

CAPITAL MARKET INDICATORS

U.S. Buyers Regain Majority of Treasuries as Savings Rate Rises: For the first time since the start of the financial crisis in August 2007, U.S. investors own more Treasuries than foreign holders. Mutual funds, households and banks have boosted the domestic share of the \$8.18 trillion in tradable U.S. debt to 50.2% as of May, according to the most recent Treasury Department data. The last time holdings were as high, Federal Reserve Chairman Ben S. Bernanke cut interest rates for the first time between scheduled policy meetings as losses in subprime mortgages spurred a flight from riskier assets.

Swedish Earnings Signal Biggest Economic Rebound in EU Region: Eighty percent of Sweden's biggest companies reported earnings that exceeded analysts' estimates last quarter, indicating the largest Nordic economy may be headed for the biggest economic rebound in the European Union. Of the 25 Sweden-based companies on the OMX Stockholm 30 Index, 20 beat the average second-quarter profit estimate from analysts, data compiled by Bloomberg show. That compares with 65% of companies that beat analyst estimates on Germany's DAX Index.

Japan's Current-Account Surplus Unexpectedly Narrows: Japan's current-account surplus unexpectedly shrank for a second month in June as export growth cooled in a sign the recovery in the world's second-largest economy is losing momentum. The gap narrowed 18% to €9.25 bn from a year earlier, the Ministry of Finance said in Tokyo today. The income surplus, the difference between money earned abroad and payments made to foreign investors in Japan, narrowed to €4.06 bn. (Sources: Bloomberg, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.35	0.91	1.25	1.39	1.58	2.03	2.78	3.16
UK SWAP	0.55	0.74	0.86	1.37	1.71	2.33	3.25	3.77
US FED FUNDS SWAP	0.24	0.41	0.46	0.68	0.99	1.67	2.79	3.69

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.71	0.99	1.53	2.08	2.53	2.87	3.22
UK GILTS	0.57	1.16	1.99	2.61	3.23	3.80	4.18

Source: Reuters

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3775	-5.60	6.85	3.80
DAX	6335	1.83	12.97	2.96
FTSE 100	5409	-1.49	13.68	3.40
DOW JONES	10675	2.16	15.10	2.61
EPRA EUROPE	1270	-0.05	9.16	4.59

Source: Reuters, Datastream

CDS SPREADS	GER	UK	FR	IT	SP	POL	GR	POR	HUN	US
CDS 10 YEAR SPREAD (bp)	45.9	61.8	72.0	142.2	189.1	136.0	643.4	223.2	307.9	44.4

Source: Datastream, AEW Europe

NEWS TICKER

America's GDP Growth Slowed to an Annualized 2.4%: This was in the three months to the end of June, from 3.7% during the quarter to the end of March.

The Euro Area's Unemployment Rate Remained Unchanged at 10% in June: 15.77mln people in the region were jobless. Spain, where 20% of the labor force is out of work, has the highest unemployment of any country in the euro zone.

German Exports Rose as Global Recovery Gained Pace: Sales abroad, adjusted for working days and seasonal changes, rose 3.8% from May, when they increased a revised 7.9%, the Federal Statistics Office in Wiesbaden said today. Economists forecast a gain of 1.5%, the median of 11 estimates in a Bloomberg News survey shows.

Inflation in Switzerland Eased for the Third Consecutive Month: It fell by a tenth of a percentage point to 0.4% in July.

Industrial Production in Brazil Declined by a Seasonally Adjusted 1% in June: That compares to the previous month, but was 11.1% higher than a year earlier.

India's Exports Surged By 30.4% in the Year to the End of June: Imports grew by 23% over the same period. The country's June trade deficit was \$10.55 bn, up from \$9.4 bn a year earlier.

China Buys \$5.3 Bn of Japanese Bonds in June, Set for Annual Record: The central bank purchased a net 456.4 bn yen (€4.02 bn) of Japanese debt in June, following net buying of 735.2 bn yen in May that was the most in records dating from 2005. (Sources: Bloomberg, The Economist, AEW Europe)

REAL ESTATE MARKET INDICATORS

Distressed Property Sales Ease: According to RICSSs, the growth in distressed property listings eased back in more than 85% of the countries surveyed in a global report. Eight countries reported a decline in the number of distressed properties coming to market compared to the previous quarter. The pace of decline was greatest in Brazil, Russia, India and Hong Kong. Distress at a faster pace in the market than in the last quarter was reported for Portugal, Spain and Germany.

Open-ended Funds Net Influx of €2.1bn During First Half of Year: According to BVI's statistics, a net sum of approximately €2.1bn flowed into open-ended real estate funds in Germany during the first half of 2010. The assets currently under management run to €88bn. BVI assessed this balance for the first half of the year as evidence that "confidence in this risk-diversified indirect property investment is intact." The investors' temporary insecurity felt last May has disappeared, BVI commented. At that time, investors withdrew €1.4bn from the open-ended funds because of the proposed Federal Finance Ministry regulation plan.

High Spirits in the Real Estate Business: Sentiment in Germany's real estate industry is surging in tune with the optimistic data of the national economy. Unsurprisingly, the monthly King Sturge Real Estate Economy Index returned another increase for the poll-based Real Estate Climate in its July survey as it rose by 6.4% to an absolute score of 110.7 points (up from 104.0 last month). Today's positive sector ratings are mainly driven by the Investment Climate, which at 121.6 points reached its highest level in the history of the index (117.0 the previous month). This, the indicator for acquisition and investment decisions returned its fifth positive rating in as many months. (Sources: PropertyEU, EuropeRE, AEW Europe)

SELECTED OFFICE MARKETS

Prime Milan Rents Rise for the First Time in Two Years: According to Savills, prime Milan office rents are showing signs of growth for the first time in two years. The report shows that CBD rents currently stand at €480 m2/year, up from €460 m2/year in the first quarter of the year. In the semi-centre and out of town office locations, rents have remained stable at €330 m2/year and €230 m2/year respectively.

Madrid Office Take Up Rises Threefold and Investment Moves Steadily Forwards: Madrid office take up during Q210 rose threefold to 160,000 m2 compared to Q209, according to international real estate advisor Savills, with H110 take up at double the total for H109. Of particular note, outside the popular city center, the east area of the city saw 17% of transactions with significant lettings between 6,000 m2 and 9,000 m2. Meanwhile a rise in owner occupier sales appeared to be on the increase with over 10% deals closed. (Sources: PropertyEU, EuropeRE, AEW Europe)

SELECTED RETAIL MARKETS

Otto Group Has Given Up its Stake in the Zara Deutschland Clothing Chain: Having been involved with Zara as a strategic partner since 1999, Otto had acquired 22% of the retail chain. The main shareholder is the Inditex concern (Spain). (Sources: EuropeRE, AEW Europe)

SELECTED OFFICE MARKETS (Q2/2010 DATA)				
	VACANCY RATE (%)	PRIME RENT (€/SQM/YR)	PRIME NET YIELDS (%)	BUSINESS CONFIDENCE
PARIS (CBD)	5.9 ↓	710 ↑	5.10 ↓	↑
LONDON (CENTRAL)	9.7* ↓	837* ↑	5.00* ↓	↑
MUNICH	9.3 ↑	330 ↓	5.00 ↓	↓
BUDAPEST	22.3 ↓	174 →	6.79 ↓	↑
ROME	9.1 →	350 →	5.28 →	↑

*Q1 2010 Data. Source: PMA, CBRE, AEW Europe

SELECTED RETAIL MARKETS					
	HOUSEHOLD CONSUMPTION 2009 (%YOY)	HOUSEHOLD CONSUMPTION 2010E (%YOY)	AVERAGE PRIME RENTS Q1 2010 (€/SQM/YR)**	AVERAGE PRIME YIELDS Q1 2010 (%)	CONSENSUS ANNUAL INFLATION 2010E (%)
FRANCE	0.6 ↓	1.2	2547 →	5.6 ↓	1.6
GERMANY	-0.1* ↓	-0.8*	2856 →	4.4 ↓	1.1
ITALY	-1.8 ↓	0.4	2123 ↑	5.0 ↓	1.5
SPAIN	-5.0 ↓	0.0	2183 →	5.3 ↓	1.5

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