STRUCTURED FINANCE **Special Report**

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

AUTHORS:

Nick Levidy
Team Managing Director
(212) 553-4595
Nick.Levidy@moodys.com

Andrea Daniels
VP-Sr Credit Officer
(212) 553-4416
Andrea.Daniels@moodys.com

Connie Petruzziello
Analyst
(212) 553-4894
Concetta.Petruzziello@moodys.com

CONTACTS:

David Little
Managing Dir-Mktg&Prod Strat
(212) 553-1627
David.Little@moodys.com

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

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OVERVIEW

In this report, Moody's/REAL National All Property Type Aggregate Index measures 169.28, a decrease of 3.3% over the previous month. This June index level represents a decrease in prices of 9.6% over the same period of the previous year, and a decrease of 11.8% from the peak in October 2007. The index is also 0.6% lower than it was two years ago. This report is based on data through the end of June.

Figure 1
Moody's/REAL Commercial Property Price Index (CPPI)
National -- All Property Type Aggregate

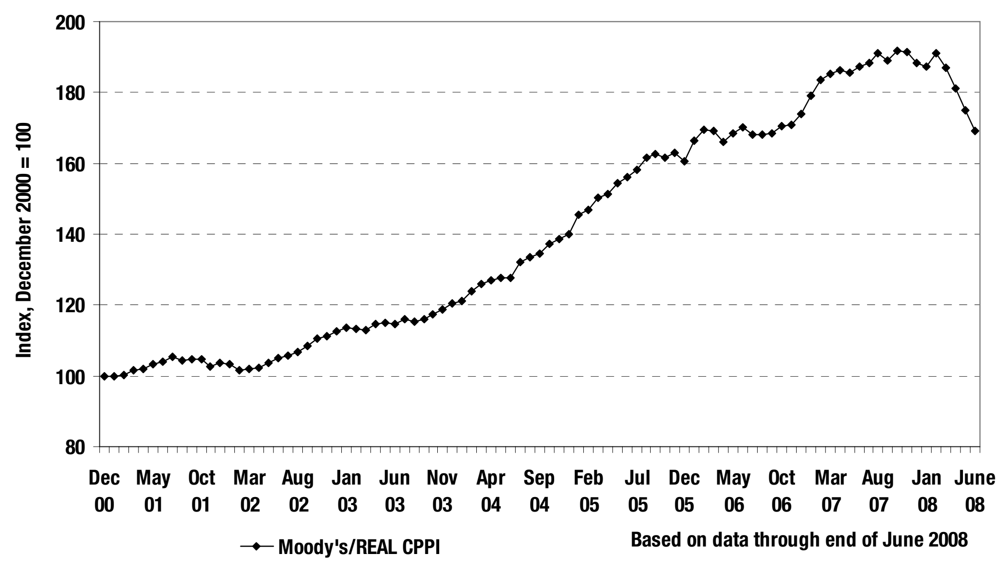


Figure 2

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

New This Period: **National All Property Type Aggregate**
National - Four Property Types
Top 10 MSAs - Four Property Types
West - Four Property Types

Repeated 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	169.28	-3.3%	-9.6%	-0.6%

	Current Index^Q	1 Quarter Earlier	1 Year Earlier	2 Years Earlier
National - Apartments	174.51	-7.1%	-10.2%	1.1%
National - Industrial	170.72	-9.3	-7.8	-2.3
National - Office	163.68	-5.9	-7.8	2.7
National - Retail	175.59	-4.6	-7.7	-2.7
Top 10 MSAs[1] - Apartments	211.25	-2.9	-5.1	3.8
Top 10 MSAs - Industrial	187.53	-4.2	-3.0	1.5
Top 10 MSAs - Office	166.36	-2.2	-2.9	6.2
Top 10 MSAs - Retail	187.35	-4.4	-0.8	-0.8
West - Apartments	175.60	-10.9	-10.6	2.8
West - Industrial	170.86	-4.3	-2.5	2.1
West - Office	164.31	1.3	-1.1	8.0
West - Retail	188.90	-0.6	-1.9	-2.4

	Current Index^A	1 Year Earlier	2 Years Earlier
East - Apartments	210.96	-0.6%	3.7%
East - Industrial	190.43	9.3	20.6
East - Office	202.55	14.3	30.4
East - Retail	214.33	6.4	9.8
South - Apartments	147.75	-8.0	-15.4
South - Industrial	213.31	13.6	28.3
South - Office	170.10	2.6	2.7
South - Retail	195.28	6.6	12.5
So. California - Apartments	227.84	1.6	3.6
So. California - Industrial	199.70	3.3	16.3
So. California - Office	200.99	10.3	16.8
So. California - Retail	224.58	8.6	4.4
New York - Office	240.68	12.2	32.6
San Francisco - Office	130.30	11.7	16.5
Washington DC - Office	190.23	10.8	16.9
Florida - Apartments	197.98	-4.4	-11.0

M Monthly series. Most recent data is through June 30, 2008.
Q Quarterly series. Most recent data is through the end of the 2nd quarter 2008. Analysis is based on data from that 2nd 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 2008. Analysis is based on data from four quarters (2Q07, 3Q07, 4Q07, and 1Q08). Given that the measure is of a rolling four-quarter period, data as of the end of the 1st quarter can not be compared with that from the end of the previous quarter.

Notable Observations and Themes

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]

- With the June index signaling the fourth consecutive month of negative returns, the Moody's/REAL CPPI is now showing a negative return over a two-year time period.
- The index stands 11.8% below the peak in October 2007.
- The Western office market bounced back a bit from a steep decline in the previous quarter. Coupled with a significant decrease in transaction volume for that sector, the small rebound could suggest "loss aversion" behavior on the part of property owners.
- The ten largest cities in each property type are performing better than the nation as a whole, with milder price declines, and a smaller drop-off in transaction volume.

NATIONAL - ALL PROPERTY TYPE AGGREGATE INDEX LOGS FOUR CONSECUTIVE MONTHS OF NEGATIVE RETURNS

The National - All Property Type Aggregate Index is a monthly series, and this report is based on data through June 30, 2008. The index level for June, 169.28, represents a return of -3.3% over the previous month. (Please refer back to *Figure 1*, Page 1).

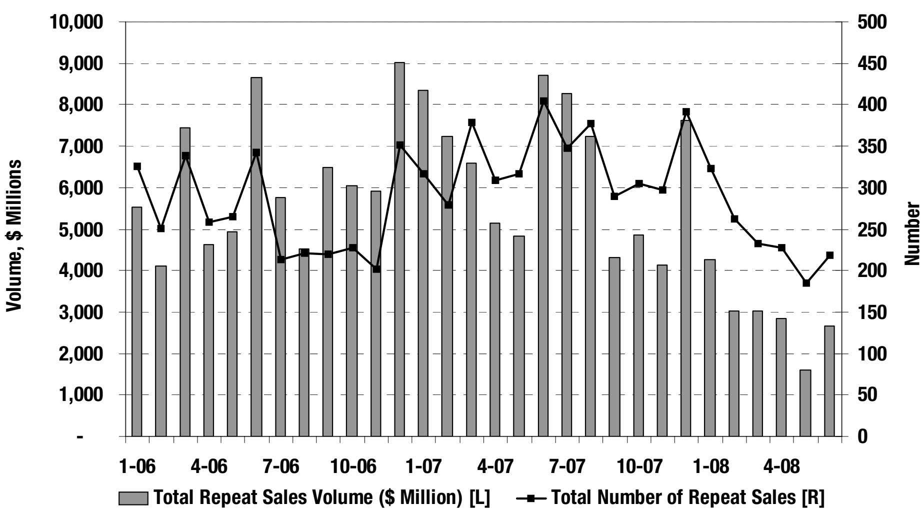
This is the fourth consecutive month of negative returns, with each of the last three returns all measuring a decline of more than 3%. In fact, eight of the past 12 months have seen a decline in prices. The monthly aggregate index now stands 11.8% below the peak measured in October 2007.

Transaction Volume Down in 2008

Unsurprisingly, transaction volume in the first half of 2008 is down significantly as compared to the first half of 2007. Transaction volume has fallen in each of the first five months of the year. The first signs of a reversal of this trend appears in the June data, which shows a higher volume than the previous month, as measured by both number and dollar value. While the June uptick may be the first sign of stabilizing transaction volumes that in turn could portend future price stabilization, it may also be a transient or seasonal effect, and future data will need to be examined in order to identify any trends.

Figure 3

Moody's/REAL CPPI: Value and Number of Repeat Sales



Based on data throught the end of June 2008

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.

Transaction volume was down over 25%, as measured by number, or almost 60%, as measured by dollar value, in the first half of 2008 as compared to the first half of 2007 (see *Figure 4*).

Figure 4
Change in Transaction Volume Between First Half of 2007 and First Half of 2008

	First Half of 2007	First Half of 2008	Change
Number of Repeat Sales	2,004	1,447	-27.8%
Volume of Repeat Sales (in $mil)	$40,840	$17,400	-57.4%

Despite the fall off in volume, the June data is still over ten times the level needed for a statistically valid calculation of the monthly index.

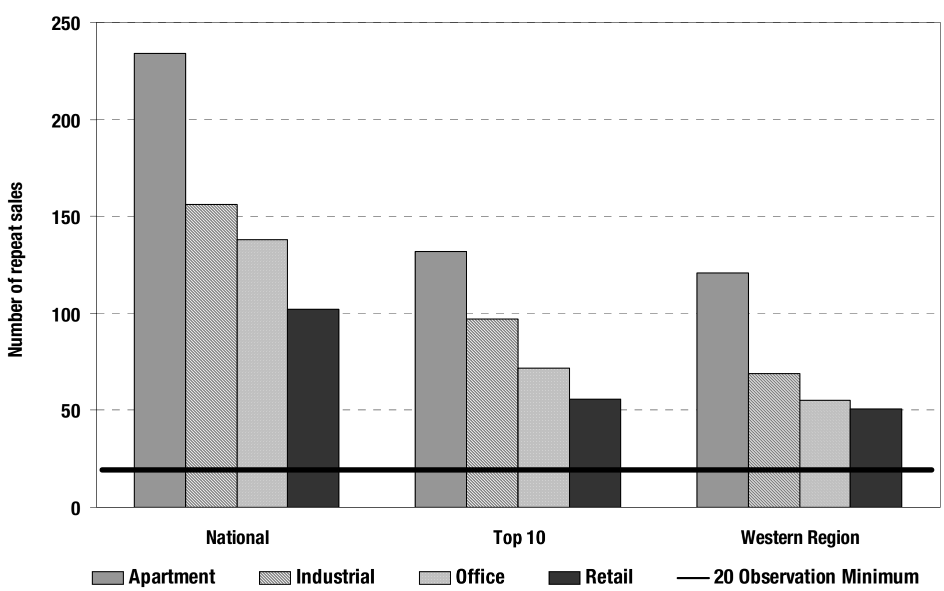
Transaction Volume of Sub-Indices Falling

The number of repeat sales has decreased over the last few quarters for the quarterly sub-indices. But while the number of transactions has fallen between 10% and 35% over the last quarter (depending on the sub-index), *Figure 5* shows that the quarterly sub-indices have 2.5 times to almost 12 times the number of transactions in the second quarter of 2008 to meet the requirements of the repeat sales regression analysis.

The quarterly indices require 20 observations per quarter per property type to achieve a critical mass for a statistically reliable calculation. The quarterly indices include the following three sets:

- National-Four Property Types
- Top 10 MSAs-Four Property Types
- Western Region-Four Property Types

Figure 5
Moody's/REAL CPPI Quarterly Indices: Transaction Count for 2nd Quarter 2008



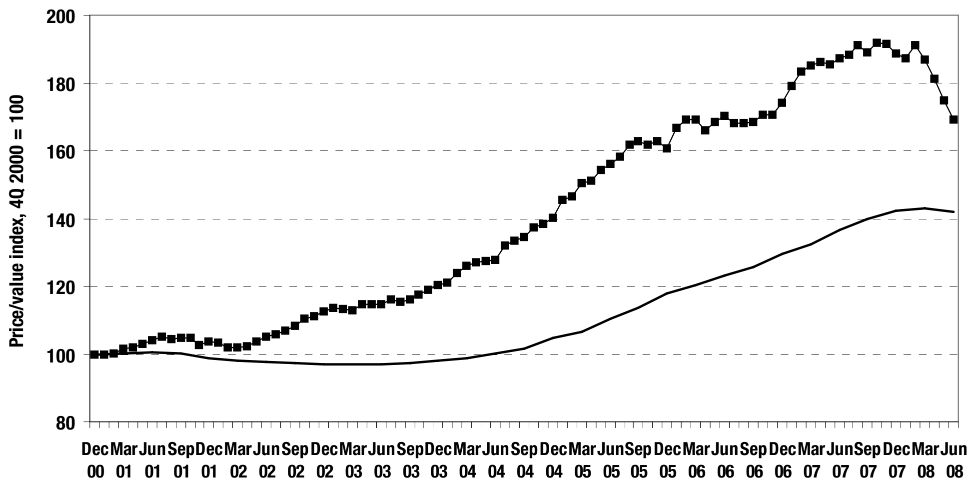
MOODY'S/REAL NATIONAL ALL PROPERTY TYPE AGGREGATE INDEX VS. NCREIF INDEX

In an earlier report, we noted that the CPPI seems to respond more quickly than the NCREIF index to movements in commercial real estate prices. In fact, the CPPI began to capture the recovery in commercial real estate prices within about six months after the end of the recession in the fourth quarter of 2001, while the NCREIF index did not measure a recovery until over two years later.

Now, on the down side of the cycle, Moody's/REAL CPPI is responding more quickly than the NCREIF index is to the fall in commercial real estate prices. While the CPPI has measured a price decline in eight of the last 12 months, the second quarter of 2008 was the first time the NCREIF index showed a negative return in the last five years, at -0.7%. The CPPI measured a 9.4% fall in prices over the same time period (see *Figure 6*).

Figure 6

Moody's/REAL CPPI and NCREIF Capital Appreciation



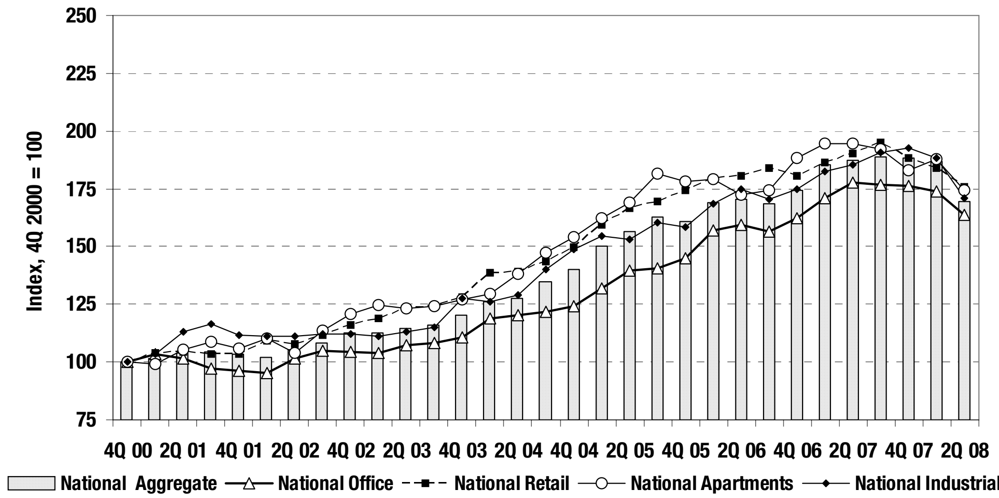
NCREIF through 2Q 2008. CPPI through end of June 2008.
Both series indexed to Dec./4Q 2000 = 100.

NATIONAL - PROPERTY TYPE INDICES: INDUSTRIAL HAS FALLEN FURTHEST FROM ITS PEAK

The National - Property Type Indices for the four major property types are a quarterly series, and this report is based on data through the second quarter 2008. All four property types saw decreases in value from the previous quarter, and all four are showing significant declines in value from a year earlier. Additionally, the declines experienced in the apartment, industrial, office and retail markets this quarter were the largest declines in the history of these sub-indices.

Figure 7

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



Based on data through June 2008, or end of 2nd quarter.

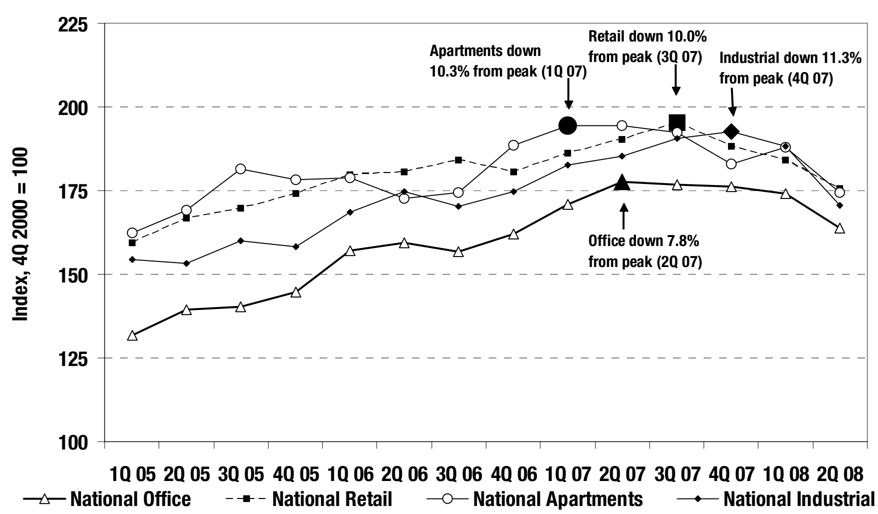
The National industrial market saw the biggest drop in prices of the four property types this quarter (-9.3%), and the National apartment market experienced a significant decrease in prices as well (-7.1%). Retail fared the best of the four property types but still experienced a significant decline in prices over last quarter (-4.6%).

The National office sector saw a decline in prices of 5.9%. Relative strength in the Western office market, which was the only sub-index to experience a positive return this quarter (+1.3%), was not enough to offset the weakness occurring in the South and the East.

All four national level sub-indices continue to fall from their peaks. The decline in office (-7.8%) has not been as severe as in the other three property types, which saw declines ranging from -10.0% to -11.3% (see *Figure 8*).

Figure 8

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



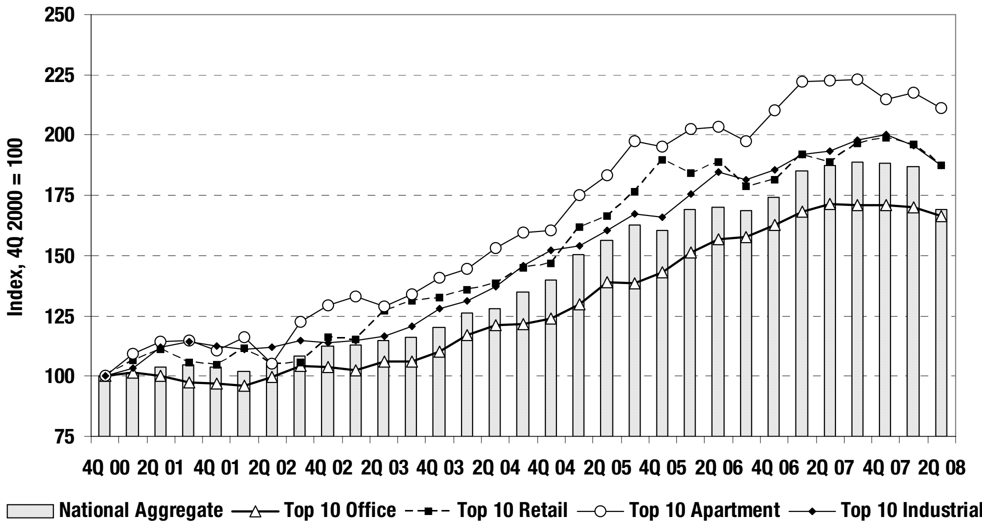
Based on data through June 2008, or end of 2nd quarter.

TOP TEN MSAs - PROPERTY TYPE INDICES: ALL FOUR PROPERTY TYPES FARE BETTER THAN THE NATION

This series is based on the ten MSAs which are home to the most transactions by dollar volume in each property type.[2] Approximately 50%-80% of the national index is driven by the performance of assets in only ten cities, although that ratio varies by property type and over time. This is also a quarterly series, based on data through the second quarter 2008.

Figure 9

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



Based on data through June 2008, or end of 2nd quarter.

The Top Ten MSAs Property Type Indices, while experiencing negative returns, have not seen prices decline as much as the nation as a whole, whether viewed over the previous quarter, or in comparison to a year earlier.

Of the four property types, the retail sector experienced the largest decline in value (-4.4%). The movement of retail prices in the top ten cities most closely mirrored the nation as a whole (-4.6%).

The decrease in value of industrial properties in the top ten cities (-4.2%) was milder than the decline seen in the nation overall (-9.3%).

The apartment market in the ten largest cities is performing relatively well, with a mild decline in prices (-2.9%), as compared to the return seen in the national apartment sector (-7.1%).

The drop in prices in the top ten cities was the shallowest for the office sector (-2.2%). It too performed better than the nation as a whole (-5.9%).

How Does the Drop in Transaction Volume in the Top Ten Cities Compare to the Drop in the Nation Overall?

Transaction volume is down in every property type for the nation this quarter as compared to last quarter. It appears however, that for three of the four property types, the fall off in volume can be attributed in greater part to smaller cities, as the volume in the ten largest cities, while still falling, is holding up somewhat better than the nation as a whole.

The decrease in transactions, measured as the percentage change in both number and dollar value between the first and second quarters of 2008, was milder for the top ten cities in the apartment, industrial and retail sectors than for the nation overall. In fact, while the total *number* of retail sales in the ten largest cities has decreased this quarter, the total *dollar value* increased.

However the same cannot be said for the office markets in the top ten largest cities. As measured by number, the drop in volume is higher in the top ten cities than in the nation overall. As measured by dollar value, the decline for the top ten cities was in line with the nation.

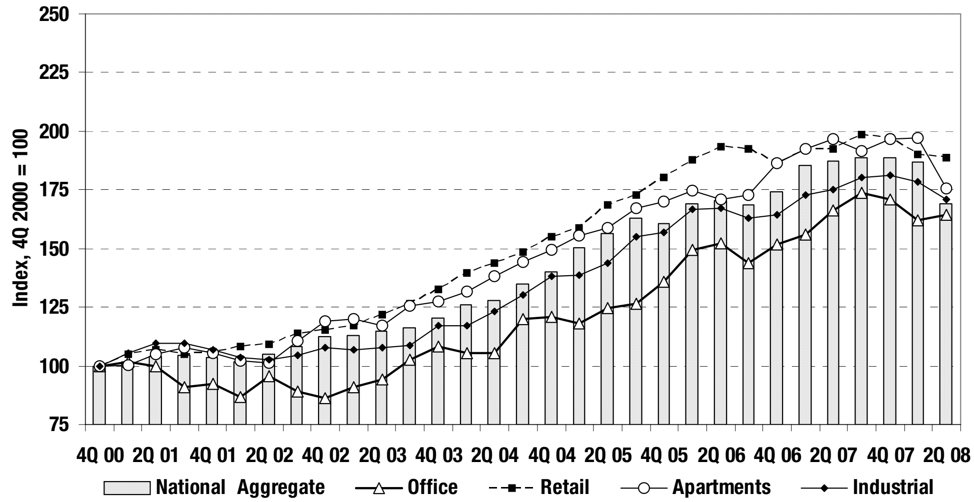
2 The Top Ten cities which comprise the most transactions by dollar volume in each property type are listed in the Appendix to this report.

WESTERN REGION - PROPERTY TYPE INDICES: THE OFFICE MARKET MEASURES THE ONLY INCREASE IN PRICES

The Western Region - Property Type Indices for the four major property types are a quarterly series, and this report is based on data through the second quarter 2008.[3]

Figure 10

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



Based on data through June 2008, or end of 2nd quarter.

The western office sector was the only index to see an increase in prices in this report. Office properties in the West saw prices increase 1.3% this quarter as compared to last quarter.

However, in the May 2008 report, which measured the change in prices from the fourth quarter 2007 to the first quarter 2008, western office had the largest decline of any index (-5.1%). Therefore, although this quarter's return is positive, office prices in the West are down from their peak in the third quarter of 2007, and down from one year earlier.

The positive return seen in offices in the West, coupled with the substantial decline in transaction volume (repeat sales were down 36% from first to second quarter versus a 27% decline at the national level) suggests that "loss aversion" behavior on the part of property owners may explain the uptick in realized prices of closed transactions (the CPPI measures actual prices realized by property owners who choose to sell their properties).

It is a similar story in the western retail sector. Last quarter, the retail sector measured the second biggest drop in prices (-3.6%), performing worse than the nation overall. So while this quarter retail prices in the West fell only slightly (-0.6%), they are down from their peak in the third quarter in 2007, and down from a year before.

That being said, industrial, office, and retail property prices have not declined as much in the West as they have in the nation overall, both over the previous quarter, and from one year ago. The western apartment market, however, saw the biggest decline in prices than any other index this quarter (-10.9%), underperforming the nation (-7.1%). Compared to a year earlier, the decrease in prices in western apartments (-10.6%) is in line with the nation (-10.2%).

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 and the first half of 2009 (*Figures 11*, *12*, and *13*).
- Charts for the 16 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 the readers' convenience (*Figures 14 - 18*).

3 The regions are the same as those defined by NCREIF. A list of each of the states included in each region is provided in the CPPI Primer: Moody's Publishes the First Commercial Property Price Indices Based on Repeat Sales Methodology.

APPENDIX

Figure 11

CPPI: Report Release Cycle, 2008 - 2009

	JULY	**AUGUST**	**SEPTEMBER**
	July 21, 2008	Aug. 19, 2008	Sept. 19, 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
	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

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

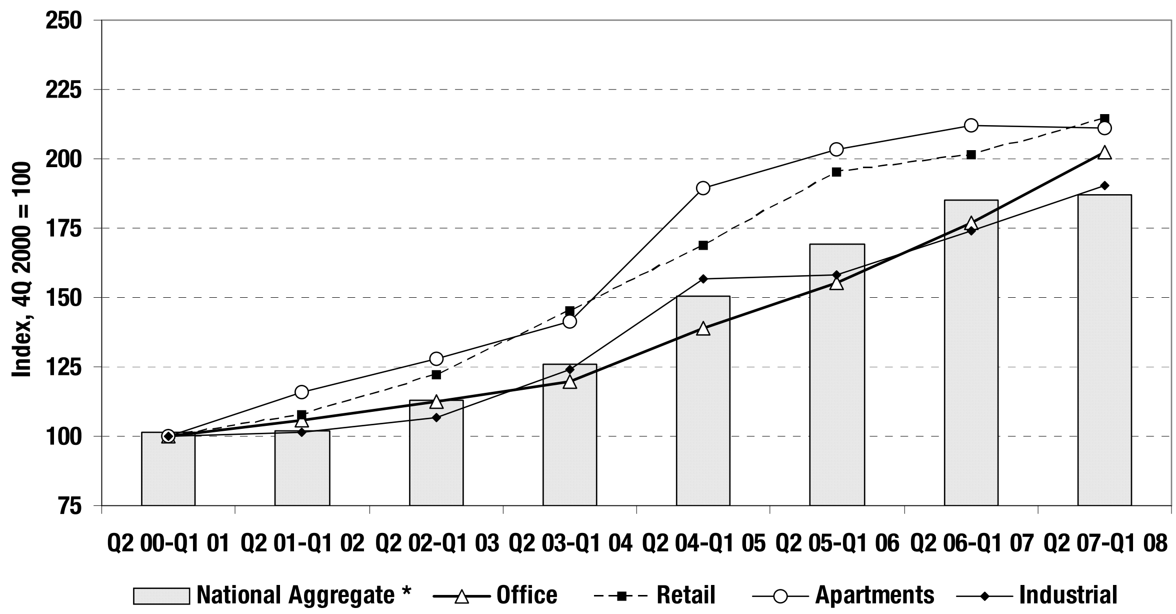
Figure 13

(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

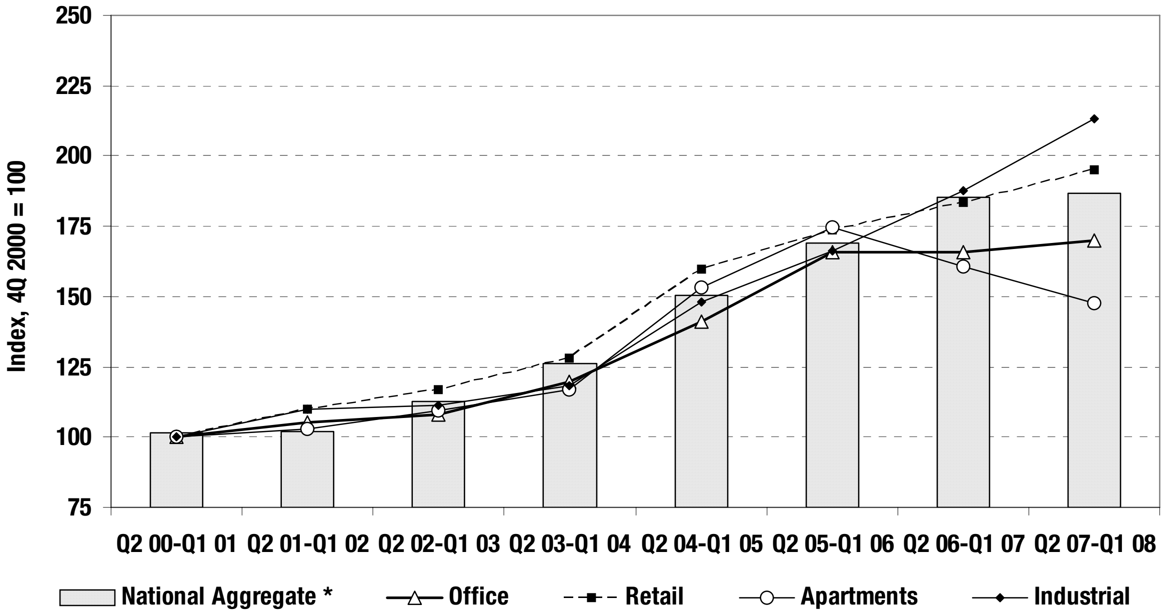
Moody's/REAL CPPI: East -- Property Type Indices



* National aggregate index, like the other series, is as of end of 1Q of each one-year period.

Figure 15

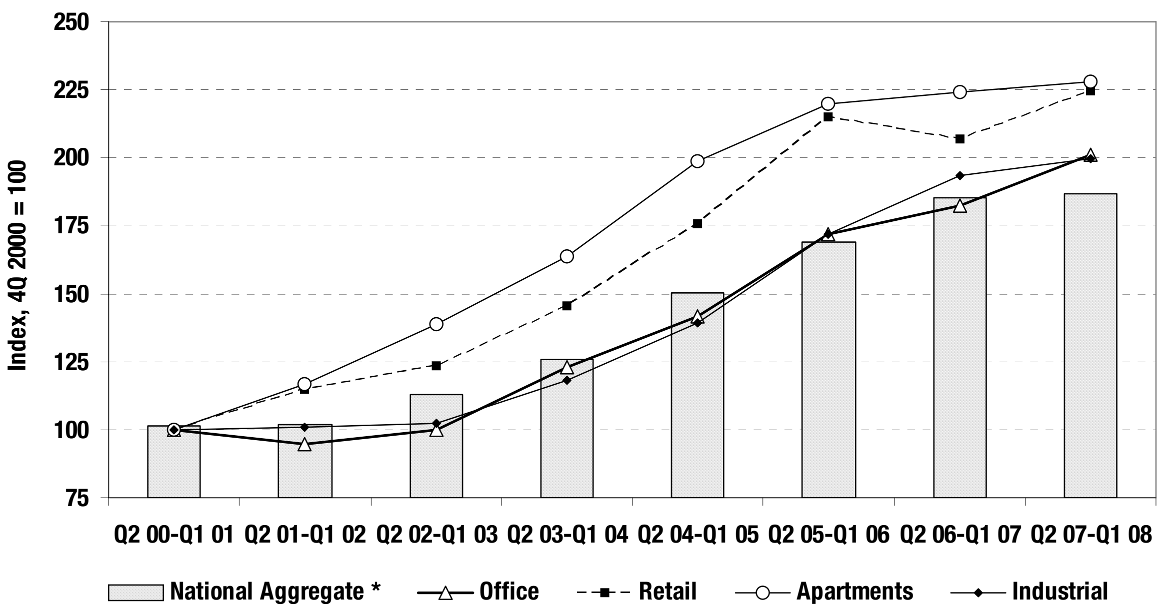
Moody's/REAL CPPI: South -- Property Type Indices



* National aggregate index, like the other series, is as of end of 1Q of each one-year period.

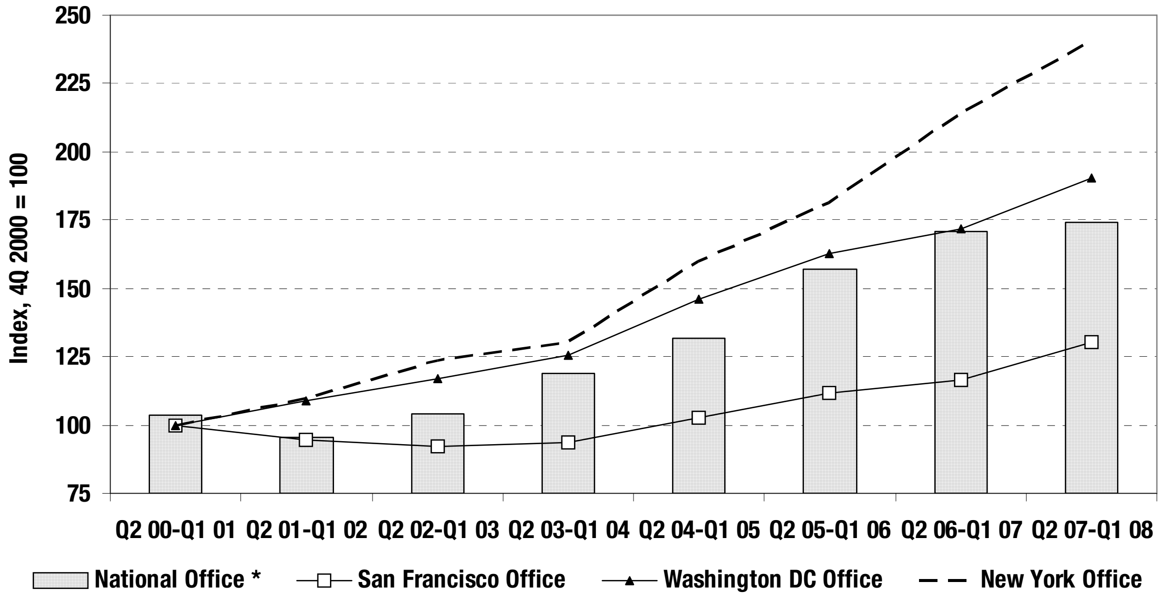
Figure 16

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



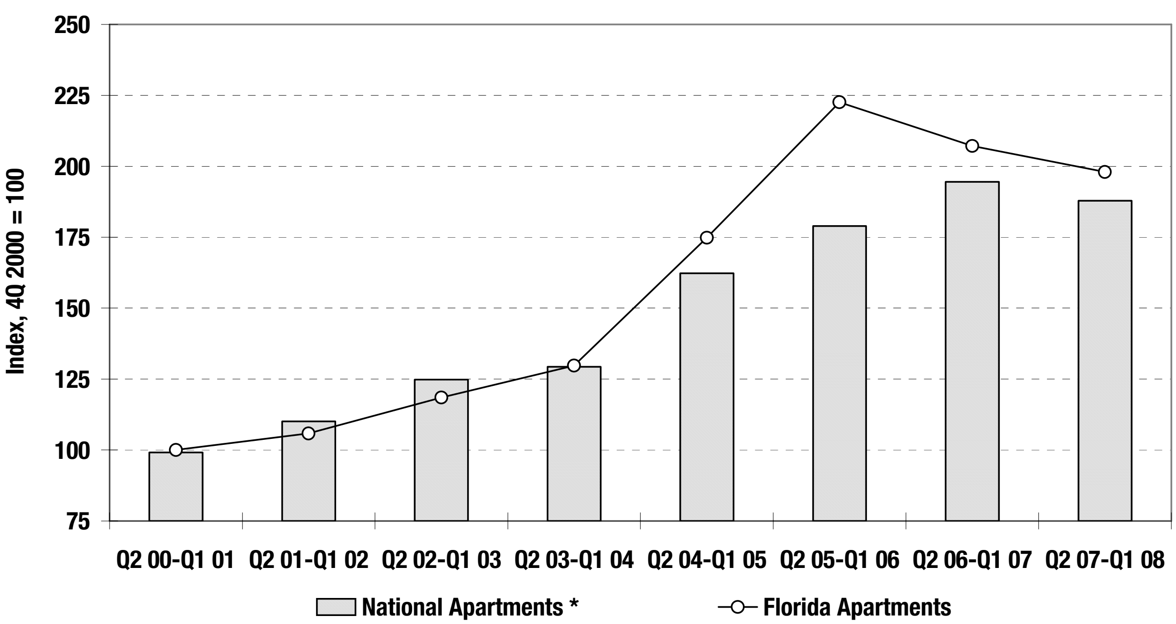
* National aggregate index, like the other series, is as of end of 1Q of each one-year period.

Figure 17
Moody's/REAL CPPI: Major Office Markets Indices



* National office index, like the three MSA office series, is as of end of 1Q of each one-year period.

Figure 18
Moody's/REAL CPPI: Florida Apartment Index



* National apartment index, like the Florida apartment series, is as of end of 1Q of each one-year period.

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