

FRAMEWORK FOR MEASURING OWNER-OCCUPIED HOUSING AND EXPERIENCES FROM EU COUNTRIES

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SESSION 5

**WORKSHOP ON MEASURING INFORMAL ECONOMY
FOR EECCA AND SEE COUNTRIES (ONLINE)**

OWNER-OCCUPIED HOUSING INTRODUCTION

Framework for measuring OOH in national accounts

- set by internationally adopted statistical standard 2008 SNA
- European compatible standard of ESA2010
- complemented by European Commission Regulation 1722/2005
- OECD note (2008) and World Bank guidelines (2015)

General framework for measuring OOH in the EU context

Experiences of EU countries (methods & sources, challenging issues, best practices)

OWNER-OCCUPIED HOUSING GENERAL FRAMEWORK

Basic methods

- Stratification method (based on actual rentals, also known as rent equivalence) is the most preferred method
- User Cost Method (UCM) should be applied only under certain conditions
- Self-assessment methods should not be used (largely subjective leading to substantial uncertainties in results)
- Administrative assessment methods (may be biased, should not be used unless objectivity and comparability of results can be clearly demonstrated)

OWNER-OCCUPIED HOUSING GENERAL FRAMEWORK

Stratification method

- Dwelling stock stratified by important features (at least size, location, one other factor) in adequate detail (minimum 30 cells)
- Actual rentals from rented dwellings (average actual rental per stratum applied to all dwellings in that particular stratum)
- Rental to be applied to owner-occupied dwellings = private market rental due for the right to use an unfurnished dwelling
- Stocks x rentals per stratum = output of owner-occupied dwellings
- Base year updated by extrapolation (quantity, price, quality indicators) with max. benchmarking 10 years for stocks & 5 years for rentals

OWNER-OCCUPIED HOUSING GENERAL FRAMEWORK

User Cost Method (UCM)

- When rental market is not sufficiently large / developed, actual rentals from rental market are not representative and stratification method cannot be used. By convention, this is the case when 2 conditions are met simultaneously:
 - (1) Number of privately rented dwellings $< 10\%$ of total number of dwellings
 - (2) Disparity between private market and other paid rental $>$ factor 3
- Decision still conditional, considering representativeness and comparability of results as well as data limitations

OWNER-OCCUPIED HOUSING GENERAL FRAMEWORK

User Cost Method (UCM)

- Output = Intermediate Consumption (IC)+Consumption of Fixed Capital (CFC)+[other taxes less subsidies on production]+Net Operating Surplus (NOS)
- CFC calculation based on PIM model or other approved methods, where separate estimates for owner-occupied dwellings should be available
- NOS = 2.5% to net value of stock of owner-occupied dwellings at current prices (replacement costs). Same 2.5% to value of land at current prices on which the owner-occupied dwellings are located. Other alternatives.
- IC should include ordinary maintenance & repairs, FISIM and insurance cost in relation to these owner-occupied dwellings (insurance on dwelling structure).

OWNER-OCCUPIED HOUSING GENERAL FRAMEWORK

Special cases

- Rental-free and cheap dwellings (dwellings that are let at zero or very low rentals)
- Holiday homes (all kinds of leisure-time dwellings like nearby-weekend house or more distant resort-home)
- Spare room lodgers (spare rooms within dwellings rented to others)
- Empty dwellings (non-rented dwellings which are not used by the owner, i.e. which are available to be sold or rented)
- Garages (parts of dwelling structure but can also be located separately from dwellings and used by owner in connection with using dwelling)

OWNER-OCCUPIED HOUSING EXPERIENCES FROM EU COUNTRIES

Basic methods

- EU countries: 60% stratification, 40% UCM.
- Base year housing stock (stratification, UCM): decennial censuses, updated by the use of indicators (e.g. new dwellings constructed, demolitions). Administrative building registers.
- Base year actual rentals (stratification): decennial censuses or sample surveys (household budget survey or specific rental survey). Extrapolation by the use of relevant price indices (e.g. price index for rentals paid from the consumer price index).

OWNER-OCCUPIED HOUSING EXPERIENCES FROM EU COUNTRIES

Stratification method

- Most challenging issue identified is the extrapolation method. Most common aspects relate to (a) benchmarking period, level of detail and (b) indicators used.
- Difficulties addressed mainly by (a) increasing frequency with which data sources are made available or by exploiting supplementary data sources and (b) use of better and more consistent extrapolation indices that are tested over time.

OWNER-OCCUPIED HOUSING EXPERIENCES FROM EU COUNTRIES

User Cost Method (UCM), data sources for cost components

- IC ordinary maintenance & repairs: household surveys (HBS, SILC).
- IC FISIM: calculation framework for FISIM, financial & monetary statistics (dwelling loans to households as owners of dwellings).
- IC Insurance: calculation framework for insurance, administrative sources (supervising authorities for insurance corporations).
- CFC: PIM model, long-term series of gross fixed capital formation. Alternatively, mid-year net dwelling stock & depreciation rate.
- NOS: net value of dwelling stock, value of land (land to building ratio).
- Other taxes less subsidies on production: general government data.

OWNER-OCCUPIED HOUSING EXPERIENCES FROM EU COUNTRIES

User Cost Method (UCM)

- Most challenging issue identified is the estimation of NOS
- Value of land is often difficult to observe annually in many cases.
- Fixed ratios (land to building) need to be updated frequently.
- Ratios in different strata may be derived from analysis of composition of costs of new houses and associated land. Alternatively, ratios could be derived from relevant information in land cadastre.
- No particular challenges identified for CFC apart from the need for a more frequent reviewing of the average service lives in some cases.

OWNER-OCCUPIED HOUSING EXPERIENCES FROM EU COUNTRIES

Intermediate Consumption (IC)

- Most challenging issues: (a) correct distinction of ordinary maintenance & repairs, (b) correct estimation and allocation of FISIM and insurance service charge to IC of owner-occupied dwellings.
- Best practice for (a): use of household surveys to identify expenses by owners & tenants, estimate average expenses per dwelling/square meter separately by owners & tenants, difference multiplied by stock of owner-occupied dwellings and resulting figure treated as IC.
- Best practice for (b): estimates in a coherent framework and then allocated on the basis of appropriate statistical data or allocation keys.

OWNER-OCCUPIED HOUSING EXPERIENCES FROM EU COUNTRIES

Special cases

- Most challenging issue for both methods (stratification, UCM) is the correct identification and distinction of empty dwellings.
- Identification of empty dwellings can be based on relevant declaration of owner or neighbours (census). In the absence of such clear information, the existence of furniture may be used as an indication for occupation.
- Analysis of reasons for non-occupancy, as recorded by census enumerators, can be used together with plausible assumptions (e.g. based on characteristics of the unoccupied dwellings).
- Other additional sources can also be used (special studies, professionals in real estate market, household surveys).

OWNER-OCCUPIED HOUSING EXPERIENCES FROM EU COUNTRIES

Special cases

- Rental-free and cheap dwellings: identification & treatment to reflect full dwelling service through questionnaire instructions and analysis of all rental information.
- Holiday homes: correct coverage & valuation of output to ensure completeness and avoid double-counting. Case of online platforms. Adjustments to NOS for average occupation time under the UCM.
- Garages: completeness of coverage & valuation of output. Simplified estimation models used in cases where there are outdated sources or no information in housing censuses and registers.

OWNER-OCCUPIED HOUSING CONCLUSIONS

Main points

- Estimating OOH is a complex issue with many interconnecting aspects and high data requirements.
- EU experience may be useful guidance in addressing challenges in certain cases. Implications: devotion of time & resources for several actions (e.g. improvements in existing sources, exploitation of supplementary sources, development of new ones, review of existing assumptions or introduction of new ones, development of simplified model estimations, adjustments to results from basic sources).
- Good alternative solutions can be found in OECD & World Bank guidelines.
- Continuous improvements in estimating OOH and benefits over time to national accounts estimates.

OWNER-OCCUPIED HOUSING

Thank you for your attention