

STATEMENT

Status: 21 December 2023

Response to call for evidence on
Commercial real estate statistics

German Property Federation (ZIA)

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A. Summary

The German Property Federation (ZIA) aims to strengthen the transparency and professionalism of the real estate industry. More transparency is created when high-quality data is available in a timely manner and with few restrictions. Transparency not only improves market access and the quality of transactions and ultimately financial stability, but it is also a prerequisite for the real estate industry's tech readiness and ability to innovate.¹

Against this background, the European Commission's initiative to eliminate the lack of statistical data on commercial real estate is to be welcomed. We would like to point out three key aspects for a possible regulation on commercial real estate statistics:

- The heterogeneity of commercial real estate should be accounted for through a standardised understanding of the different types of use.
- The administrative burden on companies should be minimised by prioritising the use of existing administrative data, while effectively improving its availability and quality.
- Coherence with other building-related databases should be ensured.

We explain these aspects in more detail below. As the leading German real estate industry association covering the whole value chain and representing around 20 % of German gross value added (2022), ZIA is happy to act as a reliable point of contact and source of expertise for European and national policy makers and other stakeholders.

B. Comments on the call for evidence on commercial real estate statistics

1) Accounting for the heterogeneity of commercial real estate

As a precondition of sufficiently accurate price monitoring that is comparable across state and national borders, agreement on the definition of the different types of real estate is needed. This is initially relatively straightforward for residential real estate, where a clear distinction can be made between, for example, owner-occupied homes, apartment buildings or apartments. When it comes to classifying property that is primarily used for commercial purposes, types of property are much more diverse. This submarket is very inhomogeneous, and the property types are more difficult to aggregate. Most importantly, there is a wide variety of identification characteristics across industries and regions to classify the different property types.

¹ See our transparency offensive: <https://zia-deutschland.de/wp-content/uploads/2021/12/ZIA-Transparenzoffensive.pdf>.

Against this background, ZIA together with the Working Group of the Chief Valuation Boards, Central Offices and Valuation Boards of the Federal Republic of Germany initiated expert meetings with participants from various professional fields and institutions² to develop a taxonomy that allows commercial real estate types to be uniformly defined and hierarchically classified without overlap. The “Taxonomy of Commercial Real Estate”³ was completed in early 2023⁴ and distinguishes nine commercial real estate segments, including mixed-use properties.⁵ Each segment is further divided into sub segments for the different property types. The property type was operationalised based on the premise of functional use at the time of sale (determining the segment, e. g., office). The taxonomy was also translated and checked for consistency with significant national and European classifications as well as with international terminologies. The resulting overview is attached in appendix.

To base the suggested Commercial Property Price Indicators on a common understanding of involved property types, we propose to use the “Taxonomy of Commercial Real Estate” as a basis.

2) Minimising the administrative burden on companies

Property market participants in Germany already report important market-relevant information to a wide variety of registration offices which themselves provide the relevant data to statistical offices being the addressees of the possible regulation. To reduce the administrative burden on companies, existing administrative data should be used first and foremost, although their availability and quality must be effectively improved. The resources to be invested in the development and production of the planned statistics should also be made available to other public registration offices.

Specifically, in Germany there are regional Real Estate Valuation Boards that carry out market value surveys and implement a collection of purchase prices for real estate as basis for its activities. This collection of purchase prices is based on transactions

² Inter alia: the Association of German Pfandbrief Banks (vdp), the Valuation Working Group of the German Association of Cities, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), the Royal Institution of Chartered Surveyors (RICS), and the Deutsche Bundesbank (observer status), as well as the Gesellschaft für Immobilienwirtschaftliche Forschung (gif), the Urban Land Institute (ULI), and the Federal Statistical Office (observer status).

³ See https://zia-deutschland.de/wp-content/uploads/2023/10/Taxonomie-Wirtschaftsimmobilien_EN.pdf.

⁴ A previous version from 2016 was cited as an example in the Eurostat working paper “Commercial Property Price Indicators: Sources, Methods and Issues”, cf. European Union (Eurostat), Commercial property price indicators sources, methods and issues, Luxembourg 2017, p. 39.

⁵ It should be noted that any residential real estate apart from serviced living is not included into commercial real estate in the ZIA taxonomy due to its main function of providing housing. This is because of the understanding that the provision of adequate housing for the population is part of the state's provision of services of general interest and is largely regulated by law. In addition, the provision of rentable residential properties is more important in Germany than in other countries due to the low proportion of owner-occupied housing compared to the rest of Europe. Although this opposes the ESRB approach which includes rental housing (if not owned by a natural person), the segments of the ZIA taxonomy can still serve as a base for commercial real estate indicators. However, the European indicators should then clearly state whether rental housing is included or not. It would then be advisable to have separate sub-indicators for rented housing in order to facilitate cross-country comparisons.

(surveyed from buyers) and contains crucial information for potential commercial real estate indicators. Yet, the underlying databases are not sufficiently digitalised, and commercial real estate is less well captured than residential real estate which is also due to a lack of harmonised reporting requirements.

The possible regulation can thus serve as an impetus to improve the functioning of the German Real Estate Valuation Boards.⁶ It should therefore not only provide clear definitions of commercial real estate segments (see above) but should also for means to the register-keeping offices to handle the queries in a modern way (e.g. online survey tools) so that an efficient transfer to the statistical office is ensured.

In addition, data, collected for the statistical purposes of the possible regulation, should not be precluded from being used by the register-keeping offices (i. e. Real Estate Valuation Boards) for other analytical or validation purposes.

3) Coherence in the collection of building-related data

Coherence in data collection should be ensured with respect to other building-related databases. Especially, Member States such as Germany, that do not currently have a standardised and comprehensive public register of information on buildings and housing, should be required to establish a clear identification method for buildings (e. g. building and housing number) so that it can later be linked to any building register. This requirement can help to speed up establishing a building register in those countries eventually supporting register-based censuses (as in 2023/0008(COD)).

⁶ ZIA has already provided suggestion on how to improve the collection of purchase prices, see https://zia-deutschland.de/wp-content/uploads/2021/05/20230222_ZIA-Position_Amtliche_Immobilienmarktberichterstattung_final.pdf (in German).

C. Appendix

Overview of commercial real estate segments

The following overview provides a summary of the commercial real estate segments, subsegments and property types covered by the “Taxonomy of Commercial Real Estate”.⁷

Numbering is based on chapter numbers.

- 4.1. Mixed-use properties
 - 4.1.1. *Quarters*
- 4.2. Retail properties
 - 4.2.1. Large-scale retail properties (≥ 800 m² sales area)
 - 4.2.1.1. Shopping centers ($> 10,000$ m² sales area)
 - 4.2.1.2. Retail (warehouse) parks ($> 5,000$ m² sales area)
 - 4.2.1.3. Warehouses and department stores
 - 4.2.1.4. Hypermarkets
 - 4.2.1.5. Retail warehouses
 - 4.2.1.6. Grocery retail properties (local supply centers, supermarkets, discounters)
 - 4.2.1.7. Market and exhibition halls
 - 4.2.1.8. *Other large-scale retail properties*
 - 4.2.2. Small-scale retail properties (< 800 m² sales area)
 - 4.2.3. High-street retail properties
 - 4.2.4. Wholesale properties
 - 4.2.5. Other retail properties
- 4.3. Office properties
 - 4.3.1. Small office properties ($< 1,000$ m² rental space)
 - 4.3.2. Medium-sized office properties (1,000 - 10,000 m² rental space)
 - 4.3.3. Large office properties ($> 10,000$ m² rental space)
- 4.4. Accommodation and gastronomic properties
 - 4.4.1. Hotel properties
 - 4.4.1.1. Budget hotel, tourist category (1-2*)
 - 4.4.1.2. Economy hotel, standard category (2-3*)
 - 4.4.1.3. Middle class hotel, comfort category (3-4*)
 - 4.4.1.4. First class hotel, higher comfort (4-5*)
 - 4.4.1.5. Luxury hotel, very high comfort (5* and above)
 - 4.4.2. Properties for other accommodation facilities
 - 4.4.2.1. Pension, inn or guesthouse
 - 4.4.2.2. Youth hotel or hostel
 - 4.4.2.3. Serviced apartments / boardinghouse
 - 4.4.2.4. Holiday resorts
 - 4.4.2.5. Other accommodation properties
 - 4.4.3. Eateries and gastronomic properties
- 4.5. Industrial and logistics properties
 - 4.5.1. Properties with manufacturing space
 - 4.5.1.1. Generic manufacturing space (Light Industrial)

⁷ See https://zia-deutschland.de/wp-content/uploads/2023/10/Taxonomie-Wirtschaftsimmobilien_EN.pdf.

- 4.5.1.2. Specialized manufacturing space (Heavy Industrial)
- 4.5.2. Warehouse and logistics properties
 - 4.5.2.1. Distribution properties
 - 4.5.2.2. Fulfillment center
 - 4.5.2.3. Transshipment properties
 - 4.5.2.4. Warehouse properties
 - 4.5.2.5. Cold-storage warehouses
 - 4.5.2.6. Specialty logistics properties (deep-freeze warehouses, high-bay warehouses, hazardous goods warehouses)
- 4.5.3. Industrial research and development properties
- 4.5.4. Business parks
- 4.5.5. Other industrial and logistics properties
- 4.6. Healthcare and social properties
 - 4.6.1. Outpatient healthcare properties
 - 4.6.2. (Partial) inpatient healthcare properties
 - 4.6.3. Operator-oriented social properties
 - 4.6.3.1. Care homes
 - 4.6.3.2. Outpatient assisted living communities
 - 4.6.3.3. Inpatient/outpatient mixed concepts
 - 4.6.3.4. Assisted living for non-age-related reasons
 - 4.6.3.5. Assisted living for age-related reasons
 - 4.6.3.6. Serviced living for seniors
 - 4.6.4. Other healthcare and social properties
- 4.7. Recreation, culture and education properties
 - 4.7.1. Educational institutions and non-industrial research
 - 4.7.2. Nurseries and other day-care facilities for infants and preschool children
 - 4.7.3. Facilities for specific social groups such as youth centers/clubs/facilities
 - 4.7.4. Non-commercial facilities for community use
 - 4.7.5. Sports facilities
 - 4.7.6. Commercial recreational properties (clubhouses, cinemas, discotheques, nightclubs, amusement arcades, theme parks, etc.)
 - 4.7.7. Cultural buildings (i.e. arts centers)
 - 4.7.8. Places of worship and centers for the maintenance of religious traditions and community
 - 4.7.9. Other properties for recreation, culture and education
- 4.8. Energy/water, communication, transportation and public safety properties
 - 4.8.1. Properties for energy/water supply and for waste disposal
 - 4.8.2. Properties for transportation facilities
 - 4.8.3. Properties for communication equipment
 - 4.8.3.1. Data centers
 - 4.8.4. Properties for public safety
- 4.9. Other commercial real estate

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RESEARCH



The German Property Federation (ZIA) is the leading umbrella association for the property sector. With its registered office in Berlin and a European office in Brussels, it speaks through its more than 400 members, including 30 associations, on behalf of approximately 37,000 industry companies right across the value chain. ZIA provides comprehensive, unified representation for the interests of the real estate sector in all its diversity at both national and European level, including as a member of the Federation of German Industries (BDI) and the German Economic Institute (IW). The President of the association is Dr Andreas Mattner.

With about 800,000 companies and approximately 3.5 million employees, the real estate sector is one of the largest and most dynamic in Germany. It generated approximately 670 billion euros in 2022, approximately 20% of Germany's gross value added and therefore more than the automotive sector, for example. The sector is aware of its role in climate protection and therefore reduced its CO₂ emissions from 210 to 112 million tons per annum between 1990 and 2022.

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