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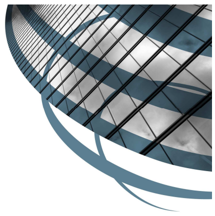

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CAPITAL MARKET INDICATORS

Treasury 10 year yield tops 2.5% amid biggest short since 2014: The yield on benchmark 10 year US Treasuries climbed above 2.5% for the first time since October 2014, with traders certain that the Federal Reserve will raise interest rates for only the second time since 2006 at a meeting this week. Traders see 100% odds for a rate hike on December 14, and a two-in-three chance of additional tightening by June, according to Bloomberg calculations based on Fed fund futures.
China's stocks, bonds, yuan slump in unison on liquidity concern: The Shanghai Composite Index sank 2.5% at the close, the yuan fell toward an eight-year low, while China's government bonds tumbled, with the one year sovereign yield rising 15bps. A resumption in headline-grabbing losses would pose a challenge to the government's attempts to cut corporate leverage, whether in equities or property, while also risking fuelling faster capital outflows as the dollar surges.
Dollar retreats, euro rallies on worries over upcoming Fed statement: The US dollar fell against most major currencies on Monday on concerns that the Federal Reserve could suggest in an upcoming policy statement that the greenback's gains had gone too far, while a rally in oil prices boosted commodity-linked currencies. With an interest rate hike largely priced in, focus has turned to what signal the Fed will send on further policy tightening next year.
Oil hits highest since mid-2015 as global producers agree to cut: Oil rose by as much as 6.5% on Monday to an 18-month high after OPEC and some of its rivals reached their first deal since 2001 to jointly reduce output to try to tackle global oversupply and boost prices. The price is 50% higher than at this time last year, marking the largest y-o-y rise on any given day since September 2011. Higher prices raise the chances of other producers increasing output. (Sources: Bloomberg, Reuters, AEW)

INTEREST RATES (%)	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	-0.32	-0.20	-0.17	-0.10	0.12	0.77	1.39
UK SWAP	0.38	0.57	0.65	0.75	0.98	1.42	1.62
US FED FUNDS SWAP	0.64	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	-0.81	-0.71	-0.45	-0.10	0.35	0.89	1.14
UK GILTS	0.12	0.21	0.59	0.98	1.43	1.95	2.05
BANQUE DE FRANCE	-0.67	-0.52	-0.22	0.21	0.80	1.29	1.75
FEDERAL RESERVE	0.84	1.40	1.90	2.20	2.40	2.81	3.10

Source: Macrobond

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	4764	5.35	2.74	3.66
DAX	11204	8.96	5.78	2.84
FTSE 100	6954	14.13	13.50	3.74
S & P 500	2260	12.27	10.35	2.09
EPRA DEV. EUROPE	575	-6.05	-7.26	3.63

Source: Macrobond

NEWS TICKER

US consumer confidence surges thanks to optimism about Trump: Consumer confidence jumped more than forecast this month as Americans expressed the sunniest picture of their financial situation in 11 years, extending a boost following Donald Trump's election victory. A record share of respondents spontaneously mentioned the positive impact from new policies, according to the survey, with more people expecting the economy and job market to strengthen in the coming year.
Bank of Japan likely to upgrade economic view: The BoJ is likely to give a more upbeat view of the economy at next week's rate review, as a pick-up in emerging Asian demand and positive signs in private consumption improve prospects for a solid, export-driven recovery. Any upgrade would reinforce market expectations that the central bank, after failing to jolt Japan out of deflation with years of massive monetary easing, will hold off on expanding stimulus measures in the coming months.
British Chambers of Commerce nudges up 2017 growth forecast, cuts 2018: The British Chambers of Commerce nudged up its forecast for economic growth next year but downgraded the outlook for 2018 due to inflation pressures and ongoing uncertainty as Britain prepares to leave the EU. Weaker economic activity and an erosion of real wage growth triggered by sterling's post-referendum slide is expected to curb household consumption and business investmen, the BCC said.
ECB expands stimulus to €2.2 trillion as monthly purchases slow: The ECB expanded its QE program to exceed €2.2 trillion by the end of 2017, buying at a reduced monthly pace with the caveat that it can step up or prolong purchases if needed. If the outlook becomes less favourable or if financial conditions become inconsistent with further progress toward a sustained adjustment of the path of inflation, the Governing Council intends to increase the program in terms of size and/or duration. (Sources: Bloomberg, Reuters, AEW)

REAL ESTATE MARKET INDICATORS

Investor appetite for UK healthcare assets widens: The UK healthcare sector will become an increasingly popular target for capital in 2017, as alternative assets become more mainstream for investors in search of attractive yield returns, according to Cushman & Wakefield. Recent capital inflows including lenders, hedge funds and US REITs, as well as a more competitive landscape among domestic institutions, has cemented healthcare as a recognised property investment class with the trend set to continue in 2017.
Real estate will thrive in UK bastion of stability: According to Savills' 2017 Forecasts Briefing, a rise in caution and risk aversion among investors is expected to benefit the UK market next year, where high levels of transparency and stable legal structures make real estate a safety play. Non-domestic investors' interest in the UK is therefore set to continue, and the next five years are likely to see record levels of international investments in assets outside of London.
2017 set to be a record year for extended stay stock expansion: 2017 will see record levels of stock expansion for the UK extended stay market, according to Savills, with the firm forecasting that over 2,600 units will be delivered over the year, a 13.8% increase on 2016 stock levels. Savills notes that the increase in stock will be predominantly driven by regional markets, which are set to experience 20.5% stock expansion, compared to London's 8.1% increase.
November UK commercial property capital growth highest for 2016: UK commercial property capital values increased faster in November than any other month of 2016, according to the latest CBRE Monthly Index. Rental values increased slightly over the month. Capital values grew by 0.5% in November and total returns rose for the third consecutive month, increasing from 0.5% in October to 0.9% across the UK in November. (Sources: Cushman & Wakefield, PropertyEU, CBRE, Savills, AEW)

SELECTED OFFICE MARKETS

Central London office take-up sees strong end of year rebound: Central London office take-up in November rose to 1m sq ft, representing a monthly increase of 118% and bringing take-up in line with the 10 year monthly average, according to CBRE. Take-up in November was boosted by a number of large deals. A total of six deals of over 50,000 sq ft transacted during the month, more than any other month so far this year. The business services sector represented the largest proportion of take-up in November at 27% followed by the banking and finance sector (16%). (Sources: CBRE, AEW)

SELECTED OFFICE MARKETS (Q3 2016 DATA)

	VACANCY RATE (%)		PRIME RENTS (€/SQM/YR)		PRIME NET YIELDS (%)		Q3 2016 TAKE-UP (SQ M)
PARIS (CENTRAL)	7.6	↓	750	↑	3.45	↓	265,000
LONDON (CENTRAL)	7.9	↑	1,601	→	3.74	↑	134,000
BERLIN	4.3	↓	318	↑	3.45	↓	246,000
WARSAW	15.5	↑	252	→	5.10	→	102,000
MILAN	15.4	→	460	→	4.07	↓	39,000

Source: PMA, AEW

SELECTED RETAIL MARKETS

Retail space in shopping centres continues to grow: Although retail sales in most European countries are largely stagnating or even declining, shopping centre space continues to grow, according to RegioData. A total of 15m sq m is currently developed across Europe (including Turkey and Russia). London and Prague are expected to see significant increases in the number of shopping centres. The Nordic countries are among the forerunners, with shopping centres in Sweden, Norway and Finland are among the largest in Europe. (Sources: Property Magazine, AEW)

SELECTED RETAIL MARKETS (Q3 2016 DATA)

	HOUSEHOLD CONSUMPTION 2014 (%YOY)	HOUSEHOLD CONSUMPTION 2015 (%YOY)	AVERAGE PRIME RENTS Q3 2016 (€/SQM/YR)*		AVERAGE PRIME YIELDS Q3 2016 (%)*		CONSENSUS ANNUAL INFLATION 2016E (%)
FRANCE	0.6	1.4	2,882	→	4.00	→	0.3
GERMANY	0.9	1.9	3,564	→	3.51	↓	0.5
UK	2.6	2.8	3,831	→	4.00	→	0.7
ITALY	0.6	0.9	3,400	↑	3.20	→	0.1
SPAIN	1.2	3.1	2,730	↑	3.36	↓	-0.2

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