Economic Review

A Regional Indicator of Commercial Real Estate Activity: The KC Fed CRE Index

by: Nicholas Sly and Bethany Greene

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The KC Fed CRE Index summarizes a variety of changes in regional CRE conditions with minimal lags.

Activity in the commercial real estate (CRE) sector is closely linked to broader economic conditions. However, tracking developments in the CRE sector can be challenging due to the sector’s wide span of activities. At their inception, commercial properties involve construction activity, land development, and local infrastructure investments; once constructed, commercial properties can be used for a variety of purposes. The CRE sector also often reflects the regional economic landscape more than it is shaped by national features. To understand changing conditions in their regions, community leaders and policymakers need timely data on CRE activity.

Recognizing both the broad connections and regional drivers of the CRE sector, Nicholas Sly and Bethany Greene introduce a new indicator of regional CRE activity: the Kansas City Fed CRE Index. This index encompasses a broad range of related economic activities and financial considerations based on timely survey responses from market participants across the Tenth Federal Reserve District—a seven-state region that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, and portions of Missouri and New Mexico. This article demonstrates how the CRE index can capture regional trends in CRE activity, offer insight about future growth in construction employment, provide a leading indicator of CRE loan performance, and reveal the drivers of developments in the sector in a timely manner.

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