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

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CAPITAL MARKET INDICATORS

US Bills yielding zero, as stocks soar give Investors Bernanke Moment of 1938:

For the first time in seven decades, Treasury bills are paying no interest while stocks continue to appreciate - a divergence in US financial markets that might be perilous if Federal Reserve Chairman Ben S. Bernanke didn't know all about 1938. That's when the Standard & Poor's 500 Index climbed 25% even as bill rates tumbled to 0.05% from 0.45%. As 1939 began, stocks began a three-year, 34% decline after the Fed increased borrowing costs prematurely to stymie inflation that never materialized. While almost no one expects Bernanke, a self-described "Great Depression" buff, to raise rates before mid-2010, bond investors say with unemployment above 10% and housing taking another downturn, they have no qualms about lending the government money for nothing to ensure their capital is preserved. Stock investors, meanwhile, say the worst is over and that low borrowing costs coupled with the \$12 trillion of fiscal and monetary stimulus will bolster earnings.

The ECB expects inflation to pick up sharply in coming months: But the European Commission's survey of business and households shows that inflation expectations are well below levels consistent with the ECB's definition of price stability. Higher inflation in early 2010 will be temporary. It is expected that Euro Zone bond yields are still to come down. (Sources: Forbes, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.34	0.72	1.27	1.74	2.14	2.69	3.44	3.82
UK SWAP	0.51	0.61	0.90	0.90	2.35	3.04	3.74	3.99
US FED FUNDS SWAP	0.14	0.26	0.47	1.02	1.57	2.38	3.34	4.08

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.83	1.61	2.26	2.75	3.17	3.65	3.91
UK GILTS	0.68	1.63	2.62	3.06	3.55	4.07	4.12

Source: Bloomberg

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3692	14.72	13.15	3.79
DOW JONES	10310	17.47	16.77	2.71
FTSE 100	5209	17.47	21.47	3.59
EPRA EUROPE	1202	23.23	20.68	4.69

Source: Bloomberg

NEWS TICKER

America's GDP growth in the three months to the end of September was revised down by 0.7 percentage points to an annual rate of 2.8%, mainly because of an upward adjustment to import growth.

The sales of new houses in America rose by 6.2% in October to an annual rate of 430,000, 5.1% higher than a year earlier. **The S&P/CaseShiller national homeprice index also rose** by 3.1% in the third quarter.

Revised third-quarter GDP figures for Britain put the decline in the size of the country's economy at 0.3%, a tenth of a percentage point less than an earlier estimate.

German business confidence, as measured by the Ifo index, rose to 93.9 in November, its highest reading since August last year. **Business confidence also rose in France**, the eighth successive monthly increase.

Europe Manufacturing, Services Industries Grow at Fastest Pace in 2 Years: Europe's services and manufacturing industries expanded at the fastest pace in two years in November after a reviving global economy helped the euro region emerge from the worst recession in more than 60 years. (Sources: The Economist, AEW Europe)

REAL ESTATE MARKET INDICATORS

All new buildings to be 'near-zero-energy' by 2020: In a new agreement on the revision of the 2002 Energy Performance of Buildings Directive, EU governments and MEPs struck a deal that will force all new buildings constructed after 2020 to consume "near zero energy". The agreement defines near-zero-energy buildings as constructions that have "a very high energy performance" with any energy they use coming "to a very large extent" from renewable sources generated "either on-site or nearby".

IMMOFINANZ and IMMOEAST merger on the fast track: The restructuring and reorganization of the IMMOFINANZ Group are following a clear strategy and are systematically and vigorously pursued by the management. The aims of these measures are consolidation and the optimization of cash flow and revenues.

Prime office yields continue to stabilize across Europe according to JLL: With the bottom of the investment cycle in sight, prime office yields across Europe continued to stabilize during Q3 2009, according to Jones Lang LaSalle's latest Prime European Office Yields Tracker.

SELECTED RETAIL MARKETS

American customers showed up for "Black Friday", the day of monster sales following Thanksgiving, and numbers were up by 13% to 195 million people over the weekend from Thursday to Sunday. However, they remained cautious with their buying, going for promotions and resisting impulse buys. The average basket thus declined by almost 8% compared to last year, falling from \$372.57 to \$343.31 per person. Overall, according to preliminary results from ShopperTrack, covering 50,000 stores, sales showed a limited rise of 0.5% to \$10.660bn (+3% in 2008). The organization does state however that it has observed a gradual increase in sales over the last two weeks, and anticipates a good November, based on these initial data. It expects sales growth of 1.6% for the season this year.

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	0.6 ↑	0.6	2628 ↓	5.8 ↑	0.1
GERMANY	0.6* ↑	-0.1*	2764 ↓	4.7 ↑	0.3
ITALY	-2.0 ↓	0.2	1998 ↓	5.2 ↑	0.8
SPAIN	-4.7 ↓	-0.8	2182 ↓	5.7 ↑	-0.1

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

SELECTED LOGISTICS MARKETS

European industrial investment activity set to rise according to CBRE: Investment turnover in Europe's industrial and logistics real estate sector totaled nearly €2.5 bn in the first half of 2009, maintaining its 10% share of the wider investment market, and with the potential to increase, according to CB Richard Ellis. As investment turnover picked up towards the end of the second quarter of 2009 in Europe, evidence of stabilizing yields emerged across all sectors. Industrial and logistics yields across Europe as a whole continued to trend upwards, rising by 10 basis points in the second quarter of 2009. This change is notably smaller than in the four previous quarters and the resulting increased stability reflects a narrowing gap between vendors' and purchasers' pricing aspirations, which should boost liquidity in the sector. Initial data for Q3 shows that industrial and logistics yields are unchanged from their mid-year level. Rents in core European industrial markets have so far held firm despite general regional downward pressure, with the EU-15 industrial rent index 5.4% lower in the year to mid-2009, a contraction that has eased slightly in Q3 to around 4.5%.

SELECTED LOGISTIC MARKETS (2009E)	PRIME RENTS (€/SQM/YR)	ANNUAL TREND	YIELDS (%)	ANNUAL TREND	2009E TOTAL RETURN (%)	ANNUAL TREND
PARIS	53	↓	8.3	↑↑	-9.7	↑
HAMBURG	65	↓	7.5	↑	-3.3	↓
WARSAW	59	↓	8.4	↑↑	-14.7	↓↓
MILAN	57	↓	7.6	↑↑	-14.3	↓↓

Source : PMA, AEW Europe

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