MARKET ABSORPTION
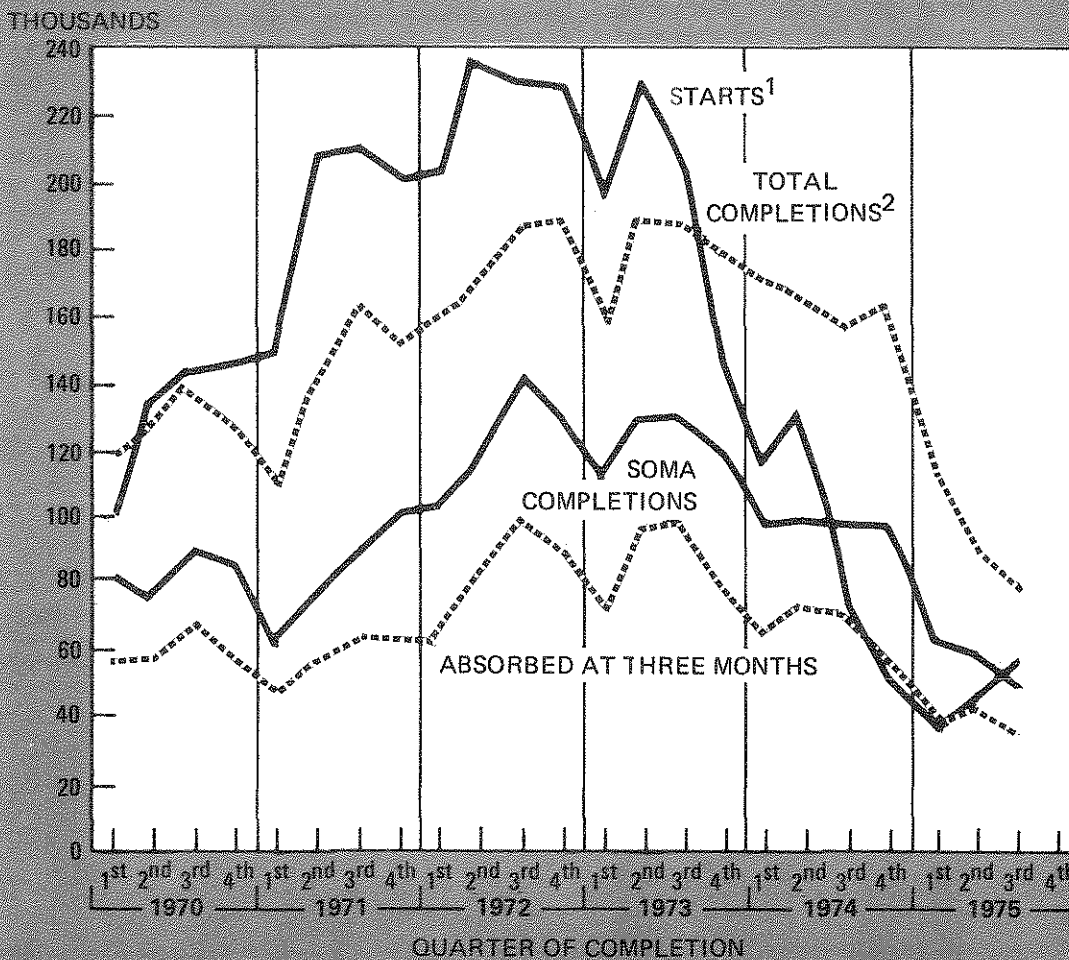# OF APARTMENTS
FOURTH QUARTER 1975 ABSORPTIONS
(Completions in Third Quarter 1975)

H-130-75-4   Issued April 1976

Figure 1. Units in Apartment Buildings Started, Completed, in survey of Market Absorption and Absorbed Within Three Months After Completion

THOUSANDS

STARTS[1]

TOTAL COMPLETIONS[2]

SOMA COMPLETIONS

ABSORBED AT THREE MONTHS

QUARTER OF COMPLETION

Note: Limited to buildings with 5 units or more in permit issuing places
1 Source: Construction Report, C-20-75-11 (November 1975), Table 3.
2 Source: Construction Report, C-22-75-11 (November 1975), Table 3.

The rate at which privately-financed apartments were absorbed within 3 months of completion was 74 percent for the July-September 1975 quarter completions. Apartments which have been on the market for 9 months (those completed during January-March 1975) were 90 percent rented. The median asking rent for apartments completed in the third quarter of 1975 was $206.

Apartments renting for less than $150 accounted for 7 percent of the third quarter completions, and 88 percent were rented within 3 months. Apartments renting for $250 or more accounted for 24 percent of the completions and 63 percent were rented within 3 months.

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 74 and 90 percent figures are subject to sampling errors (i.e., standard errors) of 2.9 and 1.7 percentage points, respectively. This means that there are about 2 chances out of 3 that a complete count would be in the range of 74 ± 2.9 percentage points and 90 ± 1.7 percentage points. Sampling errors for the figures that follow are indicated in parentheses.[1]

[1]See Reliability of Estimates on page 4.

A total of 79,600 (± 1,990) apartments were completed during the third quarter of 1975. From this total, some 49,100 (± 1,850) or 62 percent (± 2.5) were of the type covered by the Survey of Market Absorption (SOMA), i.e., privately financed, unfurnished rental units built without Federal subsidy in buildings with 5 or more apartments.

Of the remaining 38 percent (± 2.5) cooperatives and condominiums account for 26 percent (± 2.3) of the total, with a 3-month absorption rate of 49 percent (± 2.6). Furnished rental units account for 2 percent (± 0.7). 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 221 BMIR), FHA interest supplements on rental mortgages (Section 236) and all units in buildings containing apartments in the FHA rent supplement program, which together account for 5 percent (± 1.1). The remainder are 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.

Table 1. CHARACTERISTICS OF APARTMENTS COMPLETED DURING THE THIRD QUARTER OF 1975 AND RENTED WITHIN 3 MONTHS
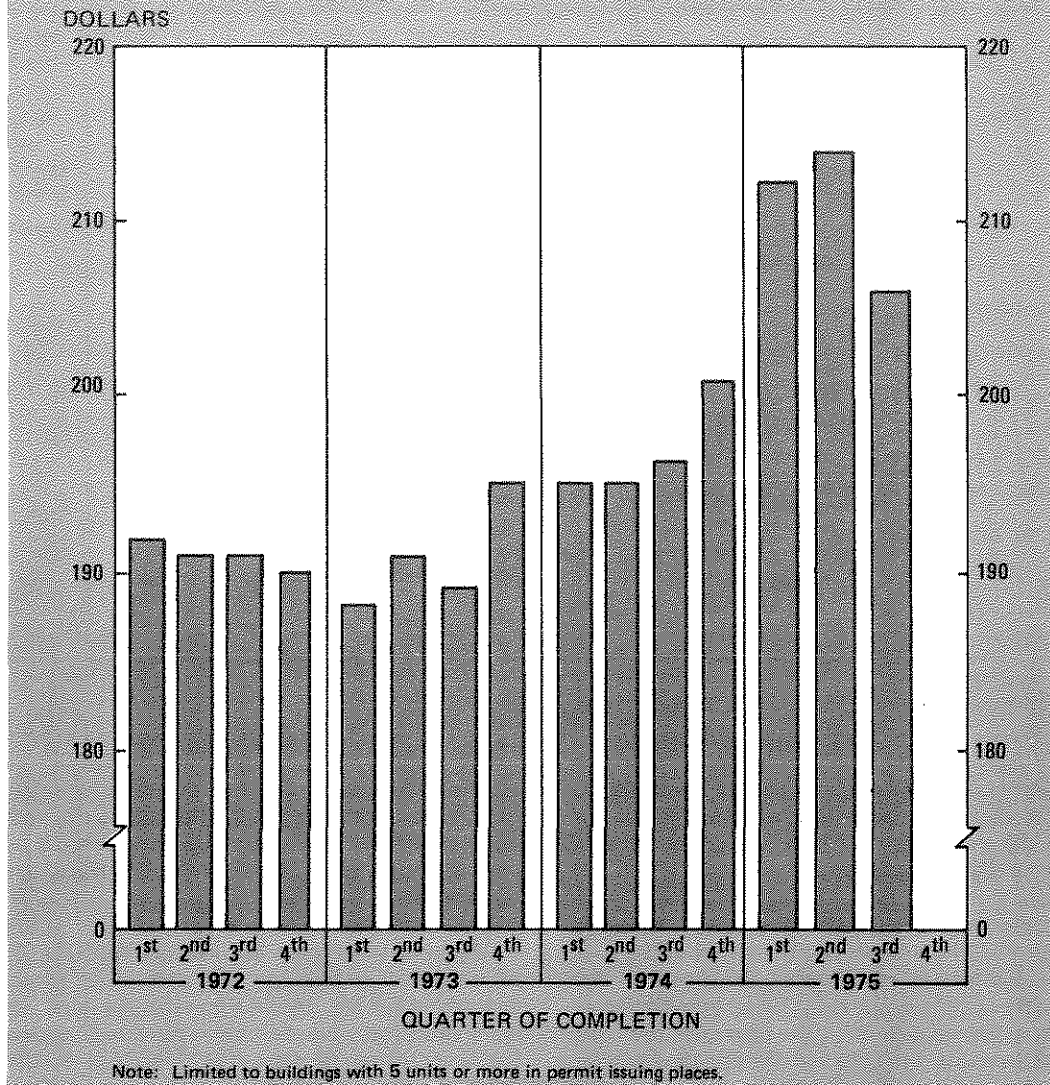
(Privately financed, nonsubsidized, unfurnished apartments. Data regarding number of bedrooms and asking rent are collected at the initial interview, i.e., 3 months following completion)

Item	Number of units		Percent of total units		Percent rented within 3 months	
	Number	Sampling error*	Percent	Sampling error* (percentage points)	Percent	Sampling error* (percentage points)
Total..............	49,149	1,850	100	(X)	74	2.9
RENT CLASSES						
Less than $150...........	3,555	750	7	1.7	88	8.0
$150 to $174.............	9,887	1,140	20	2.6	71	6.7
$175 to $199.............	9,387	1,110	19	2.6	78	6.3
$200 to $249.............	14,626	1,350	30	3.0	80	4.9
$250 or more............	11,693	1,220	24	2.8	63	6.6
Median asking rent.......	$206	5.50	(X)	(X)	(X)	(X)
NUMBER OF BEDROOMS						
Less than 2..............	23,286	1,630	47	3.3	75	4.2
2........................	23,557	1,630	48	3.3	75	4.1
3 or more................	2,306	660	5	1.4	59	15.1

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

Figure 2. Median Rent of Apartments Completed in the United States: 1972 to 1975

Note: Limited to buildings with 5 units or more in permit issuing places.

SAMPLE DESIGN

The Market Absorption Survey (SOMA) is designed to provide data concerning the rate at which nonsubsidized and unfurnished privately financed units in buildings with 5 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 5 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.

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

Table 2. CHARACTERISTICS OF APARTMENTS COMPLETED DURING THE SECOND QUARTER OF 1975 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)

Item	Number of units		Percent of total units		Percent rented within 3 months	
	Number	Sampling error*	Percent	Sampling error* (percentage points)	Percent	Sampling error* (percentage points)
Total..............	59,103	1,910	100	(X)	72	2.7
RENT CLASSES						
Less than $150..........	3,685	730	6	1.4	86	8.4
$150 to $174.............	7,940	1,020	13	2.0	78	6.8
$175 to $199.............	12,973	1,290	22	2.5	79	5.3
$200 to $249.............	17,770	1,480	30	2.7	75	4.8
$250 or more.............	16,736	1,450	28	2.7	58	5.6
Median asking rent.......	$214	5.00	(X)	(X)	(X)	(X)
NUMBER OF BEDROOMS						
Less than 2..............	25,504	1,710	43	3.0	71	4.2
2........................	29,844	1,790	50	3.0	72	3.8
3 or more................	3,758	750	6	1.4	73	10.6

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

Information is obtained for the units in the buildings selected in a given quarter in each of the next four quarters on the proportion of units occupied, 3, 6, 9, and 12 months after completion.

An improved tabulating method effective with the data for year 1973 now permits the revision of the data for previous quarters of completion. Each quarter the absorption data for some buildings are received too late for inclusion in the report. With the new technique it is now possible to revise the data for the previous quarter to reflect these buildings. 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 the Market Absorption Survey, 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 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.[3]

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 large number of possible samples of the same size that could have been selected using the same sample design, sample

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

Table 3. ABSORPTION RATES OF PRIVATELY FINANCED, NONSUBSIDIZED, AND UNFURNISHED APARTMENTS: 1972 TO 1975

(Structures with 5 or more units)

Quarter of completion	Total completed		Median rent		Rented within—							
					3 months		6 months		9 months		12 months	
	Number	Sampling error*	Amount	Sampling error*	Percent	Sampling error* (percentage points)	Percent	Sampling error* (percentage points)	Percent	Sampling error* (percentage points)	Percent	Sampling error* (percentage points)
1972												
January–March......	103,854	3,800	$192	$2.30	61	2.2	86	1.6	93	1.2	96	0.9
April–June.........	113,811	4,000	191	2.20	73	1.9	86	1.6	92	1.2	96	0.9
July–September.....	142,262	4,550	191	2.00	69	1.8	83	1.4	90	1.2	96	0.8
October–December...	130,577	4,300	190	2.10	67	1.9	84	1.5	93	1.0	97	0.7
1973												
January–March......	113,194	2,600	188	2.30	64	2.0	83	1.6	92	1.2	95	1.0
April–June.........	120,314	2,870	191	2.10	74	1.7	89	1.3	94	1.0	97	0.7
July–September.....	129,755	3,051	189	2.10	76	1.8	87	1.3	94	0.9	97	0.7
October–December...	121,916	2,900	195	2.40	63	2.0	82	1.6	92	1.1	96	0.8
1974												
January–March......	98,934	2,850	195	3.00	67	2.1	86	1.5	92	1.3	95	1.0
April–June.........	99,489	2,840	195	2.50	73	2.0	86	1.6	91	1.4	94	1.1
July–September.....	96,682	2,740	196	1.80	72	2.0	85	1.6	90	1.4	95	1.0
October–December...	96,631	2,750	201	2.60	60	2.3	78	2.0	88	1.5	93	1.2
1975												
January–March......	63,604	2,270	212	5.40	61	2.8	80	2.3	90	1.7	(NA)	(NA)
April–June[r]........	59,103	1,910	214	5.00	72	2.7	86	2.1	(NA)	(NA)	(NA)	(NA)
July–September.....	49,149	1,850	206	5.50	74	2.9	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)
October–December...												

(NA) Not available.   [r]Revised.

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

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.
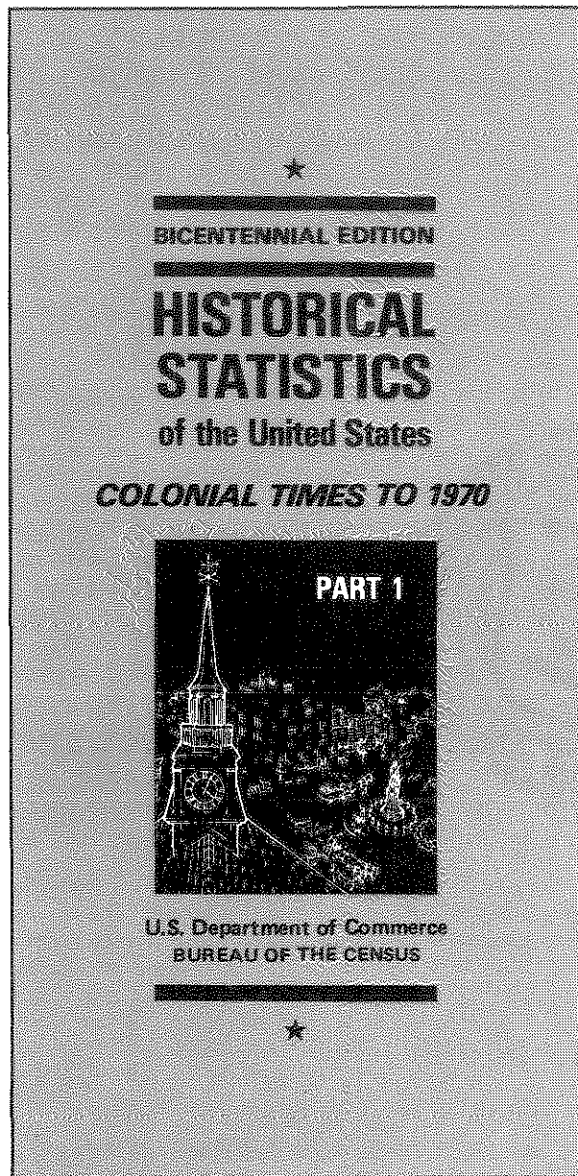
The estimate and its associated standard error may be used to construct a confidence interval, that is, if all possible samples were selected, each of these surveyed under essentially the same general conditions and an estimate and its estimated standard error were calculated from each sample, then approximately 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 (23,557) would be no lower than 20,297 or no higher than 26,817 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.

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