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**Residential Real Estate, its Economic Position
as shown by Values, Rents, Family Incomes, Financing
and Construction, together with Estimates for All
Real Estate**

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Residential Real Estate

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Values, Rents, Family Incomes, Financing, and Construction,

together with Estimates for All Real Estate

David L. Wickens

Robertson
Handwritten

NATIONAL BUREAU OF ECONOMIC RESEARCH

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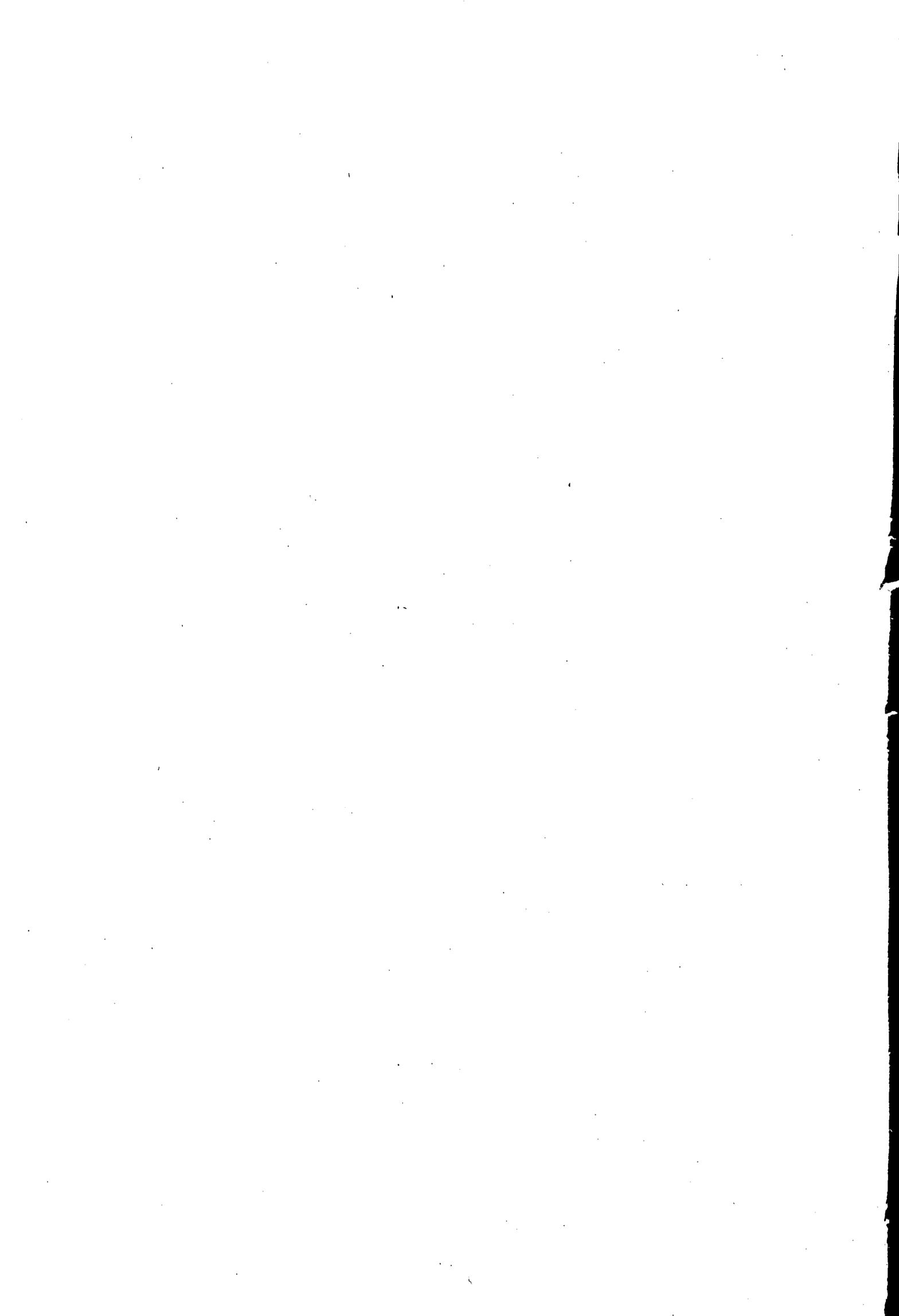
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(Resolution of October 25, 1926, revised February 6, 1933)



Foreword

The Division of Industry and Trade of the Committee on Credit and Banking of the Social Science Research Council outlined in December 1932 a program of studies in banking policy and credit control in relation to economic stability. Three stages of inquiry were proposed: (1) a statistical study of the formation of capital during the 1920's in terms of commodities and services rather than values; (2) measurement and analysis of the manner in which capital expansion in that period was financed, with attention to the sources and flow of savings and credit; (3) analysis of the implications of the studies at the first two stages with reference to the potentialities of credit control and banking policy and their bearing upon the stabilization of industry. The inquiries at the final stage were planned to include institutional studies of banking structure and policy and to emphasize the potentialities and limitations of credit control as a device for stabilization.

The initial project, a study of durable goods and capital formation in the United States, 1919-1933, was started in January 1933 by the National Bureau of Economic Research under the direction of Simon Kuznets. The National Bureau has so far published: *National Income and Capital Formation, 1919-1935* (1937); *Commodity Flow and Capital Formation, Vol. I* (1938); National Bureau *Bulletin 52*, "Gross Capital Formation, 1919-1933" (1934), and *Bulletin 74*, "Commodity Flow and Capital Formation in the Recent Recovery and Decline" (1939). In addition to these reports Dr. Kuznets is now preparing the second volume of *Commodity Flow and Capital Formation*, and William H. Shaw, a report on capital formation, 1879-1919.

The second stage of the program was concerned with the volume of capital funds and their flow through various channels, with the techniques and policies of the institutions that handle the funds, and with the effects of the flow and its volume upon the expansion and shrinkage of production of durable goods. The only project undertaken under this part of the program is the investigation by David L. Wickens of real estate financing and economic stability. Some of the results were released in National Bureau *Bulletin 65*, "Non-Farm Residential Construction, 1920-1936" (1937), and *Bulletin 75*, "Differentials in Housing Costs" (1939). The basic tables are published in this book and the methods described in detail. Both projects

were financed in part by the Social Science Research Council and in part by the National Bureau.

The Committee recommended the study of real estate financing because of the importance of real estate in national wealth. It is one of the greatest outlets for long term investment by banks, insurance companies, and private investors, and economic stability generally is influenced in large degree by what happens in real estate. The Committee was of the opinion also that real estate financing had been commonly understressed in the discussions of banking and credit phases of stabilization problems and that a major effort was necessary to organize the field by a comprehensive study on a national scale. With the results of such an effort the Committee believed that the ground would be laid for more fruitful work in the future, as had been the case with early studies of national income, and for a deeper understanding of the importance of real estate in the national economy.

Since effective measurements of real estate phenomena incident to financing are fundamental to an understanding of the problems of financing and stability, Mr. Wickens found it necessary to concentrate upon developing them. His task was more difficult because of the lack of any comprehensive information of a census character such as that available in the censuses of agriculture, population, and manufactures. As he points out, he used widely scattered sources and attempted by various methods to arrive at basic estimates.

As a result of his efforts, the fullest and most reliable data on values of urban residential properties, the relation of these values to mortgage debts, current rentals, construction, incomes of occupants, rates of obsolescence of properties, terms of financing, and sources of funds are now available in one book. In it one finds that urban real estate had a total value in 1930 of \$266,300,000,000, of which \$122,600,000,000 represented urban residential properties; that about 49 per cent of residential properties were held free of mortgages and 51 per cent were mortgaged; that in 1934 indebtedness on owner-occupied residential properties amounted to 55.6 per cent of their value; and that the total mortgage debt against urban residential properties amounted to \$26,078,000,000.

The facts made available in the tables, which constitute the greater part of this volume, remove real estate and mortgage financing from the list of eco-

conomic and financial factors about which we know least. They provide a basis for a better understanding of real estate financing and mortgage operations whose relations to the economy as a whole can now be seen. They are a ready source to which makers of public policy and directors of private enterprises as well as students generally can turn.

The Committee is deeply indebted to the National Bureau for assuming responsibility for and active technical direction of the investigation and for handling the details of publication.

David Friday, Chairman

Committee on Credit and Banking
of the

Social Science Research Council

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Charles O. Hardy
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Preface

This volume presents the results of several years of intensive study of the statistics of real property, especially nonfarm residential real estate. Farm real estate has been depressed since 1920. In the late '20's and early '30's, the impact of depression on nonfarm real estate and the urban construction industries reawakened public interest in construction and real estate. It became evident that the stagnation of urban real estate, construction, and trade, coming in the wake of the agricultural depression, implied grave dangers for the stability of the entire economic structure. But knowledge did not exist upon which to base sound public policy and sound private judgments with respect to real property and its many long-range commitments. Especially was there a dearth of reliable, integrated data concerning nonfarm residential real estate whose study had been much neglected compared with agricultural realty. Even the aggregate value of nonfarm residential real estate in the United States was unknown. No estimate was available for any more recent year than 1922, and fluctuations in this value during booms and depressions had not been studied. Comprehensive data on the amount of new dwelling construction and year to year changes were lacking. Little was known of the relation between the value of houses occupied by their owners and the value of tenant-occupied dwellings, or of the relation between the value of dwellings and the incomes of owners and tenants, or of how much it cost to buy or to rent a house in various parts of the country or among population groups of different sizes. For nearly two decades no inquiry had been made concerning the number of urban houses mortgaged, nor was there information on the holders of mortgages, the rates of interest charged, the number of residential loans delinquent, and the risk of loss assumed by investors in real estate mortgages.

As early as 1933 the Committee on Banking and Industry of the Social Science Research Council outlined a comprehensive program of research into the problems of real estate and economic stability. This was postponed until the completion of the principal phases of the Financial Survey of Urban Housing, conducted in 1934 as a CWA project and directed by the author under the sponsorship of the Bureau of Foreign and Domestic Commerce. The study planned by the Council was finally inaugurated early in 1935, financed generously by the Social Science Research

Council, and carried on under the auspices of the National Bureau of Economic Research. This volume is a product of that study. Based on a wide range of data, the preparation of its estimates and the compilation of its tables have required extensive work with primary data and a variety of methods and intricate computations. The text is restricted to relatively brief descriptions of some of the main features of the new data and the methods of estimating. The major portion of the volume consists of tables in Part Three whose structure is described in Part Two, Chapter I. The ten tables in Part One have Roman numerals; the tables in Part Two have the same classification letters as the tables in Part Three, but they carry in addition the letter M to signify that they are used in the exposition of method.

These statistics, prepared for publication in 1937 and relating to the period prior to that date, are made available prior to the completion of related analytical studies that are based partly on these data because of the current widespread interest in real property, especially housing, and because of the assistance they may render other students.

Many individuals and agencies have contributed generously of their time and resources in the interest of this study. Especial recognition is due the Committee on Banking and Industry of the Social Science Research Council and particularly its Chairman, David Friday, for the impetus his stimulating suggestions and never failing encouragement have given, and Winfield W. Riefler, whose counsel has been invaluable during the entire course of the study.

Grateful acknowledgment is made to the Bureau of the Census for permitting the use of its records and for the tabulations and transcriptions essential to the estimates of rents and values of urban properties, and in particular to Leon E. Truesdell, Chief Statistician for Population; to the Bureau of Foreign and Domestic Commerce for permission to use unpublished materials from the Financial Survey of Urban Housing; to Herman Byer, Chief of the Division of Construction and Public Employment, Bureau of Labor Statistics, for permission to use data on building permits collected by the Bureau as well as for numerous special tabulations; to Arthur Holden of the New York Building Congress for permission to use primary data gathered by that organization; and to the Mayor's Planning Committee of New York for making avail-

able personnel needed for the tabulation of real property values and debt in New York City.

Among my associates at the National Bureau of Economic Research, I am deeply indebted to Wesley C. Mitchell, Joseph H. Willits, formerly Executive Director, and William J. Carson, the present Executive Director, for their helpful cooperation in arranging for the conduct of the inquiry, and to the project committee, Simon Kuznets, Leo Wolman, and Solomon Fabricant, for its counsel concerning use of the material; also to Frederick C. Mills for stimulating suggestions in the interest of accuracy and for encouraging a comprehensive attack on this field of research, as well as to all other individual members of the staff who have contributed their comments and advice in the editing of this volume. Particular acknowledgment is due Raymond T. Bowman, a research associate at the National Bureau, 1938-39, who rendered extremely valuable assistance during the concluding months of the study by

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Great credit is due the members of the Washington staff who were actively engaged on the entire project and whose loyal work made its completion possible. Ray R. Foster performed the principal part of the work on Construction and shared responsibility for carrying through many of the other statistical processes involved in the numerous estimates presented. Other staff members who gave valuable service in the statistical and research work are Melvin F. Miller, Katherine Kates, Gladys Wilson, Marie Evans, and Mabel Demond.

D. L. W.

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