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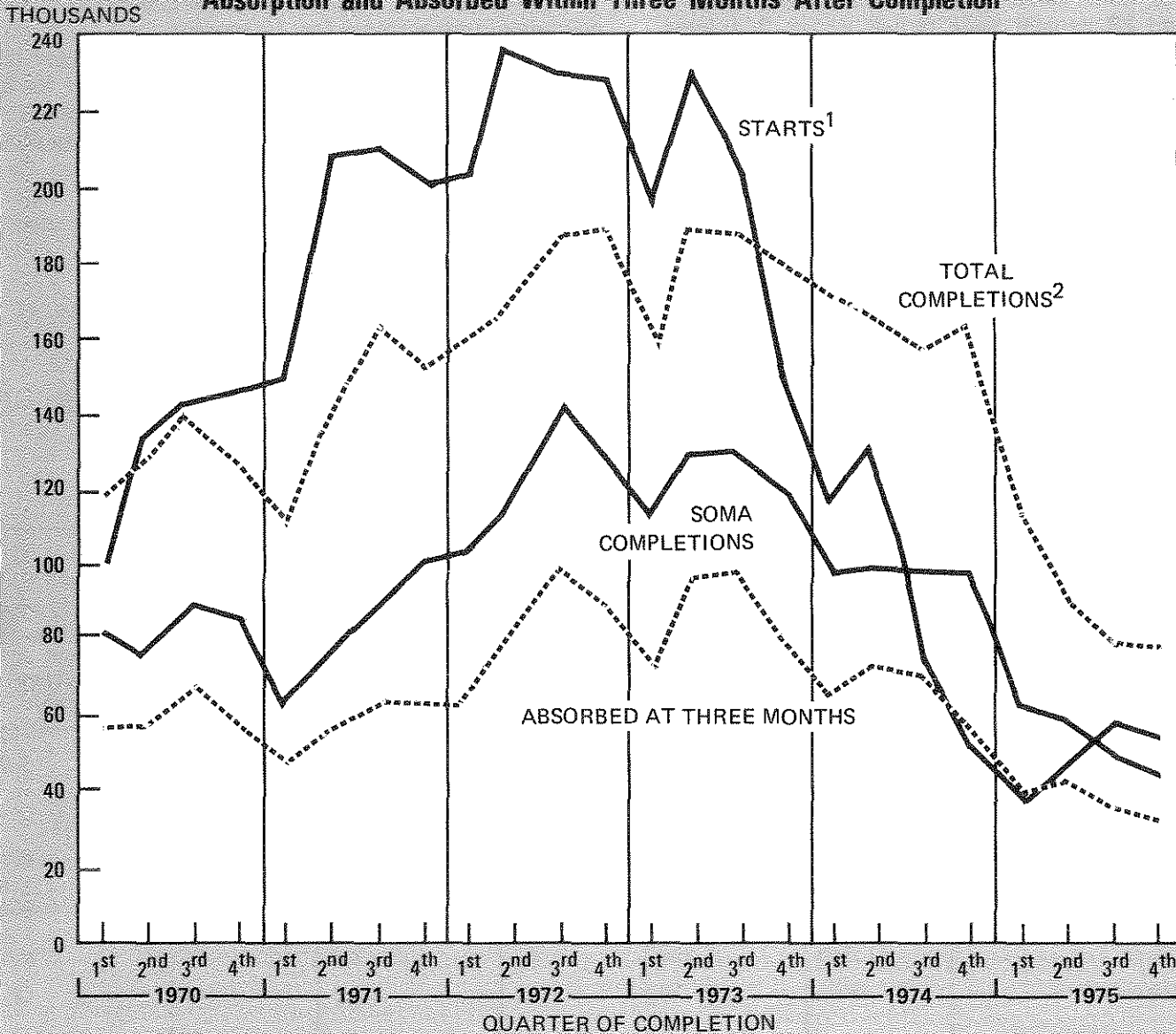
U.S. Department of Housing
and Urban Development

H-130-76-01
Issued July 1976

Market Absorption of Apartments

First Quarter 1976 Absorptions
(Completions in Fourth Quarter 1975)

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



Note: Limited to buildings with 5 units or more in permit issuing places
 1 Source: Construction Report, C-20-76-2 (February 1976) Table 3.
 2 Source: Construction Report, C-22-76-2 (February 1976) Table 3.

Privately financed apartments completed during the October-December 1975 quarter were absorbed after 3 months following completion at an estimated seasonally adjusted rate of 82 percent. During this same period last year, the seasonally adjusted rate was 65 percent. See Table 3. This high absorption rate reflects a decreasing supply of new apartments. The non-seasonally adjusted rate was 76 percent and the median asking rent was \$207 for these units.

Apartments which have been on the market for 9 months (those completed during April-June 1975) were 91 percent rented. Those renting for less than \$150 accounted for 7 percent of the fourth quarter completions, and 88 percent were rented within 3 months. Apartments renting for \$250 or more accounted for 27 percent of the completions and 64 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 82 and 91 percent figures are subject to sampling errors (i.e., standard errors) of 2.7 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 82 ± 2.7 percentage points and 91 ± 1.7 percentage points. Sampling errors for the figures that follow are indicated in parentheses.¹

A total of 77,300 ($\pm 1,930$) apartments were completed during the fourth quarter of 1975. From this total, some 43,561 ($\pm 1,830$) or 56 percent (± 2.6) 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 44 percent (± 2.6) cooperatives and condominiums account for 19 percent (± 2.1) of the total, with a 3-month absorption rate of 41 percent (± 2.6). See Table 4. Furnished rental units account for 6 percent (± 1.3). 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 mort-

¹See Reliability of Estimates on page 4.

Table 1. CHARACTERISTICS OF APARTMENTS COMPLETED DURING THE FOURTH QUARTER OF 1975 AND RENTED WITHIN 3 MONTHS

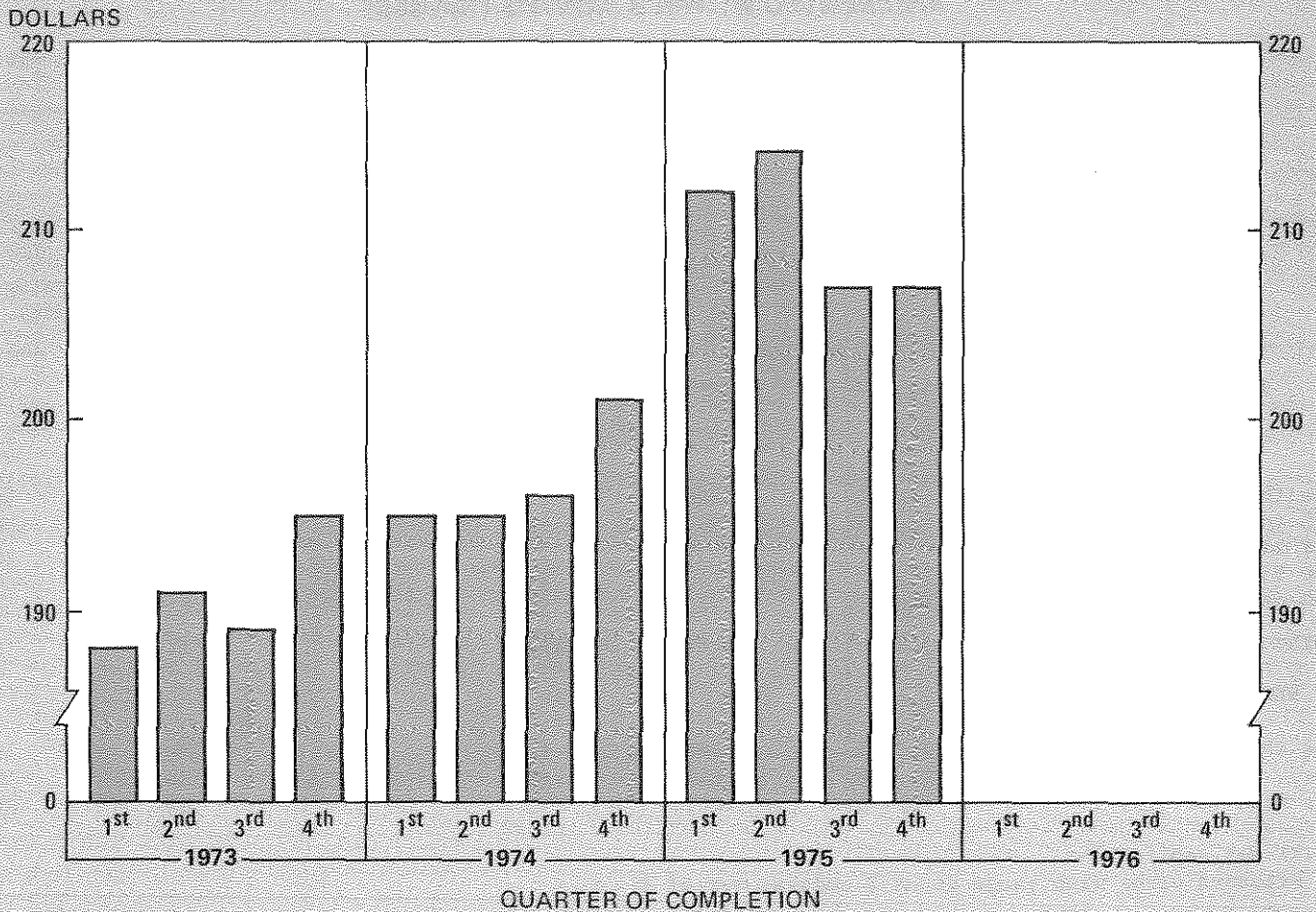
(Privately financed, nonsubsidized, unfurnished apartments. Data regarding number of bedrooms and asking rent are collected at the initial interview, i.e., 3 months following completion)

Item	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.....	43,561	1,830	100	(X)	76	3.0
RENT CLASSES						
Less than \$150.....	3,030	690	7	1.8	88	8.7
\$150 to \$174.....	7,450	980	17	2.6	87	5.7
\$175 to \$199.....	9,758	1,130	22	2.9	71	6.7
\$200 to \$249.....	11,560	1,210	27	3.1	81	5.4
\$250 or more.....	11,763	1,220	27	3.1	64	6.5
Median asking rent.....	\$207	\$6.50	(X)	(X)	(X)	(X)
NUMBER OF BEDROOMS						
Less than 2.....	20,157	1,540	46	3.5	79	4.2
2.....	21,629	1,570	50	3.5	73	4.4
3 or more.....	1,775	610	4	1.4	63	16.8

(X) Not applicable.

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

Figure 2. Median Rent of Apartments Completed in the United States: 1973 to 1976



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

gages (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 13 percent (± 1.8). 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.

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.

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

Table 2. CHARACTERISTICS OF APARTMENTS COMPLETED DURING THE THIRD 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	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.....	48,327	1,850	100	(X)	75	2.8
RENT CLASSES						
Less than \$150.....	4,560	800	9	1.9	80	8.7
\$150 to \$174.....	7,578	990	16	2.4	79	6.9
\$175 to \$199.....	10,081	1,150	21	2.7	77	6.2
\$200 to \$249.....	13,829	1,310	29	3.0	81	4.9
\$250 or more.....	12,279	1,250	25	2.8	63	6.4
Median asking rent.....	\$207	\$5.80	(X)	(X)	(X)	(X)
NUMBER OF BEDROOMS						
Less than 2.....	21,839	1,590	45	3.3	78	4.1
2.....	23,896	1,640	49	3.3	74	4.2
3 or more.....	2,592	668	5	1.4	63	13.9

(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

³See "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		Seasonally adjusted rented within 3 months		Not seasonally adjusted - rented within--							
					3 months		6 months		9 months		12 months	
	Number	Sampling error*	Per-cent	Sampling error* (per-centage points)	Per-cent	Sampling error* (per-centage points)	Per-cent	Sampling error* (per-centage points)	Per-cent	Sampling error* (per-centage points)	Per-cent	Sampling error* (per-centage points)
1972												
January-March.....	103,854	3,800	65	2.2	61	2.2	86	1.6	93	1.2	96	0.9
April-June.....	113,811	4,000	70	2.0	73	1.9	86	1.6	92	1.2	96	0.9
July-September.....	142,262	4,550	64	1.9	69	1.8	83	1.4	90	1.2	96	0.8
October-December...	130,577	4,300	72	1.8	67	1.9	84	1.5	93	1.0	97	0.7
1973												
January-March.....	113,194	2,600	68	2.0	64	2.0	83	1.6	92	1.2	95	1.0
April-June.....	129,314	2,870	70	1.9	74	1.7	89	1.3	94	1.0	97	0.7
July-September.....	129,755	3,051	70	1.9	76	1.8	87	1.3	94	0.9	97	0.7
October-December...	121,916	2,900	68	2.0	63	2.0	82	1.6	92	1.1	96	0.8
1974												
January-March.....	98,934	2,850	72	2.1	67	2.1	86	1.5	92	1.3	95	1.0
April-June.....	99,489	2,840	69	2.2	73	2.0	86	1.6	91	1.4	94	1.1
July-September.....	96,682	2,740	67	2.2	72	2.0	85	1.6	90	1.4	95	1.0
October-December...	96,631	2,750	65	2.3	60	2.3	78	2.0	88	1.5	93	1.2
1975												
January-March.....	63,604	2,270	66	2.8	61	2.8	80	2.3	90	1.7	93	1.5
April-June.....	59,103	1,900	68	2.8	72	2.7	86	2.1	91	1.7	(NA)	(NA)
July-September.....	48,327	1,850	69	3.1	75	2.8	86	2.3	(NA)	(NA)	(NA)	(NA)
October-December...	43,561	1,830	82	2.7	76	3.0	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)

(NA) Not available. ^rRevised.

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

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 non-sampling 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.

Table 4. COOPERATIVE AND CONDOMINIUM APARTMENTS: TOTAL COMPLETED, PERCENT OF ALL 5+ UNITS AND ABSORBED WITHIN 3 MONTHS: 1974 AND 1975

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

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)
1974						
January-March.....	40,700	2,230	25	1.6	64	3.5
April-June.....	36,997	2,150	22	1.5	64	3.7
July-September.....	35,538	2,110	23	1.6	58	3.7
October-December.....	39,820	2,220	24	1.6	41	3.6
1975						
January-March.....	29,577	1,880	26	1.9	40	4.2
April-June.....	16,567	1,440	19	1.9	46	5.6
July-September.....	21,737	1,590	26	2.3	49	5.1
October-December.....	14,683	1,350	19	2.1	41	6.0

(NA) Not available. ^rRevised.

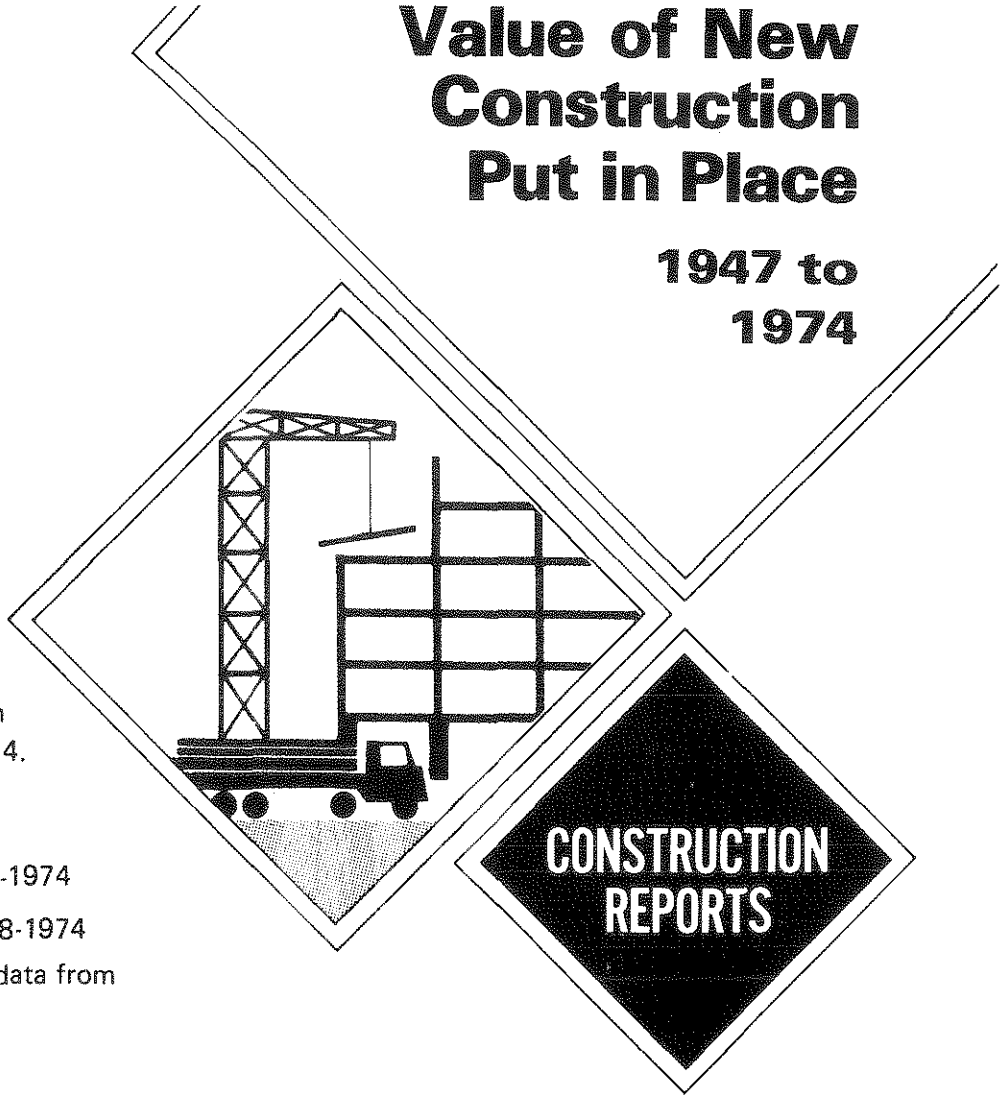
*Standard error with range about 2 chances out of 3.

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