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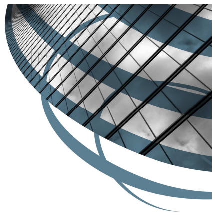

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CAPITAL MARKET INDICATORS

Nomura sees two year yield rising as traders face $26 billion sale: Investors who buy at Monday's US two year note sale risk losing money as the Federal Reserve raises interest rates, according to Nomura. Two year yields, among the most sensitive to what the Fed does with its benchmark, climbed earlier to 1.08%, approaching the highest level since 2010. Bonds have slumped and yields surged this month on expectations Donald Trump's spending plans will lead to faster inflation.
Emerging markets may submerge again in 2017, top funds fear: After spectacular returns between end-January and October, emerging market stocks and bonds are again in retreat, disappointing investors who had hoped the sector had finally turned a corner after lagging its developed market peers for years. In the wake of the election, investors pulled a record $6.4 billion from emerging bond funds tracked by JPMorgan. Equity funds shed a third of year-to-date inflows, data showed.
Euro climbs as political uncertainty seen easing a touch: The euro rose from an 11-month low against a broadly weaker dollar on Monday with political developments seen easing uncertainty surrounding next year's German and French elections, lending some support to the currency. Strategists said that the euro had also been boosted by a slight weakening of the dollar, which was down 0.2% against a basket of currencies after hitting its highest levels in almost 14 years on Friday.
Europe stocks rise after longest run of daily swings since 2013: A rally in commodity producers helped European equities erase declines on Monday, posting their longest streak of intraday fluctuations in more than three years. Investors are turning their focus to the region's political risks ahead, while the recent rise in government bond yields is making equities less attractive, according to Peter Dixon, an economist at Commerzbank AG. (Sources: Bloomberg, Reuters, AEW)

INTEREST RATES (%)	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	-0.31	-0.20	-0.14	-0.07	0.12	0.67	1.19
UK SWAP	0.40	0.59	0.68	0.79	1.00	1.39	1.59
US FED FUNDS SWAP	0.57	1.00	1.10	1.19	1.36	1.71	2.07

Source: Macrobond

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	-0.76	-0.62	-0.36	-0.11	0.28	0.64	0.90
UK GILTS	0.18	0.32	0.70	1.04	1.48	1.95	2.06
BANQUE DE FRANCE	-0.64	-0.42	-0.13	0.20	0.76	1.08	1.53
FEDERAL RESERVE	0.77	1.31	1.75	2.08	2.29	2.69	3.01

Source: Macrobond

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	4504	-0.40	-8.21	3.70
DAX	10665	3.71	-2.69	2.84
FTSE 100	6776	11.21	7.92	3.83
S & P 500	2182	8.40	4.70	2.12
EPRA DEV. EUROPE	554	-9.48	-13.71	3.72

Source: Macrobond

NEWS TICKER

UK inflation expectations rise at fastest rate since 2011: Public expectations for inflation in Britain in one year's time have risen at their sharpest rate in more than five years following the sharp fall in sterling since June's Brexit vote, a quarterly survey published by Barclays showed. The BoE forecast this month that consumer price inflation will rise to 2.7% in a year's time from 0.9% in October. Many economists think it could rise faster, and the central bank is concerned that expectations of a persistent period of above-target inflation do not get entrenched.
UK jobless rate falls amid signs labour market may be cooling: UK unemployment rate fell to 4.8% in Q3 from 4.9% in the previous quarter, the lowest rate in 11 years. But the economy added only 49,000 workers in Q3, half the number expected and down from a 172,000-increase in the previous quarter. Uncertainty as Britain negotiates its split from the European Union is expected to hit hiring and investment, making it hard for workers to negotiate significant pay increases.
US manufacturing output rose for a second month in October: Output at US manufacturers rose for a second month in October, a sign the industry is gradually recovering from a prolonged period of weakness. Production at factories, which make up 75% of all output, climbed 0.2% for a second month. Factories are benefiting from steady household spending growth at the same time the drag on industrial output from the oil sector wanes as prices recover and drillers employ more rigs.
German cooling, Italy rebound keep Eurozone growth at 0.3%: German economic growth slowed to the weakest pace in a year last quarter, a reminder of the fragility of the Eurozone's recovery in a time of rising uncertainty. The slowdown in Germany to 0.2%, along with a resumption of growth in Italy and France, left expansion in the 19-nation currency region at 0.3%, in line with an initial estimate and matching the pace of the three months through June. (Sources: Bloomberg, Reuters, AEW)

REAL ESTATE MARKET INDICATORS

Private investors seize opportunities in London following referendum: Private investors, both domestic and overseas, have been looking to London to secure real estate assets ahead of institutional buyers, according to CBRE. The currency depreciation in the UK since June, coupled with the attractive return profile of real estate relative to other asset classes, has provided a window of opportunity for high net worth investors and private wealth to act first and most quickly, buying smaller assets in core locations within the City and its fringe.
Decline in new construction activity but some sectors show signs of resilience: New construction activity fell back sharply in the wake of the Brexit vote, according to the Q3 2016 JLL and Glenigan UK Commercial Construction Activity Index. The Index highlights that construction activity for the 12 months to September fell by 12.4% compared to the total for the previous quarter, However some sectors remained resilient, particularly hotels and healthcare.
High occupier demand for industrial space defies Brexit fears: Industrial take-up in the UK hit 7m sq ft in Q3, defying fears of a downturn in the wake of the Brexit vote. The figure was in line with the five year average for the sector, with robust occupier and investor demand seen across most regions, according to Cushman & Wakefield. E-commerce was a significant source of activity as occupiers sought logistics space in urban fringes to provide last mile fulfilment.
Central European investment market continues to expand: According to Cushman & Wakefield, commercial real estate investment volumes in the core central European markets of Poland, the Czech Republic, Slovakia, Hungary and Romania reached €6.05 billion during Q1-Q3 2016, a 37% increase y-o-y, albeit with reduced activity during Q3. However, this was a short-term trend and a strong bounce-back is expected in Q4 across the central European region. (Sources: CBRE, JLL, Property Week, Property Magazine, AEW)

SELECTED OFFICE MARKETS

Central London office construction hits eight year high: Levels of office development in central London have reached an eight-year high, with 14.8m sq ft of space currently under construction, according to Deloitte Real Estate. While that figure represents an increase of 600,000 sq ft compared to levels of construction in May 2016, the rate at which new schemes are coming to the market has slowed. Refurbishments account for 28 out of the 40 new starts and highlight the opportunity that developers can deliver into a market that still has low levels of available office space. (Sources: Property Week, AEW)

SELECTED OFFICE MARKETS (Q2 2016 DATA)

	VACANCY RATE (%)		PRIME RENTS (€/SQM/YR)		PRIME NET YIELDS (%)		Q2 2016 TAKE-UP (SQ M)
PARIS (CENTRAL)	7.9	↓	743	↑	3.54	↓	347,000
LONDON (CENTRAL)	7.4	↑	1,601	→	3.49	→	147,000
BERLIN	4.7	↓	306	↑	3.75	↓	170,000
WARSAW	16.3	↑	252	→	5.10	→	121,000
MILAN	15.4	↓	460	→	4.29	↓	81,000

Source: PMA, AEW

SELECTED RETAIL MARKETS

New York's 5th Av remains world's most expensive retail street: New York's Upper 5th Avenue has retained its spot as the world's most expensive retail street, narrowly ahead of Hong Kong's Causeway Bay, but rental values have decreased in both as brands balance the demand of physical and online presences, according to Cushman & Wakefield. Paris' Avenue de Champs Élysées retained its crown as the most expensive retail location in the EMEA region despite a decline in tourist numbers and spend, which significantly contribute to the health of the retail sector. (Sources: Cushman & Wakefield, AEW)

SELECTED RETAIL MARKETS (Q2 2016 DATA)

	HOUSEHOLD CONSUMPTION 2014 (%YOY)	HOUSEHOLD CONSUMPTION 2015 (%YOY)	AVERAGE PRIME RENTS Q2 2016 (€/SQM/YR)*		AVERAGE PRIME YIELDS Q2 2016 (%)*		CONSENSUS ANNUAL INFLATION 2016E (%)
FRANCE	0.6	1.4	2,882	→	4.00	→	0.3
GERMANY	0.9	1.9	3,564	↑	3.63	→	0.5
UK	2.6	2.8	3,831	↑	4.00	→	0.7
ITALY	0.6	0.9	3,350	→	3.20	→	0.1
SPAIN	1.2	3.1	2,640	→	3.50	↓	-0.2

Source: PMA, Consensus Forecasts, AEW * Average rent and prime yields of the countries' cities