



BANK FOR INTERNATIONAL SETTLEMENTS

Recommendation II.18

Commercial Property Prices

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1. DGI Phase I (previous Recommendation #19)

- Underlined the importance of Commercial Property Prices Indices (CPPIs)
 - Information on commercial property is relevant for monitoring the wealth of the corporate sector
 - General financial stability interest: commercial property used for banks' collateralized lending; valuation of securitised assets
- The IAG to consider including real estate prices (residential and commercial) to PGI website
- First results of the work for a future CPPI handbook
- Lessons of the work on Residential Property Prices Indices (RPPIs)
 - Methodological guidance
 - Hub to facilitate dissemination (BIS)



2. Use of CPPIs information

- Financial vulnerabilities
 - Important role in the building up of imbalances in corporate balance sheets
 - Impact on the health of the banking sector
- Financial cycles
 - Used together with equity and RPPIs to construct aggregate asset price indexes
 - Need for long-term series to identify credit-related cycles, turning points and crisis events



3. Statistical challenges

- Different data sources
 - Central banks
 - Commercial sources
 - Trade associations
 - Academic studies
- Lack of consistent statistics
 - Frequencies
 - Transaction data vs valuation models
 - Coverage (choice of offices?)
 - Location



4. DGI Phase II – New Recommendation #18

- Reaffirms that CPPIs are important for analysing financial stability because of the exposure of financial institutions to commercial property markets
- IAG & Inter-secretariat Working Group on Price Statistics to enhance the methodological guidance on CPPI compilation based on the Phase I work on a future handbook
- Encourage dissemination of CPPI data via the BIS
 - What is available?
 - Benchmark series
 - Long-term series?



5. BIS data collection already started

Country	Freq.	Coverage	Type of property	Source
Switzerland	Q	Whole country	Office premises	Private sector
	Q	Whole country	Retail premises	Private sector
China	M	Capital city	Mixed (residential and non-residential)	NSO
Germany	A	Urban areas	Office premises	Private sector
	A	Urban areas	Retail premises	Private sector
	A	Urban areas	Industrial properties	Private sector
	A	Urban areas	Mixed (residential and non-residential)	Private sector
Denmark	Q	Whole country	Commercial property	NSO
	Q	Whole country	Industrial properties	NSO
	Q	Whole country	Agricultural properties	NSO
Hong Kong SA	M	Whole country	Commercial property - office premises	NSO
	M	Whole country	Commercial property - retail premises	NSO
Indonesia	Q	Capital city and subur	Commercial property - office premises	Central bank
Japan	Q	Capital city and subur	Land for commercial	Public corporations
	Q	Big cities	Land for commercial	Public corporations
	Q	Urban areas	Land for commercial	Public corporations
Luxembourg	A	Whole country	Mixed (residential and non-residential) propert	NSO
Philippines	Q	Capital city	Land for commercial	Private sector
Singapore	Q	Whole country	Commercial property - office premises	General Government
	Q	Whole country	Commercial property - retail premises	General Government
	Q	Whole country	Industrial properties	General Government

