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Policy Development & Research

Analysis of the Morgantown, West Virginia Housing Market

As of October 1, 2003



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

Foreword

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any particular mortgage insurance proposals that may be under consideration in a particular locality or the housing market area.

The factual framework for this analysis follows the guidelines developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based upon information available on the "as-of" date from both local and national sources. As such, any findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis (Current date), and from the Current date to a Forecast date. The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For the purposes of this analysis the forecast period is 24 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in demand-supply relationships given the market's condition on the as-of date of the analysis. This analysis was prepared by Michael Pelone, one of the Division's Field Economists in the Buffalo, New York Field Office, based on fieldwork conducted in September 2003. Questions regarding the findings and conclusions of the analysis may be addressed to Mr. Pelone at 716-551-5755, ext. 5002, and at michael_s._pelone@hud.gov.

Housing Market Area

For purposes of this study, the Morgantown Housing Market Area (HMA) is defined as Monongalia County, West Virginia. Located in northern West Virginia, the HMA lies approximately 75 miles south of Pittsburgh, Pennsylvania. The HMA consists of two submarkets, the city and the Remainder of the HMA. The city of Morgantown is the center of county government, the regional business and trade center, and the home of the main campus of West Virginia University (WVU).

Summary

Because of WVU, the economy of the Morgantown HMA has not been affected as severely as other parts of the nation and state. The university is the largest employer in the area and supports an extensive service-based economy to meet the needs of the large faculty, staff, and student population in the area. The population in the HMA has increased steadily throughout the 1990s to the Current date, in part because of continued increases in university enrollment.

The university student population has a substantial impact on the housing market, particularly on the rental inventory. In recent years WVU began to lease entire market-rate apartment developments near the campus to accommodate its larger student population. Student enrollment is expected to increase during the forecast period, continuing to increase the demand for rental housing in the HMA.

At the time of this study, conditions in the sales and rental market within both the city of Morgantown and the remainder of the county were very tight with strong demand for additional owner and rental housing. During the 2-year forecast period, demand for home sales is estimated at 640 additional homes and demand for rental units is estimated at 380, based on the current rates of construction, expected losses, and other market factors.

Economy of the Area

Founded in 1867, WVU is the largest employer in the Morgantown HMA, with an annual operating budget of approximately \$483 million. Approximately 4,800 full-time and 800 part-time faculty and staff work at the Morgantown campus and some 24,500 students attend school. The university has recently invested more than \$150 million in new buildings and expansion projects, including a student recreation center, a new Foundation Office building situated near the city's "wharf district," and a Life Sciences building.

State government accounted for 21 percent of total nonfarm employment in the HMA during the 12 months ending September 2003. The total economic impact of WVU on the local economy is estimated to be almost \$1 billion, including more than \$430 million in employee compensation and more than \$25 million in state tax revenues. The largest impact of the university has been on the service sector.

Other large employers in the HMA include health-related providers such as Monongalia General Hospital and Ruby Memorial Hospital. The National Institute for Occupational Safety and Health (NIOSH) research center also operates in Morgantown.

The goods-producing sector accounts for less than 10 percent of total employment in the county. Mylan Pharmaceuticals, one of the largest manufacturing operations in the area, employs about 950 persons to produce generic drugs.

The local economy experienced sustained growth throughout the 1990s despite a downturn in the national and state economy. Since 1999, the growth in employment has been reinforced by the arrival of a number of “big box” retail establishments and the completion of a new convention and conference center in the city. Table 1 presents labor force and employment data from 1990 to the Current date, and Table 2 presents nonfarm employment data.

Manufacturing employment has been relatively stable since the mid-1990s; however, employment in the mining sector has declined significantly during the past 13 years. Mining employment declined from 3,200 jobs in the early 1990s to approximately 500 as of September 2003 because of the closure of older underground mines in the area. No major change in manufacturing employment levels is projected to occur during the forecast period.

Historically the unemployment rate has been very low in the HMA. The unemployment rate averaged 3.0 percent during the 12 months ending September 30, 2003. The local economy will continue to benefit from projected growth in service employment during the forecast period. Labor market conditions during the forecast period are projected to be similar to current conditions.

Household Incomes

HUD estimates the median family income in the HMA to be \$52,200 in 2003, compared with \$43,628 in 2000. Significantly higher incomes in the HMA compared to other market areas of the state result from the wages and salaries paid to the faculty and staff employed at the university and the medical professionals employed at the larger hospitals.

Population

Population in the Morgantown HMA increased steadily throughout the 1990s into the current decade. As of the 2000 Census the population of the HMA totaled 81,866 persons, an average annual increase of approximately 635 persons since 1990. More than 80 percent of the population growth in the HMA during the past 13 years has occurred in areas outside the city of Morgantown. As of the Current date, total population in the HMA is estimated to be 84,150. Table 3 presents population trends from 1990 through the Forecast date.

Net natural increase (residents' births minus deaths) for the HMA averaged 285 persons annually from 1990 through 2000. According to data published by the West Virginia Department of Vital Statistics, net natural increase has been declining gradually since 1990, a trend expected to continue through the forecast period. Net migration averaged 350 persons annually from 1990 to 2000. Net in-migration from 2000 to the Current date has increased slightly to 370 persons per year due to gains in the local economy during the past 3 years. During the forecast period, net in-migration is expected to increase slightly above current levels based on continued employment gains.

During the 2-year forecast period, the population of the HMA is expected to increase by an average of 700 persons annually to 85,550, similar to the annual rate of change since 1990. Continued population gains rely on expectations of increased enrollment at the university, the expansion of medical and technology research projects affiliated with the university, and a general improvement in the local economy.

A large nonhousehold population resides in this HMA. Because of the large student population at WVU, more than an estimated 5,800 persons, approximately 7 percent of the total population, reside in non-institutional group quarters. As of 2000, 4,260 students resided in group quarters. More than 24,500 students are expected to be enrolled at the university during fall 2003, an increase of more than 1,000 students from the previous year's record enrollment of 23,492. The university now operates nine campus residence halls that can accommodate 3,700 students. First-year students and transfer students with fewer than 29 credit hours must reside on campus. During the fall 2003 semester, 4,300 first-year students will attend school, an increase of 300 students from just 1 year ago. Rising enrollments in the past few years have required the university to lease an additional number of market-rate rental units located near the campus.

Households

Between 1990 and 2000 the number of households in the HMA increased to 33,446, an annual average increase of 438, or 1.4 percent per year. Since 2000 the annual rate of household growth remained stable as the service-based economy insulated this area from significant economic downturns reported by other labor market areas in West Virginia. As of the Current date, an estimated 34,950 households resided in the HMA, equivalent to an average annual increase of 420, or 1.2 percent. Since the 1990 Census the rate of household growth in Monongalia County has exceeded the household growth rate of the city of Morgantown.

Because the university is not expected to add dormitory units during the forecast period, and the enrollment is projected to rise, the number of student households in the city will increase. A limited number of conversions of existing single-family units into rental units is expected to occur during the forecast period. Several neighborhoods near the university now approach renter tenure proportions of 95 percent. During the 2-year forecast period the number of households in the HMA is expected to increase by 450 per year. Table 3 summarizes population and household growth trends.

Housing Inventory

As of 2000 the HMA housing inventory increased to 36,695 units, an average annual increase of 513 units per year, or 1.5 percent each year since the 1990 Census. This annual change resulted from favorable economic conditions during the previous decade, growth in student enrollment, increased hiring of professional faculty and staff at the university, and service sector employment growth. Since 2000 the housing inventory increased by an estimated 460 units annually, or 1.2 percent, to 38,300 units as of the Current date. Table 4 presents changes in the housing inventory and tenure of occupancy and vacancy.

From January 2000 to September 2003, building permits were issued for 167 single-family and 145 multifamily units in the HMA. The Monongalia County Planning Board reports that the most active areas for new construction include the eastern portion of the county and development sites on the north side of Morgantown. A comparison of the number of occupied housing units reported by the 1990 and 2000 census surveys verified the construction of a large number of housing units without building permits. During the forecast period, more than 300 units of multifamily housing are expected to be constructed outside the city. Table 5 presents the trend in building permit activity since 1990.

Housing tenure in the HMA, as reported by the most recent census, was estimated to be 61 percent owners and 39 percent renters. Renter tenure proportions have increased slightly since the 1990 Census. In contrast, as of the 2000 Census renter households resided in 58 percent of all occupied housing units in Morgantown. The increase in total renter households relies on conversions of older single-family buildings to rental housing for students and the replacement of older duplex structures with moderate-sized apartment buildings.

Single-family units dominate new construction outside the city, although manufactured housing and mobile homes form an important component of the housing inventory in rural areas of Monongalia County. Based on the 2000 Census, a net gain of 426 units of manufactured housing occurred between 1990 and 2000. Most of these units were added in the western portion of the county. The County Assessor's Office estimates that 85 registered mobile home parks are located in the county.

Housing Vacancy

The sales vacancy rate in the HMA as of 2000 was 2.4 percent and 3.1 percent in Morgantown. Since 2000 the sales market has been very active. Local real estate sources report that many properties sell shortly after initial listing. Favorable interest rates, combined with an expanding local economy, have contributed to a sustained demand for new and existing single-family homes. Interviews with the property management firms in the city reported declining rental vacancy rates in the years following the 2000 Census. The demand for off-campus housing and increased enrollments have created strong

incentives for additional housing development in the HMA. Employment gains in the service-producing sectors also have contributed to the demand for additional rental units.

Sales Market Conditions

Currently, no evidence indicates any slowdown in the market for existing homes. The North Central West Virginia Real Estate Information Network reported 723 sales of existing homes in 2002. In the first 9 months of 2003, 508 home sales closed. Sales activity of existing units concentrated in the \$125,000 to \$200,000 price range, with several country estates built on large lots in the eastern portion of the county selling in the range of \$250,000 to \$750,000. Since 2000 an estimated 750 single-family units have been completed and more than 100 units are estimated to be under construction.

Rental Market Conditions

As of the Current date, tight conditions dominate the rental market. Properties with multiyear lease agreements with the university have occupancy rates of 100 percent. Older properties in neighborhoods farther away from the campus “academic core” report vacancy rates of less than 5 percent. As a result of the strong student demand, local developers acquire existing properties at strategic locations relative to the downtown campus, demolish the existing structures, and construct small multifamily properties of typically 15 to 30 units within 12 months after demolition.

The close proximity of multifamily rental housing units in Morgantown has historically provided a convenient alternative to constructing additional dormitory beds on the West Virginia University campus. Information provided by the university’s housing director indicates no immediate plan to construct additional student dormitories during the forecast period. Therefore, continued growth in student enrollments during the next 24 months will increase the demand for off-campus housing and contribute to tighter market conditions.

The “PROMISE Scholarship,” a new educational initiative in West Virginia that provides financial assistance to any state resident that maintains minimum academic grades, has bolstered university enrollments. This financial incentive, in combination with curriculum changes and additional degree programs, has contributed to rising enrollment levels. As a result, the university continues to increase the number of market-rate apartments leased in local neighborhoods adjacent to the campus to accommodate the larger student population. Before the 2003-04 academic year, the university also converted a former skilled nursing home building into student housing. Student enrollments are expected to increase during the forecast period.

Rental costs vary based on geographic proximity to the university. Older rental neighborhoods in the northern portion of the city offer efficiency units that rent from \$300 to \$375 per month, one-bedroom units ranging from \$375 to \$425, two-bedroom units renting from \$450 to \$550, and three-bedroom units renting from \$600 to \$725.

Modern apartment units with off-street parking command rents of an additional \$100 to \$200.

Forecast Housing Demand

Based on expected demolitions, tenure shifts, household growth, current market conditions, and the number of units under construction, demand for an additional 1,020 housing units during the 2-year forecast period is anticipated. Of the total 1,020 units required during the next 24 months, an estimated 640 owner-occupied units and 380 renter-occupied units will be needed. The additional supply of housing will contribute to a more balanced market for renter households expected to be formed in the county.

The city of Morgantown has recently approved Phase I of a large, planned, unit-development project called The Square at Falling Run. Construction should begin in the next 12 to 18 months. This project will consist of a large multiuse structure with housing, offices, and community spaces adjacent to the university's downtown campus.

Table 1
Labor Force and Total Employment
Morgantown HMA
1993 to October 1, 2003

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Prior 12 Mos.	Current 12 Mos.
Labor Force	39,160	38,980	38,090	39,280	38,590	37,820	39,170	40,650	42,330	41,510	41,650	42,240
Employment	35,820	37,050	36,440	37,270	36,810	36,480	37,840	39,690	41,450	40,340	40,560	41,000
Unemployment	3,340	1,930	1,650	2,010	1,780	1,340	1,330	960	880	1,170	1,100	1,250
Rate (%)	8.5	5.0	4.3	5.1	4.6	3.5	3.4	2.4	2.1	2.8	2.6	3.0

Source: West Virginia Department of Labor

Table 2
Nonfarm Employment Trends by Industry
Morgantown HMA
Annual Average (in thousands)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12 Months Ending 9/30/02	12 Months Ending 9/30/03
Total Nonfarm Employment	38.6	41.2	40.9	41.1	41.1	41.5	42.4	42.3	45.1	45.5	45.2	46.4
Goods Producing	5.1	6.0	5.9	5.1	4.4	4.5	4.6	4.5	4.5	4.5	4.4	4.7
Manufacturing	2.4	2.5	2.7	2.5	2.4	2.5	2.5	2.3	2.3	2.3	2.3	2.5
Services Producing	33.4	35.1	35.0	36.0	36.7	37.0	37.8	37.8	40.7	41.1	40.8	41.7
Trade, Transportation & Utilities	8.9	9.3	9.3	9.4	9.7	9.8	9.9	6.2	6.1	6.1	6.1	6.1
All Other Services	12.5	12.9	13.4	13.7	13.7	13.9	14.7	19.9	21.2	21.5	21.4	21.6
Federal Government	1.4	1.3	1.3	1.3	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.4
State and Local Government	10.7	11.6	11.0	11.6	12.0	11.9	11.8	10.2	12.0	11.9	11.8	12.6

Source: West Virginia Bureau of Employment Programs Office of Research, Information, and Analysis

Table 3
Population and Household Trends
Morgantown HMA
April 1, 1990 to April 1, 2005

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Percent	Number	Percent	Number	Percent
Population										
Morgantown HMA Total	75,509	81,866	84,150	85,550	636	0.8	650	0.8	700	0.8
City of Morgantown	25,879	26,809	27,200	27,500	93	0.4	110	0.4	150	0.6
Remainder of HMA	49,630	55,057	56,950	58,050	543	1.0	540	1.0	550	1.0
Households										
Morgantown HMA Total	29,087	33,466	34,950	35,850	438	1.4	420	1.2	450	1.3
City of Morgantown	9,588	10,782	11,100	11,200	119	1.2	90	0.8	50	0.5
Remainder of HMA	19,499	22,684	23,850	24,650	319	1.5	330	1.4	400	1.7

Sources: U.S. Census Bureau: 1990 and 2000 Censuses
 Current and Forecast Dates: Estimates by analyst

Table 4
Housing Inventory Tenure and Vacancy
Morgantown HMA
1990 to October 1, 2003

	Morgantown HMA			City of Morgantown			Remainder of HMA		
	1990	2000	Current Date	1990	2000	Current Date	1990	2000	Current Date
Total housing units	31,563	36,695	38,300	10,400	11,700	11,900	21,150	25,000	26,400
Total occupied units	29,087	33,446	34,950	9,575	10,800	11,100	19,500	22,650	23,850
Owners	18,061	20,391	21,300	4,250	4,500	4,600	13,811	15,891	16,700
Percent	62.1	61.0	60.9				70.8	70.2	70.0
Renters	11,026	13,055	13,650	5,325	6,300	6,475	5,701	6,755	7,175
Percent	37.9	39.0	39.1	55.6	58.3	58.3	29.2	29.8	30.1
Total vacant units	2,476	3,249	3,300	834	939	860	1,642	2,310	2,440
Available units									
For sale	322	508	520	105	145	140	217	363	380
Rate (%)	1.8	2.4	2.4	2.4	3.1	3.0	1.5	2.2	2.2
For rent	954	1,096	950	421	447	390	533	649	560
Rate (%)	8.0	7.7	6.5	7.3	6.6	5.7	8.5	8.8	7.2
Other vacant units	1,200	1,645	1,850	308	347	330	892	1,298	1,520

Note: Numbers may not add to totals due to rounding.
Sources: U.S. Census Bureau: 1990 and 2000 Censuses
Current Date: Estimates by analyst

Table 5
Residential Building Permit Activity
Morgantown HMA
1990 to October 1, 2003

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Jan-Oct 2003
Morgantown HMA														
Total	79	145	92	101	138	138	27	59	104	92	79	92	71	72
Single-family	62	68	53	62	63	63	24	35	41	39	31	48	38	58
Multifamily	17	77	39	39	75	75	3	24	63	53	48	44	33	14

Source: U.S. Census Bureau, C40, Construction Reports

Table 6
Estimated Qualitative Annual Demand for New Market Rate Rental Housing
Morgantown HMA
October 1, 2003 to October 1, 2005

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
\$650	65	\$750	75	\$900	40
\$700	55	\$800	65	\$950	30
\$750	50	\$850	55	\$1,000	30
\$800	45	\$900	50	\$1,050	25
\$850	40	\$950	40	\$1,100	25
\$900	30	\$1,000	30	\$1,150	20
\$950	25	\$1,050	25	\$1,200	20
\$1,050	20	\$1,150	20	\$1,300	15
\$1,150	15	\$1,250	15	\$1,400	15
\$1,250	0	\$1,350	10	\$1,500	0
\$1,350	0	\$1,450	0	\$1,600	0
\$1,450	0	\$1,550	0	\$1,700	0
\$1,550	0	\$1,650	0	\$1,800	0
\$1,650 or more	0	\$1,750 or more	0	\$1,900 or more	0

Source: Estimates by analyst