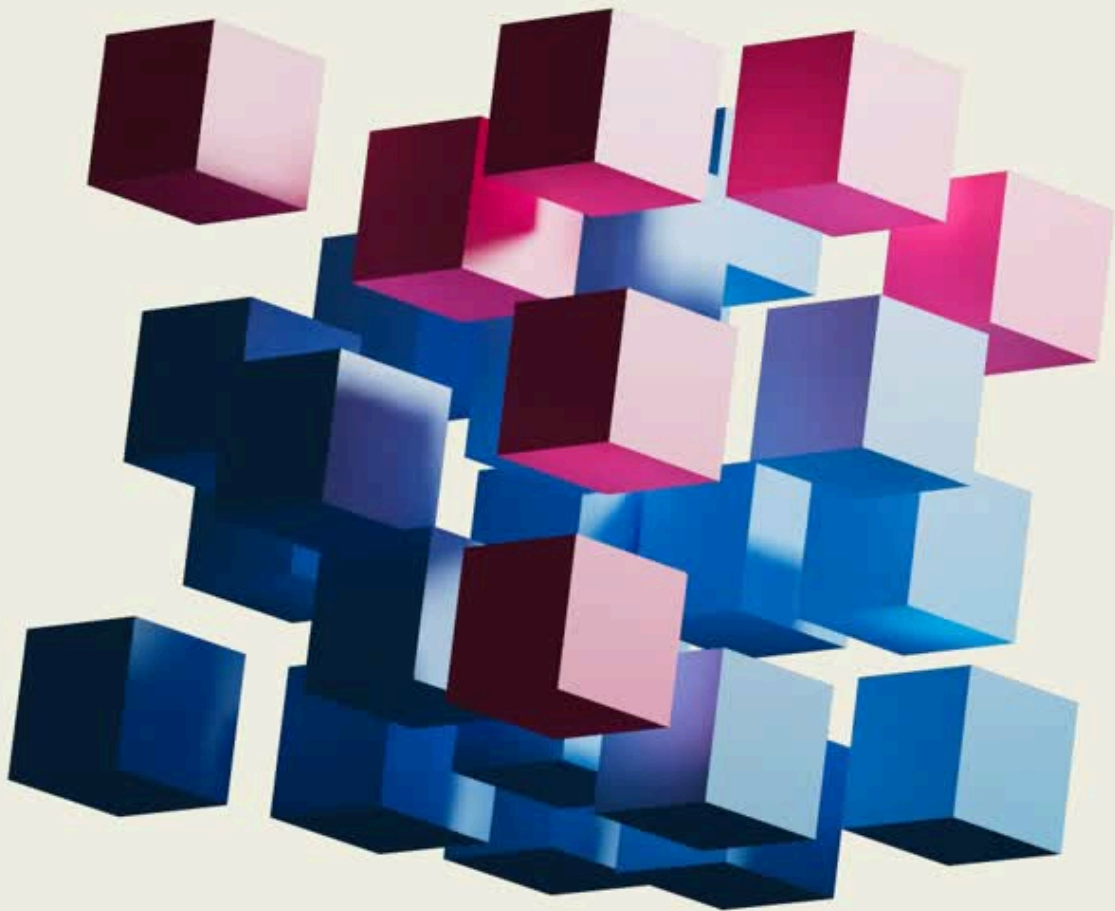

Global Corporate Real Estate Sentiment Index

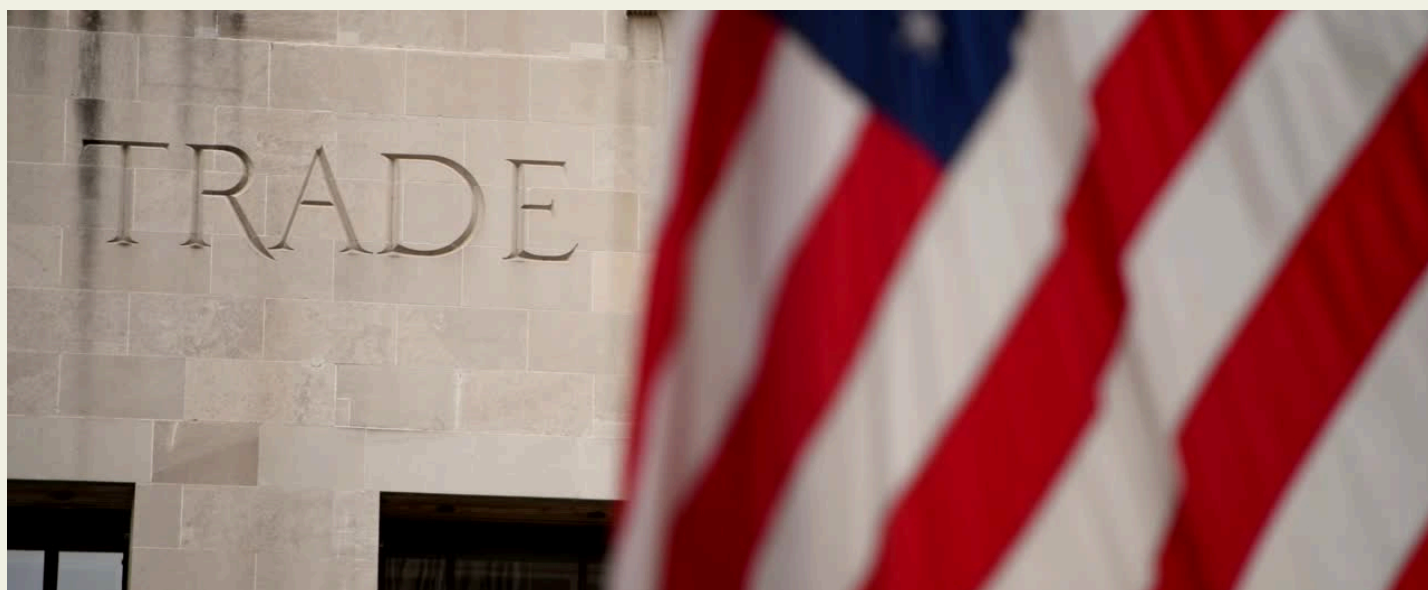
Q1 2025

knightfrank.com/research



Tariffs, Trade, and Transformation: A Fragile Truce, A Fleeting Window

The Q1 2025 Global Corporate Real Estate Sentiment Index (GCRESI) revealed an upward shift in sentiment. However, volatility around tariff announcements reveals just how precarious those gains were. The latest developments on 12th May brings a pause, not a peace.



On 12 May, the U.S. and China agreed to a surprise 90-day trade truce - scaling back tariffs, reopening diplomatic channels, and attempting to halt the destabilising spiral that began with President Trump's 2nd April tariff proclamation. For now, this offers welcome relief to global markets and manufacturers (immediately after the announcement of the US-China breakthrough the financial markets responded positively, with the S&P 500 opening

2.5% higher and the tech-heavy Nasdaq composite up 4.2%). However, for corporate real estate leaders, the picture remains highly conditional.

At the time of writing, this means that tariffs on U.S. imports from China will drop from 145% to 30%. In return, China is reducing duties on U.S. goods from 125% to 10% - a symbolic and practical de-escalation. Yet, the underlying tensions are far

from resolved. Both sides have signalled that a breakdown in talks would mean a sharp return to full-scale tariffs by August.

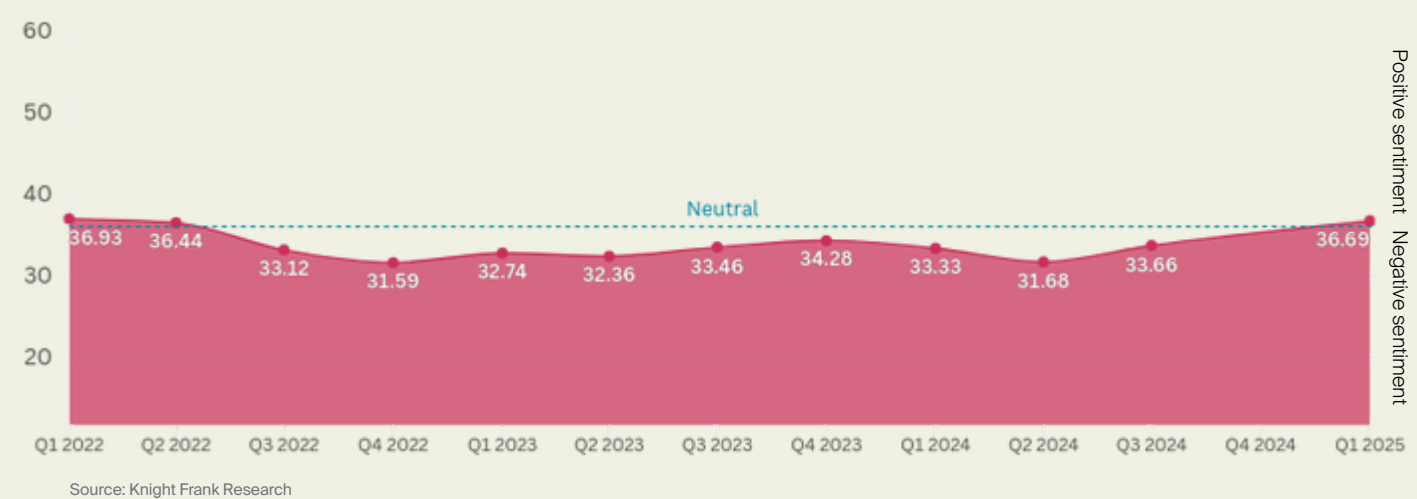
This report analyses Knight Frank's Global Corporate Real Estate Sentiment for Q1 2025, during which we can already start to see the impact of tariff policies on sentiment.

After the Rebound: CRE Strategy in a Time of Trade Tensions

How one week in April redefined the outlook for corporate real estate strategy.

1 Fragile Optimism Meets Fresh Shock

Overall Global Corporate Real Estate Sentiment Index (GCRESI)
Q1 2022- Q1 2025



The early months of 2025 brought signs of renewed corporate real estate (CRE) confidence. But that narrative was quickly complicated. President Trump's April 2 announcement of reciprocal tariffs— and the subsequent policy whipsawing— sent tremors through global markets, shaking the fragile optimism that had only recently begun to take root.

The Q1 2025 Global Corporate Real Estate Sentiment Index (GCRESI) had initially delivered a strong uplift, rising +3.03 points to 36.69—the first net-positive reading since mid-2022.

But a closer look reveals just how precarious those gains were. A comparison of the last 47 survey responses obtained before the April 2 announcement with the 47 responses gathered afterward shows a clear reversal: Overall sentiment fell -1.01 points from 37.41 pre to 36.40 post-announcement, effectively halving the net gains recorded in the Q1 reading.

The tariff shock has emerged as the first true stress test of CRE's strategic reset. Although the particulars of tariffs are currently in

flux and subject to change, we expect this downward impact on sentiment to be reflected in the Q2 Sentiment index which will be published in July.

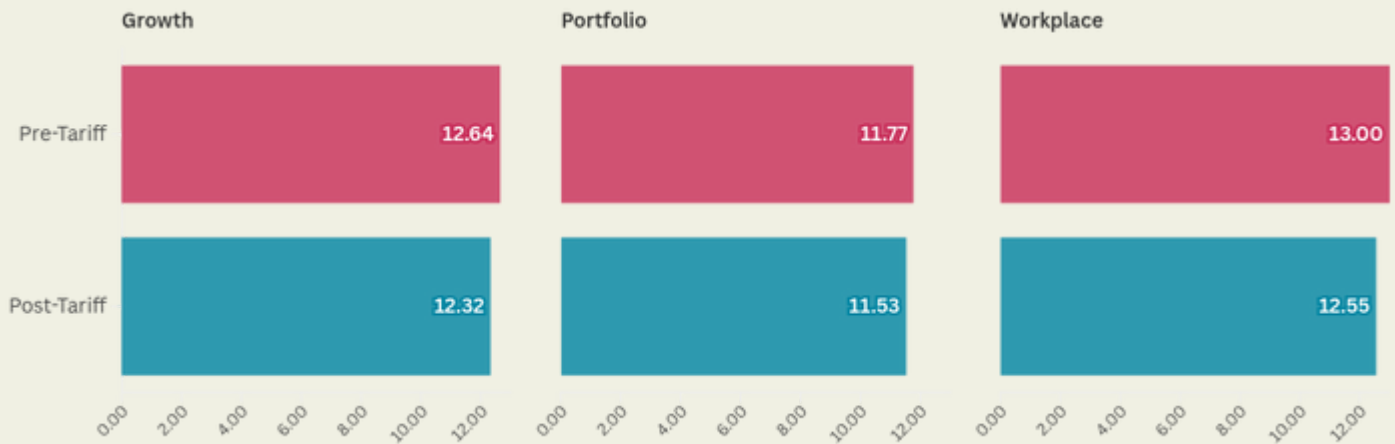
Early impact of tariff shock on sentiment:

↓	- 1.01 pts
Pre-tariff	37.41 pts
Post-tariff	36.40 pts

2 Tariffs Test Sentiment: The Post-April Shock

Global Corporate Real Estate Sub-Indices

Last 47 responses pre 2.4.25 vs. 47 responses post 2.4.25



Source: Knight Frank Research

All three sub-indices declined:

Growth sub-index: ↓ - 0.32

Portfolio sub-index: ↓ - 0.24

Workplace sub-index: ↓ - 0.45

This downturn followed what had been the strongest quarter for sentiment since Q2 2022. Key indicators reversed course: relocation sentiment dropped -0.30, office design and configuration fell -0.30, and offshoring expectations declined -0.19. Revenue and headcount growth expectations also dipped.

Some longer-horizon indicators held up. Capex sentiment rose slightly (+0.04), physical expansion edged upward (+0.06), and sustainable real estate ambitions strengthened (+0.19). But the broader picture is clear:

The Q1 recovery in sentiment has been dented by policy disruption and ensuing uncertainty.

These shifts are consistent with findings from Knight Frank's forthcoming (Y)OUR SPACE Survey, in which 43% of global respondents cite economic volatility as a top-three influence on their real estate strategy over the next 3–5 years, and 26% cite trade wars and political tension.

Other global sentiment indicators released since the April 2 announcement also reflect this broader recalibration:

S&P Global Composite PMI:

(April 23)



Dropped to 51.2, a 16-month low, amid tariff-related concerns.

IFO Business Climate Index:

(Germany, April 24)



Expectations component weakened on global policy uncertainty.

NFIB Small Business Optimism Index:

(United States, April 8)



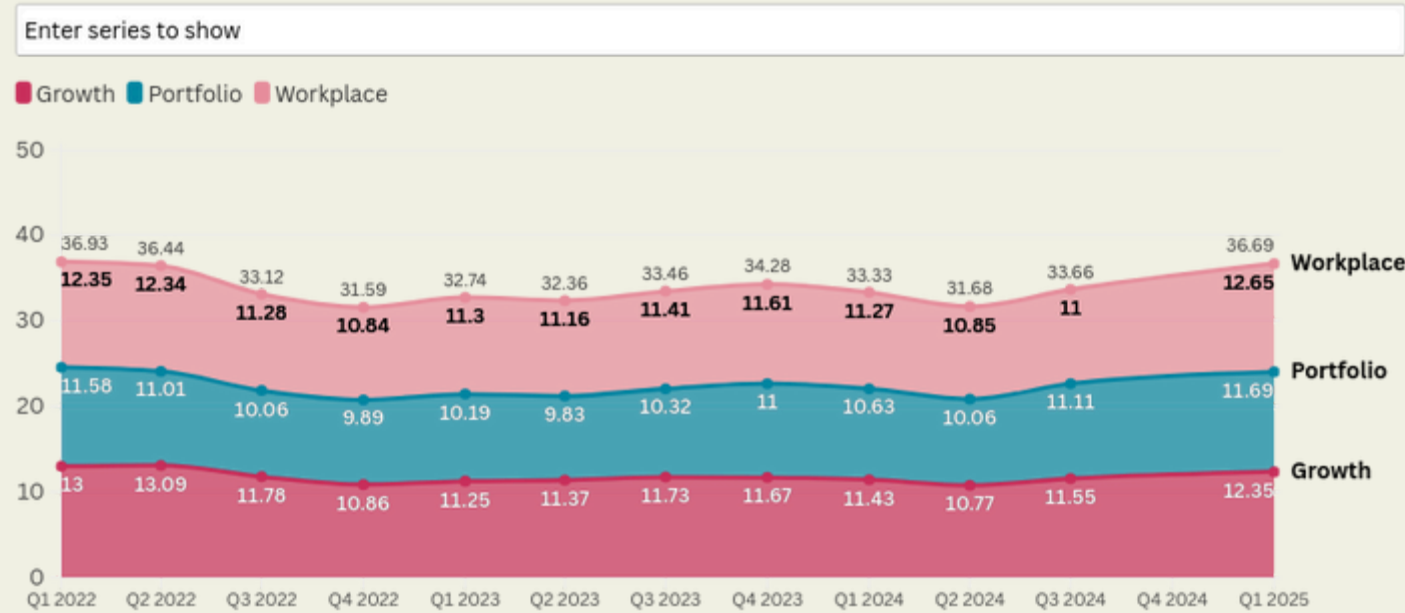
Declined sharply, with trade cited as a rising concern.

These datapoints do not suggest collapse, but they do confirm hesitation. For CRE leaders, April 2 marks a strategic inflection point.

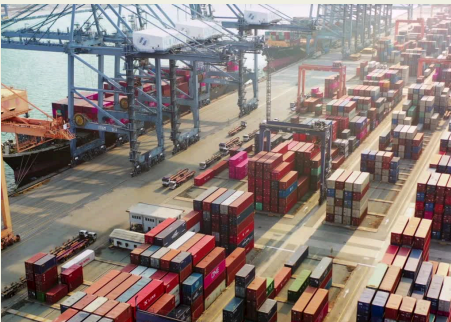
Unlike previous disruptions, tariffs and trade wars may demand immediate, tactical response not deferred analysis. In this sense, declining sentiment does not equate to stasis. Instead, it signals a new context in which strategy must now be delivered.

3 From Reawakening to Realignment

Global Corporate Real Estate Sub-Index Scores*
Q1 2022 - Q1 2025



*The GCRESI is made up of three sub-indices which each have a minimum value of 4 and a maximum value of 20. A sub-index score of 12 indicates neutral sentiment.



Before the tariff shock, the GCRESI painted a compelling picture of renewed momentum:



The rise was broad-based, reflecting a shift from defensive postures to forward-looking ambition.

CRE leaders had started to embrace:

- 1

Strategic Clarity

Strategic clarity after hybrid work uncertainty
- 2

Capital Discipline with Forward Intent

More disciplined, yet confident, capital planning
- 3

Global Realignment

Portfolio recalibration driven by global realignment
- 4

Transformation Pressure

Tech-led transformation, particularly around AI and automation

But these gains now sit under pressure, tested by a changing geopolitical reality.

“

The Q1 2025 Global Corporate Real Estate Sentiment Index (GCRESI) marked a brief return to positive occupier sentiment, but the April tariff shock quickly exposed its fragility. Our early analysis of survey responses post 2nd April suggest a clear downward impact on sentiment levels.

”

Dr. Lee Elliott

Head of Global Occupier Research

4 A Sentiment Recovery on Uneven Ground



The Q1 rebound was never about external calm. Inflation remained sticky, interest rates high, and supply chains complex. The uplift was powered by internal resolve:

CRE leaders adapting to ambiguity with resilience and renewed intent.

Yet the early April shock reveals how quickly positive sentiment can buckle under the weight of policy uncertainty.

Today's environment is defined not just by transformation—but by noise. Politicians, pundits, and business leaders are driving a volatile narrative, making it harder for long-term confidence to consolidate.

For real estate teams, the challenge is not just to react—but to plan through the turbulence. Execution now demands agility, optionality, and scenario-readiness at every level of the CRE portfolio.

Conclusion



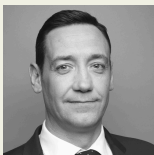
The sentiment rebound of early 2025 marked a genuine and hard-won shift. After five quarters of negative sentiment, CRE leaders entered the year with renewed clarity and purpose. But those gains have been tested early—and forcefully.

Analysis of GCRESI responses post-April 2 confirm that real estate strategy is still forward-leaning but increasingly conditional. The divergence in pre- and post-announcement sentiment is a reminder that even well-earned confidence can falter when global signals turn.

And yet, this isn't the end of momentum. It's a new chapter in how it's managed. CRE leaders must now find ways to sustain progress while bracing for further shocks - staying strategic, grounded, and ready to adapt as conditions evolve.

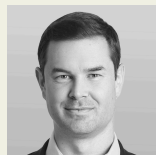
Thank You

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



**Global Head of Occupier
Research**

Dr. Lee Elliott
+44 (0)7468 729 187
Lee.Elliott@knightfrank.com



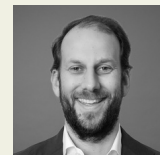
**Global Head of Occupier
Strategy And Solutions**

Tim Armstrong
+65 6429 3531
Tim.Armstrong@asia.knightfrank.com



**Partner, COO - Occupier
Strategy & Solutions**

Ross Criddle
+44 (0) 7870 379 519
Ross.Criddle@knightfrank.com



**EMEA Head of Occupier
Strategy And Solutions**

Philipp Ueberschaer
+44(0)7811 771 416
Philipp.Ueberschaer@knightfrank.com