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MountainMonitor

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

December 2009

Nationwide, the recession is technically over. Or at least that is the view of most economists. They note that real U.S. gross domestic product (GDP) finally expanded in the third quarter of 2009, growing at a 2.8 percent annual rate after four consecutive quarters of contraction. They point to a significant slowing of job losses in November, rising housing prices, and a slight downtick in unemployment as other positive signs. Their conclusion: Economic recovery is at last underway.

And yet, the pace of renewal seems tentative and its geography patchy. Most notably, the aggregate national story of recovery and expansion overlooks the fact that just as the American economy varies from region to region, and metropolitan area to metropolitan area, so does the recovery.

Consider, for example, the distinctive stamp of the crisis and its easing in the Intermountain West and its metros, as depicted in this inaugural edition of the *MountainMonitor*—a companion product to Brookings' national *MetroMonitor* and a production of the new Brookings Mountain West initiative, a partnership between Brookings and the University of Nevada at Las Vegas.

Drawing on data covering the third quarter of 2009 (ending in September), the new *Monitor* documents that no multistate region has been hit harder by the last year's economic crisis than the six-state Intermountain zone.

Across the region, the deflation of a massive housing "bubble," widespread job losses, and the onset of a significant public-sector fiscal crisis have wreaked havoc on many communities. In many Mountain region locations, the sheer abruptness of the shift from hyper-growth early in the decade to a severe contraction in the last year has spawned a sense of almost existential whiplash.

Yet as the findings below highlight, even within the region the effects of the recession and recovery have not been uniformly felt. Phoenix, Boise, and Las Vegas, for example, remained three of the most troubled metropolitan areas in the entire nation in the third quarter, with all residing in the weakest quintile of metros on a combined measure of overall economic performance. Still, metros like Colorado Springs, Albuquerque, and Denver have only been moderately affected by the recession and seem poised to renew their upward trajectory as the pace of recovery quickens. The upshot: While the Intermountain West is an increasingly distinct region in national affairs, it remains disparate—a still-loosely linked network of

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individual metropolitan economies, some of which remain mired in recession and many of which are clearly recovering.

Which is the point of the *MountainMonitor*. Designed to serve as a barometer of the health of the Intermountain West's metropolitan economies, this Western monitor looks beneath the single account of the national statistics to draw into clear light the diverse metropolitan landscape of America's New Heartland as originally highlighted in the Brookings report "Mountain Megas." In this fashion, the *MountainMonitor* aims to distinguish the particular contours of the Great Recession and its aftermath in the Mountain region from those elsewhere, and so contribute to the region's growing self-understanding.

To that end, this first *MountainMonitor* examines how the recent Great Recession has affected the Intermountain West from its pre-recession peak to the third quarter of 2009, and does do by looking closely at data on employment, unemployment, output, home prices, and foreclosure rates for the region's 10 large metropolitan areas, the nation's 100 largest metros, and 17 smaller metros dispersed around the Mountain region. Along these lines, the monitor finds that:

- **In aggregate, the 10 large Intermountain West metros have suffered disproportionately in the Great Recession compared to the rest of the country and other large metros.** Average percentage job loss for the region's metro areas ran to 7.0 percent from pre-recession employment peaks through the third quarter of 2009, as compared to just 4.3 percent for the largest 100 metros across the nation. Gross metropolitan product (GMP) has also declined more among Mountain West large metros than in the typical large metro, while home prices have also slid inordinately. On that front, the average real price of a home in the 10 large metros of the Intermountain region declined by 8.5 percent between the third quarters of 2008 and 2009, compared to the 3 percent average decline registered in the 100 largest metros nationwide. Put it all together, and the region is struggling more than most in terms of job loss, loss of output, and declines in housing prices. And yet, despite these trends, the aggregate unemployment rate across the 10 big Mountain metros remained a percentage point lower than that across the largest 100 metros nationally and has not increased as much during the recession. In this respect, the recession and its aftermath is transpiring along distinctive aggregate lines in the Intermountain West.

- **In terms of recovery, the region also lags but is largely moving in the same direction as the rest of the country in that GMP rose from the second quarter to the third in every metro, though job growth remains elusive.** In this respect, GMP expanded during the third quarter in every metro, with output growth ranging from Denver's tepid 0.3 percent increase to Ogden's robust 1.7 percent growth. That bodes well. However, employment growth has yet to materialize in the region. Not one of the largest 10 metros in the region posted employment gains in the quarter (only 13 major metros did nationally, as it happens), and in fact job losses proceeded twice as fast as the national average. Ogden and Phoenix, for example, were hit especially hard with new job losses of over 1.5 percent in the quarter, and for their part, metropolitan Salt Lake City, Las Vegas, and Boise each saw employment slide by another point. With that said, nine of the 10 larger Mountain metros (Ogden being the exception) were losing jobs at a slower rate in September than they had been in the quarter before. In short, recovery seemed on its way in September but had not fully begun.

- **Overall the major metros of the Intermountain West have been registering highly uneven economic performance even as the nation began an economic recovery.** In this respect, Las Vegas, Boise, and Phoenix have all seen massive jobs losses, contend with the highest unemployment rates in the region, and languish among the bottom quintile among large U.S. metros in terms of overall performance during the recession. On the more fortunate side, Colorado Springs and Denver escaped a collapse in housing prices and have seen only modest increases in unemployment. Albuquerque has maintained its pre-recession level of output and has lost a smaller share of its jobs than most metros. Colorado Springs and Ogden, UT, have also weathered the downturn better than the average U.S. metro.

- **Heavily influencing the region's below-average aggregate profile on economic performance is the severe distress afflicting Las Vegas, Phoenix, and Boise—three metros that have been heavily hit by the collapse of the housing bubble.** These westernmost large metros in the region remain three of the most severely distressed metros in the nation and they inordinately define the region's recession landscape. Each of these metros has been devastated by the bursting of the housing "bubble" inflated by years of easy credit and a proliferation of exotic and usually subprime mortgages. Without these locales' acute distress, the region would still look hard-hit on employment loss, but it would appear rather typical on GMP losses and housing price declines, and it would actually look better than average on foreclosures. And it goes without saying that the three troubled metros were all heavily concentrated in the real estate / housing sector. Specifically, the share of employment in the main construction industries and real estate ran to 13.4 percent of all non-farm jobs in Las Vegas in 2006, and 12.8 percent for both Phoenix and Boise. By comparison, the average for large metros around the country on this remained just 8.0 percent, and it was 10 percent for the other Intermountain West metros.

- **More broadly, metropolitan education levels and concentration in such industries as health services and related social services seem to have protected some metros from the worst economic stress.** Most notably, those metros with a more educated workforce—such as Denver and Colorado Springs—have weathered the recession significantly better than other Mountain metros on almost every measure. High concentrations in health and social related services have also protected areas against economic decline on a variety of measures, with Albuquerque and Tucson being indicative. These findings underscore the critical roles human capital levels and sectoral composition play in regional economic performance.

- **House prices have not yet stabilized in the Intermountain West and the region's aggregate rate of bank owned properties remains high, although it is highly concentrated in Las Vegas and Phoenix.** To be specific, only metropolitan Denver and Colorado Springs among the 10 large Mountain West metros had registered slim year-over-year home price increases by the end of the third quarter, while in September the incidence of real estate-owned (REO) properties remained disturbingly high. On this front, the region's aggregate large-metro REO rate (measured in REO properties per 1,000 mortgageable properties) of 8.15 nearly doubled the large-metro rate nationally. However, it bears noting that that showing was largely driven by the difficulties of Las Vegas and Phoenix, where the REO rates continued their upward trend—albeit at a slower rate—to 17.40 and 12.19 REOs per 1000 properties, respectively, in the third quarter while elsewhere the variation was on a more moderate plane.

- **Patterns of recession and recovery among the smaller metropolitan areas of the region, finally, generally track with those engulfing their larger neighbors.** Job losses and output declines were at once varied and inordinately severe in some of the West's smaller places, and unemployment rates continued to trend upwards. On the one hand, employment and output were off their pre-recession peak only modestly in the third quarter in places like Fort Collins, CO or Las Cruces, Farmington, and Santa Fe in New Mexico, but these indicators were hugely diminished in places like Lake Havasu-Kingman, AZ; St. George, UT; and Reno-Sparks, NV as these metros contended with double-digit losses on multiple indictors. Here as elsewhere, variations in industry composition and educational attainment are significantly affecting local performance. Smaller metros that have avoided the worst dislocations of the Great Recession—such as Las Cruces, Santa Fe, or Fort Collins—have frequently benefited from high industry concentrations in sectors like medical services, nursing care, and social assistance, or the arts, as well as high educational attainment. By contrast, the hardest hit metros have frequently been those most heavily specialized on real estate, construction, and the building trades (Reno, Prescott, and St. George) or those with low educational attainment (Lake Havasu, Yuma).

In sum, the arrival of widespread output growth among the metropolitan areas of the Intermountain West in the third quarter of 2009 reflected the arrival in the region of the nascent national recovery. Such growth surely came as a relief to an especially hard-hit region.

However, the strength and durability of the nascent recovery remain uncertain. Not yet had quarterly job gains materialized in the third quarter. What's more, large inventories of foreclosed homes and vast differences in performance levels (not to mention a major slump in household consumption and interstate migration) weigh heavily on the region's native resilience.

These difficulties, then, and the particular experience of the Intermountain West, are going to require patience and creativity in the region the Utah writer Wallace Stegner called the "native home of hope." But they also require that careful attention be paid in Washington, as Congress and the Obama administration consider new proposals to improve the nation's dismal jobs picture, to the particular stamp of the recession in the metropolitan areas of the Mountain West.

Methodology

The *MountainMonitor*—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. 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. Given the uniqueness of growth in the Intermountain West, the table also shows employment growth leading up to the recession. 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 previous year. 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 to the most recent quarter. 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.

An Overall Performance index has also been constructed. The *Monitor*'s Overall Performance index combines metropolitan rankings on four key indicators:

- Percent employment change from peak quarter to 3rd quarter 2009
- Percentage point change in unemployment rate from September 2008 to September 2009
- Percent GMP change from peak quarter to 3rd quarter 2009
- Percent change in House Price Index from 3rd quarter 2008 to 3rd quarter 2009

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

After decades of rapid growth, the large metros of the Intermountain West have experienced dramatic—but varied—retrenchment during the current recession, and stand as one of the worst hit areas of the country. The Overall Performance Index of the Brookings *MetroMonitor* and this companion piece ranks metros on changes in employment, unemployment rate, gross metropolitan product (GMP), and housing prices over the course of the recession. On all but one of those indicators—change in the unemployment rate—the performance of the average large Intermountain West metro has trailed the average of the 100 largest metros. Three of the Intermountain West metros—Boise, Las Vegas, and Phoenix—lie in the bottom quintile in terms of recession-induced declines. On the positive side, Colorado Springs hasn't escaped the recession's downward pull, but saw its unemployment rate rise by only 1.6 points over the last year, which is the fifth-best performance on that indicator nationally.

Relatively speaking, conditions in the Intermountain West deteriorated further from the second quarter of 2009 to the third as measured by the *Monitor's* Overall Performance index. Three of the 10 metros dropped to a lower quintile—Denver, Ogden, and Provo—while none of the others moved up.

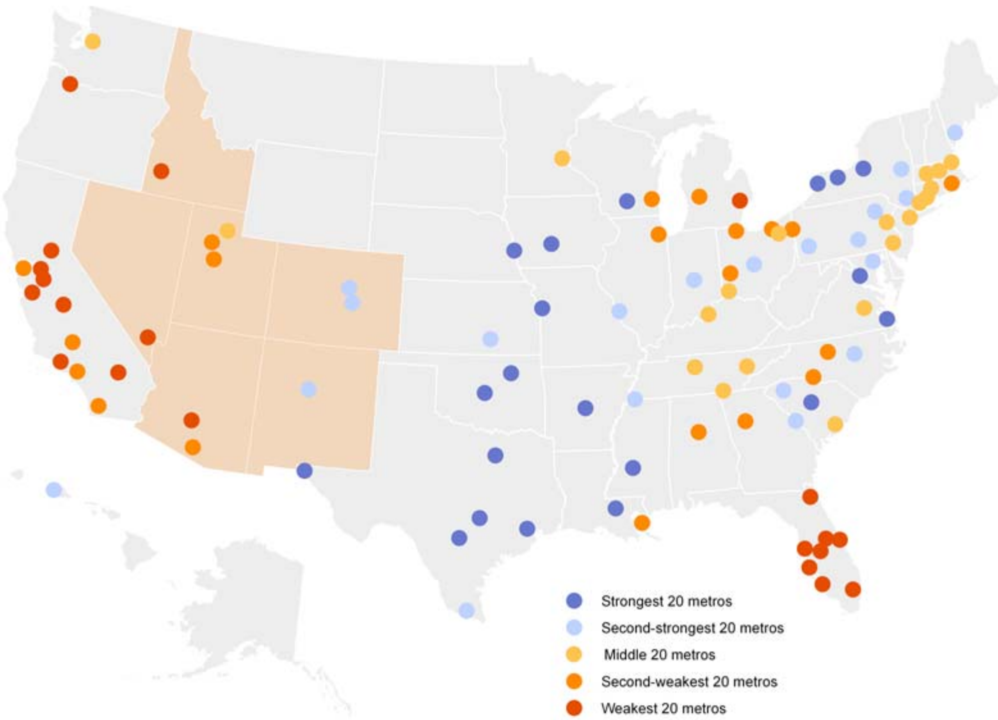
Overall performance on change in employment, unemployment rate, GMP, and housing prices during the recession for major Intermountain West metros

Metro	Percent change in employment, metro peak to 2009Q3	Nat'l Rank	Change in unemployment rate, Sep. 2008 to Sep. 2009	Nat'l Rank	Percent GMP change, metro peak to 2009Q3	Nat'l Rank	Percent change in real HPI, 2008Q3 to 2009Q3	Nat'l Rank
Colorado Springs, CO	-4.2%	44	1.6%	5	-3.1%	48	0.8%	37
Albuquerque, NM	-3.8%	39	3.3%	50	0.0%	6	-2.3%	59
Denver, CO	-4.6%	57	2.1%	9	-4.3%	70	1.6%	28
Ogden, UT	-5.7%	69	2.8%	33	-0.9%	18	-1.6%	55
Salt Lake City, UT	-4.6%	56	2.9%	37	-3.5%	59	-5.8%	78
Provo, UT	-6.2%	73	2.5%	23	-3.6%	62	-8.3%	85
Tucson, AZ	-6.2%	72	2.5%	27	-4.6%	73	-6.5%	80
Phoenix, AZ	-10.6%	96	3.0%	40	-4.6%	74	-14.5%	99
Boise City, ID	-10.1%	93	4.1%	74	-5.5%	85	-8.8%	86
Las Vegas, NV	-8.1%	90	6.2%	99	-4.9%	78	-20.2%	100
100 Largest Metros	-4.3%		3.6%		-2.4%		-3.0%	
United States	-4.6%		3.5%		-2.5%		-1.3%	

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 of the largest 100 metro areas during the recession



Employment

Since their employment peaked in the fourth quarter of 2007, the large Intermountain West metros have lost a net 7.4 percent of their jobs compared to a 4.6 percent loss for the United States as a whole. In the third quarter, the region's largest metros lost another 1.0 percent of their jobs compared to just a 0.5 percent slippage nationally, but the rate of decline has slowed in eight of the 10 metros (compared to the change from the first quarter to the second), with losses only accelerating in two places—Colorado Springs and Provo.

The Intermountain West metros that experienced the fastest pre-recession growth—and were the most implicated in the housing bubble—have since registered the most dramatic job losses. Job growth in the Mountain region exploded over the five-year period leading up to its zenith in the third quarter of 2007. Over that period, the Mountain metros' aggregate 15.2 percent employment growth nearly tripled the nation's growth, which made the sudden plummet over the next two years all the more jarring. In this fashion, it bears noting that the Intermountain West metros most dislocated by the year's employment contraction—Las Vegas, Boise, and Phoenix—were all very highly concentrated in construction. Theirs are amongst the worst losses in the nation.

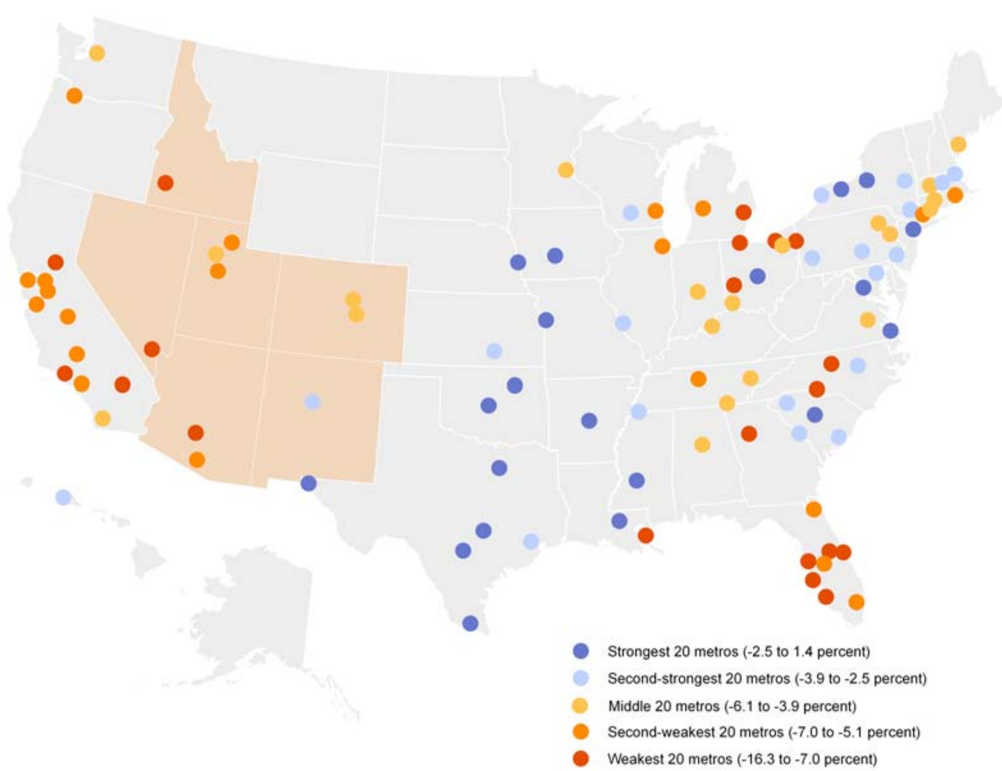
Across all metros, and within the Intermountain West, pre-recession levels of human capital, measured by adult bachelor's degree attainment rates, is a strong predictor of better job growth performance.[1] In this connection, large Mountain region metros with above-average college attainment rates saw their employment levels reduced by 2.5 percentage points fewer than their less-educated counterparts. High attainment rates in Denver and Provo partly explain their resilience.

[1] Using regression analysis on the full sample of the 100 largest metros, the relationship between 2007 education attainment and employment growth since peak proved to be significant under a variety of specifications, including controls for regional effects, racial demographics, employment shares in manufacturing, finance, construction, medical services, education services, and pre-recession GMP.

Change in employment before and during the recession by metro

Rank	Metros ranked by percent change in employment from peak	Percent change in employment, metro peak to 2009Q3	Percent change in employment, 2009Q2 to 2009Q3	Pre-recession employment growth, 2002Q3 to 2007Q3
1	Albuquerque, NM	-3.8%	-0.6%	8.8%
2	Colorado Springs, CO	-4.2%	-0.5%	5.5%
3	Salt Lake City, UT	-4.6%	-1.1%	13.9%
4	Denver-Aurora-Broomfield, CO	-4.6%	-0.4%	6.2%
5	Ogden-Clearfield, UT	-5.7%	-1.6%	12.6%
6	Tucson, AZ	-6.2%	-0.3%	12.5%
7	Provo-Orem, UT	-6.2%	-0.8%	23.8%
8	Las Vegas-Paradise, NV	-8.1%	-1.0%	26.1%
9	Boise City-Nampa, ID	-10.1%	-1.1%	16.7%
10	Phoenix-Mesa-Scottsdale, AZ	-10.6%	-1.5%	20.0%
	Comparison Aggregates			
	Intermountain West Metros	-7.0%	-1.0%	15.2%
	100 Largest Metros	-4.3%	-0.5%	5.9%
	United States	-4.6%	-0.5%	5.6%
	Comparison Metros			
	Sacramento--Arden-Arcade--Roseville, CA	-7.3%	-0.7%	8.7%
	Riverside-San Bernardino-Ontario, CA	-10.2%	-1.2%	17.4%

Percent change in employment, metro peak quarter to 3rd quarter 2009



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Unemployment

The unemployment rate across the 10 largest Intermountain West metros in September 2009 remained a full percentage point below the national average. Despite massive jobs losses, the large metros of the Intermountain West continued to perform better as a whole than the rest of the country in terms of the unemployment rate. Indeed, all of the 10 major Mountain metros except Las Vegas enjoyed unemployment rates lower than the national average.

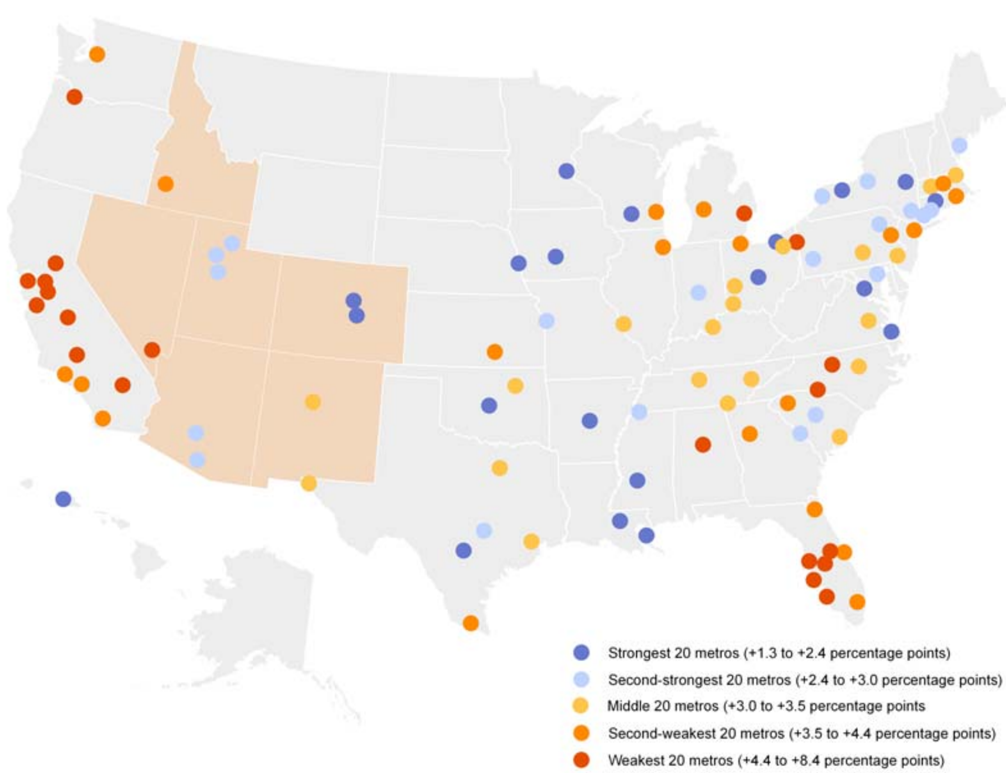
The lowest unemployment rates were found in Utah's main metros—Provo, Salt Lake, and Ogden—which are low enough to rank them in the top 10 nationally among large metros on joblessness. Provo's remarkable unemployment level of just 5.5 percent may result in large part from its huge concentration in education services as the home of Brigham Young University and its high ranking on college attainment. Salt Lake City, for its part, is notable for its strong financial sector—including the corporate offices of Wells Fargo and American Express—whose employees benefit from the sort of flexible analytical skills that are typically most in demand in today's labor market. Finally, Ogden benefits from a rather diversified industry base, which—while not concentrated in the fastest growing sectors—helps to shield its metro economy from being dragged down by weakness in any one field. In addition to food processing, over one quarter of Ogden's workforce is employed in the public sector (including a large branch of the Internal Revenue Service), and the metro is home to some major high tech manufacturers in the fields of metals, machinery and computers.

Unemployment rates, however, rose in each of the 10 largest Intermountain West metros over the year ending in September 2009. Significant regional variation exists, with increases in the unemployment rate ranging from 2.4 percentage points less than the national growth rate to 2.7 percentage points greater. Las Vegas' unemployment rate grew the most over the year at 6.2 percent, and now the metro's unemployment rate soars at 13.9 percent. On the positive side, Colorado Springs's unemployment rate rose by only 1.5 points, which is fourth best nationally. Colorado Spring's concentration in government as well as professional, scientific, and technical services likely explains part of its success. Denver, with its highly educated workforce and local financial sector, has also fared well over the last year.

Change in unemployment rate by metro

Rank	Metros ranked by change in unemployment rate	Change in unemployment rate, Sep. 2008 to Sep. 2009	Unemployment rate, Sep. 2009
1	Colorado Springs, CO	1.6%	7.2%
2	Denver-Aurora-Broomfield, CO	2.1%	7.1%
3	Provo-Orem, UT	2.5%	5.4%
4	Tucson, AZ	2.5%	8.3%
5	Ogden-Clearfield, UT	2.8%	6.2%
6	Salt Lake City, UT	2.9%	6.0%
7	Phoenix-Mesa-Scottsdale, AZ	3.0%	8.6%
8	Albuquerque, NM	3.3%	7.8%
9	Boise City-Nampa, ID	4.1%	9.4%
10	Las Vegas-Paradise, NV	6.2%	13.9%
	Comparison Aggregates		
	Intermountain West Metros	3.2%	8.6%
	100 Largest Metros	3.6%	9.6%
	United States	3.5%	9.5%
	Comparison Metros		
	Sacramento--Arden-Arcade--Roseville, CA	4.5%	11.9%
	Riverside-San Bernardino-Ontario, CA	5.2%	14.3%

Change in unemployment rate, September 2008 to September 2009



Gross Metropolitan Product

All 10 of the largest Intermountain West metros finally managed to achieve gains in economic output between the second and third quarters of 2009. Based on the most recent quarter to quarter changes, the Mountain West region slightly outpaced the national average in terms of economic growth. Over the second and third quarters, the Utah metros of Ogden, Salt Lake City, and Provo posted the largest gains in gross metropolitan product (GMP) with very rapid quarterly growth rates of 1.7, 1.3, and 1.2 percent, respectively (which convert to 6.8, 5.2, and 4.8 percent annualized growth rates). Only Denver, Colorado Springs, and Tucson performed below the national average.

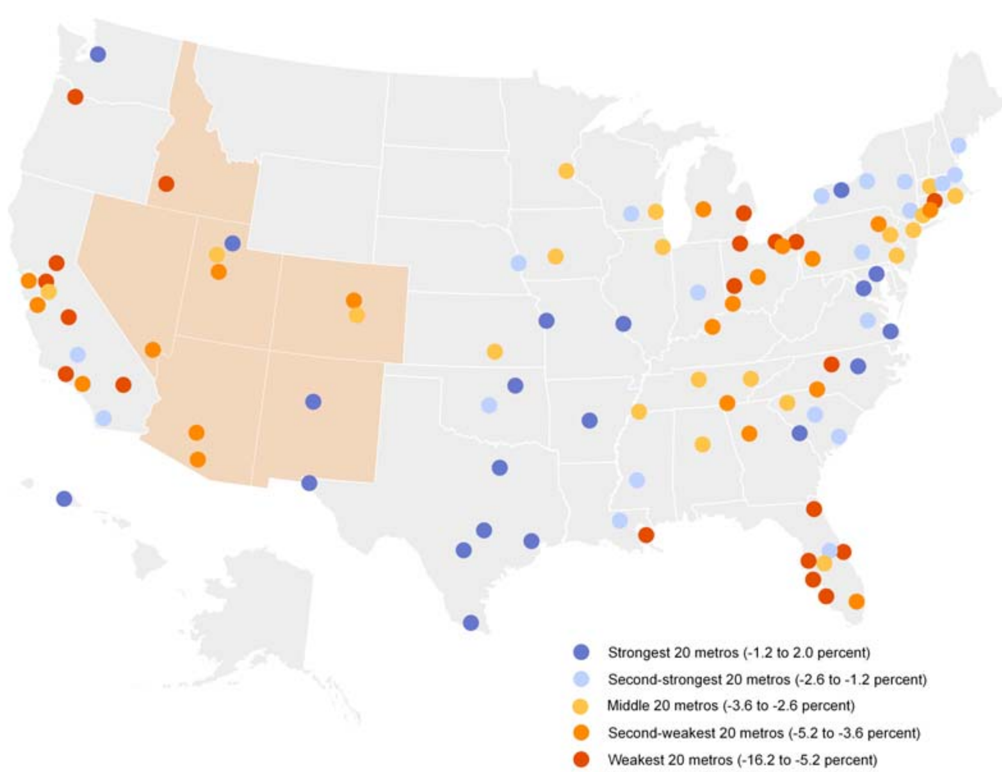
Even so, the Mountain metros' longer-term output declines from their pre-recession peaks to September remain significant and larger than those broadly experienced across the country. In aggregate, GMP across the largest Mountain West metros has fallen from its pre-recession level by 3.6 percent—a drop off that is over one percentage point greater than the national and top 100 metro averages. The largest declines from peak GMPs occurred in Boise, Las Vegas, Tucson, and Phoenix—all metros whose economies have suffered from the housing and tourism market busts. The decrease in economic output in each of these four metros has been roughly twice as severe as that experienced by the average large metro nationally.

Only one metro among the Intermountain West's 10 largest managed to fully recover its pre-recession level of economic output by the end of the third quarter. As of September 2009, only metro Albuquerque reached its pre-recession peak output, having posted no change. This metro's successful economic performance likely accrues in part from an adequate supply of college-educated workers and its high employment shares in hospital services, government, and professional, scientific, and technical services. Ogden has also performed better than average in terms of maintaining output relative to its pre-recession peak level. It is an average metro in terms of education attainment and its industry concentrations are not in the fastest growing sectors. Yet, in addition to food "manufacturing," over one quarter of its workforce is employed in the public sector, including in a large branch of the Internal Revenue Service. Moreover, some major high tech manufacturers in the fields of metals, machinery, medical instruments, and computers operate in Ogden.

Percent change in GMP by metro

Rank	Metros ranked by percent GMP change from peak	Percent GMP change, metro peak to 2009Q3	Percent GMP change, 2009Q2 to 2009Q3
1	Albuquerque, NM	0.0%	1.1%
2	Ogden-Clearfield, UT	-0.9%	1.7%
3	Colorado Springs, CO	-3.1%	0.4%
4	Salt Lake City, UT	-3.5%	1.3%
5	Provo-Orem, UT	-3.6%	1.2%
6	Denver-Aurora-Broomfield, CO	-4.3%	0.3%
7	Tucson, AZ	-4.6%	0.7%
8	Phoenix-Mesa-Scottsdale, AZ	-4.6%	1.1%
9	Las Vegas-Paradise, NV	-4.9%	0.8%
10	Boise City-Nampa, ID	-5.5%	1.0%
	Comparison Aggregates		
	Intermountain West Metros	-3.6%	0.9%
	100 Largest Metros	-2.4%	0.8%
	United States	-2.5%	0.8%
	Comparison Metros		
	Riverside-San Bernardino-Ontario, CA	-5.2%	0.9%
	Sacramento--Arden-Arcade--Roseville, CA	-5.7%	1.0%

Percent change in real GMP, metro peak to 3rd quarter 2009



Housing Prices

For seven of the 10 major metros in the Intermountain West annual house price declines were less severe this quarter than they were in the two preceding ones. This quarter-to-quarter comparison reveals that annual house price declines appear to be slowing and suggests that the worst of the housing crisis may have passed.

However, house prices continued to slump in the Mountain region in the third quarter, and slid an inflation-adjusted 8.5 percent between the third quarters of 2008 and 2009. The aggregate measure hides considerable variation among Intermountain West metros, however. Most notably, the regional average is weighed down by downright staggering price declines in Phoenix and particularly Las Vegas. There, house prices fell by over 20 percent over the course of the year. More broadly, half of the region's major metros languished in the bottom quintile of performers nationally. And yet, two Colorado metros—Denver and Colorado Springs—witnessed year-to-year price *increases*. Ogden-Clearfield and Albuquerque were also among the better performers in the country, ranking in the second-strongest quintile nationally.

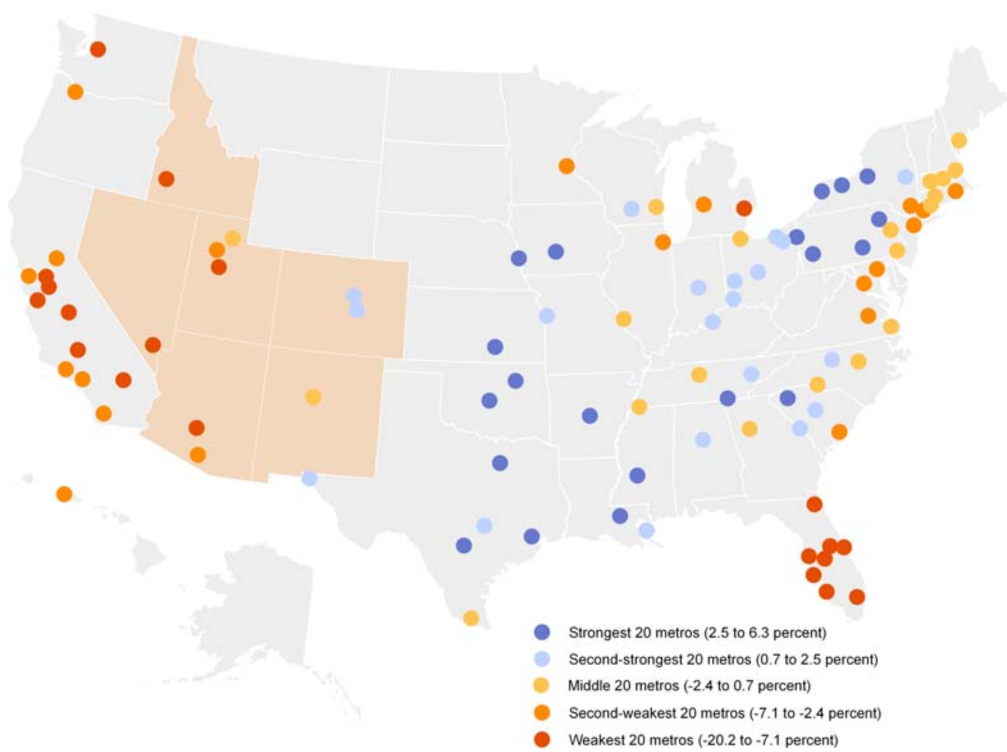
Much of the region's generally poor performance on housing prices can be explained by the bursting of the housing bubble, which grew spectacularly in certain Intermountain West metros. For years before the current recession much of the region witnessed spectacular house price inflation, as measured by the ratio of median home prices to median rental prices. This inflation (not to mention oversupply) served to exacerbate recent drops in real estate market value, so that in many cases the metropolitan markets in which prices climbed the fastest turned out to be the very ones in which prices fell the furthest. The two metros that have lost the most value in their housing markets—Las Vegas and Phoenix—had extraordinarily high house price-to-annual rent ratios in 2006. Markets in Albuquerque and Ogden, where house price inflation was much more mild (less than 10 percent of the national average), have retained much of their value. Denver's housing market, which has weathered the recession almost unscathed despite pre-recession house price inflation on par with Phoenix, represents a notable exception to these dynamics.[2]

[2] The median price-to-annual-median-rent ratios in Las Vegas, NV, Phoenix-Mesa-Scottsdale, AZ, and Denver-Aurora-Broomfield, CO, according to the U.S. Census Bureaus' 2006 American Community Survey, were 28.2, 27.3 and 25.5 percent respectively.

Percent change in real House Price Index by metro

Rank	Metros ranked by percent change in real HPI	Percent change in real HPI, 2008Q3 to 2009Q3
1	Denver-Aurora-Broomfield, CO	1.6%
2	Colorado Springs, CO	0.8%
3	Ogden-Clearfield, UT	-1.6%
4	Albuquerque, NM	-2.3%
5	Salt Lake City, UT	-5.8%
6	Tucson, AZ	-6.5%
7	Provo-Orem, UT	-8.3%
8	Boise City-Nampa, ID	-8.8%
9	Phoenix-Mesa-Scottsdale, AZ	-14.5%
10	Las Vegas-Paradise, NV	-20.2%
	Comparison Aggregates	
	Intermountain West Metros	-8.5%
	100 Largest Metros	-3.0%
	United States	-1.3%
	Comparison Metros	
	Sacramento--Arden-Arcade--Roseville, CA	-5.6%
	Riverside-San Bernardino-Ontario, CA	-9.1%

Percent change in real House Price Index, 3rd quarter 2008 to 3rd quarter 2009



Real Estate Owned (REO) Properties

Metropolitan areas in the Intermountain West confronted rising inventories of real estate-owned (REO) properties in the third quarter, possibly clouding some regions' recovery prospects. In every metro across the region the incidence of REOs increased more than it did in the average large U.S. metro. Denver, Provo, Boise City, and Tucson all posted significant upticks in REO growth. Quarter-on-quarter REO increases accelerated in Albuquerque, Denver, and Provo but slowed significantly and favorably in Las Vegas and Phoenix.

REO levels vary substantially across the Intermountain West. The number of REOs per 1,000 mortgageable properties in the region reached 8.15 in the third quarter, a post-crash peak and almost double the national large metro average of 4.32. Again, Las Vegas and Phoenix stand out as home to the largest number of REOs (17.40 and 12.19 per 1,000 mortgageable properties, respectively), with Boise joining them among the most troubled performers in the nation. Metros burdened by high REO growth rates are Colorado Springs, Denver, Tucson, and Boise, all of which rank in the second-weakest quintile of major metros nationally except for Boise, which resides in the weakest.

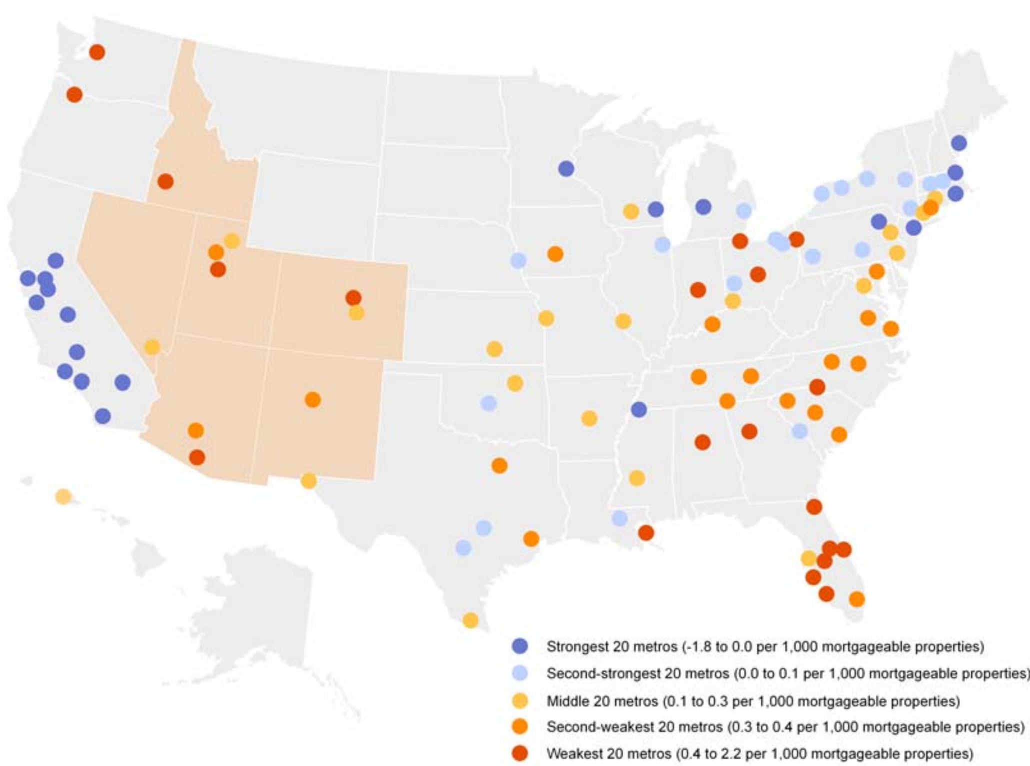
Not surprisingly, foreclosure rates are highest in the Intermountain West metros that had the highest subprime lending rates at the market's peak. Data from the Federal Financial Institutions Examination Council (FFIEC) show that 31.1 percent of Las Vegas mortgages were high cost loans in 2006, and that the corresponding figure for Phoenix was 30.3 percent while the national average was just 25.2 percent. Meanwhile, the remaining eight large Mountain West metros with high cost loan shares below the national average registered an REO rate of 3.35, which was also below the metropolitan and national averages.

Bank-owned properties continued to mount in all major Mountain West metros. Although the pace of REO increases has slowed for most metros, the numbers are still rising as mortgage defaults continue to increase. Boise and Tucson register some of the fastest rising REO rates in the country. Albuquerque and the three Utah metros posted fewer REOs than the national average but saw growth in their absolute number pick up. The neighboring California metros of Riverside and Sacramento suffered severely from the housing market crash but actually posted a fall in the total number of REOs this quarter, probably attributable to the implementation of the California Foreclosure Prevention Act. No such trend has yet emerged in the Intermountain West's bubble metros, although Las Vegas and Phoenix promisingly registered their smallest upticks in REOs since the recession's start.

Change in REOs by metro

Rank	Metros ranked by change in REOs	Change in REOs per 1,000 mortgageable properties, June 2009 to Sep. 2009	REOs per 1,000 mortgageable properties, Sep. 2009
1	Ogden-Clearfield, UT	0.19	1.84
2	Colorado Springs, CO	0.20	3.70
3	Las Vegas-Paradise, NV	0.21	17.40
4	Albuquerque, NM	0.35	1.66
5	Phoenix-Mesa-Scottsdale, AZ	0.38	12.19
6	Salt Lake City, UT	0.40	2.39
7	Denver-Aurora-Broomfield, CO	0.55	4.58
8	Provo-Orem, UT	0.56	2.81
9	Boise City-Nampa, ID	0.58	5.20
10	Tucson, AZ	0.61	4.59
	Comparison Aggregates		
	Intermountain West Metros	0.40	8.15
	100 Largest Metros	0.17	4.32
	United States	0.20	3.51
	Comparison Metros		
	Riverside-San Bernardino-Ontario, CA	-0.90	13.85
	Sacramento--Arden-Arcade--Roseville, CA	-0.29	7.85

Change in REOs per 1,000 mortgageable properties, June 2009 to September 2009



Overall Performance of Smaller Intermountain West Metros

The overall economic performance of the smaller metropolitan areas of the Intermountain West generally tracks with that of their larger neighbors. Job losses and output declines have been inordinately severe in these places, and unemployment rates continue to trend upwards. Also, like their larger neighbors, the smaller Mountain metros show great variation across their housing markets, with seven of the 17 smaller metros posting house price gains over the last year and five showing housing market depreciation greater than 10 percent.

As in the larger metros, variations in industry composition across the smaller Mountain metros affect local performance. For example, Las Cruces, where economic output remains at its pre-recession peak, and Pueblo, where job loss has been least severe, both benefit from heavy industry concentrations in medical services, nursing care, and social assistance—all sectors that have weathered the recession relatively well. Las Cruces also has one of the highest employment shares in the performing arts and spectator sports industries, which, nationally, has seen positive employment growth over the last quarter. Other New Mexico metros that have performed relatively well in maintaining economic output are Santa Fe, where large sectors include education and medical services, and the arts, and Farmington, which is heavily concentrated in mining (the fifth most recession-proof industry). By contrast, Reno, Prescott, and St. George—some of the smaller metros with the most severe declines in jobs and output—had 2006 shares of employment in the construction trades that were 130 to 220 percent higher than national averages. Not surprisingly, their overall economic performance suffered greatly from the housing market bust.

Human capital, finally, explains much of the variation in performance of the small metros of the Intermountain West, just as it does in larger metropolitan areas. In this respect, some of the region's smaller metros rank among the nations least and most educated—with predictable results. Two of the top performing metros during the recession have been Fort Collins and Boulder, for example. They are both extreme outliers in terms of human capital, with college attainments rates at 41 percent and 54 percent respectively—the latter making Boulder the most educated metro in the country. On the negative side, in Lake Havasu City-Kingman—which has suffered the greatest loss in employment and GMP among the smaller Mountain metros—only 11 percent of its working-age adult population possessed a college degree in 2007. In another poor performer, Yuma, the college attainment rate lies below 14 percent.

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 2009Q3	Change in unemployment rate, Sep. 2008 to Sep. 2009	Percent GMP change, metro peak to 2009Q3	Percent change in real HPI, 2008Q3 to 2009Q3
1	Pueblo, CO	-3.1%	1.6%	-2.8%	4.6%
2	Fort Collins-Loveland, CO	-3.3%	1.6%	-0.9%	1.8%
3	Boulder, CO	-5.2%	1.4%	-1.7%	2.4%
4	Las Cruces, NM	-4.1%	2.7%	0.0%	0.1%
5	Farmington, NM	-4.0%	4.7%	-0.2%	2.9%
6	Greeley, CO	-5.0%	2.5%	-1.3%	2.0%
7	Santa Fe, NM	-4.6%	2.8%	-0.1%	-2.0%
8	Logan, UT-ID	-8.1%	1.6%	-7.0%	1.8%
9	Spokane, WA	-4.4%	3.1%	-2.3%	-1.3%
10	Grand Junction, CO	-4.7%	4.5%	-1.8%	-3.9%
11	Flagstaff, AZ	-9.1%	2.5%	-3.8%	-5.7%
12	Carson City, NV	-9.2%	5.3%	-4.0%	-9.2%
13	Prescott, AZ	-12.8%	3.0%	-7.0%	-10.8%
14	Yuma, AZ	-8.3%	3.6%	-10.3%	-10.7%
15	Lake Havasu City-Kingman, AZ	-16.0%	2.5%	-10.3%	-10.8%
16	St. George, UT	-10.9%	3.2%	-7.6%	-11.5%
17	Reno-Sparks, NV	-13.0%	5.8%	-6.8%	-15.1%
	Intermountain West Small Metro Average	**-7.4%**	**3.1%**	**-4.0%**	**-3.9%**

About the Metropolitan Policy Program at the Brookings Institution

Created in 1996, the Brookings Institution's Metropolitan Policy Program provides decisionmakers 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 impactful 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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