



IPF response to EC Call for Evidence re: Commercial Real Estate Statistics (December 2023)

The Investment Property Forum (IPF) would welcome greater availability of real estate data from all EU jurisdictions, whether due to regulation or not, as we think this should lead to more informed and better decision-making in relation to what is a major sector of all European economies and a significant asset class, not least for pension funds, insurance companies and other major investors.

The IPF has been undertaking research in the real estate sector for many years and we know that the value of data is not just about the amount but also its quality and consistency. The IPF, an individual members organisation for those operating in the UK commercial real estate investment market, was established in 1988 to, “enhance the understanding and efficiency of real estate as an investment, including public, private, debt, equity and derivatives, for our members and other interested parties, including government”. A key component of this mission is our dedicated Research Programme, which focuses on structural issues within the real estate investment sector, for example, the size by value of the different sectors within the market and who owns them, rates of depreciation (in terms of investment value) and the development of ‘new’ real estate investment sectors.

Our research remit is international, not least because our members who are investing globally want to understand how the performance of the UK real estate investment market compares with other jurisdictions. They also want information on the development of new investment real estate sectors and structures elsewhere that may impact the UK market. For example, prior to the introduction of UK real estate investment trusts (REITS), the IPF commissioned research into the established REIT markets in Australia and USA.

The ability to undertake research across jurisdictions is often hindered by the lack of sufficiently detailed and consistent data. A good example of this is our European Consensus Forecasts, published half-yearly since 2006 (November 2023 edition attached). These forecasts were originally intended to mirror the quarterly IPF UK Consensus Forecasts (see: 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. However, the European forecasts have of necessity been restricted to less frequent rental forecasts for the office markets in 30 European cities due to the difficulty of getting consistent data more frequently and 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 in understanding markets is not just a question of volume or the length of the time series. There is a tendency amongst 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. The quoted sector is not synonymous with the whole real estate market, for example IPF research shows that it accounts for ownership of only 15% of the UK investment market.

To maximise the value and credibility of the data collected, we urge the sponsors of this initiative engage with the participants in the real estate industry, regarding definitions underlying data because common terms like 'rent', 'construction pipelines' etc. have different interpretations even within a single jurisdiction. We have specific criteria for the market rental data provided to the IPF European Consensus Forecasts, being, "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".