

The Economic Barometer

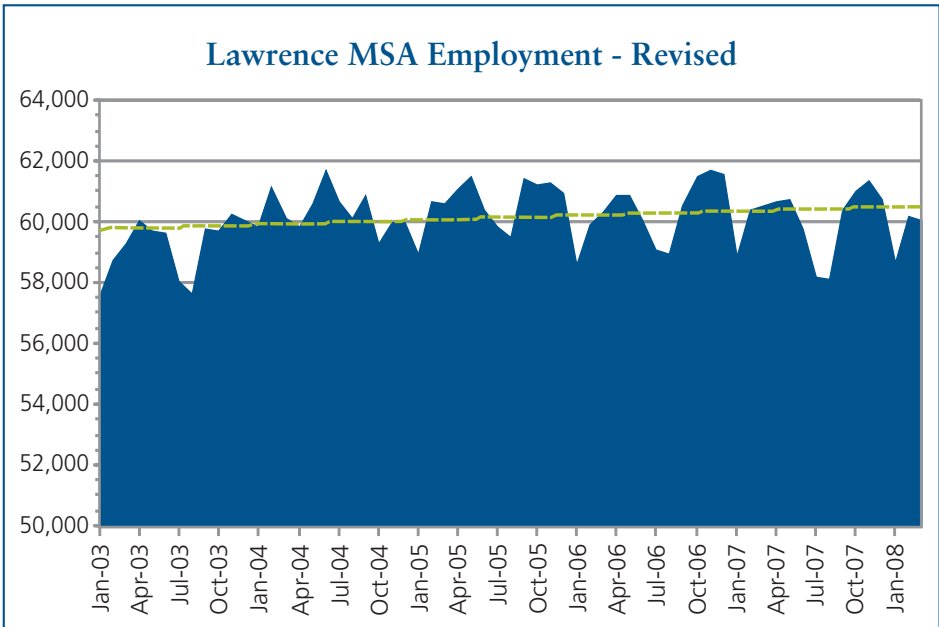
A Quarterly Economic Report



June 2008

1ST Quarter 2008

Employment



The estimated average number of people employed in the Lawrence MSA (Douglas County) in the first quarter of 2008 was 59,684, a decrease of 2.3 percent from the previous quarter. Employment typically declines in the first three months of the year due to seasonal factors. Compared to the first quarter in 2007, average employment estimates for 2008 are down 0.5 percent. Employment growth is slowing—the quarterly employment estimates since the start of 2003 show a slight upward trend line for the Lawrence MSA.

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	-	-
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.

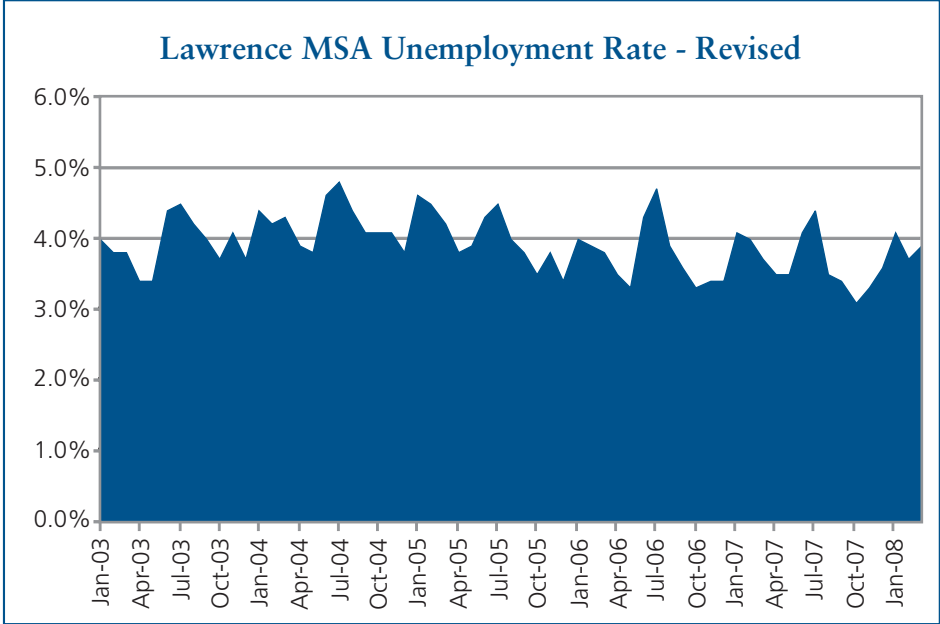
Employment (cont.)

First Quarter 2008 Employment Data

	Civilian Employment	Unemployment Rate
U.S. (thousands)	146,070	4.9%
Kansas	1,414,242	4.2%
Kansas City, KS MSA	417,878	4.8%
Lawrence MSA	59,684	3.9%
Topeka MSA	114,611	4.9%
Wichita MSA	301,700	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 first quarter of 2008 was up 17 percent from the fourth quarter of 2007, from 3.3 to 3.9. Compared to the same quarter in 2007, the first quarter unemployment rate is estimated at a slight decline of 0.8 percent. Lawrence's unemployment rate is lower than all the other major metropolitan areas in Kansas as well as the state and nation.



Unemployment Rate by Quarter - Lawrence MSA - Revised

	2003	2004	2005	2006	2007	2008	% Change 2007-2008
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%	-	-
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.

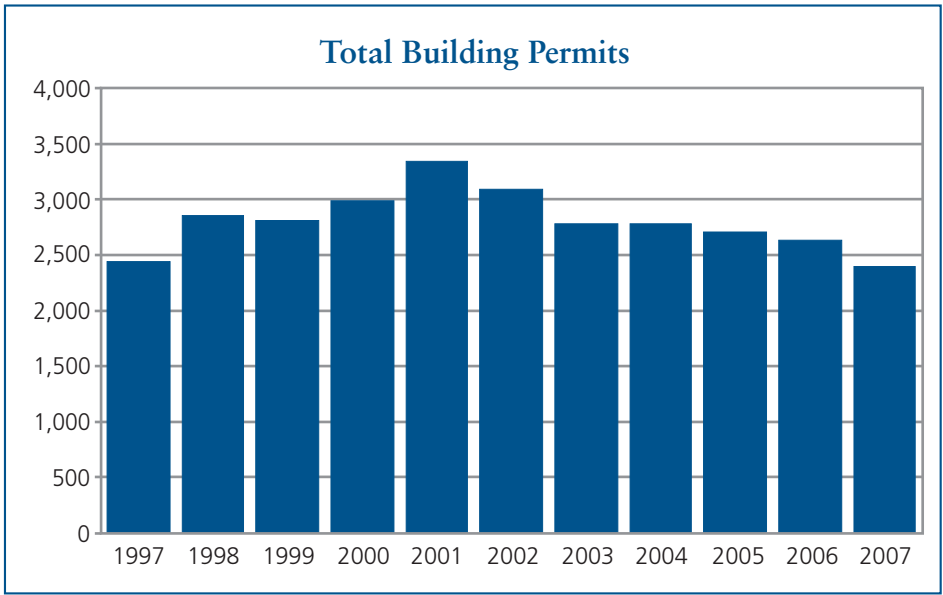
Real Estate

First Quarter Building Permits in Lawrence

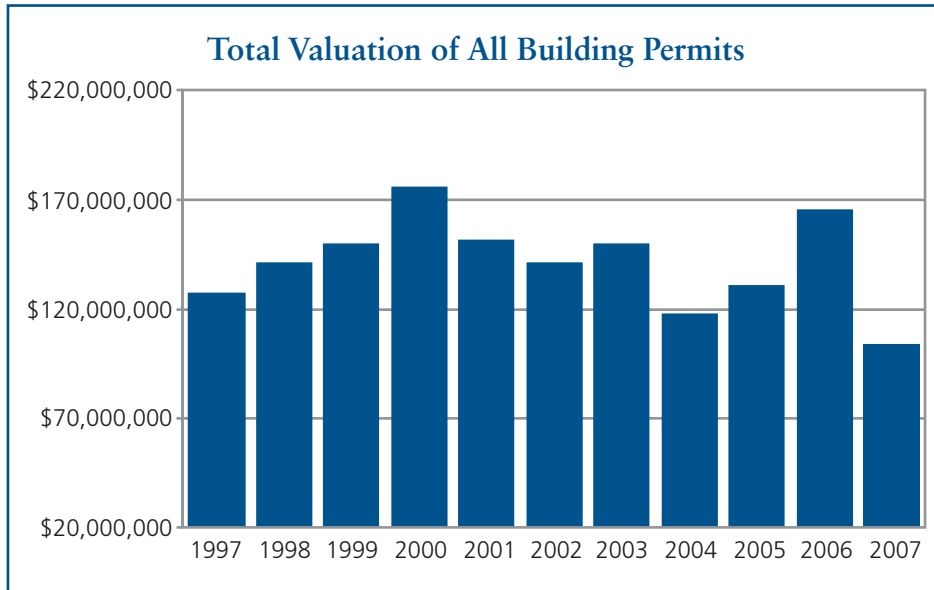
	Q1 2007	Q1 2008	% Change 2007-2008
TOTAL			
Number	456	537	18%
Valuation	15,024,591	18,406,951	23%
RESIDENTIAL			
Number	38	14	-63%
valuation	8,707,812	3,475,586	-60%
NON-RESIDENTIAL			
Number	35	40	14%
Valuation	4,180,796	12,702,681	204%

Source: City of Lawrence, Neighborhood Resources Department.

In the first quarter of 2008, the total number of building permits is up 18 percent compared to 2007 and the value of all permits is up 23 percent. These increases are due to the strong growth in non-residential construction, which experienced an increase of 14 percent in the number of permits and 204 percent in the value. Of the 40 non-residential building permits taken out in the first quarter, two were for projects over \$2 million (one \$2.08 million commercial remodel and one \$4.5 million new commercial) and five were for commercial projects over \$500,000. Residential construction was down in the first quarter compared to a year ago with the number of permits down by 63 percent and the value of residential permits down 60 percent.



Real Estate (cont.)



While the building permits and valuation totals for 2007 continued the slow-down of the past four years for the construction industry, the strong start to 2008 of non-residential construction may be a positive indicator that construction is turning around. Building permit data for April indicate the strong growth in non-residential construction experienced during the first quarter is continuing. Building permits were issued in April for several major projects, including a \$9.5 million new commercial and approximately \$1.01 million commercial addition. Three permits valuing over \$3.6 million were also issued in April for public funded projects.

A total of 208 homes were sold in Lawrence in the fourth quarter of 2007 compared to 286 in 2006; this is a decline of 27.3 percent. The total number of homes sold for 2007 compared to 2006 declined by 11.5 percent, from 1,682 to 1,489. Preliminary numbers for the first quarter of 2008 indicate that the residential real estate market continues to decline with 200 homes sold in the first quarter of 2008 compared to 310 homes in 2007.

Lawrence Residential Real Estate Sales

	2007	2008	% Change 2007-2008
1st Quarter	310	200p	-35.5%

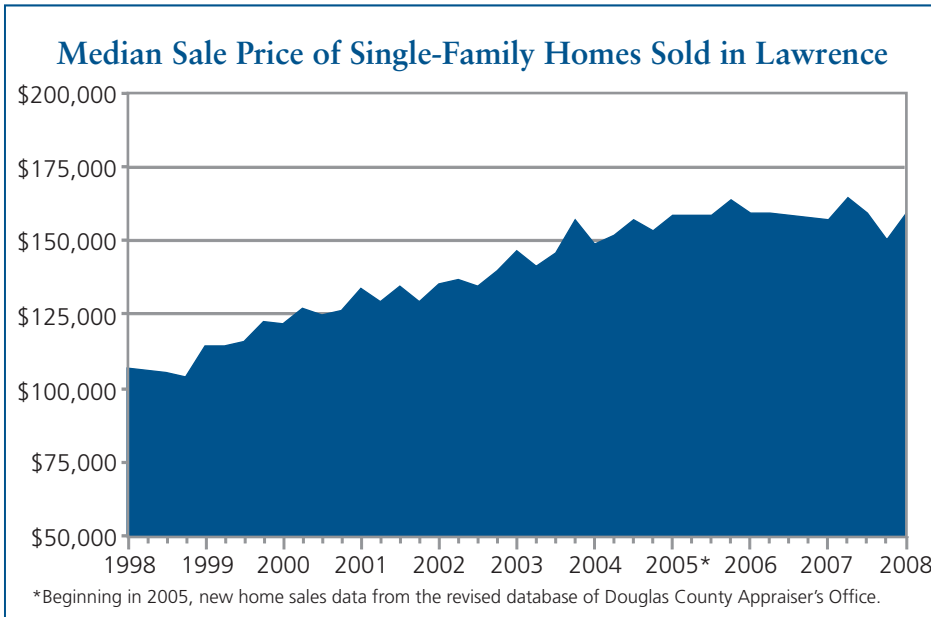
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Source: Douglas County Appraiser's Office.

2006-2007 Lawrence Residential Real Estate Sales - Revised

	2006	2007	% Change 2006-2007
1st Quarter	319	310	-2.8%
2nd Quarter	650	583	-10.3%
3rd Quarter	427	388	-9.1%
4th Quarter	286	208	-27.3%
TOTAL	1,682	1,489	-11.5%

Source: Douglas County Appraiser's Office.

Real Estate (cont.)



The median price of all homes sold, new or previously owned, was \$160,000 in the first quarter of 2008; this is a 6.3 percent increase from the previous quarter and a 1.3 percent increase from a year ago. For the two previous quarters in 2007, the median home sales price in Lawrence was \$150,500 for the fourth quarter and \$160,000 for the third quarter.

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 property up 4.1 percent. Residential property accounts for 68.8 percent of the tax base for the city of Lawrence in 2008 compared to 29.4 percent for commercial property. From 2003 to 2008, residential property assessed valuation increased 37.6 percent compared to 32.2 percent for commercial property. The total assessed value of all property (includes vacant land and agriculture) increased 35.5 percent from 2003 to 2008.

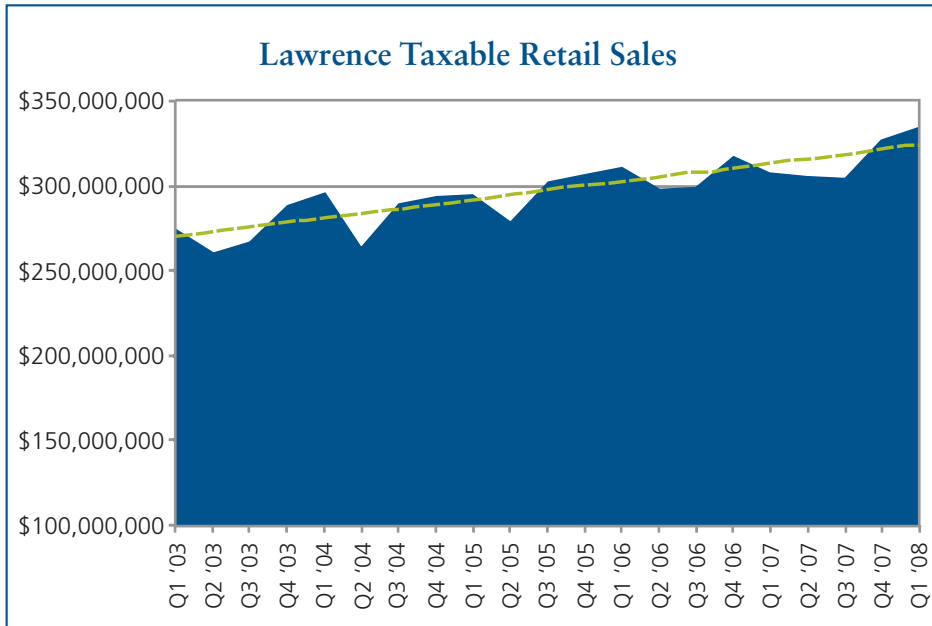
Tax Base for the City of Lawrence - Residential vs Non-Residential

	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%	68.8%	
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 first quarter of the year are typically down from the fourth quarter, which has the bulk of the holiday spending. However, for the city of Lawrence with a NCAA National Basketball Championship team, retail sales may have reaped some short-term benefit from the team's success during March. Retail sales for the first quarter of 2008 compared to the fourth quarter of 2007 are up 2.4 percent for the city and down slightly, 0.4 percent, for the county. Compared to 2007, taxable retail sales for Lawrence and Douglas County are higher in the first quarter of 2008 by 8.7 percent for the city and 9.8 percent for the county.

Retail sales totals for 2007 are up 1.6 percent for the city of Lawrence and 1.2 percent for Douglas County compared to totals for 2006. Year end retail sales data for the state of Kansas indicate that local retail sales growth is not as strong as the state of Kansas, which experienced a 3.6 percent increase in taxable retail sales for 2007 compared to 2006.

Taxable Retail Sales

	Q1 2007	Q1 2008	% Change 2007-2008
City of Lawrence	\$307,879,060	\$334,769,346	8.7%
Douglas County	\$334,307,613	\$366,940,964	9.8%

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 Index

	CPI (Base Year = 2000)	% Change (From same period, previous year)
Second Quarter 2007r	132.9	3.3%
Third Quarter 2007r	130.1	2.6%
Annual Average 2007r	129.6	2.2%
First Quarter 2008	124.2	-1.2%

Source: Institute for Policy & Social Research.

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

U.S. Average	100.0
Lawrence, KS	92.4
Manhattan, KS	95.5
Topeka, KS	89.3
Ames, IA	93.7
Champaign, IL	98.6
Columbia, MO	91.8
Fort Collins, CO	95.4

Source: ACCRA.

The Lawrence consumer price index for the first quarter of 2008 was calculated as 124.2, meaning that the cost of living in Lawrence is 24.2 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 first quarter of 2008 is down 1.2 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 first quarter of 2008 was 92.4, which is almost the same as the 2007 annual average index of 92.3. Lawrence's first quarter index for 2008 is lower than all the other participating comparative cities, except Topeka, Kansas and Columbia, Missouri.

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

