

CHAPTER XII

REAL ESTATE, OWNERSHIP OF DWELLINGS AND BUSINESS SERVICES

Coverage

12.1. The economic activities covered in this sector are (i) ownership of dwellings (occupied residential houses), (ii) real estate services (activities of all types of dealers such as, operators, developers and agents connected with real estate) and (iii) business services. Services rendered by non-residential buildings is considered to be a subsidiary activity of the industries which occupy the buildings and therefore not included.

Methodology and Source Material

Estimates at current prices

Ownership of Dwellings

12.2. The gross value added in the ownership of dwellings is equivalent to gross rental of the residential dwellings less cost of repairs and maintenance. Gross rental is estimated as a product of average gross rental per dwelling and the number of census dwellings and includes imputed rent of owner occupied houses. The estimates are prepared separately for rural and urban areas.

12.3. The number of census dwellings in the base year (1970-71) in urban and rural areas is estimated adjusting 1971 figure for the mid-year assuming the rate of growth between 1961 and 1971 to hold good. The estimates for later years for urban areas are prepared using annual rate of change in municipal houses. The annual change in the number of municipal houses is determined from the data collected from municipalities annually. Data are collected from municipalities for two consecutive years on the number of municipal houses (subject to as well as exempted from house tax), annual assessed rentals of municipal houses subject to house tax and the population of the reported municipalities according to 1971 population census. The pooled data for all the municipalities in all the States from which returns are received are used to measure the all-India annual rate of change of municipal houses. In the case of rural areas, the annual rate of growth in census dwellings between 1961 and 1971 is used to obtain the annual estimates. For some

of the States and union territories which have been reconstituted since the 1961 population census, the relevant data are not available according to the reorganised States. For these States, the growth rates observed in the corresponding pre-reorganised States have been used.

12.4. While census dwellings are defined clearly, no uniform definition exists for municipal houses. The gross rental per municipal house estimated from municipal returns cannot therefore be taken to be equivalent to the gross rental per urban census dwelling. Therefore, to ensure meaningful use of municipal data, per capita rent in groups of reporting municipalities is first estimated after classifying the municipalities (from which returns are received) according to the size of population<sup>50</sup>. However, to obtain an estimate of per capita gross rental for all municipal houses, the imputed rent per municipal house exempted from house tax is also to be taken into account. This is assumed to be the same as the corresponding rent in the smallest size municipalities i.e., those with population below 20,000. Total rent (imputed plus assessed) of municipalities by population groups is thus calculated and the population of reporting municipalities is used to obtain per capita rent. The rent per census dwelling is then calculated using the information on total population of all municipalities, the total number of census dwellings in urban areas in 1971 and the per capita rent. For subsequent years, the base year estimate of gross rental per census dwelling is carried forward using the change in the average gross rental per municipal house. The total rental income is then calculated using the estimated number of census dwellings and the rent per dwelling.

12.5. For estimating gross rentals of rural areas the only basic data available are those collected from village panchayats for the period, 1958-59 to 1960-61. The data collected referred to (i) population of the village, (ii) number of houses, (iii) number of houses subjected to house tax and, (iv) estimated house tax demand. The data received covered about 23 p.c. of the rural population. Analysis of

<sup>50</sup> (i) one lakh and above, (ii) fifty thousand to one lakh, (iii) twenty thousand to fifty thousand, and (iv) below twenty thousand.

this data suggested that for 1960-61 the average rental per person in the rural areas was about 33 p.c. of the corresponding estimates of the urban areas. In the absence of any other relevant indicator this proportion has been used to estimate the rural rent per person in 1970-71. Given the total rural population and number of rural census dwellings, the rent per rural dwelling in 1970-71 has then been calculated. Assuming that the rent per census dwelling in rural areas moves in harmony with the rent per municipal house in category IV municipalities, the base year estimates of rent per rural census dwelling has been moved forward to obtain the estimates for the subsequent years. The total rural rental income is then estimated using annual estimates of number of census dwellings and rent per dwelling.

12.6. Gross domestic product is estimated by deducting the expenditure on the gross rentals. Both expenditures on current repairs and maintenance and consumption of fixed capital are estimated separately for urban and rural areas and taken as fixed percentages of the value of capital stock in residential house property. In case of repairs and maintenance this proportion is estimated to be 0.47 p.c. for rural areas on the basis of the details in All-India Debt and Investment Survey (AIDIS), 1971-72 and is assumed to be 0.5 p.c. for urban areas (in the absence of any other data). Consumption of fixed capital is assumed to be 2 p.c. and 1.67 p.c. of the total capital stock in house property in rural and urban areas respectively. The estimates of the value of capital stock are available from details of capital formation estimates prepared independently.

#### *Real Estate Services*

12.7. The gross/net value added from real estate is estimated separately for the organised and unorganised establishments, the former consisting of public and private limited joint stock companies and the latter of companies with unlimited liability and house agencies. For the annual estimates of the organised units, the data available in the annual profit and loss accounts of real estate companies are analysed. However, since the annual reports of all such enterprises are not available, the gross/net value added estimated on the basis of available reports is adjusted for full coverage by the ratio of the paid-up capital of all the real estate companies (obtained from the Company Law Board) to the paid up capital of the analysed companies.

12.8. In the absence of any other information the value added in unorganised real estate services has been estimated for the base year first and this proportion of value added in the unorganised part to that in the organised part is used to prepare the corresponding estimates for other years. For the base year, the per head earning in unorganised real estate services is assumed to be one-third of that in the organised part. The corresponding working force is estimated from the total after deducting those engaged in organised services (public and private limited companies). The total value added in unorganised part of real estate services thus worked out formed about 8.8 p.c. of the corresponding organised real estate activity in the base year.

#### *Business Services*

12.9. The gross/net value added in business services is obtained as the sum of total earnings of all workers (employer, own-account worker and employee) engaged in the activity and profits and dividends generated in joint stock companies. Since these estimates of earnings include the total income (net of intermediate consumption *i.e.*, expenditure on materials, repairs and maintenance and professional costs) of self-employed persons, employers and employees in this sector, only the profits and dividends of joint stock companies need be added for the measurement of total value added. The aggregate profits and dividends of joint stock companies is assumed to be the income of these companies assessed for income tax, the figures of which are annually available from the All-India Income-tax Statistics Directorate of Inspection, Ministry of Finance. The average earnings per worker for the year 1963-64 is obtained separately for rural and urban areas from the NSS Report No. 130, *Survey on Profession and Liberal Arts*, 18th Round : 1963-64 (NSSO, 1968). The annual estimates of working force engaged in business services are based on the 1971 population census results and the geometric growth rate between 1961 and 1971. The total earnings is estimated using data on per head earnings and working force.

12.10. For estimating net domestic product, consumption of fixed capital for the joint stock companies engaged in business services is determined from the results of RBI analysis of the finances of corresponding large and medium public limited companies. For the unorganised business services the consumption of fixed

capital is assumed 1.75 p.c. of gross domestic product.

**Estimates at current prices**

*Ownership of Dwellings*

12.11. The estimate of gross rental for the base year is moved to subsequent years with the growth rate in the estimated number of census dwellings in rural and urban areas separately. Expenditure on current repairs and maintenance has been taken as 0.5 p.c. and 0.47 p.c. and consumption of fixed capital as 1.67 p.c. and 2 p.c. of the value of the stock at 1970-71 prices of residential house property in urban and rural areas respectively.

*Real Estate Services*

12.12. The base year estimates of gross/net domestic product for real estate sub-sector is moved to the later years with the growth rate in the estimated number of urban dwellings.

*Business Services*

12.13. For business services, total earnings of workers for the base year is carried forward using the estimated trend in the working force

in rural and urban areas separately. The total of profits and dividends of the corporate sector is deflated by the index number of wholesale prices of all commodities (EA base 1970-71).

**Reliability, Objectivity and Current Status of Data**

12.14. Except for the measurement of rental income from urban dwellings and organised real estate and business services, the estimates are generally unsatisfactory being based on very limited data. Even in the case of urban rentals, the response from the municipalities in individual states is not uniform and the coverage is fully dependent on the number of respondents which does not ensure desirable representation of all States and the union territories. Independent case study conducted in Kerala has also shown that the assessment of rentals by municipalities is likely to be underestimated.

12.15. Unless special efforts are made to collect the data on rural rentals and the incomes of persons engaged in unorganised real estate services and business services, there is a little possibility of improving the estimates for the sector.