

The Economic Barometer

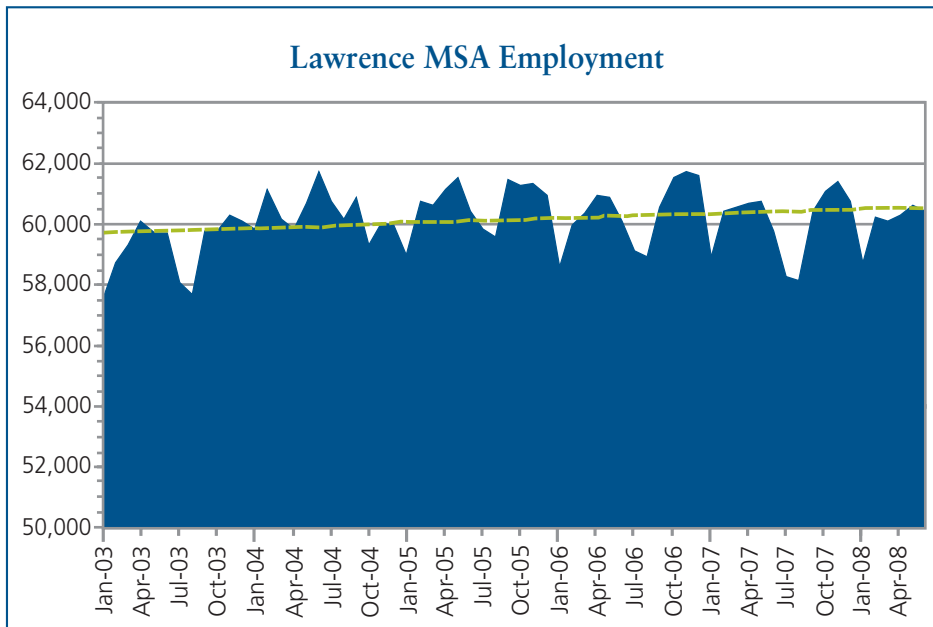
A Quarterly Economic Report



September 2008

2nd Quarter 2008

Employment



The estimated average number of people employed in the Lawrence MSA (Douglas County) in the second quarter of 2008 was 60,448, an increase of 1.3 percent from the previous quarter. Employment varies with the seasons and typically declines in the first quarter of the year and increases during the second quarter. Compared to the second quarter in 2007, average employment estimates for 2008 are up 0.1 percent. Employment growth is slowing for the Lawrence MSA. The quarterly employment estimates since the start of 2003 show only a slight upward trend line.

Civilian Employment by Quarter - Lawrence MSA - Revised

	2003	2004	2005	2006	2007	2008	% Change 2007-08
First Quarter	58,549	60,395	60,115	59,628	59,964	59,684	-0.5%
Second Quarter	59,836	60,751	61,022	60,647	60,409	60,448	0.1%
Third Quarter	58,516	60,591	60,288	60,288	58,942	-	-
Fourth Quarter	60,045	59,785	61,175	61,637	61,080	-	-

Source: Kansas Department of Labor, developed in cooperation with the U.S. Bureau of Labor Statistics.

Employment (cont.)

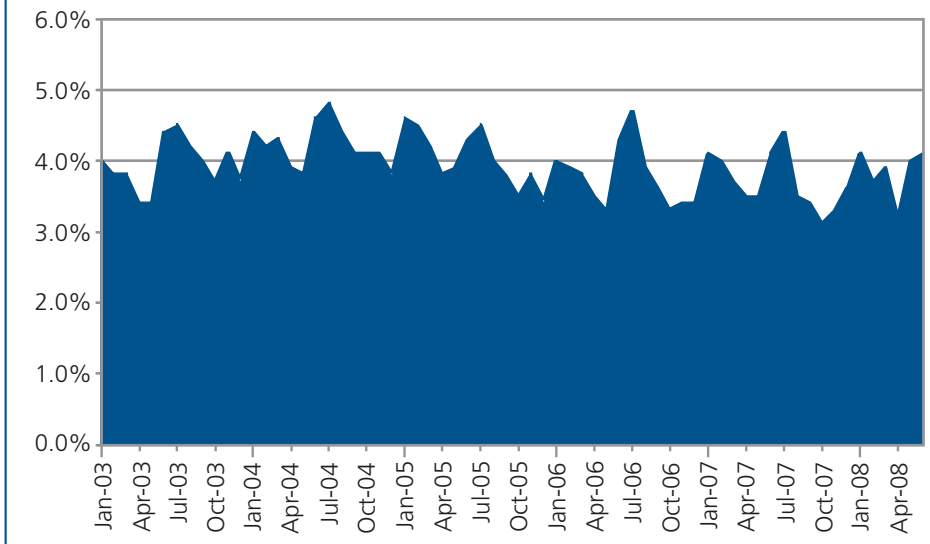
Second Quarter 2008 Employment Data

	Civilian Employment	Unemployment Rate
U.S. (thousands)	146,089	5.3%
Kansas	1,431,548	4.1%
Kansas City, KS MSA	424,083	4.7%
Lawrence MSA	60,448	3.8%
Topeka MSA	115,367	4.6%
Wichita MSA	302,876	4.0%

Source: Kansas Department of Labor, developed in cooperation with the U.S. Bureau of Labor Statistics.

The estimated unemployment rate for the Lawrence MSA in the second quarter of 2008 was down from the first quarter of 2008, from 3.9 to 3.8. Compared to the same quarter in 2007, the second quarter unemployment rate is estimated to have increased 1.8 percent. This is the highest unemployment rate for this quarter since 2005. However, Lawrence's unemployment rate continues to be lower than all the other major metropolitan areas in Kansas as well as the state and nation.

Lawrence MSA Unemployment Rate - Revised



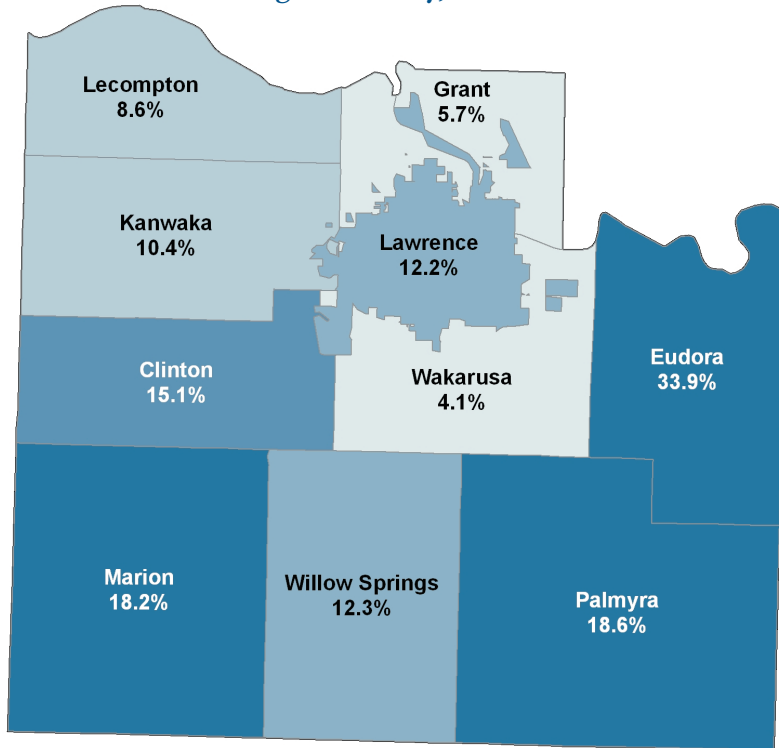
Unemployment Rate by Quarter - Lawrence MSA - Revised

	2003	2004	2005	2006	2007	2008	% Change 2007-08
First Quarter	3.9%	4.3%	4.4%	3.9%	3.9%	3.9%	-0.8%
Second Quarter	3.7%	4.1%	4.0%	3.7%	3.7%	3.8%	1.8%
Third Quarter	4.2%	4.4%	4.1%	4.1%	3.8%	-	-
Fourth Quarter	3.8%	4.0%	3.6%	3.4%	3.3%	-	-

Source: Kansas Department of Labor, developed in cooperation with the U.S. Bureau of Labor Statistics.

Population

Percent Change of Population by Township in Douglas County, 2000-2007



Map boundary is from the U.S. Census Bureau, 2000 TIGER cartographic boundary files. Map projection uses the North American Datum 1983 (NAD83), Universal Transverse Mercator (UTM) Zone 15 North.

Source: IPSR; data from the U.S. Census Bureau, Population Estimates Division, Vintage 2007

While population estimates since the 2000 Census for the city of Lawrence and Douglas County indicate that population growth is slowing, the city and county are estimated to have grown at a higher rate than the state and nation. According to the U.S. Census, from 2000 to 2007, Lawrence and Douglas County are estimated to have grown 12.2 and 13.5 percent, respectively, compared to 3.2 percent for the state of Kansas and 7.2 percent for the U.S. Census estimates since 2000 show the growth shifting within the county, particularly to the east in the Eudora and Palmyra townships.

Population for Douglas County by Township: 2000-2007

Township	Census 2000	2001	2002	2003	Estimates 2005	2005	2006	2007	% Change 2000-07
Clinton	531	543	549	551	558	594	605	611	15.1%
Eudora	5,571	5,794	6,164	6,277	6,540	7,101	7,399	7,462	33.9%
Grant	442	425	428	428	432	458	465	467	5.7%
Kanwaka	1,317	1,327	1,334	1,334	1,345	1,425	1,446	1,454	10.4%
Lawrence city	80,098	81,970	83,651	85,339	87,103	88,664	89,110	89,852	12.2%
Lecompton	1,761	1,788	1,792	1,785	1,789	1,884	1,909	1,912	8.6%
Marion	836	862	875	881	896	956	977	988	18.2%
Palmyra	5,760	6,007	6,057	6,120	6,217	6,593	6,752	6,830	18.6%
Wakarusa	2,237	2,161	2,166	2,161	2,173	2,293	2,322	2,329	4.1%
Willow Springs	1,409	1,440	1,450	1,451	1,464	1,551	1,574	1,583	12.3%
Douglas County	99,962	102,317	104,466	106,327	108,517	111,519	112,559	113,488	13.5%

Source: U.S. Census Bureau.

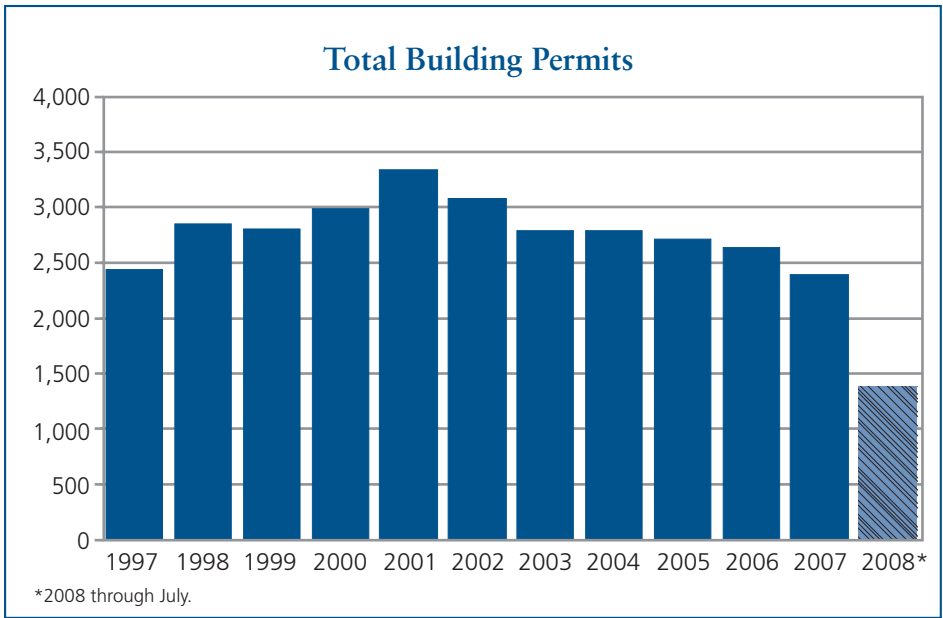
Real Estate

Second Quarter Building Permits in Lawrence

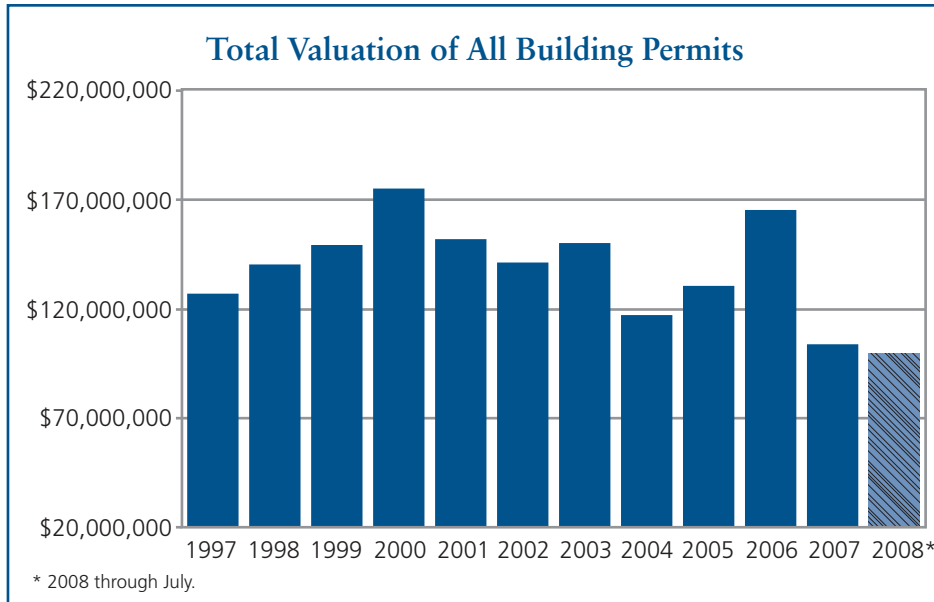
	Q2 2007	Q2 2008	% Change 2007-2008
TOTAL			
Number	657	577	-12%
Valuation	26,199,944	51,868,677	98%
RESIDENTIAL			
Number	67	37	-45%
Valuation	12,624,660	8,071,784	-36%
NON-RESIDENTIAL			
Number	58	51	-12%
Valuation	10,077,341	40,301,226	300%

Source: City of Lawrence, Neighborhood Resources Department.

In the second quarter of 2008, the total number of building permits is down 12 percent compared to 2007 while the value of all permits is up 98 percent. The increase in value is due to non-residential construction, which experienced a 300 percent increase in the value compared to a year ago. This increase in value can be attributed to two major new commercial construction projects – a \$9.5 million project in April and a \$17.8 million project in May. Residential construction, like the rest of the nation, continues to struggle. Compared to the second quarter in 2007, the number of residential building permits in Lawrence is down 43 percent and the value of residential permits is down 36 percent.



Real Estate (cont.)



While the building permits and valuation totals for 2007 continue the slowdown of the past four years for the construction industry, the strong showing in 2008 of non-residential construction is a positive indicator for construction. The total valuation of all building permits through the first seven months is almost at the total for all of 2007.

A total of 238 homes were sold in Lawrence in the first quarter of 2008 compared to 328 in 2007; this is a decline of 27 percent. The total number of homes sold for 2007 compared to 2006 declined by 9 percent, from 1,716 to 1,560. Preliminary numbers for the second quarter of 2008 indicate that the residential real estate market continues to slow with 415 homes sold in the second quarter of 2008 compared to 599 homes in 2007.

Lawrence Residential Real Estate Sales

	2007	2008	% Change 2007-2008
1st Quarter	328	238	-27.4%
2nd Quarter	599	415 p	-30.7%

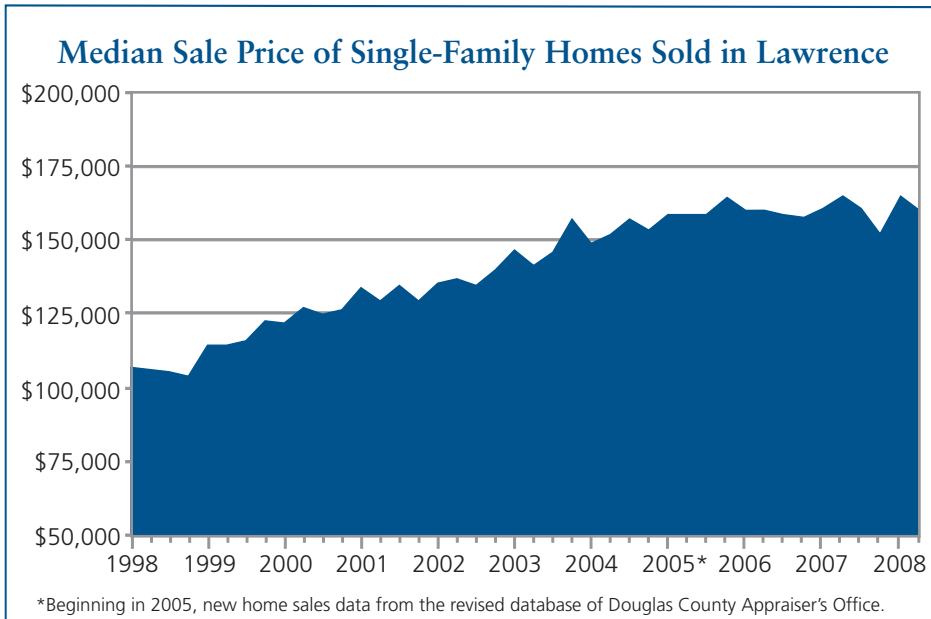
p - preliminary
Source: Douglas County Appraiser's Office.

2006-2007 Lawrence Residential Real Estate Sales - Revised

	2006	2007	% Change 2006-2007
1st Quarter	327	328	0.3%
2nd Quarter	666	599	-10.1%
3rd Quarter	435	411	-5.5%
4th Quarter	288	222	-22.9%
TOTAL	1,716	1,560	-9.1%

Source: Douglas County Appraiser's Office.

Real Estate (cont.)



The median price of all homes sold, new or previously owned, was \$159,900 in the second quarter of 2008; this is a 3.0 percent decrease from the previous quarter and a 3.1 percent decrease from a year ago. For the two previous quarters, the revised median home sales prices for Lawrence are \$164,775 for the first quarter of 2008 and \$152,000 for the fourth quarter of 2007.

The total assessed valuation of all taxable property for the city of Lawrence increased 2.8 percent from 2007 to 2008 with residential valuations up 2.4 percent and commercial up 2.8 percent. Residential property accounts for 68.8 percent of the tax base for the city in 2008 compared to 29.4 percent for commercial property. From 2003 to 2008, residential assessed property valuation increased 37.6 percent compared to 32.2 percent for commercial. The total assessed value of all property (includes vacant land and agriculture) increased 35.5 percent from 2003 to 2008.

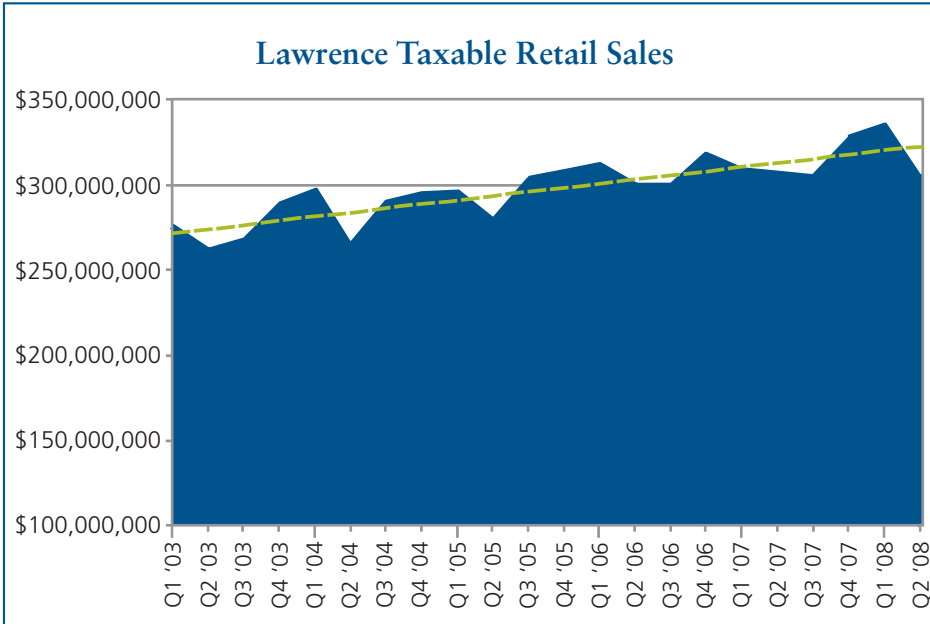
Tax Base for the City of Lawrence- Residential vs Non-Residential

	2003	2004	2005	2006	2007	2008	% Change 2007-2008
Residential	\$402.4	\$437.2	\$476.8	\$514.8	\$540.9	\$553.7	2.4%
% of Total	67.8%	68.0%	68.7%	68.6%	69.1%	68.6%	
Commercial	\$178.8	\$194.1	\$203.4	\$220.1	\$227.0	\$236.4	4.1%
% of Total	30.1%	30.2%	29.3%	29.3%	29.0%	29.4%	
TOTAL	\$593.8	\$642.9	\$694.5	\$750.5	\$782.5	\$804.6	2.8%

Total includes Vacant Land and Agriculture, which account for 1.9% and 0.01%, respectively, of the 2008 Total Assessed Valuation.

Source: Douglas County Appraiser's Office.

Retail Sales



Retail sales vary by quarter reflecting seasonal fluctuations in consumer spending. Sales in the second quarter are typically down from the first quarter. This was the case for the city of Lawrence and Douglas County with retail sales down 9.0 percent for the city and 9.3 percent for the county. It should be noted that the first quarter of 2008 experienced higher than normal sales growth, which may, in turn, have led to a higher than normal change from the first to the second quarter. Compared to 2007, taxable retail sales for the city and county are slightly lower in the second quarter of 2008 by 0.5 percent for the city and 0.4 percent for the county.

Compared to 2006, retail sales totals for 2007 were up 1.6 percent for the city of Lawrence and 1.2 percent for Douglas County. This was not as strong growth as the state of Kansas, which experienced a 3.6 percent increase in taxable retail sales in 2007 compared to 2006. For the first six months of 2008, retail sales for the city and the county are up 4.1 and 5.8 percent, respectively, compared to 2007. Data are not yet available for the state through June.

Taxable Retail Sales

	Q2 2007	Q2 2008	% Change 2007-2008
City of Lawrence	\$306,209,189	\$304,711,755	-0.5%
Douglas County	\$333,955,911	\$332,640,274	-0.4%

Source: Kansas Department of Revenue.

Year End Taxable Retail Sales

	2006	2007	% Change 2006-2007
City of Lawrence	\$1,226,043,885	\$1,245,379,120	1.6%
Douglas County	\$1,349,688,716	\$1,365,808,319	1.2%
Kansas	\$34,937,636,738	\$36,180,147,537	3.6%

Source: Kansas Department of Revenue.

Cost of Living

Lawrence Consumer Price CPI - Revised

	CPI (Base Year = 2000)	% Change (From same period, previous year)
Third Quarter 2007	130.1	2.4%
Annual Average 2007	129.6	2.2%
First Quarter 2008	123.9	-1.1%
Second Quarter 2008	132.2	-1.7%

Source: Institute for Policy & Social Research.

**Second Quarter 2008
Comparative Cost of Living Index**

U.S. Average	100.0
Lawrence, KS	92.7
Manhattan, KS	96.6
Topeka, KS	89.1
Ames, IA	91.3
Champaign, IL	95.3
Columbia, MO	90.3
Fort Collins, CO	94.3

Source: ACCRA

The Lawrence consumer price index for the second quarter of 2008 was calculated as 132.2, meaning that the cost of living in Lawrence is 32.2 percent higher than it was in the base year (2000). This can also be thought of as the Lawrence inflation rate. Price inflation for the second quarter of 2008 is down 1.7 percent from 2007.

The ACCRA Cost of Living Index indicates how expensive one urban area is compared to another. It is designed to measure the cost of consumer goods and services appropriate for professional and managerial households in the top income quintile. The U.S. average is always set to 100. The Lawrence cost of living index for the second quarter of 2008 was 92.7, which is up from the first quarter index of 92.4. Lawrence's second quarter index for 2008 is lower than Manhattan, Kans., Champaign, Ill., and Fort Collins, Colo., but higher than the other participating comparative cities.

This report was researched and written by Genna Hurd and designed by Laura Kriegstrom Stull of the Institute for Policy & Social Research at The University of Kansas. Data sources include the City of Lawrence, the Douglas County Appraiser's Office, the Kansas Department of Labor, the Kansas Department of Revenue, U.S. Department of Labor, and ACCRA/The Council for Community and Economic Research (C2ER). This report is available online at www.lawrencechamber.com

