

Annual 2009 Absorptions: 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.

The estimates in this report are based on responses from a sample of the population. As with all surveys, estimates 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.

HIGHLIGHTS¹

- During 2008, a total of 146,400 privately financed, nonsubsidized, unfurnished, rental apartments in buildings of five units or more were completed in permit-issuing areas in the United States. This estimate is greater by about 41,600 units than the estimated 104,800 unfurnished completions in 2007, and about 30,000 greater than similar units completed in 2006. Unfurnished rental units built in 2008 also exceeded such completions in 2005, did not differ significantly from 2004 rental completions, and were actually fewer than such completions each year back through 1996 (Table 8).
- Fifty percent of the unfurnished rental apartments built in the United States in 2008 were absorbed (rented) within the first 3 months of completion, 68 percent within 6 months, 79 percent within 9 months, and 87 percent were rented within a year of completion (Table 1). The South, with 60 percent, had a majority of these new rental completions. The West was next with 22 percent followed by the Midwest (12 percent). The Northeast had only 6 percent of new 2008 rental completions. There were no significant differences among the four regions of the country regarding 3-month absorption rates (Table 1).
- The majority (62 percent) of new unfurnished rental apartments built in 2008 were built inside principal cities of Core Based Statistical Areas (CBSAs), followed by those built outside principal cities (35 percent). Only two percent were built outside CBSAs. The 3-month absorption rate for unfurnished rental units built outside of CBSAs was 84 percent. This rate exceeded both the rates for units built inside principal cities and units built outside principal cities of CBSAs (the latter two areas did not differ) (Table 1).
- The median asking rent for unfurnished apartments completed in 2008 was \$1,096, which did not differ significantly from the \$1,062 (in 2008 dollars; \$1,023 in 2007 dollars) in 2008. In 2008, about 45 percent of unfurnished apartments rented for \$1,150 or more — a greater proportion than any of the other asking-rent categories. Units renting for less than \$850 (21 percent) exceeded those with asking rents of \$850 - \$949, \$950 - \$1,049 and \$1,050 - \$1,149. Units in the \$1,050 - \$1,149 asking rent range (9 percent) did not differ from those renting for \$950 - \$1,049 (12 percent), but comprised a smaller proportion than those renting for \$850 - \$949 (units in the latter two asking rent ranges did not differ significantly) (Tables 2 and 3).
- There were no significant differences among 3-month absorption rates by asking rent range for new unfurnished units built in 2008. Analysis of 12-month absorption rates by asking rent category showed that units renting for \$850 - \$949 were absorbed at a 94 percent rate. This exceeded the 84 percent 12-month absorption rate for units renting for less than \$850 and units renting for \$1,150 or more. There were no other significant differences among 12-month absorption rates (Tables 2 and 3).
- Two-bedroom units comprised 46 percent of newly-built unfurnished rental units in 2008, not significantly different from the proportion of one-bedroom units (41 percent). Both of these types exceed the proportion of units with 3 bedrooms or more (10 percent) and efficiencies (no bedrooms), (3 percent). The latter two types of units did not differ statistically. The median asking rent for apartments with 1 bedroom (\$967) was lower by about \$178 than that of 2-bedroom units (\$1,145). The median asking rent for efficiency (no bedroom) apartments and units with 3-or-more bedrooms were not subject to analysis as those median asking rents exceeded the upper limit of the rent range. There were no statistical differences among both 3-month and 12-month absorption rates based on the number of bedrooms (Table 3).
- Of the 146,400 newly built unfurnished rental apartments in 2008, 98 percent had air conditioning and 79 percent had a swimming pool available. The cost of electricity was included as part of the asking rent in 8 percent of newly built units (Table 4).
- About 69,800 condominium and cooperative apartments were completed in 2008, some 21,200 fewer than similar completions in 2007. Within 3 months, 49 percent had been sold (absorbed), and by the end of 12 months, 76 percent were sold. There were no significant differences among both 3-month and 12-month absorption rates for condominiums and cooperatives built in 2008 by region (Table 5).
- The median asking price for all condominium apartments built in both 2008 and 2007 exceeded the upper level of the price range, and thus, are not subject to comparison. Seventy-three percent of all new condominiums built in 2008 had two or more bedrooms. The South, with 44 percent of new condominium completions in 2008 had a greater proportion than any other region. The West (29 percent) had the second greatest proportion. The Midwest (13 percent), and the Northeast with 14 percent, did not differ statistically (Table 6).
- New condominiums built inside principal cities of CBSAs comprised the majority of new condominium completions in 2008 (73 percent). That was followed by the 25 percent completed outside principal cities of CBSAs. New condominiums completed outside of CBSAs

accounted for only two percent of the 2008 total. The 3-month absorption rate for condominiums built in these areas did not differ statistically (Table 6).

- The 276,600 apartments of all types constructed in buildings of five or more units in 2008 exceeded multi-unit completions from 2007 by about 23,600. However, 2008 total completions did not differ statistically from the 283,500 multi-unit completions in 2006. In fact, completions in 2008 were not statistically different from those of any other year dating back to 2001. Among the new multi-unit completions built in 2008, 53 percent were nonsubsidized, unfurnished rental apartments; 1 percent were furnished rental units; 25 percent were condominiums and cooperatives; 18 percent were subsidized and tax credit; 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 credit 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. 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.

¹Details may not sum to totals because of rounding.