

▶ **BOXWOOD** Small Commercial Price Index

Conveniently Track Price Trends in 125 Cities

Overview

The Boxwood Small Commercial Price Index (SCPI) is a broad measure of property sales transactions under \$5 million in value across 117 metropolitan areas. For convenience, we call this measure SCPI-117.

Boxwood also maintains discrete price indices and historical trends on 125 metro areas that are updated on a monthly basis.

Lenders and investors can subscribe to SCPI metro trends on an annual basis as an effective way of **tracking small cap CRE collateral values and monitoring market conditions**. Clients typically employ SCPI metro price trends in appraisal, credit underwriting and portfolio/asset management activities.

Boxwood's price indices mirror the diversity of the small-cap CRE market by combining and tracking closed sales among various small commercial property types that range from conventional office, industrial and retail uses and also include secondary property types often associated with owner-users and single tenants such as free-standing buildings, street retail, mixed use, restaurant buildings, commercial condos and more.

The SCPI measures underscore **the significant performance variation in pricing trends over time between small-cap CRE markets and the larger, investment-grade segment**. Because of its unique characteristics, Boxwood's national index is often compared against general CRE indices such as the Moody's/RCA (Core Component) Index and is frequently cited in the business press, industry trades journals and appears on Bloomberg terminals.

Index Methodology

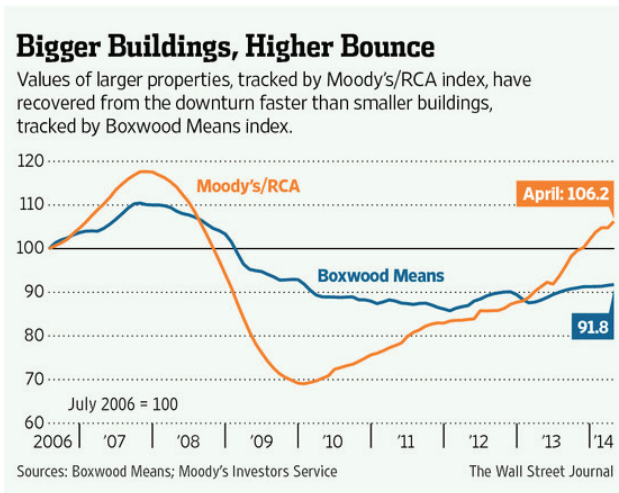
Construction of the Boxwood index borrows from conventional valuation techniques in which sales comparables are "adjusted" to reflect a subject property's attributes. We enhance this basic framework with robust multivariate hedonic models, employed metro by metro, to estimate the effects of location, vintage, property use, construction type and other factors upon sales prices. Once estimated, the impact of these factors on the sale price is statistically removed to produce a population of transactions that are comparable across time within each metro area.

This technique leverages the information from tens of thousands of small-cap CRE property transactions to create a population of closed sales that is reflective of the broad small commercial property sales market and is comparable over time. In so doing, Boxwood's SCPI methodology statistically replicates the qualities of a repeat-sales index without the limitations imposed by small sample sizes.

About Boxwood Means, LLC

Boxwood is a leading provider of valuations, research and data analytics for the small commercial property and loan markets. Founded in 2003, we are fortunate to support a diverse and growing number of commercial banks, non-banks, investors and services firms with their investment activities. Our suite of report products include: FieldSmart Evaluation Reports; Streamline Appraisal Reports; Valpro AVMs; Boxwood's Small Commercial Price Index (SCPI) for 120 metro areas; and small-balance originations research. All are described on BoxwoodMeans.com, where participants in the small-cap CRE market obtain these reports and complimentary research including Boxwood's popular *Small Balance Advocate* report.

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