



Commercial Property Price Indexes and the System of National Accounts

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Abstract

This paper studies the problems associated with the construction of price indexes for commercial properties that could be used in the System of National Accounts. Property price indexes are required for the stocks of commercial properties in the Balance Sheets of the country. Related service price indexes for the land and structure input components of a commercial property are required in the Production Accounts of the country if the Multifactor Productivity of the Commercial Property Industry is calculated as part of the System of National accounts. The paper reviews existing methods for constructing an overall Commercial Property Price Index (CPPI) and concludes that most methods are biased (due to their neglect of depreciation) and more importantly, not able to provide separate land and structure subindexes. A class of hedonic regression models that is not subject to these problems is discussed.

JEL Classification: C2, C23, C43, D12, E31, R21.

Key Words: Commercial property price indexes, Net Operating Income, discounted cash flow, System of National Accounts, Balance Sheets, methods of depreciation, land and structure prices, hedonic regressions, repeat sales method.

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