

## SPECIAL REPORT

## Moody's/REAL Commercial Property Price Indices, April 2010

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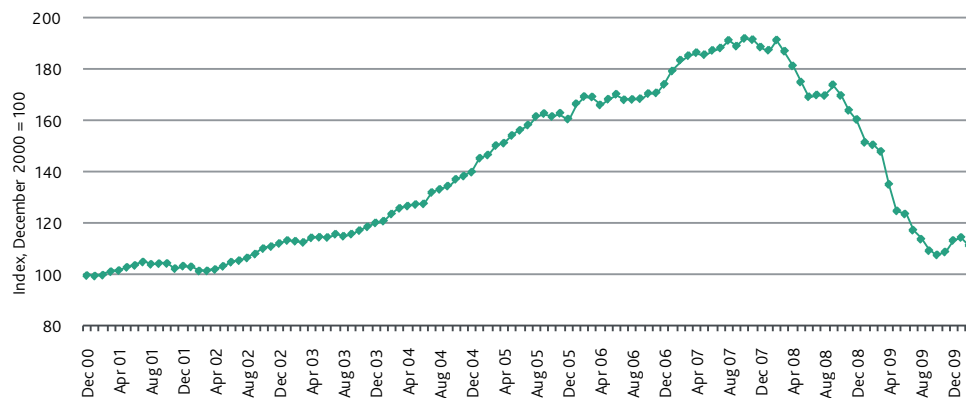
**Overview**

The Moody's/REAL All Property Type Aggregate Index measured a 2.6% price decline in commercial properties in February. This decrease comes on the heels of three consecutive months of rising prices, and brings the level of commercial property prices 41.8% below the peak measured in October 2007. Values are now down 25.8% from a year ago, and 41.6% from two years ago.

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**FIGURE 1**
**Moody's/REAL Commercial Property Price Index (CPPI)**

National – All Property Type Aggregate



Based on data through the end of February 2010.

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FIGURE 2

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

<b>New This Period:</b>	<b>National All Property Type Aggregate</b>			
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			
	<b>CURRENT INDEX<sup>M</sup></b>	<b>1 MONTH EARLIER</b>	<b>1 YEAR EARLIER</b>	<b>2 YEARS EARLIER</b>
National All Property Type Aggregate	111.70	-2.6%	-25.8%	-41.6%
	<b>CURRENT INDEX<sup>Q</sup></b>	<b>1 QUARTER EARLIER</b>	<b>1 YEAR EARLIER</b>	<b>2 YEARS EARLIER</b>
National - Apartments	125.89	7.0%	-20.4%	-31.2%
National – Industrial	127.30	5.6	-23.2	-33.9
National – Office	122.15	7.9	-19.8	-30.6
National – Retail	139.61	-1.5	-19.0	-25.9
Top Ten MSAs <sup>1</sup> - Apartments	142.67	-2.1	-24.4	-33.6
Top Ten MSAs- Industrial	135.33	-2.8	-27.3	-32.4
Top Ten MSAs- Office	134.65	26.8	-14.6	-21.3
Top Ten MSAs- Retail	155.83	3.1	-18.4	-21.7
West – Apartments	147.53	0.7	-10.3	-25.0
West – Industrial	152.05	14.8	-15.3	-16.2
West – Office	118.59	-5.7	-25.5	-30.7
West – Retail	156.54	3.8	-16.6	-20.6
	<b>CURRENT INDEX<sup>A</sup></b>	<b>1 YEAR EARLIER</b>	<b>2 YEARS EARLIER</b>	
East – Apartments	168.33	-15.1%	-26.7%	
East – Industrial	135.79	-22.3	-29.4	
East – Office	119.47	-29.6	-38.6	
East – Retail	169.32	-22.4	-28.4	
South – Apartments	77.33	-48.8	-51.8	
South – Industrial	126.12	-28.0	-39.1	
South – Office	119.28	-26.1	-33.7	
South – Retail	128.42	-29.3	-35.3	
So. California – Apartments	196.64	-8.8	-20.8	
So. California – Industrial	143.48	-24.9	-32.9	
So. California – Office	132.37	-24.8	-35.0	
So. California – Retail	199.22	-11.6	-18.7	
New York – Office	146.76	-32.7	-37.8	
San Francisco – Office	93.53	-23.4	-31.2	
Washington DC – Office	129.39	-26.0	-32.5	
Florida – Apartments	120.60	-38.0	-42.5	

M Monthly series. Most recent data is through February 28, 2010.

Q Quarterly series. Most recent data is through the end of the 4th quarter 2009. 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 2009. Analysis is based on data from four quarters (1Q09, 2Q09, 3Q09 and 4Q 09). Given that the measure is of a rolling four-quarter period, data as of the end of the 4th 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.<sup>1</sup>

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### Notable Observations and Themes

- » The National — All Property Type Aggregate Index measured a 2.6% price decline in February. This is the first time prices have fallen since October of last year. Commercial property prices are now 41.8% below the peak measured in October 2007.
- » The share of distressed sales in the repeat-sales transaction database has increased significantly over the last year. In early 2009, less than 20% of repeat-sales were identified as distressed<sup>2</sup>. In February of this year, that proportion reached nearly one-third.

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<sup>1</sup> 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 > Research & Ratings > By Market Segment > 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.

<sup>2</sup> A distressed sale involves an asset in which a notice of default, foreclosure proceeding, or bankruptcy of the owner has occurred.

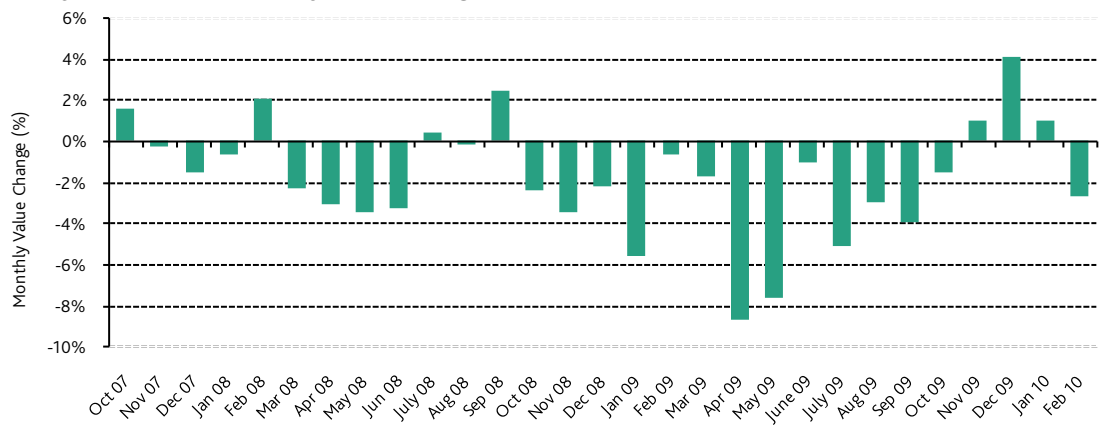
## National – All Property Type Aggregate Index

The National – All Property Type Aggregate Index is a monthly series, and this report is based on data through February 28, 2010. Refer back to Figure 1.

February's 2.6% drop marked the first time since October 2009 that the National—All Property Aggregate Index has declined. From November to January, commercial real estate prices increased by an aggregate 6.3%. As noted in our previous reports, however, we did not feel that these increases were sustainable in the short term, particularly given current low transaction volumes. With continued low volume in February and a larger proportion of repeat-sales considered distressed, it is unsurprising that prices have once again headed lower.

FIGURE 3

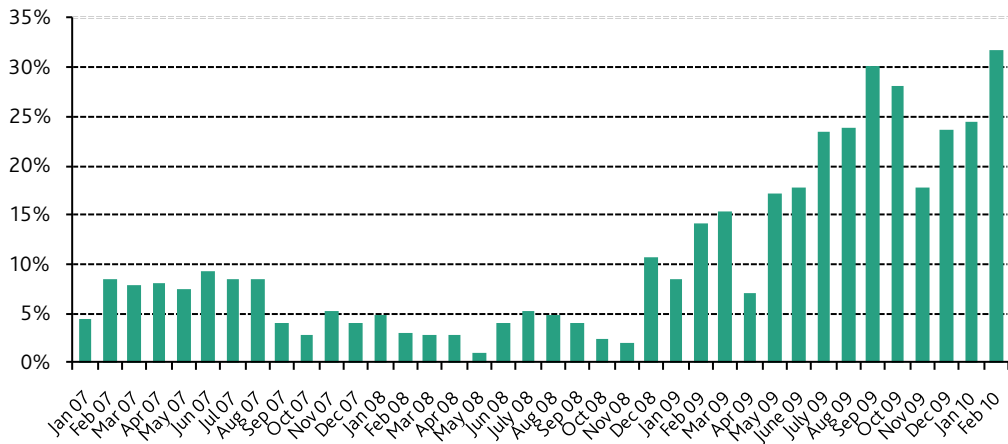
### Moody's/REAL CPPI: Monthly Value Changes



The price increases which began in November 2009 may have been due in part to the bifurcation of the market between high and low quality properties. While interest in high quality properties appears to be picking up, transaction activity in the core of the commercial real estate market remains muted. Also, it is interesting to note that distressed sales dipped in the three months that showed an increase in prices, and this month's jump in distressed sales to the highest level in over three years (see Figure 4) no doubt contributed to the current price decline. The high-low split in the market, together with the effect of distressed sales on overall price levels, will likely cause markets to bounce up and down over the near term. We do not expect prices to establish a clear trend until volume picks up and market-clearing prices are established for distressed properties.

The proportion of all repeat-sales which have been classified as distressed has increased over the last year (see Figure 4). In 2007, nearly 7% of all repeat-sales transactions used to calculate the index were distressed, and in 2008, that proportion fell to just 4%. In 2009, however, the share of distressed sales jumped to nearly 20% of all repeat-sales transactions. The first two months of 2010 have seen that proportion continue to increase. In January, just under 25% of all repeat-sales were distressed. In February, that number reached nearly 32%.

FIGURE 4

**Moody's/REAL CPPI: Distressed Sales as a Percentage of All Repeat-Sales**

Transaction volume declined in February from January by about 10% as measured by dollars and by nearly 30% by count. 66 repeat-sales totaling roughly \$540 million were used in the calculation of the CPPI.

The attached Appendix includes the following:

- » A calendar summarizing the report cycle, i.e., which indices are updated in which month. The calendar also indicates the precise release dates for Moody's/REAL Indices for the next year (Figures 5, 6, and 7).
- » A listing of the cities included in the Top Ten Indices (Figure 8).
- » 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 9 – 16).

## Appendix

FIGURE 5

### CPPI: Report Release Cycle 2010

	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:		1st Quarter	1st Quarter
Based on data through:		March 31	March 31
	JULY	AUGUST	SEPTEMBER
	July 19, 2010	Aug. 19, 2010	Sept. 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:		2nd Quarter	2nd Quarter
Based on data through:		June 30	June 30
	OCTOBER	NOVEMBER	DECEMBER
	Oct. 19, 2010	Nov. 22, 2010	Dec. 20, 2010
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
	JANUARY	FEBRUARY	MARCH
	Jan. 24, 2011	Feb. 22, 2011	March 22, 2011
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

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	

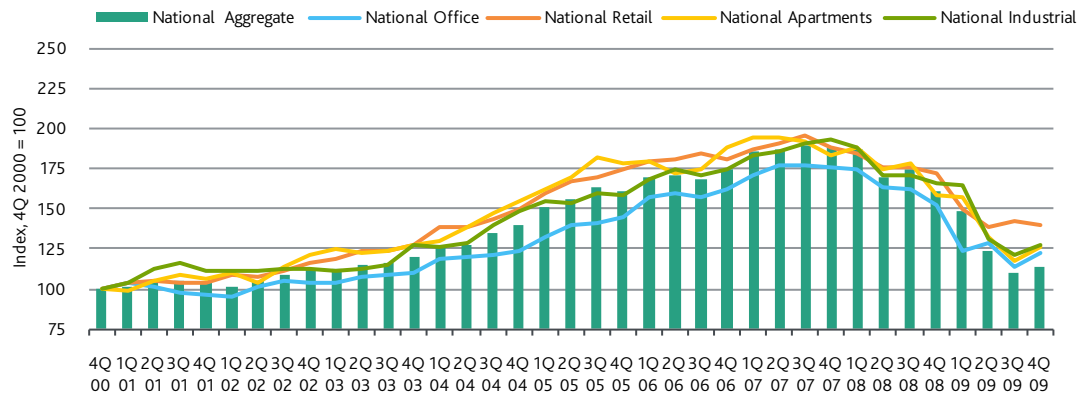
FIGURE 8

**Top Ten Cities by Property Type**

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

FIGURE 9

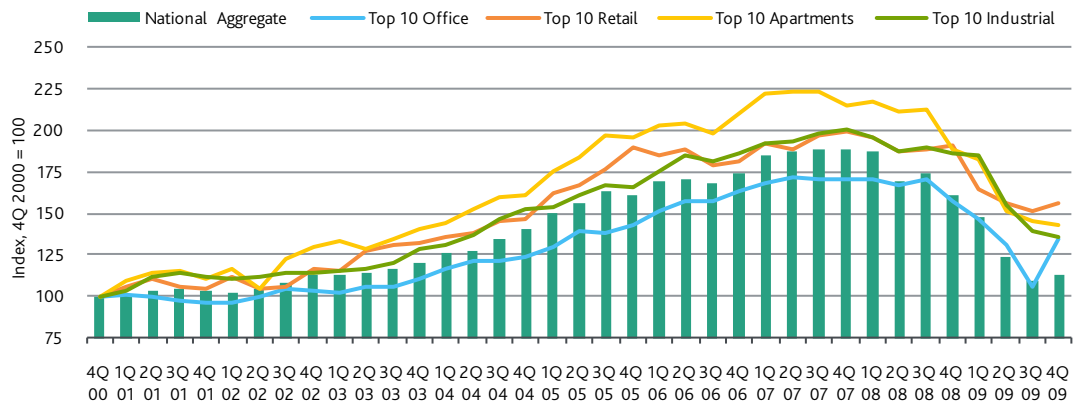
Moody's/REAL CPPI: National — Property Type Indices



Based on data through December 2009, or end of 4th quarter.

FIGURE 10

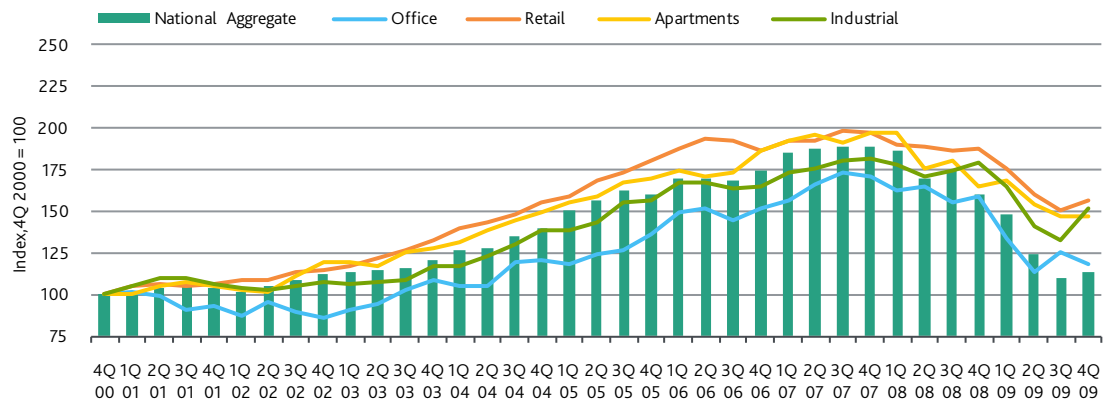
Moody's/REAL CPPI: Top Ten MSAs—Property Type Indices



Based on data through December 2009, or end of 4th quarter.

FIGURE 11

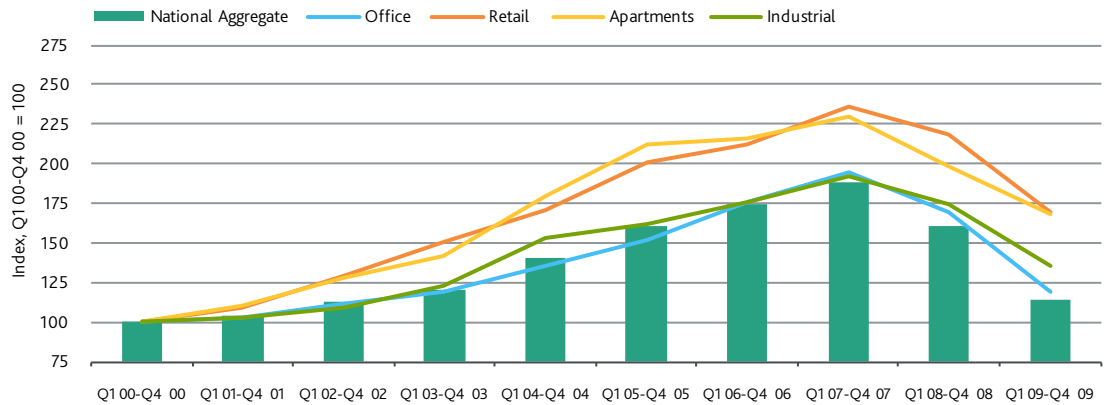
Moody's/REAL CPPI: West — Property Type Indices



Based on data through December 2009, or end of 4th quarter.

FIGURE 12

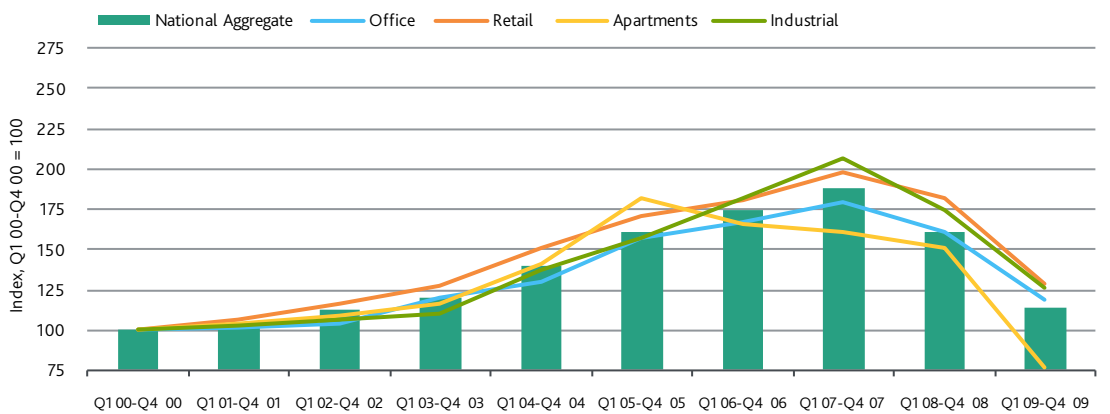
Moody's/REAL CPPI: East — Property Type Indices



Based on data through December 2009, or end of 4th quarter.

FIGURE 13

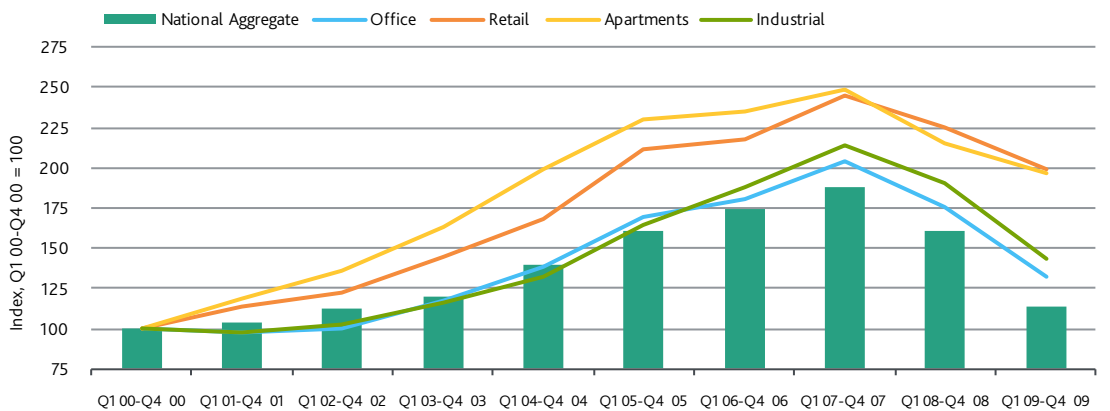
Moody's/REAL CPPI: South — Property Type Indices



Based on data through December 2009, or end of 4th quarter.

FIGURE 14

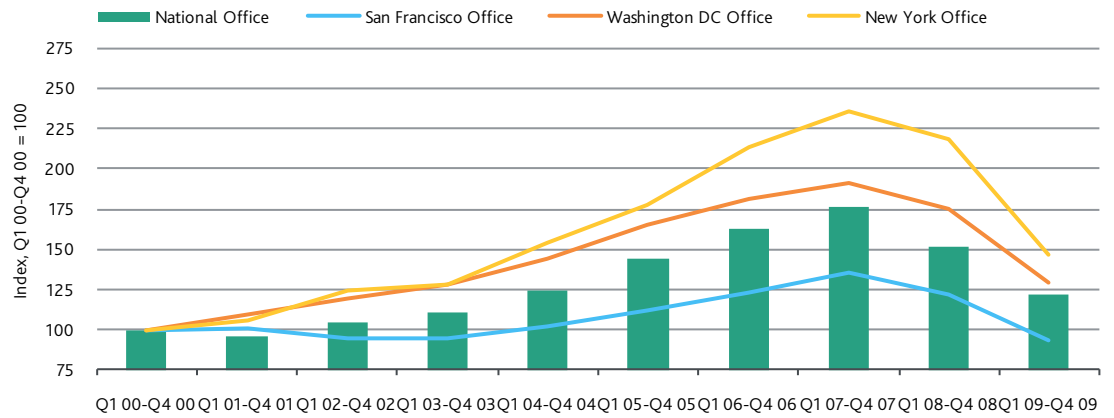
Moody's/REAL CPPI: Southern California — Property Type Indices



Based on data through December 2009, or end of 4th quarter.

FIGURE 15

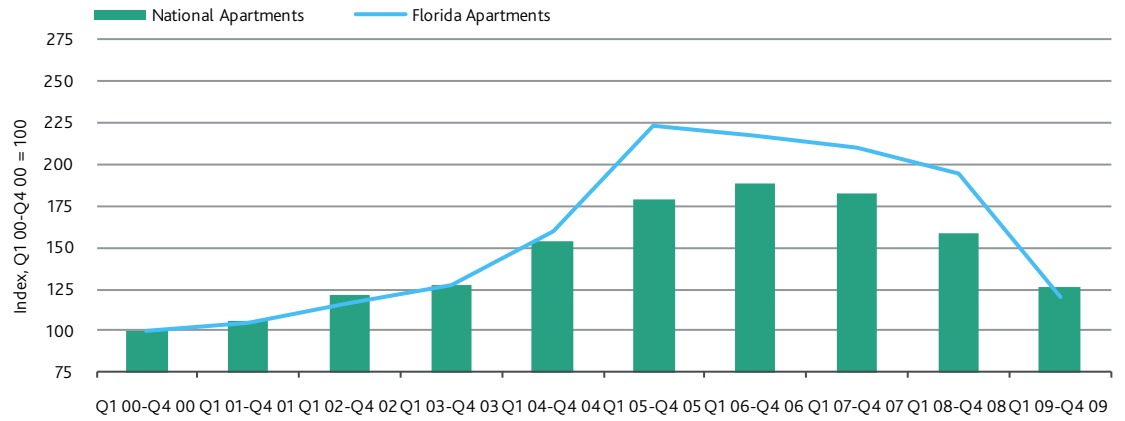
**Moody's/REAL CPPI: Major Office Markets Indices**



Based on data through December 2009, or end of 4th quarter.

FIGURE 16

**Moody's/REAL CPPI: Florida Apartment Index**



Based on data through December 2009, or end of 4th quarter.

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