

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

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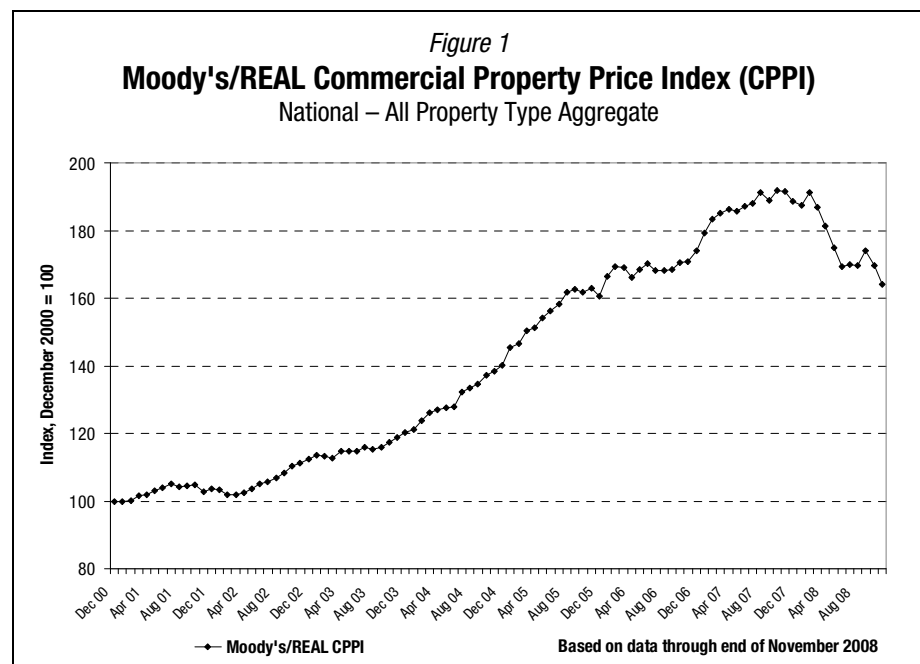
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OVERVIEW

In this report, the Moody's/REAL National All Property Type Aggregate Index for November measures 164.00, a decrease of 3.4% from the previous month. The index now stands 14.3% below the level seen a year ago, and is 14.5% below the peak measured in October 2007. The index is 4.0% lower than it was two years ago. This report is based on data through the end of November.



Moody's Investors Service

January 16, 2009

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	164.00	-3.4%	-14.3%	-4.0%
	Current Index ^Q	1 Quarter Earlier	1 Year Earlier	2 Years Earlier
National - Apartments	178.57	2.3%	-7.2%	2.5%
National - Industrial	171.37	0.4	-10.1	0.6
National - Office	162.08	-1.0	-8.3	3.5
National - Retail	175.84	0.1	-9.9	-4.5
Top Ten MSAs ¹ - Apartments	212.35	0.5	-4.7	7.5
Top Ten MSAs- Industrial	189.18	0.9	-4.4	4.3
Top Ten MSAs- Office	170.00	2.2	-0.6	7.9
Top Ten MSAs- Retail	188.01	0.4	-4.3	5.2
West - Apartments	180.72	2.9	-5.6	4.5
West - Industrial	174.50	2.1	-3.3	7.0
West - Office	155.20	-5.5	-10.6	7.8
West - Retail	186.25	-1.4	-6.2	-3.2
	Current Index ^A	1 Year Earlier	2 Years Earlier	
East – Apartments	196.72	-10.3%	2.3%	
East – Industrial	180.34	-2.9	7.1	
East – Office	183.26	-5.3	9.9	
East – Retail	197.36	-6.3	4.9	
South – Apartments	160.59	-3.2	0.8	
South – Industrial	173.65	-10.9	-2.1	
South – Office	175.16	-3.1	0.1	
South – Retail	171.48	-7.3	0.9	
So. California – Apartments	208.24	-8.0	-0.4	
So. California – Industrial	207.05	-6.2	9.1	
So. California – Office	194.04	-6.7	8.3	
So. California – Retail	219.51	-3.3	0.8	
New York – Office	228.02	-1.9	17.5	
San Francisco – Office	130.79	-4.8	12.7	
Washington DC – Office	190.58	-1.9	9.0	
Florida – Apartments	204.19	-7.4	-10.2	
M	Monthly series. Most recent data is through November 30, 2008.			
Q	Quarterly series. Most recent data is through the end of the 3rd quarter 2008. Analysis is based on data from that 3rd 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 3rd quarter 2008. Analysis is based on data from four quarters (4Q07, 1Q08, 2Q08, and 3Q08). Given that the measure is of a rolling four-quarter period, data as of the end of the 3rd quarter can not 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 Moody's/REAL CPPI measured a 3.4% decrease in commercial property prices in the month of November, the second largest one-month drop in the history of the index. The index stands 14.5% below the peak of October 2007.
- After experiencing four consecutive months of significant declines in value, the index spent the last three months hovering 11.5% below the peak. It appears the CPPI has resumed the downward trend it began a year ago.
- Transaction volume dipped below 100 repeat-sales in November, for the first time since mid-2004.

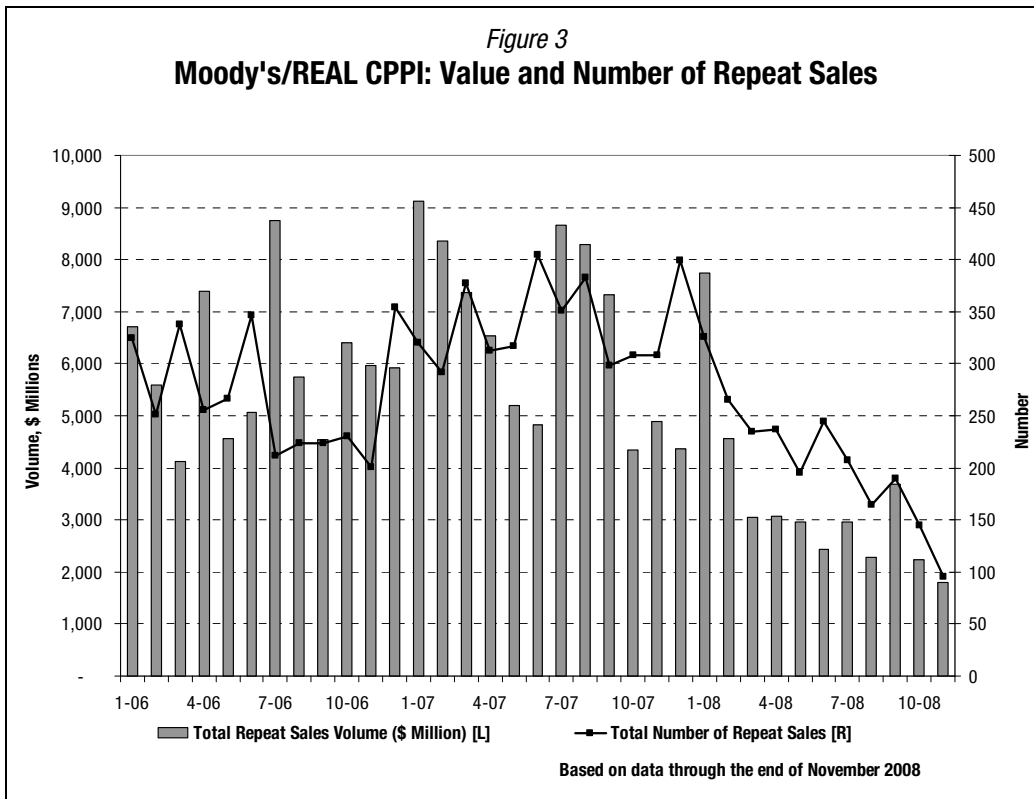
¹ A summary or short version of the repeat sales methodology is available in a Moody's Special Report. [US CMBS: Moody's Publishes the First Commercial Property Price Indices Based on Commercial Real Estate Repeat Sales Data](#). Sept. 19, 2007. This is available on Moodys.com > Structured Finance > 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 RESUMES DOWNWARD TREND

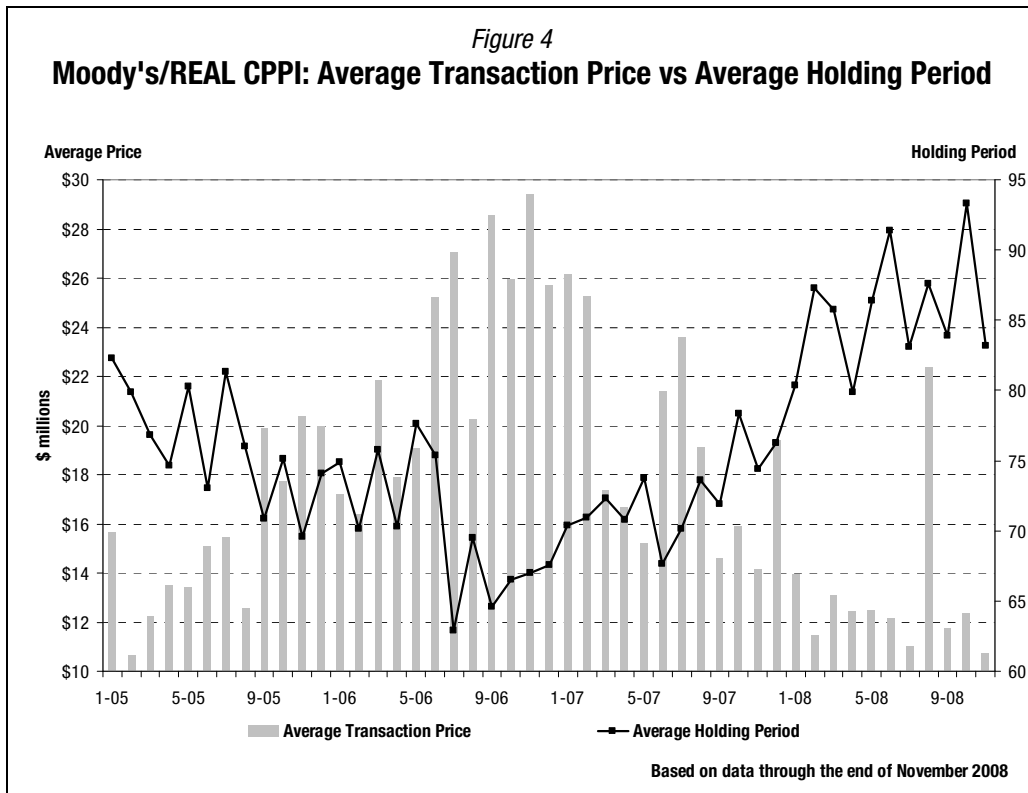
The National – All Property Type Aggregate is a monthly series, and this report is based on data through November 30, 2008. Refer back to *Figure 1*, page 1.

The November drop in value puts prices back to levels seen in the beginning of 2006. After a few months of virtually no movement in prices, the index has resumed the downward trend it began in November of 2007. This month's decrease in value of 3.4% is the second biggest drop since the inception of the index (prices declined 3.5% in May 2008).

Transaction volume continues to suffer in this environment of constrained liquidity. For the first time since mid-2004, the number of repeat sales has dipped below 100 in the month of November. Nevertheless, repeat sales volume well exceeds the minimum threshold required to calculate the index.



Over the past year, with both values and transaction volume dropping, the average transaction price has also declined. Repeat sales activity has moved away from high end and trophy assets in favor of lower priced, bread and butter assets (see *Figure 4*).



In addition, the average holding period has grown from a low of five and a quarter years in July 2006 to an average holding period of over seven years in 2008. The average transaction price, which peaked at over \$29 million at the end of 2006, has averaged slightly more than \$13 million in 2008.

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 (*Figures 5, 6, and 7*).
- 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 8 – 15*).

APPENDIX

Figure 5
CPPI: Report Release Cycle, 2009

	JANUARY	FEBRUARY	MARCH
	Jan. 20, 2009	Feb. 19, 2009	March 19, 2009
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:		4th Quarter	4th Quarter
Based on data through:		December 31	December 31
	APRIL	MAY	JUNE
	April 20, 2009	May 19, 2009	June 22, 2009
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:		1st Quarter	1st Quarter
Based on data through:		March 31	March 31
	JULY	AUGUST	SEPTEMBER
	July 20, 2009	Aug. 19, 2009	Sept. 21, 2009
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:		2nd Quarter	2nd Quarter
Based on data through:		June 30	June 30
	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:		3rd Quarter	3rd Quarter
Based on data through:		September 30	September 30

Figure 6

(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 7

(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	

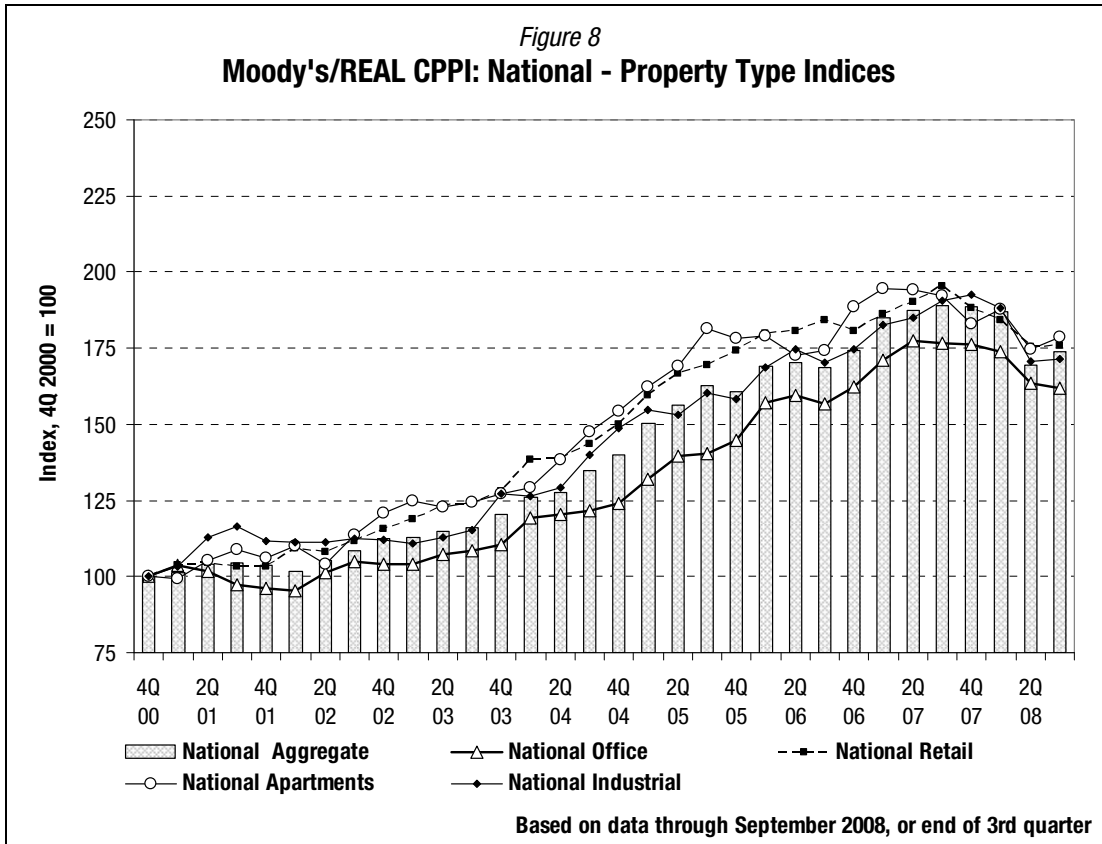


Figure 9
Moody's/REAL CPPI: Top Ten MSAs -- Property Type Indices

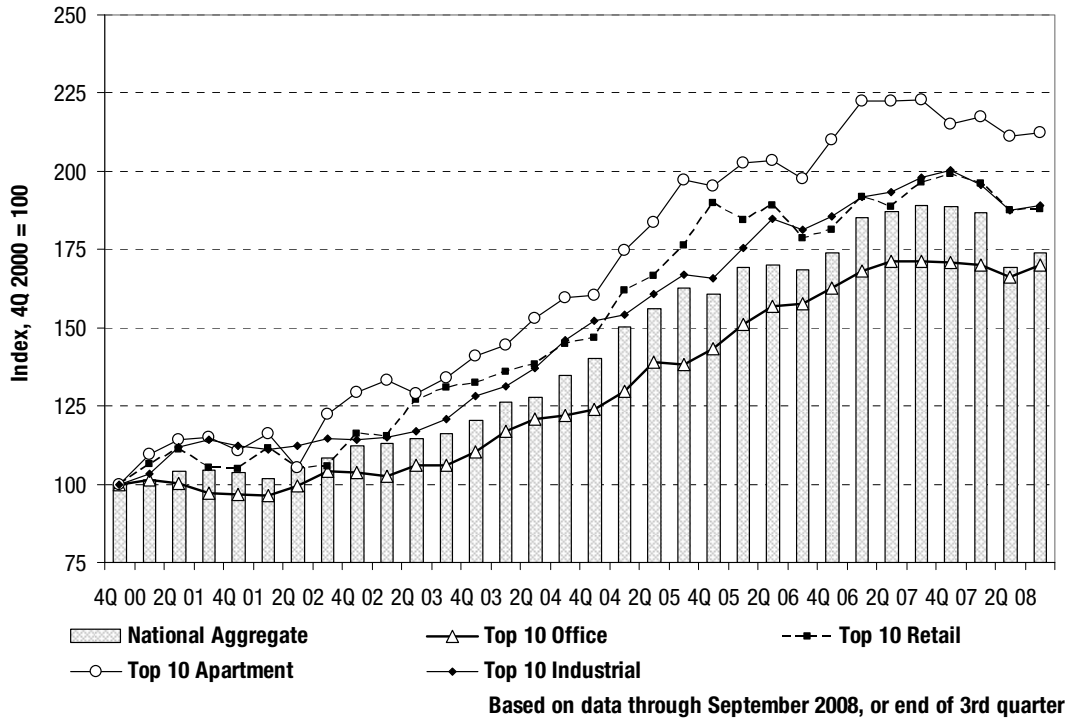


Figure 10
Moody's/REAL CPPI: West -- Property Type Indices

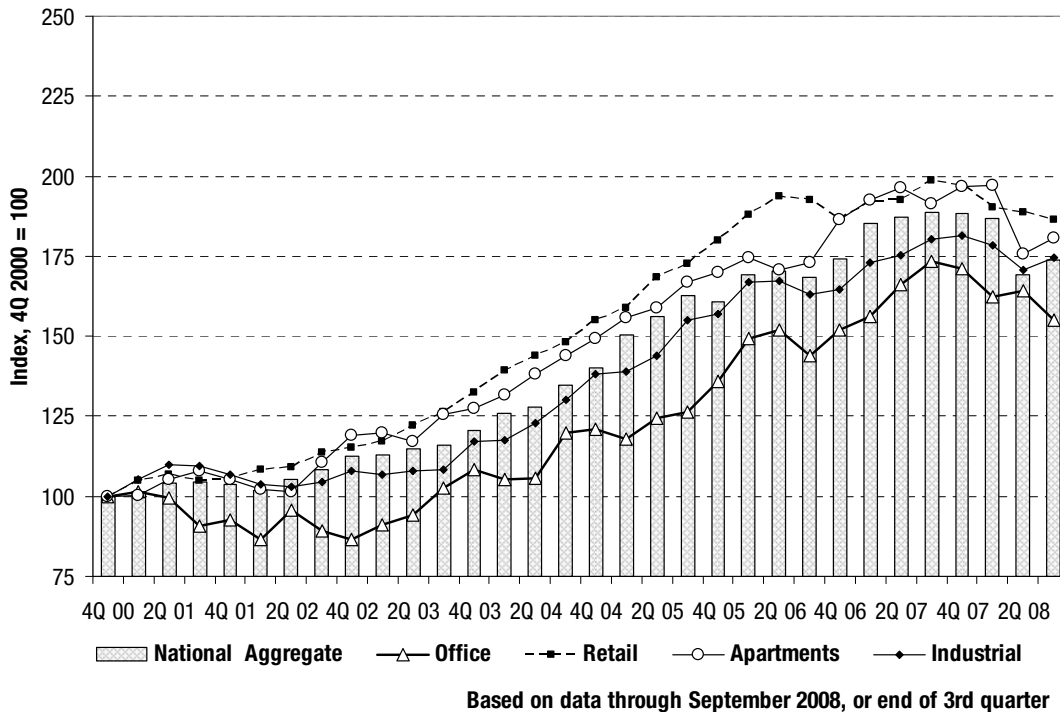


Figure 11
Moody's/REAL CPPI: East -- Property Type Indices

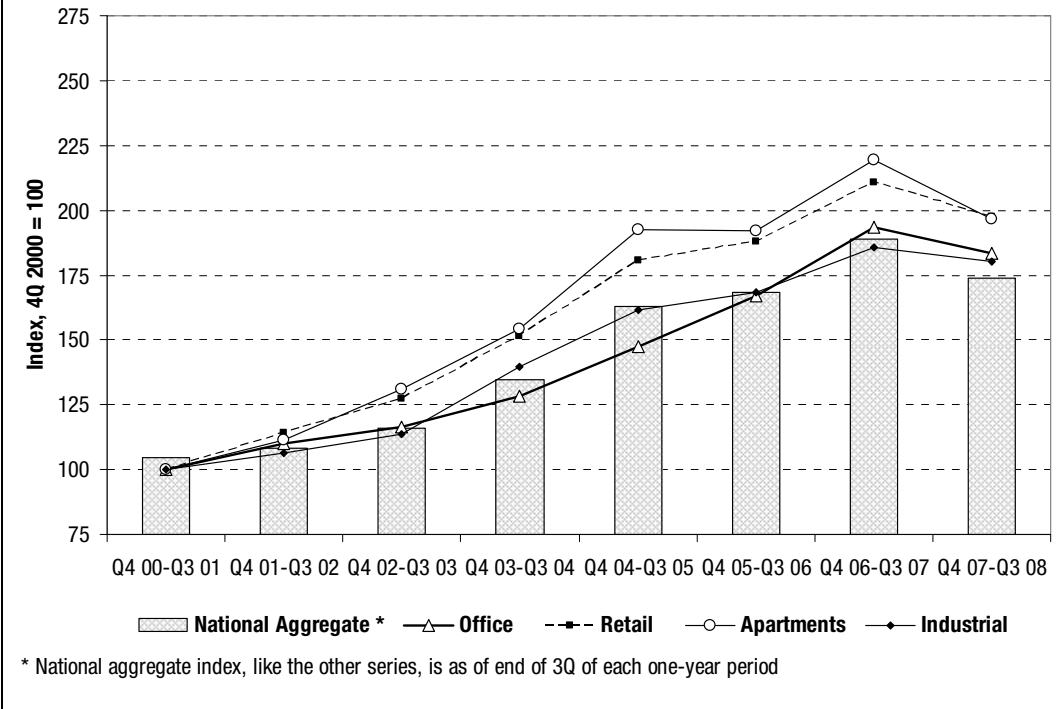


Figure 12
Moody's/REAL CPPI: South -- Property Type Indices

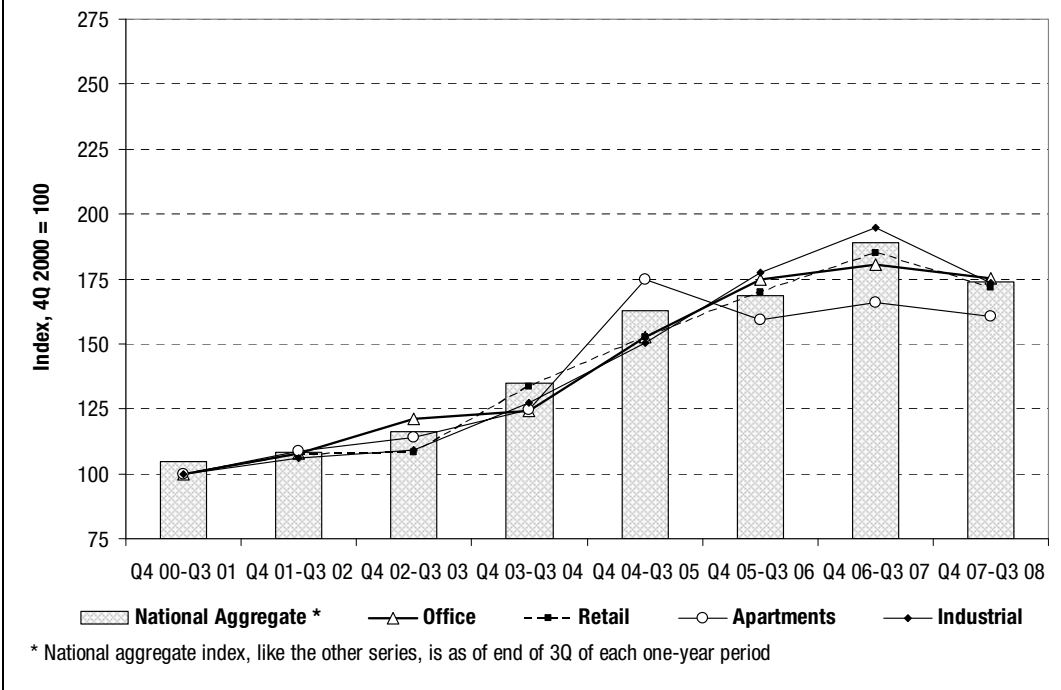


Figure 13
Moody's/REAL CPPI: Southern California -- Property Type Indices

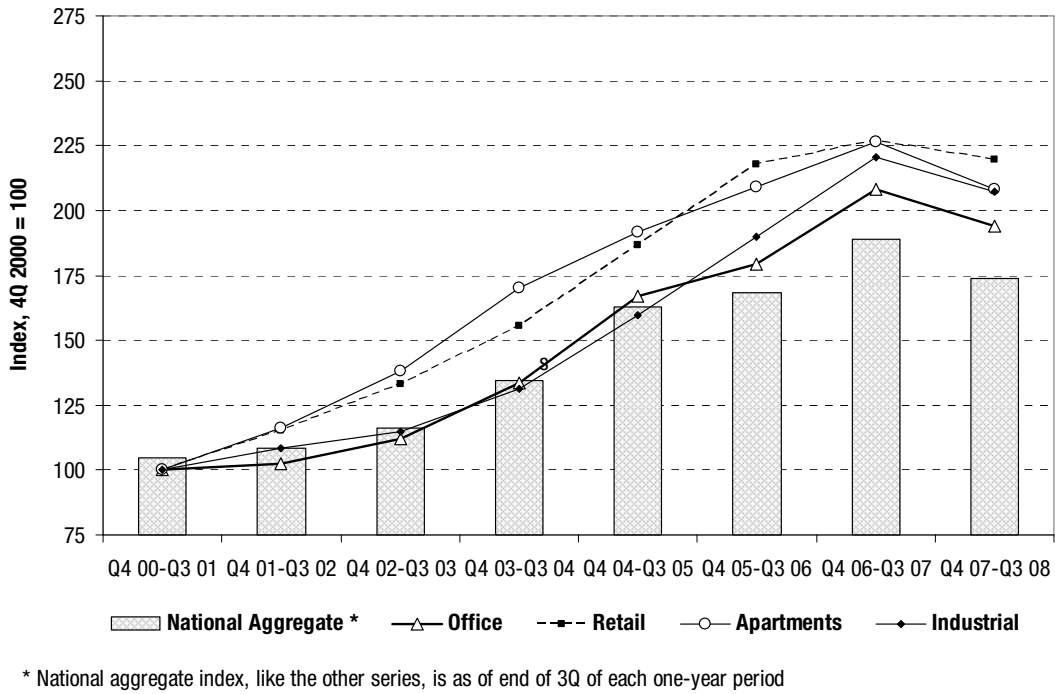


Figure 14
Moody's/REAL CPPI: Major Office Markets Indices

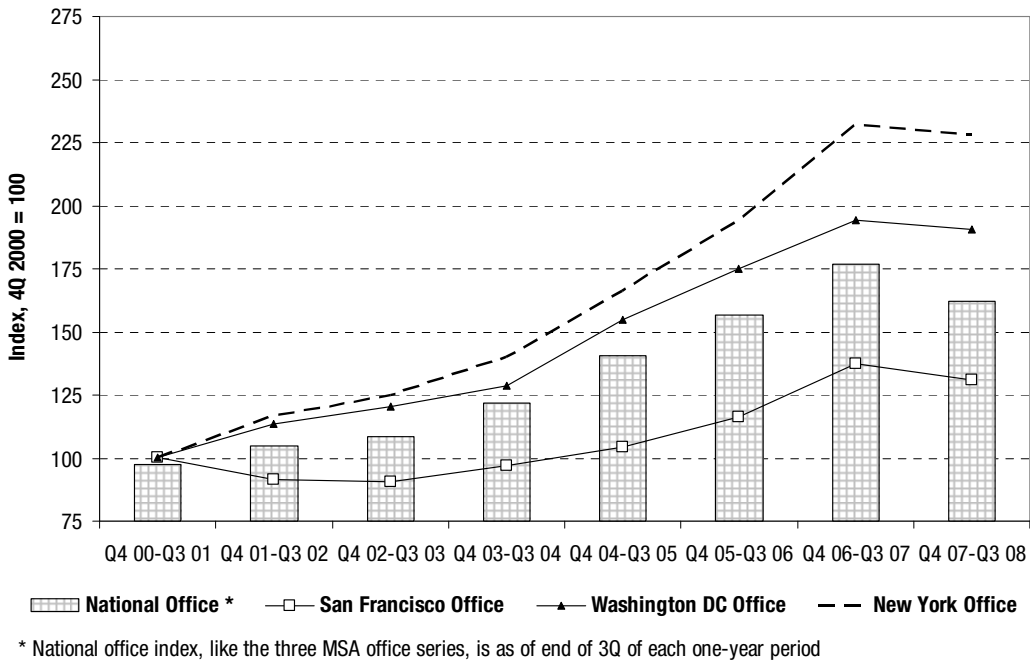
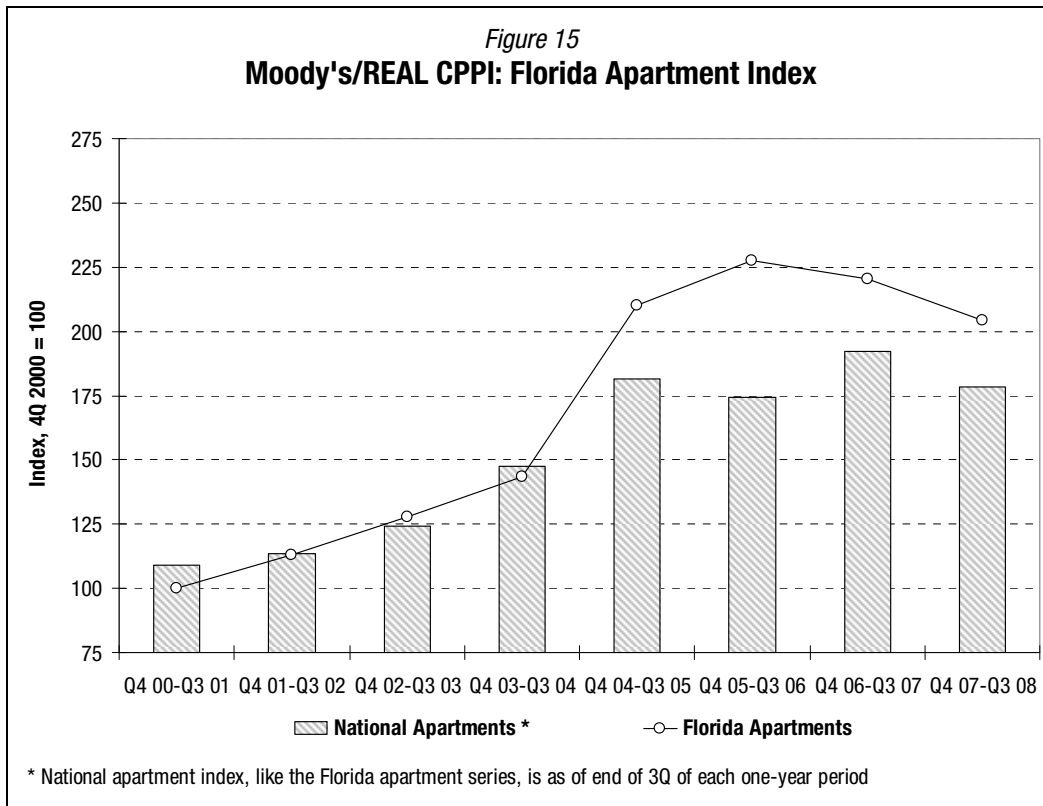


Figure 15
Moody's/REAL CPPI: Florida Apartment Index



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