Alternative Approaches to Commercial Property Price Indexes for Tokyo

Erwin Diewert and Chihiro Shimizu

<Abstract>

The 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 and related price indexes for the land and structure components of a commercial property are required in the Balance Sheet accounts of the country for the calculation of the Multifactor Productivity of the Commercial Property Industry. The paper uses a variant of the builder's model that has been used to construct Residential Property Price Indexes. Geometric depreciation rates are estimated for commercial offices in Tokyo using assessment data for REITs. The problems associated with the decomposition of asset value into land and structure components are addressed. The problems associated with depreciating capital expenditures on buildings and with measuring the loss of asset value due to early retirement of the structure are also addressed.

Key Words:

Journal of Economic Literature Classification Numbers: