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

News Release

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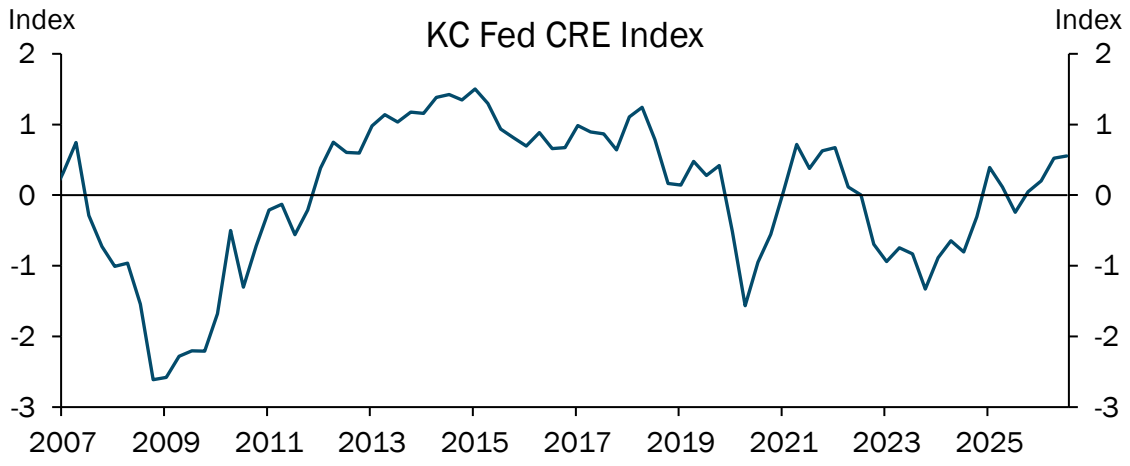
Commercial Real Estate Activity Rose, but Contacts Pointed to Financial Headwinds Ahead

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 showed a marginal increase from 0.52 to 0.55 during the third quarter of 2026.

"The effects of tightening financial conditions for the commercial real estate sector were generally offset by recent improvements in asset performance," according to Nicholas Sly, vice president at the Federal Reserve Bank of Kansas City. "Contacts indicated the slight improvements in vacancy rates, rents, and absorption rates were welcomed, but lagging, indicators of local market conditions. However, changes in financial conditions pointed to potential headwinds for deal flow, property prices, and new development activity over the next several months."

Chart 1: The KC Fed CRE Index remained steady on balance with several offsetting factors



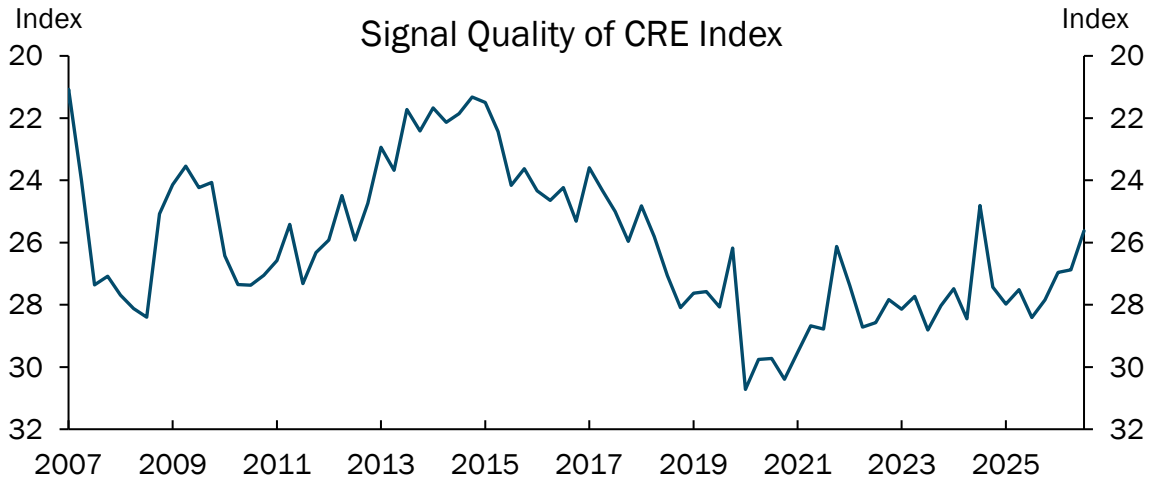
Note: An index value of zero corresponds to overall conditions being at their historical average and differences from zero are measured in terms of standard deviations from the historical norm.

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

CRE Market Metric	Contribution to change in index
CRE Vacancy rates	0.067
CRE Absorption	0.043
CRE Rents	0.043
CRE Construction underway	0.041
Construction materials prices	0.027
CRE Completions	0.002
Construction materials sales	-0.001
CRE Transaction prices	-0.004
Credit standards for CRE loans	-0.008
CRE Property sales	-0.012
Construction materials inventories	-0.013
CRE Developers' access to credit	-0.076
Demand for CRE loans	-0.079
Total	**0.030**

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 continued to rise



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.