

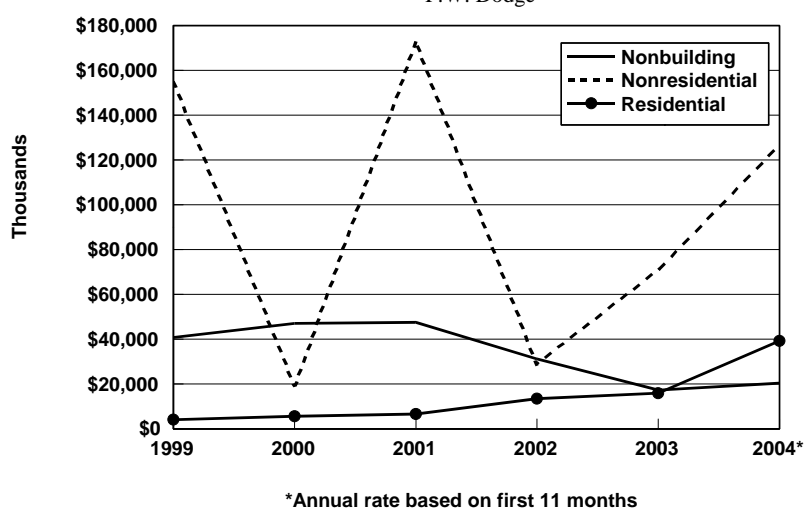


Morgantown MSA Construction Builds

The Morgantown MSA posted \$104 million in new construction starts in 2003, according to data from FW Dodge, which was up significantly from 2002.¹ Further, the MSA is poised to register another increase in 2004, with the annualized value through the first 11 months of the year at \$186 million. That amounts to an estimated \$290 million in new construction starts during the last two years. Strong growth in the value of construction starts reflects low interest rates, population growth, and generally optimistic sentiment regarding the future of the region. Indeed, with many other large projects currently proposed (for example, a large new power plant, major retail expansions, additional hospital and medical research facilities, expansion and renovation of WVU facilities and other projects)² there will likely be strong construction activity in the region during the next few years.

Residential construction has posted strong gains since 2001, as Figure 1 shows. At an annualized rate through the first 11 months of the year, the value of residential construction contracts has increased to \$39.2 million from an annual rate \$15.9 million in 2003. The reason for this large jump is due to \$18.9 million of construction on apartments in Monongalia County. The value of construction for one-family houses increased as well from 2003 to 2004.

FIGURE 1
Morgantown MSA
Value of Construction Starts by Type
F.W. Dodge



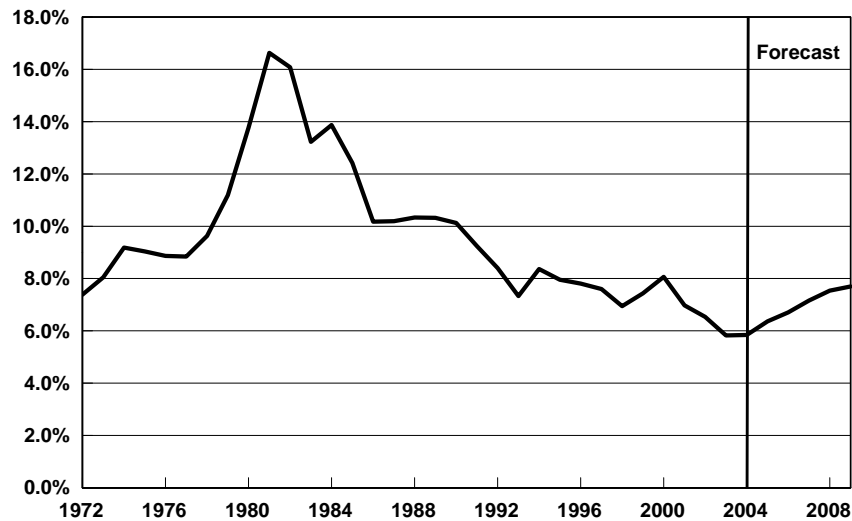
¹ The FW Dodge data tracks new construction projects which are due to break ground within 60 days.

² See the Economic Forecast link at www.morgantown.org for a more detailed list of projects.

Figure 2 shows that in 2003 30-year mortgage rates reached 5.82 percent, which is very low relative to past levels. However, in June of 2004 the Federal Reserve began to tighten credit conditions and has pushed the target for the federal funds rate from 1.0 percent in June to 2.25 percent currently. The federal funds rate is the rate at which banks loan reserves to one another, usually overnight. The Federal Reserve sets a target for the federal funds rate and then guides the rate toward the target through open market purchases and sales of bonds (called open market operations).

With the Federal Reserve working to raise interest rates, mortgage rates are unlikely to fall much further. Indeed, Global Insight, a major forecasting and consulting firm, expects 30-year mortgage rates to rise from 5.89 percent in 2004 to 6.71 percent by 2006. With mortgage rates likely near their lowest levels, home purchasers have a strong incentive to act now. This is reflected in the construction data, as the value of residential starts shot up strongly in 2004.

FIGURE 2
U.S. 30-Year Fixed Mortgage Rates
 Forecast from Global Insight, January 2005



Global Insight expects mortgage rates to continue to rise during the next five years, reaching 7.7 percent by 2009. Other things the same, this will tend to reduce construction activity in the MSA (as it is expected to nationally). However, continued population gains in the MSA do have the potential to continue to generate demand for residential structures, even in the presence of gradually rising mortgage rates.

As Figure 1 also shows, the value of non-building construction starts has gradually trended down from \$47 million in 2001 to \$20 million during the first 11 months of 2004 (annualized). From 1999 to 2002 streets and highways accounted for the majority of the value of non-building construction in the Morgantown MSA. In 2003, sewage and waste disposal systems accounted for an increased share of this activity due to a \$10 million project in Monongalia County. Activity has rebounded a bit so far in 2004, as activity in the streets and highways sector has picked up.

The nonresidential construction sector has been volatile since 1999, as Figure 1 shows, due primarily to the large scale of projects coming online. In 1999, nonresidential value of

construction totaled \$155.4 million including about \$70 million allocated to schools, libraries, and labs almost entirely in Monongalia County. Construction on amusement, social, and recreational buildings in Monongalia County also added another \$28.4 million to the 1999 total. Several large construction projects at West Virginia University (new addition to Wise Library, Life Science Building, Recreation Center, Administrative Services Center) also contributed significantly to the spike in nonresidential activity.

Value of nonresidential construction peaked again in 2001 totaling \$173.7 million. Of this total, nearly 75 percent or \$129 million was accounted for by government service buildings (prison building) in Preston County. Another \$29.8 million was allotted for hotels and motels in Monongalia County. Nonresidential activity has picked up again in 2003 and 2004. In 2003, hospitals and other health treatment facilities in Monongalia County contributed significantly to the increase and in 2004 government service buildings in Preston County accounted for just over half of the value of total nonresidential construction starts in the MSA.

Although steadily rising mortgage rates could dampen activity in the near future, construction in the region is likely to be supported by continued job and population growth. The regional economy is well supported by concentrations in health care, pharmaceuticals, government, and business services. Further, the MSA remains an attractive place for residential location due to the presence of West Virginia University, a highly educated workforce, abundant recreational opportunities, rising retail choice, and good access to health care.

Morgantown MSA Economic Indicators
(Seasonally Adjusted Unless Otherwise Noted)

Region/Indicator	Year			Month					
	2001	2002	2003	Jun. 2004	Jul.2004	Aug. 2004	Sep. 2004	Oct. 2004	Nov. 2004
Morgantown MSA									
Total Nonfarm Employment	52,330	52,460	52,990	52,971	54,005	53,678	53,962	53,952	53,639
Total Nonfarm Employment (%)	6.0	0.2	1.0	-14.1	26.1	-7.0	6.5	-0.2	-6.7
Nat. Res. and Mining	950	960	830	799	791	783	777	788	774
Construction	2,090	2,140	2,380	2,551	2,664	2,588	2,449	2,276	2,358
Manufacturing	3,350	3,370	3,500	3,633	3,633	3,689	3,646	3,645	3,638
Trade, Trans., and Util.	7,520	7,580	7,540	7,404	7,363	7,282	7,352	7,408	7,478
Information	780	720	710	710	710	732	732	729	719
Financial Activities	1,440	1,480	1,470	1,525	1,509	1,510	1,489	1,483	1,494
Pro. & Bus. Servs.	4,060	4,120	4,320	4,484	4,570	4,565	4,502	4,520	4,455
Educ. & Health Servs	9,680	10,010	10,020	10,205	10,388	10,325	10,334	10,440	10,405
Leisure and Hospitality	4,560	4,530	4,540	4,498	4,485	4,596	4,699	4,635	4,614
Other Services	2,750	2,730	2,770	2,615	2,728	2,771	2,806	2,839	2,858
Total Government	15,130	14,830	14,920	14,546	15,164	14,836	15,176	15,190	14,846
Unemployment Rate (%)	2.7	3.8	4.1	3.5	3.5	3.7	3.4	3.4	3.1
Residential Const. Contracts (\$ mil. AR)	6,549	13,385	15,870	23,160	23,364	25,200	22,500	17,484	19,404
Non-Building Const. Contracts (\$ mil., NSA AR)	47,478	31,111	17,245	9,096	52,956	12,372	98,220	20,400	0,000
Non-Residential Const. Contracts (\$ mil., NSA AR)	173,692	28,965	70,858	179,640	42,084	885,972	57,300	78,000	0,000
Residential Const. Contracts (Units AR)	83	150	157	204	192	192	168	144	145
Population	112,005	113,021	114,075	n/a	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	23,772	24,576	n/a	n/a	n/a	n/a	n/a	n/a	n/a
West Virginia									
Total Nonfarm Employment (thous.)	735.2	733.0	726.2	732.0	733.2	736.2	739.9	734.0	730.3
Total Nonfarm Employment (%)	-0.1	-0.3	-0.9	14.3	2.0	5.0	6.2	-9.2	-5.9
Unemployment Rate (%)	4.8	6.1	6.1	5.3	5.2	5.5	5.1	5.1	4.8
Residential Const. Contracts (\$ mil. AR)	319	571	725	760	860	832	941	747	946
Non-Building Const. Contracts (\$ mil., NSA AR)	567	847	509	695	300	400	994	844	891
Non-Residential Const. Contracts (\$ mil., NSA AR)	462	460	486	461	220	1,134	741	514	268
Residential Const. Contracts (Units AR)	2,710	4,625	5,271	5,514	6,803	5,541	6,343	5,149	6,925
Population	1,801,641	1,804,884	1,810,354	n/a	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	23,253	23,993	24,672	n/a	n/a	n/a	n/a	n/a	n/a
United States									
Total Nonfarm Employment (thous.)	131,826	130,341	129,931	131,258	131,343	131,541	131,660	131,972	132,109
Total Nonfarm Employment (%)	0.0	-1.1	-0.3	0.9	0.8	1.8	1.1	2.9	1.3
Unemployment Rate (%)	4.7	5.8	6.0	5.6	5.5	5.4	5.4	5.5	5.4
Population	285,093,813	287,973,924	290,809,777	n/a	n/a	n/a	n/a	n/a	n/a
Per Capita Personal Income (\$)	30,580	30,795	31,459	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 (AR). NSA means Non-seasonally Adjusted data. 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's Bureau of Employment Programs. Data compiled by WVU Bureau of Business and Economic Research, www.bber.wvu.edu.

ECONOMIC PERFORMANCE OF WEST VIRGINIA'S STATISTICAL AREAS

	Per Capita Personal Income		Full & Part-Time Employment	Unempl. Rate	Population		Educational Attainment Bachelor's Degree & more
	Dollars	Ann. Gr. %	Ann. Gr. %	Ann. Avg. %	Residents	Ann. Gr. %	% of Population 25 years & more
	2002	1997-2002	1997-2002	2003	2003	2000-2003	2000
Metropolitan Statistical Areas	38,558	4.9	2.0	3.9	6,688,588	1.4	35.8
Charleston MSA	28,230	4.7	0.6	5.3	306,836	-0.3	17.9
Cumberland MSA	22,377	3.9	0.7	6.7	100,815	-0.3	13.4
Hagerstown-Martinsburg MSA	26,051	4.0	1.4	4.6	237,582	2.0	14.5
Huntington-Ashland MSA	23,139	3.6	0.1	5.9	286,517	-0.2	14.9
Morgantown, MSA	24,576	5.6	1.9	4.1	114,075	0.8	26.0
Parkersburg-Marietta MSA	24,774	3.7	-0.3	6.5	163,152	-0.3	14.7
Washington-Arlington-Alexandria MSA	42,773	4.8	2.4	3.5	5,090,435	1.8	42.5
Weirton - Steubenville MSA	23,750	4.4	0.1	6.6	128,569	-0.8	12.1
Wheeling MSA	24,993	4.2	0.6	5.2	150,361	-0.5	14.6
Winchester MSA	27,308	5.1	2.4	3.7	110,246	2.1	18.3
Micropolitan Statistical Areas	23,161	4.4	0.7	6.5	438,302	-0.1	13.0
Beckley	24,050	4.6	1.3	6.0	79,254	0.1	12.7
Bluefield	23,115	4.2	0.3	5.5	106,475	-0.3	12.7
Clarksburg	23,963	4.0	0.6	5.5	91,650	-0.2	14.9
Fairmont	24,258	4.9	0.6	6.1	56,484	-0.0	16.0
Oak Hill	20,218	4.2	0.1	8.3	47,270	-0.2	10.7
Point Pleasant	22,085	4.5	1.7	9.7	57,169	0.1	10.3
Non-Metro/Non-Micro Counties in W.Va.	20,276	4.3	-0.1	8.2	455,629	-0.3	10.2
W.Va.	23,794	4.3	0.5	6.1	1,810,354	0.1	14.8
U.S.	30,906	4.1	1.4	6.0	290,809,777	1.0	24.4

Per capita income data is from the U.S. Bureau of Economic Analysis.
 Total full & part-time employment is from the U.S. Bureau of Economic Analysis.
 Unemployment rate data is from the U.S. Bureau of Labor Statistics.
 Population data is from the U.S. Census Bureau.

Morgantown MSA Economic Monitor

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