

The Economic Barometer

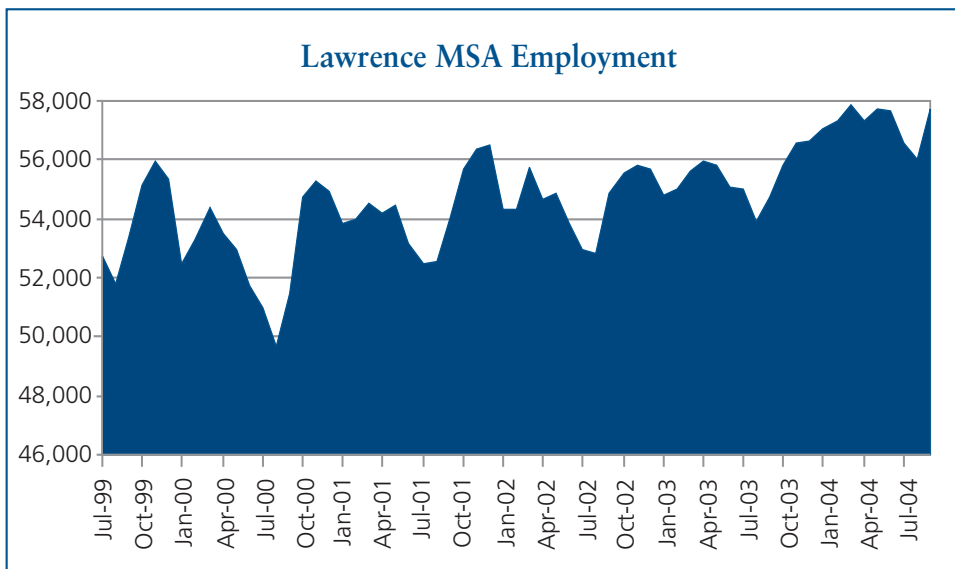
A Quarterly Economic Report



January 2005

3rd Quarter 2004

Employment



The number of people employed in Lawrence declined, -1.38 percent, from the second to the third quarter. Historically, employment has declined in this quarter due to students leaving the labor force to return to school. In fact, compared to the third quarter in 2003, the number employed has increased over 4 percent. Monthly average employment numbers are up for September over July and August and employment numbers in October are up as well, indicating early positive signs for the fourth quarter report.

Civilian Employment by Quarter - Lawrence MSA

| | 2000 | 2001 | 2002 | 2003 | 2004 | % Change 2003-2004 |
|----------------|--------|--------|--------|--------|--------|-----------------------|
| First Quarter | 53,390 | 54,119 | 54,784 | 55,138 | 57,405 | 4.1% |
| Second Quarter | 52,733 | 53,919 | 54,466 | 55,629 | 57,564 | 3.5% |
| Third Quarter | 50,698 | 53,044 | 53,542 | 54,550 | 56,770 | 4.1% |
| Fourth Quarter | 54,975 | 56,177 | 55,683 | 56,325 | - | - |

Source: Kansas Department of Human Resources.

Employment (con'd)

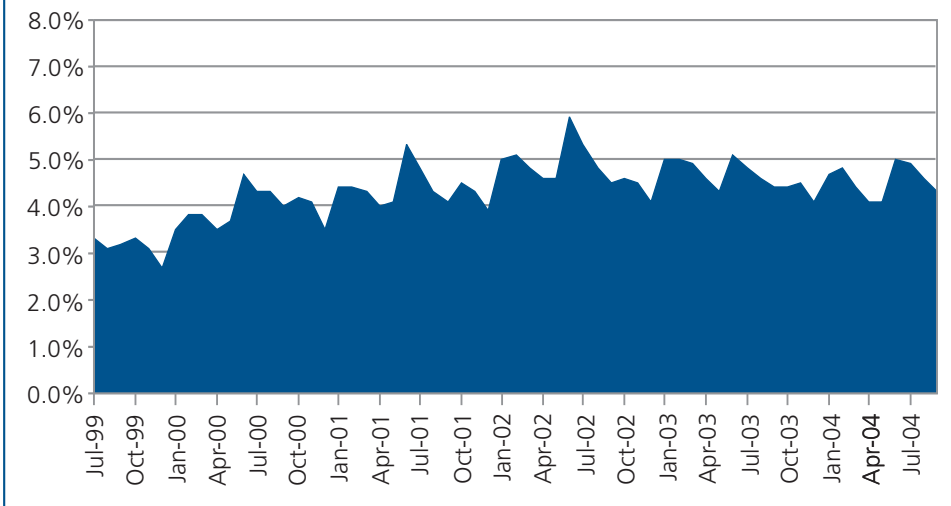
Third Quarter 2004 Employment Data

| | Civilian Employment | Unemployment Rate |
|-------------------|---------------------|-------------------|
| U.S. (thousands) | 139,607 | 5.4% |
| Kansas | 1,406,817 | 4.6% |
| Kansas portion of | | |
| Kansas City MSA | 396,068 | 5.0% |
| Lawrence MSA | 56,770 | 4.6% |
| Topeka MSA | 88,666 | 5.5% |
| Wichita MSA | 279,196 | 5.4% |

Source: U.S. Department of Labor and Kansas Department of Human Resources.

The unemployment rate for Lawrence was up slightly from the previous quarter from 4.40 in the second quarter to 4.60 in the third quarter; however, this rate was unchanged from the third quarter in 2003. A look at monthly unemployment rates shows that the rate decreased throughout the summer months. Lawrence's unemployment rate in the third quarter was the same as the state's rate and lower than all the other major metropolitan areas in the state as well as below the national rate.

Lawrence MSA Unemployment Rate

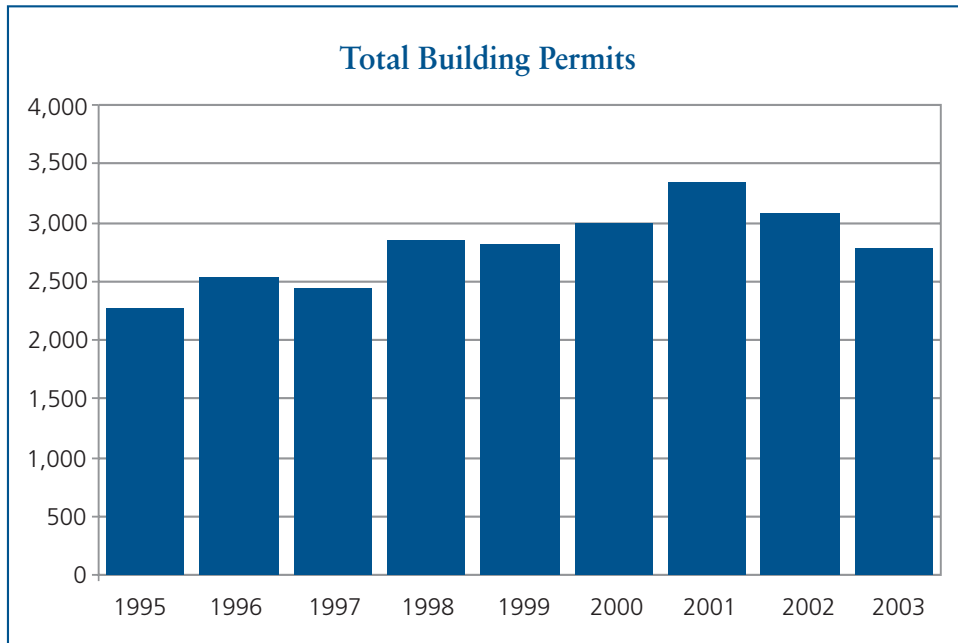


Unemployment Rate by Quarter - Lawrence MSA

| | 2000 | 2001 | 2002 | 2003 | 2004 | % Change 2003-2004 |
|----------------|-------|-------|-------|-------|-------|--------------------|
| First Quarter | 3.70% | 4.37% | 4.97% | 4.97% | 4.63% | -6.7% |
| Second Quarter | 3.97% | 4.47% | 5.03% | 4.67% | 4.40% | -5.7% |
| Third Quarter | 4.20% | 4.40% | 4.87% | 4.60% | 4.60% | 0.0% |
| Fourth Quarter | 3.93% | 4.23% | 4.40% | 4.33% | - | - |

Source: Kansas Department of Human Resources.

Real Estate



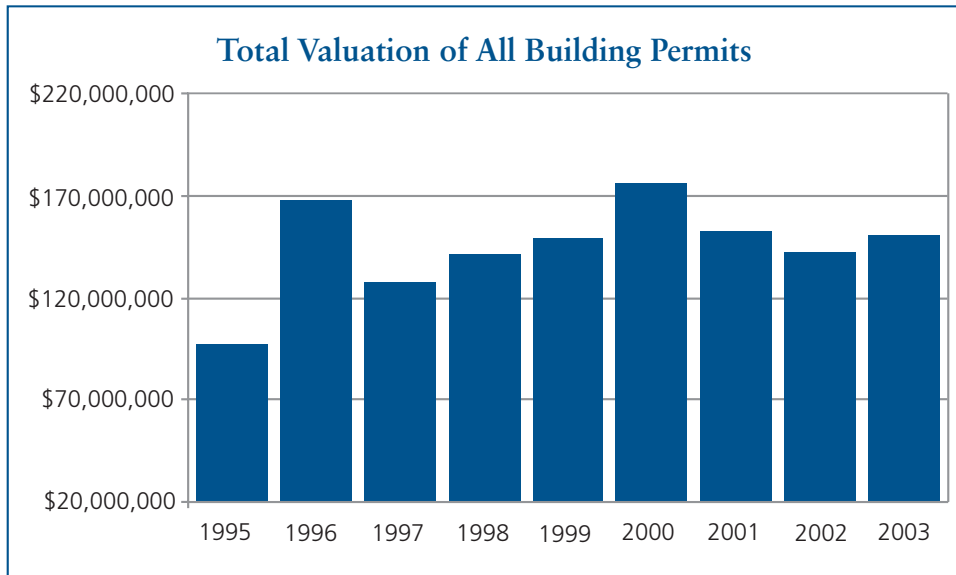
Growth in the construction industry in Lawrence for the third quarter continues the slow start seen in the first and second quarters. While the total number of building permits was down by 9 percent for the third quarter compared to a year ago, the dollar value of all building permits taken out was down by almost 22 percent. The value of residential construction in Lawrence was down by almost 11 percent compared to the same quarter in 2003 while the value of non-residential construction was down by almost 39 percent.

Third Quarter Building Permits in Lawrence

| | Q3 2003 | Q3 2004 | % Change 2003-2004 |
|------------------------|------------|------------|--------------------|
| TOTAL | | | |
| Number | 757 | 686 | -9.4% |
| Valuation | 25,241,570 | 19,733,226 | -21.8% |
| RESIDENTIAL | | | |
| Number | 89 | 72 | -19.1% |
| Valuation | 14,264,919 | 12,681,536 | -11.1% |
| NON-RESIDENTIAL | | | |
| Number | 39 | 33 | -15.4% |
| Valuation | 8,166,143 | 5,023,928 | -38.5% |

Source: City of Lawrence, Building Inspection Division.

Real Estate (con'd)

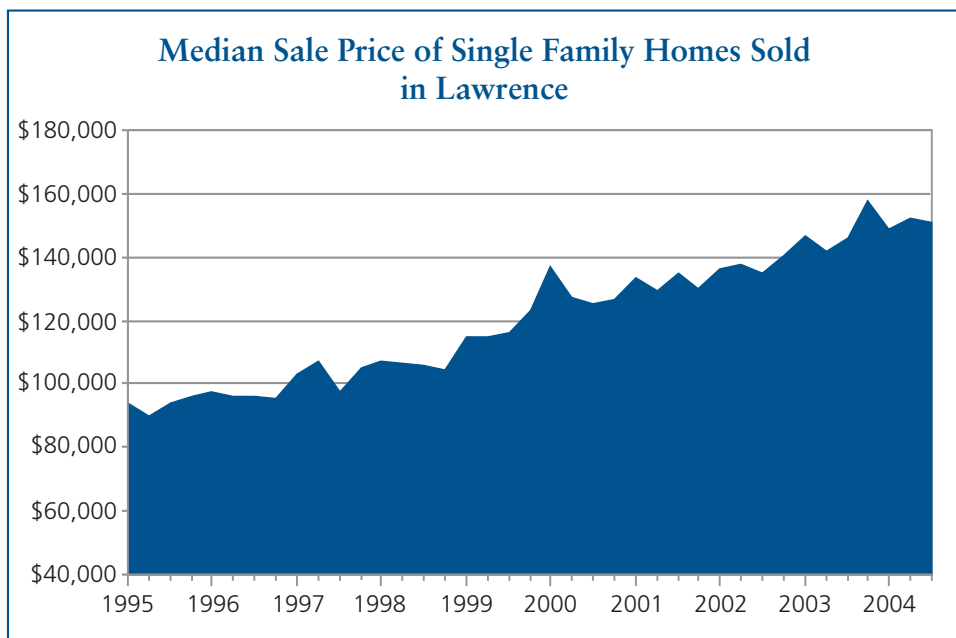


Lawrence Residential - Real Estate Sales

| | Q3 2003 | Q3 2004 | % Change 2003-2004 |
|--------|---------|---------|--------------------|
| Number | 481 | 324 | -32.6% |

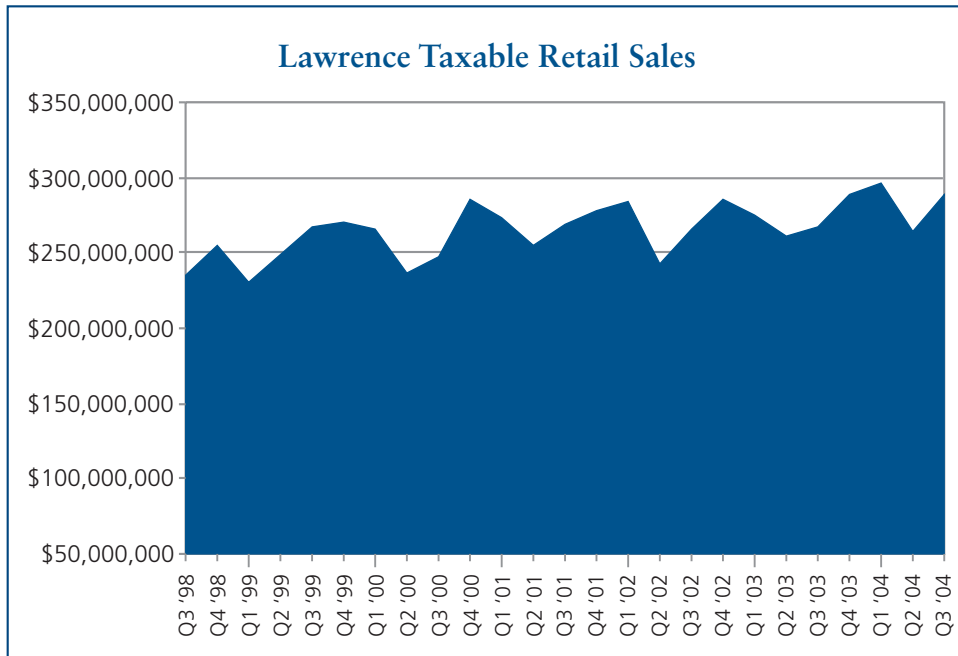
Source: Douglas County Appraiser's Office.

The number of homes which changed ownership, used or new, was down by almost 33 percent compared to the third quarter in 2003. The third quarter home sales were also down compared to the second quarter of 2004, with a total of 324 homes sold in Lawrence in the third quarter compared to 599 homes in the second quarter. September home sales appear to have been unusually low; however, these figures will get adjusted with the next quarter's report. It is anticipated that home sales will still be significantly down from the previous year and the previous quarter.



The median price of all homes declined slightly from the second quarter, to a price of \$150,660 in the third quarter. This was a decline of 0.88 percent. However, this price was up 3.19 percent from a year ago.

Retail Sales



Taxable retail sales vary by quarter reflecting consumer spending for the holidays, back to school, and income tax rebates/refunds. The third quarter of the year saw an increase in taxable retail sales compared to the second quarter, with sales up 9.60 percent for Lawrence and 11.18 percent for Douglas County. When compared to the third quarter for 2003, retail sales were up by 8.41 per cent in Lawrence and 9.77 in Douglas County.

In the first quarter it was noted that neither Lawrence nor Douglas County experienced much retail sales growth in 2003 compared to 2002. New retail sales data for all of Kansas show almost 5 percent growth from 2002 to 2003, indicating that Lawrence and Douglas County's performance was sub-par for the state. Comparison data for 2003 to 2004 will not be available until the second quarter report in 2005.

Taxable Retail Sales

| | Q3 2003 | Q3 2004 | % Change 2003-2004 |
|------------------|---------------|---------------|-----------------------|
| City of Lawrence | \$267,043,815 | \$289,495,770 | 8.41% |
| Douglas County | \$294,370,080 | \$323,136,602 | 9.77% |

Source: Kansas Department of Revenue.

Year End Taxable Retail Sales

| | 2002 | 2003 | % Change 2002-2003 |
|------------------|------------------|------------------|-----------------------|
| City of Lawrence | \$1,078,983,794 | \$1,091,409,643 | 1.15% |
| Douglas County | \$1,177,214,266 | \$1,196,887,675 | 1.67% |
| Kansas | \$29,380,824,524 | \$30,694,018,282 | 4.47% |

Source: Kansas Department of Revenue.

Cost of Living

Lawrence Consumer Price Index

| | CPI (Base Year = 2000) | % Change (From same period previous year) |
|----------------------|---------------------------|---|
| Fourth Quarter, 2003 | 109.8 | 2.02% |
| First Quarter, 2004 | 112.5 | 2.17% |
| Second Quarter, 2004 | 107.6 | 2.63% |
| Third Quarter, 2004 | 108.2 | 1.13% |

Source: Policy Research Institute.

Third Quarter 2004 Comparative Cost of Living Index

| | |
|------------------|-------|
| U.S. Average | 100.0 |
| Lawrence, KS | 97.0 |
| Manhattan, KS | 95.9 |
| Topeka, KS | 92.1 |
| Fort Collins, CO | n/a |
| Champaign, IL | 96.0 |
| Ames, IA | 99.8 |
| Columbia, MO | 94.8 |

n/a: not available

Source: ACCRA.

The Lawrence consumer price index stood at 108.2 in the third quarter of 2004, meaning that cost of living here was 8.2 percent higher than it was in the base year (2000). This can also be thought of as the Lawrence inflation rate. Price inflation from the previous quarter was lower than usual at 1.13 percent.

On the other hand, the comparative cost of living index does not measure inflation or changes over time, but it does indicate how expensive one place is to live compared to another. The US average is always set to 100. In the third quarter of 2004 Lawrence's Cost of Living Index stood at 97.0; this is slightly lower than the national average, but higher than the indices of all of the comparative cities except for Ames, Iowa. Fort Collins' index was not available for this quarter; it is typically above 100.

This report was researched and written by Genna Hurd and designed by Laura Kriegstrom Stull of the Policy Research Institute at the University of Kansas. Data sources include the City of Lawrence, the Douglas County Appraiser's Office, the Kansas Department of Human Resources, the Kansas Department of Revenue, and ACCRA. This report is available online at www.lawrencechamber.com

