MOODY'S INVESTORS SERVICE

SPECIAL REPORT

Moody's/REAL Commercial Property Price Indices, June 2010

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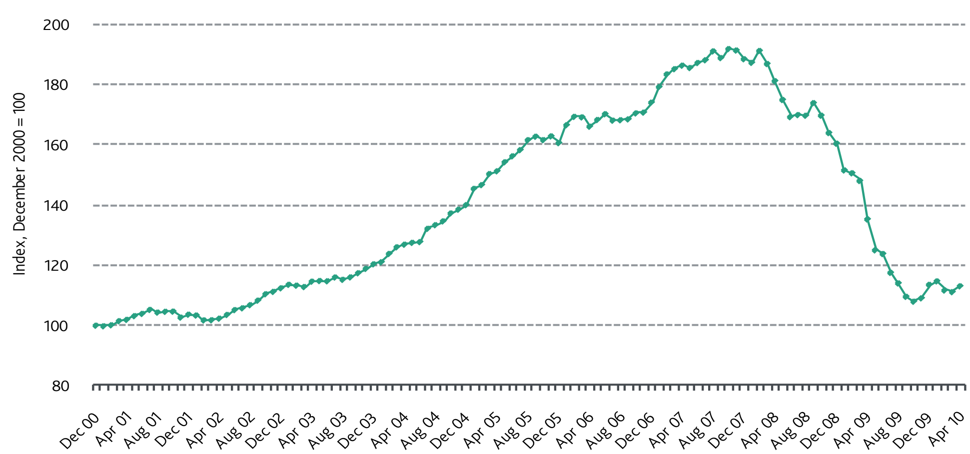
Overview

The Moody's/REAL All Property Type Aggregate Index measured a 1.7% price increase in April. This price increase follows two consecutive months of slight price declines. The index currently lies at 113.10 and has fallen 16.4% in the past year. Prices have remained choppy since the low of 107.98 that was recorded in October 2009. Since that low, prices have rebounded 4.7%. The peak of the index occurred in October 2007 and prices are currently 41.1% below the peak.

FIGURE 1

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

National – All Property Type Aggregate



Based on data through the end of April 2010.

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	113.10	1.7%	-16.4%	-37.6%

	CURRENT INDEX Q	1 QUARTER EARLIER	1 YEAR EARLIER	2 YEARS EARLIER
National - Apartments	130.01	3.3%	-17.5%	-30.8%
National – Industrial	128.33	0.8	-22.2	-31.8
National – Office	118.26	-3.2	-4.6	-32.0
National – Retail	133.01	-4.7	-11.4	-27.8
Top Ten MSAs[1] - Apartments	148.48	4.1	-18.8	-31.7
Top Ten MSAs- Industrial	141.89	4.8	-23.5	-27.5
Top Ten MSAs- Office	124.90	-7.2	-15.0	-26.5
Top Ten MSAs- Retail	125.83	-19.3	-23.3	-35.8
West – Apartments	147.28	-0.2	-12.8	-25.3
West – Industrial	151.79	-0.2	-8.2	-15.0
West – Office	118.30	-0.2	-11.4	-27.1
West – Retail	141.20	-9.8	-19.8	-25.7

	CURRENT INDEX A	1 YEAR EARLIER	2 YEARS EARLIER
East – Apartments	153.98	-17.3%	-27.0%
East – Industrial	147.12	-8.1	-22.7
East – Office	110.98	-24.7	-45.2
East – Retail	175.85	4.6	-18.0
South – Apartments	78.64	-32.6	-46.8
South – Industrial	122.64	-19.3	-42.5
South – Office	117.56	-7.8	-30.9
South – Retail	126.92	-15.2	-35.0
So. California – Apartments	188.39	-2.0	-17.3
So. California – Industrial	130.58	-27.3	-34.6
So. California – Office	135.52	-13.3	-32.6
So. California – Retail	152.18	-19.2	-32.2
New York – Office	159.72	-23.9	-33.6
San Francisco – Office	92.71	-10.7	-28.8
Washington DC – Office	124.72	-16.9	-34.4
Florida – Apartments	107.59	-29.9	-45.7

M Monthly series. Most recent data is through April 30, 2010.

Q Quarterly series. Most recent data is through the end of the 1st quarter 2010. Analysis is based on data from that 1st 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 1st quarter 2010. Analysis is based on data from four quarters (2Q09, 3Q09,4Q09 and 1Q10). Given that the measure is of a rolling four-quarter period, data as of the end of the 1st 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 measured a 1.7% increase in April. This is the first increase in the index since January. Price movements have been choppy since the index low recorded in October 2009.

» Three of the four property types in the East declined in prices over the past four quarters. Retail was the only sector to have an increase.

» With the exception of industrial, properties in the South underperformed their respective national property type index over the past four quarters.

» In the past year industrial prices in Southern California dropped 27.3%. This performance is significantly worse than the other three property types in the region, which fell between 2%-20%.

» The three major office markets measured significant annual declines, however, each outperformed its respective region. San Francisco experienced the smallest one-year decline at 10.7%.

» The Florida apartment market realized its largest one-year decline in value since index inception, dropping 29.9% over the last four quarters and leaving the index value down more than 50% percent from the peak four years ago.

[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 > 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.

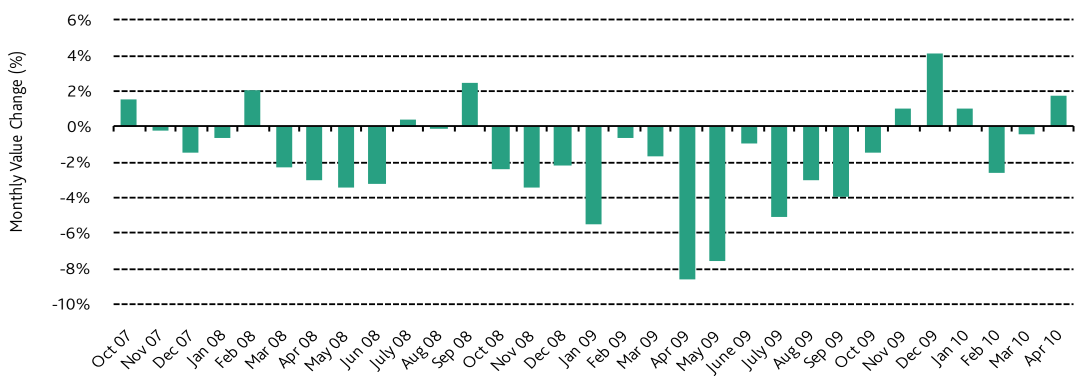
National – All Property Type Aggregate Index

The National – All Property Type Aggregate Index is a monthly series, and this report is based on data through April 30, 2010. Refer back to Figure 1.

Commercial property prices recorded a modest price increase in April, gaining 1.7%. The choppy prices of the past couple of quarters, which included three months of positive returns at the end of 2009 and early 2010, negative returns in February and March, and a positive result again this past month, certainly look like what one would expect to see at a market bottom. However, it is important to note a couple of things in this regard. First, transaction volume is still very low and without higher volumes it is difficult to conclude that prices have stabilized. The retrenchment of commercial real estate markets over the past two or three years has been orderly for the most part, without an enormous flood of properties hitting the market all at once. If banks and servicers were to decide suddenly to unload their distressed properties, the resulting supply of struggling properties could cause another leg down in prices. Second, even if a bottom forms at current levels, the market could bump along for several quarters as weakening fundamentals (for some property types) and the specter of interest rate increases in the future conspire to hold down values. Anemic macroeconomic growth, stubbornly high unemployment, and the impact of the spreading sovereign debt crisis in Europe on the US recovery threaten to delay any sustainable upturn in US commercial real estate prices.

FIGURE 3

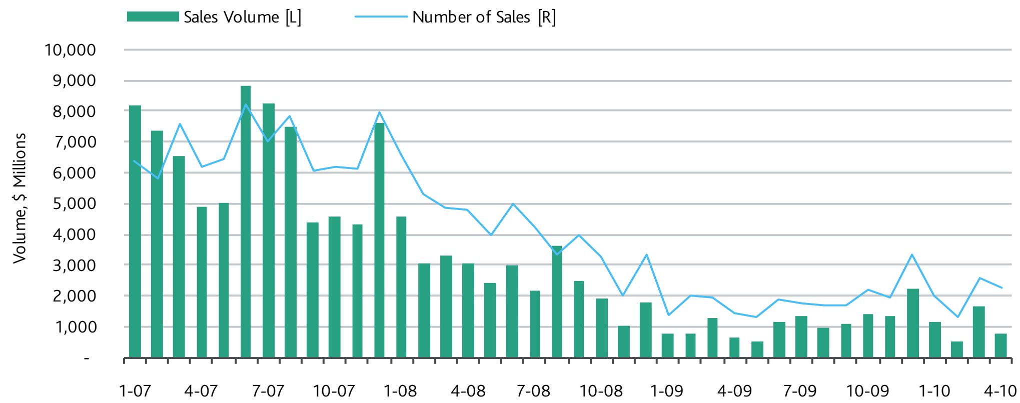
Moody's/REAL CPPI: Monthly Value Changes



The number and volume of repeat-sales transactions fell in April, with 114 repeat sales and a total balance of just under $800 million. While the number of sales declined only slightly from last month, when 127 repeat sales took place, sales volume is down by more than 50% from last month. The average repeat-sales size dropped from just over $13 million per sale to less than $7 million per sale.

FIGURE 4

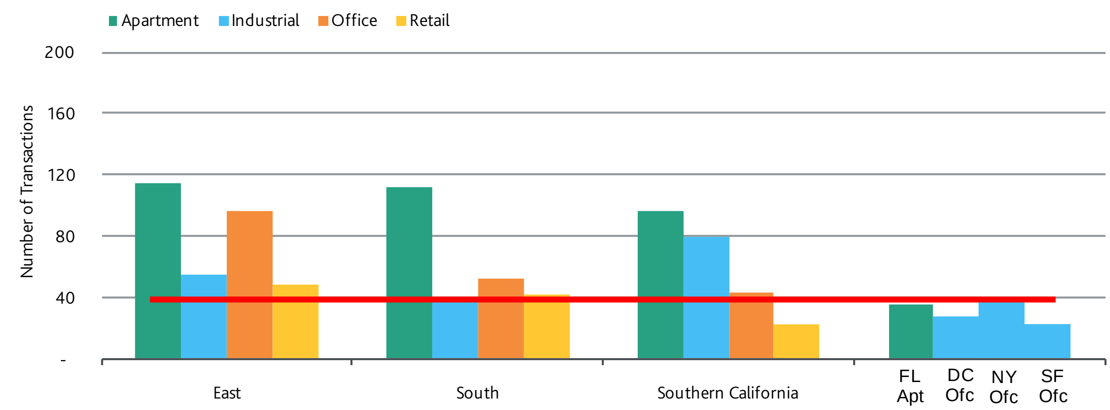
Moody's/REAL CPPI: Volume and Number of Repeat-Sales Transactions



Although three of the past four months had more than 100 repeat sales transactions in total, six annual indices failed to achieve the 40 observation threshold due to low sales volume in 2009.

FIGURE 5

Moody's/REAL CPPI: Repeat-Sales Transaction Volume for the Annual Indices



The industrial sector in the southern region, the retail sector in Southern California, the three major office indices and the Florida apartment index all had fewer than 40 observations in the past four quarters. The procedure put in place by Moody's/REAL was discussed in the May 2009 report and is outlined in more detail in the MIT white paper.[2] The index return that results in this calculation becomes the official return and will be frozen in history going forward.

[2] Please see the MIT Methodology White Paper, Section 6.2 for further details. David Geltner and Henry Pollakowski. A Set of Indexes for Trading Commercial Real Estate Based on the Real Capital Analytics Transaction Price Database. MIT Center for Real Estate. Sept. 26, 2007.

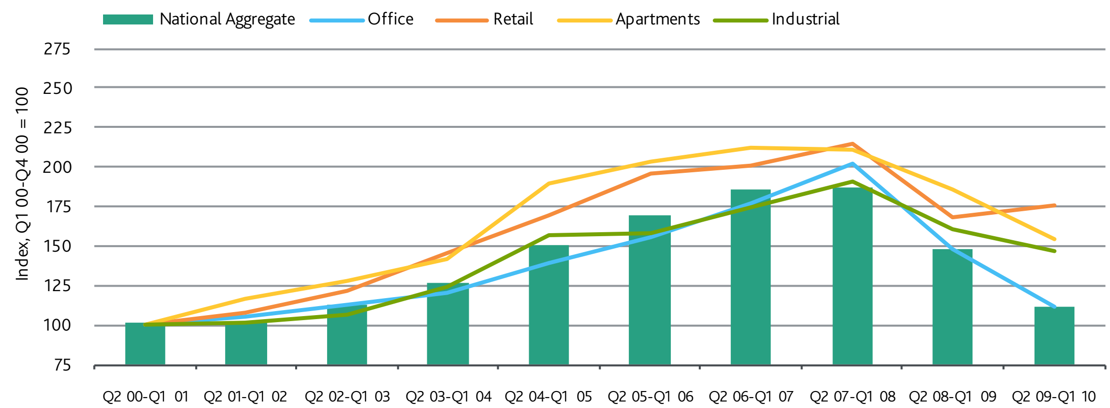
Eastern Region — Property Type Indices

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: Q2 2009, Q3 2009, Q4 2009, and Q1 2010, thus culminating with data through the end of the first quarter of 2010.

Three of the four property types in the East recorded price declines over the past four quarters; only loans backed by retail properties recorded a positive result. In the past two years, property prices for the four sectors have declined by 18%-45%.

FIGURE 6

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



Based on data through March 2010 or end of the 1st quarter.

Retail in the East was the best performing sector in the past four quarters with prices increasing 4.6%. In the East, retail has outperformed the national retail index, which declined 11.4% during the same four quarter time period. Retail is also the best performing index in the East over the past two years, with a decline of 18.0%.

Similar to retail, both the industrial and apartment property types in the East performed better than their respective national indices. Values on industrial properties in the East declined 8.1% over the past year, compared to a 22.2% drop for the national industrial index. Apartment buildings in the East had a larger price decline, 17.3%, which is slightly better than the fall in the national apartment index, 17.5%. In the past two years, prices have dropped 22.7% for industrial properties in the East and 27.0% for apartments.

The worst performing sector in the East is office, where prices declined 24.7% in the past four quarters. This is also worse than the national office index, which only fell 4.6% over the same time period. Office buildings are also the worst performing property type in the East over the past two years, with a decline of 45.2%.

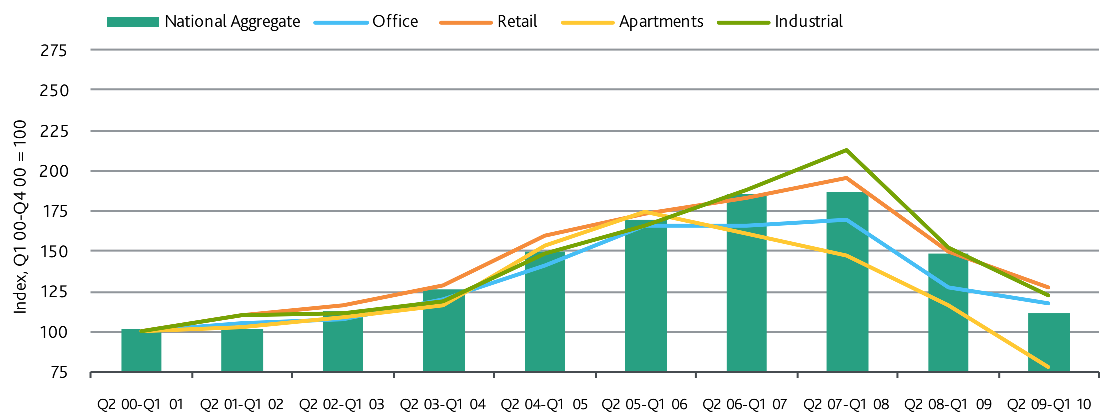
Southern Region — Property Type Indices

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: Q2 2009, Q3 2009, Q4 2009, and Q1 2010, thus culminating with data through the end of the first quarter of 2010.

All four property types in the South saw annual price declines over the past four quarters, with industrial faring better than the nation overall.

FIGURE 7

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



Based on data through March 2010 or end of the 1st quarter.

The Southern apartment market was the worst performing property type with an annual price decrease of 32.6%. This decline represents nearly double the drop measured for the nation, which was 17.5% during the same period. With a recorded value of 78.64, the Southern Apartment Index has now reached its lowest point since the inception of the index. Southern apartment prices are down 55.0% from their peak four years ago.

Industrial had the second largest annual decline in the South, with prices falling 19.3% in the past four quarters. However, this decline is less severe than nation's 22.2% drop over the same period. Industrial prices peaked in the South two years ago, and have since decreased 42.5%.

Retail properties in the South experienced an annual price decline of 15.2%. Southern office also fell, decreasing 7.8% over the same time period. Both sectors performed worse than their respective national indices, which recorded a 11.4% decline in retail and a 4.6% drop in office over the past year. Since their peak two years ago, southern office prices are down 30.9%, while southern retail prices have fallen 35.0%.

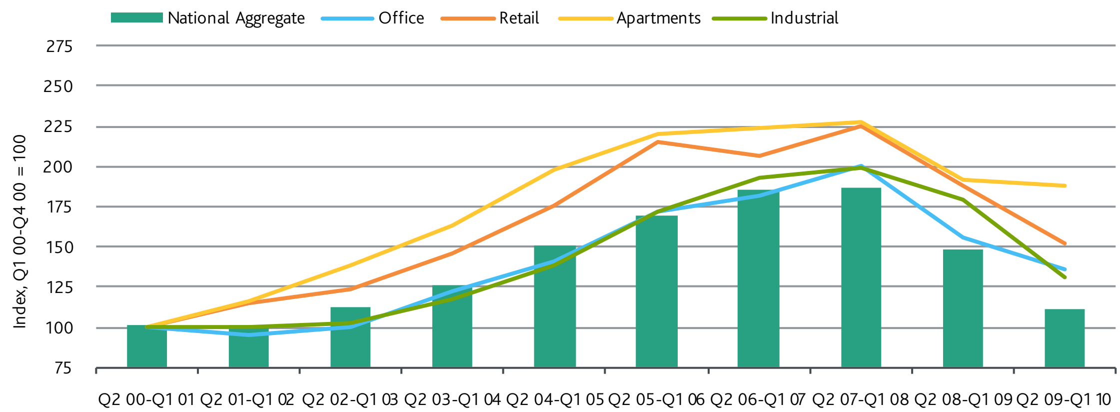
Southern California — Property Type Indices

The Southern California —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: Q2 2009, Q3 2009, Q4 2009, and Q1 2010, thus culminating with data through the end of the first quarter of 2010.

Prices in Southern California continued to drop over the past four quarters, with the four property types declining in a range of 2%-27%. Two of the four property types performed stronger in Southern California in comparison to the western property type indices, while two sectors had weaker results.

FIGURE 8

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



Based on data through March 2010 or end of the 1st quarter.

Apartment prices in Southern California had the smallest decline of the four property indices, dropping 2.0% during the past four quarters. Apartments in Southern California performed better than in the West overall, where prices declined 12.8% during the same time period.

Similar to apartments, retail properties in Southern California performed better than its respective western market. Unlike apartments, however, the difference between the two indices is small, with a 19.2% decline for retail properties in Southern California over the past four quarters and a 19.8% drop for the West.

Both office and industrial prices in Southern California had a larger decrease in prices during the past year than their respective western indices. Office properties performed slightly worse than its western counterpart, with a value decline of 13.3% in Southern California and an 11.4% drop in the West. Southern California industrial, the worst performing property type in the region, saw prices decline 27.3% over the past four quarters. In the West, industrial buildings were the best performing index in the region during the same time period, falling just 8.2%.

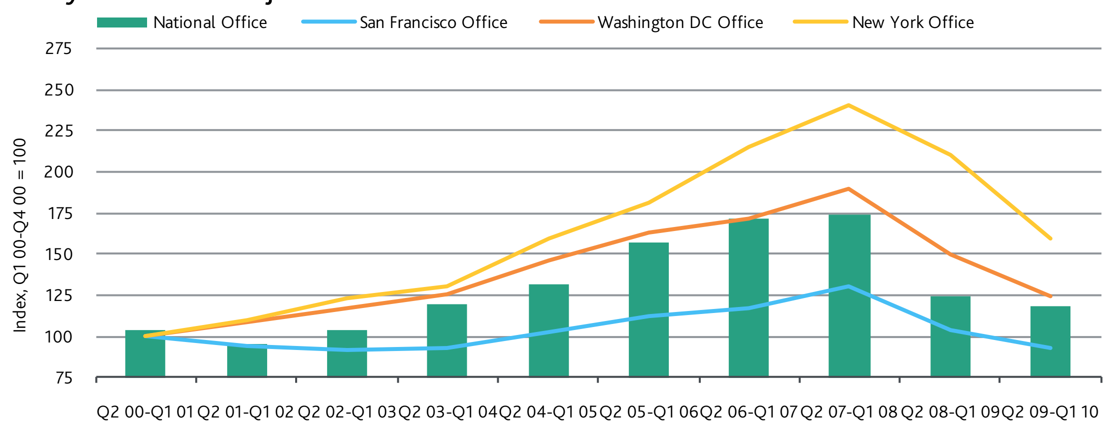
Major Office Market Indices

Three major office markets typically 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 four quarters: Q2 2009, Q3 2009, Q4 2009, and Q1 2010, thus culminating with data through the end of the first quarter of 2010.

The three major office markets experienced value declines that surpassed that of the national office market. However, all three markets outperformed their respective regions. Washington DC fared significantly better than its respective region, with both New York and San Francisco slightly edged out both their respective regions.

FIGURE 9

Moody's/REAL CPPI: Major Office Markets Indices



Based on data through March 2010 or end of the 1st quarter.

The New York office market performed the worst of three major office markets despite better performance than its region. New York office prices over the past four quarters have decreased 23.9%, slightly better than the 24.7% decline in the East Office Index over the same period. Washington DC, also in the eastern office market, performed considerably better than its respective region with a 16.9% value decline.

San Francisco was the best performer of the three major office indices in the past four quarters. The San Francisco office market experienced a price decline of 10.7%, slightly better than the 11.4% drop for western office as a whole. With a recorded index value of 92.71, the San Francisco Office Index value is slightly above its lowest point of 92.29, which occurred in the 2002/2003 period.

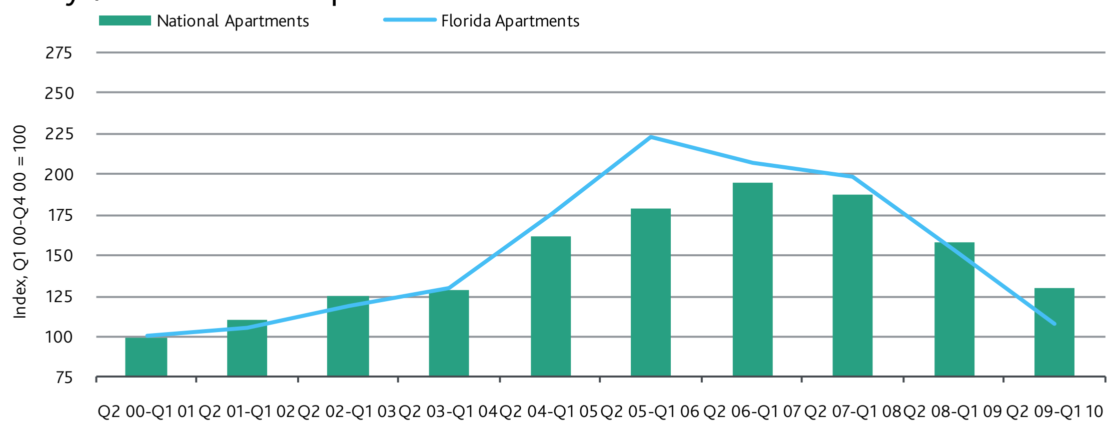
Florida Apartment Index

An aggregation of several Florida MSAs generally provides sufficient volume of apartment transactions to support an annual Florida—Apartment series for 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 first quarter of 2010.

The Florida apartment market continues to substantially underperform the national apartment index. Over the past four quarters, Florida apartments have realized a 29.9% decline in value, compared to 17.5% nationally. The annual drop in prices two years ago was significantly larger in Florida apartments as well, 22.5%, as compared to the 16.1% drop in apartment values nationally.

FIGURE 10

Moody's/REAL CPPI: Florida Apartment Index



Based on data through March 2010 or end of the 1st quarter.

Despite its weak performance when compared with national apartment index, the Florida apartment index has fared better than its respective index in the South, where values have declined 32.6% in the past four quarters.

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 11, 12, and 13).

» A listing of the cities included in the Top Ten Indices (Figure 14).

» 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 15 – 17).

Appendix

FIGURE 11

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 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	

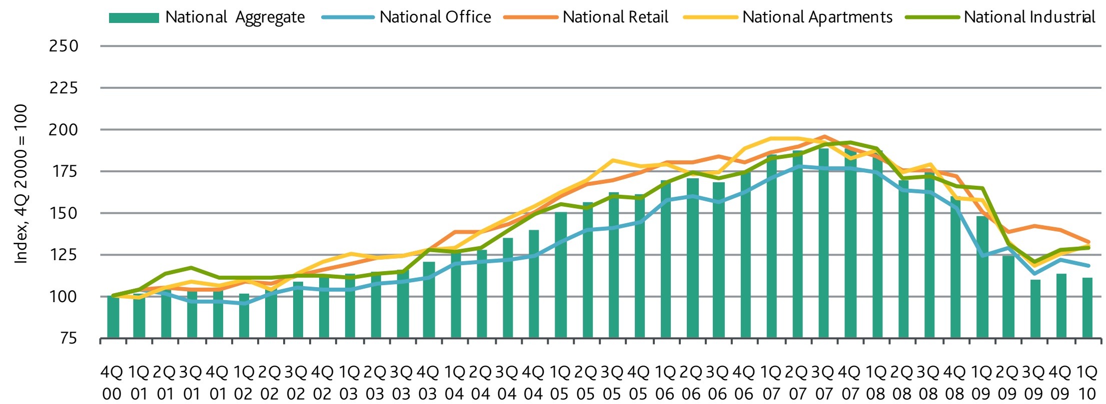
FIGURE 14

Top Ten Cities by Property Type

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

FIGURE 15

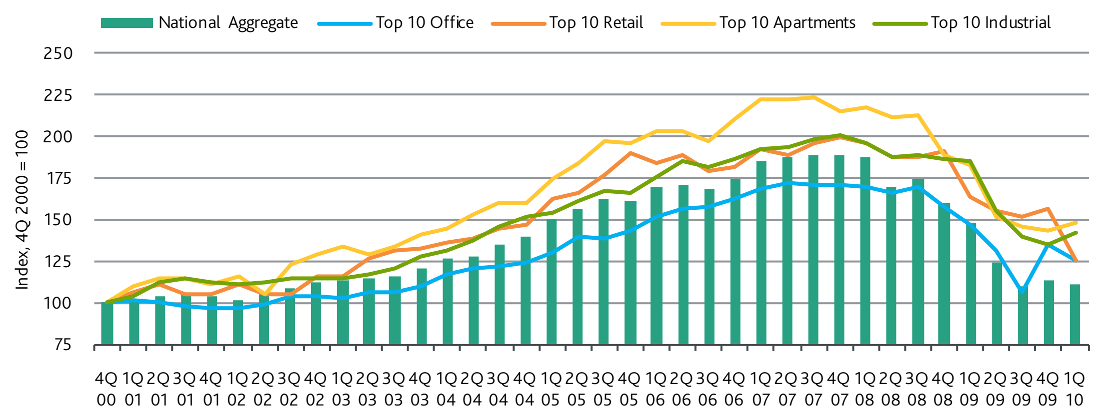
Moody's/REAL CPPI: National — Property Type Indices



Based on data through March 2010, or the end of the 1st quarter.

FIGURE 16

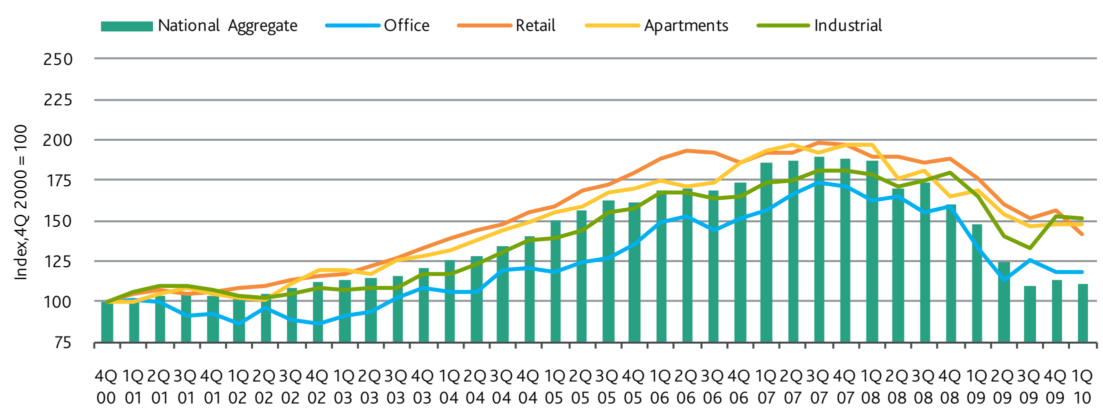
Moody's/REAL CPPI: Top Ten MSAs — Property Type Indices



Based on data through March 2010, or the end of the 1st quarter.

FIGURE 17

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



Based on data through March 2010, or the end of the 1st quarter.

Report Number: SF208513

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