

# ING Office Fund

Acquisition of the Homer Building, Washington DC (50% interest)



**ING**   
REAL ESTATE

11 April 2005

# Transaction summary

## Key benefits

- One of Washington DC's most prominent and finest office buildings
- Outstanding location
  - 3 blocks from the White House and National Mall
  - situated over Metro Centre (major rail commuter hub)
  - within retail and entertainment precinct
- Improves the Fund's earnings
- Increases the Fund's weighting to Washington DC
- Offers value add / leasing opportunity in short term
- Attractive guaranteed initial yield with solid growth prospects

# Transaction summary

## Property details

Location:	601 13 <sup>th</sup> Street, Washington DC
Interest:	50% (leasehold)
Ground lease:	99 years
Appraisal (100%):	USD 210.0m (\$501sqf)
Minimum year 1 yield*:	6.5%
Under-renting:	6%
Occupancy:	100%

\* Guaranteed minimum NOI yield of 6.5% for years 1 - 3

# The Homer Building



Skylight twelve-storey atrium



Tenancy foyer



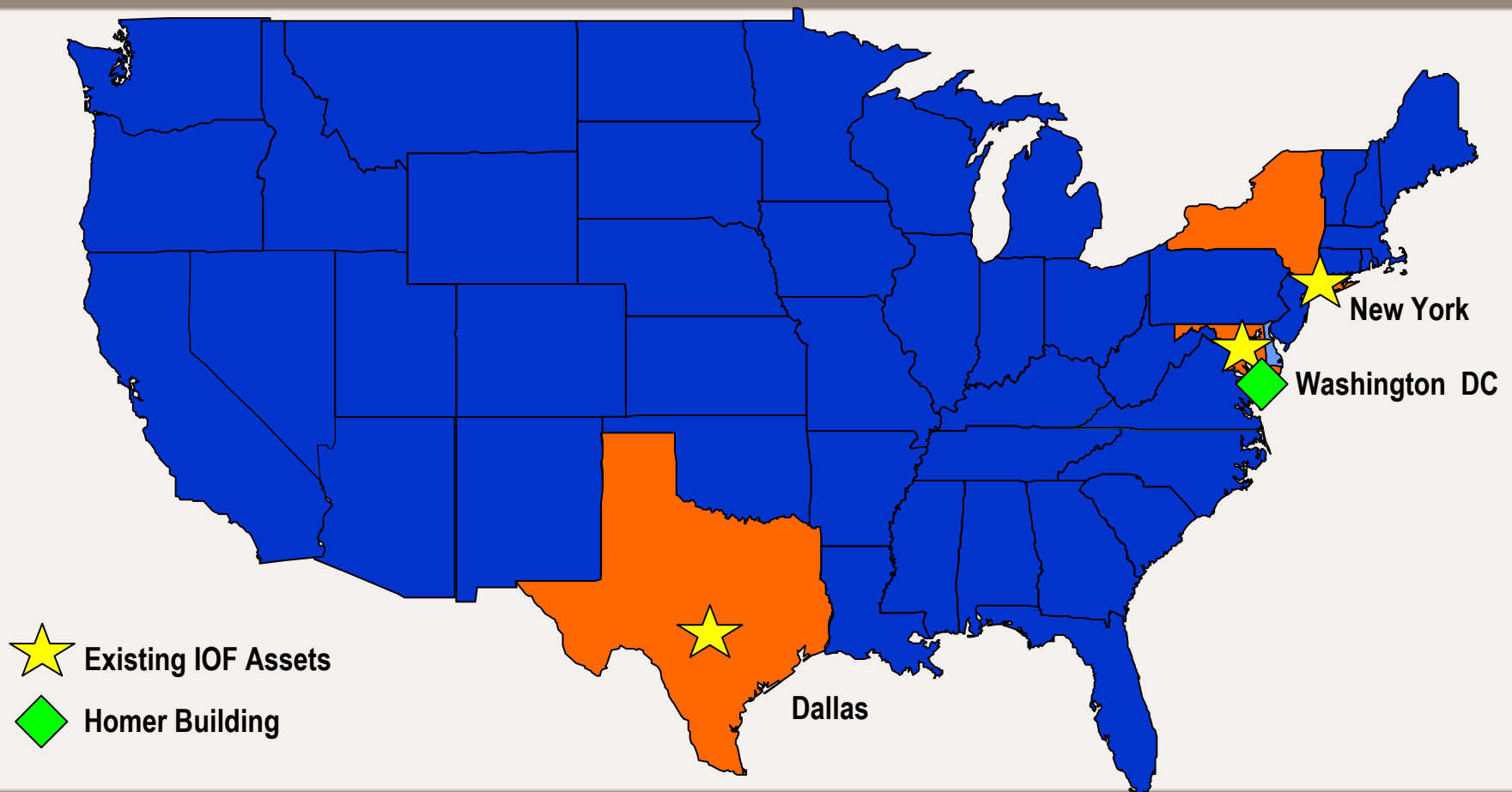
# The Homer Building

## Property details

Type:	Class A office
Tenants:	26 office tenancies & 6 retail tenancies
Average lease expiry:	3.7 years
Net rentable area:	418,373sqf
Land area:	43,243sqf (0.99 acres)
Height:	12 storeys
Average office floor size:	38,000sqf
Parking:	282 undercover

# The Homer Building

## Location



# The Homer Building

## Location

- Approx 3 blocks from White House
- Situated above Metro Centre
- High profile East End location
- Strong gov't presence
- Retail and entertainment precinct
- Consistently high occupancy



# Washington DC office market

## Summary and outlook

- Strong barriers to entry and planning restrictions limit new supply
- Net absorption of 4.6msqf in 2003 increased to 10.3msqf in 2004
- Unemployment rate of 3.2% among the lowest in the US
- Consistent office employment growth forecast at 2.0% p.a. for next 5 years
- Current vacancy rate of 10.3% forecast to fall to 6.6% by 2009
- Strong consensus forecast rental growth for next 5 years

Source: Torto Wheaton, Economy.com, ING Real Estate



# The Transaction

## Acquisition funding (50%)

<b>Source of funds</b>	<b>AUD*</b>	<b>USD</b>
Existing property level debt	87.19m	66.7m
New entity level debt	52.81m	40.4m
	<b>140.0m</b>	<b>107.1m</b>

## Application of funds

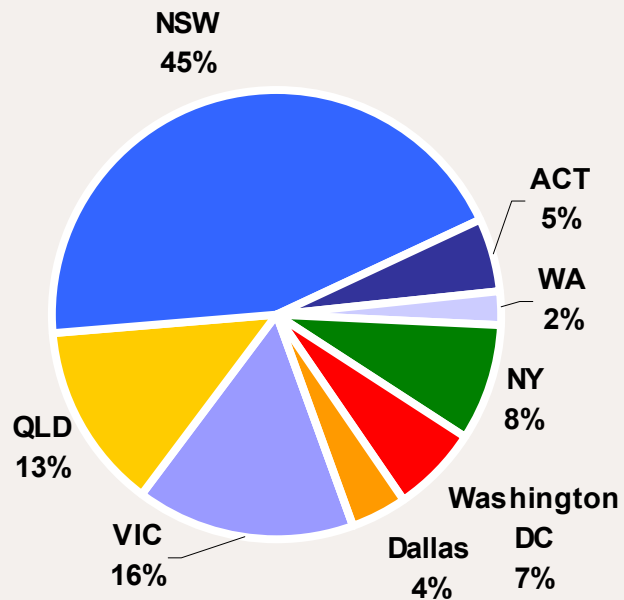
Property purchase price	137.50m	105.19m
Acquisition costs	2.50m	1.91m
	<b>140.0m</b>	<b>107.10m</b>

\* AUD/USD spot = 0.765

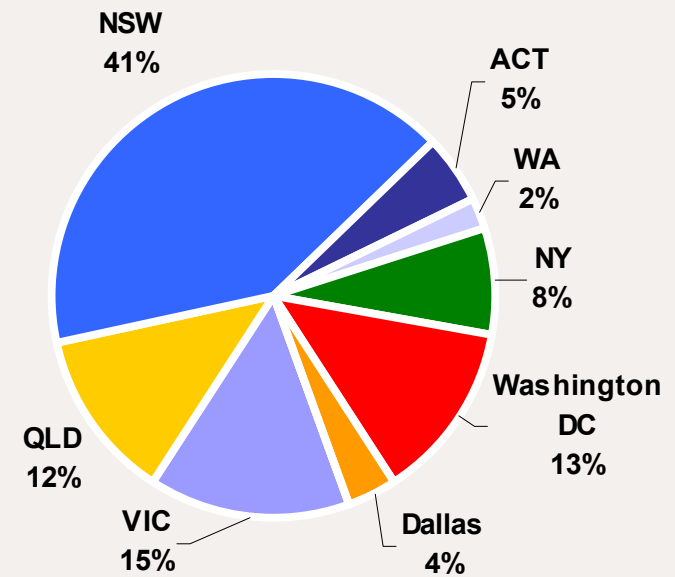
# Portfolio Impact

## Geographic diversification

Pre transaction



Post transaction



# Fund Impact

## Balance sheet and gearing (look through)

	31 Dec 04	Proforma
	AUD	AUD*
Total Australian assets	\$1,510.7m	\$1,510.7m
Total US assets	\$335.4m	\$475.4m
Total assets	\$1,846.1m	\$1,986.1m
Total entity AUD denominated debt	\$338.2m	\$338.2m
Total entity USD denominated debt	\$119.2m	\$172.0m
Total USD property level debt	\$222.6m	\$309.8m
Total debt	\$680.0m	\$820.0m
Gearing ratio (look through)	36.8%	41.3%**

\* USD/AUD spot = 0.765

\*\* DRP to be introduced from Jun-05 quarter

# Impact on Fund

## FX and interest rate hedging for acquisition

	<b>Amount</b>		
	<b>USD</b>	<b>Rate</b>	<b>Duration</b>
Property level USD debt	100%	3.6%	2.2 years
Entity level USD debt	100%	5.3%	5.0 years
USD income hedge*	100%	0.726c	5.0 years

\* USD/AUD spot = 0.765

Indicative rates only. Include margins.

# Summary

- EPU accretive from year 1
- Premier asset in outstanding location and office market
  - 3 blocks from the White House and National Mall
  - desirable East End sub market
- Enhances and complements existing portfolio
  - strong prospects for growth
  - opportunity for value add
- Fully hedged income and capital positions