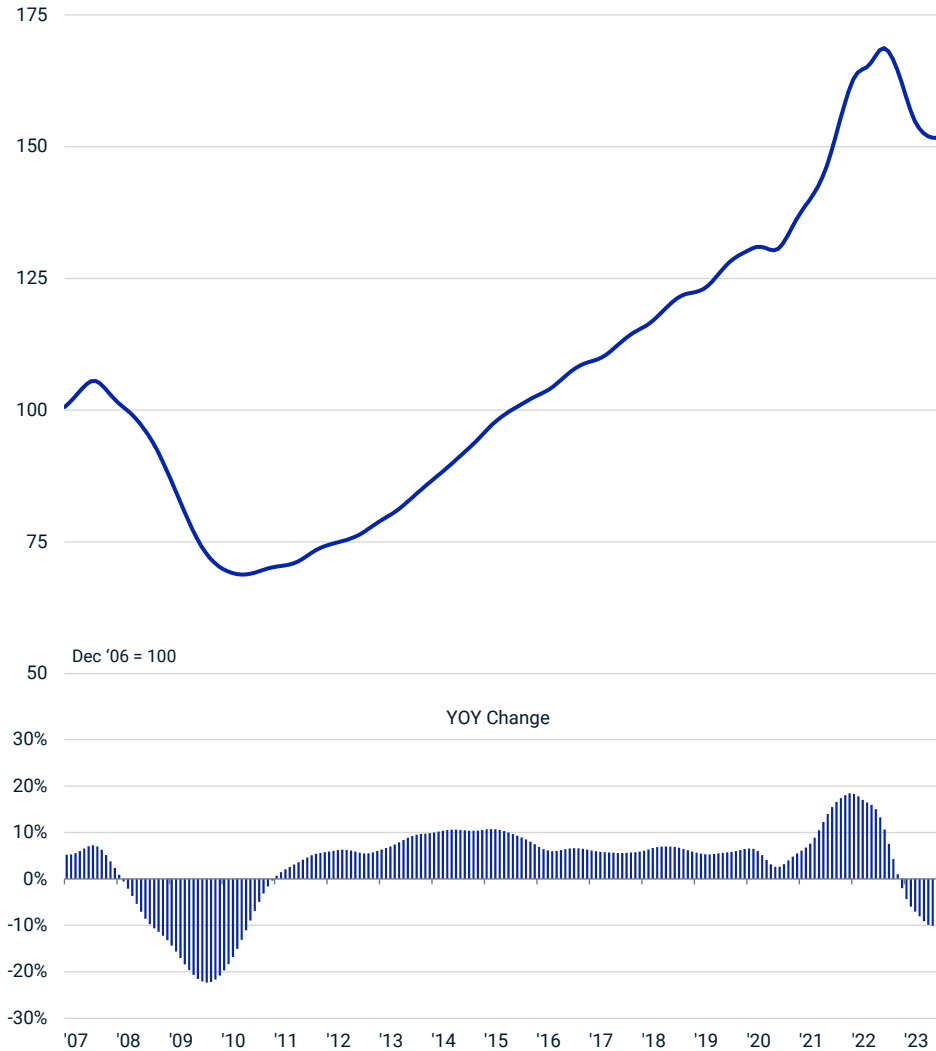


# RCA CPPI™ US

Commercial property price indexes

**-9.0%** Change past year  
**0.0%** Change past month

## National All-Property Index



All U.S. commercial property sectors posted annual price declines in September as pricing continued the retreat that started for most sectors in January. The RCA CPPI National All-Property Index fell 9.0% from a year ago and was unchanged from August.

The apartment sector again posted the largest annual decline among the property types with a 12.8% drop, though the monthly rate of decline has eased through the third quarter of 2023. Apartment prices were down 0.3% in September from August, a significant improvement on the monthly declines of over 2.0% at the turn of the year.

The industrial index fell 0.8% in September from a year ago and gained 0.2% from August. The industrial sector has been the best performing property segment through the recent market downturn. Industrial prices remain 38% above the level in April 2020, when pandemic-related price weakness was first observed for the all-types index.

Retail prices fell 6.9% from a year earlier and 0.1% from August. The monthly rate of decline has slowed every month through the third quarter of the year from the 1.0% pace of decline posted in January. Retail pricing remains far away from the annual increases of greater than 15% seen fewer than 18 months earlier, however.

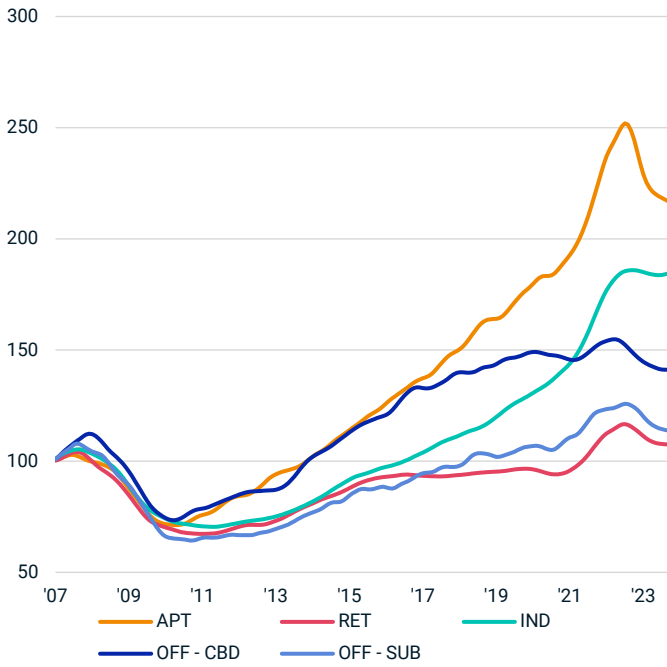
Suburban office prices have performed worse than CBD office recently, in September falling 9.0% from a year ago and 0.3% from August. CBD office prices posted an annual decline of 5.6% and were unchanged from the prior month.

Zooming out and looking at the performance of the two office subtypes since the start of the pandemic, suburban office pricing has been stronger. Prices in September were 7% above the level seen in April 2020 at the start of the pandemic, while CBD office prices now sit 5% below that point.

## Change in RCA CPPI September 2023

	1-mth	3-mth	1-yr	3-yr	5-yr	10-yr
Office	-0.3%	-1.0%	-8.8%	5.6%	8.9%	51.5%
Office - CBD	0.0%	-0.3%	-5.6%	-4.2%	-0.7%	46.1%
Office - Sub	-0.3%	-0.9%	-9.0%	7.1%	10.0%	52.6%
Industrial	0.2%	0.4%	-0.8%	33.0%	58.9%	132.8%
Retail	-0.1%	-0.3%	-6.9%	14.3%	13.3%	36.8%
Commercial	0.0%	-0.2%	-5.1%	13.9%	21.7%	62.4%
Apartment	-0.3%	-1.0%	-12.8%	16.7%	33.1%	121.4%
All Types	0.0%	-0.1%	-9.0%	14.0%	24.5%	80.0%
6 Major Metros All Types	-0.2%	-0.6%	-7.2%	4.7%	12.3%	64.2%
Non-Major Metros All Types	-0.1%	-0.5%	-9.6%	16.9%	29.0%	86.2%

### National Property Types

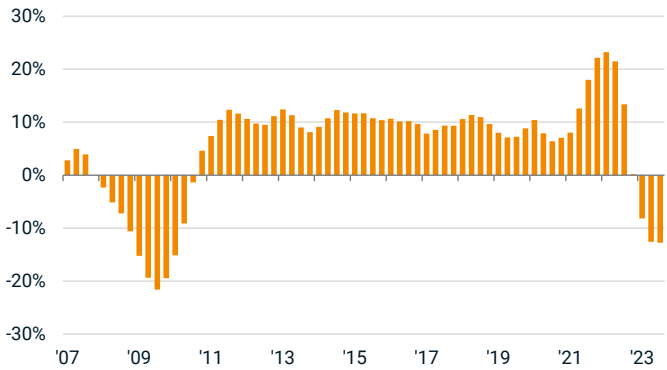


### Major Metros vs Non-Major Metros

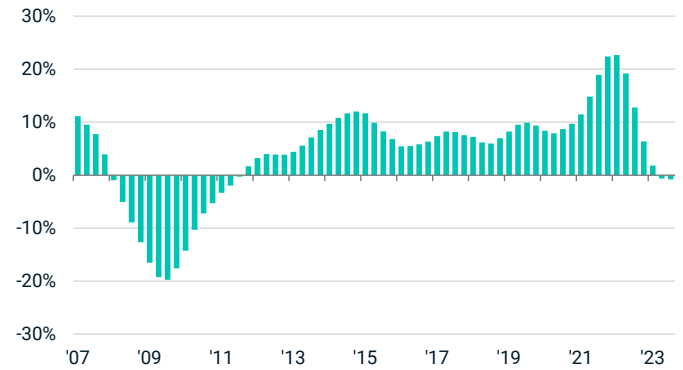


### Year-Over-Year Change by Property Type

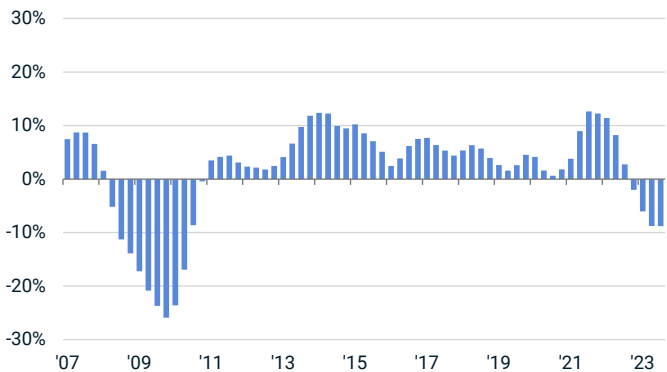
#### Apartment



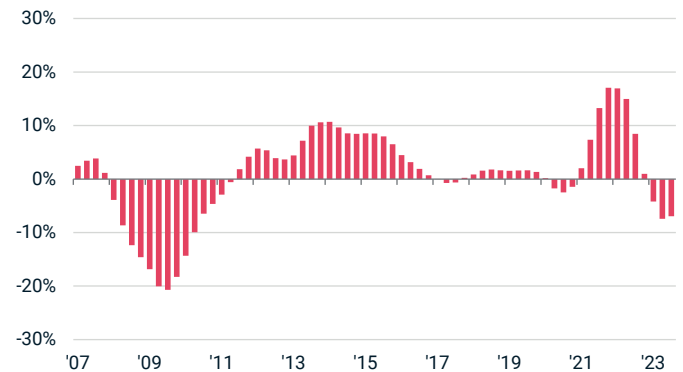
#### Industrial



#### Office



#### Retail



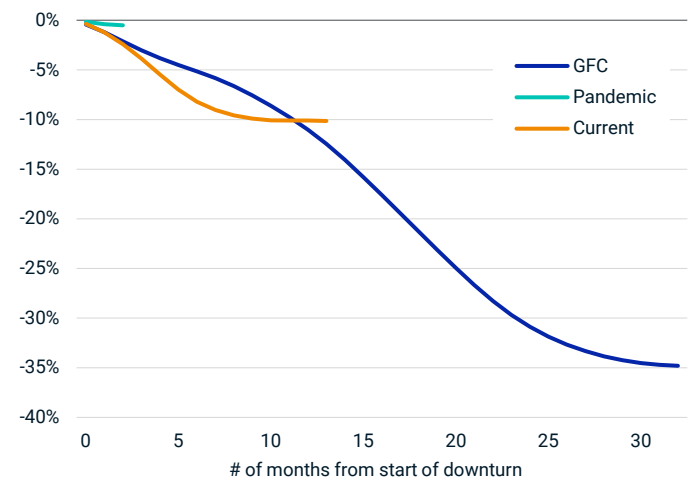
# Pricing Snapshots

## Magnitudes of Decline Versus Prior Crises

Relative to the Global Financial Crisis (GFC), property prices in the current downturn are now falling at a slower rate. In the aftermath of the GFC, it took 33 months before the RCA CPPI National All-Property Index hit a trough and begin to climb again. During the Covid-19 crisis, it took only three months to hit a low point and reverse course. After 14 months in the current downturn, the rate of property price declines appears to be waning.

In the initial stages, the current market downturn had displayed steeper price declines than we had seen through the first 12 months of the GFC downturn. Slowing price declines over the recent few months eased the severity of the current downswing. Through the first 14 months beginning August 2022 when prices began falling, the all-property index has declined 10.1% compared to the 12.4% decline through the first fourteen months of GFC-induced downturn.

## Peak-to-Trough Price Declines



Periods of declines: GFC – Sept. 2007 to May 2010; pandemic – April-June 2020; current – Aug. 2022 ongoing.

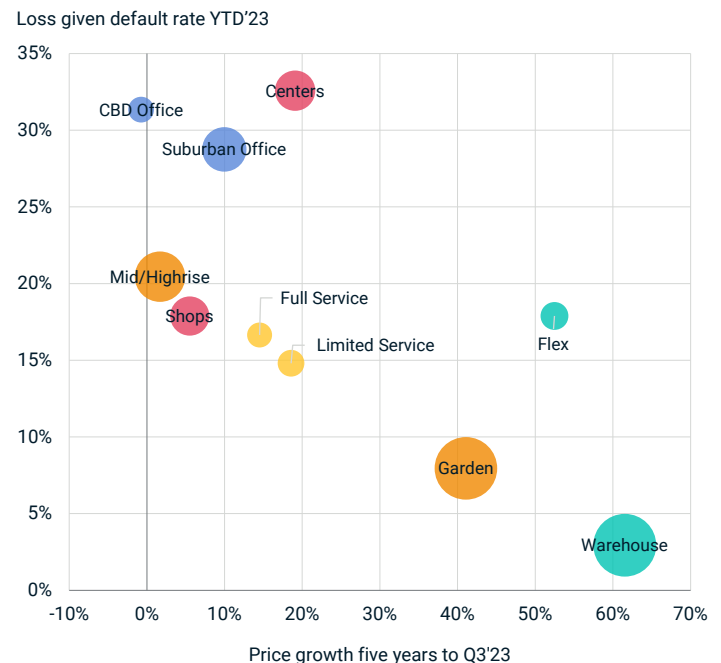
## Price Growth Matters for Loan Loss Rates

Price growth can be a key factor in the losses taken by lenders when defaults occur. With an average loss rate for defaulted loans of 30% for the first three quarters of 2023, the office sector recorded the most severe loss rate of any core asset class. Loss rates for suburban assets stood at 29% and for CBD assets at 31%. For the five years ending in Q3 2023, cumulative price growth for CBD assets was negative at -0.7%, whereas for suburban assets growth was 10.0%.

A look at the change in office pricing over the last 10 years shows prices at Q3 2023 for both office subtypes stood at least 45% above their prior levels. For longer-term loans currently in default, losses may be minimized due to the significant price growth over the life of the loan. For those assets with more recently originated debt, less significant price growth coupled with tight credit conditions create the potential for more significant loss in the event of a default.

Across the five core asset classes, loss rates averaged 19% in the first three quarters of 2023. While this is a 600 bps increase from the average loss rate recorded for the whole of 2022, the current loss in value from the initial loan amount remains well below the average 28% rate of loss seen between 2015 and 2019.

## Loss Rates and Price Change



Bubbles sized for YTD'23 volume.

Join MSCI Real Assets chief economist Jim Costello on Tuesday, Oct. 24 for an in-depth review of U.S. deal activity, pricing and distress trends in Q3 2023. Register [here](#) for the US Capital Trends webinar.

## Notes & Definitions

The RCA CPPI is based on repeat-sales (RS) transactions that occurred at any time up through the month of the current report. This CPPI report published October 2023 provides price indexes through September 2023. These indexes are estimated using transaction data collected through the month of October 2023 to the date of production. Because CPPI allows for backward revisions and incorporates any new data we receive subsequent to publishing, full history (from inception to current month) of future indexes will reflect adjustments due to additional transaction data.

The 6 Major Metros (6MM) are Boston, Chicago, Los Angeles, New York, San Francisco and Washington DC. Non-Major Metros (NMM) refers to all secondary and tertiary markets.

All indexes are benchmarked to 100 at December 2006 and the time series extends to January 2001.

## About the RCA CPPI™

The RCA CPPI (commercial property price indexes) are transaction-based and accurately measure commercial real estate price movements using repeat-sales regression methodology. There are currently over 350 indexes which provide direct comparability across markets and property types in 15 countries.

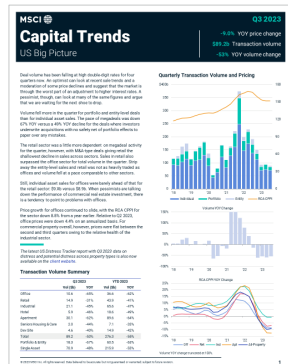
A price indicator is a custom index generated using the same process as the RCA CPPI, but is not part of the official suite of indexes.

The RCA CPPI Global Cities report is published quarterly and the RCA CPPI US report monthly.

## About MSCI

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Published Oct. 19, 2023.



## Also from MSCI Real Assets

The Q3 2023 edition of *US Capital Trends* explores deal activity and pricing trends across property types. Clients can [click here](#) to download the latest edition. If you are not yet a client, [contact us](#) for more information.