

# III. TRENDS IN AMERICA'S FASTEST GROWING, MOST URBAN REGION

A fundamental transformation is underway in the Intermountain West. What were once desert outposts and small cities have become massive and booming urban regions. This section describes the dominant growth, economic, and demographic trends shaping the region. Three basic trends emerge:



- The region is in the midst of a population explosion
- The region's economy is rapidly changing
- Rapid growth is changing the face of the region

Despite local variation, the trends highlight the region's distinctiveness. No other region of the country today faces as strong growth pressures as does the Intermountain West. And projections suggest the region should continue to boom well into the 21st century.

## THE REGION IS IN THE MIDST OF A MAJOR, SURPRISINGLY URBAN POPULATION EXPLOSION

**The Intermountain West is experiencing some of the fastest population growth in the country.** Nevada, Arizona, and Utah ranked first, second and third in state growth rates between 2000 and 2007. None of the nine U.S. Census Bureau-defined regional divisions grew faster than the Mountain division, including the five Intermountain West states plus Montana, Wyoming and Idaho, in the first part of this decade. The Mountain division is also projected to continue growing the fastest of all the country's divisions

**The megapolitan West has far outpaced the nation's rate of population growth in this decade, led by booming Las Vegas**

	<b>Population, 2007</b>	<b>Population growth, 2000-2007</b>	<b>Percent population growth, 2000-2007</b>
Sun Corridor	5,529,862	1,076,582	24.2%
Front Range	3,895,548	453,410	13.2%
Wasatch Front	2,301,099	342,045	17.5%
Las Vegas	2,075,393	492,659	31.1%
Northern New Mexico	1,037,460	116,389	12.6%
Five mega total	14,839,362	2,481,085	20.1%
United States	301,621,157	19,426,849	6.9%

*Source: Brookings analysis of U.S. Census Bureau data*

through 2030.<sup>36</sup> While the region experienced periods of rapid growth and leveling off going back to the 18th century, the today's sustained rapid growth projections signal a new growth dynamic is at work in the region.

**Most of the new regional growth is occurring within the five megapolitan areas here termed the "megapolitan West."** As a group, the megapolitan West contains 80 percent of the five-state area's population, and captured 88 percent of the region's population growth since 1990. Growth in the megapolitan West has consistently outpaced national rates since 1940, with growth nearly three times the national rate in the 1990s and since 2000. Together, the five megapolitan areas in the Intermountain West picked up 11 percent of the nation's population growth between 1990 and 2007, and nearly 13 percent of the nation's growth since 2000.

**Leading the region is greater Las Vegas, which has been growing by more than 6 percent a year in the 1990s and more than 4 percent annually since 2000.** In fact, metropolitan Las Vegas added population more than twice as fast as any other large U.S. metropolitan area since 1969, including fast growing metropolitan Phoenix in the number two spot. Even the slowest growing of the anchor metropolitan areas in the Intermountain West, Albuquerque, still ranked among the top 30 fastest growing large U.S. metropolitan areas since 1969, shortly behind Denver and Salt Lake City.

**The megapolitan West is surprisingly dense.** In 2000, 93 percent of the megapolitan West's population lived in urbanized areas—areas that contain at least 1,000 persons per square mile—well above the national average of 79 percent. These rates translate to an average urbanized density of over five persons per acre in the megapolitan West,

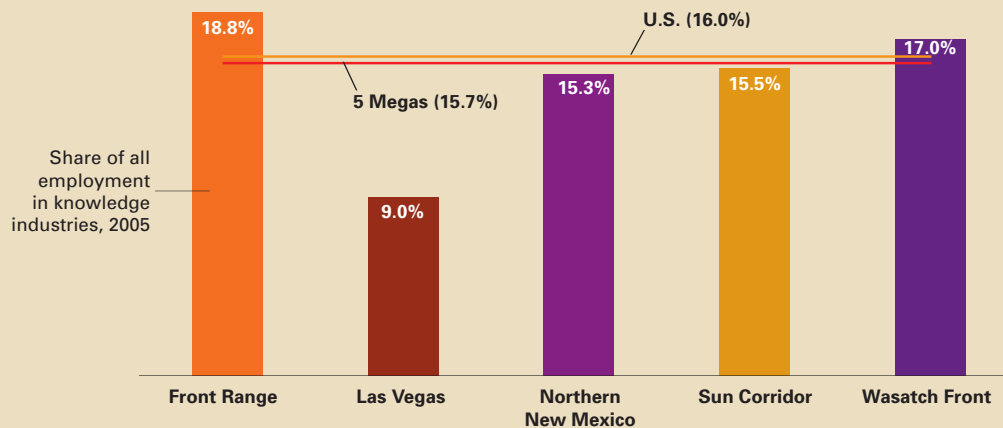
although in Las Vegas the figure jumps to more than seven persons per acre. Urban Denver and Salt Lake each had an urban density of six persons per acre in 2000—the same as in urban Chicago and far above the 3.6 persons per acre in urban Boston.

**THE REGION'S ECONOMY IS RAPIDLY CHANGING**

**Job growth has proceeded even faster than population growth.** Since 1970, the megapolitan West added 6.2 million jobs for a 3.9 percent annual increase over 1970 levels, well beyond the nation's 1.9 percent annual growth in jobs and 1.2 percent growth in population.<sup>37</sup> Las Vegas' job base grew by an astounding 6.0 percent annually, while the Sun Corridor alone added 2.25 million jobs. By 2005, the megapolitan West had captured a significantly larger share of U.S. employment growth (7.6 percent) than its share of national employment (4.9 percent). This strong growth has also kept unemployment levels low in the megapolitan West. As of December 2007, all of the megapolitan areas except greater Las Vegas had unemployment levels lower than the national average of 4.8 percent, with rates at 3 percent or lower in Northern New Mexico and the Wasatch Front.<sup>38</sup>

**Despite their historical importance to the region, few workers remain in resource-extractive industries.**<sup>39</sup> Private sector, non-agricultural jobs in natural resource-based industries, such as forestry and mining, declined 28 percent from 1990 to 2004. Resource-based industries, however, contained fewer than 16,000 employees in 2004 and only 0.3 percent of the megapolitan West's private sector, non-agricultural jobs. Agricultural employment has also declined from 2.3 percent of all jobs in 1969 to just 0.6 percent in

**Critical “knowledge industry” employment is variable across the Megapolitan West**



Source: Brookings analysis of data from the Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School

2005.<sup>40</sup>

**Following a larger national trend, clusters of firms and industries serving local clientele dominate the megapolitan West's economy.** These local clusters, such as health services, real estate, and construction establishments, constitute an increasing share of the metropolitan West's employment, rising from 65 percent of private-sector, non-agricultural jobs in 1990 to 69 percent in 2004, and captured 75 percent of the total private-sector, non-agricultural employment growth since 1990. Average annual wages for employment in local clusters in the megapolitan West (\$30,700) were on par with average national wages (\$30,400) in 2004.

**The remaining employment growth occurred in critical “traded” clusters, which export services and products to other regions and countries.** Traded clusters, such as business and financial services, are particularly important to a region's economy because of their generally higher wages, productivity, and innovation potential.<sup>41</sup> However, employment in traded clusters dropped from 34.5 percent of the region's private-sector employment in 1990 to 30.7 percent in 2004. Still, traded clusters maintained a slightly stronger foothold in the megapolitan West than for the whole United States. Nationally, the share of employment in traded clusters declined from 34.1 percent in 1990 to 29.3 percent in 2004. At the same time, the megapolitan West has seen greater employment growth in its traded sector. Only 13 percent of the national employment growth from 1990 to 2004 occurred in traded clusters compared to

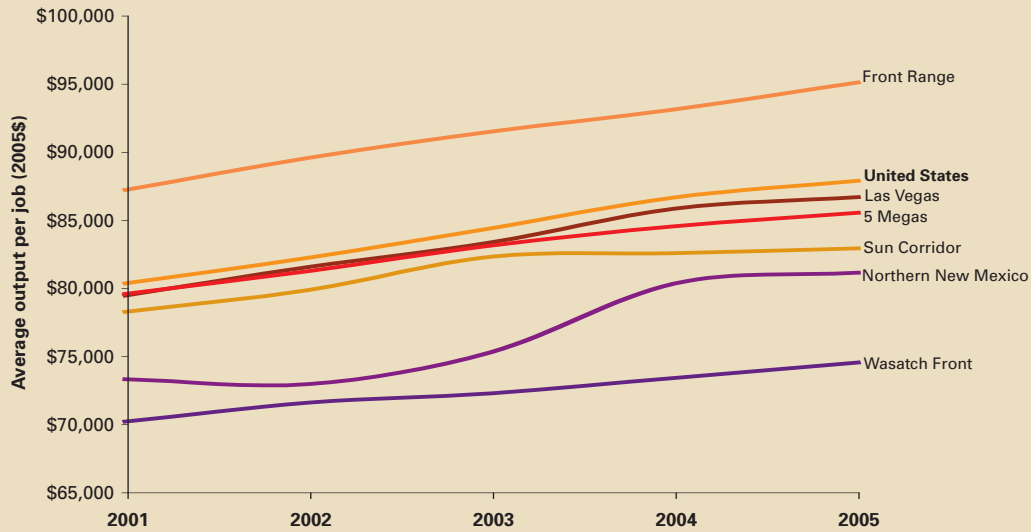
the megapolitan West's robust 25 percent.

**The hospitality and tourism cluster employed more workers than other traded clusters in the megapolitan West.** Unlike traded clusters such as information technology and financial, business, and distribution services, average annual wages in the export hospitality cluster are low, although these jobs are often tip-dependent and wages do not reflect tip earnings. This helps to explain why average annual wages in traded clusters in the megapolitan West (\$44,000) were 12 percent lower than the national average (\$49,400) in 2004.

**The region's megas vary in their specialization in especially strategic “strong clusters.”** Competitive strength and wages closely track specialization in “strong clusters”—export-oriented industries in which a metropolitan area's concentration of employment ranks it in the top fifth of all metropolitan areas nationally.<sup>42</sup> On this front, Las Vegas leads the way in the share of its export-oriented employment in strong clusters (73 percent). Phoenix, Colorado Springs, Tucson, and Denver also place more than half of their export-oriented employment in strong clusters. Salt Lake and especially Albuquerque are more diversified with 43 and 25 percent of their traded cluster employment in strong clusters.

**The megas also vary in the extent of their involvement in knowledge-driven economic activity.** In 2005, one million jobs in the megapolitan West were in high-value “knowledge” clusters—defined as financial services, information technology, health care, and knowledge creation.<sup>43</sup>

### Labor productivity trails the national average in all megas but the Front Range



Source: Brookings analysis of Bureau of Economic Analysis data

Rates of concentration across the megapolitan West varied substantially, from 9.0 percent of employment in Greater Las Vegas to 18.8 percent of employment in the Front Range. Denver and Phoenix made the top 40 U.S. metropolitan areas for total employment in each of the four knowledge clusters in 2004.<sup>44</sup> Salt Lake City and Provo, in the Wasatch Front, placed high nationally in the knowledge creation and information technology clusters, and Albuquerque ranked high nationally for information technology, alongside Colorado Springs. Relatively speaking, however, the megapolitan West's share of employment in these knowledge clusters (15.7 percent) slightly lagged behind the national average (16 percent).

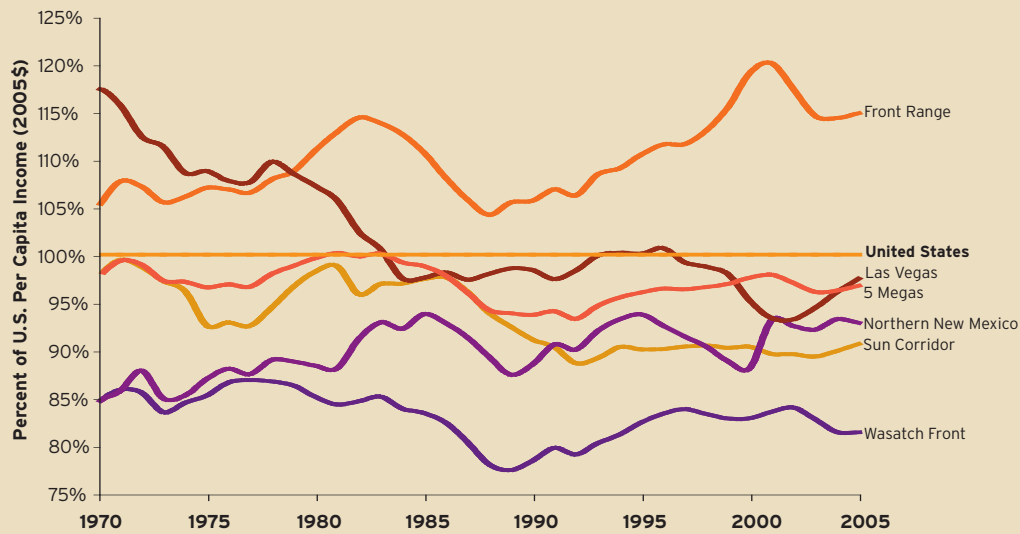
**Economic change has helped drive up productivity across the megapolitan West—but not as fast as it could.** "Productivity isn't everything, but in the long run it is almost everything," declares economist Paul Krugman.<sup>45</sup> And so it is: Economists generally agree that few indicators matter more than productivity, which points to the efficiency by which an economy generates value from resources and so income. By this measure, the Intermountain West's megas—while they are moving up the value chain as their economies grow and change—have a ways to go to secure true prosperity. To be sure, average labor productivity—the value of goods and services produced per worker—rose in the megapolitan West from about \$79,500 per year in 2001, to \$85,400 per year in 2005. However, the 2005 figure in the region remained slightly beneath the national average of \$87,771. Only the Front Range among the megas exhibited

above-average productivity. What is more, productivity *growth* across the megapolitan West also lagged national rates, with output per job rising by just 1.8 percent on average each year from 2001 to 2005 compared to 2.3 percent nationwide. Had the region seen the same rate of growth as the nation, it would have nearly pulled even with national productivity levels.

The region's middling performance on productivity is troubling and something of a puzzle. Productivity is a crucial indicator of the efficiency and value of an economy that heavily determines living standards. And so its lag merits concern. At the same time, the relative youth of the region's current labor force may be constraining productivity growth temporarily in advance of potential future leaps forward. In any event, output per unit of labor expended remains a crucial metric of prosperity and bears constant monitoring.

**Living standards—as measured by per capita income—are also lower than average in the megapolitan West.** Because labor productivity largely determines living standards, it should not be surprising that the Intermountain megas continue to struggle to raise their living standards. Since 1969, per capita income has consistently trailed national levels in three of the region's megapolitan areas—Northern New Mexico, the Sun Corridor, and the Wasatch Front.<sup>46</sup> Northern New Mexico had the lowest per capita income of the five areas relative to U.S. levels in 1969, but improved notably by 2005. On the other hand, Las Vegas started with the highest per capita income of our five

**Per capita income in the megapolitan West is lower today than the national average, except again in the Front Range**



Source: Brookings analysis of Bureau of Economic Analysis data

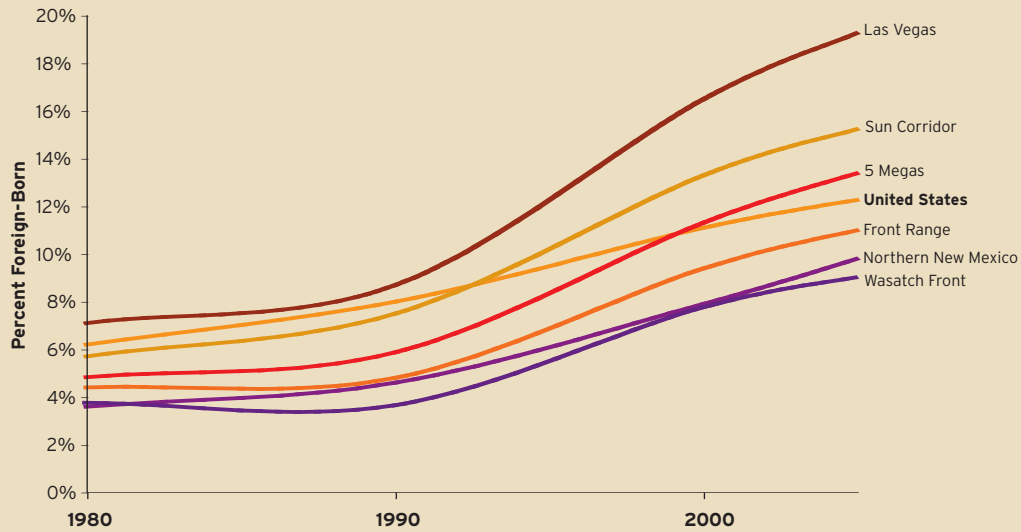
**Overall, the inferior per capita levels in the megapolitan West persist despite real income growth of 73 percent since 1969, outpacing national growth of 69 percent.**

megapolitan areas but experienced substantial erosion of its income level compared to U.S. levels from 1969 to 1995. Paralleling the productivity trends, only the Front Range has seen consistently higher per capita income relative to U.S. levels since 1969. Overall, the inferior per capita levels in the megapolitan West persist despite real income growth of 73 percent since 1969, outpacing national growth of 69 percent. Low per capita figures may be a result of the part-time workers and larger than average household sizes in the megapolitan West, and especially in the Wasatch Front.

**At the same time, living costs are slightly higher in the megapolitan West than the nation as a whole.**

Averaged across multiple items, such as housing, transportation, energy, and health care, overall living costs appear only slightly higher than the national average (approximately 1.8 percent higher).<sup>47</sup> Average costs in Greater Las Vegas and the Sun Corridor range higher (at 3.1 and 2.6 percent higher). Food and health care costs are consistently higher in the region than nationally, while median housing and utility costs tend to be lower. Still, pockets within the megapolitans, such as in Santa Fe, NM; Boulder, CO; and Park City, UT, have substantially higher housing costs, and therefore have higher overall living costs.

### Immigration is increasing the share of foreign-born residents in these areas



Source: Brookings analysis of U.S. Census Bureau data

## RAPID GROWTH IS CHANGING THE FACE OF THE REGION

**Growth in the megapolitan West incorporates both a natural population increase and migration from elsewhere in the United States.** Native-born U.S. citizens have increased by more than 70 percent in the megapolitan West since 1990, capturing approximately 15 percent of the country's native-born growth. Recent transplants to the megapolitan West most frequently move from the "old Sun Belt"—California, Texas, and Florida—and other areas within the Intermountain West.

**Immigration has played an important role in the megapolitan West's growth.** Since 1990, the foreign-born population has almost quadrupled in the megapolitan West, growing from about a half million to just under 2 million. The megapolitan West's share of residents that are foreign-born increased from 5.9 percent in 1990 to 13.7 percent in 2006. Greater Las Vegas and the Sun Corridor now have the largest concentrations of residents that are foreign-born within the megapolitan West, at 19.8 percent and 15.6 percent, respectively. The Sun Corridor alone is home to 43 percent of the region's immigrants, with 834,000 residents that were foreign-born in 2006. A majority of the megapolitan West's foreign-born population is from Mexico and the rest of Latin America, with small contingents from Asia and Europe.

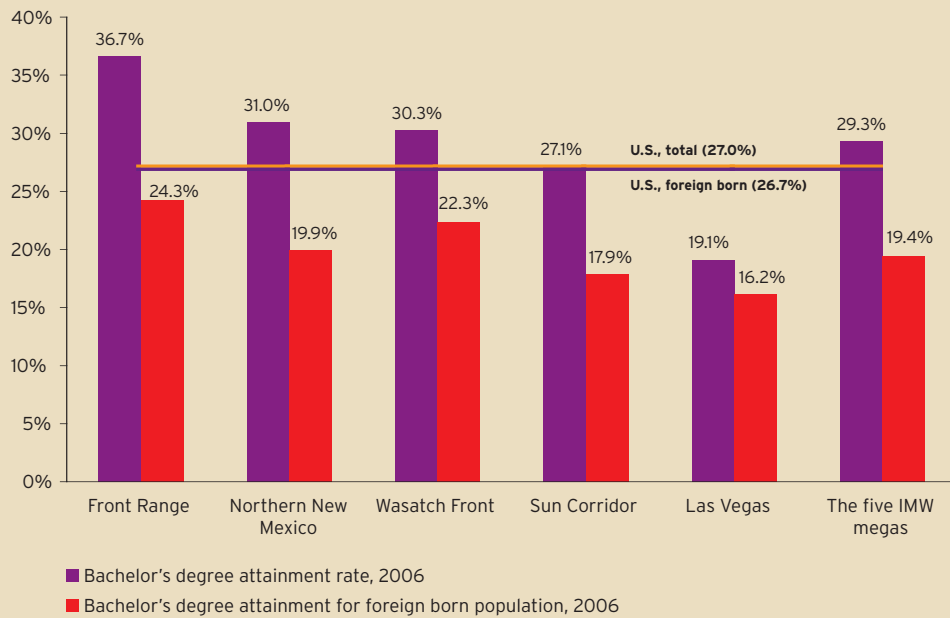
**The newness of the immigrant wave is striking.** Sixty-one percent of the megapolitan West's population that is foreign-born entered the country after 1990, and half of

those have arrived since 2000.<sup>48</sup> These rates are slightly higher than the national average (54 percent entering since 1990 and 24 percent entering since 2000.) The Wasatch Front stands out for having the region's largest share of immigrants entering since 1990, a full 12 percentage points higher than the national average. Surprisingly, slower-growing Northern New Mexico now has proportionally more very recent immigrants (entering since 2000) than any of the other immigrant gateways in the region.<sup>49</sup>

**The racial and ethnic mix of the megapolitan West is slowly but steadily diversifying.** In 1990, 86 percent of megapolitan West residents were white (compared to 80 percent nationally). By 2005, the share of white residents had dropped to 80 percent in the region (compared to 75 percent nationally). Given its proximity and strong immigration from Mexico, the megapolitan West has a larger than average and fast-growing Hispanic population (of all races). Hispanics in the Wasatch Front grew more than 200 percent since 1990, and grew more than 400 percent in greater Las Vegas. Although growing slower than the nation, Northern New Mexico is home to the largest proportion of Hispanics in the megapolitan West at nearly 45 percent of the megapolitan area's population in 2005.

**Today's labor force is relatively well educated in the megapolitan West.** The share of adults 25 years and older with at least a bachelor's degree in the megapolitan West has consistently exceeded national shares. In 1990, 23.7 percent of megapolitan West residents had bachelor's degrees, compared with 20.3 percent nationally. By 2006,

**Educational attainment for the foreign-born population significantly lags average attainment in each of the five megapolitan areas**



Source: Brookings analysis of U.S. Census Bureau data

the share of residents in the megapolitan West with bachelor's degrees rose to 29.3 percent, compared to 27 percent nationally. More than 60 percent of recent migrants to the region—both domestic and international—reported having at least some college education.<sup>50</sup>

**However, a large share of the metropolitan West's fast-growing immigrant population is poorly educated.** Nearly 40 percent of the megapolitan West's foreign-born adult population had less than a high school education in 2005, compared to 32 percent of all U.S. adult immigrants who did not have a high school education. Similarly, only 19 percent of the adult immigrants in the megapolitan West had college degrees in 2006, compared to 27 percent nationally. Of the region's immigrants arriving this decade, more than half did not report any college education.<sup>51</sup>

**Sizable spatial and racial disparities in educational attainment crisscross the megapolitan West.** Residents in the Front Range are particularly well educated, consistently outperforming national levels regardless of race. The reverse tends to be true in Greater Las Vegas, where educational attainment lags national levels. Disparities between Hispanics and the other races were stark: only 11 percent of Hispanics had college degrees in the megapolitan West in 2006 compared to 43 percent of Asians, 35 percent of non-Hispanic whites, 21 percent of blacks, and 15 percent of American Indians.<sup>52</sup> These disparities are troubling given

the Census Bureau's projections that Hispanics will comprise almost half of the country's population growth through 2040 and will reach more than 20 percent of the region's future workforce.<sup>53</sup>

**At the same time, the megapolitan West's prominent middle class has been shrinking and income disparities have grown.** In 1970, an above-average share (42.1 percent compared to 40.6 percent nationally) of families in the megapolitan West enjoyed "middle-class" incomes, defined as ranging between 80 and 150 percent of their area's median family income.<sup>54</sup> By 2005, there were more lower-income families (earning less than 80 percent of their median area family income) than there were middle-income families in all five megapolitan areas, and the middle-class share dropped to 33.7 percent (compared to 32.2 percent nationally). Fortunately, some families in the megapolitan West were upwardly-mobile, resulting in modest gains in the upper-income bracket (families earning more than 150 of the median area family income) by 2005. Thus, areas once heavily populated by middle-class families now show deep class divides. While troubling on many fronts, the relative erosion of the middle class and gain in both lower and upper income families closely tracks a larger national trend of widening income gaps between the rich and poor.<sup>55</sup>

## THE BOOMING MEGAPOLITAN WEST WILL LIKELY KEEP ON BOOMING

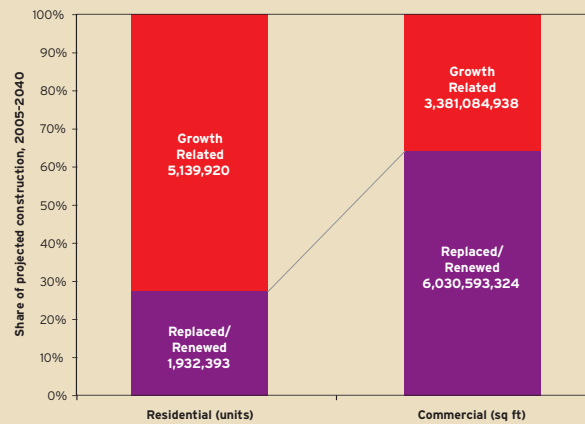
Overall, the United States is projected to grow rapidly. Consider that the nation has just past 300 million residents and seems well on its way to adding the next 100 million by 2040.<sup>56</sup> In fact, population growth this decade is approaching the U.S. Census Bureau's high trend prediction of 311 million people by 2010 (the likely number is 309 million).<sup>57</sup>

While America will keep adding people and retain aging ones, the Intermountain West is projected to gain a disproportionate share of this growth. Together, the five Intermountain West megapolitan areas are projected to grow by nearly 12.7 million residents and to add more than 8 million jobs by 2040.<sup>58</sup> This means the megapolitan West's population would nearly double (increase by 91 percent) and jobs would more than double (increase by 107 percent) their 2005 levels by 2040. This growth constitutes more than 88 percent of the five state region's projected population and employment growth between 2005 and 2040. It also constitutes more than 12 percent of the nation's projected population growth and more than 9 percent of the nation's projected job growth between 2005 and 2040.

Continued growth will likely require tremendous new construction from now to 2040.<sup>59</sup> The megapolitan West would likely have to build 5.1 million new housing units and replace or renew 1.9 million existing dwellings to accommodate 12.7 million new residents. This means that by 2040, the megapolitan West may have nearly doubled the number of housing units as were on the ground in 2005 (5.6 million units), plus replaced or upgraded another quarter as many more. It also means that nearly two-thirds of all the housing units in place by 2040 will have been constructed (new or replaced) since 2005. The estimated construction cost attached to this massive growth and replacement of homes in the megapolitan West is \$2.25 trillion.<sup>60</sup>

Equally staggering, a total of 9.4 billion square feet of new or replacement non-residential space may need to be built to accommodate an additional 8 million jobs by 2040. Nearly 6 billion square feet of this space (64 percent) is replacement inventory, which is a much larger share of the stock replaced than in housing due to the shorter life cycle of commercial real estate. This means that between now and 2040, the megapolitan West may build nearly the same amount of new commercial real estate as was on the ground in 2005, and replace nearly twice as much as it cur-

To accommodate growth, the megapolitan West may need to build or replace 7 million residential units and 9.4 billion square feet of commercial space by 2040



Source: Analysis conducted for Brookings by the Metropolitan Institute at Virginia Tech

rently has by 2040. The total value of this non-residential construction reaches an estimated \$916 billion.

New construction may also require massive new investments in infrastructure by 2040, estimated at around \$648 billion. These investments include both public and private infrastructure, such as roads and sewers, making infrastructure—and its financing—one of the major challenges facing the Intermountain West in the coming decades.

The projections presented in this section present only one growth scenario for megapolitan areas in the Intermountain West. Other possible outcomes are worth exploring. One scenario is that the Western quality of life becomes so compromised due to overdevelopment that it drives people from the region. Another is that environmental limits such as declining air quality or dwindling water supply sharply constrain the region's carrying capacity. The current downturn in the nation's economy and the drag of the housing market could also drive down the amount of new development. Rising energy prices may constrain new development and devalue buildings in far-flung, inaccessible locations.<sup>61</sup>

The momentum for growth in the West appears strong, however. While the exact year that the Intermountain West's megapolitan areas achieve the development numbers shown in the projections is hard to know, the chance that these gains eventually will be seen is highly probable.