ING REAL ESTATE

MARKET RELEASE

Auckland, 18 May 2010

ING Property Trust announces annual result

ING Property Trust (the "Trust") today announced the unaudited results for the year ending 31 March 2010, confirming an annual dividend of 7.5cpu, in line with guidance levels. The final quarter dividend of 1.875cpu will be paid on 18 June 2010 with a record date of 4 June 2010 and a 2.5% discount being applied to the unit price for participants in the Dividend Reinvestment Plan.

The unaudited core operating profit of the Trust, before interest, tax and revaluations, was $67.7 million, 12.6% lower than the $77.5 million recorded in 2009. Operating earnings have been confirmed at guidance levels however negative property revaluations of $82.8 million and close out of interest hedging arrangements have impacted on the profit levels reported. As a result an unaudited after tax loss of $53.9 million for the year ended 31 March 2010 is reported, compared to a loss of $63.1 million for the year to 31 March 2009. Some interest hedging arrangements were closed during the year and contributed both an immediate cashflow benefit and future income benefits to the Trust.

Directors are of the view that the reduction in property valuations is at least in part influenced by the uncertainty created by the Government review of the taxation of the property sector, particularly taking into account that during the last 12 months, properties with a combined value in excess of $100 million have been sold by the Trust on average at or above the 31 March 2009 book values.

As at 31 March 2010, the Trust's total assets were $950 million and the Trust's debt was $381 million. The 40% debt-to-total-assets ratio remains below the Trust Deed limit of 50% and banking covenant of 45%. The directors recently confirmed renewed banking arrangements for the next three year period. The new facility will use a syndicate of three banks headed by ANZ.

Michael Smith, Chairman of the Board of ING Property Trust Management Limited (the "Manager"), said "It is pleasing to be in a position to successfully renew the banking facilities on terms that deliver value to unitholders. The Trust has not found the need to instigate expensive capital raising initiatives that would have been dilutive to unitholders who did not participate on a pro-rata basis. The Trust has managed its debt levels through the crisis in a manner that has served unitholders well and demonstrates the benefits of the diversified strategy of the Trust. At an operating level, it is pleasing to see improvements in the average lease term and some modest rental growth in a difficult environment, realising some of the strengths of the Trust's low risk diversified investment strategy."

Peter Mence, General Manager of the Manager, said "The Trust has had another solid year in terms of operating performance, in an environment that has continued to be negatively impacted by local and global economic conditions. The Trust's well diversified portfolio of good quality investments remains well positioned, relative to the market and the average term of leases committed to by tenants (weighted average lease term) has been increased from 4.2 to 5.0 years. The Trust has successfully managed its debt ratios in the best interests of unitholders. The Trust has shown an ability to transact in the area of the property market that remains active and liquid and provides demonstrable evidence of the benefits of a portfolio of lower average value properties."

Highlights

- A gross dividend of 7.5 cents per unit for the 12 months to 31 March 2010
- In a difficult leasing environment the portfolio occupancy at year-end was 97%
- 75% tenant retention rate through the year
- A weighted average lease term of 5.0 years, providing strong rental security
- Net property income increased by $1 million on a like for like basis during the year
- The most diversified property vehicle listed on the New Zealand stock exchange with a portfolio of 81 buildings valued at $925.9 million with over 294 tenants. The average size of the properties is $11.43 million, which is well within the liquid end of the property market
- Taking advantage of the continued demand for investment property assets under $20 million with the sale of 15 properties for a total of $102.9 million
- Active portfolio management and the remoulding of the property portfolio continued to ensure unitholders benefit from sound rental returns across the property cycle

Challenging environment

While the domestic economy is showing some encouraging signs and is generally regarded as having emerged from the worst of the global financial crisis, the outlook for the near term remains uncertain. The current key market factors include:

- The market for property under $20 million in value remains liquid
- The commercial office sector is facing pressures from a pending oversupply resulting from new development and negative net absorption which combine to increase the vacancy in the CBD of Auckland and to a lesser extent, in Wellington. The Trust has a relatively modest CBD office exposure compared to it's peers in the listed property sector
- The industrial sector continues to have low vacancies with little excess capacity. This will result in some rental growth still available for assets that are well located, and a move into the expansion phase earlier than the commercial office sector.

For the Trust's portfolio this means:

- The low-risk approach to undeveloped assets has meant that Trust holds very little land that is not income earning
- Through the sale of non-core assets, the overall quality of the property portfolio has increased during the year
- The Trust's diversified portfolio of lower average value properties provides flexibility as the market for property in this size range remains relatively liquid
- The portfolio enjoys strong occupancy levels, good tenant retention ratios and solid income figures.

While the domestic economy is showing some encouraging signs the property market will tend to lag in its recovery. As a result there will remain challenges ahead but the Trust's property portfolio is well positioned to meet these challenges as has been shown with the challenges of the last two years.

Strategy

The immediate strategy will continue to be focused in three key areas:

- Risk mitigation – both income and value
- Capital management
- Portfolio structuring for the future.

Risk mitigation is important in an economic downturn. Active management of the tenant relationship allows the early identification of any potential issues that may arise from a tenant's business becoming financially stressed and consequently eroding the Trust's income levels. Early awareness of a potential issue provides a better opportunity to achieve a result that is in the best interests of both the unitholder and the tenant. Equally with the values of all investment classes being re-rated, it is important to ensure that the correct investment management decisions are made in order to preserve and enhance the value of individual properties in the portfolio.

Debt reduction has been a significant theme for the Trust over the last two years. The Trust announced a target of the realisation of property assets to the value of $100 million during the 2010 financial year. This target has been met without any capital loss to the Trust.

It is important for the Trust's portfolio to be structured for the future as economic conditions improve. The portfolio should be positioned to enable the Trust to deliver strong and reliable returns to unitholders from well located and well managed property investments. There has been further improvement in the portfolio asset quality as a result of the sales of lower quality, or higher risk profile assets, and this has enhanced the future return prospects.

Sales

With the focus on debt levels, asset sales have been completed to reduce the Trust's debt levels and to reduce the weighting to the retail sector. With the sale of 15 non-core properties in the last financial year, the Trust has illustrated flexibility in being able to manage weightings and covenants by virtue of the lower average property value of the Trust's portfolio. With the general acceptance of a stabilisation of property values, further sales activity is expected to be reduced to normal portfolio management activity designed to improve returns and lower risk levels.

Portfolio management

While the long term investment strategy of the Trust remains unchanged, of key importance is the degree to which individual assets meet tenant requirements. The active management of the portfolio and its tenants continues to be a primary focus of the Trust's property management team. With lower economic activity levels, management is focused on occupancy, which means continued attention to tenant retention. As market conditions change, there is a need to reassess the parameters by which risks are measured in order to ensure the effective identification, and removal or management of risk levels in the portfolio.

In spite of the difficult economic conditions the property portfolio maintains a high capacity utilisation level with occupancy as at 31 March 2010 of 97% and a weighted average lease term that has improved from 4.2 yearrs to 5.0 years. Leasing activities encompass 107 transactions including 62 new leases, 16 lease renewals and 29 extensions of lease. With continuing emphasis on active tenant and building management, the Trust achieved a tenant retention rate of 75% during the last 12 months.

Over the financial year, 99 rental reviews have been completed which account for a total of $1.016 million of additional rental income, equating to an annualised increase over those leases reviewed of 2.8%.

This is sound considering the highly diversified nature of the buildings, tenants and locations. Over the coming year there are a further 10.5% of leases (by rental value) due to expire. The property management team is in discussions with tenants whose leases are due to expire over the next 36 months and is focused on ensuring the Trust maintains a high tenant retention rate.

Type of lease	NLA (sqm)	# of leases	WALT (years)	Contract rent (pa)	New rent (p.a.)
New lease	111,857	62	6.44	8,496,693	16,117,768
Renewal	16,327	16	4.58	3,319,902	3,381,036
Extension	55,136	29	3.92	7,089,617	6,495,372
	183,321	**107**	**5.57**	**$18,906,213**	**$25,994,176**

Valuations

The negative revaluation of the portfolio values contrasts with the sales record above the 2009 book value of the Trust over the last year. There is potential that the valuations could be shown to be conservative as a result of the uncertain investment market.

Valuations - March 2009 v March 2010

	Value change		Yield	
	$	%	Contract	Market
Commercial	-$17,210,000	-5.81%	8.59%	9.27%
Industrial	-$10,555,000	-3.36%	8.73%	8.80%
Retail	-$19,309,562	-6.43%	8.41%	8.46%
Total	**-$47,074,562**	**-5.17%**	**8.56%**	**8.82%**
Manawatu Business Park	-$9,021,000	-12.51%	8.75% *developed property only*	8.77%

The revaluation, when combined with the interest rate swap revaluations and taxation implications has reduced the Trust's net asset backing per unit from $1.08 as at 30 September 2009 to $0.96. Properties are held at current market value, as assessed by independent valuers. The valuation policy of the Manager is that independent registered valuers complete property valuations of each property of the Trust, in each financial year. The same valuer does not value a building for more than two consecutive years, resulting in a rotation of valuers on a regular basis.

The Trust's portfolio has a conservative average yield on contract rental of 8.56% and a yield on market income of 8.82%. Average yields have firmed marginally over the 12 months but have been more than offset by a decrease in market rental assessments. The difference between the yield on contract income and the yield on market income is evidence of the contract rentals being assessed as being beneath the current market levels. This implies an opportunity to increase income levels from some properties as future rental reviews are given effect.

As the economy moves into a more positive growth phase, there is an increased likelihood of a reversal of the declining values that have been seen over the last three years.

Manawatu Business Park

With effect from January 2010 the Trust obtained control of the Board of North East Industrial Limited. Although the Group does not own more than half of the equity shares of NEIL and consequently does not control more than half the voting power of those shares, it has the power to appoint and remove the majority of the board of directors and control of the entity is by the board. Under accounting rules however, NEIL is controlled by the Group and consequently has been consolidated in the financial statements. This differs from the prior year accounts where the Trust’s 50% interest was shown.

As a result of the revaluation of the assets of the joint venture, as at 31 March 2010, the level of bank debt was at 53.6% and not in compliance with the security ratio covenant which states that the outstanding amount of borrowings must not exceed 50% of the property value. Action was taken to remedy this by partial repayment of the loan. As a result the Trust has provided additional funding to the joint venture. The strategy for the business park is to complete a managed realisation of the sites following completion of the subdivision of title which is expected in the second quarter of 2011. A number of sites have already been sold with settlement subject to the issue of titles.

Looking ahead

There is little doubt that in spite of the domestic economy showing positive signs of recovery, the market will continue to be challenging for the year ahead, specifically in the commercial office sector. The Trust remains advantageously positioned with a well diversified portfolio of good quality property in strong locations. The income streams from the portfolio are diversified by use and by tenant, contributing rental returns that have remained resilient in a difficult environment.

We expect that there may be a degree of reduced market rental levels in the commercial office market and that this may also have an affect on property valuations in this sector. The degree to which these changes are already priced into the current asset values will be largely dependent on the speed with which the demand for office space improves and the timing of delivery of new stock to the market.

The directors are conscious of the effect on returns of the financial markets over the last three years and that unitholders will be concerned over the level of return they can expect from their units over coming years. The reduced valuations of the portfolio do not affect the operating earnings and after allowing for the increased bank fees and margins, the directors currently expect to pay a dividend of 7.0cpu for the next financial year.

Guidance to dividend levels is dependent on the effects of any changes in the taxation policies that may be announced in, or subsequent to, the Government's May 20th budget and assume a period of relative stability in the market conditions.

The international and domestic economies continue to face challenges but the Trust's portfolio is well positioned for this environment and the well diversified nature of the portfolio and its income stream provide a relatively sound base to generate positive income returns in the year ahead.

ENDS

Note: Some figures may differ to those in the accounts due to finalised lease transactions not recognised under valuation methodology.

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ING Property Trust
ING Property Trust is the most diversified property trust listed on the New Zealand Stock Exchange. It has a $1.0 billion portfolio of 81 properties, with 294 tenants across the retail, commercial and industrial sectors. The Trust has a low risk focus on quality properties where value can be added and properties modernised to extend their effective utilisation.