

Leading Indicators

Key economic and financial metrics, updated weekly

19th September 2023

Time to position for the end of interest rate hikes?

+25bps

Current economist forecasts of the Bank of England interest rate decision on Thursday

£45bn

Investors are looking to invest £45bn in UK Living sectors by 2028, according to our UK Living Sectors Investor Survey

<60%

Of investors in our ESG Property Investor Survey are looking to acquire poor ESG performing assets to upgrade

NO EASY WAY DOWN?

Last week, the European Central Bank (ECB) voted to lift its base rate by +25bps to 4.50%, with economists widely anticipating this to be the last rate hike of this cycle. The ECB is not likely to be alone in this approach.

On Wednesday, economists expect the US Federal Reserve to keep its interest rate unchanged at a target range of 5.25% - 5.50%. This may be a sign that it has concluded its hiking cycle. However, with inflation in the US accelerating for two consecutive months in August, Wednesday's decision could just be a pause. In Japan, Friday's interest rate decision is also likely to see no change. However, bucking the trend, governor Kazuo Ueda recently discussed the possibility of ending Japan's period of negative interest rates by the end of the year. Meanwhile the Bank of England (BoE) is expected to lift its base rate by +25bps to 5.50% on Thursday. Economists still expect this to be the last of this cycle, but UK inflation data will provide more colour on the future path on Wednesday.

THE CASE FOR LIVING SECTORS

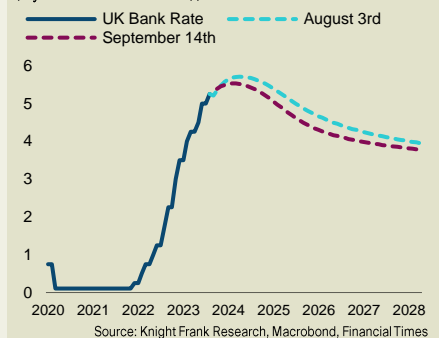
In our latest [UK Living Sectors Investor Survey](#), institutional investors have outlined ambitions to invest £45bn in the UK Living sectors over the next five years. By 2028, c.71% of the 50 institutional investors surveyed (with £75bn in Living AUM), are expected to significantly increase their exposure to the Living sectors, with 29% planning to double their current exposure and a further 20% increasing their exposure by between 80% and 100%. The Build to Rent (BTR) and Purpose Built Student Accommodation (PBSA) sectors are the most acquired Living investors, with 93% and 62% of survey respondents currently active in these sectors, respectively. While 40% of investors surveyed are currently active within the Seniors Housing sector, this is expected to increase to 67% within five years. Overall, investors in the Living sectors can benefit from its strong counter-cyclical features and inflation-matching characteristics that can help investors achieve consistent returns during periods of uncertainty.

OPPORTUNITY IN OBSOLESCENCE

Our [ESG Property Investor Survey](#), which represents 45 respondents with £300bn in AUM, saw 76% of respondents aim to improve the efficiency of their existing properties. Under 60% are looking to acquire poor ESG-performing assets to upgrade and c.20% are looking at disposing of poor ESG-performing assets. The survey also highlighted that ESG due diligence will likely become more commonplace. 61% of respondents require an EPC Plus or pathway report before an acquisition, while over half of respondents require CRREM analysis before a new acquisition, to understand the asset's impact on portfolio performance.

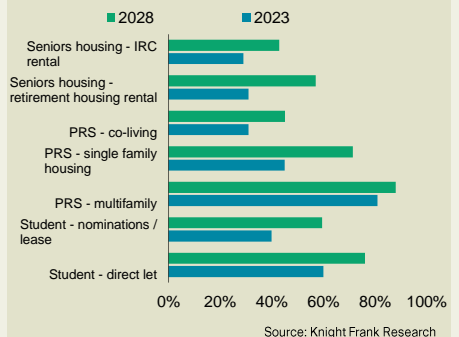
Financial markets lower expectations of future rate rises

UK bank rate and market implied forecasts 2023 (by date of forecasts), %



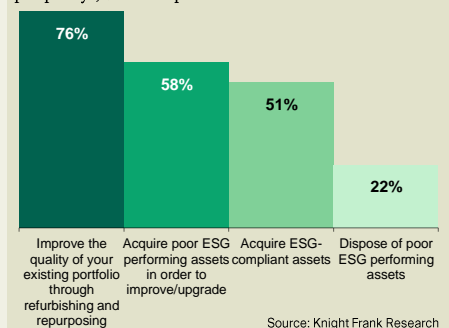
Multifamily and PBSA set to dominate over the next 5 years

'In which sectors are you active currently and which do you anticipate being active in within five years', % of respondents



Property performance a key focus

'What is your focus on ESG in relation to property', % of respondents

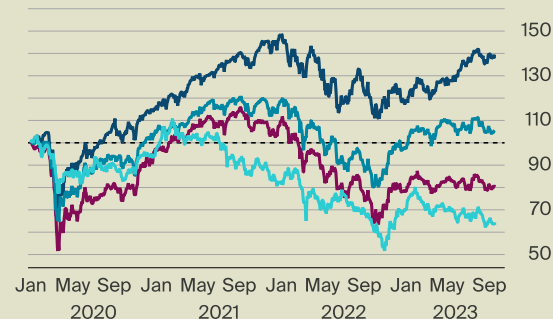


Equities

Equity markets

Price return index, Jan 2020 = 100, US\$

— FTSE 250 — S&P 500 — STOXX 600 — Hang Seng



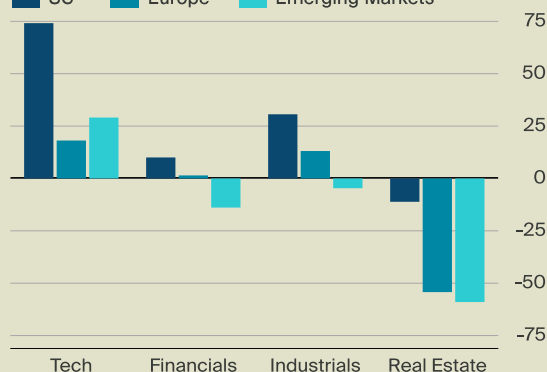
Source: Knight Frank, Macrobond

Index	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
DAX 30	6,713	0.9	0.9	-2.2	1.4
FTSE 250	23,272	0.3	1.5	-2.1	-19.7
Hang Seng	2,291	-0.6	-1.3	-2.1	-36.7
IBEX 35	10,193	0.7	2.3	-0.9	-4.9
MIB	30,841	0.8	2.4	-0.6	17.2
S&P 500	4,450	-0.4	0.0	-0.9	37.7
STOXX 600	493	1.1	1.6	-1.7	5.6
TOPIX	16	1.9	1.5	4.7	4.1

Equity regional sectors

Price return index percentage change since Jan 2020

■ US ■ Europe ■ Emerging Markets



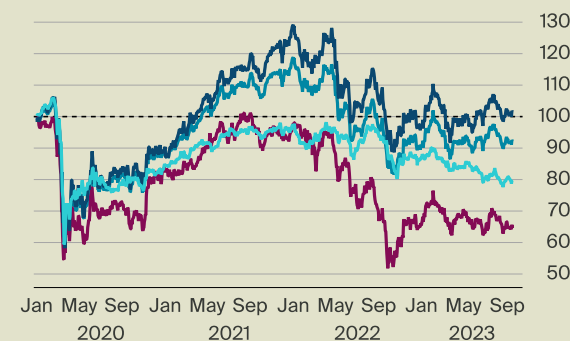
Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	74.1%	18.1%	29.1%
Financials	10.0%	1.4%	-13.9%
Industrials	30.6%	13.1%	-4.6%
Real Estate	-11.1%	-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

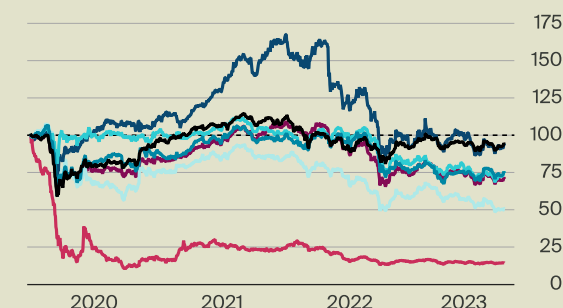
Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
US	2,428	1.6	0.5	-0.2	1.6
Europe	1,841	-0.1	0.3	-2.7	-35.4
World	2,965	1.3	0.4	-0.6	-7.7
Asia Pacific	3,136	1.5	-0.5	0.9	-20.1

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

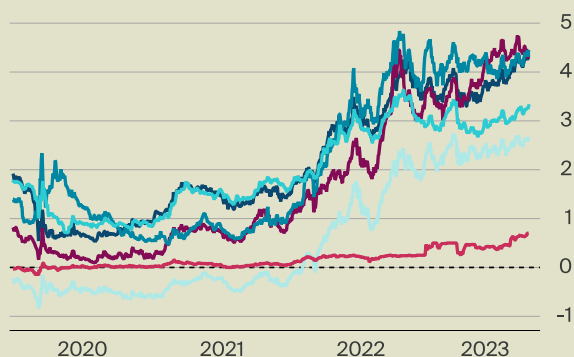
Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
All REITs	723	1.0	1.4	-0.8	-29.4
Office	1,507	2.1	1.1	-3.2	-49.2
Industrial	1,154	1.5	1.7	0.8	-7.0
Retail	51	-0.7	0.2	-1.3	-85.7
Healthcare	1,689	0.9	2.6	2.9	-25.5
Residential	1,141	0.9	2.7	-0.7	-25.2
FTSE 250	16,040	1.3	2.3	0.5	-5.9

Bonds & Rates

Government bond yields

10 year government bond yields, %

— US — UK — Germany — Italy — Japan — Singapore



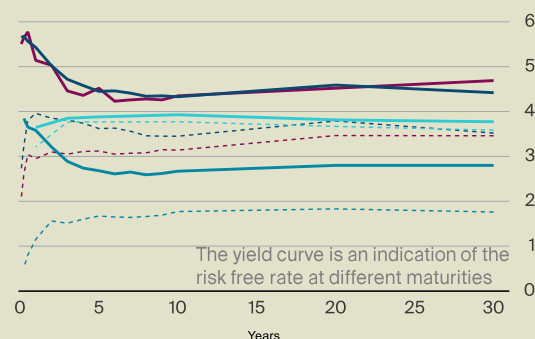
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	4.45	4.45	4.39	4.32	1.40
Japan	0.70	0.70	0.64	0.64	-0.03
Singapore	3.34	3.30	3.26	3.20	1.74
UK	4.36	4.36	4.47	4.68	0.82
US	4.33	4.33	4.29	4.26	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

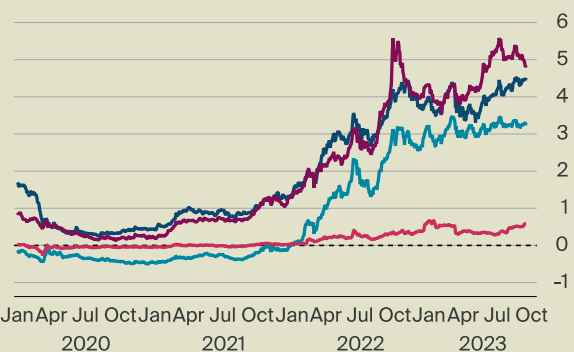


Source: Knight Frank, Macrobond

Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



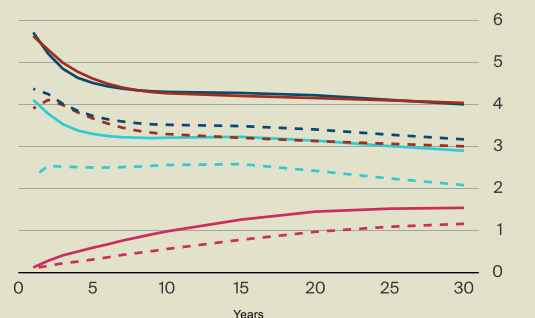
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	3.30	3.24	3.25	3.37	-0.13
Japan	0.59	0.59	0.50	0.50	0.03
Singapore	3.66	n/a	n/a	n/a	1.50
UK	4.85	4.80	4.97	5.22	0.88
US	4.51	4.46	4.43	4.38	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



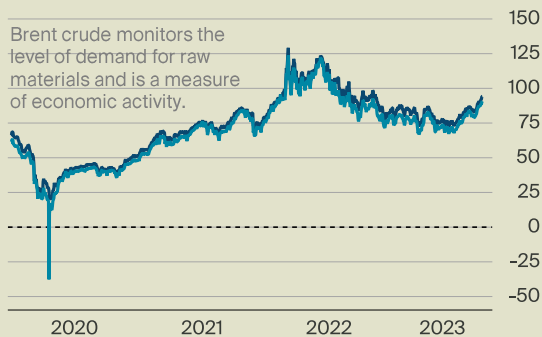
Source: Knight Frank, Macrobond

Commodities & Volatility

Energy

Oil spot prices, \$ per barrel

— Brent Crude — West Texas Intermediate (WTI)



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Brent, \$ per barrel	94.2	94.2	90.6	84.8	66.0
WTI, \$ per barrel	90.8	90.8	87.3	81.3	61.1

Baltic dry index

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

— Baltic dry index



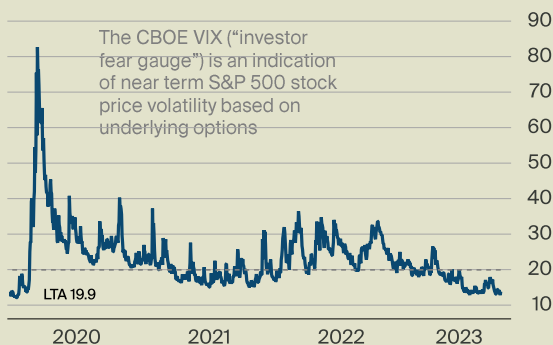
Source: Knight Frank, Macrobond

	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	1439	7.39	19	16.3	32

Volatility index

Near term stock price volatility indicator

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



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
CBOE VIX	13.8	13.8	13.8	17.3	13.8
Euro Stoxx 50 VIX	14.7	14.7	16.2	20.3	14.0
Nikkei VIX	16.0	16.0	16.9	19.5	14.8
KOSPI VIX	12.9	11.7	12.4	16.0	14.7

Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average



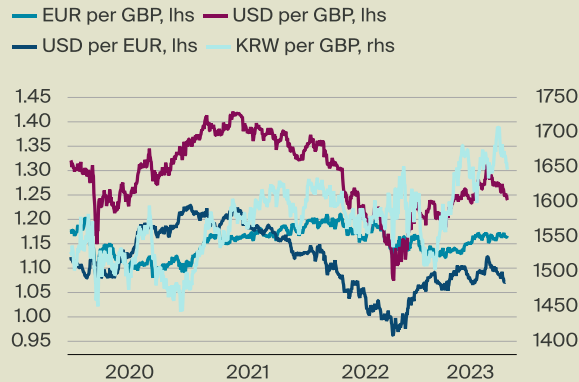
Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.142	0.149	0.173	0.023
Equity markets stress sub index	0.048	0.064	0.064	0.009
Bond markets stress sub index	0.063	0.076	0.065	0.02
FX markets stress sub index	0.010	0.039	0.022	0.004

Currencies & Monetary Policy

Currencies

Spot prices

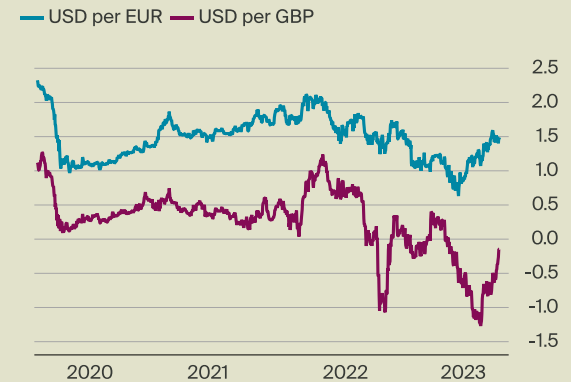


Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.162	1.164	1.165	1.165	1.177
KOR per GBP	1,646	1,649	1,667	1,700	1,525
USD per GBP	1.240	1.242	1.249	1.275	1.321
USD per EUR	1.071	n/a	1.071	1.093	1.123

Hedging benefits

Hedging benefit p.a. on a 5 year forward



Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
USD to EUR	1.46	1.48	1.49	1.38	2.32
USD to GBP	-0.15	-0.15	-0.37	-0.72	1.12

Inflation and monetary policy

Inflation rate (%)

	Aug	July	June	May
Australia	n/a	n/a	6.1	6.1
Canada	n/a	3.3	2.8	3.4
China	0.2	-0.2	0.1	0.3
Euro Area	5.3	5.3	5.5	6.1
France	4.9	4.3	4.5	5.1
Germany	6.1	6.1	6.4	6.0
India	6.8	7.4	4.9	4.3
Italy	5.4	5.9	6.4	7.6
Japan	n/a	3.3	3.3	3.2
Saudi Arabia	2.0	2.3	2.7	2.8
South Korea	3.4	2.3	2.7	3.3
Spain	n/a	2.3	1.9	3.2
Sweden	7.5	9.3	9.3	9.7
UK	n/a	6.8	7.9	8.7
US	3.7	3.3	3.1	4.1

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

Interest rates (%)

	Last	Jan '23
	4.10	3.10
	5.00	4.25
	4.35	4.35
	4.50	2.50
	4.50	2.50
	4.50	2.50
	6.50	6.25
	4.50	2.50
	-0.10	-0.10
	6.00	5.00
	3.50	3.25
	4.50	2.50
	3.75	2.50
	5.25	3.50
	5.50	4.50

Asset purchasing

	Latest (\$)	1m change (%)
	0.365 tn	-3.8
	257 bn	-2.5
	5.72 tn	2.1
	766 tn	-0.2
	1.84 tn	-0.6
	2.74 tn	0.0
	379 bn	1.3
	1.41 tn	-0.6
	5.06 tn	0.5
	476 bn	-2.5
	424 bn	-5.6
	487 bn	-0.8
	126 bn	0.1
	1.34 tn	-0.5
	8.1 tn	-0.9

Source: Knight Frank, Macrobond



Is the Logistics sector delivering on ESG?

The real estate sector is currently experiencing an ESG wake-up call. Recognising its contribution of around a third of total energy consumption and just shy of 40% of CO2 emissions, governments are introducing ESG-focused legislation and strategies to ensure corporations and the real estate sector take action.

[View Report](#)



Healthcare Development Opportunities 2023

The continued interest in UK healthcare markets is based on strong fundamental drivers such as demographic shifts, secure income and consistency regarding performance – so understanding current and future supply levels is becoming increasingly important.

[View Report](#)

Recent research



Life Sciences & Innovation Insight – Q2 2023

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



UK CRE Quarterly Review – August 23

The latest CRE Review analyses the Q2 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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