

CHAPTER 14

REAL ESTATE, OWNERSHIP OF DWELLINGS & BUSINESS SERVICES

Coverage

14.1 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. Ownership of dwellings also includes the imputed value of owner occupied dwellings. Services rendered by non-residential buildings are considered to be a subsidiary activity of the industries, which occupy the buildings and therefore are not included in this sector.

Methodology and Source material

14.2 For ownership of dwellings the methodology consists of estimating the gross rental of residential buildings (including owner occupied) and deducting therefrom the cost of repairs and maintenance to obtain the GVA. For real estate services the income method is followed wherein the various components of factor incomes are estimated by the analysis of the annual reports of real estate companies. For business services the methodology followed is similar to the method used for the sector 'other services' (Chapter 16), where the total number of persons engaged and value added per person are used. Profits and dividends of the corporate/organised sector are thereafter added. The estimates for other years are first prepared at constant prices (described below). The estimates at current prices have then been obtained from those at constant prices by superimposing the price effect as reflected in CPI Number for Urban Non-manual Employees for urban areas and index of wage rate of rural skilled workers for rural areas.

Sources of Data

14.3 The major sources of data for ownership of dwellings are (i) the Population Censuses of 1971 and 1981 for estimating the number of dwellings and (ii) the data on average gross rental per person/per dwelling from the 32nd and 38th rounds of NSSO. For real estate services, the annual reports of real estate companies and the paid-up capital of real estate companies obtained from the Company Law Board form the major sources of data. The major sources of data in the case of business services are income tax statistics published by Ministry of Finance for profits and dividends of Joint Stock Companies, the follow-up surveys of NSSO on services for value added per worker and population censuses for working force.

Estimates at Current Prices

Ownership of dwellings

14.4 The GVA for the ownership of dwellings is equivalent to the gross rental of the residential dwellings less the cost of repairs and maintenance. The statewide estimates are first obtained for the base year 1980-81 where gross rental is estimated as product of average gross rental per person and the number of persons. The estimates are prepared separately for rural and urban areas. The estimates for other years are obtained by moving the base year gross rent with the increase in estimated number of dwellings and increase in rent.

14.5 The number of census dwellings in the base year (1980-81) in urban and rural areas has been arrived at by adjusting 1981 figures for the mid-year 1980-81 assuming the rate of growth between 1971 and 1981 to hold good. (As the 1981 census did not include the State of Assam, adjustments have been made for inclusion of the number of dwellings in Assam). The estimates of number of dwellings in rural and urban areas in subsequent

years have been prepared using average annual compound growth in the number of dwellings between 1971 and 1981 censuses.

14.6 The source of rental data is the household consumer expenditure survey conducted by the NSSO periodically but this covers only the actual rent paid by the households in its earlier rounds. However, the NSSO, for the first time in its 32nd round (NSS Report No. 314: Tables with notes on particulars of owned houses, 1977-78), collected data on monthly rent per household in respect of owner occupied houses also and completed the data for three categories of households, namely, kutcha, semi-pucca and pucca in urban areas. Likewise the NSSO in the 38th round (NSS Report No.339: Tables with notes on particulars of dwelling units, 1983), collected data on monthly per capita rents in urban areas in respect of kutcha, semi-pucca and pucca houses. On this occasion average per capita monthly rent has been presented separately for rented and owner occupied houses together with percentage of households living in rented houses. Using proportions of households of the two categories as weights, the weighted average of per capita monthly rent has been calculated in respect of all the categories of houses to represent the rent in urban areas. Per capita monthly rent in respect of the category kutcha houses has been assumed to represent the rent in rural area. Similarly, based on the results of 32nd round, per capita rent for all categories of dwellings has been used for urban areas while the per capita rent in respect of kutcha buildings has been used for rural areas.

14.7 Based on the results of these two surveys relating to the years 1977-78 and 1983, average per capita rent in rural and urban areas in 1980-81 has been estimated statewise by interpolation. The annual compound growth rate method has been used for interpolation purposes. The gross rental has been thereafter estimated by multiplying the per capita rental with the estimated population in 1980-81 in rural and urban areas. In order to obtain estimates at current prices for subsequent years, the gross rental at 1980-81 prices has been inflated with the increase in rent separately for rural and urban areas. For urban areas, the growth in the house rent index number for urban non-manual employees has been used for this purpose. For rural areas, in the absence of any relevant index, half the growth in the rent index for urban areas has been assumed.

14.8 GVA is estimated state-wise by deducting the expenditure on current repairs and maintenance from the gross rentals. Expenditure on current repairs and maintenance are estimated separately for rural and urban areas, as detailed in Chapter on capital formation. Details of estimates for the base year 1980-81 are given in Table 14.1.

Real Estate Services

14.9 **Organised units:** The GVA from real estate is estimated separately for 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 preparing the annual estimates for the organised units, the data available in the profit and loss accounts of real estate companies are culled out. However, since the annual reports of all such enterprises are not available, the estimates obtained on the basis of available reports is adjusted for full coverage by the ratio of paid-up capital of all the real estate companies (obtained from the Company Law Board) to the paid-up capital of the companies in respect of which annual reports are received and analysed.

14.10 **Unorganised units:** The per head earning in the unorganised real estate services has been assumed to be 1/3rd of that in the organised part. The corresponding working force has been estimated after deducting those engaged in organised services (public and private limited companies) from the total working force. The total value added in the unorganised part of real estate services thus worked out forms about 8.82 per cent of the corresponding organised real estate activity. Details of estimates for the base year 1980-81 are given in Table 14.1.

Business Services

14.11 The GVA in business services is obtained as the sum total of earnings of all workers (employers, own-account workers and employees) engaged in the activity and profits and dividends generated in joint stock companies. Since the estimates of earning of all workers include the total income of self-employed persons, employers and employees, only profits and dividends from 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 All India Income Tax Statistics, Directorate of Inspection, Ministry of Finance.

14.12 The total earnings of all workers are obtained first for the base year by using the same method and data sources adopted for other services discussed in Chapter 16. The GVA per worker for 1980-81 has been estimated separately for rural and urban areas by interpolating the results of follow-up surveys of EC conducted by the CSO and NSSO in 1979-80 and by the CSO in 1983-84. The number of workers in 1980-81 in rural and urban areas have been estimated adjusting in 1981 census figures for mid financial year and subsidiary and marginal workers (discussed in Chapter 17 on Working Force). Total GVA for 1980-81 has been estimated using the data on per head GVA and working force. Details of estimates for the base year 1980-81 is given in Table 14.1.

Estimates at Constant Prices

Ownership of dwellings

14.13 The estimates 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 to obtain the estimates at constant prices for different years.

Real estate services

14.14 The estimates at constant prices are prepared by moving the base year estimates of GVA with the growth rate in the estimated number of urban dwellings.

Business services

14.15 For business services, the total earnings of workers for the base year is carried forward using the composite indicator based on number of chartered accountants, architects and the index of industrial production of machinery including electricals (details given in Chapter 17 on Working Force). These indices have been combined with the ratio of 1981 working force in (i) accounting, auditing and book keeping, (ii) engineering, architectural and technical services and (iii) machinery and equipment, rental and leasing. All these estimates are added to the profits and dividends of the corporate sector at constant prices. These are derived by deflating the corresponding current price estimates with the wholesale price index of all commodities.

Quality and limitations of Data base

14.16 Only for the measurement of value added in segment of organised real estate services, current data are obtained from their annual reports. In all other cases only the estimates for benchmark year which are projected to other years with the help of suitable quantum indices are based on current data. Even for the benchmark year the data are not complete as there is hardly any data on rural rental and this has been assumed to be same as rental for kutchha houses in urban areas. Even in the case of organised real estate services where annual data are obtained, the coverage is not adequate.

TABLE14.1: value Added from Real Estate, Ownership of dwellings and Business Services, 1980-81

Item	(Rs. crore)
(1)	(2)
1. Gross rental of dwellings	7811
1.1 Rural	4161
1.2 Urban	3650
2 Less cost of repairs & maintenance of dwellings	628
2.1 Rural	490
2.2 Urban	138
3 Gross value added	7383