

Leading Indicators

The year of the city: European cities are expected to outperform in 2024

8.4%

Bank of England's predictions for inflation in April 2023

72%

Of the major cities in Europe are expected to outpace their respective national GDP growth in 2024, according to Oxford Economics

-0.9%

Month-month contraction in global trade, February 2023

INFLATION SET TO MODERATE

Tomorrow's inflation data for the UK should point to a faster contraction compared to the previous few months due to the decline in global agricultural commodity and energy prices. The cost of UK natural gas has also moderated back to its normal trading range, with futures reaching the lowest level since June 2021, currently at 68p per therm, down from a peak of 640p in August 2022. Additionally, last year's rapid rise in energy costs, which saw a 54% increase in the energy price cap for gas and electricity tariffs, will fall out of the data in April. Meanwhile, the recent slowing of agricultural commodity and food producer output prices is expected to ease pressures on food inflation from its 46-year high of 19.1% in March. As a result, economists expect inflation to be less pronounced in April, with the Bank of England forecasting a drop of 2 percentage points to 8.4%, while consensus forecasts place inflation at 8.2%. Either way, this remains elevated compared to the 2.0% inflation target, which the BoE projects will be reached in 2025.

CITIES TO OUTPERFORM

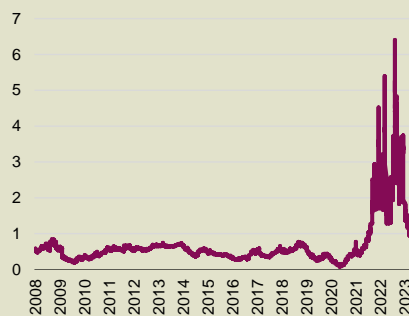
European cities are expected to outperform in 2024, with many growing at a faster rate than their national economy. In 2024, 72% of the 100 major cities in Europe are forecast to outpace their national average GDP growth, according to Oxford Economics. This is up from an anticipated 47% in 2023. 11 out of the 12 major cities in the UK are projected to outpace the 0.97% forecast UK GDP growth in 2024. Meanwhile, 70% of the major cities in France and 53% in Germany are forecast to outperform their national growth projections next year. In particular, Amsterdam, Berlin, Dublin, London, Madrid, Manchester and Munich are all expected to exceed GDP growth in Europe and the OECD. In these European locations, office occupancy rates are rising at a quicker pace than in the US. This is likely to continue, as our latest [global Corporate Real Estate Sentiment Index](#), saw sentiment towards the future of the office lift by 0.46 points in Q1 2023, which may translate to a rise in office take-up.

THE GEOPOLITICS OF EVERYTHING

Recent news cycles have outlined the increased politicisation of everything from climate change, to AI, to economics, and, well, politics. Later this week we will be able to assess the extent of the impact of this on global trade, with the CPB's World Trade Monitor data due on Thursday. The wider implications for commercial real estate are many – from the need to restructure supply chains towards friendly countries, to a stronger case for overseas investment as economies diverge.

UK Gas futures nearing a 2-year low

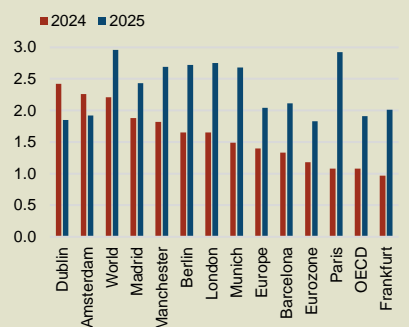
ICE UK Natural Gas Futures, £ per therm



Source: Knight Frank Research, Macrobond

European cities to outpace OECD growth in 2024

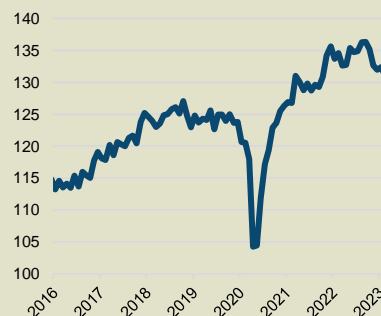
GDP forecasts, % change y/y



Sources: Knight Frank Research, Oxford Economics

Geopolitics and trade

Global Trade Index, 2010 = 100



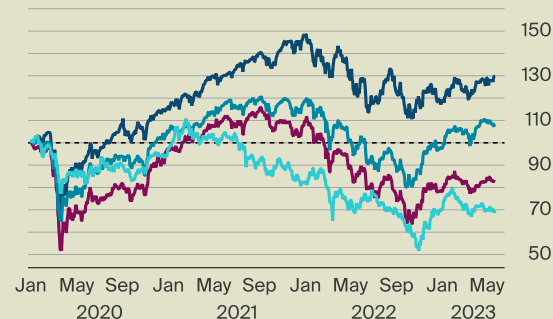
Source: Knight Frank Research, CPB Netherlands

Equities

Equity markets

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

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

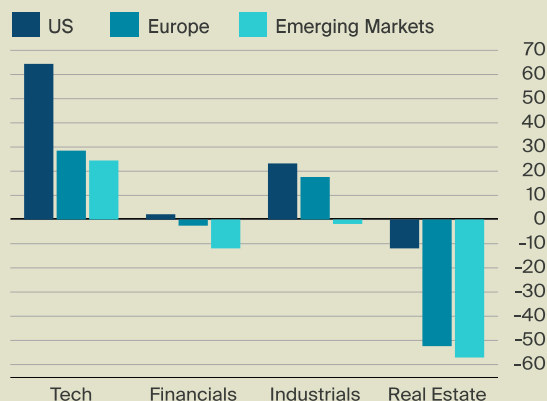


Source: Knight Frank, Macrobond

Index	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
DAX 30	6,944	0.7	1.1	-1.6	4.9
FTSE 250	23,936	0.0	0.0	0.4	-17.4
Hang Seng	2,514	-0.2	0.4	-3.3	-30.5
IBEX 35	10,049	1.3	0.2	-3.2	-6.2
MIB	29,493	0.6	-0.7	-2.8	12.0
S&P 500	4,193	-0.1	1.7	1.5	29.8
STOXX 600	506	1.0	0.1	-1.3	8.5
TOPIX	16	-0.1	0.4	2.5	-1.2

Equity regional sectors

Price return index percentage change since Jan 2020



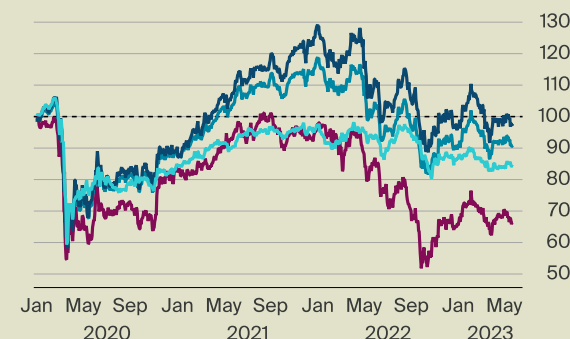
Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	64.4%	28.5%	24.4%
Financials	2.2%	-2.5%	-11.9%
Industrials	23.2%	17.6%	-1.8%
Real Estate	-11.9%	-52.4%	-57.1%

REITs by region

EPRA/NAREIT total return index, Jan 2020 = 100, US\$

— World — Europe — US — Asia Pacific



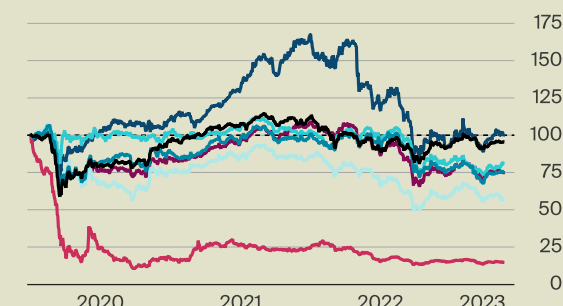
Source: Knight Frank, Macrobond

Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
US	2,336	0.4	-1.7	-0.9	-2.3
Europe	1,896	1.1	0.0	-2.4	-33.5
World	2,919	0.4	-1.5	-1.4	-9.1
Asia Pacific	3,302	0.1	-1.0	-0.3	-15.9

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

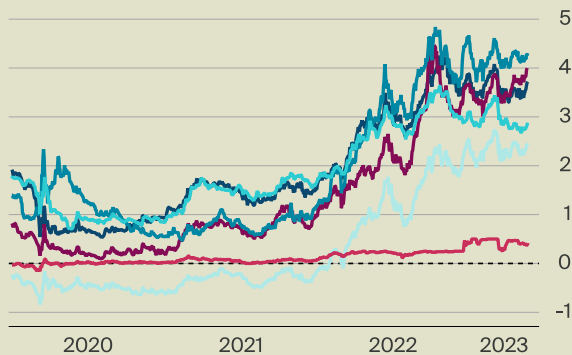
Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
All REITs	767	0.9	0.8	-0.4	-25.0
Office	1,688	0.5	1.6	-3.7	-43.1
Industrial	1,248	1.1	0.9	1.1	0.7
Retail	52	-0.3	-1.1	-0.9	-85.4
Healthcare	1,826	-0.3	1.7	3.3	-19.5
Residential	1,159	1.5	1.7	2.5	-24.1
FTSE 250	16,262	-0.1	0.5	1.0	-4.6

Bonds & Rates

Government bond yields

10 year government bond yields, %

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



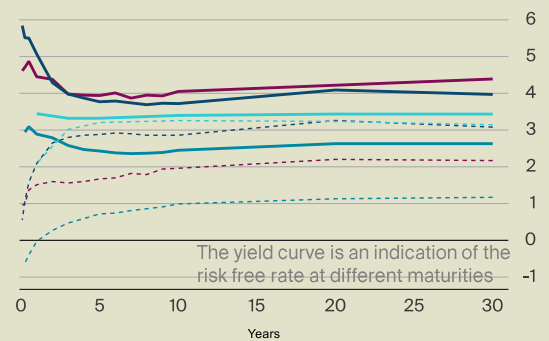
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	4.30	4.30	4.21	4.35	1.40
Japan	0.38	0.40	0.41	0.47	-0.03
Singapore	2.88	2.88	2.74	2.86	1.74
UK	4.00	n/a	3.82	3.76	0.82
US	3.72	3.72	3.54	3.57	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

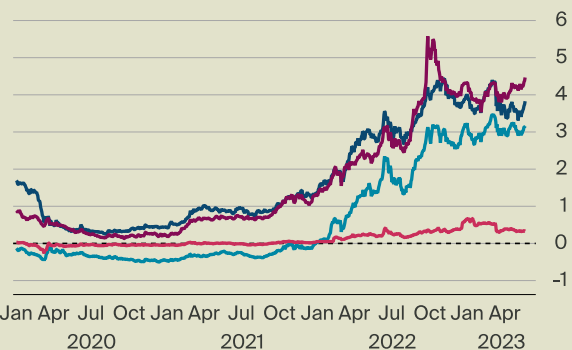


Source: Knight Frank, Macrobond

Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



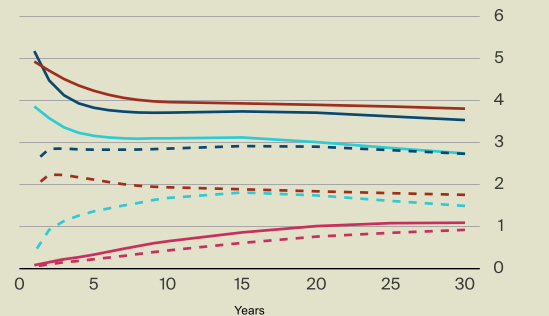
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	3.16	3.13	2.97	3.22	-0.13
Japan	0.33	0.34	0.34	0.37	0.03
Singapore	3.54	3.54	3.54	3.54	1.50
UK	4.47	4.38	4.23	4.23	0.88
US	3.83	3.74	3.53	3.71	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



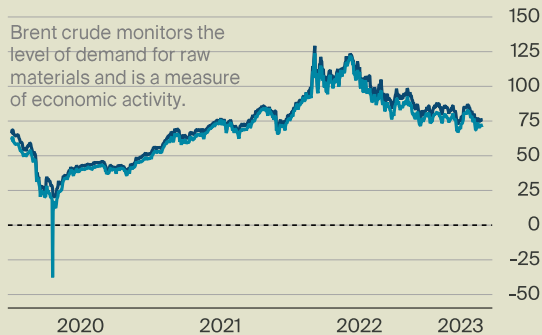
Source: Knight Frank, Macrobond

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	75.9	75.8	75.5	81.4	66.0
WTI, \$ per barrel	72.0	71.6	71.1	77.9	61.1

Baltic dry index

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

— Baltic dry index



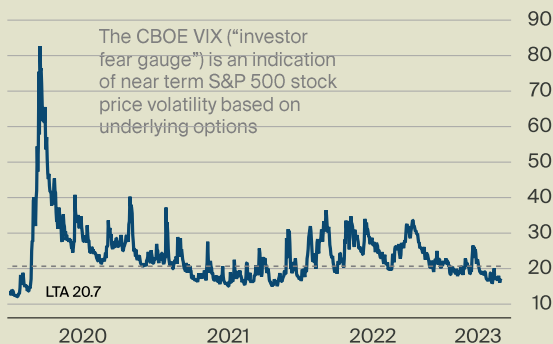
Source: Knight Frank, Macrobond

	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	1365	-2.64	-10.3	-9.24	25.2

Volatility index

Near term stock price volatility indicator

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



Source: Knight Frank, Macrobond

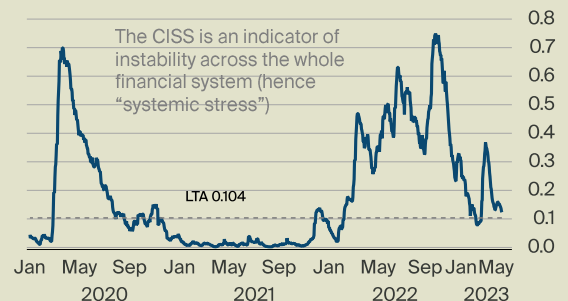
	Last	1 day	1 week	1 month	Jan '20
CBOE VIX	17.2	17.2	18.0	16.8	13.8
Euro Stoxx 50 VIX	16.3	16.3	16.9	17.1	14.0
Nikkei VIX	19.7	19.0	17.2	16.1	14.8
KOSPI VIX	14.6	14.7	13.6	14.6	14.7

Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average



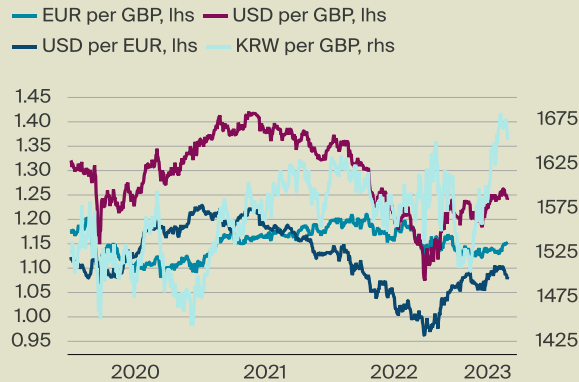
Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.217	0.235	0.315	0.023
Equity markets stress sub index	0.077	0.079	0.103	0.009
Bond markets stress sub index	0.073	0.079	0.092	0.02
FX markets stress sub index	0.018	0.026	0.045	0.004

Currencies & Monetary Policy

Currencies

Spot prices

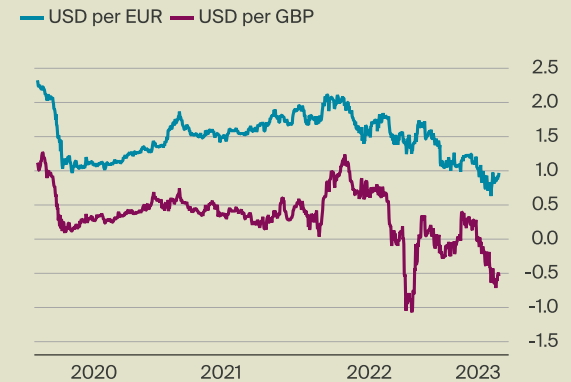


Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.153	1.152	1.148	1.136	1.177
KOR per GBP	1,652	1,658	1,672	1,658	1,525
USD per GBP	1.244	1.241	1.248	1.245	1.321
USD per EUR	1.082	1.078	1.086	1.095	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	0.97	0.91	0.89	0.79	2.32
USD to GBP	-0.54	-0.49	-0.61	-0.41	1.12

Inflation and monetary policy

Inflation rate (%)

	Apr	Mar	Feb	Jan
Australia	n/a	7.1	7.1	7.1
Canada	4.4	4.3	5.2	5.9
China	0.3	0.8	1.1	2.2
Euro Area	7.0	6.9	8.5	8.6
France	5.9	5.7	6.3	6.0
Germany	7.1	7.4	8.7	8.7
India	4.7	5.7	6.4	6.5
Italy	8.2	7.6	9.1	10.0
Japan	3.5	3.2	3.3	4.3
Saudi Arabia	2.7	2.7	3.0	3.4
South Korea	3.7	4.2	4.8	5.2
Spain	4.1	3.3	6.1	5.9
Sweden	10.5	10.6	12.0	11.7
UK	n/a	10.1	10.4	10.1
US	5.0	5.0	6.0	6.3

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

Interest rates (%)

	Last	Jan '21
	3.85	0.10
	4.50	0.25
	4.35	4.35
	3.75	0.00
	3.75	0.00
	3.75	0.00
	6.50	4.00
	3.75	0.00
	-0.10	-0.10
	5.75	1.00
	3.50	0.50
	3.75	0.00
	3.50	0.00
	4.50	0.10
	5.25	0.25

Asset purchasing

	Latest (\$)	1m change (%)
	0.41 tn	-2.7
	281 bn	0.0
	5.96 tn	-2.0
	8.47 tn	0.0
	1.94 tn	-2.9
	2.93 tn	-0.9
	345 bn	-5.9
	1.6 tn	0.0
	5.36 tn	0.9
	493 bn	-3.7
	454 bn	2.6
	487 bn	-1.3
	137 bn	-7.7
	1.37 tn	1.4
	8.46 tn	-1.7

Source: Knight Frank, Macrobond



ACTIVE CAPITAL

Active Capital 2022/2023

Our flagship capital markets research programme, Active Capital, will guide you through the complexities and challenges of global real estate, whilst highlighting the opportunities that lie ahead over the next 18 months.

[Watch the launch](#)

Future Gazing
Resilience, Reshoring and Rethinking First Mile Logistics



Future Gazing 2023

In the latest edition of the Future Gazing Report, the sectors and locations which could benefit from reconfiguring supply chains are explored. Through the past three years, we have experienced a supply-side crisis. Simply restoring the old order is unlikely to solve the crisis and provide much-needed resilience amidst a shifting geopolitical landscape.

[View Report](#)

Recent research



Quantifying ESG in real estate

This report covers a selection of our recent analytical projects, as well as practical applications and considerations for clients. It offers clear messages that we hope will inform decision-makers as they make decisions against a rapidly evolving backdrop. We also hope the ideas will spark debate and unlock new areas of investigation.



Retail Property Market Outlook 2023

The 2023 Retail market outlook discusses predictions for the Retail market, providing in-depth commentary on retail sub-sectors and occupier activity amidst economic distress.

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



William Matthews
Partner
Head of Commercial Research
+44 20 3909 6842
william.matthews@knightfrank.com



Victoria Ormond, CFA
Partner
Head of Capital Markets Research
+44 20 7861 5009
victoria.ormond@knightfrank.com



Antonia Haralambous
Associate
Capital Markets Research
+44 20 3866 8033
antonia.haralambous@knightfrank.com



Khadija Hussain
Analyst
Capital Markets Research
+44 20 8176 9671
khadija.hussain@knightfrank.com