



Market Commentary

Global Property Securities Performance Indicators

FOURTH QUARTER 2008

Performance as of October 15, 2008

	MTD (%)	3Q (%)	YTD (%)	
Real Estate	FTSE EPRA/NAREIT Global Real Estate Index	-23.76	-10.41	-41.06
	FTSE NAREIT US Equity Real Estate Index	-33.30	5.55	-32.13
	FTSE EPRA/NAREIT Europe Index	-14.77	-15.50	-35.77
	FTSE EPRA/NAREIT Asia Pacific Index	-12.16	-24.18	-49.06
Equities	MSCI World Equity Index	-19.63	-15.67	-40.18
	S&P 500 Index	-22.08	-8.37	-37.11
	S&P Europe 350 Index	-14.79	-20.28	-40.07
	MSCI Pacific Index	-10.72	-20.80	-35.45

Source: Bloomberg

During the third quarter and the first half of October, global equity markets sustained meaningful declines as investors appeared to price in recessionary scenarios. In light of recent volatility, we have extended our market commentary to mid-October in order to offer a more representative snapshot of current global economic conditions.

The failure of several major global financial institutions and the subsequent actions taken by governments to address the severely constrained credit markets negatively influenced investor actions in recent periods. It is increasingly apparent that the problems in the U.S. credit market are spreading across global economies. Global economic activity is decelerating and we anticipate further near-term weakness in consumption and spending.

General equity markets as well as real estate securities have lost significant value in recent periods. While real estate valuations may continue to experience pressure from rising property capitalization rates and slowing tenant demand, recent company earnings reports and management comments indicate that real estate earnings will likely be more resilient than many other segments of the economy. During a period of slowing economic growth, investors may be attracted to the hard asset values provided by real estate assets and the dividend yields offered by listed property companies. The current dividend yield on global real estate securities is approximately 6.3%. Based upon current share prices and operating income levels, implied global real estate capitalization rates have reached elevated levels across most global markets. Given the spread between capitalization rates and risk free rates, real estate assets may begin to attract additional capital investment. However, while current prices may appear attractive, pricing could remain under pressure until credit markets stabilize and capital becomes more available for property market transactions.

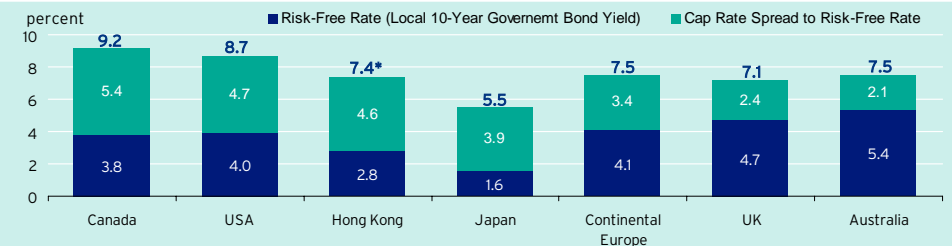
It is increasingly apparent that the problems in the U.S. credit market are spreading across global economies.

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Exhibit 1 Implied Cap Rates as of 15/10/08



*Hong Kong implied cap rate applies only to REITs and Landlords. Hong Kong and Chinese Developers are not included in this analysis. Sources: Invesco Real Estate estimates as of 15/10/08

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...the lending environment appears likely to remain constrained for an extended period of time.

North America: As the current credit market challenges continue to increase in significance, the negative fundamental impact on the economy should become evident over the next several quarters. While federal government actions may help to alleviate the near-term liquidity issues, the lending environment appears likely to remain constrained for an extended period of time. Like the rest of the financial markets, the U.S. REIT market experienced a high degree of volatility in the quarter. During July and August, earnings reports were relatively in line to slightly above expectations, providing a modest positive to the sector.

Canada's July GDP grew above market expectations, bouncing back on stronger manufacturing performance and wholesale sales. GDP grew 0.7%, above the 0.2% consensus estimate. The Canadian equity market performance was muted, however, as all eyes were focused on the outcome of the U.S. Treasury bailout package. During the quarter, Canadian REITs outperformed the broader Canadian equity market. This outperformance appears to be driven by relatively stable underlying property markets and favorable dividend yields.

Second quarter GDP broadly declined from the previous quarter across the region, accompanied by slower employment growth and/or rising unemployment.

Asia Pacific: The impact of the global economic slowdown became more evident in Asia during the quarter. Second quarter GDP broadly declined from the previous quarter across the region, accompanied by slower employment growth and/or rising unemployment, and moderating GDP growth expectations. As expected, exports showed notable weakness. Consumer and investor confidence weakened with the languishing regional equity markets. Asian governments began shifting their policy focus from fighting inflation toward liquidity injections and stimulating economic growth. In the real estate market, financial center markets such as Hong Kong and Singapore saw significant slowdowns in tenant demand and asking rents appear to have peaked for the class A, CBD office properties in the region. Residential markets saw weaker pricing amid slowing transaction volumes across most of the region. In Japan, a number of smaller real estate developers, particularly ones that focus on condo development and real estate securitization business, filed for bankruptcy protection.

There is increasing evidence that Australia is not immune from economic difficulties. Policy makers expanded liquidity tools with the Reserve Bank of Australia (RBA), announcing a domestic term deposit facility and FX swaps with other central banks. The RBA cut rates by 25 basis points in early September to 7%, and forecasts anticipate an additional 25 to 50 basis points rate cut in October to help stimulate the economy. The Australian Listed Property Trust (LPT) sector reversed its August outperformance and underperformed peer property markets during September, while still outperforming the broader Australian markets.

Rental and occupancy levels have remained stable in most markets...(however) ...Asset values across the region have continued to fall as a result of expanding capitalization rates.

Europe: Europe continued to exhibit deteriorating economic fundamentals and credit market instability during the third quarter. Across Europe, governments and central banks have now intervened on several occasions to support major financial institutions. GDP growth across the region already appears to have fallen close to zero growth during the period, with most core European countries now on the verge of economic recession. The speed of the regression of economic growth prospects and some signs of easing inflationary pressures suggest that rate cuts may be forthcoming across the region.

Government bond yields fell substantially during the period, with real estate securities having generally outperforming versus general equities. Rental and occupancy levels have remained stable in most markets, with the exception of the City of London, where rents are now falling and levels of vacancy are rising as investment banks pare back space requirements. Asset values across the region have continued to fall as a result of expanding capitalization rates. Evidence of strategic stake-building has provided some catalyst for improved market performance in the U.K.

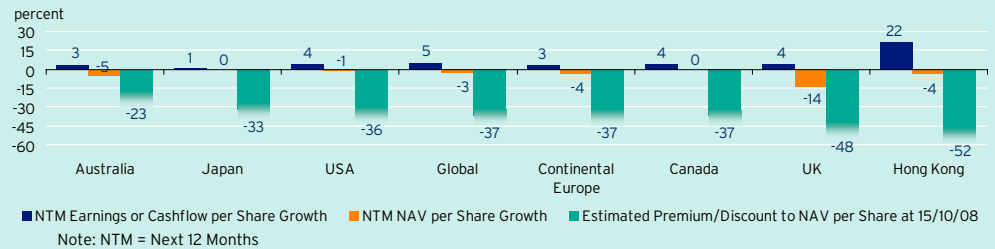
Global Financial Characteristics

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

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Growth expectations are generally modest across the globe for both cash flow and NAV.

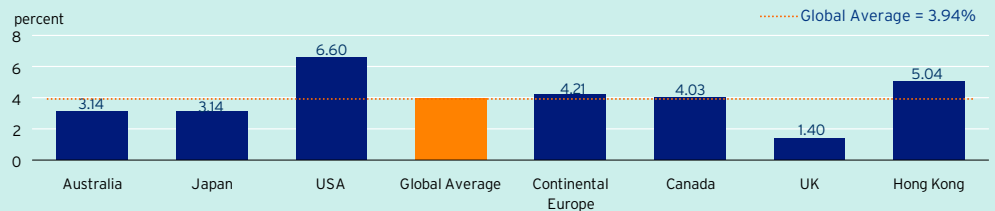
Exhibit 2
Global Real Estate Securities Valuation Metrics



Sources: Invesco Real Estate estimates as of 15/10/2008

Earnings yields are greater than the risk-free rates, demonstrating a positive spread to local government bonds across the globe.

Exhibit 3
Global Real Estate Earnings Yield Spread to Local Risk-Free Yield

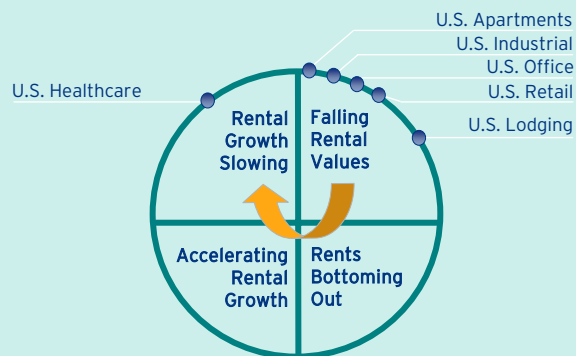


Sources: Bloomberg, FirstCall, SNL Datasource, Invesco Real Estate estimates as of 15/10/08; Risk-Free Yields are expressed in local currency. Global Average represents the simple average of country yield spreads.

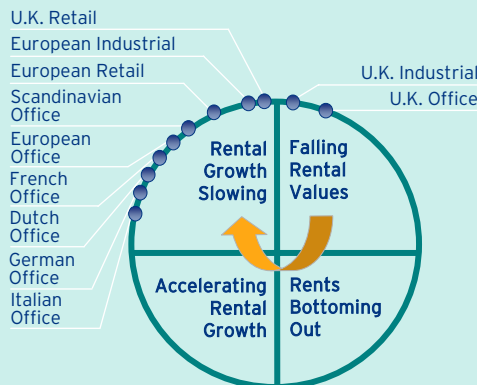
Most asset types and geographies are now experiencing slow rental growth or falling rental values. The relative changes in the fundamentals may provide investment opportunities.

Exhibit 4
Fundamentals in Key Markets – North America, Europe & Asia Pacific

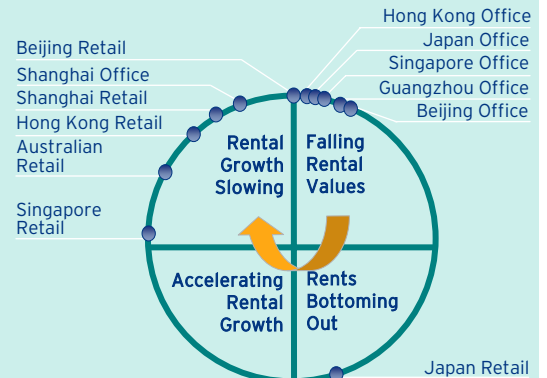
North America



Europe



Asia Pacific



Source: Invesco Real Estate based on internal research as of 15/10/08.

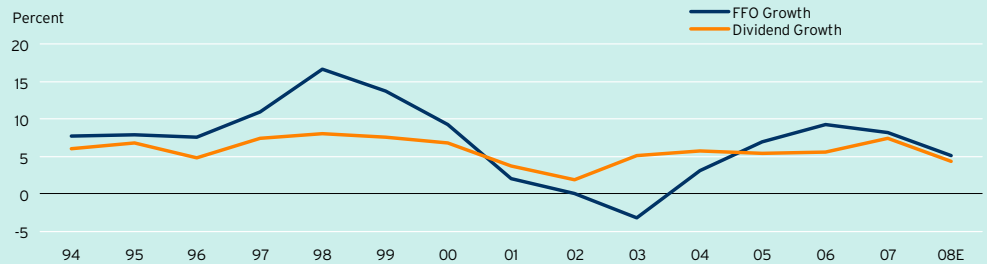
North America Financial Characteristics

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In the U.S., dividend growth is expected to moderate along with cash flow growth.

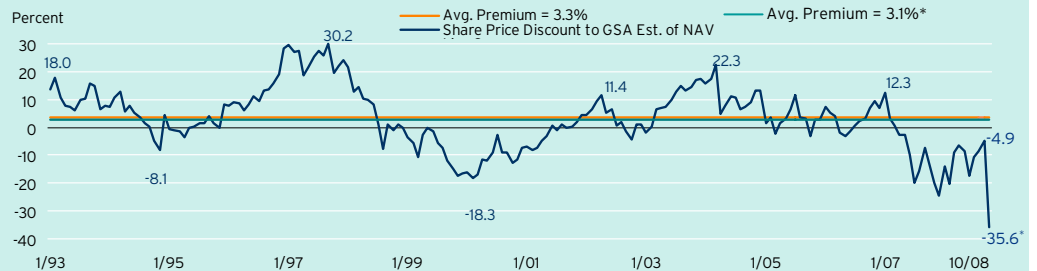
**Exhibit 5
U.S. REIT FFO Growth & Dividend-Per-Share Growth (1994-2008E)**



Sources: FirstCall, SNL Datasource, Invesco Real Estate used for 1994 to 2008E; National Association of Real Estate Investment Trusts® *Chart Book* (April 2008) for 1994 to 2007 annual REIT dividend growth; SNL Datasource and Invesco Real Estate for 2008 estimate.

In the U.S., shares are currently trading at a -35.6% discount to NAV estimates, rather than the long-term average 3.1% premium.

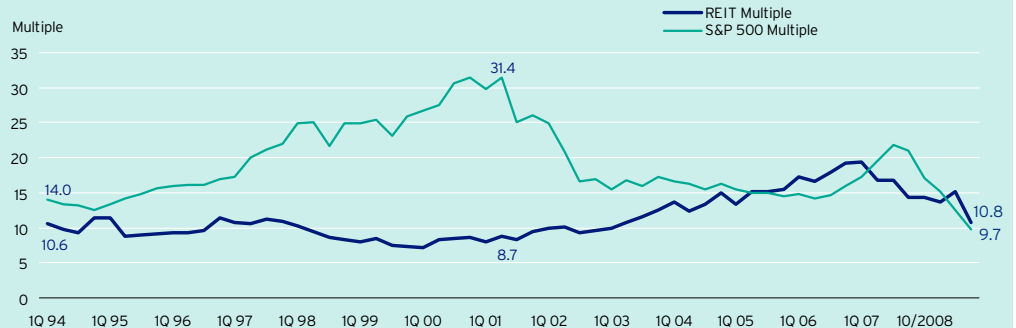
**Exhibit 6
U.S. REIT Share Price/NAV Estimate**



*Discount to NAV based on 15/10/08 Price discount to 01 October 2008 GreenStreet NAV estimate. Source: Used by permission of Green Street Advisors (*Real Estate Securities Monthly*, 01 October 2008). Assumes cap rate of 6.8%.

In the U.S., real estate securities are trading at a 10% premium to broad market equities based on earnings multiple. Since 1994, the average discount has been 34%.

**Exhibit 7
Forward "Bottom Up" Earnings Multiple for S&P 500 & U.S. REITs***



* FFO - Proxy for cash flow per share Sources: INVESCO Real Estate, SNL Datasource, First Call Consensus Estimates, Bloomberg L.P. and Standard & Poor's. Data represents 1Q 94 to 15/10/08.

The Europe region includes: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland & United Kingdom.

In Europe, cash flow growth remains positive, but the magnitude of the growth is declining.

In Europe, shares are currently trading at a -41.1% discount to NAV estimates.

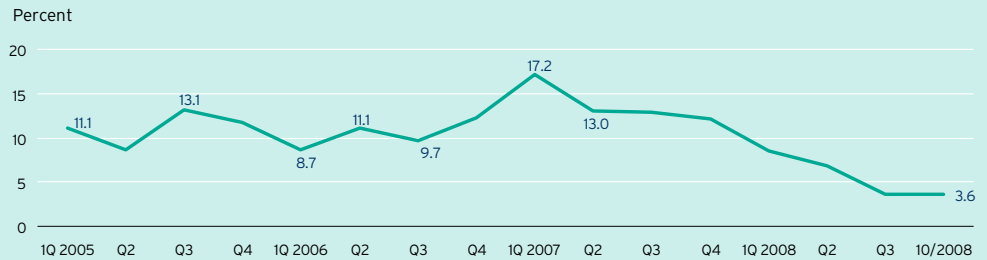
In Europe, real estate securities are trading at a 78% premium to broad market equities based on earnings multiple.

Note that in Exhibits 7 through 12, 2005 was used as the inception date for these graphs due to the limited availability of standardized data on a historical basis. 1Q 2005 represents the first period that global Invesco Real Estate estimates are available.

Europe Financial Characteristics

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Exhibit 8
European Listed Real Estate Securities Earnings Growth



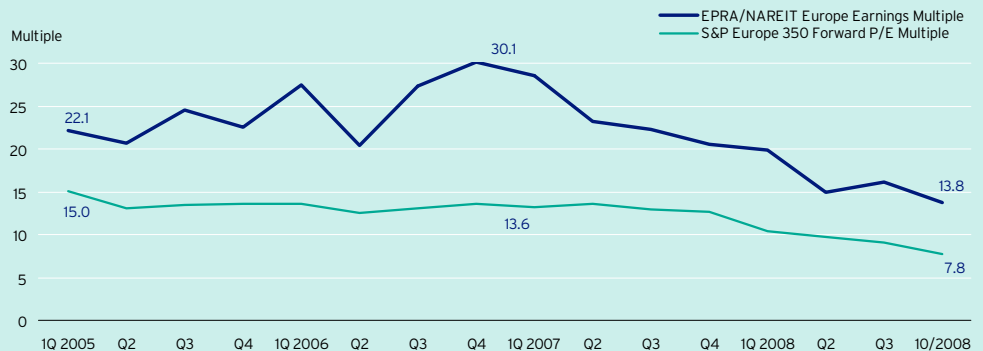
Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 15/10/08
Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. Countries that adopt the REIT structure often exhibit abnormal dividend growth patterns.

Exhibit 9
European Listed Real Estate Securities Price/NAV Estimate



Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 15/10/08

Exhibit 10
Forward "Bottom Up" Earnings Multiple for S&P Europe 350 & European Listed Real Estate Securities



Sources: Bloomberg, FirstCall, SNL Datasource, Standard & Poor's and Invesco Real Estate estimates as of 15/10/08

Asia Pacific Financial Characteristics

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

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The Asia Pacific region includes: Australia, Hong Kong, Japan, New Zealand, Singapore & South Korea.

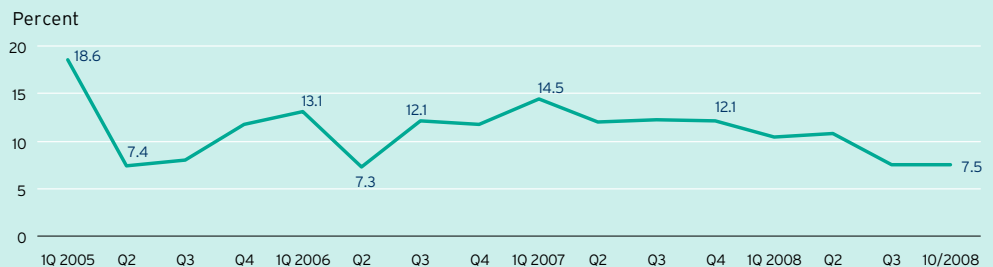
In the Asia Pacific region, cash flow growth remains positive, but the magnitude of the growth is declining.

In the Asia Pacific region, shares are currently trading at a -36.1% discount to NAV estimates.

In the Asia Pacific region, real estate securities are trading at a 40% premium to broad market equities based on earnings multiple.

Note that in Exhibits 7 through 12, 2005 was used as the inception date for these graphs due to the limited availability of standardized data on a historical basis. 1Q 2005 represents the first period that global Invesco Real Estate estimates are available.

Exhibit 11
Asia Pacific Listed Real Estate Securities Earnings Growth



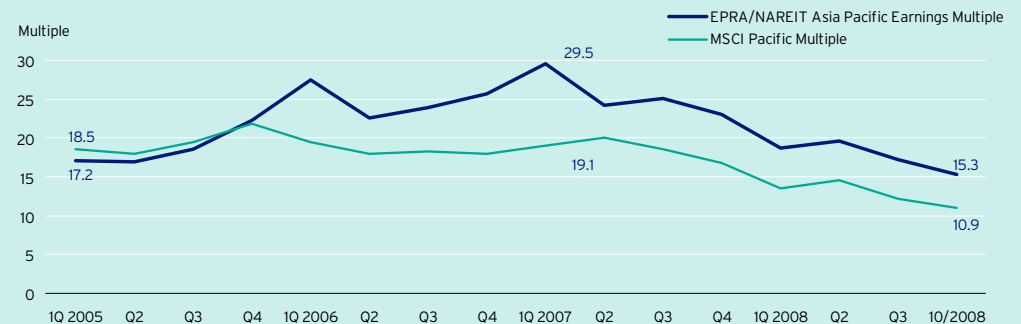
Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 15/10/08
Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. Countries that adopt the REIT structure often exhibit abnormal dividend growth patterns.

Exhibit 12
Asia Pacific Listed Real Estate Securities Price/NAV Estimate



Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 15/10/08

Exhibit 13
Forward "Bottom Up" Earnings Multiple for MSCI Pacific & Asia Pacific Listed Real Estate Securities



Sources: Bloomberg, FirstCall, SNL Datasource, MSCI Barra and Invesco Real Estate estimates as of 15/10/08

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