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Mountain Monitor

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

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Where are the jobs? That anxious question pervading national discussions of the Great Recession and its aftermath is becoming acute in the Intermountain West.

Not only has the region's usual faster-than-the-nation employment snapback after recessions failed to materialize this time around.

What is more, the Mountain region's halting economic recovery in some ways actually weakened in the first three months of 2010 as reports this new edition of the *Mountain Monitor*, a quarterly report produced by Brookings Mountain West, a partnership between Brookings and the University of Nevada, Las Vegas (UNLV), and a companion product to Brookings national *MetroMonitor*.

Drawing on data covering the first quarter of 2010 (ending in March), the new picture is sobering and surveys a region that is at once recovering and still struggling. Output growth slowed in the region's largest metropolitan areas. Employment fell faster in the Intermountain West than it did nationally and—frustratingly—faster than it did last quarter. Unemployment, for its part, inched upwards in every large metro except Denver. And for that matter, the overhang of real estate-owned properties in the Intermountain West—a measure of foreclosure actions—actually increased during the first quarter of 2010 in almost every large metro.

In short, for the first time in three decades the region finds itself unable to lead the nation out of a recession and forced into a period of serious questioning about the sources of future growth with further federal stimulus unlikely. In these new, uncharted territories, certain corners of the Mountain West face the prospect of being left behind the rest of the country and virtually all of the region's metropolitan areas have to reevaluate the basics of the Western growth model.

Hence this report: To inform deliberations this edition of the *Mountain Monitor* examines data on employment, unemployment, output, home prices, and foreclosure rates for the Intermountain West's 10 large metropolitan areas, the nation's 100 largest metros, and 21 smaller metros dispersed around the Mountain region, as it was available through the first quarter of 2010.

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The report finds that:

- **Notwithstanding modest continued output growth, the 10 largest Intermountain West metropolitan areas made little progress towards recovery between the last quarter of 2009 and the first quarter of 2010 as steeper-than-before employment declines weighed on the region.** In general, the region's easternmost metros have hitched onto the feeble national recovery, besting or trending with national performance. At the same time, though, Boise and Phoenix remain two of the hardest hit metros in the nation, despite having enjoyed above average growth in employment and output over the last quarter. Las Vegas, on the other hand, remains uniquely damaged and suffered another quarter of minimal output growth and job loss. Among the factors strongly influencing overall performance are large state and federal government employment shares, high educational attainment, and comparatively modest rates of pre-recession house price inflation.

- **Overall the Mountain region exhibits an unusually wide gap between output growth and employment dynamics**. Collectively, despite growing by 1.1 percent this quarter, the Intermountain West's large metros suffered a further employment setback of 0.6 percent. The country's 100 largest metros together, however, managed to limit employment declines to only 0.1 percent even though output grew at the slightly slower rate of 0.9 percent. The implication: The Mountain region continues to struggle inordinately to translate continued output recovery into increased employment.

- **In fact, employment recovery eludes the entire region, and not a single metro made progress between the fourth quarter of 2009 and the first quarter of 2010 in recouping jobs lost to the recession.** In contrast to the previous quarter, no metros added jobs in the first three months of 2010. Rather employment in the region's large metropolitan areas fell half a percentage point faster than it did in the nation's top 100 metros and the country as a whole, when previously it fell at the same rate. Notwithstanding the region's brutal job losses, unemployment rates themselves remain significantly below the national and large metro averages.

- **At the same time, while quarter-to-quarter GMP growth in the Mountain region's major metropolitan areas slowed in the first quarter it remained positive and stronger than the national figure.** Consistent with national trends, economic growth in the Intermountain West was not as robust during the first quarter of 2010 as it was during the fourth quarter of 2009. This held true in each of the region's large metropolitan areas individually except Las Vegas, where growth increased from a downwards-revised 0.2 percent at the end of 2009 to a still feeble 0.3 percent in the first months of 2010. Still, all but two of the region's metros—Albuquerque and Las Vegas—grew at a faster clip than did the nation or large metros on average. Relatively high growth rates in Denver, Ogden, Phoenix, and Tucson place these metros into the top performance quintile nationally. Adding it up, three of the Mountain region's larger metros—Ogden, Albuquerque, and Colorado Springs—have now completely recovered their output and surpassed their pre-recession levels of GMP**.** With the first quarter of 2010 Colorado Springs joined the list of metropolitan areas that have achieved full output recovery—a list that now includes 32 of the largest 100 metropolitan areas across the United States.

- **House prices, meanwhile, remain depressed. This quarter's annualized price depreciations were steeper than last's in every metro.** The largest uptick in house price depreciation could be found, unexpectedly, in Denver, where this quarter's annualized 7.1 percent fall in the real house price index (HPI) was a 3.8 percentage point increase over last quarter's modest annualized 3.3 percent decline. Last quarter only Denver and Colorado Springs performed better than the national and top 100 metro aggregates on percent declines in the real HPI; this quarter Ogden and Albuquerque join them. In stark contrast, however, the region's remaining 6 metros perform in the bottom quintile of large metros nationally.

- **Reversing earlier gains, likewise, the region's overhang of real estate-owned properties—foreclosed properties that failed to sell at auction and are now owned by lenders—increased during the first quarter of 2010 and remains extremely high.** After falling by 0.64 properties per 1,000 mortgageable ones in the fourth quarter of 2009, REOs ticked up at a rate of 0.48 per 1,000 in the first quarter of 2010, tracking though also exaggerating national trends. With the exception of Las Vegas, all metros in the region added to their REO inventories. Ogden alone welcomed a quarter-to-quarter slowdown in its REO increases, a turn-around from last quarter when it was the only metro to see them speed up. It now ranks first amongst its regional peers in terms of REOs, though still just 28th out of 100 nationally. The region's extreme exposure to the housing bubble of the early 2000s now manifests itself in a stock of REOs that stands twice as high as the nation's.

- **Turning to the Mountain West's 21 smaller metropolitan areas, just two experienced quarterly job growth during the first quarter of 2010 and none have recovered all of the jobs they lost to the recession.** Farmington and Reno-Sparks both eked out modest employment growth of 0.1 and 0.4 percent, respectively, in the first quarter. However, these quarterly gains remain miniscule compared to these metros' and the region's massive job losses since 2007. Pueblo, Las Cruces, and Fort Collins are the only metros out of the 21 within even 5 percent of their peak employment. Fully seven of the region's small metros contend with employment declines of more than 10 percent.

- **Contrasting their lackluster employment recovery, 15 of the Intermountain West's 21 small metros have fully recovered and surpassed their pre-recession levels of output, and all of them experienced growth in the most recent quarter**. In fact, 14 of the smaller Mountain metros have enjoyed faster output recovery than the nation as a whole. The top performers—Las Cruces, Santa Fe, Boulder, Prescott, and Flagstaff—exceeded their pre-recession peak output levels by five times more than the nation had by the close of the first quarter of 2010.

In sum, the vexing dynamics of the Mountain West's tentative and variegated recovery—characterized by economic growth without job growth—remained stubbornly in place in the first quarter. Modest output growth continued, but major employment gains remained elusive, and with the appetite for further federal stimulus limited, the region can no longer look to external remedies such as artificially bolstered state and federal employment for repair.

With further help from the federal government unlikely, leaders in the large and smaller metropolitan areas of the Mountain West need to look beyond business-as-usual as spring rolls into summer and embrace self-help, relying on local and regional sources of entrepreneurship and dynamism.

Methodology

The *Mountain Monitor*—a companion product to the Brookings Metropolitan Policy Program's national *MetroMonitor*—tracks quarterly indicators of economic recession and recovery in the Mountain region's metropolitan areas. The focus is on the 10 major metros in the six-state Intermountain West that lie within the largest 100 nationally in terms of population, but a sub-set of indicators for smaller metros is presented at the end. The states include 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 metro area's peak employment quarter to the most recent quarter, measuring the extent to which employment has recovered from the recession's impact. Peaks are defined as the highest employment level attained since the first quarter of 2004; in some metro areas where this peak occurred in one of the three most recent quarters, the peak was defined as the highest level attained between 2004 and its most recent quarter of employment losses prior to the three most recent quarters. 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 recovery. Source: Moody's Economy.com.

- **Unemployment rate**: Percentage of the labor force that is currently unemployed, not seasonally adjusted, last month of quarter. Because the data are not seasonally adjusted, change in the unemployment rate is shown from the same month in the previous year and three years prior. Source: Bureau of Labor Statistics.

- **Gross metropolitan product (GMP)**: Total value of goods and services produced within a metro area. The percentage change in GMP is shown from each metro area's peak GMP quarter (since the first quarter of 2004) to the most recent quarter and from the previous quarter to the most recent quarter. Source: Moody's Economy.com.

- **Housing prices**: Prices of single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac, not seasonally adjusted. Because the data are not seasonally adjusted, the percentage change in housing prices is shown from the same quarter in the previous year and three years prior to the most recent quarter. Source: Federal Housing Finance Agency House Price Index.

- **Housing price-to-rent ratio:** Average housing values are divided by average annual contract rents using yearly data. The differences in this ratio (2007 less 2000 and 2008 less 2007) are reported. Source: U.S. Census Bureau; 2000 Decennial Census, 2007 American Community Survey, 2008 American Community Survey.

- **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.

- **Recession Comparisons:** The percent of employment recovery in each recession is measured by employment in the ninth quarter following the official first quarter of a national recession (as defined by the National Bureau of Economic Research) as a percentage of employment in that first quarter of the recession in question. Source: Moody's Economy.com

The *Mountain Monitor*'s Overall Performance index combines metropolitan rankings on four key indicators:

- Percent employment change from peak quarter to 1st quarter 2010
- Percentage point change in unemployment rate from March 2007 to March 2010
- Percent GMP change from peak quarter to 1st quarter 2010
- Percent change in House Price Index from 1st quarter 2007 to 1st quarter 2010

Metropolitan areas are then grouped into quintiles (groups of 20) based on their average ranking across all four indicators, among the 100 largest U.S. metro areas.

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

Overall performance of the largest Mountain-region metros during the recession

Relative to the rest of the country, the Intermountain West's large metropolitan areas continue as middling performers through recession and recovery. On the *Monitor's* overall performance index, which combines rankings on four key indicators of economic health for the nation's 100 largest metro areas, half of the region's metros outperform the median large metro and half trail behind. Three of the 10 major Mountain metros—Provo, Albuquerque, and Ogden—ascended to a higher performance quintile this quarter. Although none of the Mountain metros has yet climbed into the top quintile of performers, none slid downwards a grouping this quarter either.

Severe house price and employment declines impacted most Mountain metros and account for much of the region's woes. Unemployment changes and production declines, on the other hand, have been less brutal and tracked more closely with national trends. Three metros—Las Vegas, Phoenix, and Boise—stand out as the hardest hit and languish in the bottom overall quintile of performance. Las Vegas, in fact, reels among the 10 hardest-hit metros in the country on all four measures of recession performance. Boise, for its part, teeters on the brink of falling into the worst performance category on every measure except employment—for which it is already there. And for its part Phoenix's poor overall performance remains overwhelmingly shaped by employment losses and housing price declines. Ogden and Albuquerque, on the other hand, lead the region with GMP growth over the course of recession and recovery that ranks among the top ten nationally, although they have yet to translate output growth into employment recovery and housing market revival.

Overall, metros with a large state and federal government presence have tended to perform better than others during this recession and recovery, as have those boasting high educational attainment and more modest rates of pre-recession house price inflation. The region's three top performing large metros—Ogden, Colorado Springs, and Albuquerque—all profited from extremely high shares of largely recession-proof federal employment that anchor their economies. The federal government employs nearly 9 percent of the workforce in Ogden—a level 4.4 times the national average and second only to metropolitan Washington, DC. In Albuquerque, the state and federal government together employ 10 percent of the workforce. By contrast, state and federal government account for a meager 1.8 percent of employment in punished Las Vegas, where college graduates—another stay against recession—are relatively scarce. Highly-educated Colorado Springs, Denver, and Provo have weathered the recession well by comparison. As to the influence of housing distress, the bursting of the housing bubble continues to plague the region's four worst performing metros—Las Vegas, Boise, Phoenix, and Tucson—which each saw prices inflate to levels 30 to 90 percent higher than the national metro average between 2000 and 2006.

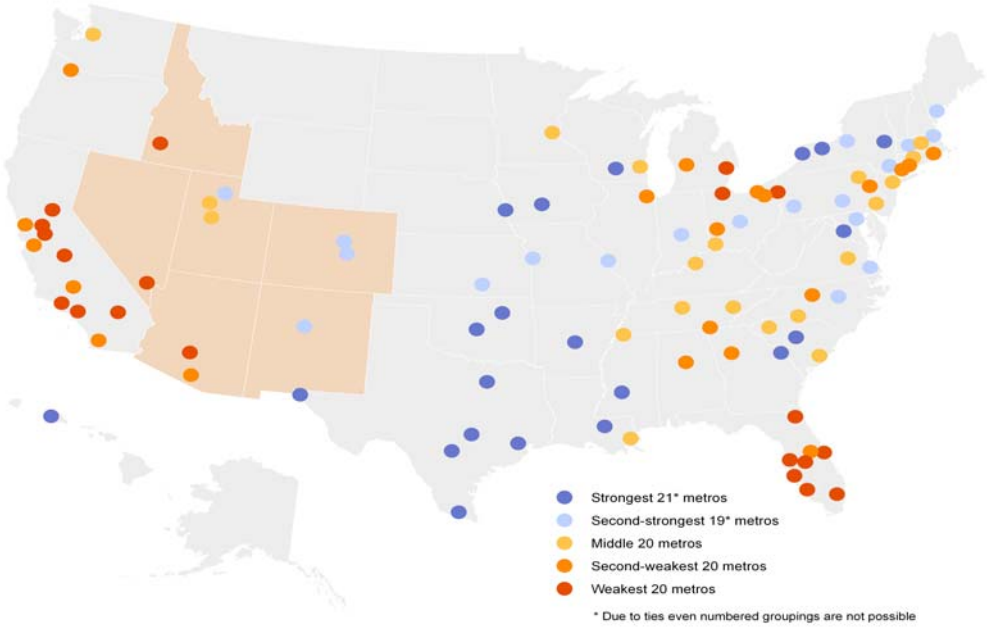
Overall performance on change in employment, unemployment rate, GMP, and housing prices during the recession for major Intermountain West metros

Metro	Percent change in employment, metro peak to 2010Q1	Nat'l Rank	Percentage point change in unemployment, Mar. 2007 to Mar. 2010	Nat'l Rank	Percent GMP change, metro peak to 2010Q1	Nat'l Rank	Percent change in real HPI, 2007Q1 to 2010Q1	Nat'l Rank
Ogden-Clearfield, UT	-5.9%	45	4.7%	37	4.5%	5	-9.9%	35
Colorado Springs, CO	-5.8%	44	4.7%	36	0.9%	20	-12.2%	43
Albuquerque, NM	-5.6%	39	5.9%	66	2.8%	9	-13.0%	45
Denver-Aurora-Broomfield, CO	-6.4%	48	4.6%	31	-1.1%	52	-9.7%	34
Salt Lake City, UT	-7.3%	59	4.6%	32	-0.6%	38	-16.9%	59
Provo-Orem, UT	-7.3%	57	4.8%	40	-0.4%	35	-20.9%	70
Tucson, AZ	-7.3%	58	5.1%	46	-1.0%	48	-30.1%	81
Phoenix-Mesa-Glendale, AZ	-11.9%	93	5.6%	61	-2.0%	66	-42.1%	91
Boise City-Nampa, ID	-9.9%	87	7.0%	77	-3.0%	80	-29.3%	80
Las Vegas-Paradise, NV	-13.8%	96	9.5%	95	-4.2%	92	-53.9%	98
Intermountain West Metros	-9.0%		5.8%		-0.9%		-29.7%	
100 Largest Metros	-6.4%		5.8%		-0.2%		-21.4%	
United States	-6.1%		5.7%		0.8%		-17.0%	

Overall metropolitan performance, and performance on each component indicator, is grouped by quintile (20 metro areas each) based on metros' rank among the largest 100 U.S. metropolitan areas (for the full list see the Brookings Metropolitan Policy Program's *MetroMonitor*). The following shading system indicates these quintile rankings:

Strongest	Second-strongest	Middle	Second-weakest	Weakest

Overall performance during the recession



Employment

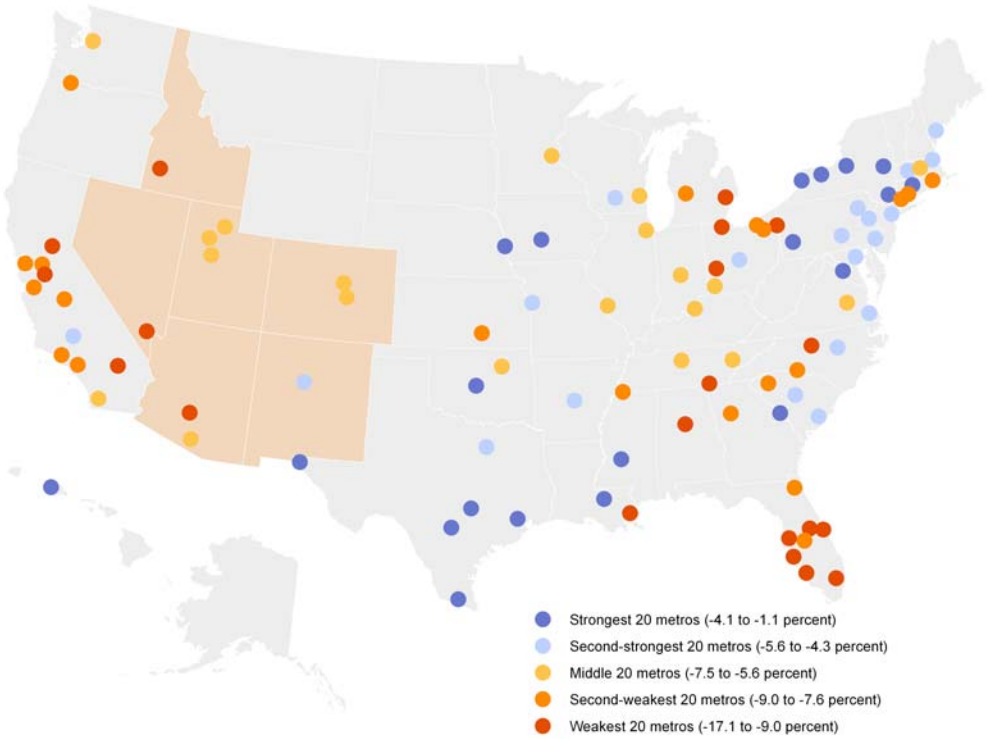
Employment recovery eludes the entire region, and not a single metro made progress between the fourth quarter of 2009 and the first quarter of 2010 recouping jobs lost to the recession. In contrast to the previous quarter, no metros added jobs in the first three months of 2010. Rather, employment in the region's large metropolitan areas fell half a percentage point faster than it did in the nation's top 100 metros and the country as a whole, when previously it fell at the same rate. In the last report, Albuquerque and Ogden were the only two large metros in the Intermountain West to boast positive net job growth from the third to fourth quarter of 2009; this time no metros accomplished the feat. In fact, this quarter five of the Intermountain West's metros suffered some of the 10 worst job losses among major metros nationally. Salt Lake City stole the ignominious distinction of suffering the highest rate of job loss among major metros in the nation from Las Vegas, last quarter's worst performer.

All told, the Intermountain West metros continue to contend with larger-than-average contractions in employment for the third straight quarter. As the first quarter of 2010 came to a close, the large Intermountain West metros as a group retained 9.0 percent fewer jobs than they possessed when employment peaked in 2007 and 2008. By contrast, the nation as a whole retained 6.1 percent fewer jobs than it had before. Only Albuquerque, Colorado Springs, and Ogden have shed a smaller percentage of jobs than the nation's average large metro. For many of the region's metros, meanwhile, the decade has brought wrenching oscillations. From 2002 to 2007, employment grew by 12.6, 16.7, and 26.1 percent in Provo, Las Vegas, and Boise, respectively; then from their employment peaks through to the first quarter of 2010, employment shrunk back 7.3, 13.8, and 9.9 percent in turn. Colorado Springs and Denver experienced more muted dynamics but still saw employment grow by 5.5 and 6.2 percent before the recession, before watching it contract 5.8 and 6.2 percent, respectively, during.

Change in employment by metro

Rank	Metros ranked by percent change in employment from peak	Percent change in employment, peak to 2010Q1	Percent change in employment, 2009Q4 to 2010Q1	Pre-recession employment growth, 2002Q3 to 2007Q3
1	Albuquerque, NM	-5.6%	-0.8%	8.8%
2	Colorado Springs, CO	-5.8%	-1.1%	5.5%
3	Ogden-Clearfield, UT	-5.9%	-1.0%	13.9%
4	Denver-Aurora-Broomfield, CO	-6.4%	-0.6%	6.2%
5	Provo-Orem, UT	-7.3%	-0.1%	12.6%
6	Tucson, AZ	-7.3%	-0.1%	23.8%
7	Salt Lake City, UT	-7.3%	-1.5%	12.5%
8	Boise City-Nampa, ID	-9.9%	0.0%	26.1%
9	Phoenix-Mesa-Glendale, AZ	-11.9%	0.0%	20.0%
10	Las Vegas-Paradise, NV	-13.8%	-1.2%	16.7%
	Comparison Aggregates			
	Intermountain West Metros	-9.0%	-0.6%	15.2%
	100 Largest Metros	-6.4%	-0.1%	5.9%
	United States	-6.1%	-0.1%	5.6%
	Comparison Metros			
	Riverside-San Bernardino-Ontario, CA	-12.8%	0.0%	17.4%
	Sacramento--Arden-Arcade--Roseville, CA	-9.3%	0.0%	8.7%

Percent change in employment, peak quarter to 1st quarter 2010



Unemployment

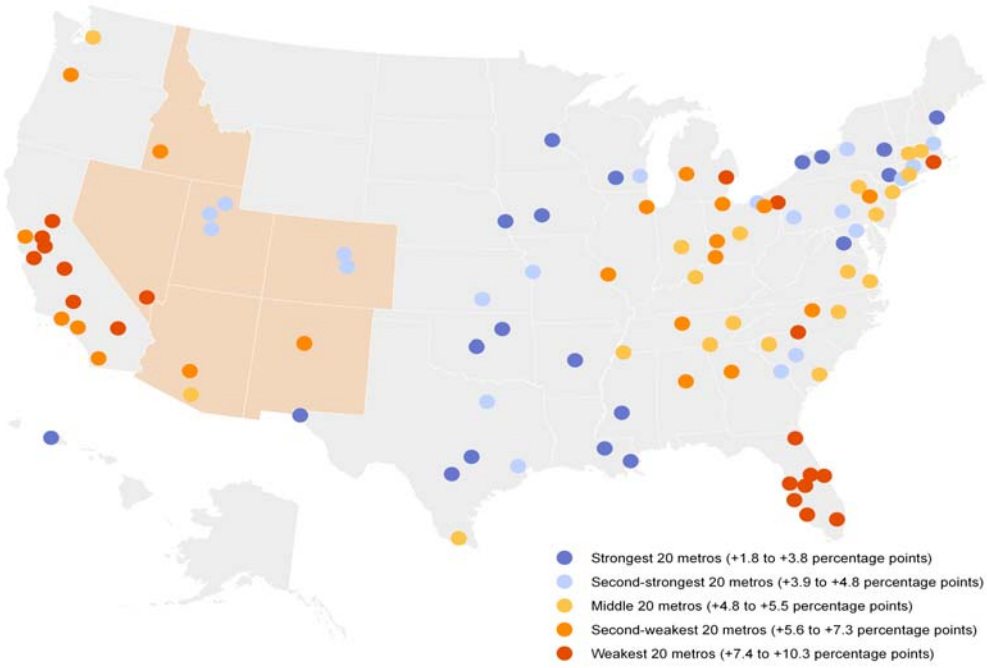
Denver and Colorado Springs held fast in terms of unemployment from March 2009 to 2010. Only four other large U.S. metros similarly curbed the net flow of new workers into unemployment. Elsewhere in the region, however, Las Vegas endured the largest upswing in unemployment—3.2 percentage points—of any major metro in the country. And despite strong performance until recently, unemployment in metro Albuquerque, for its part, spiked a jarring 2.4 percentage points over the last year—the 88th worst performance nationally.

Notwithstanding the region's brutal job losses, unemployment rates themselves remain significantly below the national and large metro averages. In only one of the region's ten large metros—Las Vegas—is the unemployment rate higher than the national average. Before the recession, Utah's three large metros had remarkably low unemployment rates—among the lowest ten in the nation—and their above average performance during the recession has kept jobless rates below 7.5 percent. Low starting points have helped Tucson, Phoenix, Albuquerque, and Boise to keep their unemployment rates below the national as well.

Change in unemployment by metro

Rank	Metros ranked by percentage point change in the unemployment rate, Mar. 2007 to Mar. 2010	Percentage point change in the unemployment rate, Mar. 2007 to Mar. 2010	Percentage point change in the unemployment rate, Mar. 2009 to Mar. 2010	Unemployment rate, Mar. 2010
1	Denver-Aurora-Broomfield, CO	4.6%	0.0%	8.5%
2	Salt Lake City, UT	4.6%	0.6%	7.1%
3	Colorado Springs, CO	4.7%	0.0%	9.0%
4	Ogden-Clearfield, UT	4.7%	0.5%	7.3%
5	Provo-Orem, UT	4.8%	0.7%	7.3%
6	Tucson, AZ	5.1%	0.5%	8.5%
7	Phoenix-Mesa-Glendale, AZ	5.6%	0.6%	8.8%
8	Albuquerque, NM	5.9%	2.4%	9.1%
9	Boise City-Nampa, ID	7.0%	1.4%	9.9%
10	Las Vegas-Paradise, NV	9.5%	3.2%	13.8%
	Comparison Aggregates			
	Intermountain West Metros	5.8%	1.0%	9.3%
	100 Largest Metros	5.8%	1.3%	10.1%
	United States	5.7%	1.2%	10.2%
	Comparison Metros			
	Riverside-San Bernardino-Ontario, CA	9.8%	2.7%	15.0%
	Sacramento--Arden-Arcade--Roseville, CA	8.0%	2.4%	13.1%

Percentage point change in the unemployment rate, March 2007 to March 2010



Gross Metropolitan Product

Quarter-to-quarter GMP growth in the Mountain region's major metropolitan areas slowed but remained positive and stronger than the national figure. Consistent with national trends, economic growth in the Intermountain West was less robust during the first quarter of 2010 than it was during the fourth quarter of 2009. This held true in each of the region's large metropolitan areas individually except Las Vegas, where growth increased from a downwards-revised 0.2 percent at the end of 2009 to a still feeble 0.3 percent in the first months of 2010. Still, all but two of the region's metros—Albuquerque and Las Vegas—grew at a faster clip than did the nation or large metros on average. Relatively high growth rates in Denver, Ogden, Phoenix, and Tucson place these metros into the top performance quintile nationally.

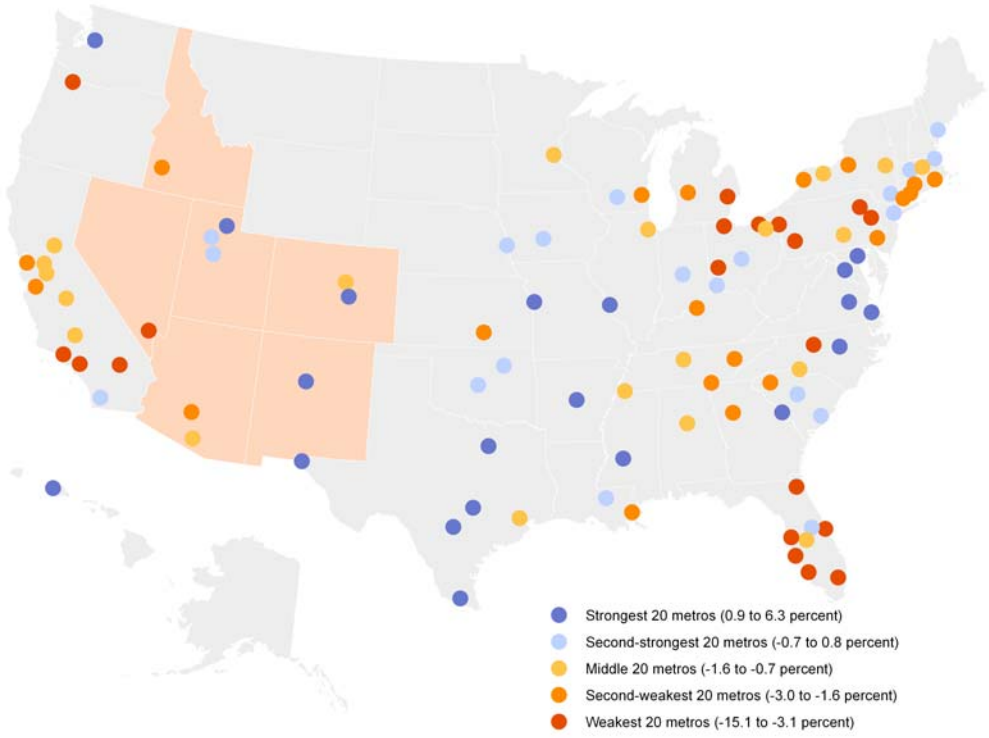
Growth in the Mountain region's metro output outpaced that of both the nation and the top 100 metros in general. Every metropolitan region except Las Vegas grew faster than the nation did this quarter. Ogden, for the third quarter running, and Tucson posted the most robust performances.

Three of the Intermountain West's largest metros—Ogden, Albuquerque, and Colorado Springs—have now completely recovered their output and surpassed their pre-recession levels of GMP. With the first quarter of 2010 Colorado Springs joined the list of metropolitan areas that have accomplished a full output recovery—a list that now includes 32 of the largest 100 metropolitan areas across the United States. With GMP now 0.9 percent above its previous peak from the fourth quarter of 2008, Colorado Springs boasts the 20th strongest recovery among the country's large metros. Within the region, two metros still perform better: Ogden has grown 4.5 percent beyond its previous peak, reached in the second quarter of 2008, which ranks it fifth nationally, and Albuquerque's net 2.8 percent growth over the recession ranks ninth. Output in the region's other metros, however, remains depressed at levels below the national and large metro average. Three metros—Provo, Salt Lake City, and Boise—nevertheless moved up a performance quintile with this quarter's growth added to the equation, while Tucson fell one. On the opposite end, Las Vegas still languishes in the bottom quintile of gross metro product recovery. Its first quarter output was still 4.2 percent off of its pre-recession peak, reached in the fourth quarter of 2007.

Percent change in GMP by metro

Rank	Metros ranked by percent GMP change from peak	Percent GMP change, metro peak to 2010Q1	Percent GMP change, 2009Q4 to 2010Q1
1	Ogden-Clearfield, UT	4.5%	1.4%
2	Albuquerque, NM	2.8%	0.9%
3	Colorado Springs, CO	0.9%	1.2%
4	Provo-Orem, UT	-0.4%	1.1%
5	Salt Lake City, UT	-0.6%	1.2%
6	Tucson, AZ	-1.0%	1.4%
7	Denver-Aurora-Broomfield, CO	-1.1%	1.2%
8	Phoenix-Mesa-Glendale, AZ	-2.0%	1.2%
9	Boise City-Nampa, ID	-3.0%	1.1%
10	Las Vegas-Paradise, NV	-4.2%	0.3%
	Comparison Aggregates		
	Intermountain West Metros	-0.9%	1.1%
	100 Largest Metros	-0.2%	0.9%
	United States	0.8%	0.9%
	Comparison Metros		
	Riverside-San Bernardino-Ontario, CA	-3.4%	0.4%
	Sacramento--Arden-Arcade--Roseville, CA	-1.3%	1.3%

Percent change in real GMP, peak quarter to 1st quarter 2010



Housing Prices

House prices, meanwhile, remain depressed. This quarter's annualized price depreciations were steeper than last's in every metro. Las Vegas posted the steepest absolute price declines in the region as the metro's real House Price Index (HPI) fell 21.9 percent from the first quarter of 2009 to the first quarter of 2010; this bad news comes despite some signs in last quarter's *Mountain Monitor* that price declines in Las Vegas were easing. The largest uptick in house price depreciation could be found, unexpectedly, in Denver, where this quarter's annualized 7.1 percent fall in the real HPI was a 3.8 percentage point increase over last quarter's modest annualized 3.3 percent decline. Last quarter only Denver and Colorado Springs performed better than the national and top 100 metro aggregates on percent declines in the real HPI; this quarter Ogden and Albuquerque join them. In stark contrast, however, the region's remaining 6 metros perform in the bottom quintile of large metros nationally.

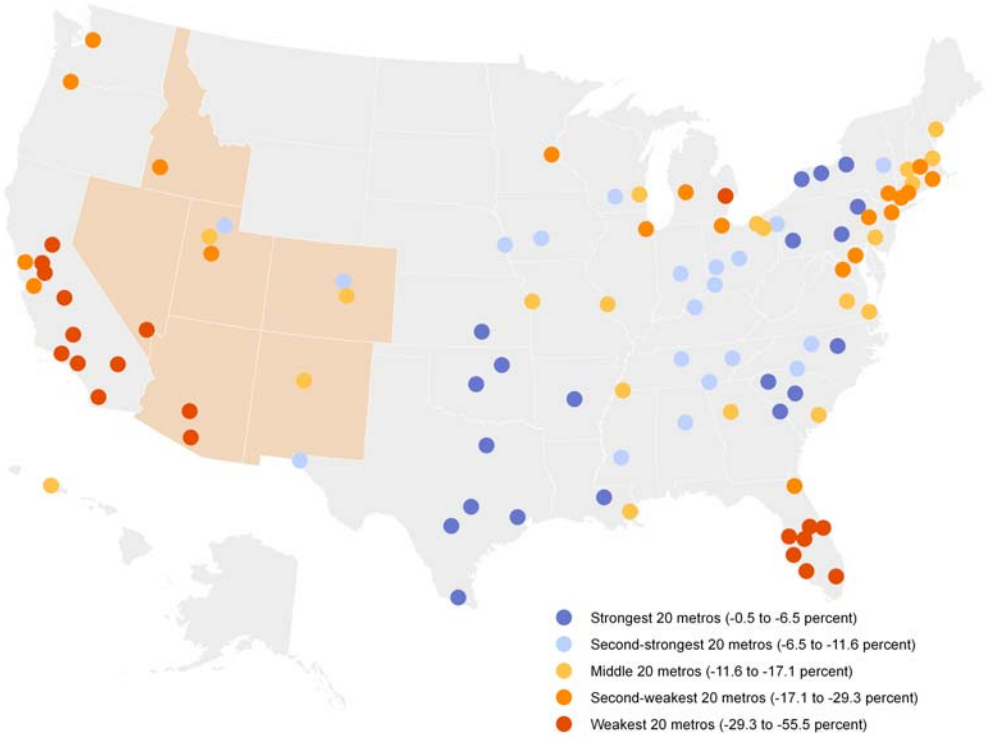
House price declines between the first quarter of 2009 and the first quarter of 2010 were running an inflation-adjusted 10.1 percent in the Intermountain West, and so were tracking with national trends for the first time since the *Monitor* began tracking the region's metros. Home prices in the West are no longer falling faster than those in other metropolitan areas or the country as a whole. This quarter's deceleration of annualized price declines from 12.6 percent to 10.1 percent suggests that dynamics in the region's battered housing market may finally be coming into line with national trends. However, the convergence is mostly driven by an acceleration of house price declines in the rest of the country, which increased from 6.5 percent year-on-year last quarter to 10.1 percent this quarter.

Housing market recovery still eludes the Intermountain West and house prices in half of the region's metros have slumped to levels below one-fifth of their peaks. Indeed the House Price Index is down an astonishing 53.9 percent from peak in Las Vegas and 42.1 percent in Phoenix. As reported in previous *Monitors*, the metros that have seen the sharpest drops in housing prices experienced the largest increases in house price inflation, measured by the house price to rent ratio, during the boom.

Percent change in real House Price Index and house price inflation by metro

Rank	Metros ranked by percent change in real HPI, 2007Q1 to 2010Q1	Percent change in real HPI, 2007Q1 to 2010Q1	Percent change in real HPI, 2009Q1 to 2010Q1	Change in house price-to-rent ratio 2000-2007
1	Denver-Aurora-Broomfield, CO	-9.7%	-7.1%	7.4
2	Ogden-Clearfield, UT	-9.9%	-9.5%	7.7
3	Colorado Springs, CO	-12.2%	-6.8%	6.8
4	Albuquerque, NM	-13.0%	-9.0%	7.5
5	Salt Lake City, UT	-16.9%	-13.1%	9.3
6	Provo-Orem, UT	-20.9%	-16.4%	8.7
7	Boise City-Nampa, ID	-29.3%	-18.6%	12.3
8	Tucson, AZ	-30.1%	-16.0%	11.8
9	Phoenix-Mesa-Glendale, AZ	-42.1%	-20.6%	14.1
10	Las Vegas-Paradise, NV	-53.9%	-21.9%	14.4
	Comparison Aggregates			
	IMW Metros	-29.7%	-10.1%	10.0
	100 Largest Metros	-21.4%	-10.2%	8.3
	United States	-17.0%	-10.1%	9.1
	Comparison Metros			
	Riverside-San Bernardino-Ontario, CA	-48.0%	-11.0%	15.4
	Sacramento--Arden-Arcade--Roseville, CA	-38.9%	-13.0%	15.9

Percent change in real House Price Index, 1st quarter 2007 to 1st quarter 2010



Real Estate Owned (REO) Properties

Reversing earlier gains, the overhang of real estate-owned properties—foreclosed properties that failed to sell at auction and are now owned by lenders—in the Mountain region increased during the first quarter of 2010 and remains extremely high. After falling by 0.64 properties per 1,000 mortgageable ones in the fourth quarter of 2009, REOs ticked up at a rate of 0.48 per 1,000 in the first quarter of 2010, tracking though also exaggerating national trends. With the exception of Las Vegas, all metros in the region added to their REO inventories. Ogden alone welcomed a quarter-to-quarter slowdown in its REO increases, a change of fortune from last quarter when it was the only metro to see them speed up. It now ranks first amongst its regional peers in terms of REOs, though still just 28th out of 100 nationally. Thanks to exaggerated exposure to the housing bubble of the early- to mid-2000s, the region's overall stock of REOs stands twice as high as the national average.

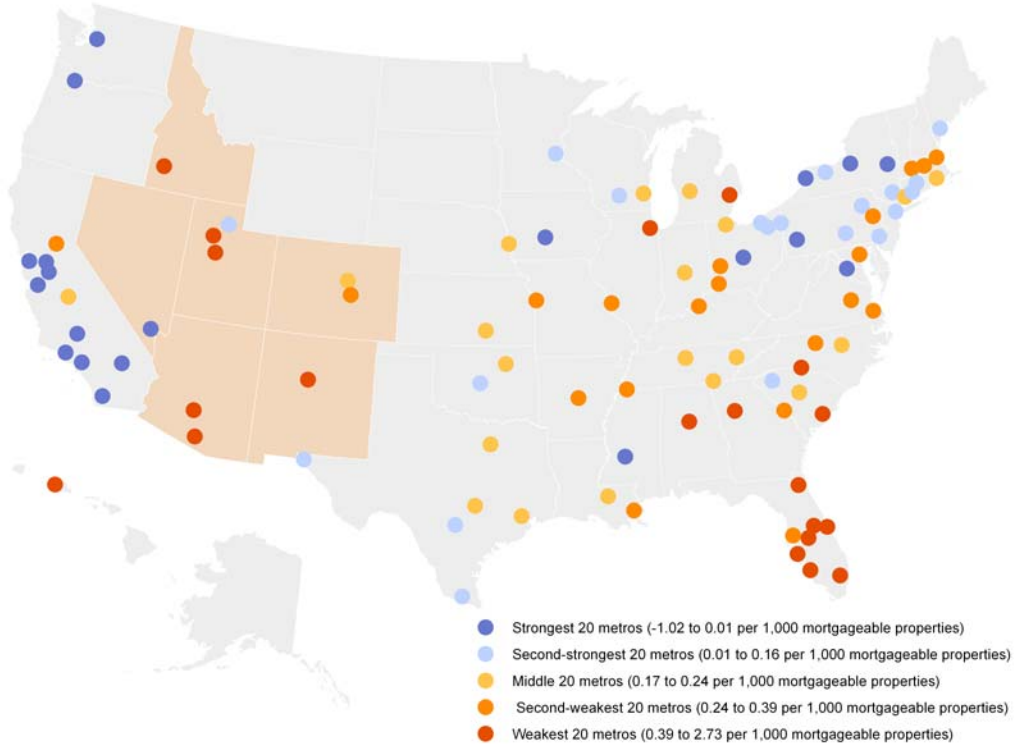
REOs increased across the country in the first quarter of 2010 and six of the Intermountain West's large metros suffered the worst of this increase. These six metros racked up some of the country's most painful increases in REOs from December 2009 to March 2010, falling in the bottom quintile nationally. Salt Lake, Provo, Albuquerque, Tucson, Boise, and Phoenix were the region's worst performers, while Las Vegas' noted progress this quarter ranked it first in the country. In fact, Las Vegas was the only major metro area in the entire Intermountain West region to see its inventory of REOs fall from December 2009 to March 2010, albeit at a slower rate than in the previous quarter and from very high absolute levels.

Phoenix stumbled in the first quarter of 2010, adding more REOs than any other major metro in the region. The first quarter of 2010 erased gains made at the close of 2009, when the metro too hastily breathed a sigh of relief as REOs stabilized and Phoenix posted one of the country's best quarterly performances. The total number of REOs in the Phoenix metro area rose from 11.45 per 1,000 mortgageable properties in December 2009 to a new high of 12.73 in March 2010, the largest increase in the region. Similarly, Denver and Colorado Springs, the two other metros that reduced REOs from September to December 2009, reversed course and added to their REO stocks in the first quarter of 2010. Boise, meanwhile, endured its third straight quarter of REO increases.

Change in REOs by metro

Rank	Metros ranked by change in REOs	Change in REOs per 1,000 mortgageable properties, Dec. 2009 to Mar. 2010	REOs per 1,000 mortgageable properties, Mar. 2010
1	Las Vegas-Paradise, NV	-1.02	12.99
2	Ogden-Clearfield, UT	0.16	2.25
3	Denver-Aurora-Broomfield, CO	0.20	4.68
4	Colorado Springs, CO	0.31	3.88
5	Salt Lake City, UT	0.42	3.09
6	Provo-Orem, UT	0.47	3.52
7	Albuquerque, NM	0.48	2.33
8	Tucson, AZ	0.56	5.26
9	Boise City-Nampa, ID	1.26	7.04
10	Phoenix-Mesa-Glendale, AZ	1.28	12.73
	Comparison Aggregates		
	Intermountain West Metros	0.48	8.00
	100 Largest Metros	0.27	4.54
	United States	0.23	3.72
	Comparison Metros		
	Riverside-San Bernardino-Ontario, CA	-0.46	12.10
	Sacramento--Arden-Arcade--Roseville, CA	0.35	8.17

Change in REOs per 1,000 mortgageable properties, December 2009 to March 2010



Overall Performance of Smaller Intermountain West Metros

Among the Mountain region's 21 smaller metro areas just two experienced quarterly job growth in the first quarter of 2010 and none have recovered all of the jobs they lost to the recession. Farmington and Reno-Sparks both eked out modest employment growth of 0.1 and 0.4 percent, respectively, in the first quarter. However, these quarterly gains remain miniscule compared to these metros' and the region's massive job losses since 2007. Only in Pueblo, Las Cruces, and Fort Collins has employment contracted less than five percent from its peak. Fully seven of the region's small metros contend with greater than 10 percent employment declines.

Nothwithstanding lackluster employment recovery, 15 of the Intermountain West's 21 small metros have fully recovered and surpassed their pre-recession levels of output, and all of them experienced growth in the first quarter of 2010. In fact, 14 of the smaller Mountain metros have enjoyed faster output recovery than the nation as a whole. The top performers—Las Cruces, Santa Fe, Boulder, Prescott, and Flagstaff—beat their pre-recession peak output levels by five times more than had the nation by the end of the first quarter.

State and Federal employment have been associated with greater stability over the course of the recession. The state of Colorado employs 8 percent of top-performing Boulder's workforce, for example, mostly through the University of Colorado at Boulder. Similarly, in Fort Collins, the second best performing small metro, state employees comprise 9.4 percent of the workforce thanks again to a big university presence. New Mexico, for its part, employs 11.5 percent of workers in third-ranking Las Cruces—home to New Mexico State University—and the federal government employees another 5.2 percent. By contrast, Coeur d'Alene, Lake Havasu City-Kingman, St. George, and Prescott each have combined state and federal sector employment rates of less than 3.5 percent and have struggled. Nevertheless, high public sector employment has not uniformly sheltered metros. Carson City may be largely dependent on its state government workforce but the metro has lost 12.3 percent of its jobs to the recession. And as the state and local government fiscal crisis entrenches itself, government payrolls could yet decline further. To be certain, though, these correlations point to a troubling reality: that the private sector is struggling mightily to again expand employment.

As with the region's larger metros, human capital and exposure to the housing market crash explain much of the variation in the overall performance of the smaller metros. According to 2008 Census data, Boulder is the most educated metro area in the country with a remarkable 57 percent of residents holding at least a Bachelor's degree. Fort Collins, too, is extremely well-educated with 42.7 percent of residents having graduated college. Meanwhile three of the worst performing small metros—Lake Havasu City-Kingman, AZ, Yuma, AZ, and Farmington, NM—all contend with some of the lowest college attainment rates in the country. Several of the worst performing metros—like as Grand Junction, Flagstaff, Prescott, Lake Havasu City-Kingman, and Reno—also saw substantial increases in housing price inflation in the run up to the recession, while many of their more successful peers did not.

Overall performance of smaller Intermountain West metros

Rank	Intermountain West metros not among 100 largest ranked by average overall performance	Percent change in employment, metro peak to 2010Q1	Percentage point change in the unemployment rate, Mar. 2007 to Mar. 2010	Percent GMP change, metro peak to 2010Q1	Percent change in HPI, 2007Q1 to 2010Q1
1	Boulder, CO	-6.5%	3.0%	4.2%	-4.7%
2	Fort Collins-Loveland, CO	-4.7%	3.5%	3.9%	-9.8%
3	Las Cruces, NM	-3.9%	4.8%	5.9%	-12.5%
4	Pueblo, CO	-3.8%	4.8%	1.7%	-12.1%
5	Idaho Falls, ID	-6.6%	4.9%	2.5%	-11.4%
6	Santa Fe, NM	-7.2%	4.9%	4.5%	-16.5%
7	Logan, UT-ID	-8.0%	3.4%	0.5%	-4.3%
8	Lewiston, ID-WA	-7.2%	4.6%	-0.8%	-7.3%
8	Spokane, WA	-6.4%	5.8%	2.3%	-12.3%
10	Pocatello, ID	-7.1%	5.4%	-1.8%	-3.5%
11	Flagstaff, AZ	-7.8%	5.1%	4.1%	-27.5%
11	Greeley, CO	-7.6%	5.6%	2.7%	-15.3%
13	Grand Junction, CO	-10.5%	7.0%	2.4%	-11.0%
14	Prescott, AZ	-14.1%	6.5%	4.1%	-36.6%
15	Coeur d'Alene, ID	-7.0%	7.8%	-0.2%	-23.0%
16	Farmington, NM	-9.6%	7.6%	-3.5%	-8.2%
17	Lake Havasu City-Kingman, AZ	-16.5%	6.3%	2.5%	-41.9%
18	Carson City, NV	-12.3%	8.3%	1.7%	-36.9%
19	St. George, UT	-15.9%	7.1%	1.5%	-36.6%
20	Yuma, AZ	-12.0%	10.8%	-0.3%	-29.7%
21	Reno-Sparks, NV	-14.7%	8.8%	-0.2%	-44.3%
	Intermountain West Small Metro Average	**-9.0%**	**6.0%**	**1.8%**	**-19.3%**
	United States	**-6.1%**	**5.7%**	**0.8%**	**-17.0%**

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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