



Market Commentary

Global Property Securities Performance Indicators

FIRST QUARTER 2010

Performance as of December 31, 2009

	4Q (%)	2009 (%)
Real Estate	FTSE EPRA/NAREIT Developed Global Index	4.40 38.26
	FTSE NAREIT U.S. Equity Index	9.39 27.99
	FTSE EPRA/NAREIT Developed Europe Index	3.37 28.86
	FTSE EPRA/NAREIT Developed Asia Index	2.17 33.53
Equities	MSCI World Equity Index	3.68 26.98
	S&P 500 Index	6.04 26.46
	S&P Europe 350 Index	4.90 25.66
	S&P Asia 50 Index	4.98 57.17
	S&P Japan TOPIX 150 Index	2.07 7.27
	S&P Australia 50 Index	2.60 30.06

Source: Bloomberg

Real estate occupier markets remained challenging across most of the globe. However, demand for high quality real estate investment product remained strong in all regions.

The past quarter saw continued economic recovery across the globe, with expectations that GDP growth will be positive for all developed and major developing economies during the period.

Real estate occupier markets remained challenging across most of the globe, with minimal corporate expansion. Asian economies continue to lead the way, with western economies evidencing positives despite the obvious longer-term impacts of the ongoing de-leveraging process. Demand for quality real estate investment product increased in all regions, particularly for prime quality assets with long-term income. As such, asset values have risen in many markets during the period and are expected to be evidenced in rising net asset values among the listed companies. Having seen the bulk of the sectors' capital raising activity in previous quarters, recent months have begun to see companies with stronger balance sheets using their resources to acquire assets and reposition portfolios for the upcoming cycle.

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Despite the challenging underlying property fundamentals, the U.S. REIT market generally followed the overall equity markets and continued to post gains during the quarter.

North America: The U.S. economy provided signs of continued improvement during the fourth quarter. Most economic measures improved, offering indications that the economy has transitioned from a contraction phase into an expansionary phase. Nevertheless, the pace of the recovery remains relatively modest and the transition from government stimulus-induced growth to a private economic recovery is uncertain. While the labor markets have improved as layoffs have moderated, significant capacity persists and new hiring remains quite weak when measured by historical standards. Real estate property fundamentals remained challenging with most property sectors still experiencing weak tenant demand and falling rents. Despite the challenging underlying property fundamentals, the U.S. REIT market generally followed the overall equity markets and continued to post gains during the quarter.

Canadian economic data remained mixed with a near-term bias toward stabilization and modest recovery. The Canadian REIT market significantly outperformed the broader market as favorable job reports boosted investor expectations for improving real estate space demand.

Asia Pacific: Asian economies saw continued signs of economic recovery during the quarter as industrial production, retail sales and labor market conditions improved and in some cases, exceeded expectations. Hiring intentions across Asia ex-Japan showed significant improvement. Against the backdrop of global economic recovery taking hold, various Asian countries embarked on the initiatives of withdrawing stimulus put in place over the past 12-18 months. While Vietnam was the first Asian country to raise interest rates, Singaporean, Chinese and Hong Kong authorities took various tightening measures targeting the residential real estate market following a year of substantial price increases and concerns for asset bubbles. Commercial real estate tenant demand continued to improve during the period. A substantial amount of capital raising and merger and acquisition activities took place in the Asian real estate sector. One of Singapore's largest developers, CapitaLand, listed its pan-Asia retail real estate business in an IPO that was the largest in Singapore in over two decades. A number of Chinese residential developer stocks also conducted initial public offerings in Hong Kong. Meanwhile, the Japanese real estate sector saw a number of JREITs finding new sponsors, issuing equity and/or acquiring assets as the Japanese real estate capital market continued to improve.

Asian economies saw continued signs of economic recovery during the quarter as industrial production, retail sales and labor market conditions improved and in some cases, exceeded expectations.

The Australian economy remained resilient with 3Q09 QoQ GDP growth of +0.2% and YoY growth of +0.6%. Real estate property fundamentals are showing signs of bottoming, especially in the more economically sensitive office and industrial sectors. Retail continues to be strong given favorable trends in retail sales, buoyed by government handouts earlier in the year, historically low interest rates for most of the year and a much stronger than anticipated labor market. Australian REIT performance for the fourth quarter 2009 was relatively in-line with the broader equity markets.

Europe: Consistent with the rest of the world, European economic conditions generally maintained their improvement through the fourth quarter. All major European economies are expected to exhibit expansionary GDP growth in the period. However, evidence of divergent trends and the long-term nature of de-leveraging remain evident with national debt to GDP still rising in most nations, savings rates maintaining their relatively higher levels, and bank lending activity remaining weak. Greece saw its sovereign debt downgraded by rating agencies, with some expectations in the market that other higher leveraged European economies may see the same fate in 2010. However, with general data trends still creating positive sentiment, equity markets continued to rally in the period. Listed real estate securities generally maintained comparable performance, with the UK and Dutch companies generally better performing and the Austrian and German companies generally lagging. This was consistent with the market seeking value with the prospect of earnings or net asset value growth and sustainable cashflow. Evidence of greater private real estate market liquidity has been seen during the quarter, with a number of the listed real estate companies beginning to use their balance sheet capacity to acquire assets or strategically re-shape their portfolios. This has been most notable in the UK, albeit signs of life in France and across the mall sector in Europe have also been evident.

European equity markets continued to rally during the quarter as general data trends created positive sentiment.

Global Financial Characteristics

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

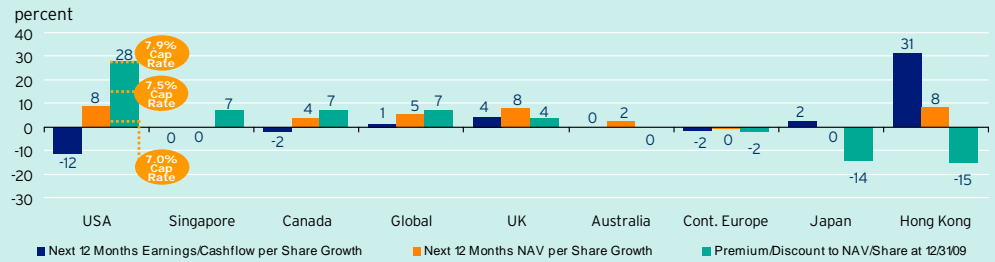
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Earnings expectations and NAV (Net Asset Value) growth varied across different regions of the world, as global financial markets remained volatile. Currently, the US market is priced at a 28% premium to NAV, using an 7.9% cap rate. Given the sensitivity of this exercise to cap rate assumptions, we have provided some sensitivity in Exhibit 1. A cap rate of 7.0% would change the current USA valuation to become a 1% premium and the current Global valuation to become a 3% discount.

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

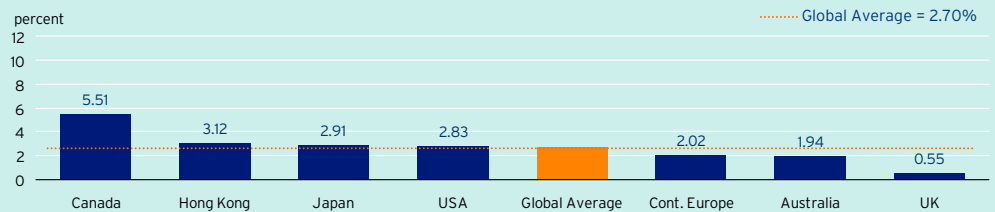
Rental growth has effectively been eliminated across global markets and asset types. The relative timing of future rental growth cycles may provide investment opportunities.

Exhibit 1
Global Real Estate Securities Valuation Metrics



Sources: Invesco Real Estate estimates as of 31/12/09

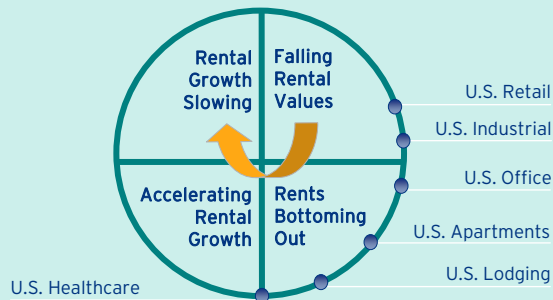
Exhibit 2
Global Real Estate Earnings Yield Spread to Local Risk-Free Yield



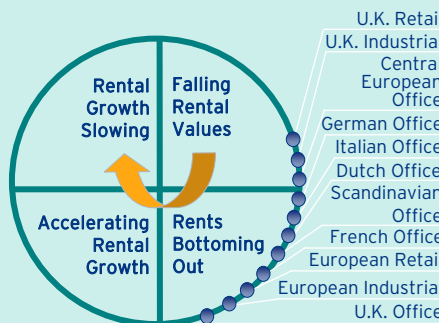
Sources: Bloomberg, FirstCall, SNL Datasource, Invesco Real Estate estimates as of 31/12/09; Risk-Free Yields are expressed in local currency. Global Average represents the simple average of country yield spreads.

Exhibit 3
Fundamentals in Key Markets – North America, Europe & Asia Pacific

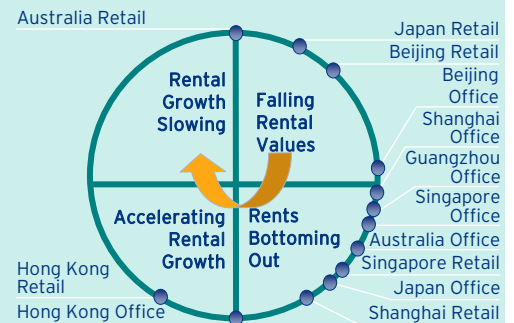
North America



Europe



Asia Pacific



Source: Invesco Real Estate based on internal research as of 31/12/09.

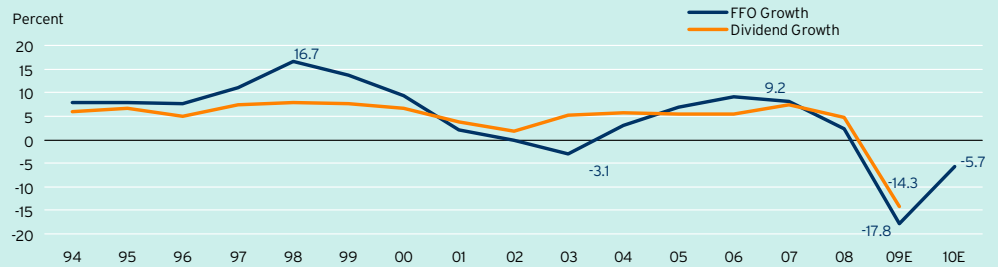
North America Financial Characteristics

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

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In the U.S., dividends will experience meaningful declines in 2009; however, dividend yields remain at competitive levels.

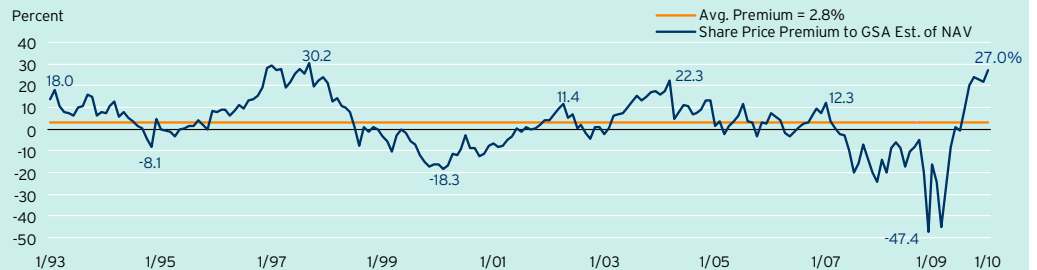
**Exhibit 4
U.S. REIT FFO Growth & Dividend-Per-Share Growth (1994-2009E)**



Sources: National Association of Real Estate Investment Trusts *REITWatch*[®] (December 2009) for 1994 to 2008 annual REIT dividend growth; FirstCall, SNL Datasource and Invesco Real Estate estimates for 2009 and 2010.

In the U.S., shares are currently trading at a 27% premium to NAV estimates, rather than the long-term average 2.8% premium.

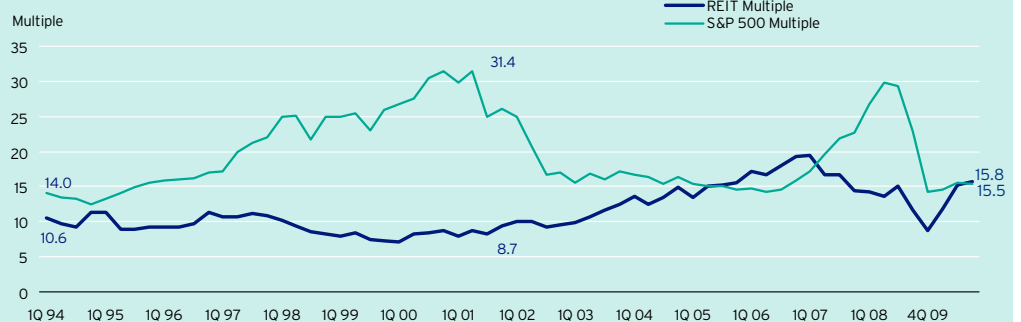
**Exhibit 5
U.S. REIT Share Price/NAV Estimate**



Source: Used by permission of Green Street Advisors (*Real Estate Securities Monthly*, 04 January 2010). Assumes cap rate of 7.9%.

In the U.S., real estate securities are trading at a 2% premium to broad market equities based on earnings multiple. Since 1994, the average discount has been 36%.

**Exhibit 6
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 4Q 09.

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, earnings growth profile has improved as markets witnessed the initial phase of economic recovery.

In Europe, shares are currently trading in line with NAV estimates.

In Europe, real estate securities are trading at a 20% 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

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

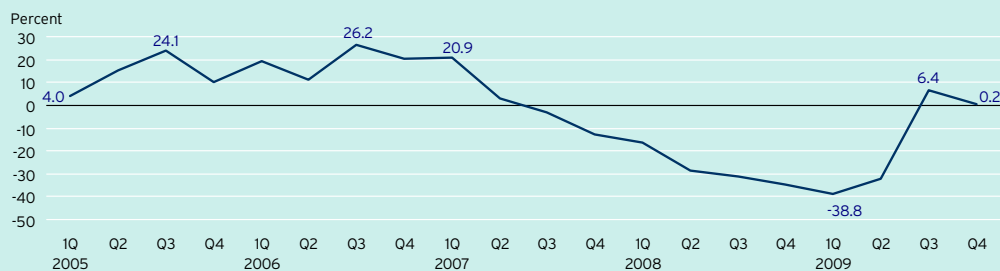
FIRST QUARTER 2010

Exhibit 7
European Listed Real Estate Securities Earnings Growth



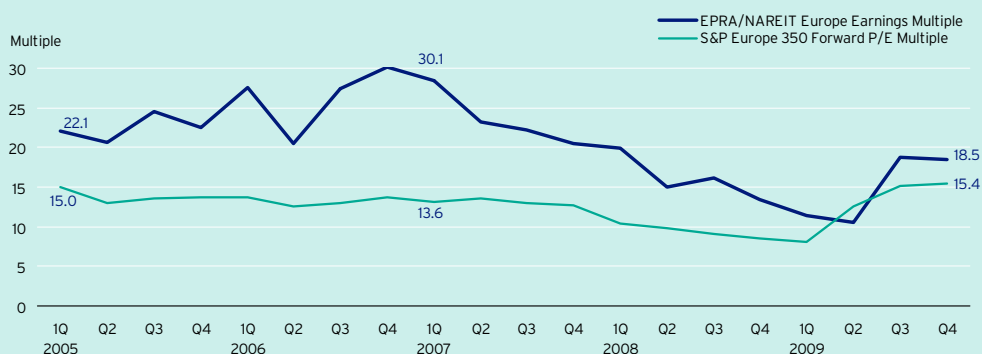
Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 31/12/09
Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. Countries that adopt the REIT structure often exhibit abnormal dividend growth patterns.

Exhibit 8
European Listed Real Estate Securities Price/NAV Estimate



Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 31/12/09

Exhibit 9
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 31/12/09

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

In the Asia Pacific region, positive earnings growth was mainly driven by the promising economic outlook and certain governments' actions.

In the Asia Pacific region, shares are currently trading at a 8.8% discount to NAV estimates.

In the Asia Pacific region, real estate securities are trading at a 6% discount to broad market equities based on earnings multiple.

Note that source for Exhibit 12 has changed from the MSCI Pacific Index to a simple average of S&P Asia 50, S&P Japan TOPIX 150 and S&P Australia 50 indices due to the availability of historical forward earnings multiple data.

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.

Asia Pacific Financial Characteristics

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

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Exhibit 10
Asia Pacific Listed Real Estate Securities Earnings Growth



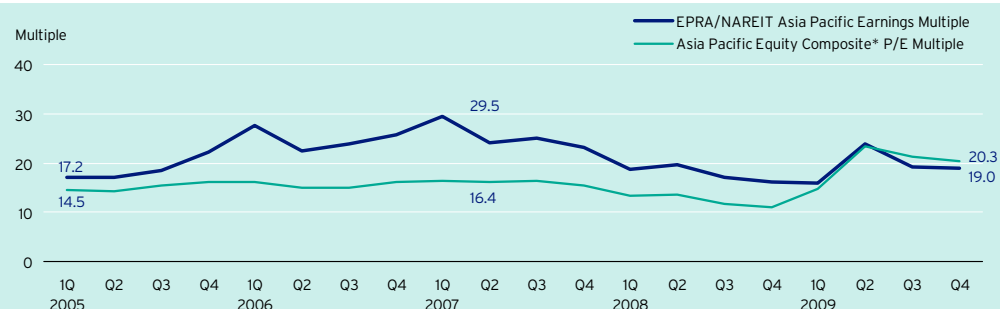
Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 31/12/09
Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. Countries that adopt the REIT structure often exhibit abnormal dividend growth patterns.

Exhibit 11
Asia Pacific Listed Real Estate Securities Price/NAV Estimate



Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 31/12/09

Exhibit 12
Forward "Bottom Up" Earnings Multiple for Asia Pacific Equity Composite* & Asia Pacific Listed Real Estate Securities



* Asia Pacific Equity Composite is a simple average of S&P Asia 50, S&P Japan TOPIX 150 and S&P Australia 50 indices. Sources: Bloomberg, FirstCall, SNL Datasource, Standard & Poor's and Invesco Real Estate estimates as of 31/12/09.

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