



A Bureau of Business Economic Research Report
From the University of Nebraska-Lincoln

Omaha Area Retail Trade Analysis FINAL REPORT

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Prepared for
The City of Omaha

April 22, 2008
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Executive Summary

The retail trade industry is a critical sector of the economy, and is an important source of tax revenue for cities. This study examines retail sales trends in the Omaha area as well as factors that determine retail sales including total population, minority population, commuting, income, wages, and total employment. We examine trends during the 1990s, and in particular during the 1997 to 2005 period. The focus is on Douglas County and a group of surrounding Nebraska counties.

We found that Douglas County remains the dominant retail center in Nebraska, but its market share is slowly eroding as competition from suburban retailers increases. Suburbanization of the Omaha area's retail sector is likely to be a long term trend. If the Douglas County retail community is to maintain its position of dominance, it will need to pay close attention to both its competitors and to emerging market opportunities. The concentration of minority populations in Douglas County represents one such opportunity for niche oriented retail activity. Another is found in retail clusters built around Douglas County's strongest retail sectors such as furniture, home furnishings, recreational vehicles, specialty foods and luxury items such as jewelry.

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1. Introduction

The retail trade industry is a critical sector of the economy. The industry provides an important service, generates many employment opportunities, and is a critical source of tax revenue for cities. We examine recent trends in the Omaha area retail trade industry and opportunities to expand the industry and retail sales tax revenue.

We examine population growth in Douglas County and surrounding counties during the 1990s, and since the year 2000 Census. We also specifically examine growth in minority population during the period. There has been a steady and sustained expansion in population – that is, the number of consumers – in the Omaha area since 1990. This is true for total population as well as the minority population. There also has been strong growth in the real income of Omaha households and individuals. Population and income growth have been strong in Douglas County, but selected suburban counties have been growing rapidly, particularly Sarpy County.

In the retail sector, we first examine employment data, since this is available for counties on an annual basis. We further examine annual county taxable sales, though this measure excludes several key categories such as food stores. We also examine the change in sales between the 1997 Census of Retail and the 2002 Census of Retail. Overall, analysis of these data indicate solid growth in retail sales since 1997 in the Omaha area, and provide some evidence – though this evidence is mixed - that the City of Omaha has a falling share of retail activity relative to suburban areas.

2. Population, Income, and Total Employment Trends

Since most retail purchases are made by households, growth in population is a key determinant of growth in retail activity. Income growth also is critical as this addresses buying power. It is also useful to follow employment growth as this proxies the underlying demand for retail purchases by business. In this Chapter, we examine each of these trends in basic economic conditions in the Omaha area.

A. Population Trends

The decade of the 1990's was a relatively good one for Nebraska. The state population grew by 8.4%, its fastest rate of growth in 80 years, representing a population increase of nearly 133,000 residents.

It was an even better decade for Omaha and the Metropolitan Area. Between 1990 and 2000, the five Nebraska Counties that are part of the Omaha/Council Bluffs Metropolitan Area grew by 12.8% or 73,887 residents. This amounted to 55.6% of the state's total population growth, with the result that 36.4% of all Nebraska residents were found within the five Omaha Metro Area Nebraska counties in the year 2000.

Table 1		Population: 1990 - 2000		
Geographic Area	Population: 2000	Population: 1990	Total Change in Population: 1990 - 2000	Percent Change in Population: 1990 - 2000
Douglas County	463,585	416,444	47,141	11.32
Cass County	24,334	21,318	3,016	14.15
Sarpy County	122,595	102,583	20,012	19.51
Saunders County	19,830	18,285	1,545	8.45
Washington County	18,780	16,607	2,173	13.08
Omaha Metro Area (Nebraska Portion)	649,124	575,237	73,887	12.84
Nebraska	1,711,263	1,578,385	132,878	8.42
Source: Bureau of the Census				

Among the Nebraska Counties that were part of the Omaha Metropolitan Area, population growth was uniformly strong during the 1990's. Douglas County led the

region, with an increase of 47,141 residents, a growth rate of 11.3%. Growth was, however proportionally strongest Sarpy County, where an increase of 20,012 residents equated to a 19.5% growth rate.

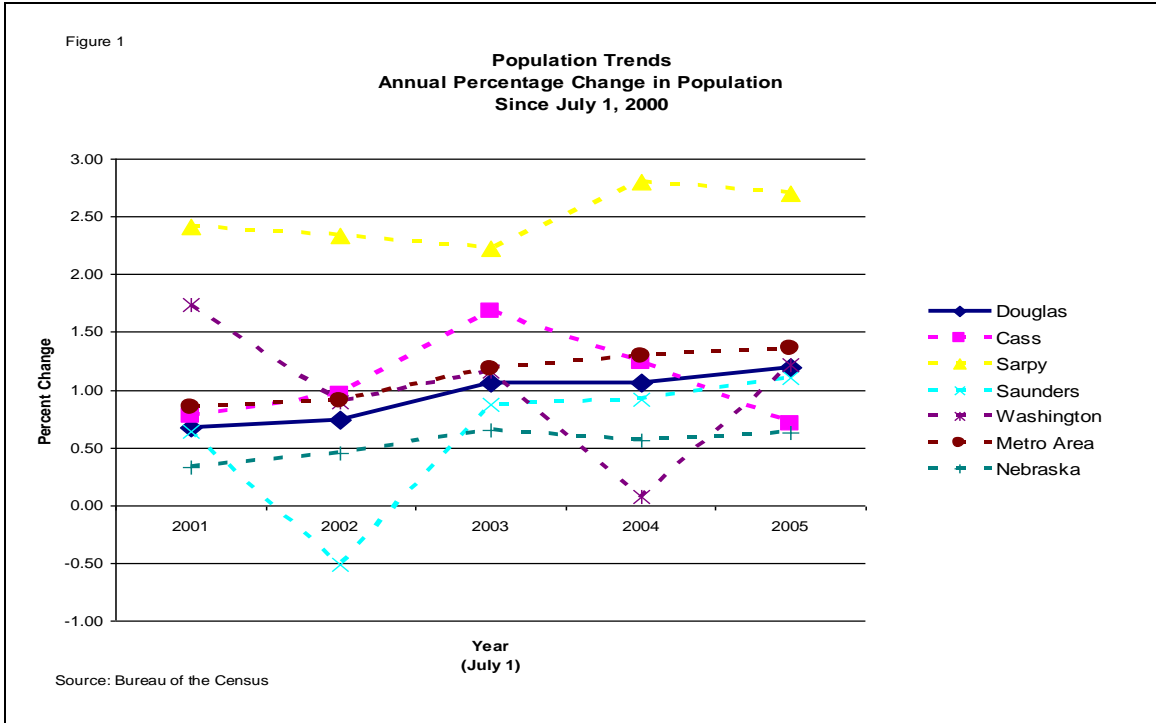
According to current Census estimates, the years that have followed have seen continued growth both statewide and in the Metropolitan Area, albeit at a somewhat reduced rate in most places. Between July 1, 2000 and July 1, 2005 it is estimated that Nebraska has added 45,526 residents, a growth rate of 2.65% over the five year period. During the same period, the Omaha area Metropolitan counties are estimated to have added 41,452 residents, a growth rate of 6.4%. If these estimates are correct, the Omaha Metro Area counties accounted for 91% of all growth in Nebraska’s population between the years 2000 and 2005.

Geographic Area	July 1, 2000	July 1, 2001	July 1, 2002	July 1, 2003	July 1, 2004	July 1, 2005	5 Year Total
Douglas County	464,545	467,694	471,132	476,148	481,203	486,929	22,384
Cass County	24,399	24,587	24,822	25,240	25,553	25,734	1,335
Sarpy County	123,215	126,191	129,136	132,004	135,707	139,371	16,156
Saunders County	19,854	19,980	19,878	20,052	20,235	20,458	604
Washington County	18,799	19,125	19,297	19,521	19,535	19,772	973
Omaha/Council Bluffs Metro Area	769,079	775,631	782,697	791,996	802,247	813,170	44,091
Nebraska	1,713,261	1,718,965	1,726,753	1,738,013	1,747,704	1,758,787	45,526

Source: Bureau of the Census

Census estimates indicate that, since 2000, Sarpy County has continued to lead the region in population growth, with an increase of 16,156 residents (an increase of 13.1%). Douglas County has also done relatively well, having added 22,384 new residents (an increase of 4.8%).

Douglas County’s estimated growth between 2000 and 2005 was slightly below that of the entire Omaha/Council Bluffs Metropolitan Area (5.7%) and slightly below that of suburban Cass (5.5%) and Washington (5.2%) Counties. Cass County’s growth rate is estimated to have slowed considerably in the last several years, and in 2005 fell below that of Douglas County.



Minority Population

While the total population of the Omaha area has demonstrated growth over the last five years, that growth has in general been strongest among racial and ethnic minorities.

As of 2005, the population of the five counties that comprise the Nebraska portion of the Omaha/Council Bluffs Metropolitan Area was estimated to be nearly 80% white and non-Hispanic. However growth rates within the minority community were considerably higher than those found among the white non-Hispanics. Between 2000 and 2005, the white, non Hispanic portion of the population grew by 4.0%. During the same period, the Black population grew by 4.5%, the Native American population grew by 2.6% and the Asian/Pacific Islander population grew by 28.2%, the mixed race population grew by 27.2% and the Hispanic and Latino population grew by 37.8%.

Table 3		Minority Population Characteristics					
		Not Hispanic or Latino					
Area	Variable	White: Not Hispanic or Latino	Black	Native American	Asian-Pacific Islander	Mixed Race	Hispanic-Latino Any Race*
Douglas County	Population 2005	368,344	55,962	2,497	10,369	6,893	42,573
	Percent Change: 2000 - 2005	1.4	4.9	2.9	29.8	27.4	37.7
	Percent of Total County Population	75.6	11.5	0.5	2.1	1.4	8.7
	Percent of Nebraska Group	24.5	76.9	17.3	38.8	39.2	34.1
Sarpy County	Population 2005	120,646	5,226	482	2,882	2,539	7,482
	Percent Change: 2000 - 2005	12.7	-1.2	4.8	22.2	29.3	39.6
	Percent of Total County Population	86.6	4.0	0.4	2.2	1.9	5.4
	Percent of Nebraska Group	7.5	7.3	3.5	10.8	14.2	6.0
5-County Metro Area	Population 2005	552,910	61,439	3,122	13,505	9,812	51,050
	Percent Change: 2000 - 2005	4.0	4.5	2.6	28.2	27.2	37.8
	Percent of Total 5-County Population	79.9	8.9	0.5	2.0	1.4	7.4
	Percent of Nebraska Group	36.8	84.4	21.6	50.5	55.9	40.9

Source: Bureau of the Census

*Hispanic/Latino is not a racial group, and can include any race. While most Hispanic/Latino persons are by definition "white," the group will also include significant numbers of Black and Asian residents.

The rate of minority population growth in Douglas County was even more striking. Between 2000 and 2005, the white, non-Hispanic portion of the Douglas County population grew by 1.4%. During the same period, Douglas County's Black population grew by 4.9%, the Native American population grew by 2.9%, the

Asian/Pacific Islander population grew by 29.8%, the mixed race population grew by 27.4% and the Hispanic/Latino population grew by 37.7%.

Douglas County contains Nebraska's largest population concentration, being home to 27.7% of all state residents. However, Douglas County's minority concentrations are in general much higher. In 2005, the Bureau of the Census estimated that (for the non-Hispanic population) Douglas County was the residence of 76.9% of all Black Nebraskans, along with 29.8% of Nebraska's Asian and Pacific Islander group, 27.4% of Nebraskan's of mixed race, 18.6% of Native American Nebraskans, and 37.7% of the state's Hispanic and Latino residents.

The concentration of Nebraskans in the five Omaha area metropolitan counties has been underway for decades, and the rate of concentration has been increasing as rural portions of the state continue to experience out-migration and in many areas an excess of deaths over births. Minority population growth in Nebraska, and especially in the state's urban centers, is also heavily affected by out of state and international migration. At the same time, the more or less typical trend of majority population growth gravitating to suburban areas while minority growth occurs in urban centers is being replicated in the Omaha area

Nebraska's current age distribution (with nearly 2/3 of the state's senior citizens being non-metropolitan) and low birth rates in rural portions of the state, combined with relative youth and associated high birth rates among urban whites and minorities, suggests that we will see the concentration of Nebraska's population in the Omaha area continue into the foreseeable future. If out of state and international migration patterns continue as they have been over the last decade, that concentration is likely to be especially apparent within the minority population.

B. Income Trends

According to the Bureau of Economic Analysis, Douglas County residents received over \$19-Billion in total personal income in 2004. This was approximately 34% of all personal income generated within the state of Nebraska in that year and over 75% of all personal income generated within the five Nebraska counties that are part of the Omaha and Council Bluffs Metropolitan Area.

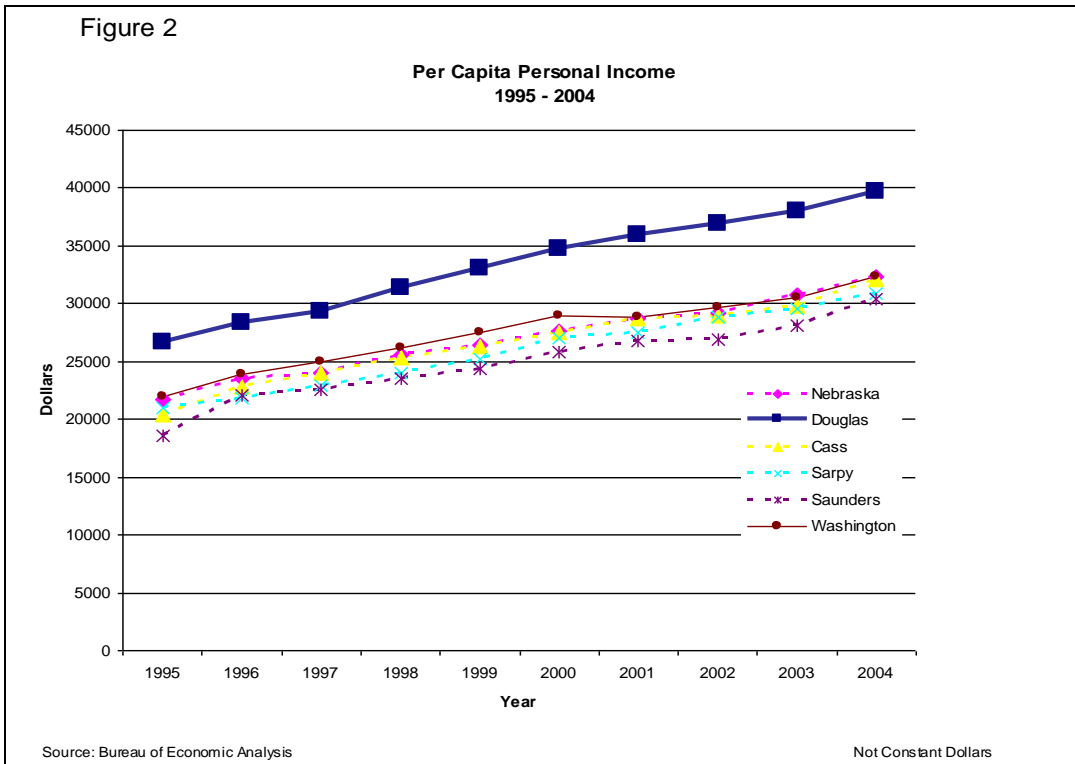
In nominal dollars, total personal income in Douglas County increased by 62.3% between 1995 and 2004. Income growth in Douglas County outpaced that of Nebraska (57%), but was in turn outpaced by income growth in Sarpy County (79%), Cass County (77.8%) and Saunders County (71.4%). Growth in total personal income in these neighboring counties can be attributed in large part to the movement of working age adults to suburban locations.

Douglas County's per capita income in 2004 was \$39,692. This was approximately 23% greater than that of the state (\$32,341), and significantly higher than the rest of the Nebraska counties within the Omaha Metropolitan Area.

In nominal dollars, per capita income in Douglas County grew by 48.7% between 1995 and 2004. This rate of growth in per capita income was essentially identical to that of the state, and slightly exceeded that of Sarpy and Washington Counties. Douglas County's growth in per capita income trailed that of both Cass and Saunders Counties.

Table 4	Total Personal and Per Capita Income			
	Total Personal Income 2004 (\$1,000)	Percent Change 1995 - 2004	Percapita Income 2004	Percent Change 1995 - 2004
Nebraska	56,523,179	57.0	32,341	48.8
Douglas County	19,099,945	62.3	39,692	48.7
Cass County	819,203	77.8	32,059	56.8
Sarpy County	4,184,309	79.0	30,833	47.2
Saunders County	614,446	71.4	30,366	63.8
Washington County	630,689	62.3	32,285	47.0

Source: Bureau of Economic Analysis



Minority Buying Power Trends

Minority members of American communities generally receive lower incomes than do members of the majority population (the exception to this being Asians, who tend to have relatively high levels of both educational attainment and income). However, occupational mobility among minority members tends to improve their economic position over time. That coupled with relatively rapid population growth has greatly expanded minority buying power over the last 20-years.

As documented in research by Humphreys (2003), in 1990 all racial minorities comprised about 20% of the U.S. population, but accounted for less than 13% of the national market share (percentage of buying power), accounting for about \$541-billion in purchases nationally. By 2008, that study estimated that racial minorities will account for about 28% of the U.S. population, and 20% of U.S. buying power (or about \$2.1-trillion).

During the same period, Hispanic/Latino populations will have increased by nearly 30% (to a population of about 53-million), growing from 9% to 17% of the U.S. Population. Between 1990 and 2008, Hispanic/Latino buying power will have grown by

over 55% to reach slightly over \$1-trillion, or about 9.6% of the U.S. market (Humphries, 2003).

In Nebraska in 2008, Humphreys (2003)¹ estimated that all minorities will account for about 9% of all Nebraska resident buying power, or about \$5.6-billion. Given the concentration of minority residents in and around Omaha, it is reasonable to expect that the impact on the Omaha area economy was substantial.

As racial and ethnic minorities come to control 1/3 or more of all U.S. buying power, the importance of being a multicultural economy is undeniable.

The proportion of household income that minority members spend on various items does not vary on average from that of all consumers by more than a couple of percentage points in one direction or the other.

Hispanic/Latino consumers tend to spend more on groceries, telephone services, furniture, small appliances children's clothing and footwear. Black consumers spend more on telephone services, electricity and natural gas, children's apparel and footwear.

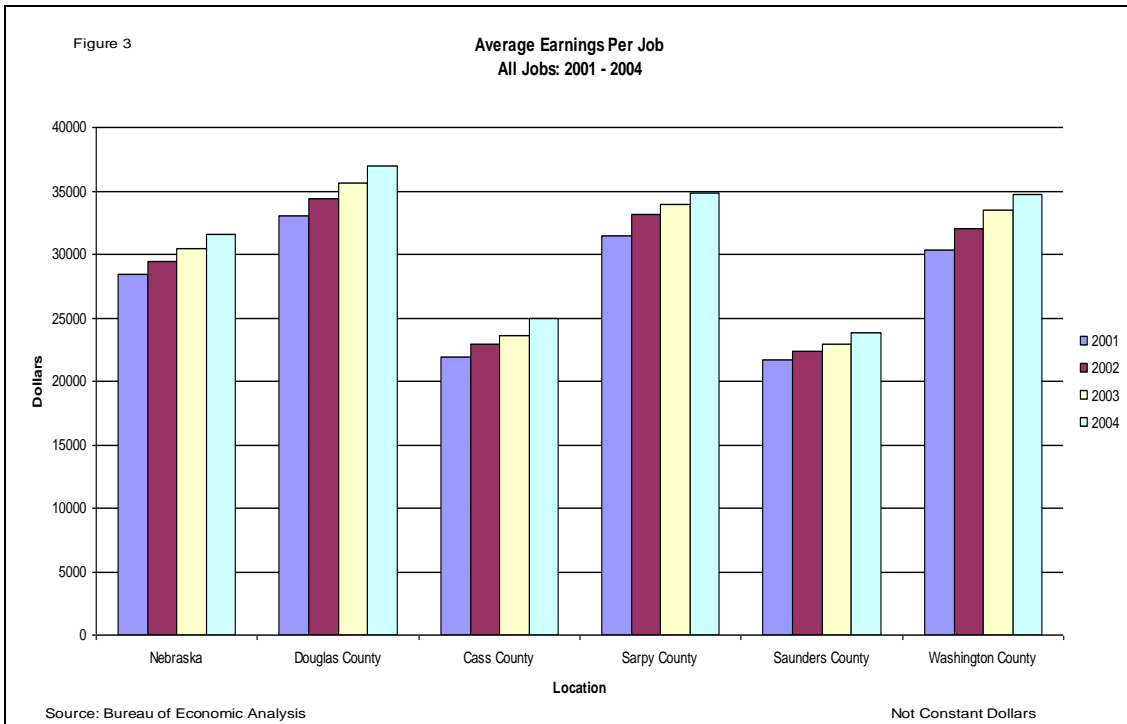
C. Employment and Wage Trends

According to the Bureau of Economic Analysis, Douglas County supported 336,981 full and part-time jobs in 2004. This amounted to nearly 35% of all jobs in Nebraska, and over 80% of all jobs within the five-county portion of the Omaha and Council Bluffs Metropolitan Area.

While Nebraska saw slow job growth between 2001 and 2004 (+0.4%), Douglas County experienced a decline in total employment of -2.8%. By comparison, Sarpy County saw an increase in total employment of 15.1% during the same period. Case County and Washington County also saw increases in total employment (+4.5% and +3.0% respectively), while Saunders County experienced a slight decline (-0.6%).

Douglas County's decline in employment numbers can be attributed to the economic recession of 2001, and is a temporary phenomenon. Despite a slightly shrinking employment base, Douglas County remained Nebraska's primary generator of wages and salaries. Wage and salary disbursements in Douglas County totaled nearly

¹ Humphreys, Jeffrey M. "The multicultural economy 2003: America's minority buying power." *Georgia Business and Economic Conditions*. Vol. 63, No. 2, Second Quarter, 2003.



Douglas County's average wage per job in 2004 was \$36,970. Continuing a long term pattern, this was 17% higher than the average wage per job in Nebraska as a whole, and \$2,000 to \$13,000 higher than the average wage per job in the four other Nebraska metropolitan counties in the Omaha region.

Between 2001 and 2004, nominal growth in the average wage per job in Douglas County was 11.8%, outpacing the Nebraska average of 10.9%, as well as that of Sarpy County (11.0%) and that of relatively rural Saunders County (9.5%). However, nominal growth in the average wage per job was faster in both Washington (14.3%) and Cass (13.7%) counties.

3. Retail Activity

This Chapter examines retail activity in the Omaha area. We begin by exploring industry employment and wages, but focus on measuring growth in retail sales. Retail sales are measured using two datasets. The first is the Census of Retail from 1997, and 2002, which is the last available Census. To get data from a more recent year, we also examine growth in taxable sales as measured by the Nebraska Department of Revenue.

A. Employment and Wages in the Retail Sector

In 2004, Douglas County generated 44,751 full and part time retail jobs, or about 32% of all such jobs in Nebraska, and nearly 82% of all such jobs in the five-county Nebraska portion of the Omaha and Council Bluffs Metropolitan Area.

Retail employment accounted for 11.6% of all full and part-time jobs in Douglas County in 2004 (compared to 11.5% statewide), making it the largest employing industry in the county, ahead of health care (11.4%) and government (10.5%).

However, between 2001 and 2004, the total number of full and part-time retail jobs in Douglas County declined by 6.9%. Statewide, such jobs declined by 1.0%. Retail jobs also declined in Sarpy County (-5.5%). Since these data represent both full and part-time employment, the decline in job numbers could in part be explained not by weakness in the sector, but by strength. This would be true if part-time jobs were being converted to full-time jobs, thus decreasing the total number of jobs available but increasing the average earning potential of each job. Unfortunately, we have no way of knowing to what extent this may be true, and can only remind ourselves to be cautious in interpreting these data.

Within the five-county Nebraska portion of the Omaha Metropolitan Area, only Washington County demonstrated significant growth in retail employment (32.5%), while Cass County saw a 6.0% and Saunders County a 4.5% increase.

Table 6		Retail Employment and Earnings: 2004				
	Retail Employment	% Change: 2001 - 2004	Total Earnings (\$1,000)	% Change: 2001 - 2004	Average Earnings Per Job	% Change: 2001 - 2004
Nebraska	138,096	-1.0	2,899,039	8.0	20,993	9.2
Douglas County	44,751	-6.9	1,105,635	1.9	24,706	9.5
Cass County	1,303	6.0	17,607	7.8	13,513	1.7
Sarpy County	6,532	-5.5	148,544	10.0	22,741	16.4
Saunders County	843	4.5	16,008	2.5	18,989	-1.9
Washington County	1,308	32.5	43,020	42.7	32,890	7.7

Source: Bureau of Economic Analysis

In 2004, Douglas County generated over \$1-billion in wage, salary and proprietor earnings in the retail sector. This accounted for 38% of all such earnings statewide, and 83% of all such earnings in the five-county Omaha area.

Retail earnings accounted for about 8.4% of all earned income in Douglas County in 2004 and 9.5% of all earnings in Nebraska. Both are below the percentage of all employment that falls within the retail sector, as a result of relatively high levels of part-time employment and relatively low wages often found in the retail sector.

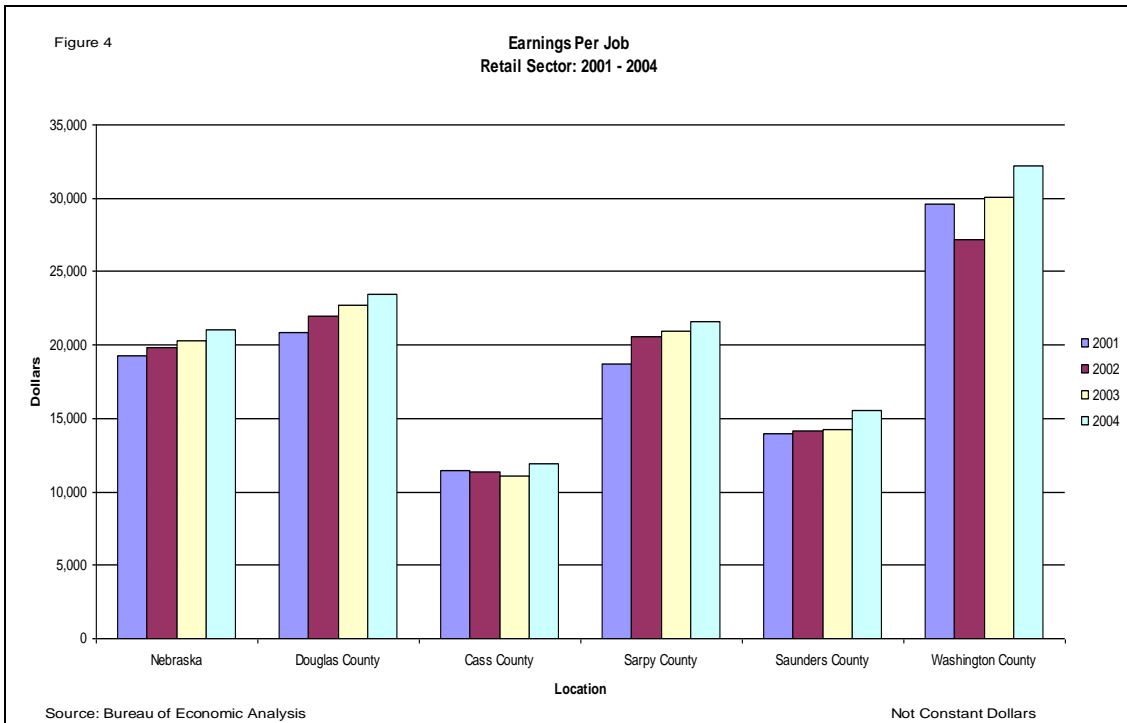
Declines in job numbers notwithstanding, Douglas County experienced a 1.9% increase in retail earnings between 2001 and 2004, but this was less than the 8.0% increase recorded statewide and well below the rates of retail earnings growth found in the surrounding Nebraska counties of Sarpy (+10%), Cass (+7.8%), and Washington (+42.7%).

A similar pattern is found when looking at earnings per job in the retail sector. At \$24,706 earned per retail job, Douglas County nearly 18% higher than the state as a whole, and higher than most neighboring counties. An impressive exception to this was found in Washington County, where the average retail job earned over \$32,000. The exceptional retail earnings in Washington County may be explained in part by high

numbers of automobile sales, where commissions can significantly increase an individual's earnings.

Two things may be affecting these overall numbers. First, retail activity seems to be following population, and especially high income population, to the suburbs. Second, in the case of suburban counties there may be a relatively high rate of proprietorship in the sector. This would tend to generate greater individual earnings than would a higher proportion of hourly employees.

Between 2001 and 2004, the nominal increase in average retail sector earnings in Douglas County was 9.5%. This exceeded the rate of growth for the state, and for all neighboring counties with the exception of Sarpy, where retail sector earnings per worker increased by 16.4% during the same period.



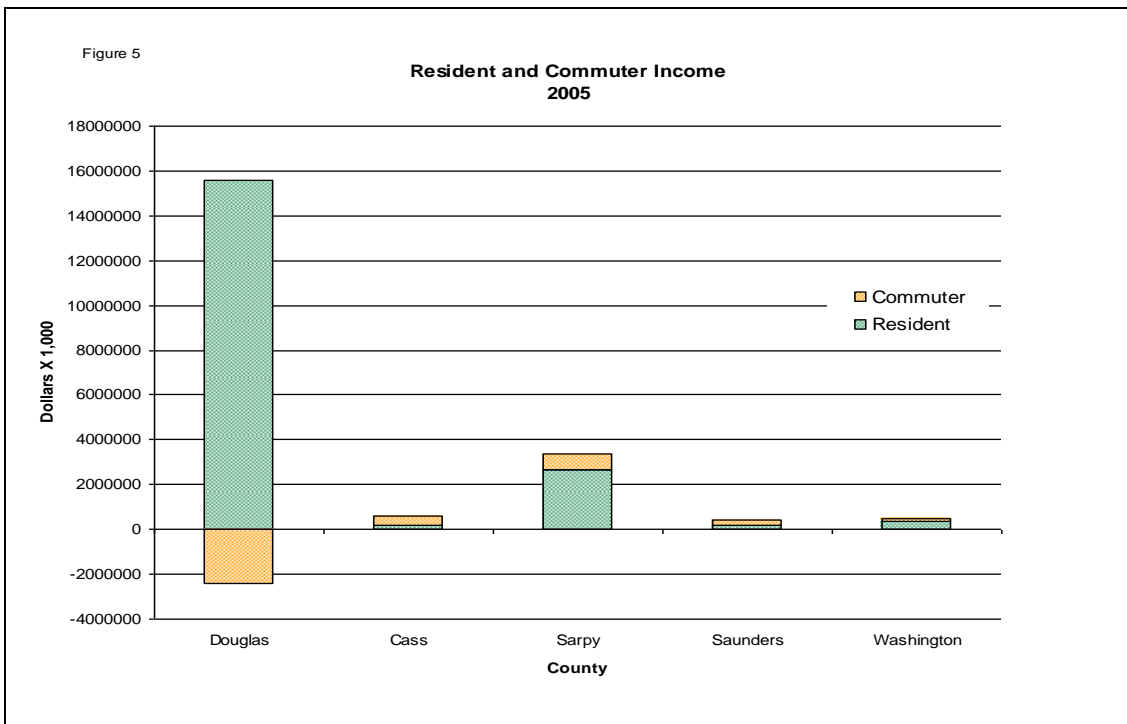
Commuters and Income

Douglas County's position as the primary economic center in Nebraska means that it tends to draw employees from surrounding area in much the same way that it draws retail customers from outside of its trade area. The importance of Douglas County's economic role in the region is especially apparent when one examines the

difference between earnings created within the county and those retained within the county.

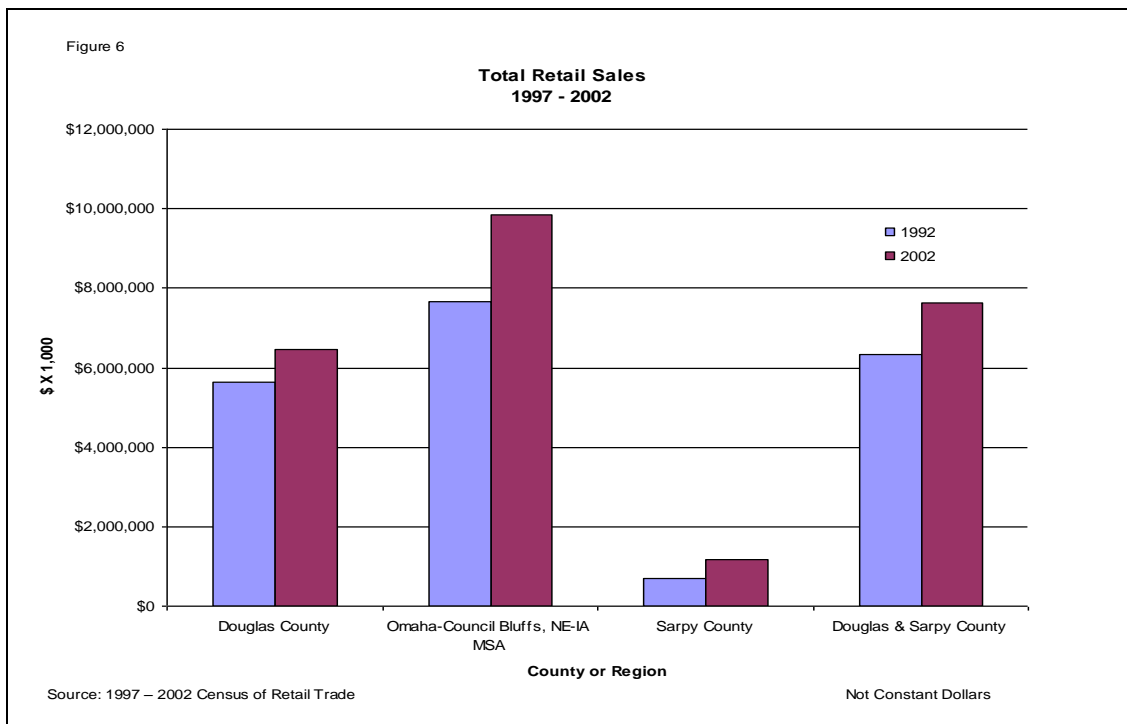
Because commuters are such an important part of the Douglas County labor force, only about 85% of the earnings generated within Douglas County in 2004 were retained within the county as net resident income. The remaining 15% accrued to the net benefit of counties which provided workers for Douglas County.

Within the rest of the five-county region, commuting resulted in resident earnings that were considerably greater than the earnings generated by enterprises within those counties. In Cass County, which provides labor force to both Omaha and Lincoln, over 2/3 of all resident earnings actually come into the county from some other location. Saunders County, with another large commuter population, effectively doubled its resident earnings through income earned in another location. The role of the Omaha retail sector in returning some of these exported dollars to the local community is of tremendous importance.



B. Change in Total Retail Sales

According to the U.S. Census of Retail Trade (as seen in table 7), Douglas County saw an increase of 14.5% in total retail sales between 1997 and 2002.² This represented an increase of \$819,051,000 (from \$5,634,500,000 in 1997 to \$6,453,551 in 2002).³ By this measure, Douglas County's growth in retail trade lagged behind that of the Omaha-Council Bluffs MSA (28.5%), and Sarpy County (68.2%). Both comparisons can in all likelihood be attributed to rapid suburban growth rates for population and housing.



Growth in Douglas County's total retail sales was accompanied by a 0.9% increase in the number of retail establishments from 1997-2002. While Sarpy County's total retail sales in 2002 were only 18.1% of those recorded in Douglas County, that is an increase from 1997 when Sarpy County's total retail sales were 12.3% of those in Douglas County. This growth in total retail activity is reflected in individual retail categories as well. Table 7 includes data for motor vehicle and parts dealers and the subcategory of automobile dealers for use for comparison in a single sector.

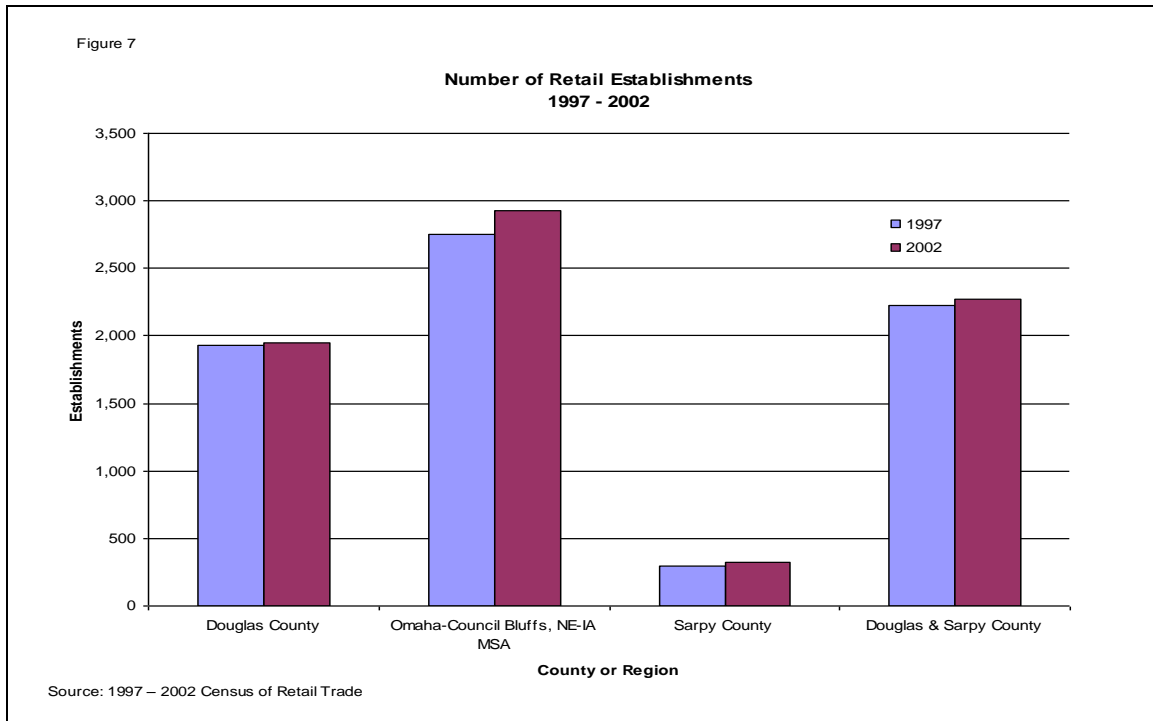
² The Census of Retail Trade is conducted every five years. Unfortunately, 2002 data are the most recent that are available from this source. The data are available only for counties and metropolitan areas.

³ These figures are not corrected for inflation.

Retail Trade, Omaha Region: 1997 - 2002												
County or Region	1997 NAICS code	Retail Sector	1997				2002				Change: 1997 - 2002	
			Number of Establishments	Sales (\$1,000)	Annual payroll (\$1,000)	Number of Employees	Number of establishments	Sales (\$1,000)	Annual payroll (\$1,000)	Number of employees	Sales: Actual Change (\$1000)	Sales: Percent Change
Douglas County	44-45	Retail trade Motor vehicle & parts dealers	1,931	\$5,634,500	\$591,714	34,920	1,948	\$6,453,551	\$700,446	35,249	\$819,051	14.5%
	441	Automobile dealers	230	\$1,297,808	\$108,208	3,506	229	\$1,490,827	\$131,502	3,790	\$193,019	14.9%
	4411	Automobile dealers	84	D	D	(1,000-2,499)	93	\$1,278,682	\$98,556	2,626	N/A	N/A
Omaha-Council Bluffs, NE-IA MSA	44-45	Retail trade Motor vehicle & parts dealers	2,753	\$7,655,909	\$765,633	46,740	2,931	\$9,840,087	\$994,351	50,067	\$2,184,178	28.5%
	441	Automobile dealers	340	\$2,039,460	\$160,769	5,254	379	\$2,863,752	\$219,639	6,445	\$824,292	40.4%
	4411	Automobile dealers	121	\$1,742,913	\$119,904	3,509	154	\$2,556,874	\$172,894	4,769	\$813,961	46.7%
Sarpy County	44-45	Retail trade Motor vehicle & parts dealers	291	\$695,565	\$63,668	4,663	324	\$1,170,215	\$119,687	5,611	\$474,650	68.2%
	441	Automobile dealers	30	\$161,517	\$12,838	380	46	\$332,127	\$26,703	675	\$170,610	105.6%
	4411	Automobile dealers	9	D	D	(100-249)	19	\$294,937	\$20,685	478	N/A	N/A
Douglas & Sarpy County	44-45	Retail trade Motor vehicle & parts dealers	2,222	\$6,330,065	\$655,382	39,583	2,272	\$7,623,766	\$820,133	40,860	\$1,293,701	20.4%
	441	Automobile dealers	260	\$1,459,325	\$121,046	3,886	275	\$1,822,954	\$158,205	4,465	\$363,629	24.9%
	4411	Automobile dealers	93	N/A	N/A	(1,100-2,748)	112	\$1,573,619	\$119,241	3,104	N/A	N/A
Nebraska	44-45	Retail trade	8,295	\$16,529,333	\$1,554,621	102,684	8,157	\$20,249,200	\$1,932,506	105,634	\$3,719,867	22.5%

Source: 1997, 2002 Census of Retail Trade
D: Data suppressed to avoid disclosure
N/A: Data not available

The remarkable growth in Sarpy County’s retail sector between 1997 and 2002 included an increase of 11.3% in the number of retail establishments, a 20.3% increase in the number of retail employees and an 87.9% increase in retail payrolls. If growth in Sarpy County’s retail sector continues at or near this rate, it will soon emerge as a significant regional competitor with Douglas County.



Despite growing competition, Douglas County remains Nebraska’s primary retail center. In 2002, Douglas County accounted for 31.9% of all Nebraska retail sales. This was down from 34.1% in 1997. Similarly, in 2002 Douglas County was home to 23.9% of all Nebraska retail establishments (up from 23.3% in 1997), and accounted for 33.4% of all Nebraska retail jobs (down from 34% in 1997) and 36.2% of all retail payroll (down from 38.1% in 1997).

These slight declines in the retail dominance of Douglas County can be explained by both the growth in retail establishments in the larger Metropolitan area (an increase of 6.5% between 1997 and 2002) and by increased retail capacity in non-metropolitan portions of the state. While the total number of retail establishments in Non-Metropolitan Nebraska declined between 1997 and 2002, that decline was accompanied by growing

retail concentration in larger non-metropolitan service centers and included the construction of larger outlets. In total, this represented an increase in non-metropolitan retail capacity.

Change in Per Capita Retail Sales

Measured on a per capita basis (as seen in Table 8), Douglas County's retail activity is again seen to be growing more slowly than is that of the region as a whole, and much more slowly than that seen in the rapidly expanding Sarpy County retail sector.

While retail sales per capita in Douglas County grew by 9.9% between 1997 and 2002, such sales increased by 22.6% across the MSA and by 53.4% in Sarpy County.

Growth in per capita retail sales are only partly explained by income growth. Indeed, per capita income growth in Douglas County was essentially equivalent to that found in the rest of the MSA. For a major trade center, per capita increases in sales also reflect the sector's ability to draw customers from outside of the immediate trade area.

These per capita sales data again reflect the emergence of suburban communities as important centers of retail activity, and growing competition for Douglas County and Omaha. New establishments and the expansion of major retailers into the Omaha suburbs appear to be altering the shopping preferences of consumers traveling to the MSA from outside of the region.

Table 8 Retail Trade Per Capita, Omaha Region: 1997 - 2002							
County or Region	1997 NAICS code	Retail Sector	Sales Per Capita 1997	Sales Per Capita 2002	Actual Change In Per Capita Sales	Percent Change In Per Capita Sales	Income Per Capita Percent Change
Douglas County	44-45	Retail trade	\$12,464	\$13,698	\$1,234	9.9%	25.6%
	441	Motor vehicle & parts dealers	\$2,871	\$3,164	\$294	10.2%	
	4411	Automobile dealers	N/A	N/A	N/A	N/A	
Omaha-Council Bluffs, NE-IA MSA	44-45	Retail trade	\$10,258	\$12,572	\$2,314	22.6%	24.7%
	441	Motor vehicle & parts dealers	\$2,733	\$3,659	\$926	33.9%	
	4411	Automobile dealers	\$2,335	\$3,267	\$932	39.9%	
Sarpy County	44-45	Retail trade	\$5,908	\$9,062	\$3,153	53.4%	26.1%
	441	Motor vehicle & parts dealers	\$1,372	\$2,572	\$1,200	87.5%	
	4411	Automobile dealers	N/A	N/A	N/A	N/A	
Douglas & Sarpy County	44-45	Retail trade	\$11,109	\$12,701	\$1,591	14.3%	25.4%
	441	Motor vehicle & parts dealers	\$2,561	\$3,037	\$476	18.6%	
	4411	Automobile dealers	N/A	N/A	N/A	N/A	
Nebraska	44-45	Retail trade	\$9,801	\$11,727	\$1,925	19.6%	

Source: 1997, 2002 Census of Retail Trade
N/A: Data not available

C. Comparative Growth Rates

An analysis of growth in per capita income, per capita retail sales and total retail sales was conducted for Omaha and 22 other Metropolitan Statistical Areas (MSAs). Comparing the Omaha MSA to similar urban centers demonstrated that Omaha performed quite well in both a per capita and total sales between the last two Economic Censuses (1997 and 2002).⁴

The urban centers selected for comparison were identical to those used in the 1999 Omaha Area Projections Report.⁵ These 22 MSAs were originally selected according to their population in 1970, and were divided into four tiers based on size. Utilizing the same comparison areas as those found in the 1996 report provides continuity for the reader, and also demonstrates changes occurring within the four tiers.

The Omaha MSA has grown by 15-percent in the last decade, raising the region from Tier 4 to Tier 3. Three other MSAs (Louisville, Oklahoma City and Albuquerque) also moved up in the tier system, while two MSAs (Rochester and Syracuse, New York) moved down a tier. MSAs that moved down in the classification scheme tended to be older, Eastern industrial centers. The tier scheme and changes within it can be found in Table 9.

As demonstrated in Figures 1 through 4, trends in per capita personal income, per capita retail sales and total retail sales all demonstrate the Omaha MSA to be performing as well or better than most comparison MSAs in each tier. In fact, among its five peer MSAs in Tier 3, Omaha demonstrates the strongest growth in per capita income (24.7%), per capita retail sales (22.6%) and total retail sales (28.5%). Overall, only three comparison MSAs (San Antonio, Louisville and McAllen) outperformed the Omaha MSA in growth in total retail sales.

⁴ All comparative sales data were obtained from the Census of Retail Trade, 1997 and 2002. These are the most current and comprehensive data available as of this date in 2007.

⁵ Bureau of Business Research, University of Nebraska-Lincoln, 1999. *Omaha Area Projections to 2050*. (June).

Table 9 Tier Rank Comparison of Selected MSAs to the Omaha MSA

Metropolitan Statistical Area	Population 1996	Population July, 2002	Rank	Previous Rank	Previous Tier
Tier 1					
Dallas-Fort Worth-Arlington, TX	4,565,324	5,473,145	1	1	1
Minneapolis-St. Paul-Bloomington, MN-WI	2,760,404	3,054,140	2	2	1
Cincinnati-Middletown, OH-KY-IN	1,919,010	2,034,678	3	3	1
Kansas City, MO-KS	1,688,301	1,888,471	4	4	1
San Antonio, TX	1,485,811	1,781,107	5	6	1
Milwaukee-Waukesha-West Allis, WI	1,637,539	1,509,021	6	5	1
Tier 2					
Columbus, OH	1,446,583	1,655,234	7	8	2
Indianapolis-Carmel, IN	1,488,837	1,575,820	8	7	2
Memphis, TN-MS-AR	1,075,386	1,226,254	9	11	2
Louisville-Jefferson County, KY-IN	988,802	1,179,995	10	13	3
Hartford-West Hartford-East Hartford, CT	1,106,322	1,168,770	11	9	2
Oklahoma City, OK	1,022,327	1,119,522	12	12	3
Tier 3					
Rochester, NY	1,086,439	1,040,097	13	10	2
Tulsa, OK	754,323	875,896	14	16	3
Dayton, OH	949,591	844,789	15	14	3
Albany-Schenectady-Troy, NY	879,051	833,836	16	15	3
Omaha-Council Bluffs, NE-IA	680,307	782,697	17	18	4
Albuquerque, NM	668,507	753,410	18	19	4
Tier 4					
Toledo, OH	610,624	658,988	19	21	4
Knoxville, TN	648,150	632,085	20	20	4
Syracuse, NY	745,115	650,863	21	17	3
Little Rock-North Little Rock, AR	547,639	622,256	22	22	4
McAllen-Edinburg-Mission, TX	494,890	612,758	23	23	4

These data are not reported in constant dollars, and a large percentage of this growth can be accounted for through inflation. However, the strength of the Omaha MSA's retail economy when compared to that of other large centers is impressive.

Figure 8

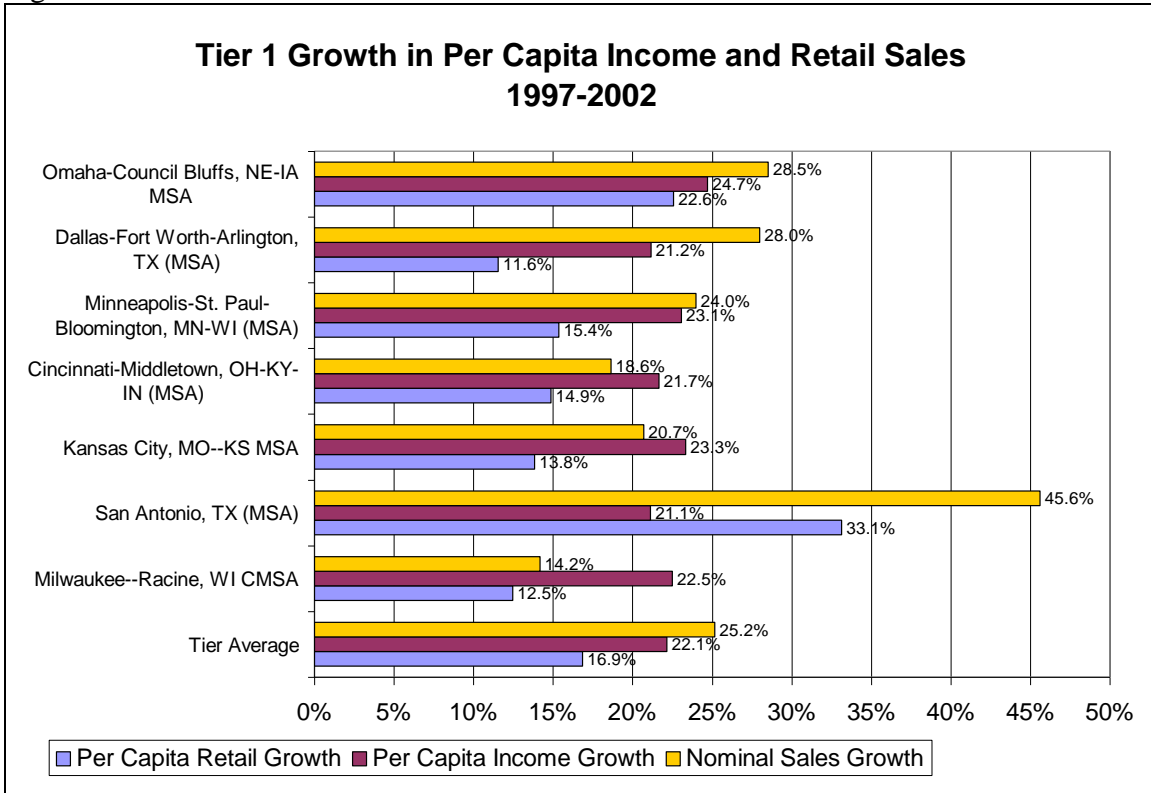


Figure 9

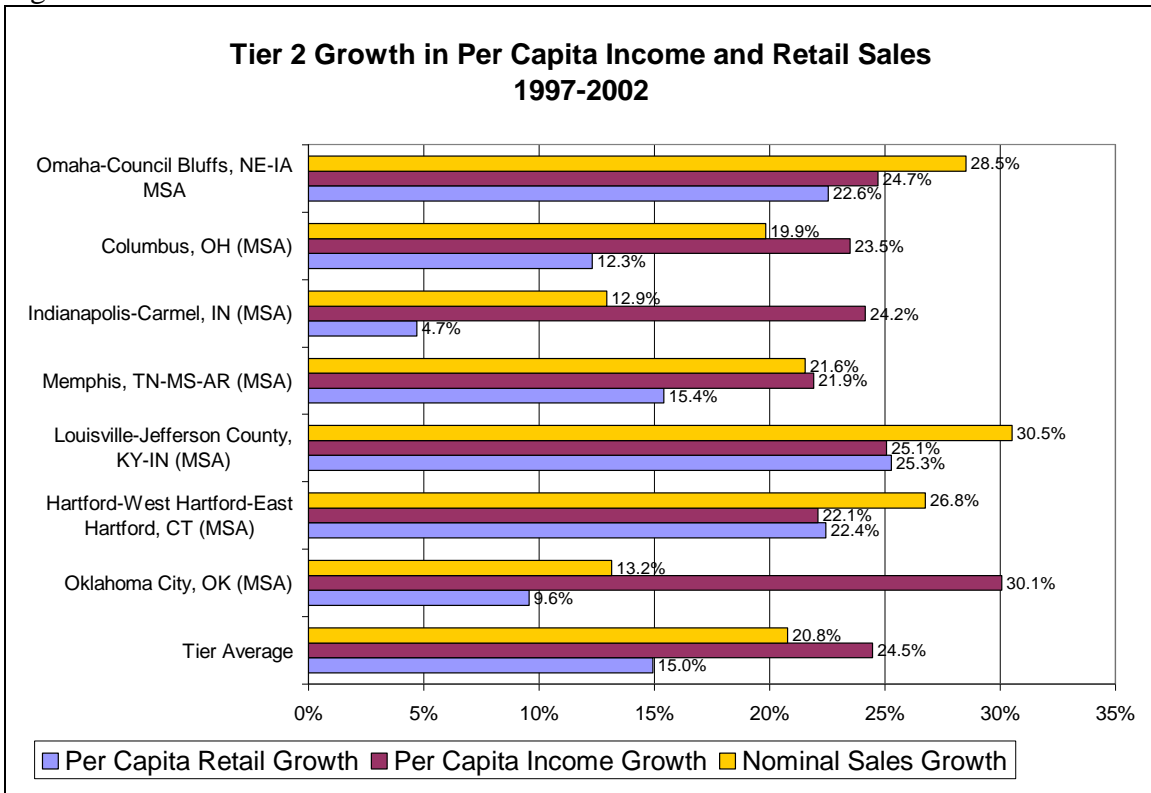


Figure 10

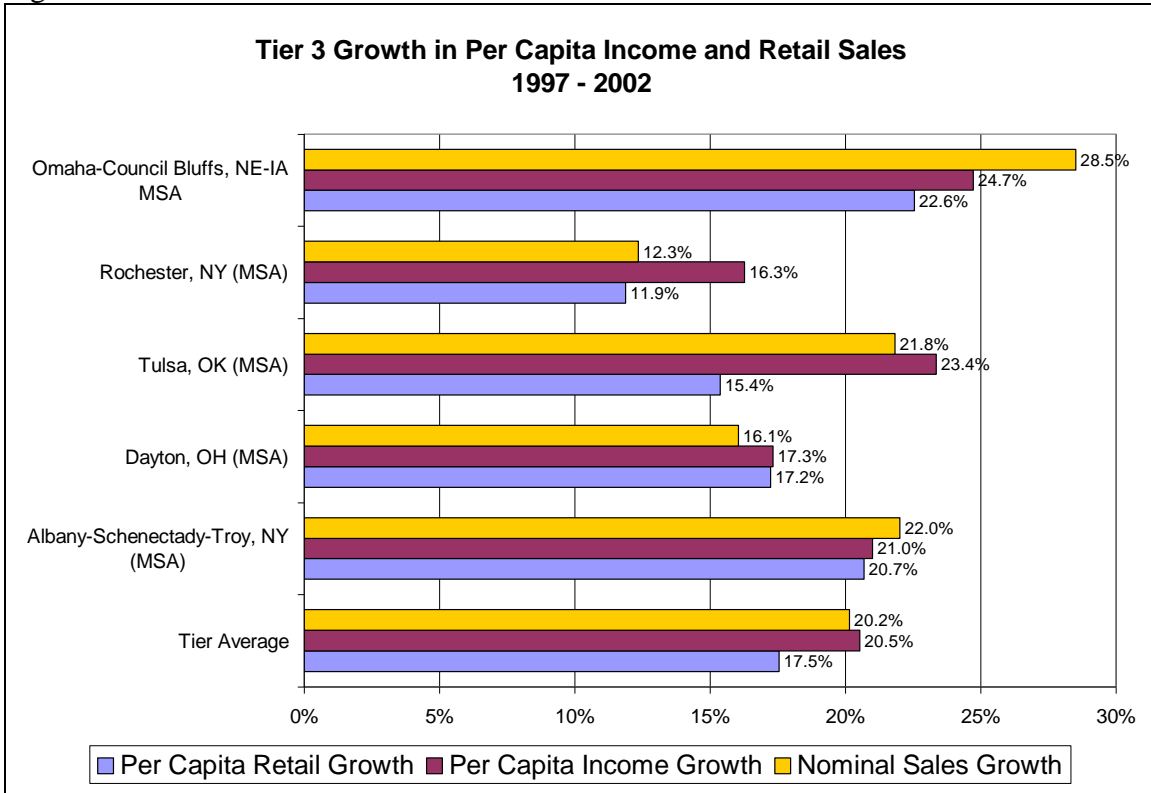
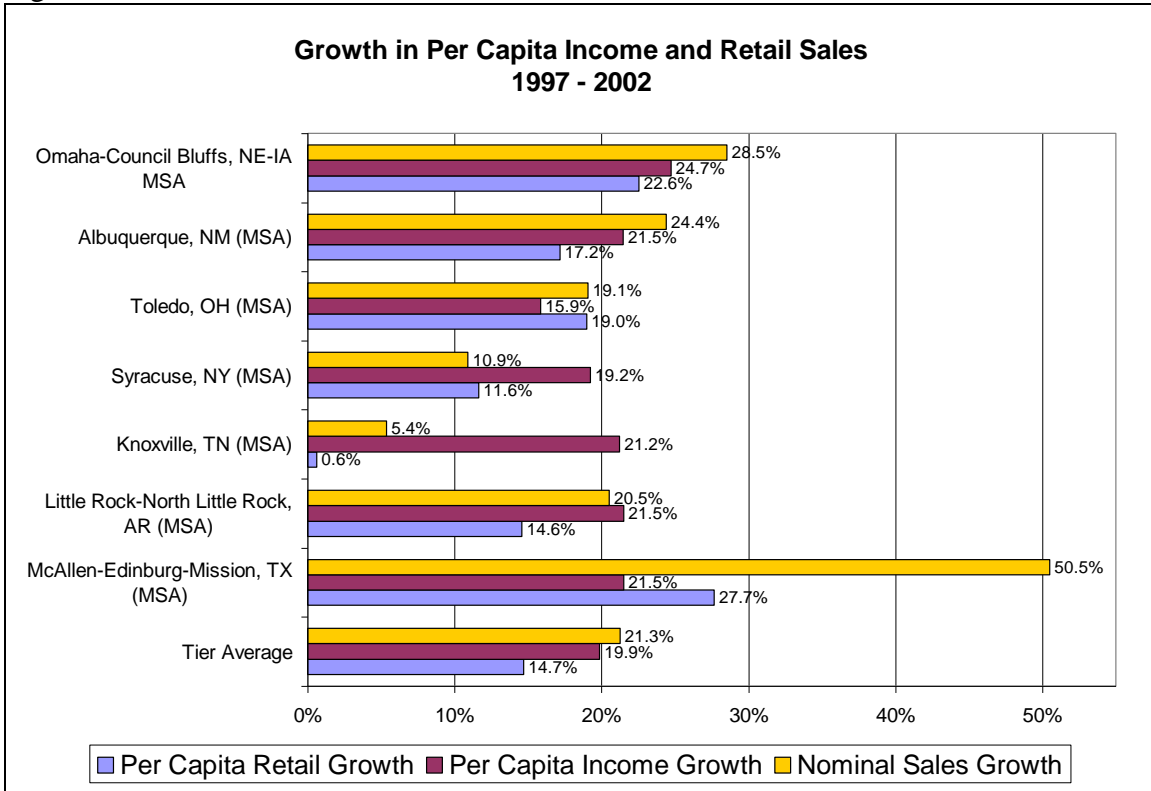


Figure 11



D. Pull Factors

Pull factors are a commonly used measure of a trade area's success in capturing customers from outside its own municipal or regional boundaries. Using data that is adjusted for local variation in income, pull factors measure the degree to which sales of a given type of retail good exceed or fail to meet the level that one would expect if all consumers residing within the trade area consumed that good at an average rate (usually the state average).

A pull factor of '1' indicates that goods are being sold at exactly the expected rate. If a pull factor exceeds 1 for a given good, it suggests that merchants are either being successful at creating additional demand for that good among the residents of their trade area, or (more likely) successfully drawing customers from outside of their trade area.

Conversely, pull factors of less than 1 suggest that those businesses are either failing to fully develop markets within their trade area or (more likely) losing business to retailers from outside of their trade area. A pull factor well below 1 might suggest that there is room for additional businesses dealing in that particular type of good.

While pull factors are informative, they should not be read as precise indicators. Rather they are suggestive of the performance and potential for trade in various goods. One must be careful in interpreting pull factors, as the reasons for various performance levels are likely to be quite complex.

In small market areas, pull factors are often impossible to calculate for specific types of retail activity, because government sources suppress the data in order to avoid the disclosure of information that could be traced to an individual business. Fortunately, this is not the case when looking at larger urban centers such as the Omaha Metropolitan Area. In this case we were able to calculate pull factors for all of the major retail sectors (and most of the minor ones) reported in the 2002 Census of Retail Trade.

To be sure, the data presented here are now five years old. However, data from Federal sources such as the Census of Retail Trade tend to be two years old at best. Moreover, there is no data set from any other source that can provide us with information at this level of detail. The information provided from this particular data set is unique, and age of the data notwithstanding, provides our best resource for understanding how

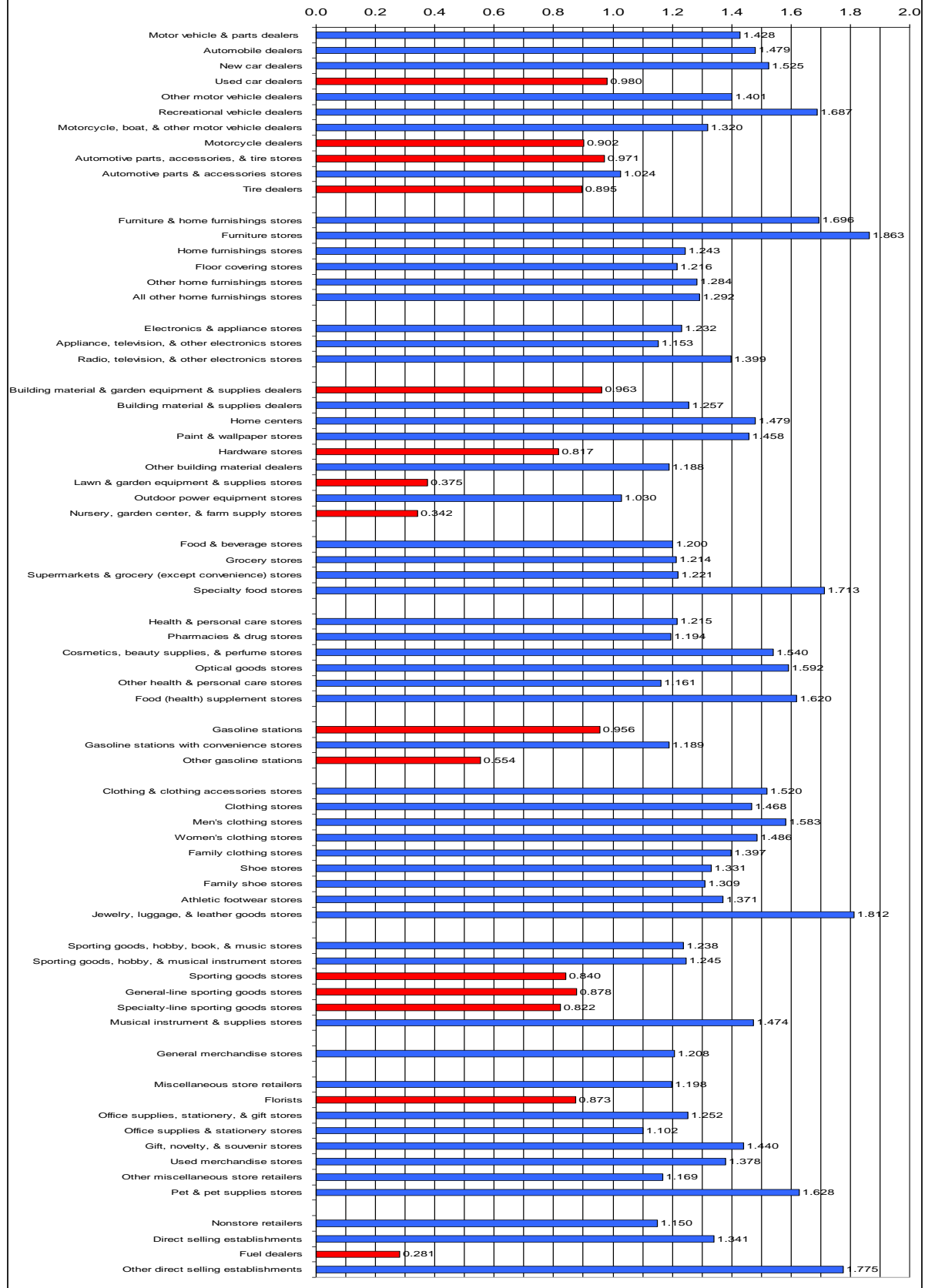
various retail sectors are performing, and what sectors might offer opportunities for expansion.

The pull factor graph that appears in Figure 12, provides us with a picture of a retail community that is in all likelihood drawing customers from well outside of its immediate trade area. Of 70 retail sectors for which data are reported, 55 exhibited pull factors greater than 1. Several of these sectors had pull factors in excess of 1.5, led by furniture & home furnishing stores (1.86), jewelry, luggage and leather goods stores (1.81) specialty food stores (1.71).

Among the 15 sectors with pull factors less than one, 11 had pull factors above or near 0.9. This suggests sales that are near expectation, and while they may indicate sectors that could be expanded they may also indicate sectors that are in transition as other retail outlets, specifically large general merchandise stores, develop similar product lines. Florists might be an example of such a retail group, as grocery and general merchandise stores have added floral arrangements to their product lines.

Five retail sectors demonstrated pull factors of 0.6 or less. These may represent a gap in the trade area's current retail mix. Again, however, they may also indicate significant competition from "big box" or other generalized retailers, or sectors in which suburban or even rural retailers have a competitive advantage and are thus successfully able to draw customers from the trade area, or at least keep them from traveling to the trade area for their purchases. Nursery and garden centers and lawn & garden equipment stores may be examples of retail sectors that feel both of these competitive effects.

Pull Factors for the Omaha MSA: 2002



E. Net Annual Taxable Sales

The most recent retail data available is collected by the State of Nebraska, and reported as net taxable retail sales. These data reported monthly, and are currently available through 2005 as annual summaries for counties and cities.

While these data are relatively current compared to those available from Federal sources, they do not include non-taxable retail items such as food. Moreover, the Nebraska data exclude auto sales (because auto sales taxes are paid in the county of registration, not the county of purchase). Consequently, retail sales figures reported by the state tend to be quite a bit lower than those reported by the Census of Retail Trade. Also, these sales figures are not easily comparable across state lines, due to differences in the types of goods that are taxed.

Comparability issues aside, Nebraska Annual Taxable Sales data do provide us with a sense of recent trends in retail sales, and describe short term fluctuations in those trends in a way that is not available from Federal sources.

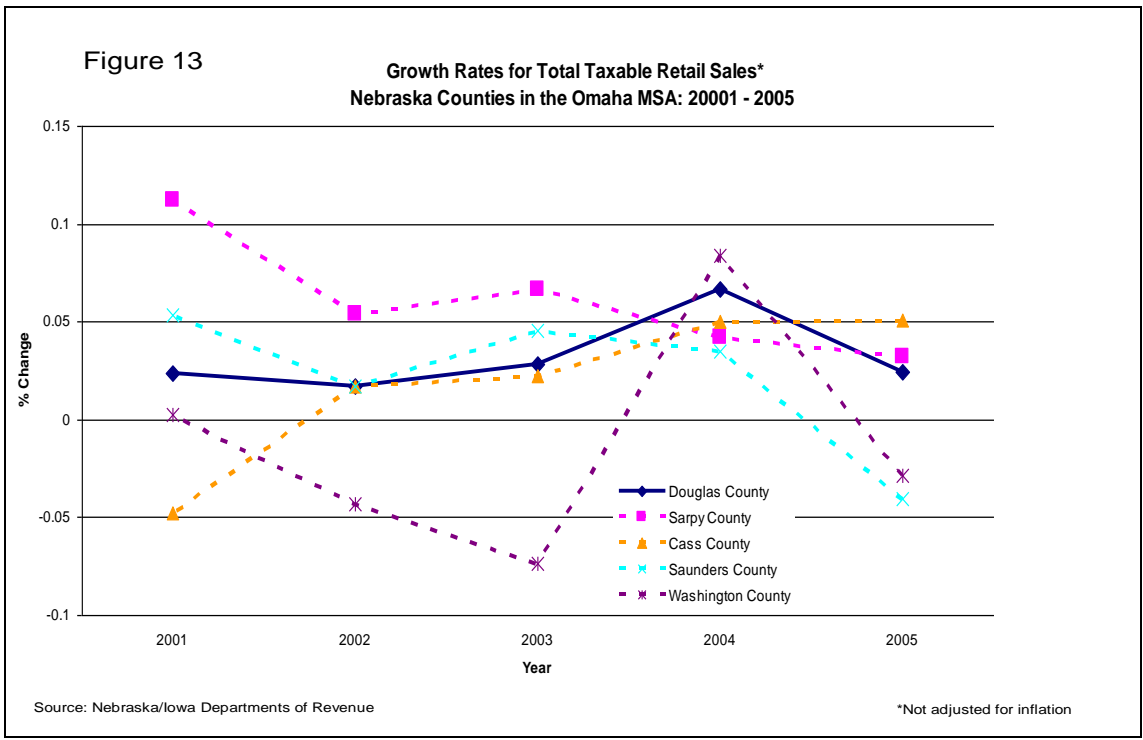
According to the Nebraska and Iowa Departments of Revenue, the Omaha/Council Bluffs MSA saw net taxable retail sales of approximately \$4.8-billion in 2005, representing a 32% increase in such sales since 1999. According to these data, Douglas County accounted for 67.7% of all taxable retail sales in 2005, and for 75.8% of the increase in sales since 1999.

In contrast to the data provided by the Census of retail trade, these numbers show Douglas County's percentage of all retail sales in the MSA to have increased by 2% since 1999. This discrepancy may result from differences in reporting between the two sources, or they may indicate that Douglas County's retail performance has improved relative to that of neighboring counties since 2002 (the last Census year).

As demonstrated in Figure 13, growth in retail sales is not linear. Between 2004 and 2005, for instance, Douglas, Sarpy and Washington Counties all saw fairly steep downturns in retail sales (between 0.5 and 1.1%), while Cass and Saunders Counties saw their sales figure more or less unchanged. These data remind us that planning based on long-term trends must keep in mind the possible effects of short-term fluctuations in the economy.

Area	Net Taxable Retail Sales			
	2005	1999	Change	% Change
Douglas County	3,245,136,513	2,355,639,301	889,497,212	37.8
Sarpy County	411,426,674	285,603,608	125,823,066	44.1
Cass County	35,768,263	32,201,497	3,566,766	11.1
Saunders County	41,334,689	23,994,489	17,340,200	72.3
Washington County	41,260,178	40,550,130	710,048	1.8
Pottawattamie County	917,290,086	781,694,955	135,595,131	17.3
Harrison County	58,424,265	63,112,044	-4,687,779	-7.4
Mills County	46,015,755	40,359,246	5,656,509	14.0
Omaha/Council Bluffs MSA	4,796,656,423	3,623,155,270	1,173,501,153	32.4

Source: Nebraska/Iowa Departments of Revenue
*Not Constant Dollars
Excludes Auto Sales



F. Conclusions

Douglas County remains the dominant retail center in Nebraska, but some data suggest that its market share is slowly eroding as competition from suburban retailers increases.

Suburbanization of the Omaha area's retail sector is likely to be a long term trend. If the Douglas County retail community is to maintain its position of dominance, it will need to pay close attention to both its competitors and to emerging market opportunities.

The concentration of minority populations in Douglas County represents one such opportunity for niche oriented retail activity. Another is found in retail clusters built around Douglas County's strongest retail sectors such as furniture, home furnishings, recreational vehicles, specialty foods and luxury items such as jewelry.