

News

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MOODY'S ANALYTICS LAUNCHES FORECASTS OF RCA COMMERCIAL PROPERTY PRICE INDICES

Forecasts show US commercial property prices to cool on coasts, rise in central and southeastern US by 2020

NEW YORK, November 18, 2015 – Commercial real estate prices are poised to cool on the coasts, while those in the central and southeastern US are set to rise more quickly by the end of the decade, according to newly launched Moody's Analytics forecasts of the Real Capital Analytics Commercial Property Price Indices (RCA CPPI™).

The RCA CPPIs measure changes in commercial property prices nationally and across major US markets. Moody's Analytics generates forecasts of the indices over a 30-year horizon to identify expected commercial property price trends under various economic scenarios.

According to the Moody's Analytics outlook, commercial property markets are overvalued in New York, Boston, Oakland and San Francisco. Recent price gains have outstripped the growth in these economies' underlying fundamentals, weighing on future property price appreciation.

In contrast, commercial real estate prices in Atlanta, Jacksonville, Ohio and Chicago are undervalued, and thus expected to rise more quickly in coming years. Markets are generally undervalued through the central and southeastern US.

"As the decade unfolds, national commercial property price gains are expected to slow meaningfully, crimped by rising interest rates and increased supply, especially in the markets that are currently hottest," said Mark Zandi, Chief Economist at Moody's Analytics. "Using our forecasts of the RCA CPPI, investors can assess the impact of economic and financial market conditions on their commercial real estate portfolios, reduce risk exposures, and optimize their decision making."

The forecasts are available with Moody's Analytics alternative economic scenarios, as well as the adverse and severely adverse scenarios set by the US Federal Reserve for stress-testing purposes. Based on Moody's Analytics robust economic models, the forecasts are informed by global economic conditions and the relationships among economic variables like employment, spending and production.

"RCA's investment market data and analysis cover markets all over the world and are geared to the needs of all segments of the real estate community – buyers, developers, brokers and lenders," said Bob White, founder and President of Real Capital Analytics. "We believe that Moody's Analytics forecasts of the RCA CPPIs offer a unique insight into commercial real estate prices and fill an important gap in the marketplace."

Moody's Analytics forecasts of the RCA CPPI cover more than 200 indices that measure price changes for all major commercial property types in the US, including apartments, hotels, and industrial, business and retail offices, across 20 states, 10 regions and 31 markets.

For more information on Moody's Analytics forecasts of the RCA Commercial Property Price Indices, visit www.economy.com/rca-cppi.

About Moody's Analytics

Moody's Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. By providing leading-edge software, advisory services, and research, including the proprietary analysis of Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges. Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO), which reported revenue of \$3.3 billion in 2014, employs approximately 10,200 people worldwide and maintains a presence in 35 countries. Further information is available at www.moodyanalytics.com.

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