

Moody's/REAL Commercial Property Price Indices, October 2009

AUTHORS:

Nick Levidy
Managing Director
(212) 553-4595
Nick.Levidy@moodys.com

Andrea Daniels
VP-Sr Credit Officer
(212) 553-4416
Andrea.Daniels@moodys.com

Connie Petruzzello
AVP-Analyst
(212) 553-4894
Concetta.Petruzzello@moodys.com

Seth Anspach
Senior Associate
(212) 553-7896
Seth.Anspach@moodys.com

MOODY'S CLIENT SERVICES:

New York
+1-212-553-1653

Tokyo
+81-3-5408-4100

London
+44-20-7772-5454

Hong Kong
+852-3551-3077

Sydney
+61-2-9270-8100

Singapore
+65-6398-8308

WEBSITE:

www.moodys.com

CONTENT

- Overview: Moody's/REAL Commercial Property Price Index
- National – All Property Type Aggregate Index: Rate of Price Decline Has Slowed in Recent Months
- Appendix

OVERVIEW

The Moody's/REAL All Property Type Aggregate Index measured 114.06 in August 2009, representing a 3.0% decline from a month earlier. Commercial property prices have now fallen 40.6% from their peak in October 2007. Prices have fallen 32.8% from one year ago and 40.3% from two years ago. See *Figure 1*.

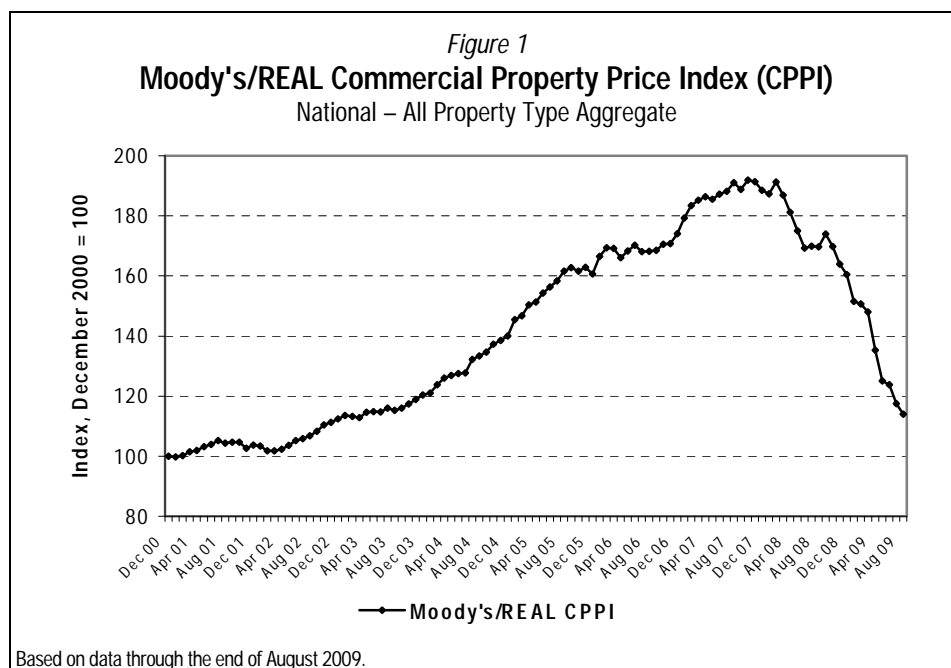


Figure 2
Current Moody's/REAL CPPI and Change from Earlier Periods

New This Period:	National All Property Type Aggregate
Repeated This Period:	National – Four Property Types Top 10 MSAs – Four Property Types West – Four Property Types East – Four Property Types South – Four Property Types Southern California – Four Property Types MSA Office Markets – New York, San Francisco, and Washington DC MSA Apartment Market – Florida

	Current Index ^M	1 Month Earlier	1 Year Earlier	2 Years Earlier
National All Property Type Aggregate	114.06	-3.0%	-32.8%	-40.3%

	Current Index ^Q	1 Quarter Earlier	1 Year Earlier	2 Years Earlier
National - Apartments	131.93	-16.3%	-24.4%	-32.1%
National – Industrial	131.30	-20.4	-23.1	-29.1
National – Office	128.96	4.1	-21.2	-27.4
National – Retail	138.30	-7.9	-21.2	-27.3
Top Ten MSAs ¹ - Apartments	151.43	-17.2	-28.3	-32.0
Top Ten MSAs- Industrial	155.31	-16.3	-17.2	-19.7
Top Ten MSAs- Office	131.55	-10.4	-20.9	-23.2
Top Ten MSAs- Retail	155.76	-5.1	-16.9	-17.5
West – Apartments	153.73	-9.0	-12.5	-21.7
West – Industrial	140.47	-15.1	-17.8	-19.9
West – Office	112.98	-15.4	-31.2	-32.0
West – Retail	160.41	-8.9	-15.1	-16.7

	Current Index ^A	1 Year Earlier	2 Years Earlier
East – Apartments	182.47	-6.0%	-10.5%
East – Industrial	134.40	-21.0	-23.4
East – Office	121.53	-30.1	-31.4
East – Retail	137.60	-29.9	-31.9
South – Apartments	82.86	-44.2	-48.7
South – Industrial	134.70	-29.9	-28.2
South – Office	117.88	-32.8	-32.8
South – Retail	150.84	-14.2	-16.8
So. California – Apartments	177.40	-14.0	-17.4
So. California – Industrial	166.76	-15.5	-20.4
So. California – Office	145.40	-25.8	-21.3
So. California – Retail	194.27	-24.2	-20.3
New York – Office	176.00	-22.9	-21.6
San Francisco – Office	97.76	-27.0	-23.2
Washington DC – Office	137.71	-22.3	-20.3
Florida – Apartments	111.53	-39.8	-48.3

M Monthly series. Most recent data is through August 31, 2009.

Q Quarterly series. Most recent data is through the end of the 2nd quarter 2009. Analysis is based on data from that 2nd quarter.

1 Top Ten MSAs refers to the ten MSAs with the most transactions by dollar volume, in each property type.

A Annual series. Most recent data is through the end of the 2nd quarter 2009. Analysis is based on data from four quarters (3Q08, 4Q08, 1Q09, and 2Q09). Given that the measure is of a rolling four-quarter period, data as of the end of the 2nd quarter cannot be compared with that from the end of the previous quarter.

The Moody's/REAL Commercial Property Price Indices (CPPI) measure the change in actual transaction prices for commercial real estate assets based on the repeat sales of the same assets at different points in time.¹

Notable Observations and Themes

- The National — All Property Type Aggregate Index recorded a 3.0% price decline in the month of August. The index now stands 40.6% below the peak measured in October 2007.
- Overall market transaction volume saw a slight uptick this month, by both count and dollar value. 73 repeat sales transactions totaling \$950 million were used in calculating this month's index.
- Although prices have declined steadily over the past year, the rate of decline has slowed in recent months after falling by about 8% in both April and May.

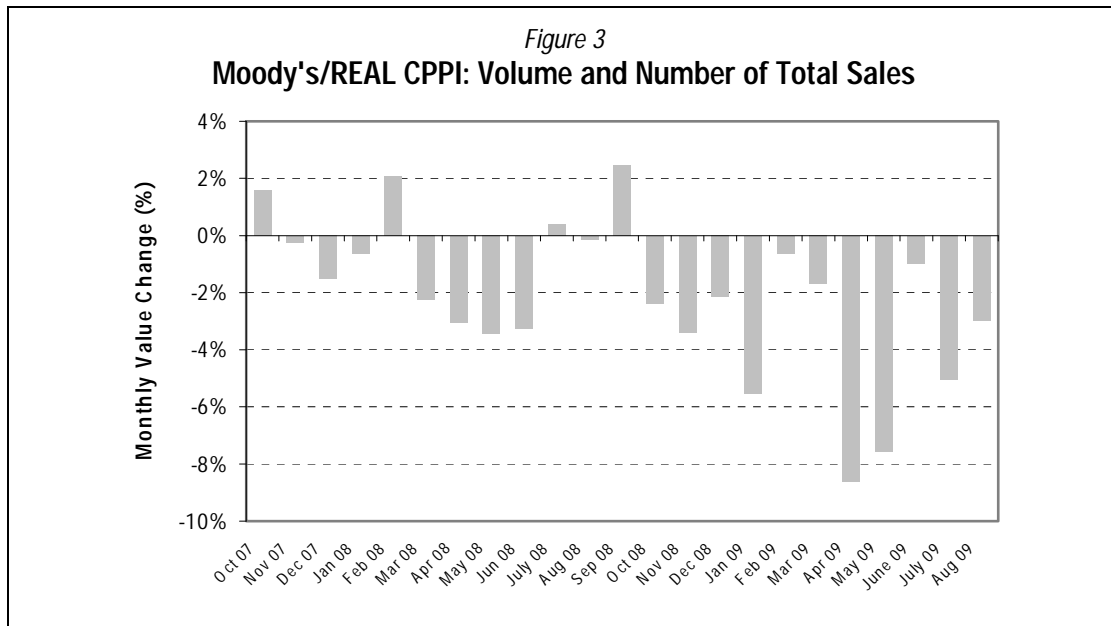
¹ A summary or short version of the repeat sales methodology is available in a Moody's Special Report. [US CMBS: Moody's Publishes the First Commercial Property Price Indices Based on Commercial Real Estate Repeat Sales Data](#). Sept. 19, 2007. This is available on Moodys.com > Structured Finance > Commercial MBS > CRE Indices. A very detailed and complete explanation of the methodology is available in a White Paper from MIT. David Geltner and Henry Pollakowski. *A Set of Indexes for Trading Commercial Real Estate Based on the Real Capital Analytics Transaction Prices Database*. MIT Center for Real Estate. Sept. 26, 2007.

NATIONAL – ALL PROPERTY TYPE AGGREGATE INDEX: RATE OF PRICE DECLINE HAS SLOWED IN RECENT MONTHS

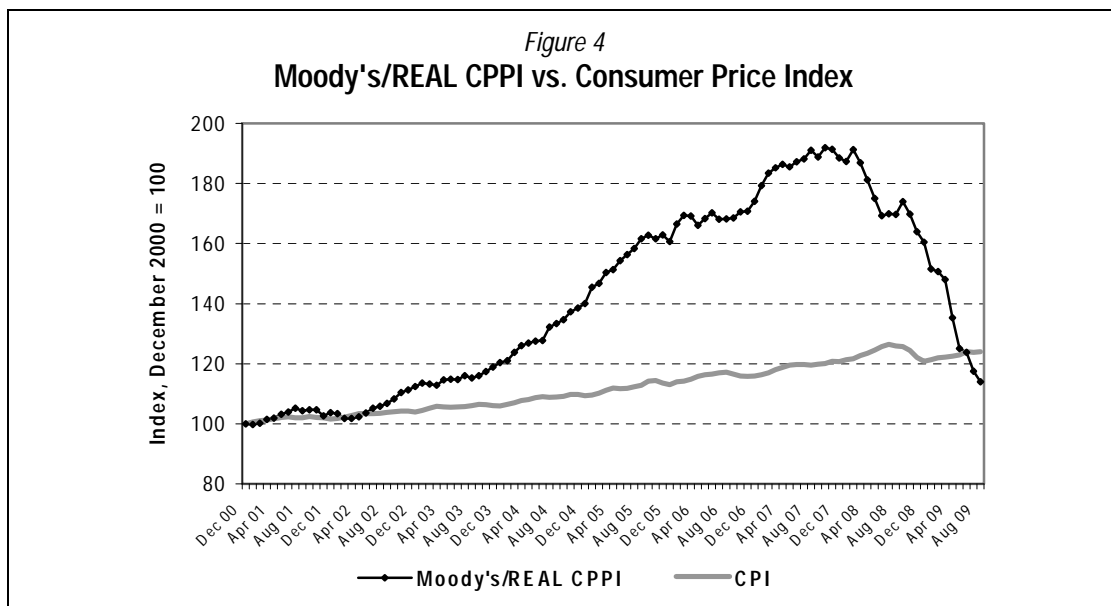
The National – All Property Type Aggregate Index is a monthly series, and this report is based on data through August 31, 2009. Refer back to *Figure 1*, page 1.

The National All Property Type Aggregate Index measured a 3.0% value decline in August as compared to July. This puts commercial property prices 32.8% below the level seen one year ago, 40.3% below that of two years ago, and 14.5% below five years ago. With the continued decline in prices in August, the overall peak-to-trough value drop has now exceeded 40%.

Prices have fallen consistently over the past year, but the rate of decline has slowed in recent months after falling by about 8% in both April and May.

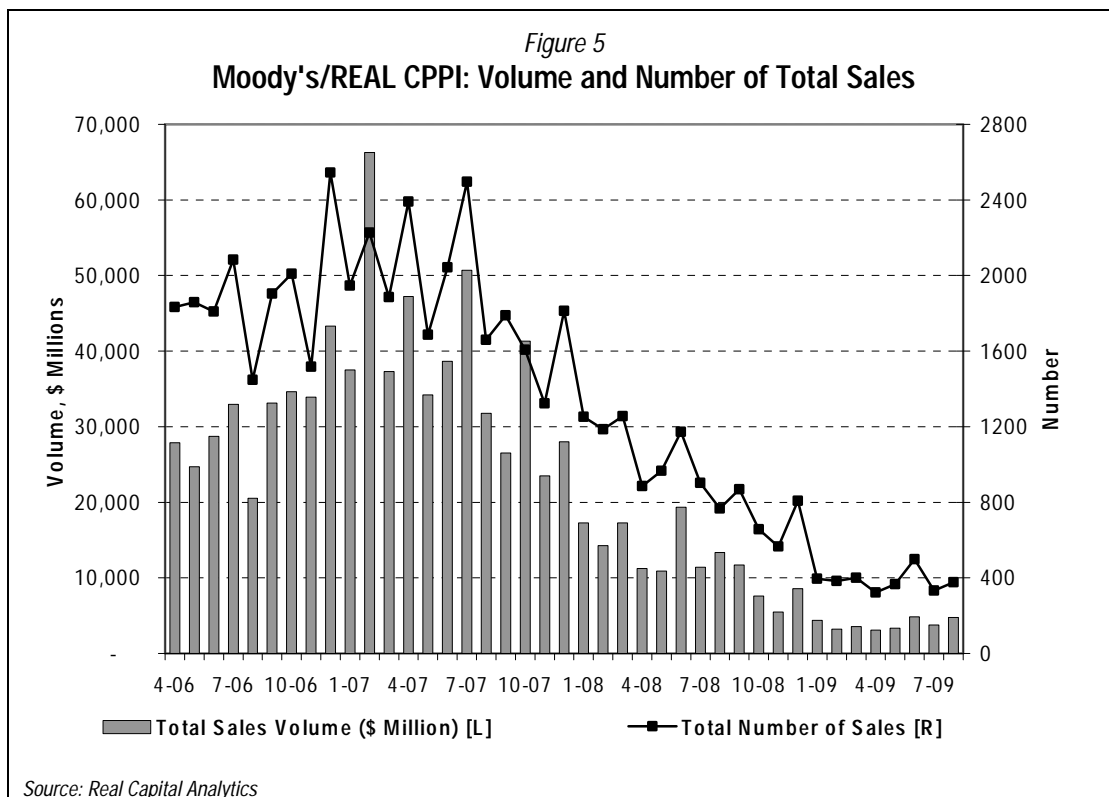


In *Figure 4*, we pegged the Consumer Price Index (CPI) to 100 in December 2000, the start of Moody's/REAL CPPI. Following the path of CPI for the next nine years shows that, had commercial property prices grown at the same rate as inflation, values would be higher now than they are currently. Specifically, the CPI intersects the CPPI in June of 2009, when prices had fallen 35.5% overall to a level last seen in early 2004.



Transaction Volume

Overall transaction volume saw a slight uptick in August as compared to July. There were 377 sales this month totaling nearly \$4.8 billion.



Of the 377 overall transactions, 73 were repeat sales observations used in calculating this month's index return. These 73 transactions totaled \$950 million.

The attached Appendix includes the following:

- A calendar summarizing the report cycle, i.e., which indices are recalibrated in which month. The calendar also indicates the precise release dates for Moody's/REAL Indices in 2009 and 2010 (*Figures 6, 7, and 8*).
- A listing of which cities fall in the top ten (*Figure 9*).
- Charts for the 28 sub-indices that were not recalculated for this report. These are repeated from the previous report so that both data and charts for all indices, whatever the most recent calculation, are included here in one document for readers' convenience (*Figures 10 – 17*).

APPENDIX

Figure 6
CPPI: Report Release Cycle, 2009 & 2010

	OCTOBER	NOVEMBER	DECEMBER
	Oct. 19, 2009	Nov. 19, 2009	Dec. 21, 2009
Report to be released:	Aggregate	Aggregate	Aggregate
For period:	August	September	October
Based on data through:	August 31	September 30	October 31
Report to be released:		12 Quarterly Indices (A)	16 Annual Indices (B)
For period:		3 rd Quarter	3 rd Quarter
Based on data through:		September 30	September 30
	JANUARY	FEBRUARY	MARCH
	Jan. 20, 2010	Feb. 22, 2010	March 22, 2010
Report to be released:	Aggregate	Aggregate	Aggregate
For period:	November	December	January
Based on data through:	November 30	December 31	January 31
Report to be released:		12 Quarterly Indices (A)	16 Annual Indices (B)
For period:		4 th Quarter	4 th Quarter
Based on data through:		December 31	December 31
	APRIL	MAY	JUNE
	April 19, 2010	May 19, 2010	June 21, 2010
Report to be released:	Aggregate	Aggregate	Aggregate
For period:	February	March	April
Based on data through:	February 28	March 31	April 30
Report to be released:		12 Quarterly Indices (A)	16 Annual Indices (B)
For period:		1 st Quarter	1 st Quarter
Based on data through:		March 31	March 31
	JULY	AUGUST	SEPTEMBER
	July 19, 2010	August 19, 2010	September 20, 2010
Report to be released:	Aggregate	Aggregate	Aggregate
For period:	May	June	July
Based on data through:	May 31	June 30	July 31
Report to be released:		12 Quarterly Indices (A)	16 Annual Indices (B)
For period:		2 nd Quarter	2 nd Quarter
Based on data through:		June 30	June 30

Figure 7

(A) 12 Quarterly Indices include the following:

APARTMENT	RETAIL	OFFICE	INDUSTRIAL
National Apartment	National Retail	National Office	National Industrial
Top 10 MSAs Apartment	Top 10 MSAs Retail	Top 10 MSAs Office	Top 10 MSAs Industrial
West Apartment	West Retail	West Office	West Industrial

Figure 8

(B) 16 Annual Indices with Quarterly Releases include the following:

APARTMENT	RETAIL	OFFICE	INDUSTRIAL
East Apartment	East Retail	East Office	East Industrial
South Apartment	South Retail	South Office	South Industrial
So. California Apartment	So. California Retail	So. California Office	So. California Industrial
Florida Apartment		New York Office	
		San Francisco Office	
		Washington DC Office	

Figure 9

Top Ten Cities by Property Type

APARTMENT	RETAIL	OFFICE	INDUSTRIAL
Atlanta	Atlanta	Atlanta	Atlanta
Dallas	Chicago	Boston	Chicago
Houston	Dallas	Chicago	Dallas
Los Angeles	Houston	Dallas	Los Angeles
New York	Los Angeles	Houston	New York
Phoenix	New York	Los Angeles	San Diego
San Francisco	Phoenix	New York	San Francisco
Seattle	San Francisco	San Francisco	Seattle
South Florida	South Florida	Seattle	South Florida
Washington DC	Washington DC	Washington DC	Washington DC

Figure 10
 Moody's/REAL CPPI: National — Property Type Indices

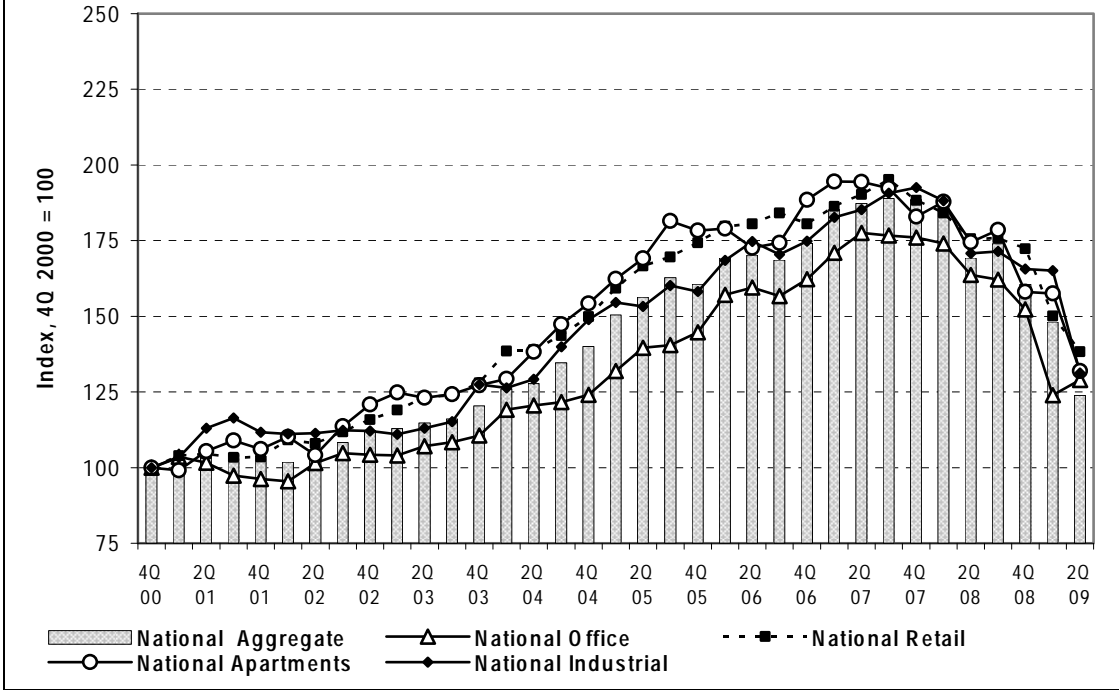


Figure 11
 Moody's/REAL CPPI: Top Ten MSAs—Property Type Indices

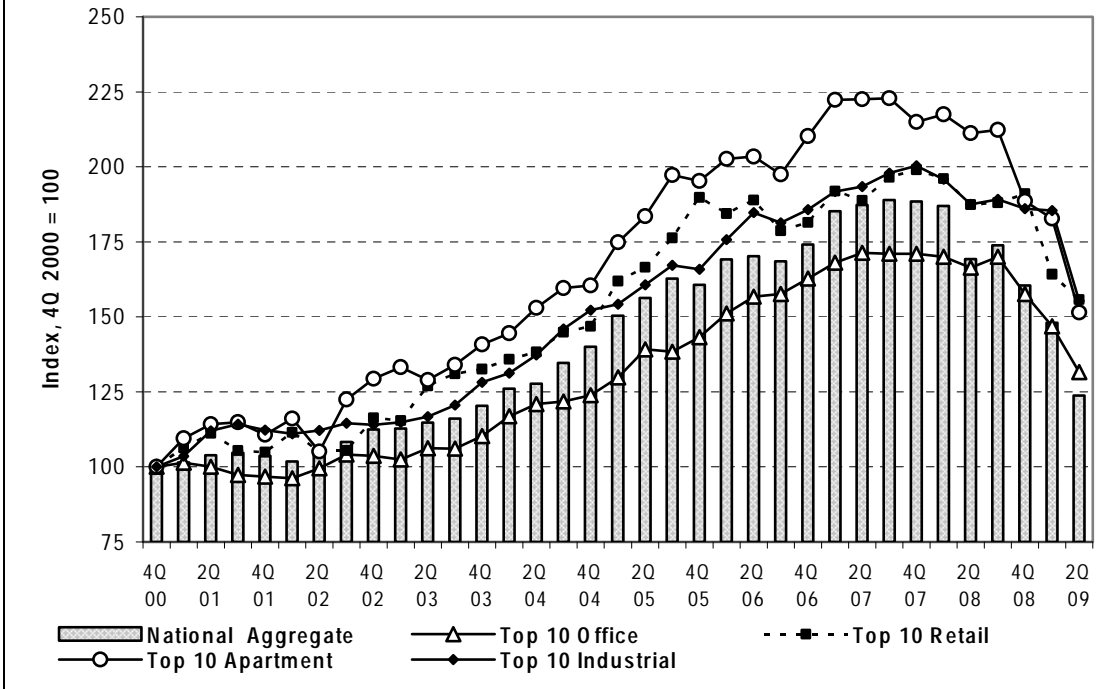


Figure 12
Moody's/REAL CPPI: West — Property Type Indices

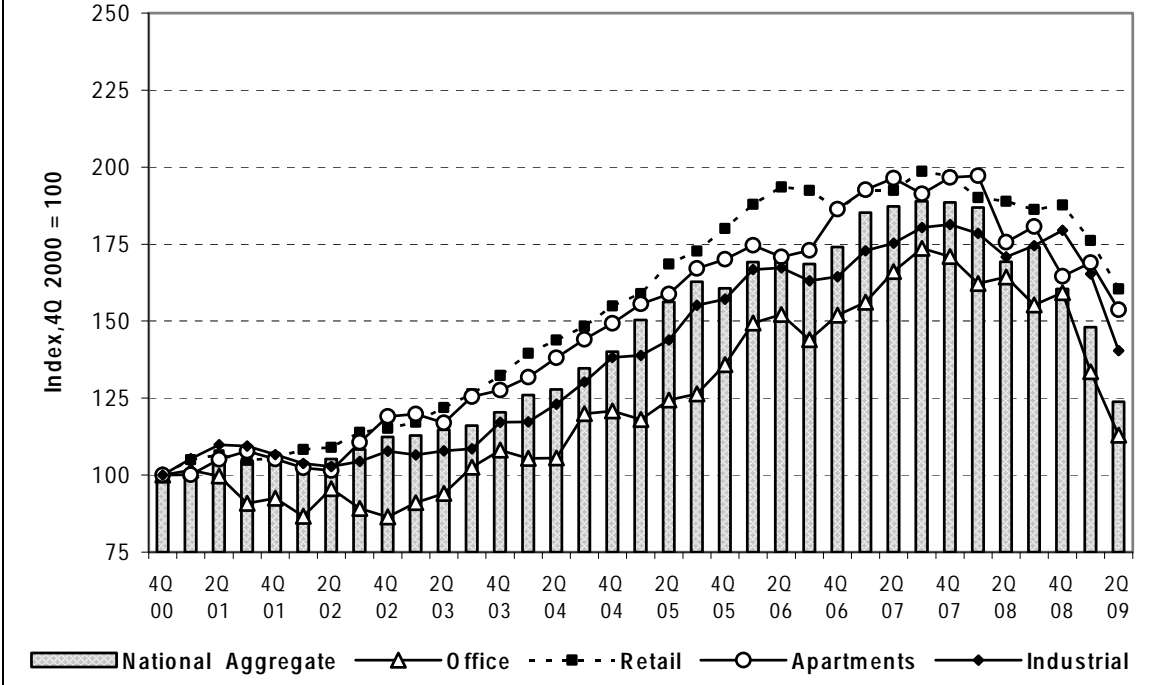
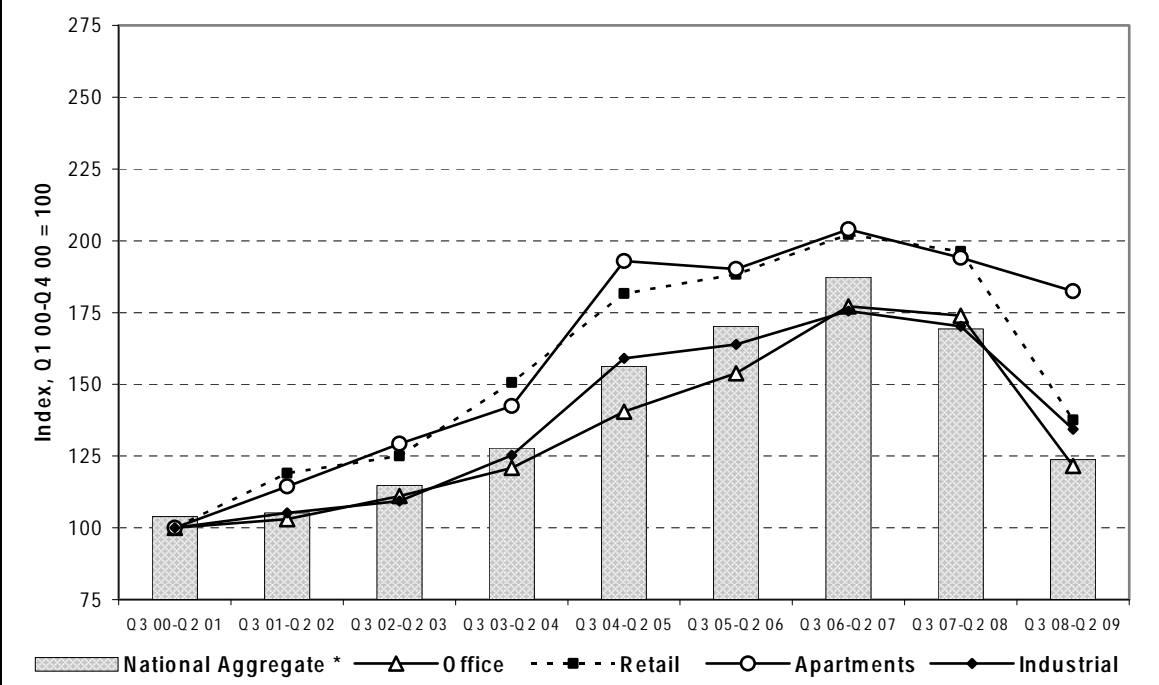
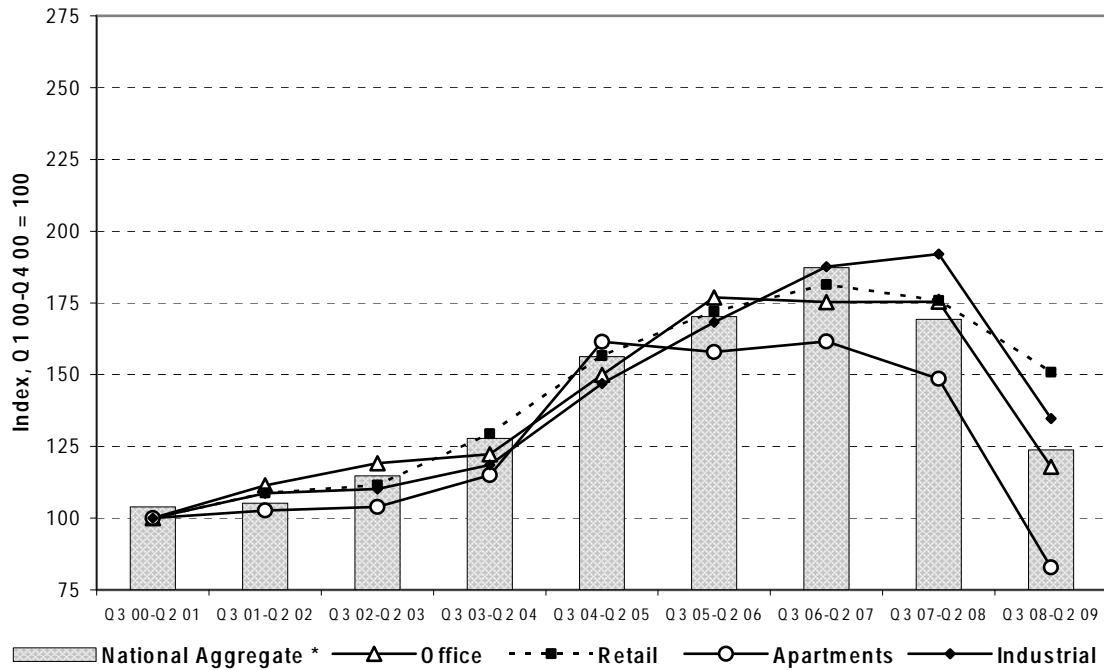


Figure 13
Moody's/REAL CPPI: East — Property Type Indices



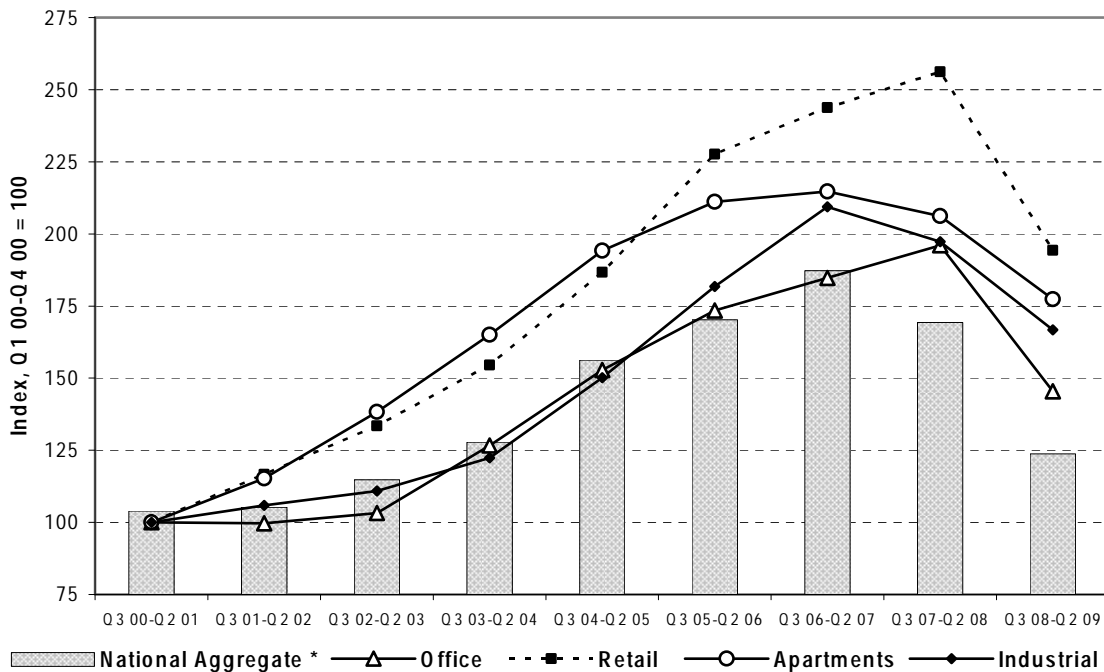
Based on data through June 2009, or end of 2nd quarter.

Figure 14
Moody's/REAL CPPI: South — Property Type Indices



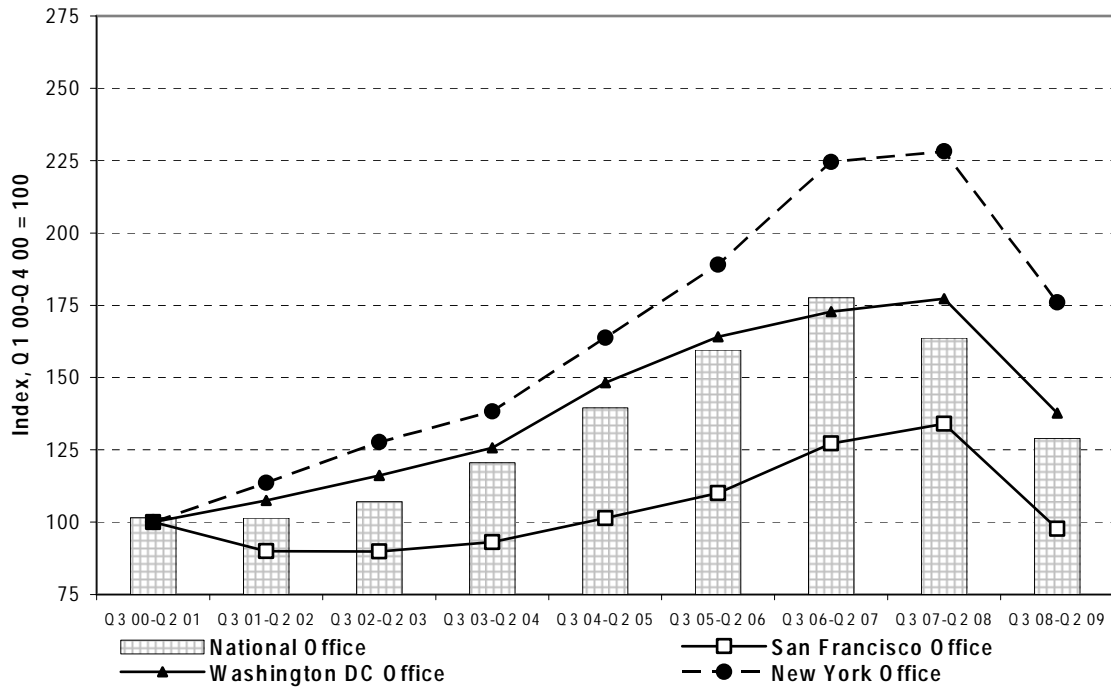
Based on data through June 2009, or end of 2nd quarter.

Figure 15
Moody's/REAL CPPI: Southern California — Property Type Indices



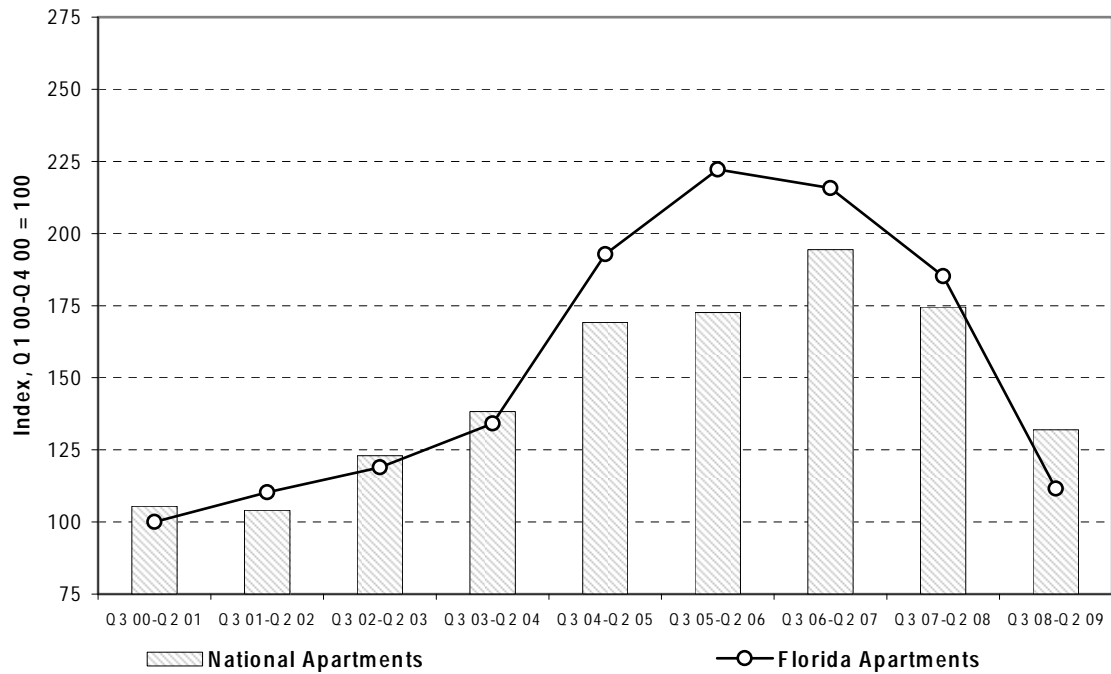
Based on data through June 2009, or end of 2nd quarter.

Figure 16
Moody's/REAL CPPI: Major Office Markets Indices



Based on data through June 2009, or end of 2nd quarter.

Figure 17
Moody's/REAL CPPI: Florida Apartment Index



Based on data through June 2009, or end of 2nd quarter.

SF182118

CREDIT RATINGS ARE MIS'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

© Copyright 2009, Moody's Investors Service, Inc. and/or its licensors and affiliates (together, "**MOODY'S**"). All rights reserved. **ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.** All information contained herein is obtained by **MOODY'S** from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and **MOODY'S**, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall **MOODY'S** have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of **MOODY'S** or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if **MOODY'S** is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. **NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.** Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by **MOODY'S** have, prior to assignment of any rating, agreed to pay to **MOODY'S** for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody's.com under the heading "Shareholder Relations – Corporate Governance – Director and Shareholder Affiliation Policy."