

IOF

INVESTA OFFICE FUND Macquarie Securities Australia Conference

1-3 May 2013



INVESTA 

The transformation of IOF

Achievements since taking over in mid-2011

Created market leading governance for externally managed vehicles

- ✓ Aligned management fees to market capitalisation
- ✓ Implemented majority independent board
- ✓ Installed unitholder voting on related party transactions

Prudently managed the balance sheet

- ✓ Refinanced over \$700m in debt
- ✓ Gained S&P BBB+ credit rating
- ✓ Issued inaugural \$125m MTN at 210bps
- ✓ Maintained low gearing and improved portfolio quality through offshore asset sales and >\$700m of domestic acquisitions

The transformation of IOF

Achievements since taking over in mid-2011

Undertaken sound capital decisions

- ✓ Bought back 10% of stock at \$2.43 (current NTA \$3.14)
- ✓ Sold ~\$520m of offshore assets
- ✓ Acquired ~\$700m of A and premium grade assets in Sydney, Melbourne and Perth

Delivered solid operational performance

- ✓ Completed >100,000sqm of Australian leasing deals – more than 25% of the portfolio
- ✓ Improved NABERS energy from 3.3 to 4.0 and NABERS water from 2.7 to 3.5
- ✓ Guiding to 10.4% earnings growth in FY13

Competition for core assets is strong

Evidence of cap rate compression is emerging

8 Exhibition St, Melbourne

- 45,000sqm building completed in 2005, stratum with no car parking on title, 4 year WALE, ~1,600sqm floor plates
- 50% interest acquired by GWOFF for \$160m, reflecting a ~6.5% cap rate (~6.1% initial yield post costs), ~25bps below market expectations

400 George St, Brisbane

- 43,500sqm building completed in 2009, 6.85 year WALE, ~1,400sqm floor plates
- 50% interest acquired by Motor Accident Commission of South Australia for \$195.8m, reflecting a ~7% cap rate (~6.7% initial yield post costs), ~25bps below market expectations

313 Spencer St, Melbourne

- 28,400sqm building currently under construction and scheduled to complete in early 2015, cash flow secured by 20 year lease to Victorian Police from completion, 2,100sqm floor plates
- 50% interest acquired by Invesco for ~\$120m, reflecting a ~6.30% cap rate, 30 - 40bps below market expectations

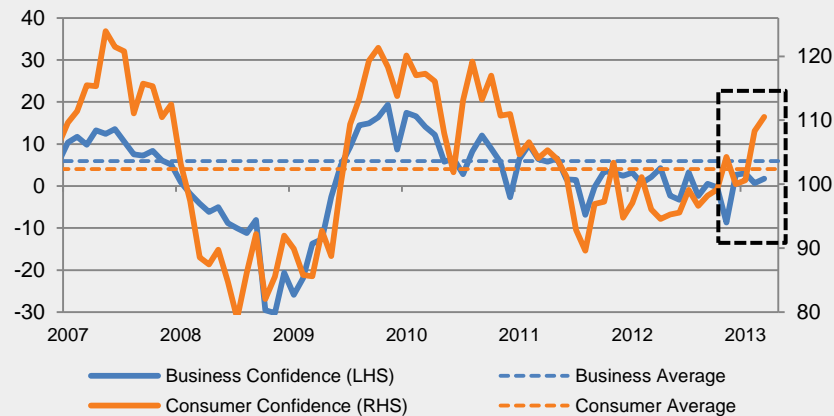
Economic fundamentals are broadly stable

Capital markets strengthening despite occupancy weakening

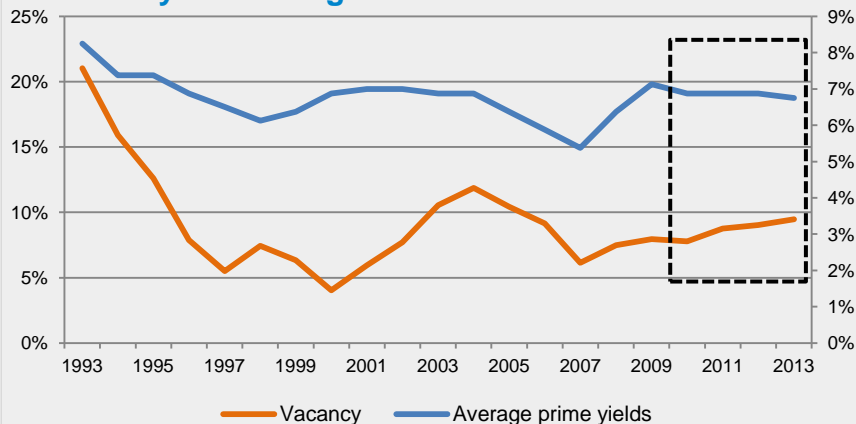
S&P VIX is at pre-GFC levels



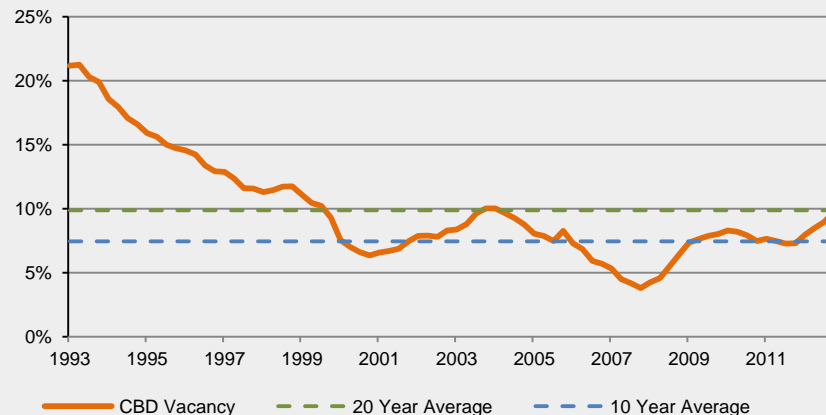
Business and consumer confidence has split



Sydney CBD prime yields are compressing despite vacancy increasing



Vacancy at 20 year average despite tenant demand being soft



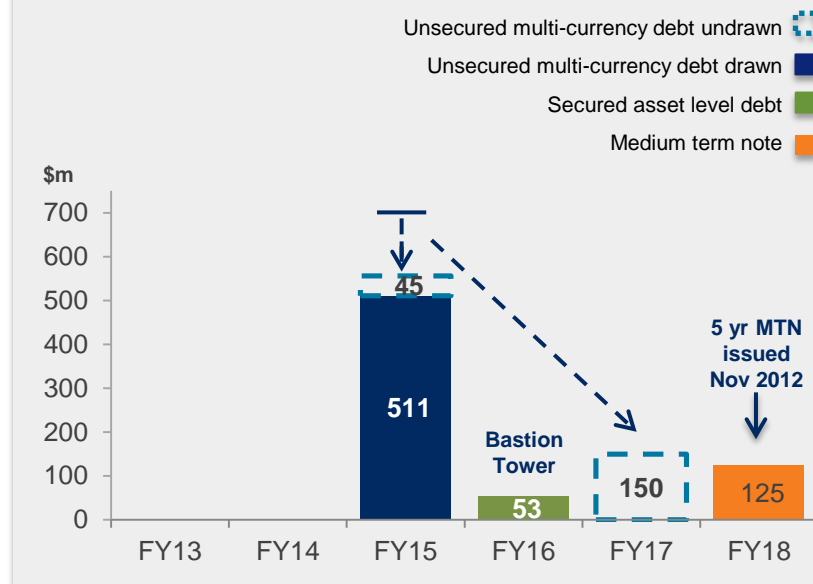
Source: S&P, NAB, WBC, Jones Lang LaSalle Research and Investa Research

Balance sheet positioned for growth

Extended sources and tenor of debt

Key Indicators	31 Dec 2012
Drawn debt	\$616m
Gearing (look-through)	24.9%
Weighted average debt cost	4.7%
Hedged/fixed ¹	66%
Interest cover ratio (look-through)	5.5x
S & P credit rating	BBB+/Stable

Debt Maturity Profile (\$m)²



- Reduced FY15 bank debt maturity:
 - Inaugural MTN issuance in November 2012, raising \$125m for 5 years at 210bps over BBSW
 - Extended \$150m to FY17 in March 2013; intention is to refinance remainder of FY15 expiry within 12 months
- Reduced cost of debt to 4.7% in 1H13 by using an appropriate mix of interest rate swaps and caps:
 - Marginal cost of debt ~4% under existing facilities; new facilities ~4.5%

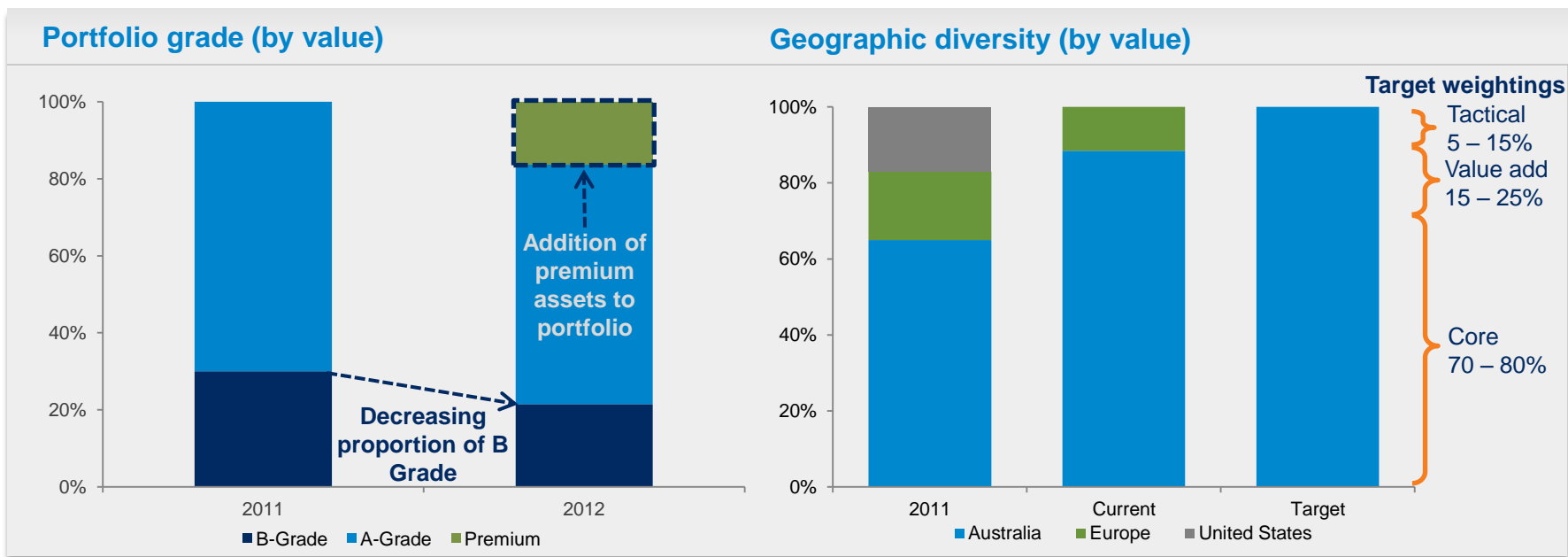
1. Includes interest rate caps

2. Pro forma 31 December 2012 - balances adjusted for \$54m distribution paid, 567 Collins land payment and new facilities/bonds issued

Portfolio repositioning on track

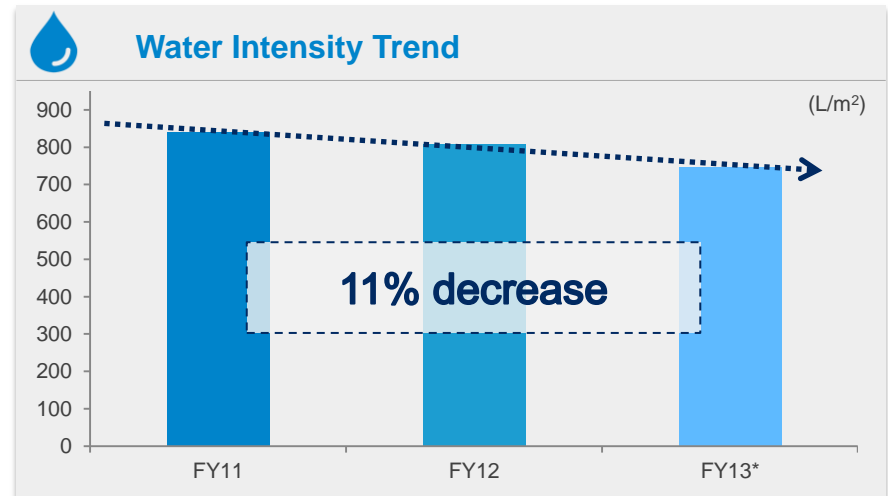
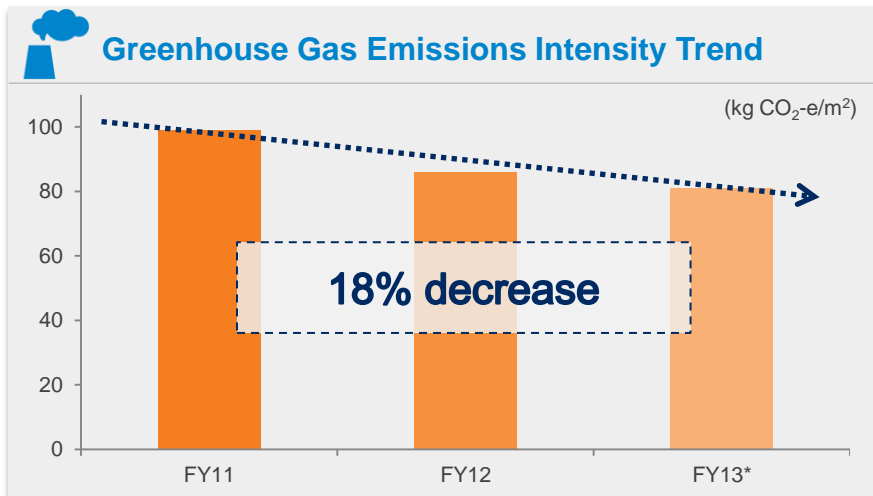
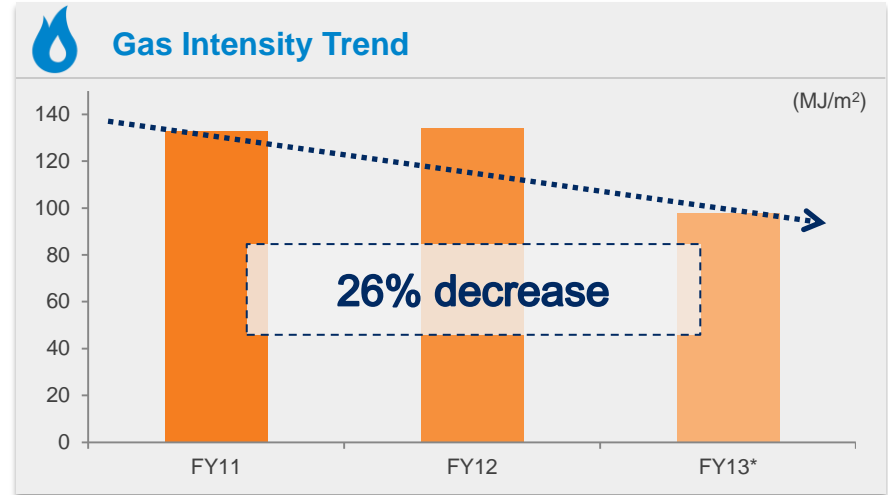
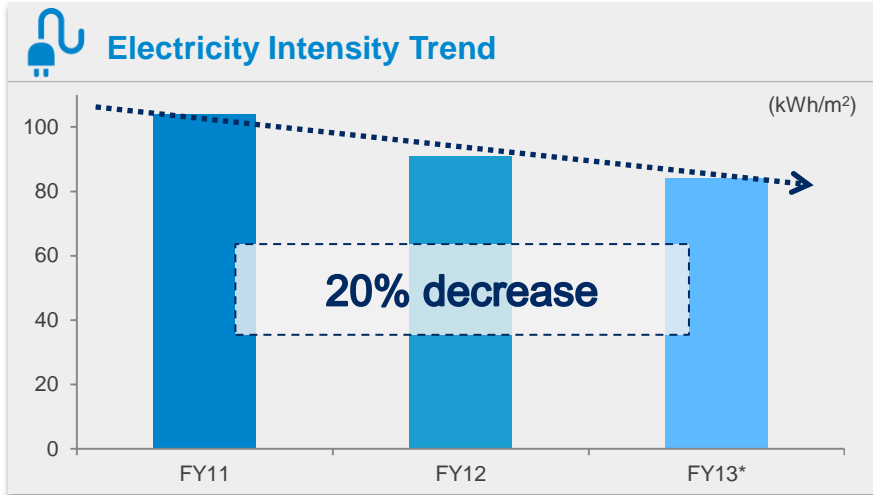
Improving portfolio quality whilst growing earnings

- Acquisitions over the past 12 months have improved portfolio quality and underpinned earnings growth:
 - 126 Phillip St, 242 Exhibition St, 66 St Georges Terrace, 567 Collins St
- Higher contributions from other parts of the portfolio including 10 – 20 Bond St – now fully income producing
- Continue to be active in seeking to acquire the right assets at the right price and dispose of legacy offshore assets



Leveraging the Investa platform

Improved environmental performance boosts financial performance



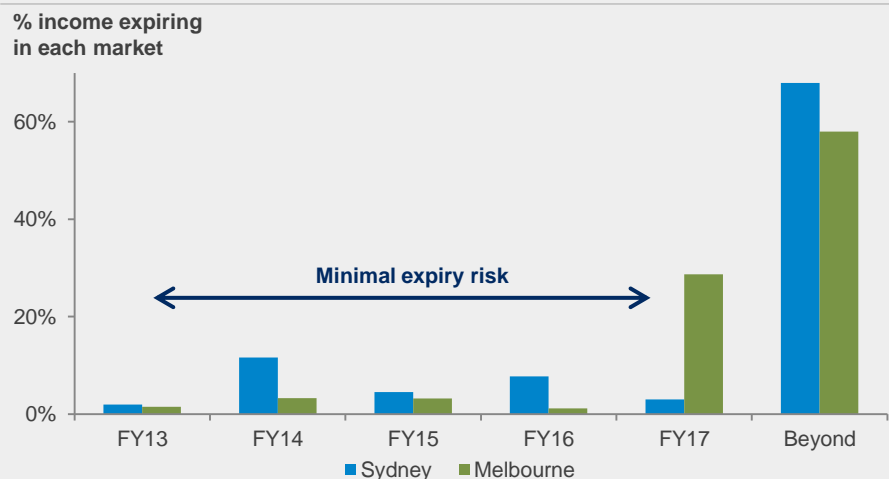
* Forecast outcomes for FY13

IOF's Sydney and Melbourne assets are mainly de-risked

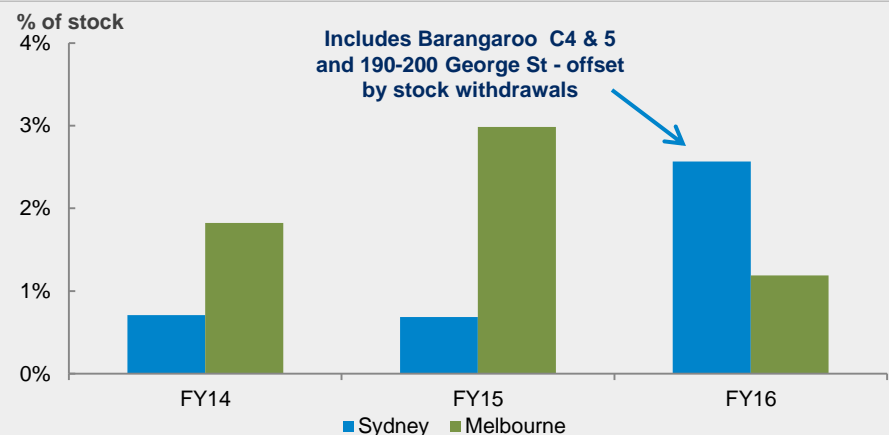
Well positioned against future supply

- IOF has no major lease expiry in Sydney or Melbourne for 4 years
- Sydney supply will be below average over the next few years before an increase in 2015 with Barangaroo
- Melbourne supply threat is immediate – with over 300,000sqm being delivered in the next 3 years, predominantly in Docklands

Sydney and Melbourne lease expiry profile¹



Net supply²



1. Includes North Sydney

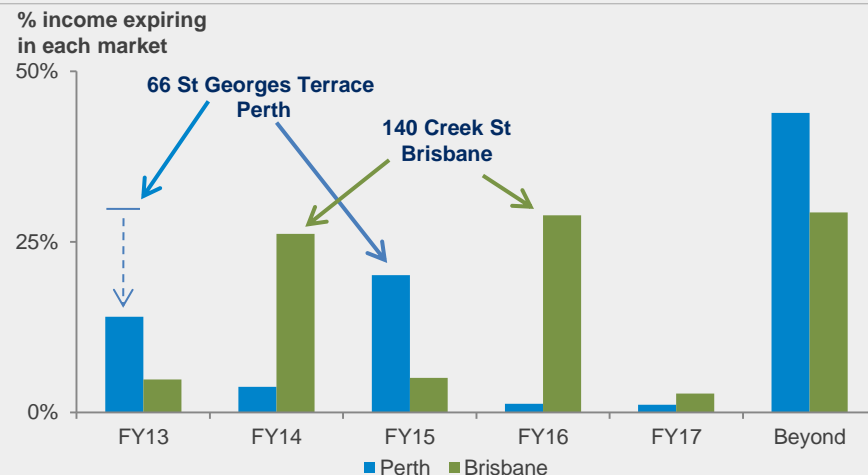
2. Investa Research, includes North Sydney

Perth and Brisbane expiries concentrated in two assets

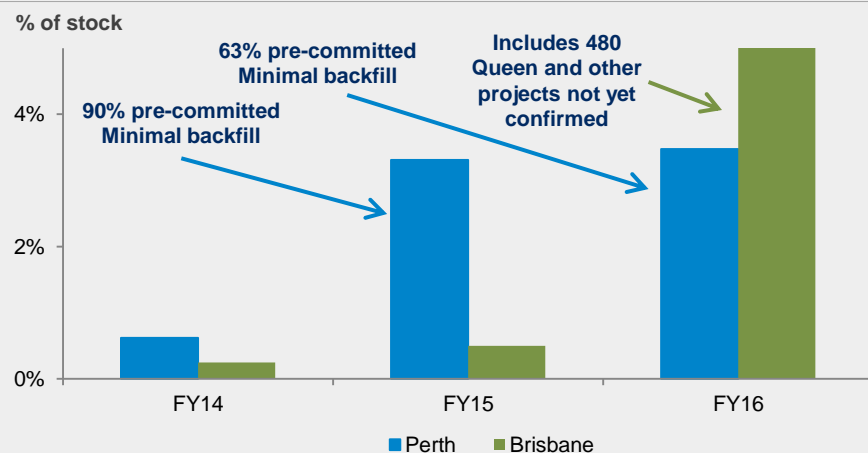
Strategies in place to capture value through lease expiries

- 66 St Georges Terrace performing ahead of August 2012 acquisition assumptions and forecast to deliver >15% increase in rents
- 140 Creek St strongly positioned as the A-grade 1,175sqm floor plates are one of only two offerings in the market with >1,000sqm floor plates and more than 5,000sqm of contiguous space
- Low supply under construction in Perth as future supply requires substantial pre-commitments and financing to proceed
- Brisbane to be challenged short to medium term as supply pipeline crystalises

Perth and Brisbane lease expiry profile



Net supply¹



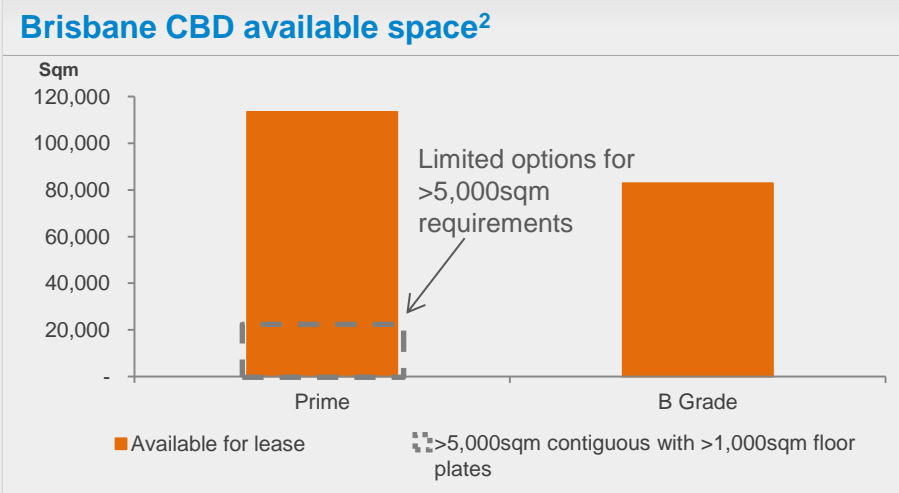
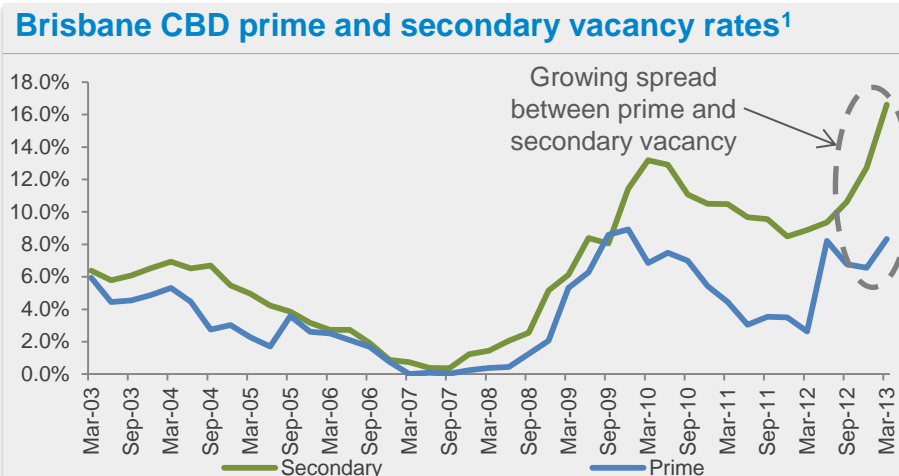
1. Investa Research

Brisbane floor plate analysis

Limited availability of contiguous space with large plates

- Vacancy has increased to 12.9%¹ in Brisbane CBD and the market is becoming bifurcated with prime vacancy 8.3% and secondary vacancy 16.6%:
 - Smaller floor plates make up the majority of the vacancy
 - The majority of the secondary vacancy is dated

- It appears tenants are spoiled for choice, with 15 options available of >5,000sqm, however:
 - There are only 5 options in prime grade with >1,000sqm floor plates, and only 2 options are contiguous – including IOF’s 140 Creek St



1. Jones Lang LaSalle Research

2. Savills Research and Investa Research – analysis based on Dec-12 Full Floors Report Data

Summary and outlook

Delivering earnings growth whilst transforming IOF

Delivering on strategic objectives

- Maximise portfolio occupancy and proactively address future income and capex risk by leveraging Investa's end-to-end management platform
- Continue to improve portfolio quality through selling offshore exposure whilst acquiring domestic assets with attractive risk-adjusted returns
- Target upper end of 25 – 35% leverage range, and further diversify sources and extend tenor of debt
- Maintain high standards of governance and delivering on stated commitments

Earnings outlook

- Upgrading FY13 Operating earnings guidance to 10.4% growth – 22.2 cents per unit
- Distribution guidance increased to 17.75 cents per unit

Questions and Answers

For any questions Please contact us

Should you have any questions regarding the Fund, please call Investor Relations on 1300 130 231 or email: investorrelations@investa.com.au

If you have any questions about your unitholding, distribution statements or any change of details, please call the unitholder information line on 1300 851 394 (within Australia) or +61 2 8280 7912 (outside Australia).

More information about the Fund can be accessed and downloaded at investa.com.au/IOF

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- Question.... Do we need any of the below slides? I intend to have hard copies for one on ones

Pre-commitment secured for Mort St, Canberra

Further evidence of Investa's leasing capability

- [12] year lease agreed with Telstra to create a major new office and commercial centre in Canberra
- Completed building will provide A-grade accommodation and include:
 - Upgraded floor plates, reception and facade
 - New lifts
 - Telstra store and cafe
 - Upgrades to mechanical and electrical systems to provide Telstra with [some crazy amount of back up power]
 - 4.5 star NABERS
- Planned completion date of [November 2013]
- The capability of an in-house services platform allowed this transaction to come to fruition as Telstra required a specialised building within a tight timeframe

Australian major lease expiries

Portfolio well let with limited short term expiry risks

- Occupancy 97% – with vacancy mainly limited to 3 buildings including:
 - 151 Clarence St – redevelopment options being refined; discussions ongoing with major tenant to renew
 - 126 Phillip St – building continues to perform in line with assumptions
- Mort St – under refurbishment – completion 2H13
- 66 St Georges Terrace performing well after leasing 3,000sqm ahead of budget with terms agreed on another 2,400sqm
- Discussions ongoing at 140 Creek St regarding FY14 expiries

Property	Location	Tenant	Area (sqm) ¹	Expiry
Vacant				
628 Bourke St	Melbourne	-	3,909	Vacant
151 Clarence St	Sydney	-	2,159	Vacant
126 Phillip St	Sydney	-	970	Vacant
FY13				
16-18 Mort St	Canberra		14,309	Under Refurb
66 St Georges Tce	Perth	Dept of Def	2,412	Jun '13
FY14				
151 Clarence St	Sydney	Westpac	10,571	Jul '13
140 Creek St	Brisbane	ATO	10,948	Feb '14
140 Creek St	Brisbane	Centrelink	2,473	Feb '14
FY15				
10 Bond St	Sydney	Origin Energy	2,330	Nov '14
628 Bourke St	Melbourne	V Line	2,673	May '15
FY16				
126 Phillip St	Sydney	Deutsche	3,131	Oct '15
140 Creek St	Brisbane	Centrelink	4,813	Sep '15
140 Creek St	Brisbane	State of QLD	8,819	Jun '16

1. Weighted by ownership

567 Collins St, Melbourne

Improving portfolio quality at accretive levels

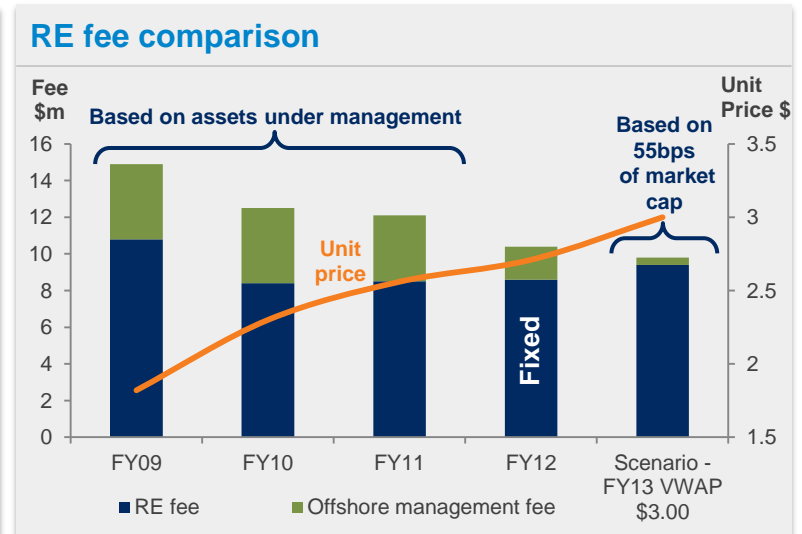
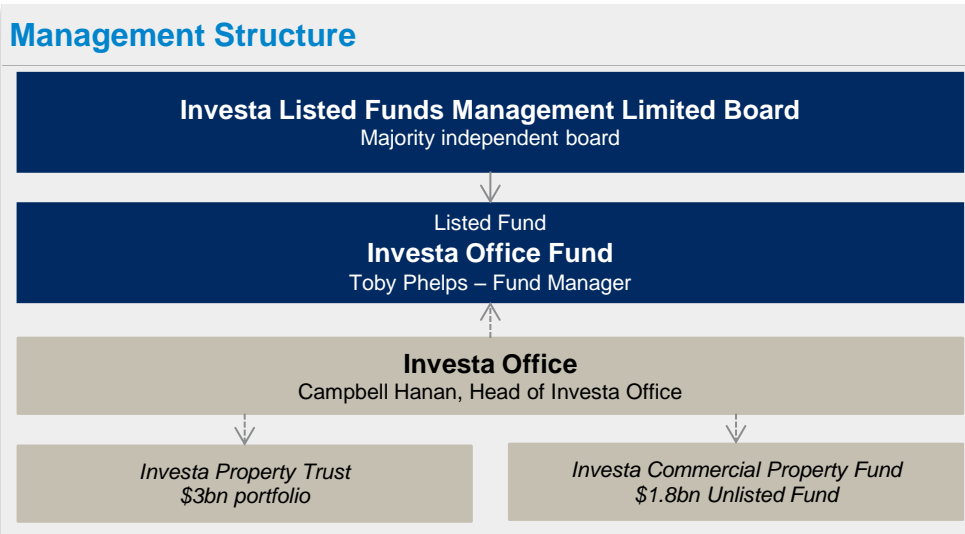
- Located in the western CBD core – prominent Collins St frontage at the gateway to Docklands
- Premium grade development acquired at an accretive cash-on-cash yield of 6.7% at completion:
 - Attractive pricing – land and project costs totalling \$231m
 - Project costs advanced as progress claims during construction. Interest income to IOF equivalent to 6.75%p.a. of total project costs, escalating to 7.00%p.a. after June 2014
 - Immediate positive earnings impact
 - Ability to improve cash on cash yield from rental upside above target levels
 - 47% pre committed to tenants including Corrs Chambers Westgarth and Leighton Contractors
 - Vacant space at completion supported by 4 year rental guarantee
 - No development or capex risk - both remain with the developer (Leighton Properties)
- Building will be 5 star NABERS and Green Star rated
- 50% partner Investa Commercial Property Fund (ICPF)



Investa's strong focus on governance and disclosure

Independent Board and aligned incentive structure

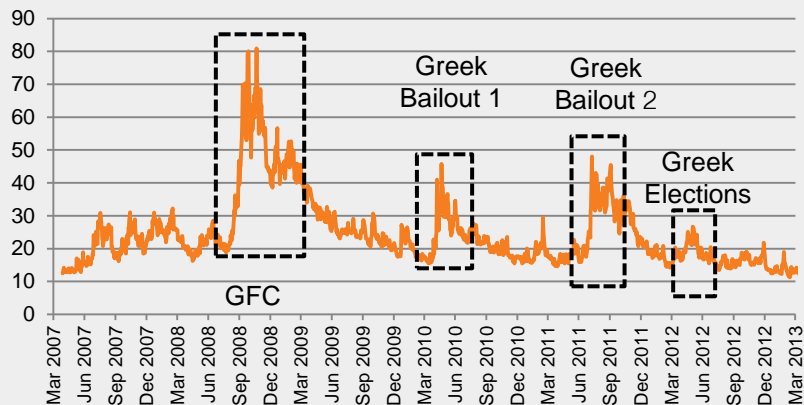
- Majority independent IOF board
- IOF benefits from Investa's office expertise and end-to-end service platform
- Market leading management fee representing 55bps of market capitalisation, incentivising performance and aligning manager and unitholder interests:
 - Subject to cap and floor of 2.5% per quarter
- MER equivalent to 35 basis points
- As previously disclosed, the ATO are auditing the income tax returns for IOF for FY08 – 10



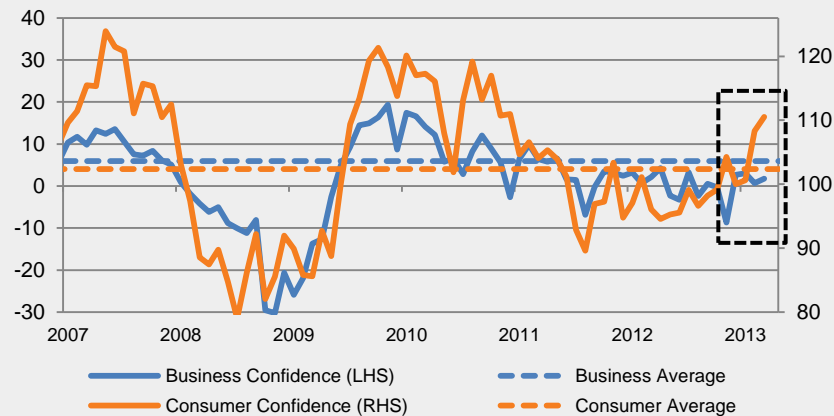
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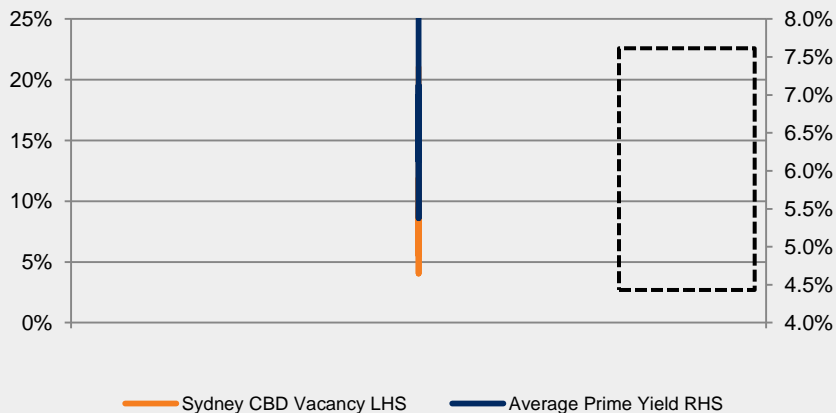
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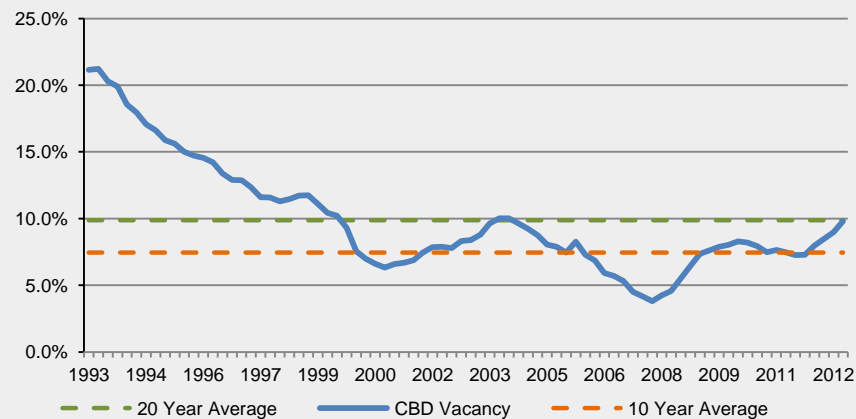
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