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Delegations will find attached document SWD(2023) 434 final.



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COMMISSION STAFF WORKING DOCUMENT

**FINAL PROGRESS REPORT ON
COMMERCIAL REAL ESTATE STATISTICS**

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FINAL PROGRESS REPORT ON

COMMERCIAL REAL ESTATE STATISTICS

1. BACKGROUND

This document reports on progress in developing commercial real estate statistics and describes current and planned activities.

Developing statistics for commercial real estate has been ongoing for some years in and beyond the European Statistical System. In Europe, this work received a strong push with recommendations issued by the European Systemic Risk Board (ESRB) in 2016 and 2019. The ESRB is responsible for the macroprudential oversight of the EU financial system and for preventing and mitigating systemic risk. Although statistics for residential real estate developed significantly following the 2008 financial crisis, large data gaps remain for commercial real estate, which hampers macroprudential analysis.

In October 2016, the ESRB issued Recommendation ESRB/2016/14 on closing real estate data gaps ⁽¹⁾. In March 2019, the ESRB amended it with Recommendation ESRB/2019/3 and added ‘Recommendation F’ ⁽²⁾:

- *The Commission (Eurostat) is recommended to propose Union legislation establishing a common minimum framework for the development, production and dissemination of a database on commercial real estate indicators on prices, rentals, rental yields, vacancy rates and construction starts;*
- *The Commission (Eurostat) is also recommended to develop and promote statistical standards, sources, methods and procedures for developing this database, in particular to ensure the quality of this set of indicators and minimise the reporting burden;*
- *Recommendation F (timeline): by 31 December 2021, the Commission (Eurostat) is requested to deliver to the ESRB and the Council an interim report containing a first assessment of the implementation of Recommendation F. By 31 December 2023, the Commission (Eurostat) is requested to deliver to the ESRB and the Council a final report on the implementation of Recommendation F.*

The revised recommendation also specifies that indicators should be available on a quarterly basis with a breakdown by type of property and by type of location (prime/non-prime). This document is the final report to the ESRB and the Council as requested in Recommendation F addressed to the Commission (Eurostat).

⁽¹⁾ [OJ C 31, 31.1.2017, p. 1-42](#)

⁽²⁾ [OJ C 271, 13.8.2019, p. 1-42](#)

There are many challenges in developing commercial real estate statistics:

- commercial real estate markets are thin and heterogeneous;
- availability of data, with source data often held privately;
- lack of expertise in the statistical authorities on these markets.

Nevertheless, in recent years, Eurostat and the Member States have together invested substantially in developing commercial real estate statistics. They have made significant progress, particularly on prices, rentals and construction starts, although many challenges remain. By contrast, progress on rental yields and vacancy rates has been relatively limited.

The COVID-19 pandemic and the responses to it have had a major impact on real estate markets, including commercial real estate. For example, the increase in working from home and online shopping has had consequences for the demand for office and retail space. Travel and leisure patterns have also changed substantially. These changes heighten the need for official and reliable statistics on how commercial real estate prices, rentals, rental yields, vacancy rates and other variables are evolving. Currently, most users use private data to analyse these market trends.

Section 2 of this document describes the work carried out by Eurostat in recent years to make progress on developing commercial real estate statistics. Section 3 summarises the state of play in EU Member States and EFTA States on each indicator, while Section 4 discusses some challenges and the costs of meeting the ESRB recommendations. Section 5 presents the next steps and Section 6 provides some concluding remarks.

2. RECENT PROGRESS ON COMMERCIAL REAL ESTATE STATISTICS

Eurostat and the Member States have worked on developing commercial real estate statistics under three work streams.

Work stream 1: prices, rentals and rental yields

In December 2017, Eurostat published *Commercial property price indicators: sources, methods and issues* ⁽³⁾. This publication outlined concepts, methods, data sources and key issues in compiling commercial property indicators. It was a first attempt to set out the wide range of challenges in measuring commercial property prices. Since then, the work to develop indicators has intensified, in particular by setting up multiple pilot projects in EU Member States and EFTA States. Some of these pilot projects have already resulted in indicators published at national level.

The Task Force on Commercial Real Estate Indicators ⁽⁴⁾ was set up in 2018. It meets twice a year (online, since 2020). The Task Force has grown in size over the years, as a sign of the

⁽³⁾ <https://ec.europa.eu/eurostat/web/products-statistical-reports/-/ks-ft-16-001>

⁽⁴⁾ A sub-group to the Commission expert group ‘Real Estate Price Statistics Working Group’.

increase in activity by the Member States, and now comprises participants from 16 EU national statistical institutes (NSIs) and 6 EU national central banks. Experts from the European Central Bank (ECB), the Organisation for Economic Co-operation and Development, the International Monetary Fund and the Bank for International Settlements have also participated as observers in several of the meetings.

The Task Force monitors and discusses the ongoing pilot projects in participating countries, for example on finding the most suitable data sources. The pilot projects contribute to discussions on the methodology for developing commercial real estate indicators with the aim of creating a methodological manual and a legal framework. Eurostat has supported the pilot studies by grants – in total it co-financed 20 projects in 11 EU Member States and 1 EFTA state between 2018 and 2022. Seven grant projects are due to start in 2024, the highest number since 2018. Eurostat intends to continue providing these grants to EU Member States and EFTA States.

The Task Force has approved an outline for a new manual and four draft chapters are already publicly available for consultation and feedback ⁽⁵⁾. The remaining chapters will be completed in early 2025.

Since 2021, Eurostat has organised individual technical assistance from high-level experts to the Member States and organised an annual training course. This work will continue at least until the end of 2025.

The first work stream also integrated input from two studies carried out as a result of a public procurement process by Eurostat:

- automatic data collection (web scraping) from commercial real estate portals in 10 EU countries, and
- automatic data collection of information published by real estate investment funds in Germany.

The data obtained from these studies are available to Member States for testing and analysis purposes.

Work stream 2: construction starts and works completions

Under this second work stream, the Short-term business statistics Commercial Real Estate Indicators Task Force ⁽⁶⁾ was set up in 2019. This Task Force initially covered the indicators on construction starts, works completions, vacancy rates and building permits. Thirteen EU Member States participated in the first (in-person) meeting of the Task Force in 2019, sixteen in the second and thirteen in the third (both online meetings). The ECB attended all three meetings. Four candidate countries participated in the meetings. The last meeting took place in 2021, during which the Task Force members agreed on the operational data requirements and definitions for construction starts and works completions.

⁽⁵⁾ [Commercial real estate indicators draft manual](#)

⁽⁶⁾ A sub-group to the Commission expert group ‘Short Term Statistics Working Group’.

As the European Business Statistics (EBS) Regulation ⁽⁷⁾ already covers the building permits indicator, the Task Force concluded that this ESRB data requirement had been sufficiently fulfilled. However, the property breakdown of non-residential buildings in the current EBS Regulation has only two classes: office buildings and other non-residential buildings.

Based on the data submitted under the EBS Regulation, Eurostat started to release annual building permits indicators using absolute figures (number of dwellings and useful floor area in m²), in addition to indices. These data provide a benchmark for construction starts and works completions.

The Task Force established agreed definitions, a methodology, measurement units and classifications and drafted the detailed data requirements for indicators on construction starts and works completions. These data requirements correspond to a large extent to the ESRB recommendations.

The development work is supported by grants to EU Member States, with the aim of evaluating existing and new data sources and their quality. They looked at how well the national data sources met the definitions and breakdowns required in the ESRB recommendations. Since 2019, 11 Member States had applied for 14 grants. All pilot projects include work on construction starts, except one project focusing on works completions and three projects on vacancy rates. The grants also fund pilot data production and exchange.

The following conclusions can be drawn on construction starts and works completions:

- Almost all participating Member States identified suitable data from administrative sources to compile indicators on construction starts and works completions.
- Generally, the level of feasibility of both indicators was good in countries that have a centralised information system for monitoring the construction process from building permits to works completions.
- However, having a centralised information system was still not a guarantee of data quality: in particular, some pilot studies found a significant level of under-reporting of works completions.
- In two Member States, work is still ongoing and two new countries have made proposals in the 2023 call for grants.

Work stream 3: vacancy rates

From the discussions in the two task forces mentioned above, it became clear that additional technical expertise was needed to develop an indicator on vacancy rates. Data on vacancy rates do not come from the data sources used for prices. In addition, they are not related to short-term construction indicators but rather to property management. A third task force was created to carry out further work on this indicator.

⁽⁸⁾ [OJ L 327, 17.12.2019, p. 1-35.](#)

The Task Force on Vacancy Rates of Commercial Real Estate ⁽⁸⁾ was set up in 2021. It met twice that year, with participation by NSIs from EU Member States and EFTA States, the ECB and one national central bank. Its mandate was to identify data sources, analyse costs and benefits, match data sources with the target definition and produce recommendations that meet the ESRB recommendation on vacancy rates. It has discussed different country approaches to vacancy rates for commercial real estate and has examined the different definitions used and data sources available at national level.

The Task Force produced a draft set of recommendations with the aim of standardising the collection and compilation of statistics on vacancy rates for commercial real estate properties ⁽⁹⁾.

3. COMMERCIAL REAL ESTATE STATISTICS IN EU MEMBER STATES AND EFTA COUNTRIES

In 2021 and 2023, Eurostat carried out surveys on the development of four commercial real estate indicators by EU Member States and EFTA States, complementing the information already available for construction starts and works completions. The surveys covered four indicators: price indices, rental indices, rental yield indicators and vacancy rates.

For each indicator, the surveys collected information on:

- the institutions involved;
- the current state of development;
- planned activities;
- applied methodologies (if calculations of the indicators had started).

The questionnaires were sent to the NSIs in the 27 EU Member States and three EFTA States. In situations where the national central bank or another part of the administration is responsible for developing one or more of the indicators in question, the NSI was asked to contact the appropriate institution to collect the information needed. Responses were received from all 30 countries.

Overview of the survey results

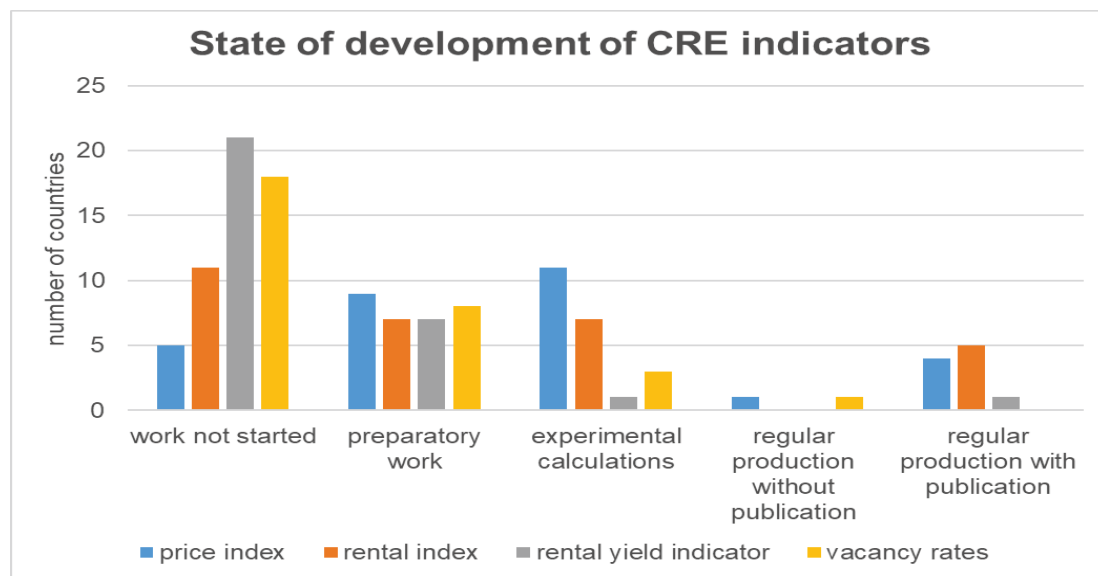
The chart below summarises the key findings of the 2023 survey. Price indices are clearly the furthest developed: 25 countries have started work on these. Sixteen countries are either working on experimental calculations or already regularly produce data. Fewer countries have made progress on rental indices, with 19 countries having started work and 12 of these having at least experimental calculations.

Most countries have not yet started working on rental yield indicators or vacancy rates. The countries that have started work on these indicators are mainly at the preparatory stage (i.e.

⁽⁸⁾ A sub-group to the Commission expert group ‘Real Estate Price Statistics Working Group’.

⁽⁹⁾ Available at: https://circabc.europa.eu/ui/group/c4b1ed1e-71ed-4622-b11e-d91429dd96f4/library/46949ed4-dd8c-40b5-b689-291300465f4e?p=1&n=10&sort=name_ASC.

literature review, research into the availability of potential data sources, accessing data sources).



The answers to questions about the methodologies applied by countries showed differing approaches. The solutions applied largely depend on the specific type of data sources used by individual countries. The breakdowns used and frequency at which indicators were compiled also depend on the size of their commercial real estate markets. Important factors to accelerate the pace of work were the availability of methodological guidelines and the introduction of a legal obligation to compile commercial real estate indicators.

Price indices

Commercial real estate price indices aim to measure the change in transaction prices of assets. According to the requirements of the ESRB recommendation, they should be calculated quarterly and broken down by property type (office, retail, industrial, residential and other) and location (prime/non-prime). Furthermore, the calculation methods for price indices should measure ‘constant quality’ price changes. This means quality changes such as depreciation or appreciation should be removed by means of quality adjustment.

In 2023, 25 countries carried out work on commercial property price indices, one country more than did so in 2021. Nine countries were involved in the preparatory stage, two fewer than in 2023. This is the stage preceding the start of calculation of the indices and includes work such as literature review, research into the availability of potential data sources and getting access to data sources.

The number of countries that have started calculating price indices has increased threefold since 2021 to reach 16 countries in 2023.

Countries that have started index calculations typically use administrative data sources containing transaction data. In most cases, they make calculations on a quarterly basis. In all countries except one, the indices cover the whole country. There are quite large differences between countries in terms of the property types covered by the index, but they typically

cover at least office and retail properties. Almost all countries have indices broken down by type of property. A few countries applied an additional breakdown by region and two countries breakdown the indices by prime and non-prime locations. As far as calculation methods are concerned, most use hedonic methods with some other methods used too.

Five countries have not yet started work on price indices for commercial real estate. The main obstacles preventing the start of this work are the lack of qualified human resources, the lack of knowledge needed on the commercial real estate market and a lack of clarity on the methodological guidelines.

Rental indices

Rental indices for commercial real estate provide information on the trends in rentals prices paid by tenants. As for price indices, the ESRB recommends a quarterly frequency and a breakdown by property type and location.

In 2023, nineteen countries declared that they had started work on rental indices, two more countries than in 2021. Seven of these countries are at the preparatory stage and the remaining twelve countries have started calculating the rental indices. Five countries now publish rental indices on a regular basis. Eleven countries have not yet started work on rental indices (down from thirteen in 2021).

There are large differences in the methodologies applied by individual countries. In particular, there is a wide variation in the data sources used for the calculations. Countries use statistical surveys, administrative data, private data or a combination of data sources with similar frequency ⁽¹⁰⁾.

In most cases, countries base their calculations on transaction data (data from rental contracts). Half of the countries compile on a quarterly basis, while the other countries do so on a monthly, half-yearly or annual basis. The indicator typically covers the whole country and typically includes at least office and retail properties. In most cases, the index covers both new and existing contracts, with only one country applying a breakdown into these two categories. Most countries do not apply any adjustments due to differences in how operating expenses are recorded in individual contracts. Similarly, no adjustments are usually made for incentives. Half of the countries use hedonic methods for the index compilation.

Rental yield indicators

The ESRB defines the rental yield as the ratio of annual rentals to the market value of the immovable property. According to the requirements in the ESRB recommendations, rental yields should be presented as indices with a quarterly frequency and broken down by property type and property location.

⁽¹⁰⁾ Some countries have reported that service producer price indices are available for ‘Renting and operating of own and leased commercial real estate’, based on a statistical survey of businesses classified in NACE rev. 2.0 Section L68.

Work on rental yield indicators is clearly less advanced than work on price and rental indices. In 2023, nine countries carried out work on rental yield indicators, one more than in 2021. Twenty-one countries have not yet taken any action in this area. Most of these countries do not yet have any specific plans to start work on this indicator.

Of the countries that have started work on rental yield indicators, seven are at the preparatory stage. Most countries could not say when they would start publishing the data regularly. In one country, the national central bank already publishes rental yield indicators regularly, but the indicator's scope is limited to rental housing.

Vacancy rates

The ESRB defines the vacancy rate as the surface area available for rent relative to the total surface area of the property. It helps assess the market conditions and in particular, the relationship between demand and supply in the rental market. Like the other commercial real estate indicators, the ESRB recommends calculating the vacancy rates on a quarterly basis with a breakdown by property type and location.

The state of development of vacancy rates is comparable to the state of development of rental yield indicators. In 2023, 18 countries had not yet started working on vacancy rates for commercial real estate, one fewer than in 2021.

Eight of the countries that have started work on vacancy rates are at the preparatory stage, one fewer than in 2021. Three countries are at the stage of experimental calculations in 2023, one more than in 2021. One country implemented a system of regular production but has not yet started official publication of the data.

Construction starts and works completions

Indicators on commercial real estate construction starts should be based on the ESRB data requirements where construction starts refers to the surface area, in square metres, of new commercial construction projects begun during the reporting period. If this information is not available, construction starts may refer to the number of new commercial construction projects started during the reporting period.

Before the launch of the task force responsible for this indicator (see work stream 2 in Section 2), a survey carried out in July 2018 indicated that some data were already available on construction starts and works completions. The survey results showed that seven EU Member States had national data on works completions at the required frequency and with the necessary breakdown. Six Member States had complete data on construction starts.

All Member States and most accession countries fully or almost fully meet the current data requirements on building permits indicators. Some countries have started pilot data transmission on construction starts and works completions following the task force specifications, and the situation is currently as follows:

- four Member States and one EFTA State have sent pilot data on construction starts or works completions;

- more countries intended to send pilot data, but faced problems in accessing the data sources;
- the quality of construction starts and works completions may be assessed by tracking the granted building permits; some pilot studies report a significant delay in reporting works completions due to under-reporting of finished construction projects.

Nine Member States have yet to report any activity in developing indicators on construction starts and works completions.

4. CHALLENGES AND COSTS IN MEETING THE ESRB DEFINITIONS AND REQUIREMENTS

The work carried out to develop the indicators requested by the ESRB recommendations has shown that there will be challenges in meeting some requirements and definitions. This section briefly describes some of these challenges.

Definition of commercial real estate

Recommendation 2019/3 of the ESRB defines commercial real estate as ‘*any income-producing real estate, either existing or under development, including rental housing; or real estate used by the owners of the property for conducting their business, purpose or activity, either existing or under construction; that is not classified as residential real estate and includes social housing.*’

The key element is ‘income-producing’. This way of defining commercial real estate includes rental housing and social housing, for example. An alternative definition would be to look at the purpose of the building (residential, commercial or mixed).

Some data sources used for the indicators may not cover the entire ESRB definition, or may not provide the information needed to separate commercial real estate from residential real estate. Therefore, in *Commercial property price indicators: sources, methods and issues* (Section 4.2.1), Eurostat introduced a more flexible ‘building block’ approach that allowed types of commercial real estate to be grouped depending on the analytical objective. This approach will remain fundamental to Eurostat’s work to develop the statistics.

For example, for the indicator on construction starts, the data sources available do not allow rental housing to be separated from buy-to-let, as information on the legal status of the owner is not available. This means that construction starts will cover all residential buildings.

Property location

The ESRB recommendations request a breakdown by prime and non-prime locations. The main obstacle to providing this is the lack of an objective definition for such a breakdown. It depends on the reporting country, on the changing market situation and on the type of building. Moreover, as prime locations cover small areas, it may be problematic to calculate good quality indicators for this category due to a low number of observations. As a result, it

may not be possible to compare commercial real estate statistics using a prime/non-prime breakdown across Member States and over time. This applies to all commercial real estate indicators covered by the ESRB's Recommendation F.

Few transactions in heterogeneous markets

Statistics on residential real estate can usually be based on a large number of transactions in a given period. This means that reliable quarterly statistics can be produced. The number of transactions in commercial real estate is much smaller. Together with the heterogeneity inside market segments, it is a challenge to compile meaningful statistics that accurately reflect the quality of the properties sold. In smaller countries or markets, it might be possible to compile annual data but not quarterly data. Similarly, some smaller segments of the market may be difficult to cover adequately.

Feasibility of implementing specific requirements

The 2023 survey discussed in Section 4 included questions to the EU Member States and EFTA countries on the feasibility of meeting the potential requirements in a future legal framework.

Based on the answers given by the countries that are the most advanced in this work, it can be said that the most problematic requirements would be:

- the breakdown by prime and non-prime locations,
- the breakdown by property type into office, retail, industry, and residential properties for commercial purposes,
- to include residential properties for commercial purposes in the calculations,
- to include industrial properties in the calculations by smaller countries,
- for smaller countries to produce indices on a quarterly basis.

Cost assessment of producing commercial real estate statistics

Eurostat asked countries to provide their best estimates of the costs involved in developing price and rental indices. Based on estimates provided by thirteen countries, the annual production costs associated with price and rental indices are estimated to be around EUR 3 million, while the implementation costs (research and implementation) are estimated to be around EUR 7 million for the EU countries together.

Eurostat also conducted a cost and burden estimation exercise to assess the feasibility of compiling data on construction starts and works completions. The annual cost of producing these statistics was estimated to be around EUR 4 million, while the implementation of these indicators would be around EUR 3 million for the EU.

While there is considerable uncertainty about these estimates, they indicate that the costs are not excessive given the expected benefit of having these statistics.

5. NEXT STEPS IN DEVELOPING COMMERCIAL REAL ESTATE STATISTICS IN THE EU

In the coming years, the methodological discussions and research on prices, rentals, rental yields and vacancy rates will continue, mainly within the current task forces. As previously noted, the next steps will include finalising a manual and providing training and technical assistance to countries under a specific contract with experts in those fields.

ESRB Recommendation 2019/3 included a specific recommendation to Eurostat ‘*to propose Union legislation establishing a common minimum framework for the development, production and dissemination of a database on indicators on the physical commercial real estate market (...)*’.

EU legislation on statistics is instrumental in harmonising data availability and quality across Member States. It can also help secure sufficient resources for data collection at national level.

The Commission has published a Call for Evidence on commercial real estate statistics. This initiative is published on the ‘Have your Say’ ⁽¹¹⁾ portal for public feedback. The aim of the proposal is to provide a framework for the development, production and dissemination of statistics on commercial real estate. As a minimum, the statistics should cover indices on prices, rents, construction starts and completions.

6. CONCLUSION

This document provides an overview of progress made towards developing commercial real estate indicators on prices, rentals, rental yields, construction starts and vacancy rates. It also describes some of the main challenges in producing these indicators.

EU countries have made significant progress in developing commercial real estate statistics, particularly for prices, rentals and construction starts, although substantial data and methodological challenges remain. However, progress has not been equal across all indicators or across all Member States.

So far, progress on rental yields and on vacancy rates has been limited, but Eurostat and the Member States continue work to develop these indicators.

When compiling commercial real estate indicators, the specific approach depends crucially on the data sources available, which vary from country to country. The level of detail and frequency at which reliable indicators can be compiled also depends on the size of each commercial real estate market.

⁽¹¹⁾ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13916-Commercial-real-estate-statistics_en

Work will continue to build the expertise needed in the national statistical offices and central banks, supported by methodological guidance being prepared. For some indicators and methods, broader and deeper experience from the ongoing pilot work will be needed before methodological guidance can be provided.

Producing meaningful commercial real estate indicators will continue to be challenging for statistical institutes. Eurostat will continue to provide a forum for countries to share their experience, which is an important part of developing uniform methodological guidance.

Countries will also need sufficient resources if they are to meet the requirements of the ESRB recommendations as closely as possible. In particular, the Member States that have not yet begun pilot work on some of the commercial real estate indicators will need to assign the necessary priority and resources to that work.

Lastly, the Commission plans to present a legislative proposal to the European Parliament and the Council in 2024 to provide a framework for developing, producing and publishing statistics on commercial real estate.