



NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY
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CONTACT: Liz Tran

(720) 392-8782

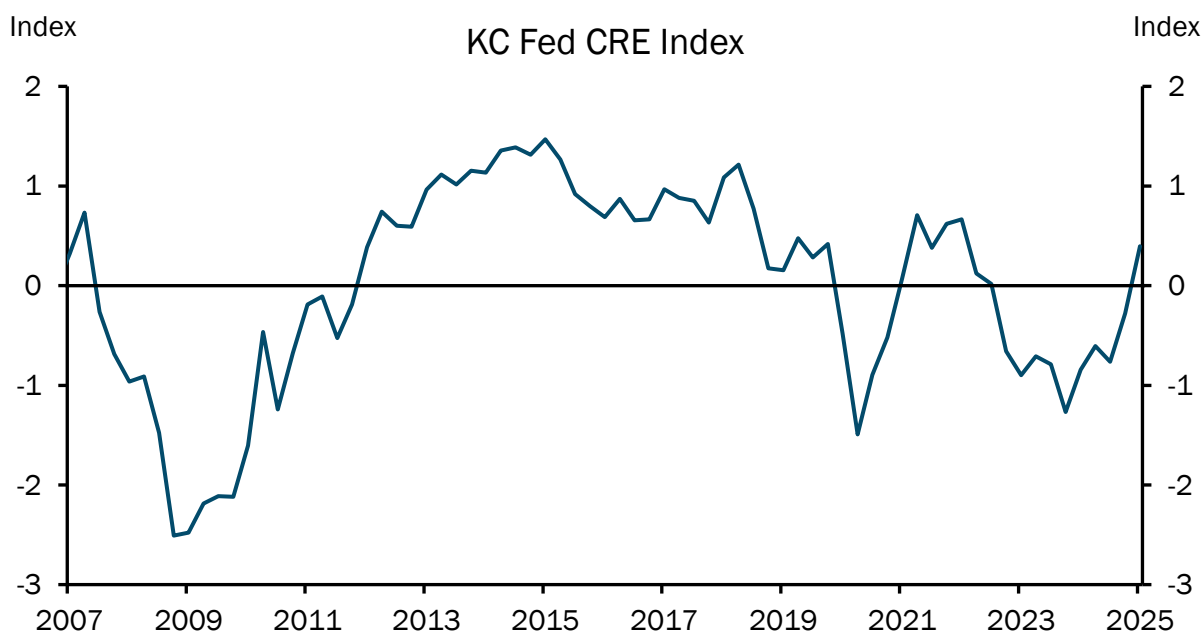
Liz.Tran@kc.frb.org

Commercial Real Estate Activity Increased to Above Its Historical Average
Federal Reserve Bank of Kansas City Releases Quarterly Commercial Real Estate Index

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released its KC Fed CRE Index today. The value of the index increased from -0.76 to 0.40 during the first quarter of 2025, bringing the current level of regional CRE activity slightly above its historical norm. The increase in CRE activity was driven primarily by rising construction activities, such as project completions, a buildup in materials inventories and the amount of construction underway.

“Construction activity in the commercial real estate sector continued to rise through the start of the year,” according to Nicholas Sly, vice president at the Federal Reserve Bank of Kansas City. “With more commercial property coming available, either from leases expiring or new units being delivered, rents stalled and even declined across several CRE segments within the KC Fed region.”

Chart 1: The KC Fed CRE Index rose above its historical average, led by several construction-related activities



Note: An index value of zero corresponds to overall conditions being at their historical average and differences from zero are measured in terms of standard deviations from the

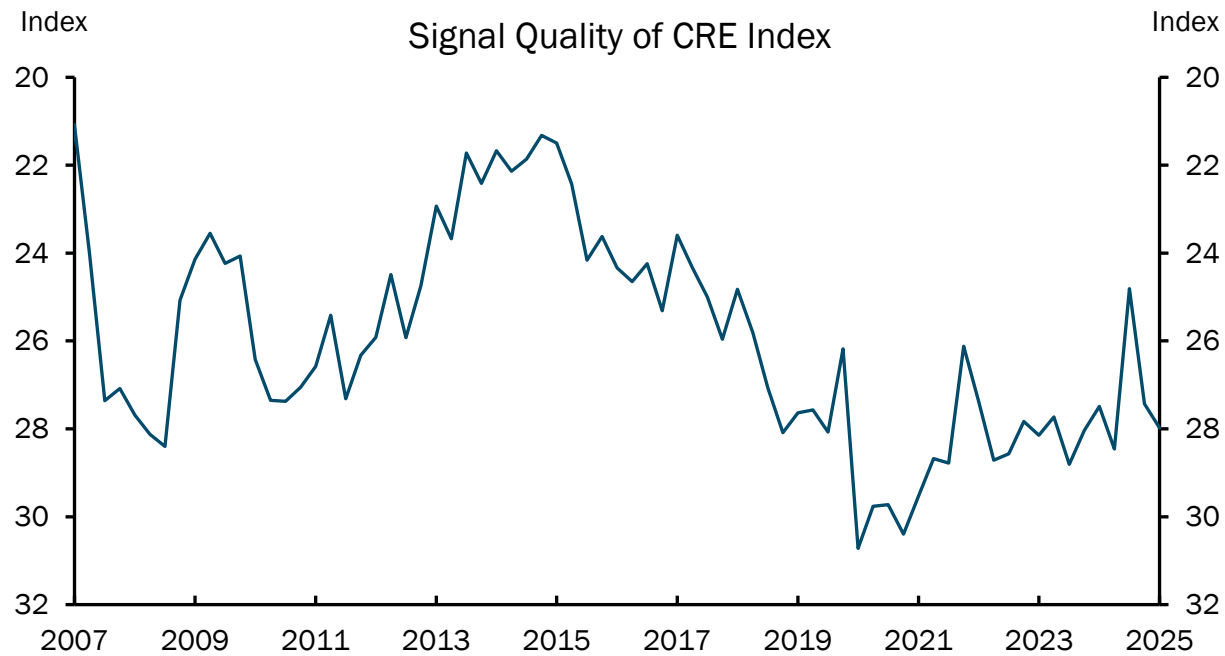
historical norm.

Table 1: Individual drivers of overall change in the KC Fed CRE Index

CRE Market Metric	Contribution to change in index
CRE Completions	0.127
Construction materials inventories	0.107
CRE Construction underway	0.102
Construction materials prices	0.089
CRE Property sales	0.088
CRE Vacancy rates	0.070
CRE Absorption	0.064
Demand for CRE loans	0.057
CRE Transaction prices	0.033
Credit standards for CRE loans	0.011
CRE Developers’ access to credit	-0.004
Construction materials sales	-0.013
CRE Rents	-0.058
Total	0.674

Notes: Contributions may not add to the total change in the index due to rounding. The contribution of each metric is calculated as the change in the standardized value of the variable from the previous quarter multiplied by the coefficient of the variable in the index.

Chart 2: Alignment in market participants’ views stabilized to typical levels for recent years



Note: Values correspond to measures of Shannon entropy, with higher numerical values indicating more mixed responses and lower signal quality of the KC Fed CRE Index.