

## CAPITAL MARKET INDICATORS

**European Commission revises forecast upward.** The European Commission is forecasting that the EU economy will expand by 0.7 percent in 2010 and 1.6 percent in 2011, after a contraction of 4.1 percent this year. In the 16-country euro zone, it expects growth of 0.7 percent next year and 1.5 percent in 2011, a strong upward revision from its May forecast of a 0.1 percent contraction in 2010.

**ECB stands by its policy.** The ECB kept rates at 1% on Thursday, 5th and seems content with its policy stance. For now recovery does appear to be on track and CPI inflation will soon turn positive. But the outlook for next year is for weak growth and an increasing risk of deflation.

**The Federal Reserve kept the target range for its benchmark federal funds rate at 0-0.25%.** The Fed said economic activity had picked up but would probably remain weak for a while. With inflation subdued, the federal funds rate was likely to remain "exceptionally low" for "an extended period".

**Liquidity surge leaves equities exposed.** Equity markets have been swift to recover after overshooting on the downside. But the main support has come from a fall in risk aversion. Underlying monetary conditions remain weak despite the Fed's and the BoE's quantitative easing efforts. The liquidity boost, although surprising in its strength, has been beneficial. But it means that currently equities are left purely at the whim of market sentiment.

(Sources: Reuters, LSR, The Economist, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.33	0.72	1.22	1.77	2.22	2.82	3.60	4.05
UK SWAP	0.51	0.61	0.96	0.96	2.65	3.39	4.08	4.21
US FED FUNDS SWAP	0.13	0.27	0.53	1.19	1.80	2.66	3.65	4.28

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.68	1.74	2.46	2.87	3.34	3.85	4.11
UK GILTS	0.38	1.59	2.86	3.31	3.85	4.28	4.32

Source: Bloomberg

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3760	16.84	8.38	3.86
DOW JONES	10023	14.21	12.07	2.77
FTSE 100	5212	17.55	19.41	3.66
EPRA EUROPE	1251	28.27	9.81	4.55

Source: Bloomberg

## NEWS TICKER

**In the US, unemployment hits 10.2%.** Rate crosses 10% for the first time since Great Depression: manufacturing, construction and retail suffer.

**In America the Institute for Supply Management's (ISM) index of manufacturing activity jumped from 52.6 to 55.7 in October,** its highest reading since April 2006. The ISM's non-manufacturing gauge pointed to modest growth in business for a second month. Home sales that had been agreed but not yet completed rose by 6.1% in September, as first-time buyers rushed to qualify for a tax credit that expires on November 30th.

A survey of purchasing managers compiled by Markit, a research firm, showed that **business activity in the euro area increased in October at its fastest rate since December 2007.** Unemployment in the euro zone edged up to 9.7% in September. Consumer prices fell by 0.1% in the year to October, according to a provisional estimate from Eurostat.

**German export rise points to recovery in world trade.** German exports rose for the fourth time in five months in September and imports posted their biggest increase in over a year, signalling a recovery in world trade that should support the economy in the months ahead. Adjusted for seasonal swings, exports were up 3.8% on the month while imports shot up 5.8%, the biggest rise since July of last year.

(Sources: The Economist, Forbes, Reuters, AEW Europe)

## REAL ESTATE MARKET INDICATORS

**In UK, bank lending falls for first time since 1997.** According to Jones Lang LaSalle, the latest Bank of England lending figures show that bank lending in sterling to real estate over Q3 2009 fell for the first time since December 1997. Total lending dropped by £2.5 bln. to £244 bln. (including lending by building societies) compared to a £3bn growth last quarter. The year-on-year percentage change in real estate lending is trending significantly downwards, in a similar fashion to that seen in both periods from 1990 to 1991 and 2000 to 2001. The figures highlight that new lending to real estate remains challenging with little more than a handful of banks truly active in the market for the most secure cash flows.

**JLL sees signs of increased liquidity.** The issuance of Euro-denominated covered bonds has surged as banks and corporations seek to raise money in the capital markets. In total, €172 billion has been issued so far in 2009 by prominent players such as ING, BNP Paribas and Volkswagen. Central banks across Europe have purchased €14 billion of these bonds as part of their efforts to ease liquidity in the credit markets, and these purchases are likely to continue. As a result, spreads have tightened to a degree where it is becoming significantly cheaper for some corporations to raise money through these means than through the issuance of senior unsecured debt.

## SELECTED OFFICE MARKETS

**Rate of rental decline easing in Europe according to DTZ.** A high share of renegotiations, incentives to tenants and increased pressure from occupiers to lower rents were the main features of the office market in Europe during Q3 2009. Unsurprisingly, in the first nine months of the year the total amount of office space transacted amounted to only around half the level recorded during the same period in 2008.

Despite the general situation, there are European markets where the take-up increased q-o-q due to the halt of rental decrease, such as in Paris CBD, London City and London West End as occupiers anticipate the current rental cycle is close to reaching its trough. Availability continues on an upward trend in most markets, taking the average availability ratio in Europe to 9.5% at the end of September. Availability is expected to increase further as the recovery in employment is expected to lag the broader economic recovery.

## SELECTED RETAIL MARKETS

**Euro zone retail sales fell in September.** Retail sales in the 16-country euro zone unexpectedly declined by 0.7 percent against August, the biggest monthly fall since October 2008, according to European Union statistics agency Eurostat. Year on year sales dropped by 3.6 percent.

According to JLL, **investments in retail properties in France totalled €1 bln for the Q1 - Q3 2009 period,** in part thanks to several major deals initiated in 2008 and signed during Q2 2009. Compared to 2008, at the same period, the performance represented a 24% growth.

(Sources: Forbes)

### SELECTED OFFICE MARKETS (Q3/2009 DATA)

	VACANCY RATE (%)	PRIME RENT (€/SQM/YR)	PRIME NET YIELDS (%)	BUSINESS CONFIDENCE
PARIS (CBD)	5.5 ↑	644* ↓	5.80 ↓	↑
LONDON (CENTRAL)	11.1* ↓	773 ↓	6.15* ↓	↑
MUNICH	8.6 ↑	348 ↓	5.25 →	↑
BUDAPEST	15.3* ↑	186* →	7.00 ↑	↑
ROME	8.7* ↑	380 ↓	5.51* →	↑

\*Q2/2009 Source: PMA, CBRE, 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	0.6 ↑	0.6	2628 ↓	5.8	0.1
GERMANY	0.6* ↑	-0.1*	2764 ↓	4.7	0.3
ITALY	-2.0 ↓	0.2	1998 ↓	5.2	0.8
SPAIN	-4.7 ↓	-0.8	2182 ↓	5.7	-0.1

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