

## Commercial Property Price Index 2016

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### **Prices of commercial properties increased 2.0% in 2016**

In 2016, the Commercial Property Price Index (CPPI) increased 2.0% when compared with the previous year. This rate of change was 1.5 percentage points (p.p.) lower than the rate obtained in 2015 (3.5%). This was the third consecutive year in which commercial properties recorded annual price increases. The rate of change in prices of commercial real estate was 5.1 p.p. lower than the observed for residential properties. The year under analysis presented the largest difference between the rates of change of commercial and residential properties prices.

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#### **1. Introductory note**

Starting with the present Press Release, Statistics Portugal begins the regular dissemination of a new statistical product, the Commercial Property Price Index (CPPI) base 100 = 2015. With its dissemination, Statistics Portugal continues to provide new indicators on the Portuguese real estate market with the objective of satisfying the growing demand for statistical information about the evolution of prices in the real estate market.

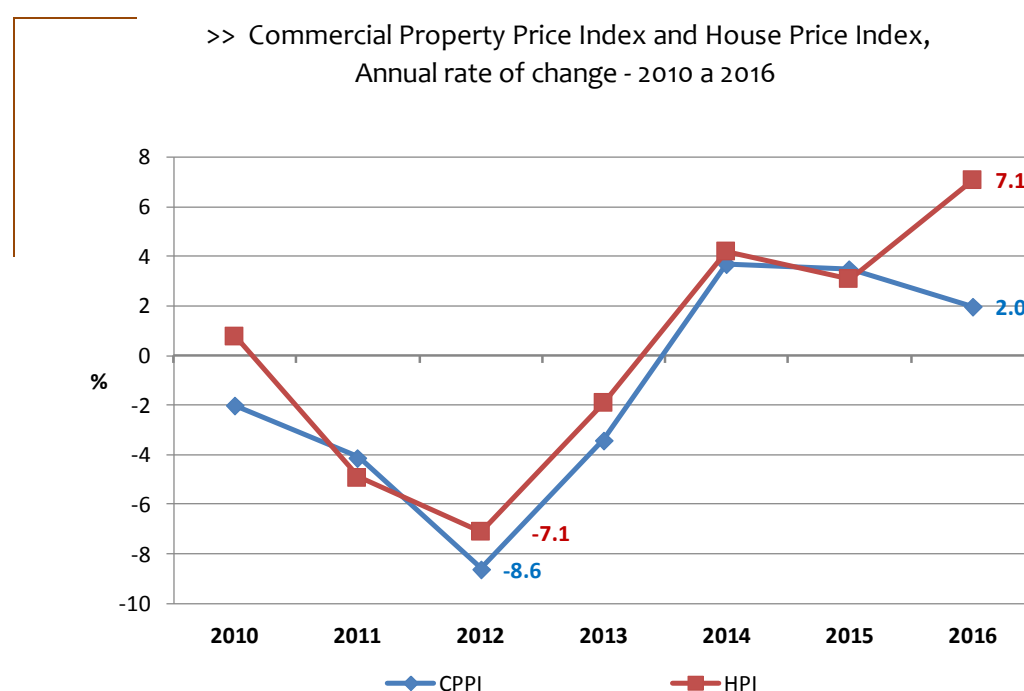
The CPPI is the result of a joint project of Statistics Portugal and the Portuguese Central Bank with the objective of developing a new real estate price index following the same conceptual and methodological framework as the House Price Index (HPI). The CPPI is disseminated on an annual basis and starts in 2009.

More information about the CPPI is available in the explanatory notes of this Press Release. Additionally, the methodology of the CPPI is available from the website of Statistics Portugal (in Portuguese). The complete CPPI and HPI series are available at the end of the present Press Release.

## 2. Commercial Property Price Index

The CPPI registered a growth rate of 2.0% in 2016, 1.5 p.p. lower than in the previous year. This was the third consecutive year in which this indicator showed an annual increase in commercial property prices.

When compared to the HPI, the increase in commercial property prices in 2016 was 5.1 p.p. lower than the one that was recorded for the residential property market. This difference was the highest ever observed between the CPPI and the HPI (see next figure).



The period covered by the CPPI and HPI can be characterized by two distinct periods. The first one, which starts in 2010 and finishes in 2012, is characterized by a decline in commercial and residential property prices. Although commercial and residential property prices reached their lowest in 2012, the former decreased more than the later (-8.6% and -7.1%, respectively). The period from 2013 onwards, is defined by a recovery in the prices of the two markets. However, and as it can be seen above, this recovery was more pronounced for the residential property market.

## **EXPLANATORY NOTES**

### **Commercial Property Price Index**

The Commercial Property Price Index (CPPI) measures the price developments of the commercial properties transacted in Portugal. As the House Price Index (HPI), which is being published since July 2014, the CPPI is compiled using anonymized fiscal administrative information provided by the Tax and Customs Authority (AT) on the Municipal Property Transfer Tax (IMT) and the Municipal Property Tax (IMI). The IMT and IMI information is provided on a monthly basis to Statistics Portugal under a data transmission protocol that was signed between the two institutions. Statistics Portugal thanks the collaboration of AT in this area.

The CPPI is derived through the estimation of a functional relationship between the logarithm of the transaction prices of commercial properties and their price-determining characteristics such as area or location. With this approach (i.e., hedonic price model), it is possible to estimate the price change controlling for changes in the quality of commercial properties.

The CPPI is a chained index with base 100 in 2015. This compilation methodology enables the weighting structure to be updated annually with information on the value of commercial property transactions in the year immediately preceding the year in which the index refers.

### **Annual rate**

The annual rate is the change in the average index of one year compared with the average index of the previous year expressed as a percentage.

### **Commercial property**

A commercial property is an urban property that consists of a building (or a structure) that has been licensed for commercial purposes or that, in the absence of a license, is used for commercial purposes.

### **Additional information**

Further methodological information on the CPPI is available on the website of Statistics Portugal: <http://smi.ine.pt/DocumentacaoMetodologica/Detalhes/1472> (available only in Portuguese).

### Annex: Commercial Property Price Index and House Price Index (National total, 2009-2016)

Year	Indexes (*)		Rate of change (%)	
	CPPI	HPI	CPPI	HPI
2009	112.33	106.54	-	-
2010	110.05	107.36	-2.0	0.8
2011	105.52	102.09	-4.1	-4.9
2012	96.43	94.87	-8.6	-7.1
2013	93.15	93.09	-3.4	-1.9
2014	96.59	97.04	3.7	4.2
2015	100.00	100.00	3.5	3.1
2016	101.98	107.12	2.0	7.1

Note: (\*) base 100 = 2015.

Source: Statistics Portugal, National Accounts Department.