

Moody's/REAL Commercial Property Price Indices, March 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

CONTACT:

Mike DiCristino
Associate Product Strategist
(212) 553-4411
Michael.Dicristino@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: Largest One-Month Decrease Since Index Inception
- Eastern Region – Property Type Indices: Apartment Prices Show Greatest Decline
- Southern Region – Property Type Indices: Industrial the Worst, Apartment the Best
- Southern California Region – Property Type Indices: Office Market is Hardest Hit
- Major Office Market Indices: San Francisco Sees Double Digit Value Decline
- Florida – Apartment Index: Third Straight Year of Falling Values
- Appendix

OVERVIEW

In this report, the Moody's/REAL National All Property Type Aggregate Index for January measures 151.58, a decrease of 5.5% from the previous month. The index now stands 19.1% below the level seen a year ago, and is 21% below the peak measured in October 2007. The index is 15.4% lower than it was two years ago. This report is based on data through the end of January.

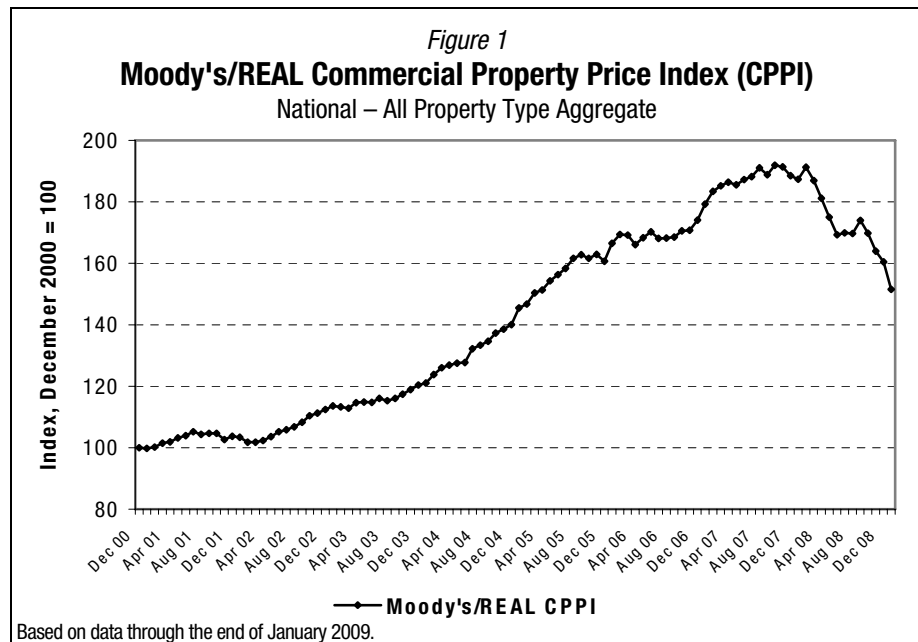


Figure 2
Current Moody's/REAL CPPI and Change from Earlier Periods

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

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	151.58	-5.5%	-19.1%	-15.4%
	Current Index ^Q	1 Quarter Earlier	1 Year Earlier	2 Years Earlier
National - Apartments	158.12	-11.5%	-13.6%	-16.1%
National – Industrial	165.66	-3.3	-13.9	-5.2
National – Office	152.22	-6.1	-13.5	-6.1
National – Retail	172.31	-2.0	-8.5	-4.6
Top Ten MSAs ¹ - Apartments	188.59	-11.2	-12.3	-10.3
Top Ten MSAs- Industrial	186.10	-1.6	-7.1	0.2
Top Ten MSAs- Office	157.66	-7.3	-7.8	-3.1
Top Ten MSAs- Retail	190.98	1.6	-4.1	5.2
West – Apartments	164.50	-9.0	-16.4	-11.7
West – Industrial	179.52	2.9	-1.0	9.2
West – Office	159.25	2.6	-6.9	4.8
West – Retail	187.70	0.8	-4.8	0.8
	Current Index ^A	1 Year Earlier	2 Years Earlier	
East – Apartments	198.35	-13.7%	-7.9%	
East – Industrial	174.79	-9.1	-0.7	
East – Office	169.82	-12.7	-3.6	
East – Retail	218.28	-7.8	3.2	
South – Apartments	151.09	-5.8	-8.7	
South – Industrial	175.07	-15.5	-3.8	
South – Office	161.44	-10.2	-3.2	
South – Retail	181.56	-8.5	0.5	
So. California – Apartments	215.60	-13.1	-8.5	
So. California – Industrial	191.11	-10.6	1.6	
So. California – Office	175.96	-13.6	-2.5	
So. California – Retail	225.32	-8.0	3.6	
New York – Office	218.21	-7.5	2.3	
San Francisco – Office	122.04	-10.2	-0.6	
Washington DC – Office	174.85	-8.8	-3.3	
Florida – Apartments	194.54	-7.3	-10.4	

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

Q Quarterly series. Most recent data is through the end of the 4th quarter 2008. 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 2008. Analysis is based on data from four quarters (1Q08, 2Q08, 3Q08, and 4Q08). 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.

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 measured a 5.5% value decline in January 2009, marking the largest one-month fall since the inception of the index in December 2000.
- Transaction volume has fallen to levels not seen since October 2003.
- Apartment prices saw the largest drop in the eastern region, 13.7%, although all four property types saw significant declines in 2008.
- The industrial sector was the worst performer in the South, with a decline in value of 15.5%.
- Three of the four major property types in Southern California saw double digit value declines in 2008. Retail is the strongest sector in this region, although prices in this sector fell 8.0% over the same time period.
- Of the three major office markets, New York fared the best, with an annual decline in value of 7.5%. Transaction volume in all three cities has fallen significantly.
- Florida apartment prices fell 7.3% in 2008, marking the third straight year of value declines. Prices now stand 12.5% below the peak measured in 2005.

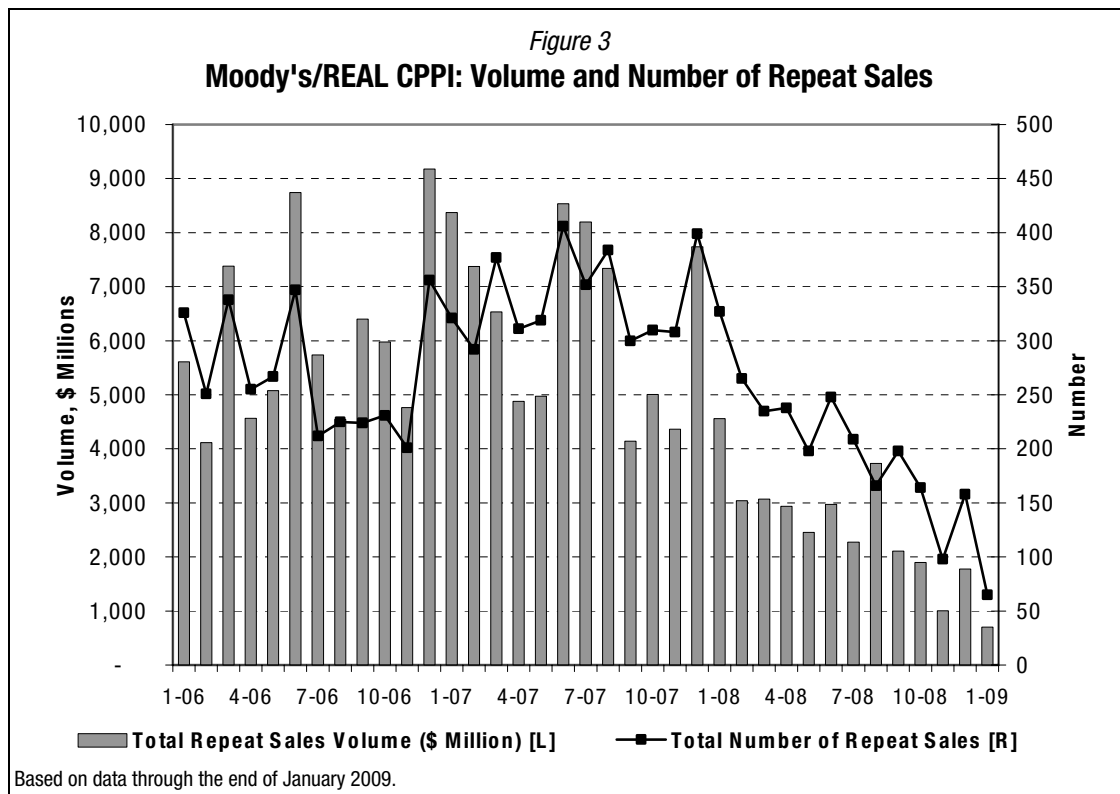
¹ A summary or short version of the repeat sales methodology is available in a Moody's Special Report. [US CMBS: Moody's Publishes the First Commercial Property Price Indices Based on Commercial Real Estate Repeat Sales Data](#). Sept. 19, 2007. This is available on Moodys.com > Structured Finance >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

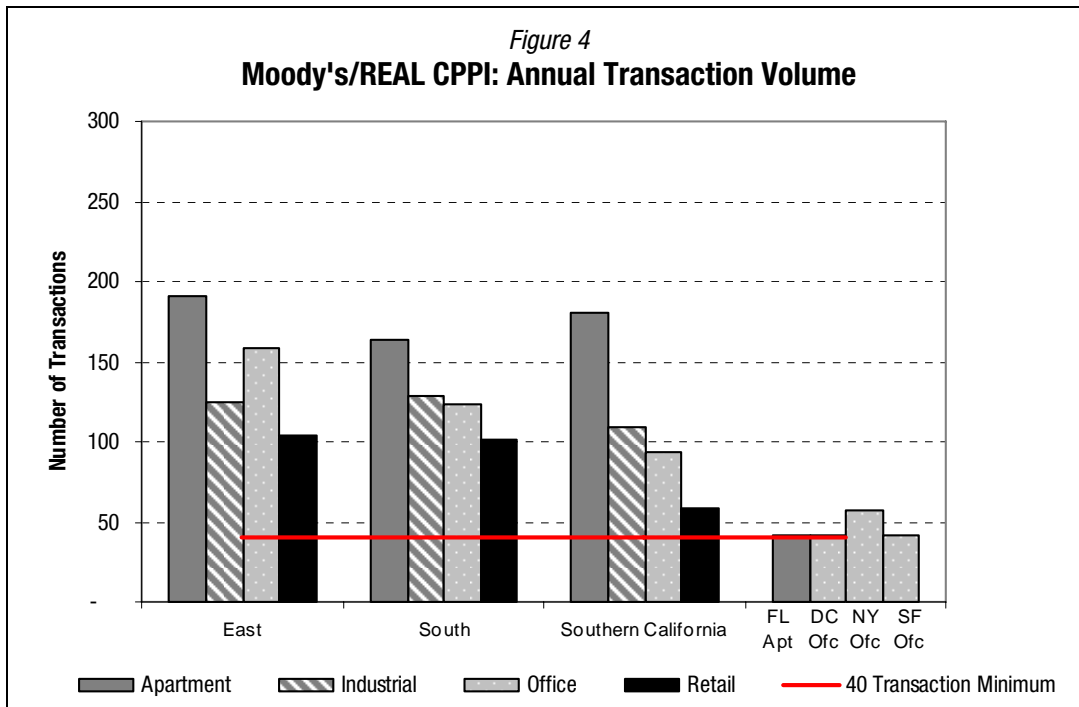
The National – All Property Type Aggregate Index is a monthly series, and this report is based on data through January 31, 2009. Refer back to *Figure 1*, page 1.

Moody's/REAL CPPI experienced a 5.5% value decline in January over the previous month. This represents the single largest one-month drop since the index inception in late 2000. The index now stands 19.1% below the level measured one year ago, and 21.0% below the peak of October 2007. Prices are now nominally at a level last seen in the spring of 2005.

Transaction volume does not appear to have hit bottom yet. The repeat sales count of 65 in the month of January is the lowest measured since October 2003, 60% below December levels (although December monthly levels are typically one of the highest for the year), and 80% below the level measured one year ago.



Repeat-sales volume has become a concern in the annual indices. Transaction activity has fallen steadily in the sub-indices over the last twelve to eighteen months, and in some cases is now approaching the 40 repeat-sales minimum necessary for calculating an annual index.

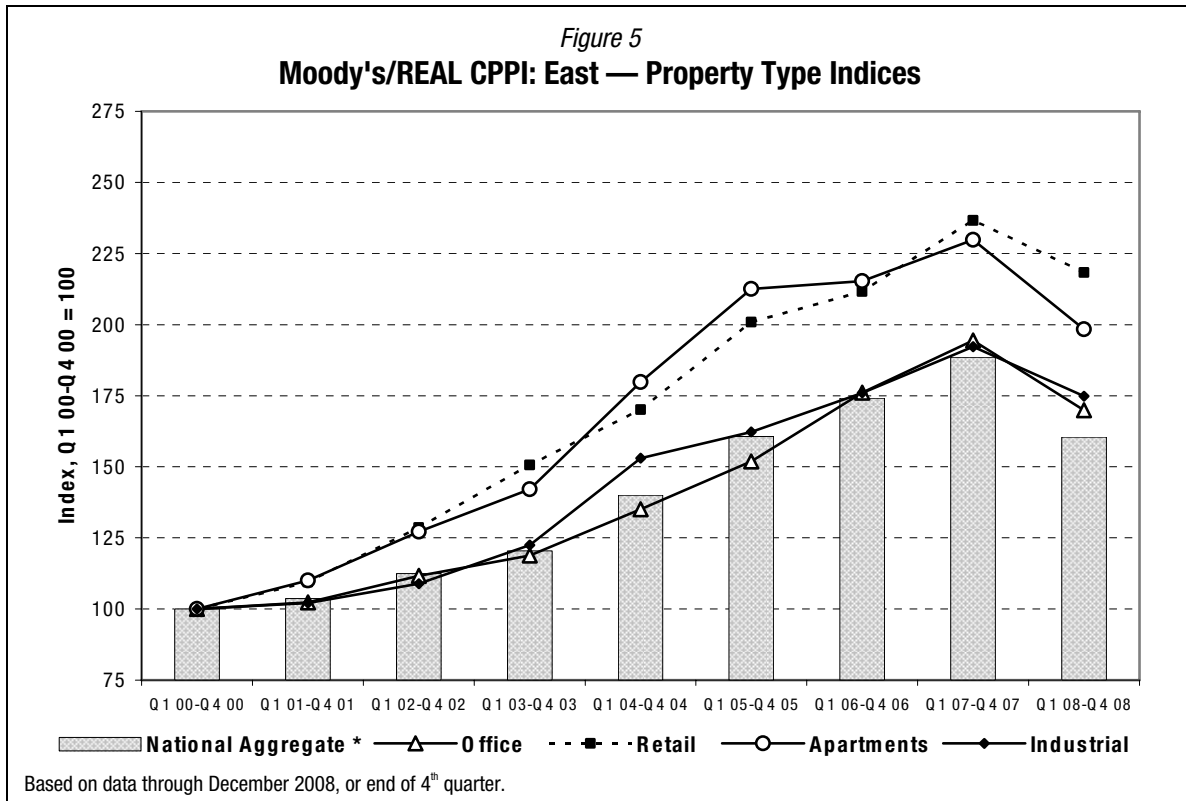


EASTERN REGION – PROPERTY TYPE INDICES: APARTMENT PRICES SHOW GREATEST DECLINE

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 2008, 2Q 2008, 3Q 2008, and 4Q 2008, thus culminating with data through the end of the fourth quarter of 2008.²

The four property types in the East experienced significant price declines in 2008. Apartments saw the largest decrease of any of the apartment sub-indices, with prices falling 13.7% in 2008 over 2007. This fall in value takes back the gains experienced in 2006 and 2007, putting prices at levels lower than those seen at the end of 2005. Office properties saw the second largest value drop in the eastern region, measuring a decline of 12.7% in 2008.

² As with all the indices, the reported index levels should be interpreted as referring to price levels as of the end of the reported period. Hence, periodic returns refer to changes occurring from the end of the preceding period to the end of the current period. In the case of the annual indices in this report, the annual returns refer to the price changes from the end of 2007 to the end of 2008.



Apartments and offices not only suffered the largest drops in value in the East, they also experienced large declines in transaction volume. Apartments in this region saw transaction activity decrease by 45% as measured by count and 55% as measured by total dollar volume. Offices saw an even larger slowdown, of 50% and 70%, measured by count and dollar volume respectively.

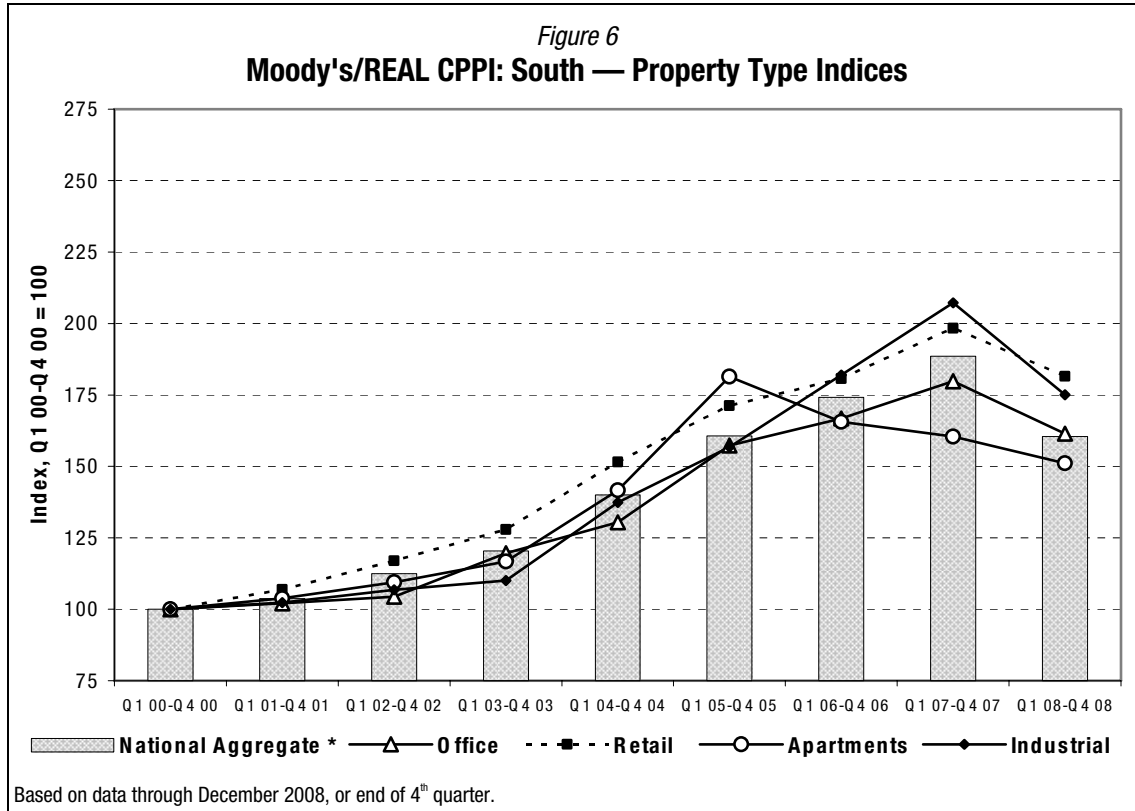
Industrial and retail both saw prices decline in the high single digits. Industrial prices declined 9.1% in the four quarters of 2008 versus 2007. This sets prices back to levels seen at the end of 2006. Retail fared the best of the four property types in this region, with an annual value drop of 7.8%.

Volume was down in these two sectors as well. Industrial transaction activity was down between 40% and 45% in 2008, and retail activity fell between 30% and 35%, as measured by count and dollar volume.

SOUTHERN REGION – PROPERTY TYPE INDICES: INDUSTRIAL THE WORST, APARTMENT THE BEST

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 2008, 2Q 2008, 3Q 2008, and 4Q 2008, thus culminating with data through the end of the fourth quarter of 2008.

The industrial market in the South experienced the largest decrease of any annual index covered in this report. Prices in this sector fell 15.5% in 2008 as compared to 2007. Office was the second worst performer in this region. Values in office properties declined 10.2% from a year ago. Retail prices declined 8.5% over the same time period.



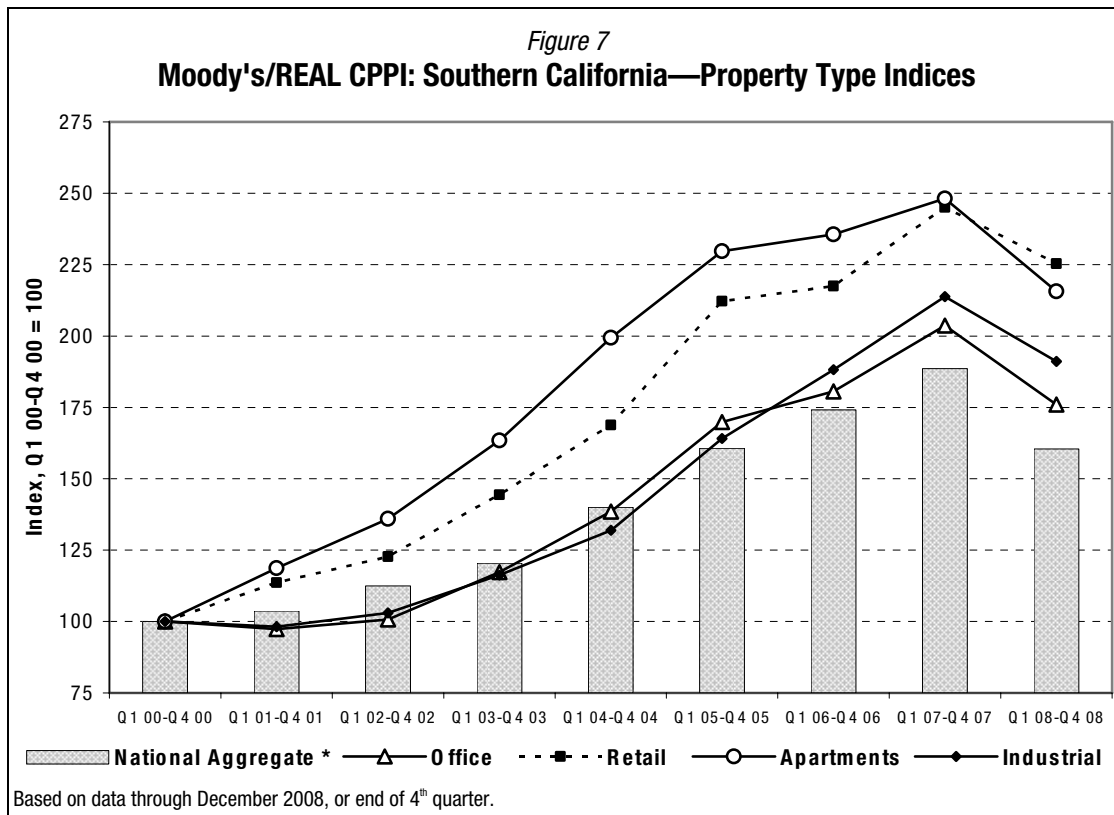
The value decline in the apartment markets was the mildest of the four property types in the South and of any annual index in this report, with a return of -5.8%. However, southern apartments peaked early, and the negative return for 2008 marks the third straight calendar year that the sector has seen prices decline. Over that three year period, southern apartment prices are down 16.7%, which is the largest decline of any sector during that period.

Retail transaction volume dropped the most in 2008, with a decrease of 60% by count and 70% by dollar volume. The fall in transaction activity was roughly equal for apartments and office at 50% by count and 60% by dollar volume. Industrial transaction volume fared the best of this region, down 30% by count and 40% by dollar volume.

SOUTHERN CALIFORNIA – PROPERTY TYPE INDICES: OFFICE MARKET IS HARDEST HIT

The Southern California – Property Type Indices³ 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 2008, 2Q 2008, 3Q 2008, and 4Q 2008, thus culminating with data through the end of the fourth quarter of 2008.

Three of the four major property types in Southern California experienced double digit price declines in 2008. Office properties saw the largest value decline, with a return of -13.6%. Similarly, the apartment sector saw prices drop 13.1% over the same time period. Prices in office properties fared only slightly better, with a decline of 10.6%. Retail properties fared the best, dropping 8.0% in 2008 as compared to 2007.



Transaction volume in Southern California held up better than any other region in this report when measured by count, although two of the property types saw particularly large drops in the dollar volume of sales.

Transaction activity in apartments was down 25% by count, and 55% by dollar volume. Industrial fared relatively well, with a 40% decline in activity, as measured by both count and dollar value.

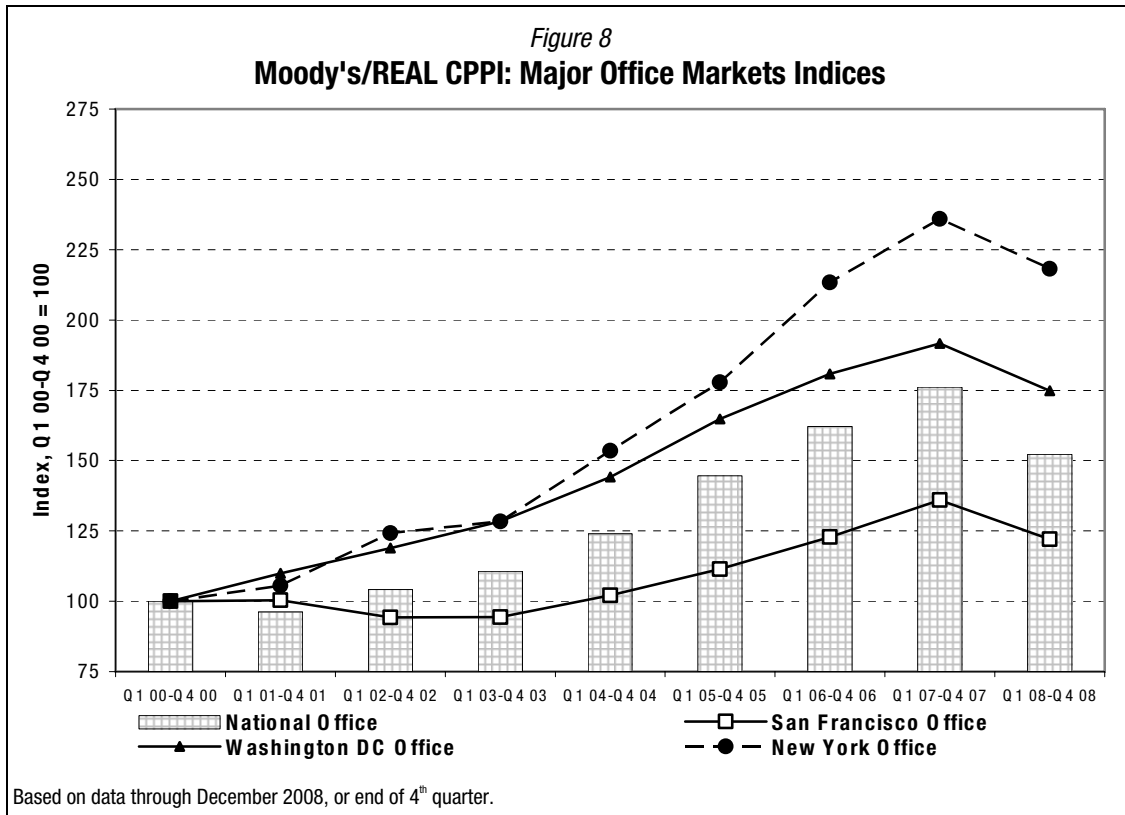
Retail saw a 40% decline in the number of transactions in 2008, and a 70% decline in the dollar value of those transactions. With a 40% drop in the number of repeat-sales office properties sold in 2008, which was associated with a 75% drop in dollar volume, transaction activity in office declined the most in this sector.

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: SAN FRANCISCO SEES A DOUBLE DIGIT VALUE DECLINE

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. This index is based on data for the quarters: 1Q 2008, 2Q 2008, 3Q 2008, and 4Q 2008, thus culminating with data through the end of the fourth quarter of 2008.

All three office market indices experienced significant value declines in 2008, with San Francisco registering a double digit decline of 10.2%. Office prices in San Francisco are now 0.6% lower than they were two years ago.



Washington DC saw prices decline 8.8% over the same one year period. This large drop in value puts office prices back to pre-2006 levels.

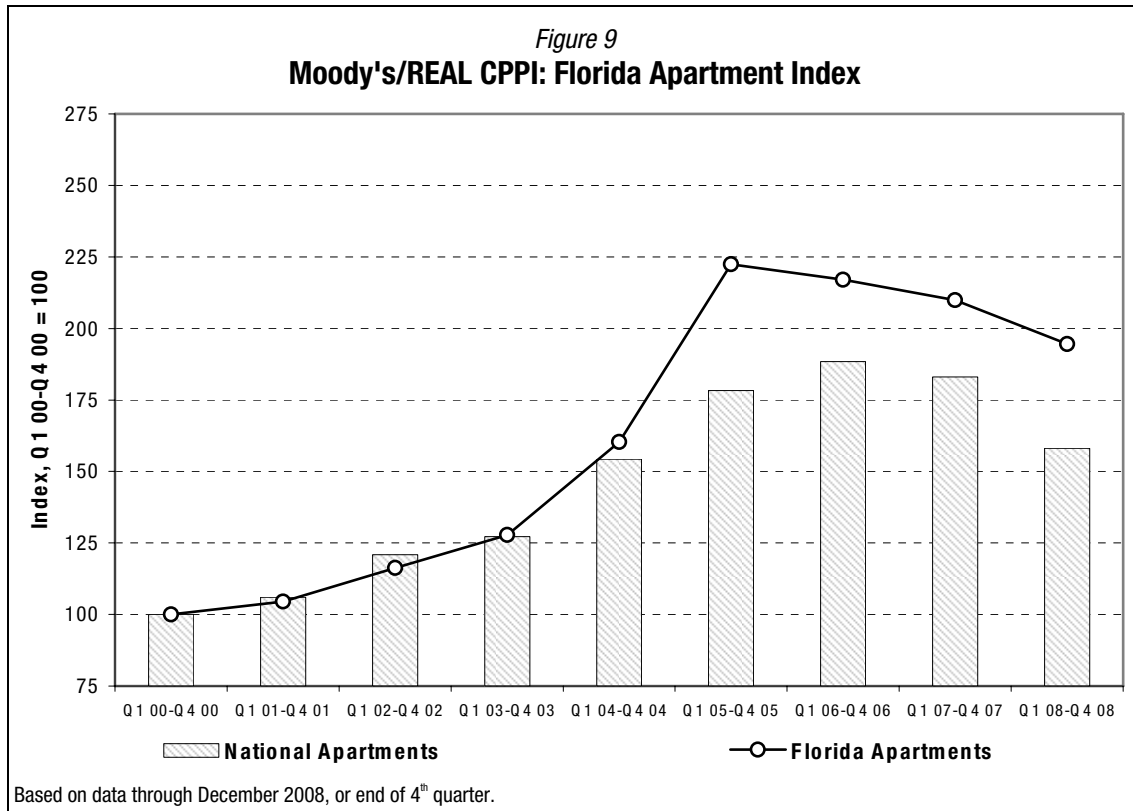
The New York City office market fared the best of the three, although prices there still fell 7.5% in 2008. Values in New York are a modest 2.3% higher than they were two years ago.

All the major office markets have suffered considerable losses in repeat-sales transaction volume as well, declining 40% to 55% as measured by count, and 45% to 75% as measured by dollar. The number of repeat sales was the lowest seen since 2003-2004.

FLORIDA — APARTMENT INDEX: THIRD STRAIGHT YEAR OF FALLING VALUES

An aggregation of several Florida MSAs provides sufficient volume of apartment transactions to support a Florida — Apartment series at least on an annual basis: Orlando, Tampa, and the three metropolitan divisions of the Miami MSA — Fort Lauderdale, Miami and West Palm Beach. 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 2008.

Apartment values in Florida peaked in 2005 and have been falling steadily ever since. The 7.3% decline in prices in 2008 coupled with the milder declines seen in both 2006 and 2007 bring apartment values 12.5% below the peak measured in 2005.



The number of repeat-sales transactions in Florida apartments in 2008 was less than half that of 2007, and totalled about one-third the value. Transaction activity was hardest hit in Orlando, while Tampa has been holding up relatively well, with Miami falling in the middle.

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 10, 11, and 12*).
- 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 readers' convenience (*Figures 13 – 15*).

APPENDIX

Figure 10
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 11

(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 12

(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	

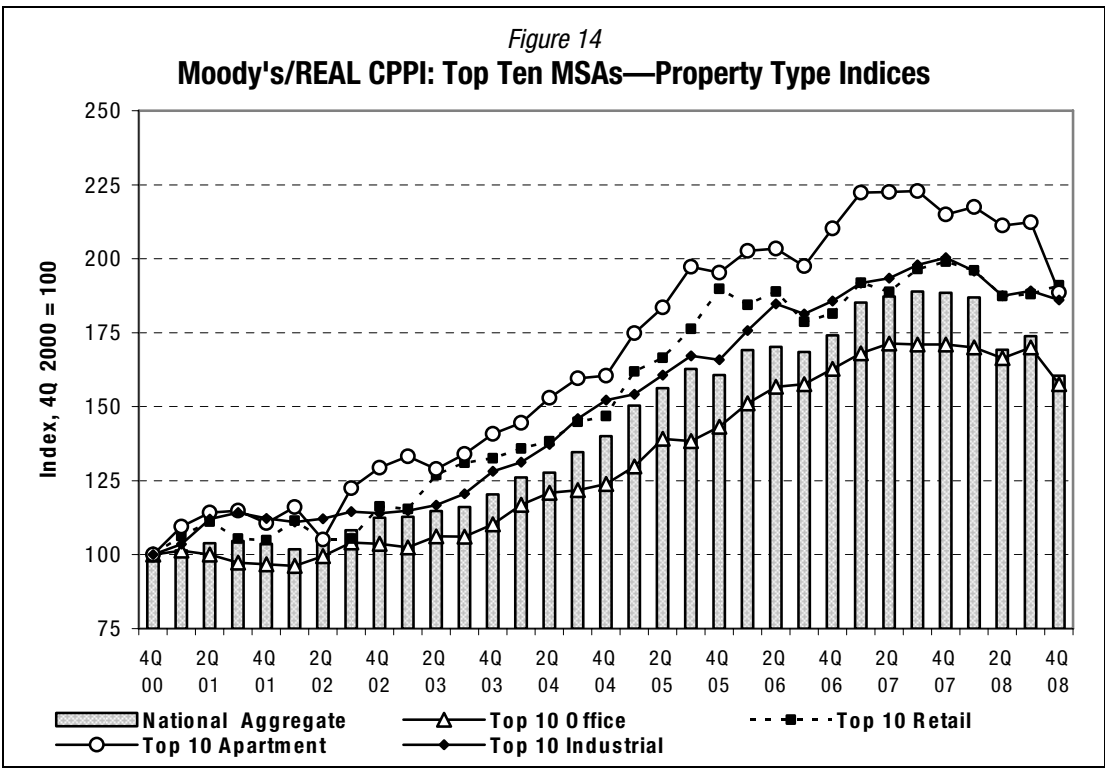
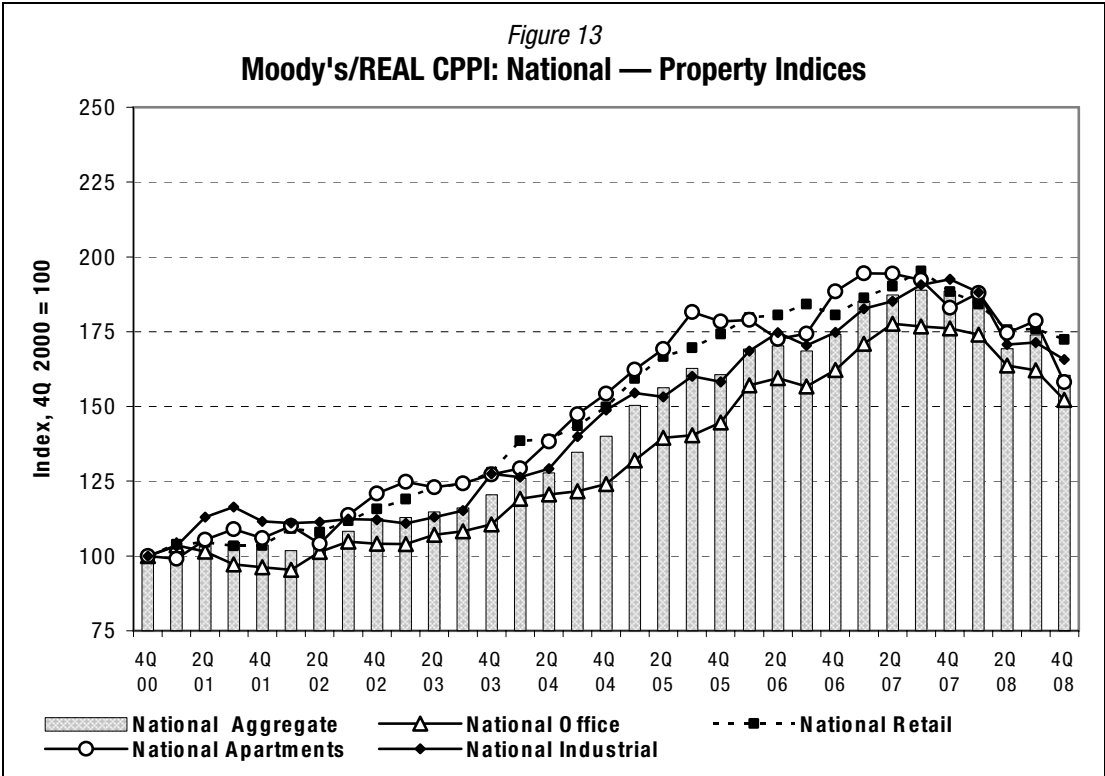
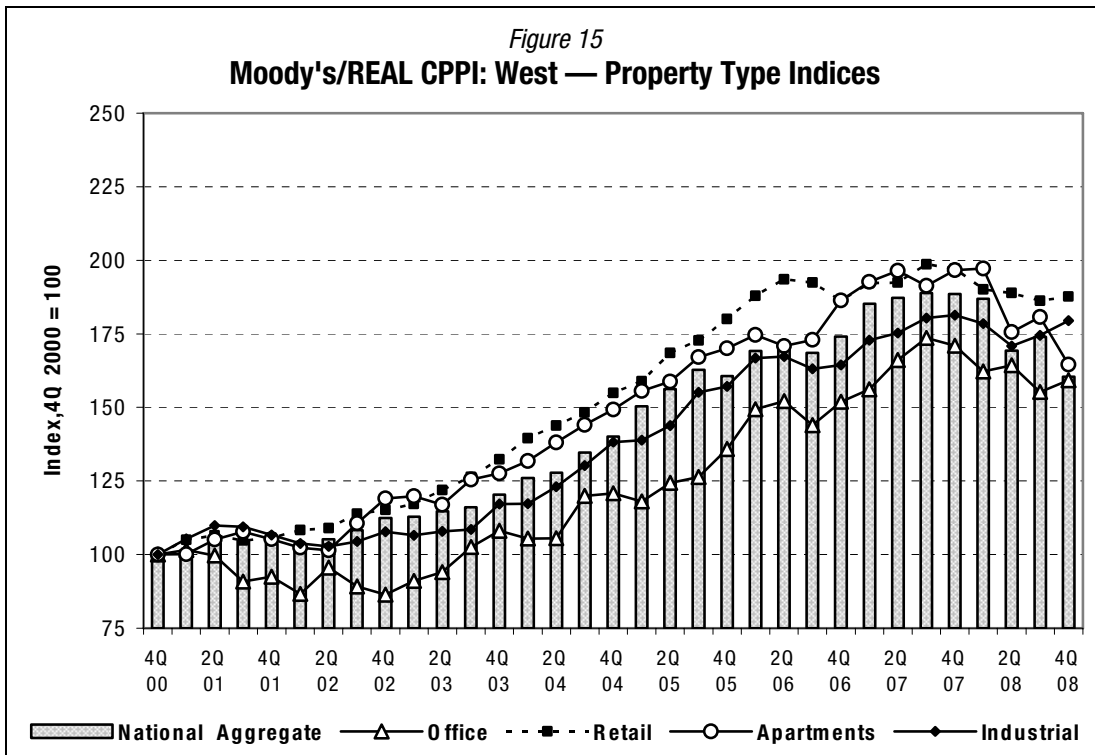


Figure 15
Moody's/REAL CPPI: West — Property Type Indices



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