



Market Commentary

Global Property Securities Performance Indicators

THIRD QUARTER 2009

Performance as of
June 30, 2009

	2Q (%)	YTD (%)	
Real Estate	FTSE EPRA/NAREIT Developed Index	35.91	5.88
	FTSE NAREIT U.S. Equity Index	28.85	-12.21
	FTSE EPRA/NAREIT Developed Europe Index	22.83	-2.05
	FTSE EPRA/NAREIT Developed Asia Index	36.29	23.59
Equities	MSCI World Equity Index	20.92	6.58
	S&P 500 Index	15.93	3.16
	S&P Europe 350 Index	23.35	2.77
	S&P Asia 50 Index	27.76	26.96
	S&P Japan TOPIX 150 Index	20.14	8.90
	S&P Australia 50 Index	10.02	9.52

Source: Bloomberg

Real estate securities delivered positive returns in almost all countries, with the Asian markets seeing the strongest gains.

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A variety of emergency fiscal and monetary expansion initiatives of governments and central banks appear to have succeeded in averting a worst case global economic scenario. Leading indicators now suggest that the first quarter of 2009 is likely to be the low-point of the economic contraction.

Recent business and consumer confidence surveys have consistently pointed to an improved outlook, albeit from a low base. However, positive hard data points remain illusive. In particular, unemployment levels continue to rise and the long term implications of the sovereign debt burden for the Western economies remain uncertain. Additionally, businesses and households still have a considerable way to go in their de-leveraging processes. The emerging Asian economies continue to fair best with inventory rebuilding becoming evident in the more-export orientated economies, including China.

Real estate securities delivered positive returns in almost all countries, with the Asian markets seeing the strongest gains. The key theme for listed real estate companies during the quarter remained balance sheet restructuring and recapitalization. Year-to-date, companies within the sector have raised almost USD 40bn of new equity capital. Most of the equity raising activity has been undertaken in order to strengthen balance sheets. However, a number of companies are now looking to raise capital for opportunistic investments as the cycle moves closer to its upswing. In the underlying real estate markets, transaction activity has continued to be slow. There has been sporadic evidence, however, particularly in Hong Kong and China, that capital value declines are stabilizing. Data, with respect to market rental levels, has continued to show weakness in the absence of corporate demand, however, most importantly, vacancy rates continue to rise only modestly ensuring continued revenue stability for the sector.

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North America: Over the past quarter, the U.S. economy began to show signs that the economic contraction is moderating. As the stabilization process begins, there remain few signs of a broad-based economic recovery. Improvement in inventory rebuilding, household spending, home construction, and employment growth would be required to provide evidence of sustained economic recovery. Nevertheless, given signs that the economic downturn may be moderating, equity and credit markets registered strong performance during the quarter. Similar to most financial markets, the U.S. REIT market recorded relatively strong returns for the quarter. Equity issuance was a significant factor for the group with roughly \$13 billion issued year to date, improving company balance sheets and building future investment capacity.

Economic data released during the second quarter showed that the Canadian economy is not immune to the current global slowdown. Weakness continued to be influenced by export-oriented sectors such as manufacturing and mining/oil & gas extraction. Also, the unemployment rate returned to an upward trajectory as it rose to 8.4% during May. The Canadian REIT market outperformed the Canadian broad market as investors rotate into more defensive names given peak valuations within the resource stock.

Within the real estate markets, residential real estate transaction volume has begun to reflect the improvements in sentiment, with continued sales momentum...

Asia Pacific: Asian economies began to see improvement in economic indicators during 2Q09 as aggressive policy actions announced in 2008 began to take hold and the global economy showed tentative signs of stabilization. The rebuilding of inventories following the credit freeze and Lehman shock was particularly evident in export-dependent Asian economies. Economic sentiment improved and government policy measures gained traction. According to consensus estimates, the global slowdown is still expected to produce negative GDP growth for much of the region for the full year 2009. Within the real estate markets, residential real estate transaction volume has begun to reflect the improvements in sentiment, with continued sales momentum in Hong Kong, China and Singapore. The Japanese condo market has also improved. A number of Asian companies, especially those in Singapore, addressed recapitalization needs and completed rights offerings or issued common equity. Asian property stocks rallied during the quarter. Chinese developers led the region in performance, followed by Singapore, Hong Kong and Japanese major developers.

The Australian economy has been one of the most resilient of the world's developed economies during the global recession. However, the expiry of several temporary fiscal initiatives will test the resilience of the economy as a whole, and in particular, the consumer. A recovery in commodity prices during the quarter is positive for growth prospects. Policy easing and government infrastructure programs may facilitate the economy to trend back toward growth. In the second quarter, the Australian REITs outperformed the broader domestic equity markets. A-REITs continued to raise equity capital during the quarter.

...forward looking indicators are increasingly suggestive of a more stable outlook for economic growth in the second half of the year.

Europe: Although the current economic climate across Europe remains very poor, **forward looking indicators are increasingly suggestive of a more stable outlook for economic growth in the second half of the year.** On the downside, unemployment numbers and the sovereign debt burden across the region continue to rise. Some of the key building blocks for a slow recovery are being put in place such as interest rate policy, forms of quantitative easing, inventories at low levels, and rebuilding of corporate and household balance sheets. As such, equity and high yield investment markets continued their rally during the quarter. Real estate securities continued to respond positively as well. In the UK, an additional GBP1.3bn of equity was raised (GBP 3.7bn YTD), with an increasing focus on positioning for future investment opportunities. In Continental Europe, balance sheet remediation has been much slower to occur, but is still expected.

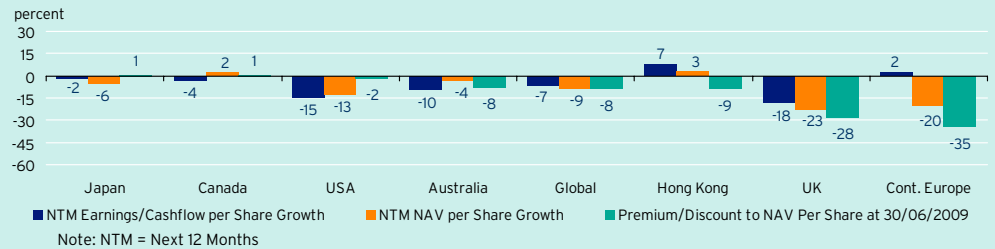
Global Financial Characteristics

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

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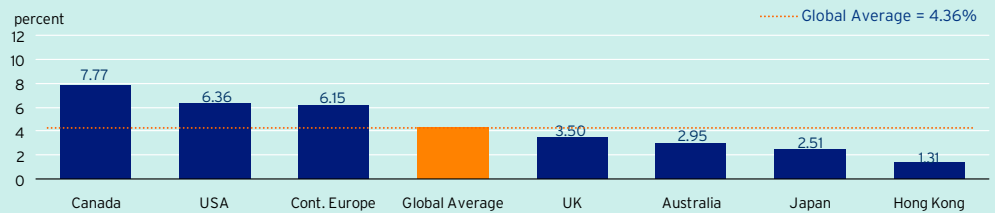
Recent stock market performances have reduced the significant discounts to Net Asset Value (NAV) from prior quarters. Growth expectations generally forecast further fundamental weakness.

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



Sources: Invesco Real Estate estimates as of 30/06/09

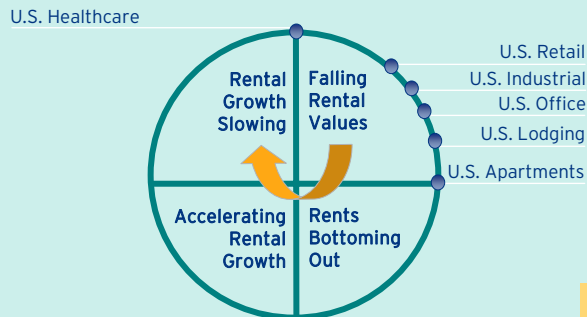
**Exhibit 2
Global Real Estate Earnings Yield Spread to Local Risk-Free Yield**



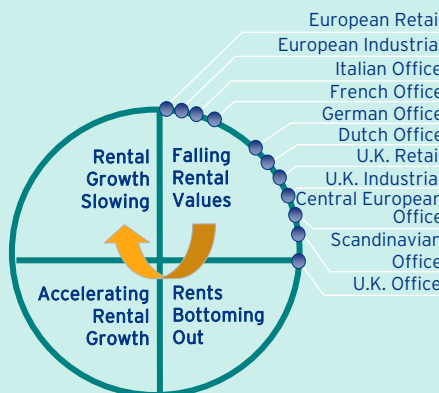
Sources: Bloomberg, FirstCall, SNL Datasource, Invesco Real Estate estimates as of 30/06/09; Risk-Free Yields are expressed in local currency. Global Average represents the simple average of country yield spreads.

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

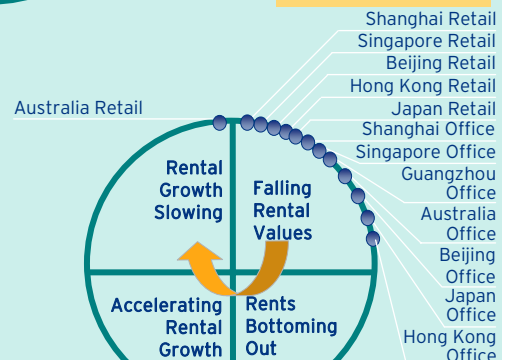
North America



Europe



Asia Pacific



Source: Invesco Real Estate based on internal research as of 30/06/09.

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.

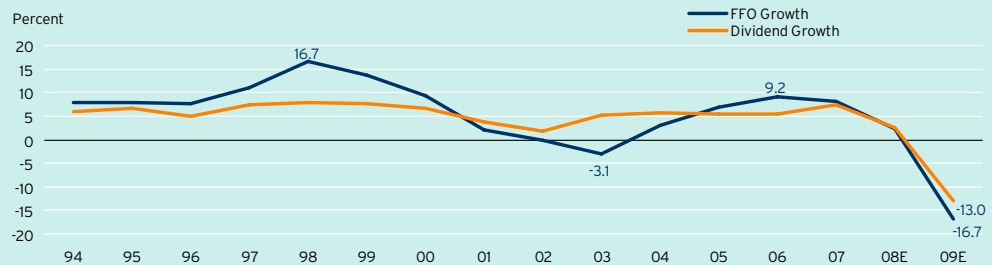
North America Financial Characteristics

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.

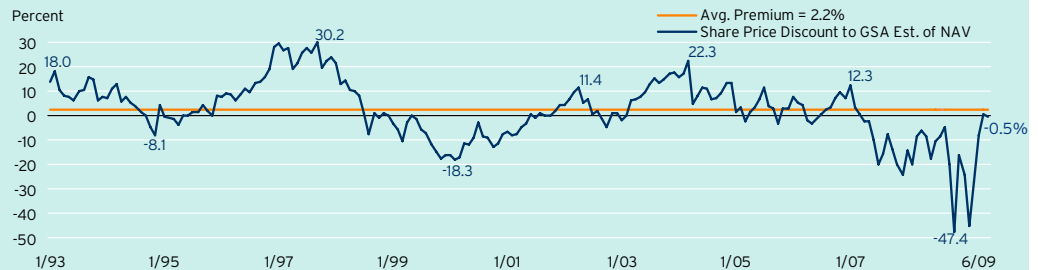
**Exhibit 4
U.S. REIT FFO Growth & Dividend-Per-Share Growth (1994-2009E)**



Sources: 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 0.5% discount to NAV estimates, rather than the long-term average 2.2% premium.

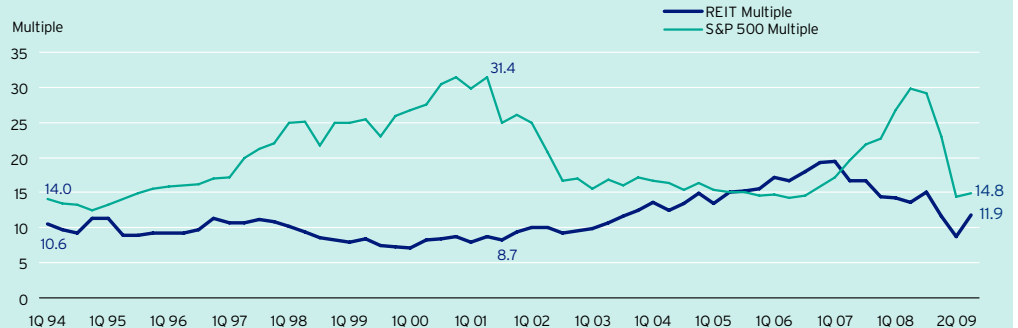
**Exhibit 5
U.S. REIT Share Price/NAV Estimate**



Source: Used by permission of Green Street Advisors (*Real Estate Securities Monthly*, 01 July 2009). Assumes cap rate of 8.9%.

In the U.S., real estate securities are trading at a 20% discount to broad market equities based on earnings multiple. Since 1994, the average discount has been 37%.

**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 2Q 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, the poor economic climate has created a negative earnings growth profile.

In Europe, shares are currently trading at a 32.3% discount to NAV estimates.

In Europe, real estate securities are trading at a 16.5% 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.

Europe Financial Characteristics

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Exhibit 7
European Listed Real Estate Securities Earnings Growth



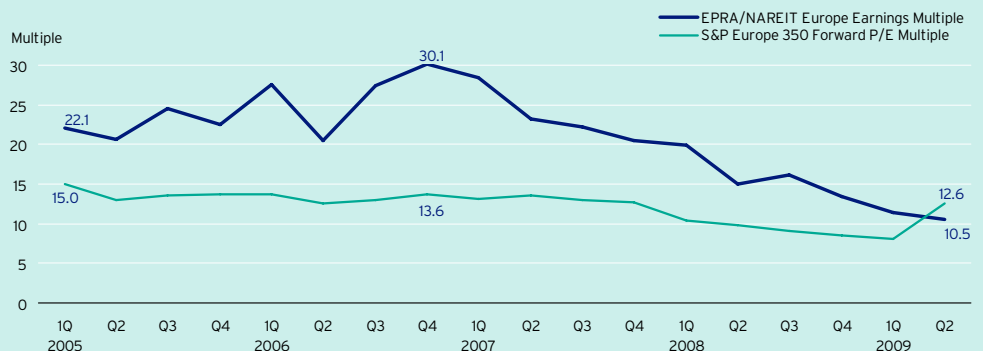
Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 30/06/09
Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. 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 30/06/09

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 30/06/09

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, earnings growth is negative, but may be showing tentative signs of stabilization.

In the Asia Pacific region, shares are currently trading at a 5.3% discount to NAV estimates.

In the Asia Pacific region, real estate securities are trading at a 2% 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.

Exhibit 10
Asia Pacific Listed Real Estate Securities Earnings Growth



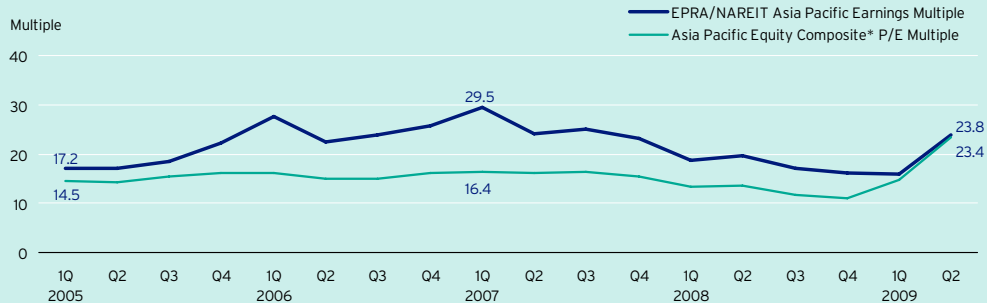
Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 30/06/09
Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. 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 30/06/09

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 30/06/09.

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