

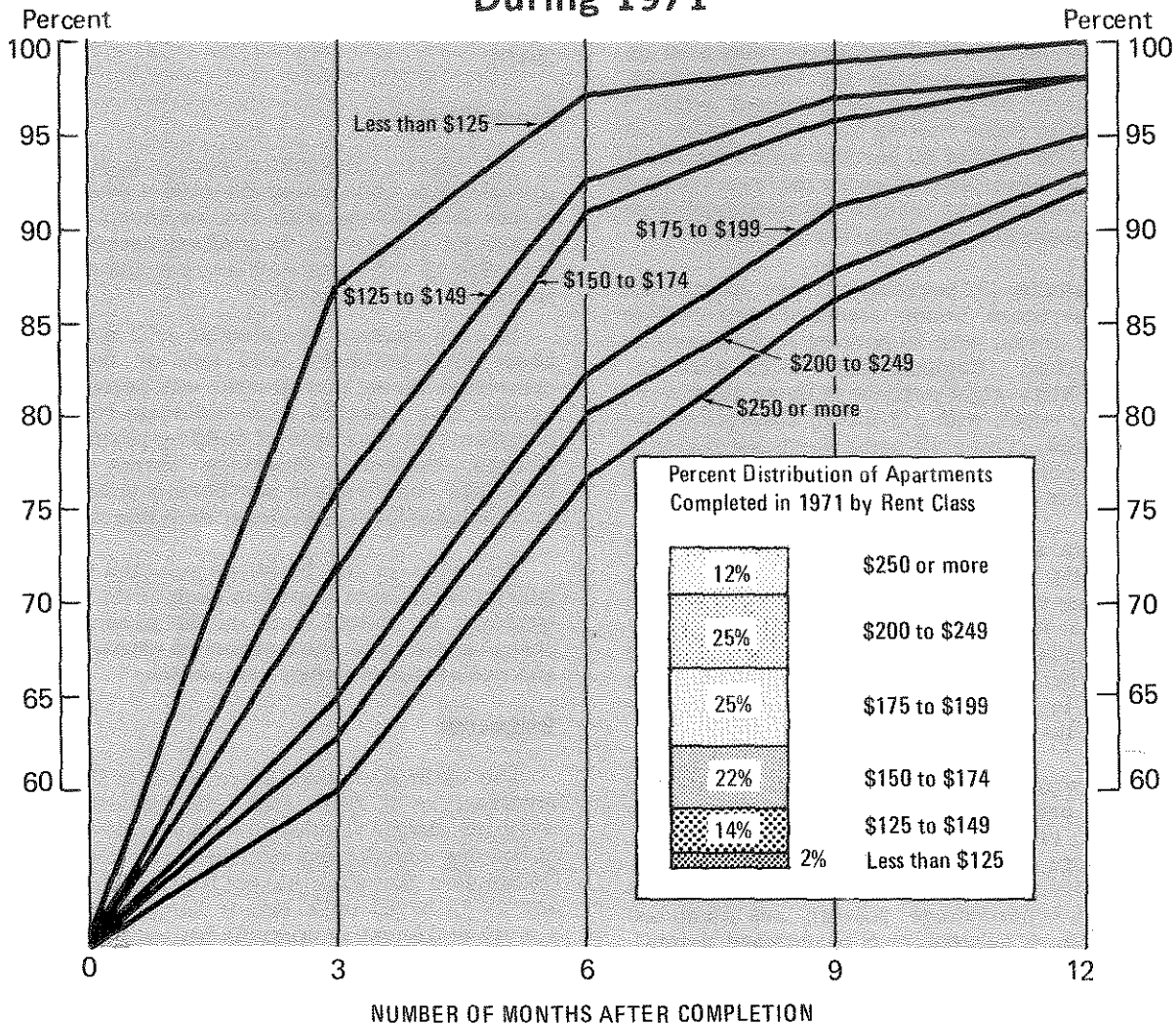


MARKET ABSORPTION OF APARTMENTS ANNUAL

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Absorption Rates by Rent Classes, Apartments Completed During 1971



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AND URBAN DEVELOPMENT

During 1971, completions of privately financed, nonsubsidized, and unfurnished apartments in buildings of 5 or more units amounted to 333,027. Of these, 68 percent were rented within the first 3 months of completion, 85 percent were rented within 6 months, and 95 percent within 12 months.

One-half of these new apartments had 2 bedrooms, 43 percent had less than 2, and 7 percent had 3 or more bedrooms. Monthly rents for 47 percent of the new units were in the \$150 to \$199 range, 37 percent were renting for \$200 or more monthly, and 16 percent had rents of less than \$150. Seven out of 10 (71 percent) included swimming pools in rental payments, and about half (56 percent) included air conditioning at no extra cost.

The absorption rates for apartments completed within three months declined as the rents went up. Of the apartments renting for less than \$125, approximately 87 percent were rented within 3 months, while those renting for \$250 or more had an absorption rate of 60 percent within the same period. The absorption rates for the lower-priced units remained higher than for the more expensive units for longer periods of market exposure.

The majority (92 percent) of these apartments were constructed inside standard metropolitan statistical areas, with 59 percent located outside central cities. Regional differences were apparent. Thirty-eight percent of these units were built in the South, with a 3-month absorption rate of 65 percent, compared to the Northeast region in which 11 percent were built with three-fourths rented within 3 months.

The data are based on a sample survey and consequently the figures cited above are subject to sampling variability. Sampling errors for the figures that follow are indicated in parenthesis.¹ These standard errors imply there are 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 1971 a total of 581,000 ($\pm 18,300$) privately financed apartments were completed, of which 57 percent (± 1.1 percentage points) were included in this survey. The remainder are cooperatives and condominiums, 8 percent (± 0.7 percentage points), and furnished rental units, 6 percent (± 0.6 percentage points). Excluded from the survey are units in federally subsidized properties, 18 percent (± 0.9 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, 11 percent (± 0.7 percentage points) are excluded for other reasons including turnkey housing (privately built and sold to local public housing authorities subsequent to completion).

Data comparable to that contained in this report for 1969 and 1970 completions are available upon request to the Office of Economic Analysis, Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C., 20410.

Sample Design

The Market Absorption Survey is designed to provide data concerning the rate at which apartments 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 of calendar 1971 a sample of about 1200 buildings with five or more units completed during that quarter was selected. The sample was selected from buildings reported as completed in a sample of building permits in the Census Bureau's Housing Starts Survey.² Buildings completed in non-permit issuing areas are excluded from consideration in this survey.

The units in the buildings selected in a given quarter were interviewed in each of the next four quarters to collect data on the proportion and characteristics of units absorbed three, six, nine, and twelve months after completion.

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 Completion Survey. As the Housing Completion Survey is based on a larger sample it provides a more stable set of controls for estimates which can be obtained from both surveys. In addition

¹See Reliability of Estimates.

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

to reducing the sampling variability on the estimates of totals from the Market Absorption Survey, 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.

The absorption rates, if interpreted to represent all housing units in five or more unit buildings occupied for the first time during the survey period, must include the assumption that the absorption rates of units not interviewed or not accounted for are identical to the 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

As the data in this report are based on a sample, they will differ somewhat from the results that would have been obtained from a complete enumeration of all units in five or more unit buildings completed during 1971. As in any survey work, the results are subject to errors of response and of reporting as well as being subject to sampling variability.

The standard error is primarily a measure of sampling variability, that is, of the variations that occur by chance because a sample rather than the whole of the population is surveyed. As calculated for this report, the standard errors also partially measure the effect of response and enumeration errors but do not measure any systematic biases in the data. The chances are about 68 out of 100 that an estimate from the sample would differ from a complete census figure by less than one standard error. The chances are about 95 out of 100 that the difference would be less than twice the standard error.

The figures presented in tables A and B are approximations to the standard errors of various estimates shown in the report. In order to derive standard errors that would be applicable to a wide variety of items and could be prepared at a moderate cost, a number of approximations were required. As a result, the tables of standard errors provide an indication of the order of magnitude of the standard errors rather than the precise standard error for any specific item.

The reliability of an estimated absorption rate (i.e., a percentage) computed by using sample

data for both the numerator and the denominator, depends upon both the size of the rate and the size of the total upon which the rate is based. Estimated rates of this kind are relatively more reliable than the corresponding estimates of the numerators of the rate, particularly if the rates are 50 percent or more. Table B contains the standard errors of the estimated rates.

Illustrative Use of the Table of Standard Errors

Table 1 of this report shows that 72,466 units completed in 1971 rented for \$150-\$174. Table A shows the standard error of an estimate of this size to be approximately 5,180. The chances are 68 out of 100 the estimate differs from a complete census by less than 5,180. The chances are 95 out of 100 that the estimate differs from a complete census by less than 10,360 (twice the standard error).

Table A. Standard Errors of Estimated Totals

(January to December 1971 Completions)

(1 Standard Error)

Estimated Total	Standard Error
5,000	1,300
10,000	1,850
15,000	2,260
20,000	2,650
25,000	2,950
35,000	3,520
50,000	4,250
75,000	5,280
100,000	6,200
150,000	7,800
250,000	10,500
350,000	12,500
450,000	15,750
580,000	18,000

Table 1 shows the rate of absorption after three months for these 72,466 units is 72 percent. Table B shows the standard error of a 72 percent rate on a base of 72,466 to be approximately 3.0 percent. Consequently, chances are 68 out of 100 that the estimated rate would be within 3.0 percentage points of a complete census figure and chances are 95 out of 100 that the estimated rate would be within 6.0 percentage points of a census figure; i.e., the 95 percent confidence interval would be from 69.0 to 75.0 percent.

Table B. Standard Errors of Estimated Percentages

(January to December 1971 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.....	3.6	5.7	7.8	10.3	11.2	13.0
10,000.....	2.6	4.0	5.5	7.3	7.9	9.2
15,000.....	2.1	3.3	4.5	6.0	6.5	7.5
20,000.....	1.8	2.8	3.9	5.2	5.6	6.5
25,000.....	1.6	2.5	3.5	4.6	5.0	5.8
35,000.....	1.4	2.1	2.9	3.9	4.2	4.9
50,000.....	1.1	1.8	2.5	3.3	3.6	4.1
75,000.....	.9	1.5	2.0	2.7	2.9	3.3
100,000.....	.8	1.3	1.7	2.3	2.5	2.9
150,000.....	.7	1.0	1.4	1.9	2.1	2.4
250,000.....	.5	.8	1.2	1.5	1.7	1.9
350,000.....	.5	.7	1.0	1.3	1.4	1.6
450,000.....	.4	.6	.8	1.1	1.2	1.4
570,000.....	.3	.5	.7	.9	1.0	1.2

Table 1. Absorption Rates for Apartments Completed During 1971 by Number of Bedrooms and Rent Classes, for the United States

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

Characteristics	Total (number)	Percent	Percent absorbed after--			
			3 months	6 months	9 months	12 months
Total.....	333,027	100	68	85	92	95
Less than \$125.....	8,075	2	87	97	99	100
\$125 to \$149.....	46,679	14	76	93	97	98
\$150 to \$174.....	72,466	22	72	91	96	98
\$175 to \$199.....	84,567	25	65	82	91	95
\$200 to \$249.....	82,390	25	63	80	88	93
\$250 or more.....	38,350	12	60	76	86	92
No Bedroom.....	8,768	3	76	93	95	97
Less than \$125.....	1,497	-	80	94	98	100
\$125 to \$149.....	3,901	1	69	92	93	93
\$150 or more.....	3,370	1	82	94	97	99
1 Bedroom.....	133,691	40	72	87	94	97
Less than \$125.....	4,642	1	87	99	100	100
\$125 to \$149.....	31,572	9	77	92	96	98
\$150 to \$174.....	36,768	11	71	90	95	98
\$175 to \$199.....	37,116	11	71	83	94	98
\$200 or more.....	23,593	7	65	81	89	93
2 Bedrooms.....	167,936	50	64	82	90	94
Less than \$125.....	1,864	1	92	94	98	98
\$125 to \$149.....	10,972	3	76	98	100	100
\$150 to \$174.....	31,707	10	72	91	96	98
\$175 to \$199.....	44,817	13	59	80	88	92
\$200 to \$249.....	52,474	16	62	78	87	93
\$250 or more.....	26,102	8	58	75	85	92
3 Bedrooms or more.....	22,631	7	66	85	91	95
Less than \$175.....	1,812	1	91	98	100	100
\$175 to \$199.....	2,135	1	73	96	97	100
\$200 to \$249.....	6,436	2	61	86	93	96
\$250 or more.....	12,248	4	63	80	88	93

Table 2. Absorption Rates for Apartments Completed During 1971, by Geographic Area

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

Area	Total (number)	Percent	Percent absorbed after:			
			3 months	6 months	9 months	12 months
Unites States, total....	333,027	100	68	85	92	95
Inside SMSA's:						
In central cities.....	111,075	33	68	86	92	95
Not in central cities.....	197,792	59	68	84	92	96
Outside SMSA's.....	24,159	7	60	81	86	89
Northeast.....	35,575	11	75	88	91	96
North Central.....	78,016	23	69	84	91	94
South.....	124,928	38	65	85	92	96
West.....	94,508	28	67	83	92	96

Table 3. Absorption Rates for Apartments Completed During 1971, by Presence of Air Conditioning and Swimming Pool, for the United States

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

Characteristics	Total (number)	Percent	Percent absorbed after--			
			3 months	6 months	9 months	12 months
Total unfurnished units.	333,027	100	68	85	92	95
Air conditioning:						
Included in rent.....	187,801	56	66	84	91	95
Available at extra cost....	101,543	31	67	84	92	96
Not available.....	42,900	13	74	90	94	97
Not reported.....	783	-	NC	NC	NC	NC
Swimming pool:						
Included in rent.....	237,116	71	64	83	91	95
Available at extra cost....	14,727	4	NC	NC	NC	NC
Not available.....	79,719	24	79	93	97	98
Not reported.....	1,465	-	NC	NC	NC	NC
Total furnished units.....	32,133	(NA)	83	94	98	99

NA = Not applicable.
 NC = Not computed.

Table 4. Apartments Completed During 1971, by Inside and Outside SMSA's, for the United States

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

Characteristics	Total (number)	Percent	Inside SMSA's				Outside SMSA's	
			In central city		Not in central city		Number	Percent
			Number	Percent	Number	Percent		
Total.....	333,027	100	111,075	100	197,792	100	24,159	100
Less than \$125.....	8,075	2	3,815	3	2,701	1	1,558	6
\$125 to \$149.....	46,679	14	18,028	16	23,339	12	5,312	22
\$150 to \$174.....	72,466	22	25,793	23	40,486	20	6,187	26
\$175 to \$199.....	84,567	25	25,867	23	53,319	27	5,381	22
\$200 to \$249.....	82,890	25	24,987	22	54,171	27	3,733	15
\$250 or more.....	38,350	12	12,586	11	23,776	12	1,988	8
No Bedroom.....	8,768	3	4,807	4	3,755	2	207	1
Less than \$125.....	1,497	-	1,091	1	390	-	16	-
\$125 to \$149.....	3,901	1	2,405	2	1,496	1	-	-
\$150 to \$174.....	2,485	1	970	1	1,514	1	-	-
\$175 to \$199.....	499	-	242	-	225	-	32	-
\$200 or more.....	387	-	99	-	130	-	159	1
1 Bedroom.....	133,690	40	47,474	43	80,285	41	5,934	25
Less than \$125.....	4,642	1	2,174	2	1,819	1	649	3
\$125 to \$149.....	31,572	9	12,464	11	16,608	8	2,501	10
\$150 to \$174.....	36,768	11	15,381	14	20,517	10	870	4
\$175 to \$199.....	37,116	11	10,927	10	25,408	13	781	3
\$200 or more.....	23,593	7	6,528	6	15,933	8	1,133	5
2 Bedrooms.....	167,936	50	50,520	45	100,292	51	17,125	71
Less than \$125.....	1,864	1	516	-	454	-	894	4
\$125 to \$149.....	10,972	3	3,070	3	5,091	3	2,812	12
\$150 to \$174.....	31,707	10	9,123	8	17,569	9	5,016	21
\$175 to \$199.....	44,817	13	14,231	13	26,037	13	4,549	19
\$200 to \$249.....	52,474	16	15,411	14	34,798	18	2,264	9
\$250 or more.....	26,102	8	8,169	7	16,343	8	1,590	7
3 Bedrooms or more.....	22,631	7	8,273	7	13,462	7	897	4
Less than \$125.....	72	-	34	-	38	-	-	-
\$125 to \$149.....	234	-	90	-	144	-	-	-
\$150 to \$174.....	1,506	-	318	-	887	-	302	1
\$175 to \$199.....	2,135	1	466	-	1,649	1	20	-
\$200 to \$249.....	6,436	2	2,948	3	3,311	2	177	1
\$250 or more.....	12,248	4	4,417	4	7,433	4	398	2

Table 5. Apartments Completed During 1971 by Regions, for the United States

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

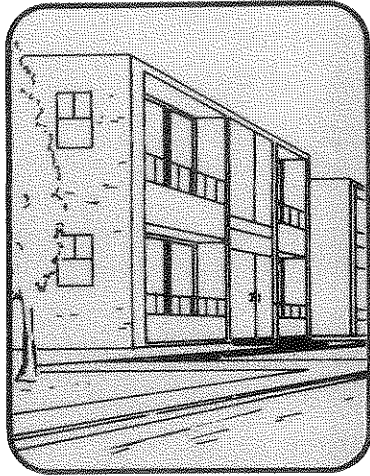
Characteristics	Total (number)	Percent	Northeast		North Central		South		West	
			Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total.....	333,027	100	35,575	100	78,016	100	124,928	100	94,508	100
Less than \$125.....	8,075	2	981	3	1,500	2	3,794	3	1,800	2
\$125 to \$149.....	46,679	14	620	2	14,720	19	19,660	16	11,678	12
\$150 to \$174.....	72,466	22	4,013	11	18,349	24	29,811	24	20,293	21
\$175 to \$199.....	84,567	25	10,864	31	19,268	25	26,139	21	28,296	30
\$200 to \$249.....	82,890	25	13,944	39	16,765	21	31,503	25	20,678	22
\$250 or more.....	38,350	12	5,153	14	7,414	10	14,021	11	11,763	12
No Bedroom.....	8,768	3	1,499	4	2,392	3	2,219	2	2,658	3
Less than \$125.....	1,497	-	772	2	159	-	510	-	56	-
\$125 to \$149.....	3,901	1	43	-	1,520	2	1,233	1	1,104	1
\$150 to \$174.....	2,485	1	548	2	607	1	330	-	1,000	1
\$175 to \$199.....	499	-	80	-	45	-	35	-	339	-
\$200 or more.....	387	-	56	-	61	-	111	-	159	-
1 Bedroom.....	133,690	40	16,817	47	28,012	36	45,812	37	43,049	46
Less than \$125.....	4,642	1	95	-	1,107	1	1,783	1	1,656	2
\$125 to \$149.....	31,572	9	577	2	9,772	13	13,249	11	7,974	8
\$150 to \$174.....	36,768	11	2,891	8	7,498	10	15,016	12	11,363	12
\$175 to \$199.....	37,116	11	6,414	18	7,515	10	7,985	6	15,202	16
\$200 or more.....	23,593	7	6,840	19	2,120	3	7,779	6	6,854	7
2 Bedrooms.....	167,936	50	16,378	46	42,245	54	65,301	52	44,012	47
Less than \$125.....	1,864	1	114	-	200	-	1,501	1	50	-
\$125 to \$149.....	10,972	3	-	-	3,310	4	5,088	4	2,574	3
\$150 to \$174.....	31,707	10	574	2	19,204	13	13,571	11	7,358	8
\$175 to \$199.....	44,817	13	3,906	11	11,582	15	16,816	13	12,512	13
\$200 to \$249.....	52,474	16	7,048	20	12,691	16	19,832	16	12,903	14
\$250 or more.....	26,102	8	4,736	13	4,258	5	8,493	7	8,615	9
3 Bedrooms or more.....	22,631	7	881	2	5,367	7	11,596	9	4,789	5
Less than \$125.....	72	-	-	-	34	-	-	-	38	-
\$125 to \$149.....	234	-	-	-	118	-	90	-	26	-
\$150 to \$174.....	1,506	-	-	-	40	-	894	1	572	1
\$175 to \$199.....	2,135	1	464	1	126	-	1,303	1	243	-
\$200 to \$249.....	6,436	2	-	-	1,893	2	3,781	3	762	1
\$250 or more.....	12,248	4	417	1	3,156	4	5,528	4	3,148	3

Table 6. Cooperative and Condominium Apartments Completed During 1971,
by Number of Bedrooms, for the United States

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

Number of bedrooms	Units completed
Total.....	48,904
None.....	2,135
1 bedroom.....	13,891
2 bedrooms.....	22,767
3 or more bedrooms.....	6,063
Not reported.....	4,048

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The statistics are based on a survey conducted by the Bureau of the Census, U.S. Department of Commerce, for the Department of Housing and Urban Development.

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