



COMMERCIAL LEADING INDICATOR

March 2024

The BCREA Commercial Leading Indicator (CLI) was designed to forecast changes in broad commercial real estate activity. Our research shows that the variables that compose the CLI reliably forecast BC commercial real estate activity at a lag of two to four quarters. The index is revised each quarter due to revisions to the underlying data.

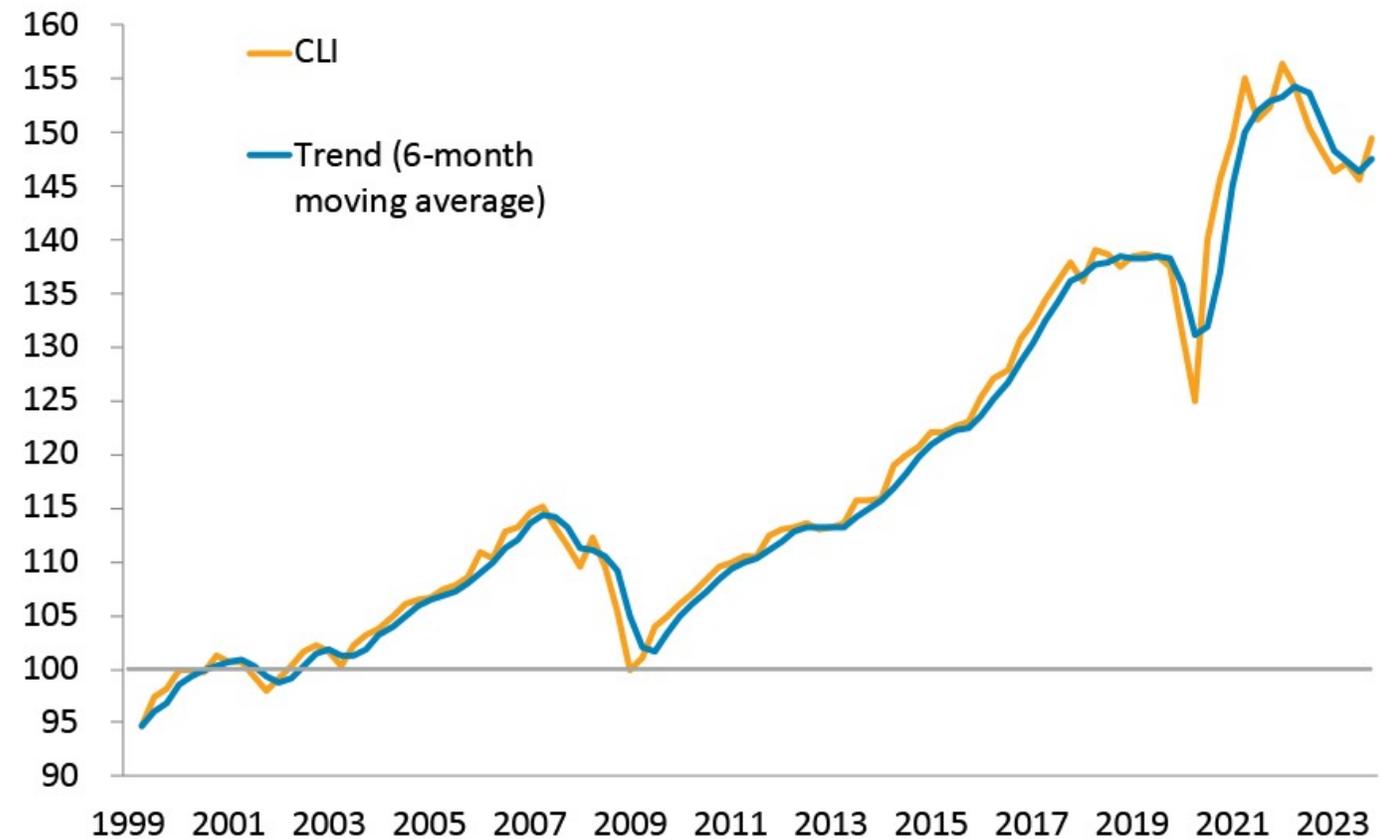
The BCREA CLI rose 3.8 points to 149.5 in the fourth quarter of 2023, while the six-month moving average rose to 147.4. Compared to the same quarter in 2022, the index was up by 0.8 per cent.

Fourth Quarter Highlights:

- The economic activity index rose in Q4. Inflation-adjusted retail trade, wholesale trade, and manufacturing sales rose, pushing the economic component upwards.
- Office employment (financial, insurance, real estate, and professional services) fell by 0.6 per cent in the fourth quarter, but manufacturing employment more than offset the decline with a 4.2 per cent increase. On net, the employment component contributed positively to the index.
- The financial component of the index rose in the fourth quarter. Rising Real Estate Investment Trust prices pushed the financial component upwards. In addition, falling interest rate spreads, which indicate higher borrowing costs for companies relative to the government, further contributed to the rise in the financial component.

Commercial Leading Indicator

Index: 100 = 2000Q1



Variation in the CLI can be broken out into three distinct components:

- The economic component of the CLI tracks the overall trend in the BC economy and reflects changes in economic variables that have been demonstrated to lead commercial real estate activity.
- The employment component reflects changes in the commercial real estate environment due to changes in the overall business cycle.
- The financial component is an early warning indicator from financial markets that could signal turning points in the commercial real estate market.

Contribution to Change in CLI by Component

