Estimation of owner-occupied housing: Canadian context

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Summary

• For many years, the Rents program was considered “the only stable component of GDP”

• Continuing with the Rental Equivalency method, the data inputs into the Rents calculation were significantly improved:
  ▪ More robust methodology for the average rent component
  ▪ Benchmarked stock in units program, with up to date occupancy
  ▪ Adjustment to account for private accommodation rental
  ▪ Refined adjustment for self-employed
Components of Rents within the Canadian SNA

Income: net and gross
- Rental income of owner-occupied
- Rental income of unincorporated landlords

Household final consumption expenditure
- Imputed space rent
- Paid space rent
Estimation method: Rental equivalency

- Use occupancy information to split Housing stock in units into owner or renter and vacant
- Remove vacant units
- By type of unit
- By province/territory
• Establish an average paid rent:
  - Apply average rent from Consumer Price Index program to Renter-occupied units, by type and region
  - Subtract facility expenses assumed included in contract (eg. Janitorial, water, heat)
  - This gives a total Paid Space Rent, divide by number of units to obtain **Average paid rent**, by type of structure
Estimation method, continued

- Average paid rent applied to owner-occupied units, by type
- A quality adjustment is applied to cover difference in quality between owner-occupied and rented dwellings
An adjustment is applied to both imputed and paid space rent to account for:
- living space used by self-employed people (intermediate expense)
- coverage for cottages and garages
Estimation method: rental income

Household Final consumption expenditure:
- Imputed rental fees for housing

Less: Property expenses
- Repairs
- Taxes
- Insurance
- FISIM
- Miscellaneous

Gross rental income of owner-occupied

Household Final consumption expenditure:
- Paid rental fees for housing

Unincorporated/Incorporated ratio
(to isolate unincorporated)

Less: Property expenses
- Repairs
- Taxes
- Insurance
- FISIM
- Miscellaneous

Gross rental income of unincorporated landlords
Improving the Average Rent calculation

• Collection based on supplement to monthly Labour Force Survey
• Previously estimated based on total paid rents divided by the number of households in the sample. The result was a very stable average rent
• This lacked similarity with outside sources on rental price movements
  ➢ Update calculation to capture new entries using a hedonic method
  ➢ New average rent is more reflective of rental market
Improving the Average Rent calculation, continued
Improving the Average Rent calculation, continued

Monthly Average Rent, province of Alberta
Improving the count of Dwelling units

• Previously: count of Dwelling Units was last benchmarked to 1996 Census; annual accumulation based on counts of net additions

✓ **Updated Housing stock in units** – using 2016 Census of population, with Starts and Completions survey and peripheral data on conversions, demolitions and tenure type change, dwelling stock by:
  - dwelling type (singles, multiples, mobile homes)
  - tenure type (vacant, rental, owned, band)
  - province/territory
  - quarterly frequency
Private accommodation rental

• Adjustment applied to owner-occupied housing industry to account for rental of private dwelling unit
  ▪ hosts are assumed to be households: renting their private dwellings
  ▪ an adjustment to the provision of owner-occupied housing services was required in order to avoid double counting output
  ▪ it was assumed that when a homeowner rents their primary dwelling the output was transferred from owner-occupied housing services to traveller accommodation services
  ▪ A partial offsetting reduction in the output of the owner-occupied housing industry was made

• Adjustment made on limited information
Going forward

• Statistics Canada is building a Statistical Building Register: an exhaustive list of buildings by merging administrative data
  ▪ Postal addresses
  ▪ Electrical billing addresses
  ▪ Property tax assessment files
  ▪ Population register

➢ Eventual replacement for the Stock in Units

• Updates to estimation of private accommodation rental within the context of the Digital Supply Use Table

➢ Do other countries include an estimation for such?
Background information:

• User Guide: Canadian System of Macroeconomic Accounts
  https://www150.statcan.gc.ca/n1/pub/13-606-g/13-606-g2016001-eng.htm

• Economic Accounts
  https://www.statcan.gc.ca/eng/subjects-start/economic_accounts

• New approach for estimating the rent component of the Consumer Price Index
  https://www150.statcan.gc.ca/n1/pub/62f0014m/62f0014m2019002-eng.htm

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