

This Weekly Market Update is sent every Monday to AEW Europe clients.

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CAPITAL MARKET INDICATORS

Polish President Dies in Plane Crash, Not Likely to Affect Political, Financial Stability: Polish President Lech Kaczynski and 95 other people died on Saturday when their plane crashed near Smolensk in Russia. The casualties of Saturday's crash included numerous senior political and military leaders. "Although tragic, we do not believe that this event threatens political and financial stability in Poland in any fundamental way," said Goldman Sachs. Financial markets in Poland displayed resilience in the wake of the weekend's dramatic events. The zloty probably will recover from losses after the weekend plane crash because the economy is among the strongest in Europe, Citigroup Inc. and RBC Capital said.

Greece Wins €45 Billion Aid Pledge to Blunt Crisis: European governments offered debt-plagued Greece a rescue package worth as much as 45 bn Euros at below-market interest rates in a bid to stem its fiscal crisis and restore confidence in the Euro. Forced into action by a surge in Greek borrowing costs to an 11-year high, euro-region finance ministers said yesterday they would offer as much as 30 bn Euros in three-year loans in 2010 at around 5%. That's less than the current three-year Greek bond yield of 6.98%. Another 15 bn Euros would come from the International Monetary Fund.

Emerging Economies Have Become Safer Relative to Developed Nations: Three-month implied volatility for the seven biggest developing country currencies fell to 10 percent in March compared with 11.4 percent for industrialized nations, according to JPMorgan Chase & Co. indexes. The gap is the widest since July 2008. So far this year, eight of the 10 best-performing currencies are from emerging markets. (Sources: Bloomberg, Financial Times, MarketWatch, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.33	0.64	1.14	1.52	1.89	2.47	3.33	3.71
UK SWAP	0.54	0.65	0.86	1.63	2.17	2.96	3.89	4.18
US FED FUNDS SWAP	0.23	0.30	0.56	1.20	1.82	2.76	3.85	4.54

Source: Reuters, Bloomberg * EONIA. BBA Libor GBP Overnight. FDFD

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.69	1.34	2.23	2.70	3.20	3.54	3.90
UK GILTS	0.64	1.82	2.80	3.43	4.07	4.54	4.63

Source: Reuters, Bloomberg

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	4052	2.90	36.19	3.43
DOW JONES	10927	5.46	36.05	2.48
FTSE 100	5772	6.62	44.86	3.22
EPRA EUROPE	1311	4.69	38.92	4.46

Source: Reuters, Bloomberg

NEWS TICKER

In America Non-Agricultural Employment Increased by 162,000 in March: This came after the number fell by 14,000 in February and edging up by an identical amount in January. March was the first month since November 2007 in which employment rose by more than 100,000.

Canada's Economy Gained 17,900 Jobs in March: The growth was lower than expected by forecasts, 20,900 jobs were added in the previous month.

Euro-area GDP was Unchanged Between the Third and Fourth Quarters of 2009: It shrank by 2.2% in the fourth quarter compared with the same period a year earlier.

Russia's Economy Shrank at an Annual Rate of 3.8%: This was in the fourth quarter of 2009 after contracting by 7.7% in the third quarter. GDP fell by 7.9% in 2009 as a whole.

India's Exports Grew by 34.8% in February: This compares with a year earlier, adding to inflationary pressures that may prompt the central bank to raise interest rates this month. Imports rose by 66.4%. The country's trade deficit in February was \$8.96 billion.

Italian Industrial Production Stalls on Rising Unemployment: Output was unchanged from January, when it rose 1.9%. Italian industrial production rose 2.7 percent in February. Unemployment almost reached 9% in February.

(Sources: The Economist, Bloomberg, AEW Europe)

REAL ESTATE MARKET INDICATORS

Election Jitters Unsettle UK Market: Real estate investors operating in the UK grew slightly more cautious in March, with the budget in particular focusing minds on what may lie ahead and the uncertainty of an election period, according to Cushman & Wakefield's latest UK business briefing. C&W said deficit reduction and taxation plans are likely to remain an area of concern for some time. But recent positive news on economic growth and a fall in inflation may help reassure those fearing a substantial early increase in inflationary pressures. For prime property the sentiment remains optimistic and yields have edged down still further, falling five basis points in March to an average of 5.85%, their lowest since May 2008.

Highest Quarterly Level of Commercial Real Estate Investment in Germany in Two Years: During the first quarter of 2010, approximately €5bn was invested. According to BNP Paribas Real Estate, this is almost three times as much as during the same period in the previous year. In the six strongholds of Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne and Munich, around €2.8bn was invested – nearly €2.2bn more than during the first quarter of 2009. Cologne (+844% to €447mn), Berlin (+612% to about €1.07bn), Hamburg (+285% to €480mn) and Munich (+172% to €614mn) profited particularly from this 'brilliant start into the year.' In Frankfurt (€158mn) and Düsseldorf (€90mn), the start of the year was still subdued, although it brought increases compared to the prior year. (Sources: PropertyEU, TomasDaily, AEW Europe)

SELECTED OFFICE MARKETS

Over €3.4 Bn of City Offices for Sale in London: This comes as owners seek to take advantage of a gradual recovery in the market, according to Jones Lang LaSalle. The broker expects investment volumes to be up by almost 50% in the first half of 2010. Additionally, it is predicting a sharp improvement in rents in the City owing to a shortage of new office space. JLL expects rents to rise from €484 per sqm, reaching a peak of €753 per sqm in the course of the next three years. The recovery in the City occupier market has been driven by a record state support to the financial sector in 2008 and 2009. Not surprisingly, the banks were the first occupiers to stabilize. Now that they are making profits again, they can make occupational decisions and try to take advantage of a collapse in rental values which fell by 30-40% over the crisis. (Sources: Europe Real Estate, AEW Europe)

SELECTED OFFICE MARKETS (Q4/2009 DATA)					
	VACANCY RATE (%)	PRIME RENT (€/SQM/YR)	PRIME NET YIELDS (%)	BUSINESS CONFIDENCE	
PARIS (CBD)	6.3 ↑	664 ↑	5.50 ↓	↑	
LONDON (CENTRAL)	10.3 ↓	778 →	5.39 ↓	↑	
FRANKFURT	17.7 ↑	396 →	5.35 ↓	↑	
BUDAPEST	19.8 ↑	174 ↓	7.00 →	↑	
MADRID	9.6 ↑	336 →	5.67 ↓	↑	

Source: PMA, CBRE, AEW Europe

SELECTED RETAIL MARKETS

Investors Turn to Spanish Retail Parks: Research by Savills suggests that demand is driven by current yields of between 7% and 7.25%, compared to 6% in UK. However, a shortage of available supply combined with a predicted upturn in demand will, Savills warns, cause a downward trend in yields. The current retail warehouse stock represents a density of 73 m2 per 1,000 people compared to 257 m2 in the UK. Savills predicts that transaction volumes could reach between €70 and EUR 100 mln in 2010, up considerably from a total of €19 mln in 2009. (Sources: PropertyEU, AEW Europe)

SELECTED RETAIL MARKETS					
	HOUSEHOLD CONSUMPTION 2009E (%YOY)	HOUSEHOLD CONSUMPTION 2010E (%YOY)	AVERAGE PRIME RENTS (€/SQM/YR)**	AVERAGE PRIME YIELDS 2009E (%)	CONSENSUS ANNUAL INFLATION 2009E (%)
FRANCE	0.7 ↑	0.9	2628 ↓	5.8	0.1
GERMANY	0.5* ↑	-0.1*	2856 ↑	4.4	0.4
ITALY	-1.7 ↓	0.6	2122 →	5.2	0.8
SPAIN	-5.1 ↓	-0.8	2183 →	5.7	-0.3

Source : PMA, Consensus Forecasts, AEW Europe * Private Consumption ** Average rent of the countries' cities