



12-2011

Mountain Monitor-3rd Quarter 2011

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Muro, M., Fikri, K. (2011). Mountain Monitor-3rd Quarter 2011.

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12-1-2011

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Muro, Mark and Fikri, Kenan, "Mountain Monitor-3rd Quarter 2011" (2011). *Brookings Mountain West Publications*. Paper 16.
http://digitalcommons.library.unlv.edu/brookings_pubs/16

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BROOKINGS MOUNTAIN WEST

Mountain Monitor

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

Mark Muro and Kenan Fikri

December 2011

Economic recovery in the Intermountain West's major metropolitan areas edged forward in the third quarter of 2011, after idling for much of the year. Nationally, high technology and automotive-oriented metros showed the strongest signs of recovery; in the Intermountain West, manufacturing-intensive and technology-oriented metros had the strongest quarter. Employment and output grew in most metropolitan areas, and the unemployment rate fell throughout the region. At the same time, the housing market freefall came to an end—or at least paused—across most of the region, as home prices ticked upwards for the first time since the *Monitor* began tracking recession and recovery. Finally, the clear split in the economic data between housing-bust metros and the previously more-resilient economies on the northern and eastern edges of the region seems to be breaking down in the region.

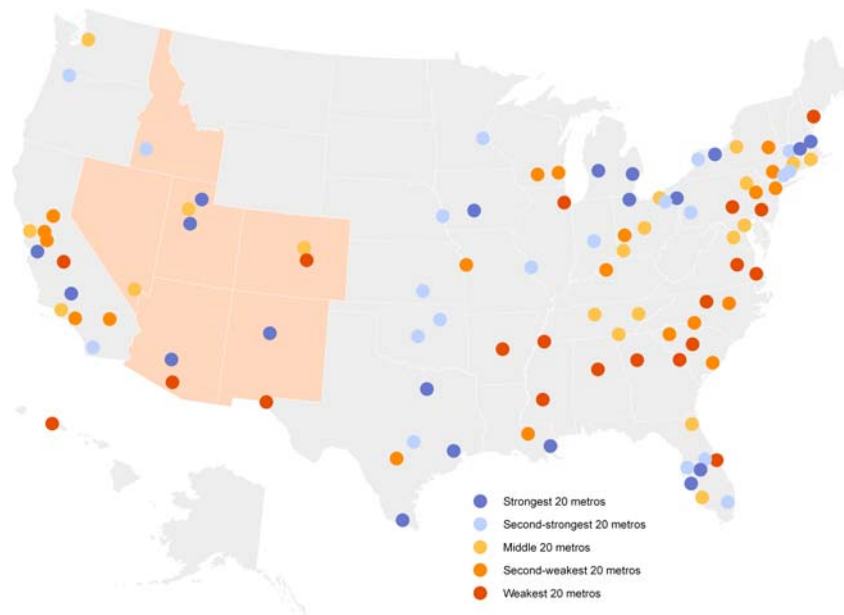
These trends emerge from this regional companion report to Brookings' national *Metro Monitor*, which tracks recession and recovery in the country's 100 largest metropolitan areas. Based on metropolitan economic data now available through the third quarter of 2011 (ending in September), these trends give a clear picture of a region at long last seeing marginally improved recovery.

Yet, as always, conditions varied greatly across the 10 major metropolitan areas of the Intermountain West.

Most notably, on the *Monitor's* measure of overall recovery, which takes into account changes in employment, unemployment, output, house prices, and foreclosures from each metropolitan area's respective troughs through the third quarter of 2011, four Intermountain West metros ranked in the first quintile (or top 20) among the 100 largest metropolitan areas in the country, one in the second quintile, three in the third, and two in the fifth. Leading the region's recovery were Ogden, Albuquerque, Provo, and Phoenix. Still struggling to appreciably turn around were Tucson and Colorado Springs; both economies are heavily dependent on "eds and meds" and now-stagnant federal spending in industries like defense—bulwarks in the early years of recession, now insufficient catalysts for recovery—and the latter continues to suffer from the additional lingering aftereffects of the housing boom and bust. Boise and Las Vegas, two of the region's metros hit hardest by recession, were by the end of the third quarter showing signs of a relatively robust and sustained recovery.

In short, there has not been just one experience of recession and halting recovery in the Mountain region, but many.

Recovery Performance



Employment

Employment grew faster in the Intermountain West in the third quarter than it did nationally.

Employment recovery has been something of a bright spot. Across the Intermountain West as a whole, employment rose a modest 0.3 percent in the third quarter of 2011 compared to 0.1 percent nationally. The aggregate measure hides significant variation, however: Employment rose in seven Intermountain West metros, held steady in one, and fell mildly in two. Ogden and Provo saw employment rise by 1.5 percent and were joined in the top quintile of their peers by Boise, where employment expanded by 1 percent. Employment rose by 0.6 percent in Phoenix, up from the second quarter's 0.2 percent increase. Job gains accelerated to 0.4 percent growth in Salt Lake City and slowed to 0.2 percent growth in Tucson. Job losses finally ceased in Colorado Springs. There, employment expanded by 0.4 percent in the third quarter—the Springs' first job gains since recession took hold. After two straight quarters of job gains, employment levels stagnated in Las Vegas. Job growth was slightly negative in Albuquerque and Denver, where employment fell by 0.1 and 0.2 percent, respectively.

Employment has risen or held steady in each of the past four quarters in Boise, Ogden, Phoenix, Provo, Salt Lake City, and Tucson.

Manufacturing and the public sector exerted significant influence on metropolitan employment trends in the third quarter. Manufacturing gave a boost to the jobs numbers in Provo and Ogden. In the third quarter, manufacturing employment grew by 5.6 percent in Provo and 3.3 percent in Ogden. State and local governments, for their part, expanded employment rolls by 2.7 percent in Boise and by 1.6

percent in Ogden and Provo. These increases were some of the largest among the country's major metropolitan areas. Conversely, though, state and local governments reduced their workforces by 0.5 percent in Colorado Springs, 1 percent in Las Vegas, 1.6 percent in Albuquerque, and 2 percent in Denver. State and local government employment fell by 0.1 percent in major metro areas nationally, on average.

Job gains have been much faster to accumulate in five Intermountain West metros than they have been nationally; in five others, however, employment recovery remains feeble and uncertain. The number of jobs in the Intermountain West region as a whole has rebounded from its nadir, reached in the third quarter of 2010, by 1.1 percent; nationally, employment has expanded above its trough by 1.3 percent. Provo and Ogden lead the region and indeed the nation with employment gains of 4.6 percent and 4.3 percent above trough. Employment has risen in Salt Lake City by 2.3 percent in the two years since reaching its nadir. In Boise jobs were up 2 percent and in Phoenix and Tucson, employment has expanded by 1.9 and 1.2 percent since reaching a low point one year ago. Employment levels in Las Vegas, though, have risen only 0.8 percent above their trough. A sustained jobs recovery continues to elude Colorado's Front Range as well, where jobs have only recovered by 0.7 percent in Denver and 0.4 percent in Colorado Springs. Employment levels in Albuquerque, meanwhile, remain at their lowest point since the beginning of the recession. Colorado Springs and Albuquerque, in fact, fall into the bottom quintile among major metros nationally on this critical measure, although in Colorado Springs recession-induced job losses at the outset were comparatively mild.

Overall, employment remains below pre-crisis levels in all major metros in the region, although five Mountain metros are closer to recovery than the average large metro is nationally. Employment in the nation's 100 largest metropolitan areas collectively remained 5 percent below pre-crisis levels through the third quarter of 2011. In Ogden, by contrast, employment levels were only 1.7 percent below peak. In Provo, Salt Lake City, and Denver employment levels remained 3.4 percent to 5.0 percent below peak—beating or matching the large-metro national average. In Albuquerque, there were still 6.6 percent fewer jobs by the close of the third quarter than there were before the recession; in Tucson and Boise the numbers were 7.6 and 8 percent, respectively. In Phoenix and Las Vegas, meanwhile, job levels languished in the third quarter of 2011 10.8 and 13.4 percent below their pre-recession peaks.

Unemployment

The prevailing unemployment rate in September 2011, meanwhile, was below the national large-metro average in all Intermountain West metropolitan areas except Las Vegas. With unemployment rates ranging from 6.7 to 6.9 percent, the three metros of Utah's Wasatch Front and Albuquerque ranked in the top quintile of their peers on this measure. Denver, Tucson, and Phoenix all registered unemployment rates of 7.9 to 8 percent—roughly one point below the 100-metro national average. Even in hard-hit Boise and Colorado Springs the joblessness rate remained below the national metro level, with the Boise unemployment figure lingering at 8.5 percent and Colorado Springs' rate at 8.6 percent. Las Vegas, however, presents a very different story. There fully 13.6 percent of the workforce remained unemployed.

Unemployment rates fell over the year from September 2010 to September 2011 in every major metropolitan area of the Intermountain West. Unemployment rates fell rapidly in the year to

September 2011 in Las Vegas and Albuquerque, where percentage point drops of 2 and 1.9 percentage points, respectively, placed both metros in the top quintile of their national peers on this measure. Joining them in the top quintile was Phoenix, where the unemployment rate fell by one full percentage point. The unemployment rate in September 2011 was 0.7 percentage points lower than it was a year earlier in Denver and 0.6 percentage points lower in Colorado Springs. In Tucson and Boise, meanwhile, the unemployment rate had fallen 0.9 and 0.8 percentage points, respectively, over the year. Given their low initial unemployment rates, year-on-year declines were smallest—but still at or just below the national large metro average of -0.5 percentage points—in Utah’s three metros. While the unemployment picture in the region is clearly improving, these reductions in metro area unemployment rates are partially due to disaffected jobseekers leaving the labor force altogether.

Output

The Intermountain West’s output recovery accelerated in the third quarter but, outside of Utah, tracked or trailed national trends. Production in the three metros along Utah’s Wasatch Front expanded rapidly in the third quarter of 2011. Gross metropolitan product (output) expanded by 1.7 percent in Provo, 1.5 percent in Salt Lake City, and 1.1 percent in Ogden. All three ranked in the top quintile among their peers nationally on this measure and their robust growth rates reflect significant increases over the 0.4–0.5 percent increases posted in the second quarter.

Economic activity expanded in Boise and Las Vegas by 0.6 percent in the third quarter, which was par for the nation’s large metros but a welcome development for these hard-hit metropolitan regions. Albuquerque’s economy, meanwhile, grew by 0.4 percent. Falling into the bottom quintile of metros were Colorado Springs, Denver, and Phoenix, where output growth was feeble, and Tucson, where output fell for another quarter by 0.1 percent. Quarterly GMP growth was higher than the previous quarter in all metros except Las Vegas, where it was 0.1 percentage points lower.

Despite the third quarter’s solid progress, and even after consecutive quarters of output gains, the Intermountain West’s output recovery is progressing more slowly than the nation’s. Mountain metros were no slower to begin recovering output than was the nation as a whole, but two years after turning around the collective output of the Mountain metros has risen only 1.8 percent above its low-point. The collective output of the nation’s 100 largest metropolitan areas, by contrast, has recovered 5.2 percent above its trough. Only in Albuquerque, where output has been expanding slowly but steadily since the second quarter of 2008, has GMP increased further above trough than the national average. Provo’s GMP, meanwhile, has expanded by 5.2 percent above its nadir, followed by Salt Lake City and Ogden, where output has recovered by 4.6 percent and 4.2 percent from its respective low points. On this measure of output recovery, five of the largest Intermountain West metros linger in the bottom quintile: Denver, Boise, Las Vegas, Tucson, and Phoenix. In these five metros, output growth has yet to take off in any sustained manner.

Output has exceeded pre-crisis levels in five Intermountain West metros and remains significantly below peak in four others. By the close of the third quarter of 2011, the output of Albuquerque’s economy had risen above its pre-recession peak, reached in the first quarter of 2006, by 5.1 percent. Albuquerque ranked in the top quintile of its peers on this measure. The output of Utah’s three major metropolitan economies and Denver had also expanded beyond pre-recession levels. Colorado Springs,

for its part, was on the brink of a full output recovery. There, by the close of the third quarter, output remained only 0.5 percent below its pre-recession level. The historical picture at the end of the third quarter was less sanguine in the Sun Belt: Four years after peaking, production levels remained depressed by 4.2 percent in Tucson, 4.5 percent in Boise, 7.3 percent in Phoenix, and 12.7 percent in Las Vegas.

Housing

The housing market passed a milestone in the third quarter of 2011 as prices moved upwards for the first time since before the recession began in much of the region. In no fewer than eight of the 10 major metropolitan areas of the Intermountain West, price declines finally ceased just as they did in much of the rest of the country, which saw large-metro home prices finally edge up 0.6 percent in the third quarter. All of these gains are new to the *Monitor*. In fact, housing markets were relatively buoyant in the third quarter in Ogden, Phoenix, Boise, and Albuquerque, where house price increases ranked in the top quintile among major metros nationally. Prices turned upwards by 2.4 percent in Ogden, 1.9 percent in Phoenix, 1.3 percent in Boise, and 1.1 percent in Albuquerque and Denver. These increases were especially welcome in Phoenix and Boise—two markets which were hardest hit by the bursting of the housing bubble.

Improvements in the housing market even reached struggling Las Vegas and Tucson. In these regions, home prices continued to fall, but at a much slower rate than in previous quarters. In Las Vegas, home prices fell by 0.5 percent from the second quarter to the third (compared to 9.6 percent from the first quarter to the second) and in Tucson, home prices fell by 1.2 percent (compared to 6.4 percent over the previous quarter).

Despite the modest gains won in the third quarter, housing prices in the region remained significantly below last year's level. Among major Mountain metros only Denver's housing market performed better than the national average over the year. Nationally, home prices fell 8.7 percent from the third quarter of 2010 to the third quarter of 2011, whereas in Denver they fell only 7.2 percent. Home prices were down between 9.2 and 9.7 percent in Albuquerque, Colorado Springs, and Utah's three metros. Long-suffering Sun Belt markets in Tucson, Phoenix, Boise, and Las Vegas posted the four steepest yearly house price declines in the country's 100 largest metropolitan areas. Prices over the year were down 15.9 percent in Tucson, 17 percent in Phoenix, 17.4 percent in Boise, and 19 percent in Las Vegas. These four metros are contending with a new reality in which home prices are unlikely to recover in the foreseeable future: prices have plummeted from their peaks, reached in the fourth quarter of 2006, by 43.9 percent in Tucson, 45.6 percent in Boise, 55.6 percent in Phoenix, and 64.8 percent in Las Vegas.

The region is making significant inroads against the foreclosure crisis. To be sure, the foreclosure rate, as measured by the number of real estate-owned properties (REOs) per 1,000 mortgageable ones, remains above average in the region's four Sun Belt metros and Denver. However, the REO rate fell in every major metropolitan market in the region from June to September 2011 and fell faster than it fell nationally everywhere except Tucson. Among the 100 largest metropolitan areas in the country, all Mountain metros fell into the top half of performers in progress reducing their REO rate and six of them—Las Vegas, Phoenix, Boise, Provo, Salt Lake City, and Ogden—fell into the top quintile. This is a good sign that the housing market is returning to health—even though the road to full recovery is far longer for Las Vegas, Phoenix, and Boise than it is for Utah's metros.

*

Some auspicious signs of an improving Mountain West recovery can be found in economic indicators from the third quarter of 2011. Most notably, the clear split in the economic data between housing-bust metros and the previously more-resilient economies on the region's northern and eastern edges seems to be breaking down in the region as the post-crisis economy—one that, for the time being, favors production- and technology-oriented industries across the nation's metropolitan areas—takes shape. Steady job gains are beginning to accumulate in Utah's high-tech metros, as well as in Sun Belt regions Phoenix and Tucson, and housing-bust Boise, where technology and certain manufacturing sectors have a significant presence. Unemployment rates are falling rapidly throughout the region, although this is partly explained by disaffected job-seekers leaving the labor force altogether. The region's output recovery has lost some of its early vigor but, fundamentally, continues. The housing market, for its part, might finally have found a floor: home prices stopped falling in much of the region for the first time since the *Monitor* began recording.

Despite all this, the road to recovery remains long and uncertain. Adverse economic shocks like a deepening of the debt crisis in Europe or insurmountable policy gridlock in Washington could derail the region's, and indeed the nation's, fragile recovery. In short, the story of a fledging and varied—but marginally improving—economic recovery continues to play out across the metropolitan landscape of the Intermountain West.

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

Metros	Change in Employment				Change in Output			
	Peak to 2011Q3	Peak to trough	Trough to 2011Q3	2011Q2 to 2011Q3	Peak to 2011Q3	Peak to trough	Trough to 2011Q3	2011Q2 to 2011Q3
Albuquerque, NM	-6.6%	-6.6%	0.0%	-0.1%	5.1%	-2.7%	7.9%	0.4%
Boise City-Nampa, ID	-8.0%	-9.8%	2.0%	1.0%	-4.5%	-6.6%	2.3%	0.6%
Colorado Springs, CO	-3.5%	-3.9%	0.4%	0.4%	-0.5%	-3.0%	2.5%	0.3%
Denver-Aurora, CO	-5.0%	-5.7%	0.7%	-0.2%	0.6%	-1.8%	2.4%	0.2%
Las Vegas-Paradise, NV	-13.4%	-14.1%	0.8%	0.0%	-12.7%	-14.1%	1.6%	0.6%
Ogden-Clearfield, UT	-1.7%	-5.8%	4.3%	1.5%	1.4%	-2.7%	4.2%	1.1%
Phoenix-Mesa-Glendale, AZ	-10.8%	-12.5%	1.9%	0.6%	-7.3%	-8.5%	1.4%	0.1%
Provo-Orem, UT	-3.4%	-7.7%	4.6%	1.5%	1.3%	-3.7%	5.2%	1.7%
Salt Lake City, UT	-4.0%	-6.1%	2.3%	0.4%	2.9%	-1.6%	4.6%	1.5%
Tucson, AZ	-7.6%	-8.6%	1.2%	0.2%	-4.2%	-5.5%	1.4%	-0.1%
Intermountain West metros	-7.7%	-8.7%	1.1%	0.3%	-3.2%	-4.9%	1.8%	0.4%
Top 100 metros	-5.0%	-6.1%	1.2%	0.2%	1.1%	-3.8%	5.2%	0.6%
United States	-4.7%	-8.6%	1.3%	0.1%	1.2%	-5.1%	6.6%	0.8%

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. **Performance during the recovery measures changes in** employment, GMP, and the House Price Index from trough quarter to the third quarter of 2011. Unemployment rate change is measured from September 2010 to September 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/>

Brookings Mountain West has been made possible by the generous support of The Lincy Foundation.

Acknowledgments

Brookings Mountain West and the *Mountain Monitor* team wish to thank Neal Smatresk and William Brown at UNLV as well as the numerous leaders in the Mountain Metros who have informed this work. At Brookings, the team wishes to thank Mark Muro, Richard Shearer, Siddharth Kulkarni, and Howard Wial for their substantial contributions on the data and content, and David Jackson for his helpful edits.

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