

U.S. DEPARTMENT OF COMMERCE
Bureau of the Census

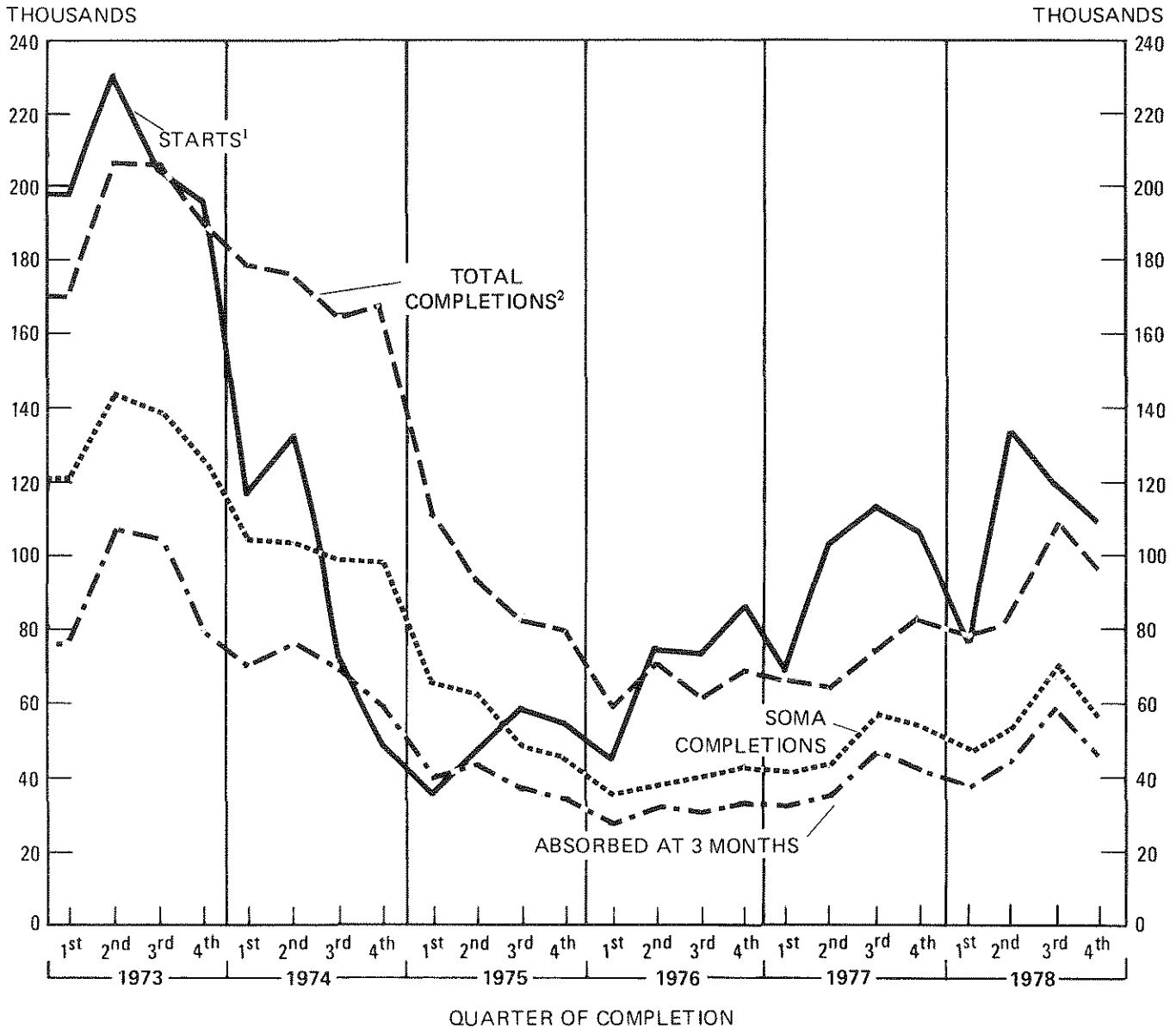
Market Absorption of Apartments

U.S. DEPARTMENT OF HOUSING
and URBAN DEVELOPMENT

First Quarter 1979 Absorptions
(Completions in Fourth Quarter 1978)

H-130-79-01
Issued June 1979

Figure 1. Units in Apartment Buildings Started, Completed, and Absorbed: 1973 to 1978



Note: Limited to building with five units or more in permit-issuing places.

1. Source: Construction Report, C-20-79-2 (February 1979) Table 2.

2. Source: Construction Report, C-22-79-2 (February 1979) Table 1.

Privately financed apartments completed during the October-December 1978 quarter were absorbed after 3 months following completion at an estimated seasonally adjusted rate of 85 percent. There is some evidence that this is slightly higher than the seasonally adjusted rate of 80 percent for apartments completed during the third quarter of 1978. The nonseasonally adjusted rate of 81 percent does not significantly differ from the seasonally adjusted rate. Apartments which have been on the market for 9 months—those completed during April-June 1978—were 98 percent rented (see table 3).

The median asking rent for newly constructed units was \$262. Apartments renting for less than \$150 accounted for 1 percent while those renting for \$150 to \$199 accounted for 13 percent. In comparison, 28 percent rented for \$200 to \$249 and 58 percent rented for \$250 or more (see table 1).

The data are based on a sample survey and consequently the figures cited above are subject to sampling variability. As shown in table 3, the 85 and 98 percent figures are subject to sampling errors (i.e., standard errors) of 1.9 and 0.8 percentage points, respectively. This means that there are about 2 chances out of 3 that a complete count would be in the range of 85 (± 1.9)

percentage points and 98 (± 0.8) percentage points. Sampling errors for the figures that follow are indicated in parenthesis.¹

A total of 97,000 ($\pm 4,070$) apartments were completed during the fourth quarter of 1978. Of this total, some 56,400 ($\pm 2,140$) or 58 percent (± 2.0) were the type covered by the Survey of Market Absorption (SOMA), i.e., privately financed, unfurnished rental units built without Federal subsidy in buildings with five or more apartments.

Of the remaining 42 percent (± 2.0), cooperatives and condominiums account for 18 percent (± 1.5) of the total with a 3 month absorption rate of 77 percent (± 4.0)—see table 4. Furnished rental units account for 2 percent (± 0.6). Also excluded from the survey are units in federally subsidized properties 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 236), and all units in buildings containing apartments in the FHA rent supplement program, which together account for 19 percent (± 1.6). The remainder are

¹ See Reliability of Estimates on page 5.

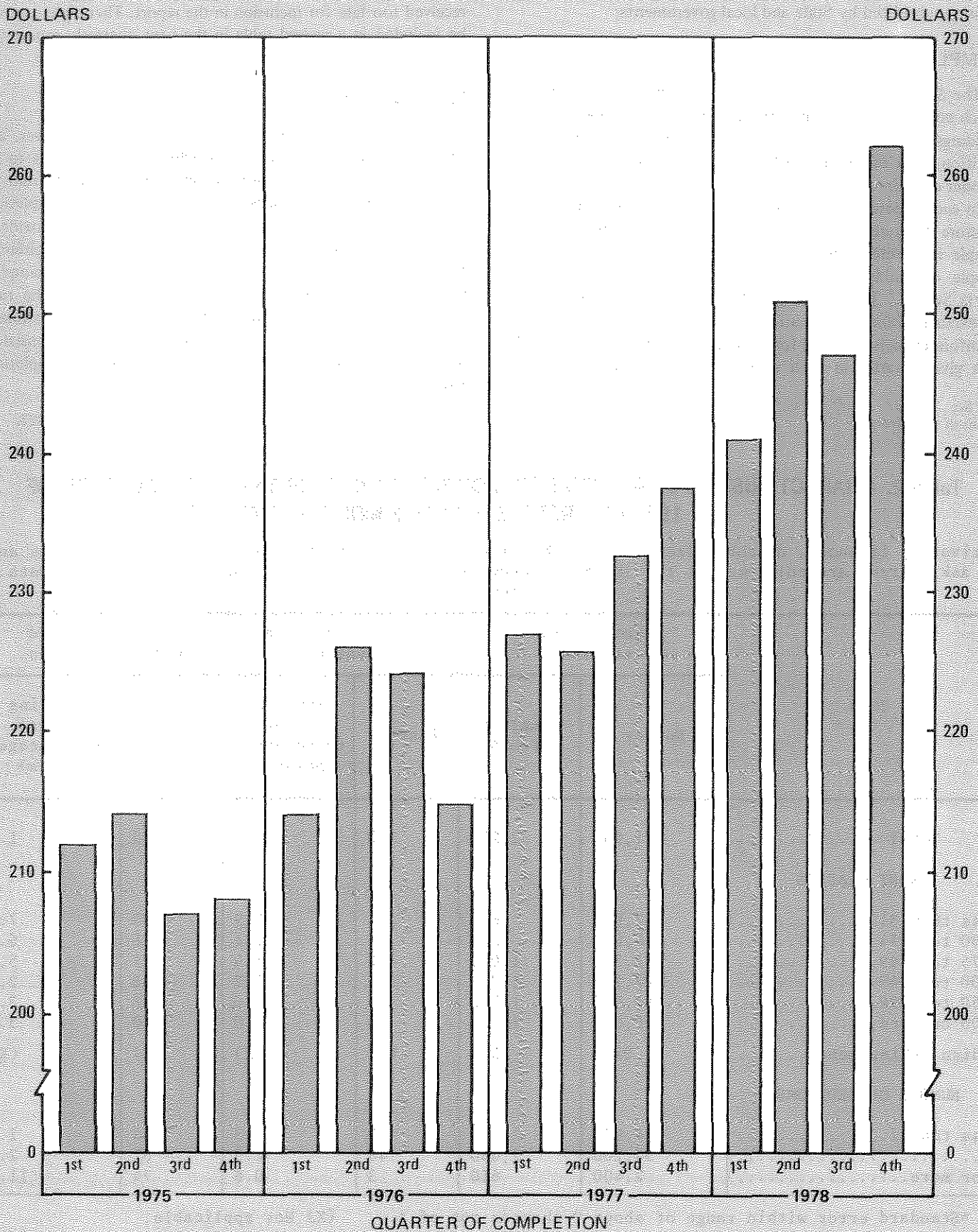
Table 1. CHARACTERISTICS OF APARTMENTS COMPLETED DURING THE FOURTH QUARTER OF 1978 AND RENTED WITHIN 3 MONTHS

(Privately financed, nonsubsidized, unfurnished apartments. Data regarding number of bedrooms and asking rent are collected at the initial interview, i.e., 3 months following completion. Data not seasonally adjusted)

Item	Total units completed		Percent of total units		Percent rented within 3 months	
	Number	Sampling error*	Percent	Sampling error* (percentage points)	Percent	Sampling error* (percentage points)
Total.....	56,400	2,140	100	(X)	81	2.1
RENT CLASSES						
Less than \$150.....	300	220	1	0.5	96	14.2
\$150 to \$174.....	3,100	690	5	1.2	89	7.1
\$175 to \$199.....	4,700	850	8	1.4	85	6.5
\$200 to \$249.....	15,700	1,480	28	2.4	81	3.9
\$250 to \$299.....	17,800	1,560	32	2.5	81	3.7
\$300 or more.....	14,800	1,440	26	2.3	76	4.4
Median asking rent.....	\$262	4.1	(X)	(X)	(X)	(X)
NUMBER OF BEDROOMS						
Less than 2.....	28,500	1,870	51	2.6	86	2.6
2.....	25,900	1,810	46	2.6	74	3.4
3 or more.....	2,000	560	4	1.0	81	11.0

*Standard error within range of about 2 chances out of 3. (X) Not applicable.

Figure 2. Median Rent of Apartments Completed in the United States: 1975 to 1978



Note: Limited to buildings with five units or more in permit-issuing places.

excluded for other reasons, including turnkey housing (privately built and sold to local public housing authorities subsequent to completion). The data, however, include privately owned housing subsidized by State and local governments.

SAMPLE DESIGN

The SOMA is designed to provide data concerning the rate at which nonsubsidized and unfurnished privately financed units in buildings with five or more units are rented (or absorbed). In addition, data on characteristics of the units, such as rent and number of bedrooms, are collected.

In each quarter, a sample of about 2,000 buildings with five or more units completed during that quarter, is selected. The sample is selected from buildings reported as completed in a sample of building permits in the Census Bureau's Housing Starts Survey.² Buildings completed in nonpermit-issuing areas are excluded from consideration in this survey.

Information is obtained for the units in the buildings selected in a given quarter in each of the next four quarters on the

²See "Housing Starts," Construction Reports Series C20, for the details of this survey.

proportion of units occupied 3, 6, 9, and 12 months after completion.

Each quarter the absorption data for some buildings are received too late for inclusion in the report. These late data will be included in a revised table in the next quarterly report (see table 2).

ESTIMATION

The estimation procedure used in the survey involves, as a final step, the inflation of the weighted sample results to the quarterly estimates of housing completions obtained from the Housing Completions Survey. As the Housing Completions Survey is based on a larger sample than SOMA, it provides a more stable set of controls for estimates which can be obtained from both surveys. In addition to reducing the sampling variability of the estimates of totals from SOMA, the ratio estimation procedure, as a useful byproduct, produces estimates of the units completed in a given quarter which are consistent with the published figures from the Housing Completions series.³

³See "Housing Completions," Construction Reports, Series C22.

Table 2. CHARACTERISTICS OF APARTMENTS COMPLETED DURING THE THIRD QUARTER OF 1978 AND RENTED WITHIN 3 MONTHS (REVISED)

(Privately financed, nonsubsidized, unfurnished apartments. Data regarding number of bedrooms and asking rent are collected at the initial interview, i.e., 3 months following completion. Data not seasonally adjusted)

Item	Total units completed		Percent of total units		Percent rented within 3 months	
	Number	Sampling error*	Percent	Sampling error* (percentage points)	Percent	Sampling error* (percentage points)
Total.....	71,500	2,220	100	(X)	83	1.8
RENT CLASSES						
Less than \$150.....	2,900	670	4	0.9	87	7.8
\$150 to \$174.....	4,600	840	6	1.1	86	6.4
\$175 to \$199.....	7,300	1,050	10	1.4	81	5.8
\$200 to \$249.....	22,200	1,730	31	2.2	88	2.7
\$250 to \$299.....	17,900	1,580	25	2.0	78	3.9
\$300 or more.....	16,600	1,530	23	2.0	80	3.9
Median asking rent.....	\$247	3.8	(X)	(X)	(X)	(X)
NUMBER OF BEDROOMS						
Less than 2.....	34,900	2,050	49	2.3	84	2.5
2.....	34,200	2,030	48	2.3	82	2.6
3 or more.....	2,400	610	3	0.8	74	11.2

*Standard error within range of about 2 chances out of 3. (X) Not applicable.

Table 3. ABSORPTION RATES OF PRIVATELY FINANCED NONSUBSIDIZED UNFURNISHED APARTMENTS: 1975 TO 1978

(Structures with five or more units)

Quarter of completion	Total units completed		Seasonally adjusted rented within 3 months		Not seasonally adjusted - rented within--							
	Number	Sam-pling error*	Per-cent	Sam-pling error* (per-centage points)	3 months		6 months		9 months		12 months	
					Per-cent	Sam-pling error* (per-centage points)	Per-cent	Sam-pling error* (per-centage points)	Per-cent	Sam-pling error* (per-centage points)	Per-cent	Sam-pling error* (per-centage points)
1975												
January-March.....	65,600	2,320	66	2.8	61	2.8	80	2.3	90	1.7	93	1.5
April-June.....	62,100	1,930	68	2.8	72	2.7	86	2.1	91	1.7	94	1.2
July-September.....	49,800	1,910	69	3.1	75	2.8	86	2.3	92	1.5	97	1.0
October-December.....	45,600	1,900	81	2.3	75	2.5	91	1.7	96	1.1	98	0.8
1976												
January-March.....	35,300	1,660	85	2.4	79	2.7	92	1.8	96	1.3	97	1.1
April-June.....	38,300	1,730	81	2.6	86	2.3	96	1.3	98	0.9	99	0.6
July-September.....	40,300	1,610	75	2.7	79	2.6	92	1.7	96	1.2	99	0.6
October-December.....	43,200	1,750	84	2.2	78	2.5	92	1.7	98	0.9	99	0.6
1977												
January-March.....	41,700	1,730	81	2.4	77	2.6	92	1.7	97	1.1	97	1.0
April-June.....	43,100	1,670	78	2.5	83	2.3	97	1.0	98	0.8	99	0.6
July-September.....	56,000	1,680	79	2.2	83	2.0	93	1.4	97	0.9	99	0.5
October-December.....	54,800	1,940	82	2.1	78	2.2	94	1.3	98	0.8	99	0.5
1978												
January-March.....	47,200	1,880	82	2.2	79	2.4	94	1.4	98	0.8	98	0.8
April-June.....	53,600	1,890	80	2.2	84	2.0	95	1.2	98	0.8	(NA)	(NA)
July-September.....	71,500	2,220	80	1.9	83	1.8	92	1.3	(NA)	(NA)	(NA)	(NA)
October-December.....	56,400	2,140	85	1.9	81	2.1	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)

*Standard error within range of about 2 chances out of 3.
(NA) Not available. † Revised.

The absorption rates assume that the absorption rates of units not included in the interviewed group or not accounted for are identical to rates for units where data were obtained. The noninterviewed and not accounted for cases comprise less than 2 percent of the sample housing units in this survey.

RELIABILITY OF ESTIMATES

The sample used for this survey is only one of a larger number of possible samples of the same size that could have been selected using the same sample design, sample selection, and measurement procedures. Estimates derived from these samples would differ from each other.

The standard error of a survey estimate is a measure of the variation among the estimates from all possible samples and is, therefore, a measure of the precision with which an estimate from a particular sample approximates the average result of all possible samples. As calculated for this report, the standard error also partially measures the effect of certain nonsampling errors but does not measure any systematic biases in the data. Bias is the difference, averaged over all possible samples, between the estimate and the desired value. The accuracy of a survey result depends upon the sampling and nonsampling

errors, measured by the standard error, and the bias and other types of nonsampling error, not measured by the standard error.

The estimate and its associated standard error may be used to construct a confidence interval, that is, if all possible samples were selected, each of these surveyed under essentially the same general conditions and an estimate and its estimated standard error were calculated from each sample, then approximately 95 percent of the intervals from two standard errors below the estimate to two standard errors above the estimate would include the average value of all possible samples.

The average value of all possible samples may or may not be contained in any particular computed interval. But for a particular sample, one can say with specified confidence that the average of all possible samples is included in the constructed interval. Similarly, the chances are about two out of three that the survey estimate will differ from the average result of all possible samples by less than one standard error, and 99 out of 100 that the survey estimate will differ from the average result by less than 2 1/2 times the standard error. For example, the chances are 95 out of 100 that the number of two-bedroom apartments (25,900) would be no lower than 22,300 or no higher than 29,500 if the data were collected in a complete census. The conclusions stated in this report are considered significant at the 95 percent confidence level.

In addition to sampling error, sample surveys are subject to response and processing errors similar to those experienced in censuses. The data in this report are preliminary and subject to slight changes in the annual report.

Table 4. COOPERATIVE AND CONDOMINIUM APARTMENTS: TOTAL COMPLETED, PERCENT OF ALL 5+ UNITS AND ABSORBED WITHIN 3 MONTHS: 1975 TO 1978

(Privately financed, nonsubsidized apartments in buildings with five or more units.
Data not seasonally adjusted)

Quarter of completion	Total units completed		Percent of all 5+ units		Absorbed within 3 months	
	Number	Sampling error*	Percent	Sampling error* (percentage points)	Percent	Sampling error* (percentage points)
1975						
January-March.....	30,300	1,960	26	1.9	40	4.2
April-June.....	17,200	1,530	19	1.9	46	5.6
July-September.....	22,300	1,670	26	2.3	49	5.1
October-December.....	14,900	1,420	19	2.1	41	6.0
1976						
January-March.....	13,700	1,340	23	2.1	56	5.2
April-June.....	11,000	1,230	17	1.8	53	6.0
July-September.....	9,500	1,150	15	1.8	48	6.6
October-December.....	12,000	1,280	17	1.8	54	5.8
1977						
January-March.....	10,200	1,200	15	1.7	74	5.5
April-June.....	9,200	1,140	15	1.8	77	5.5
July-September.....	9,700	1,180	13	1.5	59	6.2
October-December.....	13,900	1,390	17	1.6	76	4.6
1978						
January-March.....	8,900	1,140	12	1.9	74	5.8
April-June.....	14,300	1,400	18	1.7	75	4.5
July-September [†]	13,600	1,440	12	1.2	81	4.2
October-December.....	17,500	1,550	18	1.5	77	4.0

*Standard error within range of about 2 chances out of 3.

[†]Revised.

CURRENT CONSTRUCTION REPORTS

CONSTRUCTION accounts for approximately 12 percent of the gross national product!

To assist industry representatives, research specialists, market analysts, and government officials interested in this vital segment of the Nation's economy, the Bureau of the Census issues **monthly, quarterly, and annual** reports on the value of new construction put in place, building permits, housing starts, housing completions, housing sales, alterations and repairs and demolition of residential structures.

Current Construction Reports include:

C20 - Housing Starts

C21 - New Residential Construction in Selected Standard Metropolitan Statistical Areas

C22 - Housing Completions

C25 - Sales of New One-Family Houses

C27 - Price Index of New One-Family Houses Sold

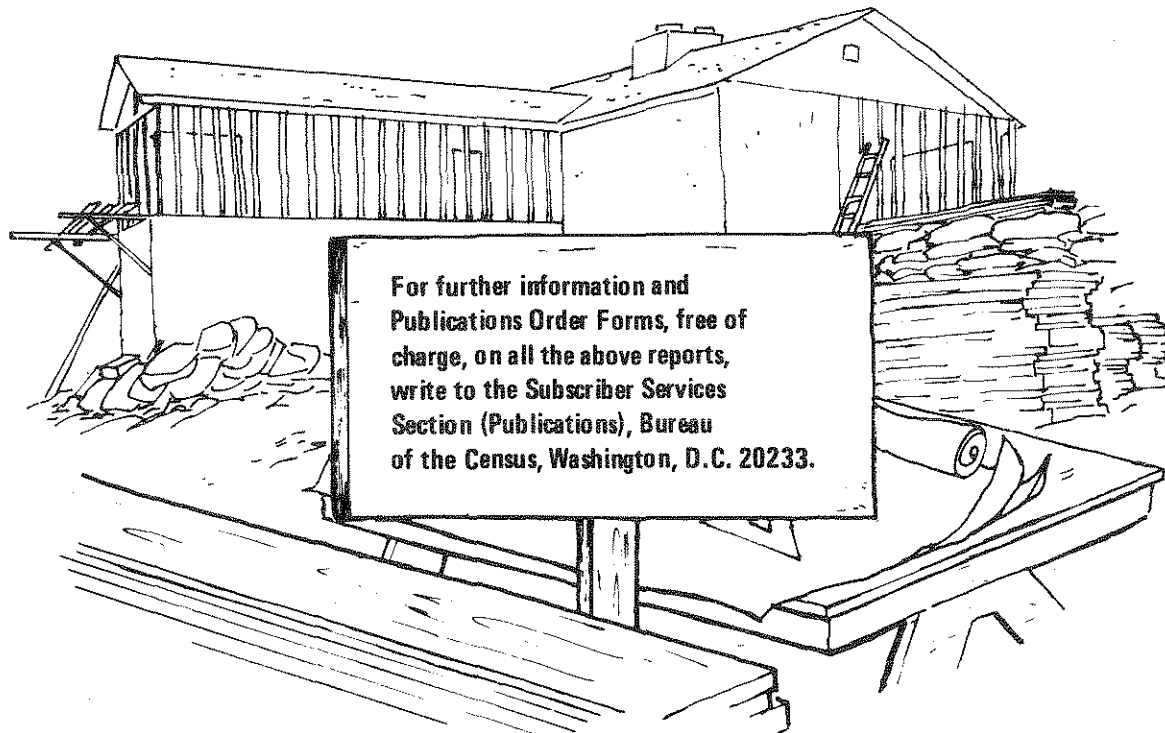
C30 - Value of New Construction Put in Place

C40 - Housing Authorized by Building Permits and Public Contracts

C41 - Authorized Construction—Washington, D.C. Area

C45 - Permits Issued for Demolition of Residential Structures in Selected Cities

C50 - Expenditures on Residential Additions, Alterations, Maintenance and Repairs, and Replacements



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