

CAPITAL MARKET INDICATORS

Euro Falls on Concern ECB Will Keep Rates Low: The euro declined from near its strongest level in six weeks against the dollar on speculation the region's central bank will keep interest rates at a record low as efforts to trim national budget deficits damp growth. The euro weakened against 14 of its 16 most actively traded peers. The European Central Bank will leave rates unchanged at 1 percent when policy makers meet on July 8, according to all 55 economists in a Bloomberg survey.

Banks Look to IMF on Hungary Tax: European banks expect the International Monetary Fund to raise concerns about a bank tax introduced by Hungary's new government which they claim would undermine the economic recovery. Budapest plans to collect Ft200bn (€700m) from banks, insurance companies and other financial companies this year and the same amount in 2011, as part of an effort to keep its budget deficit within a 3.8% target. Bankers have warned that the tax – Ft120bn of which is likely to fall on them – risks destabilizing the financial system by raising the cost and availability of credit and weakening capital adequacy ratios.

Germany's Parliament to Approve Spending Cuts: Germany's cabinet is poised this week to approve a 2011 budget as part of a four-year programme of public spending cuts meant to serve as an example to other European governments without jeopardising the country's increasingly robust economic recovery. Briefing papers for Wednesday's cabinet meeting, released by Berlin on Sunday, argue that by curbing spending – rather than increasing taxes – the €80bn savings programme would differ "fundamentally" from previous fiscal squeezes and offer "noticeable, better growth possibilities". (Sources: Bloomberg, FT, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.44	0.79	1.20	1.40	1.59	2.07	2.85	3.22
UK SWAP	0.55	0.73	0.88	1.39	1.80	2.45	3.37	3.82
US FED FUNDS SWAP	0.30	0.53	0.69	0.97	1.34	2.06	3.03	3.73

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.52	0.86	1.47	2.06	2.56	2.90	3.26
UK GILTS	0.52	1.20	2.04	2.68	3.33	3.85	4.10

Source: Reuters

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3345	-14.94	7.44	4.28
DAX	5841	-5.09	19.83	3.21
FTSE 100	4834	-10.62	14.26	3.53
DOW JONES	9733	-7.11	16.98	2.87
EPRA EUROPE	1142	-9.15	20.14	5.05

Source: Reuters, Datastream

CDS SPREADS	GER	UK	FR	IT	SP	POL	GR	POR	HUN	US
CDS 10 YEAR SPREAD (bp)	46.7	76.8	87.3	172.6	237.6	160.9	762.3	258.9	331.0	41.4

Source: Reuters, Datastream, AEW Europe

NEWS TICKER

Polish Presidential Election: Bronislaw Komorowski of the ruling Civic Platform party won Poland's presidential election, clearing the way for government plans to cut the budget deficit and adopt the euro in 2015. The budget deficit widened to 7.1% of gross domestic product last year, more than twice the European Union limit.

House Prices in 20 Large American Cities Rose by 3.8%: This was in the year to the end of April, according to the S&P/Case-Shiller index. Some housing markets have recovered smartly from their lows. In San Francisco, prices were 18% higher in April than a year earlier.

Consumer Confidence in America Declined Sharply in June: This is according to the Conference Board, a research firm. Its index fell to 52.9 from 62.7 a month earlier.

In Germany, the Number of People Out of Work Fell in June by 21,000: This is down to 3.23m on a seasonally adjusted basis, following May's decline of 41,000. The unemployment rate was unchanged, at 7.7%. Without seasonal adjustment, however, the jobless rate declined to 7.5%.

Ireland's GDP Grew by 2.7% During the Three Months to the End of March: The first quarter of this year was the first for more than two years in which the Irish economy grew.

Turkey's GDP rose by 11.7%: This was for the year to the end of the first quarter.

(Sources: Bloomberg, The Economist, AEW Europe)

REAL ESTATE MARKET INDICATORS

Cloudy Future for Euro Zone Mortgage Lending: According to the European Central Bank, the single currency block faces cloudy perspectives for mortgage lending. Indeed, though M3 lending increased by 0.7% in April, annual growth is still slightly negative at 0.1%. As for one of the key components of the M3 release, lending for home purchase, it increased by 0.2% in April at the Euro area level, marking the twelfth consecutive monthly increase and pushing the annual growth rate up to 3%, the highest since October 2008. Consumer confidence net balance for the expected economic situation sharply decreased from -12 to -21, potentially signaling uncertain times for mortgage lending in the euro area.

Real Estate Industry as Confident as Before Onset of Economic and Financial Crisis: The King Sturge Real Estate Economy Index, which is determined monthly, rose by 4.9% in June. At 104.0 index points (up from 99.2 the previous month), it reached its first record peak since March 2008. The crossing of the 100-point threshold suggests that the majority of the 1000 market players participating in the poll take a positive view of the real estate market.

London Construction Recovery to Outstrip Rest of UK in 2011: The EC Harris report predicts that London tender prices are set to move out of the red in the second quarter of 2011 and grow by 2.5% across the following 12 months. This will be followed by a stronger increase of 3.5% going into 2012-2013. The situation in London is in stark contrast to the rest of the country where the recovery is expected to be much slower. National tender prices are forecast to decrease by 3.3% to the second quarter of 2011, and then increase by just 1.2% in the year to the second quarter 2012. (Sources: PropertyEU, EuropeRE, AEW Europe)

SELECTED OFFICE MARKETS

Space Take-up Climbed 14% in German Office Market: According to CBRE, some 1.01mln sqm of office space were taken up in the five German office strongholds during the first half of this year, or about 14% more than the around 948,800 sqm in the first half of 2009. This rise was brought about primarily in the Düsseldorf office market where take-up increased by 139% to some 232,500 sqm. Even without the major Vodafone transaction of approximately 90,000 sqm, there would still have been a 51% increase, CBRE reported. Take-up growth was also recorded in Frankfurt (+6% to 231,500 sqm) and Berlin (+3% to 197,200 sqm). In Hamburg, on the other hand, take-up fell back by 7% to 182,400 sqm, and in Munich by 1.8% to 253,200 sqm. (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

European Retailers Deliver Green Code of Conduct: At the annual meeting of the Retail Forum European retailers signed a voluntary environmental code of conduct aimed at reducing their environmental footprint. These include increasing the resource efficiency in stores, optimizing transport and distribution, putting in place better waste management practices and improving communication to consumers. Signatories agree to report on their progress, for instance through their annual corporate sustainability report. (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