Moody's/REAL Commercial Property Price Indices, March 2008

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OVERVIEW

For the third month in a row, the Moody's/REAL Commercial Property Price Index (CPPI) declined in January from the previous month, by 0.6%. The index is now approximately 2.4% below the peak of October 2007.

Figure 1

Moody's/REAL National - All Property Aggregate
National -- All Property Type Aggregate

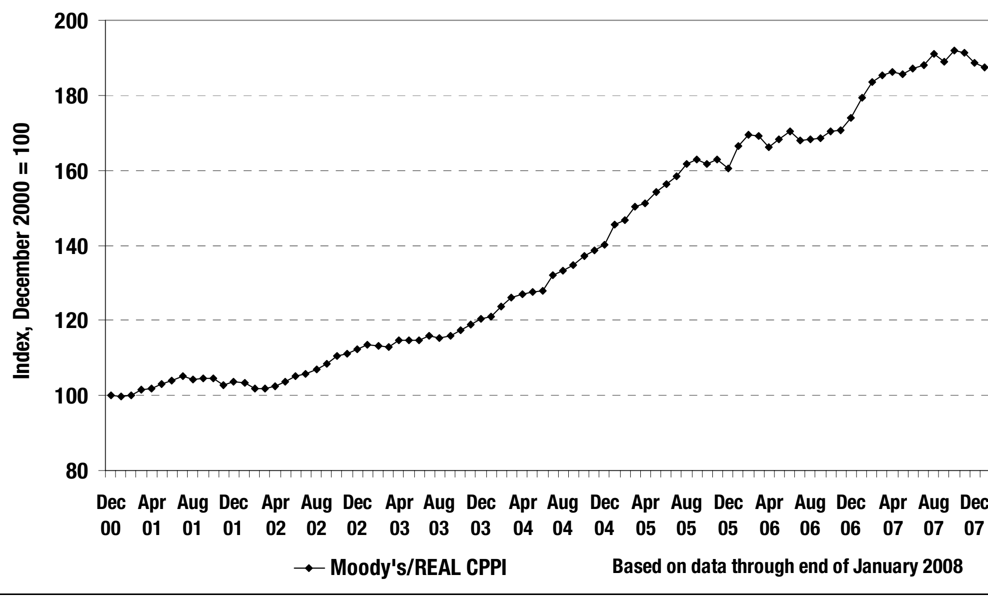


Figure 2

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

New This Period: National All Property Type Aggregate

Repeated: National - Four Property Types
Top 10 MSAs - Four Property Types
West - Four Property Types

New This Period: 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	**187.31**	**-0.6%**	**4.5%**	**12.5%**

	Current Index[Q]	1 Quarter Earlier	1 Year Earlier	2 Years Earlier
National - Apartments	182.96	-4.9%	-2.9%	2.6%
National - Industrial	192.51	1.0	10.2	21.7
National - Office	176.07	-0.4	8.6	21.7
National - Retail	188.31	-3.5	4.3	8.1
Top 10 MSAs[1] - Apartments	214.98	-3.5	2.3	10.1
Top 10 MSAs - Industrial	200.32	1.2	7.9	21.8
Top 10 MSAs - Office	171.01	0.0	5.1	19.4
Top 10 MSAs - Retail	199.04	1.3	9.7	4.9
West - Apartments	196.67	2.8	5.5	15.6
West - Industrial	181.39	0.6	10.3	15.5
West - Office	171.01	-1.5	12.5	25.9
West - Retail	197.10	-0.8	5.8	9.4

	Current Index[A]	1 Year Earlier	2 Years Earlier
East - Apartments	229.79	6.7%	8.1%
East - Industrial	192.29	9.3	18.5
East - Office	194.43	10.4	28.1
East - Retail	236.63	11.8	17.8
South - Apartments	160.40	-3.1	-11.6
South - Industrial	207.19	13.9	32.2
South - Office	179.80	7.8	14.3
South - Retail	198.38	9.8	15.8
So. California - Apartments	248.17	5.4	8.1
So. California - Industrial	213.74	13.6	30.2
So. California - Office	203.61	12.8	19.8
So. California - Retail	244.98	12.6	15.5
New York - Office	235.93	10.6	32.7
San Francisco - Office	135.96	10.7	22.0
Washington DC - Office	191.66	6.0	16.3
Florida - Apartments	209.82	-3.3	-5.7

M Monthly series. Most recent data is through Jan. 31, 2008.
Q Quarterly series. Most recent data is through the end of the 4th quarter 2007. Analysis is based on data from that 4th 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 4th quarter 2007. Analysis is based on data from four quarters (1Q07, 2Q07, 3Q07, and 4Q07). Given that the measure is of a rolling four-quarter period, data as of the end of the 4th quarter can not be compared with that from the end of the previous quarter.

Notable Observations and Themes

- Several market factors might be slowing down the recognition of falling prices. For example, the repeat sales that are executed could represent the winners of the market, and assumable CMBS loans inherently hold on to value driven by financing.
- The holding period between repeat sales has extended over the last 18 months. Slightly longer holding periods mean more accumulated price appreciation, and assets held longer might be easier to finance and sell.
- Quarterly and annual sub-indices continue to experience more than enough repeat sales to support index calculation. Transaction volume for the monthly index, detailed in last month's report, also continues to be many multiples of that required to support the index.
- In the East, apartments and retail continue to outperform their national aggregate counterparts.
- In the South, however, the apartment sector is languishing even more than at the national level, pulled down by Florida in particular.
- Southern California retains its momentum as all four major property types saw prices increase by more than the nation.
- Of the three major office markets for which a sub-index can be calculated, growth in Washington DC is cooling a bit. San Francisco matches New York in price growth but is experiencing some slowdown in transaction activity. Both prices and volume remain hearty in New York.

Factors That Might Prevent the Market From Recognizing Softness

Although the aggregate Moody's/REAL CPPI has fallen off from the peak three months ago, some anecdotal impressions would suggest even steeper price drops in the last few months than the index has actually registered. In fact, a few factors might be having some lingering impact on transactions and in effect "prop up" prices temporarily, delaying full price recognition.

- Sales that are actually occurring are disproportionately among the winners (i.e., those assets with more appreciation and better cash flow fundamentals), as the losers languish without funding.
- Most CMBS loans are assumable, and when existing loans can be assumed by new borrowers, the net effect is to bolster value. Existing loans with favorable coupons, loan terms, and leverage in fact have value.
- The terms of a commercial real estate sale are often determined 30, 60, or 90 days in advance of the actual closing. Completed transactions that are recorded therefore inherently reflect the credit environment of a few months earlier.

NATIONAL - ALL PROPERTY TYPE AGGREGATE INDEX DECLINES FOR THIRD CONSECUTIVE MONTH

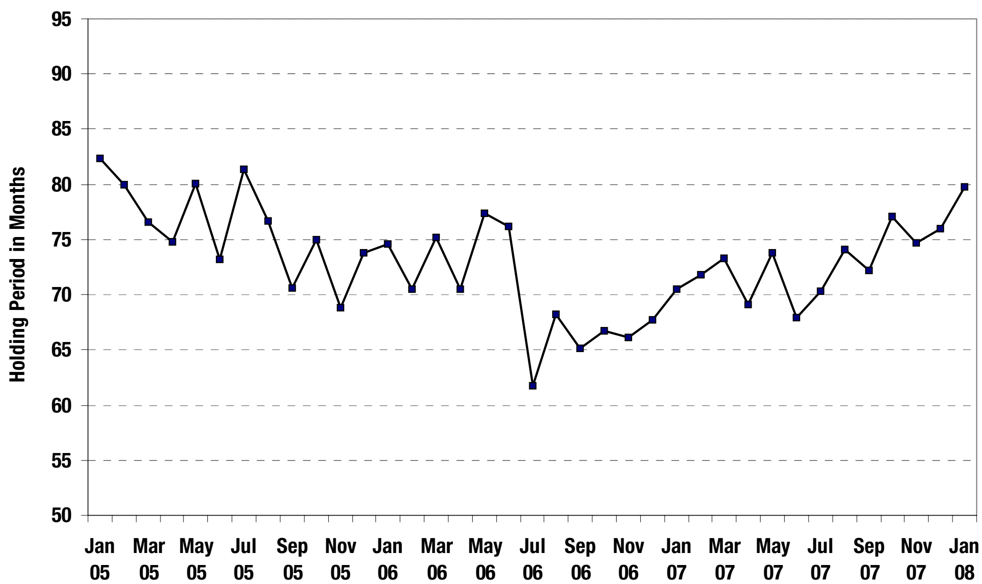
The Moody's/REAL CPPI measures the change in actual transaction prices for commercial real estate assets based on the repeat sales *of the same assets* at different points in time.[1] The National - All Property Type Aggregate is a monthly series, and in this March report, based on data through Jan. 31, 2008, the Moody's/REAL index measures 187.31, down by 0.6% from the month before (refer back to *Figure 1*, page 1).

We anticipated that prices would jump around a bit during this time of transition, albeit with more "down" months than "up" ones. After three consecutive down months, the run-up in prices from the last few years is being eroded or reversed. This month the year-over-year increase in prices was 4.5%, well below the 8.3% annual rate reported last month, and the two-year change in prices of 12.5% is down from the 17.4% measure for the same time frame last month.[2]

Holding Period Between Repeat Sales Extends

The average period of time between each member of the pair of repeat sales has increased over the last 18 months. This extension supports the "harvesting winners" theory, since so far this decade - until last October - more time has equated to more price appreciation. Until mid-2006, the average holding period for assets was a bit over seven years (75 months; see *Figure 3*). However, after a dip in the second half of 2006, the average holding period has been rather steadily increasing, returning to and actually surpassing the previous norm. This could be related to some upward pressure on the price index, in that the loans that can be refinanced - and therefore the properties that can be sold - benefit from even more price appreciation. In fact, the same pattern prevails for all the four major property types, as the holding periods have generally widened from 5-6 years to 6-7 years in the last 18 months for all asset types.

Figure 3
Moody's/REAL CPPI: Holding Period for Monthly Aggregate Index



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.

2 With this report on the January Moody's/REAL CPPI, a refinement in the methodology for calculating the monthly index has been incorporated. In the initial description of the data methodology, we anticipated making enhancements to the index calculation as more data accumulated. A detailed white paper explaining the improvement to the methodology will be available on the web site noted above within the next few weeks. Briefly, the repeat sales methodology now incorporates a second-stage regression that reduces noise inherent in the data without injecting lagging or smoothing into the monthly returns.

SUB-INDICES STILL HAVE A NUMBER OF TRANSACTIONS WELL IN EXCESS OF THE MINIMUM REQUIREMENT

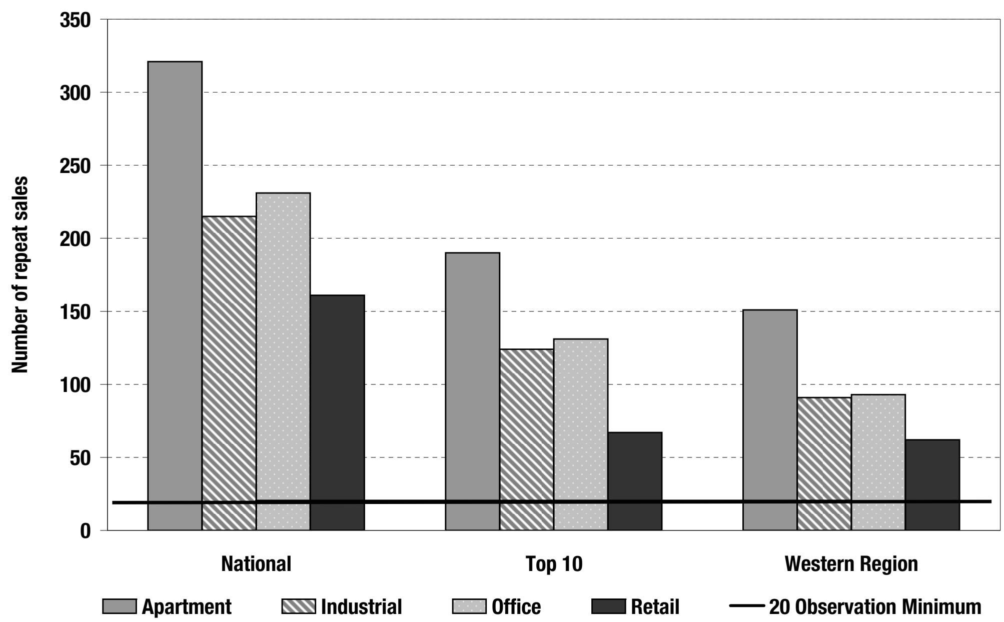
As illustrated in *Figures 4* and *5*, all of the quarterly and annual sub-indices have more than enough transactions as of the end of 2007 to meet the requirements of the repeat sales regression analyses.

The quarterly indices (calculated based on data from the previous quarter) include the following three sets:

- The Nation - Four Property Types
- The Top Ten Cities - Four Property Types
- The Western Region - Four Property Types

These series require 20 observations per quarter per property type to achieve a critical mass for statistically reliable calculation. As of the fourth quarter of 2007, the smallest number of repeat sales were in the retail sector, but even there the number of transactions was approximately three times the required minimum.

Figure 4
Moody's/REAL CPPI Quarterly Indices: Transaction Count for 4th Quarter 2007



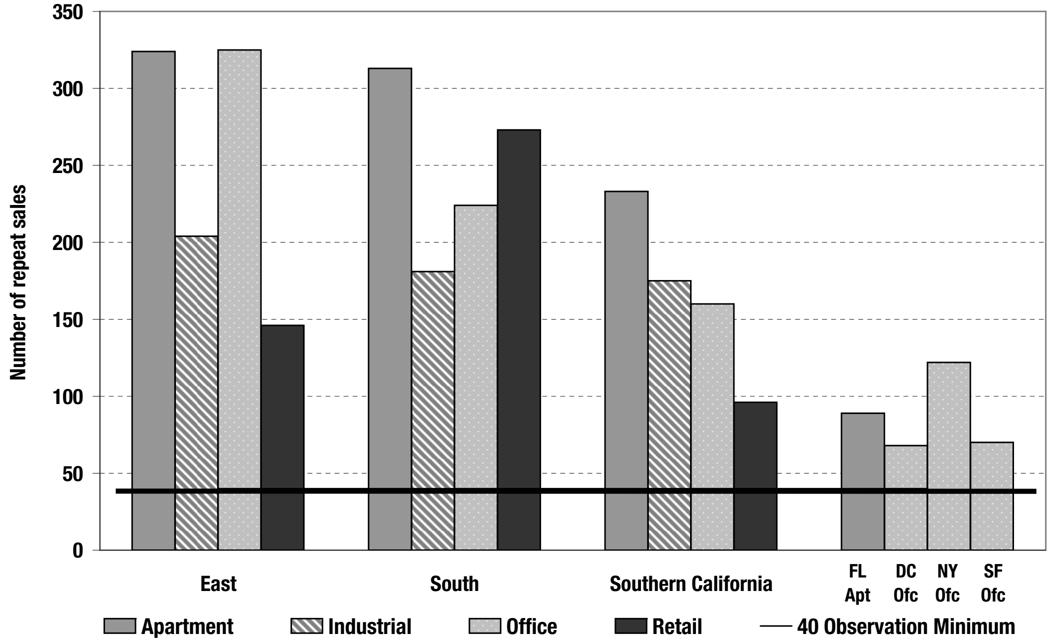
The annual indices (calculated based on data from the previous year but updated each quarter) include the following sets:

- The Eastern Region - Four Property Types
- The Southern Region - Four Property Types
- Southern California - Four Property Types
- Selected Major Office Markets: New York, San Francisco, and Washington DC
- Florida Apartments

These series require 40 observations per year per property type to achieve a critical mass for statistically reliable calculation. As of the fourth quarter of 2007, the fewest repeat sales were tallied in the specific office markets, particularly in San Francisco and Washington DC, but those markets still have 1.5 times the required minimum number of transactions.

Figure 5

Moody's/REAL CPPI Annual Indices: Transaction Count for 2007

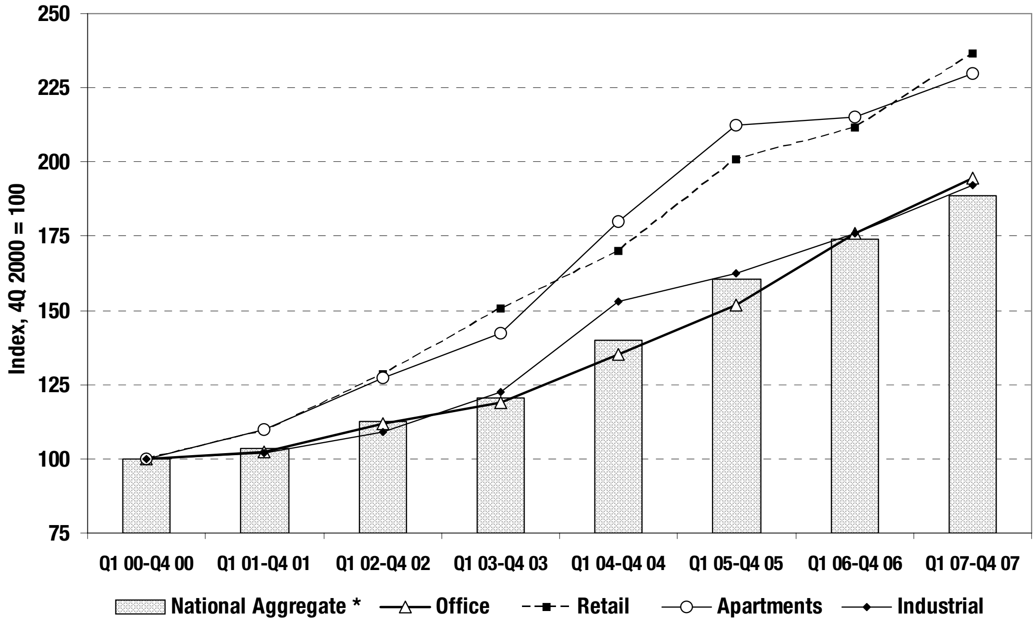


EASTERN REGION - PROPERTY TYPE INDICES: APARTMENTS AND RETAIL CONTINUE TO OUTPERFORM

The Eastern Region - Property Type Indices for the four major property types is an annual series, based on one year of data on a rolling basis and updated each quarter. This index is based on data for the four quarters: 1Q 2007, 2Q 2007, 3Q 2007, and 4Q 2007, thus culminating with data through the end of the fourth quarter of 2007.

Figure 6

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



* National aggregate index, like the other series, is as of end of 4Q of each one-year period.

Three of the four property types in the East outperformed the national aggregate for that asset class over a one-year time horizon. (Changes from the previous quarter are an inappropriate measure in the annual series.)

Retail showed the strongest growth in prices over the last year of 11.8%. Office price growth was a close second with 10.4% appreciation. While apartments saw the smallest increase in prices for the East, that sector brought in the strongest out-performance relative to the national aggregate for the sector. The national apartment market saw a *decrease* of prices of 2.9% over a one-year time horizon, while apartment prices in the East *increased* 6.7%.

The industrial sector in the East was the only property type to lag the national aggregate, albeit very slightly. Eastern industrial saw a healthy 9.3% growth in prices versus national industrial growth of 10.2%.

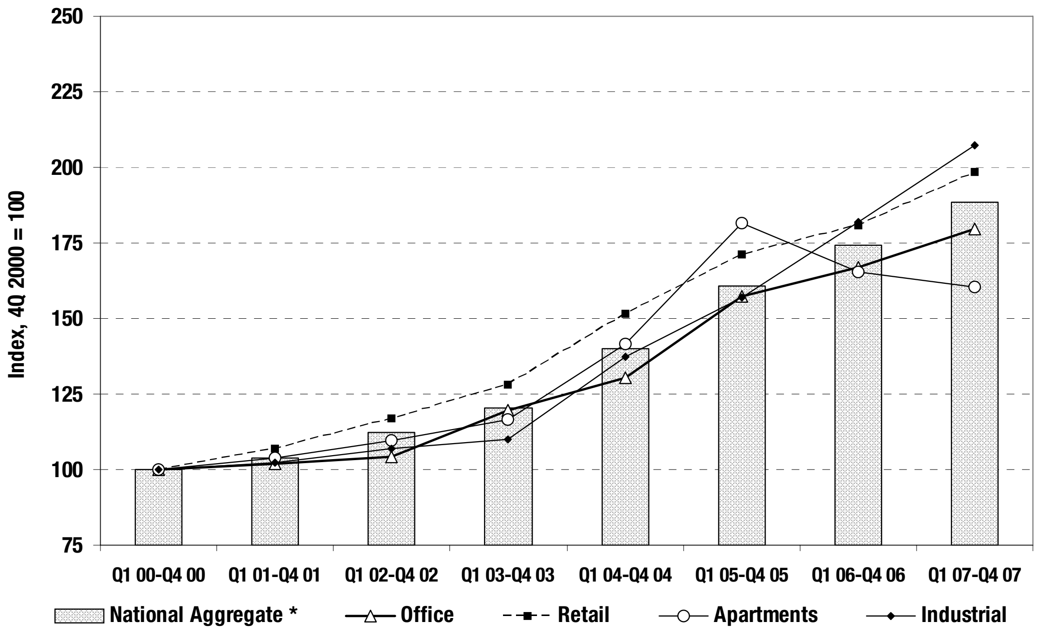
In line with the nation, the East saw increases in the volume of transactions in both apartments and industrial space, and decreases in office and retail properties from the previous quarter. Nonetheless, the data continues to be sufficient to comfortably meet the minimum threshold.

SOUTHERN REGION - PROPERTY TYPE INDICES: APARTMENTS WEAKEN FURTHER

The Southern Region - Property Type Indices for the four major property types is an annual series, based on one year of data on a rolling basis and updated each quarter. This index is based on data for the four quarters: 1Q 2007, 2Q 2007, 3Q 2007, and 4Q 2007, thus culminating with data through the end of the fourth quarter of 2007.

Figure 7

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



* National aggregate index, like the other series, is as of end of 4Q of each one-year period.

The apartment sector in the South continues to weaken. The drop in prices of 3.1% is slightly worse than the national aggregate for that sector, which declined 2.9%. Over a two-year time horizon, the Southern apartment sector has declined 11.6%, compared to +2.6% for the national measure.

The three other property types saw moderate to strong increases in prices, with two of the three, industrial and retail, outpacing the nation. The third, office, was just behind the national aggregate, 7.8% compared to 8.6% for the national office sector.

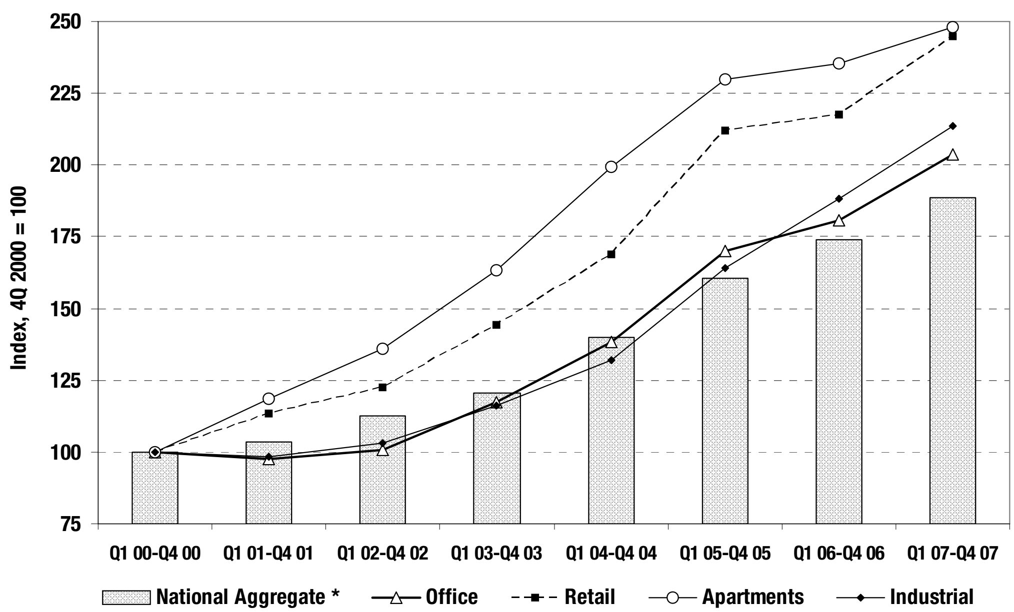
Transaction volume in all four property types in the South fell from last quarter. Three of the four property types showed an increase over the same quarter a year earlier, the exception being office which declined slightly. Transaction volume in the Southern region continues to exceed the minimum threshold.

SOUTHERN CALIFORNIA - PROPERTY TYPE INDICES: ALL PROPERTY TYPES OUTPERFORM THE NATIONAL AGGREGATES

The Southern California - Property Type Indices[3] for the four major property types are also an annual series, based on one year of data on a rolling basis and updated each quarter. This index is based on data for the four quarters: 1Q 2007, 2Q 2007, 3Q 2007, and 4Q 2007, thus culminating with data through the end of the fourth quarter of 2007.

Figure 8

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



*** National aggregate index, like the other series, is as of end of 4Q of each one-year period.**

Southern California property markets have out-performed either the national aggregate or the Top Ten markets in every property type over the last one-year horizon.

The shallowest price increases were in apartments at 5.4% (vs.-2.9% for national apartments). All other asset classes saw prices grow by approximately 13%: industrial, 13.6% (vs. 10.2% for the national industrial sector); office, 12.8% (8.6% nation); and retail, 12.6% (4.3% nation).

Transaction volume was up nearly across the board in 2007 compared to 2006. The largest increase was in the industrial sector, where transactions were more than 50% greater than the year before, whether measured by number (54% greater) or dollar value (89% greater). The increase in transaction volume in apartments was still very robust, with 35%-40% more sales than in the previous year. The office sector also saw an increase in sales activity, albeit by smaller margins, more like 10%-20%. Finally, sales of retail properties are about 30%-35% ahead of last year's pace, but the fourth quarter saw more of a slowdown compared to the same quarter of the previous year in sales of retail properties in dollar terms than in other asset classes.

In short, Southern California seems to be maintaining prices and transaction volumes better than other regions.

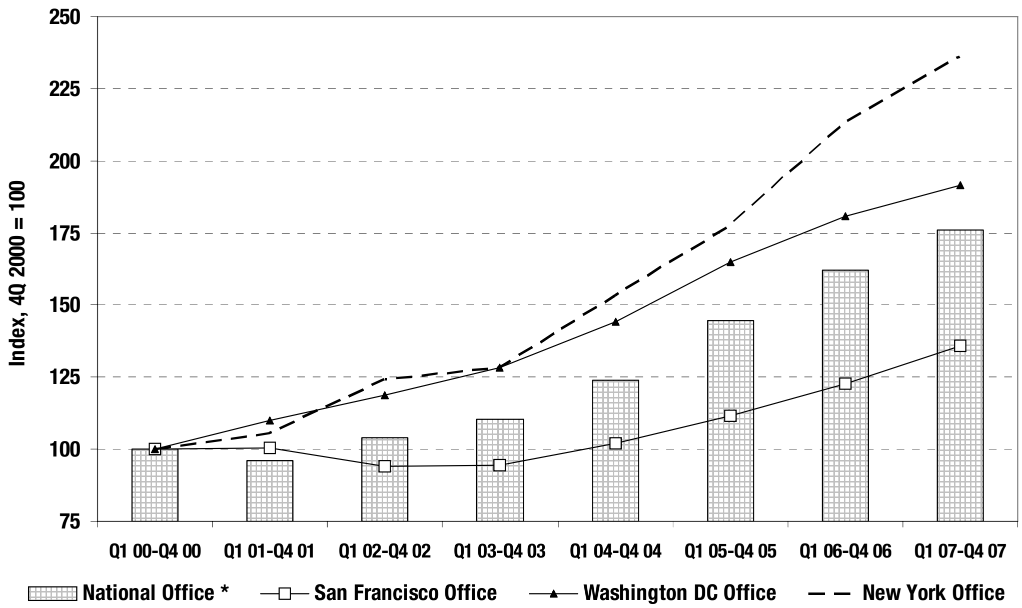
3 The Southern California sub-index is here defined as including four MSAs: Los Angeles, Orange County, Riverside County, and San Diego.

MAJOR OFFICE MARKET INDICES: WASHINGTON DC GROWTH IS COOLING

Three major office markets consistently experience enough transactions to support at least an annual series for each of those cities: New York, San Francisco, and Washington DC. Like the other annual series using data from four quarters 1Q 2007, 2Q 2007, 3Q 2007, and 4Q 2007, this series culminates with data through the end of the fourth quarter of 2007.

Figure 9

Moody's/REAL CPPI: Major Office Markets Indices



* National office index, like the three MSA office series, is as of end of 4Q of each one-year period.

Two of three major office markets continue to outpace national office price gains of 8.6%: New York with 10.6% and San Francisco with 10.7% increase in prices year-over-year. Washington DC is the laggard, where prices are still up, by 6.0%, albeit by a shallower amount than the national aggregate. New York price growth rates started to pull away from Washington DC in 2004 - and have kept on running.

Transaction volume tells the same story. In Washington DC, volume is down between 2006 and 2007, by about 20% (measured by number of transactions) or 30% (measured by total dollar value of transactions). In contrast, sales volume in New York is up approximately 50% year-to-year (40% by number, 60% by dollar value). While San Francisco matched New York's price gains, transaction volume there was up year-over-year but by a smaller margin than in New York.

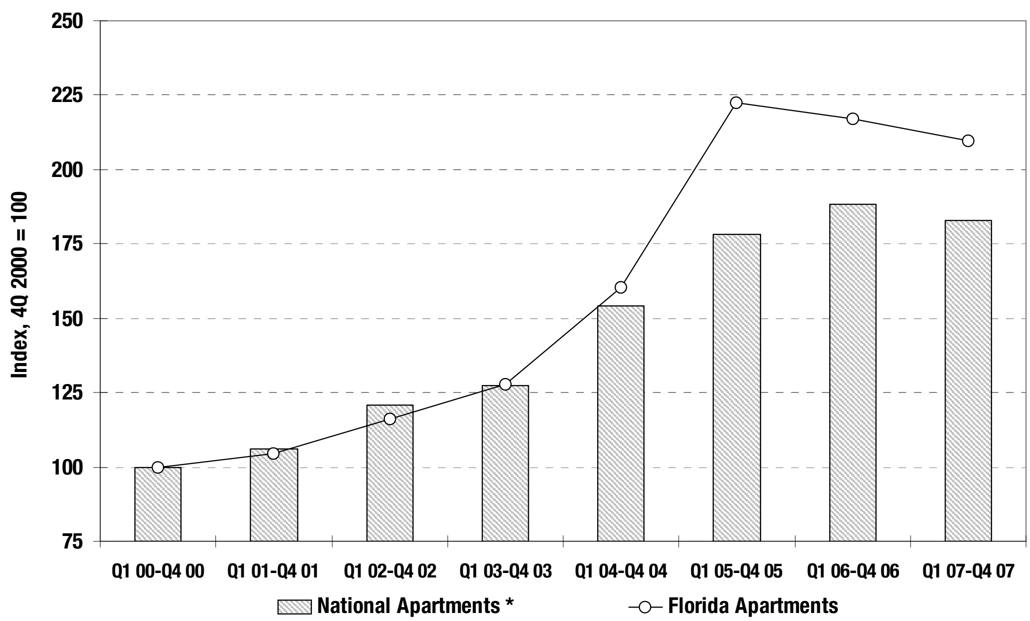
Importantly, all of the major office markets still have at least 1.5 times the number of transactions needed to sustain the index calculation.

FLORIDA - APARTMENT INDEX UNDERPERFORMS THE SOUTH AND THE NATION OVERALL

An aggregation of several Florida MSAs provides a sufficient volume of apartment transactions to support a Florida - Apartment series at least on an annual basis.[4] Like the other annual series using data from a rolling four quarters this series culminates with data through the end of the fourth quarter of 2007.

Figure 10

Moody's/REAL CPPI: Florida Apartment Index



* National apartment index, like the Florida apartment series, is as of end of 4Q of each one-year period.

Florida apartment markets are leading the sector - down. Price declines in Florida apartment markets (-3.3%) are slightly greater than in the South overall (-3.1%), which in turn is somewhat worse than the national apartment sector (-2.9%).

Transaction volume is down in 2007 from the year before, whether measured in numbers (down approximately 25%) or dollar value (down approximately 40%). Nonetheless, even at these reduced levels, the number of sales is still 2.2 times that necessary to calculate the index.

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 for 2008 (*Figures 11*, *12* and *13*).
- Charts for the 12 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 investors' convenience (*Figures 14 - 16*).

4 The Florida Apartment Index is a composite of Orlando, Tampa, and the three metropolitan divisions of the Miami MSA: Fort Lauderdale, Miami, and West Palm Beach.

APPENDIX

Figure 11

CPPI: Report Release Cycle, 2008

	JANUARY	FEBRUARY	MARCH
	Jan. 22, 2008	Feb. 19, 2008	March 19, 2008
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 21, 2008	May 19, 2008	June 19, 2008
Report to be released:	Aggregate	Aggregate	Aggregate
For period:	February	March	April
Based on data through:	February 28/29	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 21, 2008	Aug. 19, 2008	Sept. 22, 2008
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. 20, 2008	Nov. 19, 2008	Dec. 22, 2008
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 12

(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

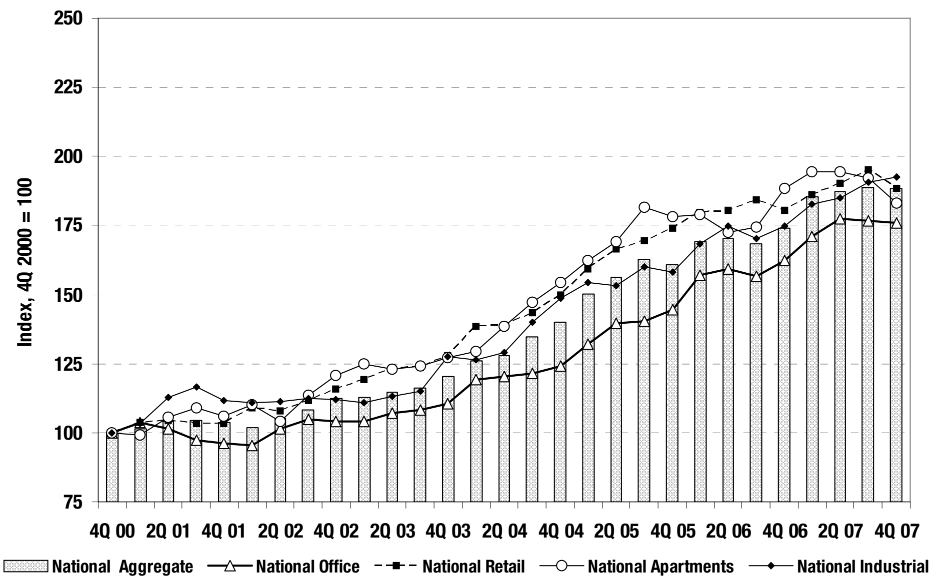
Figure 13

(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 14

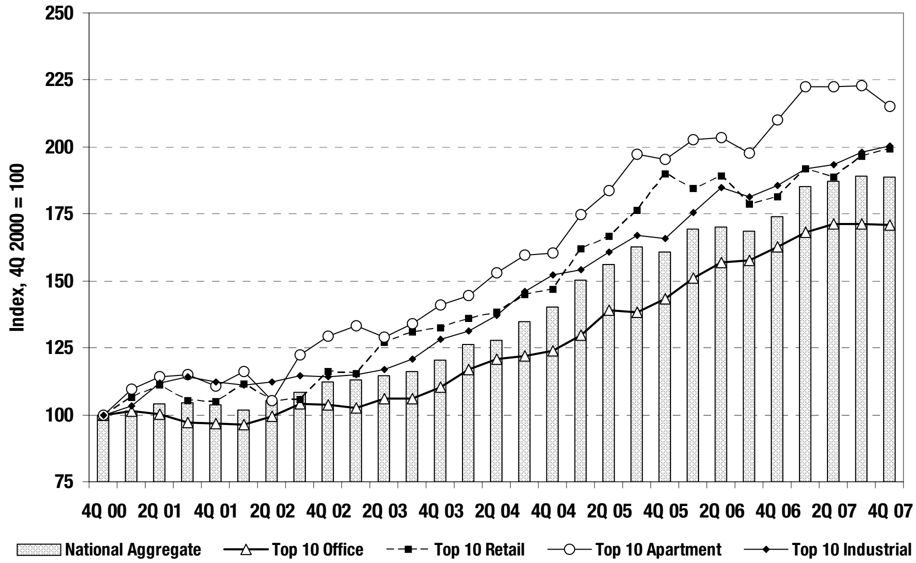
Moody's/REAL CPPI: National -- Property Type Indices



Based on data through December 2007, or end of 4th quarter.

Figure 15

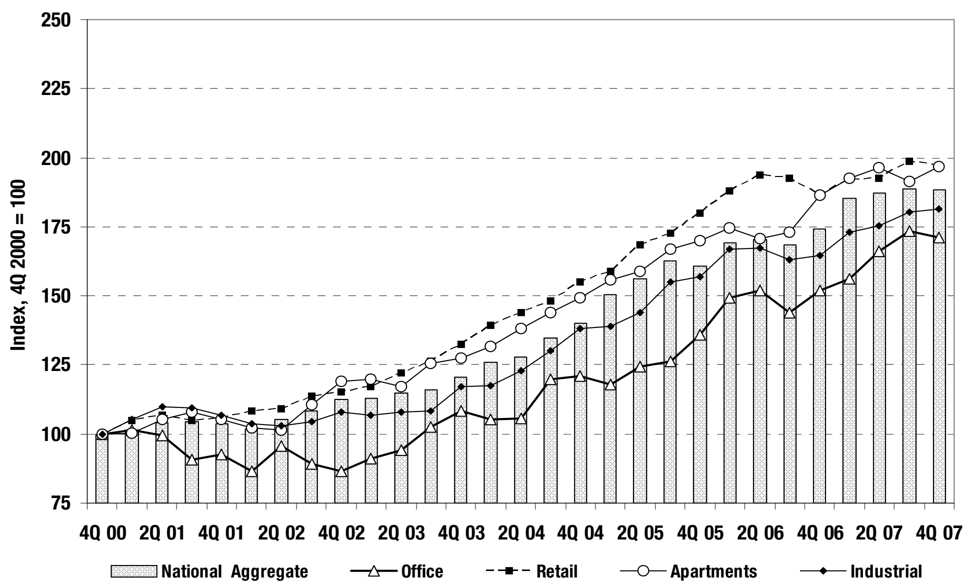
Moody's/REAL CPPI: Top Ten MSAs -- Property Type Indices



Based on data through December 2007, or end of 4th quarter.

Figure 16

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



Based on data through December 2007, or end of 4th quarter.

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