



# Market Commentary

## Global Property Securities Performance Indicators

### SECOND QUARTER 2009

#### Performance as of March 31, 2009

	1Q (%)	YTD (%)	
<b>Real Estate</b>	FTSE EPRA/NAREIT Developed Index	-22.09	-22.09
	FTSE NAREIT US Equity Index	-31.87	-31.87
	FTSE EPRA/NAREIT Developed Europe Index	-15.42	-15.42
	FTSE EPRA/NAREIT Developed Asia Pacific Index	-12.32	-12.32
<b>Equities</b>	MSCI World Equity Index	-11.86	-11.86
	S&P 500 Index	-11.01	-11.01
	S&P Europe 350 Index	-16.69	-16.69
	MSCI Pacific Index	-12.83	-12.83

Source: Bloomberg

*Somewhat encouragingly, certain March data reports did point to tentative signs of stimulus policies taking effect, particularly from China.*

For more information  
please contact:

Max Swango (Dallas)  
(972) 715-7431  
max.swango@invesco.com

Laler DeCosta (Atlanta)  
(404) 439-3124  
laler.decosta@invesco.com

Not surprisingly, gross domestic product (GDP) growth was below expectations through the final quarter of 2008, and sentiment surveys across most of the world suggest that first quarter 2009 will show equally testing conditions.

Government and central bank actions have continued in many countries during the quarter. Falling interest rates have now been supplemented by the introduction of quantitative easing in the U.S. and U.K. and a variety of other stimulus policies across most other regions of the world. Somewhat encouragingly, certain March data reports did point to tentative signs of stimulus policies taking effect, particularly from China.

Capital market volatility remained a feature of the quarter, with most equity markets ending the quarter in negative territory. Real estate securities generally underperformed wider equity markets, though the Hong Kong-listed real estate companies bucked the trend, led by the China development-focused companies. Elsewhere, relative sector performance was mainly defined by balance sheet strength and earnings security. Despite deteriorating real estate market fundamentals, earnings security remained firm across the sector - although as expected, asset valuations and forward earnings expectations have deteriorated during the period. Additionally, the trend for sector recapitalization has become firmly established across the globe with U.S., U.K., Australian and Singapore companies most active. Generally, real estate stock valuations remain at depressed levels, with earnings yields and discounts to net asset value (NAV) offering a degree of relative attraction, albeit set against the backdrop of continued capital scarcity.

---

# Market Commentary

## Global Property Securities Performance Indicators

---

### SECOND QUARTER 2009

---

---

*Government stimulus packages provided some benefit to the markets toward the end of the quarter.*

---

**North America:** Macroeconomic data continued to reflect a contracting economy, characterized by escalating job losses, declining retail sales and depressed asset values. Financial markets began to incorporate this poor environment in the early part of the past quarter. Government stimulus provided some benefit to the markets toward the end of the quarter. The U.S. REIT market recorded weak performance given ongoing concerns of deteriorating fundamentals and continued tight credit markets.

Canadian policymakers are following the lead of Central Banks in the U.S. and the U.K. in moving toward more innovative ways to reactivate aggregate demand (i.e. quantitative and credit easing). The Bank of Canada cut interest rates to provide a broad monetary stimulus. During the first quarter, the Canadian REIT market posted a negative return and underperformed the Canadian broad market.

---

*There are tentative signs that some of the aggressive regional policy interventions announced in the last part of 2008 are starting to have an effect.*

---

**Asia Pacific:** Further signs of economic weakness continued to emerge in Asian economies during the first quarter, as global economic declines spread. However, there are also tentative signs that some of the aggressive regional policy interventions announced in the last part of 2008 are starting to have an effect. Declining exports, falling business and consumer confidence and corporate profit, along with rising unemployment, dominated the Asian economic landscape during the period. Particular weakness was seen in the more transparent and export-dependent countries. Companies have sharpened their focus on managing balance sheet flexibility, with the most visible examples being Singapore's CapitaLand Group (CAPL SP) and CapitaMall Trust (CT SP) raising equity capital via rights offerings that totaled S\$3 bn during the quarter. While volatility remained high, Asian property stocks staged a strong rally in March following a weak start to the year. As a group, Chinese developer stocks led the region in performance, followed by Hong Kong developer stocks. In contrast, Japanese major developer stocks performed particularly poorly during the quarter.

Australia's economy unexpectedly shrank in the fourth quarter for the first time in 8 years as exports and housing slumped, increasing pressure on the central bank to resume cutting interest rates. The Australian Federal Government has enacted two economic stimulus packages. Australian retail trade and housing finance have both benefited from these plans and continue to show positive growth. The Australian REITs performance for the first quarter was negative and underperformed the broader equity market. The companies that outperformed in the quarter were generally more defensively oriented with lower leverage, better balance sheets, no significant near-term debt maturities, and access to capital.

---

*The need to de-lever as asset values maintain their downward momentum remains the main concern in the real estate space...*

---

**Europe:** Economic conditions continued to worsen in the U.K. and Continental Europe as conventional policy tools proved ineffective at reviving economic and investor confidence. Central banks in Europe have maintained their interest rate cutting strategy, though in the U.K. and Switzerland, the central banks have embarked on more unconventional measures of purchasing corporate and government bonds to combat deflationary risks. Meanwhile, falling levels of world trade have resulted in continued declines in industrial production across the region. Against this weak economic backdrop, the key equity indexes in Europe rallied during March after significant falls in January and February. Performance of the listed real estate sector has been varied across Europe. The need to de-lever as asset values maintain their downward momentum remains the main concern in the real estate space, with private real estate more affected than listed real estate. The U.K.-listed companies have been the first in the region to undertake significant recapitalization, with more than £2 bn in rights issues during the quarter.

# Global Financial Characteristics

## GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

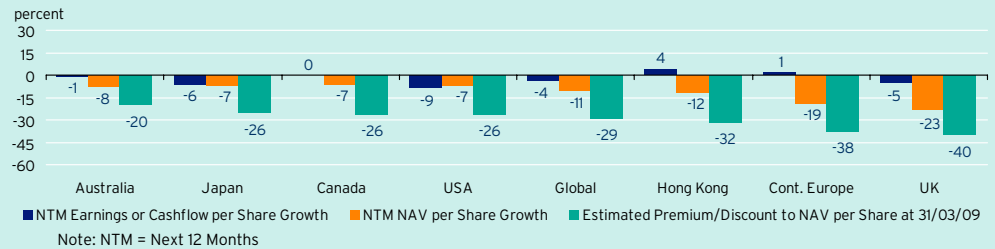
### SECOND QUARTER 2009

All global regions are priced at a discount to Net Asset Value (NAV). Growth expectations are turning negative across the globe for both cash flow and NAV.

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

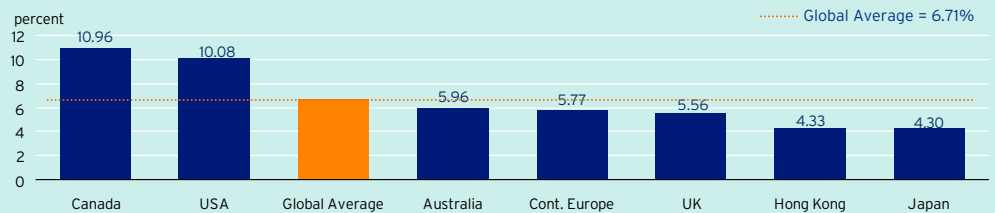
Very few asset types and geographies are experiencing rental growth. Relative changes in these fundamentals may provide investment opportunities.

**Exhibit 1**  
**Global Real Estate Securities Valuation Metrics**



Sources: Invesco Real Estate estimates as of 31/03/09

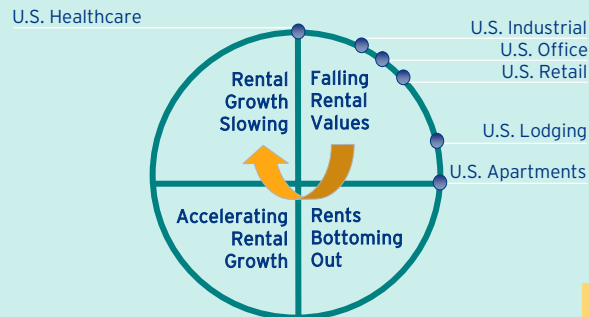
**Exhibit 2**  
**Global Real Estate Earnings Yield Spread to Local Risk-Free Yield**



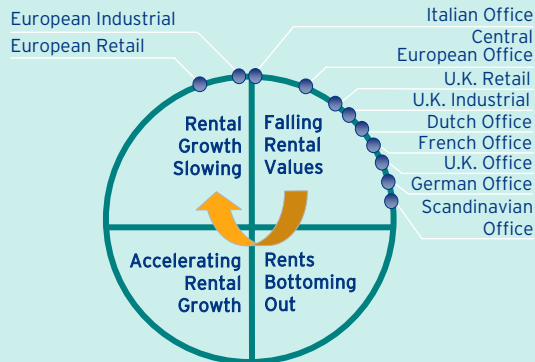
Sources: Bloomberg, FirstCall, SNL Datasource, Invesco Real Estate estimates as of 31/03/09; Risk-Free Yields are expressed in local currency. Global Average represents the simple average of country yield spreads.

**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 31/03/09.

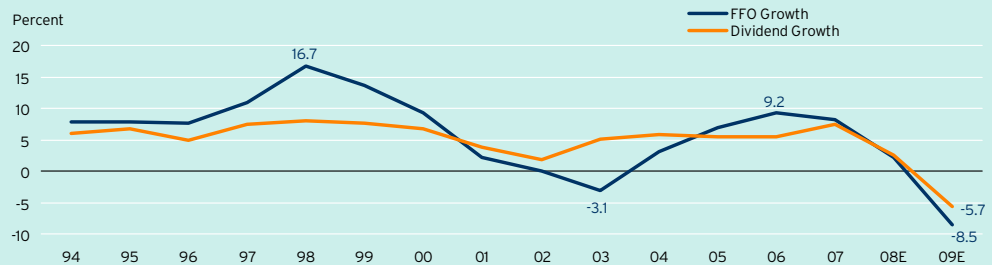
# North America Financial Characteristics

## GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

### SECOND QUARTER 2009

*In the U.S., dividend growth is expected to turn negative along with cash flow growth.*

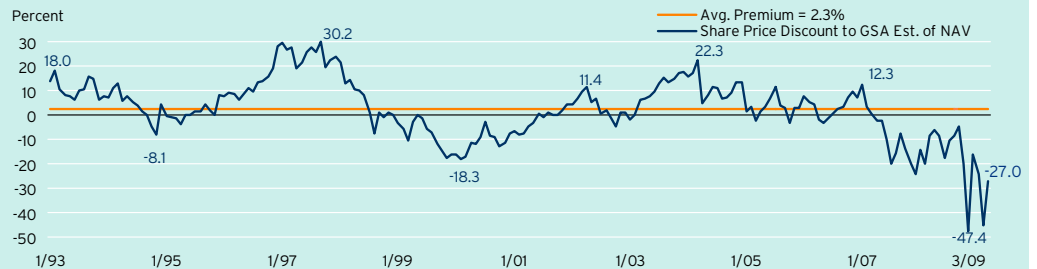
**Exhibit 4  
U.S. REIT FFO Growth & Dividend-Per-Share Growth (1994-2009E)**



Sources: NAREIT® *Chart Book* (August 2008) for 1994 to 2007 annual REIT dividend growth; FirstCall, SNL Datasource and Invesco Real Estate estimates for 2008 and 2009.

*In the U.S., shares are currently trading at a 27.0% discount to NAV estimates, rather than the long-term average 2.3% premium.*

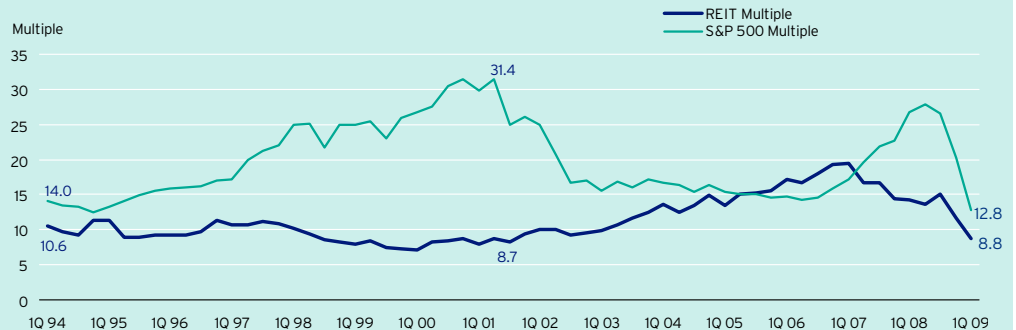
**Exhibit 5  
U.S. REIT Share Price/NAV Estimate**



Source: Used by permission of Green Street Advisors (*Real Estate Securities Monthly*, 01 April 2009). Assumes cap rate of 8.6%.

*In the U.S., real estate securities are trading at a 31% discount to broad market equities based on earnings multiple. Since 1994, the average discount has been 35%.*

**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 1Q 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 has turned negative.

In Europe, shares are currently trading at a 38.8% discount to NAV estimates.

In Europe, real estate securities are trading at a 41% premium to broad market equities based on earnings multiple.

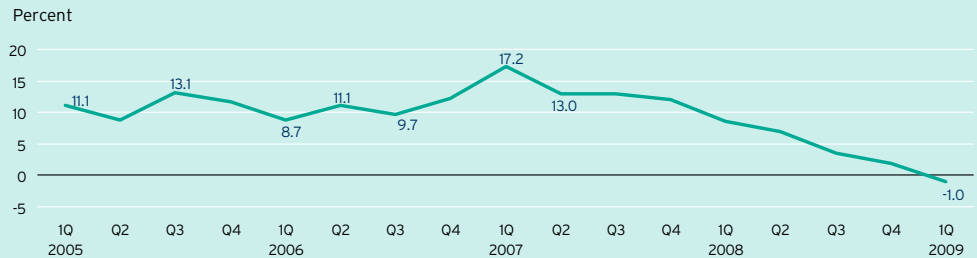
Note that in Exhibits 7 through 12, 2005 was used as the inception date for these graphs due to the limited availability of standardized data on a historical basis. 1Q 2005 represents the first period that global Invesco Real Estate estimates are available.

# Europe Financial Characteristics

## GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

### SECOND QUARTER 2009

Exhibit 7  
European Listed Real Estate Securities Earnings Growth



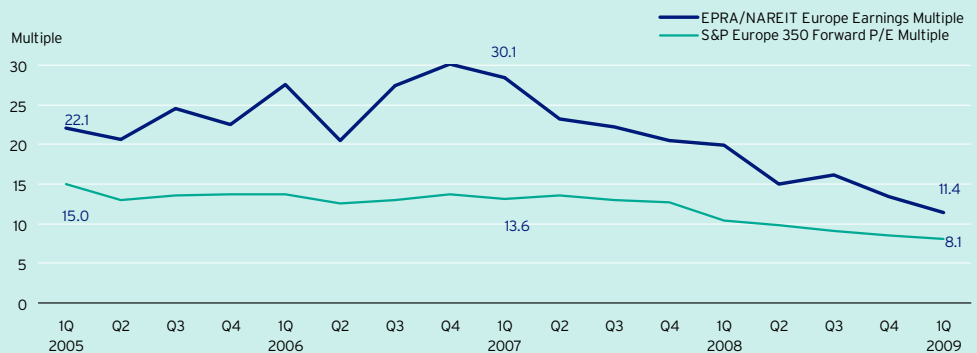
Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 31/03/09  
Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. 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 31/03/09

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 31/03/09

# Asia Pacific Financial Characteristics

## GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

### SECOND QUARTER 2009

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

In the Asia Pacific region, earnings growth has turned negative.

In the Asia Pacific region, shares are currently trading at a 28.2% discount to NAV estimates.

In the Asia Pacific region, real estate securities are trading at a 19% discount 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 10  
Asia Pacific Listed Real Estate Securities Earnings Growth



Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 31/03/09

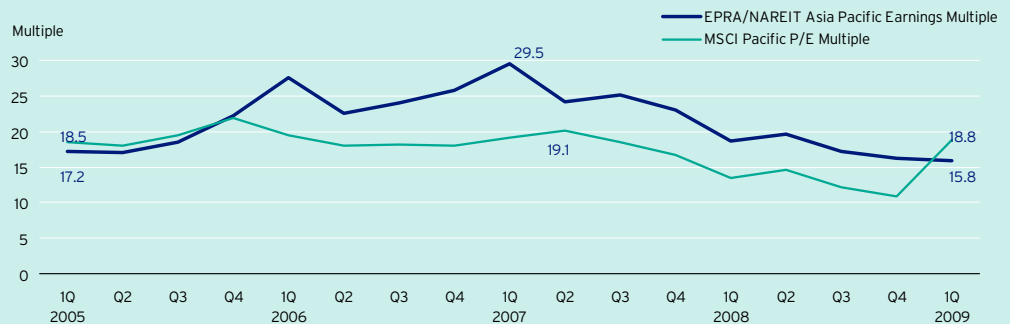
Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. Countries that adopt the REIT structure often exhibit abnormal dividend growth patterns.

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



Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 31/03/09

Exhibit 12  
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 31/03/09

For Institutional Investor Use Only  
CONFIDENTIALITY NOTICE: This publication may contain certain confidential and proprietary information of Invesco including descriptions of investments, models and methodologies, and data reflecting the analysis and strategies employed by Invesco. Unauthorized reproduction or distribution of these materials to other persons is prohibited. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing. Past performance is not a guarantee of future results.