Housing Services and the National Accounts

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• GDP includes two types of expenditures for housing services:
  – Actual rents paid by renters to landlords (Tenant-Occupied)
  – Imputed rents paid by homeowners who “pay themselves” (Owner-Occupied or Owners’ Equivalent Rent)
    • Can be thought of as the rent a homeowner could expect to earn if they were to rent their property

• In 2016, housing services were estimated to make up 11% of gross domestic product, or approximately $2 trillion
  – Owner-occupied accounted for $1.5 trillion
Consumption of Housing Services

Billions

$2,500

Space Rent


Tenant-Occupied
Owner-Occupied
Consumption of Housing Services

Contributions to GDP Growth

- GDP less services
- Housing
- Services less housing
Why Does BEA Impute Owner-Occupied Rent?

• Without this imputation, the services of owner-occupied housing would not be included in GDP and related measures

• If the estimation of GDP used only tenant-occupied rent paid to landlords, changes in the proportion of renters to owners could have dramatic and misleading effects on GDP measures

— *Imputing owner-occupied rents results in consumer spending, GDP, and related income invariant to whether the house is rented by a landlord or is lived in by the homeowner*
Why Focus on Housing Services Now?

• Current methodology assumes that rents paid as a percent of the value of the property for a tenant-occupied home are the same as for an owner-occupied property of equivalent value. Is this a reasonable assumption?

• Since 2001, the housing market has seen significant movement in valuations, rents, and quantity of housing stocks

• Primary data source, the Residential Finance Survey (RFS) was discontinued after 2001
  – Many housing surveys are now available: American Housing Survey, Current Population Survey/Housing Vacancy Survey, Residential Finance Housing Survey, American Community Survey (ACS)
  – None provide the complete picture on rent-to-value ratios by property valuation as the RFS
  – Growing availability and usefulness of big data
  – Additionally, there is a need for a Regional view on Housing Services

• Focus now is on exploring options