

Q & A: CONSTRUCTION, STATISTICS & THE ECONOMY

How large an influence does housing have on the economy?

There is no official all-encompassing measure, although we can compile one that covers building consultants' fees, construction, agents and lawyers' fees etc.

Please tell me more.

First we start with construction. According to the ONS, new house building output, private and public, was £21.3 billion in 2011 (current prices).

What about repair, maintenance & improvement?

In 2011 repair, maintenance & improvement (RMI) output was £22.4 billion (current prices).

So, adding new build and RMI output gives us a total GB housing market of £43.7 billion in 2011.

Using the construction output measure of activity, yes.

Wait a minute, what do you mean by 'using the construction output measure'?

There is more than one official measure of housing construction. The other measure is the ONS gross fixed capital formation measure (GFCF). The GFCF dwellings measure of housing investment was £48.4 billion in 2011.

Which is the better measure?

We believe the GFCF data to be most appropriate for measuring market size. It includes new build, improvements and consultants' fees, although it excludes repairs, that is day-to-day maintenance of housing.

Right, so what's the size of the housing repair market?

There are no official data, although using the ONS Family Spending Survey we estimate the private repair market was £6.4 billion in 2011. Remember, that is just repairs, housing improvements (extensions, new kitchens etc.) are included in the GFCF data.

What about public housing repairs?

That is difficult to discern, although we estimate a market of no less than £2 billion.

Right, so what total do we arrive at now?

If we add GFCF data to the repair estimates, we arrive at a housing market (consultants' fees, new build, improvements, and repairs) of £56.8 billion (current prices).

What about professional fees associated with buying and selling houses, and moving costs?

In 2011 lawyers', property agent's and moving fees etc. amounted to an estimated £7 billion.

What does that give us in total?

Measuring housing in terms of: consultants' fees; new building & improvements; repairs; professional fees and moving expenses, the total was £63.8 billion in 2011, down from £86 billion in 2007, a fall of 26%.

What about its share of the economy?

Down from 6.1% of GDP in 2007, to 4.2% in 2011 (current prices).

What can we learn from this?

We can move from *talking* about housing's contribution to GDP, to *measuring* its contribution.

April 2013