



Commercial property prices: collection and usages at the BIS

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Commercial property prices (CPP) can play an important role in financial stability analysis. The BIS has for several years incorporated the monitoring of their evolution in its regular economic assessments, starting as early as in 1989 in its Annual Report. Further efforts have been made subsequently, leading to the publication of a first basic data set in 1994.

The Data Gaps Initiatives endorsed by the G20 in 2009 also called for further work in this area. The BIS started in 2010 the regular monthly publication on its website of a few commercial property price series. These statistics cover to date 12 countries and the central banking community is working on expanding this data set in the coming years.

Despite of the heterogeneity of CPP indicators in terms of type of property, covered area, property vintage, priced unit, compilation method (transaction-based or generated by valuation models) and seasonal adjustment, these indicators are very useful for monitoring purposes, for compilation of aggregate asset price indicators, in providing signals for future crisis (turning points in the CPP developments) or on commercial bank profitability.

Efforts are being made to overcome the CPP indices shortcomings including their low frequency (usually annual), their limited global coverage, and their narrow focus on non-office properties. The expected publication of the Handbook on Commercial Property Price Indices sponsored by Eurostat should very likely generate significant improvements regarding the cross-country homogeneity of property prices.

At the Bank for International Settlements, analyses embracing a longer term perspective are favoured. Property prices are used to monitor financial cycles, which are key to gauge financial stability. These financial cycles have a much larger amplitude than business cycles, and they develop over a longer time frame. In this context, the heterogeneity of property prices across countries is a secondary issue compared to their usefulness to assess the building up of financial vulnerabilities in the long run. To help supporting such financial stability analyses, the BIS will continue to regularly update on its website the current set of CPP series and improve its country coverage (which is currently far to be global).

Keywords: Property prices, aggregate asset price indicators, financial cycles, financial stability.