

# Survey of Market Absorption: Second Quarter 2009

## Second Quarter 2009 - Absorptions (Completions in First Quarter 2009)

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### 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.

The estimates in this report are based on responses from a sample of the population. As with all surveys, estimates may vary from actual values because of sampling variation or other factors. All comparisons made in this report have undergone statistical testing and are significant at the 90-percent confidence level.

### Highlights <sup>1</sup>

- An estimated 53,900 apartments were completed in buildings with five units or more in the first quarter of 2009. This estimate was about 23,300 fewer than apartment completions in the previous quarter, and about 8,400 fewer than completions in the same quarter of the previous year (table 11).
- Of the 53,900 units completed in the first quarter of 2009, approximately 27,300 were privately financed, nonsubsidized, unfurnished, rental apartments. This estimate was about 16,300 fewer than the revised estimate of unfurnished units completed in the previous quarter, but did not differ significantly from completions in the same quarter of the previous year (Table 1).
- An estimated 52 percent (seasonally adjusted) of the newly completed, unfurnished apartments built in the first quarter were rented (absorbed) within 3 months of completion. This estimate is greater by about seven percentage points than the estimate of the previous quarter, but did not differ from the same quarter of the previous year (Table 1). The not-seasonally-adjusted 3-month absorption rate of 50 percent for the 27,300 apartments completed in the first quarter of 2009 was higher by about six percentage points than that of the previous quarter, but did not differ from the rate in the same quarter of 2008 (Table 1).
- The median asking rent for all privately financed, nonsubsidized, unfurnished rental units completed in buildings with five units or more in the first quarter of 2009 was \$1,002. This estimate does not differ statistically from the revised median asking rent of the previous quarter. More new units built in the fourth quarter of 2008 contained two bedrooms (48 percent) followed by units that contained one bedroom (42 percent). Units with three bedrooms or more accounted for about 7 percent, while efficiencies (no bedroom) accounted for only 2 percent of the total (Tables 2 and 3).
- During the first quarter of 2009, the South had more (56 percent) new unfurnished rental completions than any of the other three regions, followed by the West with 33 percent. The Midwest (8 percent) had the next highest proportion while the Northeast, with 3 percent of new unfurnished rental completions had the fewest (Table 4).
- An estimated 12,900 condominium and cooperative apartments in buildings with five units or more were completed in the first quarter of 2009. This estimate is 4,500 fewer than that of the revised estimate from the prior quarter, and about 8,100 fewer than the same quarter of 2008 (Table 5). In the first quarter of 2009, condominiums and cooperatives accounted for about 24 percent of all completions in buildings with five units or more.
- About 45 percent of the 12,800 condominium apartments completed in the first quarter of 2009 were sold within 3 months of completion (Table 6). This rate is greater by about six percentage points than the revised rate from the previous quarter. The median asking price for new condominiums built in the first quarter of 2009 exceeded the upper limit of the price range, and cannot be compared to the median asking price last quarter (Tables 6 and 7).
- Of the remaining apartments completed in all buildings with five units or more in the first quarter of 2009, 11,200 units were federally subsidized or received a tax credit, and about 2,500 were not in the scope of the survey (Table 11).

### Characteristic 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 federally subsidized or receiving tax credits include the units subsidized under the following Department of Housing and Urban Development (HUD) or Federal Housing Administration (FHA) programs --Sections 8, 202, 811, 221(d)(3) or 221 (d)(4). In addition, units receiving Low Income Housing Tax Credit (LIHTC) through the Internal Revenue Service program are included in this category. 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 and Table 9 provide information about privately financed, nonsubsidized, unfurnished, rental apartments. Table 5 provides information about privately financed, nonsubsidized condominium and cooperative apartments, while Tables 6 through 8 and Table 10 provide

information about condominium apartments only. Table 11 summarizes the totals for all types of newly constructed apartments in buildings with five units or more.

**Footnotes**

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