

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

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## CAPITAL MARKET INDICATORS

**Open-ended funds closed again - Aberdeen closes Degi International fund, Axa closes Immoselect fund:** Last week Aberdeen suspended again the redemption of certificates for shares in its open-ended Degi International real estate fund. The reason for this step is net cash outflow amounting to a total of €250 mln incurred between June and September following public debate in June concerning possible risk associated with open-ended funds. Moreover, Aberdeen announced a suspension of certificate issuance also for its Degi Europa fund for which the redemption of certificates is still suspended. Axa announced today that the open-ended AXA Immoselect fund has again suspended its redemption of certificates. Axa reported that net cash outflows of €934.9 mln were recorded since the reopening on August 28.

**The global economy is in a holding pattern and vulnerable to more upheaval, the head of the IMF said on Monday, adding a lasting recovery will depend on policymakers taking the proper steps in the coming months:** Dominique Strauss-Kahn, the International Monetary Fund's managing director, said the top priority in rich countries should be making plans to clean up the fiscal mess left by more than a year of crisis-fighting efforts, although he thought it was still too early to remove such emergency supports. For advanced economies, where debt burdens have grown sharply over the past year, the IMF wants governments to design and communicate plans to get their respective finances back in order. That means ensuring stimulus measures are temporary and putting entitlement programs on a sustainable path. Eventually, more drastic measures will be necessary, Strauss-Kahn said, including spending cuts and in some cases tax hikes. (Sources: Forbes, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.35	0.72	1.22	1.74	2.17	2.75	3.50	3.89
UK SWAP	0.50	0.61	0.87	0.87	2.41	3.13	3.82	4.01
US FED FUNDS SWAP	0.13	0.26	0.46	1.07	1.66	2.51	3.50	4.20

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.82	1.69	2.38	2.86	3.27	3.71	3.97
UK GILTS	0.66	1.68	2.63	3.13	3.67	4.10	4.13

Source: Bloomberg

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3822	18.75	32.63	3.81
DOW JONES	10489	19.51	30.35	2.69
FTSE 100	5372	21.14	42.07	3.50
EPRA EUROPE	1262	29.38	38.09	4.50

Source: Bloomberg

## NEWS TICKER

**Consumer prices in America rose by 0.3% in October on a seasonally adjusted basis.** They were 0.2% higher last month than a year earlier. Energy and car prices contributed the most to the overall increase. Food prices rose slightly, having fallen the previous month, though they remained 0.6% lower than a year earlier.

**The recession ended in the euro zone,** where GDP grew by 0.4% in the three months to September. Among the area's largest economies, growth was strongest in Germany, where the economy expanded by 0.7%. France and Italy also grew, by 0.3% and 0.6% respectively. But the Spanish and Greek economies continued to shrink, with GDP falling by 0.3% in each.

**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.

**Japan's economy grew strongly in the third quarter.** It expanded at an annual rate of 4.8%, aided by a 3.3% rise in domestic demand and rapid export growth.

**Eastern Europe, where currencies and equities combined to produce total dollar-denominated returns of about 50% this year, is showing signs of unraveling as the continent's favorite investment because of runaway debts.** (Sources: The Economist, Bloomberg, AEW Europe)

## REAL ESTATE MARKET INDICATORS

**Market atmosphere has brightened considerably worldwide, says RICS:** The mood on commercial real estate markets all over the globe has improved considerably. The Royal Institution of Chartered Surveyors (RICS) reported that expectations regarding demand for commercial space appear to be even better for the coming three months than they were in the second quarter. In Europe, too, significant increases in demand were expected during the next quarter, particularly in Central and Eastern Europe. In Western Europe, the property markets in France, Ireland, Scandinavia and Spain especially are still being viewed critically. Germany, all in all, has been less severely hit, according to the analysts.

**Risk aversion remains across Europe, says DTZ:** Commercial real estate investors across Europe show little willingness to move up the risk curve, according to DTZ's latest European Quarterly report, published today. Over the third quarter, commercial real estate investment activity remained focused on the main liquid and transparent markets of Western Europe.

**Eurohypo arranges €340 mln Telereal Trillium debt financing:** Eurohypo has entered into a €340 mln (approx. EUR 380 mln) financing with Telereal Trillium, secured on a portfolio of properties within Telereal Trillium's outsourcing contracts. This is a sign that banks are less resilient in financing large portfolio deals again.

## SELECTED RETAIL MARKETS

**Two more years of hardship for retail occupier market, says King Sturge:** Amid early signs of activity in European retail investment markets, King Sturge warns that the retail occupier market faces at least two more years of hardship and is therefore seriously out of kilter with any investment recovery.

**Retailers name Germany as top European hot spot for 2010 expansion:** Germany has emerged as the number one target destination for retailers looking to expand their international presence in the Europe, Middle East and Africa (EMEA) region in 2010, according to a report by CBRE. The report reveals that 47% of retailers surveyed as part of the research are targeting Germany for future expansion, followed by France, with 44%, and Spain with 36%.

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 RESIDENTIAL MARKETS

**Energy guidelines - EU establishes passive house standard:** A European Union committee has come to an agreement on much stricter energy standards that require future new buildings to be almost able to do without energy by conforming to today's standard for passive houses. Private owners will be affected by these stricter rules starting at the end of 2020; public authorities already at the end of 2018. Moreover, the key energy data will not only have to be presented during changes of ownership or tenancy, but also in marketing advertisements.

APARTMENT PRICES IN PARIS (Q2/2009)			RENT INDEXATION IN FRANCE	
AVERAGE PRICE (€/SQM)	QUARTERLY CHANGE (%)	YOY CHANGE (%)	RESIDENTIAL PROPERTY INDEX IRL (YOY%) (Q3/2009)	COMMERCIAL PROPERTY INDEX ICC (Q2 2009 YOY%)
6,060	-4.2	-7.8	+0.32%	-4.1%

Sources: base BIEN-Chambre des Notaires de Paris, INSEE, AEW Europe