



Real Estate Prices: the international handbook on Commercial Property Price Indices

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The need for reliable indices on property prices was recognized at a conference organised by the International Monetary Fund (IMF) and the Bank for International Settlements (BIS) in Washington DC, in October 2003. Subsequently both residential property prices and commercial property prices have been included in the IMF's list of Financial Soundness Indicators (FSIs). A new international Handbook on Residential Property Price Indices has been published under the auspices of the Inter-Secretariat Working Group on Price Statistics and with funding from the Statistical Office of the European Community (SOEC). An additional handbook has been commissioned on commercial property price indices (CPPIs). That latter reviews the different user needs, gives details of data sources and compilation techniques and evaluates the different methodologies. CPPIs are associated with a number of applications in connection with analysing economic trends for the purposes of formulating economic policy and managing the economy and for the monitoring of market performance in connection with individual investment decisions and with portfolio management in commercial property markets. More so than with residential property, there is often a lack of observable prices in consecutive periods to facilitate the computation of a price index that is not confounded by lack of data or changes in the different mixes of commercial properties and property characteristics entering the index at each computation. Commercial property is very heterogeneous. The lack of observable prices can lead to a reliance on valuations. In this paper I present an overview of the work relating to the CPPI handbook and how the challenges of computing commercial property price indices can be overcome and how different methods suit different user needs.

Keywords: concepts; heterogeneity; methodologies; international handbooks.