What should CPPIs measure?

Price indices and other indicators
A compiler perspective

Bearing in mind that…

- The target readership will be compilers of official statistics (NSIs);

- Who must confront differing challenges in respect of market conditions and data availability;

- So while aiming for comparability in outputs, flexibility will be required.

….Chapter 4 should provide guidance on key design choices

Guidance on (and justification for)

- Definition of commercial property
- Uses, scope and coverage of CPPIs (extended to indicators?)
- The target price index and next best approximations
- Types of commercial property and their respective weights
- Outline of significant issues such as heterogeneity, scarcity of transactions etc. and signposting of required responses

The definition of commercial property

- "All real property (land +buildings) other than OOH";
- then moves to scope – "real estate investment" rather than "corporate real estate", and then "urban income producing".
- Also, reference to business assets owned by business entities

More clarity needed and dealing with definition and scope separately might also help

Uses of CPPIs

- Covered in Chapter 3 and should be linked more directly to Chapter 4.

- SNA metrics covered

- What about other indicators <u>and</u> the broader system of property price indices?
    - Volume and value of market (by property type, region)
    - Leases
    - RPPIs and Land Prices
    - Producer Prices?

Scope and coverage

- Largely determined by market conditions – so there is a design link to other indicators.
- Think of indices for sub-markets first (office, warehouse, retail etc.)
- National or regional?
- New/old
- Freehold?
- Building + lease in place?
- Building + business

The target index

- Transactions based
- If transactions not possible then hybrid/appraisal
- Unsuitable measures?

Other indicators on market conditions, as well as data availability, should help to inform design choices. Are these other indicators target measures in themselves?

Prices

- Taxes and charges
- Goodwill, building + business
- Portfolio sales

Development Land

- Where does it fit in?
  - In of itself
  - When it comes with a building on it

Types of commercial property and their respective weights

- Some obvious property types
- Sales versus stock
- Introduction to sources of weights and their pros & cons

What am I missing?

- Types of sale?
- Types of seller/buyer?

Other significant challenges

- Heterogeneity of property
- Scarcity of transactions
- Availability of suitable and timely data

o The requirement for data matching across different sources