

Methodology & Findings

RETAIL SPACE DATABASE
City of Lawrence, Kansas

Prepared for
**Lawrence/Douglas County Metropolitan
Planning Office**

January 2006

DEVELOPMENT STRATEGIES®

CONSULTANTS IN REAL ESTATE, ECONOMIC, AND COMMUNITY DEVELOPMENT

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CONSULTANTS IN REAL ESTATE, COMMUNITY, AND ECONOMIC DEVELOPMENT
REAL ESTATE APPRAISAL

January 28, 2006

Ms. Sheila Stogsdill
Acting Planning Director
Lawrence/Douglas County Planning Office
6 East Sixth Street
P .O. Box 708
Lawrence, Kansas 66044-0708

Dear Ms. Stogsdill:

Development Strategies is pleased to submit this report on the methodology and findings of the recently completed inventory of retail establishments and related floor area in the City of Lawrence. This final report incorporates the comments received during the work session of the City Commission on January 18. The *retail database* is contained in a Microsoft Excel workbook on the accompanying compact disc and is also printed as an appendix to the report. The database is a snapshot of retail space and vacancies throughout the city and is segmented into 10 “districts” which are based on geographic concentrations of retailing in the city, plus a miscellaneous category for spaces where we could not determine a geographic reference

Altogether, Lawrence had almost 6.5 million square feet of floor area in retail locations (including hotels and motels) as of mid-June 2005. Over two thirds of this space is occupied by businesses commonly considered retailers—that is, businesses that sell merchandise or provide eating, drinking, or personal services. One-third of all the “retail kinds of space” is occupied by businesses considered non-retailers, but who are often found in retail shopping environments, such as banks, medical offices, and hotels. Vacant space made up 3.9% of the entire inventory as of June 2005. Excluding hotels and motels, which constitute almost 800,000 square feet themselves (excluding their restaurants), the vacancy rate was 4.5%. Excluding every space considered non-retail, the vacancy rate was 5.7%.

The greatest concentration of inventoried space is in the South Iowa district with 1.94 million square feet, or 45.6% of the entire inventory. Downtown is the next largest concentration with 1,332,000 square feet, or 20.6% of the inventory. The vacancy rate in South Iowa is a relatively low 2.4% while Downtown it is a relatively high 7.2% (or 2.8% and 13.4%, respectively, when excluding all non-retail businesses)

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January 28, 2006

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Many thanks are due to the city employees who actually conducted the field research for this database. A great deal of driving, walking, and recording of information was required but the project could not have been adequately completed without this important work. Future updates should not take so much time and effort as long as changes are tracked routinely both through city and county administrative records as well as through annual field checks.

A key purpose of this inventory is to enable city officials and the private market to evaluate trends, underserved market niches, and potential positive and negative economic effects of future growth in retail space. Therefore, the detailed industry coding of each business establishment should be very helpful in disaggregating the data for more meaningful analysis.

It has been a pleasure to help the City of Lawrence to update and expand its retail database. We urge you, of course, to keep it up to date through routine review and to train a range of employees on its use and value. This will assure that you have a valuable analytical tool for the long term.

Respectfully submitted on behalf of
DEVELOPMENT STRATEGIES, INC.

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1.0 INTRODUCTION AND METHODOLOGY

Lawrence has a long history as a center of trade and commerce. As Americans began to push west in the 1820s, traders and explorers traveled what would become known as the Oregon and Santa Fe Trails. Lawrence was founded in August 1854 between these famous trails.¹ A few of the buildings in downtown Lawrence still date from the pre-Civil War period as the city became a trading center for the Kansas territory.

Since the arrival of the original 29 emigrants from New England in the summer of 1854, Lawrence has grown to a population of about 82,500 with another 20,000 or so elsewhere in Douglas County. With that growth, of course, has come a great deal of retail space. A formal attempt at an inventory of this space was initiated by city officials in 2003 in



order to create a complete database to aid in measuring both growth and the potential impacts of additional proposed retail development. Moreover, a policy adopted in the *Horizon 2020* comprehensive plan for the city and unincorporated Douglas County² requires that an independent market and economic impact analysis be undertaken for retail development proposals of greater than 150,000 square feet of building area. The inventory, or database, of existing retail space is to play a significant part in such impact studies. Development Strategies, Inc. (DSI) was commissioned by the Lawrence/Douglas County Metropolitan Planning Office in May, 2005, to update and complete the retail inventory which had not been updated for about 18 months.

Three recent proposals, both in the northwest part of the city, have triggered implementation of the economic impact policy:

- The Bauer Farm proposal would add 118,800 gross square feet of retail space at the intersection of 6th Street and Wakarusa Drive.
- The Northgate proposal would add 198,700 gross square feet at the intersection of 6th Street and George Williams Way.
- The Mercato proposal would add 600,000 gross square feet also at 6th Street and Wakarusa Drive.

Separate reports prepared by Development Strategies discuss the potential impacts of these three developments on the retail and commercial structure of Lawrence. This report discusses the retail database that is used in those separate reports.

Remarkably, the policy of Lawrence to produce and maintain a detailed inventory of retail space in the city and to use it in the conduct of impact studies is a very rare occurrence in American cities. Virtually all cities attempt to regulate land development in various ways, but they are often at the mercy of private market forces that may ignore the impact of new development on the viability

¹ *Legends of America*, <http://www.legendsofamerica.com/OZ-Lawrence.html>

² Through the amendments of March 16, 2004.

of older space and existing businesses. But to understand the impacts on the existing commercial structure of the city, it is important to have a base of information on that structure. Such inventories, unfortunately, are few and far between. To that extent, Lawrence is to be commended for developing its own source of information to aid in regulating growth and change in the community. We trust that the accompanying database will be used and updated often and widely by the city and the public at large in order to assure that it is a useful, living tool and that it is maintained in good working order.

2.0 RESEARCH POLICIES AND METHODOLOGY

The database as envisioned by planning officials is, essentially, a listing of relevant real estate characteristics of each retail business and the space it occupies in the city of Lawrence. The bulk of the inventory, therefore, is based on a comprehensive field survey of all retailers and other businesses in typical retail locations. The surveyors recorded obvious information (e.g., store name, location, types of products and services, and estimated gross floor area) that could be obtained from exterior inspection during June of 2005. This was followed by incorporation of certain data items from other city and county administrative records (such as property ownership, assessed valuation, and any data that might corroborate or correct the field survey) that contribute to a sound understanding of the retail structure in Lawrence.

Data such as annual sales, number of employees, lease terms, and other financial information were neither sought nor recorded because of the proprietary nature of such information and because of the difficulty in obtaining it.

Initially, DSI reviewed the existing database as compiled some 18 months earlier by staff of the Metropolitan Planning Office. DSI then recommended certain additional “fields” of data as well as several field research policies to follow during the field survey and subsequent completion of the database. There are two primary goals for the database:

1. Record all establishments conducting what is commonly considered retail business³ regardless of location, and
2. Record all space, including vacant space,⁴ that is in commonly accepted retail locations regardless of the type of business.

Locations like downtown Lawrence pose the most complex questions of what to record and what to avoid. In essence, it is agreed that all street level space in the downtown area is, by default, retail space unless it is obvious that the space is intended for non-retail uses. That is, a bank building or a hotel would not be considered retail by default, although a restaurant or bar inside the hotel would be. But a bank office or an ATM in what has been or would normally be retail space is recorded as a non-retail business in a retail space.

On the other hand, upper floors of downtown buildings are presumed to be non-retail spaces and are, therefore, not recorded unless there is obvious retail activity there. If the upper floor is used for storage or for office space to service the retail business, that upper floor space is ignored in the database. But if customers are allowed on the upper floor to shop or dine, then the upper floor space is recorded as occupied by a retail/dining establishment and the square feet are put in the inventory. The same rules apply to all other locations in the city.

³ Strictly “retail” is defined using the North American Industrial Classification System and is described on the next page.

⁴ Vacancy is a “snapshot” factor. If the space is clearly empty at the time of the inventory, it is recorded as vacant. If there is a posted sign that a business will be coming there soon or if there is obvious construction taking place to accommodate a new business occupant, the space is still recorded as vacant at the time of the inventory. The database, however, has a “notes” section to describe the vacancy status, such as “under construction.”

With one goal being to record all retailers regardless of location, it is necessary to define “retailing.” The guide is the North American Industrial Classification System (NAICS) which has code numbers for all types of economic enterprises. There are four NAICS classifications that conform to the intent of the Lawrence retail database:

- a. NAICS Sector 44-45 *Retail Trade* is defined as establishments engaged in retailing merchandise, generally without transformation (e.g., manufacturing or assembly), and rendering services incidental to the sale of that merchandise. Note that eating and drinking establishments are not included here; they have their own category, below.
- b. NAICS Subsector 722 *Food Services and Drinking Places* is defined as establishments providing customers with prepared meals, snacks, and beverages for immediate consumption. This sector includes restaurants and bars.⁵ In the Lawrence inventory, hotels, motels, and other places of lodging are recorded as non-retail businesses. If they have restaurants and/or bars open to non-lodgers, however, those separate facilities were recorded as eating and drinking places.
- c. NAICS Subsector 811 *Repair and Maintenance* includes establishments in repair and maintenance of household machinery, equipment, and other products to working order. These establishments also typically provide general or routine maintenance (i.e., servicing) on such products to ensure they work efficiently and to prevent breakdown and unnecessary repairs.
- d. NAICS Subsector 812 *Personal and Laundry Services* includes establishments that provide personal and laundry services to individuals, households, and businesses. Services performed include personal care services, death care services, laundry and dry cleaning services, and a wide range of other personal services such as pet care (except veterinary) services, photofinishing, temporary parking services, and dating services.

The summary statistics in this report combine Subsectors 811 and 812 into a single *Personal Services* category.

Armed with these definitions to encompass what is commonly considered retailing, it is also quite common that some occupants of *space* that is typically considered retail do not meet any of these definitions. That is, a number of businesses find their way into retail spaces that aren’t really retail or related kinds of merchants. For instance, small investment or insurance offices, or even military recruiting offices, legitimately conduct business in shopping centers or retail strips.

Field research, therefore, focused first on retail *locations*, defined primarily as those places in Lawrence that are zoned for retail activity (even though other uses may also be allowed). Then retailers, as defined above, that are located in non-retail zoning districts (perhaps inside office buildings, on a university campus, or in an industrial park) were identified and recorded. But only retailers, not other kinds of businesses were identified in this manner in non-retail zoning districts.

⁵ The full Sector 72 also includes hotels and motels (Subsector 721). Hotels and motels are recorded in the database as representing broader set of services provided to the retail consumer, but are not considered part of the definition of *retailing* in this report.

The result is a complete inventory of all retail establishments in Lawrence, regardless of location, along with a full inventory of the floor area that *could be* retail space, even if not fully occupied in that manner.⁶ Moreover, it yields a statistical database that determines the full mix of economic uses that are found in retail kinds of locations.

The field survey was conducted principally by staff of the City of Lawrence during the first half of June, 2005. Field work was immediately preceded by a kickoff meeting with city staff and Development Strategies representatives in order to agree on research policies and intended outcomes. After reviewing the existing database (albeit some 18 months out of date), Development Strategies designed and tested a field recording sheet. The field sheet is reproduced as an appendix to this report and was designed to provide as much information as possible about each observed site. DSI conducted a brief training session for the field surveyors, both in the office and driving around the city. The survey itself required two weeks of field work and computer data entry by four members of the city staff.

Once provided to DSI, the new field information was compared to the older database in order to confirm and complete the information as accurately as possible. Names and/or addresses were double-checked with the telephone book and other sources of reliable information, such as Internet directories. DSI took responsibility for compiling the final database that is summarized in this report and provided to the City in a Microsoft Excel spreadsheet.

One of the primary benefits of this exercise is a user-friendly source of data that can be used easily on a city-wide or neighborhood level. The data base records the individual business names, addresses, shopping centers or related kinds of concentrations, floor area square feet, lot sizes (if available), construction dates, an economic/physical condition rating, and zoning. In addition, an NAICS code number and class were assigned to each entry to complete the description of each business type. Moreover, the City has designated a number of retail “districts” in the city, so all of the information is coded by district as well. Vacant space is also described in detail in the data.

Future benefit will be realized, in part, when it is necessary to update the database once again. The field sheet can be used for routine “drive by” surveys or when known changes take place in individual spaces. It is recommended that complete field surveys be conducted at least annually (perhaps summer when the weather is good and when interns are available). The time necessary will be much less, however, because researchers will simply be double checking the existing database rather than recording everything once again. Moreover, the database can and should be updated every time a known change takes place (e.g., a tenant moves out or in) and when new development is approved and completed.

⁶ Space now occupied by a retailer in a non-retail location is excluded from this definition. It is assumed that a non-conforming retail use in a non-retail zoning district is not part of the future retail space inventory, though it is counted in the current inventory.

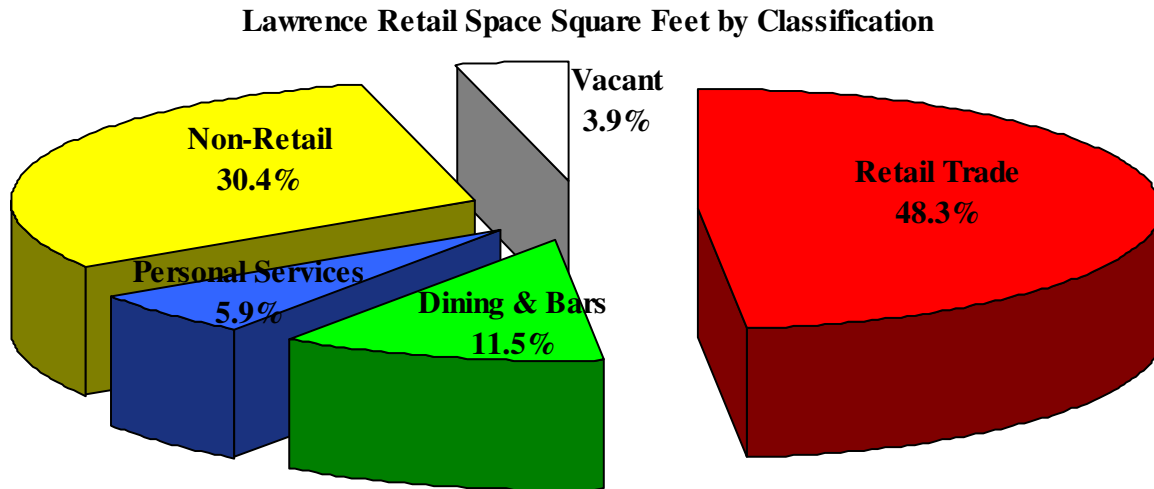
3.0 SUMMARY STATISTICS FROM THE RETAIL DATABASE

3.1 SQUARE FEET BY MAJOR CLASSIFICATION

Altogether, Lawrence has an estimated 6,479,100 square feet of floor area in retail locations. Two thirds (65.7%) of this space is occupied by businesses defined earlier as common to retail locations—those engaged in merchandise trade, eating and drinking places, and personal services. Almost one third (30.4%) is occupied by other non-retailers, including businesses such as banks, medical offices, hotels, etc. This non-retail classification includes almost 800,000 square feet of hotel and motel space. Vacant space made up 3.9% of the inventory as of June 2005.

Excluding the non-retail space, but assuming that all of the vacant space could be occupied by one of the other three categories, the total inventory is 4,512,200 square feet

Table 3-1: Lawrence Retail Space Square Feet by Classification						
Classification	Retail Trade	Dining & Bars	Personal Services	Non-Retail	Vacant	TOTAL
Square Feet	3,129,700	743,400	381,700	1,968,900	255,400	6,479,100
Pct of Total	48.3%	11.5%	5.9%	30.4%	3.9%	100.0%



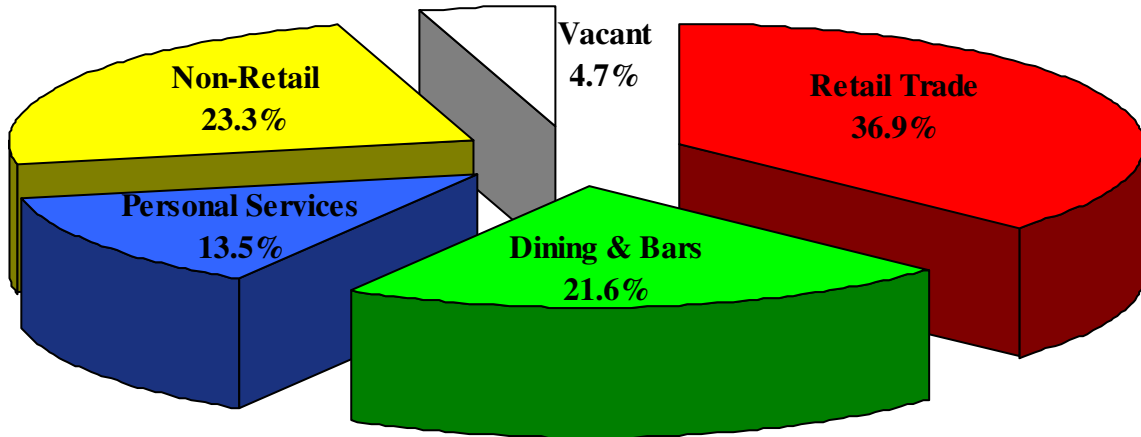
3.2 NUMBER OF ESTABLISHMENTS AND AVERAGE SQUARE FEET

While those engaged in merchandise/retail trade directly occupy 48.3% of all retail space, they make up a much lower proportion of the *number of establishments*, as shown on Table 3-2. At 36.9% of establishments, the average floor area of those in direct retail trade activities is about 8,330 square feet. Restaurants and bars have an opposite ratio. While occupying 11.5% of all floor area, they constitute 21.6% of the number of businesses, for an average of 3,380 square feet per restaurant or bar.

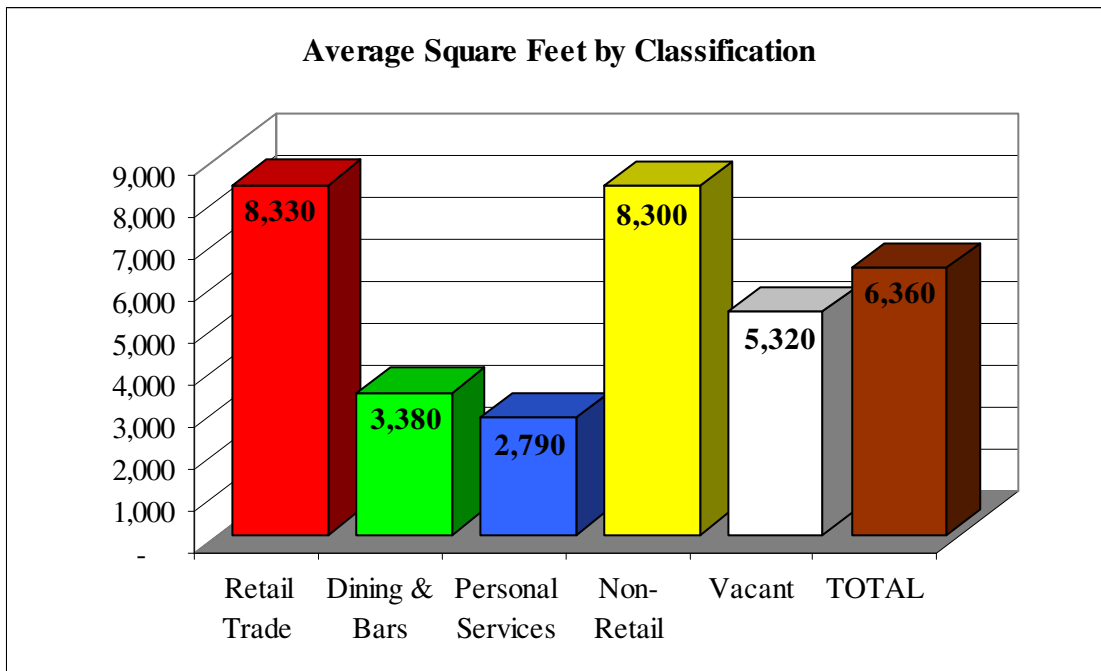
Personal service establishments make up 5.9% of all businesses that are found in retail kinds of locations and they average 2,790 square feet. Non-retailers make up 30.4% of all establishments and average 8,300 square feet. Excluding hotels and motels, however, they average 5,240 square feet. Vacancies encompass 4.8 percent of all retail locations and average 5,260 square feet.

Table 3-2: Lawrence Retail Space Establishments by Classification						
<i>Classification</i>	Retail Trade	Dining & Bars	Personal Services	Non-Retail	Vacant	TOTAL
<i>Establishments</i>	376	220	137	237	48	1,018
<i>Pct of Total</i>	36.9%	21.6%	13.5%	23.3%	4.7%	100.0%
<i>Average Sq. Ft.</i>	8,330	3,380	2,790	8,300	5,320	6,360

Lawrence Retail Space Establishments by Classification



Average Square Feet by Classification



3.3 EATING & DRINKING ESTABLISHMENTS BY SUB-CLASSIFICATION

Because they have a strong position in Lawrence’s downtown, it is valuable to document the kinds of eating and drinking establishments that are in the city’s overall retail base. As shown on Tables 3-1 and 3-2, eating and drinking places total 220 in number, make up 11.5% of the city’s retail floor area, and account for 21.6% of all retail establishments.

Within this category, limited service restaurants (self-serve, fast food) make up the largest group with 75 establishments, or just over a third (34.7%) of all eating and drinking places. Limited service restaurants, by definition, do not serve alcoholic beverages. Full service restaurants make up the next largest group with 69 establishments (31.9%); 25 of these are downtown (36% of all full service restaurants). Full service restaurants may serve alcohol, but their primary business is the sale of meals.

Drinking places (i.e., those establishments whose primary business is the sale of alcoholic beverages though they may also sell food) make up 16.7% of all eating and drinking places and total 36 in number. Downtown is home to 16 of these drinking places (44%). Places that are classified as snack bars (coffee houses, juice bars, bagelries) make up 15.5%; these also do not sell alcohol. Finally, there are three establishments classified as caterers in Lawrence. Other eating and drinking places may also offer catering services, but these three consider catering to be their primary business.

Table 3-3 Eating & Drinking Places Sub-Classification						
<i>Classification</i>	Full Service	Limited Service	Snack Bars	Caterers	Drinking Places	TOTAL
<i>Establishments</i>	69	75	33	3	36	216
<i>Pct of Total</i>	31.9%	34.7%	15.3%	1.4%	16.7%	100%

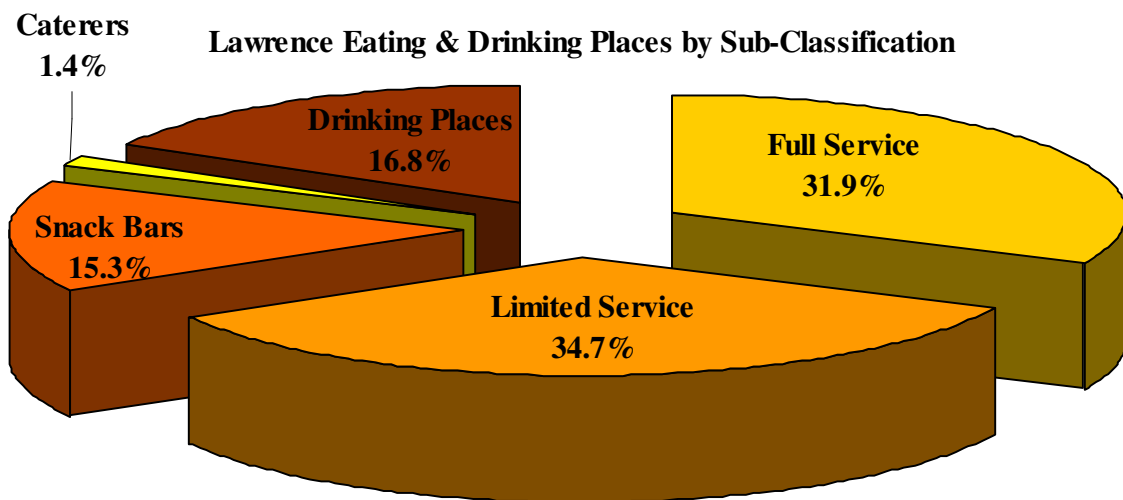
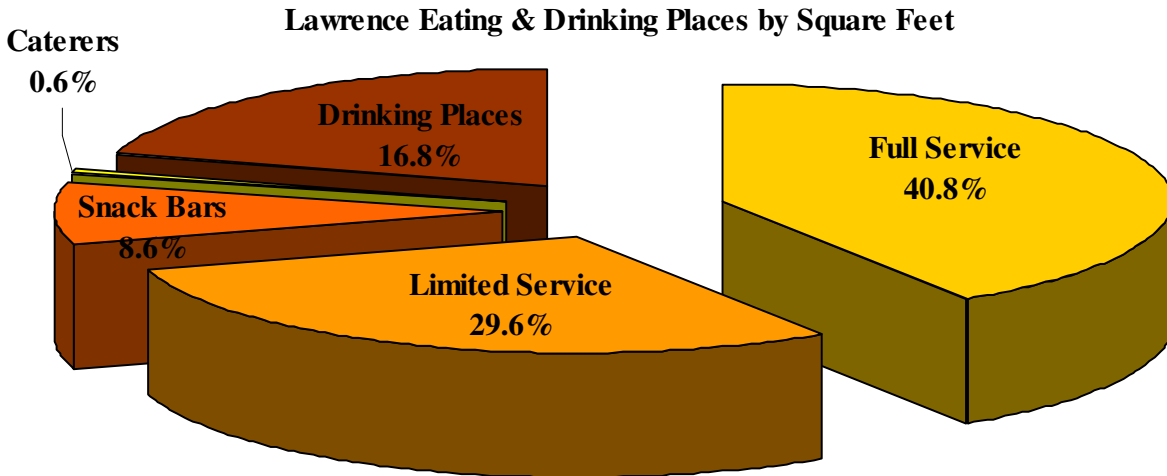


Table 3-4 Eating & Drinking Places Sub-Classification Square Feet						
Classification	Full Service	Limited Service	Snack Bars	Caterers	Drinking Places	TOTAL
Square Feet	303,120	219,840	63,620	4,500	152,290	743,370
Pct of Total	40.8%	29.6%	8.6%	0.6%	20.5%	100.0%
Average Sq. Ft.	4,390	2,930	1,930	1,500	4,230	3,440



3.4 RETAIL SPACE BY DISTRICT

It is also valuable to examine the retail square footage by geographic district of the city. Table 3-5 shows the total number of square feet for the retail trade, dining, personal services, non-retail, and vacant sectors by geographic districts. Table 3-6 shows the percentage of square feet by category within each district. Table 3-7 shows the percentage of square feet by district within each category.

There are 11 total districts as determined by Development Strategies based on previous planning efforts of the city and on obvious concentrations of space throughout the city. One of the “districts,” however, is named *Miscellaneous* as the spaces in this category are spread throughout Lawrence without any real geographical connection.⁷

The district with the highest concentration of retail square footage is South Iowa St. South Iowa has over 1.9 million square feet of retail space, which represents three out of ten square feet in the city’s total. Much of this space is in the larger “big-box” retailers; Wal-Mart, Target, Home Depot, and Best Buy are all located in this district, for example. Indeed, almost three-quarters of the space in the South Iowa district is in retail trade, highest among all districts and well about the 48.3% city-wide. On the other hand, South Iowa has the lowest proportion of eating and drinking

⁷ Lawrence officials may want to re-visit the database in some detail to determine if these miscellaneous spaces can or should be assigned more discrete geographic locations.

places at 5.8% of all space. South Iowa also has the second highest concentration of vacant space with 18.4% of all vacant inventoried space. Because of the total scale of South Iowa, however, the vacancy rate is just 2.4%.

Downtown is the second largest retail district. Downtown currently has 1,332,000 square feet of space, or one-fifth (20.6%) of the city’s total.⁸ Downtown, however, encompasses well over a third (37.8%) of the city’s vacant retail space and has a relatively high vacancy rate of 7.2%.⁹

District	Retail Trade	Dining & Bars	Personal Services	Non-Retail	Vacant	TOTAL
West 6th & Monterey Way	83,350	21,870	6,000	3,670	4,000	118,890
West 6th & Wakarusa	107,830	79,400	18,000	73,490	20,000	298,720
South Iowa Street	1,426,310	113,060	77,860	276,660	47,000	1,940,890
West 23rd Street	415,300	129,540	27,640	105,600	43,710	721,790
Downtown	398,240	196,030	30,760	610,700	96,520	1,332,250
West 6th Street	229,820	77,400	72,810	351,730	-	731,760
Hillcrest Shopping Center	54,770	22,500	7,600	141,280	-	226,150
Orchard Corners	6,000	15,000	5,000	26,000	4,000	56,000
Clinton Parkway	122,530	18,360	11,480	50,860	-	203,230
East 23rd Street	127,250	31,270	66,790	153,140	15,230	393,680
Miscellaneous	158,270	38,950	57,720	175,750	24,960	455,650
Lawrence Totals	3,129,700	743,400	381,700	1,968,900	255,400	6,479,100

⁸ Downtown has much more square feet than this, of course, but a most of the uncounted space is on upper floors that are not included in this retail space database. Only street level space plus upper floor space used for retail customer access is included in the database.

⁹ This includes, in the full inventory, all of the hotels include the Spring Hill Suites.

Table 3-6: Percent of Retail Square Feet Within Each District						
District	Retail Trade	Dining & Bars	Personal Services	Non-Retail	Vacant	TOTAL
West 6th & Monterey Way	70.1%	18.4%	5.0%	3.1%	3.4%	100%
West 6th & Wakarusa	36.1%	26.6%	6.0%	24.6%	6.7%	100%
South Iowa Street	73.5%	5.8%	4.0%	14.3%	2.4%	100%
West 23rd Street	57.5%	17.9%	3.8%	14.6%	6.1%	100%
Downtown	29.9%	14.7%	2.3%	45.8%	7.2%	100%
West 6th Street	31.4%	10.6%	9.9%	48.1%	0.0%	100%
Hillcrest Shopping Center	24.2%	9.9%	3.4%	62.5%	0.0%	100%
Orchard Corners	10.7%	26.8%	8.9%	46.4%	7.1%	100%
Clinton Parkway	60.3%	9.0%	5.6%	25.0%	0.0%	100%
East 23rd Street	32.3%	7.9%	17.0%	38.9%	3.9%	100%
Miscellaneous	34.7%	8.5%	12.7%	38.6%	5.5%	100%
Lawrence Totals	48.3%	11.5%	5.9%	30.4%	3.9%	100%

Table 3-7: Percent of Retail Square Feet Between Each District						
District	Retail Trade	Dining & Bars	Personal Services	Non-Retail	Vacant	TOTAL
West 6th & Monterey Way	2.7%	2.9%	1.6%	0.2%	1.6%	1.8%
West 6th & Wakarusa	3.4%	10.7%	4.7%	3.7%	7.8%	4.6%
South Iowa Street	45.6%	15.2%	20.4%	14.1%	18.4%	30.0%
West 23rd Street	13.3%	17.4%	7.2%	5.4%	17.1%	11.1%
Downtown	12.7%	26.4%	8.1%	31.0%	37.8%	20.6%
West 6th Street	7.3%	10.4%	19.1%	17.9%	0.0%	11.3%
Hillcrest Shopping Center	1.8%	3.0%	2.0%	7.2%	0.0%	3.5%
Orchard Corners	0.2%	2.0%	1.3%	1.3%	1.6%	0.9%
Clinton Parkway	3.9%	2.5%	3.0%	2.6%	0.0%	3.1%
East 23rd Street	4.1%	4.2%	17.5%	7.8%	6.0%	6.1%
Miscellaneous	5.1%	5.2%	15.1%	8.9%	9.8%	7.0%
Lawrence Totals	100%	100%	100%	100%	100%	100%

4.0 PEER CITY COMPARISONS AND HISTORICAL TRENDS

Now that the database is updated for Lawrence, it is valuable to compare retail information with other cities that are somewhat similar to Lawrence and with itself by looking at trends in the past decade. This provides something of a benchmark against which to measure the retail industry in Lawrence.

4.1 PEER CITY COMPARISONS

Unfortunately, no other city has such an extensive inventory of space—certainly not at the detail that Lawrence now has. But there is comparable and consistent information from other sources that helps to put Lawrence in a larger context.

The source used by DSI is, primarily, the annual *Survey of Buying Power* (SBP) published by Sales and Marketing Management magazine. The SBP estimates retail sales in a number of major categories (it does not estimate retail space) along with other key information like population, households, and income. Data are published principally at the county level, but counties with significantly large central cities also have data compiled by the SBP. Lawrence is one of these cities and is contained in the SBP data as a subset of Douglas County. Latest data are for 2004 and DSI has data back to 1994.

The following comparable cities and counties were selected by DSI. The selection process was simply based on such factors as generally located in the Midwest or Great Plains, cities that represent the bulk of their counties' populations, stand-alone counties with little significant population concentrations outside the primary county, and the presence of a major university or similar institution if possible.

Table 4-1: Comparable Cities for Lawrence Retail Analysis					
City	County	State	Population, 2004		
			City	County	Pct City
Lawrence	Douglas	Kansas	82,100	103,000	80%
Wichita	Sedgwick	Kansas	350,600	468,200	75%
Topeka	Shawnee	Kansas	122,000	170,900	71%
Manhattan	Riley	Kansas	44,700	62,300	72%
Iowa City	Johnson	Iowa	62,800	114,900	55%
Ames	Story	Iowa	51,300	81,400	63%
Oklahoma City	Oklahoma	Oklahoma	529,600	681,900	78%
Tulsa	Tulsa	Oklahoma	391,100	577,200	68%
Lincoln	Lancaster	Nebraska	237,900	263,600	90%
Bloomington	Monroe	Indiana	70,600	121,900	58%
Champaign-Urbana	Champaign	Illinois	110,700	184,400	60%
Bloomington-Normal	McLean	Illinois	117,200	158,000	74%
Columbia	Boone	Missouri	88,500	141,400	63%
Kirksville	Adair	Missouri	17,200	25,000	69%
AVERAGE			162,600	225,300	72%
<i>Source: Sales & Marketing Management, Survey of Buying Power, 2004.</i>					

Excluded, for example, is Johnson County, Kansas, even though it represents a large amount of retail space, because Johnson County's population is much larger than Douglas County's and there is no single dominant city (well, Overland Park is sizeable, but so is Olathe). Plus, there are many suburban cities within Johnson County and it is influenced heavily by, and heavily influences, the entire bi-state Kansas City metropolitan area.¹⁰

While the range of populations in the fourteen cities is from 17,500 (in Kirksville, home of Truman State University) to almost 530,000 (Oklahoma City), there is a consistency in the ratio of city-to-county populations. The average is 72% while the range is 55% to 90% and the median is 70%. Lawrence is at the high end of this range at 80% of the Douglas County population. Other data compiled for these cities and counties include:

- Number of households
- Effective buying income (EBI) of households which is similar to “disposable income,” or household income after taxes. This is an indicator of the amount of retail sales that could be generated by the households in the jurisdiction.
- Total retail sales taking place in that jurisdiction.

Keep in mind that the following analysis focuses only on the SBP's definitions of *retail sales* (again, not floor area) which necessarily excludes sales generated by non-retailers in retail locations. Assuming that the relationship of retailing to non-retailing is similar in all cities, however, the comparisons offer a valid way to evaluate Lawrence among some of its peers.

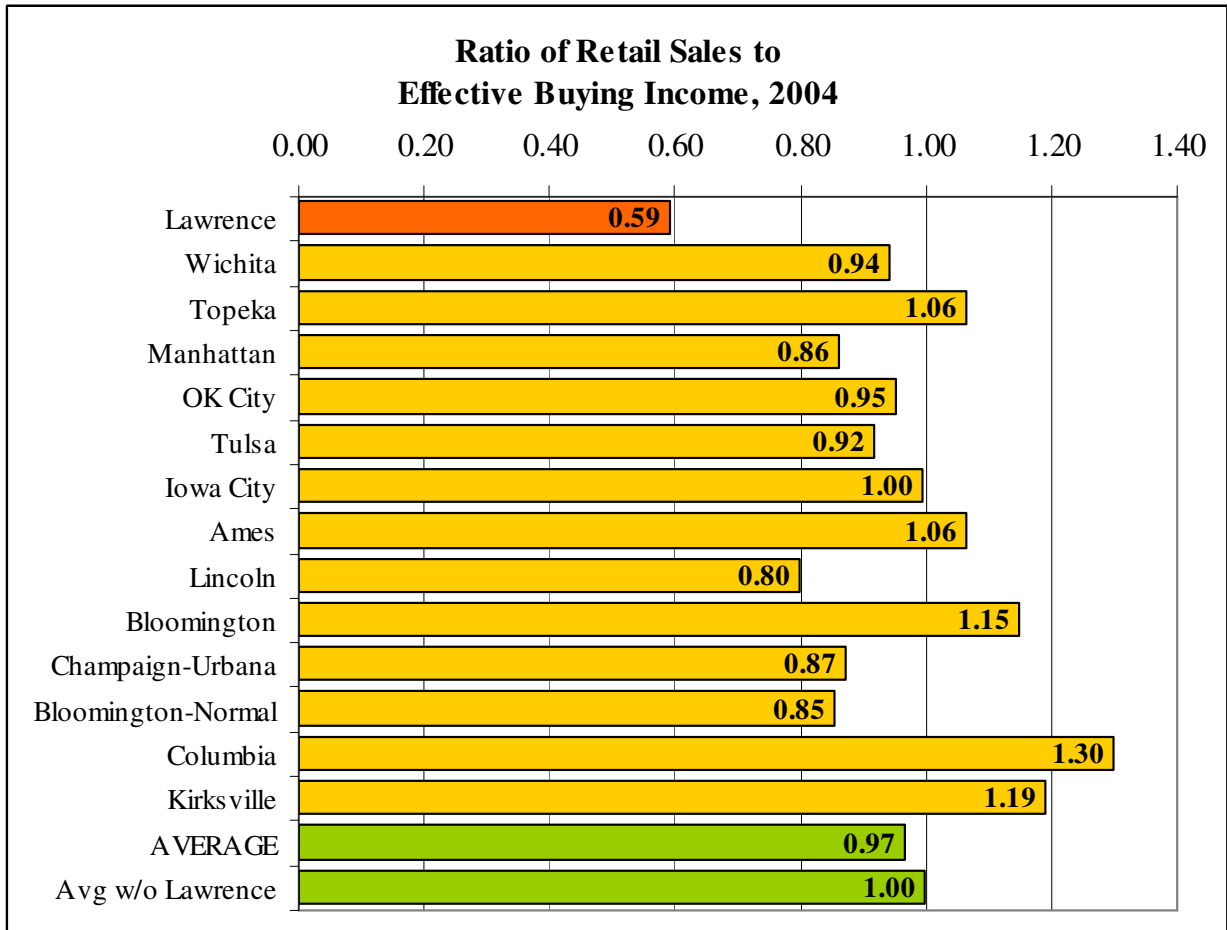
Perhaps the most telling statistic that emerges from the data is the ratio of retail sales taking place within a city compared to the effective buying income of that city. A higher ratio indicates that a city is retaining its own buying power, or perhaps even attracting net sales from other jurisdictions (e.g., people in City A opting to shop in City B so that City B's ratio is higher than City A's). Alternatively, lower ratios suggest that a city is effectively “leaking” some of its buying power to other jurisdictions.

The following graph shows these ratios for the fourteen comparable cities, including Lawrence. The overall average of these cities is 0.97 including Lawrence, or 1.00 without Lawrence. This ratio of 1.00 means that, on average, the amount of retail sales in these other 13 cities is equivalent to their own effective buying income.

Notably, of course, Lawrence is well below average at 0.59. In effect, the city is losing buying power to other locations at a relatively high rate. Why? That's not a question readily answered by the available data, but the chief reason is probably that people in Lawrence are opting to make a great many of their purchases in other cities and counties. Do they drive to Johnson County, for instance, to take advantage of the larger shopping centers there? Or to Wyandotte County to enjoy

¹⁰ While Lawrence is also influenced to some extent by greater Kansas City, there is a large rural buffer between the two which limits a certain amount of economic interaction. In fact, as the statistics tend to illustrate, there may be quite a bit of retail spending “leakage” from Lawrence which may be ending up in, say, Johnson County. So this influence is real and important to bear in mind as future retail development takes place in Lawrence.

the new developments around the Kansas Raceway? They could be driving to Topeka, which has a relatively high ratio of 1.06.¹¹

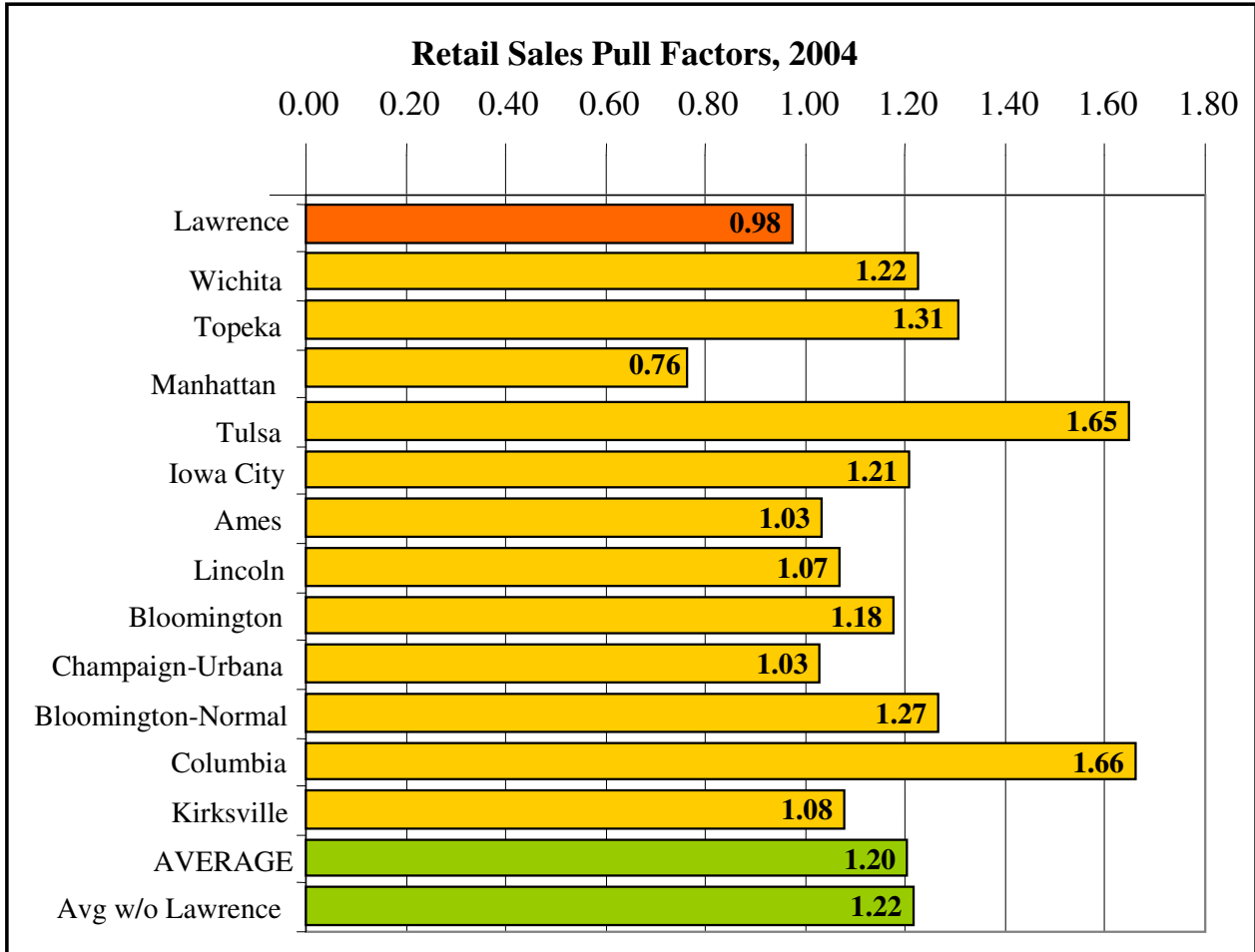


A related measure is the “pull factor.”¹² Pull factors estimate “the portion of customer sales that a community draws from outside its boundaries. If the pull factor is greater than 1.0, the community is attracting consumers from outside its borders, or local people are spending more on retail sales than the state average. If the pull factor is less than 1.0, then the community is “leaking” its own buying power to other locations. The pull factor, when calculated over time, gives decision-makers an understanding of the community’s market capture efficiency.

¹¹ It is not likely that Lawrence residents are shopping elsewhere in Douglas County. The county has a ratio of 0.65. The average for all 14 counties of these cities is 0.88. Because the county average is lower than the city average, this means that, typically, residents of the counties who live outside of the central city tend to shop in the central city, not the other way around. Interestingly in Douglas County, the ratio of the county is slightly higher than in the city, the reverse of expectations.

¹² The pull factor was developed by Iowa State University Extension Service to provide a precise measure of sales activity in a locality. It is derived by dividing the per capita current dollar sales of a town or county by the per capita sales for the state. Pull factors are good measures of sales activity because they reflect changes in population, inflation, and the state's economy.

The pull factors for the 14 comparable cities are illustrated on the next bar graph. Note that the effect is virtually the same as in the previous graph. While Lawrence has a pull factor of nearly 1.0, its peer cities, on average, are doing much better. Indeed, only Manhattan, Kansas, has a lower pull factor among these central cities that dominate their counties. The overall average for all 14 cities is 1.20, about one-fifth higher than for Lawrence. Without Lawrence, the average is 1.22. Clearly, Lawrence—as the dominant city in Douglas County—could strive to attain a higher retail sales pull factor if it is to keep pace with similar cities.¹³



To achieve the average pull factor of 1.20 in Lawrence, retail sales would have to increase by about 25%, or about \$270 million per year, based on data from the *Survey of Current Business, 2004*. At, say, an average of \$300 per square foot (which is a good working value), this would add 900,000 square feet of retail space to the city’s inventory (before adjusting upward for space that would necessarily not be occupied by strictly retailers).

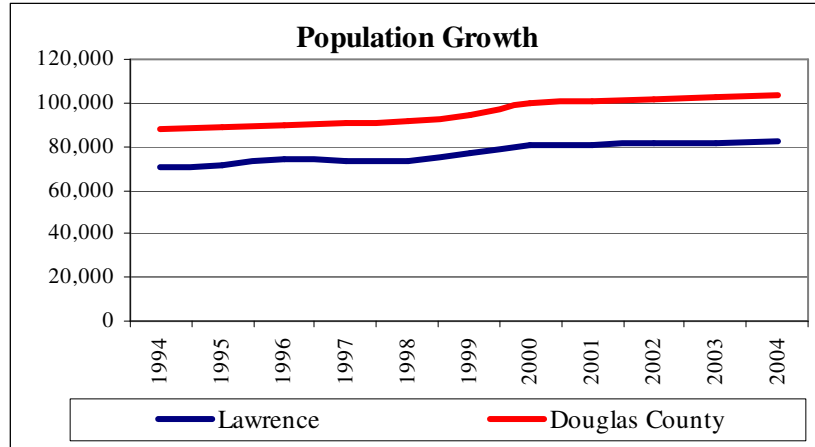
4.2 HISTORICAL LAWRENCE TRENDS

It is valuable to review the recent trends in both Lawrence and Douglas County with regard to retail sales and community growth. Therefore, we examined the same data from the *Survey of Buying Power*, but over the time period of 1994 to 2004, but only for the city and the county. For the

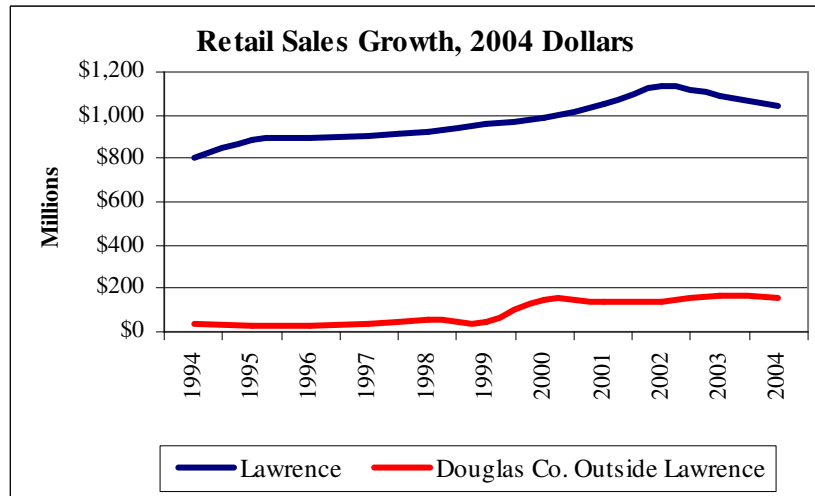
¹³ By way of comparison, the pull factor for Johnson County, Kansas, is 1.56.

following analysis, all dollars are stated in 2004 values based on adjustments using the national Consumer Price Index. The *Survey of Buying Power* for the years 1994 through 2004 is the sole source of information, including population and household trends, so that there is consistency in the data.¹⁴

Between 1994 and 2004, the population of Lawrence, as an incorporated city, increased from 70,700 to 82,600, or 16.8%. Population in the entire county, including Lawrence, increased slightly more rapidly at 17.9% to 103,900. This means that the county population outside of Lawrence grew from 17,400 to 21,300, or 22.4%. Lawrence's share of the county's population, therefore, decreased a little from 80.2% to 79.5%.



Retail sales by jurisdiction, in 2004 dollars, reflect somewhat different trends. In Lawrence, real sales (i.e., in 2004 dollars) increased by 30.8% between 1994 and 2004, reaching \$1,047.0 million (just over one billion) in 2004. But the 2004 value was less than in 2001 (\$1,056.2 million), 2002 (\$1,137.3), and 2003 (\$1,090.5).



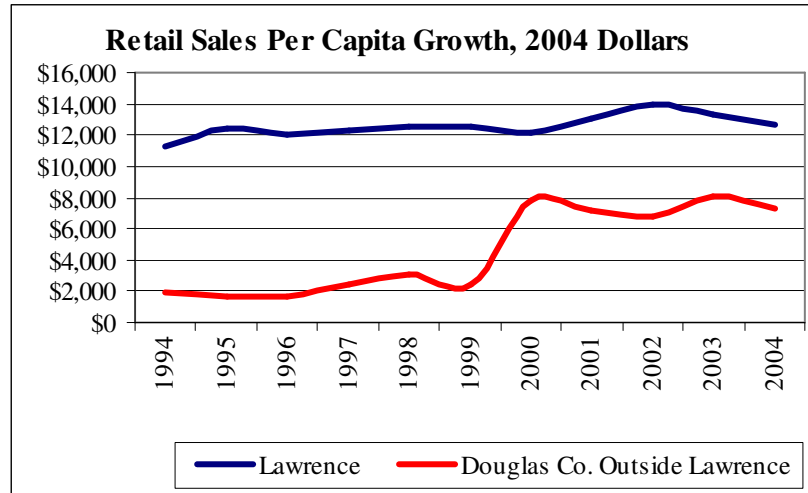
Meanwhile, sales generated outside the city, but still within Douglas County, increased 368%, reaching \$156.4 million in 2004 which was lower than 2003 (\$166.4 million) but was higher than in 2001 and 2002. That is, both the city and the area outside the city lost sales between 2003 and 2004, but the city itself has a longer downward trend.

As a result, the city's share of retail sales generated in the entire county dropped from 96.0% in 1994 to 87.0% in 2004 (which actually was a little higher than its share in 2003—86.8%). The

¹⁴ This consistency is important because different sources can reveal different results which, in fact, may not be comparable. For instance, the SBP data on retail sales for the entirety of Douglas County increased by 36.1% from 1999 to 2004. But data obtained from the Kansas Department of Revenue on collected retail sales taxes in Douglas County show a much slower rate of increase between 1999 and 2004 of 22.4%. While there may be legitimate reasons why these trends show different results, it is clear that using a consistent source of information over time is likely to be more analytically useful.

“big shift” occurred when the city’s share dropped sharply from 95.6% in 1999 to 86.8% in 2000. Perhaps this was due to a major retail development that opened outside of Lawrence in 2000, but that event has not been researched by Development Strategies.

A further effect of this small but interesting shift of sales away from the city is that the sales per capita in areas of Douglas County outside the city jumped dramatically between 1999 and 2000. Indeed, as the following graphs illustrate, sales per capita in Lawrence were still considerably higher in 2004 than outside the city (\$12,675 vs. \$7,344). Effective buying income (EBI) in the city, however, was below that of the areas outside the city—and has been since 1994. In part, this reflects the more diverse demographics of Lawrence, particularly related to the large college student population.



But the jump in per capita EBI in the last two years, coupled with the persistent if only slightly higher buying power of the non-city areas suggests that retailers will be increasingly looking for development sites outside the city to more easily reach non-city residents. Or they will be looking for sites on the edge of Lawrence to serve the non-city areas.

