

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

Russia to Sell 5, 10-Year Eurobonds, First Since '98: Russia plans to offer five- and 10-year dollar bonds in its first international debt sale since the 1998 financial crisis, according to three bankers with knowledge of the transaction. The Russian government has said it plans to borrow as much as €13.2 bn. abroad this year. It is selling at a time when yields on emerging-market debt are near all-time lows on confidence in the economic recovery and record-low global interest rates. Government officials have indicated the sale may be less than the official target for 2010 after a surge in commodity prices boosted the economy.

Bunds to Maintain 'Slow Assault' on 3%: German and French government bond yields may keep falling on bets interest rates in the region will stay low because of the Greek fiscal crisis and disruption from the volcanic ash cloud, High Frequency Economics said. Even if bunds were not the obvious safe haven for investors fleeing Greece-driven Eurozone risks, they would be attractive on soft economic fundamentals and no inflation. (See right hand side tables)

Recovery Tilting to V-Shape as Profits Prompts Growth Revision: Surging profits are prompting economists to revise their estimates for growth, tilting the recovery more in the direction of a V-shape as businesses from Intel Corp. to JPMorgan Chase & Co. boost spending. According to the chief U.S. economist at Deutsche Bank Securities, Joseph LaVorgna, companies have a lot more capital, and are going to deploy it for equipment and hiring rather than sit on it. Thus it was quite possible the economy would produce a recovery significantly stronger than previously anticipated. (Sources: Bloomberg, Financial Times, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.33	0.64	1.09	1.41	1.75	2.34	3.22	3.65
UK SWAP	0.54	0.65	0.82	1.53	2.07	2.84	3.81	4.12
US FED FUNDS SWAP	0.25	0.31	0.50	1.06	1.65	2.58	3.70	4.42

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.54	1.20	2.11	2.58	3.07	3.44	3.85
UK GILTS	0.62	1.74	2.70	3.35	4.00	4.48	4.59

Source: Reuters, Bloomberg

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3952	1.28	31.22	3.48
DOW JONES	11145	5.66	35.61	2.48
FTSE 100	5712	6.12	41.72	3.24
EPRA EUROPE	1274	3.30	33.53	4.49

Source: Reuters, Bloomberg

NEWS TICKER

American Retail Sales Rose by 1.6% During the Month of March: This was 7.6% higher than a year earlier. Consumer prices in America rose by 0.1% during the month of March, and the annual inflation rate was 2.3%. Core inflation, which excludes food and fuel prices, was 1.1%.

U.S. Housing Construction Points to Market Recovery: The Commerce Department said the pace of new construction rose roughly 2 percent from February to March. Applications for building permits rose 7.5 percent to the highest level since October 2008

Euro-area Industrial Production Rose by 0.9% During the Month of February, being 4.1% higher than a year earlier. Output rose fastest in Luxembourg and Ireland, where industrial production grew by 15.9% and 11.8% respectively in the year to February. Greece was the poorest performer: output was 9.2% lower than last February.

Britain's Merchandise-trade Deficit Fell to €7.02 Bn in February: This was down from €9.18 bn in January.

GDP in China Grew by 11.9% in the Year to the End of the First Quarter, and industrial production rose by 18.1% in the 12 months to the end of March. Inflation was 2.4% in March, down from 2.7% in February.

Japan's household sentiment rose to the highest level in more than two years: The confidence index climbed to 40.9 last month from 39.8 in February, the highest since October 2007. (Sources: The Economist, Bloomberg, AEW Europe)

REAL ESTATE MARKET INDICATORS

Market let UK Residential Property Delivers Double-digit Returns: Investment grade market let residential property delivered an 11.0% annual total return last year, according to the IPD UK Residential Index, representing a three-fold outperformance of the commercial property market. The double-digit 2009 UK residential total return – comprised of an 8.1% capital growth and a 2.7% income return – is the third consecutive year in which the market has outperformed the broader commercial sector. London and the South East enjoyed the greatest recovery with central London setting the pace. At the other end, the North and Scotland lagged the market, delivering negative returns for a second successive year.

Italian Real Estate Markets Improve Over H2 2009: Italian commercial property delivered a 1.5% total return over the second half of last year, which contributed to an annual 2.5% return, according to the IPD Italian Bi-Annual Property Index. The second half of the year represents a 40 basis points improvement. The annual return is comprised of a -2.8% capital depreciation and a 5.4% income return. Capital depreciation eased over the second half of 2009, by 40 bps to -1.2, while income returns remained stable at 2.7%. Over the second half of 2009 the industrial market delivered the highest income return and the steepest capital decline, at 3.4% and -1.5%, respectively. The retail sector delivered the shallowest capital decline, at 90 basis points, and a 2.6% income return, while capital growth and income returns for offices was -1.3% and 2.5%. (Sources: Europe Real Estate, AEW Europe)

SELECTED OFFICE MARKETS

Brussels Letting Market Rebounds: According to Savills, Brussels has seen a rebound in lettings activity during Q110, with lettings up 152% compared to Q109 and 8% compared to the five year average. In addition, the average size of each letting transaction has grown to 1,658 m2 from 911 m2 in Q109. Such is the improvement in market sentiment, the international real estate advisor reports investor interest has now finally broadened in the prime investment market for shorter-term contracts. The CBD has now surpassed the outer CBD representing 67% of the lettings market in the first quarter, this is up 27% on Q109 and 11% on the five year average. Within the CBD, the Midi area accounted for 20% lettings and the North area 30%. (Sources: PropertyEU, AEW Europe)

SELECTED OFFICE MARKETS (Q4/2009 DATA)	VACANCY RATE (%)	PRIME RENT (€/SQM/YR)	PRIME NET YIELDS (%)	BUSINESS CONFIDENCE
PARIS (CBD)	6.3 ↑	664 ↑	5.50 ↓	↑
LONDON (CENTRAL)	10.3 ↓	778 →	5.39 ↓	↑
MUNICH	8.7 ↑	336 →	5.25 →	↑
WARSAW	9.3 ↑	264 ↓	6.62 ↑	↑
MILAN	11.7 ↑	430 ↑	5.37 ↓	↑

Source: PMA, CBRE, AEW Europe

SELECTED RETAIL MARKETS

Demand for UK Shopping Centre Strengthening: While there are signs that demand for other retail asset classes is now dampening, the relative yield discount offered by shopping centers will lead to a further strengthening of demand for this asset class, particularly from UK funds. This demand will put further downward pressure on shopping center yields over the coming months, albeit with the focus primarily on prime product, according to a new report by Knight Frank. The property adviser said that supply remains a key constraint to transactional activity in the shopping centre market. Requirements for strong London locations from retailers and restaurant operators are increasing, and will revive rents both in London's high streets and shopping centers. (Sources: PropertyEU, AEW Europe)

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	0.7 ↑	0.9	2628 ↓	5.8 ↑	0.1
GERMANY	0.5* ↑	-0.1*	2856 ↑	4.4 →	0.4
ITALY	-1.7 ↓	0.6	2122 →	5.2 ↑	0.8
SPAIN	-5.1 ↓	-0.8	2183 →	5.7 ↑	-0.3

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