Leading Indicators

Key economic and financial metrics, updated weekly

5th December 2023

Unlocking opportunity: AI efficiencies and ESG-enhancements can benefit UK CRE

65%

Of the c.64m sq ft of lease expiries due for London offices between 2023 and 2030, 65% are for offices with an EPC rating C-G.

Redevelopment on the horizon? 65% of office lease expiries due between 2023 – 2030, are for buildings with an EPC rating C - G

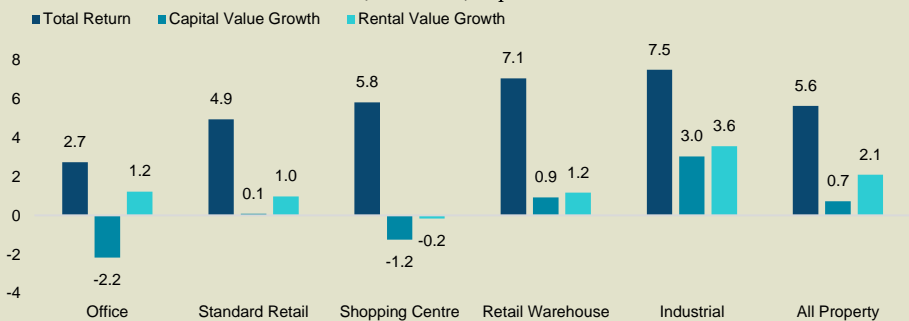London office lease expiries by EPC rating C-G, m sq ft
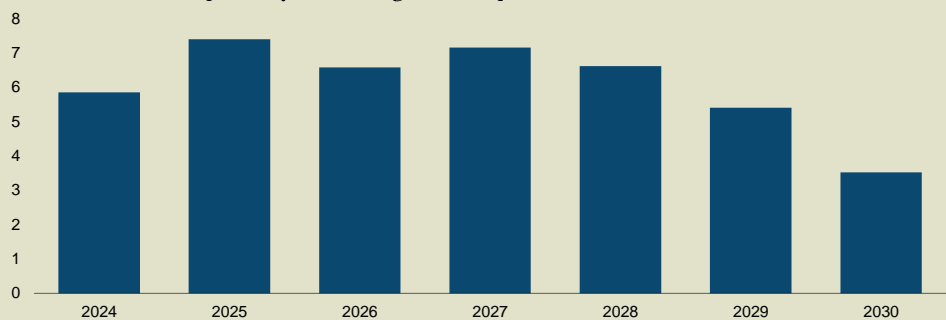
Source: Knight Frank Research, DLUHC

+5.6%

Per annum UK All Property total return forecast between 2023 – 2027, according to the November 2023 IPF Forecasts. During the same period, capital values are expected to grow by +0.7% p.a and market rents by +2.1% p.a.

The Industrial sector is forecast to achieve the strongest five-year returns, capital growth and rental growth

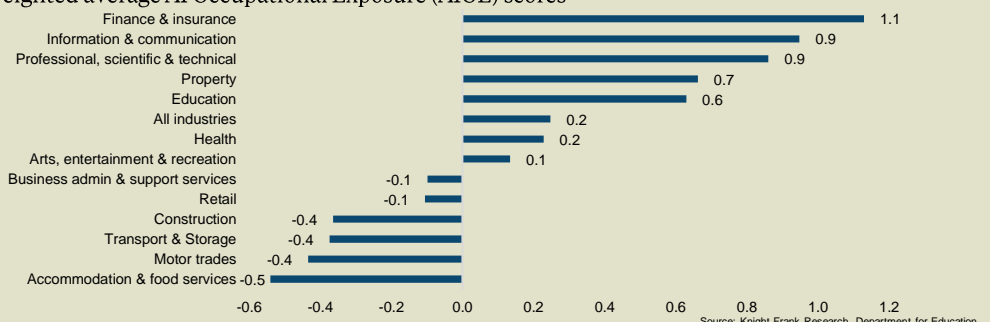November 2023 UK CRE IPF Forecasts, 2023 – 27, % per annum

Total Return Capital Value Growth Rental Value Growth

	Total Return	Capital Value Growth	Rental Value Growth
Office	2.7	-2.2	1.2
Standard Retail	4.9	0.1	1.0
Shopping Centre	5.8	-1.2	-0.2
Retail Warehouse	7.1	0.9	1.2
Industrial	7.5	3.0	3.6
All Property	5.6	0.7	2.1

Source: Knight Frank Research, IPF

4th

Property is the fourth most exposed industry to AI, according to the Department for Education (DfE). The DfE's analysis measures the exposure of jobs to AI, rather than distinguishing whether a job will be aided or substituted by AI.

Opportunities in AI: will property benefit from a surge in efficiency and productivity?

Weighted average AI Occupational Exposure (AIOE) scores

	Score
Finance & insurance	1.1
Information & communication	0.9
Professional, scientific & technical	0.9
Property	0.7
Education	0.6
All industries	0.2
Health	0.2
Arts, entertainment & recreation	0.1
Business admin & support services	-0.1
Retail	-0.1
Construction	-0.4
Transport & Storage	-0.4
Motor trades	-0.4
Accommodation & food services	-0.5

Source: Knight Frank Research, Department for Education

Equities

Equity markets
Price return index, Jan 2020 = 100, US$

— FTSE 250 — S&P 500 — STOXX 600 — Hang Seng
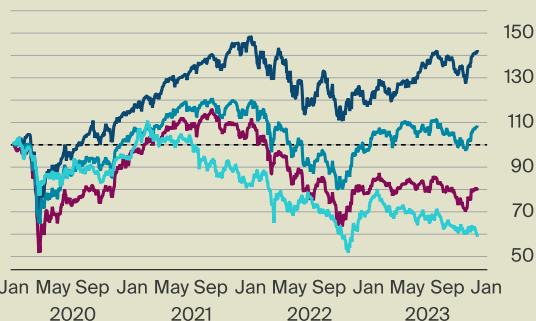
Source: Knight Frank, Macrobond

Index	Last	Percentage change since			
Original value and base		1 day	1 week	1 month	Jan '20
DAX 30	7,019	0.2	1.2	10.3	6.1
FTSE 250	23,151	0.3	-0.5	7.0	-20.1
Hang Seng	2,130	-2.4	-5.5	-3.3	-41.1
IBEX 35	11,006	0.3	1.2	11.9	2.7
MIB	32,347	-0.3	0.5	6.9	22.9
S&P 500	4,570	0.0	0.2	5.8	41.4
STOXX 600	504	0.0	0.1	6.9	7.9
TOPIX	16	-1.5	-0.5	3.1	0.8

Equity regional sectors
Price return index percentage change since Jan 2020

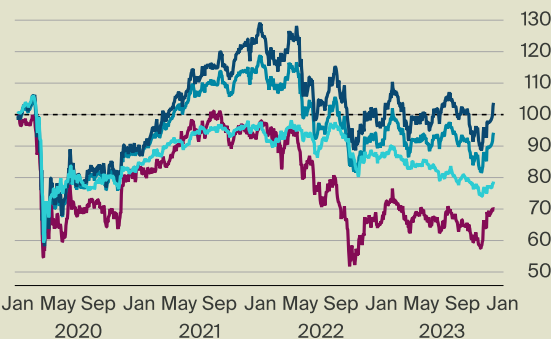■ US   ■ Europe   ■ Emerging Markets
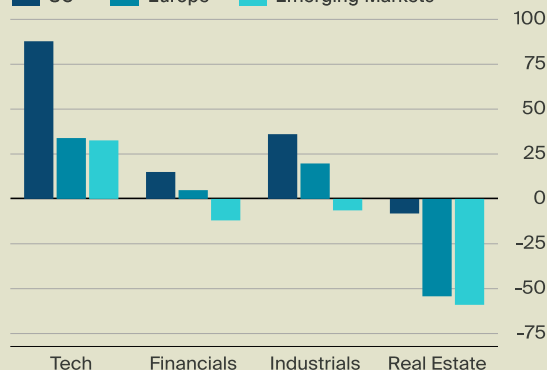
Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	87.8%	33.9%	32.6%
Financials	15.0%	4.9%	-12.0%
Industrials	36.1%	19.7%	-6.4%
Real Estate	-8.1%	-54.2%	-59.0%

REITs by region
EPRA/NAREIT total return index, Jan 2020 = 100, US$

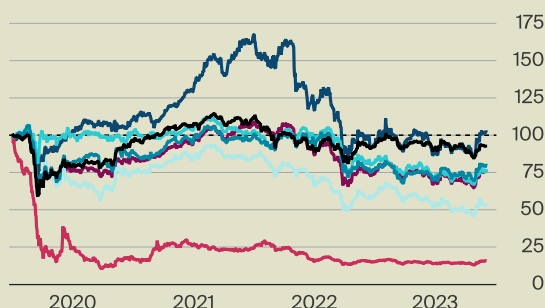— World — Europe — US — Asia Pacific

Source: Knight Frank, Macrobond

Index, total return	Last	Percentage change since			
Original value and base		1 day	1 week	1 month	Jan '20
US	2,480	3.6	5.7	10.2	3.7
Europe	1,999	1.2	2.2	9.7	-29.9
World	3,028	2.8	4.6	9.3	-5.8
Asia Pacific	3,090	0.9	2.3	3.8	-21.3

UK REITs by sector
UK EPRA gross total return index, Jan 2020 = 100, GBP£

— All REITs — Office — Industrial — Retail — Healthcare
— Residential — FTSE 250

Source: Knight Frank, Macrobond

Index, total return	Last	Percentage change since			
Original value and base		1 day	1 week	1 month	Jan '20
All REITs	775	1.3	1.0	6.1	-24.2
Office	1,582	1.8	1.1	2.8	-46.6
Industrial	1,267	0.8	1.3	8.4	2.2
Retail	57	1.6	2.4	9.2	-84.2
Healthcare	1,722	1.4	-0.1	1.9	-24.1
Residential	1,220	1.9	0.1	4.5	-20.1
FTSE 250	15,790	0.7	-0.4	3.7	-7.3

Bonds & Rates

Government bond yields
10 year government bond yields, %

— US — UK — Germany — Italy — Japan — Singapore
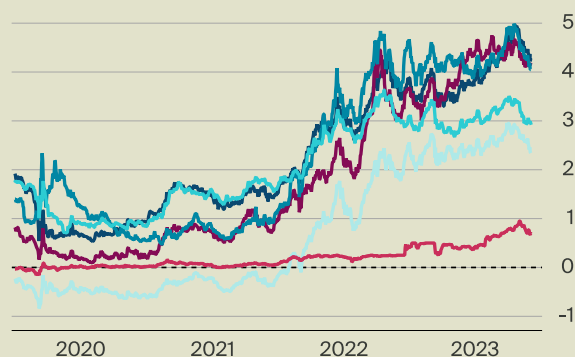
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	4.05	4.05	4.19	4.45	1.40
Japan	0.69	0.70	0.77	0.95	-0.03
Singapore	2.92	2.95	3.02	3.21	1.74
UK	4.19	4.19	4.17	4.29	0.82
US	4.28	4.28	4.34	4.57	1.92

Yield curves
Latest nominal yield curves vs one year ago, %

Today
— US — UK — Germany — S. Korea

One year ago
··· US ··· UK ··· Germany ··· S. Korea

The yield curve is an indication of the risk-free rate at different maturities
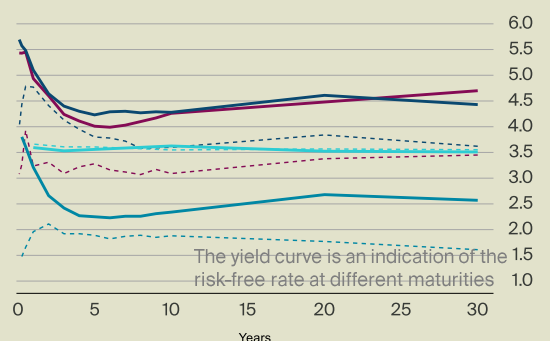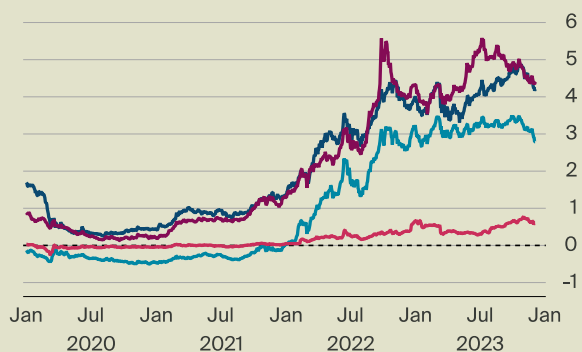
Source: Knight Frank, Macrobond

Interest rate swaps
5 year swap rates, %

— US — UK — Eurozone — Japan

Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.79	2.79	3.04	3.10	-0.13
Japan	0.60	0.60	0.65	0.74	0.03
Singapore	3.66	n/a	n/a	n/a	1.50
UK	4.41	4.34	4.48	4.52	0.88
US	4.21	4.16	4.42	4.48	1.70

Swap curves
Latest swap curves vs one year ago, %

Today
— US — UK — Euro Area — Japan
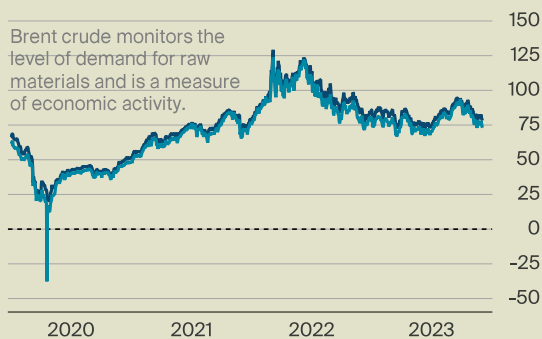
One year ago
··· US ··· UK ··· Euro Area ··· Japan
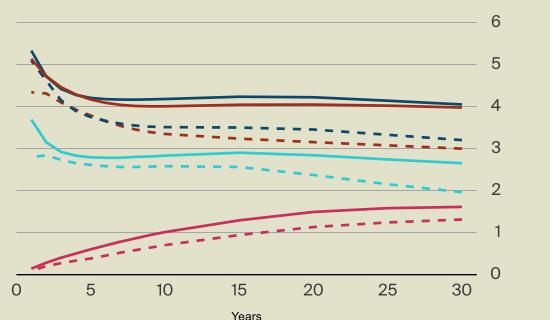
Source: Knight Frank, Macrobond

Commodities & Volatility

Energy
Oil spot prices, $ per barrel

— Brent Crude — West Texas Intermediate (WTI)

Brent crude monitors the level of demand for raw materials and is a measure of economic activity.

	Last	1 day	1 week	1 month	Jan '20
Brent, $ per barrel	78.2	79.1	80.0	85.1	66.0
WTI, $ per barrel	73.0	74.1	74.9	80.5	61.1

Source: Knight Frank, Macrobond

Baltic dry index
Baltic Exchange, Shipping Dry index (BDI), US$

— Baltic dry index

Baltic Dry Index is a measure of what it costs to ship raw materials and is a leading indicator of global demand

Source: Knight Frank, Macrobond

	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	3346	13.9	48.1	129	207

Volatility index
Near term stock price volatility indicator

— CBOE Volatility Index (VIX) - - - Long term average

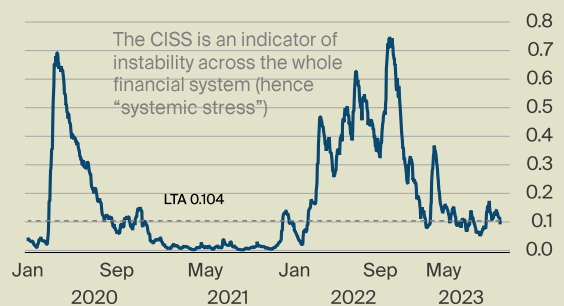The CBOE VIX ("investor fear gauge") is an indication of near term S&P 500 stock price volatility based on underlying options

LTA 19.6
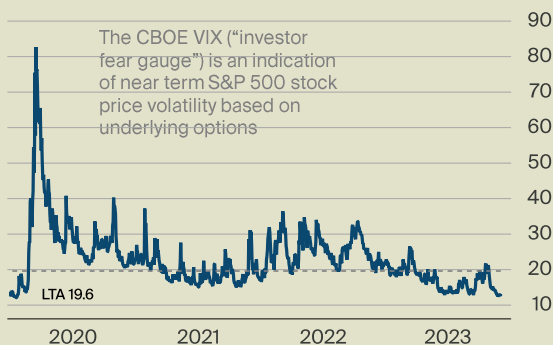
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
CBOE VIX	13.1	13.1	12.7	14.9	13.8
Euro Stoxx 50 VIX	14.1	14.1	14.2	16.8	14.0
Nikkei VIX	17.8	17.1	16.1	20.0	14.8
KOSPI VIX	14.8	14.6	15.4	16.7	14.7

Systemic stress
Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)
- - - Long term average

The CISS is an indicator of instability across the whole financial system (hence "systemic stress")

LTA 0.104

Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.119	0.106	0.176	0.023
Equity markets stress sub index	0.051	0.037	0.072	0.009
Bond markets stress sub index	0.071	0.057	0.072	0.02
FX markets stress sub index	0.030	0.017	0.022	0.004

Currencies & Monetary Policy

Currencies
Spot prices

— EUR per GBP, lhs — USD per GBP, lhs
— USD per EUR, lhs — KRW per GBP, rhs
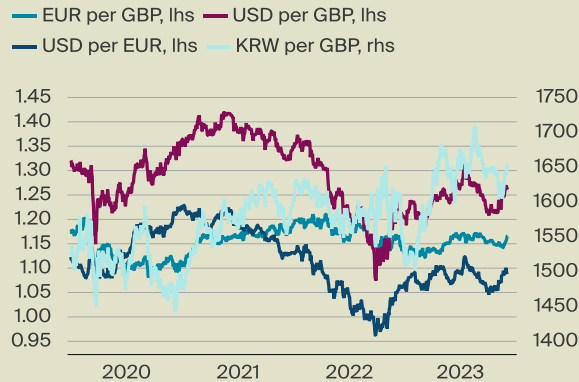
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.166	1.166	1.153	1.153	1.177
KOR per GBP	1,653	1,648	1,640	1,615	1,525
USD per GBP	1.261	1.264	1.261	1.237	1.321
USD per EUR	1.088	1.088	1.094	1.073	1.123

Hedging benefits
Hedging benefit p.a. on a 5 year forward

— USD per EUR — USD per GBP
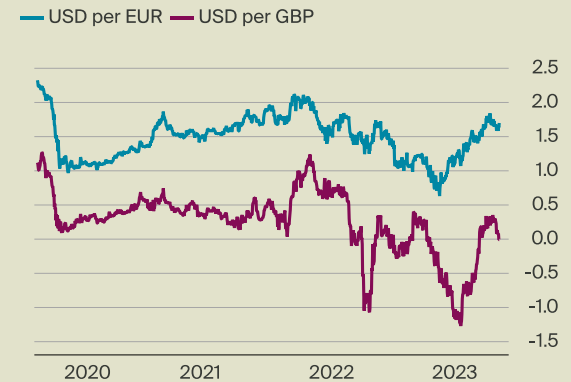
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
USD to EUR	1.70	1.63	1.67	1.68	2.32
USD to GBP	-0.01	-0.01	0.13	0.23	1.12

Inflation and monetary policy

	Inflation rate (%)				Interest rates (%)		Asset purchasing	
	Nov	Oct	Sept	Aug	Last	Jan '23	Latest ($)	1m change (%)
Australia[1]	n/a	n/a	5.3	5.3	4.35	3.10	0.35 tn	-0.3
Canada	n/a	3.1	3.8	4.0	5.00	4.25	234 bn	0.1
China	n/a	-0.1	0.1	0.2	4.35	4.35	5.92 tn	1.4
Euro Area	2.4	2.9	4.3	5.2	4.50	2.50	7.65 tn	-0.5
France	3.4	4.0	4.9	4.9	4.50	2.50	1.73 tn	-0.5
Germany	3.2	3.7	4.5	6.1	4.50	2.50	2.66 tn	-0.6
India	n/a	4.9	5.0	6.8	6.50	6.25	382 bn	2.4
Italy	0.8	1.7	5.3	5.4	4.50	2.50	1.35 tn	-0.4
Japan	n/a	3.3	3.0	3.2	-0.10	-0.10	5.11 tn	1.3
Saudi Arabia	n/a	1.6	1.7	2.0	6.00	5.00	470 bn	-3.2
South Korea	3.3	3.8	3.7	3.4	3.50	3.25	396 bn	-0.3
Spain	n/a	3.5	3.5	2.6	4.50	2.50	487 bn	-1.0
Sweden	n/a	6.5	6.5	7.5	4.00	2.50	122 bn	-6.4
UK	n/a	4.6	6.7	6.7	5.25	3.50	1.36 tn	-0.5
US	n/a	3.2	3.7	3.7	5.50	4.50	7.8 tn	-1.0

1. Australia Inflation rate is only available on a quarterly basis.

Source: Knight Frank, Macrobond

The London series – London's Global Differentiators

There's no question about it. The London office market is undergoing significant structural change following our experience of the pandemic and more recent global economic headwinds. Through a series of six insightful papers delivered between now and throughout 2024, we will tackle the biggest questions facing the London office market and uncover future opportunities.

View Report

Global Healthcare Report 2023

Ageing demographics and the need for long term care present themselves as key factors in the interest for healthcare globally. As private equity, REITS and institutional investors continue to chase strong, long income generated, there is growing interest in healthcare's capabilities to aid ESG investing strategies.

View Report

Recent research

Life Sciences & Innovation Insight – Q3 2023

Record company incorporations, highest ever quarterly life sciences real estate investment and UK Government proposes road to "science superpower".

UK Real Estate Navigator – Q3 23

The latest Real Estate Navigator analyses the Q3 2023 occupier and investment performance of the UK commercial real estate sectors.

We like questions, if you've got one about our research, or would like some property advice, we would like to hear from you

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