved to Nashville, Tennessee in 1984.



Kalamazoo, Michigan

By Jeremy Albright | As of January 1, 2023

Overview

The Kalamazoo-Portage, MI Metropolitan Statistical Area (hereafter, Kalamazoo metropolitan area) consists of Kalamazoo and Van Buren Counties in southwest Michigan and is the sixth most populous metropolitan area in the state. The metropolitan area is situated along Interstate 94, which runs east to Detroit and west to Chicago and contributes to the prevalence of the manufacturing sector in the area. The presence of Western Michigan University and its Homer Stryker M.D. School of Medicine bolsters the education and health services sector, another major economic sector in the metropolitan area. Accordingly, the Stryker Corporation, a medical device manufacturer, is the second largest private employer in the area and is headquartered in the city of Kalamazoo.

- As of January 1, 2023, the population of the metropolitan area is estimated at 337,700, reflecting an average annual increase of 640, or 0.2 percent, since 2021. During this period, net natural increase, which averaged 830 people annually, led population growth. Net out-migration averaged 190 people annually.

continued on page 2



PD&R

continued from page 1

- The population declined during the year following the onset of the COVID-19 pandemic. From 2020 to 2021, the population fell by 420, or 0.1 percent (U.S. Census Bureau population estimates as of July 1). Net out-migration totaled 560 people during the period, partially due to deteriorating economic conditions. Net natural increase similarly contributed to the declining population, totaling 140 people due to increased deaths from the pandemic and decreased births from individuals who delayed having children.

Economic Conditions

In contrast to the nation, the Kalamazoo metropolitan area has yet to recover all the jobs lost during the COVID-19 pandemic-induced recession. As of December 2022, nonfarm payrolls were 1.2 percent less than the prepandemic peak that occurred in February 2020 (monthly data, not seasonally adjusted). By comparison, national nonfarm payrolls during December 2022 were 2.9 percent higher than the prepandemic peak in February 2020. The discrepancy is partially due to the magnitude of nonfarm payroll losses in the metropolitan area during the recent recession relative to the nation. Nonfarm payrolls decreased 7.5 percent during the fourth quarter of 2020 compared to the previous year, more extensive than the 5.9-percent loss that occurred nationally during the same period (monthly data, not seasonally adjusted).

During the fourth quarter of 2022—

- Nonfarm payrolls averaged 149,300, an increase of 2,200, or 1.5 percent, from the fourth quarter of 2021.

- The number of households in the metropolitan area increased by an average of 630 each year, or 0.5 percent, since 2010 to an estimated 137,600 households as of January 1, 2023. Household growth has exceeded population growth partially due to residents aged 25 to 44 forming additional smaller households and to an increase in the number of residents aged 65 and over, who often reside in smaller households on average (Harvard University Joint Center for Housing Studies).

By comparison, nonfarm payrolls grew 3.4 percent nationally during the same period.

- The leisure and hospitality and the manufacturing sectors led job growth in percentage terms, expanding by 900 and 1,100 jobs, or 6.5 and 4.7 percent, respectively. In June of 2022, Pfizer Inc. announced a \$120 million investment and the planned creation of 250 new jobs at its manufacturing facilities in the city of Portage (Pfizer Inc.).
- The manufacturing sector accounted for approximately 16 percent of all nonfarm payrolls in the metropolitan area. By comparison, manufacturing accounted for 8 percent of nonfarm payrolls nationally.
- The unemployment rate in the metropolitan area averaged 3.8 percent, up from the 3.7-percent rate during the same period a year ago and substantially below the 5.4-percent rate during the fourth quarter of 2020, when economic

continued on page 3

During the fourth quarter of 2022, 9 of the 11 payroll sectors added jobs in the Kalamazoo metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	December 2021 (Thousands)	December 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	147.1	149.3	2.2	1.5
Goods-Producing Sectors	30.3	31.3	1.0	3.3
Mining, Logging, & Construction	7.0	7.1	0.1	1.4
Manufacturing	23.2	24.3	1.1	4.7
Service-Providing Sectors	116.8	117.9	1.1	0.9
Wholesale & Retail Trade	21.4	21.5	0.1	0.5
Transportation & Utilities	5.3	4.5	-0.8	-15.1
Information	0.8	0.8	0.0	0.0
Financial Activities	7.5	7.7	0.2	2.7
Professional & Business Services	17.4	17.6	0.2	1.1
Education & Health Services	25.1	25.8	0.7	2.8
Leisure & Hospitality	13.9	14.8	0.9	6.5
Other Services	5.3	5.3	0.0	0.0
Government	20.1	19.8	-0.3	-1.5
Unemployment Rate	3.7%	3.8%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



continued from page 2

activity slowed following the onset of the COVID-19 pandemic. By comparison, the nationwide unemployment rate averaged 3.3 percent during the fourth quarter of 2022, down from 3.9 percent a year ago and from 6.5 percent during the fourth quarter of 2020.

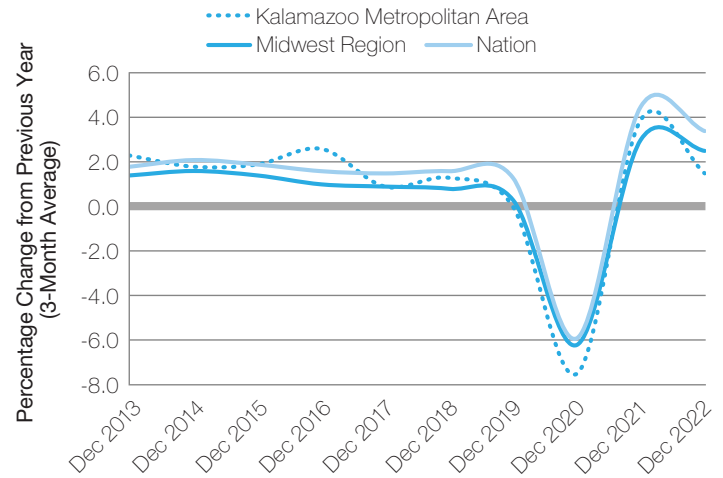
Despite overall job growth, nonfarm payrolls in the government and the transportation and utilities sectors declined by 300 and 800 jobs, or 1.5 percent and 15.1 percent, respectively, during the fourth quarter of 2022. Job losses in the government sector are partially due to continued declines in Western Michigan University enrollment. The total number of on-campus graduate and undergraduate students at the public university fell by an average of 460 students, or 2.0 percent, annually from 2010 to 2020 and fell by an additional 1,450 students from a total of 20,500 students during 2020 to 19,050 students during 2021 (Western Michigan University). A recent Western Michigan University study estimates that it contributes an annual \$1.6 billion to the metropolitan area economy. In the transportation and utilities sector, recent reductions in distribution capacity by several consumer goods and shipping companies have significantly affected the number of commercial trucking jobs in the area. General Mills, Inc. and FedEx Corporation, which both have large distribution centers in the metropolitan area, announced a cumulative 19,000 layoffs across the nation during 2022, while both companies seek to restructure following the decrease of consumer demand from peak levels that occurred during the year after the onset of the COVID-19 pandemic (Industry Dive).

Sales Market Conditions

The sales housing market in the Kalamazoo metropolitan area is tight but has eased in recent months, with an estimated vacancy rate of 0.5 percent as of January 1, 2023, down from 2.6 percent as of April 2010. Household growth during the past decade outpaced low levels of residential construction that followed the Great Recession and contributed to tightening sales market conditions throughout the 2010s. Since the onset of COVID-19, this trend has continued, with an aging population resulting in more senior households and an increase in household formation among younger residents aged 25 to 44. Months of supply in January 2022 fell to the lowest levels observed in the past 2 decades, and home prices have continued to increase at an accelerated pace. Increases in mortgage interest rates have reduced sales demand in recent months, however.

- During 2022, new and existing home sales in the metropolitan area decreased by 830 homes, or 12 percent,

The rate of nonfarm payroll growth in the Kalamazoo metropolitan area during the fourth quarter of 2022 slowed from the same period a year earlier and was below the rate for the nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Kalamazoo Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Bronson Healthcare Group	Education & Health Services	5,900
Western Michigan University	Government	4,225
Stryker Corporation	Manufacturing	3,300

Note: Excludes local school districts.

Source: City of Kalamazoo

to 5,975 homes sold compared with an 11-percent year-over-year increase during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst).

- The average sales price of new and existing homes increased by \$14,050, or 7 percent, to \$226,700 during 2022, less than the year-over-year increase of \$24,850, or 13 percent, during 2021.
- In response to falling sales demand, the supply of available for-sale homes rose from 1.0 month in December 2021 to 1.8 months in December 2022.
- The percentage of home loans in the metropolitan area that were seriously delinquent or had transitioned into real estate owned status was 0.9 percent in December 2022—equal to the prepandemic rate in December 2019 and down from 2.4 percent in December 2020, coinciding with the economic recovery in the metropolitan area.

continued on page 4

continued from page 3

Single-family homebuilding activity, as measured by the number of homes permitted and analyst estimates of home construction, increased from 2019 through 2022 in response to rising home demand and owner-household growth.

- Approximately 670 single-family homes were permitted during 2022, an increase of 20 homes, or 3 percent, from

2021 (preliminary data). By comparison, an average of 530 single-family homes were permitted annually from 2013 through 2017.

- New home construction during the past decade in the metropolitan area shifted from Kalamazoo County into Van Buren County, alongside an increase in investor purchases

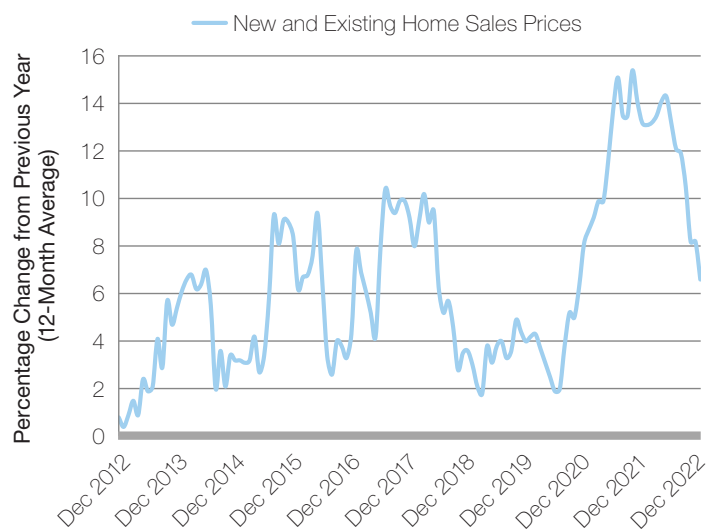
continued on page 5

After accelerating sharply during the COVID-19 pandemic, the number of new and existing home sales have declined in the Kalamazoo metropolitan area during the past year.



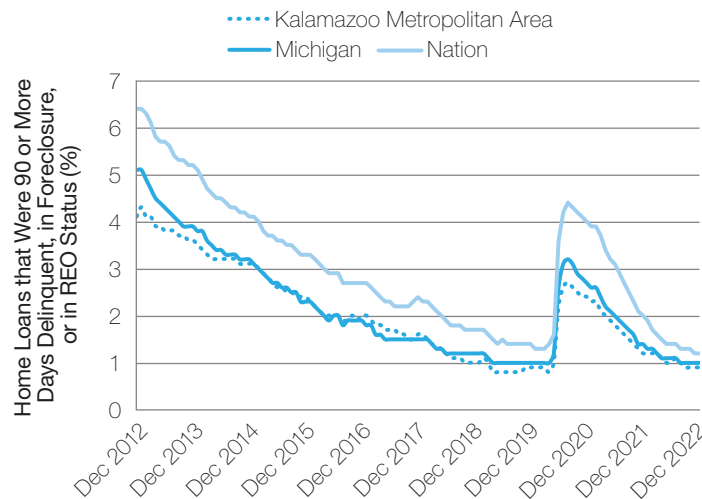
Note: Sales include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Home sales price growth in the Kalamazoo metropolitan area has moderated since peaking in October 2021.



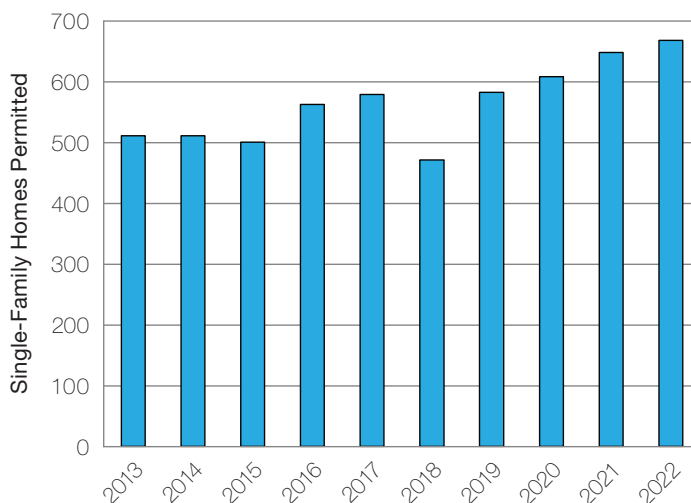
Note: Prices include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Kalamazoo metropolitan area has been below the national rate since at least 2012.



REO = real estate owned.
Source: CoreLogic, Inc.

Single-family permitting in the Kalamazoo metropolitan area during 2022 reached the highest level in the past decade.



Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst

continued from page 4

and retirees in Van Buren County purchasing seasonal homes in the city of South Haven (*South Haven Tribune*). In 2021, approximately 38 percent of new home construction in the metropolitan area was in Van Buren County compared with 20 percent in 2011. During this period, the share of the population aged 65 and above increased 4.4 percentage points to 18.7 percent in Van Buren County compared with an increase of 3.2 percentage points in Kalamazoo County.

Apartment Market Conditions

Apartment market conditions in the Kalamazoo metropolitan area are currently tight but easing. The growth of renter households since 2020—largely due to increased household formation of residents aged 25 to 44 and an increasing number of residents aged 65 and older—has contributed to strong rental demand. The number of multifamily units permitted decreased nearly every year from 2017 through 2021 and was unable to accommodate growing demand, which led to tightening market conditions. Increased construction in the past year has helped ease conditions a bit, although they remain tight.

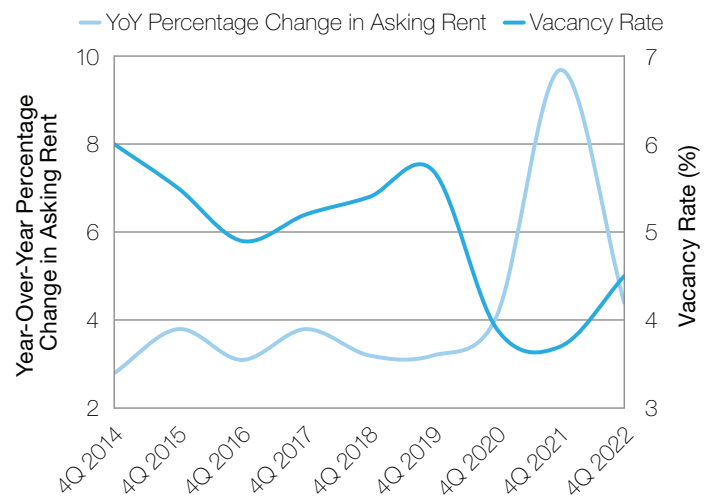
- During the fourth quarter of 2022, the apartment market vacancy rate was 4.5 percent, up from 3.7 percent during the fourth quarter of 2021 (CoStar Group). A rise in apartment construction during 2022 contributed to the increase.
- The average monthly apartment asking rent in the metropolitan area was \$995 during the fourth quarter of 2022, more than 4 percent higher than the average asking rent of \$953 during the fourth quarter of 2021.
- Student households account for an estimated 10 percent of occupied rental units in the metropolitan area. During 2022, the vacancy rate for college student apartments in the metropolitan area was 8.5 percent, up from 7.7 percent a year earlier. The average rent was \$1,130, up 11 percent from \$1,014 a year earlier (Moody's Analytics REIS).
- The apartment market in the metropolitan area was balanced throughout the 2010s, as new rental construction was sufficient to accommodate rental household growth. From 2014 to 2019, the fourth-quarter vacancy rate averaged 5.5 percent, and the average rent increased 3 percent a year.

During 2022, apartment developers responded to tight market conditions by significantly increasing construction to the highest level in the past decade.

- During 2022, 500 multifamily units were permitted, more than double the 190 multifamily units permitted during 2021 (preliminary data, with adjustments by the analyst).

- The largest development currently under way in the metropolitan area is an expansion of Centennial North, which is in the city of Vicksburg. The first phase of development began in 2011 and consisted of 150 homes. Completion of the final phase of development, which consists of 110 homes, is expected in 2023. Prices will range from the mid-\$200,000s to the low \$300,000s (Dodge Data & Analytics; Allen Edwin Homes).

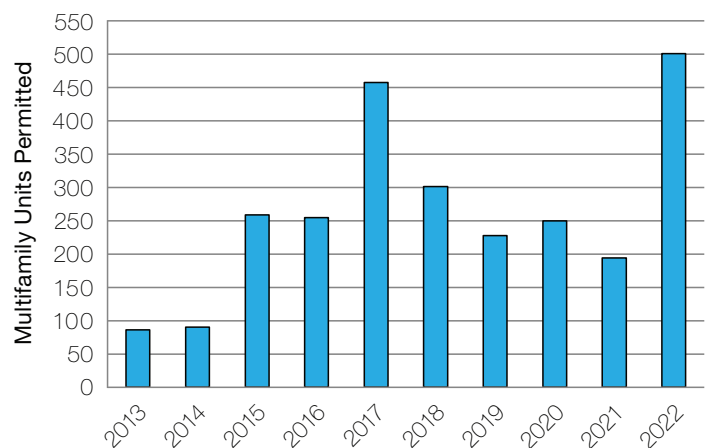
Record-level rent growth and low vacancy rates occurred in the Kalamazoo metropolitan area following the onset of the COVID-19 pandemic.



4Q = fourth quarter. YoY = year-over-year.

Source: CoStar Group

Multifamily construction in the Kalamazoo metropolitan area reached a record high during 2022 in response to tightening market conditions.



Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst

continued on page 6

continued from page 5

- Multifamily construction increased during the recovery from the Great Recession. From 2013 through 2017, multifamily construction increased by an average of 95 units permitted, or 51 percent, annually to 460 units in 2017. Multifamily construction fell to an average of 240 units permitted annually from 2018 through 2021.
- An estimated 460 multifamily units are under construction in the metropolitan area, most of which are in the city of Portage in structures with five or more units.
- The largest development currently under way in the metropolitan area is the Tall Timbers apartments in the city of Portage. The Tall Timbers is a 180-unit community that is expected to be complete in mid-2024 (Dodge Data & Analytics).
- The largest rental development completed in the past 5 years is the 700-unit Greenspire Apartments, also in the city of Portage. Rents at the development range from \$1,212 for one-bedroom units to \$1,507 for two-bedroom units (CoStar Group).

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area. 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.
Existing Home Sales	Includes resales, short sales, and real estate owned sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

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.
----	---