

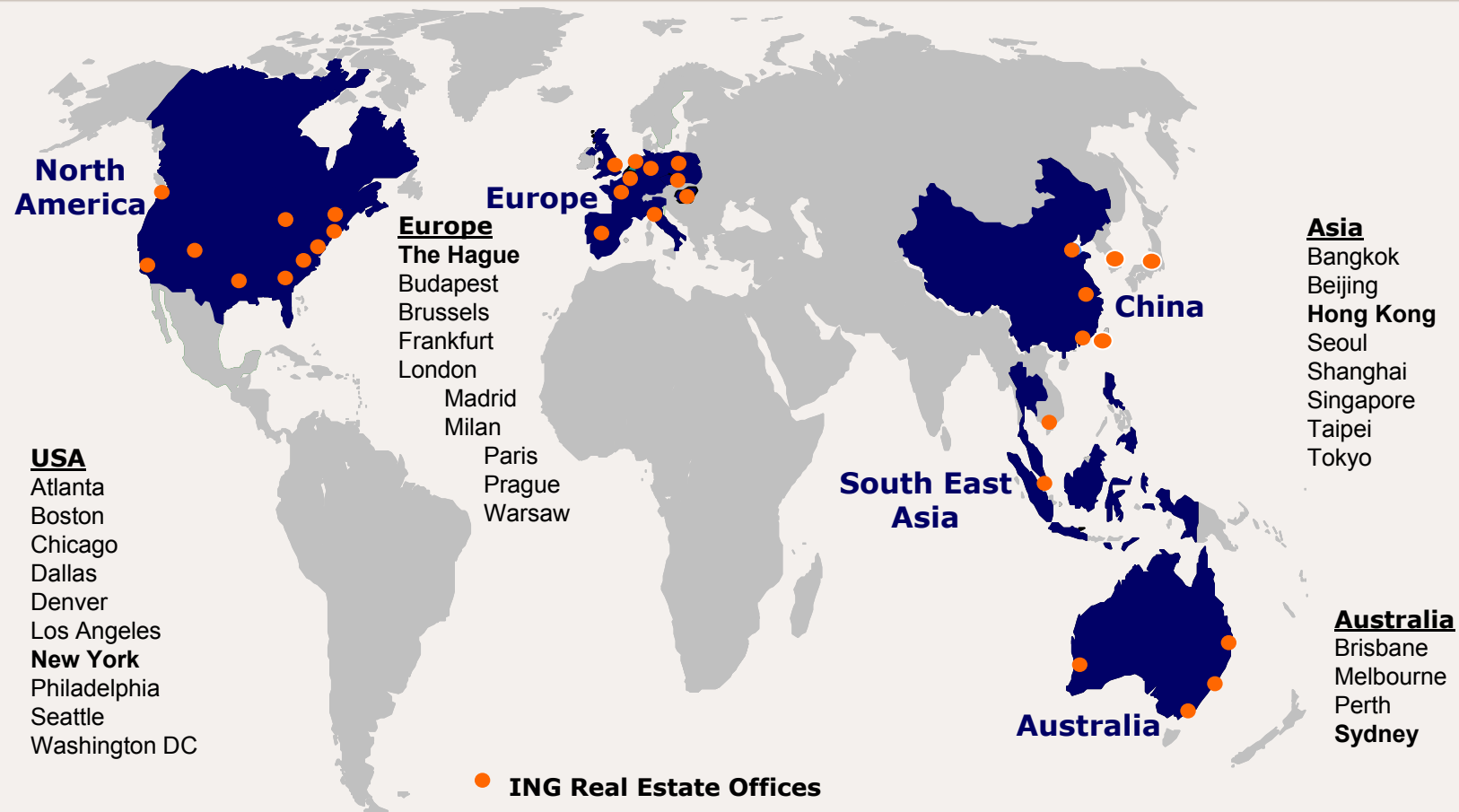
ING Office Fund

December 2004 Half Year Presentation



ING Real Estate

Global network



Global assets under management AUD77 billion

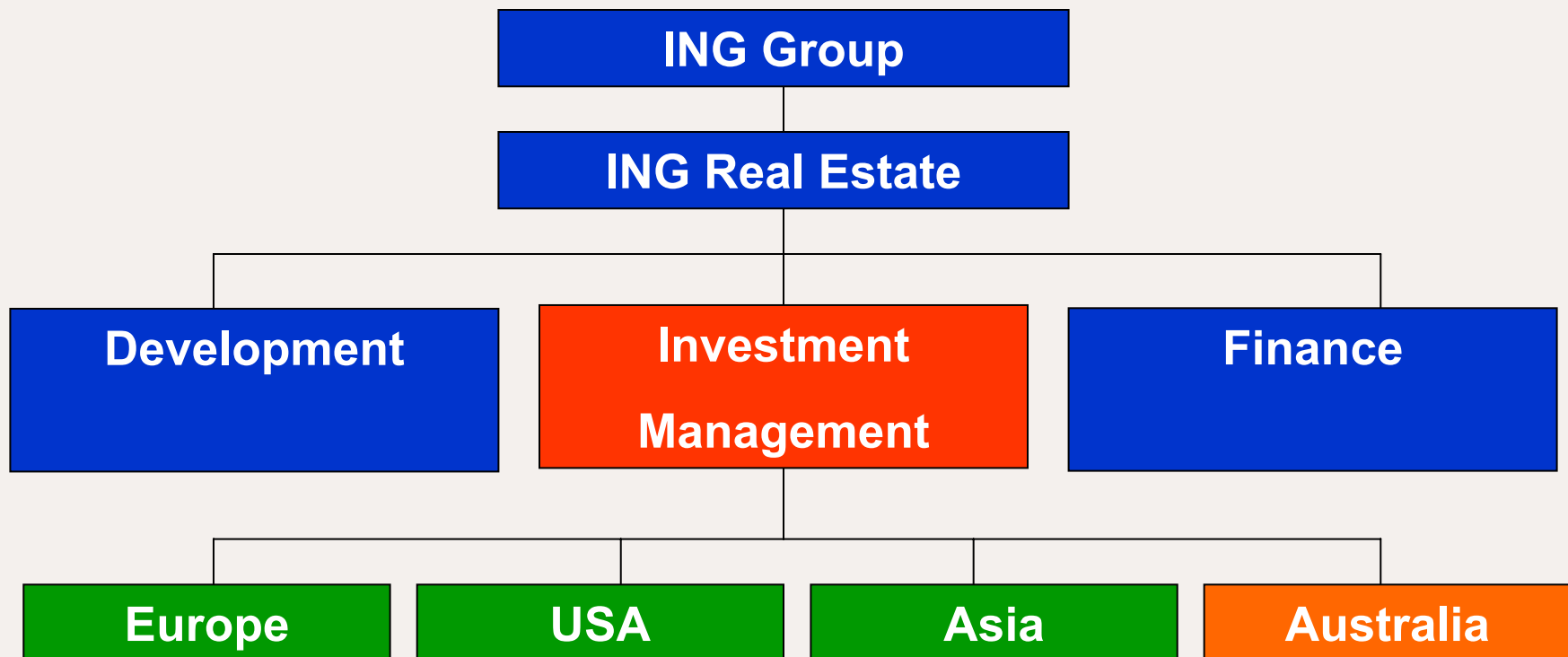
ING Real Estate

2004 Highlights

- Acquisition Rodamco Asia
 - Euro832m AuM
 - Platform for further growth in Asia
- ING Global Real Estate Income Fund
 - USD2.2bn AuM
 - Largest ever IPO in real estate sector
- 21% portfolio increase
 - Successful fund launches
 - Growth of finance portfolio

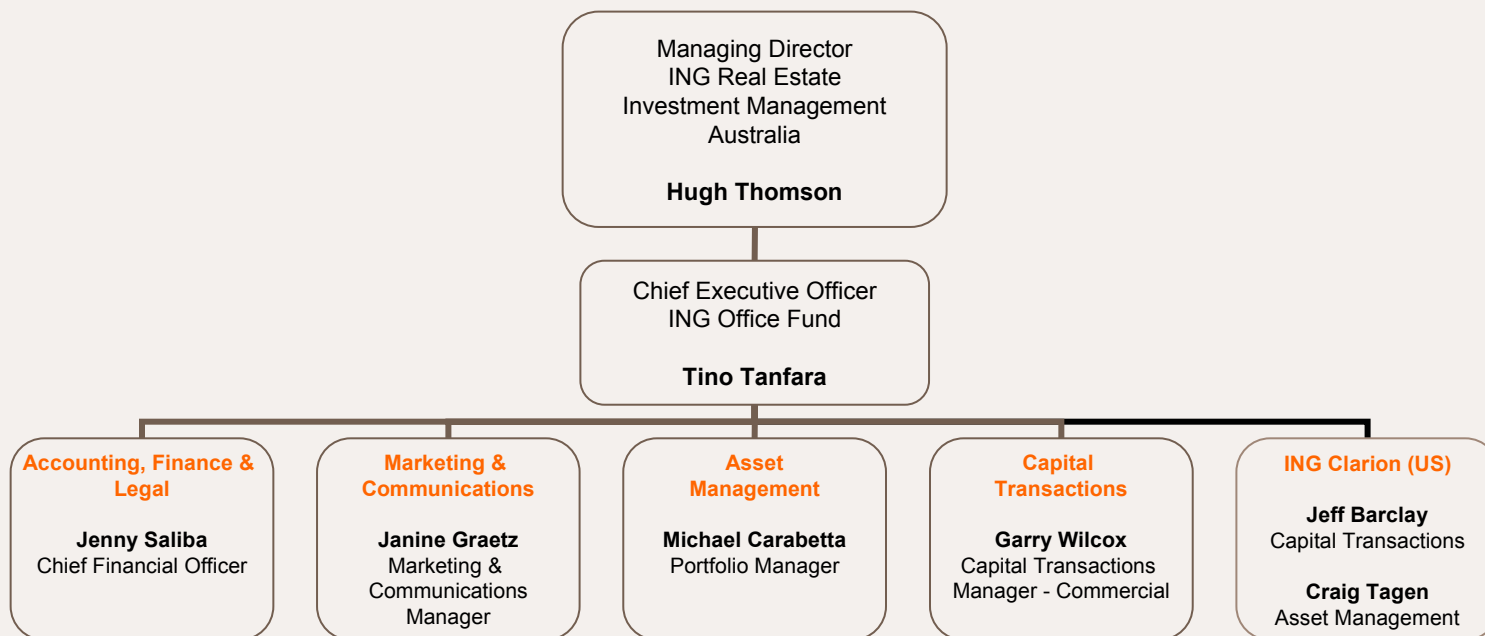
ING Real Estate

Global structure



ING Office Fund

Local and US Management team



Presentation overview

- Six months of value
- Australian market summary and outlook
- US economic and office market outlook
- Portfolio summary



Six months of value

Performed

- Operating profit ↑ 9.8m to \$54.3m
- EPU ↑ 10.4% to 5.64cpu
- EPU normalised ↑ 3.7% to 5.30cpu
- Like for like NPI ↑ 3.4%
- Retained earnings ↑ \$6.5m



Six months of value

Returned

	6mths	12mths	3years*
IOF	17.2%	25.3%	12.7%
UBS COM	21.3%	27.1%	10.9%
Ranking	2nd	2nd	1st

Source: UBS 4/1/05

* p/a compound return

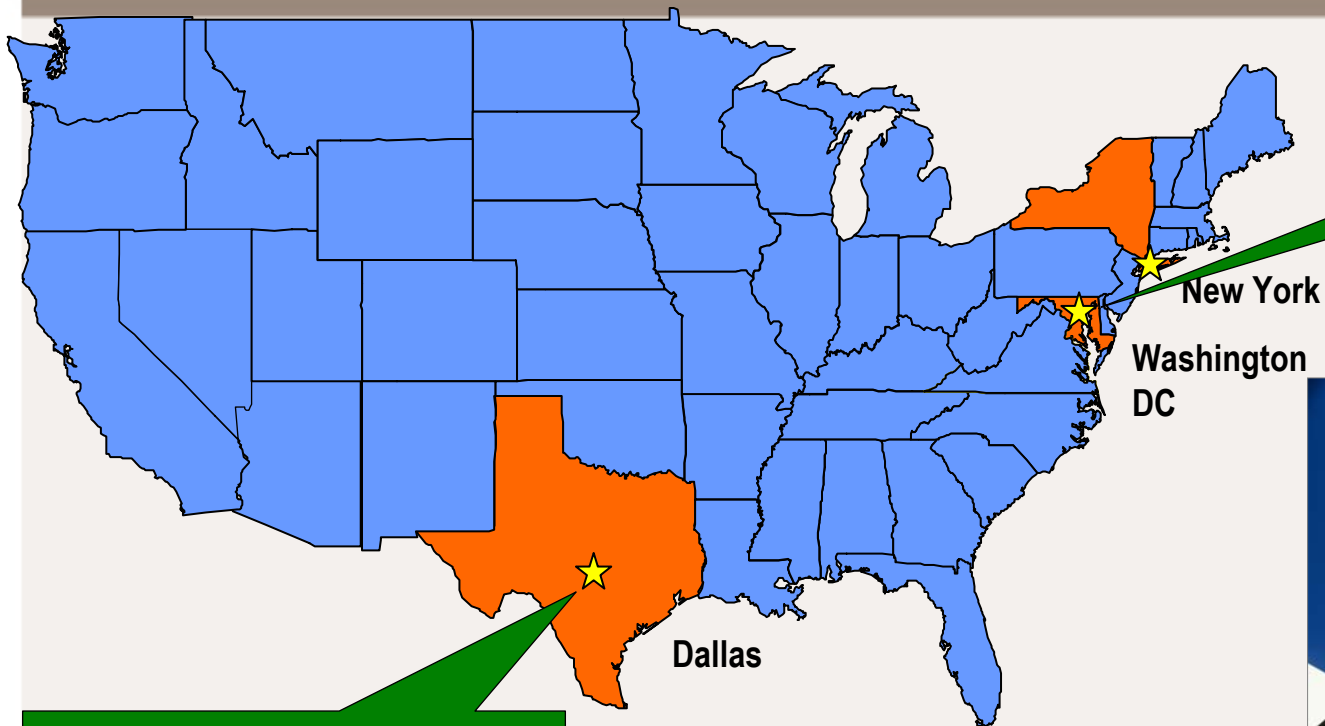
Six months of value

Asset managed

- **Leased** 40,257sqm, representing 9% of the entire portfolio
- **Secured** \$11m of rental income
- **Extended** ATO at Box Hill for 7yrs until 2014
- **Sourced** Telstra & Air New Zealand into 9,564sqm at 151 Clarence St
- **Improved** occupancy at MLC Centre, Brisbane to 99%
- **Maintained** long average lease duration of 5.8 yrs and high portfolio occupancy of 99%

Six months of value

Acquired



Mitretek Building
Washington DC metro
USD92.8m

New York

Washington
DC

Dallas



Computer Associates Plaza
Dallas metro
USD43.5m

Freehold interest
347 Kent St Sydney CBD
\$29.3m

Six months of value

Raised

- \$76.2m – Institutional placement Aug 04
- \$37.5m – Unit Purchase Plan Oct 04

Awarded

- Gold, Green Globe Award for energy savings across the portfolio



Results summary

Operating profit

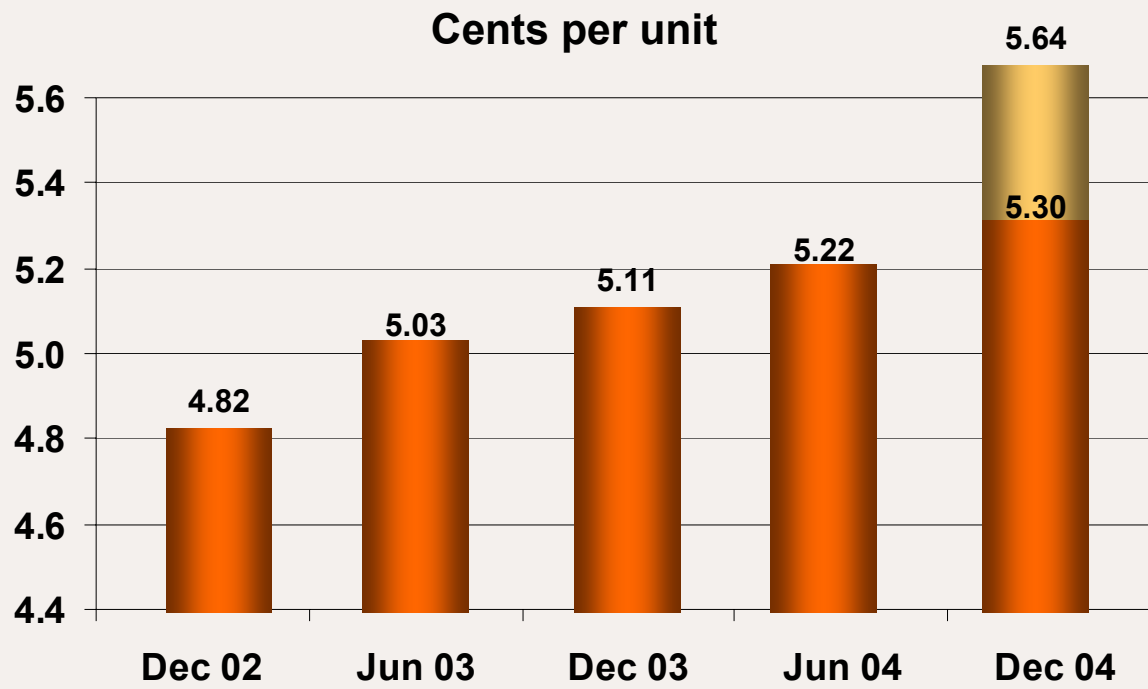
	Dec 04	Dec 03
	\$m	\$m
Net property income	75.64	64.77
Net interest	(16.69)	(15.91)
RE fee	(3.92)	(3.81)
Other costs	(0.69)	(0.53)
Operating profit	<u>54.34</u>	<u>44.52</u>
EPU (cents)	<u>5.64</u>	<u>5.11</u>
EPU (cents) normalised*	<u>5.30</u>	<u>5.11</u>
DPU (cents)	<u>5.10</u>	<u>5.10</u>

* Normalised excludes \$3.4m ATO payment (Cheltenham)

10.4% headline EPU growth, 3.7% normalised EPU Growth

Results summary

Earnings per unit



Stabilised and growing earnings

Results summary

Net property income

ATO Cheltenham payout	\$3.4m
Sale of 50% of 10 – 20 Bond St	(\$3.5m)
Mitretek & Computer Associates acquisitions	\$4.8m
111 Pacific Highway acquisition	\$3.0m
900 Third Avenue leasing	\$2.7m
MLC Complex & AGC leasing	\$1.1m
Other	(\$0.6m)
Movement in net property income	\$10.9m

Like for like NPI growth of 3.4%

Results summary

Leasing activity completed

	Area (m²)
990 Whitehorse Rd, Box Hill	21,235
151 Clarence St, Sydney	9,564
MLC Complex, Brisbane	5,003
Aust Govt Centre, Brisbane	2,135
628 Bourke St, Melbourne	1,337
10 – 20 Bond St, Sydney	410
111 Pacific Highway, North Sydney	364
105 – 151 Miller St, North Sydney	209
Total leasing activity	40,257

Representing 9% of portfolio or \$11m p.a. of income

Results summary

Other key indicators

	Dec 04	Dec 03
Total assets (look through)	\$1.85b	\$1.63b
Gearing (look through)	36.8%	35.9%
Retained earnings	\$7.4m	\$0.9m
NTA (per unit)	\$1.13	\$1.12
Units on issue	999.1m	901.9m
No. of unit holders	31,475	33,788
Average lease duration	5.8yrs	5.8yrs

Retained earnings improve, gearing stable

Australian market summary and outlook

Annual face rental growth outlook

	3 yrs*	Current Incentives*
Sydney	2.6%	20% - 25%
North Sydney	1.8%	27% - 32%
Melbourne	0.2%	30% - 35%
Brisbane	4.7%	17% - 22%
Canberra	2.7%	7% - 12%
Ave.	2.0%	22% - 27%

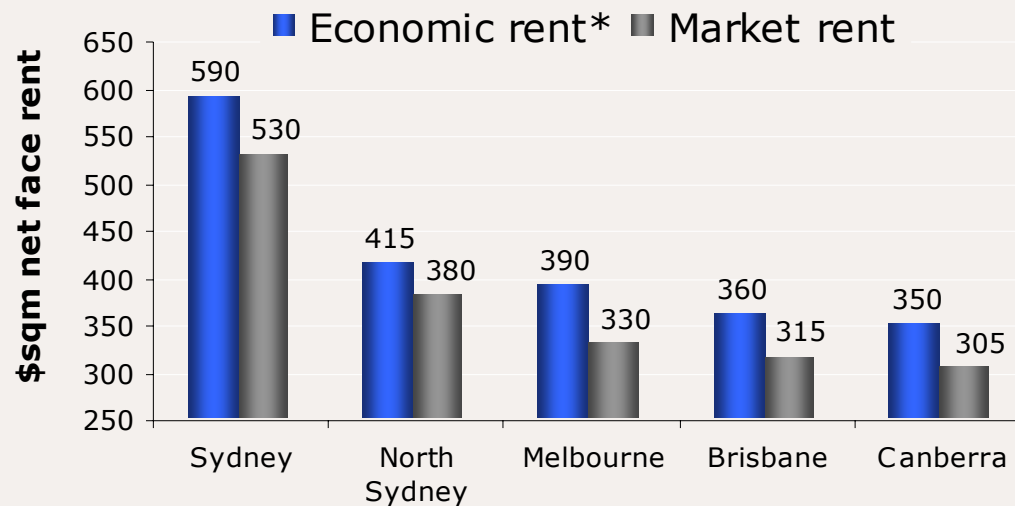
➤ 3 year outlook

- moderate face rental growth expected
- stronger effective rental growth expected for most markets

* Source: ING Real Estate

Australian market summary and outlook

Economic rent premium / discount to market rent



- Rent required to justify new construction 10% - 15% above market rents for most markets
- New supply unlikely to be currently feasible without significant pre-commitment
- Rental growth forecasts suggest minimal new supply in short term

* Assumes A-grade CBD office tower with profit and risk margin of 10% – 15%

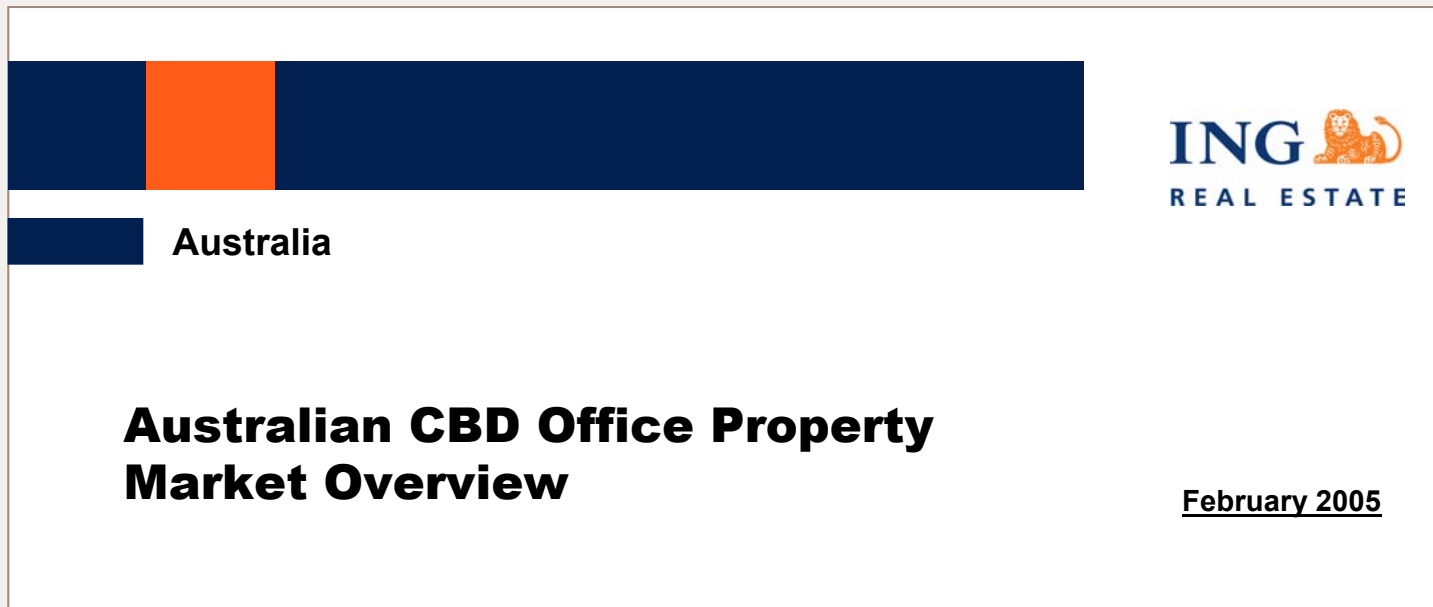
Australian market summary and outlook

Summary and 3 year outlook

- Recovery currently underway in annual net absorption*
 - 191,000sqm for 2004 v (61,000)sqm for 2003
- Improving face rental growth and declining incentives expected for Sydney and Brisbane
- North Sydney and Canberra expected to remain stable
- Further downward pressure on effective rents expected for Melbourne
- 50 basis point yield compression for investment grade assets during 2004
- Further firming of yields expected in 2005

* Based on major eastern seaboard markets. Source: JLL

Australian market summary and outlook



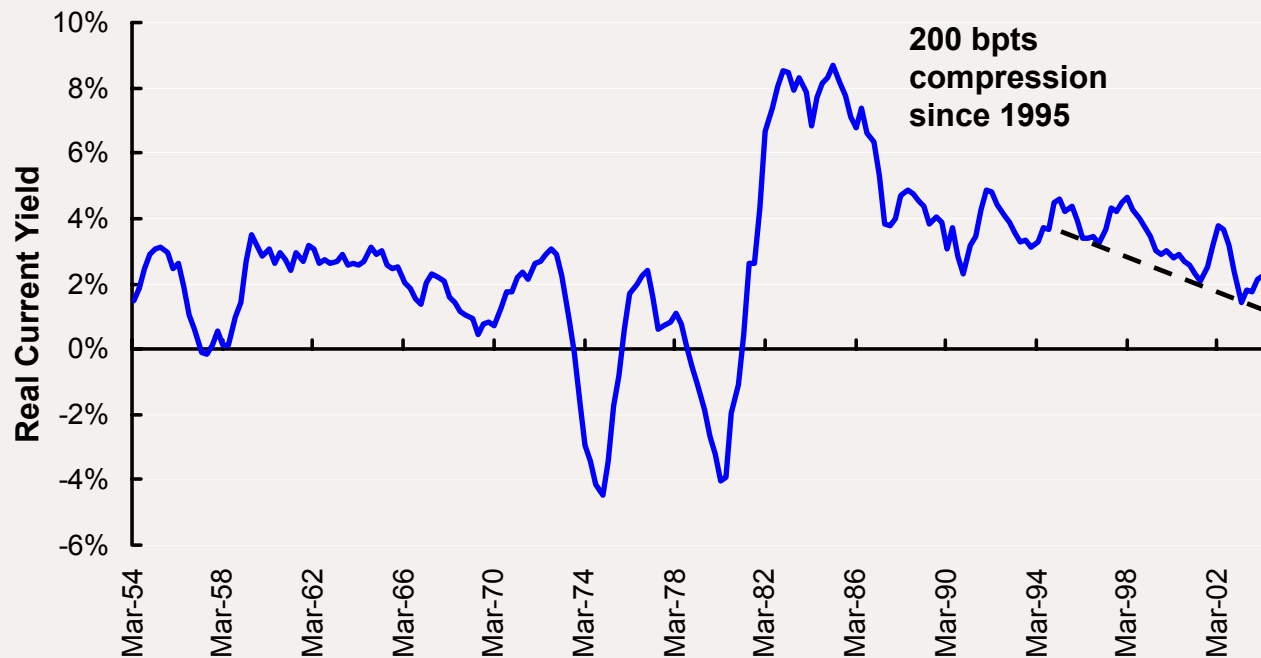
- A copy of this report is available at www.ingrealestate.com.au/investment

US economic and office market outlook



The US economy

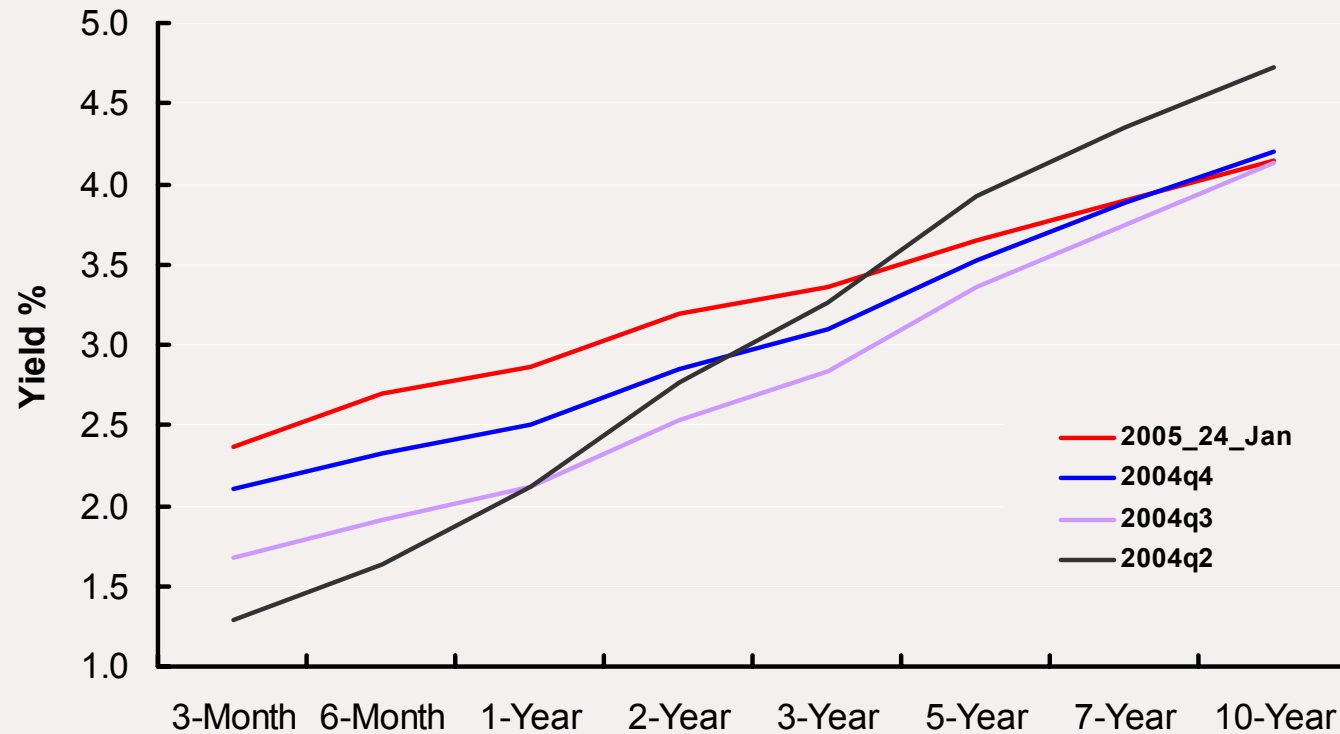
Real yield for the 10-year treasury



- Yield on the 10-year US treasury has compressed to its historical average of 2% real
- 10 yr bonds appear fairly valued

The US economy

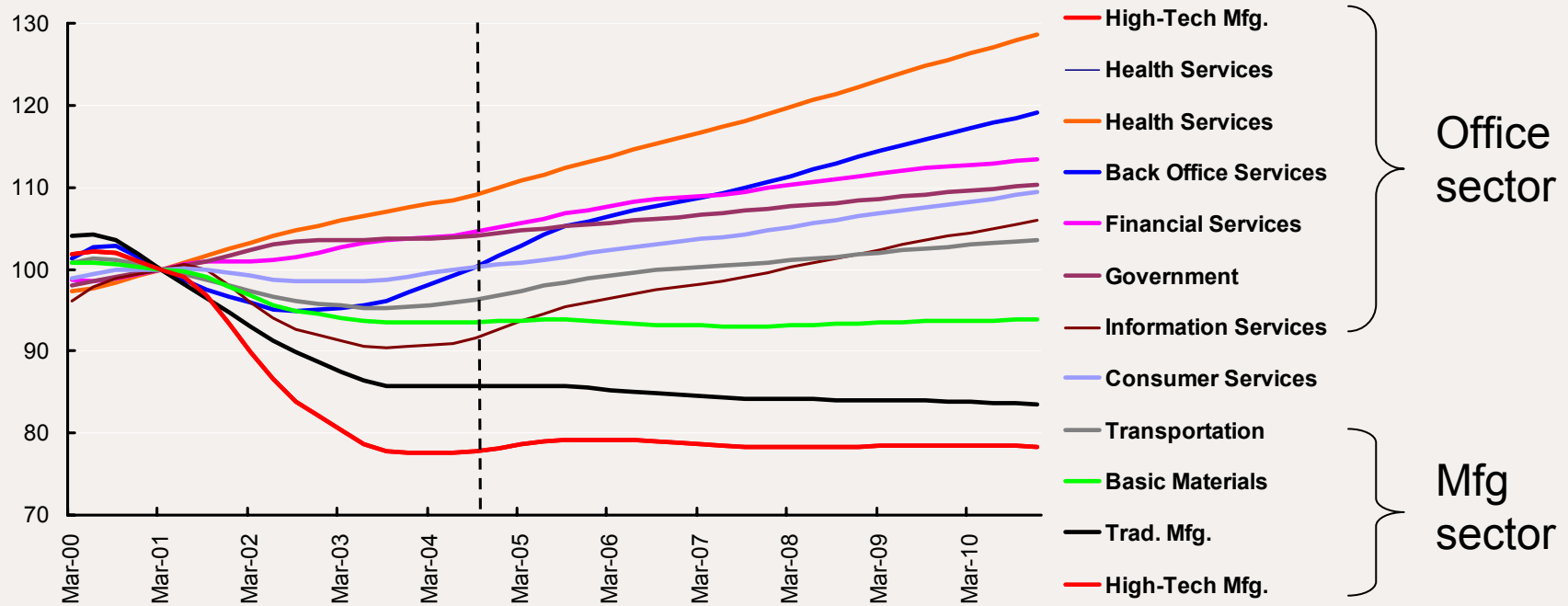
US yield curve



- Sequential yield curves show long bonds remain relatively stable as the short end flattens
- Mid-range maturities remain steady reflecting little change in cost of debt

The US economy

Industry sector job growth



- 5 year outlook for office employment is significantly higher than total employment
- Health, Financial Services and Government expected to provide strongest growth

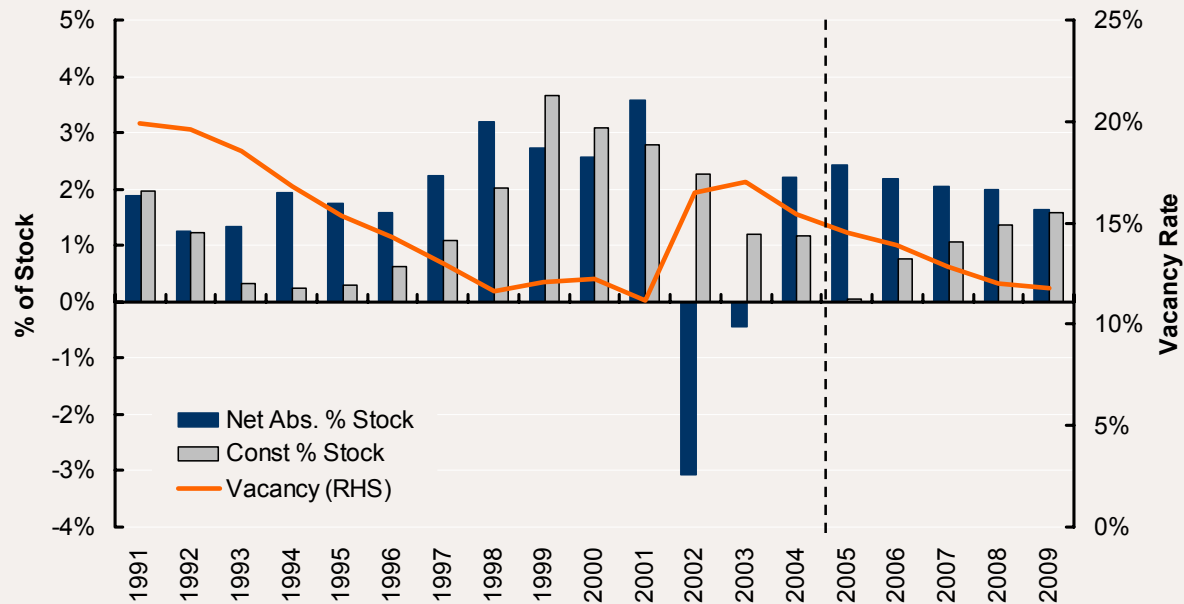
US office market overview

Snapshot of key trends in 2004

- Recovery in annual net absorption
 - 57.4m sqft (2.2%) for 2004 v 11.9m sqft (0.5%) for 2003
- Forecast supply remains in check for most markets
- Downward pressure on the national vacancy rate
 - 15.6% at Q4 2004 v 17.0% at Q4 2003
- Effective rental growth has stabilised
 - 0% for 2004 v (3.7) for 2003
- Capital values have firmed due to buoyant continued investor demand and improving fundamentals

US office market overview

National supply and demand



- Job growth in office using sectors has rebounded
- Recovery well underway as vacancy rates have begun to fall
- Declining incentives most evident in major markets

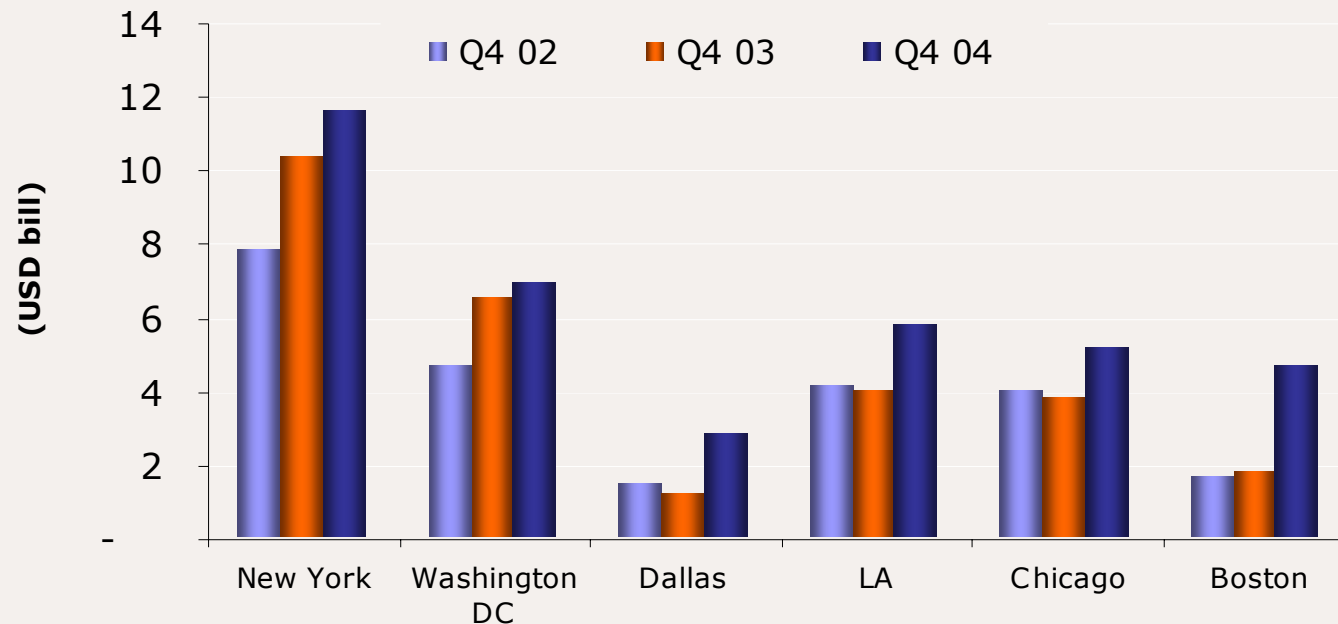
US office market overview

Strongest office employment growth markets

	Size (sqft)	Annual Office Employment growth	
		2000 – 2004	2005 – 2009 (F)
New York	348m	-9,850	28,492
Washington DC	248m	29,248	37,898
Chicago	213m	-6,200	29,746
Los Angeles	175m	15,672	24,358
Dallas	142m	3,964	26,004
Houston	136m	11,938	26,898
Atlanta	124m	7,226	32,380
Seattle	75m	4,200	23,964
Phoenix	58m	16,164	29,198
Total	1,519m	72,362	258,938

US office market overview

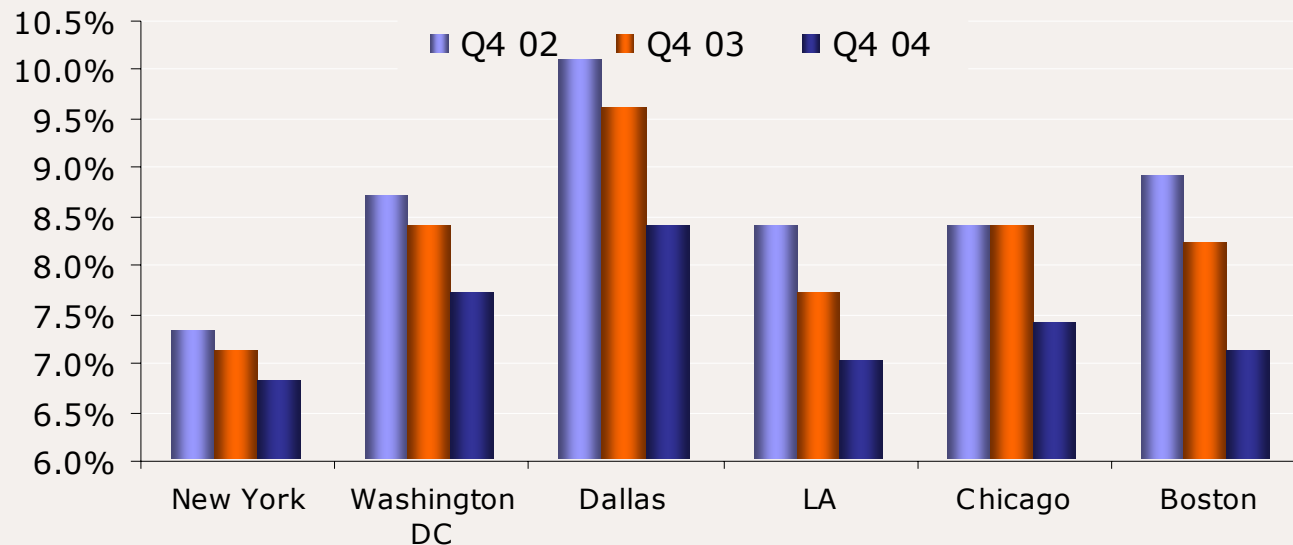
Annual office property transaction volume (all classes)



- Transaction volumes show approx. 40% increase during 2004
- Sustained domestic and international investment in US office property
- Improving liquidity seen in major markets as recovery sets in

US office market overview

US office property cap rates (all classes)



- Yield compression in 2004 of 25 bpts – 100 bpts across most markets & classes
- Compression driven by; attractive yield differential to bonds, increased domestic and global capital flows, and improved office market outlook

US office market overview

Face rental growth and vacancy outlook in major markets

	Rental growth (3yr forecast)	Vacancy (Current)	Vacancy (3yr forecast change)
New York	4.5%	8.1%	-0.5%
Washington DC	4.0%	10.3%	-1.3%
Chicago	1.5%	17.8%	-3.5%
Boston	0.8%	16.7%	-2.1%
Atlanta	2.0%	19.3%	-1.5%
Los Angeles	4.0%	13.9%	-3.9%
Dallas	2.1%	26.2%	-6.2%
Ave	3.0%	14.4%	-2.3%

- strengthening face rental growth forecast across most markets
- firming vacancy rates expected to drive stronger effective rental growth

US office market overview

Summary

- US 10 year treasury bond remains steady as short end flattens
- Medium to long term cost of debt remains stable
- 5 year outlook for office employment is significantly higher than total employment
- Strengthening effective rental growth and declining vacancies expected
- Improving transaction volumes and liquidity
- Continued attractive yield spread to US 10 year bonds (approx 250bp)

US office market overview

IOF US portfolio

	Capital value (USD)	Cap rate*	WALE	Occupancy
900 Third Avenue, New York	114.7m	6.85%	5.8 yrs	100%
Mitretek Systems HQ, Washington DC	92.8m	6.50%	12.1 yrs	100%
Computer Associates Plaza, Dallas	53.5m	8.00%	7.0 yrs**	100%
Portfolio total/ave.	261.0m	6.95%	8.2 yrs	100%

* Cap rate on acquisition.

** Assumes break clause exercised in 2012. Leased until 2017

Portfolio summary

Yield spreads of global office markets

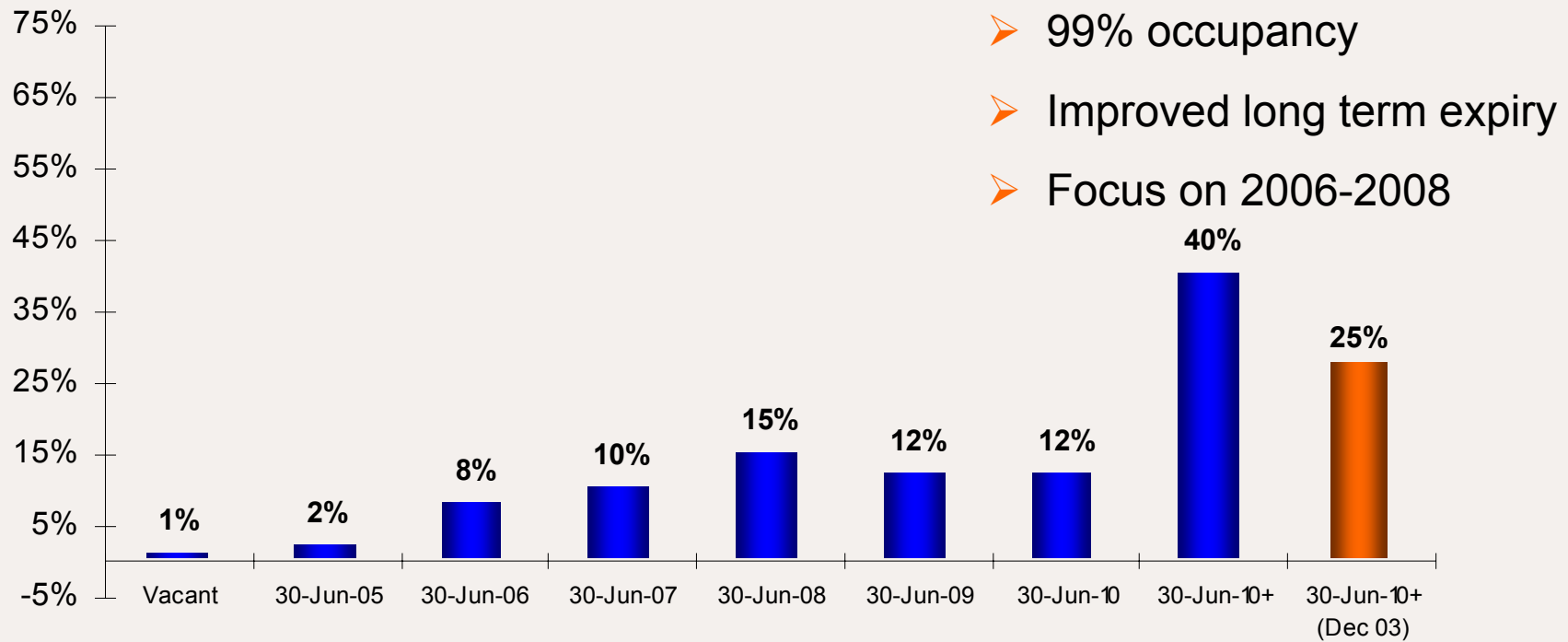
	Australia	USA	UK	Europe	Japan
Avg yield (after costs)	6.85%	6.75%	5.50%	6.00%	4.50%
5yr swap	5.62%	3.89%	4.83%	3.00%	0.68%
10 yr bond	5.31%	4.19%	4.81%	3.87%	1.40%
5yr spread	1.23%	2.86%	0.67%	3.00%	3.82%
10yr spread	1.54%	2.56%	0.69%	2.13%	3.10%

Source ING Real Estate

Global spreads vary across markets

Portfolio summary

Average lease term by income



Average lease term remains strong at 5.8 years

Portfolio summary

Leasing focus

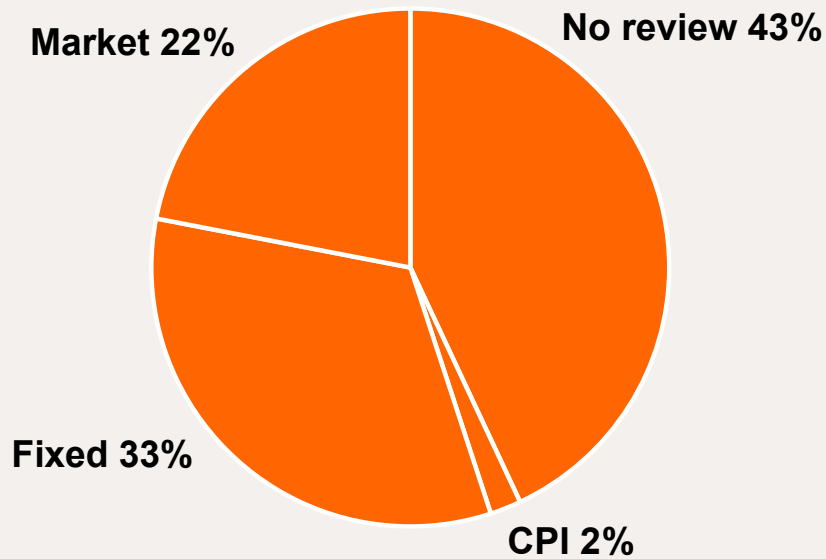
Tenant	Property	FY06	FY07	FY08
Citipower	628 Bourke St, VIC	1%		
Centrelink	Terrica Place, QLD	1%		
AGL	111 Pacific Highway, NSW	2%		
ATO	40 Cameron Avenue, ACT		3%	
Common. of Aust.	Royal Mint Centre, VIC		2%	
ATO	Terrica Place, QLD		2%	
Zweig Advisors	900 Third Avenue, NY		1%	
MLC	105 – 151 Miller St, NSW			5%
Woodside	1 Adelaide Terrace, WA			2%
DEST	16 – 18 Mort Street, ACT			3%
Kroll Associates	900 Third Avenue, NY			1%
Major expiries		4%	8%	12%
Total expiries		8%	10%	15%

Manageable expiries

Portfolio summary

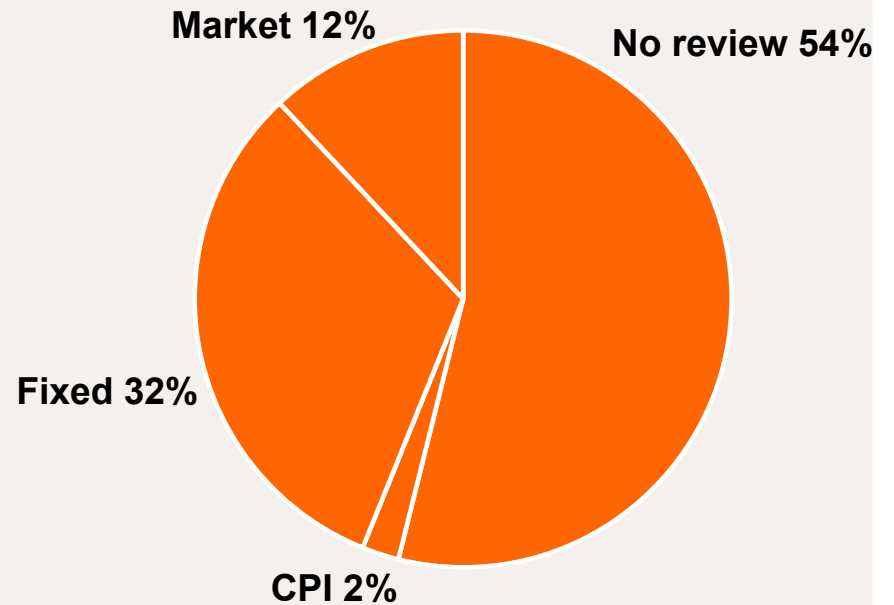
Rent reviews

FY 2005



Average fixed increase – 3.8%
Average CPI increase – 3.4%

FY 2006

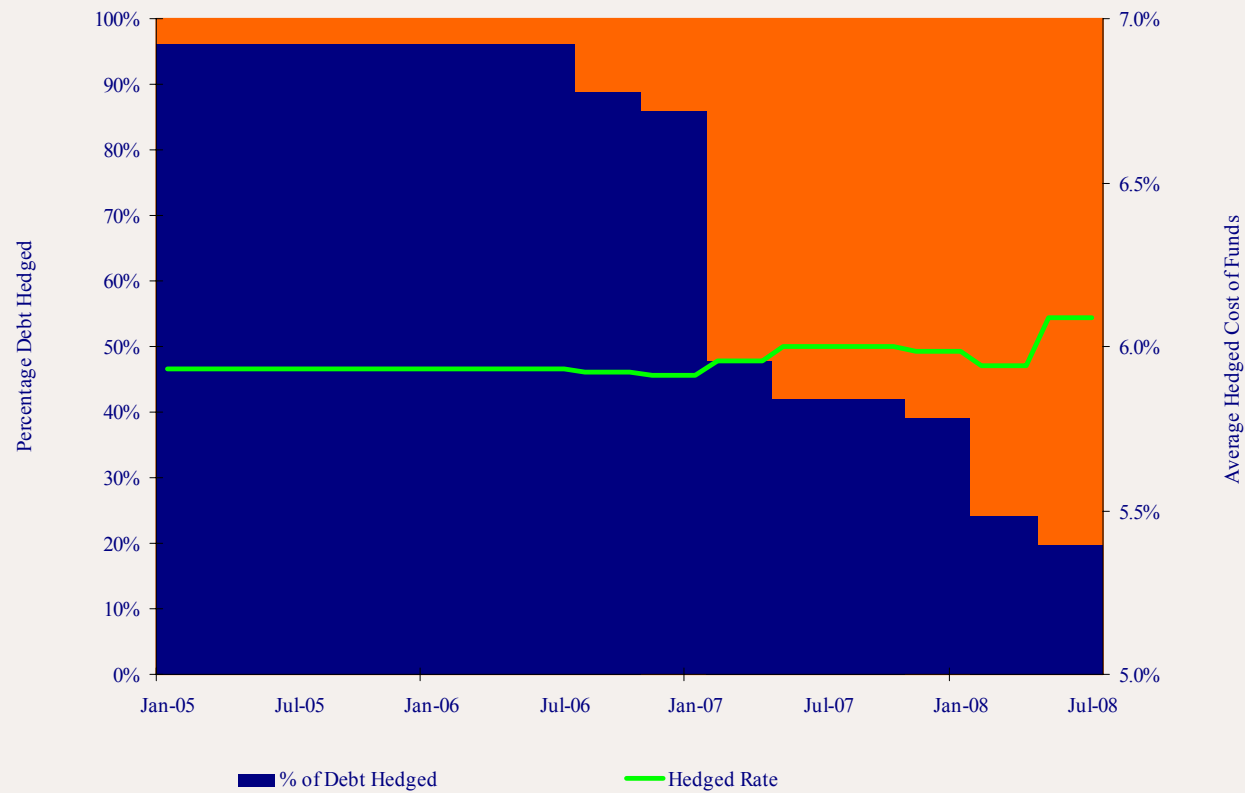


Average fixed increase – 4.9%
Average CPI increase – 2.9%

Predominantly structured rent reviews

Portfolio summary

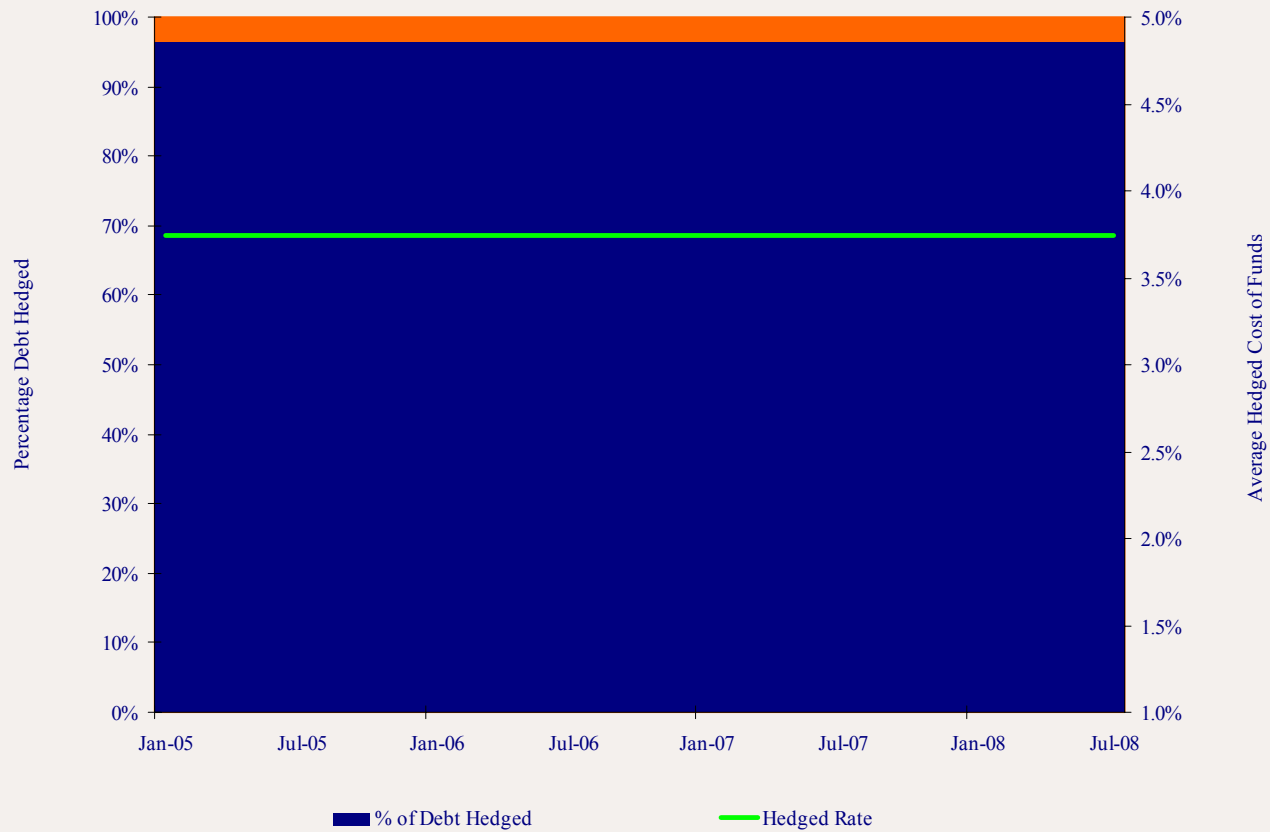
AUD interest rate hedging



96% hedged for average of 3.0 years @ 5.9%

Portfolio summary

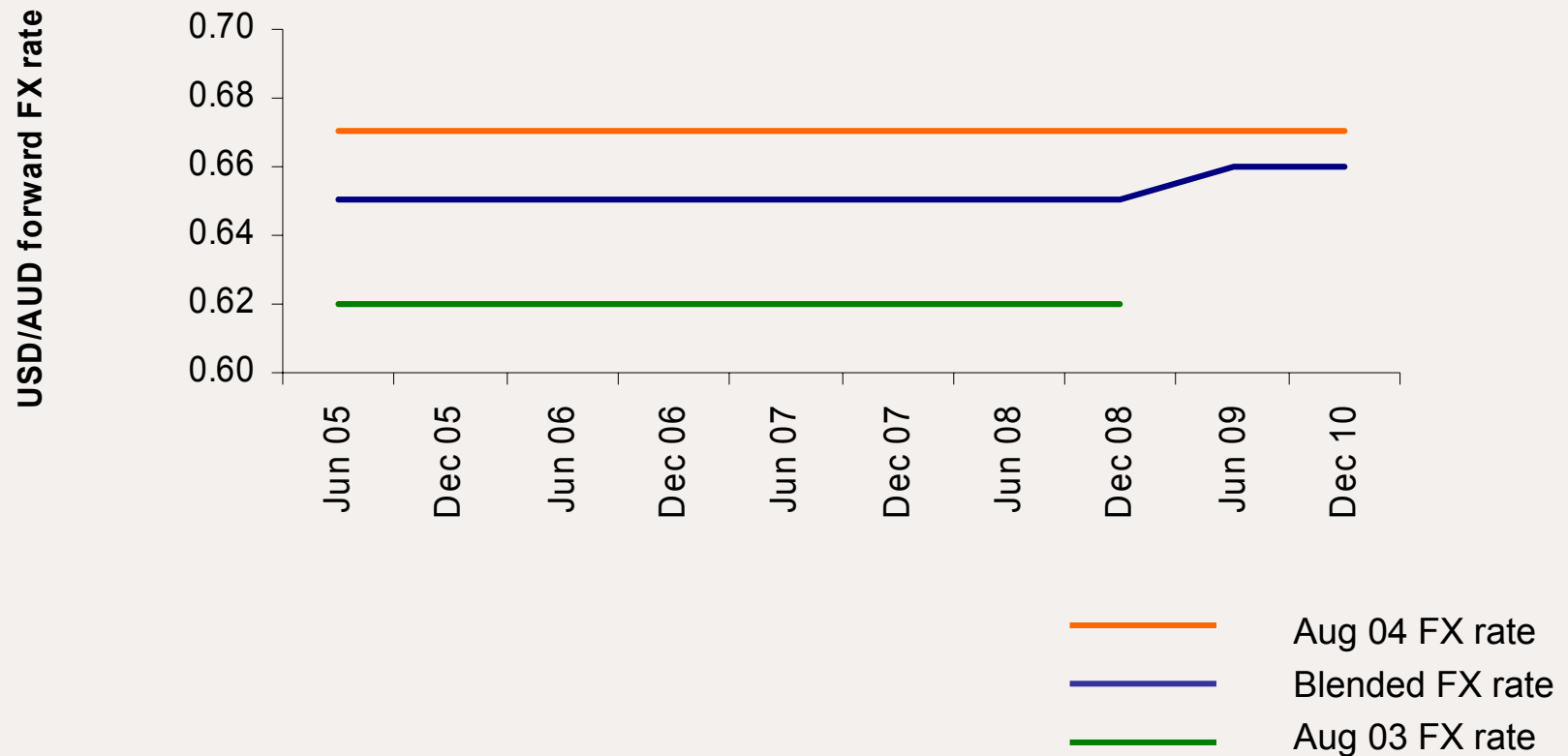
USD interest rate hedging



96% hedged for average of 4.0 years @ 3.7%

Portfolio summary

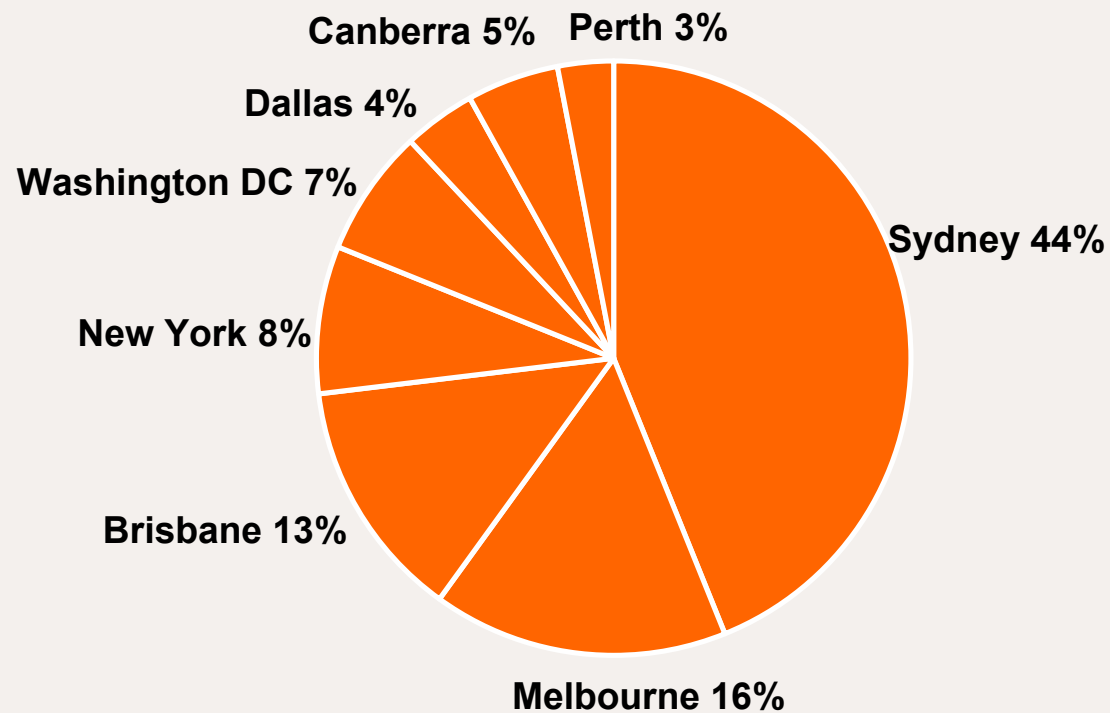
USD/AUD income hedging



FX blending – 100% hedged until 2010

Portfolio summary

Geographic diversification



US weighting (19%) to three of the largest office markets

Summary

- Portfolio in strong position with little risk
- Commitment to improving earnings;
 - Active asset management/retention/leasing
 - Increased US asset allocation
 - Value add opportunities locally and US
 - ING Real Estate global platform
- Prudently address 2006 – 2008 lease expiries
- Deliver growth

ING Office Fund

Thank you & questions

- A copy of this presentation is available at www.ingrealestate.com.au/investment



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