



Market Commentary

Global Property Securities Performance Indicators

THIRD QUARTER 2008

Performance as of June 30, 2008

	2Q (%)	YTD (%)
Real Estate	FTSE EPRA/NAREIT Global Real Estate Index	-8.01 -13.71
	FTSE NAREIT US Real Estate Index	-4.93 -3.59
	FTSE EPRA/NAREIT Europe Index	-17.49 -20.28
Equities	FTSE EPRA/NAREIT Asia Pacific Index	-8.63 -23.51
	MSCI World Equity Index	-2.33 -11.75
	S&P 500 Index	-2.17 -11.91
	S&P Europe 350 Index	-5.45 -21.15
	MSCI Pacific Index	1.79 -8.72

Source: Bloomberg

Increasingly negative sentiment continued to envelop the world during the second quarter given the combination of slowing economic growth, a volatile credit market, rising food prices and bruised investor/business/consumer confidence.

The rise of inflation has been one of the key issues during the period. Central bankers and monetary policy advisors now face a fine balancing act with interest rate policy in order to avoid more significant reductions in economic growth, while at the same time controlling inflation expectations. The Chinese authorities raised their reserve requirements during the second quarter while the U.S. Federal Reserve, Bank of England, European Central Bank and Reserve Bank of Australia have generally persisted in making somewhat hawkish comments during the period.

With increased inflation expectations, global bond prices fell during the period as risk-free rates rose. Real estate securities were weak across the globe, with European stocks hardest hit, but almost all countries were well into negative territory alongside their respective general equity indexes. The implications of rising risk-free rates heaped more negative sentiment on real estate asset values, and in most global markets average dividend yields available from real estate securities now lie in excess of their local bond yields. In addition, the implied investment yields from company-owned asset portfolios are well above the current underlying investment yields for private market real estate assets. Similarly, discounts to expected future net asset valuations for real estate companies around the globe widened during the period as sentiment and selling pressures took their toll on stock prices. As yet, global occupier markets remain relatively stable, with continued letting activity (albeit at reduced levels versus prior periods), limited development completions globally and in-place rents that remain below current market rents. As such, earnings growth expectations from real estate securities companies remain in the mid to high single digit range for 2008.

Real estate securities were weak across the globe... alongside their respective general equity indices.

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Consumer confidence, job growth and housing-related data pointed to a weakening economy that has been further impacted by increasing inflation.

North America: Economic data released during the quarter continued to suggest that the U.S. economy has been expanding at a very slow rate. Consumer confidence, job growth and housing-related data pointed to a weakening economy that has been further impacted by increasing inflation. The single family housing market showed few signs of a recovery as home prices continued to fall, reflecting the ongoing repricing of the market. Moreover, after showing signs of stabilization earlier in the year, the credit markets weakened toward the end of the quarter. Furthermore, several banks continued to report weak earnings with continued asset writedowns and dilutive capital raises. The general equity market faces a dual concern: the weakening financial sector as well as the impact on the eventual pace of long-term economic growth as deleveraging continues across both consumer and financial company balance sheets. Given this environment, the U.S. REIT market weakened considerably after a promising start to the second quarter.

During the second quarter, Canadian economic data continued to reflect opposing economic factors, with the continuing strength of domestic demand helping to offset the re-emergence of weakness in net exports, as the U.S. economy continued to be a key drag on Canada's export-driven economy. Canadian real estate stocks remained flat during the quarter and continued to underperform the local broad market, as investors continued to favor commodity-related stocks.

Asian economic data released during the quarter suggest continued, albeit slowing growth combined with rising inflation.

Asia Pacific: Asian economic data released during the quarter suggest continued, albeit slowing growth combined with rising inflation. While Japan's GDP registered 4% year-over-year growth during the first quarter, with inflation accelerating for the first time since 2006, Japan is facing slowing export growth. Meanwhile, Japanese consumer confidence and household spending continued to slide along with softening labor market conditions. Hong Kong GDP grew 7.1% during the first quarter as domestic consumption and exports continued growing at a healthy pace. The unemployment rate hit a decade low of 3.3% in May and hiring intentions remained strong. However, inflation remained high at 5.7%. While Hong Kong's monetary policies are tied to those of the U.S. due to the currency peg, China has continued to implement monetary tightening to slow economic growth and inflation. Although Singapore's domestic consumption and labor market conditions remained favorable, exports are facing increasing challenge as its trading partners' economies slow. Singapore also saw inflation rise to 7.5% in April and May, a 26-year high. While CapitaMall Trust from Singapore and Champion REIT from Hong Kong successfully raised capital in the market during the quarter, financing availability remained scarce across the region. Several JREIT equity offerings and Chinese developer IPOs were withdrawn due to weak investor sentiment. In Japan, multiple small developer bankruptcies were reported, often due to the unavailability of financing, both to the developers and to the potential buyers of assets from the developers.

The Reserve Bank of Australia held interest rates constant in the second quarter as they waited to see the effects of their previous rate increases on slowing growth and tempering inflation. While still uncertain, initial indications are that a slowdown in domestic demand is currently under way. Australian Listed Property Trusts (LPTs) suffered their third negative quarter in the past year, driven largely by extreme negative sentiment that has carried over from the Centro debt problems of mid-December and additional fallout from other troubled financial and property companies.

With risk-free rates and investment return requirements rising significantly, financial markets have suffered. European real estate securities generally performed poorly during the quarter...

Europe: The impact of rising levels of inflation across the European region was the key focus of attention during the second quarter of 2008 and was met with hawkish responses from Europe's central banks and monetary policy makers, in spite of weakening economic growth data points. With risk-free rates and investment return requirements rising significantly, financial markets have suffered. European real estate securities generally performed poorly during the quarter, with Germany, Italy, Spain and the U.K. as the worst performers. Greater macroeconomic growth uncertainty is feeding into concerns over the future rental growth profile for real estate and the security of current market rental levels. However, with the exception of the City of London office market, market rents have remained stable or grown across Europe so far during 2008, and the majority of listed companies currently own under-rented portfolios versus market rental levels.

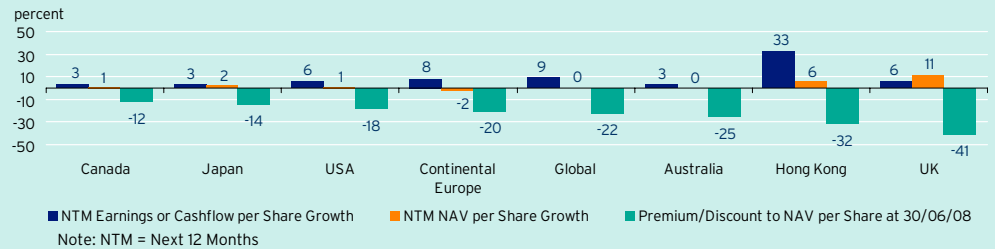
Global Financial Characteristics

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

THIRD QUARTER 2008

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

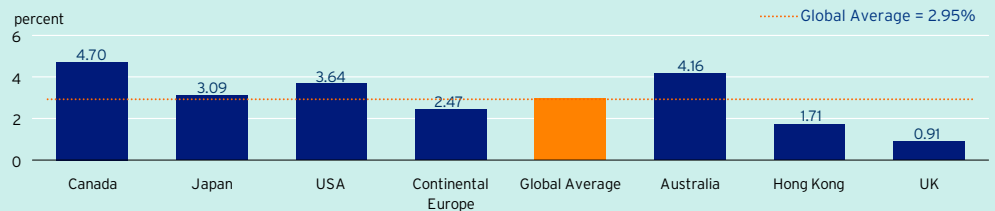
Exhibit 1
Global Real Estate Securities Valuation Metrics



Sources: Invesco Real Estate estimates as of 30/06/08

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

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

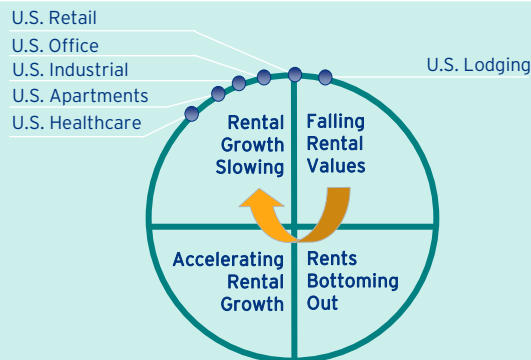


Sources: Bloomberg, FirstCall, SNL Datasource, Invesco Real Estate estimates as of 30/06/08; Risk-Free Yields are expressed in local currency. Global Average represents the simple average of country yield spreads.

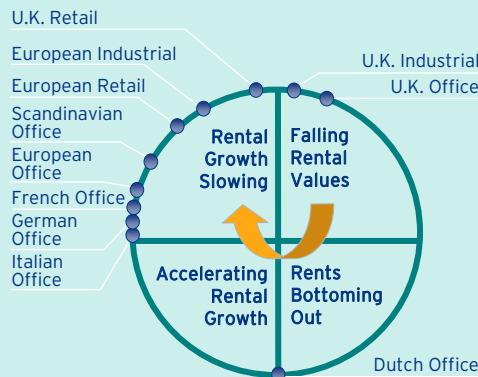
Based on current market conditions, rental growth is slowing across most asset types and geographies. However, relative positioning of these rental trends may provide investment opportunity.

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

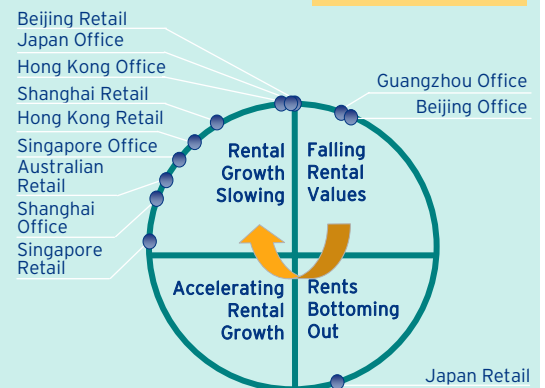
North America



Europe



Asia Pacific



Source: Invesco Real Estate based on internal research as of 30/06/08.

North America Financial Characteristics

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

THIRD QUARTER 2008

In the United States, dividend growth is expected to moderate along with cash flow growth.

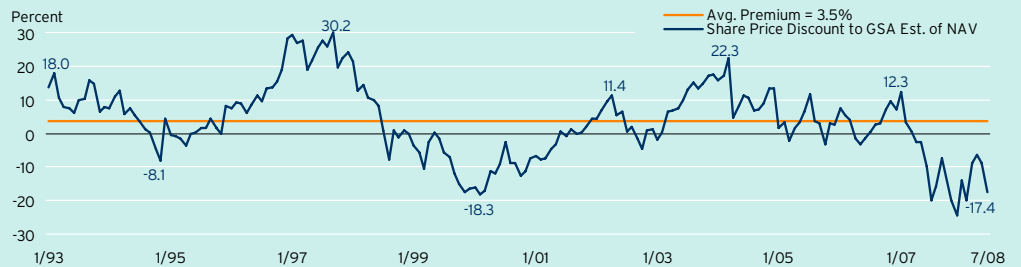
**Exhibit 4
U.S. REIT FFO Growth & Dividend-Per-Share Growth (1994-2008E)**



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 US, share prices are currently trading at a 17.4% discount to NAV estimates, rather than the normal 3.5% premium.

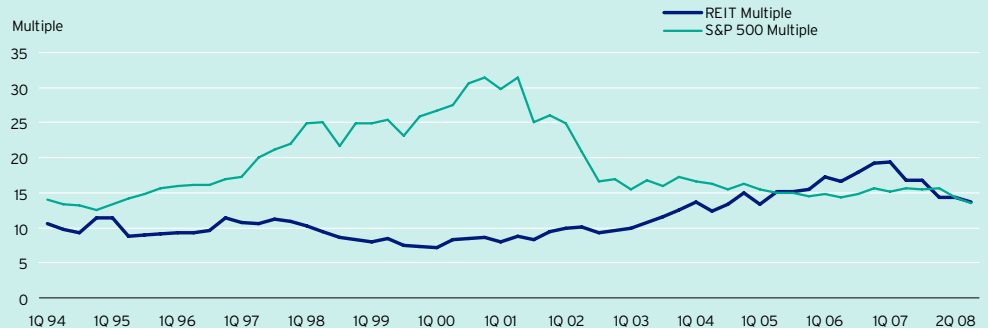
**Exhibit 5
U.S. REIT Share Price/NAV Estimate**



Source: Used by permission of Green Street Advisors (*Real Estate Securities Monthly*, 01 July 2008). Assumes cap rate of 6.4%.

In the US, real estate securities are trading in line with broad market equities based on earnings multiple. Since 1994, the average discount has been 34.8%.

**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 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, share prices are currently trading at a 28.5% discount to NAV estimates.

In Europe, real estate securities are trading at a 53% premium to broad market equities based on earnings multiple.

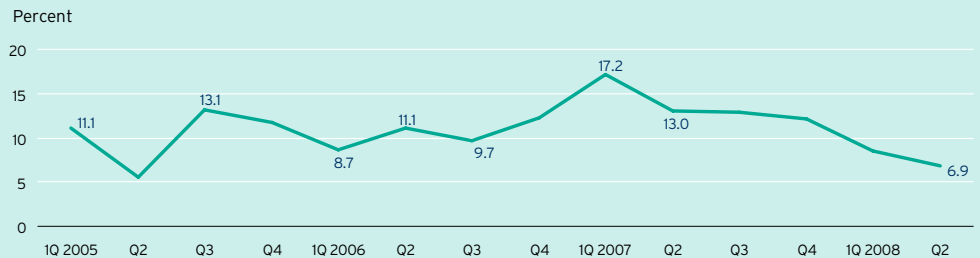
Note that in Exhibits 7 through 12, 2005 was used as the inception date for these graphs due to the limited availability of standardized data on a historical basis. 1Q 2005 represents the first period that global Invesco Real Estate estimates are available.

Europe Financial Characteristics

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

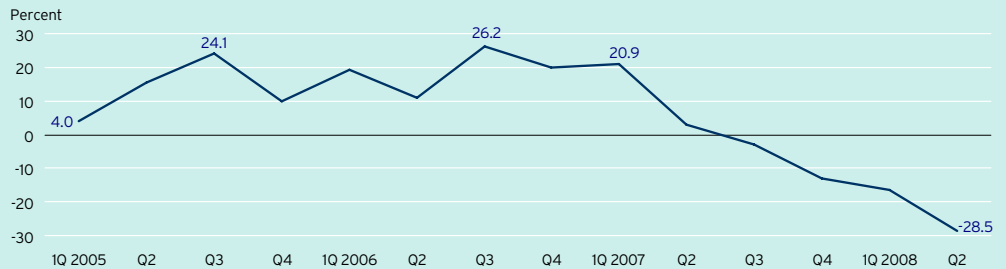
THIRD QUARTER 2008

Exhibit 7
European Listed Real Estate Securities Earnings Growth



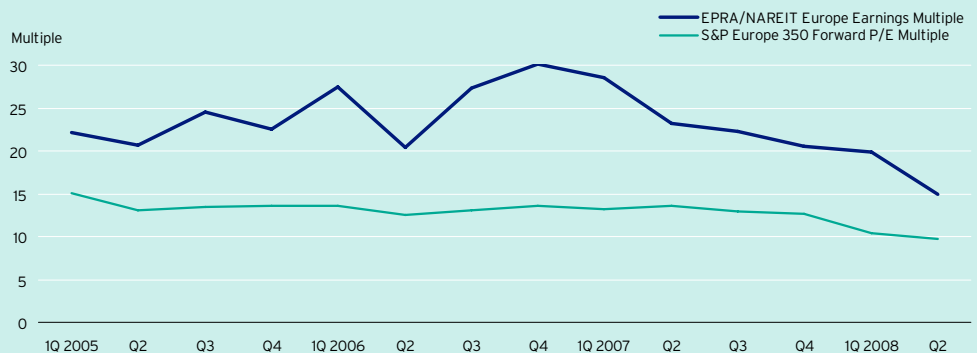
Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 30/06/08
Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. Countries that adopt the REIT structure often exhibit abnormal dividend growth patterns.

Exhibit 8
European Listed Real Estate Securities Price/NAV Estimate



Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 30/06/08

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 30/06/08

Asia Pacific Financial Characteristics

GLOBAL PROPERTY SECURITIES PERFORMANCE INDICATORS

THIRD QUARTER 2008

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 Asia Pacific, share prices are currently trading at a 22.9% discount to NAV estimates.

In Asia Pacific, real estate securities are trading at a 35% premium to broad market equities based on earnings multiple.

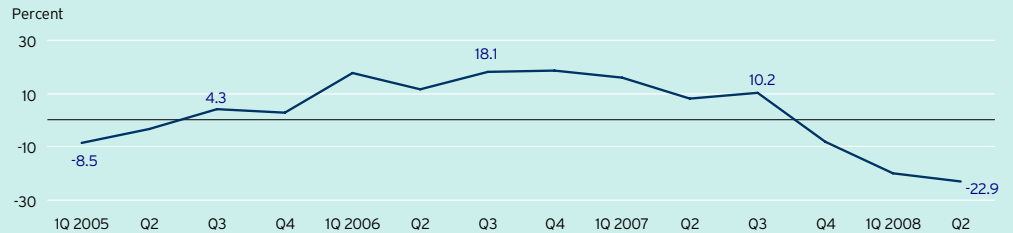
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**Exhibit 10
Asia Pacific Listed Real Estate Securities Earnings Growth**



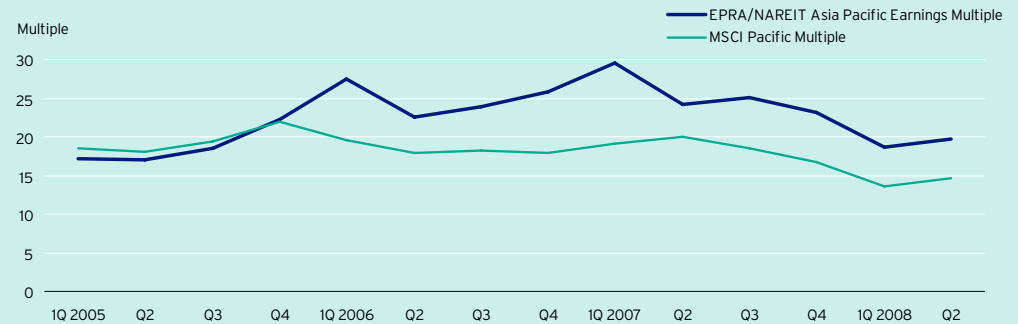
Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 30/06/08
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**Exhibit 11
Asia Pacific Listed Real Estate Securities Price/NAV Estimate**



Sources: FirstCall, SNL Datasource, Invesco Real Estate estimates as of 30/06/08

**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 30/06/08

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