

# Morgantown MSA Economic Monitor



Volume 2, Number 2 • June 2006

Sponsored By Clear Mountain Bank

## Morgantown's Cost of Living at the National Average in First Quarter

Amy Higginbotham, Economist

For the start of 2006, the Morgantown MSA was level with the national average of a select group of urbanized areas in the U.S., according to the ACCRA Cost of Living survey. Out of the 297 cities who participated in this quarterly survey, Morgantown ranked 96 highest.

The ACCRA Cost of Living Index is a measure of regional cost differentials faced by professional/executive households in the top income quintile, as reflected in prices of a fixed market basket goods and services, which does not incorporate taxes beyond sale tax. In order to measure these cost differentials researchers each quarter in participating areas, like Morgantown, collect prices on 60 specific items by visiting a number of grocery and clothing stores in the area and calling establishments such as doctors and service providers. The prices gathered in each community were then sent to ACCRA, who performed quality control evaluations and computed a weighted average for each area.

For the first quarter of 2006, Morgantown's composite cost of living index was estimated to be 0.4 percent below the average cost of living in the U.S. for professional/executive households. What this means is that for every dollar that is required to maintain the standard of living for professional household across the country, Morgantown area residents are only required to spend 99.6 cents.

ACCRA also calculated the first quarter of 2006 index through a weighting structure that included the expenditure categories of grocery items, housing, utilities, transportation, health care, and miscellaneous goods and services. Each category holds a certain weight. For instance, housing costs carry a weight of 29 percent of the total index while utility costs carry a weight of 10 percent.

In the Morgantown area, utility, transportation, health care, and housing costs were estimated to be above the average of the participating areas in the first quarter of 2006, as shown in Table 1. Utility costs for the area, which includes electric, natural gas, and telephone rates, placed Morgantown in the top 24 percent of the participating cities. Transportation costs for Morgantown landed 3.5 percent above the average but 5.1 percent below Washington, DC. Doctor, dentist, optometrist, and drug costs for the Morgantown area were also above the average with an index of 104.6. This index puts the Morgantown in the same health care cost range as Winston-Salem, NC but well below other Eastern college communities such as Charlottesville, VA and Columbus, OH. Housing costs in Morgantown were estimated at 1 percent above the average of participating cities. This leaves Morgantown's housing costs near the average for the first quarter but they landed 14 percent and 14.6 percent above the estimated indexes for Charleston and Pittsburgh, PA.

Grocery items and miscellaneous goods and services helped keep Morgantown's cost of living index for the start of 2006 near the national average. Grocery items, which included 26 items typically purchased by professional households, was right at the national average while miscellaneous goods and services, which included veterinary costs to the price of a pizza, was estimated at 6.2 percent below the average.

The ACCRA Cost of Living Index is a useful indicator of local economic conditions but should be considered with caution. The cost of living is only estimated for a specific group of individuals and it does not include many of the taxes imposed on the individuals. Local conditions and trends that an area is experiencing are also not part of this index and should be considered before concluding exactly what relative cost of living information means.

**Table 1**  
**ACCRA Cost of Living Index**  
**First Quarter 2006**

Metropolitan Area	Composit Index (100%)	Grocery Items (13%)	Housing (29%)	Utilities (10%)	Transportation (9%)	Health Care (4%)	Misc. Goods & Services (35%)	Estimated 2004 MSA Population
<b>West Virginia Urban Areas</b>								
<b>Morgantown</b>	<b>99.6</b>	<b>100.0</b>	<b>101.0</b>	<b>109.1</b>	<b>103.5</b>	<b>104.6</b>	<b>93.8</b>	<b>113,774</b>
Charleston	93.0	93.2	88.6	100.0	97.3	92.5	93.4	307,763
<b>Other Eastern University Communitites</b>								
Columbus, OH (Ohio State University)	102.1	99.1	101.8	113.7	101.7	106.2	99.8	1,693,906
Charlottesville, VA (University of Virginia)	102.3	103.8	100.0	89.8	94.0	115.8	108.0	180,901
Cincinnati, OH (Cincinnati)	94.0	91.7	85.3	109.2	89.8	95.2	98.5	2,058,221
Louisville, KY (Louisville)	97.2	95.2	85.6	100.8	111.4	98.1	102.1	1,200,847
Pittsburgh, PA (Pittsburgh)	93.9	96.9	88.1	93.4	102.2	89.1	94.0	2,401,575
Syracuse, NY (Syracuse)	102.2	103.4	85.5	129.2	114.5	95.0	104.8	653,988
<b>Major U.S. Metro Areas</b>								
Atlanta, GA	97.5	97.8	96.3	86.2	102.0	101.2	99.9	4,708,297
Boston, MA	133.6	112.6	163.2	126.0	111.5	130.4	126.4	4,424,649
Cleveland, OH	98.0	106.4	92.0	112.4	99.1	100.9	95.0	2,137,073
Denver, CO	100.4	103.7	106.7	94.3	94.7	102.5	97.1	2,330,146
Houston, TX	90.2	83.1	74.0	112.3	98.1	98.8	96.3	5,180,443
Los Angeles, CA	158.2	135.8	271.7	102.9	115.0	116.6	108.7	12,925,330
Miami, FL	115.4	102.1	144.0	96.5	109.1	113.4	104.8	5,361,723
New York (Manhattan), NY	201.2	144.6	373.6	135.1	108.6	127.8	138.2	18,709,802
Philadelphia, PA	124.0	123.7	144.7	115.2	110.0	115.9	115.1	5,800,614
Washington, DC	142.1	109.2	223.6	118.8	109.1	109.3	108.9	5,139,549

Source: ACCRA Cost of Living Index: Comparative Data for 297 Urban Areas Volume 39(1)

## Tales of Two Fast-Growing Regions

**George W. Hammond, Research Associate Professor and Justin Ross, Graduate Research Assistant**

Both the Morgantown MSA and the Eastern Panhandle region have far outperformed U.S. and state job growth since 2001, as Figure 1 shows. U.S. total nonfarm employment grew by 0.3 percent per year from 2001 to 2005. Similarly, West Virginia's job growth during the period averaged 0.4 percent per year. However, the Morgantown MSA and the Eastern Panhandle grew at an annual average of 2.4 and 2.2 percent, respectively.

Both areas saw their largest employment gains in construction, with Morgantown posting a 7.0 percent gain and the Eastern Panhandle recording construction job gains of 14.3 percent annually. These construction job gains have been driven by significant population growth, with the Eastern Panhandle adding an amazing 21,255 new residents since 2001 (3.7 percent annual rate) and the Morgantown MSA adding 2,898 new residents (0.6 percent annual rate) during the period.

Reflecting the construction job gains during the last four years, the value of residential construction spending grew by 56.4 percent per year in the Eastern Panhandle and 39.6 percent per year in the Morgantown MSA. Neither region is spending on infrastructure development at a similar pace, suggesting transportation and other infrastructure bottlenecks to come.

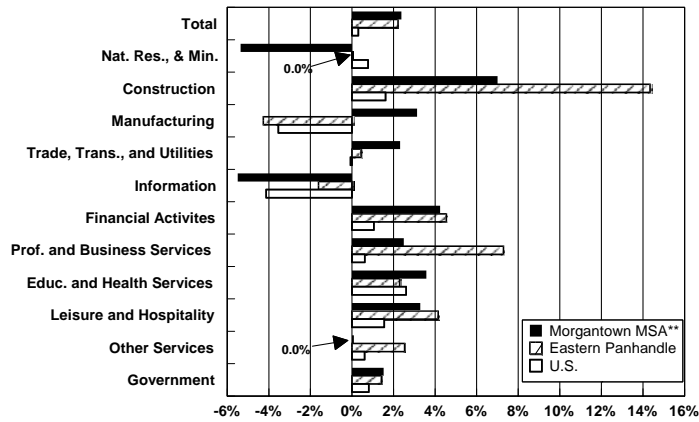
Both regions have capitalized on their strong growth attributes to take part in the national boom in the housing market. While the Office of Federal Housing Enterprise Oversight only computes the housing price index for the U.S., states, and MSAs, we can compare the growth rates between the Morgantown MSA and those MSAs with component counties in the Eastern Panhandle.

Nonseasonally-adjusted single-family house prices in the Morgantown MSA fell by 2.8 percent in the first quarter of 2006, which translates into an annual rate of decline of 10.7 percent. However, due to variability inherent in the data, as well as possible seasonal affects, this decline is likely indicative only of a slowdown in house price appreciation, if that. Morgantown MSA single family house prices remain 10.5 percent above their year-ago level.

The MSAs on West Virginia’s eastern borders mirrored the Morgantown pattern of slower house price appreciation in the first quarter, but overall gains continue to be much faster than those reported for Morgantown. The Hagerstown-Martinsburg MSA (which includes Morgan and Berkeley counties) saw house price appreciation of 19.1 percent in the first quarter, down from 24.1 percent on a year-ago basis. The Washington MSA (including Jefferson County) saw house prices rise 10.1 percent in the first quarter, down from 21.8 percent on a year-ago basis. With national 30-year fixed mortgage interest rates up to 6.60 percent in mid-May 2006, this suggests that residential construction activity and house price appreciation may finally begin to slow during the next year.

As Figure 1 shows, Morgantown was one of the few regions to post job gains in the manufacturing sector, likely in pharmaceuticals and fabricated metals. In contrast, the Eastern Panhandle struggled in the manufacturing sector with a decline of -4.3 percent, higher even than the national decline of -3.5 percent and the state drop of 3.8 percent per year.

**Figure 1**  
**Morgantown MSA, Eastern Panhandle, and U.S.**  
**Annual Job Growth: 2001-2005\***



\*Annual job growth is based on non farm payroll data.  
 \*\*Growth rates for Morgantown MSA is derived from the sum of Monongalia and Preston Counties and differs from BEP published values for the MSA.

Job gains in trade, transportation, and utilities came at a faster rate in Morgantown during the last four years, reflecting growing retail opportunities in the region. Both the Morgantown MSA and the Eastern Panhandle outpaced national growth in professional and business services as well as leisure and hospitality employment. Education and health care employment growth was similar for all three regions.

**Morgantown MSA Economic Indicators**  
(Seasonally Adjusted Unless Otherwise Noted)

Region/Indicator	Year			Quarter				
	2003	2004	2005	2005:1	2005:2	2005:3	2005:4	2006:1
<b>Morgantown MSA</b>								
Total Nonfarm Employment	54,408	55,909	57,504	57,370	56,919	58,074	57,651	60,828
Total Nonfarm Employment (%ch)	3.7	2.8	2.9	9.4	-3.1	8.4	-2.9	23.9
Nat. Res. and Mining	820	810	770	791	833	803	652	601
Construction	2,377	2,480	2,736	2,566	2,652	2,811	2,916	3,309
Manufacturing	3,492	3,645	3,785	3,705	3,727	3,835	3,871	3,991
Trade, Trans., and Util.	7,598	7,816	8,232	8,155	8,117	8,230	8,427	8,669
Information	677	635	632	622	601	621	685	705
Financial Activities	1,632	1,707	1,694	1,777	1,690	1,588	1,719	1,723
Prof. & Bus. Servs.	4,418	4,659	4,478	4,543	4,495	4,456	4,420	4,480
Educ. & Health Servs	10,370	10,755	11,143	10,902	11,091	11,348	11,231	11,418
Leisure and Hospitality	4,611	5,023	5,197	5,258	5,138	5,122	5,269	5,451
Other Services	2,775	2,762	2,762	2,753	2,686	2,795	2,814	2,942
Total Government	15,637	15,617	16,075	16,298	15,889	16,465	15,646	17,540
Unemployment Rate (%)	4.5	3.8	3.5	3.6	3.8	3.6	3.1	2.7
Residential Const. Contracts (\$ mil. AR)	16	35	26	22	20	27	34	31
Non-Building Const. Contracts (\$ mil., NSA AR)	17	19	13	0	18	26	8	19
Non-Residential Const. Contracts (\$ mil., NSA AR)	71	121	87	110	40	85	112	189
Residential Const. Contracts (Units AR)	158	418	185	158	165	230	185	169
Housing Price Index (NSA, 1980Q1=100.0)	127.3	139.9	158.9	144.2	151.7	154.7	164.0	159.4
Housing Price Index (%ch)	4.8	9.9	13.6	14.7	22.4	8.1	26.2	-10.7
Population	113,447	113,883	114,501	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	25,739	27,211	n/a	n/a	n/a	n/a	n/a	n/a
<b>West Virginia</b>								
Total Nonfarm Employment (thous.)	727.6	736.9	746.8	742.3	746.3	747.6	751.1	750.9
Total Nonfarm Employment (%ch)	-0.8	1.3	1.3	1.2	2.1	0.7	1.8	-0.1
Unemployment Rate (%)	6.0	5.3	5.0	4.8	4.9	5.2	4.9	3.9
Residential Const. Contracts (\$ mil. AR)	725	844	1,131	964	1,084	1,276	1,199	1,652
Non-Building Const. Contracts (\$ mil., NSA AR)	509	681	1,005	233	1,003	1,225	1,558	460
Non-Residential Const. Contracts (\$ mil., NSA AR)	482	528	692	364	683	719	1,002	1,011
Residential Const. Contracts (Units AR)	5,271	6,113	6,516	6,321	6,589	7,039	6,117	7,476
Housing Price Index (NSA, 1980Q1=100.0)	183.1	194.6	215.3	212.7	219.0	227.8	234.8	241.5
Housing Price Index (%ch)	4.2	6.3	10.6	9.0	12.4	17.0	12.9	11.9
Population	1,810,347	1,812,548	1,816,856	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	24,515	25,792	27,215	n/a	n/a	n/a	n/a	n/a
<b>United States</b>								
Total Nonfarm Employment (thous.)	129,993	131,424	133,459	132,694	133,230	133,750	134,161	134,730
Total Nonfarm Employment (%ch)	-0.3	1.1	1.5	1.4	1.6	1.6	1.2	1.7
Unemployment Rate (%)	6.0	5.5	5.1	5.2	5.1	5.0	4.9	4.7
Housing Price Index (NSA, 1980Q1=100.0)	293.2	325.0	367.8	349.9	362.7	374.5	386.0	393.8
Housing Price Index (%ch)	6.8	10.8	13.2	11.5	15.5	13.6	12.9	8.4
Population	290,850,005	293,656,842	296,410,404	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	31,484	33,050	34,586	n/a	n/a	n/a	n/a	n/a

Notes:

Construction data is from FW Dodge. Monthly data is reported at annual rate. NSA means Non-seasonally Adjusted data. AR indicates annual rate  
Per Capita Personal Income is from www.bea.gov , Population is based on Census estimates on July 1 of that year  
Employment data is from the Bureau of Labor Statistics and WORKFORCE West Virginia  
Housing Price Index is from the Office of Federal Housing Enterprise Oversight.  
Data compiled by WVU Bureau of Business and Economic Research, www.bber.wvu.edu  
%ch: quarter to quarter percent change, annual rate.

## Morgantown MSA Economic Monitor

R. Stephen Sears

Milan Puskar Dean of Business & Economics

Tom S. Witt

Associate Dean for Research & Outreach and Director  
of the Bureau of Business and Economic Research

George W. Hammond

Research Associate Professor and Editor of the  
Morgantown MSA Economic Monitor



Copyright © 2006 WVU Research Corporation  
[www.bber.wvu.edu](http://www.bber.wvu.edu)