

21 December 2023

Summary

INREV* strongly supports the European Commission Call for Evidence on Commercial Real Estate Statistics. We agree that the regulation would fill a significant gap in the availability of statistical information on commercial real estate which is needed for macro-prudential purposes. The collection of high-quality, consistent real estate data is critical to success and will ultimately lead to more informed analysis and recommendations.

Real estate data needed to fill gaps

As the Commission noted in the Call for Evidence, there are currently few official sources of statistics on commercial real estate. For example, information on the price developments of office buildings is crucial for policymakers to assess risks to financial stability. Price information should be complemented with data on rents and vacancy rates so that yields can be evaluated.

Most information used by policymakers is currently purchased from private organisations and only adequately covers some parts of the commercial real estate market. We support the aim of the regulation to provide a framework for developing, producing and publishing statistics on commercial real estate and agree that the statistics to be covered should include, as a minimum, indices on prices, rents and on construction starts and completions. They could be used in particular to monitor financial stability, for fiscal, monetary and macro-prudential policymaking, and for research on real estate markets.

Although the Commission (Eurostat) and Member States have invested heavily in developing commercial real estate statistics in recent years and have made significant progress, particularly on prices, rentals and construction starts, we agree that considerable challenges remain. Member States would be able to fulfil the data need by using existing administrative information or other information, without imposing a burden on households and business data providers. The Regulation would ensure the comparability and consistency of these statistics across EU Member States, which should lead to more informed analysis and recommendations. Regrettably, the lack of such data until now has sometimes led to policy recommendations that are not based on actual situations in the market.

Collection of high-quality, consistent real estate data is critical to success

As real estate industry experts and researchers in all sectors know, the value of data is not just about the quantity but also its quality and consistency. A particular challenge to the ability to conduct research on real estate across jurisdictions is the lack of sufficiently detailed and consistent data. Beyond INREV's own research on real estate markets in Europe for more than twenty years, a good example of this is the International Property Forum (IPF) European Consensus Forecasts, which have been published half-yearly since 2006 (the November 2023 edition can be downloaded at: <https://www.ipf.org.uk/resourceLibrary/ipf-european-consensus-forecasts--november-2023--report.html>).

These forecasts were originally intended to mirror the IPF UK Consensus Forecasts (see: <https://www.ipf.org.uk/resourceLibrary/ipf-uk-consensus-forecasts--autumn-2023--report.html>) that provide rental, capital and total return forecasts for the main UK commercial real estate sectors every quarter. However, the European forecasts have of necessity been restricted to rental forecasts for only office markets in 30 European cities due to the difficulty of getting consistent data for other sectors, together with the range of different appraisal methodologies that make the comparison of capital and total returns extremely difficult.

The value of real estate data is not just a question of quantity. There is a tendency among researchers to use data from the quoted real estate sector because of the ease of collection and consistency of information under the stock exchange rules in each jurisdiction. Importantly, the quoted (listed) sector is not synonymous with the larger non-listed or direct real estate markets, not least in jurisdictions like the UK, where IPF research shows that the quoted real estate market accounts for only 15% ownership of the real estate investment market.

To maximise the value and credibility of the data collected, we urge the Commission to engage with the real estate industry regarding definitions of the data. Common terms like “rent”, “construction pipelines”, etc. are interpreted differently in different countries and even within a single jurisdiction. As an example, specific criteria regarding what market rental data should be provided to the IPF European Consensus Forecasts is, “achievable prime rental values for city centre offices, based on buildings of representative size with representative lease terms for modern structures in the best location.” “Prime” in this case does not mean headline rents taken from individual buildings, but rather rental levels based on market evidence, which can be replicated.

Conclusion

As the association representing institutional investors globally in non-listed real estate markets in Europe, we urge to Commission to take measures to ensure European institutions and Member States have high-quality, consistent data necessary to make informed analysis and recommendations concerning our industry. The non-listed real estate industry is a critical financial sector and a major asset class for pension funds and insurers seeking to generate returns necessary to meet their commitments to pensioners and policy holders.

Without this initiative, although the statistics could be provided on a voluntary basis, we agree that the coverage in terms of Member States would remain limited and the comparability of the statistics across Member States could not be ensured. The regulation should be initiated and adopted without delay.

* INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. We provide guidance, research and information related to the development and harmonisation of professional standards, reporting guidelines and corporate governance within the non-listed property funds industry across Europe, including all EU Member States and the UK. INREV currently has approximately 506 members. Our member base comprises institutional investors from around the globe including pension funds, insurance companies and sovereign wealth funds, as well as investment banks, fund managers, fund of funds managers and advisors representing all facets of investing into non-listed real estate vehicles in the UK and the rest of Europe. Our fund manager members manage more than 500 non-listed real estate investment funds, as well as joint ventures, club deals and separate accounts for institutional investors.