AEW EUROPE

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CAPITAL MARKET INDICATORS

Citigroup in race to repay its bail-out funds: Citigroup is racing against the clock to convince US authorities that it be allowed to repay $20bn of bail-out funds, with insiders and regulators arguing that unless the bank acts in the next 10 days it will have to wait for more than a month. The short window for a decision on the repayment of funds from the troubled asset relief programme (Tarp) raises the stakes for Citi in its quest to free itself from the shackles of the government, which also owns a 34% stake in the lender. Citi's need to pay back the Tarp funds has been heightened by last week's surprise announcement that Bank of America had raised $19.3bn to repay $45bn. That move left Citi and Wells Fargo as the only two big banks that have yet to repay Tarp and remain subject to the strict limits on compensation and operations that accompanied last year's government cash injections.

ECB stands by its 1% policy, the trend towards flattening yield-curve: The ECB announced the scaling back of its liquidity boosting measures today, but is still a long way from raising interest rates. Negligible money growth, below-trend GDP growth and a significant degree of spare capacity still point to heightened risks of deflation, not inflation. (Sources: LSR, FT, AEW Europe)

Interest Rates (%)	Day/Day *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
Euro Swap	0,34	0,72	1,26	1,79	2,19	2,70	3,44	3,81
UK Swap	0,50	0,61	0,93	0,93	2,40	3,08	3,78	4,03
US Fed Funds Swap	0,14	0,26	0,56	1,17	1,74	2,58	3,59	4,26

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

Bond Yields (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
Bundesbank Germany	0,80	1,64	2,29	2,80	3,19	3,67	3,93
UK Gilts	0,62	1,59	2,60	3,14	3,69	4,19	4,24

Source: Bloomberg

Equity Markets	Current	% Change YTD	% Change 52 WK	% Div Yields
CAC 40	3845	19,48	28,68	3,60
Dow Jones	10410	18,62	20,56	2,63
FTSE 100	5321	20,01	31,41	3,51
EPRA Europe	1236	26,71	31,47	4,41

Source: Bloomberg

NEWS TICKER

American manufacturing continued to grow in November, albeit at a slower pace than in October, according to a purchasing managers' index which fell from 55.7 to 53.6. A similar index for the euro area rose from 50.7 in October to 51.2 in November. Values above 50 indicate expansion.

US Retail Hiring in November Rose to Highest Level in 2009, a survey by Kronos Inc finds that Hiring by US discount, grocery, restaurant and specialty chains in November rose to the highest level in 2009, signaling that retailers may be anticipating a gradual recovery in consumer spending, a monthly survey found.

The unemployment rate in the euro area, where an estimated 15.6m people are now out of work, remained unchanged at 9.8% in October. Germany's jobless rate fell by 0.1 percentage points to 8.1% in October.

Industrial producer prices in the euro area rose by 0.2% in October, but remained 6.7% lower than a year earlier.

India's economy grew by 7.9% in the year to the third quarter, driven by rapid growth in services and 9.2% annual growth in the output of its manufacturing industries. Agricultural production rose by a sluggish 0.9%. Exports were 6.6% lower in October than a year earlier, and imports fell by 15%. (Sources: The Economist, AEW Europe)

REAL ESTATE MARKET INDICATORS

UK property funds 27-month high inflow causes headaches: Increased capital flows into UK pooled property funds are causing many funds "headaches" according to a leading investment expert. Capital flows into UK pooled property funds reached their highest in the third quarter since Q2 2007, according to IPD's Property Fund Vision (PFV). (Source: Property EU)

£30bn of UK real estate in default: The value of UK commercial real estate debt in default or in breach of key lending agreements more than doubled to about £30bn in the first six months of the year, adding pressure on the banking sector, a survey has revealed. Banks have also extended or refinanced an extra £16bn in the first-half of the year, rolling over maturing debt that could not be paid back by cash-strapped borrowers or restructuring loans when breaches were threatened owing to the steep fall in values. This strategy has been dubbed "extend and pretend", with some banks even refusing to test loan covenants, given a reluctance to crystallise losses by selling the property asset or the debt attached to it. (Source: FT)

Colony and Orion acquire debt position in Inmobiliaria Colonia: Colony Capital and Orion Capital Managers have announced that funds managed by them have acquired Goldman Sachs' portion of the approximately €4.2bn syndicated loan in Inmobiliaria Colonial.

SELECTED OFFICE MARKETS

Overseas buyers set record as most active investors in Central London market in 2009: The recent announcement of the exchange of contracts for the sale of HSBC Headquarters in Canary Wharf to the National Pension Service of Korea continues the key trend of 2009 which has seen overseas buyers dominate the Central London investment market – accounting for 80% of turnover.

Office lease contract lifetimes considerably shortened in UK and Germany: Since 2000, the lifetimes of office leases in Great Britain and Germany have shortened considerably and now have an average lifetime in these two countries of only five years. In 2000, the average lifetime in the UK was twelve years, and in Germany, seven years. The average lifetime thus fell back by 60% in the UK and by 28% in Germany. These are the results of an evaluation of IPD's lease data. The report says that this development did not start only after the financial crisis, but occurred throughout the entire period studied. It was not possible to show any effects of the shortened contract lifetimes on the cost of rent.

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)	11.0	↓	773	↓	5.89	↓	↓
Frankfurt	17.4	↑	396	↓	5.50	→	↑
Warsaw	8.9	↑	276	↓	6.39	→	↑
Milan	11.0	↑	450	↓↓	5.51	→	↑

Source: PMA, CBRE, AEW Europe

SELECTED LOGISTICS MARKETS

The global express parcels market will contract by 13% in 2009 according to the latest figures revealed by Transport Intelligence: The international express sector has been even more badly affected by the economic downturn, with revenues expected to fall by 14.5%, hit by the meltdown in world trade at the beginning of the year, and only just recovering. Following such a substantial fall in revenues, it will take some time for the market to rebound. For example, Transport Intelligence does not expect either the domestic or international express parcels market in Europe or North America to reach 2008 levels until after 2012. One exception will be the Asia Pacific international express market, fuelled by growth from China. The Middle East has been the least affected of all the regions, and will also show strong growth in the future, helped by a recovering oil price and a general global upturn.

Selected Logistic Markets (2009e)

	Prime Rents (€/sqm/yr)	Annual Trend	Yields (%)	Annual Trend	2009e Total Return (%)	Annual Trend
Paris	53	↓	8.3	↑↑	-9.7	↑
Munich	70	↓	7.5	↑	-2.9	↑
Prague	55	↓	8.4	↑↑	-15.4	↓
Barcelona	78	↓	7.9	↑↑	-21.5	↓↓

Source : PMA, AEW Europe