

The Economic Barometer

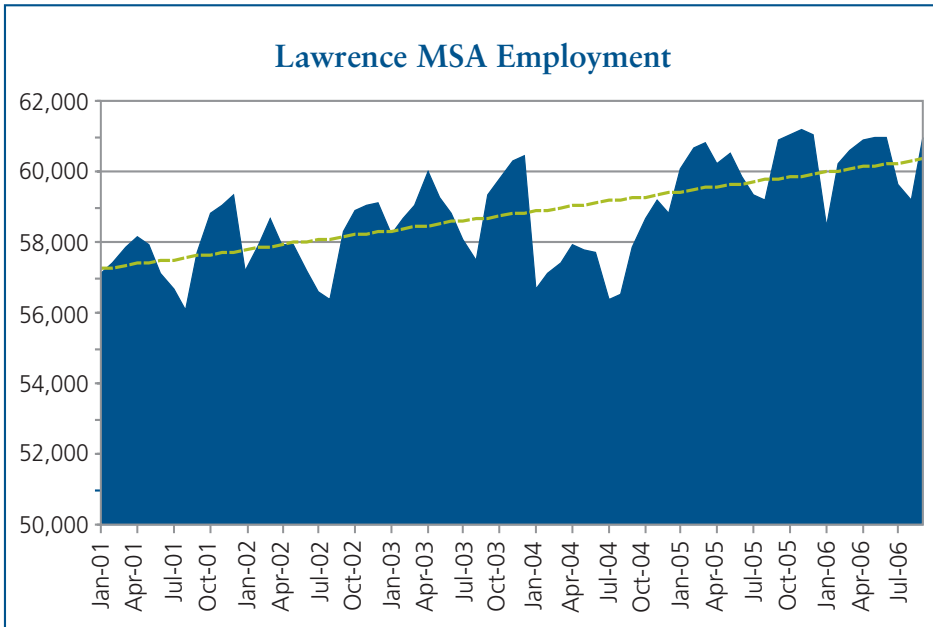
A Quarterly Economic Report



December 2006

3rd Quarter 2006

Employment



The number of people employed in Lawrence decreased 1.7 percent from the second to the third quarter of 2006. Employment typically falls during the third quarter due to students leaving the workforce to return to school. Compared to the third quarter in 2005, the number employed in the third quarter of 2006 has increased slightly by 0.2 percent with an average employment of 59,916 for the quarter. The employment trend continues upward for Lawrence.

Civilian Employment by Quarter - Lawrence MSA

	2001	2002	2003	2004	2005	2006	% Change 2005-2006
First Quarter	57,440	57,923	58,654	57,052	60,533	59,731	-1.3%
Second Quarter	57,719	57,678	59,338	57,830	60,223	60,920	1.2%
Third Quarter	56,814	57,112	58,289	56,920	59,823	59,916	0.2%
Fourth Quarter	59,080	59,006	60,177	58,905	61,067	-	-

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

Employment (cont.)

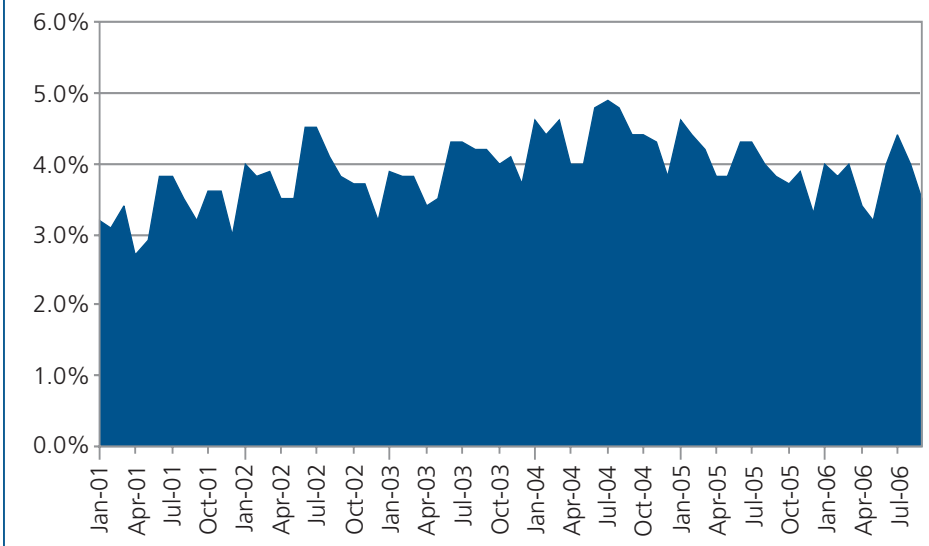
Third Quarter 2006 Employment Data

	Civilian Employment	Unemployment Rate
U.S. (thousands)	144,586	4.7%
Kansas	1,415,333	4.6%
Kansas City, KS MSA	414,829	5.0%
Lawrence MSA	59,916	4.0%
Topeka MSA	117,089	5.1%
Wichita MSA	295,681	4.9%

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

The unemployment rate for Lawrence in the third quarter of 2006 was up from the second quarter, from 3.5 to 4.0, a 12 percent increase. Compared to the same quarter in 2005, the unemployment rate has declined by 1.7 percent and the unemployment rate is the lowest it has been for this quarter since 2001. Lawrence's unemployment rate in the third quarter continues to be lower than all the other major metropolitan areas in Kansas as well as the state and nation.

Lawrence MSA Unemployment Rate



Unemployment Rate by Quarter - Lawrence MSA

	2001	2002	2003	2004	2005	2006	% Change 2005-2006
First Quarter	3.2%	3.9%	3.8%	4.5%	4.4%	3.9%	-10.6%
Second Quarter	3.1%	3.8%	3.7%	4.3%	4.0%	3.5%	-10.9%
Third Quarter	3.5%	4.1%	4.2%	4.7%	4.0%	4.0%	-1.7%
Fourth Quarter	3.4%	3.5%	3.9%	4.2%	3.6%	-	-

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

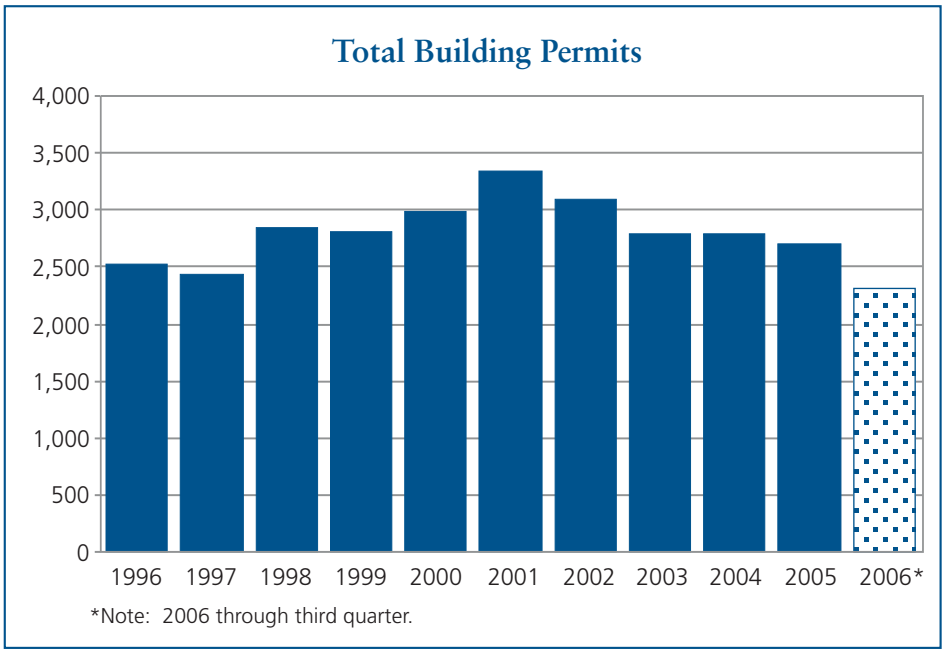
Real Estate

Third Quarter Building Permits in Lawrence

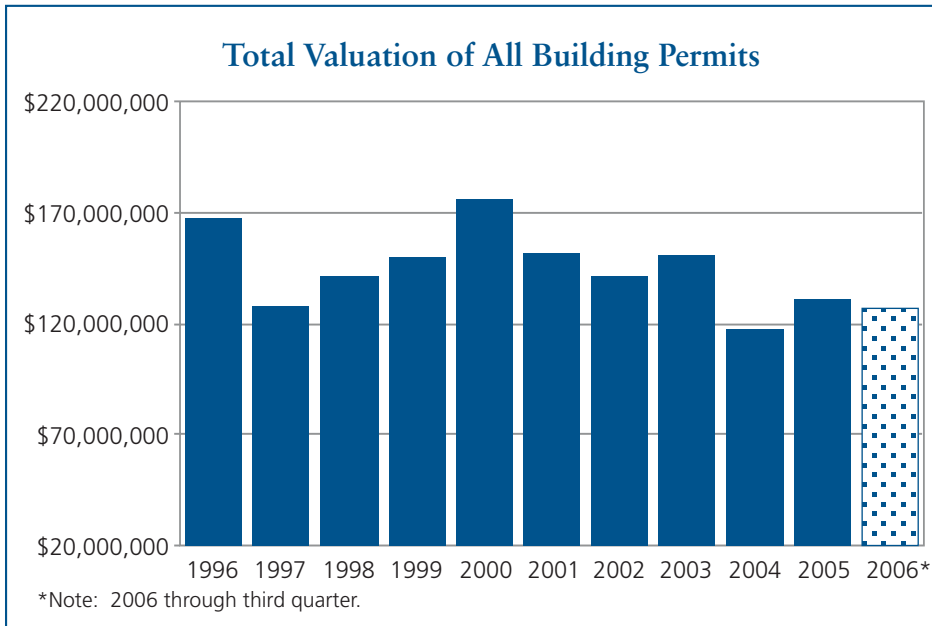
	Q3 2005	Q3 2006	% Change 2005-2006
TOTAL			
Number	780	702	-10%
Valuation	29,809,102	27,362,256	-8%
RESIDENTIAL			
Number	95	55	-42%
Valuation	21,274,619	11,478,665	-46%
NON-RESIDENTIAL			
Number	40	40	0%
Valuation	6,192,833	13,164,716	113%

Source: City of Lawrence, Neighborhood Resources Department.

Growth in the construction industry in 2006 is mixed with residential construction up in the first and second quarters and down in the third quarter while non-residential construction valuations hold strong. The total number of building permits was down 10 percent in the third quarter of 2006 compared to 2005 and the value of the permits was down by 8 percent. Compared to a year ago, the value of residential construction in Lawrence was down by 46 percent for the quarter and the number of permits was down by 42 percent. However, non-residential construction held steady at 40 building permits with valuation numbers up 113 percent compared to last year.



Real Estate (cont.)



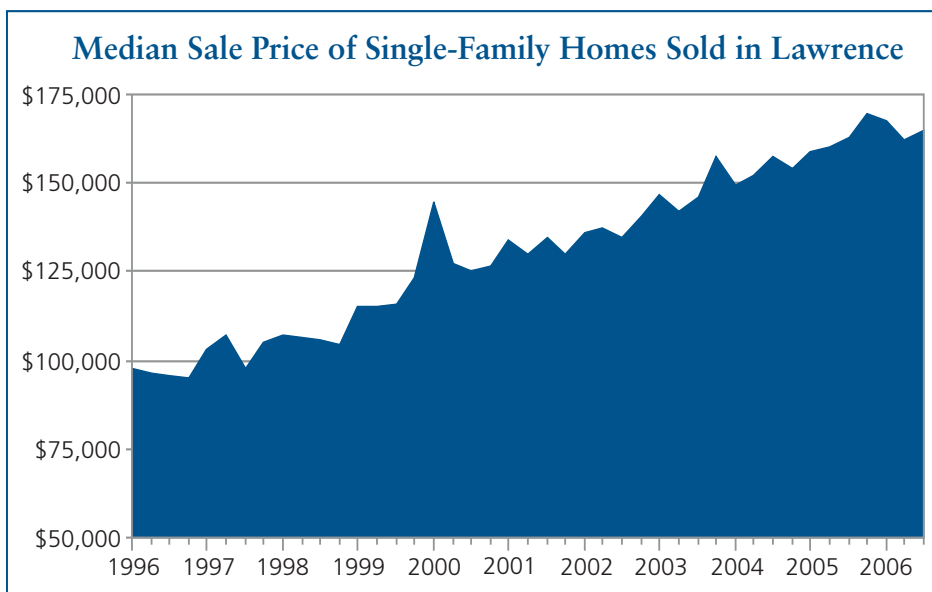
While the number of building permits issued in 2004 was slightly lower than in 2005 (see figure on page 3), the total valuation of all building permits in 2005 was 11 percent higher than in 2004. However, the 2004 valuation was the lowest since 1995. A look at building permits and valuations through the end of the third quarter in 2006 indicates that the construction industry, while strong, continues the slow down of the past 2-3 years.

Lawrence Residential Real Estate Sales

	2005	2006	% Change 2005-2006
2nd Quarter	598	507r	-15%
3rd Quarter	402	198p	-51%

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

The number of homes which changed ownership, used or new, was down by 15 percent compared to the second quarter in 2005.¹ A total of 507 homes were sold in Lawrence in the second quarter of this year compared to 598 in 2005. Preliminary numbers for the third quarter of 2006 indicate that residential real estate sales continue to decline.



The median price of all homes was up almost 2 percent from the second quarter to a price of \$165,000 in the third quarter of 2006. Revised home prices show a median home price of \$167,500 for the first quarter and \$161,900 for (con'd)

Real Estate (cont.)

**Housing Vacancy Rates
Comparative 2005**

	Vacancy Rate	90% Margin of Error
U.S.	10.8%	+/- 0.1%
Lawrence, KS	7.0%	+/- 3.4%
Topeka, KS	7.6%	+/- 2.7%
Champaign, IL	8.6%	+/- 3.2%
Columbia, MO	3.8%	+/- 2.0%
Ft. Collins, CO	8.1%	+/- 3.1%

Source: U.S. Census Bureau, American Community Survey, 2005.

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

	Assessed Valuation (in millions)						% Change 2005-2006
	2001	2002	2003	2004	2005	2006	
Residential	\$339.3	\$367.4	\$402.4	\$437.2	\$476.8	\$514.8	8.0%
% of Total	66.3	66.9	67.8	68.0	68.7	68.6	
Commercial	\$161.1	\$169.5	\$178.8	\$194.1	\$203.4	\$220.1	8.2%
% of Total	31.5	30.8	30.1	30.2	29.3	29.3	
TOTAL	\$511.8	\$549.5	\$593.8	\$642.9	\$694.5	\$750.5	8.1%

Total includes Vacant Land and Agriculture, which account for 2.1% and 0.01%, respectively, of the 2006 Total Assessed Valuation.

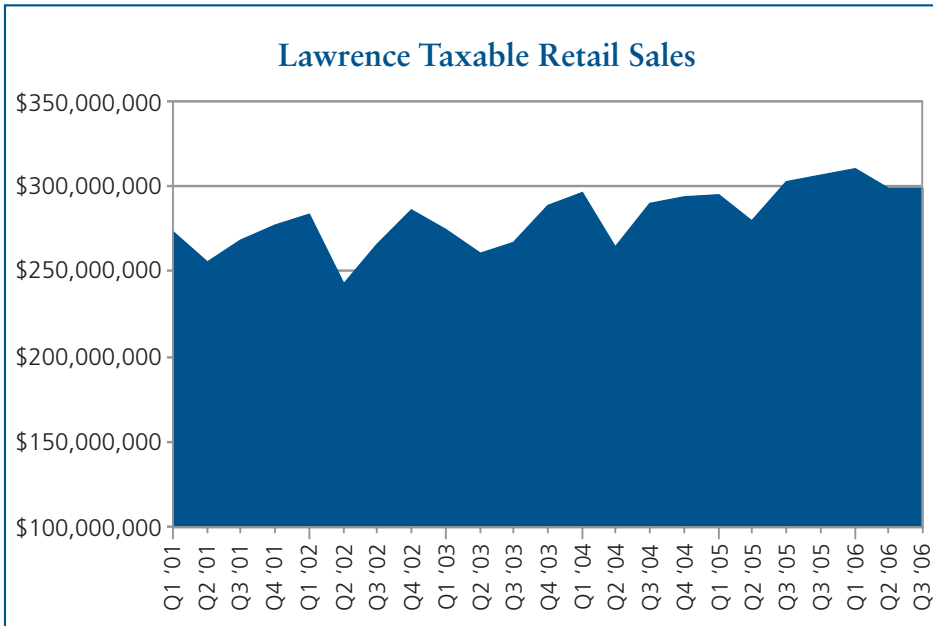
Source: Douglas County Appraiser's Office.

the second quarter. The median price of a home in the third quarter of 2006 was up 1.4 percent from a year ago.

The housing unit vacancy rate for Lawrence in 2005, as estimated by the U.S. Census Bureau, was 7.0 percent with a 90 percent margin of error of +/- 3.4 percent. Lawrence's vacancy rate is lower than the U.S. and all the comparative communities except Columbia, Missouri.

Residential property accounts for almost 69 percent of the tax base for the City of Lawrence in 2006 compared to 29 percent for Commercial property. Residential property assessed valuation has increased more than commercial property from 2001 to 2006, 52 percent compared to 37 percent, respectively. As a percent of total assessed value, residential property increased 3.4 percent while commercial property declined 6.8 percent. From 2005 to 2006, residential property increased 8.0 percent compared to 8.2 percent for commercial and total assessed valuation for Lawrence increased 8.1 percent.

Retail Sales



Taxable retail sales were up slightly from the second to third quarter of 2006, at 0.1 percent for Lawrence and 1.2 percent for Douglas County. This is typical, reflecting fluctuations in consumer spending due to back-to-school sales. However, compared to the third quarter of the 2005, taxable retail sales are down by 1.2 percent for the city and 1.6 percent for the county. A closer look at the quarter reveals that taxable retail sales were down in both July and August for the city compared to a year ago. Comparisons of third quarter retail sales for 2005 to 2004 showed sales were up 8 percent for both the city and county. These comparisons indicate that retail sales may be leaking out of Lawrence and Douglas County and/or consumer spending in general was down for the quarter.

As previously reported, the city and county experienced good retail sales growth in 2005 compared to 2004, with growth rates of 3.5 percent and 3.7 percent, respectively; however, this was not as good as the growth from 2003 to 2004 of 4.8 for the city and 5.9 for the county. Retail sales data through October 2006 indicate that the city retail sales growth is up 3.6 percent compared to this time last year and the county's growth is up 3.2 percent.

Taxable Retail Sales

	Q3 2005	Q3 2006	% Change 2005-2006
City of Lawrence	\$302,690,262	\$299,006,472	-1.2%
Douglas County	\$336,744,636	\$331,435,901	-1.6%

Source: Kansas Department of Revenue.

Cost of Living

Lawrence Consumer Price Index

	CPI (Base Year = 2000)	% Change (From same period, previous year)
Fourth Quarter, 2005	128.1	8.0%
First Quarter, 2006r	118.6	0.8%
Second Quarter, 2006r	119.9	-0.8%
Third Quarter, 2006	121.7	-2.2%

r - revised
Source: Institute for Policy & Social Research.

**Third Quarter 2006
Comparative Cost of Living Index**

U.S. Average	100.0
Lawrence, KS	93.0
Manhattan, KS	99.2
Topeka, KS	90.2
Ames, IA	96.2
Champaign, IL	96.3
Columbia, MO	91.2
Fort Collins, CO	102.2

Source: ACCRA.

The Lawrence consumer price index stood at 121.7 in the third quarter of 2006, meaning that cost of living in Lawrence was 21.7 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 same quarter in 2005 was down 2.2 percent.

The comparative cost of living index indicates how expensive one place is compared to another. The U.S. average is always set to 100. In the third quarter of 2006, Lawrence's Cost of Living Index stood at 93.0, which was slightly higher than the previous quarter's index of 92.6. The Lawrence's cost of living index is lower than all the other participating comparative cities except Topeka, Kansas and Columbia, Missouri.

Note

¹ The Douglas County Appraiser's Office has changed the way home sales are handled in their database and the numbers in previous Economic Barometer reports are not comparable.

This report was researched and written by Genna Hurd with assistance from Dane Hanson 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. This report is available online at www.lawrencechamber.com

