

# Understanding Residential Growth With a Leading Indicator

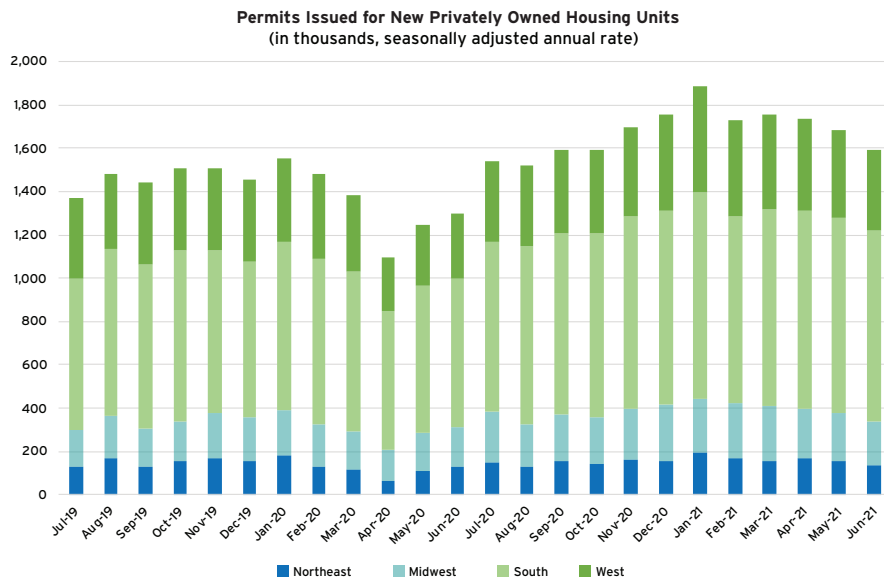
By Erin McLaughlin



**W**ith the strength of the residential market driving much of the U.S. economy, it is key for engineering firms—and not just those providing land development services—to understand key economic indicators and regional variances. One leading indicator is the Building Permits Survey (BPS). Sourced from the U.S. Census Bureau, BPS provides the annual rate of new privately owned housing units authorized by building permits. Recent data tells us the rate has exceeded 1.6 million

units nationwide since November 2020, with a recent peak of nearly 1.9 million units in January 2021 (a number not seen since May 2006).

With data provided monthly and broken down geographically, BPS provides insights regarding *where* and *at what growth rate* new U.S. housing is being built. This data can inform engineering firms regarding markets that are strong for land development and surveying firms. But beyond that, the data shows what municipalities and metropolitan areas are adding residents. New residents in an area often precede new community infrastructure



Source: U.S. Census Bureau

## WHAT STATES ARE IN WHAT CENSUS REGION?

**Northeast:** CT, MA, ME, NH, NJ, NY, PA, RI, & VT

**Midwest:** IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, & WI

**South:** AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, & WV

**West:** AK, AZ, CA, CO, HI, ID, NM, MT, NV, OR, UT, WA, & WY



## A/E Revenues Rebound

Total A/E revenues fully rebounded to pre-pandemic 2019 levels in the second quarter of 2021, according to the U.S. Census Bureau’s Quarterly Services Survey. The “advance estimate” of quarterly revenues was \$91 billion in Q2 2021, a 9.8 percent increase from the previous quarter and a 14.3 percent increase over the same quarter in 2020, which was the first full quarter of the pandemic-caused recession.

This growth is a complete recovery from the decline A/E firms experienced in 2020. A/E revenues were flat for most of 2020, after decreasing about 11 percent during the recession. The rebound began at a moderate

pace of about 4 percent during Q1 of 2021 before growing more significantly in the second quarter.

Economic analysts credit the rebound the A/E and other sectors are experiencing to vaccine access, ongoing federal fiscal stimulus, and increased consumer spending. Optimism is shared by the 49 professional forecasters who make up the National Association for Business Economics (NABE) regular outlook panel, which predicted growth in its second quarter Outlook Survey.

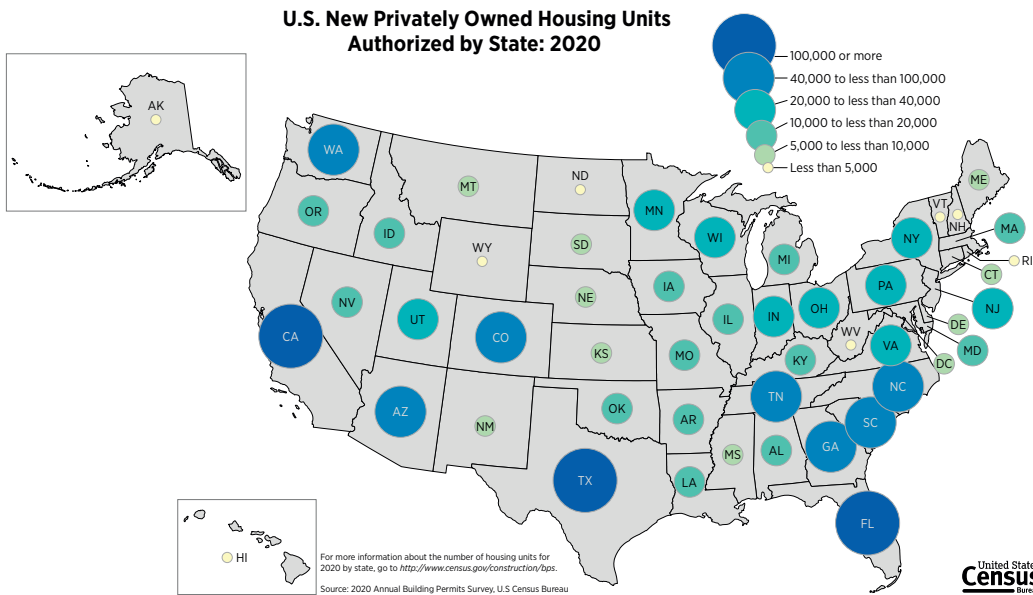
“NABE panelists have grown more optimistic about the prospects for economic growth in 2021,” according to NABE President Manuel Balmaseda, chief economist at CEMEX, a building materials company. “The median forecast calls for an 8.5 percent annualized growth rate in the second quarter of 2021. The panel has become

design and construction opportunities (and new property taxes collected). New residents also often mean growth in market sectors, including water/wastewater, secondary roadways, schools, and civic facilities such as police and fire stations, recreation centers, and libraries. Within the private sector, it is often said that “retail follows rooftops,” so opportunities in commercial design would also follow many new residential developments. Such data on growth of developments in certain areas can not only inform an engineering firm’s business development strategy, but also its strategies around acquisitions and opening offices in new geographies.

Although the current housing boom has

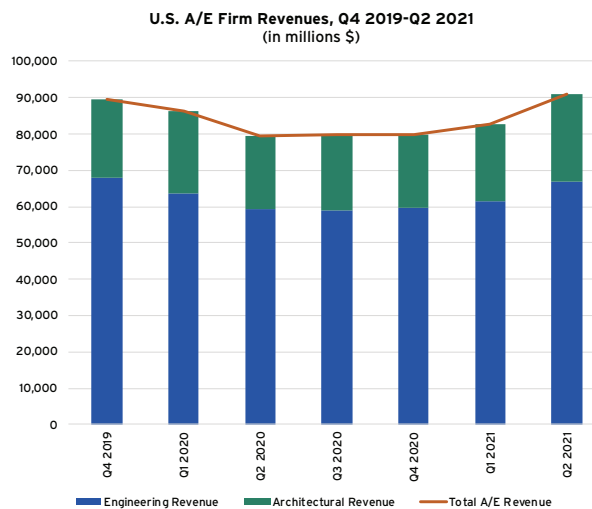
provided growth to every region in the United States, not all are growing at the same rate. Analyzing the last 24 months of available data from the Census Bureau (July 2019 through June 2021) shows that the number of authorized housing units grew by 16.4 percent nationally. The South grew the fastest at 25.4 percent; the Midwest followed with 20.6 percent growth; and there was only 3.8 percent growth in the Northeast and 1.9 percent in the West during the past two years. The featured map shows growth by state during 2020.

To dive into the BPS data yourself—including by metropolitan area—visit [census.gov/construction/bps](http://census.gov/construction/bps).



significantly more bullish about 2021 as a whole.”

The panelists predicted a median real GDP growth estimate for 2021 at 6.7 percent in the May Outlook Survey, up from the 4.8 percent GDP growth predicted in the March survey. However, many analysts are increasingly cautious in their optimism, due to the delta variant of COVID-19, which has increased infection rates across much of the United States.



Source: U.S. Census Bureau



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