

# Invesco Listed Real Assets: Real Estate market update & news

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## Portfolio Managers

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## Funds Under Management

Invesco Real Estate Fund  
(A share: IARAX)  
Invesco Global Real Estate Fund  
(A share: ARGYX)  
Invesco Global Real Estate Income Fund  
(A share: ASRAX)  
Invesco Active U.S. Real Estate ETF  
(PSR)

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## Market review

Levels of uncertainty for investors have risen to high levels in recent weeks. The direct and indirect effects and responses to the upcoming imposition of trade tariffs by the US government can be speculated, but much remains unknown. The changing tone of political relations between the US and other key economies has been damaging to growth expectations and raised questions around the short and mid-term path for inflation. Recently published macro-economic data has evidenced weakening employment and consumption momentum in the US.

Inflation trends have been regionally mixed, but US inflation has risen in recent weeks. Japanese economic expansion continues slowly, China has seen expanding manufacturing activity and Europe has seen the prospect of an improved growth outlook driven by major fiscal stimulus by the new German government. Central banks continue to stress caution and note uncertainty, with only the European Central Bank cutting interest rates in March. While global government bond yields were relatively stable in the period, global equity markets were volatile, and credit spreads expanded.

## Listed real estate performance and valuation highlights

Global real estate, as measured by the FTSE EPRA Nareit Developed Index, ended March down 2.15%. US real estate, as measured by the FTSE Nareit All Equity REITs Index also ended the month down 2.36%. For comparison, the S&P 500 Index returned -5.63% total return for the month.

Global listed real estate saw diverging regional performance. US and European real estate tended to show weak share price performance, with higher financially or operationally leveraged real estate tending to underperform. Listed real estate in Asia showed attractive performance with good gains from development focused companies.

Real estate fundamentals across the world remain generally favorable for landlord pricing power, but some divergences across property types are evident. Industrial re-leasing spreads remain high, but with uncertainty over global trade outcomes, occupier leasing decisions are being deferred. Best in class offices have been leasing strongly, but weaker office real estate is challenged. Retail real estate has been leasing well in prime mall locations and strip/shopping centers. Storage has seen weaker demand trends and real estate investment trusts (REITs) are balancing price versus occupancy trade-offs. Many residential markets offer good re-leasing growth opportunity driven by supply shortage, but a few US submarkets have seen excess supply/development challenges that have eroded pricing power. Healthcare real estate is divided between weak life science space demand and strong senior living fundamentals.

Global listed real estate ends the period trading on average at a small discount to underlying net asset value. This average continues to hide wide dispersions of country and property type valuations, with deep discounts to net asset value in part of Asia and Europe and several US REIT sectors trading at meaningful premium ratings.

## Real estate and market outlook

We believe terms of trade tensions across the globe offer prospects for some economic and capital market instability and the potential for renewed short term inflationary momentum. While US government policy outcomes are unclear, recent government changes outside of the US do, however, offer scope for more expansionary domestic and regional policies. To offset any weakness generated by the changing costs of global trade, central banks retain the ability to add accommodative interest rate policies if there are materially negative demand and consumption outcomes.

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Capital market expectations remain for gently declining interest rates and modest growth conditions. This environment may offer improving investment opportunities in real estate, in our view. Listed real estate companies with favorable cost of capital relative to their private real estate peers, combined with strong operating platforms are most likely to find attractive investment opportunities as a new cycle begins. We believe, the negative re-pricing process for private real estate driven by the rapid rise in interest rates is now close to complete, with fundamental prospects now re-asserting themselves as an important driver of valuation and growth. We anticipate a modest acceleration in private real estate investment transaction volumes where the cost of debt is below investment capitalization rates.

Ultimately, we believe future real estate valuations will largely be determined by capital market conditions and cash flow growth prospects. In our view, real estate returns are more likely to be positive when supply of new real estate has been limited and this is the case for many property types where supply has been curtailed since the pre-COVID period. There may be a wide range of outcomes over the next 12-24 months, driven by macro-economic and geo-political factors, but we expect conditions to be most attractive where private markets have already experienced realistic valuation declines as interest rates have risen and where structural tailwinds from tenant demand persist.

### Important information

Source: All data sourced from Invesco Real Estate and Bloomberg L.P. as of 3/31/2025 unless otherwise stated.

The FTSE EPRA Nareit Global Real Estate Index is a free-float adjusted, market capitalization-weighted index designed to track the performance of listed real estate companies in both developed and emerging countries worldwide.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

The opinions referenced above are those of the author as of April 2, 2025. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties and assumptions; there can be no assurance that actual results will not differ materially from expectations. The opinions are based on current market conditions and are subject to change. They may differ from those of other Invesco investment professionals.

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The funds listed are subject to certain other risks. Please see the current prospectus for more information regarding the risks associated with an investment in the fund.

The risks of investing in securities of foreign issuers, including emerging market issuers, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating. The values of junk bonds fluctuate more than those of high quality bonds and can decline significantly over short time periods.

Mortgage- and asset-backed securities are subject to prepayment or call risk, which is the risk that the borrower's payments may be received earlier or later than expected due to changes in prepayment rates on underlying loans. Securities may be prepaid at a price less than the original purchase value.

Investments focused in a particular sector, such as real estate, are subject to greater risk and are more greatly impacted by market volatility, than more diversified investments.

Investments in real estate related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate. Real estate companies, including REITs or similar structures, tend to be small and mid-cap companies and their shares may be more volatile and less liquid.

REITs are subject to additional risks than general real estate investments. The value of a REIT can depend on the structure and cash flow generated by the REIT. REITs concentrated in a limited number or type of properties, investments or narrow geographic areas are subject to the risks affecting those properties or areas to a greater extent than less concentrated investments. REITs are subject to certain requirements under federal tax law and may have expenses, including advisory and administration expenses. As a result, Fund will incur its pro rata share of the underlying expenses.

There are risks involved with investing in ETFs, including possible loss of money. Actively managed ETFs do not necessarily seek to replicate the performance of a specified index. Actively managed ETFs are subject to risks similar to stocks, including those related to short selling and margin maintenance. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Index. The Fund is subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with an investment in the Fund.

ETF shares are not individually redeemable and owners of the Shares may acquire those Shares from the Fund and tender those Shares for redemption to the Fund in Creation Unit aggregations only, typically consisting of 10,000, 20,000, 25,000, 50,000, 80,000, 100,000 or 150,000 Shares.

**Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their financial professionals for a prospectus/summary prospectus or visit [invesco.com](https://www.invesco.com).**