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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David L. Wickens

NATIONAL BUREAU OF ECONOMIC RESEARCH
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7. A copy of this resolution shall, unless otherwise determined by the Board, be printed in each copy of every Bureau publication.

(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-
economic 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

Alvin H. Hansen  Jesse H. Riddle
Charles O. Hardy  Winfield W. Riefler
Frederick C. Mills  Woodlief Thomas
## Contents

Preface xxv

### Part One

The Economic Significance of Nonfarm Residential Real Estate 1
Value of Real Estate: Aggregate and Major Components 1
Value of Nonfarm Residential Real Estate 3
Rent of Nonfarm Residential Real Estate 4
Relation of Value and Rent of Rented Properties 6
Family Income in Relation to Rent and Value of Dwellings 6
Financing Nonfarm Residential Real Estate 7
Nonfarm Residential Construction 10
Note: Estimates of the Aggregate Value of Real Estate
Method of Estimating Total Value of Nonfarm Real Estate, 1930 and 1934 11

### Part Two

I Sources, Method of Presentation, and Important Characteristics of the Statistical Data 15
1 Principal Sources 15
2 Presentation 15
3 Owners' Estimates 16
II Value and Rent of Nonfarm Residential Real Estate, 1930 and 1934 18
1 General Problems and Information Utilized in the 1930 Estimates 18
2 Nonfarm Dwelling Units, 1930, Details of the Estimates 20
   a Transcription of Number of Families reporting Value or Rent by Value or Rent Groups for each Geographic Division by Population Group 20
   b Addition of Dwelling Units for which Tenure was not reported 21
   c Addition of Vacant Dwelling Units 22
   d Estimates by Tenure, Value or Rent Group, Population Group, and Geographic Division, Recapitulation 25
   e Distribution by States in each Geographic Division, by Tenure and Population Group 25
   f Distribution of Estimates by Geographic Division, Type of Dwelling, Tenure, and Population Group 26
3 Value of Nonfarm Residential Real Estate, 1930 28
   a Value of Owner-Occupied Dwelling Units 28
   b Value of Owner-Occupied Dwelling Units, Distribution by States 29
   c Rent of Rented Dwelling Units 30
   d Value of Rented Dwelling Units 31
   e Value of Rented Dwelling Units, Distribution by States 31
   f Value of Dwelling Units, Distribution by Type 31
4 Special Tabulation of Census Data for 139 Selected Cities 32
   a Character and Content of the Special Tabulation 32
<table>
<thead>
<tr>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>b Type of Tabulation and Methods</td>
</tr>
<tr>
<td>c Average Values or Rents by Value or Rent Group by Geographic Division and Population Group</td>
</tr>
<tr>
<td>d Relative Rents by Type of Dwelling for each Geographic Division</td>
</tr>
<tr>
<td>e Percentage of Nonfarm Residential Structures Inhabited by Their Owners</td>
</tr>
<tr>
<td>f Data for Population Groups under 2,500</td>
</tr>
<tr>
<td>5 Value-Rent Ratios, Method of Deriving</td>
</tr>
<tr>
<td>a 1934</td>
</tr>
<tr>
<td>b 1930</td>
</tr>
<tr>
<td>6 Value of Nonfarm Residential Real Estate, including Vacant, Estimates, 1934</td>
</tr>
<tr>
<td>a Value of Owner-Occupied Dwelling Units</td>
</tr>
<tr>
<td>b Value of Rented Dwelling Units</td>
</tr>
<tr>
<td>III Source of Income Data and Method of Tabulating</td>
</tr>
<tr>
<td>1 Tables Derived from Special Tabulations</td>
</tr>
<tr>
<td>2 Tables Derived Directly from Financial Survey Tabulations</td>
</tr>
<tr>
<td>3 Character of the Income Data</td>
</tr>
<tr>
<td>IV Financing Nonfarm Residential Real Estate</td>
</tr>
<tr>
<td>1 Percentage of Owner-Occupied Houses Mortgaged and Percentage that Debt is of Value, 1920</td>
</tr>
<tr>
<td>2 Percentage of Owner-Occupied and Rented Houses Mortgaged and Debt-Value Ratios in Individual Cities</td>
</tr>
<tr>
<td>3 Estimated Total Mortgage Debt on Nonfarm Residential Properties, 1934</td>
</tr>
<tr>
<td>a Estimated Debt on Rented Properties</td>
</tr>
<tr>
<td>b Estimated Debt on Owner-Occupied Properties</td>
</tr>
<tr>
<td>4 Mortgage Loans, Two New York City Areas</td>
</tr>
<tr>
<td>V Method of Estimating Nonfarm Residential Construction</td>
</tr>
<tr>
<td>1 Description of Data: Organization and Adjustment</td>
</tr>
<tr>
<td>a Primary Data Used</td>
</tr>
<tr>
<td>b Statistical Advantages in Using Data on Number of Families rather than Population</td>
</tr>
<tr>
<td>c Special Problems in Adjusting the Primary Data</td>
</tr>
<tr>
<td>1) Basic population and family data</td>
</tr>
<tr>
<td>2) Correction for lapsed permits and under-reporting</td>
</tr>
<tr>
<td>2 Dwelling Units Built, 10-Year Aggregate, 1920–1929</td>
</tr>
<tr>
<td>a Use of Ratios of Dwelling Units Built to Increase in Number of Families</td>
</tr>
<tr>
<td>1) Urban environs</td>
</tr>
<tr>
<td>2) Rural environs and rural nonfarm areas</td>
</tr>
<tr>
<td>3) Nonmetropolitan urban</td>
</tr>
<tr>
<td>3 Dwelling Units Built Annually, 1920–1936</td>
</tr>
<tr>
<td>a Preliminary Totals, Uncorrected for Bias</td>
</tr>
<tr>
<td>b Correction for Bias</td>
</tr>
<tr>
<td>c Comparison of Estimated Trend with Shipments of Materials</td>
</tr>
<tr>
<td>d Method of Estimating Dwelling Units Built, by Geographic Division</td>
</tr>
<tr>
<td>e Dwelling Units Built, by Type of Dwelling</td>
</tr>
<tr>
<td>4 New Dwelling Units Built, Estimated Value</td>
</tr>
<tr>
<td>a Unit Costs</td>
</tr>
<tr>
<td>b Basic Data on Unit Costs, Building Permits</td>
</tr>
</tbody>
</table>
Tables

I National Wealth and the Value of Real Estate 1
II Number of Families, 1900–1930 2
III Farm and Nonfarm Real Estate, Value and Percentage Distribution 2
IV Nonfarm Real Estate Taxed by Type and Real Estate Exempt Value and Percentage Distribution by Geographic Division, 1930 3
V Value of Nonfarm Residential Real Estate by Geographic Division and Tenure, 1930 3
VI Percentage Distribution of 1933 Incomes of 1,725 Families receiving Incomes of $950–1,149 in 1929, Cleveland, Ohio 7
VII 68,385 Mortgaged Owner-Occupied Properties Percentage Distribution by Debt-Value Ratios, 52 Cities, 1934 9
VIII Cities and Villages for which Tax Assessors reported Total Value of Real Estate, June 30, 1936, Number and Percentage of Total; Summary by Geographic Division and Population Group 12
IX Cities and Villages for which Banks reported Estimated Percentage Market Value is of Assessed Value, 1936, Number and Percentage of Total; Summary by Geographic Division and Population Group 13
X Assessed Value as Percentage of Estimated Market Value of City and Village Real Estate Taxed; Bank Schedules, 1936, Average Percentages, by Type of Property, by Geographic Division 14
M 1 Estimated Farm Values and Sales Prices per Acre Ohio, Minnesota, and Vermont, 1912–1937 17
ABM 1 Occupied Dwelling Units, Number reporting Value or Rent by Value or Rent Group, State, Tenure, and Population Group, April 1, 1930 20
ABM 2 Dwelling Units, Number reporting Value or Rent by Value or Rent Group, Geographic Division, Tenure, and Population Group, April 1, 1930 21
ABM 3 Dwelling Units, Total Occupied, Number reporting and not reporting Tenure; Ratio of Total to those reporting Tenure: by Geographic Division and Population Group 22
ABM 4 Vacant Dwelling Units, Number as Percentage of Total, by Type 64 Real Property Inventory Cities by Geographic Division, January 1, 1934 22
ABM 5 Dwelling Units, Number Occupied, Vacancy Factor, and Total by Geographic Division, Population Group, and Type of Dwelling, April 1, 1930 23
ABM 6 Total Dwelling Units, including Vacant, by Geographic Division, Population Group, Type of Dwelling, and Tenure, April 1, 1930 23
ABM 7 Dwelling Units, Number reporting Value or Rent by Value or Rent Group; and Number not reporting Value or Rent, Number not reporting Tenure, and Number Vacant: by Geographic Division and Population Group, April 1, 1930 24
ABM 8 Total Nonfarm Dwelling Units by State, Population Group, and Tenure, April 1, 1930 25
CONTENTS

ABM 9 Occupied Dwellings and Families (Dwelling Units), Number by Type of Dwelling, State, and Population Group, 1930 26
ABM 10 Occupied Dwellings and Families (Dwelling Units), Number by Type of Dwelling, Geographic Division, and Population Group, 1930 27
ABM 11 Occupied Dwelling Units, Vacant, and Total including Vacant, by Type of Dwelling, Geographic Division, Population Group, and Tenure, April 1, 1930 28
ABM 12 Derivation of Total Value of All Owner-occupied Dwelling Units by Geographic Division and Population Group 29
ABM 13 Geographic Division Total Value of All Owner-occupied Dwelling Units, Distribution by States 30
ABM 14 Derivation of Total Monthly Rent of Occupied Rented Dwelling Units by Geographic Division and Population Group 30
ABM 15 Geographic Division Total Monthly Rent of All Occupied Rented Dwelling Units, Distribution by States 31
ABM 16 Derivation of Value of Rented Dwelling Units, including Vacant, by Geographic Division and Population Group 32
ABM 17 Average Values or Rents by Value or Rent Group as Derived from the 139 City Special Tabulation by Geographic Regions 33
ABM 18 Correction Factors for Adjustment of Total Values and Rents as Derived from the Use of Class Mid-Points 34
ABM 19 Average Monthly Rents for 2- and 3-or-more Family Dwellings as Percentages of Monthly Rents for 1-Family Dwellings by Geographic Division and Population Group 34
ABM 20 Percentage of Residential Structures Inhabited by their Owners, by Geographic Division, Type of Dwelling, and Population Group, April 1, 1930 35
ABM 21 Ratio of Percentage Change in Value (1930–1934) to Percentage Change in Rent (1930–1934) and Correction Factors for Incomplete Coverage of Financial Survey Value-Rent Ratios for 1934, by Geographic Division 36
EM 1 Population of 257 Cities reporting Building Permits, and Unreported Urban and Nonfarm Areas, by Class of City, 1920 and 1930 42
EM 2 Dwelling Units Built, Estimated Aggregate, 1920–1929; Summary by Class of City 47
EM 3 Ratio of Dwelling Units Built to Increase in Number of Families, by Geographic Division, 1920–1929 47
EM 4 Dwelling Units Built, and Factory Shipments of Baths, Lavatories, Kitchen Sinks, and Radiators, 1920–1936 49
EM 5 Dwelling Units Built by Decades, 1890–1929 54
EM 6 Families and Farms, United States, Census Data, 1890–1930 54
EM 7 Number of Families, 1890–1930, and Adjusted Increase in Number of Private Families by 10-Year Intervals 55
EM 8 Value of Residential Building Comparison of Estimates and Reported Data 57
EM 9 Dwelling Units Built, Square Feet of Floor Space in Residential Contracts Awarded in 37 States, and Number of Families Provided for in 257 Cities, 1920–1936 60
EM 10 Dwelling Units Built by Class of City, 1920–1936 69
EM 11 Dwelling Units Built, Aggregate Value, 1920–1936 72
EM 12 Dwelling Units Built, Estimated Aggregate for 1920–1929 75
EM 13 Demolitions, Selected Cities, 1918–1935 75
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong></td>
<td>Dwelling Units by Tenure, Population Group, State, and Geographic Division, April 1, 1930</td>
<td>80</td>
</tr>
<tr>
<td>A 1</td>
<td>Dwelling Units, Total Value by Tenure, Population Group, State, and Geographic Division, April 1, 1930</td>
<td>82</td>
</tr>
<tr>
<td>A 2</td>
<td>Dwelling Units, Average Value by Tenure, Population Group, State, Geographic Division, and on Farms, 1930</td>
<td>84</td>
</tr>
<tr>
<td>A 3</td>
<td>Dwelling Units by Tenure, Population Group, Geographic Division, and Type, April 1, 1930</td>
<td>86</td>
</tr>
<tr>
<td>A 4</td>
<td>Rented Dwelling Units, Total and Average Value, by Population Group, Geographic Division, and Type, April 1, 1930</td>
<td>88</td>
</tr>
<tr>
<td>A 5</td>
<td>Owner-occupied Dwelling Units, Average Value, All Types combined, by Value Groups: 1-Family, All Value Groups combined, 139 Cities, Towns, and Villages in Descending Order of Population by Geographic Division, April 1, 1930</td>
<td>90</td>
</tr>
<tr>
<td>A 6</td>
<td>Owner-occupied Dwelling Units, Average Value, 50 Cities by Geographic Division, April 1, 1930 and January 1, 1934, and Percentage 1934 is of 1930</td>
<td>93</td>
</tr>
<tr>
<td>A 7</td>
<td>Dwelling Units, Total Value by Tenure and Geographic Division, April 1, 1930 and January 1, 1934</td>
<td>93</td>
</tr>
<tr>
<td>A 8</td>
<td>Dwelling Units, Number and Percentage Distribution by Age Groups, 64 Cities by Geographic Division, January 1, 1934</td>
<td>98</td>
</tr>
<tr>
<td>A 9</td>
<td>Owner-occupied 1-Family Dwellings, Number reporting Value and Percentage Distribution by Value Groups, 61 Cities by Geographic Division, January 1, 1934</td>
<td>94</td>
</tr>
<tr>
<td>A 10</td>
<td>Owner-occupied 1-Family Dwellings, Average Value, 50 Cities by Geographic Division, April 1, 1930 and January 1, 1934, and Percentage 1934 is of 1930</td>
<td>97</td>
</tr>
<tr>
<td>A 11</td>
<td>Dwelling Units, Average Value by Value Groups: Owner-occupied, 52 Cities; Rented, 44 Cities, by Geographic Division, January 1, 1934</td>
<td>102</td>
</tr>
<tr>
<td>A 12</td>
<td>Dwelling Units, Wood Construction, Average Value by Tenure and Period of Construction: Owner-occupied, 52 Cities; Rented, 44 Cities, by Geographic Division, January 1, 1934</td>
<td>106</td>
</tr>
<tr>
<td>A 13</td>
<td>Number of Farm Operators reporting Value of Farm Dwelling and Average Value of Farm Dwelling plus Average Value of one Acre of Land by State, Geographic Division, and Tenure, April 1, 1930</td>
<td>110</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td>Total Annual Rent by Population Group, State, and Geographic Division, 1930</td>
<td>114</td>
</tr>
<tr>
<td>B 1</td>
<td>Occupied Rented Dwelling Units, Average Monthly Rent by Population Group, State, and Geographic Division, 1930</td>
<td>115</td>
</tr>
</tbody>
</table>
CONTENTS

B 3 Total Annual Rent by Population Group, Geographic Division, and Type, 1930 116
B 4 Rented Dwelling Units, Average Monthly Rent, by Population Group, Geographic Division, and Type, April 1, 1930 117
B 5 Rented Dwelling Units, Average Monthly Rent, All Types combined, by Rent Groups, All Rent Groups combined, by Type, 139 Cities, Towns and Villages in Descending Order of Population, by Geographic Division, April 1, 1930 118
B 6 Rented Dwelling Units, All Types combined, by Rent Groups; All Rent Groups combined, by Type, 25 Urban Places with Populations under 2,500, by Geographic Division, April 1, 1930 121
B 7 Rented Dwelling Units, Number and Percentage Distribution by Monthly Rent Groups, 61 Cities by Geographic Division, 1930 and 1934 122
B 8 Rented Dwelling Units, Average Annual Rent, 50 Cities by Geographic Division, 1930 and 1933, and Percentage 1933 is of 1930 125
B 9 Rented Dwelling Units reporting Annual Rent and Percentage Distribution by Annual Rent Groups, 52 Cities by Geographic Division, 1933 126
B 10 Rented Dwelling Units, Average Annual Rent by Annual Rent Groups, 52 Cities by Geographic Division, 1933 128
B 11 Rented Dwelling Units reporting Annual Rent and Average Annual Rent per Dwelling Unit, by Type, 52 Cities by Geographic Division, 1933 129
B 12 Rented 1-Family Dwellings, Number and Average Annual Rent for Units reporting Annual Rent per Dwelling Unit, per Room, and per Person, by Material of Construction, 52 Cities by Geographic Division, 1933 130
B 13 Rented Dwelling Units, Average Annual Rent, 1929, 1932, and 1933, reported by Tenants, January 1, 1934, 52 Cities by Geographic Division 133
B 14 Rented Dwelling Units reporting Facilities included in Rent, Number and Percentage of Dwelling Units with each Type of Facility, 51 Cities by Geographic Division, 1933 134
B 15 Rented Dwelling Units reporting Cost of Facilities included in Rent, Number and Average Cost of each Type of Facility for Dwelling Units using Facility, 51 Cities by Geographic Division, 1933 136
B 16 Rented Dwelling Units, Computed Average Cost of Facility for All Units by Type of Facility and Average Cost as Percentage of Average Rent, 51 Cities by Geographic Division, 1933 138
B 17 Rented Dwelling Units, Average Cost of Facilities included in Annual Rent by Rent Groups, 50 Cities by Geographic Division, 1933 140
B 18 Rented Dwelling Units reporting Gross and Net Rent, Average Annual Gross Rent including Facilities, Net Rent for Space per Dwelling Unit, and Average Cost of Facilities included in Rent as Percentage of Gross and Net Rent, by Type, 11 Cities, 1933 141
B 19 Rented Dwelling Units, Ratio of Value to Annual Rent by Type 42 Cities by Geographic Division, 1934 142
B 20 Rented Dwelling Units, Ratio of Value to Annual Rent by Type and Geographic Division, 1930 and 1934 143

Section C

C 1 Owner-occupant and Tenant Families, Number and Percentage Distribution by 39 Income Groups, 33 Cities combined, 1929 and 1933 146
CONTENTS

C 2 Owner-occupant and Tenant Families, Annual Family Income, Amount and Percentage Distribution by 39 Income Groups, 33 Cities combined, 1929 and 1933 147

C 3 Tenant Families, Number reporting Rent and Income, Average Annual Rent and Income, and Ratio of Rent to Income by 39 Income Groups; Personal Enumeration and Mail Returns, 33 Cities combined and each Individual City, 1929 and 1933 148

C 4 Owner-occupant and Tenant Families, Average Annual Family Income 1929, 1932, and 1933, reported by Families in 1934, 52 Cities by Geographic Division 183

C 5 Owner-occupant Families reporting Annual Income, Number and Percentage Distribution by 11 Income Groups, 61 Cities by Geographic Division, 1933 184

C 6 Tenant Families reporting Annual Income, Number and Percentage Distribution by 11 Income Groups, 61 Cities by Geographic Division, 1933 186

C 7 Owner-occupant and Tenant Families, Average Annual Family Income by 10 Income Groups, 52 Cities by Geographic Division, 1933 188

C 8 Owner-occupied Dwellings, Average Value and Ratio of Average Value, January 1, 1934, to 1933 Family Income by 11 Income Groups, 52 Cities by Geographic Division 190

C 9 Tenant Families, Average Annual Rent per Dwelling Unit and as a Percentage of Average Annual Family Income by 11 Income Groups, 52 Cities by Geographic Division, 1933 192

C 10 Tenant Families, Average Annual Rent per Room by 11 Income Groups, 52 Cities by Geographic Division, 1933 194

C 11 Tenant Families, Number reporting, and Percentage of Rent Delinquent by 11 Income Groups, 52 Cities by Geographic Division, 1933 195

C 12 Tenant Families, Number reporting, and Percentage of Families Delinquent in Rent by Rent-Income Percentage Groups, 52 Cities by Geographic Division, 1933 197

C 13 Owner-occupant and Tenant Families, Number reporting and Percentage of Full Time worked by Principal Wage Earner by 11 Income Groups, 52 Cities by Geographic Division, 1933 198

Section D

D 1 Owner-occupied Dwellings, Percentage Mortgaged and Percentage that Debt is of Value of Total Mortgaged Property by Population Group, State, and Geographic Division, 1920 202

D 2 Owner-occupied Dwellings, Percentage Mortgaged, 50 Cities, and Percentage that Debt is of Value of Mortgaged Property, 45 Cities, by Geographic Division, 1920 and 1934 203

D 3 Mortgaged Dwellings, Percentage that Debt is of Value, January 1, 1930, 1933, and 1934, reported by Owners in 1934: Owner-occupied, 52 Cities; Rented, 44 Cities, by Geographic Division 204

D 4 Total Mortgage Debt and Percentage Distribution by Geographic Division and Tenure, January 1, 1934 (preliminary) 205

D 5 Owner-occupied Dwellings, Number and Percentage Mortgaged by Value Groups, 52 Cities by Geographic Division, January 1, 1934 206

D 6 Rented Dwellings, Number and Percentage Mortgaged by Value Groups, 44 Cities by Geographic Division, January 1, 1934 208

D 7 Mortgaged Dwellings, Number reporting Value and Average Value by Value Groups: Owner-occupied, 52 Cities; Rented, 51 Cities by Geographic Division, January 1, 1934 210
CONTENTS

D 8 Mortgaged Dwellings, Number reporting Debt and Average Debt Outstanding (Principal only), All Priorities, by Value Groups: Owner-occupied, 52 Cities; Rented, 51 Cities, by Geographic Division, January 1, 1934

D 9 Percentage of Dwellings Mortgaged by Type: Owner-occupied, 52 Cities; Rented, 44 Cities by Geographic Division, January 1, 1934

D 10 Dwellings reporting Distribution of Original Cost to Present Owner, Percentage Distribution of Cost by Form of Consideration, and Percentage of Consideration in the Form of Debt by Period of Acquisition, 1889 or before, to 1934: Owner-occupied, 52 Cities; Rented, 44 Cities, by Geographic Division

D 11 Mortgaged Owner-occupied Dwellings, Number and Percentage Distribution by Debt-Value Percentage Groups, 52 Cities by Geographic Division, January 1, 1934

D 12 Mortgaged Rented Dwellings, Number and Percentage Distribution by Debt-Value Percentage Groups, 44 Cities by Geographic Division, January 1, 1934

D 13 Mortgaged Dwellings, Ratio of Debt to Value by Value Groups: Owner-occupied, 52 Cities; Rented, 51 Cities, by Geographic Division, January 1, 1934

D 14 Percentage that Total Debt on Mortgaged Dwellings is of Total Value of All Dwellings, including Dwellings not Mortgaged: Owner-occupied, 61 Cities; Rented, 44 Cities, by Geographic Division, January 1, 1934

D 15 Mortgages, Number and Percentage Distribution by Tenure and Priority, 52 Cities by Geographic Division, January 1, 1934

D 16 Mortgages, Amount and Percentage Distribution, by Tenure and Priority, 52 Cities by Geographic Division, January 1, 1934

D 17 Mortgaged Owner-occupied Dwellings, Number reporting Outstanding Debt by Priority and by Holding Agency, 52 Cities by Geographic Division, January 1, 1934

D 18 Mortgaged Rented Dwellings, Number reporting First Mortgages by Holding Agency, 52 Cities by Geographic Division, January 1, 1934

D 19 Mortgaged Owner-occupied Dwellings, Outstanding Debt by Priority and Percentage Distribution by Holding Agency, 52 Cities by Geographic Division, January 1, 1934

D 20 Mortgaged Rented Dwellings, Outstanding Debt reported for All Priorities combined and for First Mortgages, and Percentage Distribution by Holding Agency, 52 Cities by Geographic Division, January 1, 1934

D 21 Average Loan Outstanding, All Holding Agencies: First Mortgage by Holding Agency, Owner-occupied and Rented, 52 Cities; Second and Third Mortgages, Owner-occupied and Rented, 52 Cities; Land Contracts, Owner-occupied, 50 Cities; Rented, 41 Cities, by Geographic Division, January 1, 1934

D 22 Average Original Loan reported by Owners, January 1, 1934: First Mortgages by Holding Agency, Owner-occupied, 52 Cities, Rented, 30 Cities; and for All Holding Agencies, Owner-occupied and Rented, 52 Cities; Second and Third Mortgages, Owner-occupied, 49 Cities, Rented, 23 Cities; Land Contracts, Owner-occupied, 33 Cities, Rented, 9 Cities, by Geographic Division

D 23 Average Term of Loan, Average Years of Term Expired, and Average Years to run after 1933, by Priority: Owner-occupied, First Mortgages, 52 Cities; Second and Third Mortgages, 26 Cities; Land Contracts, 19 Cities; Rented, First Mortgages, 27 Cities, by Geographic Division, January 1, 1934
CONTENTS

D 24 First Mortgages, Number by Term in Years: Owner-occupied, 52 Cities; Rented, 47 Cities, by Geographic Division, January 1, 1934

D 25 Second and Third Mortgages on Owner-occupied Dwellings, Number by Term in Years, 46 Cities by Geographic Division, January 1, 1934

D 26 Number of Reports, Unweighted Average Contract, and Effective Interest Rates by Priority for Identical Properties: First Mortgages, Owner-occupied and Rented, 52 Cities; Second and Third Mortgages, Owner-occupied, 49 cities; Rented, 20 Cities; Land Contracts, Owner-occupied, 33 Cities; Rented, 9 Cities, by Geographic Division, January 1, 1934

D 27 Contract and Effective Interest Rates, Simple and Weighted Averages by Priority: First Mortgages, Owner-occupied and Rented, 52 Cities; Second and Third Mortgages, Owner-occupied, 49 Cities, Rented, 23 Cities; Land Contracts, Owner-occupied, 33 Cities; Rented, 9 Cities, by Geographic Division, January 1, 1934

D 28 Mortgaged Dwellings, Number reporting Contract Interest Rates on First Mortgages by Tenure and by Interest Rate Groups, 52 Cities, by Geographic Division, January 1, 1934

D 29 Mortgaged Owner-occupied Dwellings, First Mortgage Contract Interest Rates, Simple and Weighted Averages by Holding Agency, 52 Cities by Geographic Division, January 1, 1934

D 30 Mortgaged Rented Dwellings, First Mortgage Contract Interest Rates, Simple and Weighted Averages by Holding Agency, 30 Cities by Geographic Division, January 1, 1934

D 31 Mortgaged Dwellings, Number reporting Effective Interest Rates on First Mortgages by Tenure and Holding Agency, 52 Cities by Geographic Division, January 1, 1934

D 32 Mortgaged Owner-occupied Dwellings, First Mortgage Effective Interest Rates, Simple and Weighted Averages by Holding Agency, 52 Cities by Geographic Division, January 1, 1934

D 33 Mortgaged Rented Dwellings, First Mortgage Effective Interest Rates, Simple and Weighted Averages by Holding Agency, 30 Cities by Geographic Division, January 1, 1934

D 34 Mortgaged Owner-occupied Dwellings, Number reporting Contract Interest Rates on Second and Third Mortgages, by Holding Agency, 38 Cities by Geographic Division, January 1, 1934

D 35 Mortgaged Owner-occupied Dwellings, Second and Third Mortgage Contract Interest Rates, Simple and Weighted Averages by Holding Agency, 38 Cities by Geographic Division, January 1, 1934

D 36 Mortgaged Dwellings, All Priorities, Number reporting Payments and Average Annual Payment required for Interest and Principal, by Value Groups: Owner-occupied, 52 Cities; Rented, 51 Cities, by Geographic Division, January 1, 1934

D 37 Mortgaged Dwellings, All Priorities, Average Annual Payment required for Interest and Principal as a Percentage of Value of Property, by Value Groups: Owner-occupied, 52 Cities; Rented, 51 Cities, by Geographic Division, January 1, 1934

D 38 Mortgaged Owner-occupied Dwellings, Average Annual Payment required and Average Annual Payment as Percentage of Average Original Loan: First Mortgages by Holding Agency, 52 Cities; Second and Third Mortgages, All Holding Agencies, 49 Cities; Land Contracts, All Holding Agencies, 33 Cities, by Geographic Division, January 1, 1934
CONTENTS

D 39 Mortgaged Rented Dwellings, Average Annual Payment required and Average Annual Payment as Percentage of Average Original Loan: First Mortgages by Holding Agency, 52 Cities; Second and Third Mortgages, All Holding Agencies, 23 Cities; Land Contracts, All Holding Agencies, 9 Cities, by Geographic Division, January 1, 1934 276

D 40 Mortgaged Dwellings, Number reporting Method of Paying Principal and Percentage Distribution by Method: First Mortgages, Owner-occupied and Rented, 52 Cities; Second and Third Mortgages, Owner-occupied, 52 Cities; Rented, 23 Cities, by Geographic Division, January 1, 1934 278

D 41 Mortgaged Dwellings, Number reporting Frequency of Payment (Interest and Principal) and Percentage Distribution by Frequency: First Mortgages, Owner-occupied and Rented, 52 Cities; Second and Third Mortgages, Owner-occupied, 52 Cities; Rented, 23 Cities, by Geographic Division, January 1, 1934 280

D 42 Mortgaged Dwellings, Percentage Reduction from Original Loan and per Annum: First Mortgages, Owner-occupied, 52 Cities; Rented, 27 Cities; Second and Third Mortgages, Owner-occupied, 26 Cities; Land Contracts, Owner-occupied, 19 Cities, by Geographic Division, January 1, 1934 282

D 43 Mortgaged Dwellings, Years required to pay off Existing Debt at Average Rate of Retirement: Owner-occupied, First Mortgages, 52 Cities; Second and Third Mortgages, 26 Cities; Land Contracts, Owner-occupied, 19 Cities; Rented, First Mortgages, 27 Cities, by Geographic Division, January 1, 1934 283

D 44 Mortgaged Dwellings, Percentage with Payments in Arrears, All Priorities by Value Groups: Owner-occupied, 52 Cities; Rented, 44 Cities, by Geographic Division, January 1, 1934 284

D 45 Mortgaged Dwellings, Number reporting and Average Payment in Arrears, all Priorities by Tenure, 52 Cities by Geographic Division, January 1, 1934 287

D 46 Mortgaged Dwellings, Number reporting Payments in Arrears on First Mortgages and Percentage Distribution by Holding Agency: Owner-occupied, 52 Cities; Rented, 30 Cities; and Number reporting Payments in Arrears on Second and Third Mortgages: Owner-occupied, 49 Cities; Rented, 23 Cities, by Geographic Division, January 1, 1934 288

D 47 Mortgaged Dwellings, Percentage with Payments in Arrears, All Holding Agencies: First Mortgages by Holding Agency, Owner-occupied and Rented, 52 Cities; Second and Third Mortgages, Owner-occupied, 52 Cities; Rented, 23 Cities, by Geographic Division, January 1, 1934 290

D 48 Mortgaged Dwellings, Two New York City Areas, Number of Loans and Aggregate Amount by Priority and Holding Agency; Percentage Distribution of Aggregate Loans, Each Priority by Holding Agency; Average Amount, Average Interest Rate, Average Term, and Average Reduction of Original Loan by Priority and Holding Agency, 1934 292

Section E

E 1 Dwelling Units Built by Type, Class of City, and Geographic Division, 1920–1936 296

E 2 Aggregate Value of Residential Construction by Class of City, 1920–1936 296
CONTENTS

E 3 Dwelling Units Built, Number and Percentage Distribution by Type and Period, 1920–1936 296
E 4 Dwelling Units Built, Number, Aggregate Value, and Percentage Distribution, by Class of City and Period, 1920–1936 297
E 5 Dwelling Units Built, Number and Percentage Distribution by Geographic Division and Period, 1920–1936 297
E 6 Increase in Number of Families and Dwelling Units Built by Decades, 1890–1929 297
E 7 1-Family Dwellings for which Building Permits were issued, Average Cost, 257 Cities by Geographic Division and Class of City, 1920–1936 298

Charts

1 Total Value of Nonfarm Real Estate by Classes, 1930 2
2 Average Value per Dwelling Unit by Population Groups and on Farms, 1930 4
3 Average Monthly Rent of Nonfarm Dwelling Units by Population Groups, 1930 5
4 Families by Income Groups, Percentage Distribution, 33 Cities 1929 and 1933 6
5 Mortgaged Properties, Owner-Occupied, 52 Cities, Rented, 44 Cities Percentage Distribution by Ratio of Debt to Value, 1934 8
6 Residential Mortgage Debt on Owner-Occupied and Rented Properties, Percentage Distribution by Holding Agency, 52 Cities, 1934 9
7 First Mortgages, Owner-Occupied, 52 Cities, Rented, 47 Cities Percentage Distribution by Term, 1934 10
8 Nonfarm Dwelling Units Built, Number and Value, 1920–1936 11
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 his critical reading of the manuscript and by his improvement of the order and clarity of statements concerning the statistical processes.

To William Hoad, formerly of the Central Statistical Board staff, who gave the manuscript critical review, I am also indebted for many ideas and helpful suggestions.

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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