

# Characteristics of Apartments Completed 2007: Analytical Text

## INTRODUCTION

The Survey of Market Absorption (SOMA) measures how soon privately financed, nonsubsidized, unfurnished units in buildings with five or more units are rented or sold (absorbed) after completion. In addition, the survey collects data on characteristics such as number of bedrooms, asking rent, and asking price.

As with all surveys, estimates may vary from actual values because of sampling variation or other factors. All statements in this report have undergone statistical testing and are significant at the 90- percent confidence level.

## HIGHLIGHTS

- Preliminary estimates from the Survey of Market Absorption show that, during 2007, a total of 103,700 privately financed, nonsubsidized, unfurnished rental apartments in buildings of five units or more were completed in permit-issuing areas in the United States. This total is about 13,500 fewer than the estimated 117,200 completions in 2006, but does not differ from similar completions in 2005. There were fewer new 2007 unfurnished rental completions in every year dating back from 2004 to 1995 (Table 8).
- The South, with 59 percent, had the majority of new, unfurnished rental completions of any region, followed by the West, with 26 percent. The Midwest (9 percent) ranked third, while the Northeast had the smallest proportion (5 percent) of new rental completions in 2007 (Table 1 and Figure 1).
- Two-bedroom units were the predominant size built, accounting for about 50 percent of newly constructed rental apartments, followed by one-bedroom units (38 percent). The third group comprised units with three or more bedrooms (10 percent), and the smallest group, efficiencies (no bedrooms), accounted for about 2 percent of new 2007 rental completions (Table 1).
- The median monthly asking rent for all unfurnished rental apartments completed in 2007 was \$1,017—not statistically different than the \$1,068 (in 2007 dollars; \$1,039 in 2006 dollars) median rent for unfurnished apartments completed in 2006 (Table 2). One-bedroom units had a median asking rent of \$912, the least amount among the four sizes of units in the survey. The median monthly asking rent among 2-bedroom units, efficiency (no bedroom) units, and units with 3-or-more bedrooms did not differ significantly in 2007 (Table 2).
- In 2007, about 38 percent of the completed unfurnished rental apartments had a median asking rent of \$1,150 or more—by far the largest proportion of rental completions based on asking rent, followed by those renting for less than \$750 (17 percent). Units renting in the \$1,050 to \$1,149 rent range (8 percent) comprised a smaller proportion than the 13 percent renting for \$750 to \$849 and \$850 to \$949. There were no other significant differences among the proportions of new unfurnished units based on asking rent (Table 1).
- The 3-month absorption rate for unfurnished rental apartments was 55 percent, which did not differ significantly from any of the 3-month rates by asking rent, which also did not differ (Table 2).
- There were no statistically significant differences among 3-month absorption rates for unfurnished apartments built in 2007 based on number of bedrooms (Table 2).
- The majority (59 percent) of new unfurnished rental units were completed inside principal cities of core based statistical areas (CBSAs), about 20 percentage points greater than the 39 percent built outside the nation's principal cities. Only two percent of new rental units were completed outside CBSAs and were absorbed at a 3-month rate of 58 percent. This rate did not differ from either the rate inside or outside principal cities (Table 3).
- Of the 103,700 unfurnished rental apartments completed in 2007, 96 percent had air conditioning available, while about 83 percent had a swimming pool available. About 5 percent included electricity in the monthly rent, and 8 percent included the cost of natural gas (Table 4).
- About 93,400 condominium and cooperative apartments were completed in 2007, no difference from similar completions in 2006. Within 3 months, 61 percent of these units completed in 2006 had been sold (absorbed). The South, with 42 percent of new condominium and cooperative completions in 2007 had a larger proportion than any other region, followed by the West with 28 percent. The proportion of new condominium and cooperative units built in both the Midwest and the Northeast did not differ statistically (Table 5).
- The median asking price for all new condominium apartments built in 2007 exceeded the upper level of the highest asking price range, and thus, cannot be compared to the 2006 median asking price. Seventy-nine percent of all new condominiums built in 2007 had two bedrooms or more (Table 6).
- Fifty-five percent of newly built condominiums had a median asking price above \$350,000, a larger proportion than in any of the other asking price ranges. There were no other statistical differences among the proportion of new condominium units by asking price range, nor were there any statistical differences among 3-month absorption rates for condominium units built in 2007 (Table 6).
- Approximately 253,000 apartments in residential buildings with five units or more were completed in 2007, about 30,500 units fewer than the 283,500 total completions in 2006, but not statistically different from total completions in 2005. Total 2007 apartment completions, in fact, were fewer than in any other year dating back to 1998, except for 2003 total completions (completions in 2005 and 2003 did not differ). Forty-one percent of 2007 completions were nonsubsidized, unfurnished rental apartments; 18 percent were subsidized and tax credit units; 37 percent were condominiums and cooperatives; less than 1 percent were furnished rental units; and the remaining 4 percent were not in the scope of the survey (Table 8).

**CHARACTERISTICS OF THE DATA**

All statistics from the SOMA refer to apartments in newly constructed buildings with five units or more. Absorption rates reflect the first time an apartment is rented after completion or the first time a condominium or cooperative apartment is sold after completion. If apartments initially intended to be sold as condominium or cooperative units are, instead, offered by the builder or building owner for rent, they are counted as rental apartments. Units categorized as subsidized and tax credited are those built under two Department of Housing and Urban Development programs (Section 8, Low Income Housing Assistance and Section 202, Senior Citizens Housing Direct Loans) and all units in buildings containing apartments in the Federal Housing Administration (FHA) rent supplement program. The data on privately financed units include privately owned housing subsidized by state and local governments. Time-share units, continuing care retirement units, and turnkey units (privately built for and sold to local public housing authorities after completion) are outside the scope of the survey.

Tables 1 through 4 are restricted to privately financed, nonsubsidized, unfurnished rental apartments. Table 5 is restricted to privately financed, nonsubsidized, condominium and cooperative apartments, while Table 6 is limited to privately financed, nonsubsidized condominium apartments only. Table 7 covers privately financed, nonsubsidized, furnished rental apartments and Table 8 is a historical summary of the totals for all types of newly constructed apartments in buildings with five units or more. Estimates published in this report are preliminary and are subject to revision in the H-130, Market Absorption of Apartments annual report.