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Mountain Monitor-4th Quarter 2010

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Mountain Monitor

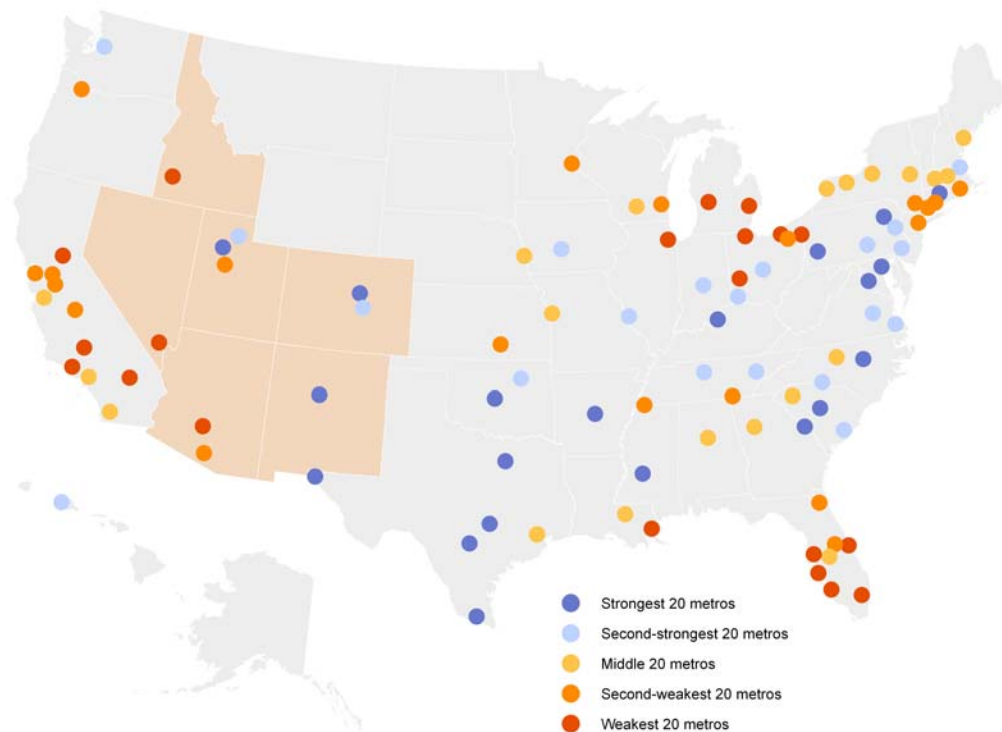
Tracking Economic Recession and Recovery in the Intermountain West's Metropolitan Areas

Kenan Fikri and Jonathan Rothwell

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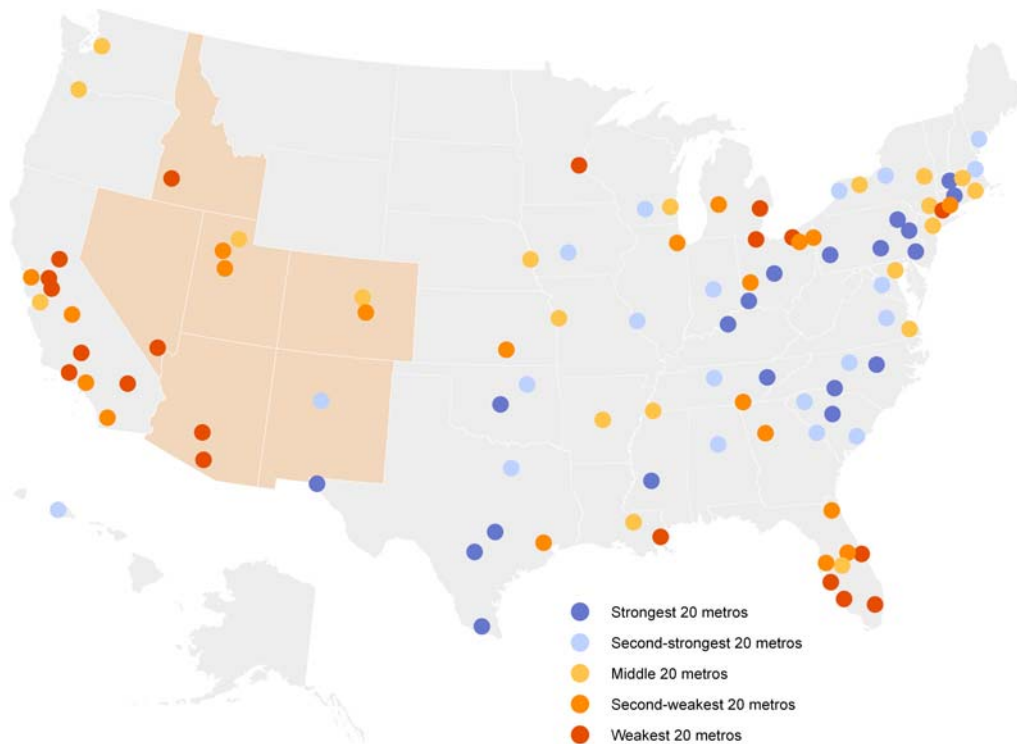
The metros of the Intermountain West largely fell into two categories by the close of the fourth quarter of 2010 in December: those consolidating their gains from previous quarters on the way to recovery and those still struggling to turn around appreciably and reposition themselves for the next economy. Along those lines, three Intermountain West metros ranked in the top quintile of performers and three in the bottom at year's end on a measure of overall performance that takes into account changes in employment levels, the unemployment rate, output (gross metropolitan product or GMP), and housing prices since the beginning of the recession for the nation's 100 largest metropolitan areas.

Overall Performance: Recession and Recovery



The severest downturns foreshadowed the weakest recoveries in the Mountain Region. Reflecting the structural nature of a recession whose origins lay in an inflated housing bubble, the boomtown metros that fell the hardest are finding it the most difficult to turn around. In this category fall Boise, Las Vegas, Phoenix, and, to a lesser extent, Tucson. On the other hand, Albuquerque, which stood apart with a temperate pre-recession housing boom and a well-educated, public sector-oriented workforce, weathered the mildest recession in the region. Comparisons of the Intermountain West’s metros’ overall performance from the peaks to the troughs of their respective business cycles can be seen below.

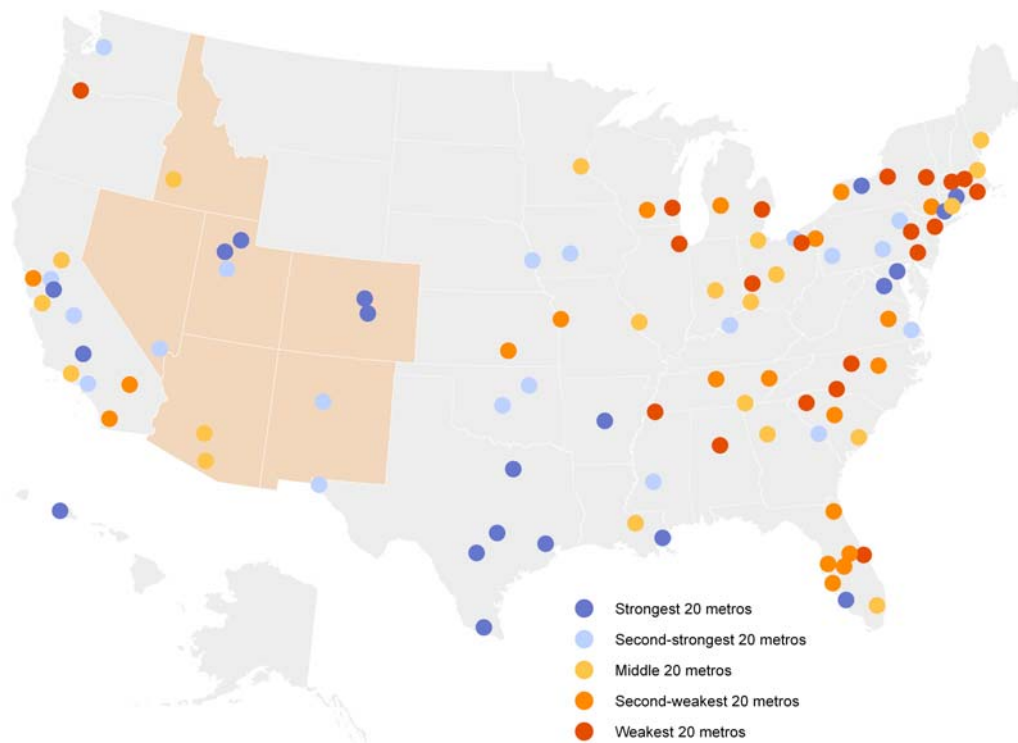
Recession Performance



The impact of the recession notwithstanding, the region’s metros outperform national peers on measures of recovery. A comparison based on overall performance from each metro’s trough to the 4th quarter of 2010 reveals a dramatically different story of recovery in the Intermountain West. Four metros—Denver, Colorado Springs, Salt Lake City, and Ogden—have experienced some of the swiftest recoveries in the nation. As the map below shows, no metro lands below the third quintile. (For additional metro statistics please see the appendix table).

For a variety of reasons, Intermountain West metros that withstood the recession better than their peers are also recovering faster. This somewhat counterintuitive finding—counterintuitive because bouncing back is generally easier than pulling ahead, and so we might expect Boise, Las Vegas, and Phoenix to post larger absolute gains since they suffered larger absolute setbacks—attests to the structural nature of the recession and the roles that housing markets and industrial mixes have played in the geography of recession and recovery in the region. Interestingly, this relationship does not hold up nationwide.

Recovery Performance



In sum, Intermountain West metros experienced the worst effects of the recession as measured by declines in economic output, jobs, and housing prices. Since reaching those nadirs, however, the region's metros have outperformed national peers. Las Vegas, Phoenix, Boise, Tucson, and very nearly Provo ranked in bottom quintile on overall performance from peak to trough. None of the region's large metros fell in the top quintile. But since shifting into recovery, four metros perform in the top quintile, three more in the second quintile, and the rest in the third. With those contradictory tendencies, the region hosts some of the recession's worst and the recovery's best overall performers.

In a sign that the employment situation may be improving, seven out of 10 metros added jobs in the fourth quarter. Six of these metros—Denver, Ogden, Phoenix, Provo, Salt Lake, and Tucson—beat the national rate of job creation. Employment levels held steady in Albuquerque but declined half a percent in Boise and Las Vegas, where there are now 11.2 and 14.8 percent fewer jobs, respectively, than there were before the recession. No Mountain West metro has fully recouped jobs lost to the recession, but Ogden, Denver, Colorado Springs, and Albuquerque are in slightly better shape than the top 100 metros as a group, where employment remains 6.3 percent off peak.

The region added jobs at a faster rate than the nation in the fourth quarter for the first time since the *Monitor* began tracking. In general, however, employment recovery looks slightly weaker in the Intermountain West's large metro areas than in the nation's 100 largest metros, and after hemorrhaging jobs in the early days of the recession the region's employment levels still sit below the nation's. Phoenix has shown the most progress on jobs recovery, expanding employment 1.5 percent from its low point,

followed by Salt Lake City and Denver, where employment rolls have grown 0.8 percent above their troughs. Employment levels in Albuquerque, Boise, and Las Vegas fell to new lows in the fourth quarter.

The unemployment situation in the Intermountain West worsened dramatically over the year to December 2010, although overall rates of unemployment remain below national and large-metro averages. While the unemployment rate declined modestly in most metros across the country from December 2009 to December 2010, it rose in every metro in the Intermountain West. Nationally, eight out of the 20 worst performers among the top 100 metro areas on this measure were Mountain metros. Despite these large and late increases, however, unemployment rates remain low in Salt Lake, Ogden, and Provo; below the national unemployment rate of 9.1 percent in Albuquerque, Denver, Phoenix, and Tucson; and just above the national rate in Colorado Springs. Boise's stubborn 9.8 percent unemployment rate is less extreme than Las Vegas' crushing 14.9 percent.

Every metro in the region boosted output in the last quarter of 2010, consolidating a year of consecutive quarterly gains in most places. Robust growth of 1.5 to 1.7 percent lifted the metros of Utah's Wasatch Front last quarter. In contrast, Arizona's metros eked out growth of only 0.4 percent in Phoenix and 0.1 percent in Tucson—sufficient, however, to nudge Tucson into the club of fifty-seven metros that have now fully recovered pre-recession output and gained on where they were before the recession (the three Utah metros, Albuquerque, Colorado Springs, and Denver had already passed this milestone). Solid output gains of one percent or more were also posted in Albuquerque, Denver, and Boise last quarter. Las Vegas, for its part, enjoyed one of its best quarters since the onset of the recession, growing 0.7 percent.

Sluggish housing markets continue to slow the region's recovery. Prices in eight of the region's ten metros have yet to find a floor. In seven Mountain metros and nationally, home prices fell to their lowest levels yet in the fourth quarter. In Denver, the healthiest major market in the Intermountain West, prices dipped again after turning around briefly in the third quarter. Nine of the region's metros saw house prices fall faster than the national average from the fourth quarter of 2009 to that of 2010, and price declines accelerated everywhere from the third quarter of 2010 to the fourth. House prices now languish at levels at least one-fifth below their peaks in Salt Lake City, Provo, Tucson, Boise, Phoenix, and Las Vegas.

Progress is being made at the epicenter of the foreclosure crisis but conditions are worsening on its fringes. Significant inroads were made in Las Vegas and Phoenix in the last quarter of 2010 against the burden of real estate-owned properties, as the two metros' considerable stocks were reduced by 1.63 and 1.31 properties per 1,000, respectively. The stock of foreclosed properties fell in Tucson, Boise, Denver, and Colorado Springs as well, albeit to levels above the national average rate of 4.23 properties. REO rates increased in Utah's three metros and Albuquerque, however—metros that withstood the original bursting of the housing bubble comparatively well.

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

Metros	Change in GMP				Change in Employment			
	Peak to 2010Q4	Peak to trough	Trough to 2010Q4	2010Q3 to 2010Q4	Peak to 2010Q4	Peak to trough	Trough to 2010Q4	2010Q3 to 2010Q4
Albuquerque, NM	4.9%	-1.1%	6.1%	1.1%	-6.2%	-6.2%	0.0%	0.0%
Boise City-Nampa, ID	-1.8%	-6.3%	4.8%	1.0%	-11.2%	-11.2%	0.0%	-0.5%
Colorado Springs, CO	3.1%	-2.6%	5.9%	0.8%	-5.7%	-5.8%	0.1%	0.1%
Denver-Aurora, CO	4.5%	-1.3%	5.9%	1.0%	-5.6%	-6.4%	0.8%	0.3%
Las Vegas-Paradise, NV	-8.1%	-10.2%	2.3%	0.7%	-14.8%	-14.8%	0.0%	-0.6%
Ogden-Clearfield, UT	3.6%	-2.2%	5.9%	1.5%	-5.5%	-6.1%	0.7%	0.4%
Phoenix-Mesa-Glendale, AZ	-3.0%	-6.8%	4.1%	0.4%	-10.6%	-12.0%	1.5%	0.7%
Provo-Orem, UT	0.5%	-4.5%	5.2%	1.5%	-7.5%	-8.0%	0.6%	0.6%
Salt Lake City, UT	7.5%	-1.0%	8.6%	1.7%	-6.5%	-7.3%	0.8%	0.5%
Tucson, AZ	0.1%	-3.4%	3.6%	0.1%	-6.9%	-7.2%	0.4%	0.2%
Intermountain West metros	0.3%	-4.2%	4.7%	0.8%	-8.6%	-9.0%	0.4%	0.3%
Top 100 metros	0.9%	-3.2%	4.2%	0.8%	-6.3%	-6.4%	0.1%	0.0%
United States	1.5%	-4.7%	6.6%	0.8%	-5.3%	-5.9%	0.6%	0.1%

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 three 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 4th quarter 2010. Unemployment rate change is measured from December 2007 to December 2010.
- **Performance during the recession:** Employment, GMP, and House Price Index changes are measured from peak quarter to trough quarter, measuring the extent of losses during the recession. Unemployment rate change is measured from December 2007 to December 2009.
- **Performance during the recovery:** Employment, GMP, and House Price Index changes are measured from trough quarter to 4th quarter 2010. Unemployment rate change is measured from December 2009 to December 2010.

For each set of rankings, metropolitan areas are classified into groups of 20 based on their rank, among the 100 largest metropolitan areas, 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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