

West Virginia Business & Economic

REVIEW

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West Virginia Construction Roundup 2005

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The value of residential, nonresidential, and non-building construction contracts in West Virginia in 2004 hit \$2.053 billion, according to data from F.W. Dodge.¹ That is up \$354 million (20.8 percent) from a 2003 level of \$1.699 billion. As **Figure 1** shows, the surge in the value of construction contracts in 2004 was driven by strong gains in non-building (up 36.7 percent) and residential construction (up 18.0 percent). Non-building construction includes roads, highways, water, sewer, and other projects that are not “buildings.”

MARK YOUR CALENDARS

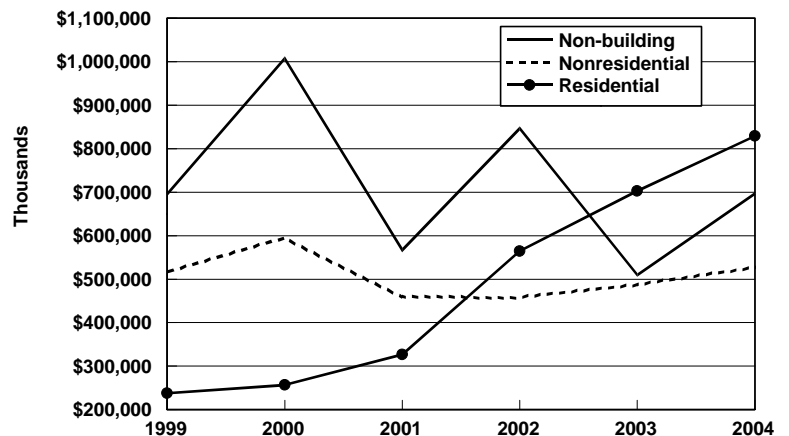
West Virginia ECONOMIC OUTLOOK
12th Annual
West Virginia
Economic Outlook Conference

Thursday, Nov. 17, 2005
Embassy Suites
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Figure 1

West Virginia Value of Construction Starts by Type



Source: F.W. Dodge

¹ The F. W. Dodge data tracks new construction projects which are due to break ground within 60 days.

From 1999 to 2002, non-building construction dominated total construction value, but for the second straight year, residential construction accounted for the largest portion. Residential construction value in the state has increased every year since 1999, rising from \$238.0 million in 1999 to \$829.0 million. This translates into a rate of increase of 28.3 percent per year and accounts for 40.4 percent of the value of all construction contracts in 2004. Nonresidential construction value has been fairly stable in the \$500 million to \$600 million range since 1999, while non-building construction has gyrated from a high of just over \$1.0 billion in 2000 to a low of \$510 million in 2003.

Even with a large surge in the state's residential construction activity, the demand for new homes has driven housing prices upward at strong rates, as **Table 1** shows. Indeed, price appreciation for single-family detached houses in West Virginia hit 6.9 percent during the 2003-2004 period, according to data from the Office of Federal Housing Enterprise Oversight. That's well below the national rate of house price appreciation (up 10.8 percent for the year), but it's far above the average rate of price increase for the 1996-2004 period, when state house prices rose by an average of 4.1 percent per year.

Table 1
House Price Appreciation in West Virginia Metropolitan Statistical Areas (MSA)*

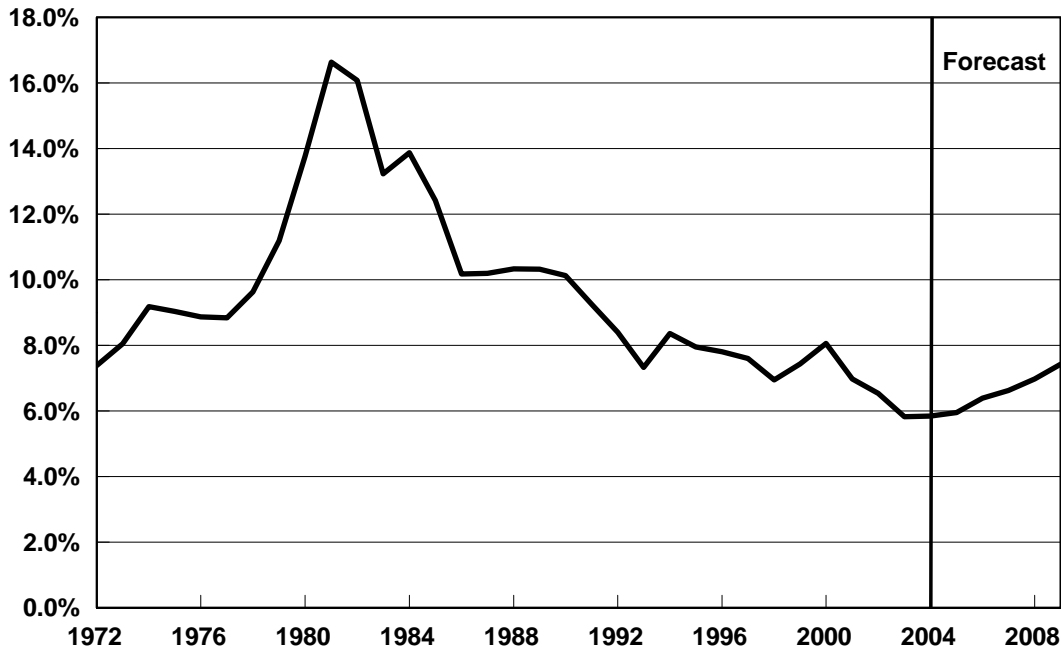
	Annual Percent Change			
	2003-2004	1996-2004	1996-2000	2000-2004
Charleston MSA	3.3	3.0	2.6	3.5
Cumberland MSA	8.7	3.9	2.2	5.7
Hagerstown-Martinsburg MSA	17.6	6.2	2.5	10.0
Huntington-Ashland MSA	5.3	4.0	3.3	4.8
Morgantown MSA	9.9	4.2	2.5	5.9
Parkersburg-Marietta MSA	5.2	4.0	3.7	4.4
Wash.-Arl.-Alex. MSA	19.3	8.6	4.1	13.3
Weirton-Steubenville MSA	3.8	5.1	5.1	5.0
Wheeling MSA	5.1	4.6	4.3	5.0
Winchester MSA	19.6	7.1	2.8	11.5
W.Va.	6.9	4.1	2.9	5.3
U.S.	10.8	6.6	5.1	8.2

Source: Office of Federal Housing Enterprise Oversight

*MSAs with at least one West Virginia county. These data cover repeat transactions on single-family detached properties for which at least two mortgages were originated and subsequently purchased by either Freddie Mac or Fannie Mae. The use of repeat transactions on the same physical property helps to control for differences in the quality of the houses comprising the sample used for statistical estimation. <http://www.ofheo.gov/>

Surging residential construction and home prices in the state reflect record low mortgage interest rates, which have helped to fuel a nationwide building boom. **Figure 2** puts the drop in mortgage rates in perspective. It shows that the 30-year conventional rate hit 5.84 percent in 2004, far below the 1990 level of 10.1 percent and miles below the rate spike in 1981 to 16.6 percent. As **Figure 2** also shows, the latest forecast from Global Insight currently calls for mortgage rates to gradually trend up from 5.95 percent in 2005 to 7.4 percent by 2009. The expectation of rising mortgage interest rates in the near future will tend to spur greater home-buying activity now, since it creates the impression that mortgage rates have “bottomed out.”

Figure 2
U.S. 30-Year Fixed Mortgage Rates



Source: Global Insight, June 2005

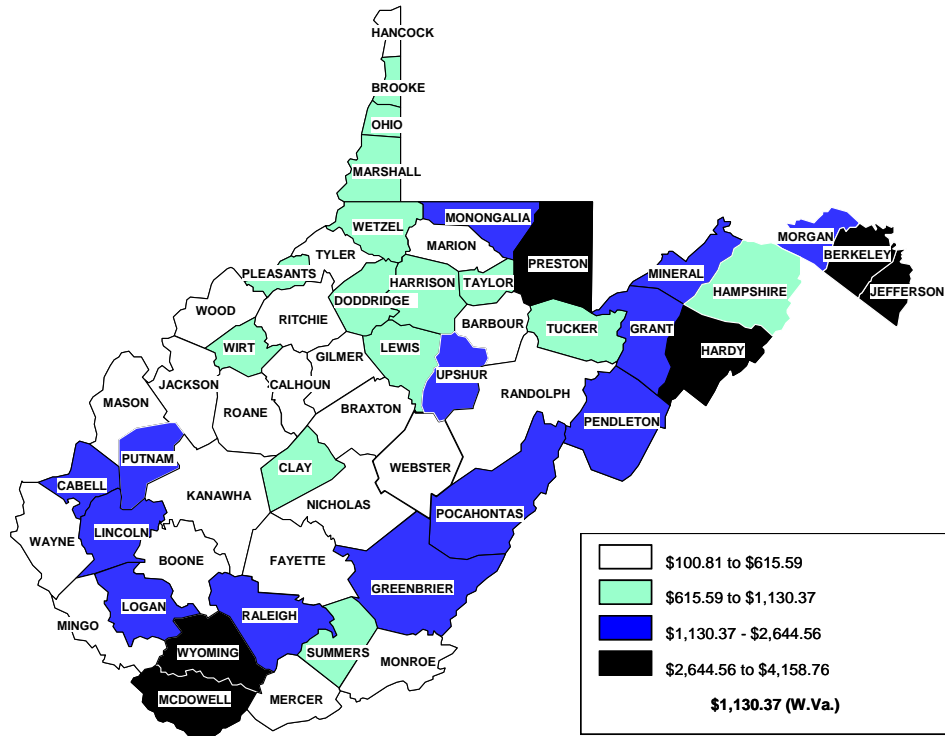
County and Labor Market Results

While statewide activity has been strong, it has not been evenly spread across counties. As **Figure 3** and **Table 2** (see next page) show, the highest values of construction contracts per capita in 2004 were in Hardy County (\$4,159), Wyoming County (\$3,881), McDowell County (\$3,431), Jefferson County (\$3,217), and Berkeley County (\$3,184). Hardy County construction activity in 2004 was dominated by non-building contracts (primarily streets & highways and bridges), with construction on Corridor H in the county. Activity in Wyoming County reflected utility construction, while activity in McDowell County was primarily split across non-building (utility construction) and nonresidential construction. Finally, for Berkeley and Jefferson counties, strong residential construction activity dominated the sector. Indeed, these two counties alone accounted for 21.3 percent of the value of state construction contracts in 2004 and an amazing 39.1 percent of state residential contracts.

One way to define labor market areas is to use the concept of “core based statistical areas” provided by the federal Office of Management and Budget. The term “core based statistical area” (CBSA) collectively refers to metropolitan statistical areas (MSAs) and micropolitan statistical areas (MicroSAs). MSAs contain at least one urbanized area with a population of 50,000 or greater. The county containing the urbanized area is designated as the core county of the MSA. Surrounding counties may be included in the MSA if there are sufficiently strong commuting flows between the core county and surrounding counties. MicroSAs are similar to MSAs, but are based around an urbanized area with a population greater than 10,000 but less than 50,000.

As **Figure 4** shows, there are 10 MSAs and six MicroSAs with component counties in West Virginia. However, only two of the MSAs and four of the MicroSAs are completely contained in the state. The others include counties located in our surrounding states.

Figure 3
2004 W.Va. County Total Construction Value Per Capita



Source: F.W. Dodge data and 2004 Census Population estimates.

Figure 4
West Virginia's Statistical Areas

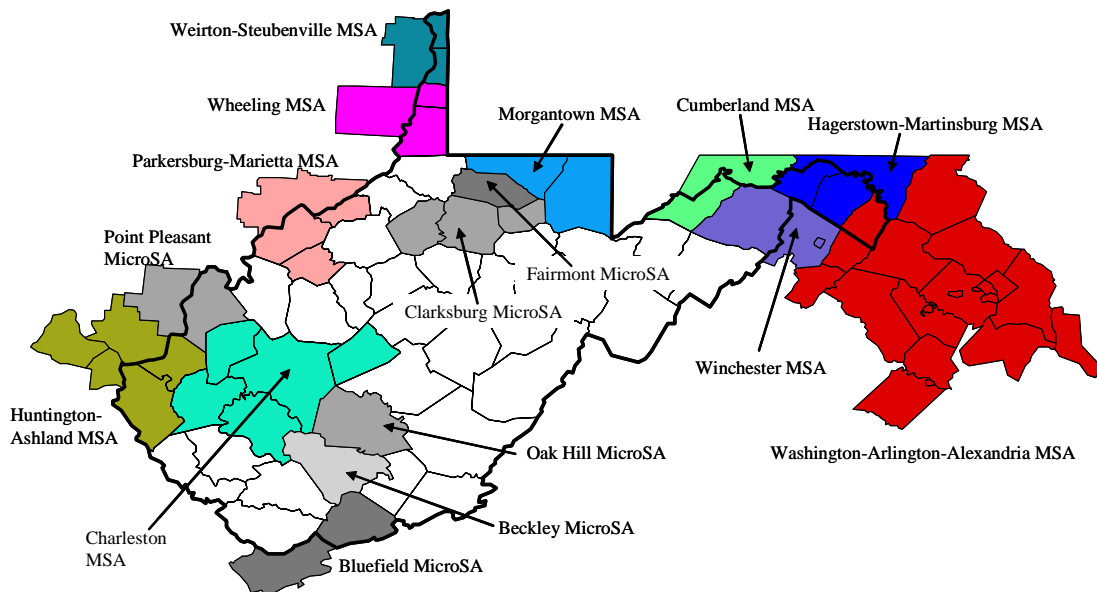


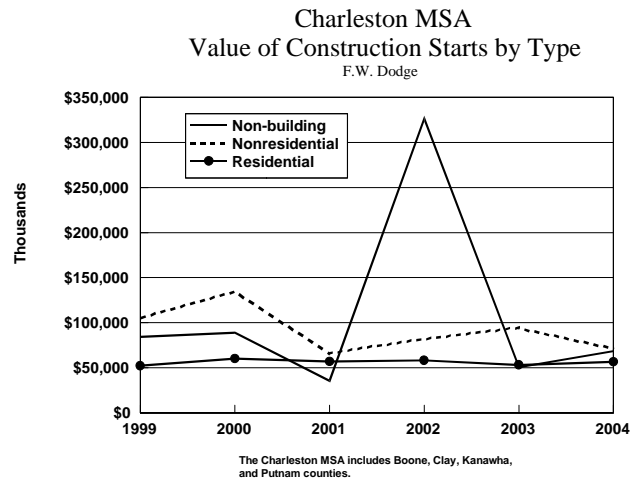
Table 2
West Virginia County Construction Data

	Construction Value (\$1000s)	Per Capita Construction Value			
		\$ per Person		Growth	
		2004	1999	% Change	Rank
Barbour County	8,304	537	343	7.8	22
Berkeley County	284,527	3,184	1,079	19.8	11
Boone County	2,593	101	304	-16.8	52
Braxton County	5,683	380	834	-12.3	51
Brooke County	15,410	622	469	4.8	24
Cabell County	140,452	1,482	524	18.9	12
Calhoun County	2,986	403	568	-5.6	44
Clay County	7,924	760	296	17.0	13
Doddridge County	4,653	627	3,690	-25.6	55
Fayette County	15,677	333	631	-10.1	49
Gilmer County	4,213	603	734	-3.2	39
Grant County	18,121	1,571	699	14.4	16
Greenbrier County	74,109	2,124	512	26.8	7
Hampshire County	22,877	1,062	539	12.0	18
Hancock County	15,305	486	584	-3.0	38
Hardy County	54,933	4,159	965	27.6	6
Harrison County	47,834	700	766	-1.5	35
Jackson County	10,292	361	485	-4.8	41
Jefferson County	153,318	3,217	1,752	10.7	19
Kanawha County	89,138	457	791	-8.8	47
Lewis County	10,759	628	806	-4.1	40
Lincoln County	27,047	1,199	352	22.7	9
Logan County	45,588	1,249	769	8.4	21
McDowell County	84,833	3,431	518	37.0	4
Marion County	29,318	519	435	3.0	28
Marshall County	23,077	665	224	19.8	10
Mason County	11,677	450	416	1.3	29
Mercer County	24,105	388	795	-11.3	50
Mineral County	35,083	1,292	624	12.9	17
Mingo County	14,437	527	509	0.6	31
Monongalia County	96,469	1,150	2,057	-9.2	48
Monroe County	5,363	395	272	6.4	23
Morgan County	35,488	2,245	132	60.3	2
Nicholas County	14,979	570	2,497	-21.8	54
Ohio County	38,237	842	827	0.3	33
Pendleton County	11,284	1,429	1,129	4.0	27
Pleasants County	5,207	700	819	-2.6	37
Pocahontas County	10,285	1,143	1,544	-4.9	42
Preston County	79,469	2,662	1,108	15.7	15
Putnam County	70,475	1,309	1,249	0.8	30
Raleigh County	116,232	1,468	580	16.7	14
Randolph County	15,220	534	521	0.4	32
Ritchie County	6,033	575	1,984	-18.6	53
Roane County	8,194	533	857	-7.6	46
Summers County	13,942	1,010	1,483	-6.2	45
Taylor County	13,845	855	937	-1.5	36
Tucker County	7,221	1,025	163	35.9	5
Tyler County	4,804	513	404	4.1	26
Upshur County	27,340	1,139	682	8.9	20
Wayne County	21,046	495	539	-1.4	34
Webster County	5,002	508	148	22.9	8
Wetzel County	15,792	926	119	40.8	3
Wirt County	4,568	783	606	4.4	25
Wood County	45,926	527	718	-5.0	43
Wyoming County	95,864	3,881	223	60.9	1
West Virginia	2,052,558	1,131	801	5.9	-

Source of construction data: F.W. Dodge, March 2005

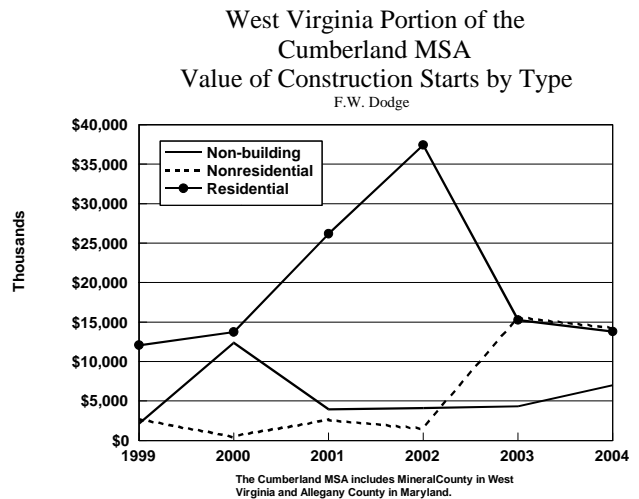
Charleston MSA

The Charleston MSA, which is composed of Boone, Clay, Kanawha, Lincoln, and Putnam Counties, posted a 2004 total value of construction of \$197.2 million. The Charleston MSA had a fairly even distribution of construction among residential, nonresidential, and non-building activity in 2004. However, in 2002 there was a huge spike in non-building construction contracts in the MSA due to \$240.1 million in Kanawha County for Dams/Reservoirs/River Development, reflecting expansion of the Marmet Locks and Dam.



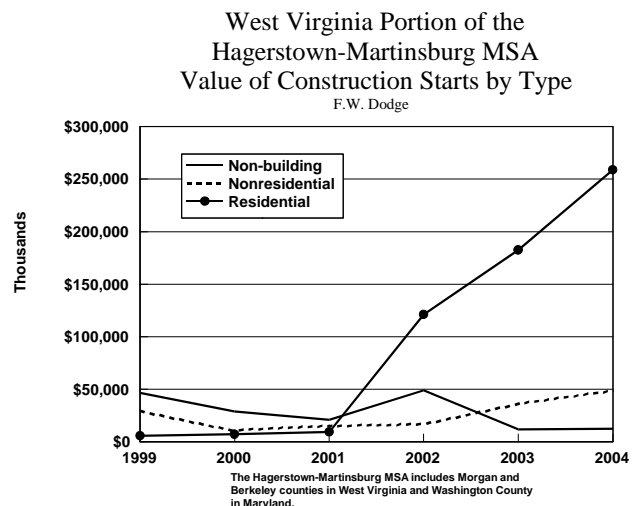
Cumberland MSA

The Cumberland MSA lies along the West Virginia and Maryland border and contains Mineral County in West Virginia and Allegany County in Maryland. The value of construction contracts in Mineral County has risen from \$16.9 million in 1999 to \$35.1 million in 2004, spurred by gains in all three sectors.



Hagerstown-Martinsburg MSA

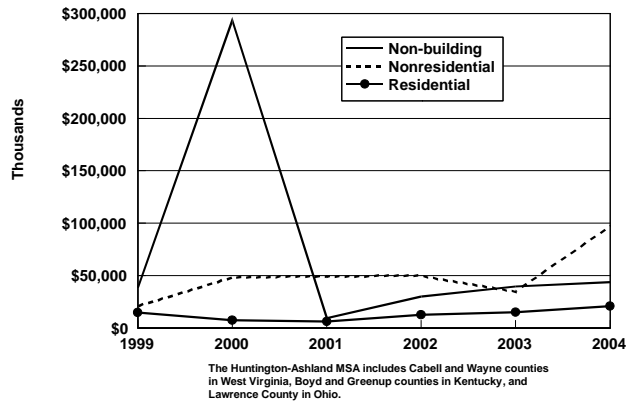
Berkeley and Morgan County are part of the Hagerstown-Martinsburg MSA, which also includes Washington County in Maryland. In 2004, Berkeley and Morgan County combined had the largest total value of construction of any of the West Virginia portions of the state's 16 CBSAs. In 2004 these two counties had a total construction value of \$320.0 million, with \$258.8 million of it coming from residential construction. This accounted for approximately 31.2 percent of the state's residential construction. Residential construction value in the two counties has rocketed upward lately, starting from just \$9.4 million in 2001.



Huntington-Ashland MSA

The West Virginia portion of the Huntington-Ashland MSA ranks had a construction value of \$161.5 million in 2004. Cabell and Wayne counties combined experienced a peak in non-building construction value of \$293.5 million in 2000. Wayne County had \$240.0 million worth of construction in the non-building sector, reflecting contracts for power plants in 2000.

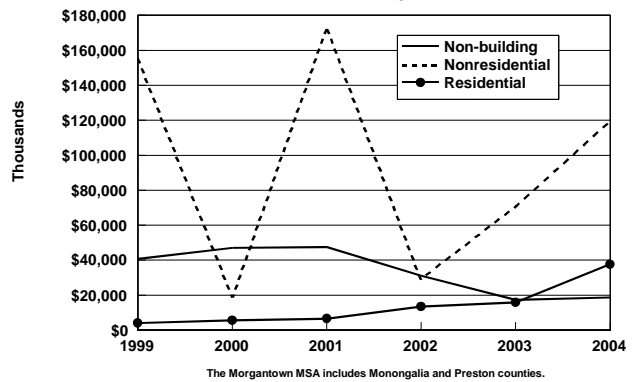
West Virginia Portion of the Huntington-Ashland MSA
Value of Construction Starts by Type
F.W. Dodge



Morgantown MSA

The Morgantown MSA, composed of Monongalia and Preston Counties, had a value of construction in 2004 of \$175.9 million. The Morgantown MSA's construction values have been very volatile the past few years due mostly to the timing of large nonresidential projects such as a new prison in Preston County and ongoing additions and renovations to West Virginia University in Monongalia County. The Morgantown MSA has also begun to post large increases in residential construction contracts, with activity rising from \$4.0 million in 1999 to \$37.6 million in 2004.

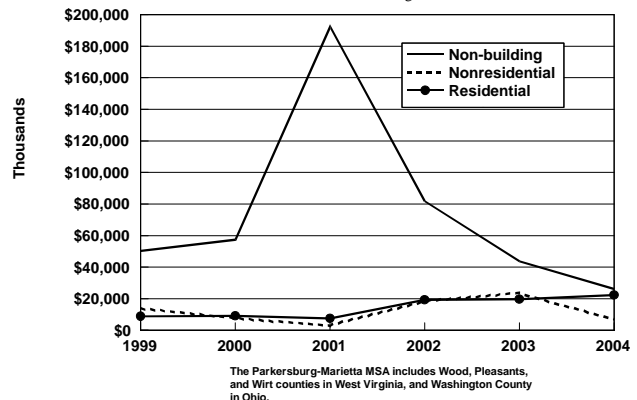
Morgantown MSA
Value of Construction Starts by Type
F.W. Dodge



Parkersburg-Marietta MSA

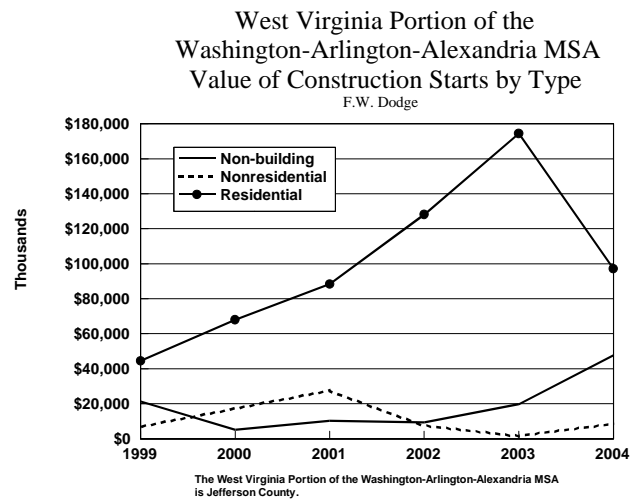
The value of construction contracts in the West Virginia portion of the Parkersburg-Marietta MSA (Pleasants, Wirt, and Wood counties) was \$55.7 million in 2004, well below a peak of \$203.2 million in 2001. A \$127.0 million project for a power plant in Pleasants County drove the increase in 2001. Wood County also accounted for \$63.7 million in non-building construction in 2001.

West Virginia Portion of the Parkersburg-Marietta MSA
Value of Construction Starts by Type
F.W. Dodge



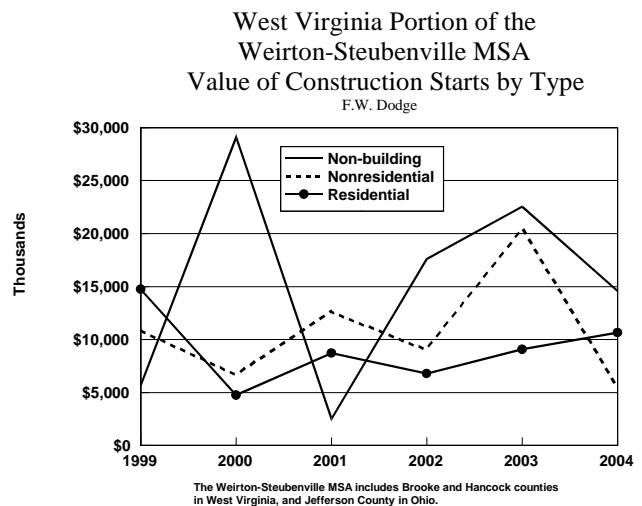
Washington-Arlington-Alexandria MSA

Jefferson County is the only West Virginia county in the Washington-Arlington-Alexandria MSA, but it has experienced large increases in residential construction during the past five years due to strong population growth in the area. In 1999, Jefferson County had a residential construction value of \$44.5 million and has since grown to \$97.1 million in 2004, after peaking at \$174.3 million in 2003.



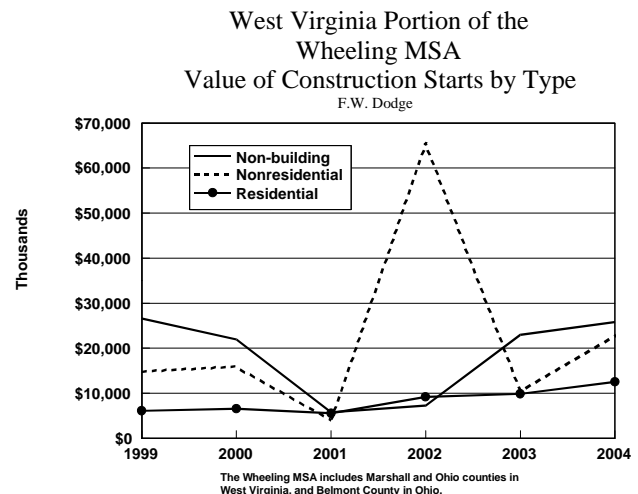
Weirton-Steubenville MSA

The West Virginia portion of the Weirton-Steubenville MSA (Brooke and Hancock counties) has displayed very erratic trends in its value of construction. Over the last five years the state portion of the Weirton-Steubenville MSA has reached its highest value of construction in 2003 at \$52.1 million. By 2004 this value had decreased to \$30.7 million. Brooke County has had two large street and highway projects over the last five years in 2000 and 2003 each over \$20 million.



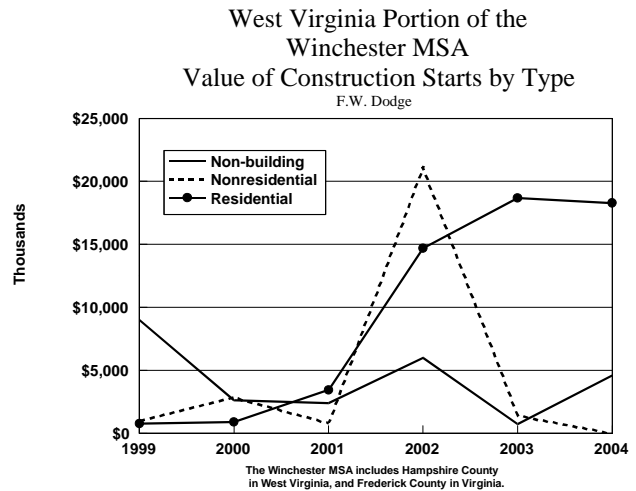
Wheeling MSA

The Wheeling MSA contains Marshall and Ohio counties in West Virginia, as well as Belmont County in Ohio. In 2004 the West Virginia portion of the Wheeling MSA had a total construction value of \$61.3 million. In the last five years this MSA had its highest total value of construction in 2002 with \$82.1 million. The majority of the 2002 construction value was in the nonresidential sector in Ohio County, reflecting three \$20 million dollar projects in recreation buildings, government service buildings, and hotels and motels.



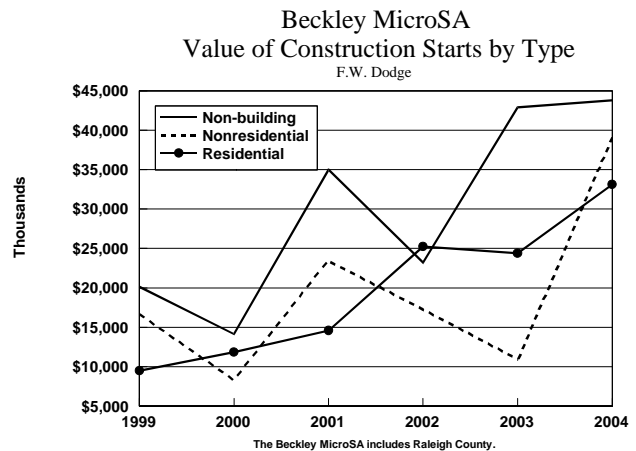
Winchester MSA

Hampshire County is the lone West Virginia county included in the Winchester MSA. Hampshire County had a total construction value of \$22.9 million in 2004, but it has seen its residential construction value increase significantly since 1999. In 1999 Hampshire County had a residential value of construction of \$770,000 since then it has risen to \$18.3 million in 2004.



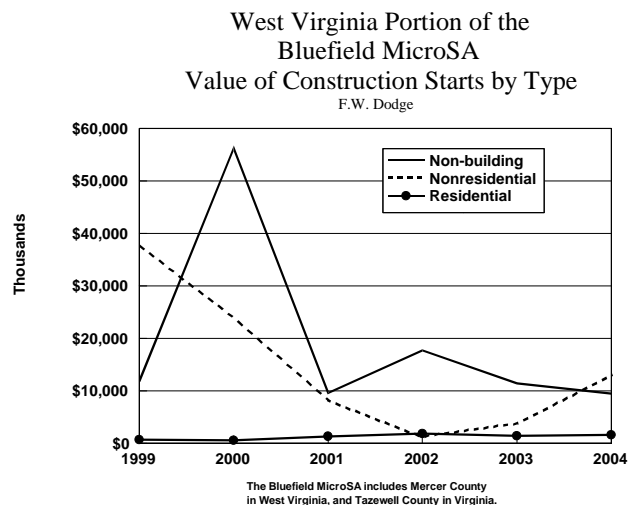
Beckley MicroSA

Raleigh County defines the Beckley MicroSA. In 2004 the Beckley MicroSA had a total value of construction of \$116.2 million and all three construction sectors have posted increases since 1999. During the last five years, non-building construction has accounted for the majority of construction value in the area in all but one year.



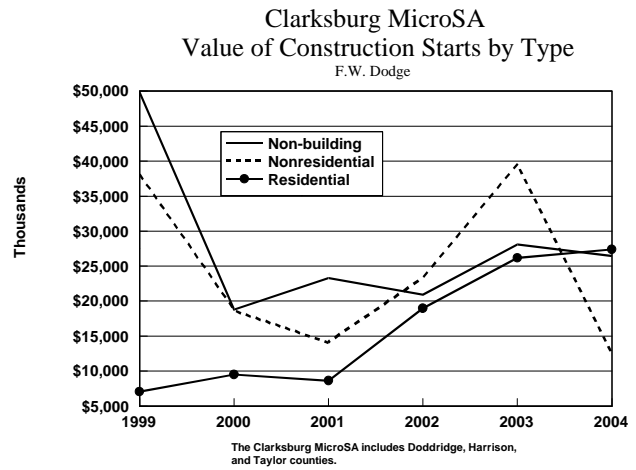
Bluefield MicroSA

The Bluefield MicroSA contains Mercer County in West Virginia and Tazewell County in Virginia. Mercer County's 2004 total construction value was \$24.1 million. Almost all of this value came from the nonbuilding and nonresidential sector. Over the past five years residential construction has consistently been considerably lower than the other two construction sectors.



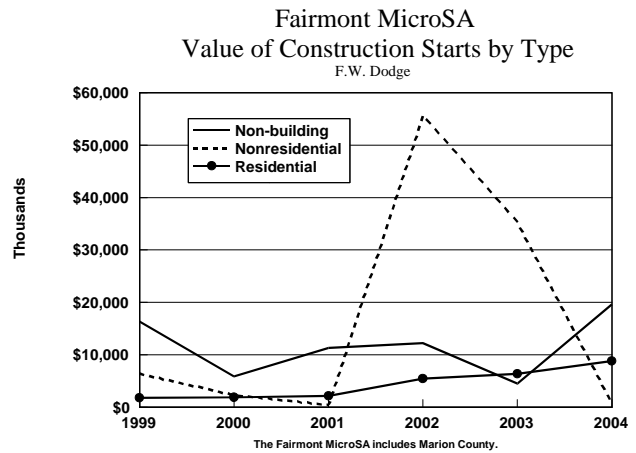
Clarksburg MicroSA

The Clarksburg MicroSA is made up of Doddridge, Harrison, and Taylor Counties. In 2004 the Clarksburg MicroSA had a construction value of \$66.3 million. This value is much lower than the 1999 value which was \$94.9 million. This regions construction value has typically been concentrated in Harrison County.



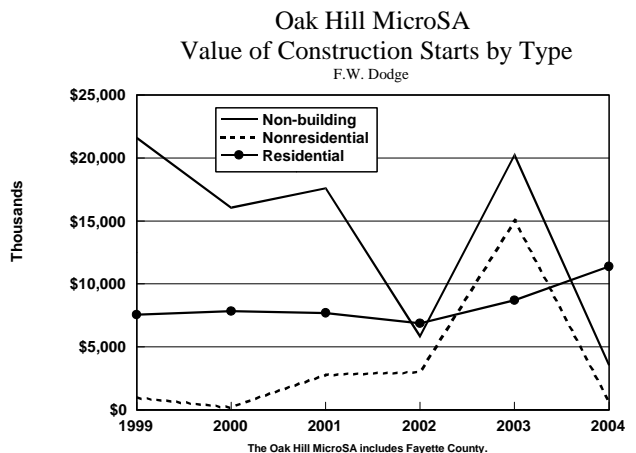
Fairmont MicroSA

Marion County which contains the city of Fairmont makes up the Fairmont MicroSA. In 2004 the Fairmont MicroSA had \$29.3 million in total construction with the majority of it coming from non-building construction. In 2002 the area had an elevated amount of nonresidential construction due to two large projects. One was a \$38.4 million schools, libraries, and non-manufacturing lab and the other was a \$16.8 million for parking garage and automotive services.



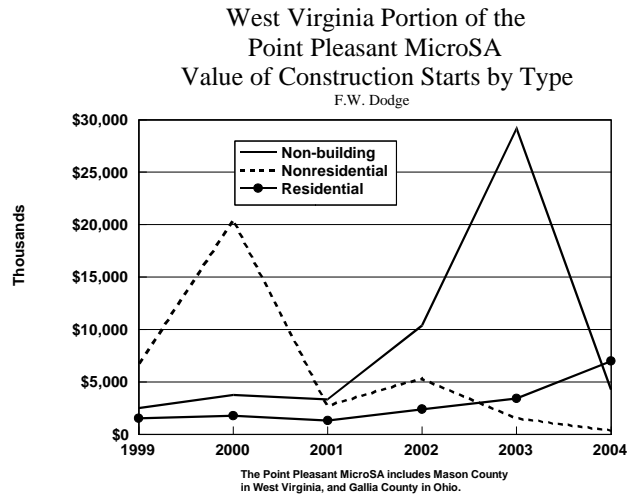
Oak Hill MicroSA

The Oak Hill MicroSA is composed of Fayette County. Fayette County had \$15.7 million of construction in 2004. Since 2002 the areas residential construction has been on the rise reaching \$11.4 million in 2004. The Oak Hill MicroSA has had a few major projects in the past, most recently a \$15.0 million government services building project in 2003.



Point Pleasant MicroSA

The Point Pleasant MicroSA, which contains Mason County in West Virginia and Gallia County in Ohio. Mason County, had a value of construction in 2004 at \$11.7 million. Since 2001 residential construction in Mason County has risen from \$1.3 million to \$7.0 million in 2004 with an increase in every year between. Mason County had a peak in nonbuilding construction in 2003 with over \$28.5 million going towards bridges, streets, and highways.



West Virginia and United States Economic Indicators

	04 Q1	04 Q2	04 Q3	04 Q4	05 Q1	2002	2003	2004
United States								
Real GDP (Bil. \$2000 Chain-Wtd.)	10,697.5	10,784.7	10,891.0	10,994.3	11,078.2	10,074.8	10,381.3	10,841.9
% Change	4.5	3.3	4.0	3.8	3.1	1.9	3.0	4.4
Consumer Price Index (CPI-U) (1982-84=100)*	186.3	188.9	189.6	190.7	191.9	179.9	184.0	188.9
% Change	3.7	5.9	1.4	2.4	2.5	1.6	2.3	2.7
Total Nonfarm Payroll Employment (Mil.)	130.5	131.3	131.7	132.3	132.8	130.3	130.0	131.5
% Change	1.2	2.4	1.2	1.7	1.6	-1.1	-0.3	1.1
Unemployment Rate (%)	5.7	5.6	5.4	5.4	5.3	5.8	6.0	5.5
Initial Claims for Unemployment Ins. (Thous.)	352	344	340	335	326	404	402	343
Industrial Production (1997=100)	113.9	115.1	115.9	117.2	118.2	111.0	110.9	115.5
% Change	5.6	4.3	2.7	4.5	3.6	-0.3	0.0	4.1
Capacity Utilization Rate	77.3	77.9	78.2	78.8	79.3	75.3	75.5	78.1
Housing Starts (Mil.)	1,943	1,920	1,969	1,975	2,085	1,710	1,853	1,952
Retail & Food Service Sales (Bil.\$)	3,786	3,851	3,909	4,005	4,058	3,474	3,624	3,888
% Change	9.7	7.0	6.2	10.2	5.4	2.5	4.3	7.3
Federal Funds Rate*	1.00	1.01	1.43	1.95	2.47	1.67	1.13	1.35
Bank Prime Loan Rate*	4.00	4.00	4.42	4.94	5.44	4.68	4.12	4.34
30-Year Conventional Mortgage Rate*	5.61	6.13	5.89	5.73	5.76	6.54	5.82	5.84
West Virginia								
Total Nonfarm Payroll Employment (Thous.)**	733.1	736.8	736.9	738.0	740.7	733.1	726.3	736.2
% Change	2.6	2.0	0.1	0.6	1.5	-0.3	-0.9	1.4
Natural Resources and Mining	22.7	23.8	24.1	24.5	24.6	23.1	21.7	23.8
% Change	16.9	21.6	5.7	6.2	1.6	-1.7	-6.1	9.6
Construction	34.4	35.0	34.5	34.4	36.5	33.4	32.5	34.6
% Change	15.7	7.6	-6.0	-0.8	26.7	-4.0	-2.7	6.4
Manufacturing	63.4	63.3	62.8	62.7	62.7	68.7	64.7	63.0
% Change	-0.8	-0.8	-2.9	-0.6	0.2	-4.8	-5.8	-2.6
Trade, Transportation, and Utilities	136.6	136.6	137.1	137.5	138.1	136.9	135.4	137.0
% Change	3.5	0.0	1.6	1.2	1.6	-2.2	-1.1	1.2
Information	11.9	11.9	12.0	11.9	12.0	13.3	12.8	11.9
% Change	-5.3	0.3	1.4	-1.1	3.4	-5.0	-3.8	-6.8
Financial Activities	30.4	30.7	30.5	30.4	29.9	31.2	31.0	30.5
% Change	-3.4	3.7	-2.9	-1.3	-5.7	2.0	-0.6	-1.6
Professional and Business Services	58.4	57.7	58.2	57.9	58.0	56.7	56.4	58.0
% Change	6.4	-4.7	3.5	-1.8	0.5	-1.0	-0.5	2.9
Educational and Health Services	109.8	110.6	111.3	112.8	112.3	107.2	108.1	111.1
% Change	1.5	3.2	2.3	5.8	-1.9	3.9	0.8	2.8
Leisure and Hospitality	68.0	68.0	67.6	67.8	68.7	64.4	66.2	67.9
% Change	4.9	0.2	-2.1	1.0	5.4	2.4	2.8	2.5
Other Services***	54.9	56.0	55.3	55.2	54.7	55.3	55.2	55.3
% Change	-1.7	8.4	-4.8	-1.2	-3.1	0.2	-0.2	0.3
Government	142.7	143.1	143.5	142.9	143.1	142.8	142.3	143.1
% Change	0.5	1.2	1.1	-1.8	0.7	1.3	-0.4	0.5
Unemployment Rate (%)	5.4	5.4	5.4	5.0	5.0	6.1	6.1	5.3
Initial Claims for Unemployment Ins. (Thous.)	1,386	1,507	1,316	1,448	1,256	1,824	1,709	1,414
Avg. Wkly Hrs Natural Resources and Mining**	46.3	46.3	46.6	47.2	46.4	45.7	46.4	46.6
Avg. Wkly Hrs Manufacturing**	41.1	41.1	41.6	41.5	41.4	40.8	41.3	41.4
Avg Hrlly Earnings Natrl Rsrces and Mining (\$)**	18.06	18.31	18.57	18.63	18.79	18.22	18.08	18.39
% Change	2.9	5.7	5.7	1.3	3.5	0.6	-0.8	1.8
Average Hourly Earnings Manufacturing (\$)**	16.02	16.52	16.89	16.84	16.83	15.40	16.05	16.57
% Change	-1.2	13.1	9.4	-1.3	-0.3	4.1	4.2	3.2
Real Personal Income (Mil. 2000\$)	42,883	43,440	43,581	44,315	n/a	41,564	42,134	43,555
% Change	3.0	5.3	1.3	6.9	n/a	1.3	1.4	3.4
Wage and Salary, Nonfarm Civilian	19,988	20,298	20,462	20,603	n/a	19,815	19,822	20,338
% Change	2.0	6.4	3.3	2.8	n/a	0.6	0.0	2.6
Other Labor	5,963	6,053	6,080	6,134	n/a	5,562	5,764	6,058
% Change	11.6	6.2	1.8	3.6	n/a	7.4	3.6	5.1
Proprietors	2,865	2,942	2,918	3,043	n/a	2,639	2,797	2,942
% Change	-6.1	11.1	-3.2	18.3	n/a	-3.6	6.0	5.2
Dividends, Interest, and Rent	5,772	5,783	5,699	6,071	n/a	5,911	5,678	5,831
% Change	2.2	0.7	-5.7	28.8	n/a	-9.8	-3.9	2.7
Transfer Payments	11,566	11,705	11,775	11,844	n/a	10,884	11,285	11,722
% Change	6.1	4.9	2.4	2.4	n/a	7.8	3.7	3.9
Non-Building Const. Contracts (\$ mil., NSA AR)^	457	1,138	454	737	144	847	509	697
Non-Residential Const. Contracts (\$ mil., NSA AR)^	491	554	738	324	351	460	487	527
Residential Const. Contracts (\$ mil. AR)^	882	734	877	880	950	571	725	843
Total Const. Contracts (\$mil)^	1,830	2,427	2,070	1,941	1,445	1,878	1,721	2,067
% Change	-58	209	-47	-23	-69	279	-29	108
W. Va. Export-Weighted U.S. Dollar (1980=100)*	132.7	136.3	134.0	127.2	125.9	156.9	141.9	132.5
% Change	-7.6	11.5	-6.8	-18.7	-4.0	0.3	-9.5	-6.6

Notes: West Virginia average weekly hours, average hourly earnings, and initial claims for unemployment insurance data are obtained from the West Virginia Bureau of Employment Programs and are seasonally adjusted using seasonal factors derived by the Bureau of Business and Economic Research. West Virginia employment and the state unemployment rate are seasonally adjusted by the West Virginia Bureau of Employment Programs. Personal income data are seasonally adjusted by the Bureau of Economic Analysis, U.S. Dept. of Commerce. Components may not sum to totals due to rounding. All percent changes are measured from the previous period and expressed as annual rates. Value of total housing permits data are from the Bureau of the Census, U.S. Dept. of Commerce. n/a Not Available. * Not Seasonally Adjusted. **Data source now based upon the North American Industry Classification System (NAICS). Previously, this data was based upon the Standard Industrial Classification (SIC) Code. ***Consists of the following sub-sectors: Repair and Maintenance, Personal and Laundry Services, and Religious, Grantmaking, Civic, Professional, and Similar Organizations. ^Data from F.W. Dodge.

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