

# Characteristics of Apartments Completed 2008: 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<sup>1</sup>

- Preliminary estimates from the Survey of Market Absorption show that, during 2008, a total of 145,700 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 42,000 greater than the estimated 103,700 completions in 2007. It also exceeds similar completions in 2006 and 2005 (no difference between these latter two estimates). However, 2008 unfurnished rental completions show no significant difference from the 2004 estimate (Table 8).
- The South, with 60 percent, had the majority of new, unfurnished rental completions of any region, followed by the West, with 22 percent. The Midwest (12 percent) ranked third, while the Northeast had the smallest proportion (6 percent) of new rental completions in 2008 (Table 1 and Figure 1).
- Two-bedroom units were the predominant size built, accounting for about 46 percent of newly constructed rental apartments, followed by one-bedroom units (41 percent). The third group comprised units with three or more bedrooms (10 percent), and the smallest group, efficiencies (no bedrooms), accounted for about 3 percent of new 2008 rental completions (Table 1).
- The median monthly asking rent for all unfurnished rental apartments completed in 2008 was \$1,091—not statistically different than the \$1,061 (in 2008 dollars; \$1,017 in 2007 dollars) median rent for unfurnished apartments completed in 2007 (Table 2). One-bedroom units had a median asking rent of \$961, about \$175 less than that for 2-bedroom units. Other similar comparisons among the median monthly asking rents that would include efficiency (no bedroom) units, and units with 3-or-more bedrooms are not possible, as the latter two types exceeded the upper limit of the asking rent range (Table 2).
- In 2008, about 44 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 \$850 (21 percent). Those units in the \$850 to \$949 rent range (13 percent) exceeded the 10 percent of completions in the \$1,050 to \$1,149 asking rent range. 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 50 percent, which did not differ significantly from any of the 3-month rates by asking rent (Table 2).
- There were no statistically significant differences among 3-month absorption rates for unfurnished apartments built in 2008 based on number of bedrooms (Table 2).
- The majority (63 percent) of new unfurnished rental units were completed inside principal cities of core based statistical areas (CBSAs), about 28 percentage points greater than the 35 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 84 percent. This rate exceeded both that of the rate for inside and outside principal cities, which did not differ from one another (Table 3).
- Of the 145,700 unfurnished rental apartments completed in 2008, 98 percent had air conditioning available, while about 79 percent had a swimming pool available. About 9 percent included electricity in the monthly rent, and about 9 percent included the cost of natural gas in the monthly rent (Table 4).
- About 71,100 condominium and cooperative apartments were completed in 2008, about 22,300 fewer than similar completions in 2007. Within 3 months, 49 percent of these units completed in 2008 had been sold (absorbed). The South, with 46 percent of new condominium and cooperative completions in 2008 had a larger proportion than any other region, followed by the West with 27 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 2008 exceeded the upper level of the highest asking price range, and thus, cannot be compared to the 2007 median asking price (which also exceeded the highest range). Seventy-two percent of all new condominiums built in 2008 had two bedrooms or more (Table 6).
- Fifty-eight 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 2008 based on asking price range (Table 6).
- Approximately 276,600 apartments in residential buildings with five units or more were completed in 2008, about 23,600 units greater than the 253,000 total completions in 2007, but not statistically different from total completions in 2006. Total 2008 apartment completions also exceeded those from 2005 by about 18,600 (completions in 2006 exceeded both those from 2005 and 2007). Fifty-three percent of 2008 completions were nonsubsidized, unfurnished rental apartments; 18 percent were subsidized and tax credit units; 26 percent were

condominiums and cooperatives; 1 percent were furnished rental units; and the remaining 3 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.

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<sup>1</sup>Details may not sum to totals because of rounding.