

# ING Office Fund

## Macquarie Asia Pacific Conference

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London  
New York



REAL ESTATE INVESTMENT MANAGEMENT



[www.ingrealestate.com.au](http://www.ingrealestate.com.au)

# ING Office Fund (IOF)

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ING Office Fund invests in quality office buildings located in core markets throughout the world and receives rental income from a tenant register comprised predominantly of Government and blue-chip tenants.

The Fund is a publicly traded Real Estate Investment Trust (REIT) on the Australian Securities Exchange (ASX) and is one of the top 100 listed entities by index ranking.

At 30 September 2009 the Fund had total assets of A\$3.0 billion and an average lease term to expiry of 4.7 years.

# Fund Snapshot - 30 September 2009

ING Office Fund	30 Sep 2009
Total assets <sup>1</sup>	\$3.0b
Market capitalisation	\$1.5b
Average portfolio cap rate	7.3%
Implied portfolio cap rate	9.3%
Implied values per square metre/foot	A\$4,154 per sqm US\$297 per sqft €2,068 per sqm
Occupancy rate	92%
NAV per unit	\$0.80
Price discount to NAV	30%
Gearing ratio (TD/TA) <sup>2</sup>	23.1%

**Note: All figures throughout this presentation are expressed in A\$ and using 30 Jun 09 FX rates of €0.5746 and US\$0.8065, unless otherwise stated**

1. On a look through basis i.e. proportionate share of associates assets. Proforma at 30 Sep 09

2. On a look through basis i.e. proportionate share of associates debt and assets. Proforma at 30 Sep 09

# Navigating the GFC – Strategies implemented over 2008/09

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- **Equity raised to materially strengthen balance sheet**
  - Dec 08/Jul 09 A\$830m
  - Gearing reduced and FX gearing volatility mitigated, AFFO aligned payout policy
- **Selective disposal of higher risk non-core assets**
  - A\$230m of sales where realisable value attractive
  - Capacity to redeploy proceeds into higher total return markets
- **Re-calibrated and fine tuned balance sheet hedging**
  - NAV protection maintained using foreign denominated debt
  - Synthetic cross-currency swaps closed out
- **Maintained terms and flexibility on unsecured debt facility**
  - Attractive margins maintained with surplus liquidity
  - No unfunded debt expiries until June 2012
- **Portfolio and asset management focus**
  - Portfolio diversification provides earnings stability (Australia, Europe, US)
  - Improving occupancy, leasing and retention should provide earnings leverage

# Equity Raising Proceeds

Source	A\$m	Application	A\$m
December 2008 equity raising	414.5	Net repayment of US\$ debt	358.2
July 2009 equity raising	415.2	Net repayment of € debt	387.2
Debt draw down of A\$ debt	42.2	Close out of interest rate swaps	60.1
		Close out of cross currency swaps	39.6
		Issue costs	26.8
	<b>871.9</b>		<b>871.9</b>

- Equity raising proceeds used for debt repayment and close out of IR and CC swaps

# Disposals

Property	Book value Jun 09	Sale price	Total return (unleveraged IRR p/a)	Acquisition date	Settlement date
412 St Kilda Road Melbourne AUSTRALIA	A\$39.0m <sup>1</sup>	A\$42.0m	12.0%	Jun 1996	31 Jul 2009
Budejovicka Alej Prague CZECH REPUBLIC	€31.3m	€31.3m	0.0%	Jun 2006	12 Aug 2009
990 Whitehorse Road Box Hill AUSTRALIA	A\$42.5m	A\$43.8m	9.6%	Jun 1992	25 Sep 2009
Noblis Headquarters Virginia USA	US\$72.0m	US\$73.0m	2.5%	Aug 2004	30 Sep 2009
<b>Total</b>	<b>A\$225.0m</b>	<b>A\$230.8m</b>			

- Realised values have been attractive on a risk-adjusted basis

1. 30 Jun 09 book value adjusted for net sale proceeds

# Balance Sheet Hedging <sup>1</sup>

	AUS	EUR	US	Total
<b>Total look through assets (TA)</b>	<b>A\$1.6b</b>	<b>A\$0.8b</b>	<b>A\$0.6b</b>	<b>A\$3.0b</b>
Look through debt	-	A\$0.4b	A\$0.3b	A\$0.7b
Other liabilities	-	-	A\$0.1b	A\$0.1b
<b>Total look through liabilities (TL)</b>	<b>-</b>	<b>A\$0.4b</b>	<b>A\$0.4b</b>	<b>A\$0.8b</b>
Net assets	A\$1.6b	A\$0.4b	A\$0.2b	A\$2.2b
<b>Balance sheet hedging (TL/TA)</b>	<b>3%</b>	<b>53%</b>	<b>65%</b>	<b>29%</b>
<b>NAV per unit</b>	<b>\$0.59</b>	<b>\$0.14</b>	<b>\$0.08</b>	<b>\$0.80</b>
<b>Weighted average debt expiry (years)</b>	<b>-</b>	<b>3.6</b>	<b>5.3</b>	<b>4.5</b>

- Significant natural balance sheet hedging across Europe and US

1. Proforma at 30 Sep 09



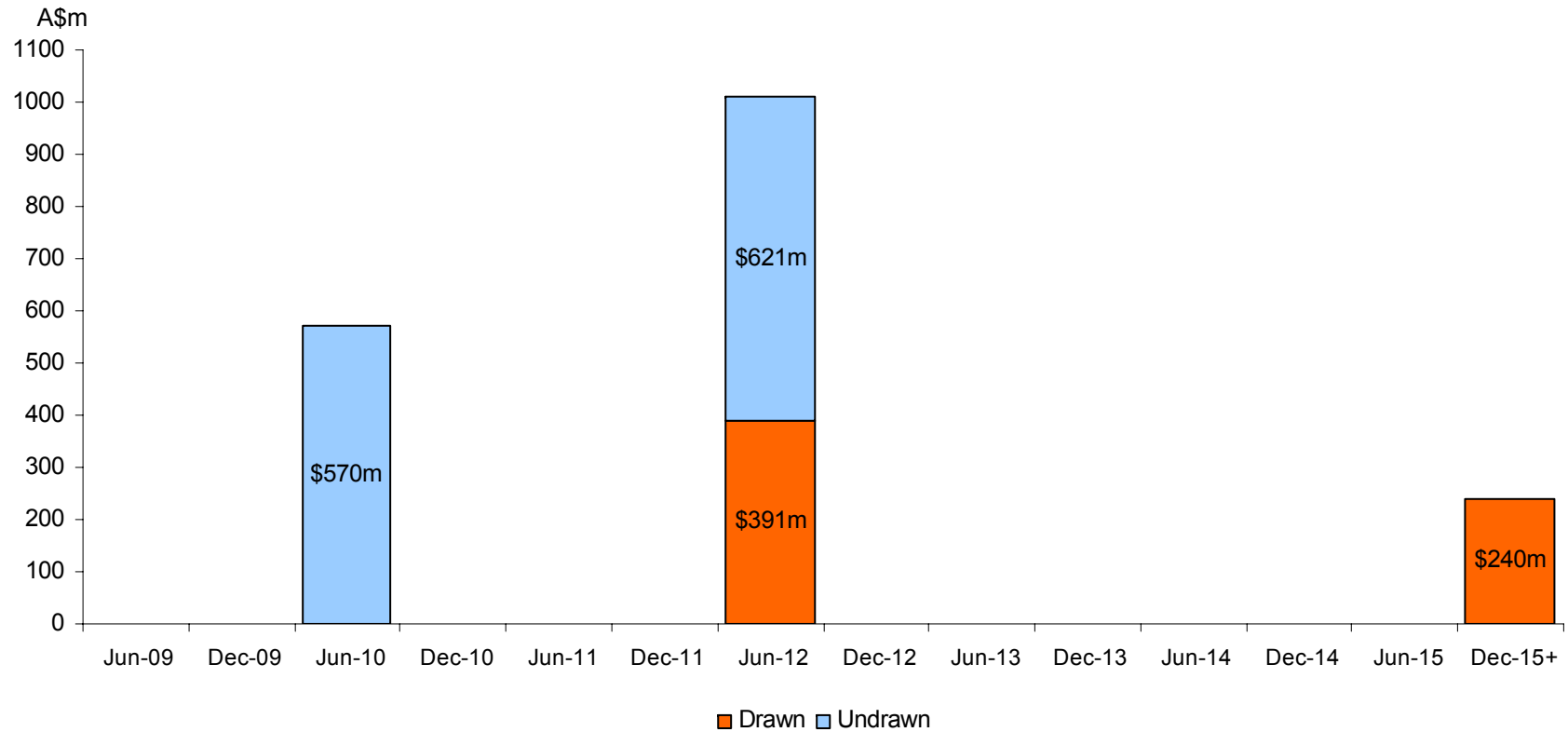
# Sensitivity Analysis on NAV

		Movements in valuations			
		0%	-5%	-10%	-15%
Movements in A\$ exchange rate	+15%	0.77	0.72	0.66	0.61
	+10%	0.78	0.73	0.67	0.62
	+5%	0.79	0.73	0.68	0.62
	0%	\$0.80	\$0.75	\$0.69	\$0.63
	-5%	\$0.82	\$0.76	\$0.70	\$0.64
	-10%	\$0.83	\$0.77	\$0.71	\$0.65
	-15%	\$0.85	\$0.78	\$0.72	\$0.66

- Sensitivity of NAV to FX movements is minimal



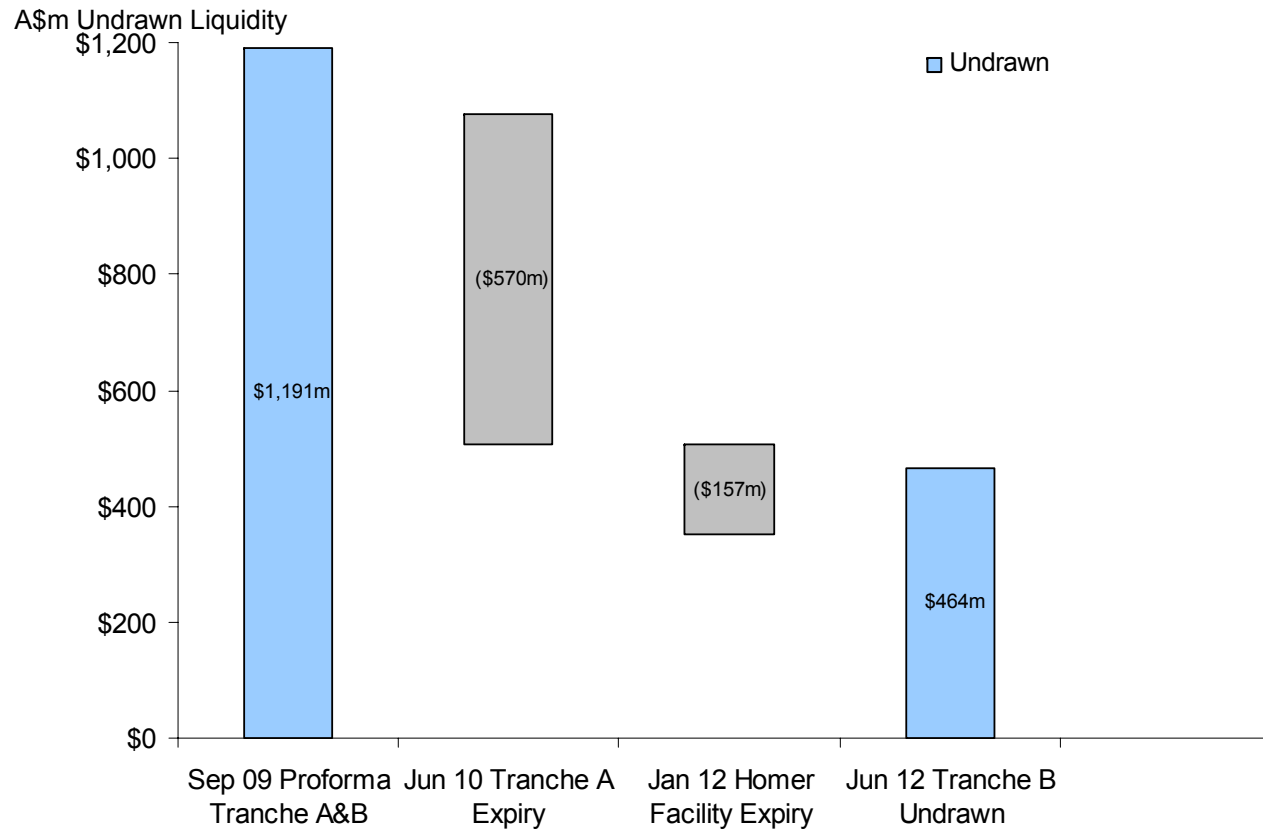
# Debt Maturity Profile <sup>1</sup>



- No drawn debt expiry or margin reversion until 2012

1. Proforma at 30 Sept 09

# Debt Liquidity Position 2009-2012 <sup>1</sup>



- Material undrawn liquidity available for potential opportunities

1. Proforma at 30 Sep 09

# Portfolio Overview

	AUS	EUR	US	30 Sep 2009 total
Portfolio weighting	56%	26%	18%	<b>100%</b>
Occupancy	97%	95%	79%	<b>92%</b>
Like-for-like NPI growth <sup>1</sup>	8.2%	7.9%	(1.3%)	<b>5.8%</b>
Leased (sqm) <sup>1</sup>	32,783	n/a	5,970	<b>38,758</b>
Retention rate <sup>1</sup>	81%	n/a	65%	<b>79%</b>
Over / (under) renting (Face rents)	6%	5%	11%	<b>7%</b>
WALE (years)	4.5	4.7	5.1	<b>4.7</b>

- US portfolio has minimal expiry in FY10 and improving occupancy potential

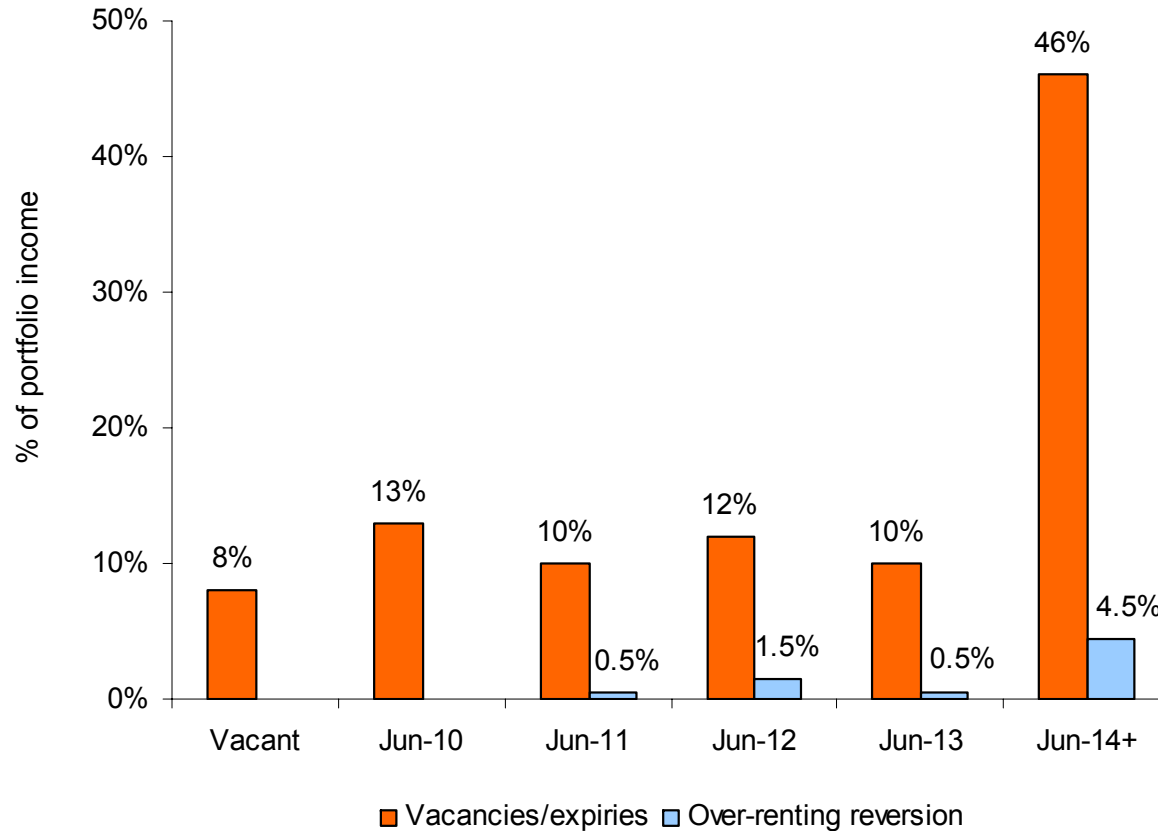
1. Based on financial year ended 30 Jun 09

# Major Expiries by Income

Property	Location	Vacant	FY10	FY11
Park Tower	Washington DC	2.0%		
Waltham Woods	Boston	1.5%		
900 Third Avenue	New York	1.0%		1.0%
151 Clarence Street	Sydney	0.5%		1.5%
10-20 Bond Street	Sydney		3.5%	
140 Creek Street	Brisbane		1.5%	
295 Ann Street	Brisbane		2.0%	
15 Adelaide Street	Brisbane			0.5%
<b>Total - major expiries/vacancy</b>		<b>5.0%</b>	<b>7.0%</b>	<b>3.0%</b>
<b>Total - portfolio</b>		<b>8.0%</b>	<b>13.0%</b>	<b>10.0%</b>

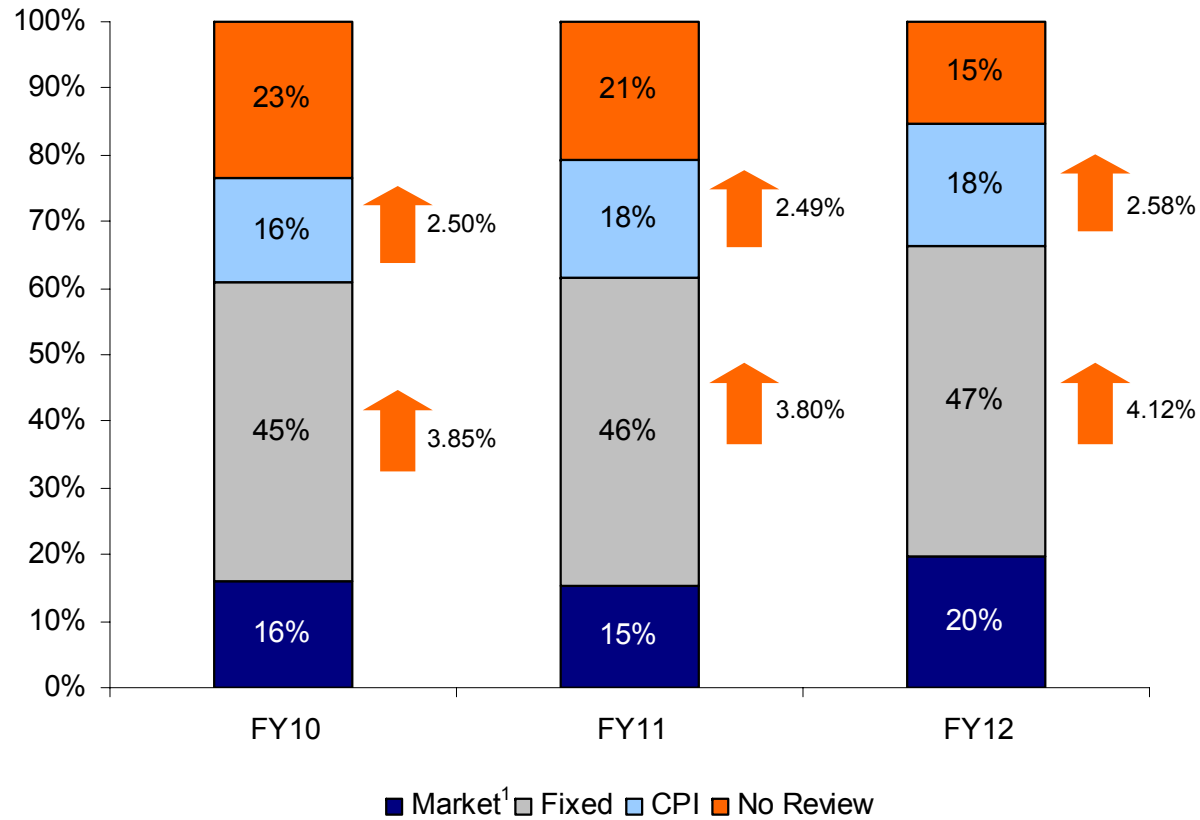
- Budgeted rents and downtime accommodate current market conditions

# Lease Expiry Profile and Over/(Under) Renting Reversion



- Current over-renting reversion not significant in short term

# Income by Review Type



- 61 - 65% of total income subject to Fixed/CPI growth of 3 - 3.4% p/a

1. Includes lease expiries

# Valuation Summary

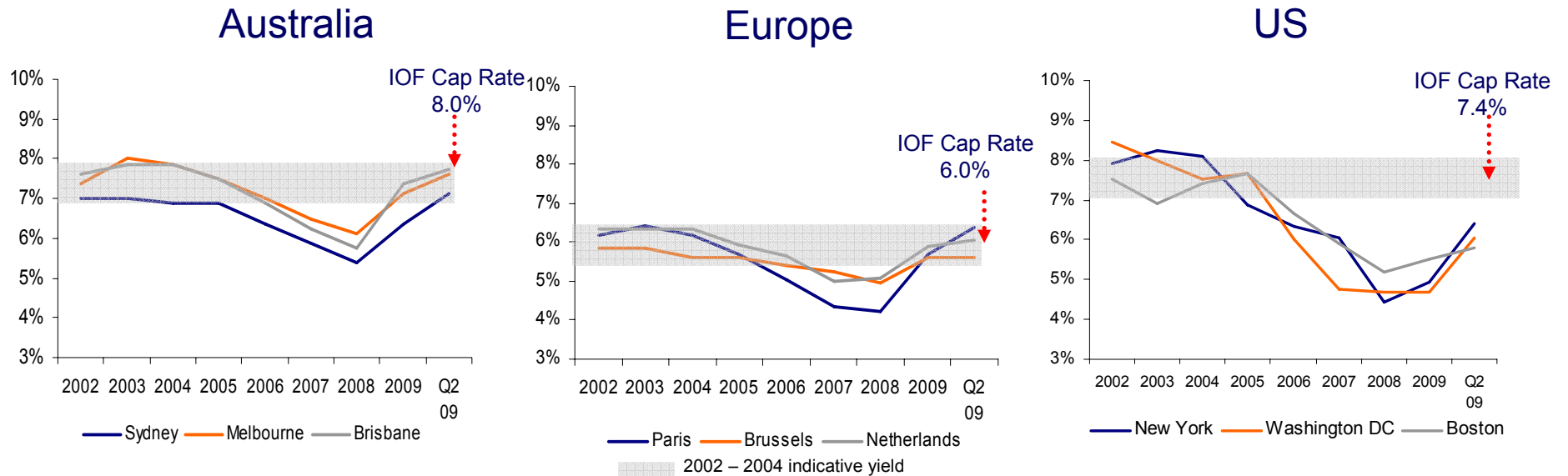
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	AUS	EUR	US	Total
Jun 08 weighted ave. cap rate	6.8%	5.7%	5.9%	<b>6.3%</b>
Jun 09 weighted ave. cap rate	8.0%	6.0%	7.4%	<b>7.3%</b>
Cap rate movement	+120bpts	+30bpts	+150bpts	<b>+100bpts</b>
Book value movement	(16%)	(9%)	(30%)	<b>(18%)</b>

- Value movements predominantly due to material cap rate expansion, although varying across jurisdictions



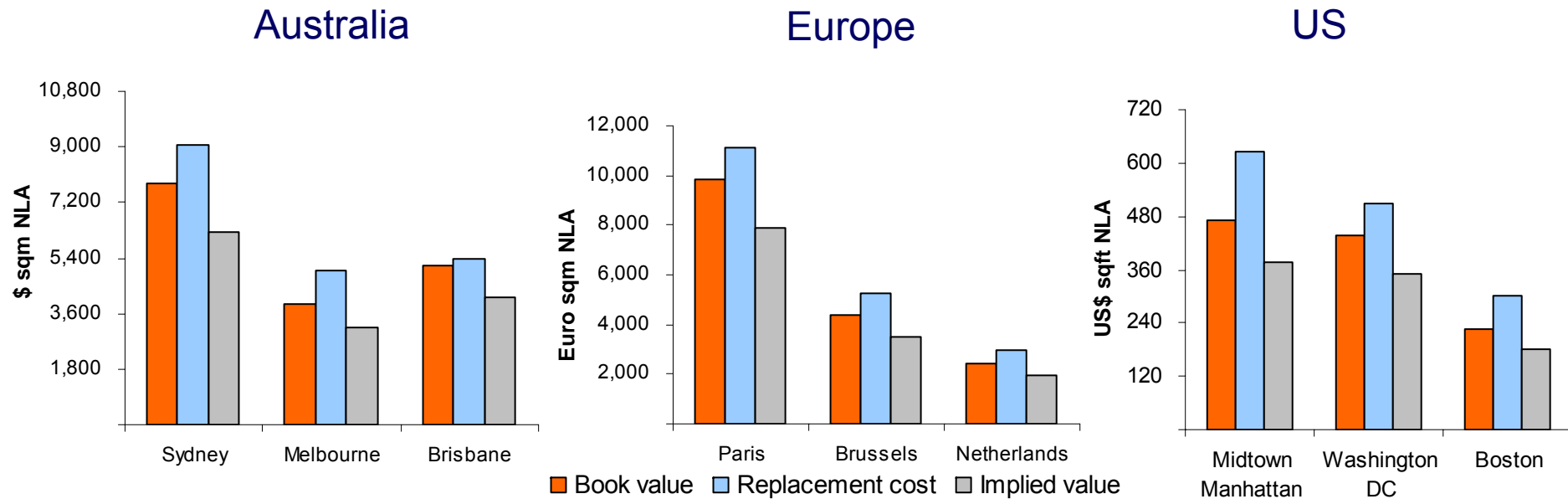
# Prime Net Yields 2002 – Q2 2009



- Yield compression varied between markets
- Markets with limited yield compression are experiencing the least yield correction

Source: ING Real Estate. Australia from Jones Lang LaSalle. Europe from PMA. US from NCREIF. Note: 2008 and 2009 data point for Boston adjusted by ING Real Estate. Equivalent yield for Australia. Net initial yields for Europe and US.

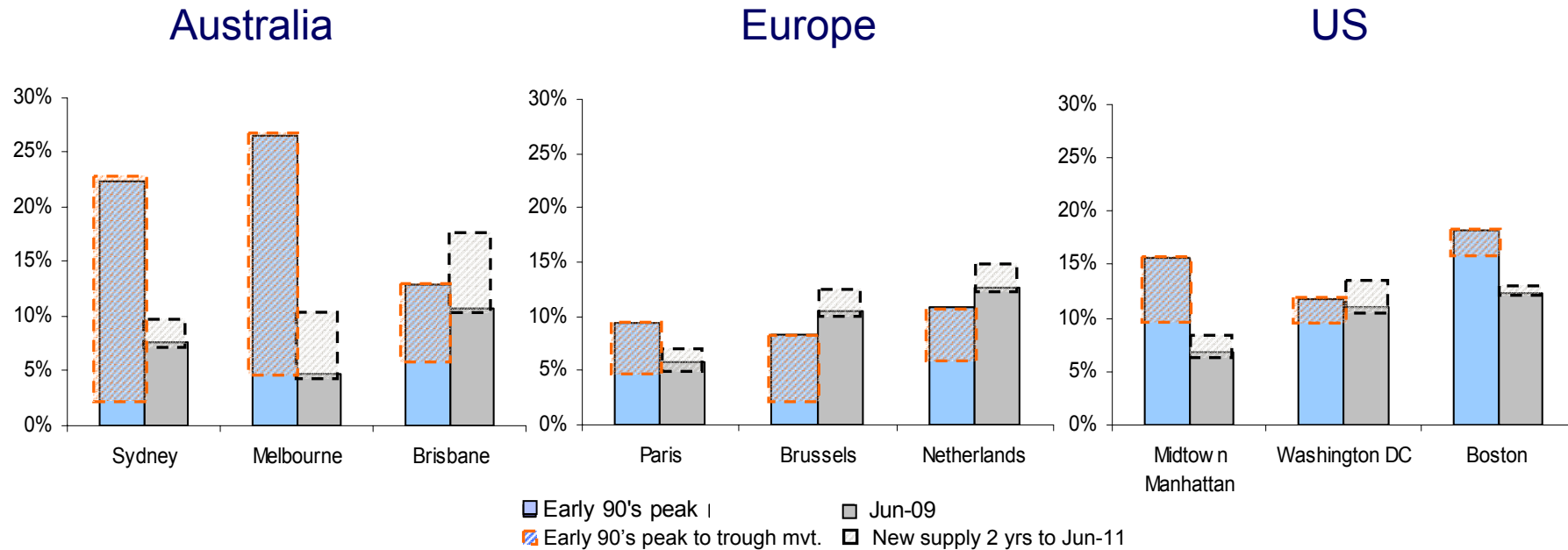
# Replacement Cost and Implied Values



- Implied values at material discount to book values and replacement costs
- Implied cap rates across each region
  - AUS 10.2%
  - Europe 7.6%
  - US 9.4%

Source: ING Real Estate. Replacement cost based on estimated land values and hard costs applicable for each market. Implied values based on IOF stock price of \$0.56 at 30 Sep 09 and proforma look through TL/TA gearing of 28.7%

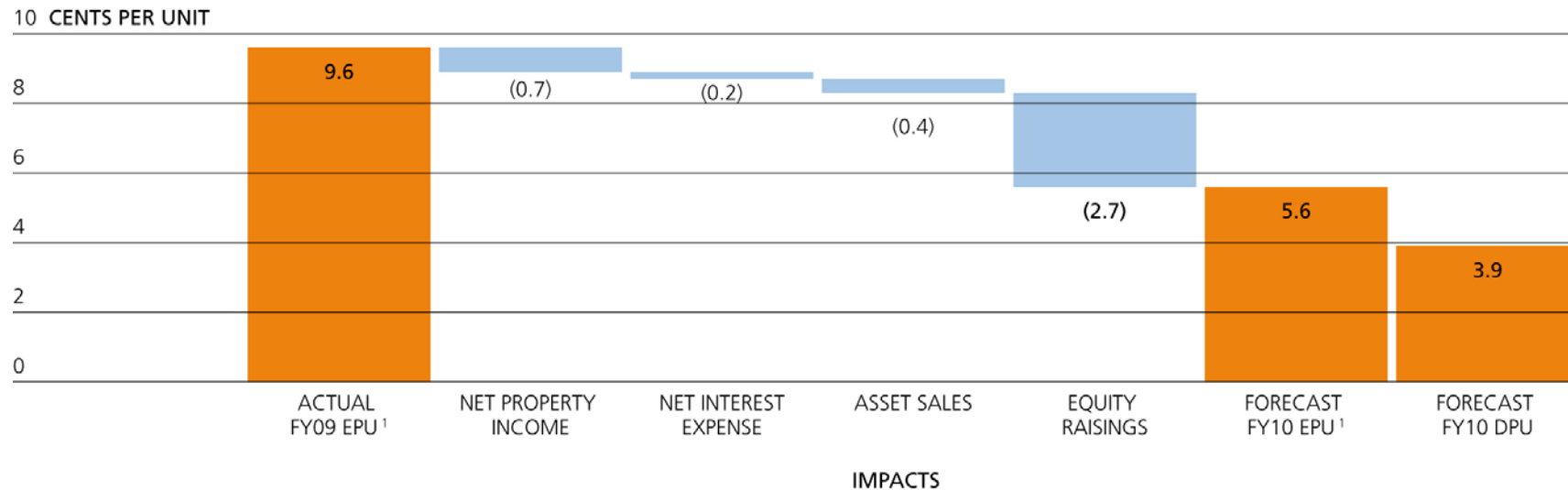
# Current Vacancy Rates and New Supply vs. Early 1990's



- Peak vacancy will be directly influenced by new supply
- Forecast new supply in some markets is well below levels in early 1990's

Source: ING Real Estate. Data for Australia from PCA, Europe from PMA, US from TWR and Real Estate Economics.

# Earnings and Distribution Guidance and Reconciliation



1. EPU = Net operating income per unit.

Assumptions:

Movements (excl. equity raising) based on weighted average FY09 units

Net property income adjusted for asset sales

Net interest expense includes close out of cross currency swaps and funding cost of derivative close outs

Asset sales includes interest and management fee savings

Equity raisings are net of interest savings and includes Dec 08 and Jul 09 raisings and DRP

# Summary

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- **IOF's fundamentals remain sound:**

- High quality office portfolio diversified across core and deep markets with strong local capability
- Portfolio income underpinned with 61% of FY10 rental income subject to fixed and CPI reviews

- **IOF's balance sheet is strong:**

- Look through gearing reduced to 23% with surplus liquidity
- Distributions align with AFFO

- **IOF is well positioned:**

- Debt refinance options and attractive in place margins until June 2012
- Pursue active asset management and growth opportunities to enhance earnings

# ING Office Fund

Macquarie Asia Pacific Conference  
Additional Information

October 2009



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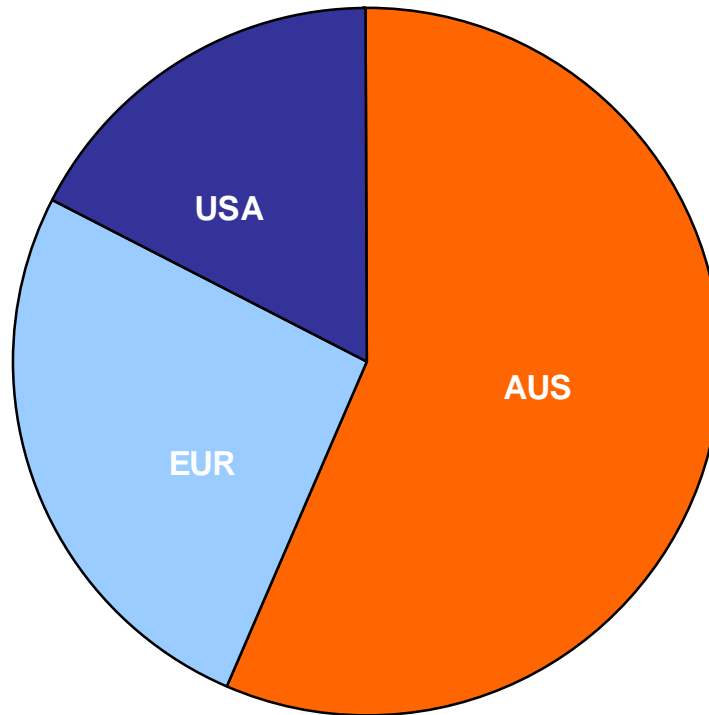
# Appendices

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1. Geographic diversity
2. Top tenants
3. Top tenants credit rating
4. Lease expiry profiles
5. Over/(under) renting
6. Valuations – Domestic
7. Valuations – Offshore
8. Domestic NPI
9. Offshore NPI
10. Debt facilities
11. Major bank covenants
12. Interest and income hedging profile
13. Capital expenditure forecasts



# Appendix 1 – Geographic Diversity (by region)



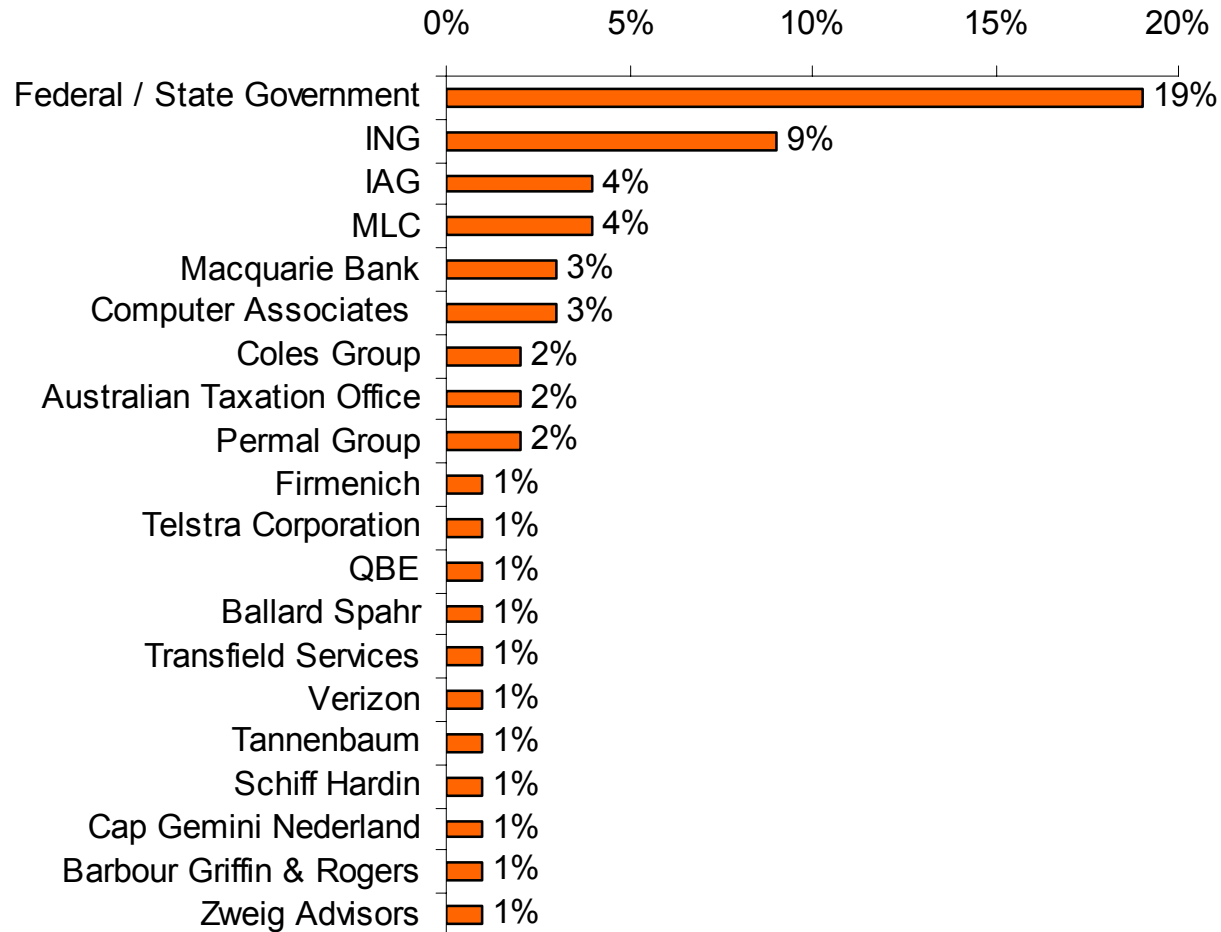
**AUSTRALIA 56%**  
SYDNEY 29%  
BRISBANE 15%  
MELBOURNE 8%  
PERTH 2%  
CANBERRA 2%

**UNITED STATES 18%**  
WASHINGTON DC 9%  
NEW YORK 5%  
DALLAS 2%  
BOSTON 2%

**EUROPE 26%**  
NETHERLANDS 18%  
PARIS 4%  
BRUSSELS 4%

Note: Based on FX rates at 30 Sep 09 of US\$0.8828 and €0.6030

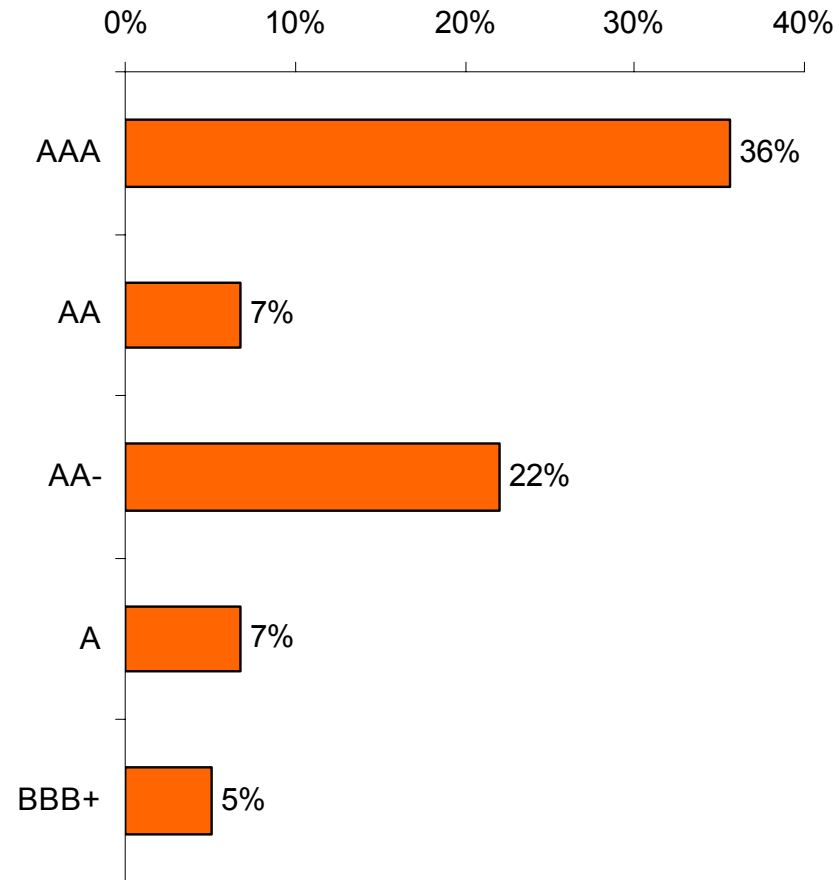
## Appendix 2 – Top Tenants



- Top 20 tenants represent approximately 60% of IOF income

## Appendix 3 – Top Tenants Credit Rating

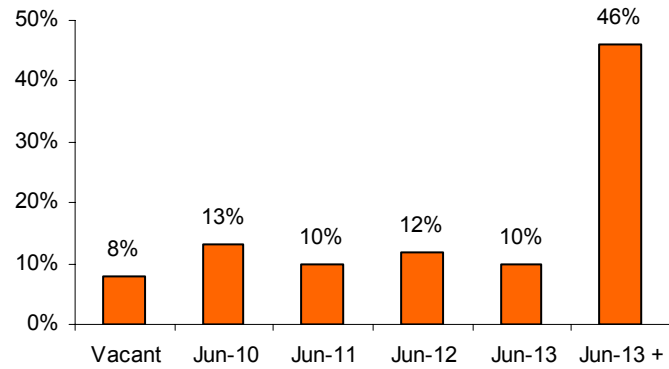
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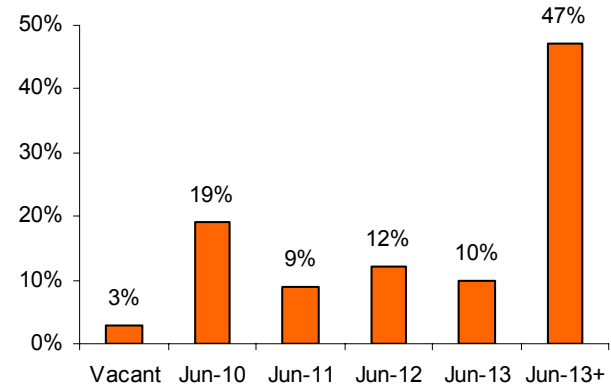
- 77% of IOF's top 20 tenants have a credit rating of BBB+ or higher

# Appendix 4 - Lease Expiry Profiles (by income)

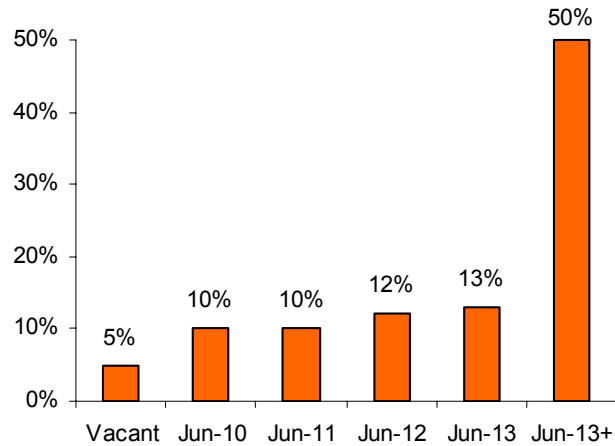
## • Portfolio



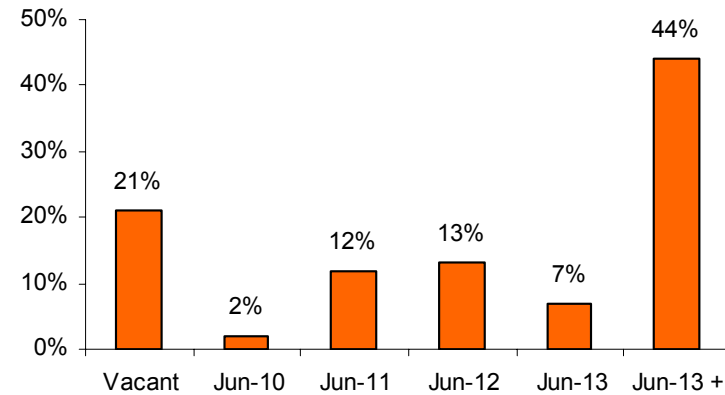
## • Australia



## • Europe

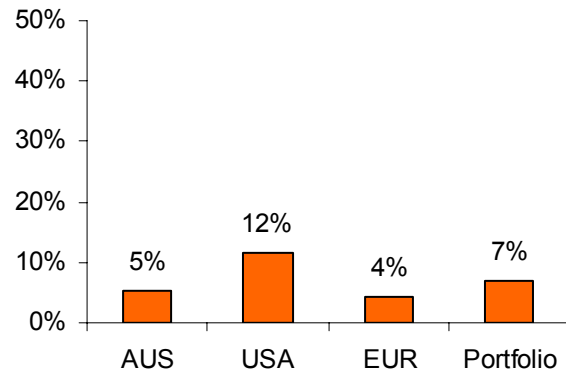


## • United States

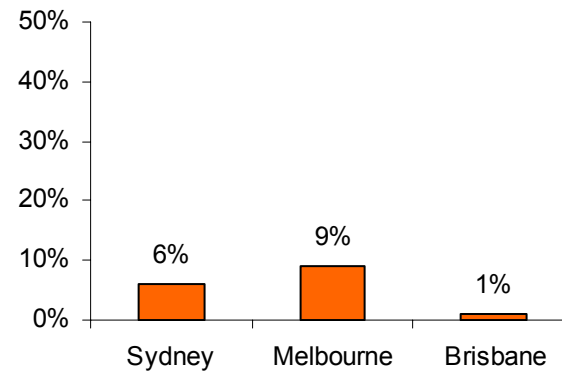


# Appendix 5 – Over/(Under) Renting

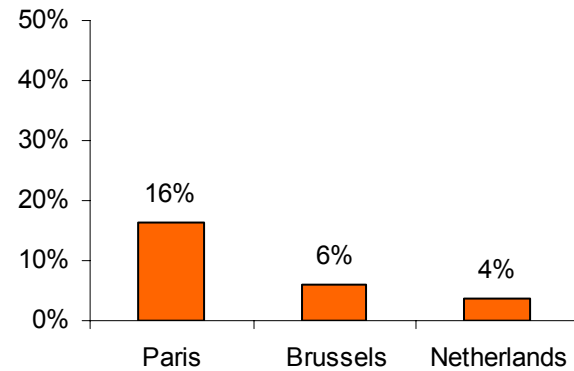
- Portfolio



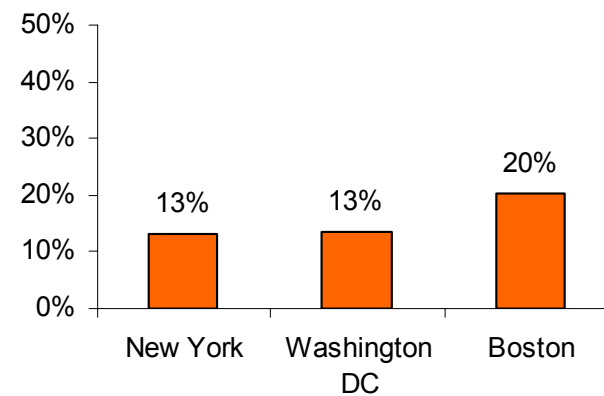
- Australia



- Europe



- United States



## Appendix 6 – Valuation & Portfolio Summary (Domestic)

Property	Sep 09					
	Valuation (A\$m)	Cap rate	Discount rate	Portfolio weighting	WALE (years)	Occupancy
16-18 Mort St	48.1	9.50%	9.50%	2%	3.4	100%
10-20 Bond St (50%) <sup>1</sup>	109.0	7.25%	9.25%	4%	0.8	98%
347 Kent St <sup>1</sup>	244.0	6.75%	9.00%	8%	9.4	100%
388 George St (50%) <sup>1</sup>	170.5	7.00%	9.00%	6%	9.0	100%
151 Clarence St	74.8	8.25%	9.25%	3%	1.1	80%
105-151 Miller St <sup>1</sup>	149.0	7.75%	9.00%	5%	5.5	99%
111 Pacific Hwy	108.8	8.00%	9.25%	4%	2.7	98%
15 Adelaide St <sup>1</sup>	65.5	8.50%	9.50%	2%	2.4	97%
140 Creek St <sup>1</sup>	161.0	8.50%	9.25%	6%	2.9	100%
295 Ann St <sup>1</sup>	82.0	8.50%	9.50%	3%	1.2	95%
232 Adelaide St <sup>1</sup>	20.0	9.00%	9.25%	1%	1.6	100%
239 George St <sup>1</sup>	123.0	8.50%	9.50%	4%	3.3	92%
1230 Nepean Hwy	22.7	9.00%	9.25%	1%	5.1	100%
628 Bourke St <sup>1</sup>	85.0	8.75%	9.75%	3%	2.8	93%
800 Toorak Rd (50%) <sup>1</sup>	61.8	8.00%	9.25%	2%	7.1	100%
383 La Trobe St <sup>1</sup>	47.2	9.00%	9.75%	2%	2.0	100%
836 Wellington St <sup>1</sup>	60.0	8.75%	9.75%	2%	9.4	97%
<b>Total Australia</b>	<b>1,632.3</b>	<b>7.9%</b>	<b>9.3%</b>	<b>56%</b>	<b>4.5</b>	<b>97%</b>

1. Externally valued

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## Appendix 7 – Valuation & Portfolio Summary (Offshore)

Property	Sep 09					
	Valuation (\$m)	Cap rate	Discount rate	Portfolio weighting	WALE (years)	Occupancy
Bastion Tower (50%)	€68.9	5.90%	8.00%	4%	5.6	100%
Dutch Office Fund (13.4%) <sup>1</sup>	€318.2	5.90%	7.00%	18%	3.8	97%
NVH Building (50%)	€66.3	6.50%	7.00%	4%	9.0	85%
<b>Total Europe</b>	<b>€453.4</b>	<b>6.0%</b>	<b>7.2%</b>	<b>26%</b>	<b>4.7</b>	<b>95%</b>
Waltham Woods (50%) <sup>1</sup>	US\$44.1	8.30%	8.70%	2%	2.8	48%
Computer Associates <sup>1</sup>	US\$41.9	9.00%	9.50%	2%	7.3	100%
900 Third Ave (49%)	US\$137.2	6.00%	8.25%	5%	5.5	88%
Homer Building (80%) <sup>1</sup>	US\$185.6	7.10%	8.00%	7%	4.7	94%
Park Tower (50%)	US\$40.8	9.50%	9.00%	2%	2.9	24%
<b>Total US</b>	<b>US\$449.4</b>	<b>7.3%</b>	<b>8.4%</b>	<b>18%</b>	<b>5.1</b>	<b>79%</b>
<b>Portfolio total</b>	<b>A\$2,893.2</b>	<b>7.3%</b>	<b>8.6%</b>	<b>100%</b>	<b>4.7</b>	<b>92%</b>

1. Externally valued

Note: Based on FX rates at 30 Sep 09 of US\$0.8828 and €0.6030



## Appendix 8 – Domestic NPI (Like for like comparison)

Property	Currency	Jun 09 (\$m)	Jun 08 (\$m)	% Change on pcp
10-20 Bond St. (50%)	A\$	9.6	9.8	(2.0%)
388 George St. (50%)	A\$	10.9	10.9	0.0%
347 Kent St.	A\$	17.8	16.8	6.0%
151 Clarence St.	A\$	5.4	5.3	1.9%
105 Miller St.	A\$	8.9	8.3	7.2%
111 Pacific Hwy.	A\$	6.5	6.3	3.2%
16-18 Mort St.	A\$	4.9	5.0	(2.0%)
628 Bourke St.	A\$	6.5	5.8	12.1%
412 St Kilda Rd.	A\$	3.7	3.8	(2.6%)
383 La Trobe St.	A\$	4.0	3.9	2.6%
1230 Nepean Hwy.	A\$	2.2	2.2	0.0%
990 Whitehorse Rd.	A\$	4.5	4.6	(2.2%)
800 Toorak Rd. (50%)	A\$	5.7	5.6	1.8%
Australia Gov. Centre	A\$	22.8	18.8	21.3%
Hitachi Complex	A\$	15.3	11.8	29.7%
<b>Like for like Australia</b>	<b>A\$</b>	<b>128.7</b>	<b>118.8</b>	<b>8.2%</b>

## Appendix 9 – Offshore NPI (Like for like comparison)

Property	Currency	Jun 09 (\$m)	Jun 08 (\$m)	% Change on pcp
900 Third Ave. (49%)	US\$	11.0	9.7	13.4%
Computer Associates	US\$	4.6	4.7	(2.1%)
Homer Building (100%)	US\$	12.0	12.2	(1.6%)
Noblis Headquarters	US\$	6.4	6.1	4.9%
Waltham Woods (50%)	US\$	3.5	5.3	(34.0%)
<b>Like for like US</b>	<b>US\$</b>	<b>37.5</b>	<b>38.0</b>	<b>(1.3%)</b>
Budejovicka Alej	€	2.3	2.2	4.5%
NVH Building (50%)	€	2.9	2.1	38.1%
Dutch Office Fund (13.4%)	€	15.3	14.7	4.1%
<b>Like for like Europe</b>	<b>€</b>	<b>20.5</b>	<b>19.0</b>	<b>7.9%</b>
<b>Like for like Portfolio</b>	<b>A\$</b>	<b>216.6</b>	<b>204.7</b>	<b>5.8%</b>
<b>Other NPI</b>				
Wellington Central	A\$	4.1	1.5	n/a <sup>1</sup>
Bastion Tower (50%)	€	4.0	2.6	n/a <sup>2</sup>
Park Tower (2980 Fairview) (50%)	US\$	2.4	1.1	n/a <sup>3</sup>

1. Not comparable due to coupon received being based on progress payments

2. Acquired in Aug 07

3. Acquired in Sep 07

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## Appendix 10 - Debt Facilities

Facility Type	Facility limits (A\$m)	Actual Jun 09		Proforma Sep 09		Maturity date
		Drawn (A\$m look through)	Undrawn (A\$m)	Drawn (A\$m look through)	Undrawn (A\$m)	
<b>Unsecured syndicated facility:</b>						
Tranche A	570	-	570	-	570	Jun 10
Tranche B	855	(769)	86	(234)	621	Jun 12
<b>Secured facilities:</b>						
900 Third Avenue (49%)	164	(164)	-	(164)	-	Nov 17
Homer Building (80%)	157	(157)	-	(157)	-	Jan 12
Bastion Tower (50%)	76	(76)	-	(76)	-	Oct 15
Budejovicka Alej	45	(40)	5	-	-	Sold Aug 09
<b>Total/weighted average</b>	<b>1,867</b>	<b>(1,206)</b>	<b>661</b>	<b>(631)</b>	<b>1,191</b>	<b>4.5 yrs</b>

# Appendix 11 – Major Bank Covenants

Unsecured syndicated facility	Proforma Sep 09	Jun 09
Total liability covenant maximum threshold	50%	50%
Total liability actual (look through liabilities/look through assets)	28.7%	45.3%
Interest cover covenant minimum threshold	2.5x	2.5x
Actual interest cover excluding realised financial instruments gains/losses	n/a	4.4x
Actual interest cover including realised financial instruments gains/losses	n/a	2.8x
Total asset buffer (asset value movement A\$)	A\$1,300m	A\$312m

900 Third Avenue property level debt		
Loan to value maximum threshold	70%	70%
Loan to value actual (based on Independent valuation - Nov 09) <sup>1</sup>	n/a	n/a

Bastion Tower property level debt		
Loan to value maximum threshold	65%	65%
Loan to value actual (based on Independent valuation – Dec 08) <sup>2</sup>	n/a	59.3%

Homer Building property level debt		
Loan to value maximum threshold <sup>3</sup>	n/a	n/a

1. First test period is Nov 09

2. Next test period Dec 09

3. Homer property level debt has no LVR covenant

## Appendix 12 – Interest and Income Hedging Profile

Interest rate hedging	Forecast Jun 10	Forecast Jun 11	Forecast Jun 12	Forecast Jun 13	Forecast Jun 14
A\$ % hedged	0%	0%	0%	0%	0%
€ % hedged	100%	100%	100%	86%	0%
US\$ % hedged	139% <sup>1</sup>	139% <sup>1</sup>	45%	69%	31%
<b>Total</b>	<b>97%</b>	<b>97%</b>	<b>55%</b>	<b>63%</b>	<b>12%</b>
€ hedge rate	3.9%	4.0%	4.0%	3.9%	3.9%
US\$ hedge rate	4.8%	4.6%	4.6%	4.5%	5.0%
<b>Income hedging</b>					
€ % NOI hedged	79%	79%	80%	63%	65%
US\$ % NOI hedged	76%	69%	74%	80%	65%
€ hedged rate	0.57	0.55	0.52	0.51	0.50
US\$ hedged rate	0.69	0.69	0.77	0.79	n/a

1. Overhedged position will be closed out prior to commencement of hedge in May 2010. 30 Sep 09 mark to market value US\$11.0m

## Appendix 13 – Capital Expenditure Forecasts (Look Through)

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	Actual FY09 (A\$m)	Forecast FY10 (A\$m)	Forecast FY11 (A\$m)	Forecast FY12 (A\$m)
Tenant incentives and leasing commissions	17.1	19.6	25.9	22.5
Maintenance capex (excl. major refurbishments and redevelopments)	18.0	29.6	13.7	6.7

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