

Seeking Alpha^α

Moody's Sees Further Decline in U.S. Commercial Real Estate [2 comments](#)

by: Research Recap

January 20, 2009

Six of the seven commercial property types measured in [Moody's Investors Service's Red-Yellow-Green® report](#) showed declines in market strength during the fourth quarter. The two hotel sectors — full-service and limited-service—weakened the most during the quarter.



Moody's Investors Service

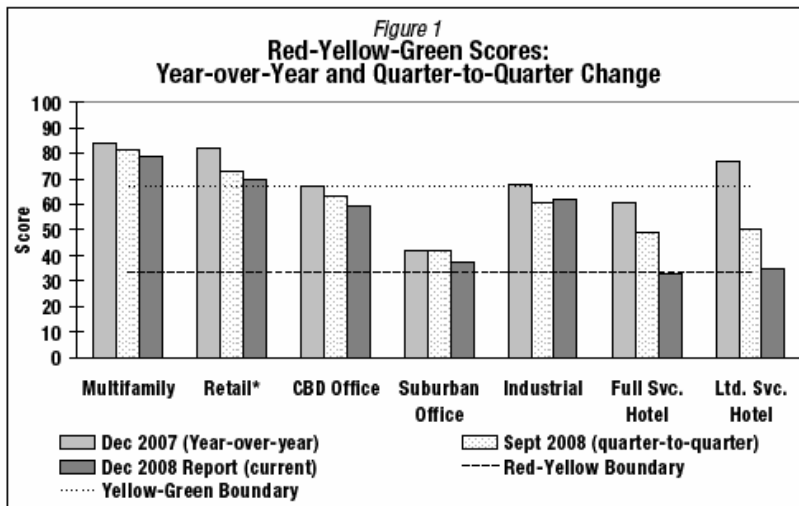
Moody's assessment now scores the full-service hotel sector as "red" or showing market weakness, the one sector to slip into this category. In contrast, both the multifamily and retail sectors continued to post "green" or strong scores, though their scores declined from the previous quarter.

As the economic recession continues to negatively impact commercial real estate, Moody's anticipates further downward movement of red-yellow-green scores across most sectors.

The industrial sector, the only one to show any improvement, gained a single point during the quarter.

Moody's Red-Yellow-Green report scores markets on a scale of 0 (weak) to 100 (strong) and describes them in traffic light colors, with scores of 0-33 identified as red, 34-66 as yellow, and 67 — 100 as green.

[click to enlarge](#)



*Please note that the methodology used for scoring retail markets changed as of September 2008. See Moody's Red-Yellow-Green Update, Third Quarter 2008 for details.

The overall commercial real estate composite score for the U.S. is 58, a significant five-point drop from last quarter.

Moody's notes that the two largest markets supporting commercial mortgage backed securities, New York and Los Angeles, weakened in the quarter and now barely remain green, both moving down from 72 to 68.

The five best markets in the U.S. are: Pittsburgh 77 (72), Oklahoma City 74 (74), San Francisco 74 (74), Honolulu 72 (81) and, tied for fifth, Los Angeles 68 (72) and New York 68 (72).

The five worst markets in the U.S. are: Phoenix 24 (30), Detroit 26 (40), Trenton NJ 33 (38), Jacksonville 33 (37), and Riverside 36 (52).