FEDERAL RESERVE BANK OF KANSAS CITY
Denver / Oklahoma City / Omaha

News Release

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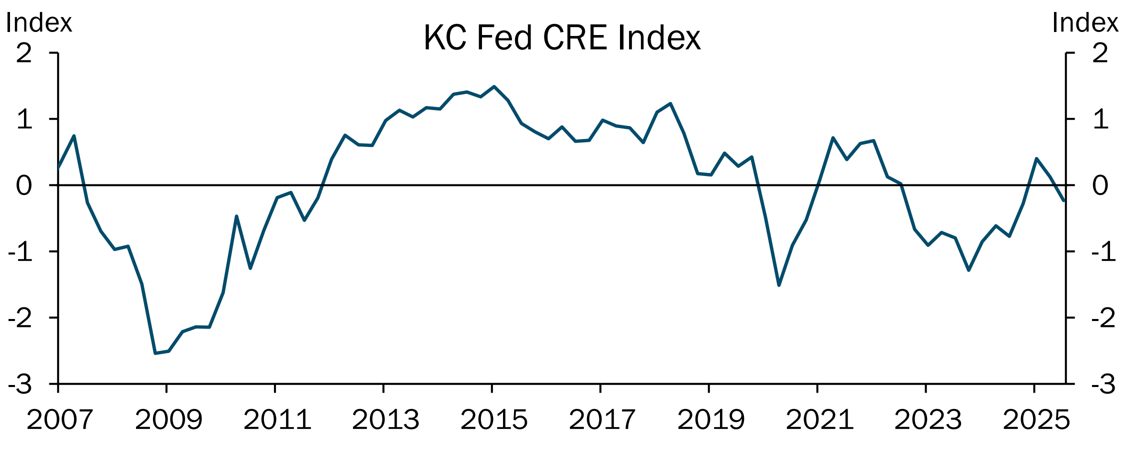
Commercial Real Estate Activity in the Region Declined Modestly Over the Past Two Quarters

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 Commercial Real Estate (CRE) Index today. The value of the index showed a modest decrease from 0.13 to -0.23 during the third quarter of 2025. After rising over two years beginning in 2023, the level of regional CRE activity has now fallen for two consecutive quarters.

"Most aspects of commercial real estate activity softened in recent months. Limited property sales, declining property prices and waning development activity weighed most heavily on regional CRE activity," according to Nicholas Sly, vice president at the Federal Reserve Bank of Kansas City. "Though CRE activity has softened recently, it remains near its historic norm across the KC Fed region."

Chart 1: The KC Fed CRE Index fell to a level slightly below its historical average



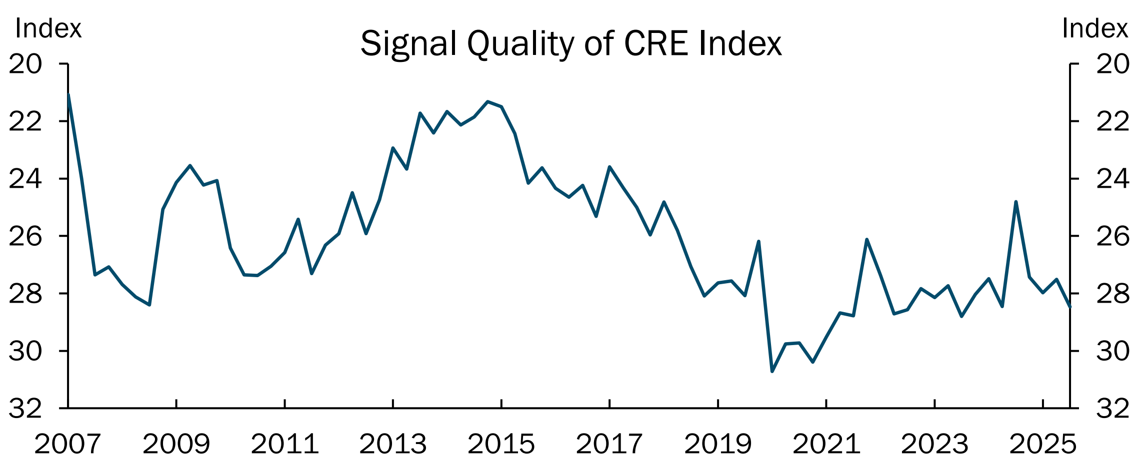
Note: An index value of zero corresponds to overall conditions being at their historical average and differences from zero are measured in terms of standard deviations from the historical norm

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

CRE Market Metric	Contribution to change in index
CRE Developers' access to credit	0.031
Construction materials prices	0.020
Demand for CRE loans	0.006
CRE Completions	-0.004
CRE Absorption	-0.004
Construction materials inventories	-0.007
CRE Rents	-0.011
Credit standards for CRE loans	-0.019
CRE Transaction prices	-0.044
CRE Vacancy rates	-0.050
CRE Construction underway	-0.064
CRE Property sales	-0.091
Construction materials sales	-0.124
Total	**-0.362**

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 about CRE conditions was unchanged



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. Index shown inverted.