

# MOODY'S

## Quarterly Commercial Real Estate Briefing: A Destabilized Recovery

Thomas P. LaSalvia, PhD, Head of CRE Economics

Kevin Fagan, Head of CRE Capital Markets

Ermengarde Jabir, PhD, Director of CRE Economic Research

Lu Chen, Director of Multifamily Research

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May 2025

The background features a dark blue field with intricate, glowing blue wavy lines that create a sense of depth and movement, resembling a stylized topographical map or a complex data visualization. The lines are most prominent in the upper left and right corners, with a large, dense area of lines on the left side that tapers off towards the center.

# U.S. Economic Outlook

# Consumer Confidence in Free Fall Since March

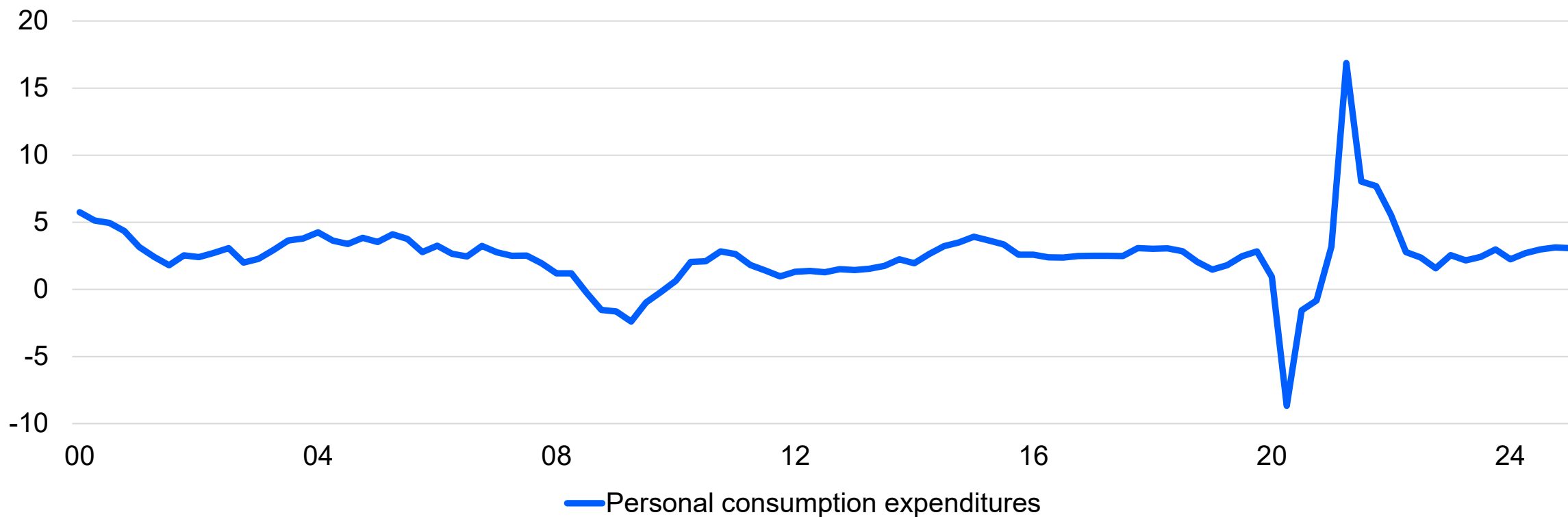
Index, 1985 = 100



Sources: The Conference Board, Moody's Analytics

# Consumer Spending Is Steady - Is it Pre-Tariff Strategy?

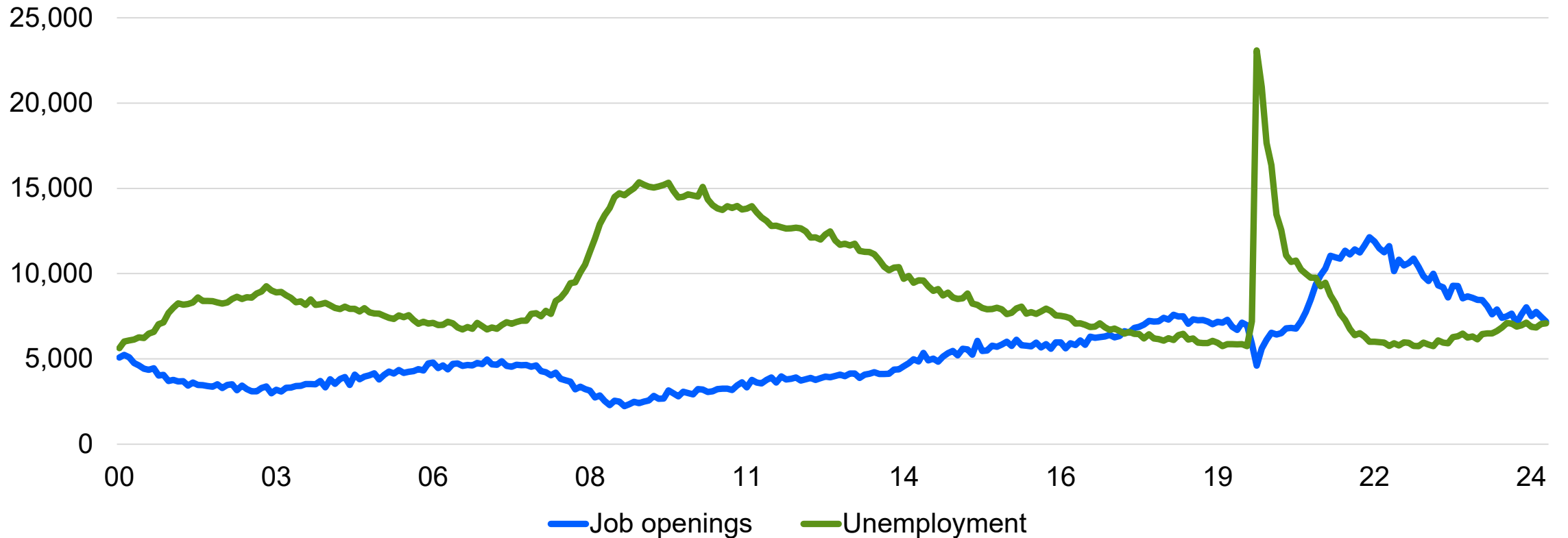
% change



Sources: The Conference Board, Moody's Analytics

# Labor Market has Softened, but Resilient

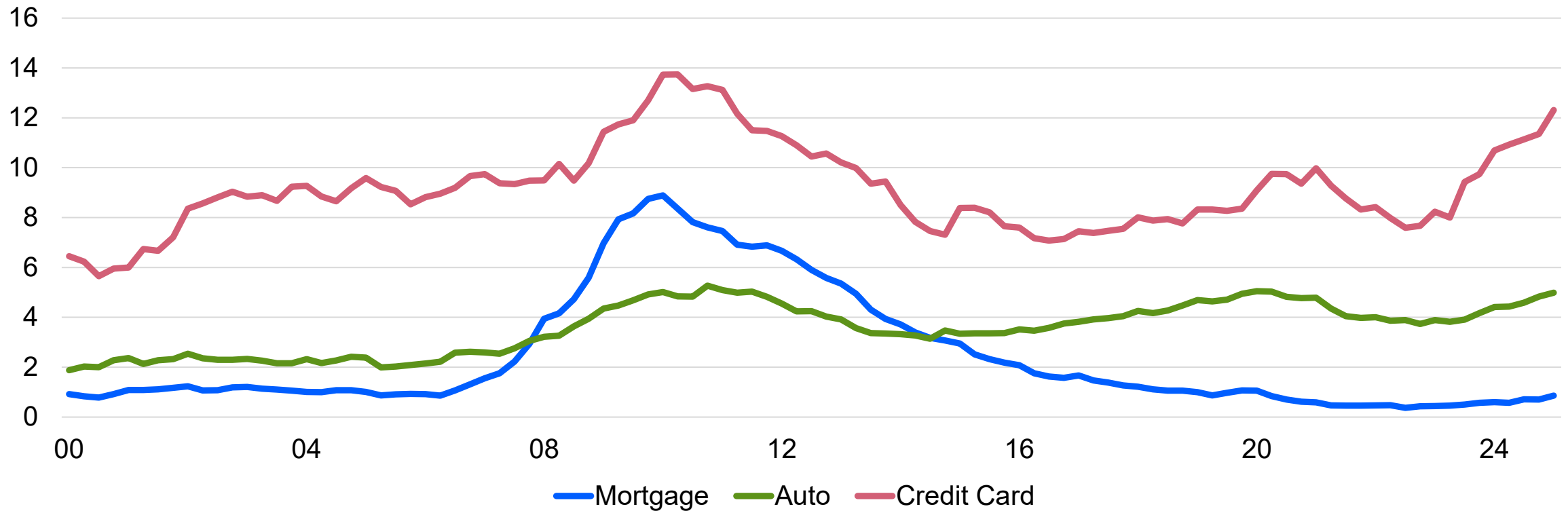
Thousands of people



Sources: Bureau of Labor Statistics, Moody's Analytics

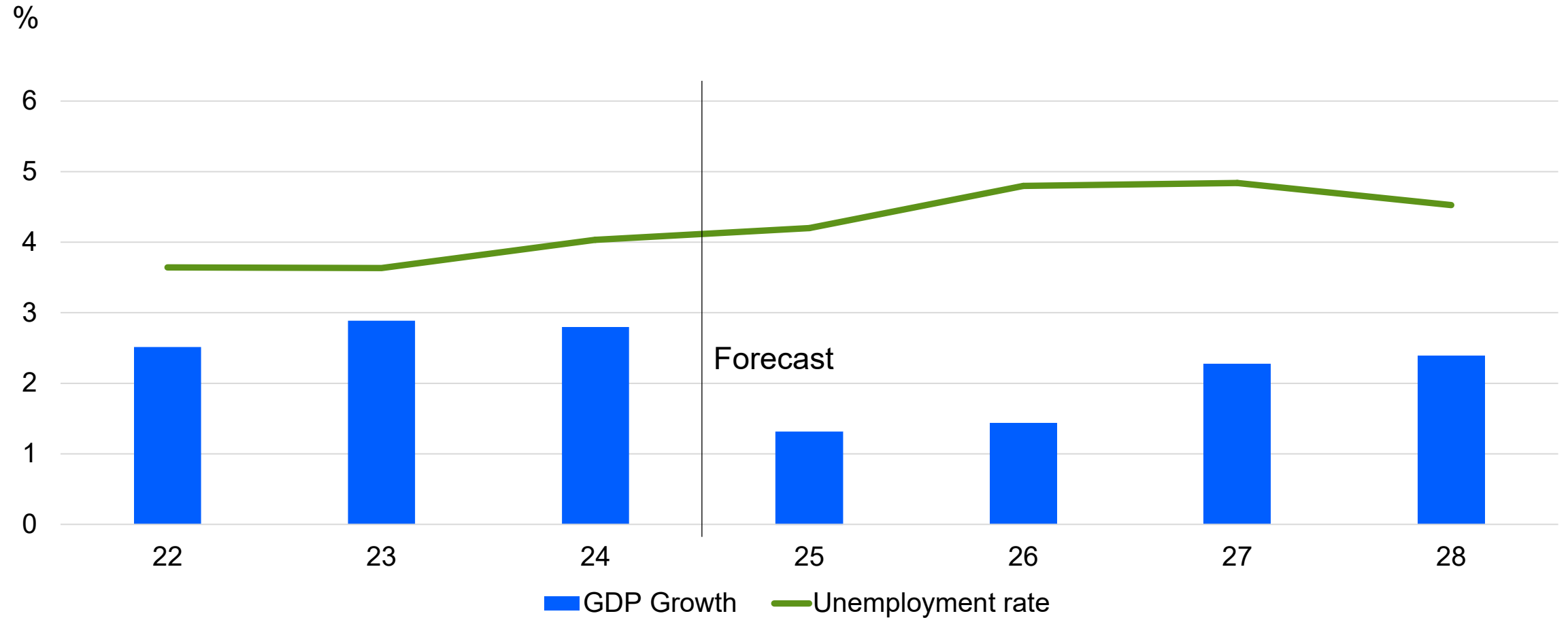
# Consumer Credit Is Beginning to Show Cracks

Percent of balance 90 days delinquent



Sources: FRBNY, Moody's Analytics

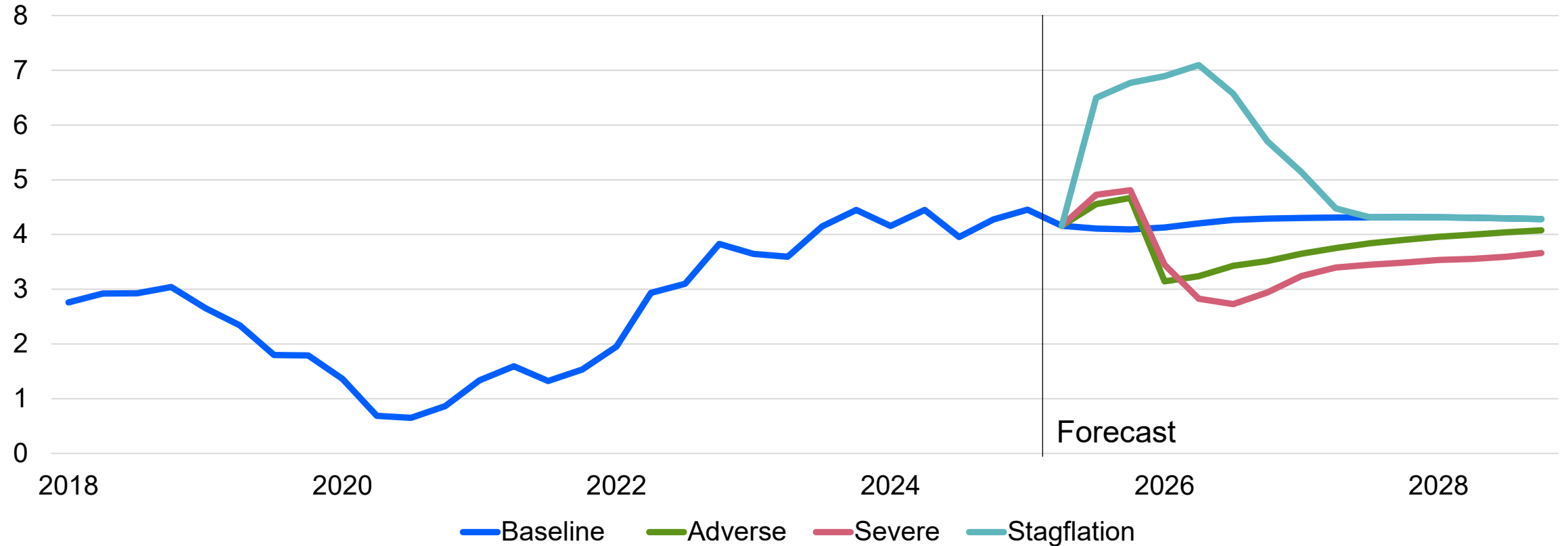
# Economic Outlook Is for Moderate Growth



Source: Moody's Analytics

# Interest Rate Risk (Opportunity?) Remains for CRE

%, UST-10yr forecast scenarios



Source: Moody's Analytics

The background features a dark blue field with intricate, light blue wavy lines that create a sense of depth and movement, resembling a stylized topographical map or a complex data visualization. The lines are most prominent in the upper left and right corners, framing the central text.

# Commercial Real Estate Space Markets

# Office Performance

Signs of stabilization are emerging

- » Net absorption was negative, with vacancy ending Q1 at 20.4% and setting a record-high rate once again.
- » Asking rents and effective rents climbed cautiously in the first quarter, each increasing by 30 bps.

Quarterly

Year	Qtr	Net Absorption	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2018	1	5.4	\$32.84	0.8%	\$26.64	0.8%	16.5%
2018	2	3.0	\$33.08	0.7%	\$26.84	0.8%	16.6%
2018	3	5.0	\$33.22	0.4%	\$26.95	0.4%	16.7%
2018	4	9.7	\$33.45	0.7%	\$27.14	0.7%	16.7%
2019	1	8.5	\$33.58	0.4%	\$27.27	0.5%	16.7%
2019	2	5.3	\$33.87	0.9%	\$27.49	0.8%	16.8%
2019	3	10.3	\$34.14	0.8%	\$27.72	0.8%	16.8%
2019	4	14.6	\$34.33	0.6%	\$27.88	0.6%	16.8%
2020	1	0.8	\$34.47	0.4%	\$28.00	0.4%	17.0%
2020	2	3.4	\$34.46	0.0%	\$27.91	-0.3%	17.0%
2020	3	-4.3	\$34.53	0.2%	\$27.87	-0.1%	17.4%
2020	4	-6.5	\$34.50	-0.1%	\$27.73	-0.5%	17.8%
2021	1	-13.8	\$34.41	-0.3%	\$27.52	-0.8%	18.2%
2021	2	-2.0	\$34.44	0.1%	\$27.46	-0.2%	18.5%
2021	3	22.9	\$34.47	0.1%	\$27.52	0.2%	18.2%
2021	4	11.4	\$34.49	0.1%	\$27.55	0.1%	18.1%
2022	1	7.3	\$34.58	0.3%	\$27.63	0.3%	18.1%
2022	2	-0.5	\$34.87	0.8%	\$27.85	0.8%	18.4%
2022	3	4.5	\$35.04	0.5%	\$27.98	0.5%	18.5%
2022	4	-3.6	\$35.15	0.3%	\$28.05	0.3%	18.7%
2023	1	-4.4	\$35.30	0.4%	\$28.12	0.2%	19.0%
2023	2	10.5	\$35.47	0.5%	\$28.30	0.6%	18.9%
2023	3	-11.8	\$35.50	0.1%	\$28.26	-0.1%	19.2%
2023	4	-10.9	\$35.55	0.1%	\$28.19	-0.2%	19.6%
2024	1	-2.9	\$35.61	0.2%	\$28.19	0.0%	19.8%
2024	2	-12.3	\$35.72	0.3%	\$28.18	0.0%	20.1%
2024	3	6.6	\$35.81	0.3%	\$28.27	0.3%	20.1%
2024	4	-10.1	\$35.88	0.2%	\$28.29	0.1%	20.3%
2025	1	-1.4	\$35.99	0.3%	\$28.37	0.3%	20.4%

Annual

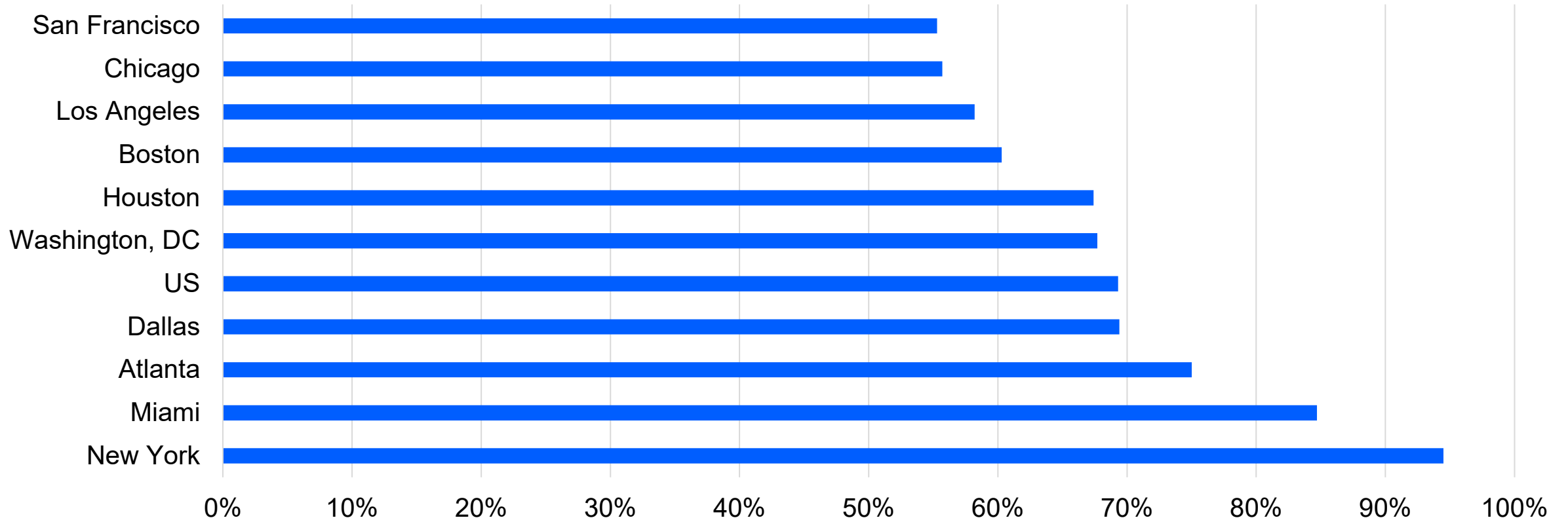
Year	Net Absorption	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2015	38.0	\$31.28	3.4%	\$25.32	3.6%	16.5%
2016	29.3	\$32.00	2.3%	\$25.95	2.5%	16.2%
2017	23.3	\$32.57	1.8%	\$26.42	1.8%	16.4%
2018	23.0	\$33.45	2.7%	\$27.14	2.7%	16.7%
2019	38.7	\$34.33	2.6%	\$27.88	2.7%	16.8%
2020	-6.6	\$34.50	0.5%	\$27.73	-0.5%	17.8%
2021	18.5	\$34.49	0.0%	\$27.55	-0.6%	18.1%
2022	7.7	\$35.15	1.9%	\$28.05	1.8%	18.7%
2023	-16.7	\$35.55	1.1%	\$28.19	0.5%	19.6%
2024	-18.6	\$35.88	0.9%	\$28.29	0.4%	20.3%
2025	7.3	\$36.32	1.2%	\$28.59	1.1%	20.7%
2026	28.4	\$36.89	1.6%	\$29.04	1.6%	20.6%
2027	40.8	\$37.48	1.6%	\$29.55	1.8%	20.2%
2028	46.2	\$38.15	1.8%	\$30.15	2.0%	19.6%
2029	47.4	\$38.85	1.8%	\$30.83	2.3%	19.0%

Note: 79 of 190 Office Markets Net absorption figures are in millions of square feet.

Source: Moody's Analytics

# Office Utilization Growth Diverges

Recovery rate (Apr 2025 compared to Apr 2019)



Sources: Placer.ai, Moody's Analytics

# Office Market Performance

Change in leased space over a 5-yr period (2020 Q1 to 2025 Q1)

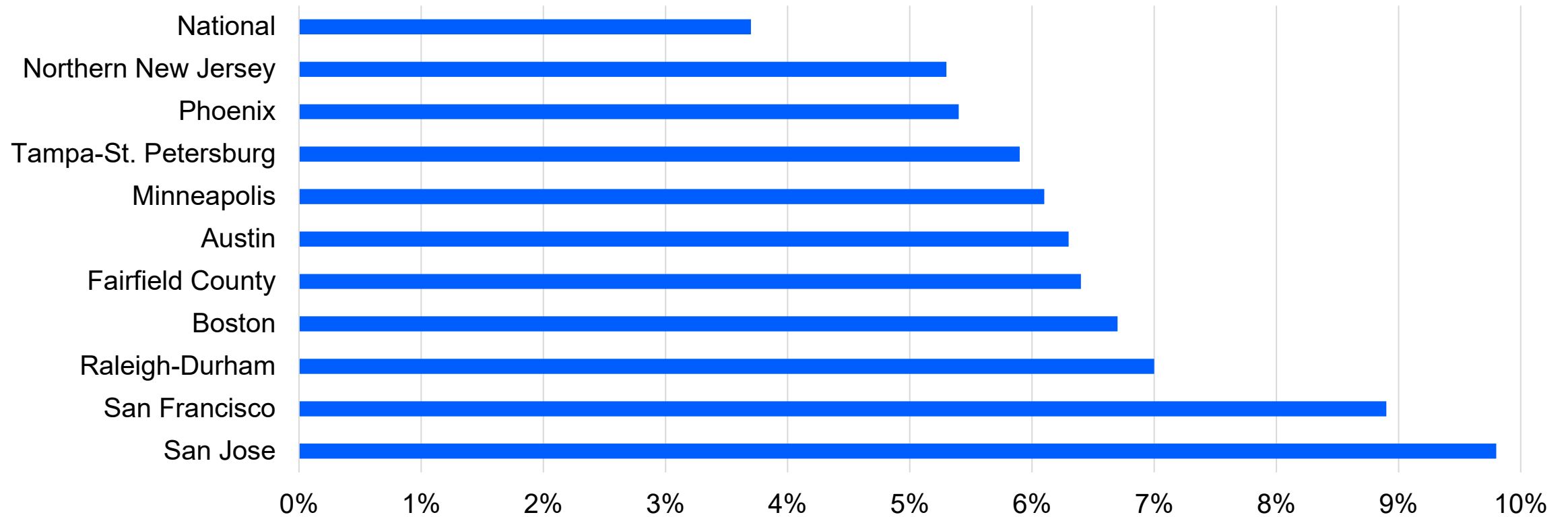
Top 10	
Metro	Occupied Stock (% change)
Nashville	12%
Wichita	9%
Miami	8%
Omaha	7%
Atlanta	6%
Palm Beach	6%
Dayton	5%
Lexington	5%
San Bernardino/Riverside	4%
Knoxville	4%

Bottom 10	
Metro	Occupied Stock (% change)
Louisville	-4%
New Orleans	-5%
Milwaukee	-5%
Portland	-5%
Tulsa	-5%
St. Louis	-5%
Chattanooga	-6%
Oakland-East Bay	-6%
Denver	-7%
San Francisco	-12%

Source: Moody's Analytics

# Office Sublet Vacancy Rates

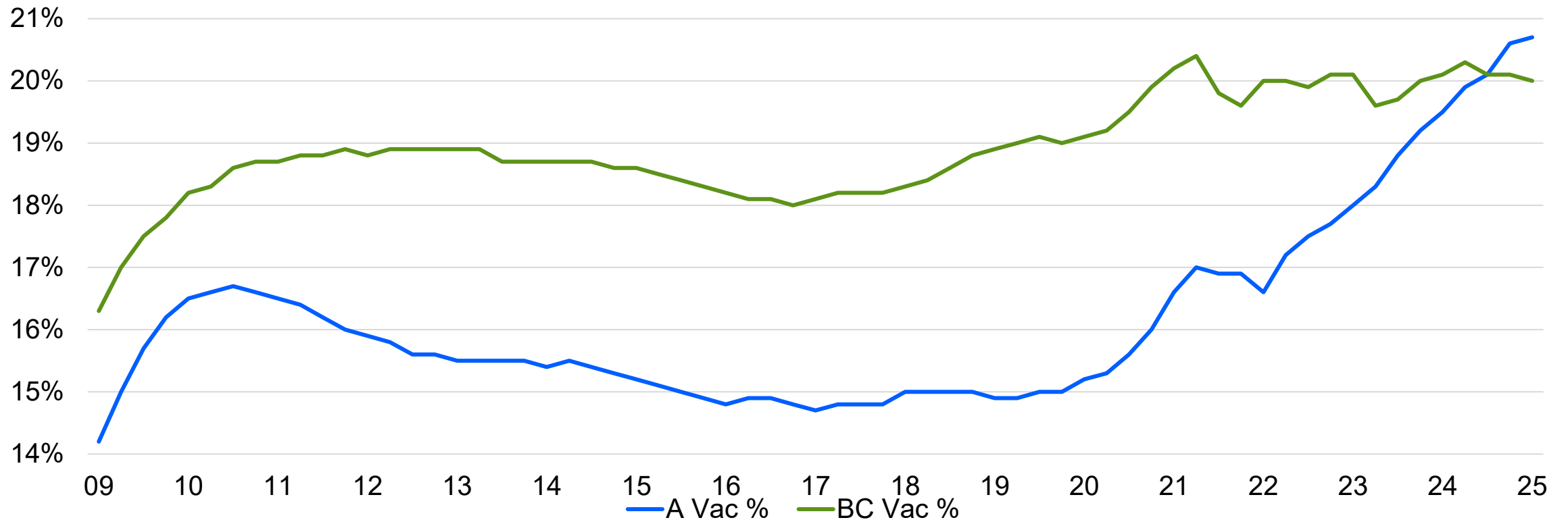
Top 10 metro sublet vacancy rates as of 2025Q1



Source: Moody's Analytics

# Ongoing Flight to Quality?

Construction is skewing metrics but trophy office remains in-demand



Source: Moody's Analytics

# Industrial Performance

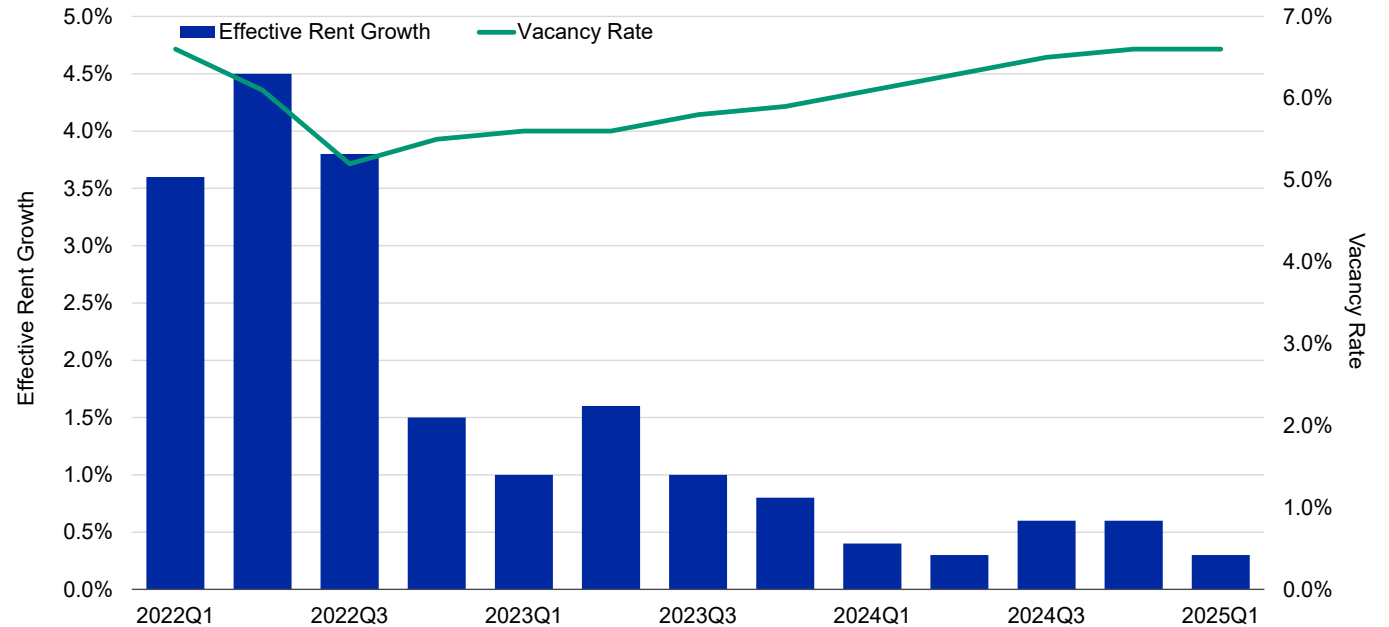
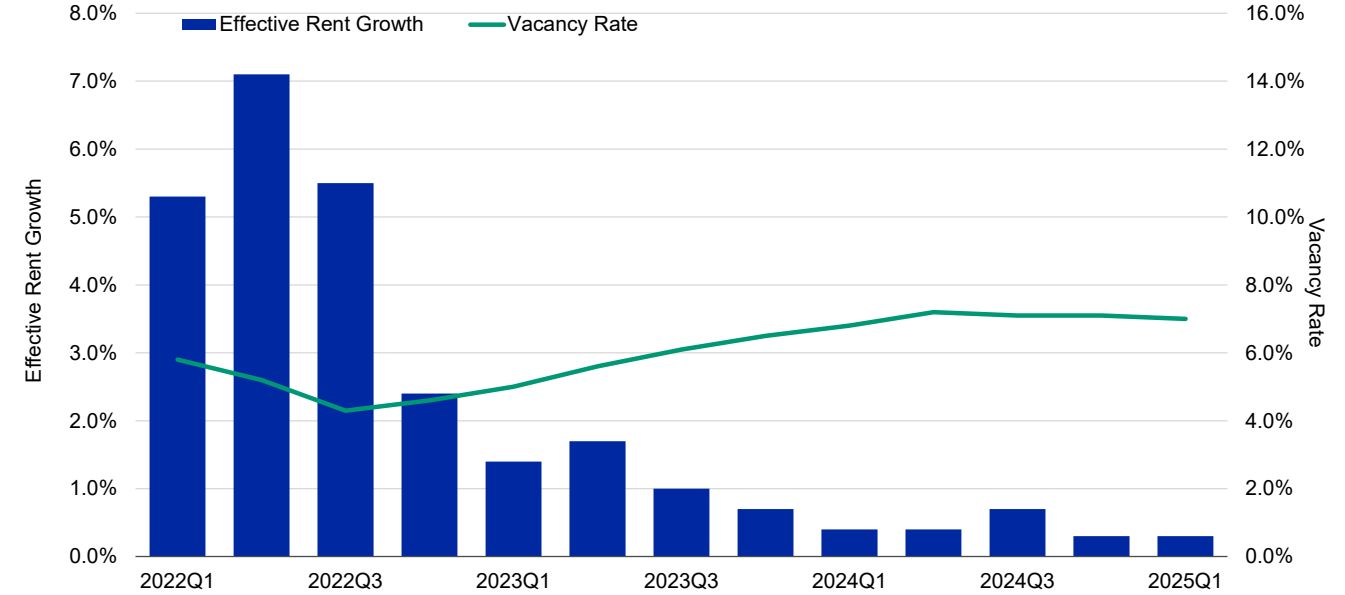
Warehouse/  
Distribution

- » Warehouse/distribution vacancies declined by 10 bps from the previous quarter to end the first quarter at 7.0%.
- » Effective rents rose by 0.3% in Q1, contributing only mildly to 2025's expected total growth of 2.8%.

Flex/R&D

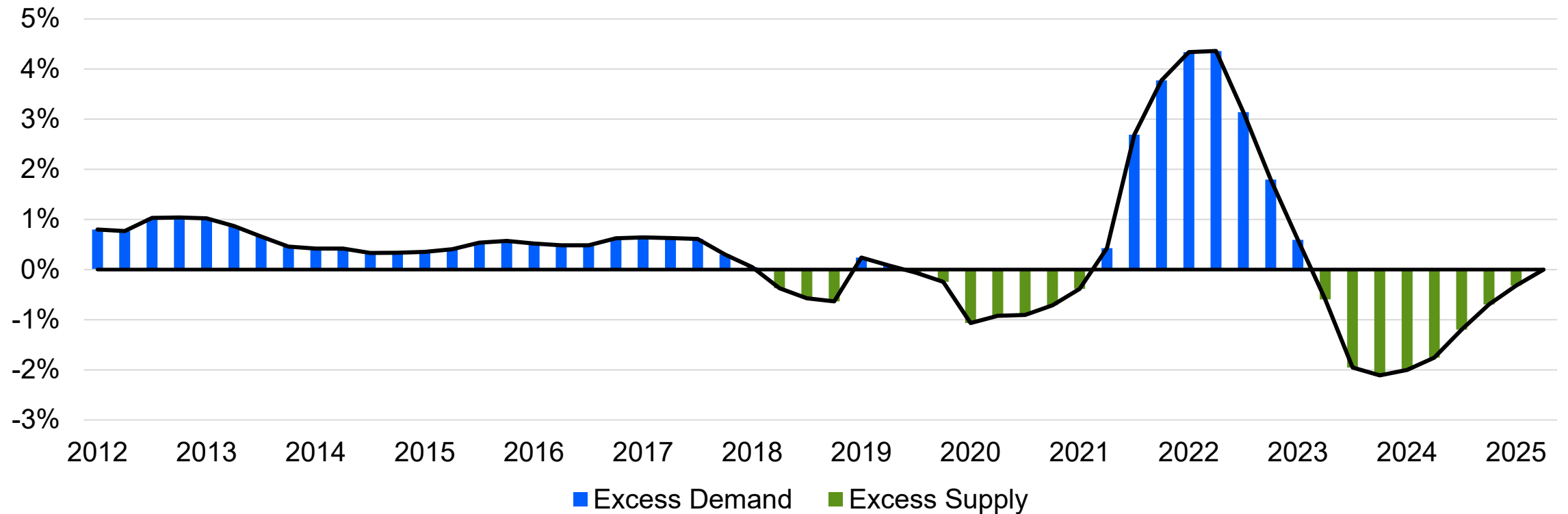
- » At 6.6%, flex/R&D vacancies remained unchanged from the previous quarter.
- » Effective rents grew by 0.3% in the first quarter of the year, a modest contribution to projected growth just shy of 3% in 2025.

Source: Moody's Analytics



# Mild Oversupply Headwinds Moderating

Excess demand (supply) to inventory



Excess demand is defined as net absorption less total completions on a rolling 12-month basis divided by inventory.

Source: Moody's Analytics

# Retail Performance

The property type exhibits consistent performance

- » Vacancy change was flat for neighborhood and community shopping centers. At 10.4%, demand has held steady.
- » Asking rents increased by 0.2% in Q1 while effective rents grew by 0.3% over the same time period.

Year	Qtr	Net Absorption	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2018	1	1.0	\$20.98	0.4%	\$18.36	0.5%	10.0%
2018	2	-4.0	\$21.04	0.3%	\$18.42	0.3%	10.2%
2018	3	2.7	\$21.14	0.5%	\$18.50	0.4%	10.2%
2018	4	1.5	\$21.23	0.4%	\$18.58	0.4%	10.2%
2019	1	17.2	\$21.35	0.6%	\$18.69	0.6%	10.2%
2019	2	2.7	\$21.43	0.4%	\$18.77	0.4%	10.2%
2019	3	2.4	\$21.50	0.3%	\$18.83	0.3%	10.2%
2019	4	0.7	\$21.51	0.0%	\$18.85	0.1%	10.2%
2020	1	1.4	\$21.55	0.2%	\$18.88	0.2%	10.2%
2020	2	-0.3	\$21.45	-0.5%	\$18.76	-0.6%	10.2%
2020	3	-2.3	\$21.41	-0.2%	\$18.70	-0.3%	10.4%
2020	4	-1.6	\$21.35	-0.3%	\$18.61	-0.5%	10.5%
2021	1	0.5	\$21.33	-0.1%	\$18.59	-0.1%	10.6%
2021	2	2.0	\$21.34	0.0%	\$18.60	0.1%	10.6%
2021	3	6.1	\$21.38	0.2%	\$18.67	0.4%	10.4%
2021	4	3.6	\$21.39	0.0%	\$18.69	0.1%	10.4%
2022	1	1.7	\$21.42	0.1%	\$18.71	0.1%	10.4%
2022	2	3.6	\$21.44	0.1%	\$18.73	0.1%	10.4%
2022	3	2.3	\$21.45	0.0%	\$18.74	0.1%	10.4%
2022	4	2.6	\$21.49	0.2%	\$18.78	0.2%	10.4%
2023	1	3.0	\$21.54	0.2%	\$18.83	0.3%	10.4%
2023	2	3.6	\$21.58	0.2%	\$18.87	0.2%	10.3%
2023	3	1.5	\$21.62	0.2%	\$18.91	0.2%	10.3%
2023	4	0.6	\$21.65	0.1%	\$18.95	0.2%	10.4%
2024	1	0.7	\$21.70	0.2%	\$18.99	0.2%	10.4%
2024	2	-0.1	\$21.75	0.2%	\$19.03	0.2%	10.4%
2024	3	3.9	\$21.80	0.2%	\$19.10	0.4%	10.3%
2024	4	0.0	\$21.85	0.2%	\$19.15	0.3%	10.4%
2025	1	-0.1	\$21.90	0.2%	\$19.20	0.3%	10.4%

Quarterly

Neighborhood & Community Shopping Centers

Year	Net Absorption	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2015	12.3	\$20.12	2.1%	\$17.56	2.2%	10.0%
2016	12.7	\$20.49	1.8%	\$17.91	2.0%	9.9%
2017	9.7	\$20.89	2.0%	\$18.27	2.0%	10.0%
2018	1.2	\$21.23	1.6%	\$18.58	1.7%	10.2%
2019	22.9	\$21.51	1.3%	\$18.85	1.5%	10.2%
2020	-2.7	\$21.35	-0.7%	\$18.61	-1.3%	10.5%
2021	12.3	\$21.39	0.2%	\$18.69	0.4%	10.4%
2022	10.2	\$21.49	0.5%	\$18.78	0.5%	10.4%
2023	8.6	\$21.65	0.7%	\$18.95	0.9%	10.4%
2024	4.5	\$21.85	0.9%	\$19.15	1.1%	10.4%
2025	7.4	\$22.16	1.4%	\$19.45	1.6%	10.4%
2026	12.5	\$22.56	1.8%	\$19.83	2.0%	10.1%
2027	9.2	\$23.04	2.1%	\$20.24	2.1%	10.0%
2028	9.2	\$23.56	2.3%	\$20.69	2.2%	9.9%
2029	8.1	\$24.16	2.5%	\$21.19	2.4%	9.8%

Annual

77 of 190 Retail Markets

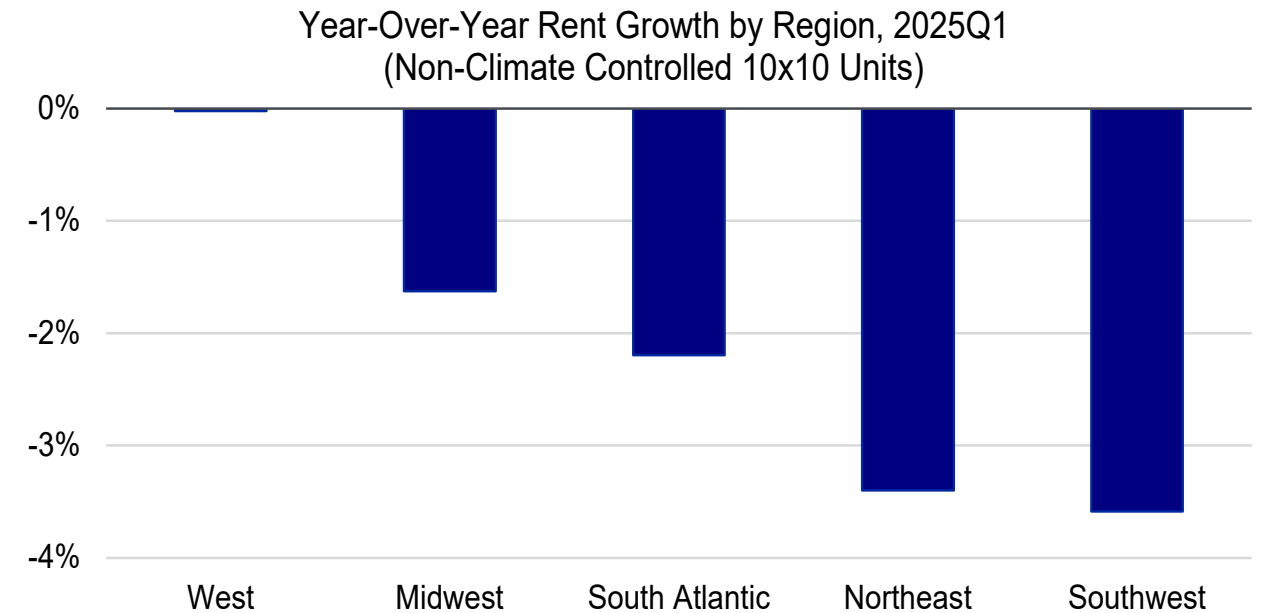
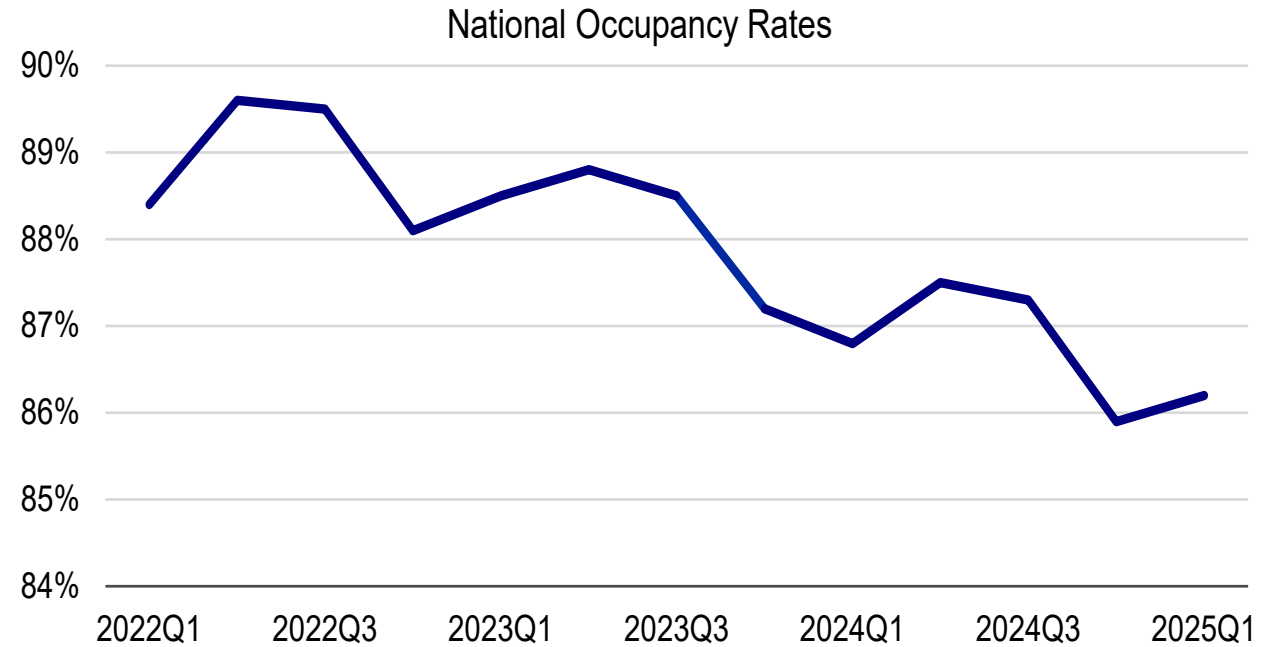
Net absorption figures are in millions of square feet

Source: Moody's Analytics

# Self Storage Performance

- » Occupancy ticked up in Q1. Despite positive performance, at 86.2%, the percentage remains well below the typical level associated with first quarters in recent years as demand recalibrates.
- » All five regions posted declines in yr over yr asking rent growth for 10x10 non-climate-controlled units. However, the West is showing early signs of demand recovery with rent declining negligibly YoY.

Source: Moody's Analytics



The background features a dark blue gradient with intricate, light blue wavy lines that create a sense of depth and movement, resembling a stylized landscape or data visualization.

# Housing

# National Apartment Market Performance

## Quarterly & annual market conditions

- » Supply-side pressure eased as demand caught up. The average vacancy held flat at 6.3% in the first quarter, **pausing a 14-quarter trend of increasing vacancy rates.**
- » Higher rent from new constructions has kept **nominal rent growth positive, for now.**
- » **Performance forecast softened** as uncertainties arose

Quarterly

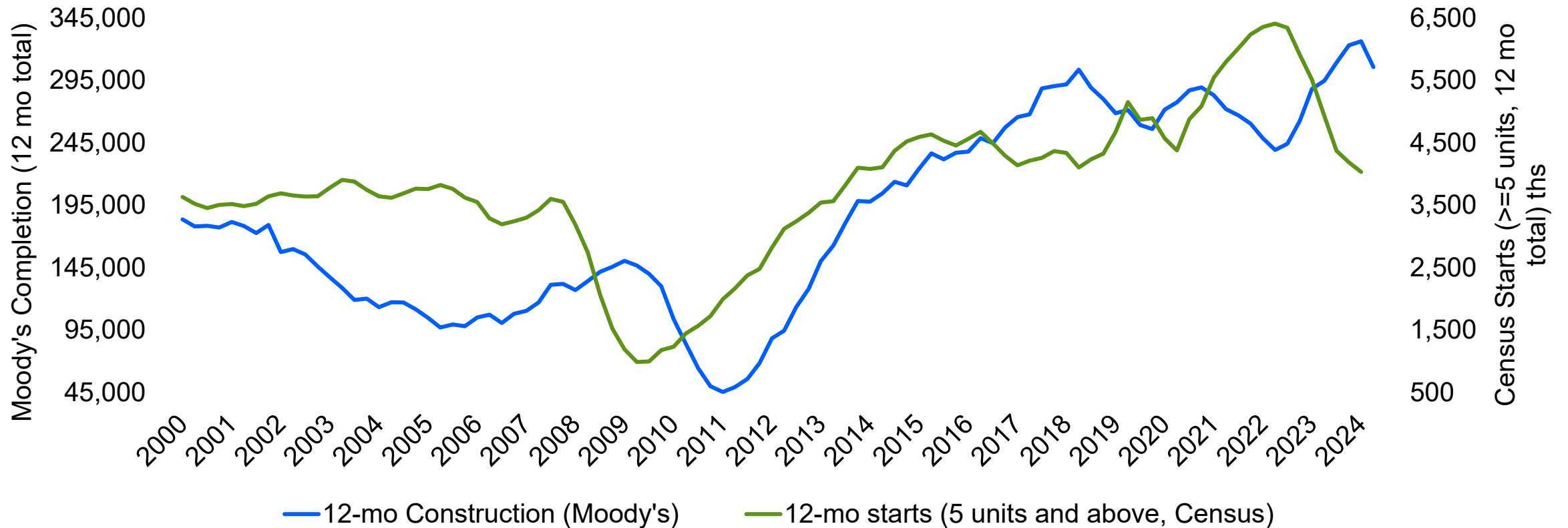
Year	Qtr	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2018	1	\$ 1,422	1.1%	\$ 1,354	1.0%	4.7%
2018	2	\$ 1,443	1.5%	\$ 1,374	1.5%	4.7%
2018	3	\$ 1,464	1.5%	\$ 1,393	1.4%	4.7%
2018	4	\$ 1,478	1.0%	\$ 1,406	0.9%	4.8%
2019	1	\$ 1,487	0.6%	\$ 1,414	0.6%	4.7%
2019	2	\$ 1,508	1.4%	\$ 1,434	1.4%	4.6%
2019	3	\$ 1,522	0.9%	\$ 1,449	1.0%	4.6%
2019	4	\$ 1,530	0.5%	\$ 1,456	0.5%	4.7%
2020	1	\$ 1,536	0.4%	\$ 1,463	0.5%	4.8%
2020	2	\$ 1,531	-0.3%	\$ 1,458	-0.3%	4.9%
2020	3	\$ 1,507	-1.6%	\$ 1,435	-1.6%	5.1%
2020	4	\$ 1,492	-1.0%	\$ 1,420	-1.0%	5.3%
2021	1	\$ 1,493	0.1%	\$ 1,421	0.1%	5.4%
2021	2	\$ 1,514	1.4%	\$ 1,441	1.4%	5.4%
2021	3	\$ 1,631	7.7%	\$ 1,559	8.2%	4.8%
2021	4	\$ 1,687	3.4%	\$ 1,613	3.5%	4.8%
2022	1	\$ 1,736	2.9%	\$ 1,661	3.0%	4.9%
2022	2	\$ 1,789	3.1%	\$ 1,714	3.2%	4.9%
2022	3	\$ 1,825	2.0%	\$ 1,750	2.1%	4.9%
2022	4	\$ 1,860	1.9%	\$ 1,783	1.9%	5.0%
2023	1	\$ 1,857	-0.2%	\$ 1,780	-0.2%	5.3%
2023	2	\$ 1,877	1.1%	\$ 1,800	1.1%	5.3%
2023	3	\$ 1,888	0.6%	\$ 1,804	0.2%	5.4%
2023	4	\$ 1,880	-0.4%	\$ 1,785	-1.1%	5.8%
2024	1	\$ 1,884	0.2%	\$ 1,790	0.3%	5.8%
2024	2	\$ 1,898	0.7%	\$ 1,803	0.7%	6.0%
2024	3	\$ 1,906	0.4%	\$ 1,811	0.4%	6.1%
2024	4	\$ 1,913	0.4%	\$ 1,818	0.4%	6.3%
2025	1	\$ 1,915	0.1%	\$ 1,820	0.1%	6.3%

Annual

Year	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2020	\$1,492	-2.5%	\$1,420	-2.5%	5.3%
2021	\$1,687	13.0%	\$1,613	13.6%	4.8%
2022	\$1,860	10.2%	\$1,783	10.5%	5.0%
2023	\$1,880	1.1%	\$1,785	0.1%	5.8%
2024	\$1,913	1.8%	\$1,818	1.8%	6.3%
2025	\$1,960	2.4%	\$1,859	2.3%	6.2%
2026	\$2,011	2.6%	\$1,905	2.5%	6.0%
2027	\$2,066	2.7%	\$1,956	2.7%	5.9%
2028	\$2,125	2.9%	\$2,012	2.9%	5.7%
2029	\$2,188	3.0%	\$2,071	2.9%	5.5%
2030	\$2,254	3.0%	\$2,134	3.0%	5.2%
2031	\$2,324	3.1%	\$2,200	3.1%	5.1%
2032	\$2,398	3.2%	\$2,270	3.2%	4.9%
2033	\$2,475	3.2%	\$2,344	3.3%	4.6%
2034	\$2,556	3.3%	\$2,419	3.2%	4.3%

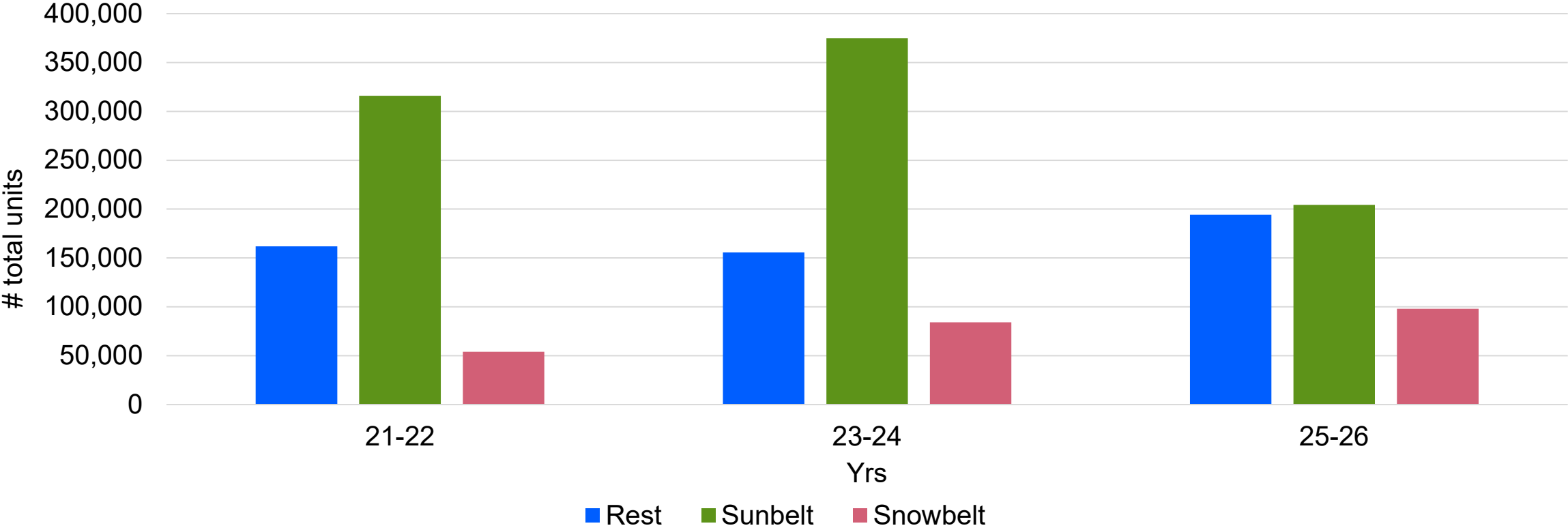
Source: Moody's Analytics

# Completion Boom Subsides



Sources: U.S. Census Bureau, Moody's Analytics

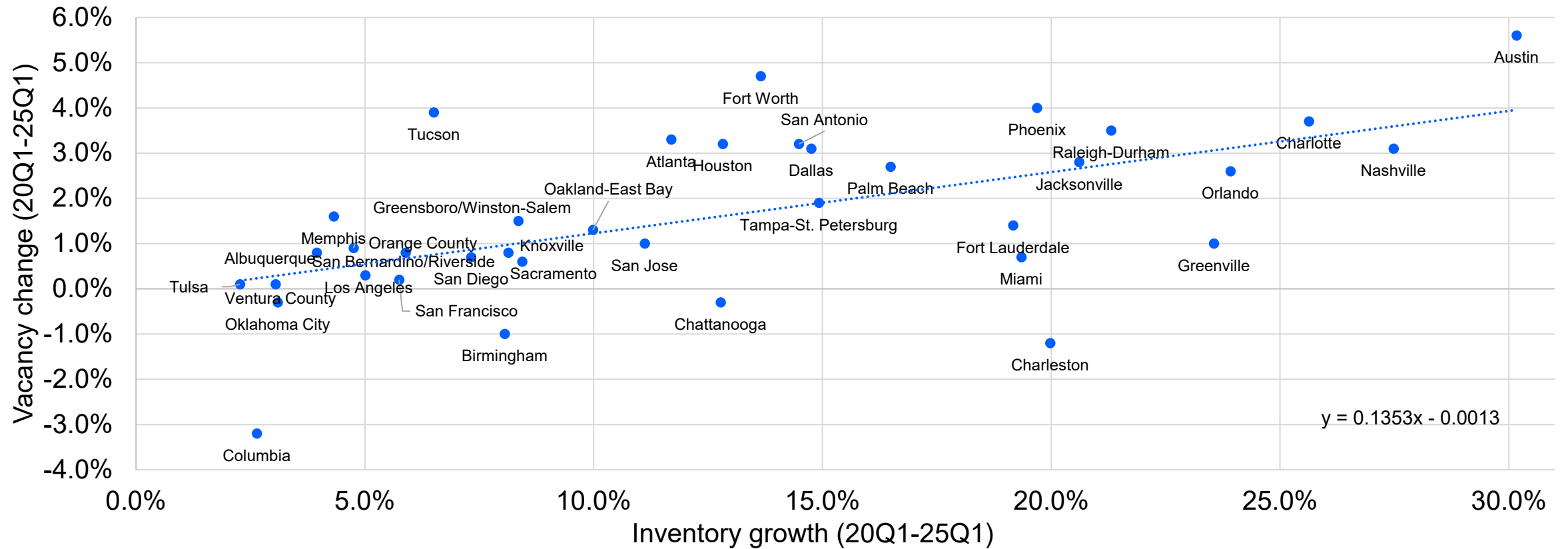
# Sunbelt Led the Rise and Fall



Source: Moody's Analytics

# The Occupancy Dilemma in the Sunbelt

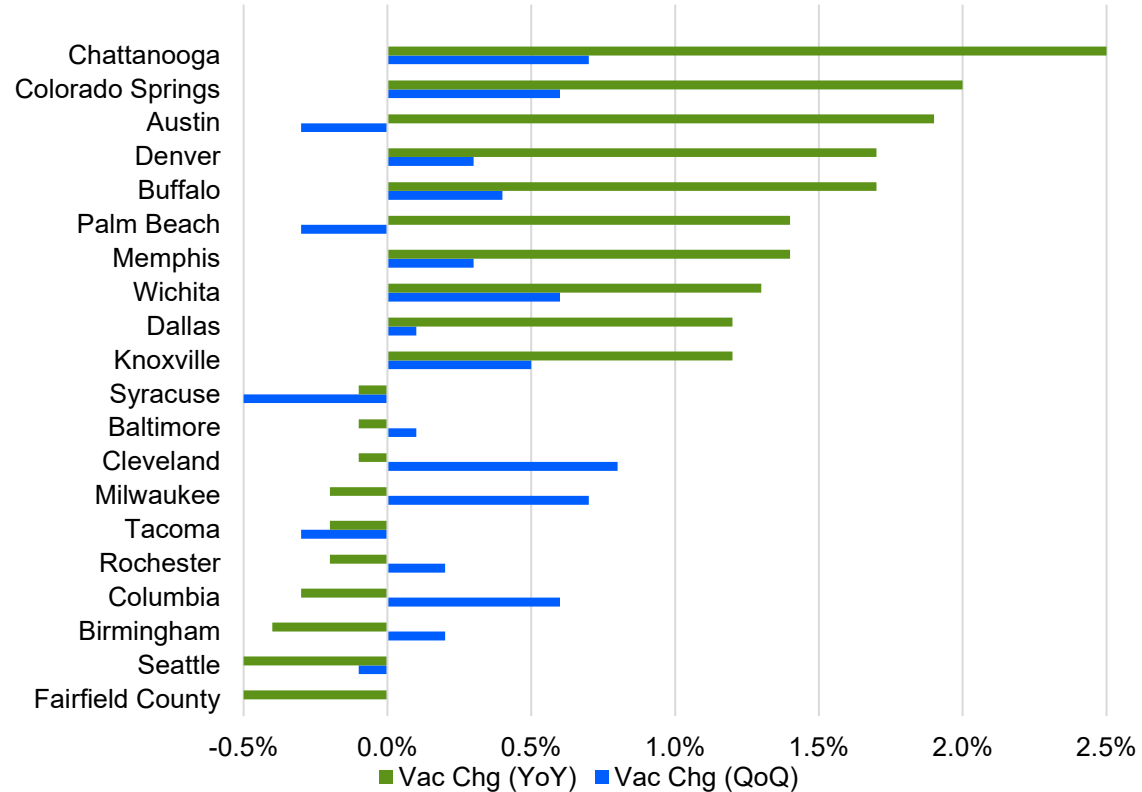
Texas, Arizona, North Carolina under occupancy pressure



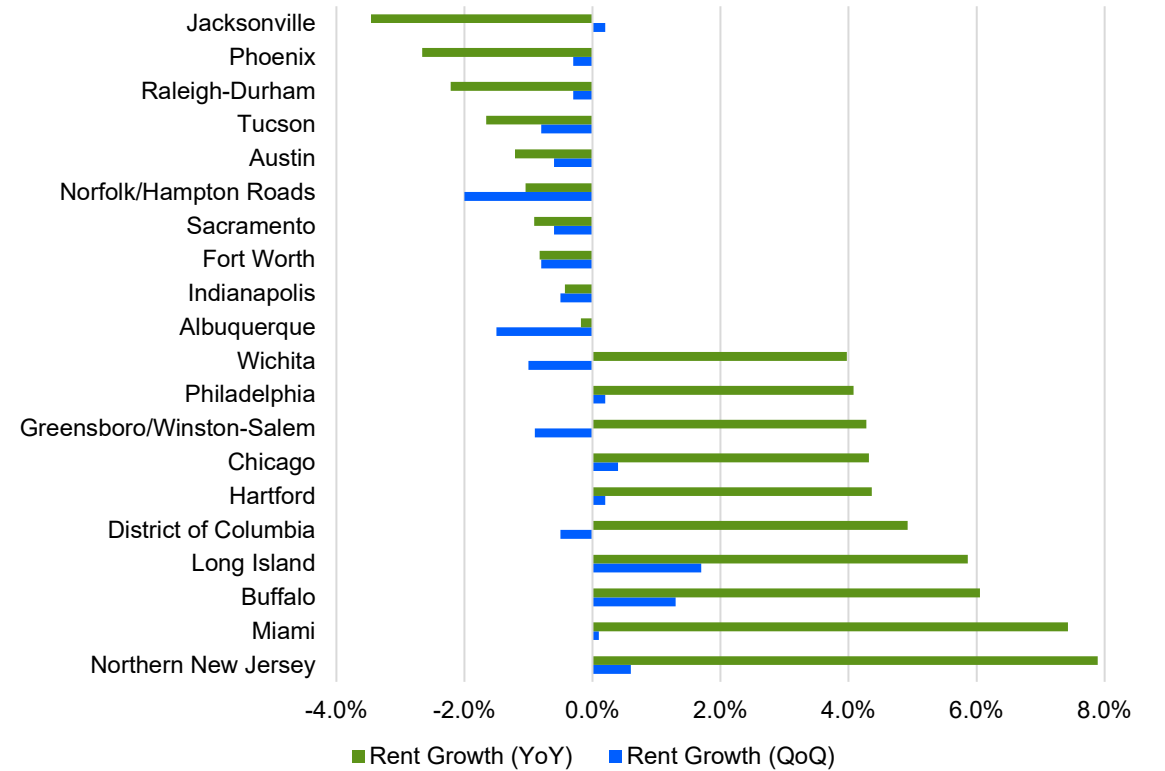
Source: Moody's Analytics

# Metro Ranks

## Vacancy change

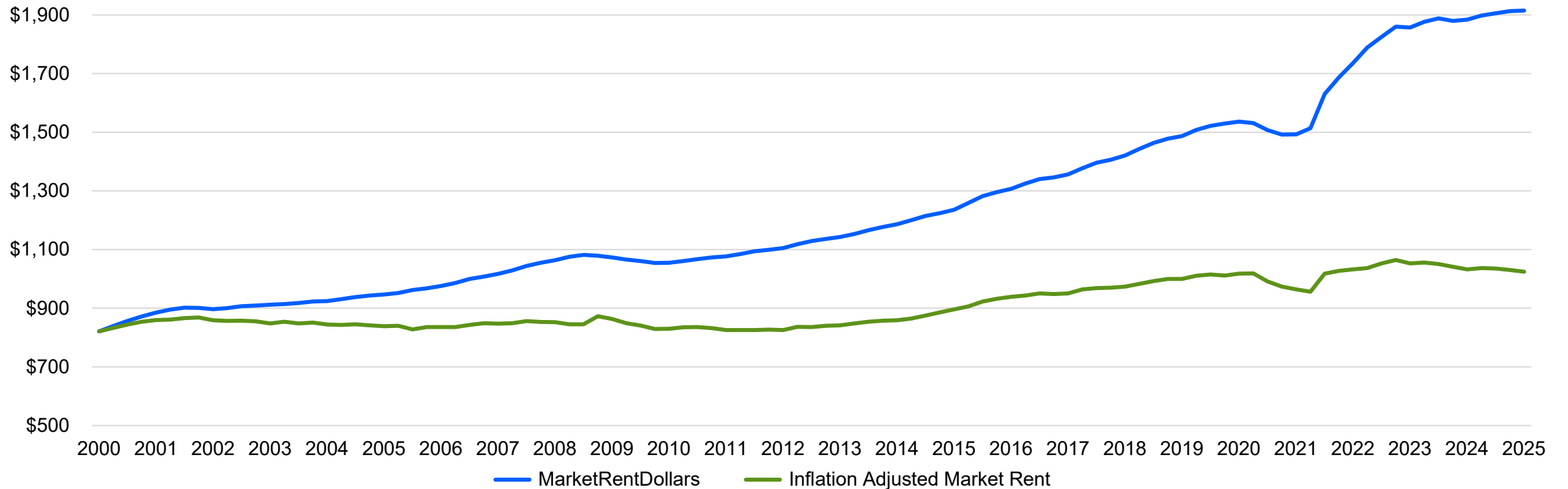


## Rent growth



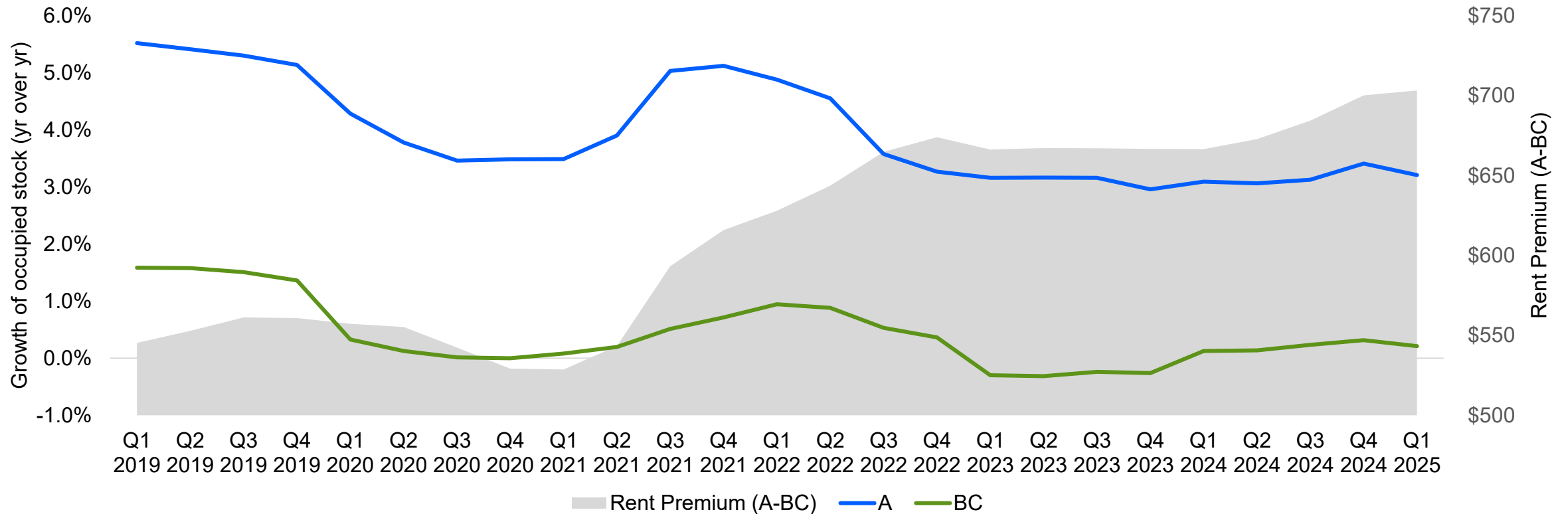
Source: Moody's Analytics

# Bifurcation – Nominal Rent Up, Real Rent Down



Source: Moody's Analytics

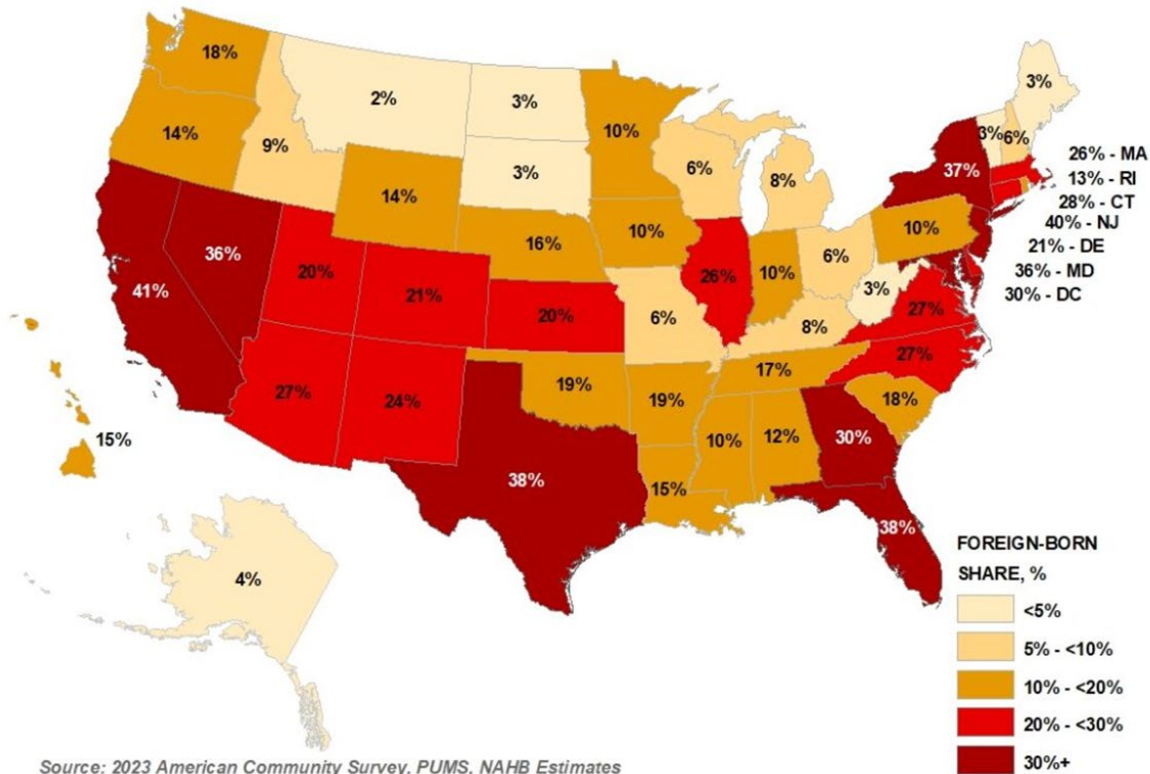
# High Class a Premium Drives Up Class BC Occupancy



Source: Moody's Analytics

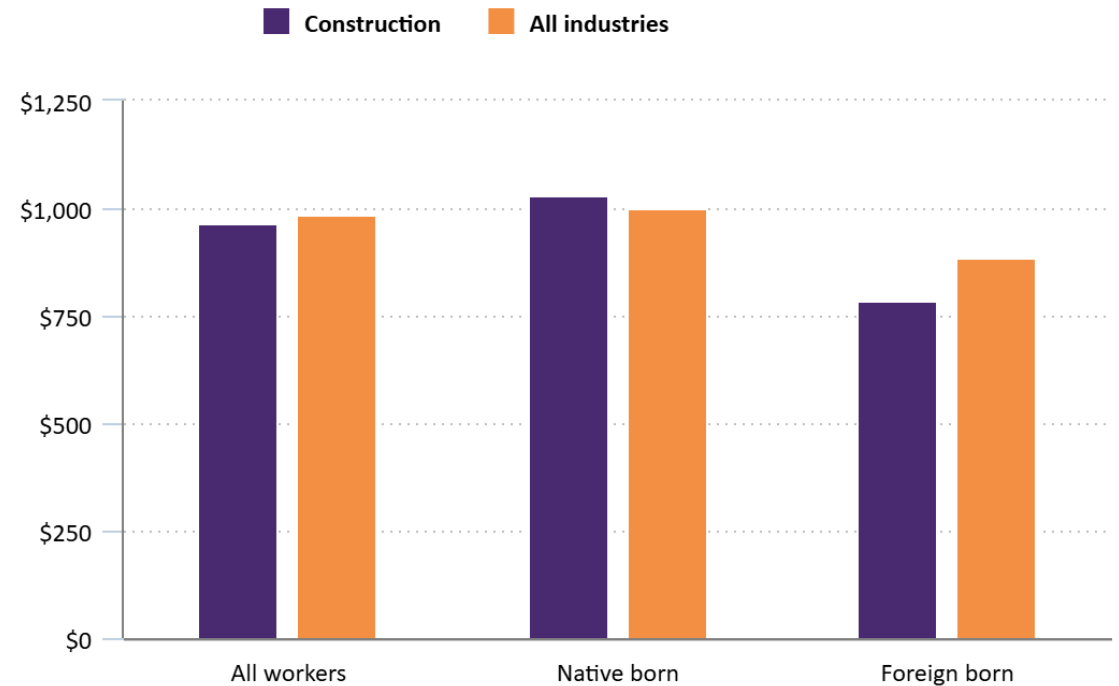
# Immigration Policy Will Affect Construction Industry

**IMMIGRANT WORKERS  
IN THE CONSTRUCTION LABOR FORCE, 2023**



Source: 2023 American Community Survey, PUMS, NAHB Estimates

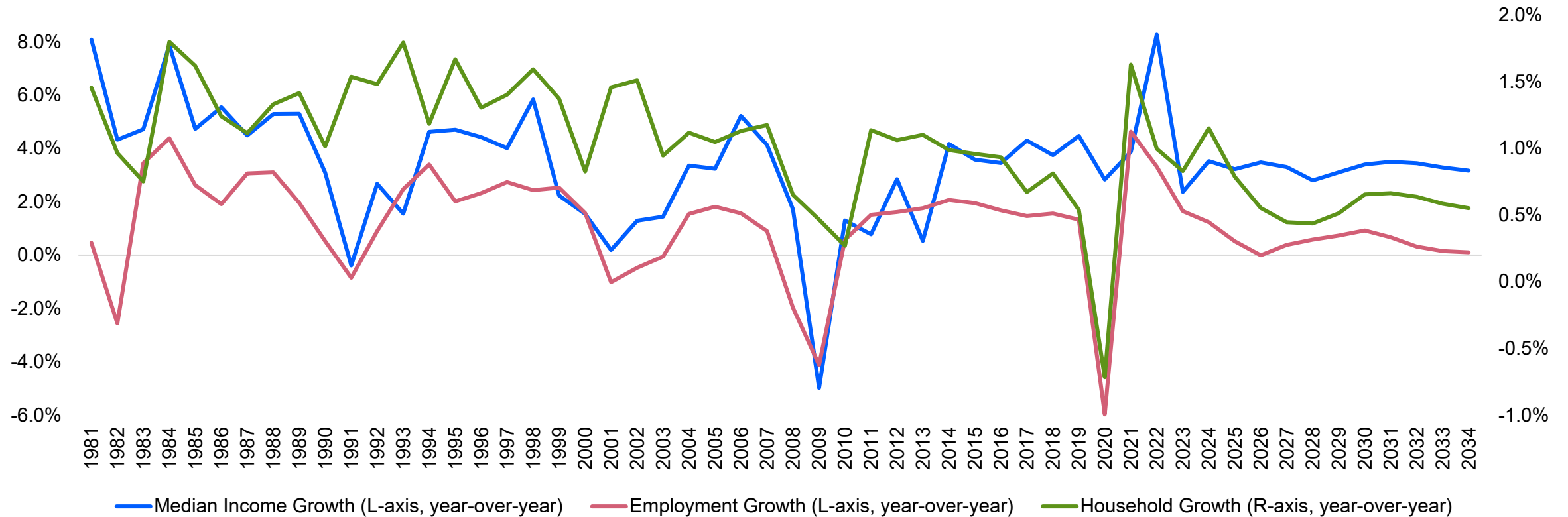
**Median weekly earnings of full-time wage and salary workers, by industry and nativity, 2020**



Source: U.S. Bureau of Labor Statistics.

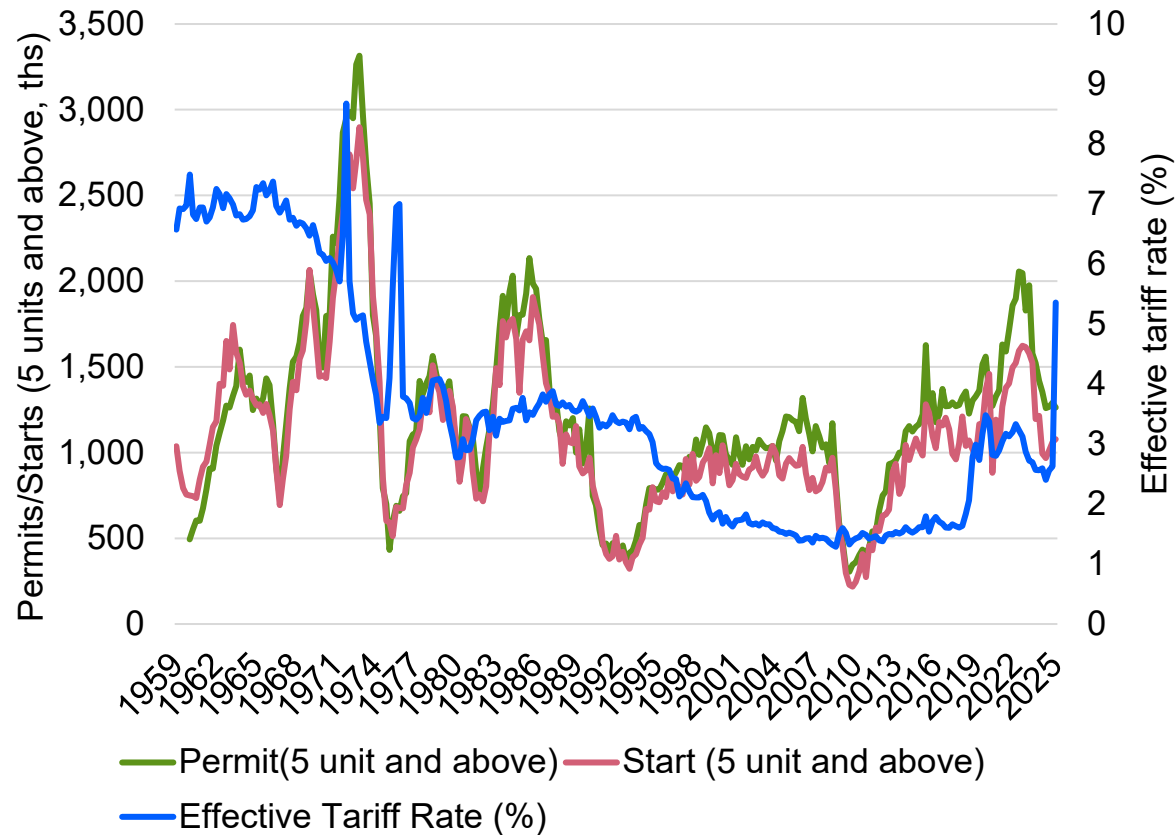
# Demand Will Soften, Yet to Falter

Watch the labor market strength



Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics, Moody's Analytics

# Tariff Concerns

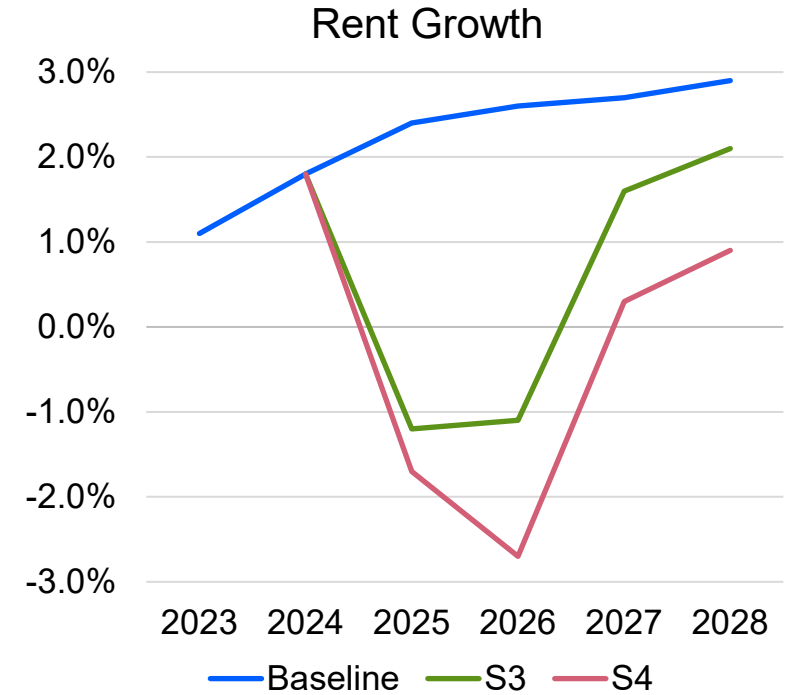
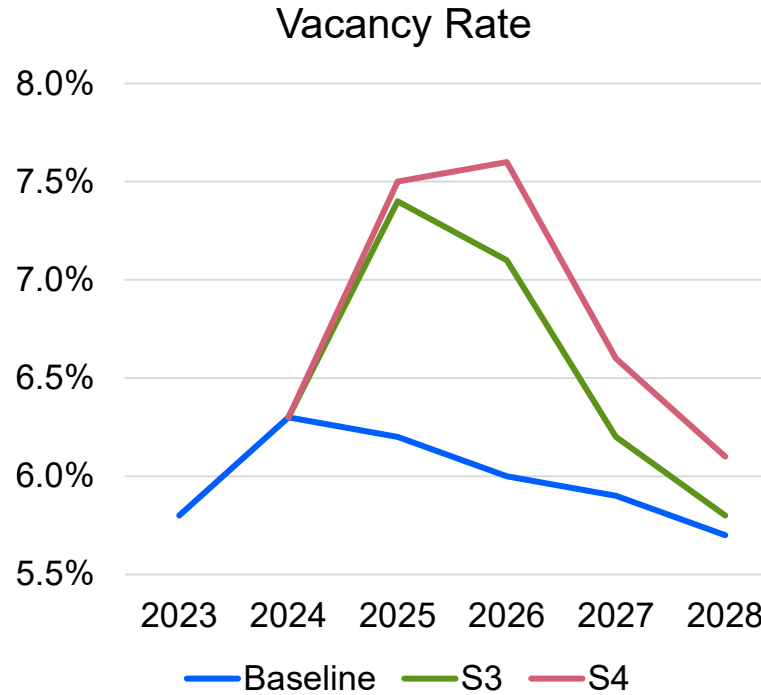
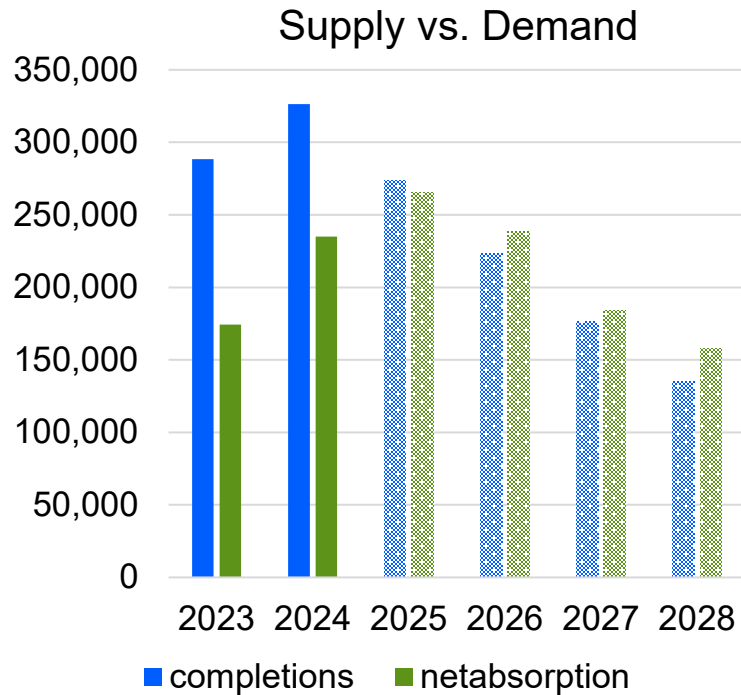


Year	Rent Growth	Inflation-Adjusted Rent Growth	Vac	Unemployment Rate	GDP Growth	Employment Growth
1981	8.6%	-0.3%	4.5%	8.5	2.5%	1.3%
1982	7.6%	3.7%	5.1%	10.8	-1.8%	-1.9%
1990	3.4%	-2.7%	6.3%	6.3	1.9%	1.1%
2001	3.3%	1.6%	4.7%	5.7	1.0%	-0.2%
2008	2.3%	2.3%	6.6%	7.3	0.1%	-0.9%
2009	-2.4%	-5.0%	8.0%	9.9	-2.6%	-5.2%
2020	-2.4%	-3.6%	5.3%	6.7	-2.2%	-6.3%

Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Moody's Analytics

# Baseline Forecast Weakened

Escalation of the trade war could lease to darker scenario

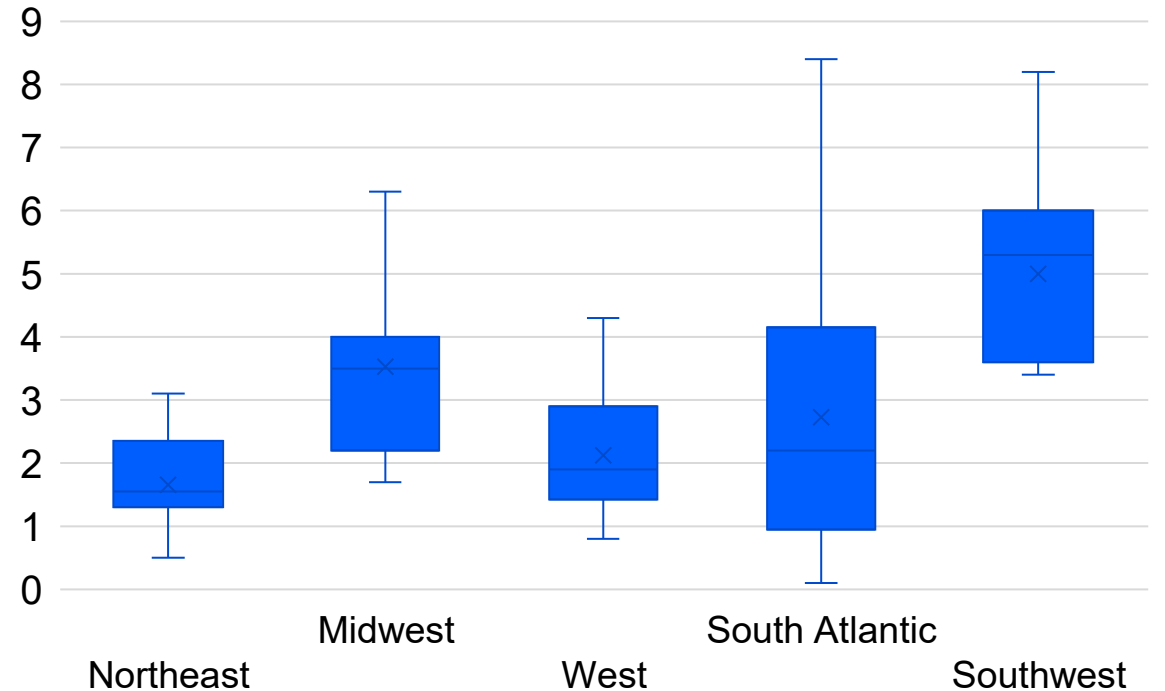


Source: Moody's Analytics

# LIHTC Performance Across Regions

- » Vacancy rate stayed flat at 2.7% in Q1.
- » Record-level construction is expected to come online by the end of this year, providing relief from tightened market conditions.
- » Asking rents was up 0.5% quarter-over-quarter, on par with historical average

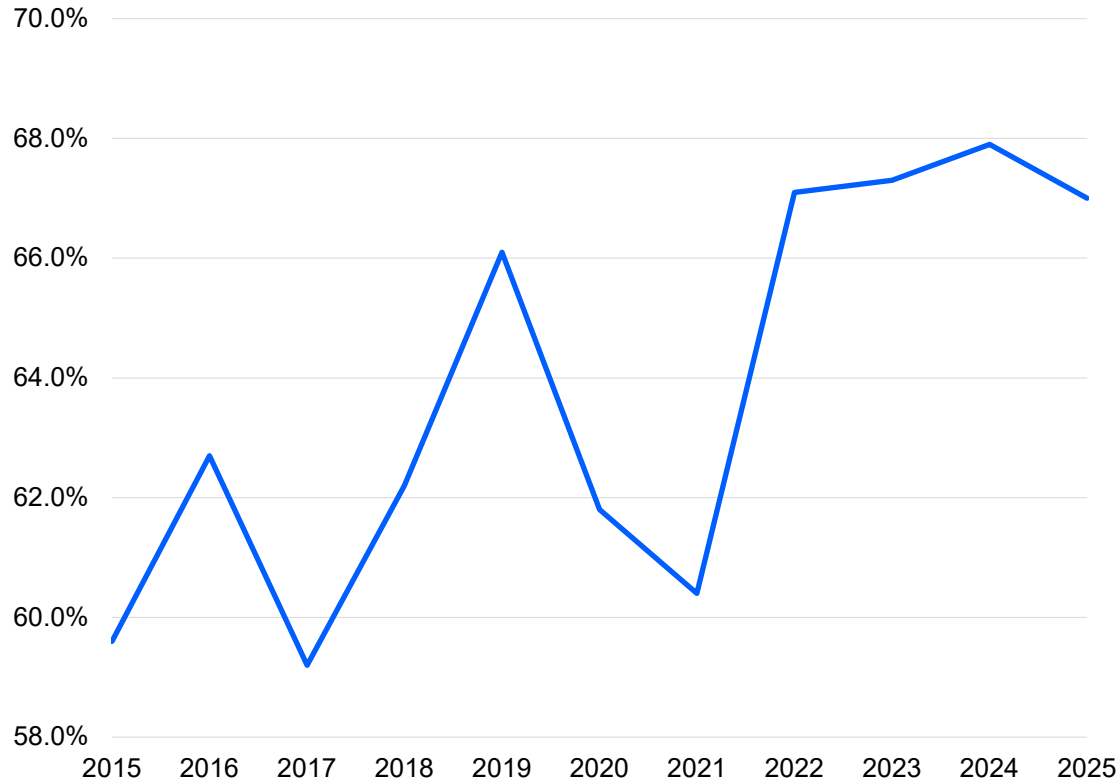
Regional vacancy distribution



Source: Moody's Analytics

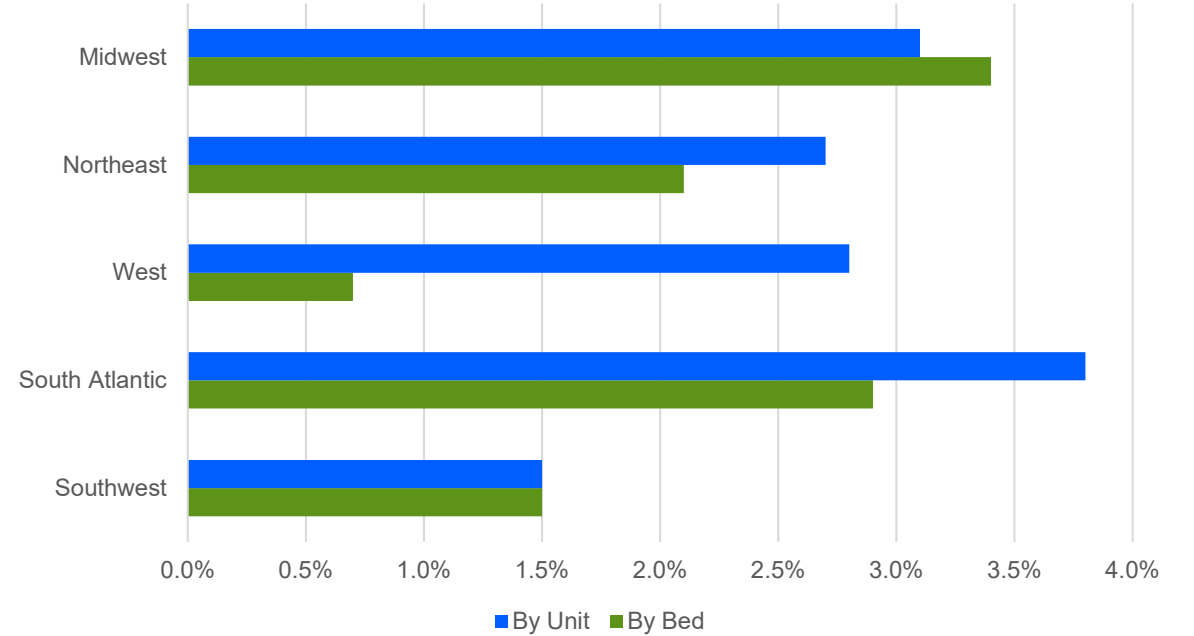
# Student Housing in the First Quarter

## US Q1 Prelease



Source: Moody's Analytics

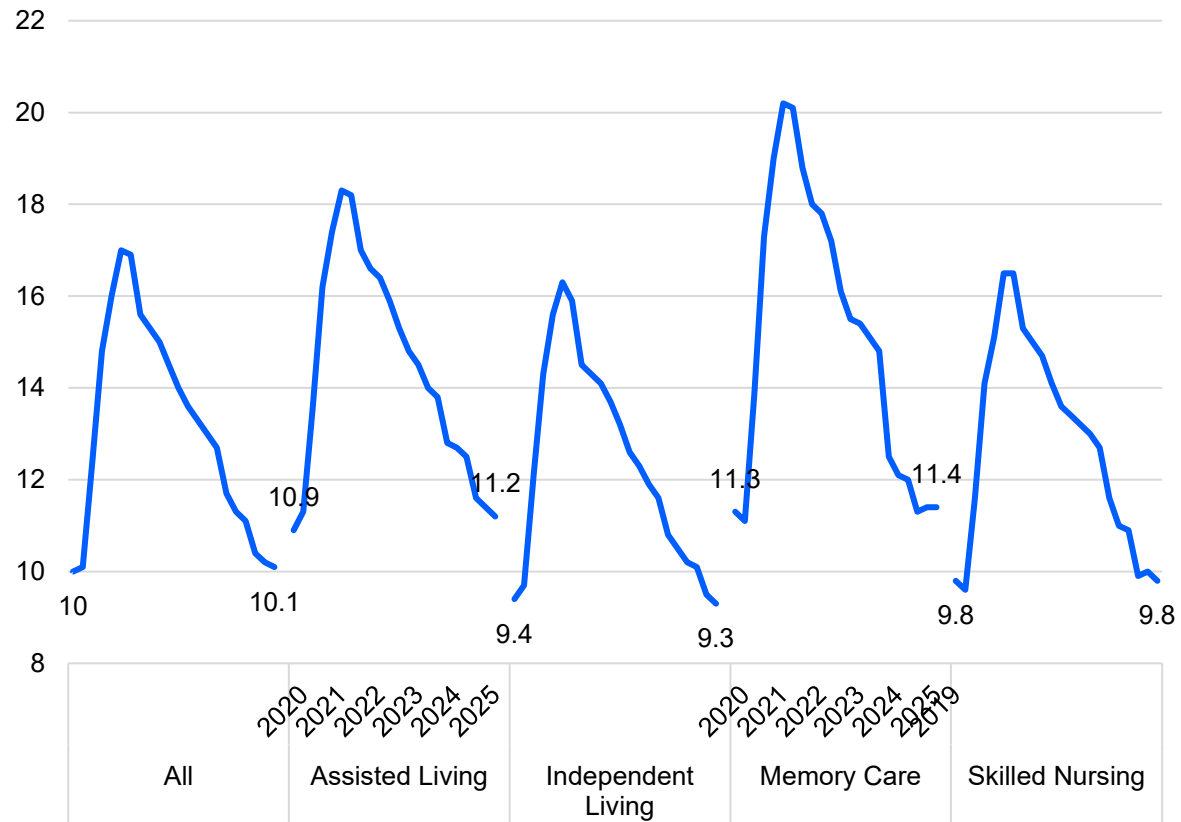
## Regional rent growth fall 2025 – fall 2026



National Student Housing Market, Fall 26- Fall 26				
	Vacancy Rate	Vacancy Chg, BPS	Rent Growth	Inventory Growth
Bed	2.7%	10	2.4%	0.7%
Unit	2.6%	10	3.1%	0.7%

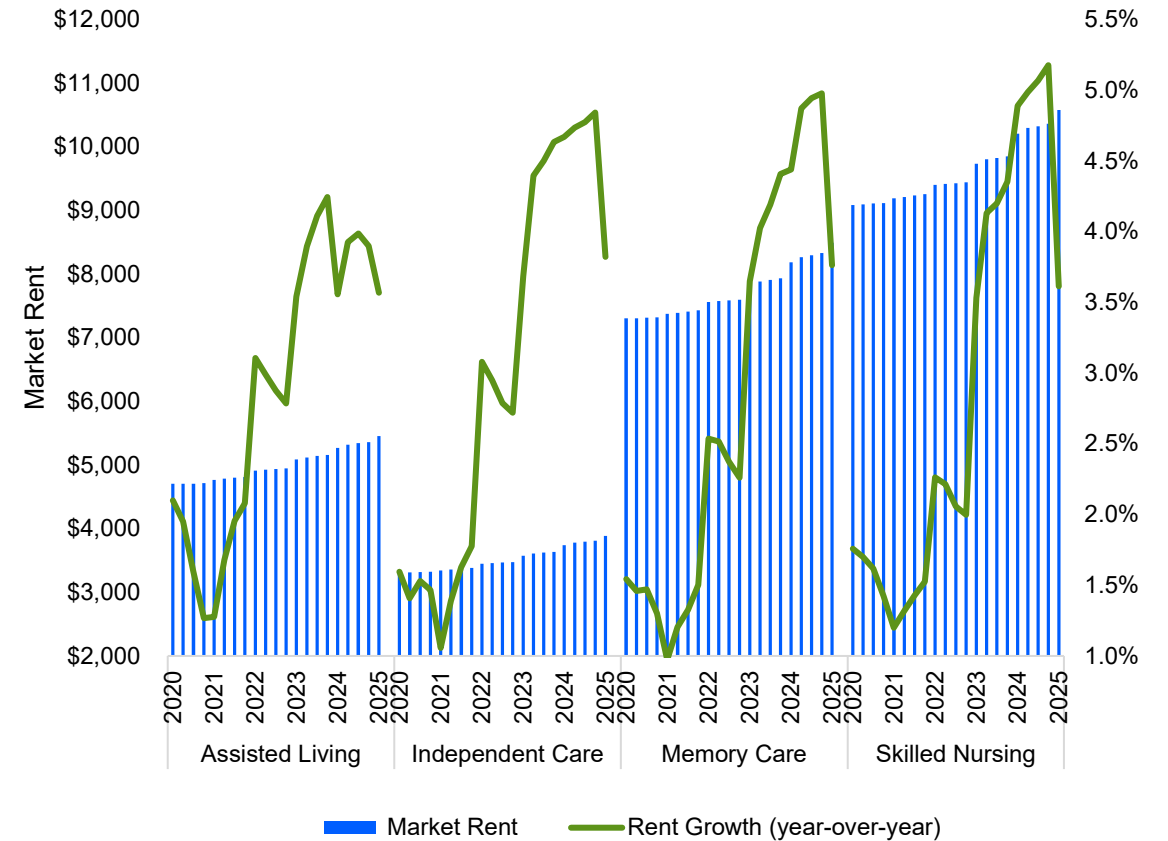
# Senior Housing in the First Quarter

## Vacancy rate (19Q4-25Q1)



Source: Moody's Analytics

## Subsector rent yr over yr growth rate







The background features a dark blue gradient with intricate, glowing blue wavy lines that create a sense of depth and movement, resembling a stylized topographical map or data visualization.

# CRE Capital Markets

# The Story: Momentum Slowed In Q2 Leading Into “Liberation Day”

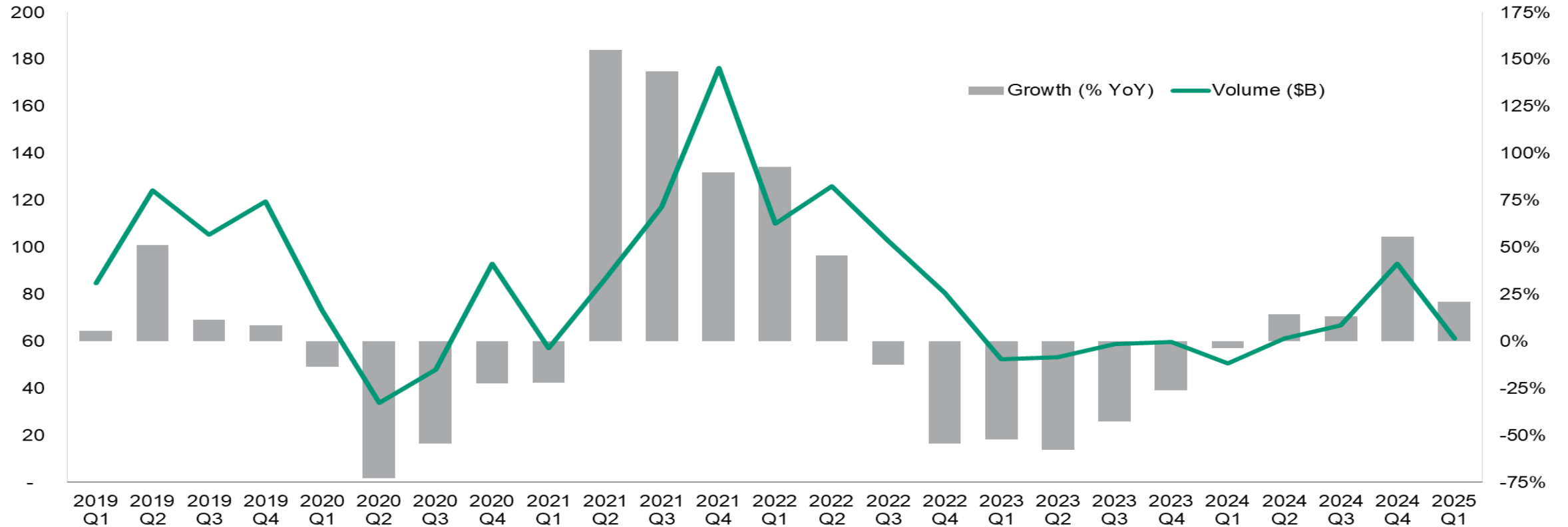
CRE capital market cycle as of 2025Q1

	Indicator	Status	2025 Outlook
Transaction Volume		Full 4 quarters up as of Q1	Growth slowed, will depend on near-term policy clarity
Lending Volume		5 quarters up YoY to 70% of 2019 volume for 2024, but	Growth dependent more on refinancing than acquisitions
Property Values		Felt like momentum may have been building	Early-stage recovery may be prolonged
Credit		Delinquencies ramp up, with headwinds coming in Q2	Pockets of significantly higher delinquencies

Source: Moody's Analytics

# Sales Activity Up for Another Fourth Quarter Ahead of Liberation Day

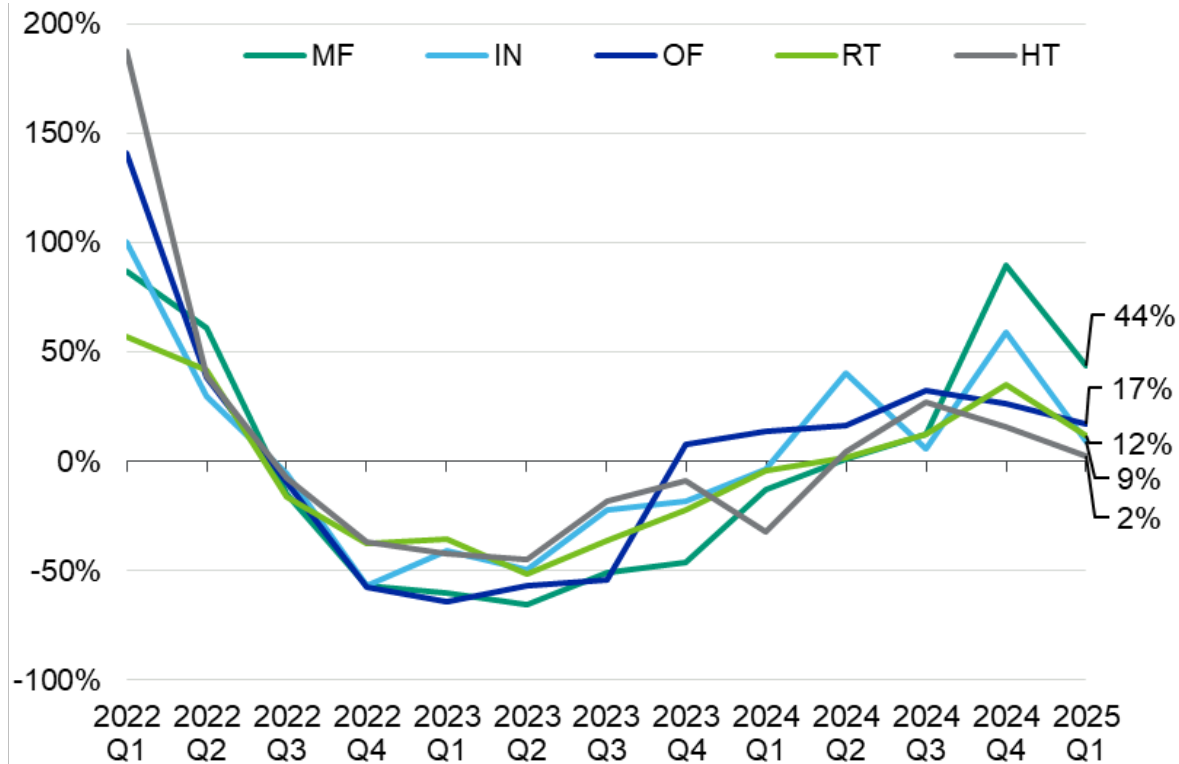
**Core Four Property Type Sales Volume and Annual Growth Rate**



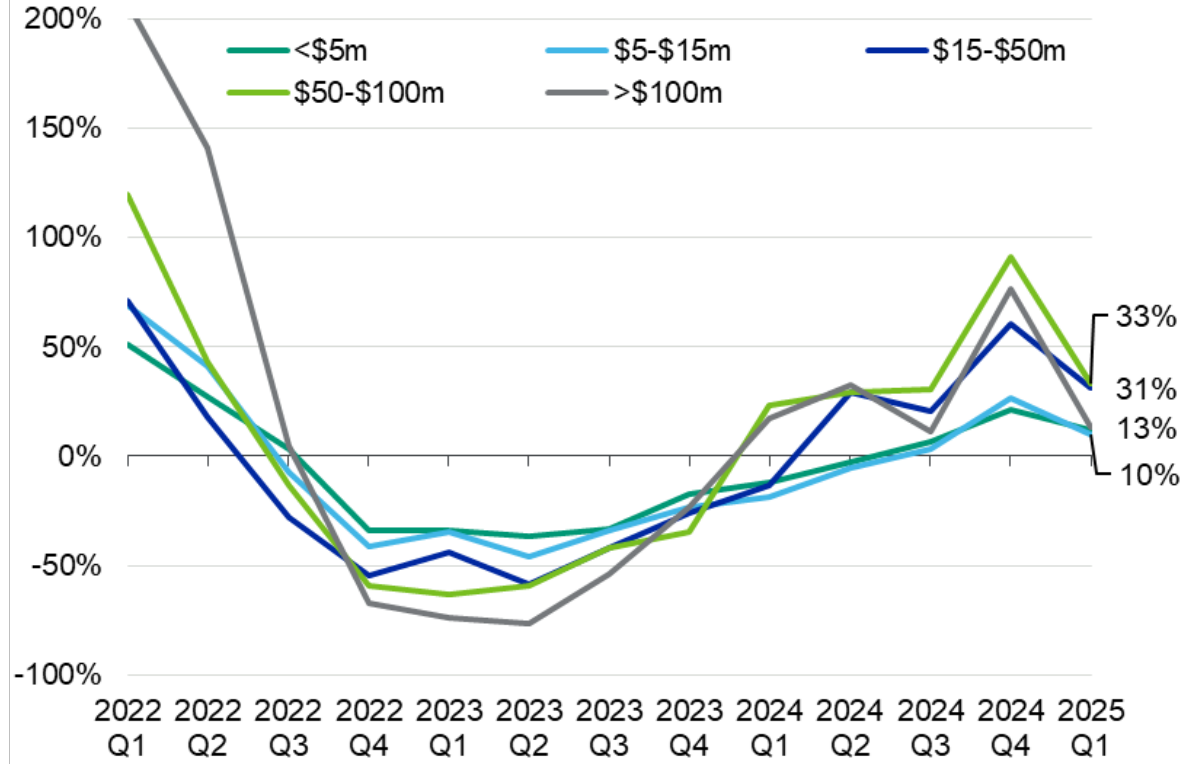
Source: Moody's Analytics

# Sales Growth by Segments Similar to Q4, Except Large Sales Take a Breather

Transaction volume yr over yr by prop type



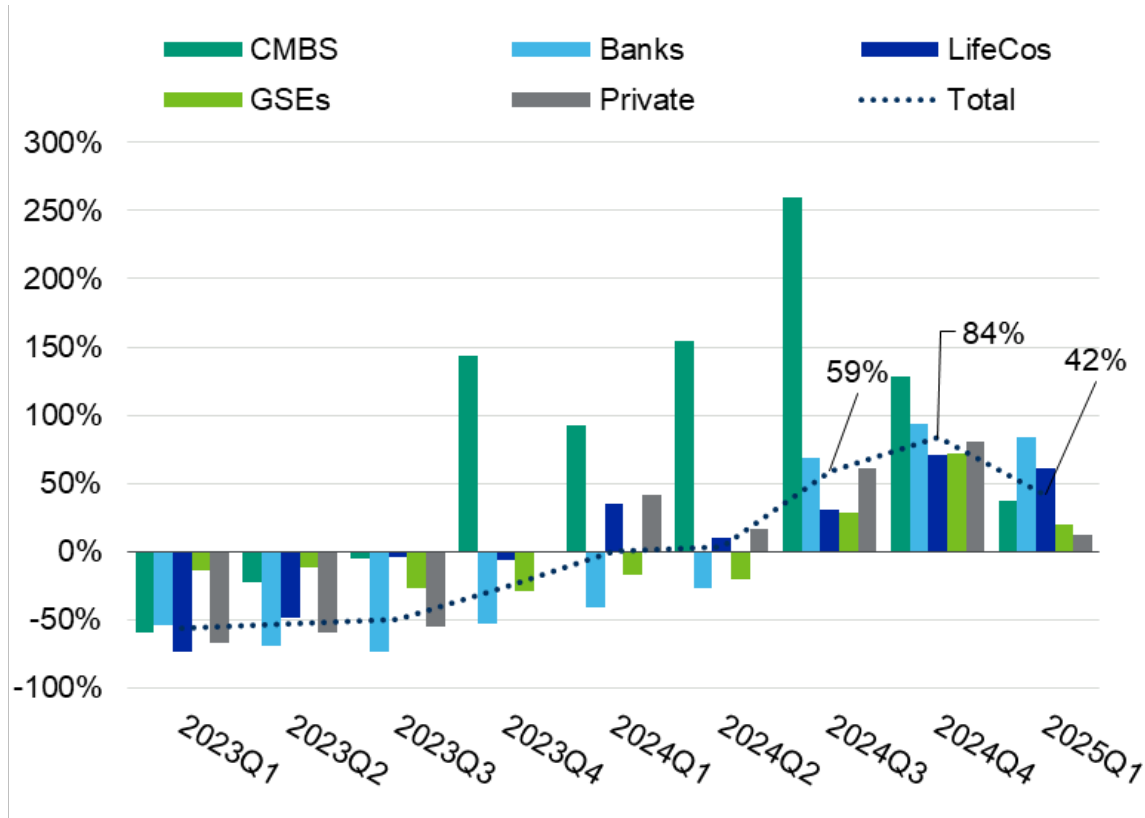
Transaction volume yr over yr by sale size



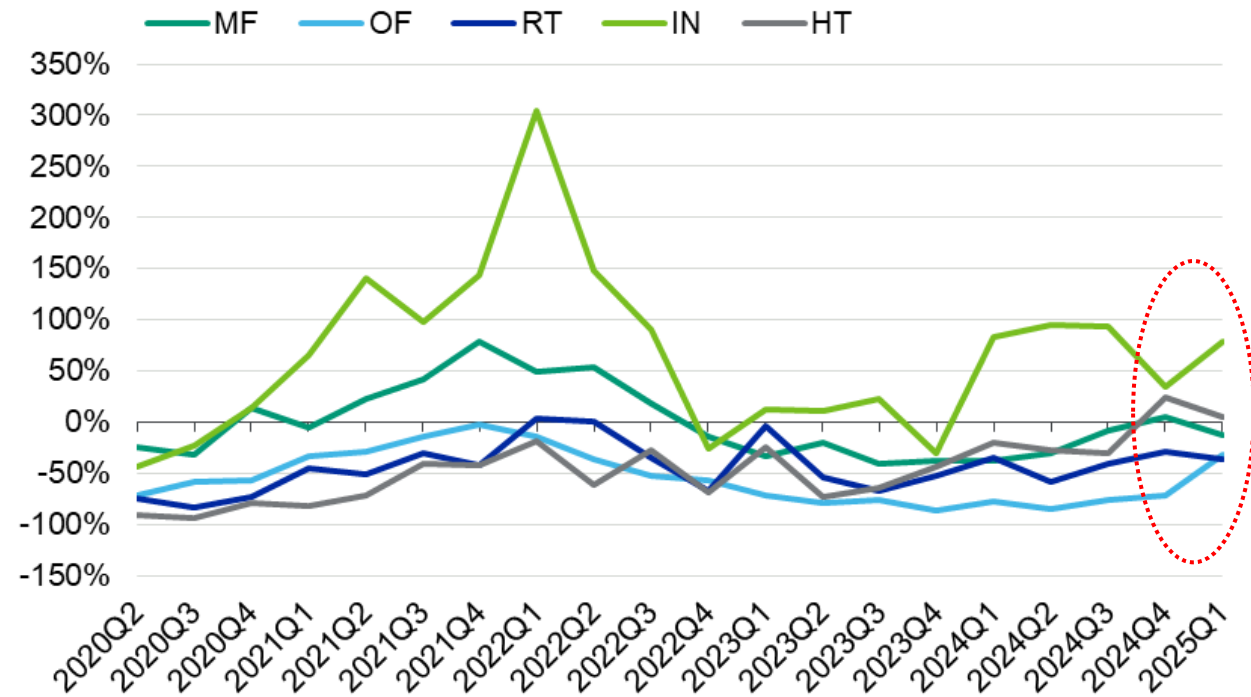
Source: Moody's Analytics

# Lending Volume Growth Substantial, but Cooled Slightly

Lenders' origination growth yr over yr



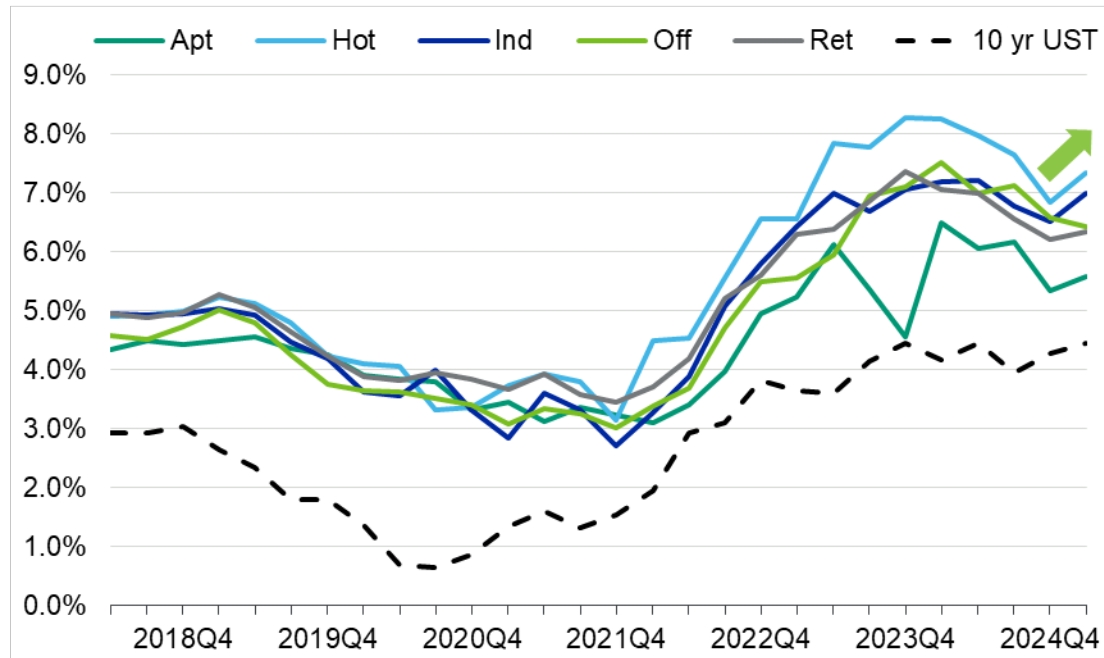
Lending volume compared to equivalent pre-covid qtr by property type



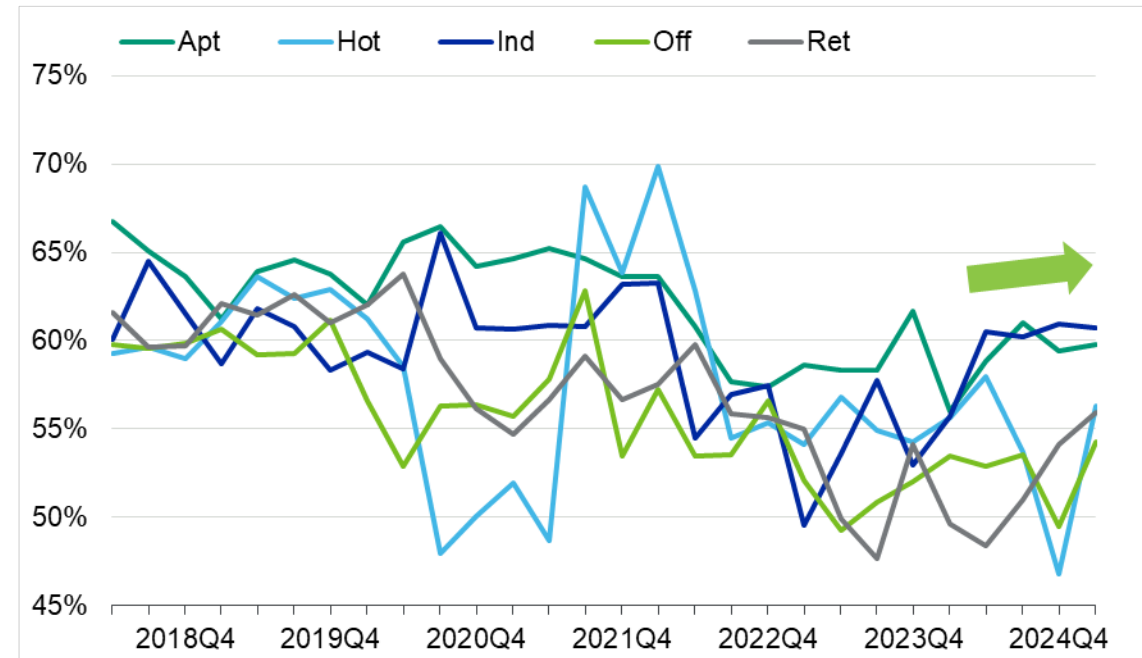
Sources: MBA, Moody's Analytics

# Leverage Availability Improves, but Rates Eked Up With Q1 Treasury

## CMBS loan interest rates



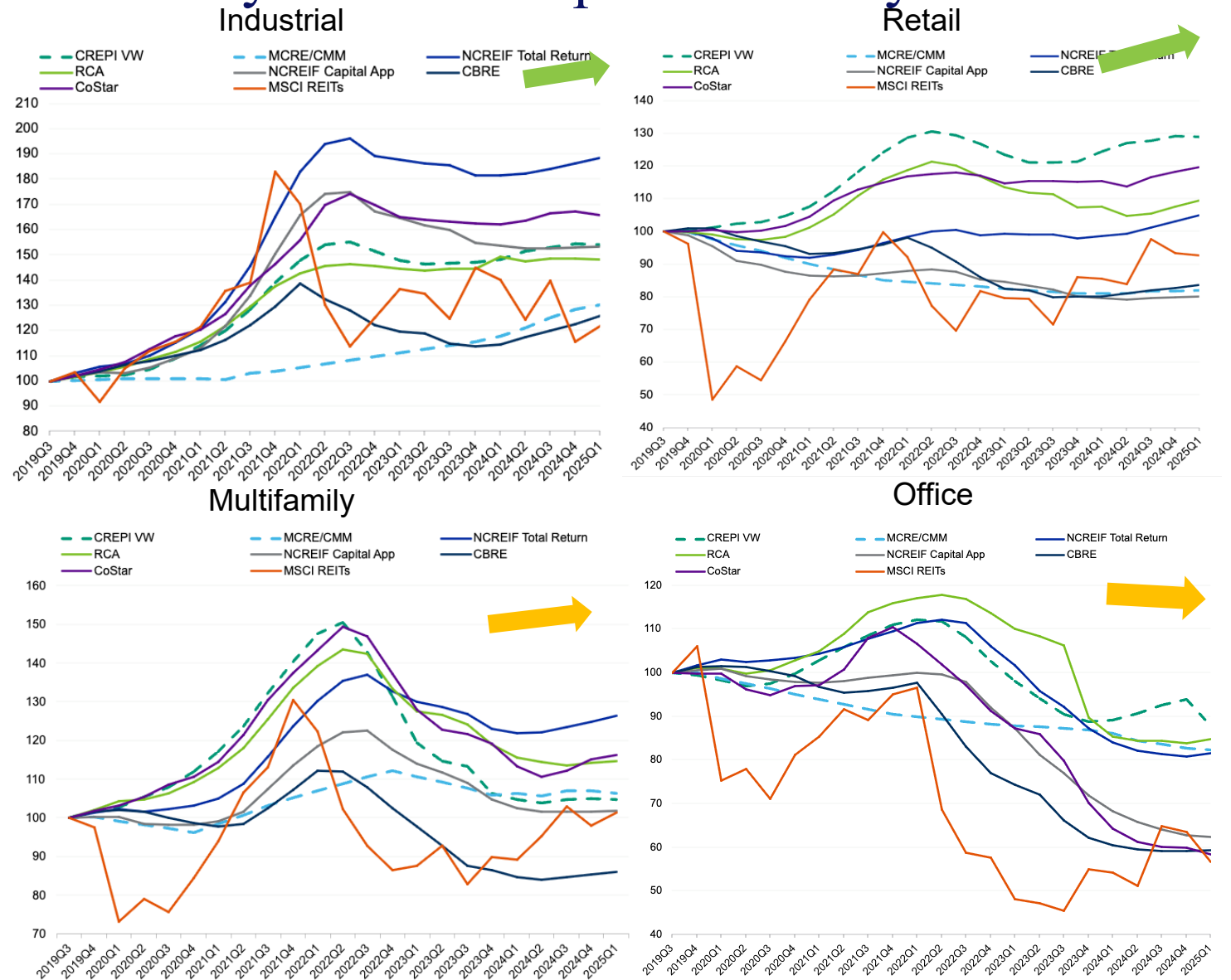
## CMBS loan LTVs



Source: Moody's Analytics

# Property Value Indexes Show What May Be a U-Shaped Recovery

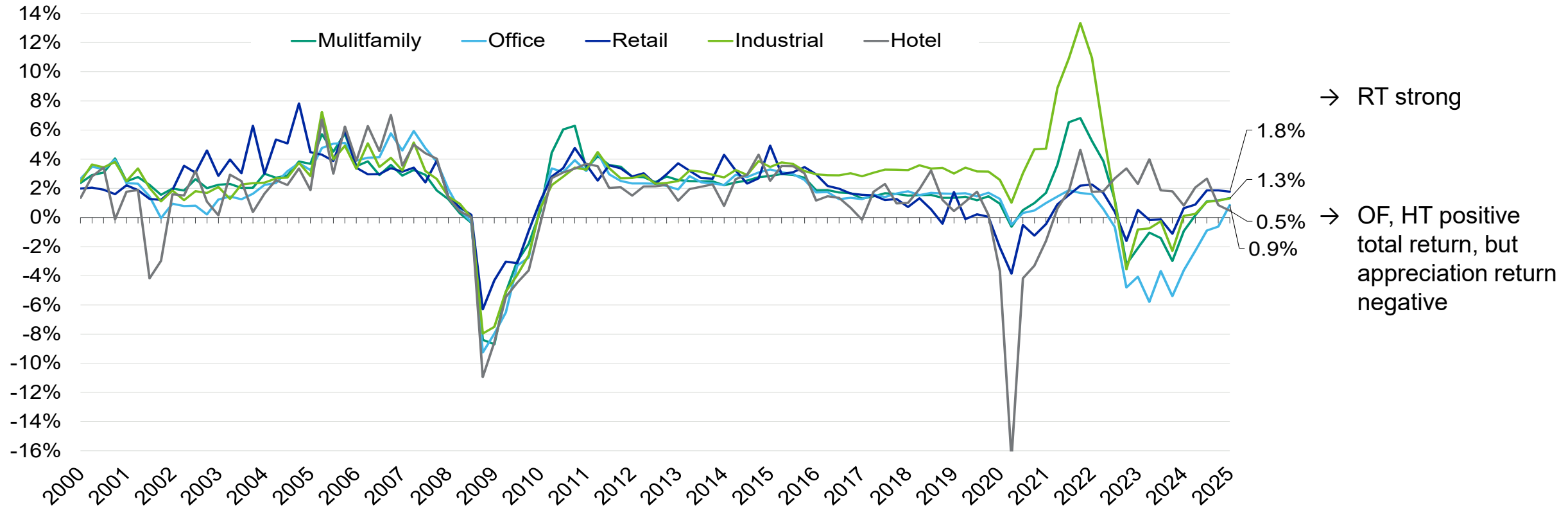
- » IN: Well on the mend from only minor impact since 2022, but could face pressure from supply issues and reduced trade
- » RT: Values some of the best performing in recent periods, but could face constraints from stressed US consumers
- » MF: Generally positive outlook, but faces pressure higher-for-longer interest rates and revenue growth potential stymied by affordability
- » OF: Property trades were on the rise, and some deals were happening on non-distressed assets, but economic uncertainty will prolong or foil a recovery this year.



Source: Moody's Analytics, various as shown

# Price Trends Corroborated by NCREIF Returns

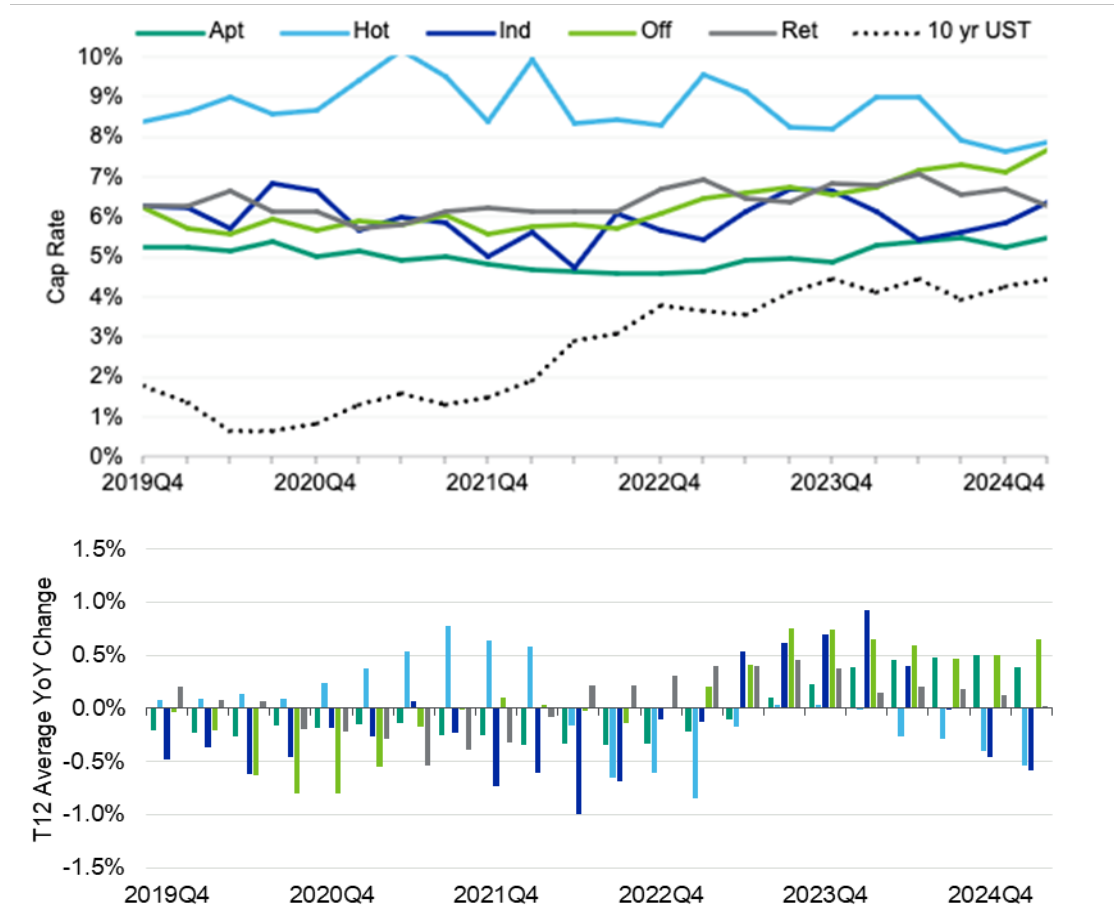
Total annualized return on institutional properties in the NCREIF database



Sources: NCREIF, Moody's Analytics

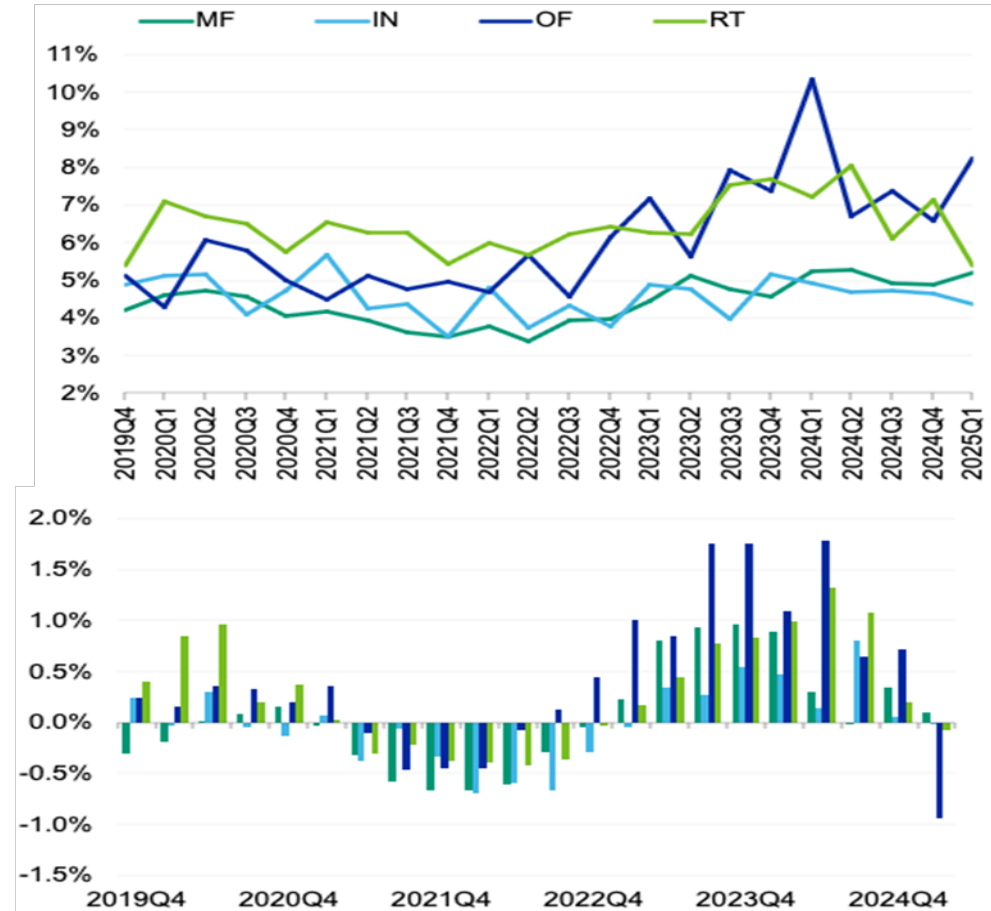
# Cap Rate Trends Reflect the Pressure From Sustained High Interest Rates

## CMBS



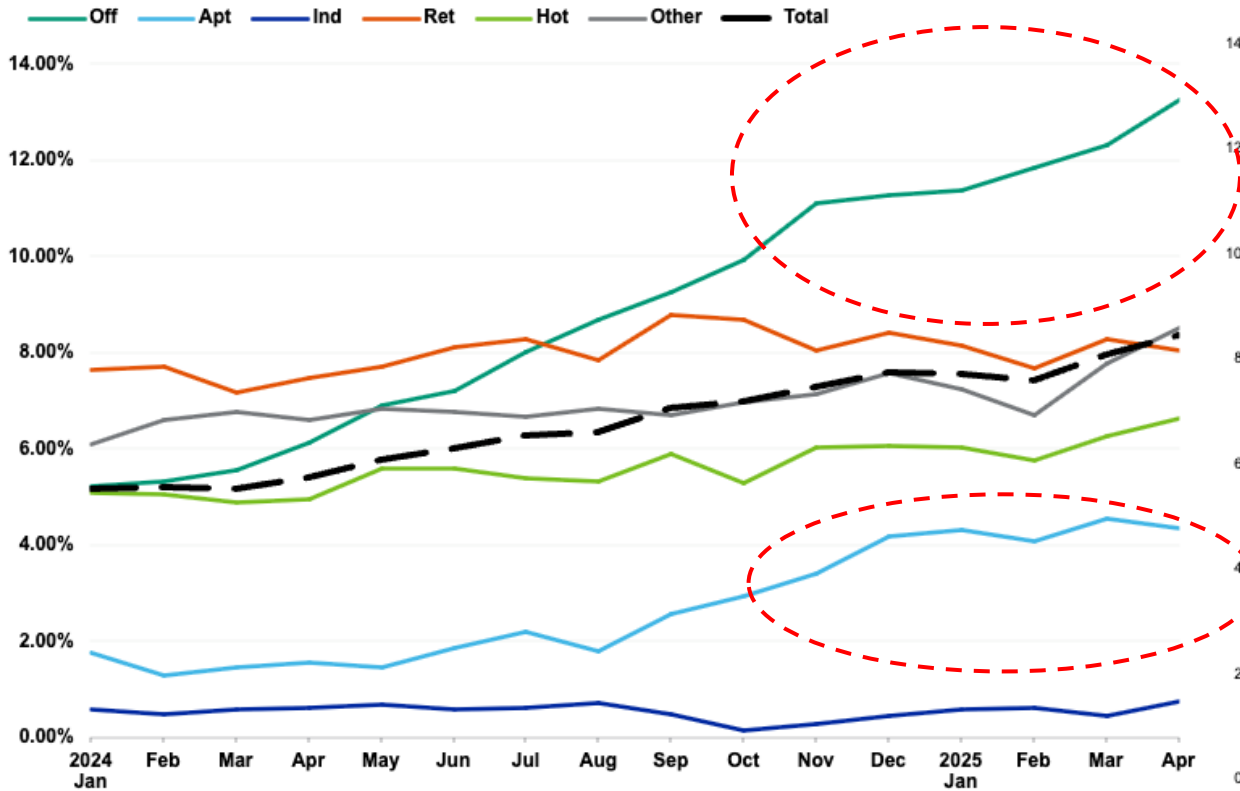
Source: Moody's Analytics

## NCREIF

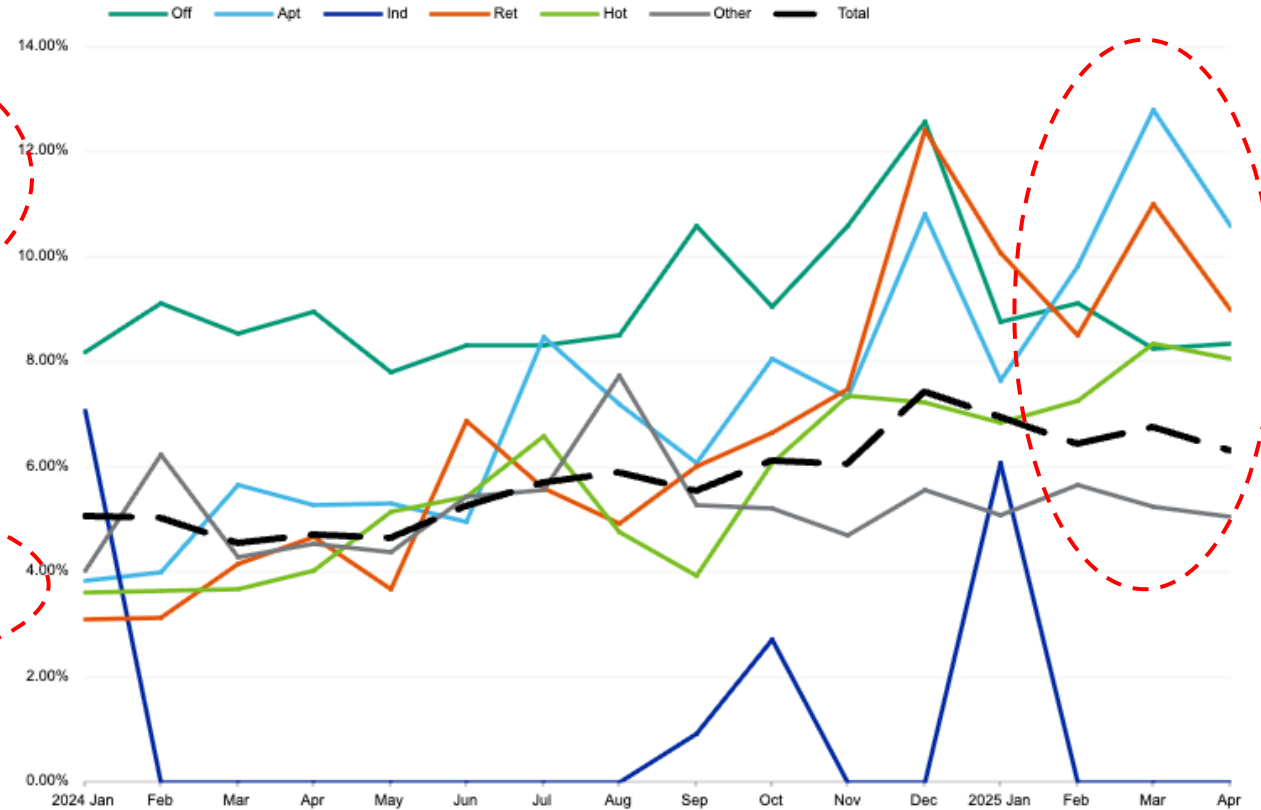


# Office and Multifamily Drive Delinquencies Up Markedly From a Year Ago

Conduit CMBS delinquency rate



LLSASB CMBS delinquency rate



Source: Moody's Analytics

# Distress Looks More Muted for Banks; Mixed Story by Bank Size and Asset Type



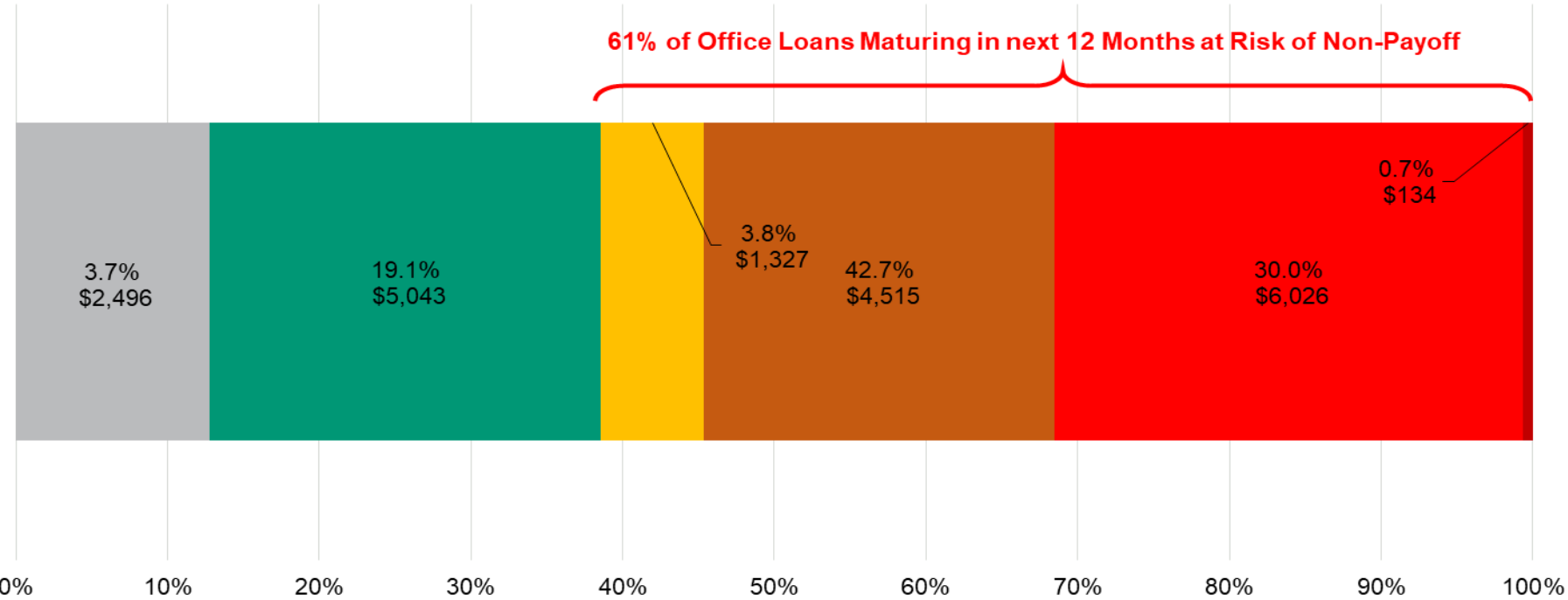
Source: Moody's Analytics

# Office Loan Delinquency Headed Toward High Teens With More Maturities

~60% of \$20B of office loans maturing face trouble, compared to the \$16.5B currently delinquent

## Moody's CMBS Office Loans Maturing in Next 12 Months

- Prepaid or Liquidated
- DY <8%, Limited Leasing Risk
- Specially Serviced or DY <8%, w/ Significant Leasing Risk
- DY >8%, Limited Leasing Risk
- DY >8%, Significant Leasing Risk
- REO



Source: Moody's Analytics

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### Contact Us

Email	helpeconomy@moodys.com
U.S./Canada	+1.866.275.3266
EMEA	+44.20.7772.5454 (London) +420.234.747.505 (Prague)
Asia/Pacific	+852.3551.3077
All Others	+1.610.235.5299

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