Moody's/REAL Commercial Property Price Indices, September 2007

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OVERVIEW: INTRODUCING MOODY'S/REAL COMMERCIAL PROPERTY PRICE INDICES (CPPI)

This report introduces Moody's/REAL Commercial Property Price Indices (CPPI), which 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]

This methodology provides the most accurate measure, in both scale and timing, of price activity in the commercial property sales market while reducing the likelihood of reaching misleading conclusions that often emerge from measuring averages, medians, or appraisals. *Figure 1* represents the monthly change in aggregate commercial real estate prices, indexed to December 2000 = 100.

1 A summary or short version of the repeat sales methodology is available in a Moody's Special Report. *Moody's Publishes the First Commercial Property Price Indices Based on the Repeat Sales Methodology*. Sept. 19, 2007. 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. Dec. 15, 2006.

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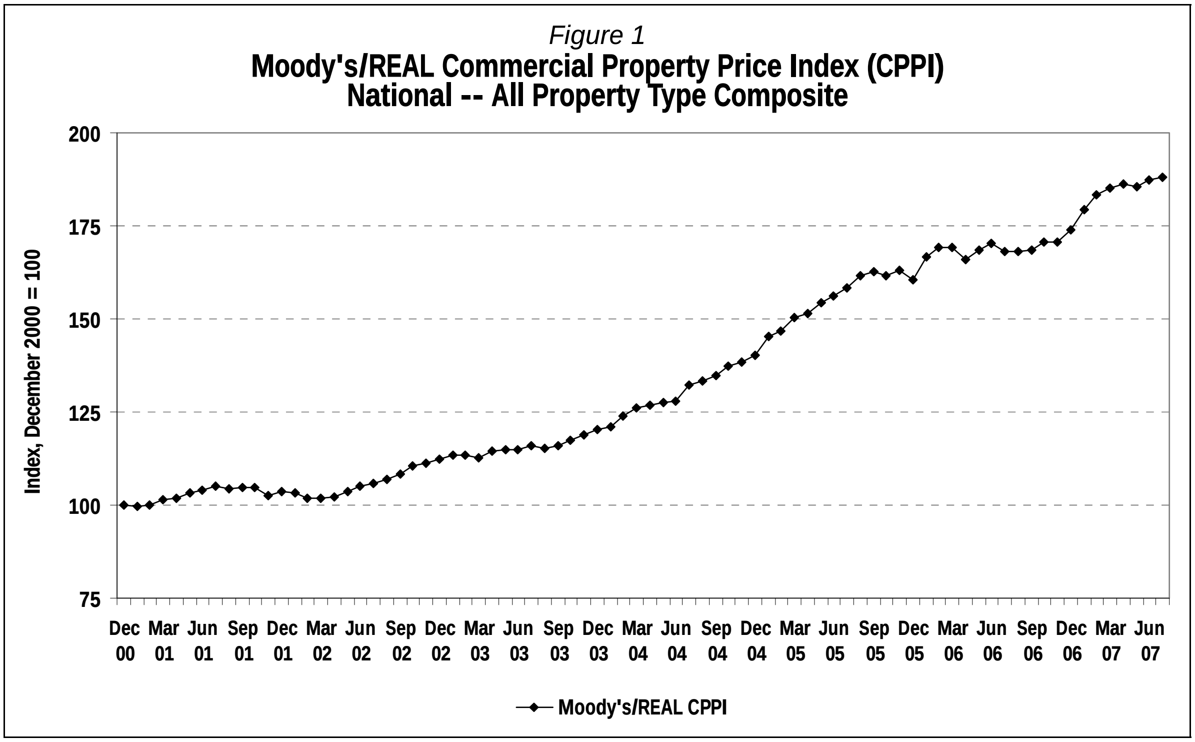


Notable Observations and Themes

- The Moody's/REAL CPPI National - All Property Type Composite index stands at 188.17 (indexed to December, 2000 = 100). That represents an increase in aggregate commercial property prices of 0.5% from the previous month, 11.9% from a year earlier, and 18.9% over a two-year time frame.
- Commercial real estate prices in aggregate are still moving higher but at a slower rate than within recent history.
- Of various indices and sub-indices measuring specific property types and regions, the two break-away best performers over the life of the CPPI are apartments in the ten MSAs with the most transactions - the "Top Ten" MSA Index - and the New York office market.
- Offices have shown the largest price increases over the past two years, as they made up for lost ground from 2001-2003, when the tech bust dampened prices in the office sector.
- Over the life of the index, since Dec. 2000, Southern California has been the hottest region, as all products have handily beat the national composite in all property types. The office sector outpaced the rest of the nation by a somewhat smaller margin than other property types.
- The condo conversion boom (and bust) in Florida shows up. Florida apartments departed from the national apartment market two years ago, but in the last year the Florida market has cooled and the national market continued to grow, closing about one-half of the gap in prices.
- The composition of transactions comprising the composite price index changes somewhat over time, but the same shifts prevail in other markets, such as those for corporate equities. Different sectors take turns being in and out of favor.

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

Detailed methodology papers are available, but a brief introduction to the CPPI is in order. Beginning with this report, Moody's will calculate and publish the Moody's/REAL Commercial Property Price Indices (CPPI) using property transaction data collected by Real Capital Analytics (RCA) and a model developed by the MIT Center for Real Estate. Derivatives based on the indices will be developed by Real Estate Analytics LLC (REAL), with underlying market liquidity provided by various trading desks, in order to enable investors to efficiently manage risk and more immediately participate in the US commercial real estate market.

The indices will be calculated directly from commercial property sales transactions, not appraisals, using a repeat-sale regression (RSR) methodology. The RSR approach measures same-property price changes. Multiple *pairs* of commercial property sales, with different holding periods for each pair, are analyzed using the RSR methodology to derive the change in prices actually executed in the marketplace.

Because this approach is based on repeat sales of the *same* property, it minimizes the effects of the ever shifting composition of transactions in the property markets. For example, if New York's Rockefeller Center or the Mall of America were to sell in a given period, the size and character of such a transaction would distort the apparent change in value of commercial real estate overall or any averages that incorporate such a large, singular piece of commercial real state.

Furthermore, as a transaction based index, Moody's/REAL CPPI does not introduce elements of delay or judgment that may exist in appraisal based indices. Finally, the suite of indices was designed to include statistically valid subsets of interest to investors.

Moody's/REAL Commercial Property Price Index Reporting Cycle

The Moody's/REAL commercial property price index reports will be published monthly with the most recent measure for the composite index and 28 sub-indices as follows:

- A national all-property type composite index is calculated monthly [data in this report through July 31].
- 12 additional indices are calculated quarterly based on the previous quarter's data [data in this report is through the end of the second quarter, or through June 30]. The 12 quarterly indices are listed below in *Figure 2*.
- Another 16 indices are calculated based on one year of data but are reported and updated each quarter on a rolling basis [data in this report is for the one-year period through the end of the second quarter, or through June 30]. The 16 annual indices are listed below in *Figure 3*.

Figure 2
12 Quarterly Indices

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 3
16 Annual Indices with Quarterly Releases

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	

Each of the three monthly reports in a quarter will include all indices, but only some of those will have been recalibrated in that month based on a quarterly rhythm or reporting cycle as follows:

- The composite index will be recalculated each month.
- In the second month of each quarter (February, May, August, and November) all of the 12 quarterly sub-indices will be recalculated and refreshed.
- In the third month of each quarter (March, June, September, and December) the 16 annual sub-indices will be recalculated and refreshed.

The reporting calendar at the end of this report summarize this reporting cycle. *Figure 4* lists the index for each of the 29 CPPI measures for the most recent period and the change from previous periods.

An Appendix at the end of this report includes the following items and sections:

- Moody's/REAL CPPI: Report Content Cycle
- The Distribution of Repeat Sales Data Among Property Types, Regions & Prices
- The Distribution of Repeat Sales Data Among Regions
- Significance of Top Ten MSAs in the Composite Index

Figure 4

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

	Current Index M	1 Month Earlier	1 Year Earlier	2 Years Earlier
National All Property Type Composite	188.17	0.5%	11.9%	18.9%

M Monthly series. Most recent data is through July 31, 2007.

	Current Index Q	1 Quarter Earlier	1 Year Earlier	2 Years Earlier
National - Apartments	194.37	-0.1%	12.6%	14.9%
National - Industrial	185.16	1.4	6.0	20.9
National - Office	177.58	3.9	11.4	27.2
National - Retail	190.20	2.1	5.4	14.1
Top 10 MSAs [1] - Apartments	222.56	0.1	9.4	21.3
Top 10 MSAs - Industrial	193.39	0.9	4.7	20.4
Top 10 MSAs - Office	171.37	2.0	9.4	23.2
Top 10 MSAs - Retail	188.79	-1.6	-0.1	13.4
West - Apartments	196.45	2.0	15.0	23.7
West - Industrial	175.26	1.4	4.8	21.8
West - Office	166.08	6.4	9.2	33.5
West - Retail	192.48	0.1	-0.6	14.2

Q Quarterly series. Most recent data is through end of 2nd quarter 2007. Analysis based on data from that 2nd quarter.
1 Top Ten MSAs refers to the ten MSAs with the most transactions, by number, in each property type.

	Current Index A	1 Year Earlier	2 Years Earlier
East - Apartments	203.96	7.3%	5.7%
East - Industrial	175.50	7.1	10.4
East - Office	177.13	15.1	26.1
East - Retail	202.18	7.3	11.3
South - Apartments	161.57	2.3	0.1
South - Industrial	187.62	11.5	27.7
South - Office	175.34	-0.9	17.0
South - Retail	181.37	5.4	15.8
So. California - Apartments	214.74	1.7	10.6
So. California - Industrial	209.45	15.3	39.5
So. California - Office	184.74	6.5	20.9
So. California - Retail	243.79	7.1	30.5
New York - Office	224.54	18.8	37.2
San Francisco - Office	127.24	15.6	25.5
Washington DC - Office	172.70	5.3	16.5
Florida - Apartments	215.72	-2.9	11.9

A Annual series. Most recent data is through end of 2nd quarter 2007. Analysis based on data from four quarters (3Q06, 4Q06, 1Q07, and 2Q07). Given that the measure is of a rolling four-quarter period, data as of the end of the 2nd quarter can not be compared with that from the end of the previous quarter.

All data & charts as well as special reports will be available on Moody’s.com > Structured Finance > Commercial MBS > CRE Indices.

NATIONAL ALL PROPERTY COMPOSITE INDEX SHOWS DECELERATING GROWTH IN PRICES

The Moody's/REAL CPPI National - All Property Type Composite is a monthly series, and based on data through July 31, 2007, the composite commercial real estate price index stands at 188.17 (indexed to December, 2000 = 100). (Refer back to *Figure 1* on page 2.) That represents an increase in aggregate commercial property prices of 0.5% from the previous month, 11.9% from a year earlier, and 18.9% over a two-year time frame.

Although the change in prices from June to July of this year was modest (0.5%), the index actually captured a bit of a jump in prices from May to June of 0.9%, despite having shown only slight gains over the prior three months. In fact, in the four months, March through June, the index demonstrated only 1.1% cumulative increase in prices. However, this followed a run-up over the four months November 2006 through February 2007 of 7.4%, the *steepest* increase in the index over its 6+ year history.

NATIONAL - PROPERTY TYPE INDICES: APARTMENTS SHOW SIGNS OF A SLOWDOWN, AND THE ECHO OF THE TECH BUST IS EVIDENT IN OFFICE INDEX

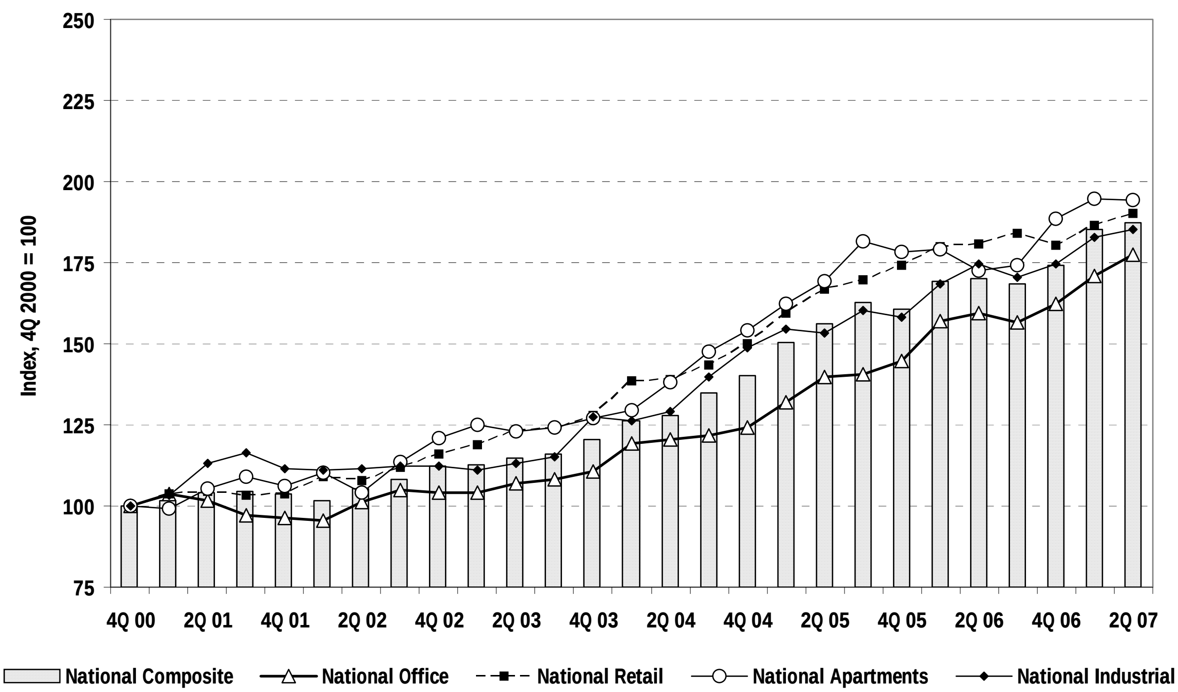
The Moody's/REAL CPPI National - Property Type Indices for each of the four major property types is a quarterly series, and this report is based on data through the end of the second quarter 2007.

Although the prices of all property types nationally are higher than a year ago, in the apartment sector growth in prices has cooled in the most recent quarter. However, over the last year and, indeed, over the full series, the increase in apartment prices has outpaced the other property types.

While office prices have also increased heartily over the last year, that sector got off to a slow start in the overall series and has been playing catch up for the last four years. Specifically, the "tech bust" had the most pronounced impact on office properties, which is clearly evident in the lackluster performance of the office index in 2001 and 2002, even on a national scale. As a result of this slump, the increase in office prices did not pick up steam until 2003 and 2004 before taking off in 2005.

Figure 5

Moody's/REAL CPPI: National Property Type Indices



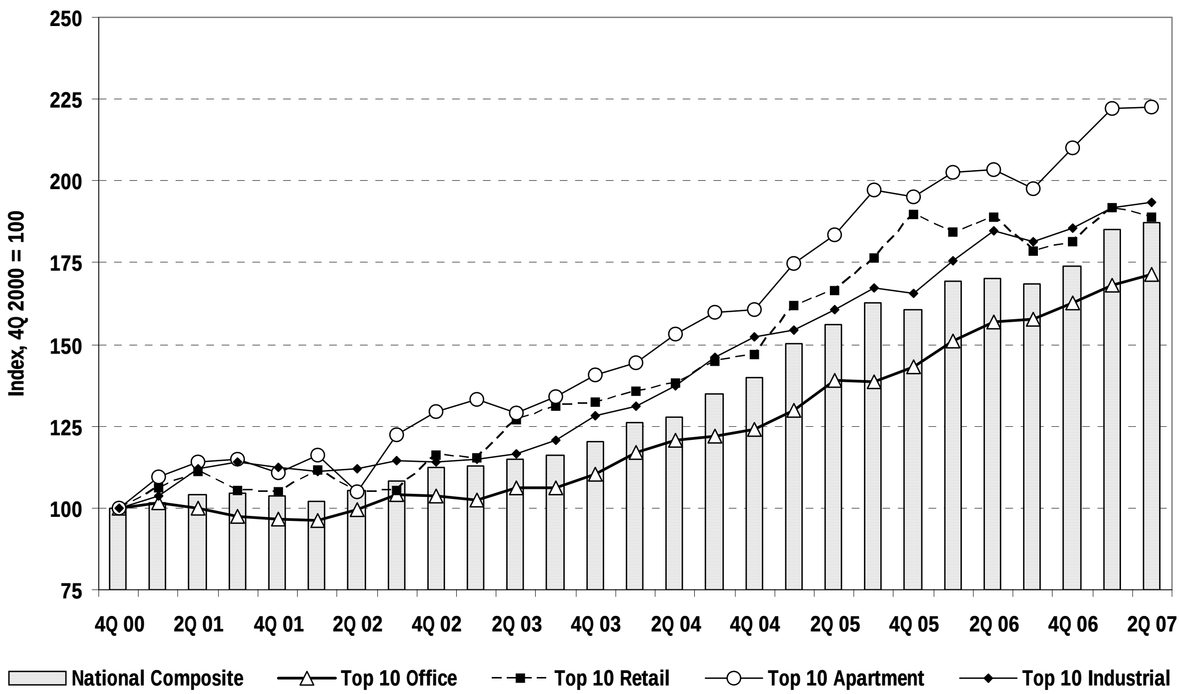
TOP TEN MSAS - PROPERTY TYPE INDICES: PRICE FLATTENING IN RETAIL IN RECENT QUARTERS

This quarterly index captures the change in prices in the ten cities with the most transactions in each property type over the 2005-2006 time frame - the "Top Ten" MSAs. 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. (See Appendix for summary of distribution of composite index among the ten MSAs with the most transactions.) This is also a quarterly series, based on data through the second quarter of 2007.

The retail sector in the ten MSAs with the most transactions declined by -1.6% from the previous quarter, the largest quarter-to-quarter drop of any major index. Furthermore, the retail sector in these Top Ten MSAs has been basically flat over the last six quarters (index down -0.6% in that period). This lags the national composite and the other property types in the Top Ten MSAs, all of which increased by orders of 15%-20% over the same period. Curiously, the retail sector in the ten largest MSAs departs more from the national change in prices for that asset class than do other property types - and it is also the sector that typically comprises the *smallest share* of the national composite, often closer to 50% than the more common 60%-70% (see *Figure 21* in the Appendix).

Figure 6

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



WESTERN REGION - PROPERTY TYPE INDICES: OFFICES CONTINUE RECOVERY

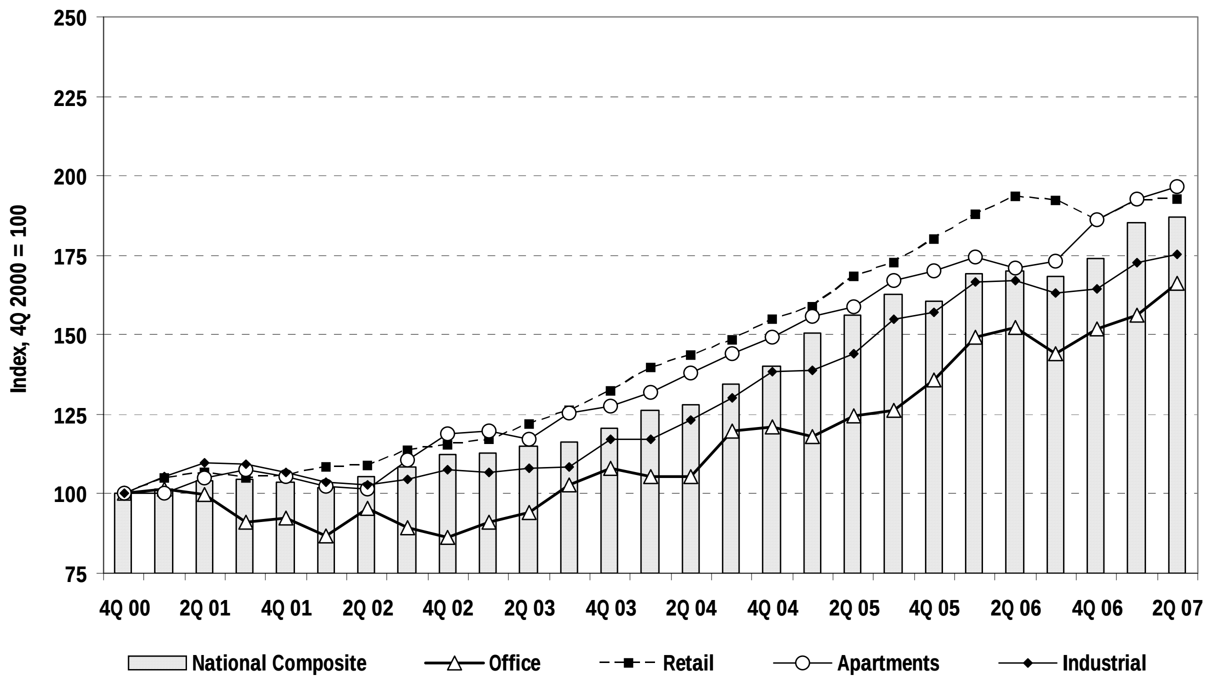
The Western Region - Property Type Indices for the four major property types is also a quarterly series, and this report is based on data through the second quarter of 2007.

Office properties have been the strongest price performer in the West in recent quarters. However, the *level* of prices since the inception of the index is lower for this sector. The slowdown in 2001-2003 following the tech bust dampened prices in that period - as is clearly evident in the index - leaving the office segment playing catch-up. In fact, since the third quarter of 2003, each of the four property types has seen prices increase by 50%-60%, and over that time frame, offices have demonstrated the *strongest* price increase, 62%.

On a year-over-year basis, the strongest sector in the West was apartments, with price gains of 15.0%, ahead of the national apartment composite index increase in prices of 12.6%. Also on a year-to-year measure, retail dropped by -0.6%, one of the few such declines in any sector.

Figure 7

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



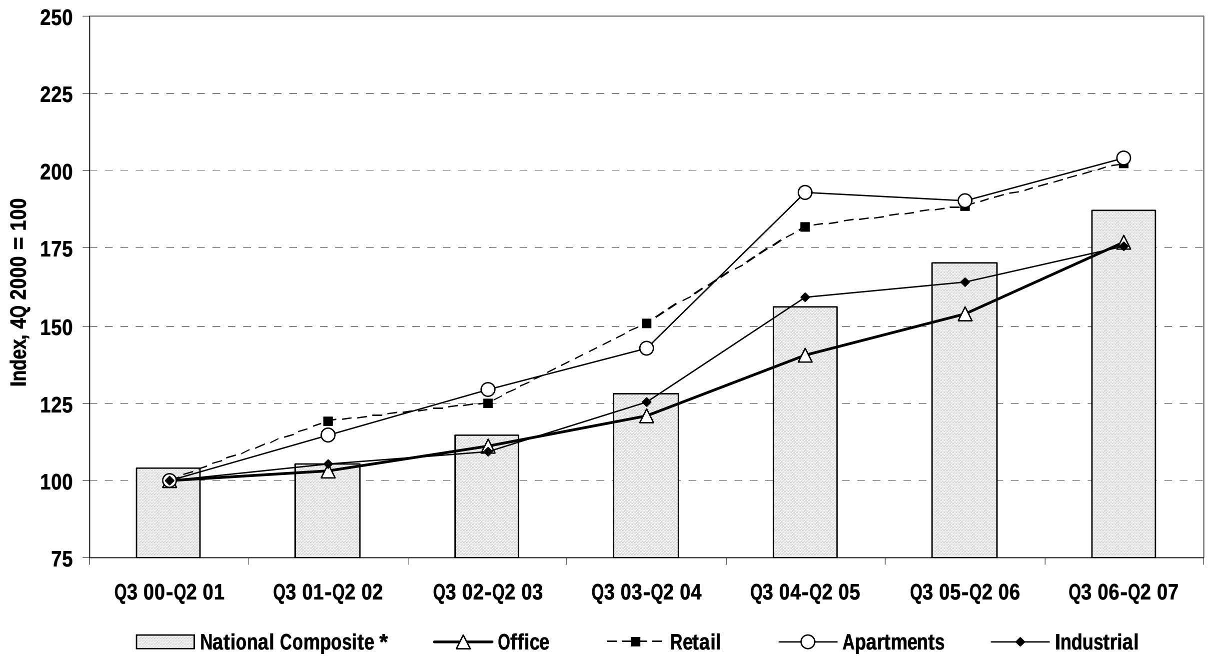
EASTERN REGION - PROPERTY TYPE INDICES: OFFICES JUMP AHEAD, APARTMENTS FALL BEHIND NATIONAL COUNTERPARTS

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 four quarters (3Q 2006, 4Q 2006, 1Q 2007, and 2Q 2007), thus culminating with data through the end of the second quarter of 2007.

Although the apartment sector in the East has outperformed the national composite since the inception of the index, in the last one- and two-year period, the region has lagged growth in prices in the national apartment composite. Conversely, while the office sector appears to have underperformed the national composite over the long term, in the last year growth in office prices in the East has notably exceeded that in the nation. As a later index focusing on a few major office markets will amply illustrate, this is largely attributable to the price inflation in the New York office market.

Figure 8

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



* National composite index, like the other series, is as of end of 2Q of each one-year period

SOUTHERN REGION - PROPERTY TYPE INDICES: FLORIDA APARTMENTS IMPACT REGIONAL INDEX

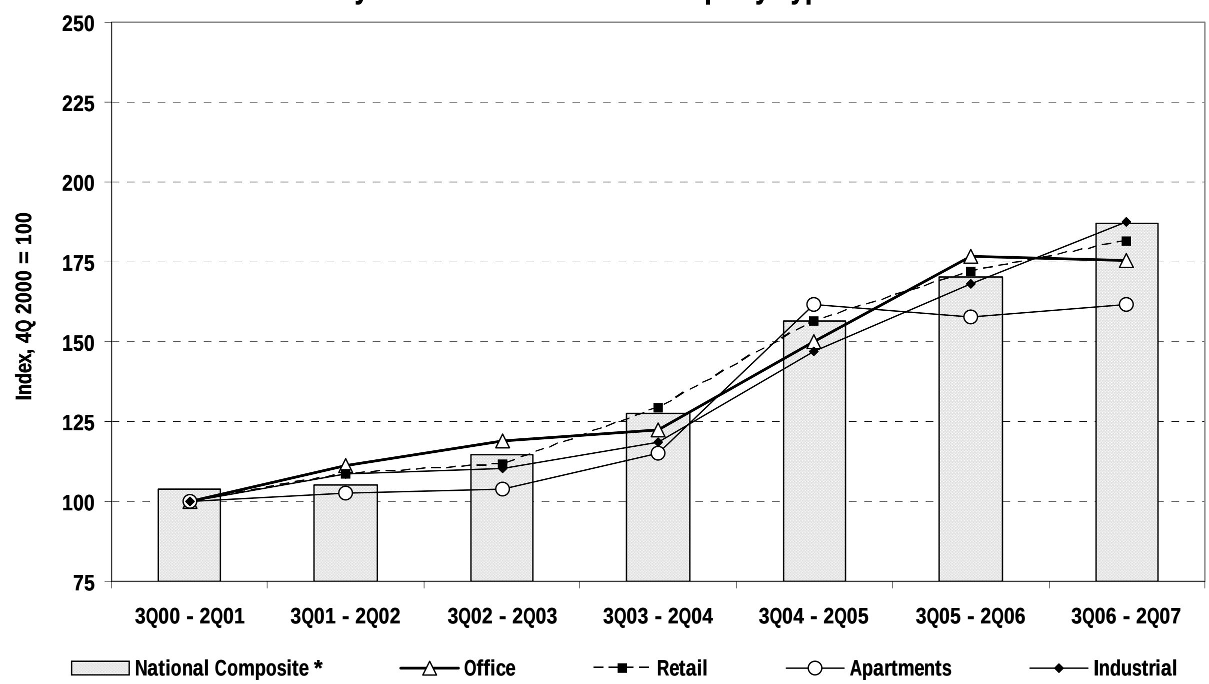
The Southern Region - Property Type Indices for the four major property types is an annual series, based on one year of data on a rolling basis and updated each quarter. This index is based on data for the four quarters: 3Q 2006, 4Q 2006, 1Q 2007, and 2Q 2007, thus culminating with data through the end of the second quarter of 2007.

One surprise in the South is the evidence of a decline in prices in the office sector over the last year, by -0.9%, one of the few year-over-year price drops (along with the retail sector in the West and Florida apartments, to be discussed below). The decline in office prices in the South appears to be heavily driven by softness in the Florida office sector at this time.

Another striking bit of data in the South is the flattening in prices in apartments after a peak in late 2004/early 2005. Drilling down to a more granular level, most of that is attributable to a "bubble" in prices in 2005 in Florida and a decline from that higher level. This will be examined in more detail in the Florida - Apartment Index, but it is worth noting here that the scale of the boom and bust in Florida is sufficient to materially influence the apartment index for the entire Southern region, which spans nine states from Texas to Georgia.

Figure 9

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



* National composite index, like the other series, is as of end of 2Q of each one-year period

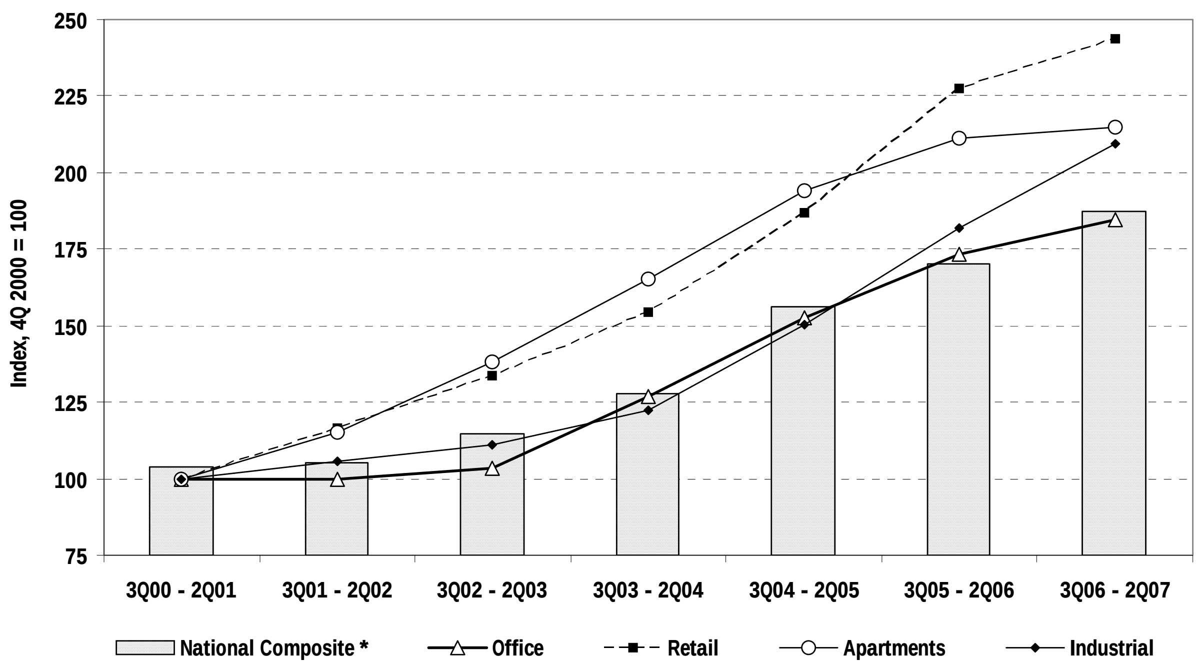
SOUTHERN CALIFORNIA REGION - PROPERTY TYPE INDICES: APARTMENTS LAG OTHER SECTORS IN SOUTHERN CALIFORNIA

The Southern California - Property Type Indices for the four major property types is 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 (3Q 2006, 4Q 2006, 1Q 2007, and 2Q 2007), thus culminating with data through the end of the second quarter of 2007. Four MSAs are captured in the Southern California sub-index: Los Angeles, Orange County, Riverside County, and San Diego.

Over the full term of the CPPI, commercial property prices in Southern California have handily outpaced the rest of the nation, with offices stronger than the norm albeit by a somewhat smaller margin. However, over the last one- and two-year horizons, both apartments and offices have lagged the national composites. The office sector in Southern California in particular seems to be cooling, with price increases of only 6.5% over the last year, well below the pace of 9.2% for the West or 11.4% for the national office sector. In addition, the Southern California apartment market seems to be slowing and departing materially from the rest of the West, with price increases of only 1.7% over one year and 10.6% over two years, well below the Western Region Apartment Index, which is up 15.0% over the last year and 23.7% over two years.

Figure 10

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



* National composite index, like the other series, is as of end of 2Q of each one-year period

MAJOR OFFICE MARKET INDICES: NEW YORK OFFICE A STAND-OUT

Three major office markets, New York, San Francisco, and Washington DC, consistently experience enough transactions to support at least an annual series. Like the other annual series using data from four quarters, in this case 3Q 2006, 4Q 2006, 1Q 2007, and 2Q 2007, this series culminates with data through the end of the second quarter of 2007.

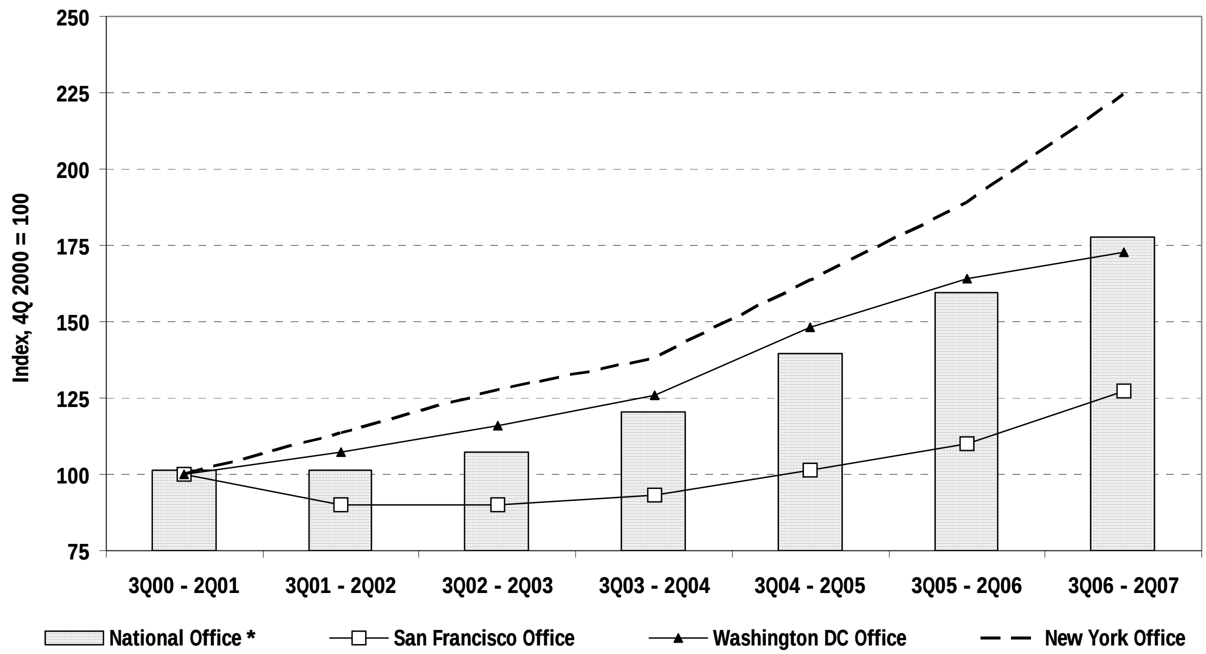
New York is the hands-down winner, particularly over the last year when prices increased by 18.8%, well above the 11.4% price appreciation for the national office market over the same time frame. New York also outpaced the national norm over a two-year horizon, 37.2% to 27.2%.

Although prices in the San Francisco office market declined after the dot-com bust and did not recover to 2000 levels for nearly five years, the last year has seen prices increase by 15.6%, also above the national pace albeit by less than New York's steamy rate.

Finally, Washington DC seems to come closest to matching the national market over the long term, although in individual years that market might see slightly more or less price appreciation than the national composite office index. For example, in the last year Washington prices grew by 5.3%, slightly less than one-half the national rate. However, over the full term of the index, from the end of 2000, the Washington DC office market comes very, very close to matching the US as a whole, with prices up by approximately 75% over that time.

Figure 11

Moody's/REAL CPPI: Major Office Markets Indices



* National office index, like the three MSA office series, is as of end of 2Q of each one-year period

FLORIDA - APARTMENT INDEX: CONDO BOOM ... AND BUST

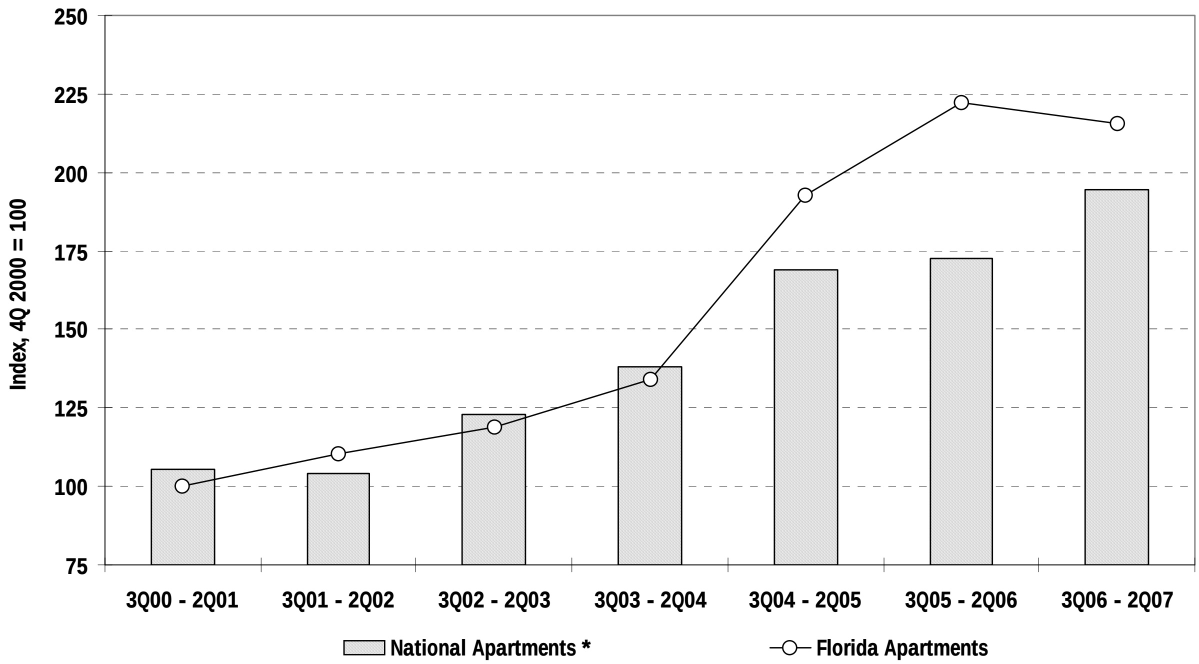
An aggregation of several Florida MSAs provides a sufficient volume of apartment transactions to support a Florida - Apartment series at least on an annual basis, including Orlando, Tampa, and the three metropolitan divisions of the Miami MSA (Fort Lauderdale, Miami, and West Palm Beach). Like the other annual series using data from a rolling four quarters, this series culminates with one year of data through the end of the second quarter of 2007.

The most striking data is the decline in apartment prices in Florida of 2.9% over the previous year, the largest year-over-year decline in any sector and in stark contrast to an increase of 12.6% in apartment prices for the national apartment index. This represents a partial pullback after the run-up in prices in 2004 and 2005. That said, the increase of almost 70% over a two-year period from 3Q 2003 through 2Q 2005 still leaves the Florida apartment market well ahead of other regions and the nation as a whole.

Although the nature of the buyers is not typically represented in the price index, the details available in the RCA database permit an additional observation: one-half of all buyers of Florida apartments during the two-year run-up in prices were condo converters. The clear implication is that the condo conversion boom in Florida that drove up prices is being picked up in the index … as is the aftermath with prices coming back down to earth.

Figure 12

Moody's/REAL CPPI: Florida Apartment Index



* National apartment index, like the Florida apartment series, is as of end of 2Q of each one-year period

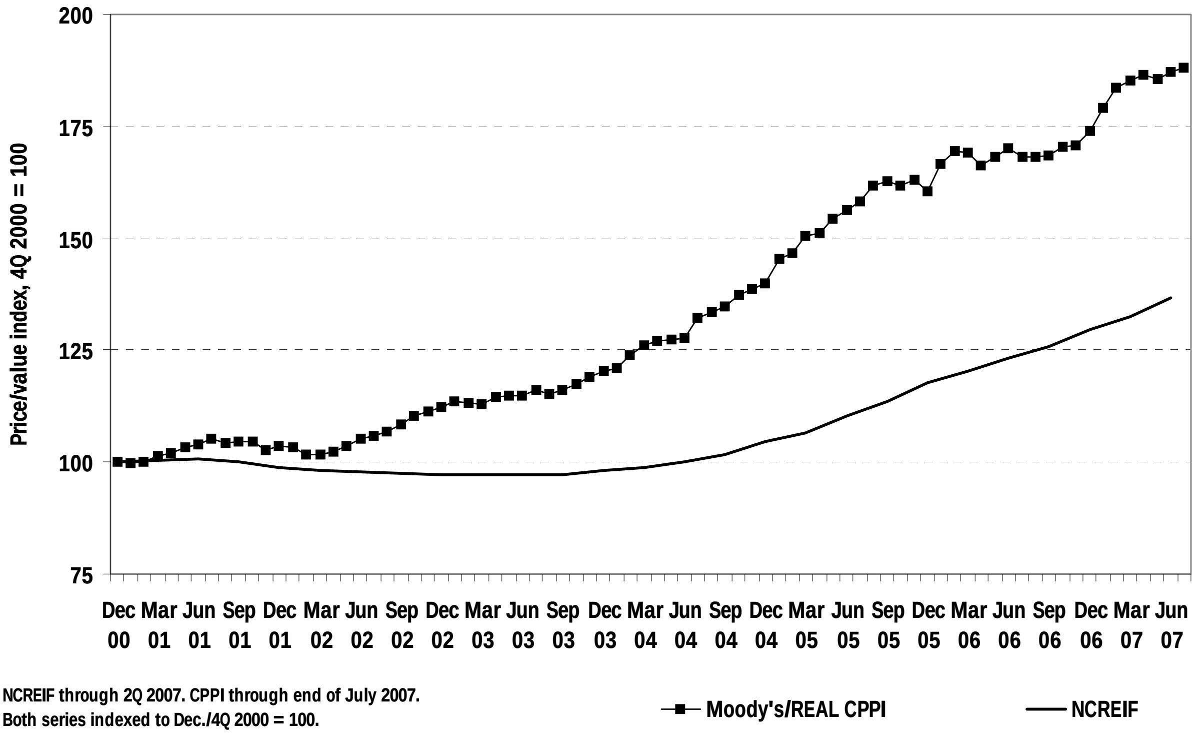
MOODY'S/REAL CPPI RESPONSIVE TO REAL-TIME MARKET MOVEMENTS

The biggest difference between CPPI and NCREIF is timing. Based on the Moody's/REAL CPPI, real estate prices started to pick up in 2002, about three quarters after the economy came out of recession in the third quarter of 2001, while the NCREIF measure continued to languish and did not start to capture the pick-up in values/prices for another 2.5 years. Capital appreciation as measured by NCREIF represents the judgments employed by appraisers, which are of necessity based on transactions that have already been embedded in the prices represented in Moody's/REAL CPPI, which more nearly captures real-time price changes.

More recently, Moody's/REAL CPPI indicates that prices are leveling off, hovering or increasing only slightly. At the same time, NCREIF is still rising, by 3.2% in the second quarter of 2007 alone, well above the 1.0% pace of Moody's/REAL CPPI in the last quarter. Clearly, Moody's/REAL CPPI is reading the slowdown in real estate price appreciation from market signals closer to real time. Finally, the Moody's/REAL CPPI shows some of the twists and turns inherent in the real estate market. Very rarely do any asset prices actually move up or down in the kind of smooth pathways represented by NCREIF.

Figure 13

Moody's/REAL CPPI and NCREIF Capital Appreciation



NCREIF through 2Q 2007. CPPI through end of July 2007.
Both series indexed to Dec./4Q 2000 = 100.

APPENDIX

Figure 14
Moody's/REAL CPPI: Report Content Cycle

	JANUARY	FEBRUARY	MARCH
Report to be released:	Composite	Composite	Composite
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
Report to be released:	Composite	Composite	Composite
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
Report to be released:	Composite	Composite	Composite
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
Report to be released:	Composite	Composite	Composite
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 15

(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 16

(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	

The variables reported in the Appendix will be monitored every month and, should anything unusual occur, will be discussed in the appropriate text. Failing any material departure from historical patterns, an updated version of these variables will be provided in the March 2008 report, by which time end of year data will be incorporated into all indices.

Distribution of Repeat Sales Data Among Property Types for Composite Index

In general the composite Moody's/REAL CPPI is more heavily influenced by the apartment and office markets, while sales of retail and industrial assets comprise a somewhat smaller share of the total. However, in the most recent quarter, the number of pairs of sales of office properties is slightly fewer than is common, while retail and industrial sales are somewhat more heavily represented than is typical.

Figure 17

Moody's/REAL CPPI: Distribution of Data by Property Type

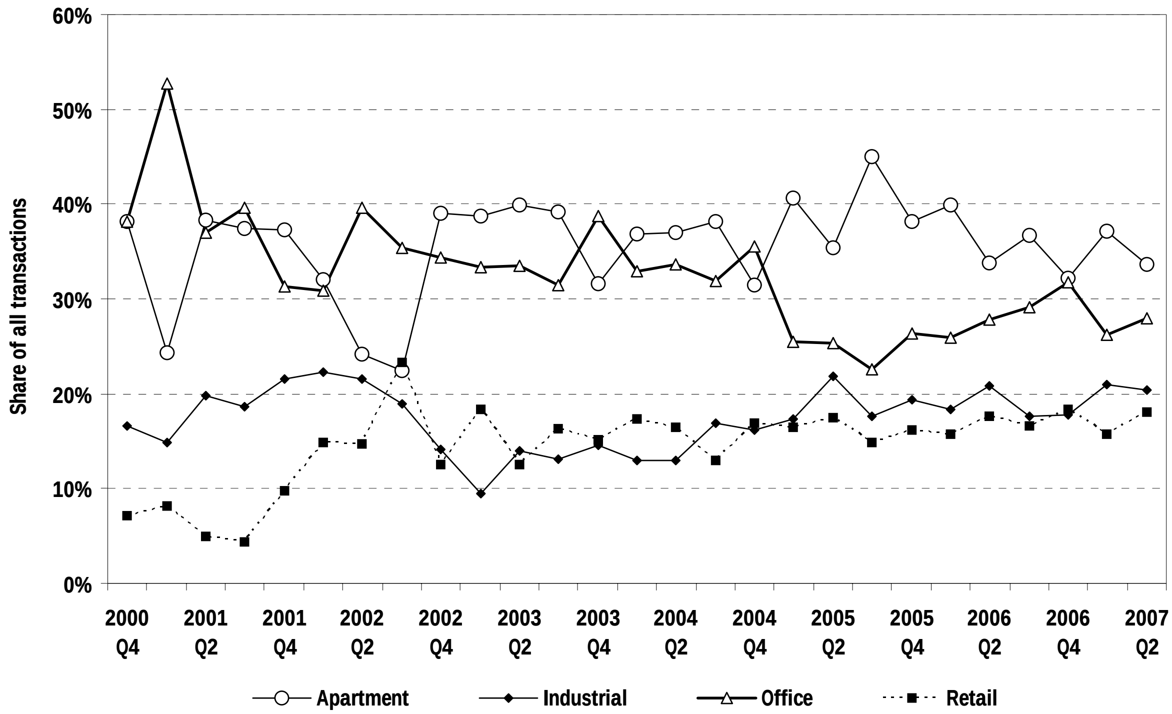


Figure 18

Distribution of Moody's/REAL CPPI Composite Data By Property Type

(By Number of Observations)

	Current Period (2Q 07)	Average Share	Highest Share	Lowest Share
Apartment	33.7%	36.7%	45.0%	22.4%
Retail	18.1	16.2	23.3	4.4
Office	27.9	28.7	52.7	22.6
Industrial	20.3	18.4	22.2	9.5

Distribution of Transactions Among Regions for Composite Index

Typically commercial property sales in the West constitute a disproportionate share of all sales, thereby influencing the composite index more than does the performance of commercial real estate in the South or East.

However, based on data through the second quarter, the distribution of pairs of sales among regions is slightly under-weighted in the West compared to the norm, with slightly more sales in the South than is typical. In fact, the number of repeat sales transactions in the South was up by 37% from the previous quarter and 46% from the year earlier, in all property types, thereby boosting that region's share of all transactions. The historical distribution of sales in the Midwest clearly illustrates why a sub-index for that region can not be computed due to an insufficient number of observations in most periods.

Figure 19

Moody's/REAL CPPI: Distribution of Data by Region

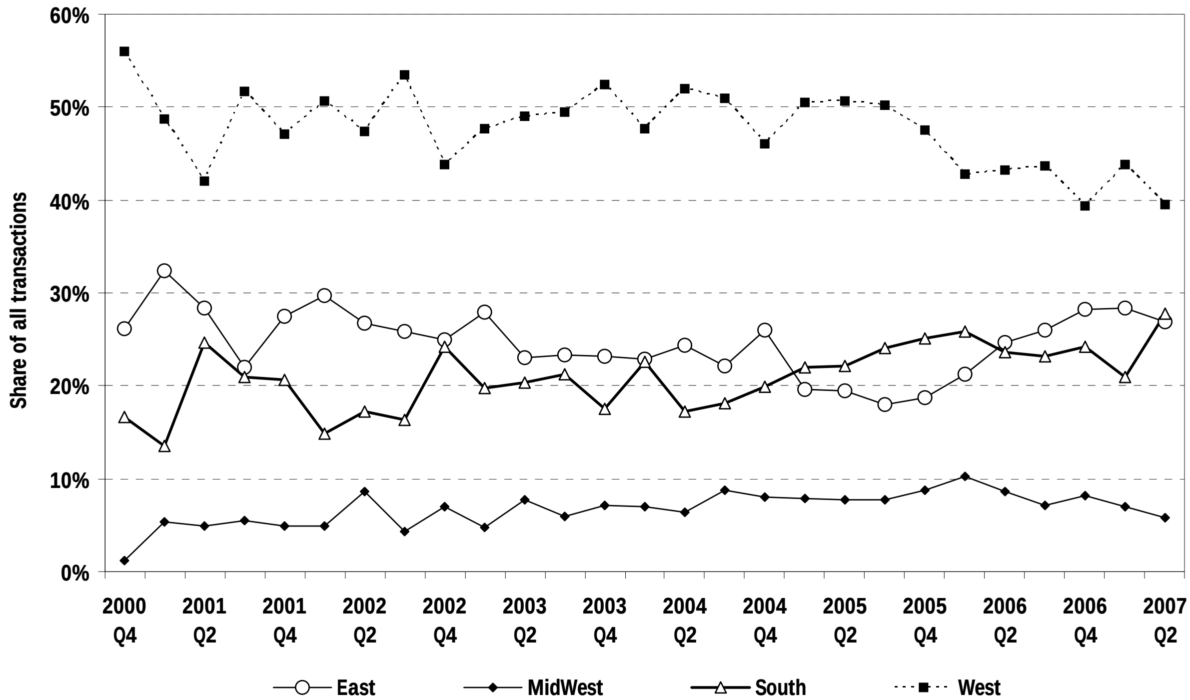


Figure 20

Distribution of Moody's/REAL CPPI Data Among Regions

(By Number of Observations)

	Current Period (2Q 07)	Average Share	Highest Share	Lowest Share
West	39.5%	46.0%	56.0%	39.4%
South	27.8	22.8	27.8	13.5
East	26.9	23.6	32.4	17.9
Midwest *	5.8	7.6	10.2	1.2

* A regional series can not be generated for the Midwest due to an insufficient number of observations.

Share of Moody's/REAL Index Driven by Top Ten MSAs

In general 50%-70% of the repeat sales in the composite index and in the individual property type indices occur in ten MSAs. In most time periods, repeat sales of apartments and industrial assets are more heavily concentrated in only ten cities, while offices and retail properties are somewhat more widely dispersed among more cities.

Figure 21

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

Share of National Index Attributable to Sales In Ten MSAs By Property Type

	Average	1 Quarter	1 Year	2 Years	5 Years
Apartment	67.0%	66.3%	63.7%	68.5%	71.4%
Retail	51.7	45.3	55.7	52.8	70.6
Office	65.4	59.7	63.2	66.4	76.1
Industrial	61.6	62.8	71.1	64.0	48.0

Data for "1 Quarter" represents the most recent period, or data in the 2nd quarter 2007.
Data for "1 Year" represents the share one year earlier, or in 2nd quarter 2006.
Data for "2 Years" and "5 Years" represents the share for the 2nd quarters of 2005 and 2002, respectively.

The specific ten cities with the most repeat transactions vary from one property type to another. The ten MSAs with the most transaction volume in each property type over the last two years, during 2005 and 2006, are listed below. The six MSAs marked in bold are among the top ten in each of the four major property types. This set of cities will be revisited and possibly changed once every two years, in January of even-numbered years.

Figure 22

Ten MSAs With the Most Transactions In Each Property Type, or "Top Ten" MSAs

Apartment	Retail	Office	Industrial
Atlanta	Chicago	Atlanta	Atlanta
Los Angeles	Denver	Boston	Chicago
New York	Houston	Chicago	**Los Angeles**
Orlando	**Los Angeles**	Dallas	**New York**
Phoenix	**New York**	**Los Angeles**	**Phoenix**
San Francisco	**Phoenix**	**New York**	San Diego
Seattle	**San Francisco**	Phoenix	**San Francisco**
So. Florida	Seattle	**San Francisco**	Seattle
Tampa	**So. Florida**	**So. Florida**	**So. Florida**
Washington DC	**Washington DC**	**Washington DC**	**Washington DC**

South Florida = the Miami-Fort Lauderdale-Miami Beach MSA, which includes West Palm Beach, one of the three metropolitan divisions of that MSA, along with Miami and Fort Lauderdale.

Distribution of Transactions Among Price Groups for Composite Index

The RCA data base captures all sales over $2.5 million in price. However, the average of all sales transactions over the life of the index (from December 2000 to date) is much higher, $20.0 million. Most importantly, the data on which the CPPI is based is indeed a broad, representative sample of the commercial real estate market.

Unsurprisingly, apartments are more common at lower price points, while offices are more frequently represented among more expensive assets. This is reinforced by the average prices per property type (see *Figure 23*). The average price of apartments of approximately $15 million is notably below the all-in average price of $20 million, which in turn is significantly less than the average price for office assets of $36 million.

Figure 23

Distribution of Transactions by Price Group: Share of All Transactions Per Property Type and Per Price Group

Price Group (in $ millions)	Apartment	Industrial	Office	Retail	Total for Price Group
$2.5 - $5.0	10.5%	7.6%	5.8%	5.1%	**28.9%**
$5.0 - $7.5	6.4	4.1	3.9	3.2	**17.6**
$7.5 - $15.0	8.3	4.2	5.8	3.8	**22.1**
$15.0 - $50.0	9.7	2.2	8.3	3.5	**23.8**
$50.0 - $100.0	1.5	0.2	2.7	0.4	**4.9**
>$100.0	0.2	0.0	2.2	0.2	**2.7**
Total for Property Type	**36.7%**	**18.4%**	**28.7%**	**16.2%**	**100.0%**
Average Price	$15.3	$9.3	$36.3	$14.0	$20.0

Price groups for sales pairs are based on the price at the second of the pair of transactions. Distributions are calculated over the life of the index.

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