A VARIED PICTURE

DOWNTOWN OFFICE USE HAS DECLINED, BUT SOME METRO AREAS FARE BETTER
FEATURES

A VARIED PICTURE FOR DOWNTOWNS
Research shows that while downtown office use has declined, some metropolitan areas have fared better than others.

URBAN FINANCIAL SERVICES COALITION MARKS 50 YEARS
The Kansas City Fed hosts the organization as it reaches a milestone in promoting economic empowerment.

INSIDE LEISURE SPENDING IN WAKE OF THE PANDEMIC
Four years after COVID shutdowns, people are spending a lot of their income on experiences.

ASK AN ECONOMIST: U.S. CRYPTO OWNERSHIP
Fumiko Hayashi and Aditi Routh explain how levels of financial literacy and risk tolerance differ among types of crypto owners.

ON THE COVER
Downtown Oklahoma City Partnership Chief Executive Officer Jennifer Nakayama. Photo by Gary Barber, design by Casey McKinley
From the President

JEFF SCHMID

The outlook for the economy and monetary policy

(Kansas City Fed President and CEO Jeff Schmid delivered these remarks on May 14, 2024, in Omaha.)

Welcome to the Kansas City Fed’s Agricultural Economic Summit. Omaha Branch Executive and Senior Vice President Nate Kauffman has organized an impressive gathering, and I thank each of you for being here. As leaders in your field, I recognize the value of your time, and I appreciate your commitment in attending this event. Likewise, my Fed colleagues and I are committed to listening and learning from the discussion today and tomorrow. Events like these play a critical role in the Fed’s mission. By engaging with a wide cross section of industry and society, the Fed receives necessary information and input to guide the nation’s monetary policy. The strength of this network has helped make the Federal Reserve one of the most successful central banks in the world.

The Federal Reserve’s effectiveness is rooted in its 12-district regional structure. Having 12 geographically defined Federal Reserve regions, each represented by a different Bank, allows for the efficient and effective collection of diverse views on the economy while also strengthening relationships with the communities we serve and ensuring that all segments of the economy have a voice in monetary policy. The system continues to work very well and is a credit to the vision of its creators.

For the Kansas City Fed, agriculture is an important element of our distinct voice, as is energy, the theme of this year’s summit. Agriculture touches all 12 Federal Reserve districts, but its imprint is particularly large in the seven-state region covered by the Kansas City Fed. We devote a fair amount of time, led by Nate Kauffman, to analyzing and reporting on the sector and events like this further strengthen our bond.

The agricultural economy in our region, and nationally, has gone through significant changes over the past 10 to 15 years, with many of those changes tied to evolving global demand for agricultural products. Growth in emerging economies, such as China, and the rise of biofuels are two examples of factors that have shaped long-term demand for key agricultural commodities in the U.S. and globally. As we look ahead to factors that may further shape agriculture over the next decade, we recognize that demand for energy, and renewables in particular, will continue to play a significant role.

As we look to understand how the structure of agriculture might evolve in the years ahead, I am here as an information consumer, to listen and learn from the experts in the room. However, since now is my time on the agenda to be a producer, I will turn to my views on the overall economy and the outlook for monetary policy.
Substantial progress, but challenges remain

At the end of 2022, with inflation running near a 40-year high and the Fed in the middle of a historic tightening cycle, almost everyone was asking how much of a slowdown was it going to take to bring inflation back down towards the Fed’s 2% objective. The consensus answer at the time was quite a bit. The majority of professional forecasters predicted a recession in 2023. But we didn’t have a recession. Instead, the pace of economic growth more than doubled even as inflation halved, all while the unemployment rate remained near all-time lows.

Despite this relative success, challenges remain. Primarily, inflation is still too high. The Fed is committed to bringing inflation back to its 2% objective. So far this year, prices have been increasing at about twice that pace, suggesting that the Fed has more work to do.

We have seen a substantial shift in the underlying drivers of inflation over the past two years. Goods price inflation has eased considerably, as pandemic-related production disruptions faded and supply chains healed. In contrast, services price inflation has remained firm, supported by a tight labor market.

Part of the strength of services inflation has been rents and the cost of housing. Rents have been supported by strong income growth and the healthy labor market. When a worker gets a job, they often want to upgrade their living space, and a tight labor market has historically driven higher rents and housing costs.

“As we look ahead to factors that may further shape agriculture over the next decade, we recognize that demand for energy, and renewables in particular, will continue to play a significant role.” -- Jeff Schmid

Photo by Gary Barber
However, the strength of services price inflation has been broader than rents alone. Services tend to be very labor intensive, so a tight labor market can be an important driver of inflation in this area. And it is not just that the cost of labor tends to increase with labor market tightness. If businesses are not able to hire sufficient labor, increasing prices is one way to balance supply and demand for their products and services independent of what they are doing with wages.

To recap, inflation is too high on account of a continued imbalance between the strength of demand and the economy’s ability to produce enough supply to meet that demand. Whereas with the start of the recent inflation, this imbalance was most apparent for goods. Now the imbalance has moved to services and housing.

Though elevated inflation is always painful, it is important to note that inflationary periods are not the same. The high inflation of the 1970s and early 1980s was rooted less in a strong economy than in the psychology of price setting. During that period, prices increased because firms and workers expected prices to go up, even though the economy was not particularly strong.

Today, inflation expectations remain relatively low and anchored. The inflation we are seeing is coming from strong demand and an imbalance in the economy. It is important that the Fed act to preempt inflation from becoming ingrained into the price-setting process, a development that would make lowering inflation all the more difficult.

**The path forward**

With the current imbalance-driven inflation, the Fed’s approach is relatively straightforward. The Fed must hold back demand growth until supply can catch up and the imbalance that is driving inflation closes. This is what the Fed is doing. By increasing the policy rate by 5 ¼ percentage points over the past two years, the Fed has tightened financial conditions and slowed demand growth.

While the overall economy remains strong, there are signs that the imbalances driving inflation are easing. The labor market has come off a historic boil by many measures. At the peak, there were over two available job postings for every person reporting themselves as unemployed. More recently, this number has fallen below 1½ postings for every unemployed person, which is still high but is easing back. We have also seen a decline in the rate at which workers are quitting their jobs. When the labor market was very tight, workers were quitting at a historic rate, either as they found new jobs or expected to find them quickly.

The Fed works on inflation by easing demand, but our job is made easier by increases in supply. An increased supply of goods and services can also close imbalances and lower price pressure. Recently the supply outlook has improved, with solid growth and increased productivity. The decline in the quits rate has been one factor boosting labor productivity and the supply side of the economy. Worker churn during the peak of labor market tightness and the associated high hiring and training costs were a drag on the productive capacity of the economy. As the labor market cools, this drag on productivity has dissipated, boosting supply and easing inflation.

Over time, I expect inflation to ease back toward the Fed’s 2% objective. I am prepared to be patient as this process plays out. This will require a data-dependent approach that looks at the data over time rather than loading too much weight on any one release. Although there is an eagerness to spot turning points, I prefer a steady approach to policy, and one that dampens the volatility in financial markets rather than contributes to it.

**Interest rates could stay higher for longer**

That said, my own view is that interest rates could remain high for some time. The economy has undergone seismic shifts so far this decade. I have no certainty that we are headed back to the low interest rate environment that prevailed in the decade prior to the pandemic.

One factor that I view as particularly important here is the prospect of continued large fiscal deficits and the tremendous expansion of government debt, both in the United States and throughout the world. Prior to the pandemic, one often-cited explanation for the relatively low interest rates of the period was high demand for safe assets, including government debt, relative to the supply of those assets. Increased demand from financial institutions as well as strong growth in China and emerging markets had boosted demand for such assets, bidding up their price and holding down interest rates across the yield curve.
However, now this demand has cooled even as the supply of government debt has jumped and is expected to continue growing at a very rapid rate. As such, it is possible that the balance of demand and supply for government debt will shift from a factor holding down interest rates to a factor boosting interest rates.

Importantly, shifts in supply and demand for safe assets influence interest rates independent of the Fed’s actions. Though the Fed is not a passive bystander and plays a role in setting short-term interest rates, it can’t perpetually deviate rates from market forces without risking its mandates for maximum employment and price stability. In this way, the Fed takes fiscal decisions as given and steers monetary policy in the appropriate direction to achieve its dual mandate.

In the end, large fiscal deficits will not be inflationary because the Fed will do its job and achieve its inflation objective, though in doing so the outcome could be persistently higher interest rates. This relationship is also at the crux of the rationale for the political independence of the central bank. Political authorities could very well prefer that deficits not lead to higher interest rates, but history has shown that following through on this impulse has often resulted in higher inflation. An independent central bank insulated from immediate political pressure and guided by a clear inflation objective has historically been an effective means for achieving and maintaining low and stable inflation.

**The Fed’s balance sheet**

In part, central bank independence also motivates my position on another aspect of Fed policy, the size and composition of the Fed’s balance sheet. As part of the policy response to the pandemic, the Fed embarked on a historic expansion of its balance sheet, purchasing trillions of dollars of Treasurys and mortgage-backed securities. With the short-term policy interest rate stuck at zero, the purpose of these purchases was to depress longer term interest rates and stimulate economic activity. With the economy recovering and price pressures growing, the Fed appropriately started to reverse these purchases in the middle of 2022, allowing maturing securities to roll off and shrinking its balance sheet by $1.5 trillion relative to its peak.

At the Federal Open Market Committee meeting two weeks ago, the committee announced that it would slow the pace of this run off starting in June. The idea is that a slower pace will allow for a safer and less disruptive approach to the balance sheet’s ultimate size as determined by bank demand for reserves, the Fed’s primary liability.

While I understand this rationale does not imply that the balance sheet will end up being any larger in the end, I would still reconfirm my preference to shrink the balance sheet as much as possible consistent with the Fed’s current operating framework. While a larger balance sheet lowers the risk of sharp movements in money market interest rates, maintaining a large balance sheet is not without cost. I am focused on three costs in my preference for a relatively aggressive approach to balance sheet reduction:

- First, a large balance sheet weighs on longer-term yields, distorting the price of duration in financial markets and potentially leading to distortions in the allocation of credit. A smaller balance sheet concentrated in shorter duration securities would lessen this distortion.

- Second, a large balance sheet increases the Fed’s footprint in financial markets, potentially diminishing and weakening other mechanisms and markets for distributing liquidity across financial institutions and leading to a more brittle financial system.

- And third, as I alluded to earlier, maintaining a large balance sheet can give the uncomfortable impression that monetary and fiscal policy are intertwined. Maintaining an excessively large Treasury portfolio can give the impression that the Fed’s balance sheet is supporting government debt markets.

In conclusion, I believe policy is in the correct place, and with patience we are on a path to achieve our policy objectives. However, nothing is certain, and continued vigilance and flexibility are necessary.
Making a CONNECTION

In founding the Federal Reserve more than a century ago, Congress recognized the importance of connecting the nation’s central bank to the Main Streets of America. The Federal Reserve Bank of Kansas City carries out this role through its president and its programs and activities throughout the Tenth District, and beyond. Here is a glimpse of the recent activities of Kansas City Fed leaders and staff.

KANSAS, MISSOURI and BEYOND ➪

Kansas banking leaders visit the Kansas City Fed
President Jeff Schmid (far left, front row) in April welcomed members of the Bank Leaders of Kansas (BLOK), an affiliate group of the Kansas Bankers Association, for BLOK’s annual visit to the Bank. The visit included remarks from Schmid and Bank economists and a tour of the Money Museum.

Trade association for credit unions meets in Kansas City
President Schmid delivered keynote remarks at the Cornerstone League’s annual meeting in April. Cornerstone League is the country’s largest regional credit union trade association, serving more than 700 credit unions in Arkansas, Kansas, Missouri, Oklahoma and Texas.

Roundtable in Omaha with Nebraska banking leaders
President Schmid and Senior Vice President and Omaha Branch Executive Nate Kauffman (pictured at left) in May participated in a roundtable discussion with Nebraska bankers in Omaha.

Observing the solar eclipse
President Schmid and First Vice President Kim Robbins, wearing protective glasses, stood outside Bank offices and looked toward the total solar eclipse on April 8. During peak viewing of the eclipse in the Kansas City area, nearly 90 percent of the sun was obscured by the moon.
Workshop with 150 bankers explores the future of the industry

In April the Kansas City Fed hosted a discussion on the current state of banking, encouraging new industry participation, and ways to improve the merger and acquisition process. In addition to President Schmid, panelists included leaders from academia and across the industry, including Federal Reserve Governor Michelle Bowman, pictured here.

Discussing the economy at meeting of certified financial advisors

Joe Gruber, the Bank’s executive vice president and director of research, in May spoke in Omaha to members of CFA Nebraska, an association of local investment professionals. Gruber provided remarks on the economic outlook and answered questions from the audience.

Kansas City Fed hosts Atlanta Fed president

At an event in April at the Kansas City Fed, Atlanta Fed President Raphael Bostic interacted with Kansas City Fed directors and officers. Pictured here (from left): Teesha Miller, Bank vice president and director of the Office of Minority and Women Inclusion, Bostic and Head Office director Carmen Tapio. During his visit to Kansas City, Bostic also met with Bank economists and was the keynote speaker at the 50th anniversary event for the Urban Financial Services Coalition. (See page 17.)

Agricultural Commodity Futures Conference

The Commodity Futures Trading Commission (CFTC) and the Center for Risk Management Education and Research at Kansas State University in April hosted AgCon2024—the Agricultural Commodity Futures Conference—in Overland Park, Kansas. President Schmid provided remarks and joined CFTC Chairman Rostin Behnam for a question-and-answer session.
Visit to University of Northern Colorado campus
At the invitation of student leaders of the Financial Management Association, Denver Branch Executive, Vice President and Economist Nick Sly spoke on the economy during a visit to the University of Northern Colorado’s Monfort College of Business in Greeley.

Supporting the Denver community for Earth Day
In April, Denver Branch team members helped pick up trash and debris near downtown Denver along the Cherry Creek path for Earth Day. The Branch office is nearby, and the path is a popular walking location.

Roundtable conversation in Wyoming
In May, Nick Sly spoke with business leaders in Lander, Wyoming. The roundtable discussion covered economic trends and other issues on the minds of the attendees.

Real estate discussion in northern Colorado
Nick Sly participated in a panel discussion at the Northern Colorado Real Estate Summit in Loveland. He provided an economic update and answered questions from local bankers, developers and commercial real estate brokers.
Wilkerson provides economic outlook to Commercial Real Estate Council
Chad Wilkerson, senior vice president, economist and Oklahoma City branch executive, in May spoke to the Commercial Real Estate Council in Oklahoma City. Wilkerson provided updates on U.S. economic growth, unemployment data, and Oklahoma’s population growth for more than 100 attendees.

Outstanding economics students selected for statewide awards
The Oklahoma City Branch and the Oklahoma Council on Economic Education in April hosted the 14th annual Outstanding Economic Student Awards, honoring 11 students from high schools across the state for demonstrating economic ways of thinking. The program recognizes exemplary students and highlights the importance of economics in Oklahoma curriculum. Award recipients, their guests and school representatives attended a dinner and awards ceremony.

Oklahoma City Branch Student Board of Directors honored at pinning ceremony
The Branch held a pinning ceremony in May to honor the 12th class of its Student Board of Directors. The 2023-24 board comprised 22 students from 10 schools. The Student Board of Directors program prepares students to become knowledgeable citizens by increasing their understanding of economic, financial and occupational topics through collaboration with peers and business leaders.
NEBRASKA

Learning the fundamentals of banking, saving and the Federal Reserve
The Omaha Branch in May welcomed about 100 “stellar tellers” from area in-school savings programs for a celebration, coordinated by the Nebraska Council on Economic Education. The students learned about the Federal Reserve through a presentation by Senior Vice President, Omaha Branch Executive and Economist Nate Kauffman. Students also explored the security features of U.S. currency, completed a budget activity and participated in teller races to see who could count money the fastest.

Discussing the economy’s resilience
Branch Executive Nate Kauffman shared an economic update for the country and Nebraska at the 2024 Spring Public Finance Conference hosted by the University of Nebraska at Omaha. He spoke about resiliency in the economy despite risks.

Interacting with students at Wayne State College
During a visit to northeast Nebraska, Nate Kauffman spoke with business students at Wayne State College in Wayne, Nebraska, about the role that the Federal Reserve plays in the economy, recent developments in the economy, and agriculture.

Connecting nonprofit organizations with potential funders
Eight Nebraska community organizations pitched proposals to potential funders during Investment Connection: Nebraska, held in April at the Omaha Branch. Since 2011, Investment Connection has connected nonprofits with millions of dollars in gap funding, connections for vital services and the opportunity to share information about their organizations. Learn more at KansasCityFed.org/community/investmentconnection.
Women in Banking Forum supports advancement, networking

Nearly 200 registered attendees participated in the Kansas City Fed’s 2024 Women in Banking Forum in Oklahoma City.

The forum, presented annually to support the advancement of women in the financial services industry, includes economic, leadership, and professional development sessions aimed at enhancing women’s careers and networks. This year’s event, held in March, was hosted by the Bank’s Oklahoma City Branch in partnership with the Community Bankers Association of Oklahoma and the Oklahoma Bankers Association.

In addition to featured speakers, the forum included fireside chats with industry and Reserve Bank leaders and session topics ranging from work/life balance to leading during a crisis to the FedNow Service and the future of banking.

Several Reserve Bank leaders provided remarks and participated in discussions during the forum, including Tara Humston, Kansas City Fed senior vice president of Supervision and Risk Management; Susan Chapman Plumb, Kansas City Fed director and board chair and CEO of Local Bank in Hulbert, Oklahoma; Alicia Wade, president and chief operating officer of Valliance Bank in Oklahoma City and member of the Tenth District’s Community Depository Institutions Advisory Council; and Joni Hopkins, vice president of Customer Relations for the Federal Reserve Financial Services.

FURTHER RESOURCES
Learn about the 2024 forum’s speakers and topics at KansasCityFed.org/events/2024-women-in-banking-forum. Follow the Bank’s event schedule at KansasCityFed.org/events.
Area students studying technology take hands-on visit to Kansas City Fed

In April, the Bank’s Information Technology division hosted a visit by middle school and high school students from the Kansas City, Missouri, Public School District.

The students came from technology immersion programs at their schools. During the visit, they interacted with IT professionals from the Kansas City Fed, got hands-on demonstrations of audio/video hardware and learned about various roles in the technology field. The day also included a tour of the head office and a visit to the Bank’s Money Museum.

The Bank’s objective with events such as this is to cultivate a future pipeline of talent in technology-based fields. Roles related to technology make up roughly half of the Tenth District’s workforce.

FURTHER RESOURCES
To learn more about Reserve Bank opportunities in technology and other fields, visit KansasCityFed.org/careers.

The students’ visit included (top photo) an up-close look at audio/video equipment and (bottom photo) a tour of Money Museum exhibits. Photos by Gary Barber
Connecting with schools, students during Financial Literacy Month

Throughout April, Kansas City Fed employees in Denver, Kansas City, Oklahoma City and Omaha reached more than 300 educators and students as part of Financial Literacy Month activities.

Financial Literacy Month is recognized nationally each year in April to emphasize the importance of gaining financial knowledge and maintaining smart money management habits. Among the education events and activities across the Tenth District in April:

- The Denver Branch hosted sixth graders from Perkins County Elementary School in Grant, Nebraska, for a day-long field trip. Also, Branch and national information technology employees with the Bank’s Community Involvement Program (CIP) volunteered at the Junior Achievement (JA) Finance Parks in the Denver Tech Center and Thornton, Colorado. The Colorado JA Finance Parks are free of charge for middle schools and high schools and help students understand adult financial responsibilities and the importance of pursuing a career that can support the quality of life they want for themselves.

- In Kansas City, members of the CIP and 24 other employees volunteered at JA of Greater Kansas City’s BizTown interactive business simulation experience for elementary students. Employees spent their day assisting students from John Fiske Elementary School as the students ran a simulated city. Also in April, Gigi Wolf, Education Director at the Kansas City Fed, volunteered at an event hosted by the 20/20 Leadership and SparkWheel organizations that provided a simulated budgeting experience for students. About 120 students from Kansas City metro area high schools participated.

- The Oklahoma City Branch partnered with the Oklahoma Council on Economic Education to host the Outstanding Economic Student Awards, honoring 11 students from across Oklahoma who exhibit economics ways of thinking. The two organizations also partnered for the award ceremony on the Stock Market Game, a simulation of a real market in which student teams invested and competed based on their portfolio performances. The Oklahoma City Branch also held the April meeting of its Student Board of Directors program. The session focused on the topic of leadership and gave students the chance to meet with the Oklahoma City Branch Board of Directors.

- The Omaha Branch hosted the top economic students from across the state for the 2024 Nebraska Economics Challenge finals. Students qualified for the event by competing in an online challenge. Throughout the day, high school students demonstrated their economics knowledge by taking an exam and participating in a critical-thinking group presentation.

Throughout April, Kansas City Fed employees in Denver, Kansas City, Oklahoma City and Omaha reached more than 300 educators and students as part of Financial Literacy Month activities.

FURTHER RESOURCES
Learn more about the Bank’s financial education tools and resources for educators, students and adults at KansasCityFed.org/education.
After two years of testing the Community Conditions Survey, designed to monitor economic conditions of low-and moderate-income (LMI) households across the Tenth District, the Kansas City Fed has launched a companion survey to capture conditions nationwide.

With the participation of community development teams across the Federal Reserve System, the new Community Perspectives Survey will be conducted nationally each April.

The Bank will continue to conduct the Community Conditions Survey, previously known as the LMI Survey, during October, and it will remain focused on conditions throughout the Tenth District. The survey was renamed and revised in 2022 to gather insights on a large scale.

Results from the April 2024 national survey will be published in two reports in August, one covering community conditions and the other covering the health of organizations serving LMI communities, said Kansas City Fed Community Development Senior Researcher Steven Howland. A report on Tenth District conditions will follow the publication of the national reports.

Creating the national survey allows the Bank to compare perspectives from the Tenth District with those from across the country as it works to alleviate barriers to prosperity faced by LMI populations.

FURTHER RESOURCES
Go to KansasCitFed.org/community to learn more about how the Community Conditions Survey is conducted, sign up to participate in the survey, and read the most recent survey reports.

Money Museum: Make a reservation for your student tour today!

The Money Museum, inside the Kansas City Fed’s headquarters at 1 Memorial Drive, welcomes students for guided or self-guided tours.

Admission is free. However, because of capacity limitations, the museum asks that each student group make a reservation before visiting for a guided or self-guided tour. This applies to kindergarten through high school students, public and private schools, homeschool groups, colleges, Scouting programs, extracurricular education groups and summer camps. Find out which type of tour is right for your group.

Guided student tour
• Guided tours are available on Tuesdays, Wednesdays and Thursdays between 9:30 a.m. and 1:30 p.m.
• The minimum number of participants is 12, and the maximum is 60. This includes chaperones.
• Guided tours are approximately 45 minutes long, but your visit can extend beyond that.
• You must book the guided tour no fewer than 15 business days before your tour.

Self-guided student visit
• Self-guided tours are available Monday through Friday 9:30 a.m. and 1:30 p.m.
• There is not a maximum or minimum number of participants for self-guided student tours.
• Self-guided reservations are for 1 hour, but your visit can extend beyond that.
• You must make the reservation no fewer than 15 business days before your tour.

How are guided tours requested?
Please fill out the request form at KansasCityFed.org/tour_registration. Under accommodations, please specify whether you are making a reservation for a guided or self-guided tour. Reservations will default to guided tours if the reservation qualifies. Note: The form is optimized for desktop use.

Questions?
Send email to KCMoneyMuseum@kc.frb.org or call the Money Museum’s staff at (816) 881-2683. Learn more at KansasCityFed.org/moneymuseum.
Modest economic expansion for the District

The Tenth District economy expanded at a moderate pace, led by rising household consumption and growth in professional business service activity, according to feedback collected for the Federal Reserve’s Beige Book.

Beige Book reports, based on comments from contacts across several industries and economic sectors, are made available to the public eight times a year. See the most recent Tenth District summaries and sign up to receive alerts at KansasCityFed.org/surveys/beige-book.

For the report published in late May, contacts indicated that employment outlooks were less vulnerable to a deterioration in conditions compared with the previous six months. Hiring activity and expected job growth were modest, with some acute indications of rising barriers to work among low-wage occupations. Several contacts noted a willingness to accept elevated wage growth over the near-term, as the alternative of lost revenue due to vacant positions would be too costly.

Spending on auto services and parts showed robust growth as households maintained their vehicles that faced lower trade-in values.

Commercial real estate (CRE) activity stabilized across the District, but at low levels. Loan demand at banks was mostly unchanged from the previous month, except for CRE loans.

Bank Anniversaries

The following banks in the Tenth Federal Reserve District are celebrating one, five, 10, 20 or more years as Federal Reserve members in July, August, and September.

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<thead>
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<th>Bank Name</th>
<th>Location</th>
<th>Years</th>
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<tr>
<td>Uinta Bank</td>
<td>Mountain View, Wyo.</td>
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<td>Wahoo State Bank</td>
<td>Wahoo, Neb.</td>
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<td>Gunnison Bank &amp; Trust Co</td>
<td>Gunnison, Colo.</td>
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<td>Union State Bank</td>
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<td>Bank of Holyrood</td>
<td>Holyrood, Kan.</td>
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<td>Security State Bank</td>
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<td>State Bank of Burrton</td>
<td>Burrton, Kan.</td>
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<td>Five Points Bank</td>
<td>Grand Island, Neb.</td>
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<td>Farmers State Bank</td>
<td>Quinton, Okla.</td>
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<td>i3 Bank (formerly Bank of Bennington)</td>
<td>Bennington, Neb.</td>
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<td>Payne County Bank</td>
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<td>High Plains Bank</td>
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<td>AllNations Bank</td>
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<td>Flatirons Bank</td>
<td>Boulder, Colo.</td>
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<td>Coweta, Okla.</td>
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<td>RNB State Bank</td>
<td>Rawlins, Wyo.</td>
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<td>First Bank of Beloit</td>
<td>Beloit, Kan.</td>
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<td>Bancfirst</td>
<td>Oklahoma City, Okla.</td>
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Agricultural markets depend on the strength of global demand, and increasingly, demand for energy has become a key element.

The Kansas City Fed explored this link during its Agricultural Economic Summit, hosted at the Omaha Branch in May. More than 50 executives and industry experts from the agriculture and energy sectors gathered to share their perspectives with the Fed on current trends and long-term expectations.

Historically, energy served primarily as an input to agricultural production as mechanization and advances in technology led to a more efficient and productive farming industry. Over time, advances in technology and environmental policies also positioned the ag sector to be an important source of energy alongside growing global demand for renewable fuels and power generation.

Looking back at the expansion of ethanol following the adoption of the Renewable Fuels Standard (RFS) in 2006 shows the impact.

In the early 2000s, there wasn’t a lot of movement in agricultural commodity prices from month-to-month or even year-to-year. Following the implementation of the RFS, alongside other demand drivers such as growth in China, commodity prices began to take off. Prices for corn, the commodity used for ethanol in the U.S. and blended with gasoline, became more connected with energy prices. Corn prices spiked in
2008, farm income began to rise significantly, and farm real estate values also began to soar.

“Between 2006 and 2012, we expanded our corn acreage in the United States by about 25%,” said Nate Kauffman, senior vice president, Omaha Branch Executive and the Kansas City Fed’s lead expert on the agricultural economy. “The increase in demand for corn led to tangible changes in the decisions made by farm producers, not just increasing acreage, but also changes in farming practices that resulted in even higher yields, and more sophisticated marketing strategies.”

Following the surge, agriculture went through a period of stabilization and subdued growth between 2015 and 2019. There were few expectations there would be another significant shift in demand for agriculture rivaling those of previous years. All that changed with the pandemic.

“The last three years, similar to where we had been more than a decade ago, have looked to be some of the strongest we’ve seen in agriculture in recent memory,” said Kauffman.

Demand from China and the war in Ukraine contributed to the recent increase in agricultural prices during 2021 and 2022, but stronger connections between ag and energy, through renewables and sources of energy such as wind and solar, may fundamentally change the ag sector going forward. New technologies and policy efforts to reduce emissions across the transportation sector have incentivized substantial increases in the production of biomass-based diesel, spurring heightened demand for soybean and other oils used to produce these fuels. Similar to changes in corn acreage due to demand for ethanol, soybean acreage has increased by about 13% since 2012. Agricultural land has also become an increasingly important source for harvesting renewable energy, and adoption of solar lease contracts has emerged as an opportunity for a modest but growing share of agricultural producers. Adding to the ag and energy intersection, environmental considerations such as carbon also appear likely to have a significant long-term effect.

There is still some uncertainty about the exact path of the ag and energy connection, largely because of the effects of government policy. The use of biomass-based diesel in sustainable aviation fuel (SAF) may be a primary source of increased demand for soybeans, but its future production and use remains dependent on national and state subsidies. The emerging frontier of carbon collection and abatement also presents an opportunity, but many unknowns remain. Despite some lingering uncertainties, ag and energy linkages have deepened in recent years, and there might be more to come.

“With large investments underway at the intersection of ag and energy, it seems clear that developments related to energy will have a significant influence on the future structure of agriculture and commodity markets,” Kauffman added.

FURTHER RESOURCES
At KansasCityFed.org/research learn more about this topic in the article “The Expanding Role of Energy Policy as a Demand Driver in Agriculture” by Senior Economist Cortney Cowley. Find additional insight and analysis at KansasCityFed.org/agriculture and KansasCityFed.org/energy.
In April, the Kansas City Fed hosted the Urban Financial Services Coalition (UFSC) in observance of the organization’s 50th anniversary.

The UFSC is a national group with the mission to provide professional development programs, support educational advancement, and promote economic empowerment for its members and minority communities at-large.

The two-day anniversary event was held at the Bank’s head office and organized by Ola M. Truelove-Ross, UFSC’s immediate past president and 50th anniversary committee chair, and Theodis Watson, UFSC’s national president.

“The UFSC has reached a monumental milestone,” Watson said. “This is a true testament to the dedication of our staff, volunteers and supporters. As we celebrate our 50th anniversary, we also reflect on the incredible partnerships we have formed with businesses and communities over the years, including the Kansas City Fed. We look forward to continuing our mission and achieving even greater impact in the next 50 years.”
Federal Reserve Bank of Atlanta President Raphael Bostic was the event’s keynote speaker. Bostic addressed the audience during a fireside chat with Kansas City Fed Education Director Gigi Wolf. The discussion focused on economic inclusion.

“We (the Federal Reserve) are supposed to be shepherding the economy, we are supposed to be creating a foundation for an economy that works for everyone,” Bostic said in his opening remarks.

“We need to be present in this space and talk about (economic inclusivity). We need to figure out things that we are doing that are inhibiting that and figure out things more broadly that are preventing people from reaching their full potential.”

He added, “The world is moving in an environment that makes it hard for smaller and minority institutions to really thrive and be fully competitive. That is one of the greatest defining challenges in banking.”
Kansas City Fed President and CEO Jeff Schmid spoke at the event and noted that the Bank has a long history with the UFSC and was instrumental in the founding of the organization’s Kansas City chapter. The relationship that started with the late Debra Bronston, the Bank’s first diversity officer, and grew under the tenures of Kansas City Fed presidents Thomas Hoenig and Esther George. Hoenig and George attended the anniversary event.

Schmid presented a plaque to honor the UFSC’s anniversary.

“We are commemorating this event permanently at our Bank by placing this photo and certificate outside of the Guffey Theatre in our Money Museum,” Schmid said. “There, it will be commemorated alongside numerous other momentous events in our history, and viewable to the thousands of people who visit our Bank each year.”

FURTHER RESOURCES
Learn more about the Urban Financial Services Coalition at ufsckansascity.org. Go to KansasCityfed.org/aboutus to learn how the Bank works to ensure financial stability and an economy that works for everyone.
Revenge spending
IN THE WAKE OF THE PANDEMIC

by ANDREA GALLAGHER

When the pandemic hit in spring of 2020, the world as we knew it shut down. Concerts, shows, sporting events and even restaurants were shutting their doors as people self-isolated.

Four years later, people are spending a lot of their income on “experiences” in the wake of COVID.

Joan Squires, Omaha Performing Arts president, said demand is through the roof at venues such as the Orpheum Theater, Holland Center and Steelhouse Omaha.

“After COVID, we experienced surging demand, and since 2022 we’ve matched or surpassed the pre-COVID sales results,” Squires said. “The number of shows we present also continues to grow as artists want to perform and make up for those ‘lost years.’ At the same time, we’ve also seen increased competition with more events and leisure options for audiences throughout the community.”

Post-COVID spending was the theme of a recent Nebraska Economist article, “Leisure and Hospitality: Strong Demand and Supply Constraints”, by Kansas City Fed Associate Economist John McCoy. According to his findings, there was a decline in recreational spending following the pandemic, which has since rebounded.

“The pandemic experience probably continues to play a role in shaping consumer preferences, even as it recedes further and further into the rearview mirror,” McCoy said. “From an economic perspective, robust income gains have certainly benefitted Nebraska households, helping provide the means to ‘revenge spend’ on experiences.”
Paying for experiences

“People want to go out, gather together and be actively entertained after being isolated,” Squires added. “There seems to be a generational shift as audiences spend more on experiences rather than acquiring goods or investing in housing.”

When the pandemic hit, CHI Health Center Omaha and Charles Schwab Field were among the first to close and the last to re-open. However, business has been booming ever since.

“In the timeframe that followed the pandemic, business has not only returned to ‘normal’, but 2023 was a record year – with more concerts and events at CHI Health Center Omaha, and record-breaking crowds in attendance at the Men’s College World Series,” said Kristyna Engdahl, Vice President of Communications for Metropolitan Entertainment & Convention Authority (MECA).

However, though spending continues to be strong, the labor shortage is affecting many positions in the leisure and hospitality industry, making it a challenge to stay fully staffed.

“Following COVID, people didn’t return to these types of jobs because they don’t want to work nights or weekends,” Squires said. “The workforce is also smaller since many workers retired. We have to work harder to recruit employees and provide competitive salaries and benefits.”

“In an effort to attract talent, MECA has raised the pay scale for our casual and part-time workforce. However, we face consistent hurdles in adding numbers to our event staff, attempting to appeal to retirees or high-school students who are interested in largely supplementary income.”

Even though residents in the Tenth District continue to spend money on experiences, it may be difficult for some venues to stay fully staffed to handle the demands of the post-COVID spending.

“The demand for leisure activities is still strong and we need labor to work these shows and events, which is a challenge to find,” Squires said. “For specialized positions, people used to be willing to move for their work, but that has changed as well.”

Overall, Nebraskans do spend less overall on recreation and experiences than other states, suggesting there is still room for more growth. According to Squires, these industries activate communities and contribute to the quality of life. When there is more to do, it makes a community more livable and helps to attract and retain the workforce.

“We’re very optimistic about the number of shows and offerings we’re able to provide and excited about the community’s continued enthusiastic response,” she said.
Financial literacy, risk tolerance and U.S. cryptocurrency ownership

In 2022, 10% to 20% of U.S. adults were reported to own cryptocurrencies, such as Bitcoin and Ethereum. The original intent of cryptocurrencies was for transactions, as substitutes for traditional payment methods, but in the United States they now are most popular as an investment tool. According to the 2022 Survey of Household Economics and Decisionmaking (SHED), more than 80% of those who own cryptocurrency do so for investment, and about 30% do so for transactions.

A March 2024 Research Working Paper by Senior Policy Advisor Fumiko Hayashi and Economist Aditi Routh explored cryptocurrency ownership and found that financial literacy and risk tolerance vary by type of owners. Because of the highly volatile nature of the cryptocurrency market and its lack of consumer protections, owners without sufficient financial literacy and risk tolerance could be financially vulnerable. The full paper is available at KansasCityFed.org/research.

Who are the U.S. consumers owning cryptocurrency?

Our study used the 2022 SHED, conducted by the Federal Reserve Board during the most recent “crypto winter,” a downturn in the cryptocurrency market. We divided cryptocurrency owners into three groups based on their purposes for holding cryptocurrencies—for investment only (investors), for transactions only (transactors), and for a mix of investment and transactions (mix users). Then we examined how each group correlates with financial literacy and risk tolerance compared with consumers who do not own cryptocurrencies (nonowners). We found that the three groups of cryptocurrency owners vary by demographic and financial characteristics, but compared with nonowners, all three groups tend to be male, be self-employed or work for family business, and use alternative financial services (such as nonbank money orders and payday loans) and buy-now-pay-later services.
What are some of the distinguishing characteristics?

Compared with nonowners, investors are significantly more financially literate, mix users are moderately more financially literate, but transactors are less financially literate. Investors and mix users are also significantly more risk tolerant while transactors are slightly more risk tolerant than nonowners. Investors and mix users tend to be younger and moderately educated, but education has little association with transactors. Investors tend to be high-income individuals of high demand for credit, but income and demand for credit have no association with mix users and transactors. Black and Hispanic crypto owners are more likely to be transactors or mix users but race has little association with investors. Transactors tend to have a lower credit score.

In summary, our findings suggest that cryptocurrency transactors may be particularly financially vulnerable as they tend to be less financially literate, a racial minority, and having a lower credit score, compared with the other two groups of cryptocurrency owners as well as nonowners.

What should the public understand about the risks of cryptocurrency ownership?

Ownership of cryptocurrencies involves risks not only for investment but also for transactions. For investment, the risks include high volatility of prices and lack of regulation by any central authority. For instance, the most recent crypto winter in 2022 saw extensive collapses in cryptocurrency prices, with about a $2 trillion loss in market value. A large share of U.S. cryptocurrency owners lost money from investment during that time. The risks involved in transactions with cryptocurrency include loss of funds because of a lack of consumer protections against fraud as well as lost private keys, bankruptcy of cryptocurrency exchanges or wallet providers, and high and ambiguous fees for making transactions. For example, cash-to-cryptocurrency Bitcoin ATMs (commonly called BTMs) do not require identification for operation, exposing consumers and operators to the risk of fraudulent practices.

Are regulatory protections on the horizon for U.S. owners?

Several bills aimed at protecting consumers owning cryptocurrencies have been introduced in Congress, a few of which have gained attention and are awaiting action. Some bills aim to build regulatory frameworks concerning digital assets, including cryptocurrencies, and define regulatory jurisdiction of cryptocurrencies for investment. Other proposed legislation has focused on cryptocurrency transactions, calling for greater scrutiny regarding BTM locations and identification of BTM users and recipients.

Meanwhile, several states have introduced or passed laws concerning cryptocurrency business activities. For example, California, Louisiana and New York require entities to obtain a license for conducting digital financial asset (or virtual currency) business activities. Further, California imposes requirements on operations of BTMs, including a $1,000 daily transaction limit per customer, a cap on fees, and disclosures of terms, conditions, fees and charges.

(Figure left) Economist Aditi Routh (left) and Senior Policy Advisor Fumiko Hayashi. Photo by Gary Barber
Consumer debt, immigration, monetary policy outlook

Here are summaries of recent economic research published by the Federal Reserve Bank of Kansas City.

Go to KansasCityFed.org/research to read the full articles and follow the latest analysis in Charting the Economy, a stream of timely economic data curated by the Bank’s research staff.

Debt is high, but consumers seem to have room to run

Real consumer debt is now higher than its prior peak during the global financial crisis, driven in part by increases in credit card debt. Although the share of credit card debt transitioning into delinquency has risen, it remains below levels seen during the global financial crisis. Moreover, debt-to-income measures remain historically low, suggesting that consumers in aggregate may have more room to run up debt before experiencing further financial stress. Despite higher interest rates, increased consumer debt remains supported by excess savings, low debt-to-income ratios and a strong labor market. As a result, consumers appear to have the capacity to increase debt and boost spending more broadly.


Rising immigration has helped cool an overheated labor market

The United States has experienced a substantial influx of immigrants over the last two years. In 2023, net international migration surpassed its pre-pandemic peak. This flow of immigrant workers has acted as a powerful catalyst in cooling overheated labor markets and tempering wage growth across industries and states. In industries and states that have struggled to fill positions, the arrival of immigrant workers has eased labor shortages and moderated wage growth. This result is consistent with previous work showing that lower immigration levels increased job vacancies and drove wage growth. However, the results from this study and earlier work demonstrate that immigration has uneven effects across sectors and labor markets, suggesting that outcomes from increased immigration may vary by industry and location.

—Elior Cohen, May 2024 Economic Bulletin
Foreign-born women have driven the recent increase in prime-age women in the labor force

The labor force participation rate of prime-age (25 to 54) women declined dramatically during the pandemic-led recession but has since recovered to an all-time high. The Kansas City Fed examined how different groups have contributed to this rebound and found that foreign-born women, particularly those with a bachelor’s degree, account for most of the increase in the number of prime-age women in the labor force. Immigration, in turn, fueled the increase in the number of foreign-born women in the labor force. The Congressional Budget Office projects that net immigration will remain elevated over the next several years. Absent changes to immigration policy, both the population and labor force of prime-age women could increase further.

— Didem Tüzemen and Emily Pollard, April 2024 Economic Bulletin

Current monetary policy may be less restrictive than it seems

Compared with most historical inflationary episodes since the 1960s, the current U.S. inflation cycle features both higher core inflation and a more resilient real economy. This co-movement of prices and real activity suggests monetary policy has not sufficiently reduced demand. A Kansas City Fed examination of the current policy stance asserts that interest rates might indeed be less restrictive than commonly thought. To lower inflation to 2%, the Federal Reserve might have to maintain a restrictive policy stance for some time.

— Johannes Matschke and Alice von Ende-Becker, May 2024 Economic Bulletin

Photos (left and above) by Getty Images
**Labor market shocks and monetary policy**

A Federal Reserve study examined the positive and normative implications for inflation of employer-to-employer (EE) worker transitions by developing a heterogeneous agent New Keynesian model featuring a frictional labor market with on-the-job search. The study found that EE dynamics played an important role in shaping the differential inflation dynamics observed during the Great Recession and COVID-19 recoveries. Despite these recoveries having similar unemployment dynamics, the recovery from the Great Recession exhibited subdued EE transitions and inflation dynamics. In the model used for this study, the optimal monetary policy involved a strong positive response to EE fluctuations, suggesting that central banks should distinguish between recovery episodes with different EE dynamics even if they have similar unemployment rates.


**Not bullish: U.S. cattle herds hung up on higher interest expenses**

Cattle inventories declined to historically low levels at the start of 2024. Cattle producers may face challenges maintaining or restocking herds, as higher interest expenses on cattle and input purchases in 2022–23 have constrained profit margins. Although feed costs have decreased slightly, higher costs for financing and other operating expenses could continue to put pressure on cattle production and profitability. When producers’ ability to expand is restricted, so are their opportunities for future returns. A prolonged period of restricted supplies and high prices could reduce demand in domestic and international beef markets, especially because options for other proteins are plentiful, and prices for other meats, such as chicken and pork, have declined.

—Cortney Cowley, Ty Kreitman and Francisco Scott, March 2024 Economic Bulletin

**As earned wage access grows, oversight tries to catch up**

Earned wage access (EWA) services have grown in popularity as more providers offer them and more businesses and consumers use them. However, the complex fee structures and high costs of EWA, as well as some users’ heavy reliance on these services, have raised concerns. Regulatory and legislative bodies have begun to respond to these concerns, with states taking the lead in proposing or passing EWA legislation.

—Terri Bradford, May 2024 Payments System Research Briefing

**Commercial real estate activity in the Tenth District stabilized at low level**

The Kansas City Fed’s CRE Index for the second quarter of 2024, released in May, showed that after declining for several consecutive quarters, the value of the index rose slightly, from -1.3 to -0.85, indicating commercial real estate activity in the region stabilized during the first part of the year, albeit at a low level. Many aspects of commercial real estate activity across the region stopped declining in recent months, but a pick-up in vacancy rates kept downward pressure on rents.

—Nicholas Sly and Bethany Greene, Second Quarter 2024 Commercial Real Estate Index
Where are Oklahoma’s newest residents living and working?

Most areas of Oklahoma gained residents since the pandemic. The Oklahoma City and Tulsa Metropolitan Statistical Areas saw the most growth as many Americans moved from large metro areas to more affordable ones. Counties bordering the core of Oklahoma City and Tulsa added the most residents with the rise of working from home, but many smaller cities and rural areas also posted gains. More than half of the state’s new residents since the pandemic are working age and employed, making up for previous losses of employed residents and slightly raising the state’s labor force participation rate.

—Chad Wilkerson and Chase Farha, March 2024 Oklahoma Economist

Flood risk exposures and mortgage-backed security asset performance and risk sharing

The distribution of risks for residential real estate, including flood risk, depends largely on how these risks are allocated across individual mortgages and within mortgage-backed securities (MBS). A Federal Reserve study documents how flood risks relate not only to individual mortgage performance and underwriting, but also how flood risks correlate to MBS performance and structure. Across residential mortgages the study found that defaults are concentrated among the most flood-prone properties and that this risk is somewhat offset by larger down payments and slightly higher mortgage rates. Even when mortgages are combined into MBS’s, average mortgage default within MBS’s increases with average flood risk, and higher flood risk is mainly offset by increased credit protection or subordination. Ultimately the analysis suggests that flood risk is reflected in mortgage-level performance and pricing and is partly, but not fully, accounted for in MBS deal-level performance and structure.

—Jacob Dice, Mallick Hossain and David Rodziewicz, May 2024 Research Working Paper
A VARIED PICTURE

While downtown office use has declined, some metro areas fare better than others.
Jennifer Nakayama immediately noticed it.

“There was a different energy here,” she said. “Even in the simple things like walking along the street and seeing another person.”

It was 2022. Downtowns still were navigating through the pandemic and, Nakayama remembers, it was common for people to look down when encountering one another.

But not in Oklahoma City where, in 2022, Nakayama was interviewing for a job.

“People lifted their heads and said hello to me,” she recalled.

What Nakayama saw then and has learned since taking the job as president and CEO of the Downtown Oklahoma City Partnership is how that city’s downtown has dealt with pandemic-related changes differently from other areas.

“Things were coming back and going forward here,” Nakayama said. “That was definitely not happening all across the United States.”

A surge in remote and hybrid working is a profound pandemic outcome that downtowns, with their vast office inventories, have had to—and continue to—face, said Kansas City Fed Senior Economist Jordan Rappaport. In an Economic Bulletin published in March 2024, Rappaport concluded that downtowns in some medium-sized and large metropolitan areas have seen a big drop in office space demand. However, those declines vary considerably among the downtowns. In addition, there are some downtowns where rented office space actually is higher than before the pandemic, Rappaport’s study found. The full research publication is available at KansasCityFed.org/research.

In his study, Rappaport noted managed-security firm Kastle Systems’ examination of badge swipes at about 2,600 office buildings that it manages in 10 of the largest metro areas. Right after the pandemic lockdown, office attendance plummeted to 20% of pre-pandemic levels. Rappaport said that the Kastle Systems’ data shows a rebound of nearly 50% in the last few quarters, with some cities on some days reaching as high as 75% of pre-pandemic levels.

Rappaport also looked at a study of rented office space in 52 medium and large metro areas from the first quarter of 2020 to the third quarter of 2023. In some areas, such as San Francisco, the loss has been profound—falling 74% from pre-pandemic levels.

However, Rappaport noted, rented office space increased during that same period in 13 of the 52 downtown markets studied.

Within the Tenth District, rented office space has fallen the most in Denver, to 83% of pre-pandemic levels while in places such as Oklahoma City and Albuquerque it remains solid, Rappaport said.

“A big decline is not every place,” Rappaport said. “Some people say it’s only the large metros, but that’s not true. It’s not like if it is big, it’s going to be bad.”

While remote working has set a new normal for downtown offices, things are still evolving, Rappaport said.

There are factors other than remote working that can affect downtown office space data and health of a downtown, such as crime, the types of jobs within the offices, and the amount of speculative office development.
Rappaport said lower office attendance brought about by hybrid working is a challenge that can be overcome, both with respect to office space demand and for the broader health of metropolitan centers.

“The important point is it need not be that way,” he said.

And, Rappaport said, most workers are still going into the office at least a few times a week.

“And as long as that’s the case, it is not inevitable at all that you will see downtowns decline. Not at all.”

A view from Kansas City
When Tommy Wilson studies the health of Downtown Kansas City, he looks to a platform that tracks mobile devices.

It shows that 76 percent of the downtown Kansas City workforce is back from pre-pandemic levels.

“Obviously we are not where we were,” said Wilson, director of business recruitment and research for the Downtown Council in Kansas City. “But struggling is not accurate.”

Wilson said downtowns are still very attractive to younger office workers with nearby restaurants and entertainment, as well as housing.

“They want a fun, vibrant environment not only inside the office but outside as well,” Wilson said.

Downtowns are not all the same, and they are all still evolving from the pandemic and hybrid working trend, Wilson said.

“It will be interesting to see how it plays out.”

A view from Oklahoma City
If Nakayama had arrived even earlier than 2022, she still would have seen a lively downtown, said Travis Mason, director of Commercial Oklahoma in Oklahoma City.

“It was as if we said ‘What’s COVID?’,” Mason said. “Offices were open really quickly. It started in the summer of 2021.”

Mason said downtown Oklahoma City workers were and are needed in their offices, including law, accounting and professional services firms, as well as the oil and gas industries. It is the suburban office spaces—especially
A view from Denver

Hybrid working has had its effect on Denver, said Glenn Mueller, professor at the Franklin L. Burns School of Real Estate & Construction Management, University of Denver.

“Downtowns are changing—while millennials still want to live in many downtowns for social and entertainment reasons, they do not want to go to the office daily for work,” he said.

Mueller does think that environmental factors have affected some downtowns.

“Firms that moved into A+ space now have to have employees navigate through difficult and dangerous street situations to come to the office,” he said.

Nakayama said a downtown that invests in itself can help no matter the economic forces.

In Oklahoma City, it’s the Metropolitan Area Projects, a $350 million sales tax-funded initiative focused on revitalizing downtown.

“It’s working that Oklahoma City reinvests in itself,” Nakayama said.

“Oklahoma City was poised to be ready when the world came back.”

Mason agreed about the importance of the Metropolitan Area Projects program.

“Downtowns are changing—while millennials still want to live in many downtowns for social and entertainment reasons, they do not want to go to the office daily for work.”

— Glenn Mueller, professor at the Franklin L. Burns School of Real Estate & Construction Management, University of Denver

“That’s public policy that really worked,” he said.

In addition, Mason said low office vacancy does not spark speculative office space development in downtown Oklahoma City. “In Oklahoma City, when vacancy hits 10 percent nothing really happens,” Mason said. “And our lease rates typically keep up with inflation, and sometimes not even that.”

By comparison, he continued, “When things go really well in Denver (a larger market), you can make a lot of money. When things go really poorly in Denver, you can lose a lot of money. That’s like a lot of primary markets.”

He offered an analogy: “Buying office space right now is like catching falling knives. If you catch a falling knife, it’s really impressive. But there is also a chance that you’ll cut yourself if you catch it... There is a lot of opportunity out there, you have to be smart about it.”

Downtown Denver is coming back in some ways, said Daniel Ryley, vice president, corporate attraction, at the Metro Denver Economic Development Corp.

He said that foot traffic overall is back to 80% of pre-pandemic levels in downtown Denver, but it is primarily being driven by residential activity and tourism. Office traffic, he said, is only back to 60%.

“We see this slower daytime population activity influencing other environmental dynamics,” Ryley said.

“For example, some restaurants choose to remain closed for lunch, or only open for lunch on Tuesday, Wednesday and Thursday, knowing that Mondays and Fridays are common for remote work and flexible schedule time off.”
He said vacancy challenges in Denver are neighborhood-dependent with certain parts — such as Larimer Square and Union Station — doing better than others.

“Areas with more mixed use and residential integration, mobility and access to public transportation, intentional placemaking and public safety are likely to not only attract more leases but also remain more active with in-office users,” he said. “Additionally, newer and more modern designs that integrate amenities and security seem to be more attractive for tenants.”

Ryley said there are other variables to consider.

“Environmental perceptions, such as public safety, do influence lease decisions and foot traffic, as well as do other factors like active construction zones, walkability and sense of place,” he said. “Overall, neighborhoods that can create connectivity, comfort, modern amenities and low stress are more attractive to tenants and their employees.”

There are positive signals in Denver.

Commercial office brokers are communicating they are seeing more activity in regard to inquiries, site tours and letters of intent, Ryley said.

“Regarding commercial real estate, we believe companies will begin to stabilize and understand their footprint needs,” Ryley said. “We also think that efforts such as the expansion of the Downtown Development Authority, which will make $500 million available for investment into revitalization, as well as the completion of significant improvement projects like the 16th Street Mall construction, will catalyze more downtown office use.”

Downtown Denver office space has likely been affected by other factors.

“It is possible that some of the institutional investment was in motion years ago when both interest rates and vacancy rates were better and is only now manifesting in new spec product being delivered,” he said. “These large, multistory buildings take several years to plan, permit and construct.”
kCFED SOCIAL SEEN

Social media highlights of our engagement across the region.

1 **PROSPERITY WORKS** Excited to share about Bank On New Mexico Coalition at the Investment Connection...hosted by the Federal Reserve Bank of Kansas City to bring together financial institutions and non-profit organizations. 🔗

2 **@JILLCASTILLA** Not many professional experiences will ever compare to this! I’m honored to represent the @KansasCityFed District on the @federalreserve Federal Advisory Council, meeting today in the FOMC meeting room. 🔝

3 **@KUECONCLUB** The KU Econ Club got the chance to visit the Kansas City Federal Reserve! We had a great time touring the money museum, listening to a presentation about monetary policy, and getting to explore KC! 📈

4 **@KANSASCITYFED** Recently a group of dedicated employees who work at our Omaha Branch and participate in our Community Involvement Program organized the Branch’s first-ever blood drive for their colleagues. Thank you to all the employees who rolled up their sleeves to help save lives! 📆

5 **KELLY ZAMBONI** Pleasant surprise having my family visit the Money Museum. 🔗

GET SOCIAL » Find us on Instagram, LinkedIn, X (formerly Twitter) and YouTube to follow Kansas City Fed activities, share your photos and post feedback.
In May, 16 volunteers from the Bank's head office worked on home-building projects through Habitat KC, a regional arm of Habitat for Humanity.

The employees expressed strong interest in increasing affordable housing and volunteered for the work through the Kansas City Fed’s Community Involvement Program (CIP). Through their work, the volunteers helped build two homes in the Kansas City area.

The work started with the volunteers arriving at an assigned construction site for introductions and to learn more about Habitat KC, which is the country’s seventh-oldest Habitat for Humanity chapter. The organization’s mission is to build a community where everyone has a safe, decent and affordable place to call home. With the help of volunteers and donors, Habitat KC in 2023 helped 838 homeowners in the Kansas City area realize their dream of affordable housing.

Construction site managers put the volunteers to work on one home in Kansas City, Missouri, and one in Kansas City, Kansas. Assignments ranged from caulking and painting to installing windows and framing the roof of a porch. The volunteers worked together to get the homes ready for future homeowners and enjoyed getting to know each other better in the process.

“The team build was such a fun and rewarding event,” said Product Management Specialist Kelley Frye. “We were all there for a common cause, to help build a home for those in need of affordable housing. Throughout the day, we were working, getting to know each other, laughing and making memories. And we ended the day feeling proud in serving our community by volunteering with Habitat KC.”

Through CIP, the Bank actively provides opportunities for employees across the Tenth Federal Reserve District to volunteer in a variety of community involvement activities that align with the Bank’s mission and values.

Housing, in particular the cost of housing, can affect people’s economic well-being and is a component of the U.S. economy that is closely studied by the Federal Reserve. The Fed’s Beige Book, published eight times a year, includes regional feedback on housing conditions in low- to moderate-income (LMI) communities. Housing also is a key component of the Fed’s widely watched Survey of Household Economics and Decisionmaking, available at FederalReserve.org.

FURTHER RESOURCES
Learn more about the Bank’s research and other work in the affordable-housing space at KansasCityFed.org/community.
“THROUGHOUT THE DAY, WE WERE WORKING, GETTING TO KNOW EACH OTHER, LAUGHING AND MAKING MEMORIES. AND WE ENDED THE DAY FEELING PROUD IN SERVING OUR COMMUNITY BY VOLUNTEERING WITH HABITAT KC.”

— Kelley Frye

Employees from the Bank helped Habitat KC build two homes in the metropolitan area. Photos by Brett Smith
166.7 million

Gallons of crude oil produced in Colorado in 2023, a 3.8% increase from 2022 that continued a rebound from the pandemic.

Source: Colorado Energy and Carbon Management Commission

4.5 million

The number of visitors in 2023 for Yellowstone National Park, an increase of 37% from 2022. Ninety-six percent of the park is in Wyoming.

Source: National Park Service

$9.18 billion

Total annual revenue for nonprofit organizations in New Mexico, according to the most recent tax filings.

Source: ProPublica

418,311

Number of people employed by small businesses in Nebraska, comprising 48.3% of workers across the state.

Source: U.S. Small Business Administration

MORE ECONOMIC DATA
The Bank regularly publishes data about regional and national economic conditions at KansasCityFed.org/research/indicatorsdata.
Direct spending by visitors to Oklahoma in 2022, up 12.3% from 2021 and accounting for $833 million in state and local tax revenue.

Source: Oklahoma Tourism and Recreation Department

Increase in home sales in south-central Kansas for April 2024 compared with the same month a year earlier. The region includes Wichita.

Source: South Central Kansas MLS

“650 feet down”...That was the headline on a 1980s internal newsletter article describing how—and where—the Bank stored essential records in the sprawling salt mines of Hutchinson, Kansas.

Starting in 1961, amid the Cold War and global concerns about nuclear threats, the Bank rented underground storage vaults and office space in the salt mines as part of its records management program. Bank officers ensured that paper copies of essential files from the head office and all three branch offices were boxed up and securely stored in parts of a mined-out complex that covered more than 300 acres and served thousands of other “depositors.” Strict protocols controlled access to the Bank’s space. The Bank used the Hutchinson salt mines until 1997, when it moved that part of its records storage operation closer to Kansas City.

The cool, dry and low-humidity conditions of the Hutchinson mines offered an ideal atmosphere for preservation of bank records. And though, fortunately, the need never arose, the Bank’s space in the salt mines was equipped to serve as a bomb shelter, with food and supplies to accommodate 400 people.
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