

Leading Indicators

US-UK trade deal, BoE easing and UK CRE's continued global draw

1.00%

UK GDP Growth Forecast 2025, Bank of England

4.25%

Bank of England cuts policy rate by -25bps to 4.25%, May 2025

£8.1bn

Total UK CRE investment volumes, Q1 2025

UK AND US TARIFF DEAL SIGNALS STABILITY

The UK has become one of the first major economies to reach a post 'Liberation Day' trade agreement with the US. While the UK's exposure to US tariffs was relatively limited, the deal brings welcome clarity in a period of wider global uncertainty. Though unlikely to materially alter the UK's broader economic outlook, it offers meaningful relief to key sectors such as automotive and steel.

The US will maintain its 10% baseline tariff on UK goods, but the 25% tariff on cars will drop to 10% for the first 100,000 UK-made vehicles exported annually (compared to just over 102,000 in 2024). Steel and aluminium tariffs are set to fall from 25% to zero, subject to specific conditions.

Against this backdrop, the Bank of England modestly raised its 2025 growth forecast, now projecting GDP to expand by +1.00%, up from +0.75%, supported by stronger than expected Q1 figures and prior upward revisions. Its 2026 GDP forecast was trimmed only slightly, on the view that negative effects from US tariffs would likely be offset by looser financial conditions and falling energy prices.

BoE RESUMES MONETARY EASING

The Bank of England's (BoE) Monetary Policy Committee (MPC) voted narrowly 5 to 4, in favour of a -25bps rate cut last week, bringing the bank rate down to 4.25%. While the tone was more hawkish than markets had anticipated, the decision aligned with expectations.

Reaffirming its 'cautious and gradual' approach to policy, the MPC flagged external risks, particularly in the wake of newly announced US tariffs. The recently concluded US-UK trade agreement may help cushion some of these external pressures and reinforces the narrative that the UK remains relatively shielded from escalating global tariff risks, lending support to economic stability. Money markets have now priced in two additional quarter point rate cuts by year-end, which would bring the bank rate down to 3.75%.

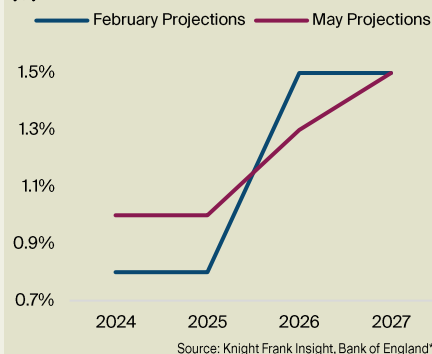
UK CRE REMAINS NUMBER ONE TARGET, DESPITE BROADER SLOWDOWN

Despite ongoing uncertainty, the UK has once again established itself as the top destination globally for cross-border capital flows in the first quarter of 2025.

Total UK commercial real estate (CRE) investment in Q1 2025 came in at a modest £8.1 billion, down -28% year-on-year. Despite the slowdown, cross-border capital remained a key driver, accounting for 53% of total Q1 CRE volumes. While overall market activity has cooled, momentum among key international investors has noticeably rebounded in early 2025 after a more cautious approach throughout the previous year. Notably, Japanese investment surged +59% above its full-year 2024 total in just the first quarter, while Australian inflows rose by +234%, underscoring renewed appetite for UK assets from Asia-Pacific markets.

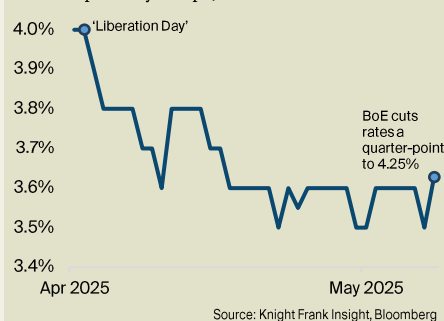
BoE projects stronger near-term growth

Bank of England UK GDP growth forecasts, % y/y



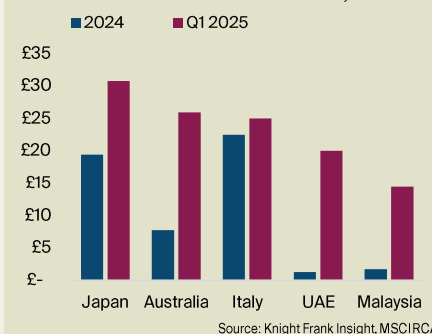
US tariffs spark surge in BoE rate cut expectations

Bank of England interest rate at the end of 2025 implied by swaps, %



Overseas capital rebounds in early 2025

Cross-border investment into UK CRE, £m

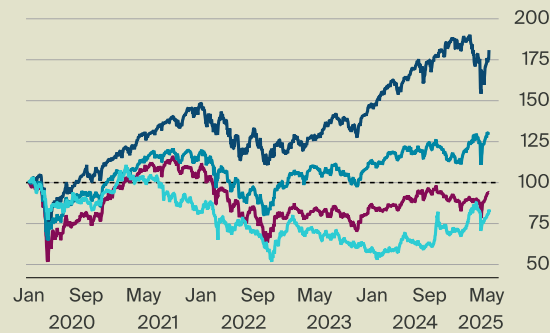


Equities

Equity markets

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

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



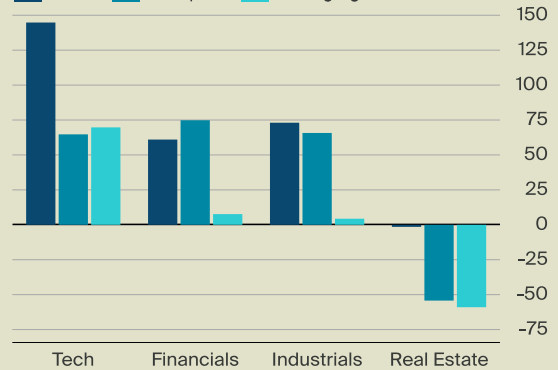
Source: Knight Frank, Macrobond

Index	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
DAX 30	9,898	-0.9	-0.9	12.8	49.6
FTSE 250	27,249	0.1	1.0	13.6	-6.0
Hang Seng	2,965	0.9	2.1	11.3	-18.0
IBEX 35	15,184	-0.2	-0.7	10.5	41.7
MIB	44,392	1.0	1.9	16.0	68.6
S&P 500	5,844	3.2	2.8	10.9	80.9
STOXX 600	605	0.2	-0.7	11.3	29.7
TOPIX	19	-0.7	0.3	6.6	18.6

Equity regional sectors

Price return index percentage change since Jan 2020

■ US ■ Europe ■ Emerging Markets



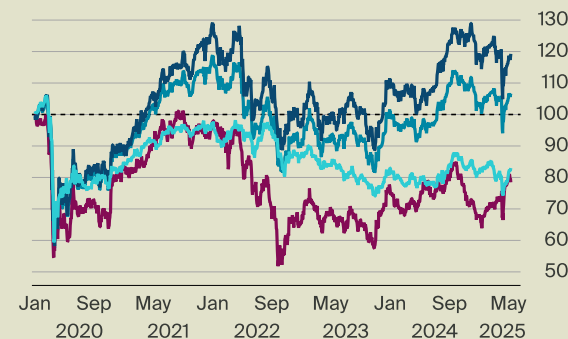
Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	144.8%	64.7%	69.7%
Financials	61.0%	74.8%	7.7%
Industrials	73.1%	65.7%	4.4%
Real Estate	-1.5%	-54.2%	-59.0%

REITs by region

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

— World — Europe — US — Asia Pacific



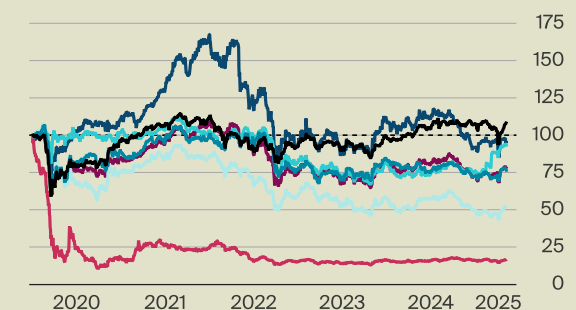
Source: Knight Frank, Macrobond

Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
US	2,851	1.6	0.5	9.4	19.3
Europe	2,237	-1.0	-2.3	12.3	-21.5
World	3,426	1.0	0.0	9.3	6.7
Asia Pacific	3,258	1.1	1.3	7.9	-17.0

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

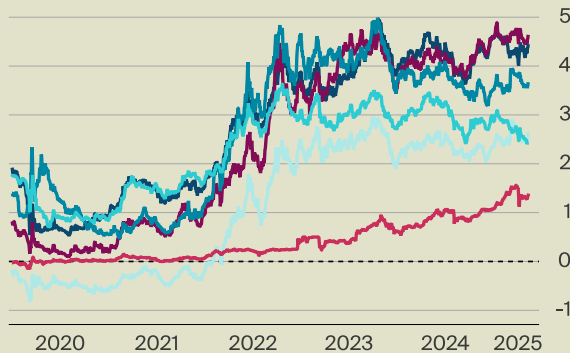
Index, total return	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Original value and base					
All REITs	793	-0.3	-1.7	10.0	-22.5
Office	1,549	0.1	0.4	16.7	-47.8
Industrial	1,177	0.2	-3.0	7.4	-5.0
Retail	60	1.6	2.2	14.5	-83.3
Healthcare	2,096	-0.9	-0.9	3.5	-7.6
Residential	1,152	-1.6	-3.4	6.1	-24.5
FTSE 250	18,590	0.8	1.9	11.8	9.1

Bonds & Rates

Government bond yields

10 year government bond yields, %

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



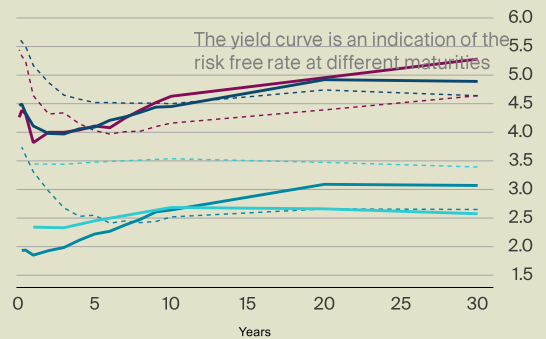
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	3.67	3.67	3.62	3.80	1.40
Japan	1.39	1.35	1.28	1.37	-0.03
Singapore	2.43	n/a	2.47	2.66	1.74
UK	4.64	4.64	4.51	4.75	0.82
US	4.45	4.45	4.30	4.48	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

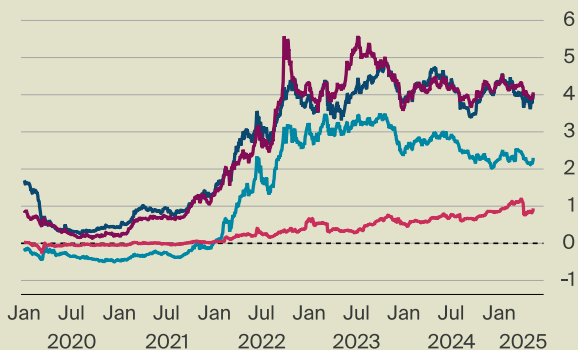


Source: Knight Frank, Macrobond

Interest rate swaps

5 year swap rates, %

— US — UK — Eurozone — Japan



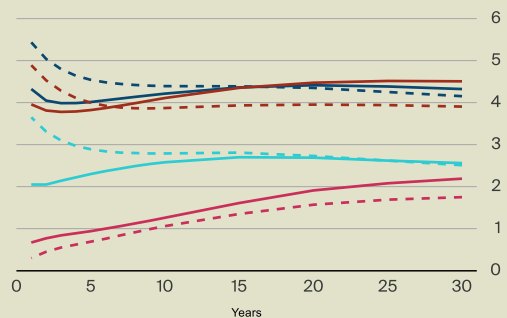
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.30	2.21	2.17	2.31	-0.13
Japan	0.94	0.87	0.82	0.76	0.03
Singapore	3.66	n/a	n/a	n/a	1.50
UK	4.07	3.97	3.91	4.11	0.88
US	4.01	3.89	3.83	4.00	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



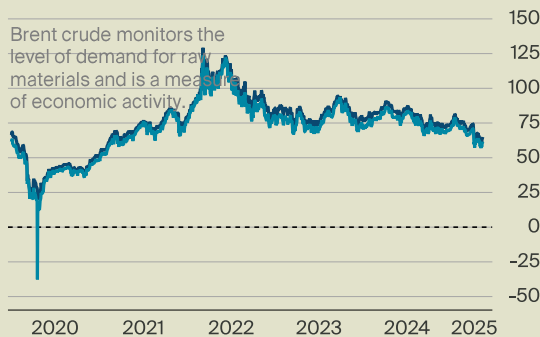
Source: Knight Frank, Macrobond

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	64.9	64.9	62.0	64.7	66.0
WTI, \$ per barrel	61.6	61.6	59.3	60.8	61.1

Baltic dry index

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

— Baltic dry index



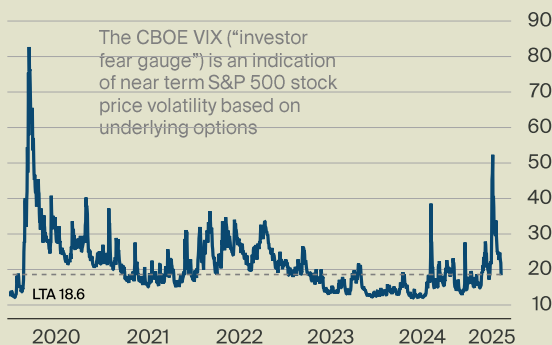
Source: Knight Frank, Macrobond

	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	1280	-1.46	-8.96	0.471	17.4

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	18.4	18.4	24.8	37.6	13.8
Euro Stoxx 50 VIX	18.2	18.2	20.8	39.6	14.0
Nikkei VIX	22.1	24.2	26.7	44.4	14.8
KOSPI VIX	17.9	19.2	20.9	31.5	14.7

Systemic stress

Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)

--- Long term average



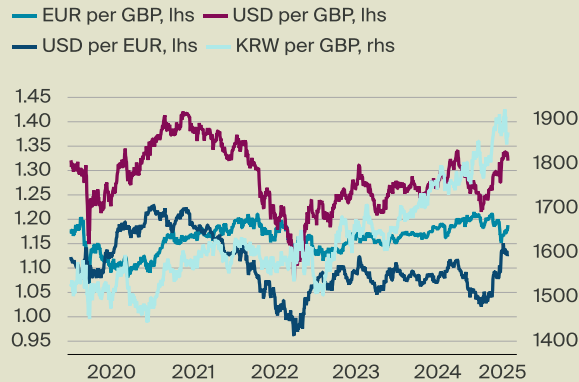
Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.094	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

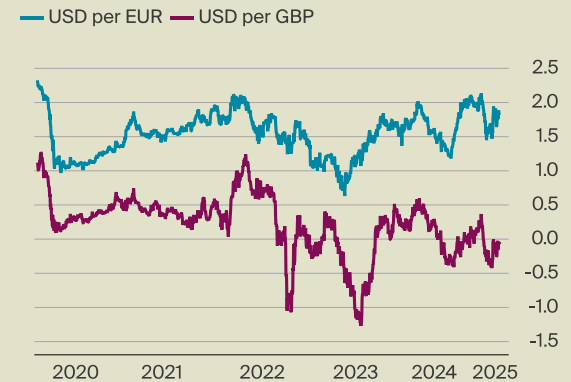


Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.188	1.181	1.172	1.152	1.177
KOR per GBP	1,871	1,861	1,857	1,863	1,525
USD per GBP	1.320	1.331	1.332	1.306	1.321
USD per EUR	1.127	1.127	1.132	1.133	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	1.82	1.85	1.83	1.94	2.32
USD to GBP	-0.04	-0.07	-0.03	0.00	1.12

Inflation and monetary policy

Inflation rate (%)

	Apr	Mar	Feb	Jan
Australia	n/a	2.4	2.4	2.4
Canada	n/a	2.3	2.6	1.9
China	-0.1	-0.1	-0.7	0.5
Euro Area	2.2	2.2	2.3	2.5
France	0.8	0.8	0.8	1.6
Germany	2.1	2.1	2.3	2.4
India	3.2	3.3	3.6	4.3
Italy	2.0	1.9	1.6	1.5
Japan	n/a	3.6	3.7	4.0
Saudi Arabia	n/a	2.3	2.0	2.0
South Korea	2.1	2.1	2.0	2.2
Spain	2.2	2.1	2.9	2.9
Sweden	n/a	0.5	1.3	0.9
UK	n/a	2.6	2.8	3.0
US	2.3	2.4	2.8	3.0

Interest rates (%)

	Last	Jan '24
	4.10	4.35
	2.75	5.00
	4.35	4.35
	2.40	4.50
	2.40	4.50
	2.40	4.50
	6.00	6.50
	2.40	4.50
	0.50	-0.10
	5.00	6.00
	2.75	3.50
	2.40	4.50
	2.25	4.00
	4.25	5.25
	4.50	5.50

Asset purchasing

	Latest (\$)	1m change (%)
	0.26 tn	-7.0
	181 bn	0.3
	6.27 tn	-3.2
	7.14 tn	-0.5
	1.64 tn	-1.2
	2.66 tn	-0.6
	445 bn	0.0
	1.26 tn	-0.3
	5.03 tn	0.2
	521 bn	4.3
	397 bn	-2.9
	487 bn	-0.2
	114 bn	-0.2
	1.18 tn	-1.2
	6.71 tn	-0.2

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

Source: Knight Frank, Macrobond



Future Gazing - 2025

Offering a unique perspective on the outlook for the industrial and logistics market; from logistics to support evolving retail habits to further up the supply chain, we look at space used to provide consumers and businesses with services, and the wholesalers and distribution firms that supply them.

[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: Q4 2024

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