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CAPITAL MARKET INDICATORS

Banks in Europe's Most Indebted Nations Need to Refinance \$122 bn of Bonds This Year: Banks will likely be paying high interest costs even after receiving a clean bill of health from regulators. Italy's Intesa Sanpaolo SpA has the most debt coming due at \$28 bn, followed by UniCredit SpA with \$21 bn, according to Bloomberg. Italian banks must refinance a total \$69 bn of bonds this year and \$157 bn in 2011, while Spanish lenders have \$28 bn and \$73 bn of debt that needs to be paid. Greece and Ireland's banks have been largely shut out of debt markets since April amid concern their governments will struggle to cut budget deficits.

Pound Reaches Five-Month High Against Dollar on Optimism About the Economy: The British currency strengthened to the most in almost four weeks versus the euro before a report that's forecast to show U.K. manufacturing expanded for a 10th straight month in July. Futures traders cut their bets that the pound will decline against the U.S. dollar, figures from the Washington-based Commodity Futures Trading Commission showed on July 30.

Euroyen Yields Drop to Five-Year Low on Bets Bank of Japan to Weaken Yen: Euroyen futures rose, sending yields to a five-year low, on speculation the Bank of Japan will ease monetary policy to help weaken the nation's currency. Yields on three-month contracts for March delivery have dropped nine basis points since the central bank said on May 21 that it would provide one-year loans to banks at the same level as the key overnight rate of 0.1%. The yen has advanced 7.2% versus the dollar this year, contributing to deflation by lowering import costs. (Sources: Bloomberg, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.42	0.90	1.22	1.44	1.68	2.17	2.98	3.37
UK SWAP	0.55	0.75	0.85	1.39	1.78	2.42	3.40	3.94
US FED FUNDS SWAP	0.24	0.44	0.47	0.72	1.07	1.77	2.89	3.70

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.68	1.11	1.71	2.27	2.71	3.05	3.40
UK GILTS	0.56	1.23	2.10	2.73	3.36	3.91	4.29

Source: Reuters

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3725	-7.45	6.04	3.93
DAX	6260	0.01	11.15	3.05
FTSE 100	5379	-2.86	13.52	3.41
DOW JONES	10466	0.36	14.33	2.66
EPRA EUROPE	1274	-0.09	21.57	4.58

Source: Reuters, Datastream

CDS SPREADS	GER	UK	FR	IT	SP	POL	GR	POR	HUN	US
CDS 10 YEAR SPREAD (bp)	42.9	62.7	75.2	140.3	181.7	143.7	666.1	218.8	322.0	44.7

Source: Datastream, AEW Europe

NEWS TICKER

Auto Sales May Rise to Highest of Year on U.S. Closeout Deals: Industrywide deliveries, released tomorrow, may reach an annualized rate of 11.9 mln vehicles in July, the average of eight analysts' estimates compiled by Bloomberg. That would be 5.3% higher than last year's 11.3 mln pace and the best since August 2009.

European Manufacturing Growth Accelerates: A gauge of manufacturing in the 16-nation euro region increased to 56.7 from 55.6 in the previous month, Markit Economics said today. That's a three-month high and above an initial estimate of 56.5 released on July 22. A reading above 50 implies expansion.

Swiss Manufacturing Growth Unexpectedly Accelerates to Record: The SVME purchasing managers' index increased to 66.9 from 65.7 the previous month, Zurich-based Credit Suisse Group AG said today. Economists forecast a drop to 65, according to the median of 11 estimates in a Bloomberg News survey.

China Manufacturing Contracts as Economy Enters 'Slowdown': A purchasing managers' index released today by HSBC Holdings Plc and Markit Economics slid to 49.4 from 50.4 in June. A separate, government-backed PMI fell to 51.2 from 52.1, the Federation of Logistics and Purchasing reported yesterday. Fifty is the dividing line between expansion and contraction.

India's Central Bank Increased Interest Rates for the Second Time in a Month: The bank raised the base rate by a quarter of a percentage point, to 5.75%. It raised the rate it uses to absorb excess cash by half a point, to 4.5%. (Sources: Bloomberg, The Economist, AEW Europe)

REAL ESTATE MARKET INDICATORS

More Positive Signals For European Office Markets: Positive signs increased in the office markets during the second quarter of 2010 even though austerity measures and concerns surrounding sovereign debt in European economies triggered a new wave of economic uncertainty and volatility in financial markets, according to Jones Lang LaSalle's latest European Property Clock. Office take-up in Europe for Q2 2010 increased marginally to 2.6 mln m2, up 6% on the previous quarter and 34% on Q2 2009. Take up for H1 2010 is now 38% higher than for the same period in 2009, having improved in both Western Europe and CEE up by 32% and 73% respectively over the same period.

World Real Estate Investment Up in 2010: Global real estate markets are experiencing a continued upswing with regional patterns emerging but an investor-led bounce in Europe during the first half of 2010 has not yet filtered through to market fundamentals, according to Jones Lang LaSalle. At mid-year, global direct commercial real estate investment volumes totalled \$130 bn. The full year total is expected to reach \$300 bn, which represents a healthy 40-50% increase on 2009.

Residential Properties: IPD Sees No Value Increase in Secondary Locations: According to IPD, the total return in Hamburg, Berlin, the Rhineland, the Rhine-Main region, Stuttgart and Munich averaged 4.1% during the period 2000 to 2009, while the remaining regions returned an average of 2.1%. IPD attributes this to the decrease in the average value of buildings in secondary locations during the last ten years, while they rose slightly in the top regions. According to IPD, demographic and economic trends are the reason for drops in value at the secondary locations. (Sources: PropertyEU, EuropeRE, AEW Europe)

SELECTED OFFICE MARKETS

UK Office Market Take-up Slowed in Mid-2010: UK office market take-up slowed in the second quarter of 2010 after an exceptionally strong start to the year but the underlying picture remains healthy, according to research by King Sturge. In the three months to June, occupiers took just 121,000 m2 of office space, less than half as much as in Q1 and the weakest quarterly performance since the market's lowest point of early 2009. (Sources: PropertyEU, EuropeRE, AEW Europe)

SELECTED RETAIL MARKETS

Boost to Prime UK Shopping Center Yields During Q2 2010: According to property consultant Cushman & Wakefield, shopping center stock has been relatively limited in Q2 2010, with yields for prime assets improving to 5.5% over the quarter. Yields for smaller and more secondary assets have remained relatively static with vacancy rates and falling rents continuing to suppress value.

German Retail, More Leasings in Prime Locations, Demand Still Subdued: During the first half of the year, Jones Lang LaSalle registered far more leasings of store premises in prime locations than in the same period during the previous year. A sample revealed 315 leasings with a total of 160,000 sqm of sales area. Last year, there were 240 leasings with 127,000 sqm of space at the middle of the year. However, a great deal of space is still on the market, while demand is "very specific" and highly dependent on the exceptional effects of successful concepts. (Sources: EuropeRE, AEW Europe)

SELECTED OFFICE MARKETS (Q2/2010 DATA)	VACANCY RATE (%)	PRIME RENT (€/SQM/YR)	PRIME NET YIELDS (%)	BUSINESS CONFIDENCE
PARIS (CBD)	5.9 ↓	710 ↑	5.10 ↓	↑
LONDON (CENTRAL)	9.7* ↓	837* ↑	5.00* ↓	↑
BERLIN	10.2 →	240 →	5.30* ↓	↓
PRAGUE	13.5* ↓	228* →	6.23 ↓	↑
MILAN	11.7* →	430* →	5.28 →	↑

*Q1 2010 Data. Source: PMA, CBRE, AEW Europe

SELECTED RETAIL MARKETS	HOUSEHOLD CONSUMPTION 2009 (%YOY)	HOUSEHOLD CONSUMPTION 2010E (%YOY)	AVERAGE PRIME RENTS Q1 2010 (€/SQM/YR)**	AVERAGE PRIME YIELDS Q1 2010 (%)	CONSENSUS ANNUAL INFLATION 2010E (%)
FRANCE	0.6 ↓	1.2 ↓	2547 →	5.6 ↓	1.6
GERMANY	-0.1* ↓	-0.8* ↓	2856 →	4.4 ↓	1.1
ITALY	-1.8 ↓	0.4 ↓	2123 ↑	5.0 ↓	1.5
SPAIN	-5.0 ↓	0.0 ↓	2183 →	5.3 ↓	1.5

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