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*This Weekly Market Update is sent every Monday to AEW Europe clients.*
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## CAPITAL MARKET INDICATORS

**US broad money growth weakens further:** US broad money growth slowed to 0.7% in the year to November. Over the past 12 months, it has been below 6%, the growth rate consistent with eventual trend output growth. Moreover, the credit counterparts show that US money growth mainly is held up by the dollar carry trade. Given that the dollar now looks likely to strengthen, broad money growth – and hence the eventual output growth outlook – will weaken.

**Citigroup to repay $20bn in Tarp funds:** Citigroup on Monday agreed to repay $20bn to the US government in a move that will allow it to exit the troubled asset relief programme by next year. The US bank said it would issue $17.5bn in common stock and $3.5bn in tangible equity units to buy back the trust preferred securities that regulators purchased through the bail-out package. The deal will also end the loss-sharing agreement between Citi and the US government.

**Abu Dhabi steps in to bail out Dubai:** Abu Dhabi is providing $10bn in funding to bail out its fellow emirate Dubai, enabling it to settle a $4.1bn sukuk or Islamic bond owed by troubled developer Nakheel due on Monday, the official news agency said. The government of Dubai said in a statement that the remaining funds would be used for interest payments and working capital until April 30 next year on the condition that Dubai World, a heavily indebted state-owned conglomerate, reached a standstill agreement on the remaining portion of $26bn in distressed debts. (Sources: LSR, FT, AEW Europe)

| Interest Rates (%) | Day/Day * | 3M | 1YR | 2YRS | 3YRS | 5YRS | 10YRS | 30YRS |
|---|---|---|---|---|---|---|---|---|
| Euro Swap | 0,35 | 0,72 | 1,26 | 1,75 | 2,14 | 2,67 | 3,43 | 3,81 |
| UK Swap | 0,50 | 0,61 | 0,95 | 0,95 | 2,38 | 3,12 | 3,88 | 4,09 |
| US Fed Funds Swap | 0,14 | 0,25 | 0,56 | 1,17 | 1,76 | 2,65 | 3,67 | 4,32 |

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

| Bond Yields (%) | 1YR | 3YRS | 5YRS | 7YRS | 10YRS | 15YRS | 30YRS |
|---|---|---|---|---|---|---|---|
| Bundesbank Germany | 0,79 | 1,56 | 2,25 | 2,80 | 3,19 | 3,69 | 3,97 |
| UK Gilts | 0,63 | 1,68 | 2,66 | 3,27 | 3,85 | 4,33 | 4,36 |

Source: Bloomberg

| Equity Markets | Current | % Change YTD | % Change 52 WK | % Div Yields |
|---|---|---|---|---|
| CAC 40 | 3815 | 18,56 | 18,72 | 3,63 |
| Dow Jones | 10491 | 19,54 | 21,57 | 2,64 |
| FTSE 100 | 5304 | 19,63 | 23,92 | 3,53 |
| EPRA Europe | 1188 | 21,79 | 23,53 | 4,75 |

Source: Bloomberg

## NEWS TICKER

**Most Europeans believe worst of financial crisis is still to come on jobs**: Most Europeans believe the worst of the economic crisis has yet to feed through to the labor market, the European Union said, citing a Eurobarometer survey.

**British industrial production was unchanged in October from a month earlier,** leaving it 8.4% lower than a year ago. The biggest decline was in the output of machinery and equipment, which fell by 17.8% year-on-year. The production of basic metals and metal products fell by 15.7%.

**German consumer prices fell by 0.1% in November from the previous month**, but were 0.4% higher than a year earlier. This is the first time since June 2009 that Germany has reported positive inflation.

**Germany's exports were 2.5% higher in October than a month earlier.** A 2.4% decline in imports meant that the country's trade surplus rose to €13.6 billion ($20.1 billion). But factory orders fell by 2.1% in October and were 8.5% lower than a year earlier. (Sources: Bloomberg, The Economist, AEW Europe)

## REAL ESTATE MARKET INDICATORS

**King Sturge Real Estate Economy Index - The mood is picking up:** The King Sturge Real Estate Economy Index reports another increase of almost every climatic indicator for November. As with the October survey, the polled real estate experts are reticent in their assessment of the market situation because the threat of possible backlashes is anything but checked. In November, the poll-based Real Estate Climate rose by 2.0%, from 78.2 to 79.8 index points.

**RICS implementation report: Towards an Energy Efficient European Building Stock:** Despite the recent EU agreement to transform the building sector with the adoption of ambitious energy efficiency legislation, practical barriers remain in Europe, according to the latest RICS report "Towards an Energy Efficient European Building Stock".

**U.K. house price pickup will stall in 2010 on forced sales, Rightmove says**: The U.K. housing market recovery will peter out in 2010 as the supply of homes increases because of forced sales, Rightmove Plc said.

## SELECTED RETAIL MARKETS

**A more positive year ahead for Europe's retail markets:** Cushman & Wakefield is predicting that retail rental falls in most European markets should bottom out by mid-2010 although sustained rental growth is unlikely to be achieved until 2011: For 2010, the company expects a relatively positive 12 months in the retail occupier and investment markets including increased retailer expansion and positive total returns by mid-year for core assets in most countries. One of the key factors which is expected to drive growth in 2010 is the relative affordability of retail space. Retail rents have fallen across most markets in the last two years. The outlook for retail property investors is also brighter than for some time. Capital values for retail property have, over the last 12-18 months, seen significant falls. It is encouraging therefore that there is now a marked slowing in the pace of yield increases, with the UK becoming the first major market to record yield compression having peaked in Q2. There is scope for more markets to follow the UK's lead, although this will depend increasingly on rental growth which may be constrained until 2011.

**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

**Europe faces wave of moth-balled ports projects:** North Western Europe is now awash with container port capacity. Prior to the recession it was perceived that these facilities were needed both to cope with the huge annual increases in container volume and to handle the new deep-draft vessels carrying these containers. Indeed the situation in Rotterdam was so bad that in 2008 the port had to restrict the movement of empty containers through the port as there was nowhere to store them. Now senior figures within Rotterdam Port suggest that the port faces over-capacity of possibly more than 1m TEU. Of course the over-capacity is due to the decline in container volumes over the past year, which has been in some cases more than 20%. Whilst it might be thought that container volumes may bounce back this may be a dangerous assumption given the structural problems facing consumer demand in Western Europe. (Source: Transport Intelligence)

**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 | 65 | ↓ | 7.5 | ↑ | -3.3 | ↑ |
| Prague | 55 | ↓ | 8.4 | ↑↑ | -15.4 | ↓ |
| Barcelona | 57 | ↓ | 7.6 | ↑ | -14.3 | ↓↓ |

Source : PMA, AEW Europe