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

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**CAPITAL MARKET INDICATORS**

**In America the unemployment rate rose by 0.4 percentage points** in October to 10.2%, the highest since April 1983. Trade, transport and utilities shed the most jobs. The number of Americans out of work went up to 15.7m, 5.5m more than in October last year.

**Industrial production in France slipped by 1.5% in September**, having risen in each of the previous four months. **Italian production declined** by 5.3%, after increasing for five consecutive months.

**UniCredit investors back 4 bln euro rights issue.** Shareholders in UniCredit SpA., Italy's biggest bank, approved a rights issue of up to 4 billion euros (\$6 billion) on Monday aimed at shoring up lagging capital ratios.

**Erste rights issue seen at 30 euros/share.** Erste Group Bank is expected to price its rights issue at 30 euros per share, two traders and two fund managers said, citing market talk about the group's rights issue which will close later on Monday.

(Sources: Reuters, LSR, The Economist, AEW Europe)

INTEREST RATES (%)	DAY/DAY *	3M	1YR	2YRS	3YRS	5YRS	10YRS	30YRS
EURO SWAP	0.35	0.71	1.16	1.68	2.12	2.71	3.52	3.95
UK SWAP	0.51	0.61	0.93	0.93	2.55	3.28	3.93	4.13
US FED FUNDS SWAP	0.13	0.27	0.46	1.07	1.65	2.47	3.42	4.12

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

BOND YIELDS (%)	1YR	3YRS	5YRS	7YRS	10YRS	15YRS	30YRS
BUNDESBANK GERMANY	0.65	1.66	2.38	2.89	3.32	3.76	4.03
UK GILTS	0.75	1.76	2.72	3.23	3.75	4.21	4.26

Source: Bloomberg

EQUITY MARKETS	CURRENT	% CHANGE YTD	% CHANGE 52 WK	% DIV YIELDS
CAC 40	3863	20.05	17.37	3.76
DOW JONES	10374	18.21	22.09	2.65
FTSE 100	5383	21.39	27.16	3.54
EPRA EUROPE	1307	34.00	28.26	4.37

Source: Bloomberg

**NEWS TICKER**

**UK Pension funds fall by £18bn in one month.** The total value of defined contribution pension value fell by £18bn in one month, according to Aon Consulting. The total figure stood at £489bn at the end of October, compared to £507bn at the end of September. The fall reflects a bad month for stock markets around the world as they fell back following a period of strong gains.

**UK property recovery gathers pace, IPD data shows.** Capital growth in Britain's commercial property market rose for a third consecutive month in October and at its fastest pace in more than three years, signalling that a recovery is gaining traction, data from IPD showed Nov. 13. The benchmark data showed that all property capital values improved by 1.86% in the month, accelerating from a 1.1% rise in September and a 0.2% increase in August. The October increase in capital growth, which helped IPD's total return index 2.52% higher, was led by the U.K. retail property sector's 2.60% increase during the month. British office and industrial properties saw capital value increases of 1.07% and 1.50%, respectively, during the period. Income return saw more muted increases in October, with a 0.67% increase during the month, with positive contributions from each of the three main property sectors. (Sources: The Economist, FT, Forbes, Reuters, PropertyEU, AEW Europe)

**REAL ESTATE MARKET INDICATORS**

**UK property groups to report gains in portfolios.** The UK's two largest property companies will this week report the first gains in the value of their portfolios since the start of the real-estate slump as investors look for confirmation of a nascent recovery. Land Securities and British Land are to say that property values began to rise again in the third quarter, confirming that a recovery in the market is feeding through to the books of the large real estate investment trusts.

**Spanish property regime a missed opportunity: EPRA.** The new Spanish regime for property investment (SOCIMI) fails to capture the benefits of a true real estate investment trust (REIT) structure and is a missed opportunity for the Spanish Government, according to the European Public Real Estate Association. EPRA views the 'REIT' label as unjustified since the SOCIMI regime has departed from the standard REIT model of tax exemption at the entity level. Instead, a reduced 18% flat rate is provided for qualifying net income, payable by the SOCIMI itself. The industry's view is that corporate tax and other onerous restrictions will limit the ability of the SOCIMI regime to attract new capital back into the Spanish market.

**SELECTED OFFICE MARKETS**

**London. Koreans to buy HSBC's Canary Wharf HQ for €63m.** The National Pension Service of Korea (NPS) has agreed to acquire HSBC's headquarters in Canary Wharf, London for £772.5 mln (EUR 863 mln) in cash. This is the third time in two years that ownership of 8 Canada Square has changed hands. HSBC originally entered into a sale-and-leaseback transaction of the property with Spanish real estate firm Metrovacesa for just over £1 bn in May 2007. HSBC took back ownership of the building from debt-strapped Metrovacesa in Dec. 2008, resulting in a gain of about £250 mln. The bank said that the latest sale to NPS would result in a gain of about £350 mln.

**European banks' office take up down by 53% in six months but London bounces back.** Although the global economic crisis has pushed banks' take-up of office space in the last six months down by 53% compared to H109, this rate of decline is markedly slower than before. Whereas previously the London market saw the biggest drop in activity in the six months to the end Q1 2009, the UK capital has remained relatively healthy and was the most active European market in the last six months.

SELECTED OFFICE MARKETS (Q3/2009 DATA)	VACANCY RATE (%)	PRIME RENT (€/SQM/YR)	PRIME NET YIELDS (%)	BUSINESS CONFIDENCE
PARIS (CBD)	5.5 ↑	644* ↓	5.80 ↓	↑
LONDON (CENTRAL)	11.1* ↓	773 ↓	6.15* ↓	↑
MUNICH	8.6 ↑	348 ↓	5.25 →	↑
BUDAPEST	15.3* ↑	186* →	7.00 ↑	↑
ROME	8.7* ↑	380 ↓	5.51* →	↑

\*Q2/2009 Source: PMA, CBRE, AEW Europe

**SELECTED RETAIL MARKETS**

**Germany, UK and Spain drive retail investment in Q3.** Investment in European retail property topped €5 bn in Q3 2009, a quarterly increase of 18% and the highest total since Q3 2008, according to CBRE. In contrast to the 34% jump in activity across all sectors, the upturn in retail investment has been less pronounced; although the downturn in retail investment was equally shallow. Retail investment was heavily driven by a small number of western European markets. Germany, Spain and the UK dominated the market, accounting for over 80% of Q3 retail investment. Historically these three markets have accounted for just 63% of turnover.

**France: inflation stabilizes in October.** According to Nielsen, inflation of consumer goods and fresh self-service products shrank in October, mainly due to the effect of retailers own brand products, which are deflationist for the first time since September 2006. Overall inflation was +0.4% and +0.2% for the leading banners; it was +0.1% for major national brands, -0.2% for own brand products and +1.1% for 1st price products. (Sources: Natixis Securities, INSEE, PropertyEU)

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

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