

CAPITAL MARKET INDICATORS

Ireland Credit Rating Cut One Level at Moody's Investors Service: The rating agency cited a "significant loss of financial strength" and the cost of bank bailouts. The company lowered Ireland to Aa2 from Aa1 and moved the country to a "stable" from a "negative" outlook. Ireland lost its top rating at Moody's in April 2009. Irish bonds fell after the downgrade. While Irish Finance Minister Brian Lenihan said last week that the country's fiscal position is "stabilizing", the cost of aiding the banking industry is adding to pressure on the public finances even as the economy emerges from recession.

Hungary Debt Risk Soars as IMF Halts Talks: The cost to insure debt payments from Hungary jumped the most in six weeks and the forint tumbled after the IMF and EU ended talks with the government without endorsing Prime Minister Viktor Orban's plans to control the budget deficit. The IMF ended its review of Hungary's €20bn emergency bailout because "a range of issues remain open," the Washington-based lender said in a July 17 statement. The government must make "tough decisions, notably on spending," to comply with deficit requirements, the EU said.

US Treasury Auction Bids Rise 18% to Record as Investors Surpass Bond Dealers: For the first time since the government started collecting the data, central banks, mutual funds and U.S. banks are buying more government securities at Treasury auctions than Wall Street's bond dealers. Foreign and domestic investors bidding directly at note and bond auctions bought 57% of the \$1.26 trn in Treasuries sold by the government this year, up from 45% during the same period in 2009 and as little as 32% for all of 2008, according to government data compiled by Bloomberg. (Sources: Bloomberg, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.56	0.87	1.24	1.42	1.64	2.10	2.88	3.27
UK SWAP	0.55	0.74	0.86	1.35	1.72	2.37	3.34	3.85
US FED FUNDS SWAP	0.26	0.52	0.56	0.83	1.18	1.89	2.94	3.70

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.57	1.07	1.67	2.21	2.65	2.98	3.35
UK GILTS	0.55	1.20	2.06	2.71	3.35	3.90	4.20

Source: Reuters

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3522	-11.08	9.39	4.11
DAX	6071	-1.74	18.09	3.10
FTSE 100	5185	-4.69	18.27	3.31
DOW JONES	10098	-3.17	15.91	2.75
EPRA EUROPE	1187	-6.12	21.43	4.87

Source: Reuters, Datastream

CDS SPREADS	GER	UK	FR	IT	SP	POL	GR	POR	HUN	US
CDS 10 YEAR SPREAD (bp)	44.7	74.4	85.3	175.0	204.4	150.4	698.5	257.9	304.1	42.4

Source: Datastream, AEW Europe

NEWS TICKER

American Consumers Spent 0.5% Less in June Than They Did a Month Earlier: However, retail sales still grew by 4.8% in the year to the end of June.

European Construction Output Dropped for a Second Month in May: This was led by declines in Germany. Construction in the 16-nation euro region fell 1% from April, when it decreased 0.3%, the European Union's statistics office in Luxembourg said today. From a year earlier, output in May dropped 6.3% after falling 5.7% in April.

Britain's Unemployment Rate for the Three Months to the End of May Was 7.8%: This was a tenth of a percentage point lower than the rate for the quarter to the end of February. The number of those claiming benefits also fell by nearly 21,000 in June from the previous month, to 1.46mln.

Industrial Growth in the Euro Area Slowed to 9.4% in the Year to the End of May: This is down from an annual rate of 9.6% in April. Both months saw identical month-on-month growth of 0.9%. The euro area's annual inflation rate also fell, to 1.4% in June from 1.6% in May.

China's GDP Growth Rate Fell to 10.3% in the Second Quarter: This is from a year earlier from its blistering first-quarter pace of 11.9%. Industrial output rose by 13.7% in the year to the end of June. (Sources: Bloomberg, The Economist, AEW Europe)

REAL ESTATE MARKET INDICATORS

European Retail Real Estate Transaction Volumes Amounted to EUR 10.6 Bn in H1 2010: This is more than double the 2009 level of €5 bn according to preliminary figures published by JLL. Transactions in Q2 2010 totaled €4.9 bn with the average lot size remaining largely stable at just over €50 mln. This sustained volume reinforces the continued positive attitude of investors since Sept. 2009. Investors remained focused on the UK, France and Germany.

Office Rents Edge Up in Otherwise Stable European Real Estate Market: Prime rents and yields across key European markets remained broadly stable in the second quarter (Q2) of 2010, according to CBRE. Evidence of rental improvement was most apparent in the office sector, where prime rents rose for the second consecutive quarter and were 1.7% higher than at the end of 2009. While prime rents remained stable in most office markets, increases were registered in the key City of London and Paris markets.

No New Cycle of Development Until 2012 in Office Markets: CBRE predicts that a noticeable rise in the number of office projects in major West European office markets is still about three years away. Until then, total annual completions in the markets studied – London, Paris, Brussels, Frankfurt, Madrid, Berlin, Hamburg, Munich, Milan, Amsterdam and Barcelona – will fall.

Foreign appetite for prime Central London stock remains voracious. With over £2 bn (€2.36 bn) of transactions in the past three weeks the Central London commercial property market continues to show its attraction, particularly from overseas investors. (Sources: PropertyEU, EuropeRE, AEW Europe)

SELECTED OFFICE MARKETS

Hedge Funds Help Push Up Rents for Best Office Space in London's West End: Office rents in London's West End district, the world's most expensive location in which to lease space, climbed for the first time in three years as hedge funds competed for a shrinking amount of available space in Mayfair. Annual rents for the best offices climbed to 85€ (€100) a squarefoot in the second quarter from 75€ in the previous three months, according to JLL. (Sources: Bloomberg, JLL, 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 ↓	↑
DUSSELDORF	10.9 ↑	264 →	5.30 ↓	↓
BUDAPEST	22.5 ↓	174 →	7.00 →	↑
MADRID	10.2 ↑	336 →	5.44 ↓	↑

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

SELECTED LOGISTICS MARKETS

Sharp Increase in Industrial Take-up in Czech Republic: Property adviser DTZ has recorded a sharp increase in Q2 2010 leasing activity in the industrial market in the Czech Republic, with 221,600 m2 being transacted, the highest level in the past two years. This represents a 41% increase on the quarter and a 147% improvement compared to the same time last year. Net take-up - excluding renegotiations and relocations within stock - reached 193,500 m2 in Q2, a 79% increase compared to Q1 2010 and 181% increase compared to Q2 2009. (Sources: ThomasDaily, AEW Europe)

SELECTED LOGISTIC MARKETS (2009)	PRIME RENTS (€/SQM/YR)	ANNUAL TREND	YIELDS (%)	ANNUAL TREND	2009 TOTAL RETURN (%)	ANNUAL TREND
PARIS	54 ↓	↓	7.5 ↓	↓	-5.6 ↓	↑
HAMBURG	66 →	→	7.3 ↓	↑	1.1 ↓	↑
PRAGUE	52 ↓	↓	8.2 ↓	↑↑	-17.6 ↓	↓↓
MADRID	72 ↓	↓↓	7.5 ↓	↑↑	-23.6 ↓	↓↓

Source: PMA, AEW Europe