



The KC Fed CRE Index 101

February 15, 2024

What is the KC Fed CRE Index?

The KC Fed CRE Index is a quarterly indicator of commercial real estate activity in the Tenth District. The index incorporates a broad range of related economic activities and financial considerations across a variety of commercial property types such as retail properties, hotels, office buildings, multifamily housing, and industrial space. The index is based on timely information received from contacts across the Tenth Federal Reserve District—a seven-state region that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, and portions of Missouri and New Mexico. More details on the construction of the index can be found in [A Regional Indicator of Commercial Real Estate Activity: The KC Fed CRE Index](#).

How should the index be interpreted?

A positive value of the KC Fed CRE Index indicates that commercial real estate conditions are stronger than the long-run average, while a negative value signifies that commercial real estate activity is below the long-run average. The current release describes conditions for the previous quarter.

How do we collect information for the index?

We use the KC Fed Beige Book surveys as our data source to construct the KC Fed CRE Index. The thirteen market metrics included in the index capture changes in pricing for CRE properties, the quantities of CRE properties available or constructed, and financial conditions as reported by CRE market participants in the region. Formal surveys with consistent questions of various respondents from across the Tenth District have been running since 2006. Business contacts from commercial real estate companies, construction supply companies, and CRE lenders at banking institutions answer surveys eight times a year, a few weeks in advance of Federal Open Market Committee (FOMC) meetings. We combine the eight yearly sets of responses into three-month periods of observation to yield a quarterly indicator for each variable.

Why does the CRE Index matter to the Fed?

CRE properties are used for retail shops, hotels, office spaces, multifamily housing, or industrial production, forming a close connection between cash flows within the CRE sector and broader economic activity. Developments in CRE and the financing to the sector tend to be sensitive to interest rates. The breadth of these connections highlights both the importance and difficulty of tracking developments in the CRE sector.

Why does the CRE Index matter to you?

Commercial real estate activity connects closely to regional and local economic developments in a variety of ways that can be difficult to track all at once. Sometimes those connections become evident only after some time has passed. The KC Fed CRE Index synthesizes a broad set of conditions into a simple tracker that reflects those local developments and tends to provide early insights for communities of developments that may be on the horizon.

Who writes the CRE Index?

The Federal Reserve Bank of Kansas City Regional Affairs team is involved in the production of the KC Fed CRE Index.

Where is the CRE Index published?

The KC Fed CRE Index is published on the Federal Reserve Bank of Kansas City's external website.

When is the CRE Index published?

The KC Fed CRE Index is published four times per year, once a quarter.

Why are past values of the index sometimes revised?

Revisions occur due to recalculations of the KC Fed CRE Index using additional data from the current quarter. These revisions are inherent in the principal components procedure and are explained in more detail in [A Regional Indicator of Commercial Real Estate Activity: The KC Fed CRE Index](#).
