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**COMMISSION STAFF WORKING DOCUMENT**

**on the progress on pilot studies under Regulation (EU) 2019/2152 on European business statistics**

## 1. BACKGROUND

Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, repealing 10 legal acts in the field of business statistics<sup>1</sup> provides for integrating statistical requirements and legal acts for business and trade statistics by streamlining and simplifying them to reduce the burden on businesses.

The regulation fosters better quality statistical business registers under the European Statistical System, common definitions, the exchange of identifiable micro-data and an integrated data structure. It addresses long-standing needs especially by addressing globalisation and extending the coverage of the services sector. In addition, the regulation allows for standardised data structures and common data quality standards. This will make it possible to link different business statistics together and so bring more value to the information gathered.

Whenever the Commission identifies a need for significant new data requirements or improvements to datasets covered by the regulation, Article 20 allows it to launch voluntary pilot studies by Member States. The EU may provide financial support so that national statistical institutes and other national authorities can participate in such pilot studies (Article 21(1)(d)).

The pilot studies must assess the relevance and feasibility of obtaining data. The Commission (Eurostat) evaluates their results in close cooperation with Member States and the main stakeholders.

The Commission has to report on the findings of the pilot studies by 7 January 2022 and on their overall progress every two years after that. This document meets the first reporting requirement.

It provides an overview and details of the pilots conducted so far. These pilots investigated the additional data requirements alongside the datasets already covered by the regulation. They focus on commercial real estate indicators (construction starts, works completions and vacancy rates) in the short-term business statistics domain.

## 2. SCOPE AND STATUS OF PILOT STUDIES CONDUCTED UNDER REGULATION (EU) 2019/2152

Pilot studies were conducted on commercial real estate indicators within the scope of Article 20 of the European business statistics regulation. These statistics relate to the real estate topic in the short-term business statistics domain of the regulation.

In the European Central Bank (ECB) opinion on the proposal for the European business statistics regulation (CON/2018/1)<sup>2</sup>, it *‘proposes that Recommendation ESRB/2016/14*<sup>3</sup>

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<sup>1</sup> OJ L 327, 17.12.2019.

<sup>2</sup> OJ C 77, 1.3.2018, p. 2

<sup>3</sup> OJ C 31, 31.1.2017, p. 1. This ESRB recommendation was amended by Recommendation ESRB/2019/3 (OJ C 271, 13.8.2019, p. 1).

*of the European Systemic Risk Board, which concerns the closure of real estate data gaps, should be reflected in the construction data required and their breakdowns. In particular, data on construction starts and completions as well as vacancy rates should be considered for inclusion in the proposed regulation.’*

The ECB proposal to include these data requirements in the regulation was not taken up by the European Parliament and the Council. At the time, there had been no pilot studies on these new data requirements so it was not known if it was feasible to provide them. However, to address the data gap signalled in the European Systemic Risk Board (ESRB) Recommendation, the European Parliament and the Council agreed to include ‘real estate’ as one of the possible subjects of pilot studies in the Regulation

To support pilot studies in the Member States, two task forces were set up for the methodological development of the commercial real estate indicators.

The Short-term Business Statistics Commercial Real Estate Indicators Task Force (STS CREI TF) initially covered three indicators: construction starts, works completions and vacancy rates. However, the technical expertise required for vacancy rates was very different from the other two indicators, so a dedicated task force – the Task Force for Vacancy Rate Commercial Real Estate (TF VRCRE) was created.

For both task forces, the objective was to put into practice the definitions and data requirements described in the ESRB recommendations. The methodological development aimed to align definitions, methods and data requirements for the selected commercial real estate indicators. They also provided an opportunity for the Member States to present and discuss their national practices with other experts on real estate statistics.

This staff working document gives an overview and some first results of the pilot studies Member States have conducted so far on commercial real estate indicators for construction starts, works completions and vacancy rates.

## **2.1. Pilot studies launched**

Eurostat provided financial support to develop STS commercial real estate indicators in 2019 and 2020. The work was conducted independently in each Member State according to the grant proposals, with the option of presenting the results in the task force meetings and with predefined reporting requirements to Eurostat.

Table 1 presents the coverage of short-term business statistics grants in terms of commercial real estate indicators: all pilot projects dealt with construction starts and works completions and three of them also with vacancy rates.

**Table 1**

**Commercial real estate indicators covered by 2019-2020 short-term business statistics grants**

<b>Instrument</b>	<b>Number of countries</b>	<b>Construction starts</b>	<b>Works completions</b>	<b>Vacancy rates</b>
2019 grants	2	√	√	√
2019 grants	4	√	√	
2020 grants	1	√	√	√
2020 grants	1	√	√	

The national pilot studies mainly concentrated on investigating existing data sources. They looked at how well the sources met the definitions and breakdowns required in the ESRB recommendations.

- Almost all participating Member States identified suitable data from administrative sources to compile construction starts and works completions indicators.
- In one Member State, the coverage of the administrative information was insufficient and other sources would be needed to complete it. This was expected to increase the costs for the national statistical system.
- In one Member State, work was still ongoing.
- Only one Member State was in a position to provide Eurostat with data on construction starts and works completions on a voluntary basis.

For vacancy rates:

- One Member State already had a method to determine annual vacancy rates based on administrative data from registers, but a more efficient method for quarterly data needed to be developed.
- Another Member State could not identify a suitable existing source of administrative data and the information from available private data sources was also limited. Additional data would need to be collected by a survey, increasing the burden on businesses and the costs for the national statistical authority.

## **2.2. Status**

The national pilot studies also contributed to the discussions in the two task forces on:

- Definitions of indicators.
- Data requirements in terms of the statistical population covered by the indicators.

- Possible breakdown by property type and prime/non-prime location.

Even though possible detailed data requirements for construction starts and work completions were already well developed by the Short-term Business Statistics Commercial Real Estate Indicators Task Force, more information on the feasibility of obtaining the data was needed.

As data sources could also exist in countries not participating in the pilot actions, Eurostat organised voluntary pilot data transmissions starting in 2021.

The members of the commercial real estate indicators task force reported back as follows:

- Four Member States planned to send pilot data by the end of 2021.
- A fifth Member State expected to send data on works completions in 2021 and on construction starts in 2022.
- A sixth Member State would try sending pilot data in 2021 or 2022.
- A seventh Member State would only be able to send data in 2022 after it received data from the relevant ministry.
- Construction authorities in another Member State were re-organised in 2020 and they expected to be ready to send data by 2022.
- Two other Member States planned to send pilot data in 2022. One of them had first to add new questions to an existing survey.
- One candidate country had some annual data on construction starts for national purposes that they might send in 2022 at the earliest.
- Two Member States and two candidate countries were still investigating data sources and could not be sure to send data in 2022.

In addition, Eurostat investigated construction starts and works completions indicators in Member States not participating in this task force.

A survey was sent to all Member States to assess the impact of the burden on respondents and the additional costs for national statistical authorities if sending the two indicators to Eurostat become mandatory. However, based on the responses, Eurostat could not assess the burden and costs fully: information for several Member States were missing and estimates varied considerably from country to country.

For vacancy rates, two Member States that had not received grants, also reported to the Vacancy Rate Commercial Real Estate Task Force on their efforts to compile this indicator. One country used data from its national commercial property federation and was able to produce vacancy rates indicators and the other used an existing survey addressed to businesses. It added questions on commercial property for which businesses paid rent and commercial property owned that was vacant and/or available

for rent. The quality of these statistics was questioned and the Member State was considering another approach in the future.

Based on these experiences and the national pilot actions financed by grants, the vacancy rates task force agreed on recommendations for definitions and data requirements for the indicator as well as the way to compile it. However, these recommendations would still need to be tested further in future pilot actions.

### **3. INTERMEDIATE CONCLUSIONS AND NEXT STEPS**

National pilot actions in the Member States and discussions in the Short-term Business Statistics Commercial Real Estate Indicators Task Force have contributed to considerable progress on definitions and possible data requirements for construction starts and works completions.

However, additional information on the feasibility of obtaining the data is still needed so that Eurostat can finalise the evaluation of the results of the pilots with Member States and the main stakeholders (as set out in Article 20(2) of the European business statistics regulation).

In particular, more information is still needed on the additional costs/burden for businesses and national statistical authorities of having to improve the data sets. Eurostat will seek to complete this information by launching another request to the Member States concerned.

The completed information on costs and burden, together with the first results of the pilot data transmissions, will then allow the Commission to prepare, in cooperation with the Member States, the public report on the findings of the pilot studies. This report is required under Article 20(3) of the European business statistics regulation.

The Commission cannot yet assess whether this report should be accompanied by a proposal for new data requirements for construction starts and works completions.

From the findings of the pilot studies and discussions on vacancy rates in the dedicated task force so far, it seemed that few data sources existed to be used for compiling this indicator. The compilation of this indicator would very likely require an additional survey or adding questions to an existing business survey. Burdens on businesses and costs for the national statistical authorities are thus expected to increase. The recommendations agreed by the task force still needed further testing by future pilot actions in the Member States. These findings could then also be included in the report mentioned above.

In parallel to this staff working document, the Commission was also working on another one (due by 31 December 2021) containing a first assessment of the progress in implementing Recommendation F from the ESRB recommendations. This recommends proposing EU legislation to establish a common minimum framework for developing, producing and disseminating a database of indicators on the physical commercial real estate market.

### *Next steps*

When more information is available in the future on the feasibility of obtaining new data and on the additional costs and burden for businesses and for national statistical authorities, then Eurostat, in cooperation with Member States, will evaluate the pilot studies' results and report on their findings.

The Commission will report again on the conducted pilot studies two years after this document is published.