

# Market Absorption of Apartments

## ANNUAL: 1976 ABSORPTIONS

### (Completions in 1975)

U.S. Department of Commerce  
BUREAU OF THE CENSUS

U.S. Department of Housing  
and Urban Development

H-130-76-5  
Issued May 1977

During 1975, completions of privately financed, non-subsidized and unfurnished apartments in buildings of 5 units or more totaled about 216,500. Of these, 70 percent were rented within the first 3 months of completion, 85 percent were rented within 6 months, and 95 percent within 12 months.

Forty-nine percent of these new apartments had 2 bedrooms, while those with less than 2 were about the same at 45 percent, and 6 percent had 3 bedrooms or more. Monthly rents for 7 percent of the new units had rents of less than \$150. Those renting for \$150 to \$199 accounted for 37 percent and those renting for \$200 or more accounted for 56 percent of the total (see table 1). Two out of 3 (68 percent) included swimming pools in rental payments, and 1 out of 2 (52 percent) included air conditioning at no extra cost (see table 3).

Three months after completion of these apartments, the absorption rates were generally lower for units with higher rents. Of the apartments renting for less than \$125, approximately 86 percent were rented within 3 months, while those renting for \$250 or more had an absorption rate of 58 percent within the same period. The absorption rates for the higher-priced units remained generally lower than for the less expensive units as their market exposure continued.

The majority (91 percent) of these unfurnished apartments were constructed inside standard metropolitan statistical areas, with 53 percent located outside central cities and 38 percent inside central cities. Regional differences were apparent. A regional comparison of the total shows that two-fifths (41 percent) were built in the South, compared to the Northeast region in which 14 percent were built. Figures for the North Central were 25 percent built compared to the West region in which 20 percent were built (see table 2).

The data are based on a sample survey and consequently the figures cited above are subject to sampling variability. Sampling errors (i.e., standard errors) for the figures that follow are indicated in parentheses.<sup>1</sup> These standard errors imply there are

<sup>1</sup> See Reliability of Estimates.

about 2 chances out of 3 that a complete count would be contained in the interval around the estimate defined by the standard error.

Throughout all of 1975 a total of about 360,700 privately-financed apartments were completed in buildings with 5 or more units, of which 60 percent ( $\pm 1.2$  percentage points) were non-subsidized unfurnished apartments. Of the remainder, 23 percent ( $\pm 1.0$  percentage points) are cooperatives and condominiums with a 3-month absorption rate of 44. Cooperatives and condominiums are predominately 2 bedrooms or larger and 54 percent of them are located in the South region of the United States (see table 6).

Furnished rental units accounted for 3 percent ( $\pm 0.4$  percentage points) of the total number of privately financed apartments. Three months after completion of these units, 90 percent were absorbed. While about one-half of all unfurnished units are the 2-bedroom type, only one out of seven of the furnished are 2-bedroom units. The survey indicates that a furnished apartment is likely to be smaller than an unfurnished one, with the one and no bedroom categories accounting for 85 percent of the furnished units while these categories are 45 percent of the unfurnished (see tables 4 and 5).

Excluded from the survey are units in federally subsidized properties, 10 percent ( $\pm 0.8$  percentage points), built under these programs of the Department of Housing and Urban Development: Senior Citizens Housing direct loans (Section 202), FHA below-market interest rate mortgages (Section 221 BMIR), FHA interest supplements on rental mortgages (Section 236) and all units in buildings containing apartments in the FHA rent supplement program. However, the data include privately owned housing, subsidized by State and local governments. In addition, 4 percent ( $\pm 0.6$  percentage points) are excluded for other reasons including turnkey housing (privately built and sold to local public housing authorities subsequent to completion).

### ILLUSTRATIVE USE OF THE TABLE OF STANDARD ERRORS

Table 1 of this report shows that 33,743 units completed in 1975 rented for \$150-\$174. Table A shows the standard error of an estimate of this size to be approximately 2,253. The chances are 68 out of 100 the estimate differs from a complete census by less than 2,253. The chances are 95 out of 100 that the estimate differs from a complete census by less than 4,506 (twice the standard error).

Table 1 shows the rate of absorption after three months for these 33,743 units is 77 percent. Table B shows the standard error of a 77 percent rate on a base of 33,743 to be approximately 3.4 percent. Consequently, chances are 68 out of 100 that the estimated rate would be within 3.4 percentage points of a complete census figure and chances are 95 out of 100 that the estimated rate would be within 6.8 percentage points of a census figure; i.e., the 95 percent confidence interval would be from 70.2 to 83.8 percent.

**Table A. Standard Errors of Estimated Totals January to December 1975 Completions**

(1 standard error)

Estimated total	Standard error	Estimated total	Standard error
5,000.....	850	75,000.....	3,450
10,000.....	1,210	100,000.....	4,050
15,000.....	1,480	150,000.....	5,090
20,000.....	1,730	250,000.....	6,860
25,000.....	1,930	350,000.....	8,160
35,000.....	2,300	450,000.....	10,290
50,000.....	2,780	600,000.....	11,760

**Table B. Standard Errors of Estimated Percentages: January to December 1975 Completions**

(1 standard error)

Base of percentage	Estimated percentage					
	98 or 2	95 or 5	90 or 10	80 or 20	75 or 25	50
5,000.....	2.9	4.6	6.2	8.2	9.0	10.4
10,000.....	2.1	3.2	4.4	5.8	6.3	7.4
15,000.....	1.7	2.6	3.6	4.8	5.2	6.0
20,000.....	1.4	2.2	3.1	4.2	4.5	5.2
25,000.....	1.3	2.0	2.8	3.7	4.0	4.6
35,000.....	1.1	1.7	2.3	3.1	3.4	3.9
50,000.....	0.9	1.4	2.0	2.6	2.9	3.3
75,000.....	0.7	1.2	1.6	2.2	2.3	2.6
100,000.....	0.6	1.0	1.4	1.8	2.0	2.3
150,000.....	0.6	0.8	1.1	1.5	1.7	1.9
250,000.....	0.4	0.6	1.0	1.2	1.4	1.5
350,000.....	0.4	0.6	0.8	1.0	1.1	1.3
450,000.....	0.3	0.5	0.6	0.9	1.0	1.1
600,000.....	0.2	0.4	0.6	0.7	0.8	1.0

Table 1. Absorption Rates for Apartments Completed During 1975 by Number of Bedrooms and Rent Classes, for the United States

(Privately financed, nonsubsidized, unfurnished apartments in buildings with 5 units or more. Data regarding number of bedrooms and asking rent are collected at the initial interview; i.e., 3 months following completion)

Characteristics	Total		Percent absorbed after--			
	Number	Percent	3 months	6 months	9 months	12 months
Total.....	216,502	100	70	85	92	95
Less than \$125.....	2,297	1	86	92	95	96
\$125 to \$149.....	12,015	6	78	90	96	98
\$150 to \$174.....	33,743	16	77	91	97	99
\$175 to \$199.....	46,212	21	74	89	96	98
\$200 to \$249.....	61,930	29	73	88	93	96
\$250 or more.....	60,305	28	58	74	84	89
No bedroom.....	7,808	4	75	86	92	95
Less than \$125.....	455	(Z)	79	84	85	89
\$125 to \$149.....	1,644	1	77	88	95	96
\$150 to \$174.....	1,227	1	91	99	100	100
\$175 to \$199.....	1,705	1	82	92	97	100
\$200 to \$249.....	1,260	1	60	80	93	97
\$250 or more.....	1,518	1	63	74	79	87
1 bedroom.....	90,479	42	73	87	94	97
Less than \$125.....	1,413	1	89	96	98	99
\$125 to \$149.....	7,563	3	79	91	97	100
\$150 to \$174.....	23,745	11	77	91	97	98
\$175 to \$199.....	22,931	11	76	91	97	99
\$200 to \$249.....	20,362	9	74	88	93	96
\$250 or more.....	14,465	7	56	72	82	90
2 bedrooms.....	105,795	49	68	83	91	94
Less than \$125.....	392	(Z)	88	94	95	95
\$125 to \$149.....	2,713	1	80	91	93	98
\$150 to \$174.....	8,535	4	75	91	95	98
\$175 to \$199.....	21,003	10	71	87	94	97
\$200 to \$249.....	38,148	18	73	87	94	96
\$250 to \$299.....	22,044	10	66	83	91	95
\$300 or more.....	12,960	6	43	58	71	79
3 bedrooms or more.....	12,421	6	63	80	89	92
Less than \$175.....	369	(Z)	78	84	88	88
\$175 to \$199.....	574	(Z)	72	93	100	100
\$200 to \$249.....	2,160	1	68	87	94	96
\$250 to \$299.....	4,103	2	66	83	92	96
\$300 or more.....	5,215	2	57	74	83	87

(Z) Indicates less than one-half of one percent.

Table 2. Absorption Rates for Apartments Completed During 1975, by Geographic Area

(Privately financed, nonsubsidized, unfurnished apartments in buildings with 5 units or more)

Geographic areas	Total		Percent absorbed after--			
	Number	Percent	3 months	6 months	9 months	12 months
United States, total.....	216,502	100	70	85	92	95
Inside SMSA's:						
In central city.....	83,044	38	69	84	91	94
Not in central city.....	115,408	53	69	84	92	95
Outside SMSA's.....	18,050	8	80	95	98	99
Northeast.....	30,242	14	63	77	85	90
North Central.....	53,908	25	74	88	93	97
South.....	89,141	41	68	83	91	95
West.....	43,211	20	73	90	95	97

Table 3. Absorption Rates for Apartments Completed During 1975, by Presence of Air Conditioning and Swimming Pool, for the United States

(Privately financed, nonsubsidized, unfurnished apartments in buildings with 5 units or more)

Characteristics	Total		Percent absorbed after--			
	Number	Percent	3 months	6 months	9 months	12 months
Unfurnished total.....	216,502	100	70	85	92	95
Air conditioning:						
Included in rent.....	112,215	52	73	87	93	96
Available at extra cost.....	84,911	39	64	80	89	94
Not available.....	17,391	8	77	92	97	98
Not reported.....	1,985	1	(NA)	(NA)	(NA)	(NA)
Swimming pool:						
Included in rent.....	148,234	68	67	84	92	95
Available at extra cost.....	8,112	4	48	58	66	74
Not available.....	58,669	27	80	91	96	97
Not reported.....	1,487	1	(NA)	(NA)	(NA)	(NA)

NA Not available because data was not computed.

**Table 4. Furnished Apartments Completed During 1975, by Number of Bedrooms and Rent Classes, for the United States**

(Privately financed, nonsubsidized, furnished apartments in buildings with 5 units or more. Data regarding number of bedrooms and asking rent are collected at the initial interview; i.e., 3 months following completion)

Characteristics	Total	
	Number	Percent
Total.....	10,790	100
RENT CLASSES		
Less than \$150.....	1,434	13
\$150 to \$174.....	5,265	49
\$175 to \$199.....	1,535	14
\$200 to \$249.....	1,275	12
\$250 or more.....	1,281	12
BEDROOMS		
None.....	3,336	31
1 bedroom.....	5,841	54
2 bedrooms.....	1,457	14
3 bedrooms or more.....	156	1

**Table 5. Absorption Rates for Furnished Apartments Completed During 1975, by Rent Classes and Bedrooms, for the United States**

(Privately financed, nonsubsidized, furnished apartments in buildings with 5 units or more. Data regarding asking rent are collected at the initial interview; i.e., 3 months following completion. Data may not add to total due to rounding)

Characteristics	Total	Percent absorbed within--			
		3 months	6 months	9 months	12 months
Total.....	10,790	90	98	99	100
RENT CLASSES					
Less than \$150.....	1,434	87	100	100	100
\$150 to \$174.....	5,265	96	99	99	100
\$175 to \$199.....	1,535	85	95	98	100
\$200 to \$249.....	1,275	88	96	99	99
\$250 or more.....	1,281	75	93	98	100
BEDROOMS					
None.....	3,336	85	96	99	100
1 bedroom.....	5,841	93	99	99	100
2 bedrooms.....	1,457	87	95	96	98
3 bedrooms or more.....	156	100	100	100	100



**Table 6. Cooperative and Condominium Apartments Completed During 1975, by Number of Bedrooms and Geographic Regions, for the United States**

(Privately financed, nonsubsidized, apartments in buildings with 5 units or more. Data regarding number of bedrooms are collected at the initial interview, i.e., 3 months following completion. Data may not add to total due to rounding)

Characteristics	Total	
	Number	Percent
Total.....	82,205	100
BEDROOMS		
None.....	1,270	2
1 bedroom.....	16,404	20
2 bedrooms.....	48,186	59
3 bedrooms or more.....	16,344	20
REGION		
Northeast.....	7,085	9
North Central.....	6,843	8
South.....	44,373	54
West.....	23,904	29

**Table 7. Absorption Rates for Cooperative and Condominium Apartments Completed During 1975, by Number of Bedrooms and Geographic Regions, for the United States**

(Privately financed, nonsubsidized, apartments in buildings with 5 units or more. Data regarding number of bedrooms are collected at the initial interview, i.e., 3 months following completion. Data may not add to total due to rounding)

Characteristics	Total	Percent absorbed within--			
		3 months	6 months	9 months	12 months
Total.....	82,205	44	54	62	68
BEDROOMS					
None.....	1,270	63	71	76	80
1 bedroom.....	16,404	49	58	66	74
2 bedrooms.....	48,186	42	52	59	64
3 bedrooms or more.....	16,344	44	56	66	71
REGION					
Northeast.....	7,085	48	63	72	76
North Central.....	6,843	46	61	74	78
South.....	44,373	41	48	54	60
West.....	23,904	48	60	70	77

