



An Phríomh-Oifig Staidrimh
Central Statistics Office

Developing a new Commercial Property Statistical System (CPSS) for Ireland

Barra Casey and Sandra Tobin, Central Statistics Office (CSO) Ireland

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Session 5: Commercial property prices



Structure of the Presentation

- Introduction and aims of the project
- Recent Irish history with commercial property
- Current published data
- Scope and potential statistical outputs
- Methodology for data matching
- Data sources and results of data matching
- Lessons and next steps



Introduction

- High user demand for commercial property statistics – particularly from financial stability viewpoint
- Recent success in CSO with residential property provided the required impetus
- Central Bank and National Asset Management Agency (NAMA) provided funding – steering group provides support
- Aim is to develop a Commercial Property Statistical System (CPSS)



Three strands to the project

Transactions

Pipeline



Stock





Key aims of the project

- Complete an inventory of data sources and maximize their use
- Influence external owners of commercial property data – problem of fragmented data sources
- Close knowledge gap on subject matter in CSO
- Ultimate aim is a price index but strong demand also found for pipeline and stock data
- Project is cognizant of problem of low frequency of transactions for a price index



Recent Irish history with commercial property

- Ireland experienced a particularly difficult time post-2006

Peak to Trough Falls in Property Prices (2007-2010 approx.)

Residential property	54.4%
Commercial Property	67.4%

Figure 1: Residential Property Prices and Total Returns on Commercial Property (annual % changes)

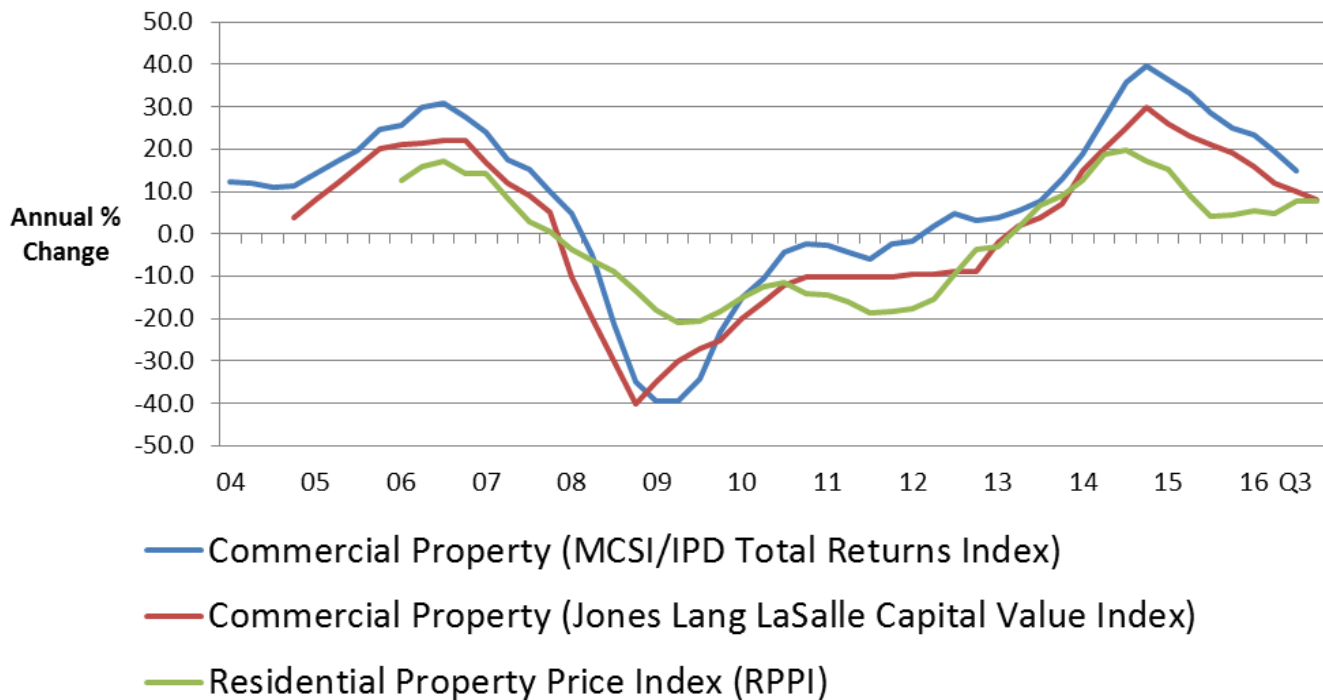
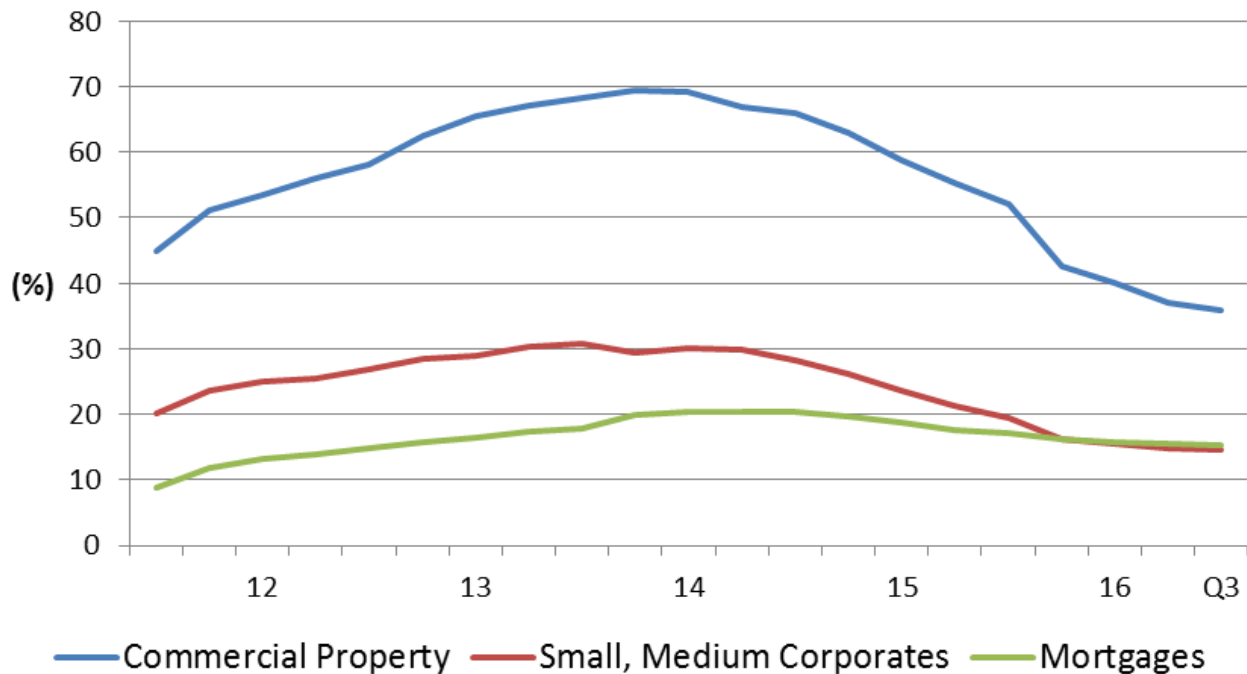


Figure 2: Domestic banks' non-performing loans as a share of loans to sector





Current published data

- No official statistics (except limited planning permissions)
- Only private data sources such as IPD index and JLL index
- Myriad of other sources publish analysis of the market in a fragmented and incoherent way
- Clear role here for official statistics



Scope and potential statistical outputs

- Recommendation C from European Systemic Risk Board details the required indicators on the physical property market

Price index

Rental Index

Rental yield index

Vacancy rates

Construction starts



Initial planned statistical outputs

- Pipeline – planning permissions, commencements, completions (number and area) by type and location
- Stock – buildings and units (number and area) by vacancy, type and location
- Transactions – Sales and leases (number, area, price) by type location and age



Methodology for data matching

- Data matching key to project
- Ideally postcodes would be available for properties to allow direct matching across data sets – postcodes not yet well developed in Ireland
- Therefore reliant on matching of postal address strings using the Jaro-Winkler Distance (score between 0 and 1)



TRANSACTIONS - results of data matching

- Data sources: stamp duty data from tax authorities and building energy ratings data
- Data matching was not successful

Why?

- Postcodes not mandatory and poorly completed
- Lack of detail in postal addresses
- Unit of measurement in data sets fundamentally different
- Not matching like-for-like on occasion (e.g. cinema in shopping centre)



What are the alternatives for sourcing information on transactions?

1. New survey of market participants – may be difficult to get responses
2. Development of new administrative data sources i.e. legislating for new data collection by public body for additional variables on commercial property sales
3. Exploring collaborative projects with private data sources such as IPD



PIPELINE - results of data matching

- Data sources: planning permissions and building control notices i.e. commencements and completions
- Unique identifier is common across datasets (planning permission reference number)
- Technically there are no constraints to data matching in order to track a property from planning stage to completion
- Improvements required in the compliance with the building control notices (local government are responsible)



STOCK - results of data matching

- Data sources: Geodirectory (national register of buildings) and Valuation Office data (for business rates)
- Using a test location, matching was shown to be possible with some considerable effort
- Addition of floor area and type

Matching Method	
Direct match using XY or postal address	45%
Jaro Winkler Distance	30%
Manual matching	10%
Total	85%



Conclusions

- Transactions - new data sources are required
- Pipeline – potential for robust statistics on new commercial property coming to market – some obstacles to overcome
- Stock – data matching shown to be possible – very resource intensive – user demand potentially not as strong as transactions and pipeline



Any questions?

Barra.Casey@cs0.ie

www.cs0.ie