



Population Booms and Busts

The city of Morgantown has added the most residents of any city in the state during the last four years, according to the latest population estimates from the U.S. Census Bureau. With the addition of 1,362 residents from 2000 to 2004, which translates into a growth rate of 1.2 percent per year, Morgantown is now the 5th largest city in the state. Table 1 shows the top and bottom five cities in terms of population gains and losses during the last four years.

Table 1
West Virginia City Population Change from 2000 to 2004

City	Population		Change 2000-2004		Annual
	2000	2004	Number	Rank	Growth Rate (%)
Most new residents:					
Morgantown	26,798	28,160	1,362	2	1.2
Martinsburg	14,948	15,635	687	3	1.1
Hurricane	5,355	5,788	433	4	2.0
Charles Town	2,999	3,408	409	5	3.2
Ranson	3,064	3,432	368	6	2.9
Most population loss:					
Weirton	20,369	19,691	-678	230	-0.8
Parkersburg	33,081	32,159	-922	231	-0.7
Wheeling	31,353	29,891	-1,462	232	-1.2
Huntington	51,388	49,891	-1,497	233	-0.7
Charleston	53,247	51,685	-1,562	234	-0.7

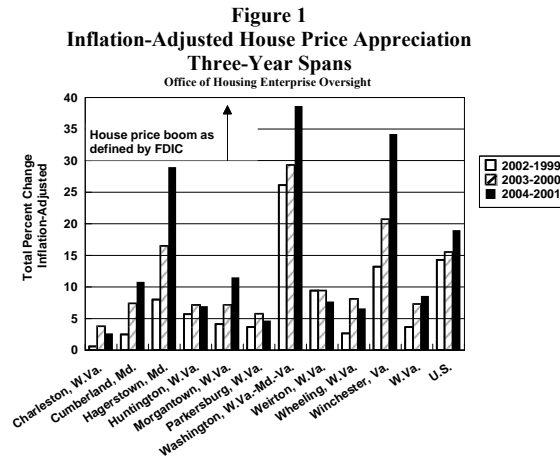
Data from U.S. Bureau of the Census

Bubble, Bubble,....Trouble?

Strong population growth in the city and the Morgantown MSA (Monongalia and Preston counties) has contributed to the region's surging construction activity and rising single-family home prices. According to the latest data from the Office of Federal Housing Enterprise Oversight, prices for single family detached houses in the Morgantown MSA rose by an annualized 9.8 percent in the first quarter of 2005, compared to the previous quarter. Compared to the same quarter of 2004, Morgantown house prices rose 11.5 percent in the first quarter. That far exceeded state results during the same period (up by 7.8 percent) but fell just short of the national average of 12.5 percent.

House price appreciation in the first quarter was strongest in the metropolitan areas containing West Virginia counties in the Eastern Panhandle and Potomac Highlands regions. House price appreciation in the Hagerstown-Martinsburg MSA hit 20.2 percent, the Winchester MSA hit 21.9 percent, and the Washington metropolitan area recorded the fastest appreciation of any MSA with a county in the state at 23.2 percent.

House price appreciation is undeniably strong at the moment, but is it really an unsustainable bubble, as some believe? The Federal Deposit Insurance Corporation (FDIC) recently released a study examining house price appreciation for all U.S. metropolitan areas. In the study, booming markets are defined as those with rates of house price appreciation above 30 percent over a three year period, after adjustment for inflation. Figure 1 shows how metropolitan areas with West Virginia counties fair based on this definition. The figure shows results for three overlapping periods: 1999-2002, 2000-2003, and 2001-2004.

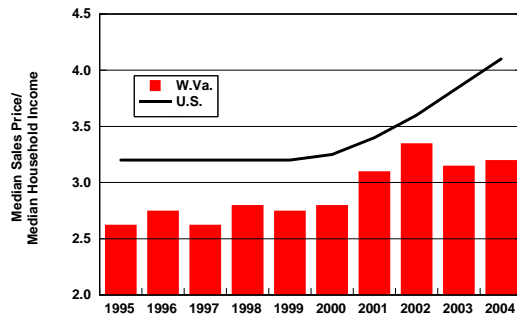


Note first that for many of these metropolitan areas house price appreciation has accelerated during each subsequent period. This suggests that national conditions are contributing to similar trends across many metropolitan areas. In particular, low mortgage interest rates nationally have driven up demand for housing nation-wide. Note also that the strongest house price appreciation has tended to be in the metropolitan areas in the eastern section of the state, with two out of three of these metropolitan areas posting real house price appreciation rates above 30 percent during the 2001-2004 period. This reflects their relatively strong population growth and overall economic performance. Finally, note that by this definition the Morgantown MSA, with its inflation-adjusted appreciation rate of 11.5 percent, is not booming and is not even close to booming, according to the FDIC definition.

One interesting result of the FDIC study, is that metropolitan areas that experience house price booms do not always subsequently experience house price busts. The more common experience is for a period of boom to be followed by a period of house price stagnation, not outright price declines. Further, busts tend to be accompanied by major local economic problems, such as the downsizing of major employers or industries. This should be at least a little comforting to our neighbors in the Eastern Panhandle and Potomac Highlands.

It seems at first glance that housing affordability must have declined rapidly since 2001. Indeed, while real single family-detached home prices appreciated by 11.5 percent from 2001 to 2004, real income growth in the MSA has likely been between 2.0 and 4.0 percent during the period, depending on the particular income measure used. This situation has been similar for the state and the nation, as Figure 2 shows.

Figure 2
Home Price-to-Income Ratios in W.Va.
Remain Below the National Average



Source: West Virginia State Profile, Summer 2005, FDIC.
 Data from Census Bureau and Economy.com.

However, housing affordability often boils down to the monthly payments required to finance the purchase. As we've seen house prices in the MSA rise since 2001, we've also seen mortgage rates decline. Let's compute the monthly payment (excluding insurance and taxes, with 20 percent down) for a \$180,000 house, assuming a 30-year fixed mortgage rate of 7.0 percent (that's approximately the national 30-year fixed rate in 2001). Using the Bruceton Bank (www.brucetonbank.com) mortgage calculator, these data yield a monthly payment of \$958.04. Next, assume that the house price rises by 18.9 percent (which is the nominal house price appreciation in the MSA) to \$214,094 by 2004. In contrast, national 30-year fixed mortgage rates fall to 5.84 percent. The monthly payment under these terms rises to \$1,009.32, an increase of 5.4 percent during the period (and before adjustment for inflation). During the same period wages and salaries per worker in the MSA rose by 8.8 percent, again before adjustment for inflation. Thus, while house prices have risen far faster than incomes, monthly mortgage payments have not risen as quickly, due to declining mortgage interest rates.

Morgantown MSA Economic Indicators
 (Seasonally Adjusted Unless Otherwise Noted)

Region/Indicator	Year			Month					
	2002	2003	2004	Dec. 2004	Jan. 2005	Feb. 2005	Mar. 2005	Apr. 2005	May 2005
Morgantown MSA									
Total Nonfarm Employment (thous.)	52.2	54.4	55.9	56.6	56.9	56.8	56.9	57.6	57.4
Total Nonfarm Employment (%)	2.1	4.2	2.8	-10.0	7.6	-2.5	1.6	16.2	-4.5
Goods Producing Employment (thous.)	6.4	6.7	6.9	7.1	7.1	7.1	7.1	7.2	7.3
Goods Producing Employment (%)	2.3	3.9	3.5	32.8	-6.8	8.8	4.5	15.0	10.4
Service Providing Employment (thous.)	45.8	47.7	49.0	49.5	49.9	49.7	49.7	50.4	50.1
Service Providing Employment (%)	2.1	4.3	2.7	-14.8	9.8	-4.1	1.1	16.4	-6.5
Unemployment Rate (%)	3.7	4.0	3.5	3.2	3.4	3.7	4.0	3.8	3.2
Residential Const. Contracts (\$ mil. NSA AR)	13,385	15,870	37,647	20,472	22,272	15,804	18,672	18,420	22,272
Non-Building Const. Contracts (\$ mil., NSA AR)	31,111	17,245	18,627	0,000	0,000	0,000	0,000	40,728	5,868
Non-Residential Const. Contracts (\$ mil., NSA AR)	28,965	70,858	119,664	5,568	164,868	93,936	72,600	38,484	46,248
Residential Const. Contracts (Units AR)	150	157	456	156	168	120	144	144	168
Population	112,373	113,502	113,774	n/a	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	25,062	25,927	n/a	n/a	n/a	n/a	n/a	n/a	n/a
West Virginia									
Total Nonfarm Employment (thous.)	733.1	727.6	736.2	736.8	741.1	740.3	742.5	743.2	743.7
Total Nonfarm Employment (%)	-0.3	-0.8	1.2	-1.1	7.2	-1.3	3.6	1.1	0.8
Unemployment Rate (%)	6.1	6.1	5.3	4.9	4.7	5.0	5.2	5.1	4.5
Residential Const. Contracts (\$ mil. AR)	571	725	843	1,056	1,086	957	846	951	789
Non-Building Const. Contracts (\$ mil., NSA AR)	847	509	696	476	51	67	299	392	2,158
Non-Residential Const. Contracts (\$ mil., NSA AR)	460	482	527	131	193	234	663	1,257	537
Residential Const. Contracts (Units AR)	4,625	5,271	6,106	5,600	7,791	5,908	5,152	6,493	5,858
Population	1,805,230	1,811,440	1,815,354	n/a	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	23,841	24,542	25,872	n/a	n/a	n/a	n/a	n/a	n/a
United States									
Total Nonfarm Employment (thous.)	130,341	129,999	131,480	132,449	132,573	132,873	132,995	133,269	133,347
Total Nonfarm Employment (%)	-1.1	-0.3	1.1	1.4	1.1	2.7	1.1	2.5	0.7
Unemployment Rate (%)	5.8	6.0	5.5	5.4	5.2	5.4	5.2	5.2	5.1
Population	287,941,220	290,788,976	293,655,404	n/a	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	30,804	31,472	32,937	n/a	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 West Virginia Bureau of Employment Programs
 Data compiled by WVU Bureau of Business and Economic Research, www.bber.wvu.edu

**Morgantown MSA City Population Change from 2000 to 2004
(Incorporated Areas)**

Geography	Population		2000-2004	
	2000	2004	Change	Ann. Gr. Rt. (%)
West Virginia	1,807,436	1,815,354	7,918	0.11
Morgantown MSA	111,169	113,774	2,605	0.58
Monongalia County	81,862	83,918	2,056	0.62
Blacksville	175	172	-3	-0.43
Granville	778	778	0	0.00
Morgantown	26,798	28,160	1,362	1.25
Star City	1,364	1,364	0	0.00
Westover	3,935	3,922	-13	-0.08
Preston County	29,307	29,856	549	0.47
Albright	247	248	1	0.10
Brandonville	120	122	2	0.41
Bruceton Mills	74	74	0	0.00
Kingwood	2,935	2,914	-21	-0.18
Masontown	645	644	-1	-0.04
Newburg	359	356	-3	-0.21
Reedsville	517	523	6	0.29
Rowlesburg	612	615	3	0.12
Terra Alta	1,455	1,483	28	0.48
Tunnelton	336	343	7	0.52

Data from U.S. Bureau of the Census. Population as of July 1 of the year.

Morgantown MSA Economic Monitor

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