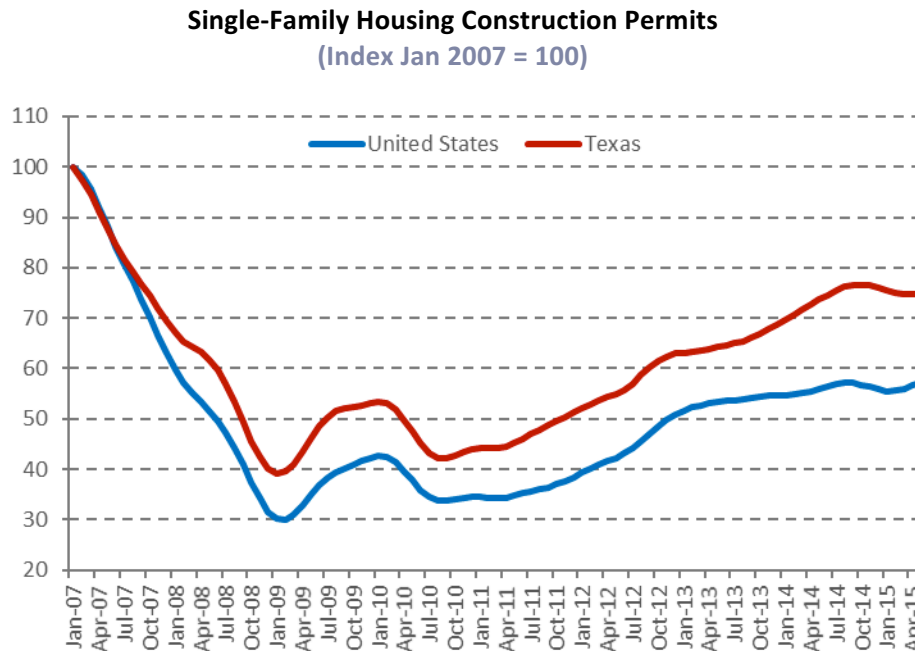


About this Reference Document

This document helps you understand and interpret a particular economic indicator that is part of the larger *Outlook for the Texas Economy*. Note that all data, charts, and explanations presented are from prior reports and thus are not current. Your feedback is always appreciated. Send comments and suggestions to info@recenter.tamu.edu.

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Note: Seasonally adjusted and detrended.

Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

The U.S. Census Bureau estimates and publishes building permit information — a monthly survey with national, state and local statistics on the number and valuation of new privately owned housing units authorized by building permits in the United States.

Building permit data are collected from individual permit offices, most of which are municipalities; the remainder are counties and townships. Because building permits are public records, local area data can be published without any confidentiality concerns. From local area data, estimates are tabulated for counties, states, metropolitan areas, census divisions, census regions and the United States. Data are also collected for Puerto Rico and U.S. territories, although these areas are excluded from the national estimates

The Building Permits Survey covers all "permit-issuing places," which are jurisdictions that issue building or zoning permits. Zoning permits are used only for areas that do not require building permits but require zoning permits. Areas for which no authorization is required to construct a new privately owned housing unit are not included in the survey

The portion of residential construction measurable from building permit records is inherently limited because such records obviously do not reflect construction activity outside of areas subject to local permit requirements. For the nation as a whole, less than 2 percent of all privately owned housing units are constructed in areas not requiring building permits. However, this proportion varies greatly from state to state and among metropolitan areas

The reported statistics on building permits are influenced by the following factors.

- Some new residential construction work in building permit jurisdictions escapes recording. However, the number of such unrecorded units is likely very small.
- Detailed evidence is lacking as to how closely the valuation recorded for building permit purposes approximates the dollar amount of construction work involved.
- Changes in boundaries of localities resulting from annexations, new incorporations, etc., result in some comparability problems over time, even with statistics for the same places.
- Some building permit jurisdictions close their books a few days before the end of the month so time references for permits are not strictly for the calendar month in all cases.

The housing market is generally seen as one of the first economic sectors to rise or fall when economic conditions improve or degrade. Housing permits can be early indicators of activity in the housing market and the economy. New residential housing construction generally leads to other types of economic production. Sustained declines in building permits can signal a slowdown in the economy and a possible recession. Likewise, increases in building permits can be seen as an upturn in economic growth, signaling an expansion.

Because building permits precede new house construction, housing activity should increase (decrease) along with permits. The graph indicates a sharp decline in the number of building permits for Texas and the United States from 2007–08. There is a temporary turning point for Texas at the end of 2008 and for the United States at the start of 2009, a consequence of the temporary tax relief program for new housing purchases established by the U.S. government during 2009–10. While actually reaching a trough in November 2010, the number of building permits expanded before slowing in the first months of 2014. In comparison, the number of building permits issued in the United States continues to lag behind Texas with respect to timing and growth rates.

Source: U.S. Census Bureau

<http://www.census.gov/construction/bps/>