

Market Commentary

Real Estate Equity and Debt Securities

Market Indicators | Q3 2023

Listed real estate common stock ended the third quarter of 2023 trading at significant discounts to net asset value across most geographies and sectors. Property fundamentals remain resilient across residential, industrial and specialty sectors while the office sector continues to face headwinds in many countries. North America and Asia Pacific regions continue to showcase stronger fundamentals relative to Europe. Real estate valuations in aggregate are less demanding versus the multiple on broader equities. Real estate fixed income yields continue to maintain a spread versus the broader fixed income market.¹

| Performance as of 30 September 2023 ² | | Q3 (%) | YTD (%) | 1 year (%) |
|--|--|--------|---------|------------|
| Real Estate | FTSE EPRA Nareit Developed Index | -5.59 | -4.10 | 2.72 |
| | FTSE Nareit All Equity REITs US Index | -8.33 | -5.61 | -1.71 |
| | FTSE EPRA Nareit Developed Europe Index | 1.31 | -4.18 | 9.23 |
| | FTSE EPRA Nareit Developed Asia Index | -4.16 | -8.56 | -0.22 |
| Equities | MSCI World Equity Index | -3.36 | 11.56 | 22.60 |
| | S&P 500 Index | -3.27 | 13.07 | 21.62 |
| | S&P Europe 350 Index | -4.94 | 8.26 | 29.93 |
| | S&P Asia 50 Index | -5.62 | -0.86 | 14.43 |
| Debt | Bloomberg US Investment Grade REITs | -1.29 | 0.60 | 3.02 |
| | Bloomberg US CMBS BBB (Erisa) | -1.74 | -5.96 | -6.99 |
| | FTSE/NAREIT Preferred Stock Total Return Index | -1.30 | 5.66 | 3.15 |

Notes:

1. Source: Invesco Real Estate using consensus data.

2. Source: Bloomberg L.P. **Past performance is not indicative of future results.** An investment cannot be made directly into an index.

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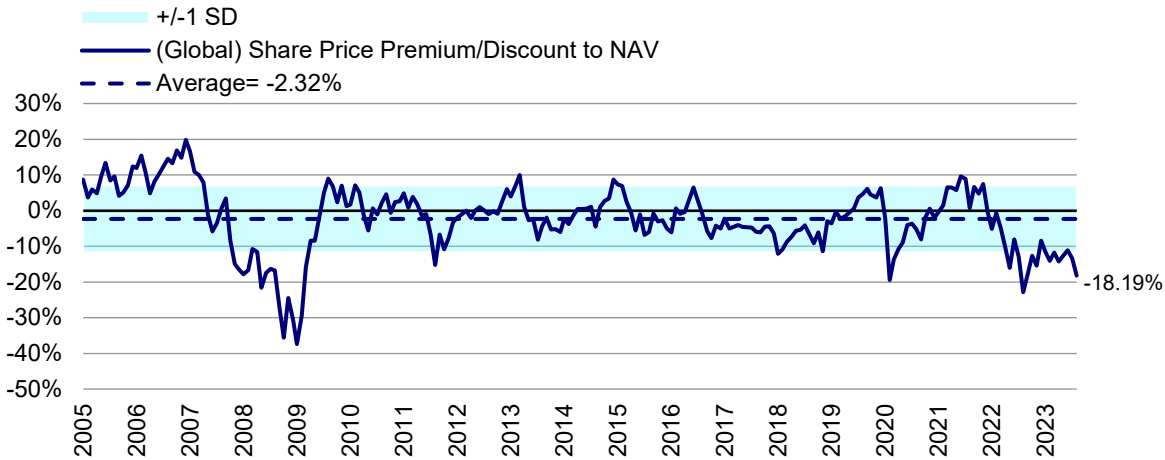
Global Listed Real Estate Characteristics

Real Estate Equity Securities Market Indicators



Listed real estate globally is trading at close to an 18% discount to net asset value, which is more than one standard deviation below historical averages.

Exhibit 1
Share Price Premium to Estimate of Net Asset Value

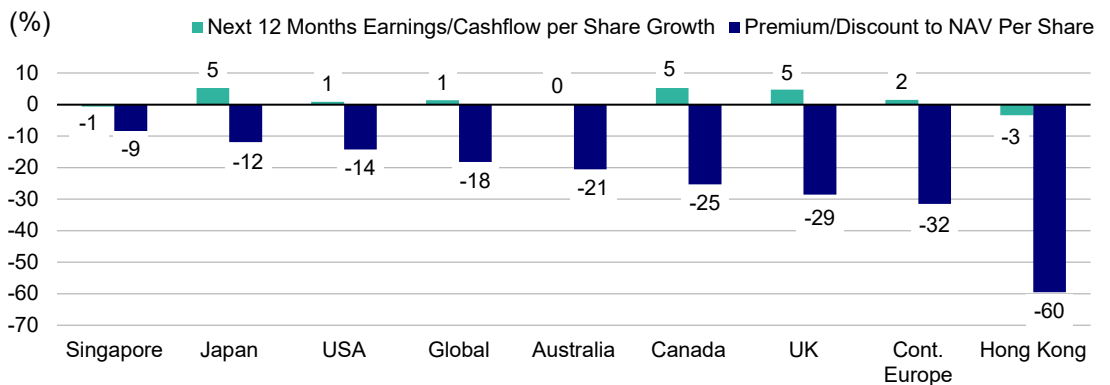


Source: Invesco Real Estate estimates based on consensus data as of 30 September 2023. Global Real Estate Securities represented by FTSE EPRA Nareit Developed Index.



Most country or regional markets are trading at steep discounts to net asset value. Discounts are most notable in Hong Kong, Continental Europe, the United Kingdom and Canada.

Exhibit 2
Global Real Estate Securities Valuation Metrics

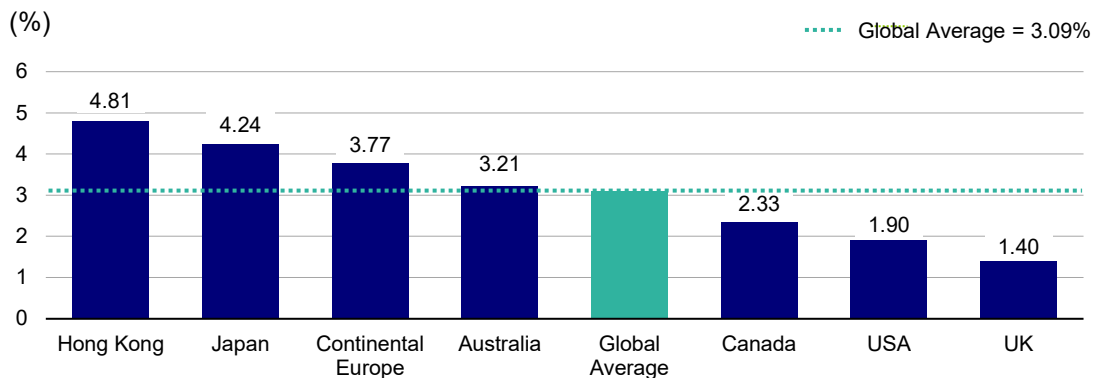


Source: Invesco Real Estate estimates based on consensus data as of 30 September 2023.



Earnings yields continue to provide a positive spread over ten-year sovereign bonds.

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



Sources: Bloomberg L.P., SNL Datasource, Invesco Real Estate estimates as of 30 September 2023; Risk-Free Yields are expressed in local currency. Global Average represents the simple average of country yield spreads.

Global Listed Real Estate Characteristics

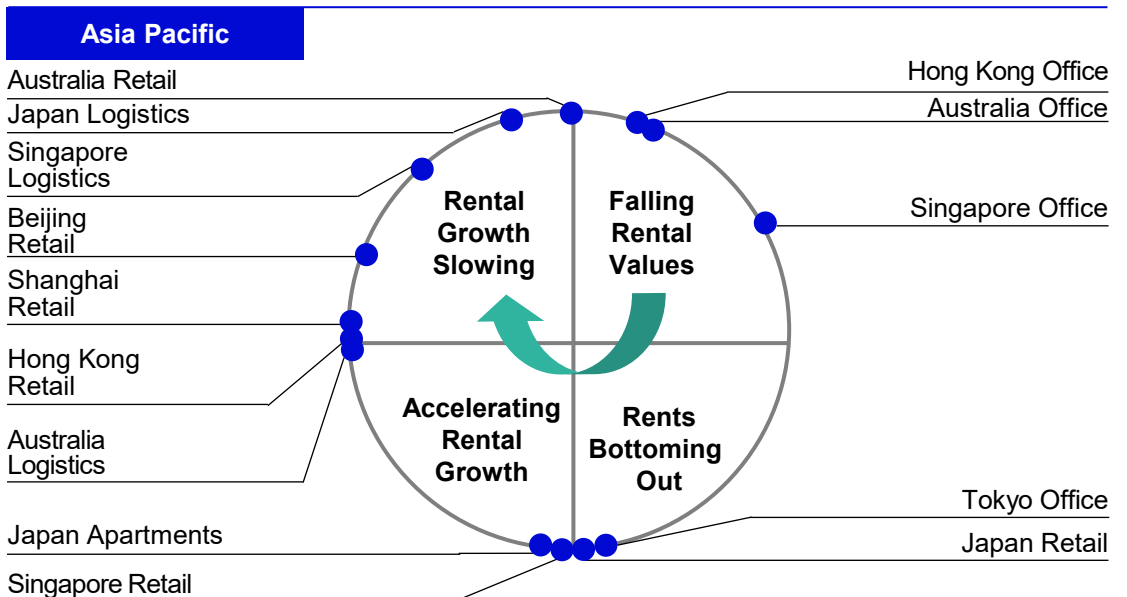
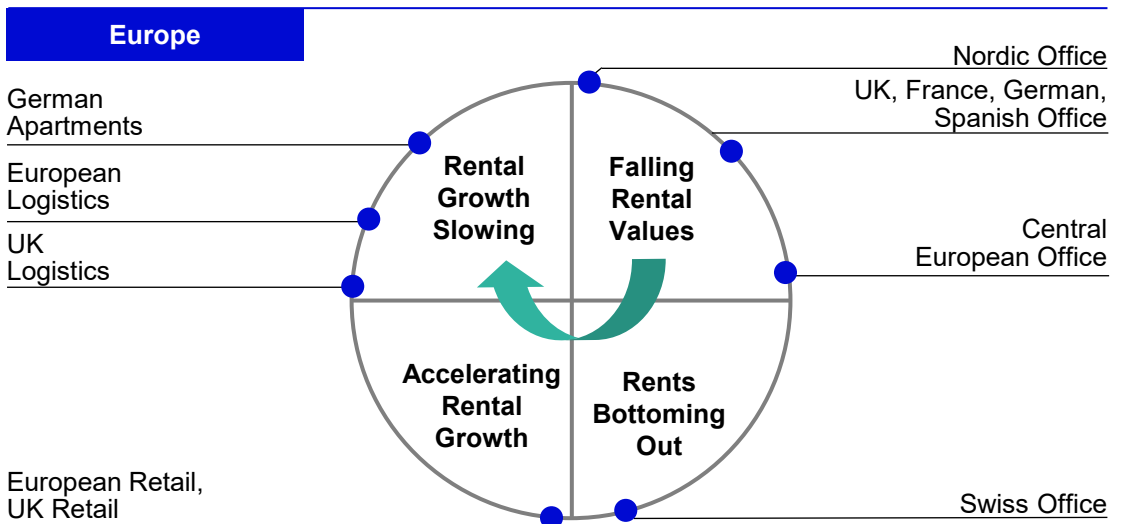
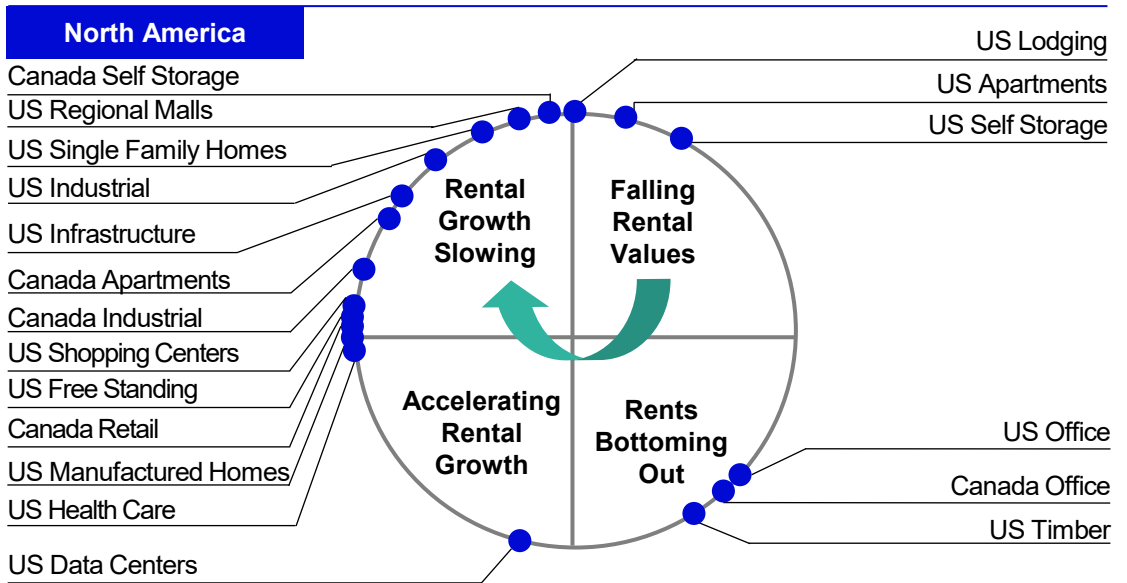
Real Estate Equity Securities Market Indicators



Rental growth prospects continue to look strongest across residential, industrial and specialty sectors across various regions while office shows potential signs of bottoming out fundamentally. North America and Asia continue to demonstrate stronger fundamentals relative to Europe.

Exhibit 4

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



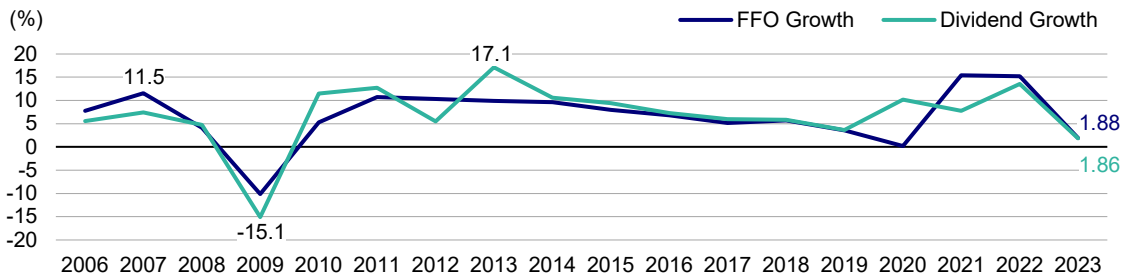
Source: Invesco Real Estate based on internal research as of 30 September 2023.

United States Listed Real Estate Characteristics

Real Estate Equity Securities Market Indicators

Exhibit 5

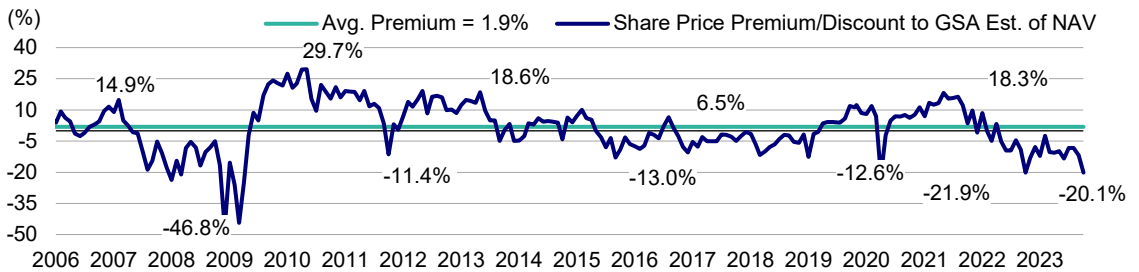
US REIT Funds From Operations Growth & Dividend-Per-Share Growth (2006-2023 YTD)



Sources: SNL Datasource for 2006 (earliest data available) to 2023 annual REIT dividend growth; SNL Datasource and Invesco Real Estate estimates for 2023 as of 30 September 2023.

Exhibit 6

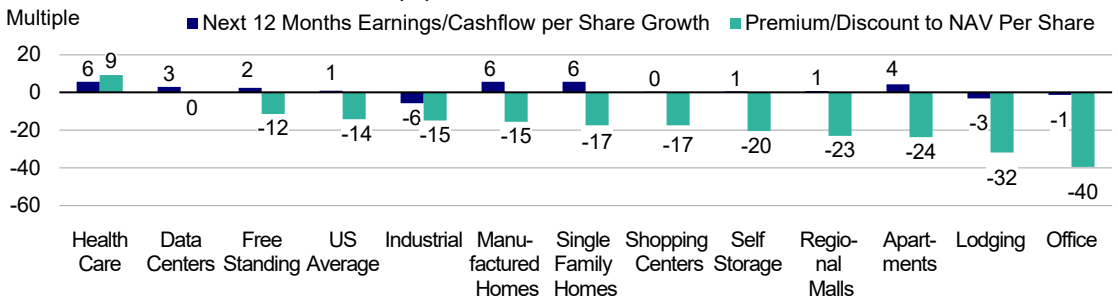
US REIT Share Price/NAV Estimate



Assumes cap rate of 5.6%. Source: Used by permission of Green Street Advisors (GSA) (Real Estate Securities Monthly, 2 October 2023). For illustrative purposes only. Weighted average (weighted by NAV*shares outstanding) of all US-listed companies in Green Street's coverage universe, excluding Hotels and those without a published opinion. Equally-weighted average prior to Jan '93. 2006 marks earliest data available.

Exhibit 7

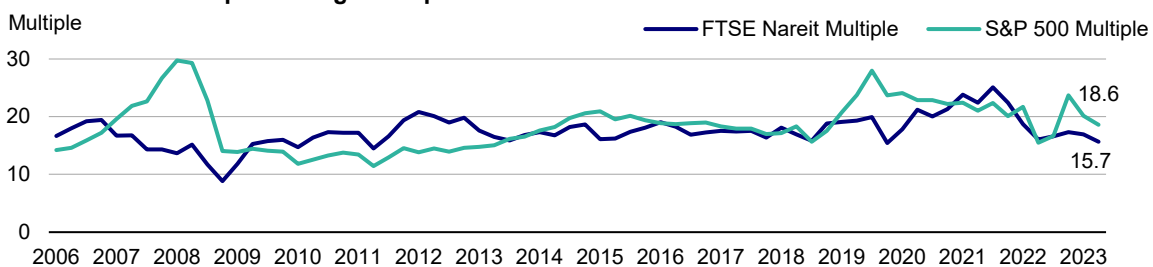
US REIT Sector Valuation Metrics (%)



Source: Invesco Real Estate estimates based on consensus data and Green Street Advisors data as of 30 September 2023. For illustrative purposes only. Weighted average (weighted by NAV shares outstanding) of all US-listed companies in Green Street's coverage universe, excluding Hotels and those without a published opinion.

Exhibit 8

Forward "Bottom Up" Earnings Multiple for S&P 500 & US REITs*



*FFO (Funds From Operations) – Proxy for cash flow per share
Sources: Invesco Real Estate, SNL Datasource, Consensus Estimates, Bloomberg L.P. and Standard & Poor's. Data represents Q2 2006 to Q3 2023. 2006 marks earliest data available.



Growth continues to remain positive, despite signs of deceleration, in North America this year.



US REITs are trading at a 20% discount to net asset value which is more than one standard deviation below historical averages.



The majority of US real estate sectors are trading at large discounts to net asset value including office, lodging, regional malls and shopping centers.



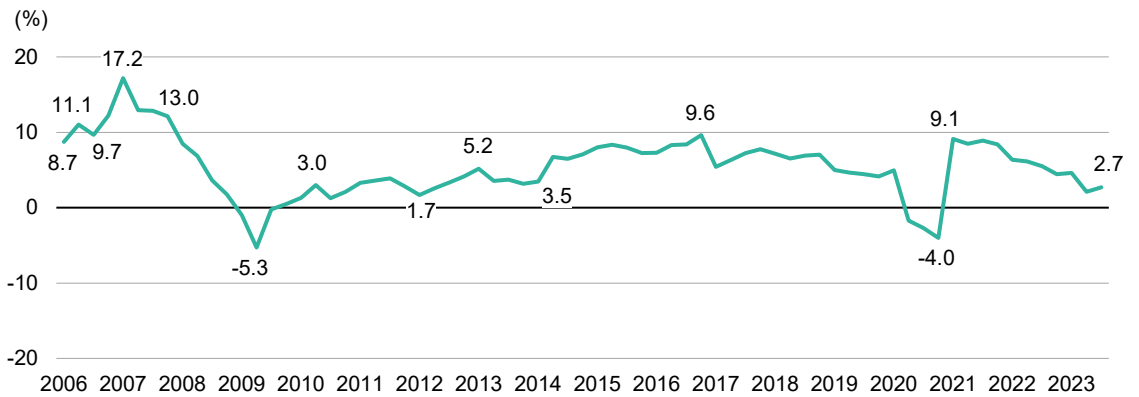
US REITs are trading at a large discount to general equities based on comparable multiples.

| | |
|----------------|-------------|
| Austria | Belgium |
| Finland | France |
| Germany | Ireland |
| Luxembourg | Netherlands |
| Norway | Spain |
| Sweden | Switzerland |
| United Kingdom | |

Europe Listed Real Estate Characteristics

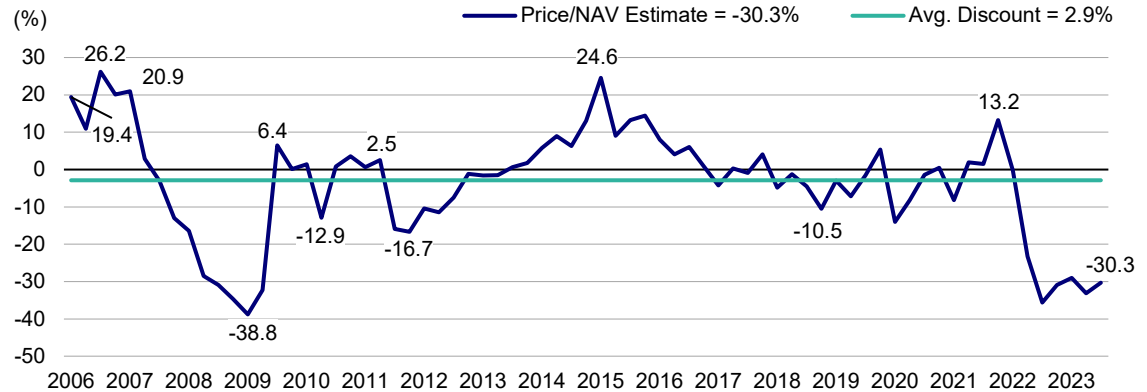
Real Estate Equity Securities Market Indicators

Exhibit 9
European Listed Real Estate Securities Earnings Growth



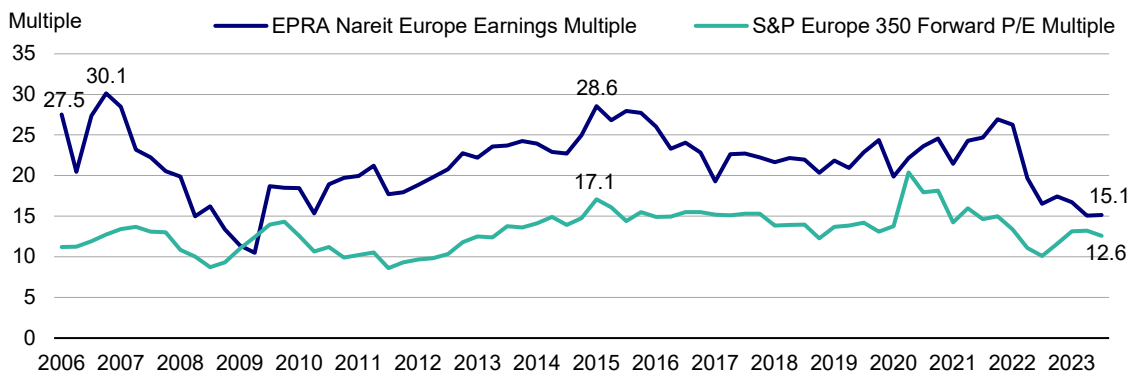
Sources: SNL Datasource, Invesco Real Estate estimates as of 30 September 2023. Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. Countries that adopt the REIT structure often exhibit abnormal dividend growth patterns.

Exhibit 10
European Listed Real Estate Securities Price/NAV Estimate



Sources: SNL Datasource, Invesco Real Estate estimates as of 30 September 2023.

Exhibit 11
Forward "Bottom Up" Earnings Multiple for S&P Europe 350 & European Listed Real Estate Securities



Sources: Bloomberg L.P., SNL Datasource, Standard & Poor's and Invesco Real Estate estimates as of 30 September 2023.

Note that in Exhibits 9 through 11, January 2006 was used as the inception date for these graphs due to the limited availability of standardized data on a historical basis. Q1 2006 represents the first period that global Invesco Real Estate estimates are available.



Earnings growth prospects in Europe remain modest amidst an environment of limited economic growth and high inflation.



European REITS are trading at some of the largest discounts to net asset value in the last two decades.



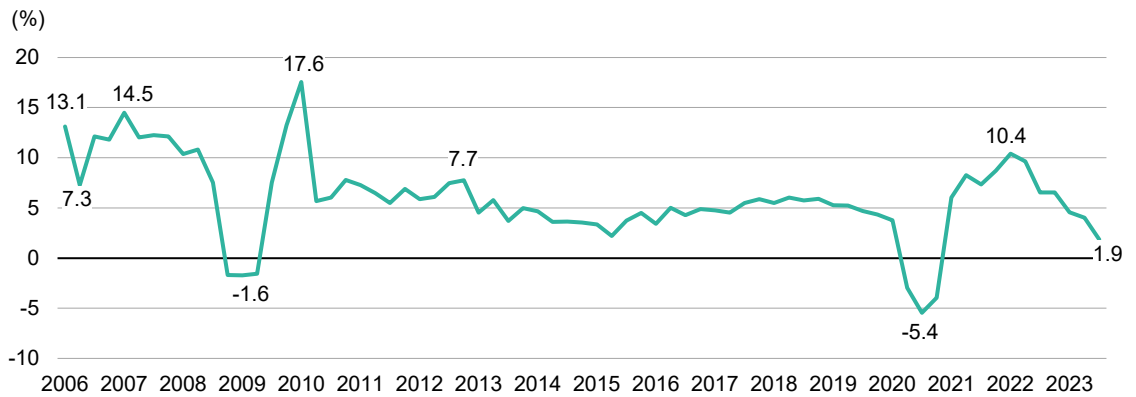
In Europe, multiples for REITS and general equities are beginning to converge.

Australia
 Hong Kong
 New Zealand
 Japan
 Singapore

Asia Pacific Listed Real Estate Characteristics

Real Estate Equity Securities Market Indicators

Exhibit 12
Asia Pacific Listed Real Estate Securities Earnings Growth

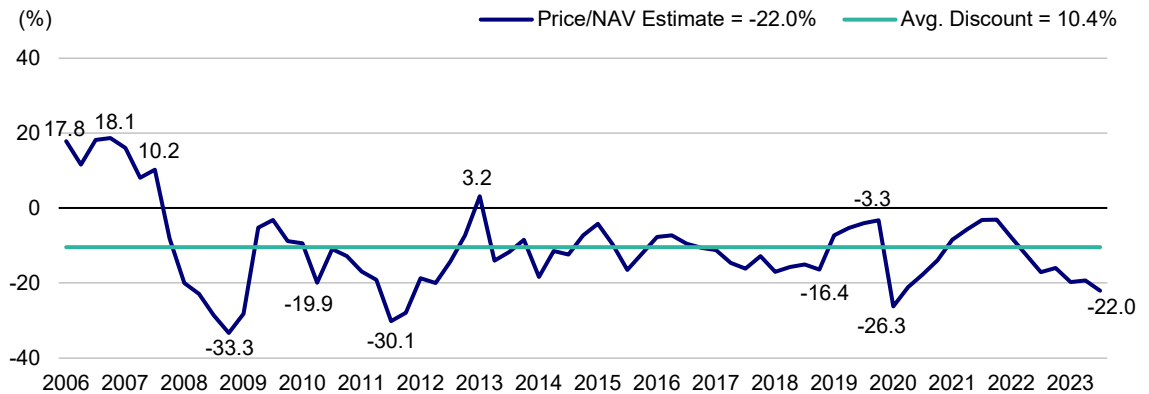


Sources: SNL Datasource, Invesco Real Estate estimates as of 30 September 2023. Dividend growth is not included in this exhibit because the dividend growth trends are not considered meaningful or representative of fundamentals. There can be significant volatility in dividends for emerging REIT markets. Countries that adopt the REIT structure often exhibit abnormal dividend growth patterns.



Earnings growth for Asian REITS continue to remain positive as the region is benefitting from a post COVID recovery.

Exhibit 13
Asia Pacific Listed Real Estate Securities Price/NAV Estimate

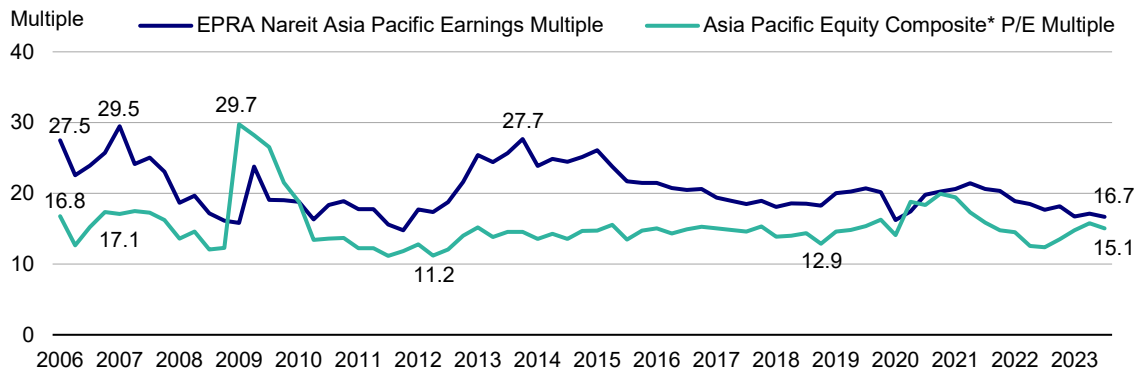


Sources: SNL Datasource, Invesco Real Estate estimates as of 30 September 2023.



Asia Pacific real estate securities are trading at hefty discounts to net asset value in aggregate.

Exhibit 14
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, Nikkei 225 and S&P Australia 100 indices. Sources: Bloomberg L.P., SNL Datasource, Standard & Poor's and Invesco Real Estate estimates as of 30 September 2023.

Note that in Exhibits 12 through 14, January 2006 was used as the inception date for these graphs due to the limited availability of standardized data on a historical basis. Q1 2006 represents the first period that global Invesco Real Estate estimates are available.

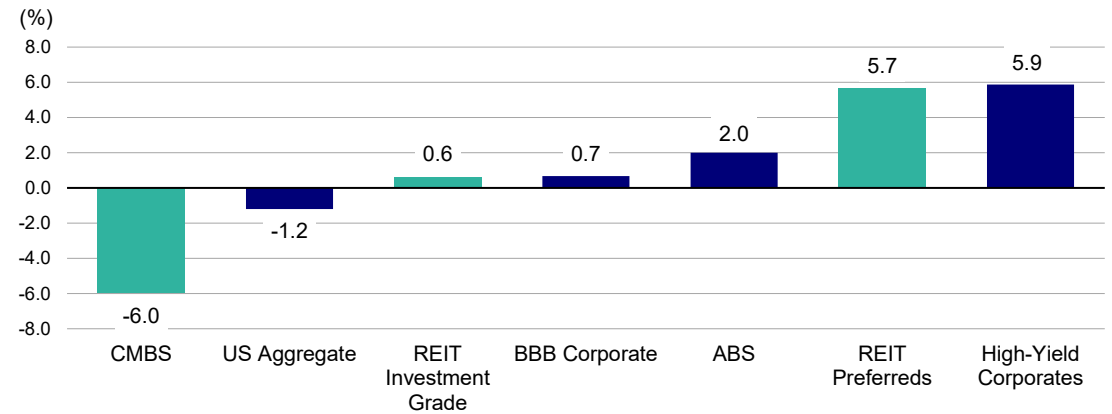


In Asia, multiples for REITS and general equities are beginning to converge.

Real Estate Debt Financial Characteristics

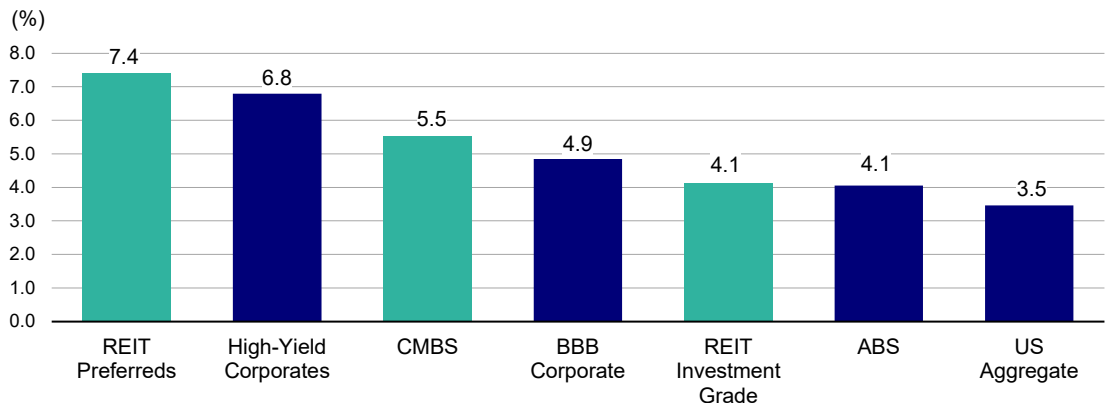
Real Estate Debt Market Indicators Third Quarter 2023

Exhibit 15
US Fixed Income YTD Total Returns



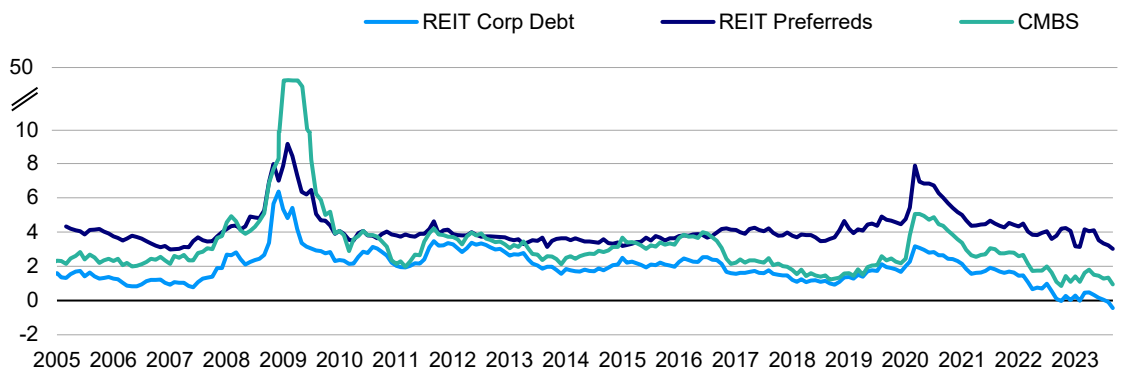
Returns represented by BBG Asset Backed Securities Index, BBG US Aggregate Index, BBG CMBS BBB ERISA-Eligible Index, BBG Investment Grade REIT Index, BBG US Corporate Investment Grade Index, BBG US Corporate High Yield Index, FTSE/NAREIT Preferred Stock Total Return Index as of 30 September 2023. **Past performance is not indicative of future results.** An investment cannot be made directly into an index.

Exhibit 16
US Fixed Income Yields



Yields represented by BBG Asset Backed Securities Index, BBG US Aggregate Index, BBG CMBS BBB ERISA-Eligible Index, BBG Investment Grade REIT Index, BBG US Corporate Investment Grade Index, BBG US Corporate High Yield Index, FTSE/NAREIT Preferred Stock Total Return Index as of 30 September 2023.

Exhibit 17
REIT Yield Spreads to Risk Free Rates



Spreads as of 30 September 2023 represented CMBS BBB ERISA-Eligible Index, BBG Investment Grade REIT Index, Wells Fargo Hybrid & Preferred REIT Index from Jan 2005 through March 2017 (was discontinued in March 2017) and the FTSE Nareit Preferred Stock Total Return Index (incepted later than common January 2005 date shown here) thereafter.



REIT preferred and REIT investment grade securities continued to outperform CMBS in 2023 YTD.



Real estate fixed income yields appear attractive versus broader debt market alternatives.



Spreads for real estate debt remain relatively tight.

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| | Private Markets Non-Institutional – US | | | |

Source: Invesco Real Estate as of 30 September 2023. Subject to change without notice.

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