

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

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CAPITAL MARKET INDICATORS

EU Crafts €750 Billion Show of Force to Halt Crisis European policy makers unveiled an unprecedented loan package and a program of bond purchases as they spearheaded a global drive to stop a sovereign-debt crisis that threatened to shatter confidence in the euro. Jolted by last week's slide in the currency and soaring bond yields in Portugal and Spain, European Union finance chiefs met in a 14-hour session in Brussels overnight. The 16 euro nations agreed in a statement to offer loans, including International Monetary Fund backing, to countries facing instability and the European Central Bank said it will buy government and private debt.

ECB Holds Eurozone Rates For 12th Month: The European Central Bank has left its main interest rate unchanged at 1% for the 12th consecutive month at a meeting in Portugal last Wednesday. The decision on interest rates was widely expected by analysts. Eurozone inflation, at 1.5% in April, continues to undershoot the ECB's target of an annual rate "below but close" to 2%, and is expected to remain moderate. The main eurozone economies have emerged from recession but growth remains fragile, further reducing inflation pressures.

Fed Hikes Discount Rate: The U.S. central bank hiked the discount rate by a quarter point Thursday, with the timing being something of a surprise. One beneficiary was the dollar, rising further against the Euro. Index futures fell sharply, but the Fed said the discount rate hike to 0.75% from 0.5% should not be read as a signal that the benchmark federal funds rate, which impacts consumers and businesses, will be changed in the near term. (Sources: Bloomberg, Reuters, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.32	0.68	1.06	1.27	1.57	2.22	3.15	3.48
UK SWAP	0.55	0.70	0.97	1.64	2.12	2.87	3.75	3.99
US FED FUNDS SWAP	0.32	0.43	0.67	1.16	1.66	2.52	3.59	4.19

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.37	0.92	1.83	2.36	2.97	3.34	3.72
UK GILTS	0.61	1.76	2.65	3.28	3.91	4.29	4.47

Source: Reuters

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3676	-13.81	4.34	4.11
DOW JONES	10520	-0.46	23.43	2.64
FTSE 100	5373	-5.36	16.47	3.67
EPRA EUROPE	1170	-11.55	6.68	5.39

Source: Reuters, Datastream

NEWS TICKER

U. S. Consumer Borrowing Unexpectedly Rose By \$1.95 Bn in March: This was much better than the \$3.85 bn drop that economists had expected.

Exports From Germany Rose the Most in 18 Years in March: The federal statistics office reported an increase of 5.1%. Economists had forecasted a 3% rise. This widens the country's trade surplus to €17.2 bn

French Manufacturing Output Rose in March: As the global economic recovery is fueling demand for exports, the measure climbed 0.8% from February.

Industrial Production in Spain Rose by 6.8%: This was during in the 12 months to the end of March. The country's unemployment rate rose to 19.1% for the three months to the end of March from 18.8% for the last quarter of 2009.

Merkel's CDU Gets Worst Postwar Result in Regional Election: Chancellor Angela Merkel's party plunged in Germany's most populous state, losing control of parliament's upper house in Berlin, as voters punished her reversal on aid for Greece. This will undermine her ability to cut taxes and extend the lifespan of nuclear-power plants.

Japan's Unemployment Rate Rose to 5% in March: This was down from 4.9% in February. Consumer prices fell by 1.1% in the year to the end of March, which was Japan's 14th consecutive month of deflation.

China's April Trade Surplus Shrinks 87% (y-o-y): This came as imports grew faster than exports because of stimulus-driven domestic demand. Imports grew by 49.7%, exports rose by 30.5%. (Sources: Bloomberg, The Economist, AEW Europe)

REAL ESTATE MARKET INDICATORS

German Open-Ended KanAm Grundinvest and SEB ImmoInvest Close Down Again: The discussion concerning a flat valuation trim is drawing the open-ended funds still more deeply into the crisis: after KanAm grundinvest, SEB ImmoInvest suspended its redemption of certificates once more on Thursday. Both of them are attributing the closure to massive cash outflows after the Federal Finance Ministry's regulation plans became known. TMW Weltfonds remains closed and will conduct sales. The Finance Minister's draft for the strengthening of investor protection provides for a valuation discount of 10% as a security buffer and a 24-month holding period, among other measures.

GSW Calls off IPO: Unexpectedly, GSW Immobilien, the Berlin-based property company, is postponing its IPO, which had been announced for last Friday. The reason given by the firm for its decision is a "significant worsening of the capital market environment." In a press release, GSW said that since its IPO announcement, volatility and insecurity have increased sharply on global stock exchanges. The company did not give a new date for its IPO.

CBRE European Debt Market Report Shows Signs of Increasing Lender Confidence: The report, focusing on banks' propensity to lend to real estate across Europe, reveals a modest increase in maximum LTVs granted, with all key European markets now at or above 65%, accompanied by margin falls in Germany and the UK. Furthermore, an increase in the availability of development finance and better pricing for mezzanine is registered. (Sources: ThomasDaily, Europe RE, AEW Europe)

SELECTED OFFICE MARKETS

Signs of Prelets Spark Optimism in Madrid Office Market: According to Savills, the market saw gross take-up rise 54% in Q1 compared to the year-earlier period to nearly 100,000 m2. The average size of units leased increased to 977 m2 from 677 m2 in Q1 2009. Amid these positive signs, over 260,000 m2 of speculative new build space is anticipated before year-end 2010, which will cause vacancy rates to rise further, the adviser said. Savills puts total office stock in Madrid at 12.57 million m2, of which 1.44 m2 is vacant. This translates into a vacancy rate of 11.5%. Although decreases in prime rents have slowed over the past months, by 2% in Q1 from Q4 2009, or stabilized, Savills anticipates that average rents could continue to fall across the entire market. (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 ↓
MUNICH	8.6	↓	336	→	5.10 ↓
BUDAPEST	19.8*	↑	174*	→	7.00* →
BARCELONA	11.1*	↑	240*	→	5.44 ↓

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

SELECTED RETAIL MARKETS

UK Retains Title as Most International Retail Market in the World: Despite a bumpy year for retail markets across the world, the UK maintained the number one position in the top 20 most international retail markets ranking for the third year running. Attracting 58% of all international retail brands surveyed, the UK is now closely followed by the United Arab Emirates where 54% of international retailers are present. Peter Gold, Head of EMEA Cross Border Retail, CB Richard Ellis, commented: "The UK market continues to attract international retailers and maintain its existing impressive array of international brands." Overall, Europe continued to dominate the top 20, with all five of the largest European economies featuring in the top 10 international retail destinations (Sources: Europe RE, 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