

Building Permits Survey

2023 Building Permits Survey Sample Methodology Change

1. What is the current methodology for the Building Permits Survey?

The current methodology of the Building Permits survey relies on a target universe defined approximately every ten years, with the current being updated in 2014. The universe is defined as all permit issuing jurisdictions in the United States at the time of the last update. Once a universe is set, the Building Permits Survey keeps the universe constant in order to maintain consistency in what is measured. If for example, a jurisdiction began issuing permits in 2021, that change would not have been made to the 2014 universe on which current estimates are based. It would be held out of the estimates until the next universe update.

This has been the design since about 1959 and has been historically important as the U.S. shifted from not requiring building permits to nearly always requiring them. In 1959 there were approximately 10,000 permit issuing jurisdictions and in 2014 there were approximately 20,100. Since the estimates help measure economic activity, the intention is to measure growth in authorized units in the same permit issuing jurisdictions, separated from growth from jurisdictions switching from not requiring a permit to beginning to require them.

Prior to a universe update, we would send out our “Survey of Residential Building or Zoning Permit Systems” to jurisdictions we have listed as not issuing permits to see if this has changed. Those jurisdictions that did begin issuing permits would be included in the upcoming universe definition.

2. What is the new methodology for the Building Permits Survey?

Beginning with the January 2023 data, the Building Permits Survey will switch to an annually updated universe. This means that the Building Permits Survey will begin to make changes to the target jurisdictions in the universe as we learn about them. If for example we learn a jurisdiction starts issuing permits during 2023, we will add that jurisdiction to the survey when we learn about that change.

While jurisdictions that begin issuing permits will now be eligible for the survey, it’s important to remember that we are not contacting non-permit issuing jurisdictions to ask if they began issuing permits frequently. Some jurisdictions do notify us when they begin and some data users or other stake holders also may inform us of a local change. Our intention beginning in 2024 is that the “Survey of Residential Building or Zoning Permit Systems” will continue to be used to learn of jurisdiction changes but will change to be a rotating or periodic request instead of a set ten-year schedule.

3. What is the reason for the change to universe methodology?

The main driver of the change was that the universe of permit issuing places in the U.S. has largely stabilized, relative to changes that occurred from 1959-2014. The need to hold a universe constant to measure economic activity has largely been removed as nearly all new housing units are authorized by a permit already. The Survey of Construction measures new

housing units in areas where a permit is not required and only about 1% of all units occur in a non-permit required area as of 2022.

From the 2004 to 2014 universe change we added about 800 new permit issuing jurisdictions to the universe. From 2014 to 2022, we have found less than 100 that have changed to permit issuing.

At this time, we feel the need to keep up with geographic changes and maintain a more real-time coverage of permit issuing places outweighs the need to hold the universe constant.

4. What is the benefit of the new universe design?

The benefit is that the Building Permits Survey data will more accurately reflect the current permit issuing reality for jurisdictions going forward. This adds to the completeness of the survey data, removing the constraint of a fixed target universe. Jurisdictions that change from non-permit to permit issuing will more quickly see their estimates appear in the Building Permits Survey data. Data users will also have these additional jurisdictions appear in the data more frequently.

5. What is the impact on the related estimates from the Survey of Construction, such as Housing Starts?

While the intention is to add the new permit-issuing jurisdictions as we learn about them, one complication is the impact on the data released from the Survey of Construction, such as Housing Starts. Since the Building Permits Survey is much larger and more accurate than the Survey of Construction, items such as housing starts are ratio adjusted back to the Building Permit totals. In more general terms, the Survey of Construction finds the rate at which new units authorized by permit are starting and that rate is applied to the Building Permit total. This keeps total units in all estimates in-line with the more accurate building permit totals. While this will not impact housing starts that are authorized by permit, the Survey of Construction also measures and adds in housing units started in non-permit areas. While this only represents about 1% of the total, we need to reduce that estimate as places move to permit issuing in order to avoid double counting. This adjustment will be made annually in the January survey month going forward as necessary. Each January, the Building Permits Survey will begin including all new permit issuing jurisdictions found throughout the year in all the housing units authorized by permits data. At the same time, the Survey of Construction will make the appropriate adjustment to the non-permit estimates to avoid duplication if necessary.

The impact of this will be minimal for two reasons. One, only jurisdictions found in the previous year will be added unlike the former ten-year process. With more continuous updates the impact each year will be minimal. And two, the total possible impact if all jurisdictions switched to permit issuing at once is only 1% of the total.

6. When will the new jurisdictions be reflected in the Building Permits Survey data files?

As stated above, the impact on the Survey of Construction data somewhat limits our ability to move to full real-time coverage for the Building Permits Survey alone. In addition, we are not getting real-time updates from jurisdictions when they change either. Given these two things, we generally will expect a lag from when we find out about a change and when it is processed and incorporated into the estimates. We intend to limit adding places to the aggregate Building permit estimates to annually with the January monthly data and each year in the Annual

Building Permits data. Each year, we will add all the new permit issuing jurisdictions found in the previous year to the aggregate estimates.

While the jurisdictions need to wait to be added to the aggregate estimates in January, the local jurisdiction or place level data can be updated at any time. When we add a jurisdiction to the survey, the local place level data will show the new place immediately as an additional jurisdiction. We then can hold that new record out of being included in the aggregate estimate totals (County, MSA, State, and U.S. total) until January monthly data and the next annual release. At that point, these records will begin being included in all aggregate totals.

In the January 2023 survey data, all jurisdictions found from 2014-2022 that are now issuing permits will be added to the monthly Building Permits Survey data files. For the upcoming 2022 Annual Building Permits Survey, the target universe will remain 2014. For the 2023 Annual Building Permits Survey, the target universe will be updated to match the jurisdictions surveyed monthly during 2023.

7. What is the anticipated impact of adding these additional places to the target universe in January 2023?

The anticipated impact of adding the additional permit issuing places found from 2014-2022 is minimal. Based on annual values and estimates, these places represent about 0.06% of the total units authorized in 2021. This accounts for 0.1% of single units and 0.01% of 2+ units authorized in 2021.