



NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY
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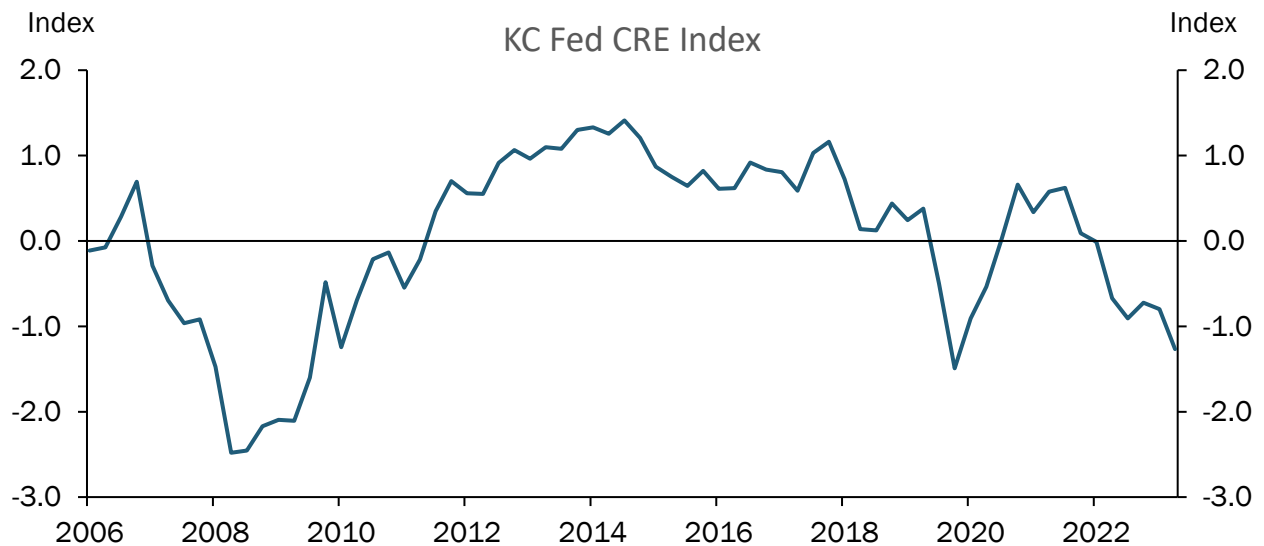
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Commercial Real Estate Activity in the Tenth District Declined Further *Federal Reserve Bank of Kansas City Releases Quarterly Commercial Real Estate Index*

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released its new CRE Index today. The value of the index fell from -0.8 to -1.3, indicating the previously low level of commercial real estate activity declined even further below historical norms during the last quarter of 2023. The level of commercial real estate activity has been declining over the past 12 months as the Federal Reserve tightened financial conditions.

“Though interest rates and financial conditions stabilized near the end of last year, CRE conditions in the region deteriorated further due to large declines in the use and absorption of commercial space,” according to Nicholas Sly, vice president at the Federal Reserve Bank of Kansas City.

Chart 1: The KC Fed CRE Index declined due to falling absorption rates and lower CRE loan demand



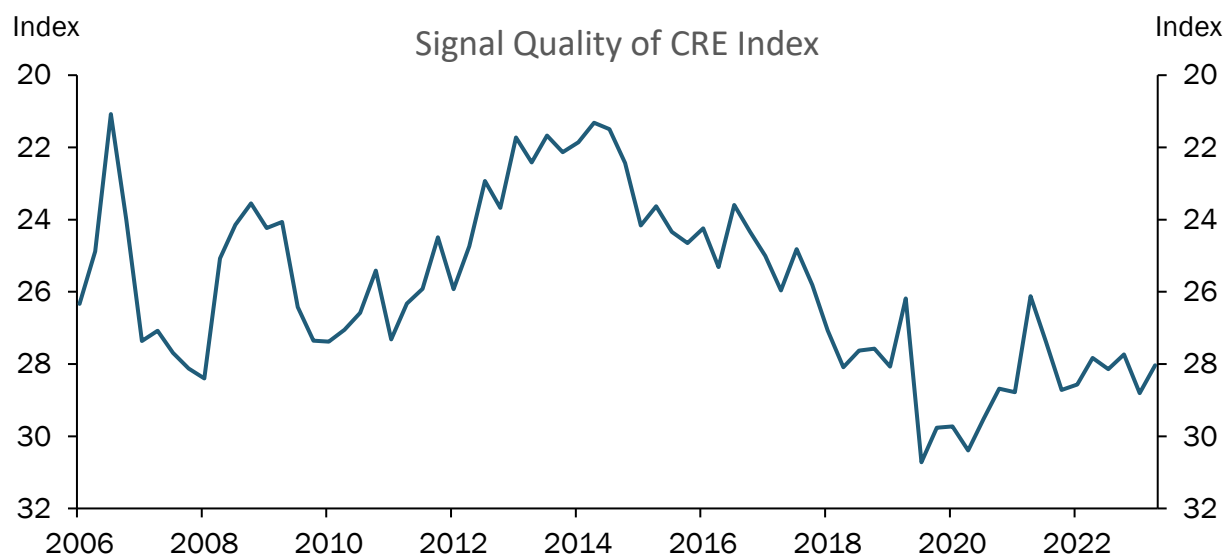
Note: An index value of zero corresponds to overall conditions being at their historical average and differences from zero are measured in terms of standard deviations from the historical norm.

Table 1: Primary divers change in the current KC Fed CRE Index

CRE Market Metric	Contribution to change in index
Demand for CRE loans	-0.019
Credit standards for CRE loans	0.056
CRE Vacancy rates	-0.019
CRE Absorption	-0.093
CRE Completions	-0.085
CRE Construction underway	-0.081
CRE Property sales	-0.088
CRE Transaction prices	-0.070
CRE Rents	-0.051
CRE Developers' access to credit	0.009
Construction materials sales	0.008
Construction materials prices	-0.025
Construction materials inventories	-0.010
Total	-0.469

Notes: Contributions may not add to total change in 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: Though most CRE contacts reported adverse conditions in the sector, responses were mixed across property types and market segments



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.