

Leading Indicators

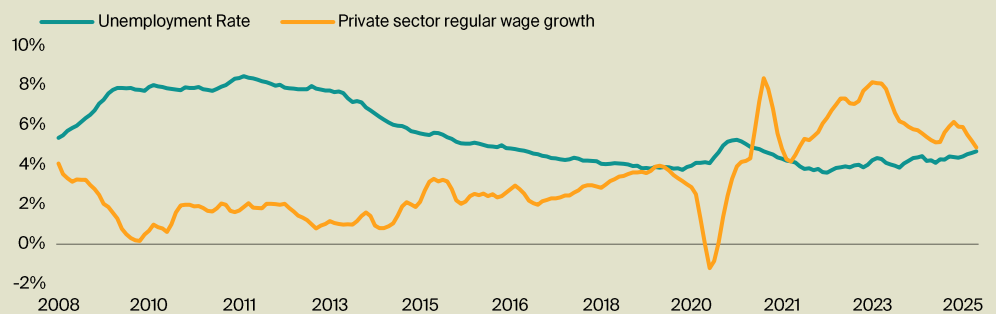
Loosening labour market, gilt load builds and global capital eyes core sectors

4.7%

The UK unemployment rate rose to 4.7% in May, marking the highest level since July 2021. Following increases in National Insurance and minimum wage, payroll employment has fallen in 7 of the past 8 months, a clear indication that businesses are managing cost pressures by reducing headcount. With wage growth also showing signs of cooling, money markets are now pricing in an 87% chance of a rate cut in August, reflecting growing confidence that weakening labour market conditions will give the BoE room to begin easing policy.

UK labour market continues to loosen

UK unemployment rate and private sector wage growth, %



Source: Knight Frank Insight, Macrobond

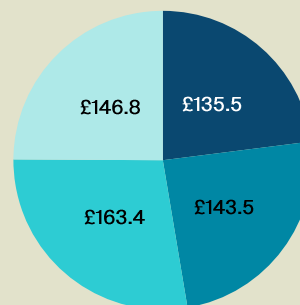
25%

In light of recent instability in the UK bond market, the Bank of England may retain over 25% of its gilt holdings, particularly those with maturities beyond 20 years. Economists anticipate a slowdown in the sale of £163 billion in long-dated gilts, as the BOE navigates increased market volatility. The shift reflects a changing investor landscape, with traditional long-term buyers like pension funds giving way to more reactive participants such as hedge funds and foreign investors.

Long gilts make up over a quarter of the BoE's bond portfolio

Breakdown of the Bank of England's gilt holdings by maturity, £bn

- Gilts maturing in under 3 years
- Short gilts (3-7 years)
- Long gilts (20+ years)
- Medium gilts (7-20 years)



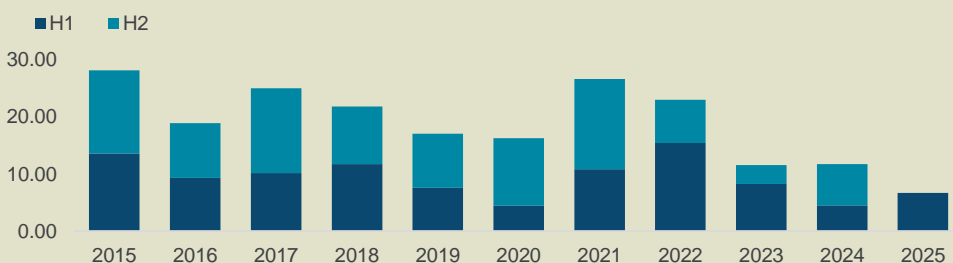
Source: Knight Frank Insight, Bank of England

48%

While early H1 data for cross border capital flows into UK Commercial Real Estate is currently (9%) lower than in 2024, volumes for traditional core sectors (office, retail and industrial) show inbound global capital flows are now +48% higher than the same period last year; highlighting strong upward momentum going into the second half of 2025.

Signs of recovery in cross border flows for core sectors

UK CRE Cross Border Capital Flows- Office, Retail and Industrial sectors



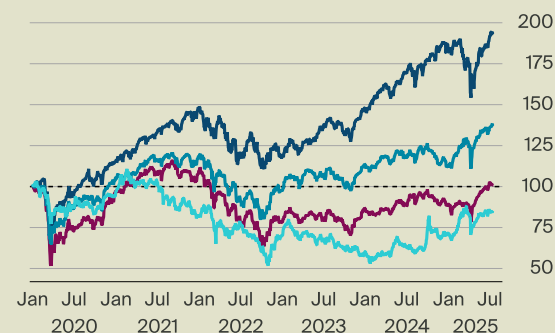
Source: Knight Frank Insight, RCA

Equities

Equity markets

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

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



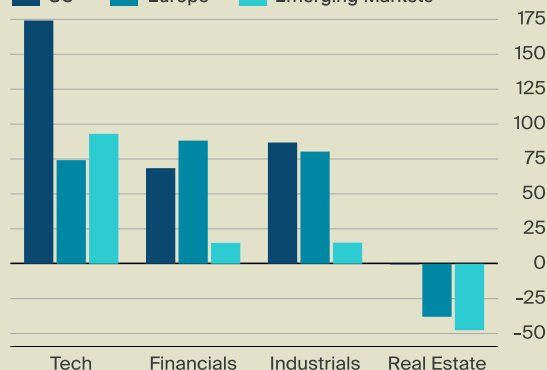
Source: Knight Frank, Macrobond

Index	Last	Percentage change since				
Original value and base	1 day	1 week	1 month	Jan '20	YTD %	
DAX 30	10,576	-1.2	0.8	2.6	59.8	33.22
FTSE 250	29,208	-0.7	-0.7	0.5	0.8	12.86
Hang Seng	3,083	0.7	1.2	0.7	-14.8	19.33
IBEX 35	16,399	-0.7	-0.4	0.5	53.0	35.92
MIB	46,952	-0.8	0.6	1.5	78.3	32.33
S&P 500	6,269	-0.2	-0.2	3.7	94.0	6.58
STOXX 600	639	-1.1	0.3	0.4	36.9	20.99
TOPIX	19	-0.1	-0.7	-1.1	21.3	8.00

Equity regional sectors

Price return index percentage change since Jan 2020

■ US ■ Europe ■ Emerging Markets



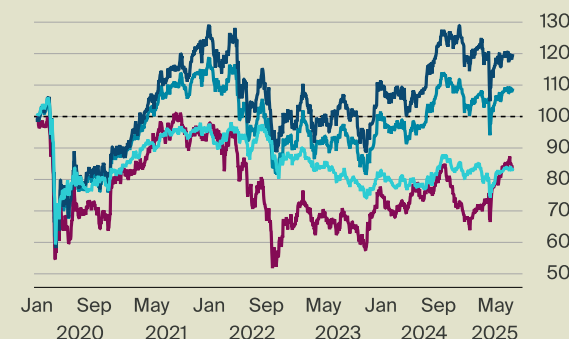
Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	174.1%	74.2%	93.1%
Financials	68.5%	88.2%	15.0%
Industrials	86.8%	80.3%	15.1%
Real Estate	-0.5%	-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

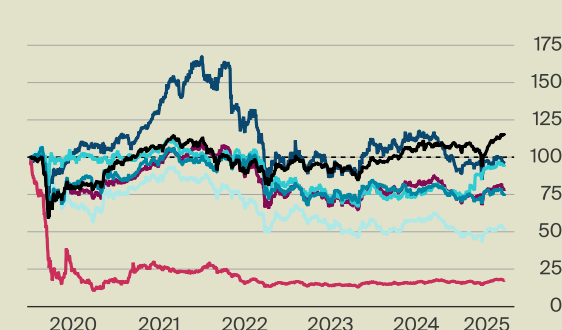
Index, total return	Last	Percentage change since				
Original value and base	1 day	1 week	1 month	Jan '20	YTD %	
US	2,865	0.8	0.1	-0.3	19.9	0.935
Europe	2,381	-0.3	-1.8	-2.3	-16.5	22.285
World	3,499	0.6	-0.3	-0.3	8.9	5.437
Asia Pacific	3,270	-0.3	-0.7	-0.2	-16.7	2.716

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

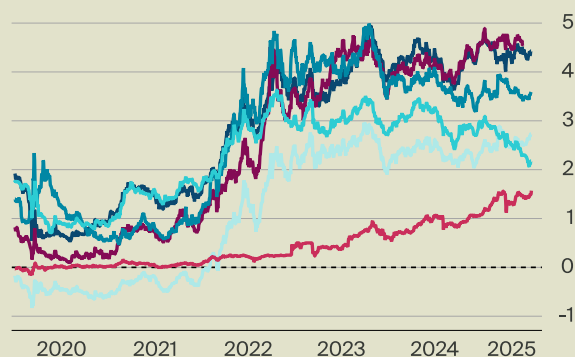
Index, total return	Last	Percentage change since				
Original value and base	1 day	1 week	1 month	Jan '20	YTD %	
All REITs	801	0.1	-1.4	-3.6	-21.7	7.9
Office	1,544	0.9	-1.3	-1.3	-47.9	5.6
Industrial	1,184	-0.8	-1.5	-5.5	-4.5	3.2
Retail	63	0.0	-1.6	-3.4	-82.6	7.8
Healthcare	2,146	0.3	0.2	-1.8	-5.4	24.3
Residential	1,147	0.5	-0.4	-3.5	-24.8	3.8
FTSE 250	19,720	0.1	0.8	1.9	15.7	7.5

Bonds & Rates

Government bond yields

10 year government bond yields, %

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



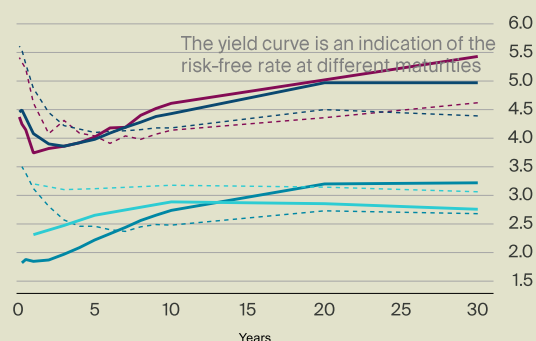
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	3.59	3.59	3.53	3.48	1.40
Japan	1.57	1.50	1.46	1.45	-0.03
Singapore	2.18	2.18	2.10	2.27	1.74
UK	4.55	n/a	n/a	n/a	0.82
US	4.43	4.43	4.42	4.41	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

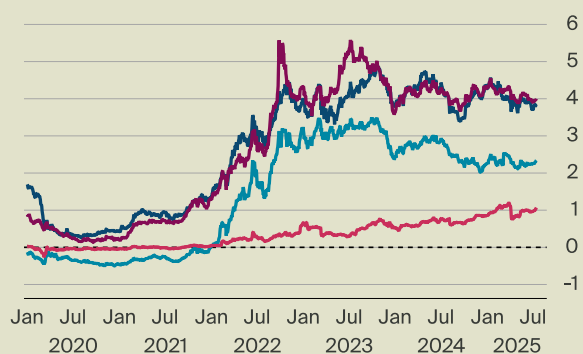


Source: Knight Frank, Macrobond

Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



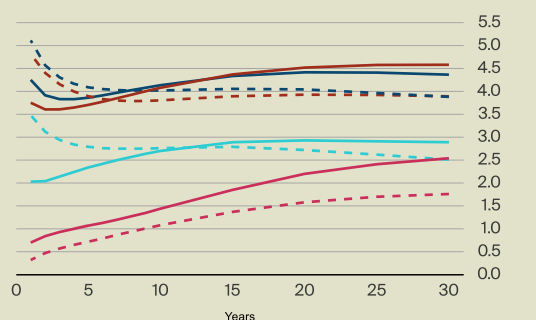
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.34	2.33	2.27	2.25	-0.13
Japan	1.07	1.05	0.99	0.98	0.03
Singapore	3.66	n/a	n/a	n/a	1.50
UK	3.95	3.98	3.95	4.02	0.88
US	3.86	3.85	3.83	3.91	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



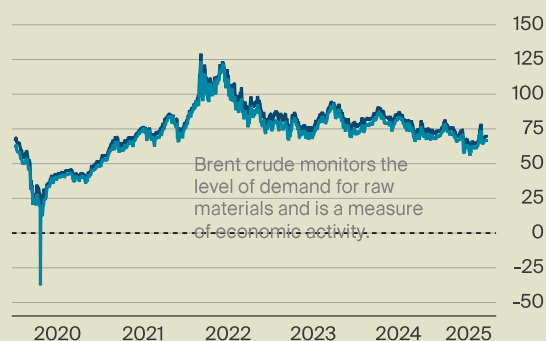
Source: Knight Frank, Macrobond

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	YTD %
Brent, \$ per barrel	69.1	70.6	69.2	74.4	66.0	-7.66
WTI, \$ per barrel	65.9	67.6	66.8	71.6	61.1	-7.91

Baltic dry index

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

— Baltic dry index



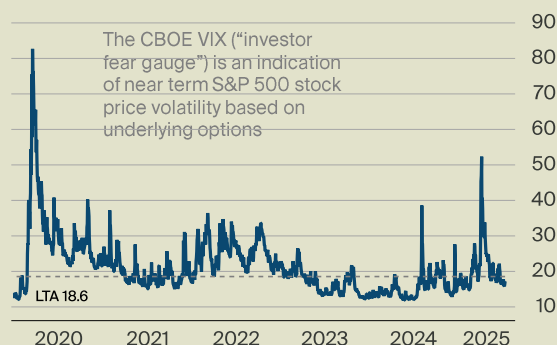
Source: Knight Frank, Macrobond

	Last	Percentage change since				
		1 day	1 week	1 month	Jan '20	YTD %
Baltic Dry	1783	21.7	24.2	-9.4	63.6	78.8

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	YTD
CBOE VIX	17.2	17.2	16.8	20.8	13.8	-0.865
Euro Stoxx 50 VIX	17.7	17.7	17.4	21.7	14.0	4.353
Nikkei VIX	23.6	24.0	25.5	27.4	14.8	8.077
KOSPI VIX	22.5	22.6	23.5	24.9	14.7	6.291

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

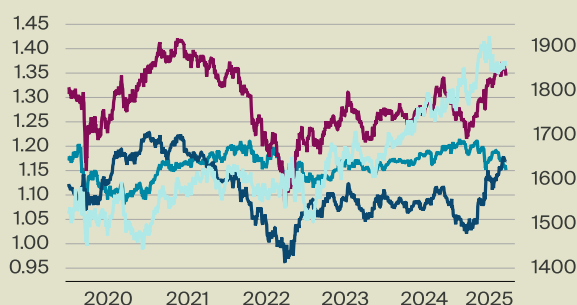
	Last	1 week	1 month	Jan '20
Systemic stress composite	0.094	0.117	0.073	0.023
Equity markets stress sub index	0.078	0.095	0.064	0.009
Bond markets stress sub index	0.032	0.033	0.014	0.02
FX markets stress sub index	0.024	0.039	0.021	0.004

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	1.151	1.155	1.162	1.176	1.177
KOR per GBP	1,860	1,858	1,864	1,858	1,525
USD per GBP	1.345	1.351	1.364	1.358	1.321
USD per EUR	1.170	1.170	1.173	1.156	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	1.74	1.73	1.81	1.91	2.32
USD to GBP	-0.10	-0.13	-0.11	-0.06	1.12

Inflation and monetary policy

Inflation rate (%)

	June	May	Apr	Mar
Australia ¹	n/a	n/a	n/a	2.4
Canada	n/a	1.7	1.7	2.3
China	-0.1	-0.2	-0.1	-0.1
Euro Area	2.0	1.9	2.2	2.2
France	1.0	0.7	0.8	0.8
Germany	2.0	2.2	2.0	2.2
India	2.1	2.8	3.2	3.3
Italy	1.7	1.6	1.9	1.9
Japan	n/a	3.5	3.6	3.6
Saudi Arabia	2.3	2.2	2.3	2.3
South Korea	2.2	1.9	2.1	2.1
Spain	n/a	2.0	2.3	2.1
Sweden	0.7	0.2	0.3	0.5
UK	n/a	3.4	3.5	2.6
US	n/a	2.4	2.3	2.4

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

Interest rates (%)

	Last	Jan '24
	3.85	4.35
	2.75	5.00
	4.35	4.35
	2.15	4.50
	2.15	4.50
	2.15	4.50
	5.50	6.50
	2.15	4.50
	0.50	-0.10
	5.00	6.00
	2.50	3.50
	2.15	4.50
	2.00	4.00
	4.25	5.25
	4.50	5.50

Asset purchasing

	Latest (\$)	1m change (%)
	0.27 tn	2.5
	180 bn	-3.0
	6.38 tn	1.5
	7.23 tn	-1.8
	1.71 tn	-1.1
	2.66 tn	-0.6
	461 bn	3.9
	1.27 tn	-1.7
	4.89 tn	-2.3
	533 bn	4.2
	409 bn	-0.2
	487 bn	-0.2
	102 bn	-4.0
	1.18 tn	-0.7
	6.66 tn	-0.2

Source: Knight Frank, Macrobond



(Y)OURSPACE

Welcome to the fourth edition of (Y)OUR SPACE—Knight Frank's global research campaign that explores the forces reshaping work, workplace, and the real estate strategies evolving in response. In a world defined by disruption, this is the occupier voice: clear, direct, and rooted in the realities of corporate life.

[View report](#)



Healthcare Development Opportunities – 2025

Knight Frank's annual assessment of supply trends and development prospects in the UK Care Home industry.

[View report](#)

Recent research



Life Sciences & Innovation Insight: Q1 2025

The UK science and innovation sectors are changing at pace. With this in mind, we have developed a quarterly update to monitor key developments. The report tracks sector performance and real estate activity while listing the most promising occupiers.



UK Real Estate Navigator: Q1 2025

Explore the current trends in UK commercial real estate with the latest edition of our UK Real Estate Navigator, available now.

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 Insight
+44 20 3909 6842
william.matthews@knightfrank.com



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



Nik Potter
Associate
Capital Markets Insight
+44 20 7861 5146
nik.potter@knightfrank.com



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