

The Economic Barometer

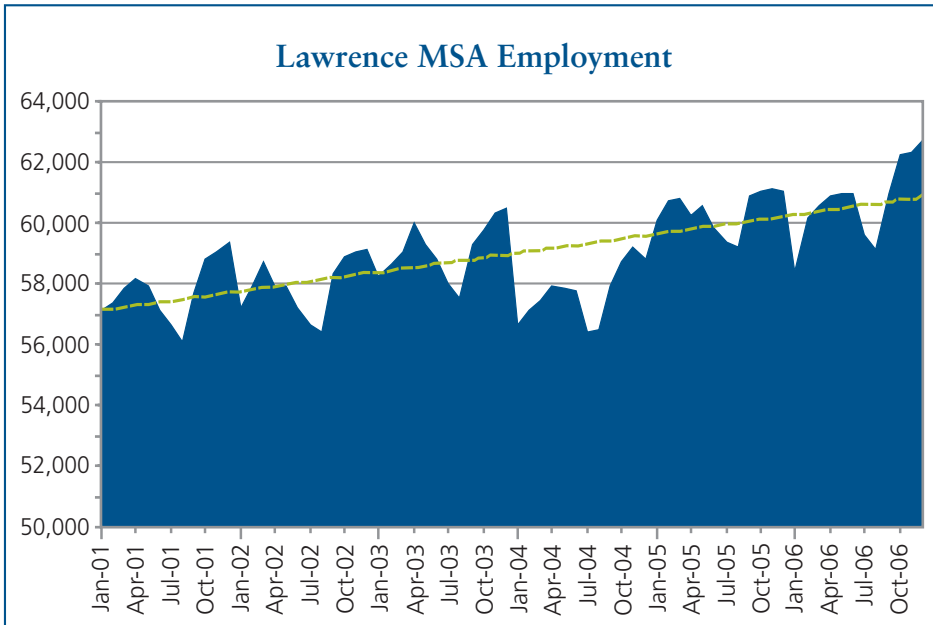
A Quarterly Economic Report



March 2007

4th Quarter 2006

Employment



The number of people employed in the Lawrence MSA (Douglas County) increased 4.2 percent from the third to the fourth quarter of 2006. Employment typically increased during the fourth quarter due to firms hiring additional help for the holiday season. Compared to the fourth quarter in 2005, the number of persons employed in the fourth quarter of 2006 increased 2.2 percent with an average employment of 62,415 for the quarter. The employment trend continues upward for the Lawrence MSA.

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	62,415	2.2%

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

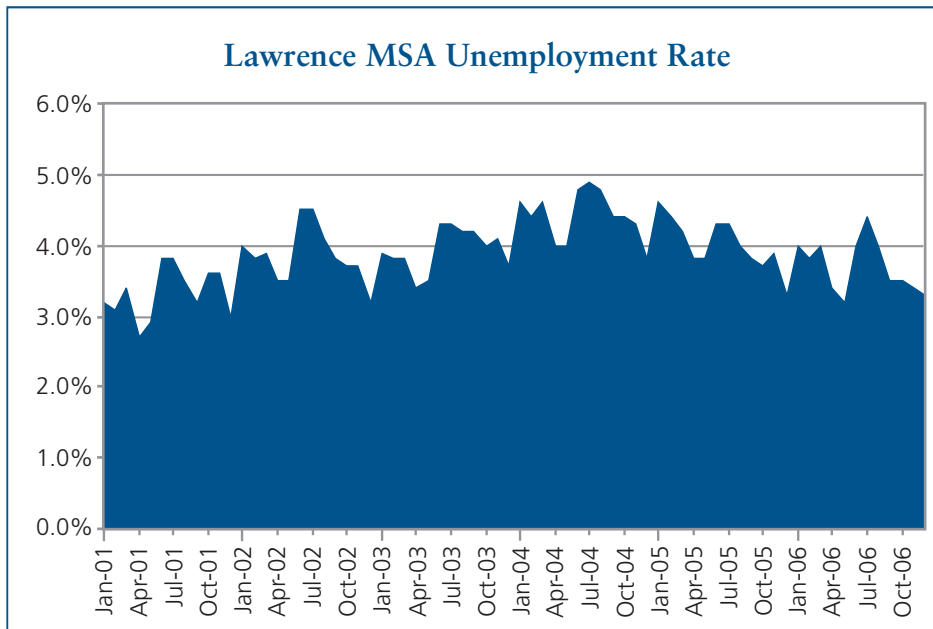
Employment (cont.)

Fourth Quarter 2006 Employment Data

	Civilian Employment	Unemployment Rate
U.S. (thousands)	145,612	4.5%
Kansas	1,420,400	4.2%
Kansas City, KS MSA	413,402	4.6%
Lawrence MSA	62,415	3.4%
Topeka MSA	116,776	4.7%
Wichita MSA	296,728	4.3%

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

The unemployment rate for the Lawrence MSA in the fourth quarter of 2006 was down from the third quarter, from 4.0 to 3.4, a 14 percent decrease. Compared to the same quarter in 2005, the unemployment rate declined by 6.4 percent and the unemployment rate is the lowest it has been for this quarter since 2001. Lawrence's unemployment rate in the fourth quarter continues to be lower than all the other major metropolitan areas in Kansas as well as the state and nation.



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%	3.4%	-6.4%

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

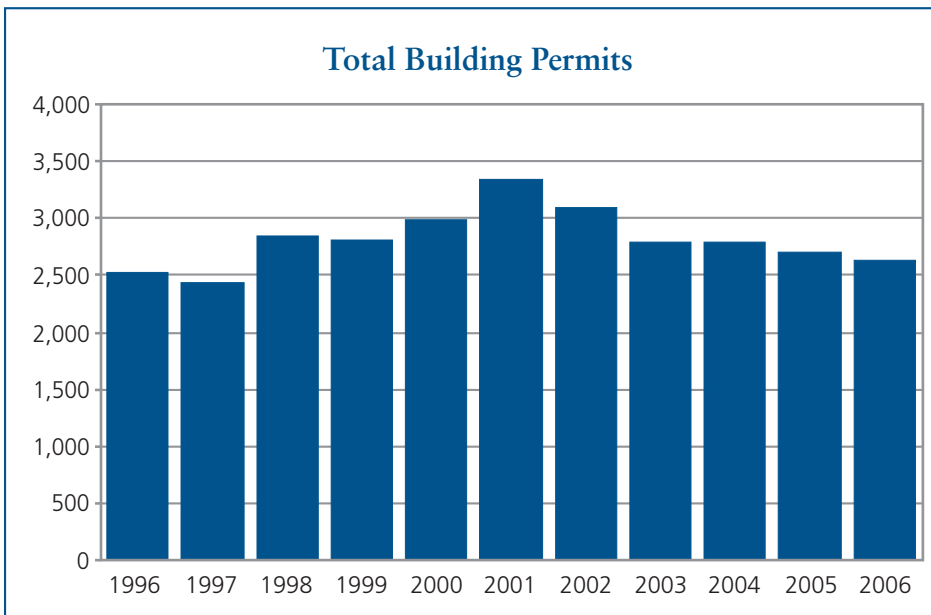
Real Estate

Fourth Quarter Building Permits in Lawrence

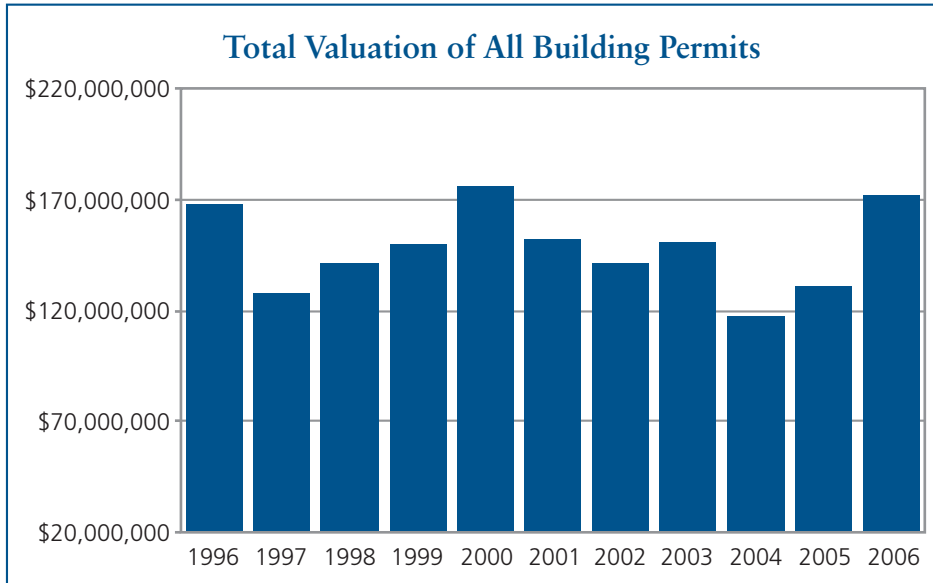
	Q4 2005	Q4 2006	% Change 2005-2006
TOTAL			
Number	675	570	-16%
Valuation	52,708,410	51,137,597	-3%
RESIDENTIAL			
Number	121	64	-47%
Valuation	41,357,506	13,204,528	-68%
NON-RESIDENTIAL			
Number	49	36	-27%
Valuation	9,656,996	35,892,895	272%

Source: City of Lawrence, Neighborhood Resources Department.

Growth in the construction industry in 2006 is mixed with residential construction up and then down while non-residential construction valuations hold strong. The total number of building permits was down 16 percent in the fourth quarter of 2006 compared to 2005 and the value of the permits was down by 3 percent. Compared to a year ago, the value of residential construction in Lawrence was down by 68 percent for the quarter and the number of permits was down by 47 percent. However, the value of non-residential construction was up 272 percent compared to last year while the number of permits was down by 27 percent. The growth in non-residential construction for the quarter can be mostly attributed to the additions to the hospital.



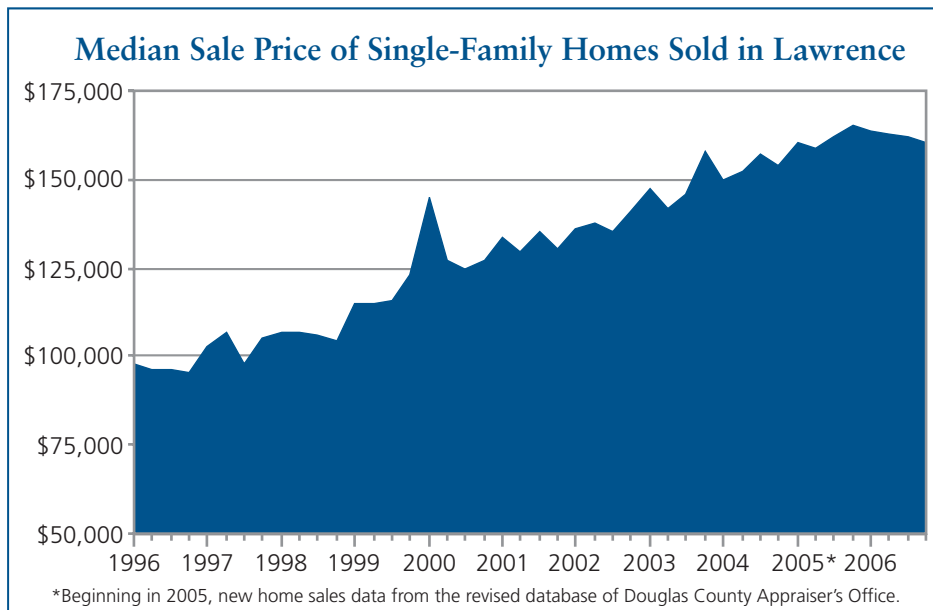
Real Estate (cont.)



Lawrence Residential Real Estate Sales - Revised¹

	2005	2006	% Change 2005-2006
1st Quarter	252	236	-6.3%
2nd Quarter	606	574	-5.3%
3rd Quarter	433	364	-15.9%
4th Quarter	248	238p	-4.0%
Total	1,539	1,412p	-8.3%

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



While the number of building permits issued in 2006 was about 3 percent fewer than in 2005 (figure, page 3), the total valuation of all building permits in 2006 was almost 31 percent higher than in 2005. A look at building permits issued over the last 10 years shows that the number of permits issued peaked in 2001 and have held fairly steady for the last four years. Over the last 10 years, the total valuations of all building permits issued have been up and down with highs in 1996, 2000, and 2006 and lows in 1997 and 2004.

The number of homes which changed ownership, used or new, was down almost 16 percent compared to the third quarter in 2005.¹ A total of 364 homes were sold in Lawrence in the third quarter of this year compared to 433 in 2005. Preliminary numbers for the fourth quarter of 2006 indicate that residential real estate sales continue to decline with 238 homes sold in the fourth quarter of 2006 compared to 248 for 2005. Residential home sales are down 8 percent in 2006 compared to 2005.

The median price of all homes was down 1.3 percent from the third (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%

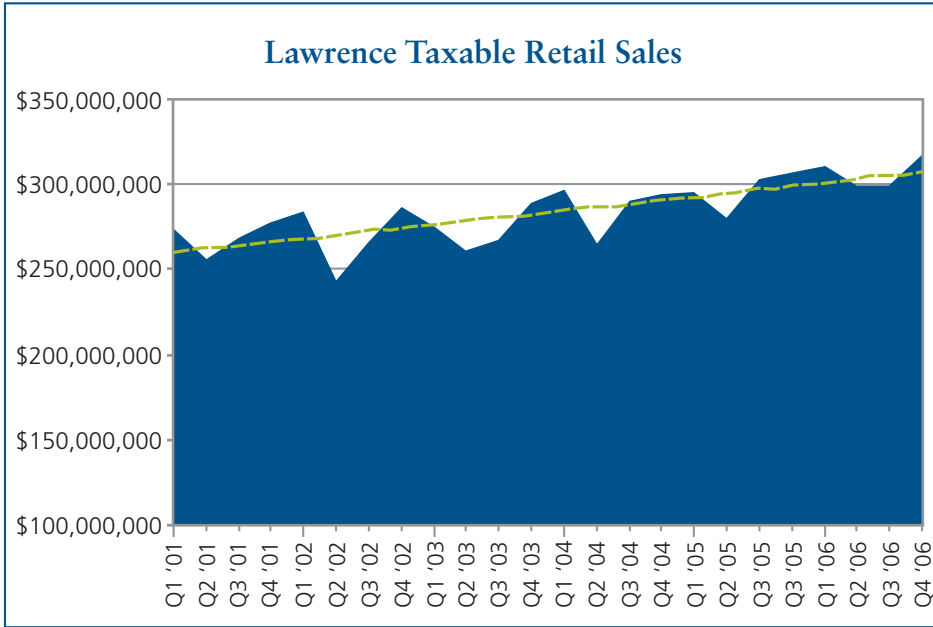
Total includes Vacant Land and Agriculture, which account for 2.1% and 0.01%, respectively, of the 2006 Total Assessed Valuation.
Source: Douglas County Appraiser's Office.

quarter to a price of \$159,900 in the fourth quarter of 2006. Revised home prices show a median home price of \$163,000 for the second quarter and \$162,000 for the third quarter. The median price of a home in the fourth quarter of 2006 was down 3.1 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. 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. 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 from the third to fourth quarter of 2006, at 6.1 percent for the city of Lawrence and 4.4 percent for Douglas County. This is typical, reflecting fluctuations in consumer spending due to holiday sales. Compared to the fourth quarter of the 2005, taxable retail sales are up 3.3 percent for the city and 1.2 percent for the county.

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, while the state experienced an increase of 2.9 percent. For 2006, taxable retail sales increased 3.5 for the city and 2.7 for the county compared to 2005. 2006 data for the state of Kansas is not yet available.

Taxable Retail Sales

	Q4 2005	Q4 2006	% Change 2005-2006
City of Lawrence	\$307,002,930	\$317,164,329	3.3%
Douglas County	\$341,816,833	\$345,961,317	1.2%

Source: Kansas Department of Revenue.

Year End Taxable Retail Sales

	2005	2006	% Change 2005-2006
City of Lawrence	\$1,184,181,645	\$1,226,043,885	3.5%
Douglas County	\$1,314,521,356	\$1,349,688,716	2.7%
Kansas	\$32,844,322,753	n/a	n/a

n/a: not available
Source: Kansas Department of Revenue.

Cost of Living

Lawrence Consumer Price Index

	CPI (Base Year = 2000)	% Change (From same period, previous year)
First Quarter, 2006 r	119.1	9.2%
Second Quarter, 2006 r	120.0	4.7%
Third Quarter, 2006 r	122.1	5.5%
Fourth Quarter, 2006	113.4	-3.8%

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

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

U.S. Average	100.0
Lawrence, KS	91.7
Manhattan, KS	97.3
Topeka, KS	n/a
Ames, IA	96.7
Champaign, IL	96.4
Columbia, MO	91.8
Fort Collins, CO	103.3

n/a: not available
Source: ACCRA

The Lawrence consumer price index stood at 113.4 in the fourth quarter of 2006, meaning that cost of living in Lawrence was 13.4 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 3.8 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 fourth quarter of 2006, Lawrence's Cost of Living Index stood at 91.7, which was slightly lower than the previous quarter's index of 93.0. The Lawrence cost of living index is lower than all the other participating comparative cities.

Note

¹The Douglas County Appraiser's Office has changed the way home sales are handled in their database. 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

