Spring 2009

ING Property News

Welcome to the spring newsletter of ING Property Trust

It is good to hear the more optimistic economic news beginning to filter through the market. In general, comment and projections are still fairly sober, and slow improvement seems to be the consensus forecast. At the least we can be seen as realistic in expecting a stable environment and given the last two years, stability is a very good thing.

Recently there has been talk of "green shoots" growth in the market and while this can only be seen as positive, the ING Property Trust portfolio has proven over the last 12 months that it has the fundamentals right to maintain a healthy return to unitholders in a challenging market.

ING

ANZ acquisition of ING (NZ) Ltd

On 25 September, ANZ and ING Group announced that ANZ will buy ING Group's 51% shareholding in ING New Zealand (ING NZ) and ING Australia. This includes taking full ownership of ING Property Trust Management Limited, the manager of ING Property Trust.

In New Zealand, ANZ National Bank Limited already has a 49% shareholding in ING NZ. The completed transaction (pending regulatory approval later this year) will see ING NZ become a wholly owned subsidiary of ANZ National.

Importantly, the acquisition does not affect the Trust's portfolio or your unitholding. ING Property Trust is a unit trust. This means that the units in the Trust are governed by a Trust Deed, which is managed or overseen by a Trustee; in the case of ING Property Trust, this is The New Zealand Guardian Trust Company. The Trustee is an independent entity who safeguards the Trust's assets.

The Trust currently contracts with ING Property Trust Management Limited, a subsidiary of ING NZ, to manage the day-to-day operations of the Trust and its portfolio. Following the regulatory approval mentioned above, the management company will be owned by ANZ.

No changes are expected to be made to the management of the Trust as a result of this transaction. It is intended that ING NZ will continue to operate as a specialist wealth management and insurance business, as it does now – although it is likely the ING branding will change in time. Simply put, it's business as usual.

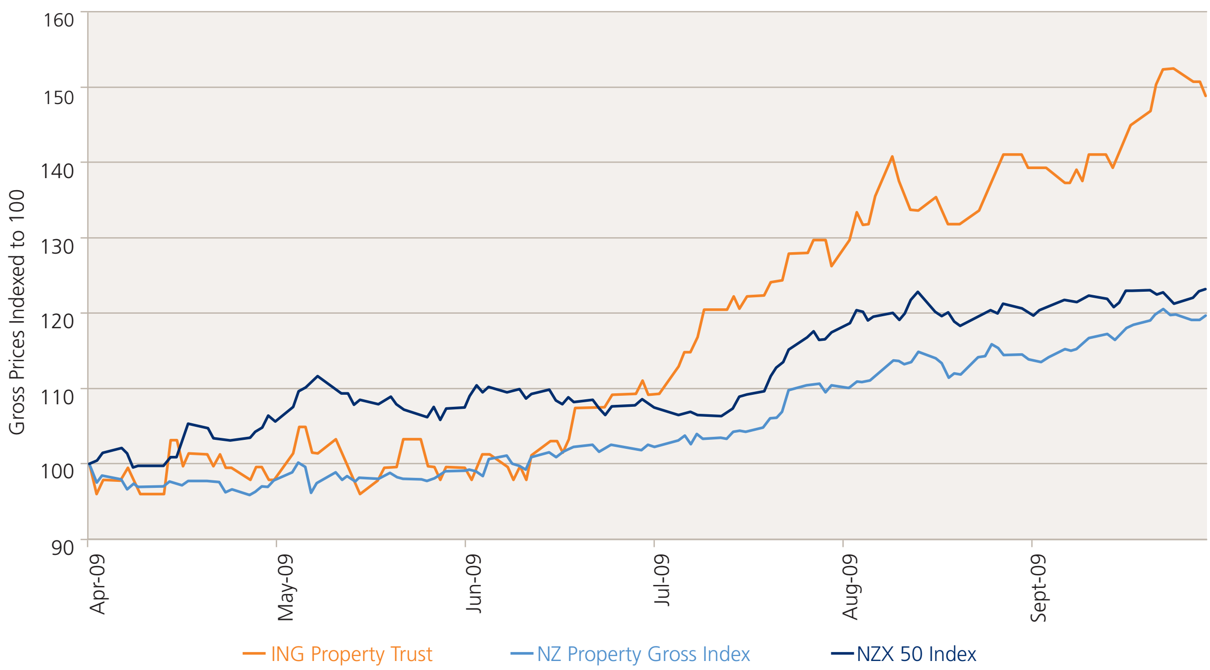
ING unit price

It is pleasing to see that the ING unit price has recently shown some spring growth as the market has begun to appreciate some of the benefits of a diversified, lower average value property portfolio.

We have been able to deliver what was promised at the 2008 Annual Meeting in terms of the debt reduction programme and the market cannot now ignore the volume of sales completed at solid prices, as an illustration of the strengths of the portfolio. Interestingly, those things that have been shown to be strengths over the last 18 months, were the same portfolio characteristics that commentators regarded as being weaknesses prior to the onset of the current economic malaise.

The unit price has shown some good growth since 31 March 2009 and after a period of underperformance last year, has out performed the market indicators by a reasonable margin.

It was particularly rewarding at the time of the Annual Meeting to have the unit price trading at the same level it was at the 2008 Annual Meeting. Based on that 74c level, unitholders would have received an annual return of 15%. We consider this a good result under the circumstances, but the unit price did have a fairly bumpy ride in the interim.



Capital management

Since the last newsletter we have made some good progress to the targeted 35% loan to value ratio that we announced at year end, with the unconditional sale of 10 property assets for a combined value of $57.5m, and a further $50m subject to conditional sale agreements.

Assuming all conditional agreements become unconditional contracts following settlement of these sales, the loan to value ratio will be approximately 35%. Importantly, all sales since the 31 March 2009 revaluations have been at or in excess of the values determined at that date.

You may recall that the revaluations at 31 March 2009 showed a decline for the year of approximately 8.1% and that sales achieved between September 2008 and 31 March 2009 were at a level approximately 8.2% below the 31 March 2008 valuation levels. This means that sales achieved have been at similar values for a period of 12 months as at the time of writing. This is encouraging news for the values of the Trust's portfolio going forward and importantly is a strong forward indicator for the next revaluation of the property portfolio.

Had we not maintained a liquid property portfolio, there would have been a strong chance that, like some of the other listed property entities, we would have found it necessary to introduce a highly dilutive capital raising to improve the balance sheet. As it stands we have been able to demonstrate an ability to manage capital with asset sales rather than eroding the value and ownership of your investments.

Properties that have been identified for sale are those we consider to be more exposed to market risks, resulting in a return that is less than that from the remainder of the portfolio, or where an adjustment to sector, location, or tenant profile characteristics is desired to maintain a diversified balance in the portfolio.

Properties sold since 31 March 2009, are as follows:

43 College Hill, Auckland
22 Cavendish Drive, Auckland
18 London Street, Hamilton
Annie Huggan Grove, Wellington
632 Great South Road, Auckland
42 Sir William Drive, Auckland
11 Maui Street, Hamilton
94 Cryers Road, Auckland
305 Port Hills Road, Christchurch
15 Maui Street, Hamilton

Strategy

We often refer to our management strategy – an active management strategy, a prudent, conservative and diversified strategy. But what does it mean, and how does it affect your investment?

While there are those "green shoots" of economic recovery evident in the market, we will continue to have challenges from the domestic and international economic situation for the next year at least. In recognition of these challenges in the investment environment, the current strategy is focused on three key areas:

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

2009 Annual Meeting

After six years of holding the Annual Meeting in Auckland, it was decided that we would take to the road and have the 2009 Annual Meeting in Tauranga.

The Trust has a very strong unitholder base in the Bay of Plenty and it was good to be able to offer them the opportunity to be involved in the meeting. Around 80 unitholders were able to attend and were given the opportunity to meet and speak with the Board and senior management team.

The only formal business of the meeting was the election of an Independent Director to the Board. The sitting independent Director, Trevor Scott, was re-elected to the Board.

Trevor, who had retired by rotation, has been a Director since the initial listing of the Trust in 2002 and is also one of our more substantial unitholders. In his own words, he has "over 6 million reasons that he wants the Trust to do well."

Congratulations Trevor, and thanks for your commitment.

Valuations

Not all property is created equal, and the Trust's portfolio of diversified and lower average value assets has shown itself to be liquid in a difficult market. Values are consequently more resilient than assets in excess of $20m in value.

Over the last 10 years we have become used to pricing premiums being applied to larger sized assets. This was driven by the international demand for assets of size, generally because they require less management time. However the demand for such assets has diminished internationally and the New Zealand market has seen few potential buyers. As a consequence this pricing premium is not present in fact the reverse may well be the case.

Over the long term in New Zealand, it is more common to see smaller sized assets command a pricing premium because the market for this kind of property is much larger – in short, there are more purchasers.

It is this factor that has assisted the Trust during the global credit crisis. The reality is that the Trust's asset valuations are backed up by a large number of actual transactions clearly illustrating the market demand for this sort of asset.

The sales activity provides a greater level of confidence for the 2010 revaluation round with sales since the last revaluations all at or above the 31 March 2009 valuations. Due to market conditions last financial year, interim revaluations were performed. Thankfully there is no real need to incur the expense of an interim revaluation this year, as data from recent sales shows the current valuations are still market compatible

Our people

Warren Cate

A civil engineer by background Warren has been with the business for over 10 years working as an Asset Manager for a portion of the Trust's property portfolio. Prior to joining ING Warren worked as the General Manager Property for DB Group.

In the Asset Management role Warren has responsibility for the performance of the properties under his stewardship and will provide direction to the property management team responsible for those properties. When a property is sold or acquired, the Asset Manager is also responsible for ensuring that the interests of unitholders are protected and where possible are enhanced.

In addition to Warren's expertise and extensive experience – having worked in property in both the 1987 and the 1999 property downturns, Warren's sense of humour is a valuable asset to the property team. Outside of work, Warren is an accomplished musician, writing and recording his own compositions. As a result of this "hobby" Warren has recorded and produced four CD's of his own material. – Who said we were a boring lot?

Website gets a nod

Every year Wired Internet Group compares the website homepages of the companies that make up the NZX50, and ranks them accordingly. It looks specifically at the investor experience on the site, at how easy it is for you, as a unitholder, to get the information you need. Sites are ranked on ease of use, availability of information relevant to unitholders and level of interaction between unitholder and company.

Our website, www.ingproperty.co.nz was ranked 6th equal this year. This is a remarkable result, and a vast improvement on last year's 45th place ranking. The improvement is entirely attributable to the launch of the new look website in October last year.

"When we were redesigning the website we worked very hard to ensure we were providing our unitholders with up to date and relevant information on every page. It had to be user friendly and most of all we wanted people to want to visit it again" said Bridget Spraggon, Marketing and Communications Manager. "A 39 place improvement certainly shows we got the fundamentals right and we will work hard over the next year to maintain, if not improve on, this."

Unitholder communications initiative

As a unitholder of ING Property Trust, you receive copies of our various printed publications throughout the year. Increasingly, we are being asked to send these out electronically.

Recent changes to the Companies Act mean that we have been able to launch an initiative to send unitholders all publications as a link to the News and Publications section of our website, www.ingproperty.co.nz should you choose to do so. This is the most cost-effective, time-efficient and environmentally friendly means of receiving information, and we encourage you to take up this offer.

With this newsletter, we have included a letter that allows you to select how you would like to receive reports and other publications, be it via a link in an email, traditional hard copy in the post, or not at all. Please take your time to consider your options and return the form to our unit Registrar in the free-post envelope provided.

If you haven't received the information please call 0800 625 625 or email info@ingproperty.co.nz to have it sent to you.