

# ING Office Fund Unitholder Update

INVESTING

MARCH 2010

Key Fund Data	Half Year 31 December 2009	Half Year 31 December 2008
Properties	24	26
Occupancy	91%	96%
Statutory profit/(loss)	(\$42.1)	(\$445.7m)
Operating income	\$79.7m	\$72.2m
Operating income (per unit)	3.0c	5.6c
Distributions (per unit)	1.95c	5.40c
Net Tangible Asset per unit	\$0.74	\$1.30
Total assets	\$2.9b	\$4.0b
Gearing	23.2%	35.2%

## OVERVIEW

The Australian real estate market stabilised in the past six months, supported by sound underlying investment fundamentals, subdued levels of new supply and emerging tenant demand. Additionally, offshore markets appear to have largely bottomed, with current economic data and forecasts indicating a recovery in 2010, albeit at below trend levels.

As a result of increased gearing levels caused by falling property values over the past 18 months, Management's focus has been on stabilising and strengthening the Fund's balance sheet.

The Fund undertook capital management initiatives including asset sales, equity raisings and a review of the distribution policy to strengthen its balance sheet. IOF is now in a sound position with a strong balance sheet and the opportunity to enhance earnings and assess opportunities for growth longer term.

## PORTFOLIO UPDATE

The performance of IOF's properties was sound during the six months to December 2009. Rental growth was achieved, largely due to new leasing activity and fixed rent reviews.

Key achievements during the period include:

- > Total leasing activity of over 31,000 square metres – including a new lease for almost 15,000 square metres in 295 Ann St, Brisbane, the largest office leasing deal in that market during 2009/10.
- > Portfolio occupancy of 91% (Australia 96%, Europe 92% and US 79%)
- > Tenant retention of 66% (Australia 65%, Europe 100% and US 60%)
- > Like-for-like rental growth of 2.1% (Australia 5.7%, Europe 12.1% and US -18.1%)

# UNITHOLDER UPDATE

## LEASING UPDATE – US ASSETS

Management has negotiated new leases in the US during the last six months and is in active negotiations in relation to the vacancy in the US portfolio.

- > At Waltham Woods the Fund leased 35,280 square feet of space with new inquiry of over 150,000 sqft driven by the technology, software and medical sectors currently under negotiation.
- > At Park Tower, a renovation was completed in late 2009 and the building has been awarded the best Northern Virginia renovation for 2009<sup>1</sup>. New tenant demand is emerging from the Government and its contractors. The Fund is currently in the final stages of competing for a major corporate Head Quarters totalling over 150,000sqft.

Across the portfolio, the Fund has a healthy weighted average lease expiry of over five years.

## VALUATIONS

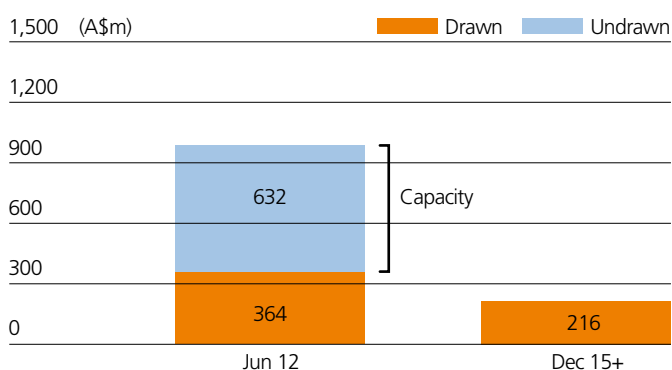
Independent valuations were carried out for 80% of the Fund's portfolio (by value) with the remainder of assets internally valued. Valuations, whilst down on a portfolio basis, appear to have stabilised. The Fund's NTA reduced from \$0.80<sup>2</sup> per unit to \$0.74 per unit as a result of the valuations.

## CAPITAL MANAGEMENT

The Fund's look through gearing of 23% remains at the low end of its medium term gearing range of 25%-35%.

The Fund has no debt expiry for over two years and has \$632 million of undrawn capacity which will enable management to undertake value enhancing acquisitions as opportunities arise.

## Debt maturity profile<sup>3</sup>



1) National Association of Industrial and Office Properties (NAIOP)

2) Proforma at 30 June 2009

3) On a look through basis excluding DOF

4) These dates are indicative only and are subject to change

## OUTLOOK

The Fund's major operational focus over 2010 is:

- > Achieving higher occupancy, particularly in the US;
- > Maintaining high tenant retention;
- > Successful refurbishment and releasing of 10-20 Bond Street; and
- > Proactively managing its capital expenditure.

The Fund is on track to meet its Full Year FY10 distribution guidance of 3.9 cents per unit.

## INVESTOR RELATIONS

Enquiries relating to ING Office Fund can be directed to the ING Real Estate Investor Services line on 1300 653 497 (or from outside Australia +61 2 8280 7057). This service is available from 8.30am to 5.30pm (Sydney time) on all business days.

## DISTRIBUTION PAYMENTS AND ANNUAL TAXATION STATEMENT

Distributions are paid at the end of each calendar quarter in October, February, April and August. You can view your 2009/2010 Annual Taxation Statement online by visiting [www.ingrealestate.com.au](http://www.ingrealestate.com.au) and accessing 'My Unitholding' within the Investor Centre section.

## 2010 Unitholder calendar<sup>4</sup>

Distribution paid for the quarter ending 31 March 2010	30 April 2010
Distribution paid for the quarter ending 30 June 2010	31 August 2010
Annual Taxation Statement for 2009/2010 financial year mailed	31 August 2010
Annual Report available	30 September 2010
Distribution paid for the quarter ending 30 September 2010	29 October 2010
Annual Unitholder Briefing	October 2010

## WWW.INGREALESTATE.COM.AU

Visit the ING Real Estate website to find information on the Fund, its property portfolio, unit price, reports and ASX announcements. Unitholders can also access their investment details, including holding balance and payment history.