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Opening Speech

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Welcome to Luxemburg to this conference on real estate statistics organised by Eurostat in close cooperation with the European Central Bank.

Some of you already met yesterday at the G20 workshop on commercial property price indices. Also, I hope that many of you enjoyed our welcome cocktail last evening.

Eurostat's history started in 1953 when a statistical division of the Coal and Steel Community was created. This shows that from the very origin of the EU good statistics were considered essential for good cooperation. Since then, Eurostat has grown to be the key provider of high quality statistics for Europe.

European Statistics cover many subjects and some of the most high profile are in the macroeconomic domain, such as national accounts, government finance statistics, consumer prices and labour market indicators. Development of these statistics, and improving their quality and timeliness, has been an unceasing effort for the European Statistical System, with Eurostat coordinating their conceptual frameworks and EU Member States taking on the challenge of practical implementation. Eurostat collects data from the countries and publishes them, preparing European aggregates.

One of the newest statistical domains for Eurostat is real estate statistics. Data show the importance of real estate in our economies: for example, the net stock of construction is around two-and-a-half -times GDP on average over the EU countries. Likewise, gross value added in construction and real estate activities account for about a sixth of the total economy and roughly half of gross fixed capital formation stems from construction.

In the aftermath of the global financial crisis about 10 years ago, it was acknowledged that a significant statistical data gap regarding house prices existed. Some people even claim that the lack of good, comparable data on house prices contributed to the weaknesses in policymaking preceding the crisis. In 2010, the European Systemic Risk Board (the ESRB) was set up to oversee risk in the financial system. It is responsible for the prevention and mitigation of systemic risk. In 2016, it issued a recommendation to close data gaps in real estate statistics, giving a clear signal to national authorities to develop the data needed for it to be able to monitor developments in both the residential and commercial real estate markets, thereby enabling early detection of financial risks, in line with its mandate.

At the global level, statistical data gaps are also being addressed. In 2009, the G20 finance ministers and central bank governors endorsed 20 recommendations to address policymakers' further data needs revealed by the global financial crisis. This so-called Data Gaps Initiative, led by the IMF and the Financial Stability Board, is now in its second phase and the revised set of recommendations include specific ones for residential and commercial property price indices.

In Europe, the data gap on residential real estate price indices has been virtually closed since then. EU countries now produce quarterly statistics on house prices based on a legal framework and a methodological handbook published in 2013. This success was also due to an intensive cooperation between several international institutions and with leading academics on the housing market and on price index theory. Of course, the work of improving statistics is never finished: Eurostat and partners continue to work on quality improvements and extensions of these statistics and we will hear about a lot of the research that is continuing on housing during this conference.

In the meantime, the attention has shifted to the still existing statistical data gaps on commercial property, such as office buildings, retail stores, industrial buildings, etc. There is a sense with financial supervisors that the next crisis could be caused by bubbles in the commercial real estate markets, which are hard to analyse when good quality statistics are lacking.

However, more so than for the housing market, limited information is available on price changes of commercial buildings. Compared to house prices statistics, for commercial buildings additional problems typically arise

such as a relatively small number of transactions and a greater variety of types of structures.

Also in the commercial real estate domain a lot of initiatives for the development of statistics have been already taken. Again, international cooperation plays an essential role. For example, Eurostat took the lead – under the auspices of the Intersecretariat Working Group on Price Statistics – in coordinating the drafting of a report on commercial property price indices by a team of academics and statistical experts that was published in December 2017. This report is not so much a handbook as a collection of issue papers, as for many methodological questions there are no clear-cut solutions yet.

This conference on real estate statistics will contribute to the development of the statistics that are so strongly needed, by having a thorough exchange of experiences, new research results and concrete applications and to discuss the challenges involved and possible ways to meet them. In our call for papers, we asked for submissions on topics ranging from the analysis of data sources, methodological and measurement topics to the policy needs and uses of the data.

We were very happy to receive nearly 60 proposals for contributions to this conference, which demonstrates the large interest in the subject. These proposals have been transformed by our scientific committee into the rich programme we have for the next three days.

I am also very glad to welcome so many participants. We have participants from all 5 continents, from more than 40 countries. It is a truly global event.

We have participants from the national administrations (government ministries, statistical offices and central banks) and from supranational organisations. The European Central Bank has been a helpful partner in the preparation of this conference and I am very pleased that Mr Peter Praet - member of the ECB's Executive Board - will give his important keynote speech tomorrow morning. Furthermore, the OECD, the IMF and the Bank of International Settlements are represented here. I also welcome the participants from research institutions and from the private sector.

In the domain of real estate, the private sector has traditionally had an edge in terms of access to source data. Therefore, we are happy that a number of private sector participants will also contribute to the program and share their work with us.

In the following three days we will be covering a wide spectrum of topics, related to both residential and commercial real estate, with slightly more time allocated to commercial. It includes presentations on data sources, methodological questions for the compilation of indicators as well as forward-

looking sentiment indicators. The contribution of big data to the production of house price indices is also on the agenda. For commercial property the scarcity of transactions, and the complexity with which they can be structured, can be a challenge for the construction of reliable indicators – this will be taken up in a number of presentations as well.

Our conference ends with a panel discussion that will draw conclusions from the conference and will discuss how to take things forward from here.

For the moment – fortunately – we do not see any signals of an impending crisis in real estate markets.

I wish all of you a fruitful conference in Luxembourg.