Owner Occupied Dwellings—Conceptual Issues

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The concept of owner occupied houses

Why are OOH so difficult?

- The complex nature of OOH creates problems in identifying scope and prices
- Are OOH investments or consumer durables?
- OOH involves two activities: The purchase of the house and the actual consumption over time of the service of the house
- The OOH market is not always transparent or easy to delineate in practice
- Good and timely data may be difficult to obtain
The concept of owner occupied houses

**OOH in national accounts**

- Houses are considered fixed assets, unlike other durables like washing machines, cars etc.
- The purchase of OOH is considered an investment and included in gross fixed capital formation
- The purchase of the OOH is not included in household final consumption expenditure
- Extensions and major repairs of OOH are also considered gross fixed capital formation

The ownership of a house provides a service which is actually consumed over time by the owner

The value of the services provided by OOH is included in household final consumption expenditure

The value of the OOH should be estimated as the rental value of similar rented houses, if there are suitable and well-organised rental markets.

In absence of suitable rental markets, other methods are suggested in 2008 SNA, chp. 20
The Production Boundary

* Production of all goods or services supplied to other units or intended to, including those for intermediate use;

* Own-account production of knowledge capturing products for own use or sell except households;

* Own account goods-retained for final consumption, gross fixed capital formation.

The Production Boundary

* Production of domestic and personal services of paid domestic staff;

* Own account production of housing services by owner occupiers.

Focus of this presentation
**2008SNA-Owner Occupied dwellings**

*Conceptual Issues*

* Production boundary issues
* Assets issues
* Household unincorporated enterprises
* Notional Resident

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**What is OOH?**

* When one lives in a home, one consumes a « housing service ».

* Dwellings are owned by somebody (household, private company, government, special agency)

* In market economies, households can own dwellings
What is OOH?

* Households have two « ways » of housing:
  * Rent a home from an owner. The housing service is measured by the rent.
  * Own their home and live in it.

* Owner Occupied Housing service is the estimate of the imputed housing service that households owning their home and living in it produce for themselves.

Why impute OOH?

* GDP = sum of all productions (without double counting).

* Housing service is produced, and is thus part of GDP.

* National accounts aggregates should be « robust » to differences in « institutional » settings.

* The fact that one can own one's house or not is an institutional setting which should not affect the aggregate production figure.
Why impute OOH?

* If OOH was not imputed:
  * The comparison of the level of GDP between two countries would be affected by a difference in the rate of ownership by households of their houses.
  * The change in GDP between two periods would be affected by the change in the rate of ownership of households of their own dwellings.

* History: OOH has **always** been imputed in national accounts

Comparisons of level of GDP

Some Examples

* France = higher rate of household ownership
* Germany = lower rate of household ownership

<table>
<thead>
<tr>
<th>Country</th>
<th>Actual rents</th>
<th>Imputed Rents</th>
<th>Total rents</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>2.3</td>
<td>7.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Germany</td>
<td>3.8</td>
<td>5.3</td>
<td>9.0</td>
</tr>
</tbody>
</table>
Why OOH and not other services?

* System of National Accounts excludes own-account production of services, except for OOH (&10.34). Why?
  * Size of the problem (housing services = ??% of GDP)
  * Use of GDP data in administrative context.
  * Proximity of the « non-market » and the « market » situation for housing.
  * A good estimate can be made.

Measurement of inequalities

* The imputation of OOH is useful for statistics on revenue inequalities.
  * Some (rare) countries tax OOH!

* How to compare the situation of a household which does not have to pay rent with one which pays a rent?

* The method is based on assuming a rental value equivalent to the market value of similar dwellings.

* Benchmarking micro inequality indicators with macro inequality indicators needs to: (1) impute OOH, (2) social transfers in kind.