

Announcement: Moody's: US Commercial Real Estate Prices Rise 1.3% in October

Global Credit Research - 20 Dec 2010

New York, December 20, 2010 -- US commercial real estate prices as measured by Moody's/REAL National -- All Property Price Index (CPPI) increased 1.3% in October, its second consecutive monthly increase.

As of the end of October, prices are up 3.2% from a year ago but down 34.4% from two years ago. They are now 41.9% below the peak values they reached in October 2007.

"We expect commercial real estate prices to remain choppy until transaction volumes pick up," said Moody's Managing Director Nick Levidy. "Low volumes suggest that the bid-ask spread for commercial real estate is still very wide."

Levidy also observes that price increases in October were in spite of the fact that October had the second highest percentage of distressed loans in the history of the index, totaling 30% of the repeat-sale transactions.

In October there were 110 repeat sales. Dollar volume of the repeat sales on which the index is based was \$1.4 billion.

In additional indices published this month, the Eastern Regional -- Property Type Indices show large gains over the past year in office and retail, smaller gains in apartments, and a decline in industrial.

The Southern Regional Property-Type Indices record annual gains in apartments and industrial, with office and retail experiencing negative returns.

The four property types in Southern California also show mixed results, with industrial and office posting positive returns and apartments and retail recording negative returns.

Florida apartments have posted a 33.5% increase in prices over the last four quarters, regaining a good portion of the value they lost last year when prices dropped 46.1%.

The CPPI

Moody's/REAL Commercial Property Indices are based on the repeat sales of the same properties across the US at different points in time. Applying price changes measured in this way provides maximum transparency and methodological rigor. This approach also circumvents the distortions that can occur with other commercial property value measurements such as appraisals or average prices, says Moody's.

The report, "Moody's/REAL Commercial Property Price Indices, December 2010," is available on the company's website, www.moody.com. In addition, Moody's publishes a weekly summary of structured finance credit, ratings and methodologies in "Structured Finance Quick Check" at www.moody.com/SFQuickCheck.

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