

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

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CAPITAL MARKET INDICATORS

Recovery for US slowest since World War II even when optimists are right: The US recovery may be the slowest since World War II to regain all the ground lost during the recession, even if economists' more optimistic forecasts for expansion turn out to be right. Additionally, data from commercial banks meanwhile show that households are paying down debt across the line. This could mean that some economists' forecasts for US output growth prospects were too optimistic.

BoE outwits ECB - BoE could up gilt purchases at November MPC meeting: In the months following Lehman Brothers' collapse, markets have been surprised consistently by the Bank of England's dovishness. By contrast, investors have recently been caught off guard by the relative hawkishness of the ECB, in particular it's perplexing unwillingness to begin asset purchases like the BoE and Fed. The medium-term outlook for the euro-area appears grim.

Oil product stocks question strength of OECD recovery - Oil price to test lower resistance levels: The IEA has revised upward its oil demand forecasts for 2009 and 2010. However, crude oil fell for a second day as higher U.S. fuel stockpiles raised concern that gains in prices may have outpaced the recovery in the global economy. Falling demand and stock accumulation in the middle distillates market hints at underlying weakness in the OECD recovery. The potential for a 'W'-shaped recovery remains a threat to oil prices. (Source: LSR, Bloomberg, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0,34	0,77	1,14	1,64	2,10	2,70	3,45	3,93
UK SWAP	0,50	0,63	0,89	0,89	2,54	3,26	3,90	4,00
US FED FUNDS SWAP	0,15	0,30	0,59	1,22	1,82	2,65	3,52	4,01

Source: Bloomberg * EONIA, BBA Libor GBP Overnight, FDFD

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0,64	1,51	2,30	2,81	3,25	3,75	4,05
UK GILTS	0,36	1,72	2,64	3,01	3,61	3,97	4,11

Source: Bloomberg

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3680	14,35	-15,07	4,01
DOW JONES	9605	9,45	-15,90	2,94
FTSE 100	4960	11,85	-8,43	3,88
EPRA EUROPE	1232	26,32	-25,90	4,97

Source: Bloomberg

NEWS TICKER

The number of unemployed in America rose by 466,000 in August, pushing the unemployment rate up from 9.4% to 9.7%. There were 7.4m more Americans out of work last month than were jobless in December 2007, when the country slid into recession. American firms, excluding farms, shed 216,000 workers from their payrolls in August, the smallest decline in a year.

A composite index of Japanese economic activity, including measures of manufacturing output and retail sales, rose in July to its highest level since December 2008. The increase was the fourth in as many months.

Britain's industrial production rose by 0.6% in July, led by a surge in car output. **Germany's industrial output fell** by 0.9%, following a rise of 0.8% in June, revised up from a previous estimate. **In Sweden industrial production declined** by 0.5%, leaving it almost 20% lower than a year earlier. (Source: The Economist, AEW Europe)

REAL ESTATE MARKET INDICATORS

Investment increased in French commercial markets by over 90% in Q2: According to international real estate advisor Savills, Q2 09 commercial investment in France has increased by 90% compared to Q1. Savills latest bulletin recorded €1.43 bn investment deals in the French commercial market this quarter. Whilst this represents a quarter on quarter increase, the total investment turnover for H1 09, which is €2.2 bn, remains 71% lower than H1 08 (€8bn).

Retail real estate investment up 85% in continental Europe in Q2 2009 according to JLL: Direct retail real estate investment in continental Europe was up by 85% in the second quarter 2009, compared to the first quarter of the year, according to new research from Jones Lang LaSalle.

RICS launches pioneering standards for facilities management: With the launch of its White Book RICS (Royal Institution of Chartered Surveyors) has broken new ground in setting standards in facilities management, a field that has the potential to lead the way in creating more sustainable, efficient and cost effective workplaces.

SELECTED RETAIL MARKETS

Shopping centers completions in Europe to fall to 5 million sqm by 2011: Since the beginning of the year, the number of new shopping center openings has fallen throughout Europe and will continue to fall until 2011. In its newest "European Shopping Centre Development" report, the consulting firm Cushman & Wakefield (C&W) predicted the opening of some 8.7mn sqm of new shopping center space this year and commented that this would be 5% less than in 2008. Next year, the sum of completions and center enlargements will run to only 7mn sqm, and will drop to 5 million sqm in 2011 – the lowest level since 2003. In Germany, the level of completions of new centers was relatively robust at 149,000 sqm during the first half of the year. Most of the new space in Europe was put on the market in Russia, where approximately 580,000 sqm became available. In Western Europe, Italy was in first place with 18 new centers and more than 370,000 sqm.

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	0.3 ↓	0.7	2514	↓	5.7 ↑
GERMANY	-0.2* ↓	-0.1*	2665	↓	4.8 ↑
ITALY	-1.4 ↓	0.2	1937	↓	5.3 ↑
SPAIN	-3.5 ↓	-0.7	1924	↓	5.8 ↑

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

SELECTED RESIDENTIAL MARKETS

According to the INSEE and the Chambre des Notaires (BIEN and PERVAL Databases), French existing house prices decreased by 9.3% from June 2008 to June 2009. Existing apartment prices decreased by 8.4% and existing private houses decreased by 10.2%. Prices dropped by 9.4% yoy in the French province, by 9.2% in the Ile-de-France region and by 7.8% in Paris. Existing apartment sales fell by 24% in Paris during the second quarter 2009. The Chambre des Notaires forecasts 9%-12% apartments prices fall in 2009 in the Ile-de-France region.

UK housing slump will resume in 2010 on mortgage squeeze, Item Club says: The UK housing market slump will resume next year as the squeeze on mortgage lending persists, Ernst & Young LLC's Item Club said. After "dipping" in the first half of 2010, prices will then stagnate for two years, the research group, which uses the same economic model as the UK Treasury. Mortgage finance may "remain scarce and expensive" as banks rebuild balance sheets while the economy emerges from the recession. "The current stabilization in the housing market is a false dawn," said Hetal Mehta of Item Club. "Price rises largely reflect the acute shortage of available properties, with many homeowners either trapped in negative equity or reluctant to sell for fear of locking in the losses of the past two years."

SELECTED RESIDENTIAL MARKETS			RENT INDEXATION IN FRANCE (Q1/2009)	
APARTMENT PRICES IN PARIS (Q2/2009)			COMMERCIAL PROPERTY INDEX ICC (YOY%)	
AVERAGE PRICE (€/SQM)	QUARTERLY CHANGE (%)	YOY CHANGE (%)	RESIDENTIAL PROPERTY INDEX IRL (YOY%) (Q2/2009)	COMMERCIAL PROPERTY INDEX ICC (YOY%)
6,060	-4.2	-7.8	1.31	0.40

Sources: base BIEN-Chambre des Notaires de Paris, INSEE, AEW Europe