

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

Please contact the Research & Strategy Department at +33 1 78 40 92 61 or research@aewurope.com for subscription information.

CAPITAL MARKET INDICATORS

IMF sees 'acute' debt challenges facing advanced economies: Advanced economies face "acute" challenges in tackling high public debt, and unwinding existing stimulus measures will not come close to bringing deficits back to prudent levels, said John Lipsky, first deputy managing director of the International Monetary Fund. All G7 countries, except Canada and Germany, will have debt-to-GDP ratios close to or exceeding 100 percent by 2014. Rising public debt could lead governments to seek to eliminate it through inflation or even default if they fail to carry out fiscal measures in time.

German bund yield trades at one-year low on Greek debt debate: German Chancellor Angela Merkel told investors they shouldn't expect this week's European Union summit to agree on any aid package for Greece. Greek 10-year bonds slid, widening the premium investors demand to hold the debt instead of German bonds to the most in a month, as disagreements over the best way to resolve the nation's debt crisis boosted demand for the perceived safety of German securities.

European groups' dividends set to rise 18%: Dividends at European groups are set to jump this year as profitability recovers from the credit crisis. Pay-outs to shareholders are expected to rise 18% for large European companies, according to a consensus forecast compiled by Factset, a data provider. The forecast reflects optimism about dividend payments after a large number of companies declared higher dividends than expected for the past year. (Sources: Bloomberg, Financial Times, AEW Europe)

| INTEREST RATES (%) | DAY/DAY * | 3M | 1YR | 2YRS | 3YRS | 5YRS | 10YRS | 30YRS |
|--------------------|-----------|------|------|------|------|------|-------|-------|
| EURO SWAP | 0.34 | 0.64 | 1.12 | 1.51 | 1.86 | 2.43 | 3.30 | 3.73 |
| UK SWAP | 0.54 | 0.65 | 0.86 | 0.86 | 2.16 | 2.92 | 3.85 | 4.21 |
| US FED FUNDS SWAP | 0.18 | 0.28 | 0.57 | 1.18 | 1.77 | 2.67 | 3.73 | 4.44 |

Source: Bloomberg * EONIA. BBA Libor GBP Overnight. DDFD

| BOND YIELDS (%) | 1YR | 3YRS | 5YRS | 7YRS | 10YRS | 15YRS | 30YRS |
|--------------------|------|------|------|------|-------|-------|-------|
| BUNDESBANK GERMANY | 0.53 | 1.38 | 2.12 | 2.60 | 3.09 | 3.51 | 3.88 |
| UK GILTS | 0.72 | 1.88 | 2.79 | 3.45 | 3.94 | 4.42 | 4.55 |

Source: Bloomberg

| EQUITY MARKETS | CURRENT | % CHANGE YTD | % CHANGE 52 WK | % DIV YIELDS |
|----------------|---------|--------------|----------------|--------------|
| CAC 40 | 3881 | -1.41 | 39.04 | 3.68 |
| DOW JONES | 10742 | 3.01 | 47.59 | 2.54 |
| FTSE 100 | 5595 | 3.36 | 45.59 | 3.37 |
| EPRA EUROPE | 1251 | -0.47 | 56.25 | 4.15 |

Source: Bloomberg

NEWS TICKER

U.S., U.K. move closer to losing rating: According to Moody's Investors Service, the U.S. and the U.K. have moved "substantially" closer to losing their AAA credit ratings as the cost of servicing their debt rose.

America's industrial production edged up: This was by 0.1% during February, and was 1.7% higher than a year earlier.

Inflation in the euro area fell to 0.9% in February: This constitutes a decrease from 1% in January. Industrial production grew by 1.4% in the year to the end of January.

In Britain, the number of people claiming unemployment benefits fell: During the month of February it decreased by 32,300. This was the largest monthly decline in the claimant count since November 1997.

Canada's unemployment rate fell: To 8.2% in February from 8.3% in January.

Japan raises economic view for first time since July: The Japanese government raised its assessment of the economy for the first time in eight months, saying the recovery is beginning to spur profits, home building and consumer spending.

Indian central bank raises interest rates: The benchmark reverse repurchase rate rose to 3.5% from a record-low 3.25%. The change came a month before the scheduled monetary policy meeting, raising international concerns about slowing the global economic recovery. (Sources: The Economist, Bloomberg, AEW Europe)

REAL ESTATE MARKET INDICATORS

High debt on German commercial properties: According to calculations performed by CBRE, the outstanding debt on the European commercial property market amounted to approximately €970bn at the end of 2009. CBRE classified €207bn of the total as problem loans, that is, as loans with very high LTV or weak security. The proportion of problem loans amounts to about 30% in Germany and Great Britain, and to only 12% in the rest of Europe. CBRE is expecting lengthy, but orderly, winding up of the problem loans. The consulting firm commented that the protective programs inaugurated in many of these countries will assure that an excessive number of second-class properties will not be put on the market.

European office markets set for recovery in 2010: According to research by global property adviser BNP Paribas Real Estate, the year 2010 will be one of recovery for Europe's office markets as demand for prime assets increases and rents stabilize. The firm bases its findings on take-up, rental growth and investment data across 34 key European cities. While take-up across the 34 cities fell by 33% overall in 2009, the fourth quarter regained momentum with an upswing of 7.4% and take-up levels not seen since Q3 2008 across Europe. Some notable winners were Central London which had more take-up in 2009 than 2008, and Central Paris where a significant amount of deals were completed in the final quarter of 2009.

(Sources: PropertyEU, AEW Europe)

SELECTED OFFICE MARKETS

French green office properties set to increase 61% in 2010: According to Savills, completions of French office properties certified in accordance with the environmental standard HQE (Haute Qualité Environnementale) will increase by 61% in 2010, representing some 650,000 m2. This compares to a rise of 27% in 2008 and 44% in 2009. Following political debate in France on green standards, investors have shown increasing appetite for newly developed HQE and BBC (Bâtiment Basse Consommation) buildings, Savills said. Such is the demand that property companies dedicated solely to green investments are emerging. The total stock of green buildings in France comprises 233 offices totaling 4.36 mln sqm. The majority of green office buildings exceed 5,000 m2 and are located in the suburbs of Paris in Plaine Saint Denis, La Défense and in the Western Business Districts. (Source: ThomasDaily, 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 | ↑ |
| COLOGNE | 11.7 | 234 | 5.60 | → |
| WARSAW | 9.3 | 264 | 6.62 | ↑ |
| MADRID | 9.6 | 336 | 5.67 | ↑ |

Source: PMA, CBRE, AEW Europe

SELECTED RETAIL MARKETS

Poland to see revival in retail investment in 2010: According to Savills, Poland will see a revival in retail investment this year as the sector is set to become one of Europe's 2010 investment hot spots. The firm is forecasting a tripling in volume of investment activity in 2010 compared to 2009. Poland was the only EU country to post positive GDP growth in 2009. With the fourth quarter representing 65% of the annual investment turnover in 2009, Savills anticipates 2010 investment volumes to reach between €1.5 bn to €2 bn. This compares with €600 mln in 2009. New developments are offering good opportunities and prices are attractive reflecting 7.00% yields for prime shopping centres. (Source: 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