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Mountain Monitor

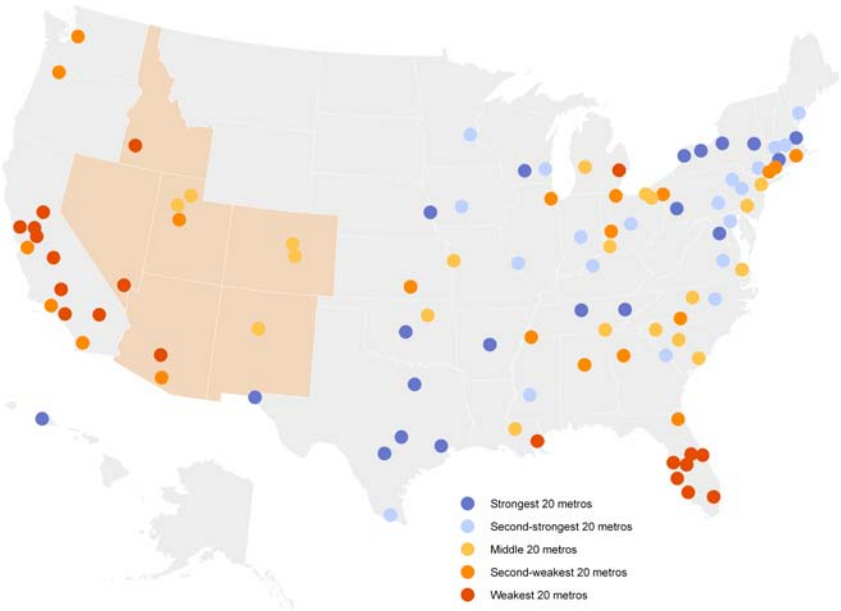
Tracking Economic Recession and Recovery in the Intermountain West's Metropolitan Areas

Mark Muro and Kenan Fikri

September 2011

Data through the second quarter of 2011 raise new questions about the pace and certainty of recovery in the Intermountain West. Even places like Denver, Colorado Springs, and Ogden—which only suffered mild setbacks in the early quarters of the recession—have stagnated in the wake of the nation's worst economic slump since the Great Depression. Output and employment increased hesitantly in eight of the 10 major metros of the Intermountain West in the second quarter while the housing market slumped to new lows everywhere.

Overall Performance: Recession and Recovery

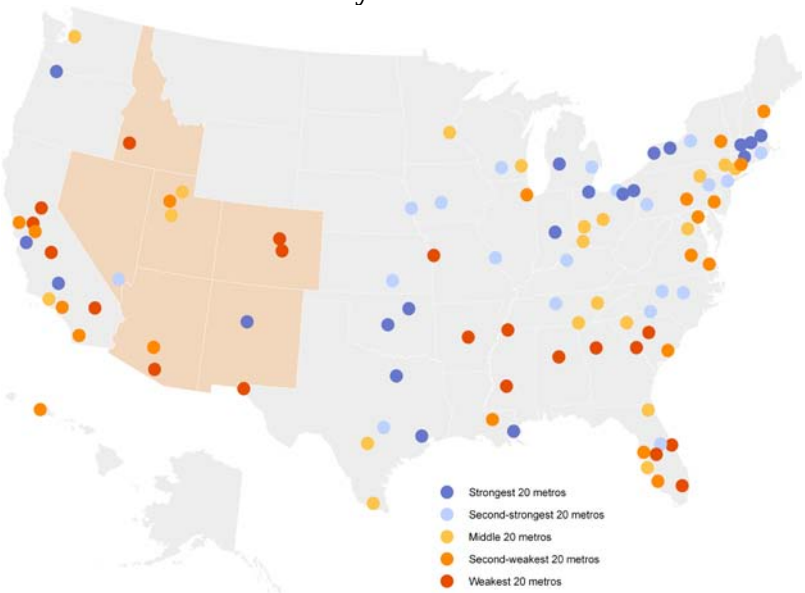


On the *Monitor's* measure of overall performance, which takes into account changes in employment, output, unemployment, and house prices from the beginning of the recession through the second quarter of 2011, five Intermountain West metros rank in the middle quintile among peers nationally, two in the

second-lowest quintile, and three in the bottom quintile. Roughly four years after employment levels hit their highs, Boise, Phoenix, and Las Vegas—locales bearing a disproportionate brunt of the national economic implosion—rank as some of the metros hit worst by the recession. Tucson and Provo have fared only marginally better, while the performance of metros towards the east and north of the region—Albuquerque, Ogden, Denver, Colorado Springs, and Salt Lake City—seems to be tracking broadly national economic trends.

Just as the initial recession hit some corners of the Intermountain West worse than others, recovery has proceeded unevenly. Considering only the recovery period from each metro's employment trough to the second quarter of 2011, the performance map looks significantly different. Albuquerque's slow but steady recovery landed it in the top quintile of major metros nationally. Progress in catching up lost ground and consolidating gains from the first quarter landed Las Vegas in the second quintile. Recovery in Boise, on the other hand, shows little vitality—it ranked in the bottom quintile of peers. Joining Boise are Colorado Springs and Denver, where the recession was late to come and signs of a robust recovery elude, and Tucson. The pace of recovery in Utah's metros looked middle-of-the-pack. Phoenix, meanwhile, has been unable to post strong "catch up" gains like those in similarly-battered Las Vegas, and ranked in the fourth quintile.

Recovery Performance



The bottom line: Recovery in the Mountain region is progressing variably and unevenly more than three years after the initial crack-up. An anemic national recovery threatens to drag down the performance of even the region's typically resilient economies on Utah's Wasatch Front and Colorado's Front Range.

Employment

Employment expanded in most Intermountain West metros in the second quarter of 2011 but remained significantly below peak. Provo and Ogden added jobs faster than any other major metros in

the country, posting impressive quarterly job gains of 1.9 and 1.8 percent, respectively. By contrast, Colorado Springs shed 0.9 percent of its jobs and employment levels fell to a new low. Elsewhere in the region, employment inched 0.5 percent higher in Tucson, 0.4 percent higher in Las Vegas for a second straight quarter of job growth, and 0.2 percent higher in Phoenix, Boise, and Salt Lake City. The jobs situation in Albuquerque finally turned around after reaching a low-point in the first quarter, with employment ticking up a meager 0.1 percent. Employment in Denver contracted slightly.

The region's employment recovery remains tepid and uncertain. Even while Provo and Ogden roared ahead in the second quarter, the pace of employment recovery slowed—but, at least, continued—in Las Vegas, Phoenix, Boise, and Salt Lake City and turned negative once more in Denver. Colorado Springs, where employment levels were flat or falling in all of the last four quarters, seemed unable to extricate itself from recession. Albuquerque's feeble turnaround, too, could prove short-lived.

Utah and Colorado metros were closest to recouping jobs lost to the recession while those hit worst by the housing bust struggled the most. With national employment still 4.8 percent off its peak in the second quarter, the overall jobs picture in Ogden, Colorado Springs, and Salt Lake City looked comparatively bright: employment lingered 3.2 percent, 3.9 percent, and 4.4 percent below peak in these metros, respectively—although job losses continued piling up Colorado Springs. Denver's economy had 4.8 percent fewer jobs than it did before the recession; Provo's 4.9 percent fewer. By contrast, Boise had 8.9 percent fewer jobs by the second quarter of 201 than it did before the recession; Phoenix had 11.3 percent fewer; and Las Vegas had 13.4 percent fewer. Recovery will be agonizingly slow at the current pace of job creation in these metros: 0.2 and 0.3 percent in the second quarter. Employment remained 6.5 percent off peak in Albuquerque and 7.7 percent off peak in Tucson.

Making a bad situation worse, public sector job cuts hit eight of 10 Mountain metros over the second quarter. Placing an added drag on recovery, public sector employment fell 1.3 percent in Phoenix in the second quarter of 2011 and 2.6 percent in Tucson as federal, state, and local governments shed jobs and wiped out a portion of the gains won by the private sector. Public sector employment also fell by 0.2 percent in Denver, 0.5 percent in Boise, 0.6 percent in Salt Lake, 0.7 percent in Ogden, 0.8 percent in Las Vegas, and 0.9 percent in Provo; nationally, public sector employment fell 0.4 percent. In Colorado Springs and Albuquerque, by contrast, public sector employment grew modestly by 0.4 and 0.3 percent, respectively. These gains were driven by state government in Albuquerque and both state and local government in Colorado Springs.

The federal government, for its part, cut jobs everywhere—federal employment fell a mild 0.3 percent in Colorado Springs and a whopping 12.8 percent in Provo. Employment in state governments fell 0.7 percent in metros nationally but grew in Colorado and Utah metros. A wave of local government job losses hit Salt Lake City and Provo, where local government employment decreased by 0.8 and 0.9 percent. State and local government employment in Las Vegas fell 0.1 percent in the second quarter.

Unemployment

Prevailing unemployment rates in June 2011 varied significantly across the Intermountain West. The national unemployment rate in June 2011 (not seasonally adjusted) languished around 9.3 percent. Helped by very low unemployment rates going into the recession, unemployment in Utah's three metros

ran at 7.6 to 7.9 percent in June. Also registering below-average unemployment rates were Albuquerque (8.2 percent unemployment in), Denver (8.8 percent unemployment), Phoenix (9.0 percent unemployment), and Tucson (9.1 percent unemployment). The relatively higher 9.7 and 9.8 percent unemployment rates prevailing in Boise and Colorado Springs, respectively, paled in comparison to the 13.8 percent unemployment rate afflicting Las Vegas.

Unemployment rates in June 2011 remained largely unchanged from a year earlier in Colorado and Utah metros and dropped sharply in Las Vegas and Albuquerque. The unemployment rate declined sharply in Las Vegas, falling 1.5 percentage points over the year, and in Albuquerque, falling 1.0 percentage points. The unemployment rate in June 2011 was either unchanged over the year or only 0.1 percentage points higher or lower in Denver, Colorado Springs, Provo, Ogden, and Salt Lake City. Unemployment notched up a painful 0.4 percentage points in Boise and fell 0.3 percentage points in Phoenix. It should be noted that decreases in the unemployment rate absent increases in employment generally point toward a shrinking of the labor force as the disaffected long term unemployed cease job-seeking efforts altogether or move to other regions. Despite the range of unemployment rates in the region, in percentage point terms every metro has suffered from larger *increases* in unemployment than has the country.

Output

The Intermountain West's output recovery accelerated slightly in the second quarter of 2011. After a quarter of minimal growth and in some cases contraction, all Mountain metros grew in the second quarter of 2011 with the exception of Tucson and Phoenix. Output expanded 1.1 percent in Las Vegas in the second quarter in a welcome development. By contrast, national output grew only 0.2 percent in the second quarter. Utah's three major metros have been growing consistently for the past year at least. By the close of the second quarter of 2011, Salt Lake City's economy was 1.4 percent larger than it was before the recession; Ogden's 0.3 percent larger; and Provo's remained 0.5 percent below peak.

By the end of the second quarter, four Mountain metros had achieved a full output recovery, two were close to doing so, and four were confronting much smaller economies. Albuquerque's GMP has grown 4.7 percent above its pre-recession high, one of the strongest showings nationally. Economic activity in Salt Lake City, Denver, and Ogden, too, has surpassed its pre-recession highs, meaning that these metros have experienced a full output—though not jobs—recovery. Provo and Colorado Springs were on the cusp of recovery by the second quarter, with output lingering 0.5 and 0.8 percent below pre-recession peaks, respectively. Tucson, Boise, Phoenix, and Las Vegas—all hit severely by the housing and consumption boom and subsequent bust—were still struggling much harder to recover economic activity. In the second quarter of 2011, Tucson's economy remained 4.0 percent smaller than it was before the recession, Boise's 5.1 percent smaller, Phoenix's 7.3 percent smaller, and Las Vegas' 12.8 percent smaller. The national economy, by contrast, has grown 0.4 percent above its pre-recession peak.

Housing

House prices hit new lows in all of the major metropolitan areas of the Intermountain West in the second quarter of 2011. Notwithstanding the broad downward trend, Colorado metros have weathered a

much milder slump in the housing market than their Sun Belt peers (and Boise). In these boom-and-bust metros, depressed home prices remained a significant drag on recovery.

House prices were one-fifth to nearly two-thirds below their pre-recession highs across the region in the second quarter. Across the country, in comparison, prices were down 26.7 percent. House prices were down 20.2 and 21.4 percent, respectively, in Denver and Colorado Springs, where the housing slump has been comparatively mild. Prices in Phoenix and Las Vegas, on the other hand, have declined 49.9 and 64.5 percent since peaking in 2006. In Tucson prices were down 42.9 percent and in Boise they were down 46.6 percent. By the end of the second quarter, homes in Ogden and Albuquerque had lost 23.6 percent of their value; in Salt Lake City 27.8 percent; and in Provo 31.7 percent.

Mountain metros accounted for four of the five steepest declines in house prices among the country's major metropolitan areas over the year to the second quarter of 2011. Only Denver and Colorado Springs saw house prices decline less than they did nationally over the year. Prices fell nearly 20 percent in Las Vegas and Boise and 15.2 percent and 18.7 percent in Tucson and Phoenix.

The foreclosure crisis is worsening in most major metropolitan areas of the Intermountain West. Some of the nation's most severe upticks in the number of real estate-owned properties (REOs) per 1,000 mortgageable ones from March to June 2011 were registered in Mountain metros. Denver, Tucson, Salt Lake City, Provo, Ogden, and Las Vegas all saw the local stock of foreclosures rise significantly. These places resided in the bottom quintile of major metros nationally on this measure. The late-coming of the foreclosure crisis to Denver and the Utah metros, where the housing bust was relatively mild, is noteworthy. Las Vegas, after making inroads against its overhang of foreclosed properties over the course of the past year, suffered a sharp 1.31-point increase and lost ground. The foreclosure rate held steady in Boise and rose 0.50 and 0.54 points in Colorado Springs and Albuquerque, respectively. Phoenix was the lone bright spot in the region: there the REO rate fell 0.94 points, landing in the top quintile on progress against REOs in the three months to June. Nevertheless, after Las Vegas, Phoenix still housed a larger relative stock of foreclosed properties than any other major metro area in the country.

*

Notwithstanding a few noteworthy bright spots—continued output growth in Las Vegas, progress in lowering the REO rate in Phoenix, a smart decline in unemployment in Albuquerque, job creation in Provo and Ogden—the pace of recovery remained anemic across the Intermountain West through the second quarter of 2011. The region's two-fold predicament in the first quarter of the year was how to translate an output recovery into jobs while still trying to shake the burden of a still-slumping housing market. By the second quarter, even the output recovery had grown tepid. Now, the outlook appears more uncertain than ever. Four years since jobs peaked in many Mountain metros, the Intermountain West and the nation both enter the second half of 2011 still struggling to break free from the protracted and intertwined jobs and housing crises.

Appendix Table. Changes in employment and gross metro product (output) over the time periods reported in the *Mountain Monitor*

	Change in Employment				Change in Output			
Metros	Peak to 2011Q2	Peak to trough	Trough to 2011Q2	2011Q1 to 2011Q2	Peak to 2011Q2	Peak to trough	Trough to 2011Q2	2011Q1 to 2011Q2
Albuquerque, NM	-6.5%	-6.6%	0.1%	0.1%	4.7%	-2.7%	7.5%	0.2%
Boise City-Nampa, ID	-8.9%	-9.8%	1.1%	0.2%	-5.1%	-6.6%	1.6%	0.2%
Colorado Springs, CO	-3.9%	-3.9%	0.0%	-0.9%	-0.8%	-3.0%	2.3%	0.1%
Denver-Aurora, CO	-4.8%	-5.7%	0.9%	-0.1%	0.4%	-1.8%	2.2%	0.1%
Las Vegas-Paradise, NV	-13.4%	-14.1%	0.9%	0.4%	-12.8%	-14.1%	1.4%	1.1%
Ogden-Clearfield, UT	-3.2%	-5.8%	2.8%	1.8%	0.3%	-2.7%	3.0%	0.4%
Phoenix-Mesa-Glendale, AZ	-11.3%	-12.5%	1.3%	0.2%	-7.3%	-8.5%	1.3%	0.0%
Provo-Orem, UT	-4.9%	-7.7%	3.1%	1.9%	-0.5%	-3.7%	3.4%	0.4%
Salt Lake City, UT	-4.4%	-6.1%	1.9%	0.2%	1.4%	-1.6%	3.1%	0.5%
Tucson, AZ	-7.7%	-8.6%	1.0%	0.5%	-4.0%	-5.5%	1.6%	-0.2%
Intermountain West metros	-8.0%	-8.7%	0.8%	0.2%	-3.6%	-4.9%	1.4%	0.2%
Top 100 metros	-5.1%	-6.1%	1.1%	0.2%	0.5%	-3.8%	4.5%	0.3%
United States	-4.8%	-5.9%	1.2%	0.3%	0.4%	-5.1%	5.8%	0.4%

For individual metro profiles with data and rankings on every measure reported in the *Mountain Monitor* (overall performance, employment, unemployment, gross metropolitan product, housing prices, and real estate-owned properties from peak to present, trough to present, and quarter to quarter), please visit www.brookings.edu/metromonitor.

Methodology

The *Mountain Monitor*—a companion product to Brookings' national *MetroMonitor*—tracks quarterly indicators of economic recession and recovery in the six-state Mountain region's 10 major metropolitan areas that lie within the 100 most populous nationally. The six states are Arizona, Colorado, Idaho, Nevada, New Mexico, and Utah. The indicators include:

- **Employment**: Total wage and salary jobs, seasonally adjusted. Percentage change in employment is shown from each metropolitan area's peak employment quarter to the most recent quarter, measuring the extent to which employment has returned to its prerecession level, and from each area's trough employment quarter to the most recent quarter, measuring the extent of employment recovery since the employment low point. Peaks are defined as the highest employment level attained since the first quarter of 2004. Troughs are defined as lowest employment level reached since the peak. Percentage change in employment is also shown from the previous quarter to the most recent quarter, measuring the extent to which employment is moving toward or away from recovery. Source: Moody's Analytics.
- **Unemployment rate**: Percentage of the labor force that was unemployed in the last month of the quarter. The data are not seasonally adjusted. Therefore, changes in the unemployment rate are shown from the same month three years ago to the most recent month, and from the same month one year ago to the most recent month. Source: Bureau of Labor Statistics.
- **Gross metropolitan product (GMP)**: Total value of goods and services produced in a metropolitan area. Percentage change in GMP is shown from each metropolitan area's peak GMP quarter to the most recent quarter, and from each area's trough GMP quarter to the most recent quarter. Peak and trough quarters are defined as above. Percentage change in GMP is also shown from the previous quarter to the most recent quarter. Source: Moody's Analytics.
- **Housing prices**: Prices of single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. Percentage change in housing prices is shown from each metropolitan area's peak housing price quarter to the most recent quarter, and from each area's trough housing price quarter to the most recent quarter. Peaks are defined as the highest house price level attained between the first quarter of 2005 and the second quarter of 2009. Troughs are defined as the lowest house price level reached since the peak. Percentage change in housing prices is also shown from the previous quarter to the most recent quarter and year-over-year. Source: Federal Housing Finance Agency House Price Index.
- **Real estate-owned (REO) properties**: Foreclosed properties that fail to sell at auction and thus become owned by the lending institution. Shown as the share of all mortgageable properties in each metro area in the last month of the most recent quarter, and change in share from last month in previous quarter. Source: McDash Analytics.

The *Mountain Monitor*'s rankings of metropolitan economic performance combine four key indicators: (1) percent change in employment, (2) percentage point change in unemployment rate, (3) percent change in GMP, and (4) percent change in House Price Index. There are two sets of rankings:

- **Overall performance** from the beginning of the recession to the most recent quarter: Employment, GMP, and House Price Index changes are measured from peak quarter to the second quarter of 2011. If a metropolitan area had no peak quarter for a particular indicator, the national peak quarter for that indicator is used for the purpose of determining the area's overall performance ranking. Unemployment rate change is measured from June 2008 to June 2011.
- **Performance during the recovery:** Employment, GMP, and House Price Index changes are measured from trough quarter to the second quarter of 2011. Unemployment rate change is measured from June 2010 to June 2011.

For each set of rankings, metropolitan areas are classified into groups of 20 based on their rank, among the 100 largest metropolitan areas in the country, on the average of the standardized scores for the four key indicators.

Interactive *MetroMonitor* maps, underlying indicator data, and one-page profiles of each of the 100 largest metropolitan areas are also available at www.brookings.edu/metromonitor.

About the Metropolitan Policy Program at the Brookings Institution

Created in 1996, the Brookings Institution's Metropolitan Policy Program provides decision makers with cutting-edge research and policy ideas for improving the health and prosperity of cities and metropolitan areas including their component cities, suburbs, and rural areas. To learn more visit: www.brookings.edu/metro

Brookings Mountain West

Established in 2009 as a partnership between the Brookings Institution and the University of Nevada, Las Vegas (UNLV), Brookings Mountain West (BMW) seeks to bring high-quality independent and influential public policy research to the critical issues facing the dynamic metropolitan areas of the Mountain West region. In this, the new initiative builds upon the work of Brookings' Metropolitan Policy Program, which focuses on helping metropolitan areas like Las Vegas grow in robust, inclusive, and sustainable ways through attention to the fundamental drivers of prosperity such as innovation, infrastructure, human capital, and quality of place, as well as regional governance. Along those lines, BMW, along with partners throughout the Mountain West, takes a deep interest in such areas as infrastructure improvement, economic growth, demographic change, environmental impact, alternative energy, and real estate investment.

As the Mountain West emerges as a new American Heartland, it will play an increasingly significant role in shaping national policy discussions. BMW provides a forum for this dialogue and offers knowledge-based policy solutions to help improve the quality of life in the West. Learn more at http://brookingsmtnwest.unlv.edu/

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