

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

Euro Falls to Lowest Since Lehman as Breakup Concern Increases: The euro fell to its lowest level since the collapse of Lehman Brothers Holdings Inc. on concern that the 16-nation currency may be headed for disintegration. The shared currency fell for a fourth week versus the dollar and a third week versus the yen, the longest losing streaks since February, as German Chancellor Angela Merkel said that Europe is in a "very, very serious situation" despite a rescue package for the region's most indebted nations.

Euro Swaps Showing No Signs of Slowing: Traders are paying the highest price in more than seven years to insure against the euro weakening, betting European plans to fix the region's debt crisis will worsen the currency's slide. Demand for one-month options giving investors the right to sell the 16-nation currency rose last week to the most since before 2003 relative to those that allow for purchases. The premium traders pay to swap one-year euro loans for those in dollars was the widest this month since February 2009.

Treasury Bears Retreat From Rate Rise Forecasts as Europe Demands Dollars: Europe's sovereign debt crisis is prompting some of the Treasury market's biggest bears to reverse calls for Federal Reserve interest-rate increases this year. Morgan Stanley, Wrightson ICAV and Pierpont Securities LLC say the Fed will keep interest rates near zero percent after the European Union unveiled a €750 billion loan package to halt a slide in the euro and local bonds that threatened to shatter the currency union. (Sources: Bloomberg, Reuters, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.34	0.69	1.07	1.26	1.56	2.17	3.12	3.45
UK SWAP	0.55	0.70	0.97	1.43	1.85	2.61	3.61	3.97
US FED FUNDS SWAP	0.30	0.46	0.72	1.11	1.59	2.41	3.47	4.12

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.32	0.76	1.71	2.24	2.89	3.25	3.66
UK GILTS	0.54	1.48	2.37	3.07	3.77	4.21	4.42

Source: Reuters

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3587	-9.55	12.80	3.93
DOW JONES	10620	1.84	27.47	2.59
FTSE 100	5320	-2.77	20.64	3.59
EPRA EUROPE	1173	-7.64	23.39	5.19

Source: Reuters, Datastream

NEWS TICKER

U.S. Employment Outside the Agricultural Sector Increased by 290,000 in April: America's overall workforce grew by 805,000, partly because many unemployed people who had stopped looking for work re-entered the workforce. As a result the unemployment rate rose to 9.9% in April from 9.7% in the previous month.

Euro-Area GDP Rose in Q1: Output was 0.5% higher in the first quarter of this year than in the three months to the end of March 2009. In Germany, the euro area's largest economy, the economy grew by 1.7% over the same period, while the Greek economy contracted by 2.3%.

Industrial Production Rises Both in Germany and France: For Germany it was 4% higher in March than in February. During the same month, France's industrial output increased by 1%.

Industrial Production in Britain Expanded: This was by 2% in the 12 months to the end of March. This rate of growth was the highest since March 2004.

China's inflation rate rose in April: It was at 2.8%, up from 2.4% in March. April's inflation rate exceeds that in any of the past 18 months, but is still below the Chinese government's target rate of 3%. (Sources: Bloomberg, The Economist, AEW Europe)

REAL ESTATE MARKET INDICATORS

European Real Estate Investment Shows Continued Confidence: According to the latest update from Cushman & Wakefield, European commercial property was buoyed in Q1 by further growth in demand, particularly from foreign players, improving debt market sentiment, increased interest in larger lot sizes and by a spreading of interest to new areas. While demand is still heavily focused on prime assets and core markets – with 75% of trading in the top 5 of the UK, Germany, Sweden, France and the Netherlands – a number of other markets are coming back to life, such as Poland, the Czech Republic, Norway and to some extent Turkey.

Spring Optimism Helps Lift UK Housing Market Despite Election Uncertainty: According to the latest RICS UK Housing Market survey, sentiment rebounded in April helped by the better weather with surveyors expecting a post election bounce. Seventeen percent more chartered surveyors reported a rise than a fall in house prices up from 9% in March. London led the upsurge in positive price sentiment with 55% more surveyors reporting a rise, up from 32%. Elsewhere, surveyors are still reporting house price rises in every region except for Wales and Yorkshire and Humberside.

The Bidder's Race For The Insolvent Woolworth Chain Has Been Concluded: HH Holding company, based in Bonn near Dortmund and owned by KiK's managing director, Stefan Heinig, and the KiK Holding concern Tengemann, is going to take over the 162 German Woolworth stores. This was confirmed by a spokesperson for the Woolworth bankruptcy trustee. The new owner wants to retain the remaining 4,500 employees, while limiting their contracts to one year. (Sources: Europe RE, AEW Europe)

SELECTED OFFICE MARKETS

Greece Weighs Sale of State-Owned Assets: The Greek government has appointed investment bank Lazard to advice on its public finances including the sale of a number of state-owned assets. The state is also weighing the launch of a real estate investment trust to which it would transfer a large part of its real estate portfolio. The move would create the second large Greek real estate investment trust after the launch earlier this year of NBG Pangaea Real Estate Investment Company, the €1 bn property investment arm of the National Bank of Greece (NBG). The unit controls a portfolio of 241 commercial properties located in prime urban areas. (Sources: PropertyEU, AEW Europe)

SELECTED OFFICE MARKETS (Q1/2010 DATA)				
	VACANCY RATE (%)	PRIME RENT (€/SQM/YR)	PRIME NET YIELDS (%)	BUSINESS CONFIDENCE
PARIS (CBD)	6.1 ↓	664* ↑	5.25 ↓	↑
LONDON (CENTRAL)	9.7 ↓	837 ↑	5.00 ↓	↑
DUSSELDORF	10.9 ↑	264 →	5.50* →	↑
PRAGUE	13.5 ↓	228 →	6.36* ↓	↑
ROME	8.7* ↓	350* →	5.28 ↓	↑

*Q4 2009 Data. Source: PMA, CBRE, AEW Europe

SELECTED RETAIL MARKETS

French Shopping Centres Footfall is Mildly Improving: According to CNCC's footfall index, visitor's attendance in shopping centres fell by -2.2% in May compared to April 2010. A year ago, the fall from April 2009 to May 2009 was more substantial, at -4.7%. The rolling annual index is also stabilising. Looking more into details, very large regional shopping centres are faring better in terms of footfall than smaller out of town centres or high street shopping centres

(Sources: CNCC, 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