

## CAPITAL MARKET INDICATORS

**G20 Responds to European Debt Crisis With Deficit-Cutting Goal:** Group of 20 leaders responded to the European debt crisis with deficit-reduction targets and agreed to pursue higher capital requirements for banks once economic recoveries take hold. Advanced G-20 economies will aim to halve deficits by 2013 and start to stabilize their debt-to-output ratios by 2016, the group said in a statement yesterday after a meeting in Toronto. Leaders said nations can move at their own pace and also pledged to fulfill existing stimulus plans. While President Barack Obama is pushing his counterparts to focus on spurring growth, leaders in the U.K. and Germany are already tightening spending to bolster investor confidence.

**G20 Delays New Bank Rules to Safeguard Recovery:** Leaders from the top 20 industrialized and emerging powers agreed last year to introduce new bank rules by the end of 2012 as a core effort to prevent a repeat of the worst financial crisis in more than 80 years. At a summit in Toronto on Sunday, the Group of 20 endorsed a flexible timeline for building up higher levels of capital and liquidity, giving some breathing room to banks that say they are still struggling after the global recession.

**Debt Distress Rises as Goldman, JPMorgan Vary on Defaults:** The percentage of corporate bonds considered in distress is at the highest in six months, a sign debt investors expect the economy to slow and defaults to rise. The number of speculative-grade companies worldwide with yields at least 10 percentage points more than government bonds climbed to 399 this month, or 16.7% of the total, the highest share since December, according to Bank of America Merrill Lynch index data. (Sources: Bloomberg, Reuters, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.32	0.75	1.17	1.34	1.58	2.09	2.92	3.27
UK SWAP	0.55	0.73	0.90	1.43	1.80	2.46	3.42	3.89
US FED FUNDS SWAP	0.29	0.53	0.71	0.97	1.37	2.14	3.14	3.85

Source: Reuters \* EONIA. BBA Libor GBP Overnight. FDFD

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.45	0.70	1.51	2.01	2.62	2.99	3.37
UK GILTS	0.54	1.21	2.11	2.75	3.39	3.94	4.25

Source: Reuters

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3561	-10.58	11.27	4.06
DAX	6143	-1.25	22.55	3.08
FTSE 100	5057	-6.77	18.67	3.38
DOW JONES	10144	-2.73	19.73	2.73
EPRA EUROPE	1195	-5.48	25.79	4.89

Source: Reuters, Datastream

CDS SPREADS	GER	UK	FR	IT	SP	POL	GR	POR	HUN	US
CDS 10 YEAR SPREAD (bp)	48.5	81.9	100.3	177.2	235.4	163.7	1018.5	292.0	317.5	42.0

Source: Reuters, Datastream, AEW Europe

## NEWS TICKER

**Inflation in America Fell by a Fifth of a Percentage Point to 2% in May:** On a seasonally adjusted basis, prices fell by 0.2% from a month earlier. On June 23rd the Federal Reserve voted to keep interest rates unchanged, remarking that underlying inflation had trended lower in recent months.

**The Number of New Houses Sold in America Fell:** during the month of May it decreased nearly a third from a month earlier, to an annual pace of 300,000, 18.3% lower than the corresponding rate a year earlier.

**America's Current-Account Deficit Widened:** This was for the 12 months to the end of the first quarter widened to \$391.9 bn from \$378.4 bn for the year to the previous quarter.

**Inflation in Canada Eased to 1.4% in May From 1.8% in April:** Excluding energy prices, inflation slowed by a tenth of a percentage point to 1.0% last month.

**The Euro Area's Current-Account Deficit Shrank:** To \$48.9 bn in the 12 months to the end of April from \$52.6 bn in the year to the previous month.

(Sources: Bloomberg, The Economist, The Wall Street Journal, AEW Europe)

## REAL ESTATE MARKET INDICATORS

**Global Commercial Real Estate Transparency Index, Europe Improves:** The report describes Europe as a mixed picture of transparency. The traditional leading pack - Australia, New Zealand, the UK (third position), the US and Canada - have now been caught up by a number of European markets including Sweden, Ireland and France. Turkey and some Central and Eastern European countries have shown good progress as their markets have become more internationally traded and their regulatory and legal environments become aligned with core EU economies.

**Misapplied Leverage Can Amplify Losses, Shows IPD:** According to research published by Investment Property Databank Japan, over the 12 months to June 2009, a direct property level return of -7.3% was eroded to a leveraged return of -13.4%. At this point, the average LTV was 42% - much too high for this phase in the cycle. As the real estate market turned downwards from the middle of 2008, average debt levels continued to rise because asset values fell faster than the managers could de-lever portfolios. The use of debt can significantly enhance the asset level return, but at other points its effect can be devastating.

**CEE Real Estate Investment Market Maintains Positive Trend:** Central and Eastern European (CEE) commercial real estate investment turnover totaled €783 M in April and May 2010, bringing the region's investment volume total for the first five months of the year close to €1.5 bn, up by 150% on H1 2009, according to the latest data from CBRE. Despite the fact that this total excludes activity in the final month of Q2 2010, the January-May 2010 investment total is already 150% higher than the first half of 2009. (Sources: PropertyEU, ThomasDaily, AEW Europe)

## SELECTED OFFICE MARKETS

**Düsseldorf: Topping-out ceremony for "Rheinhöfe" office project.** In the Holthausen district of Düsseldorf, Epitac Gamma GmbH has celebrated the topping-out ceremony for the first construction phase of its new "Rheinhöfe" office and commercial project. The Düsseldorf based developer is revitalizing an industrial area measuring some 40,000 sqm on Reisholzer Werftstrasse into a service provision center of around 27,000 sqm of usable floor space at a cost of approximately €30mn. The completion of all work is slated for 2012. Among the tenants will be Nike Deutschland, an institute for advanced professional training, a law office and the bakery products manufacturer, Puratos. (Sources: ThomasDaily, AEW Europe)

SELECTED OFFICE MARKETS (Q1/2010 DATA)	VACANCY RATE (%)	PRIME RENT (€/SQM/YR)	PRIME NET YIELDS (%)	BUSINESS CONFIDENCE
	PARIS (CBD)	6.1 ↓	700 ↑	5.25 ↓
LONDON (CENTRAL)	9.7 ↓	837 ↑	5.00 ↓	↑
BERLIN	10.2 ↓	240 →	5.30 ↓	↓
WARSAW	9.4 ↑	246 →	6.39 ↓	↑
BARCELONA	12.0 ↑	240 →	5.44 ↓	↑

\*Q4 2009 Data. Source: PMA, CBRE, AEW Europe

## SELECTED RETAIL MARKETS

**Ukraine's Largest Retail Scheme Opens its Doors:** The AIM-listed Argo Real Estate Developer is opening the third and final phase of its Riviera Shopping City, Ukraine's largest shopping and entertainment complex. The 80,000 m2 scheme is the first Ukrainian retail project inaugurated by an international developer in the past year since the global credit crisis sparked a credit shortfall in the country, says manager Robert Provine. (Sources: EuropeRE, AEW Europe)

SELECTED RETAIL MARKETS	HOUSEHOLD CONSUMPTION 2009 (%YOY)	HOUSEHOLD CONSUMPTION 2010E (%YOY)	AVERAGE PRIME RENTS (€/SQM/YR)**	AVERAGE PRIME YIELDS 2009 (%)	CONSENSUS ANNUAL INFLATION 2009 (%)
FRANCE	0.8 ↑	1.0	2547 ↓	6.1 ↑	0.1
GERMANY	0.2* ↑	-0.5*	2856 ↑	4.9 →	0.4
ITALY	-1.8 ↓	0.6	2122 →	5.3 ↑	0.8
SPAIN	-5.0 ↓	-0.5	2183 →	5.8 ↑	-0.3

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