

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

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CAPITAL MARKET INDICATORS

Corporate bond returns rise most in five months: U.S. corporate bond sales climbed the most this year and global returns staged the biggest rally since August last week, as concern that Europe's fiscal crises will stifle economic growth eased. German lawmakers said European Union officials are crafting a plan to grant Greece about 25 bn. Euro in aid should the need arise. Bond offerings worldwide climbed 65% to \$47.2 bn. and U.S. sales more than tripled to \$16.7 billion, according to data compiled by Bloomberg.

Treasury 10-year yields advance from lowest in almost 3 weeks: Treasury 10-year note yields advanced from lowest level in almost 3 weeks as U.S. stocks rose and personal spending increased in January more than economists estimated even as income missed forecasts. "Treasury yields are following stocks right now," said Michael Pond, at Barclays Plc. "The question is the market will have from here is if the spending can continue given the lack of personal income."

Investors cut back on euro zone bonds: Investors shied away from European government debt in February, cutting bond allocations to the region in favor of UK and emerging market paper as angst over Greece and other euro zone peripheral economies grew. Reuters polls of 45 leading investment houses, released on Thursday, also showed fund managers lifting their exposure to equities, although much of this was the result of bullishness among U.S. investors.

(Sources: Bloomberg, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.32	0.66	1.11	1.46	1.84	2.47	3.36	3.74
UK SWAP	0.53	0.64	0.85	0.85	2.12	2.93	3.91	4.25
US FED FUNDS SWAP	0.15	0.25	0.47	1.07	1.67	2.60	3.70	4.42

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.55	1.38	2.14	2.62	3.12	3.53	3.87
UK GILTS	0.68	1.88	2.82	3.58	4.09	4.53	4.64

Source: Bloomberg

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3737	-5.08	38.26	3.82
DOW JONES	10325	-0.99	46.19	2.63
FTSE 100	5371	-0.77	40.24	3.43
EPRA EUROPE	1223	-2.64	45.25	4.31

Source: Bloomberg

NEWS TICKER

Ben Bernanke, the head of America's Federal Reserve, said in testimony to Congress on February 24th that the Fed's benchmark interest rate was likely to "remain exceptionally low for an extended period", but that the Fed would "at some point need to begin to tighten monetary conditions" in order to stave off inflationary pressures.

Sales of new houses in America fell by 11% in January: This is the lowest level since records began in 1963, according to the Department of Commerce. The median price of a new home fell by 5.6% from December.

Industrial orders in the euro area rose: By 9.5% in the year to the end of December. The increase in December was 0.8%, below the 2.7% rise in November. An index of euro-area manufacturing activity, based on surveys of purchasing managers, rose in February to 54.1, its highest level since August 2007. A reading above 50 indicates expansion.

The unemployment rate in the eurozone rose further in January reaching 9.9%, according to Eurostat, the statistical office of the European Communities.

Although unemployment rose by another 38,000 to 15.7m, it was the smallest rise since March 2008. Howard Archer, the chief European economist at IHS Global Insight, says this allowed the unemployment to be stable for a second month running.

(Sources: The Economist, AEW Europe)

REAL ESTATE MARKET INDICATORS

Improving sentiment among European banks in lending for prime real estate: In the latest European Capital Markets report CBRE assesses banks' propensity to lend to the commercial property sector across Europe. The indicators reveal the first signs of a positive shift in sentiment amongst banks since early 2008, albeit heavily concentrated on the top end of the market. Following the recovery in the European real estate investment market in the latter half of 2009, driven predominantly by increased appetite from equity buyers and an improvement in capital values, banks now find themselves in a more confident position to lend. This shift in sentiment has subsequently led to increased competition amongst debt providers to offer improved lending terms on loans secured against prime real estate.

Frankfurt: Total Construction volume fell in 2009 – increase in apartments

Construction projects having a total volume of €1.5 bn. were approved in Frankfurt last year. This figure was considerably lower than the €1.71 bn. of the previous year. Permit applications, at a volume of €1.34 bn. were also unable to compete with the €1.45 bn. in 2008. These figures were announced by the municipal construction supervision authority at its annual press conference. The authority registered an increase in apartment construction: during the 2009 financial year, 2,739 new apartments were approved in Frankfurt, 9% more than during the prior year (2008: 2,510). (Source: Europe Real Estate, Thomas Daily)

SELECTED OFFICE MARKETS

Lease renewals rise as tenant friendly market continues in the Netherlands: According to Savills, lease renewals accounted for 32% of the Dutch office leasing markets in Amsterdam, Rotterdam, Utrecht and The Hague in 2009, compared to 14% in 2008. The international real estate advisor states that existing tenants are postponing relocation in an effort to focus on cost saving, whilst new tenants are taking advantage of incentives offered by landlords. Jeroen Jansen, head of research for Savills Netherlands, comments: "Office users are focusing on cost saving and in many cases cancelling relocation programmes. This has allowed them to renegotiate leases on favorable terms as landlords are keen to prevent voids. The incentives offered have risen by up to 25% in some areas and this has allowed rental prices to remain stable." (Source: Europe Real Estate)

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 ↓	↑
FRANKFURT (CITY)	17.7 ↑	396 →	5.35 ↓	↑
BUDAPEST	19.8 ↑	174 ↓	7.00*	↑
BARCELONA	11.1 ↑	240 ↓	5.67 ↓	↑

*Q3/2009 Source: PMA, CBRE, AEW Europe

SELECTED RETAIL MARKETS

Carrefour to close 21 Belgium stores. Carrefour Belgium SA, the Belgian arm of the French retailer, acknowledged that it had badly misread its market. It will close 21 hypermarkets and supermarkets and sell 30 of its centres in an effort to slash costs and reverse a market share decline.

McArthurGlen opens 'green' outlet centre in Italy. McArthurGlen opened its fifth designer outlet "village" in Italy last week. The 17,500-square-metre La Reggia Designer Outlet, near Naples, is the first centre of its kind in the Campania region, and features one of the most extensive solar energy schemes ever used in European retail property, according to the developer. (Sources: BusinessWeek, Property EU)

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