

CAPITAL MARKET INDICATORS

China Ends Yuan Dollar Peg: The People's Bank of China said it will end a two-year currency peg adopted during the global financial crisis to protect exporters, a sign policy makers see the world economy strengthening. The Yuan has been held at about 6.83 to the dollar since July 2008. Its peg to the dollar was scrapped in July 2005 and replaced by a managed float against a basket of currencies including the euro and the Japanese yen. Commodity and industrial companies led gains in Asian stocks on optimism for increased sales in the world's third-largest economy.

Companies Market \$2.9 Bn of High-Yield Debt in U.S.: Investors increase deposits in mutual funds that invest in high-yield, high-risk bonds, reversing 5 straight weeks of withdrawals. High-yield debt returned 1.82 percent last week, the most since the period ended Jan. 8, according to Bank of America Merrill Lynch index data. That shows that investors are increasingly confident Europe's sovereign debt crisis won't derail the U.S. economy, said Martin Fridson, global credit strategist at BNP Paribas Asset Management.

Papandreou Says Budget Cuts Will Overcome Investors' Skepticism: Greek Prime Minister George Papandreou said skeptical investors will in time come to believe his measures to reduce the European Union's second-biggest budget deficit are changing the way his country operates and avert concerns about default. Officials from the EU, European Central Bank and International Monetary Fund said last week his program is "on track on all of the main dimensions." They are charged with ensuring Greece sticks to its pledge to reduce a budget deficit of 13.6% of gross domestic product in return for 110 bn euros in rescue loans.

(Sources: Bloomberg, Reuters, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.37	0.73	1.16	1.37	1.64	2.17	3.00	3.36
UK SWAP	0.55	0.73	0.95	1.52	1.93	2.60	3.54	3.94
US FED FUNDS SWAP	0.30	0.54	0.73	1.05	1.49	2.28	3.31	3.99

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.38	0.75	1.64	2.12	2.76	3.11	3.48
UK GILTS	0.55	1.37	2.24	2.88	3.51	4.01	4.26

Source: Reuters

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3747	-6.33	15.44	3.80
DAX	6303	1.14	24.53	3.04
FTSE 100	5306	-2.99	22.66	3.26
DOW JONES	10434	0.22	22.15	2.65
EPRA EUROPE	1210	-4.82	25.77	4.86

Source: Reuters, Datastream

CDS SPREADS	GERMANY	UK	FRANCE	ITALY	SPAIN	POLAND	GREECE	US
CDS 5 YEAR SPREAD	41.57	82.62	83.25	164.97	209.81	139.38	689.69	40.96

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

NEWS TICKER

Industrial Production in America Grew By 1.2% in May From a Month Earlier: The growth rate in May was the fastest since August last year, and left output 7.6% higher than a year earlier.

In the Euro Area, Industrial Output Rose by 9.5% in The Year to the End of April: It grew by 0.8% during the month. The year-on-year growth rate was the highest since January 1991, the earliest month for which a comparable figure is available. This partly reflects a base effect: output in April 2009 was close to its recession-induced nadir, which it reached the following month.

Euro-Area Inflation Inched Up: This was by a tenth of a percentage point to 1.6% in May.

The Inflation Rate in Britain Fell: This was by 0.3 percentage points to 3.4% in May.

In Britain, the Number of Those Claiming Unemployment Benefits Fell in May: This was by 30,900 to 1.48 million, the lowest since April last year.

The Unemployment Rate in Greece Fell in March: It decreased by half a percentage point to 11.6%.

Chinese Inflation Quickened to 3.1% in May: This compares to 2.8% in April. (Sources: Bloomberg, The Economist, The Wall Street Journal, AEW Europe)

REAL ESTATE MARKET INDICATORS

U.K. Capital Gains Tax Will Deter New Investors: As part of its emergency budget submission, RICS has concluded that a rise in the rate of capital gains tax will deter much needed new investment into the private rented sector. RICS has called on the Government to introduce taper relief based on the length of time buy-to-let investments have been owned. 72% of chartered surveyors who responded believed that a rise in CGT would deter investors from entering the private rented sector.

Foreign Investors Slam Tighter Rules For Italian Funds: The concern is about a recent proposal by the Italian government to scrap longstanding tax benefits for foreign institutions investing in Italian property funds. The changes, which were put forward last week, may be enforced by the year-end as part of Italy's 2010 Budget Law. Although it is still unclear whether the proposals will pass into law, the uncertainty could brake the development of the sector following a period of rapid growth over the past few years, the Italian property industry association Assoimmobiliare warned. 'We must avoid the changes in the new legislation currently being studied by the government discouraging foreign investors.'

Generali To Step Up Real Estate Exposure: Italian insurance giant Generali is looking to invest up to EUR 300 mln in the Italian market this year as part of plans to increase the weight of its real estate exposure. The group is planning to boost its exposure to property in the next three years from 6% at present to around 9%, with a view to expanding in new markets such as the US and Asia. (Sources: EuropeRE, PropertyEU, AEW Europe)

SELECTED OFFICE MARKETS

Yields Stabilize in the Netherlands Office Market With Some Signs of Recovery in Tenant Demand: According to King Sturge, prime yields in the first quarter of the year ranged between 5.7% in Amsterdam to 5.9% in The Hague and Rotterdam, with Utrecht showing 6.3% yields. Of these cities Rotterdam has led the way in terms of increases in tenant demand seeing a 24% rise in Q110 compared to Q109 whilst Utrecht recorded take up figures at 14% lower than Q109.

Zebra Tower First Office Building in Warsaw to Obtain LEED Certificate: LEED is the most recognized sustainability certificate for real estate internationally. The key benefits of LEED accreditation for a building include lower operation costs and improved marketability. (Sources: ThomasDaily, AEW Europe)

SELECTED OFFICE MARKETS (Q1/2010 DATA)	VACANCY RATE (%)	PRIME RENT (€/SQM/YR)	PRIME NET YIELDS (%)	BUSINESS CONFIDENCE
PARIS (CBD)	6.1 ↓	700 ↑	5.25 ↓	↑
LONDON (CENTRAL)	9.7 ↓	837 ↑	5.00 ↓	↑
COLONE	12.0 ↑	234 →	5.45 ↓	↓
BUDAPEST	22.5 ↑	174 →	7.00 →	↑
MADRID	10.2 ↑	336 →	5.44 ↓	↑

*Q4 2009 Data. Source: PMA, CBRE, AEW Europe

SELECTED RETAIL MARKETS

High Energy Costs Scare off Retailers, Says Douglas: Retail property owners and investors are ramping up asset management strategies to maintain shopping centres performance in a difficult economic environment across Europe, but costs continue to be a big concern for centre management and their tenants. Rent and service charges have always been an issue between landlords and tenants, but managing director of retailer Douglas, Hubert Stech, now says that in some cases the high cost of energy constitute 'a third rent'. (Sources: EuropeRE, AEW Europe)

SELECTED RETAIL MARKETS	HOUSEHOLD CONSUMPTION 2009 (%YOY)	HOUSEHOLD CONSUMPTION 2010E (%YOY)	AVERAGE PRIME RENTS (€/SQM/YR)**	AVERAGE PRIME YIELDS 2009 (%)	CONSENSUS ANNUAL INFLATION 2009 (%)
FRANCE	0.8 ↑	1.0	2547 ↓	6.1	↑ 0.1
GERMANY	0.2* ↑	-0.5*	2856 ↑	4.9	→ 0.4
ITALY	-1.8 ↓	0.6	2122 →	5.3	↑ 0.8
SPAIN	-5.0 ↓	-0.5	2183 →	5.8	↑ -0.3

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