ING REAL ESTATE

MARKET RELEASE

Auckland, 25 August 2008

Chairman's address, ING Property Trust annual meeting 2008

The following is the address of the Chairman of the Manager to the ING Property Trust Annual Meeting held at 3pm in the Great Northern room, Ellerslie Event Centre on 25th August 2008.

Before reporting on the specific achievements for the year, I would like to take the opportunity to introduce each of the Directors.

To my left, your right is:

Peter Brook

David McClatchy

Philip Burdon

Trevor Scott

Andrew Evans

I would also like to introduce the General Manager of ING Property Trust Management, **Peter Mence** and the Chief Financial Officer **Jeremy Nicoll**.

Finally, **Andrew Burgess, Jamie Schmidt** and the team of auditors from Deloitte, are present.

And a special welcome to **Harry Koprivcic** representing New Zealand Guardian Trust.

You will all be aware that the investment environment has seen substantial change since our last meeting. Stock prices both locally and internationally, in most asset classes, have seen negative returns, and the ING unit price has declined significantly. The Directors are naturally disappointed with the unit price performance, and observe that the income derived from the units at today's prices is attractive.

In light of the current economic environment, our investment strategy has been reviewed resulting in an increased emphasis on the risk profile of the income streams from each property to ensure that appropriate steps are taken to mitigate potential risks.

One of the key ways of managing risks in any investment is that of diversification, and ING Property Trust is the most diversified listed property vehicle on the New Zealand stock exchange. The Trust is diversified by sector, location and tenant mix, with the largest tenant in the portfolio representing less than 3.8% of the total income of the portfolio. This diversification means the Trust is a low risk proposition, a strategy we actively pursue.

The low risk strategy of the Trust is important in a climate when uncertainty is prevalent across many sectors. In spite of this we have seen a lack of appreciation of the key strengths of the Trust and the unit price has not shown the sort of performance that could have been expected. The Trust currently offers a high level of return from good quality investments. We believe that the unit price has been inappropriately discounted due to investor sentiment driven potentially by some negativity surrounding the sector in general, and the stock in particular. It is our view that the heavily discounted price will reverse in due course as the benefits of the diversification strategy of the Trust are better recognised.

The investment strategy of the Trust remains focused on three key areas of value creation for unitholders:

- Active management of the property portfolio and tenants;
- Maintaining appropriate balance in the portfolio with the acquisition and divestment programme; and
- The investigation of property sales and acquisitions.

All of these areas are part of a risk management strategy to ensure that the diversified low risk nature of the Trust is preserved and where possible enhanced.

It is against the less than appealing backdrop of the financial markets, that the property market in New Zealand is able to display good fundamentals from an occupancy and demand perspective. The Trust is showing low vacancy figures across the sectors and locations and little excess capacity or over building.

While the retail sector is showing the expected pressure from the reduction in disposable family income through higher food, fuel and finance costs, vacancy rates remain under control. The commercial office and industrial sectors have maintained high occupancy rates and with an expected reduction in development activity as a result of the scarcity of available development funding, this is expected to continue.

The Board was pleased to announce the results of the revaluation of the property portfolio showing a $43 million increase in the value of the assets. Importantly, this gain was driven by the increase in rental income from rental reviews and from leasing activity, rather than from any firming in the capitalisation rates. Although rental growth has been successfully captured in the reviews that have occurred over the year, the portfolio was assessed as being 6% under market rentals at year end, a higher level than last year. This means that further rental growth will be available in the year ahead. In the year to date, rental reviews have resulted in an increase to the Trust's income of over $1million.

Many commentators have observed the potential for property values to ease over the year ahead and clearly in times of economic change this cannot be ruled out, however rental growth within the property portfolio, already evident since year end, provides at least a partial buffer to this pressure. Current activity in the property market suggests that any softening in values relating to the Trust's portfolio has been over compensated for on the NZX. Indeed we have recently negotiated conditional agreements to sell assets [in excess of $60m] at or around book value as at 31 March 2008. While the income streams from the Trust's portfolio remain sound, the portfolio values clearly cannot remain entirely immune from the global financial market. Value declines are expected to be most evident with investments of substantially lesser quality than the Trust's,

The income streams from the property portfolio remain soundly diversified and the properties are well leased. This provides the basis of the returns to unitholders from their investment. The Directors expect the cash distribution to be maintained at 8.7 cpu baring any further significant economic events. At our board meeting earlier today, the directors of ING Property Trust Management Limited decided to reinstate the dividend reinvestment plan and confirmed that the cash distribution for the first quarter would be 2.175 cents per unit, with imputation credits of 0.417 cents per unit attached.

The Trust's portfolio has again experienced a high degree of positive activity during the year, with new leases and renewals totalling $12.8 million. Occupancy of the portfolio was maintained at a level in excess of 99% and market rental income showing a yield of 8.3% of the value of assets. The weighted average lease term of the portfolio at year end was a positive 4.7 years with only 11% of space due to expire in the year to 31 March 2009. A significant portion of this has already been reviewed and is subject to renewal or under negotiation. This puts us well ahead of schedule for the 2009 financial year.

The Trust's joint venture investment in the Manawatu Business Park has continued to progress well during the year with five new leases involving the development of a further 3ha of the land. Undeveloped land continues to attract income at 8% p.a. of the purchase cost providing a welcome mitigation of the carrying risks normally associated with vacant land. No development has been committed without unconditional tenant commitment.
Forward enquiry for space at the park remains positive and this initiative is expected to continue to contribute well to the returns from the Trust going forward.

The first stage of Albany Gateway project is now well advanced, with approximately 50% of the total area of the site, the Mitre 10-anchored development, scheduled to be completed in March 2009. As with other activity in the Trust, the development risk is carried by the developer, rather than the Trust.
The Trust's banking facilities are in place until September 2010, with interest rate hedges in place to reduce interest rate risks over 82% of the debt.

While no one can project the future of the current economic situation with any accuracy, the Trust's portfolio is in excellent shape to weather a downturn well providing investors with return on their investment from a diversified and well managed property portfolio showing strong fundamental basic statistics:

- The portfolio provides accommodation for 338 tenants in 81 properties spread over a wide geographic area.
- No accumulated single tenant exposure in excess of 4% of the total income of the Trust.
- Occupancy rate in excess of 99%
- A weighted average lease term of 4.7 years.
- Strong rental growth prospects

We wish to thank all investors for their ongoing support in what has been a challenging year and we look forward to being able to work for you in the year ahead.

Michael Smith
Chairman, ING Property Trust Management Limited

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