

Performance of the LPT sector in NZ & Australia

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www.ingnz.com

Introduction

- Global stock market returns and volatility
- US house prices
- Did listed property behave as we expected?
- NZ, Australian and Global listed property returns
- NZ Listed Property
 - Vital statistics & recent portfolio devaluations
 - Movements in NTA and market discount to NTA
 - Direct property vs listed property returns
 - Sector dividend yield vs bonds and cash
- NZ & Australian listed property comparison
- The world has changed?
- Kiwisaver
- Summary

“ Markets can stay inefficient longer that companies can stay solvent”

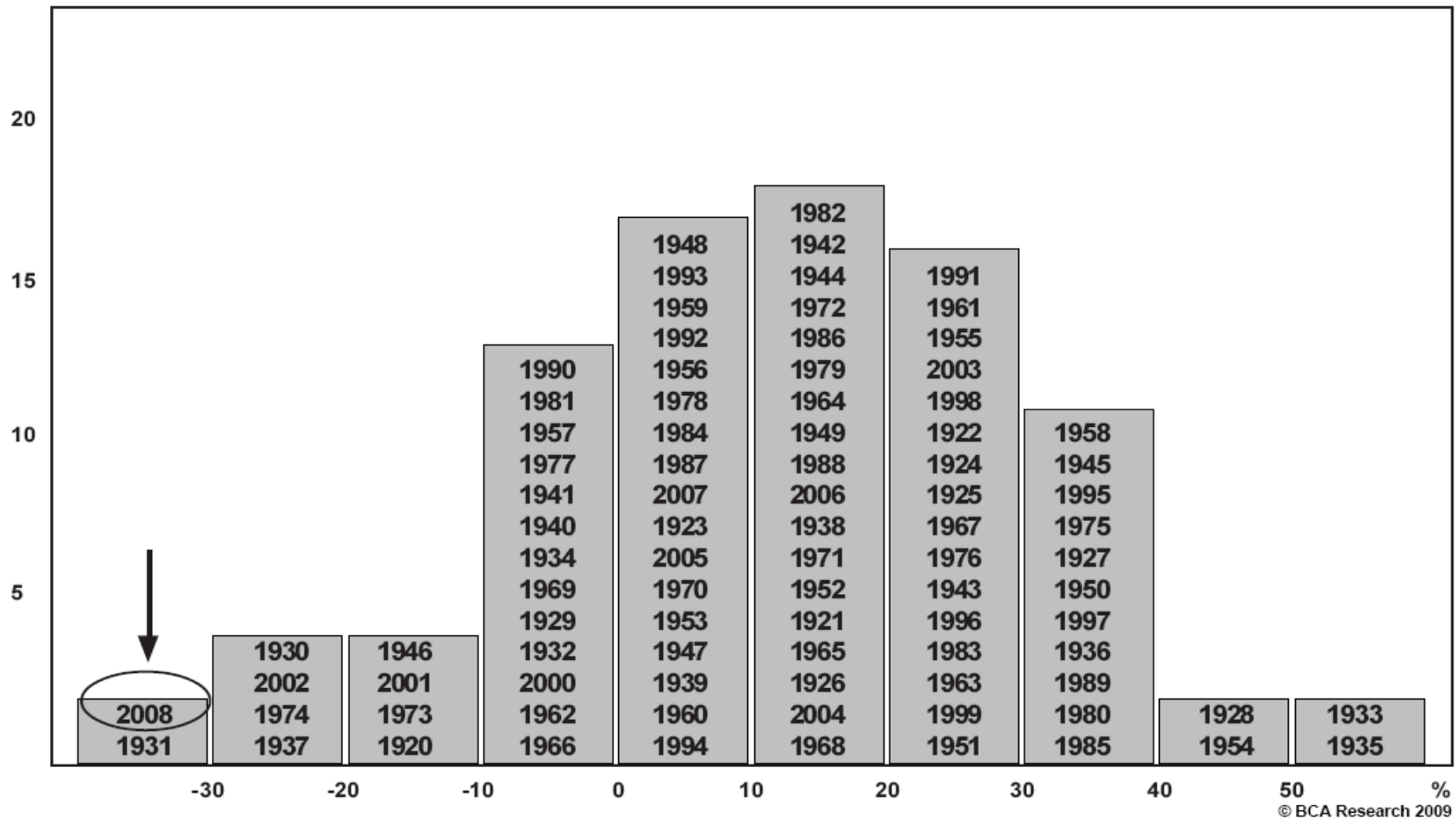
(Milton Keynes, Economist)

World stock exchange market capitalisation



US stock market returns in context

U.S. S&P 500 Annual Total Returns

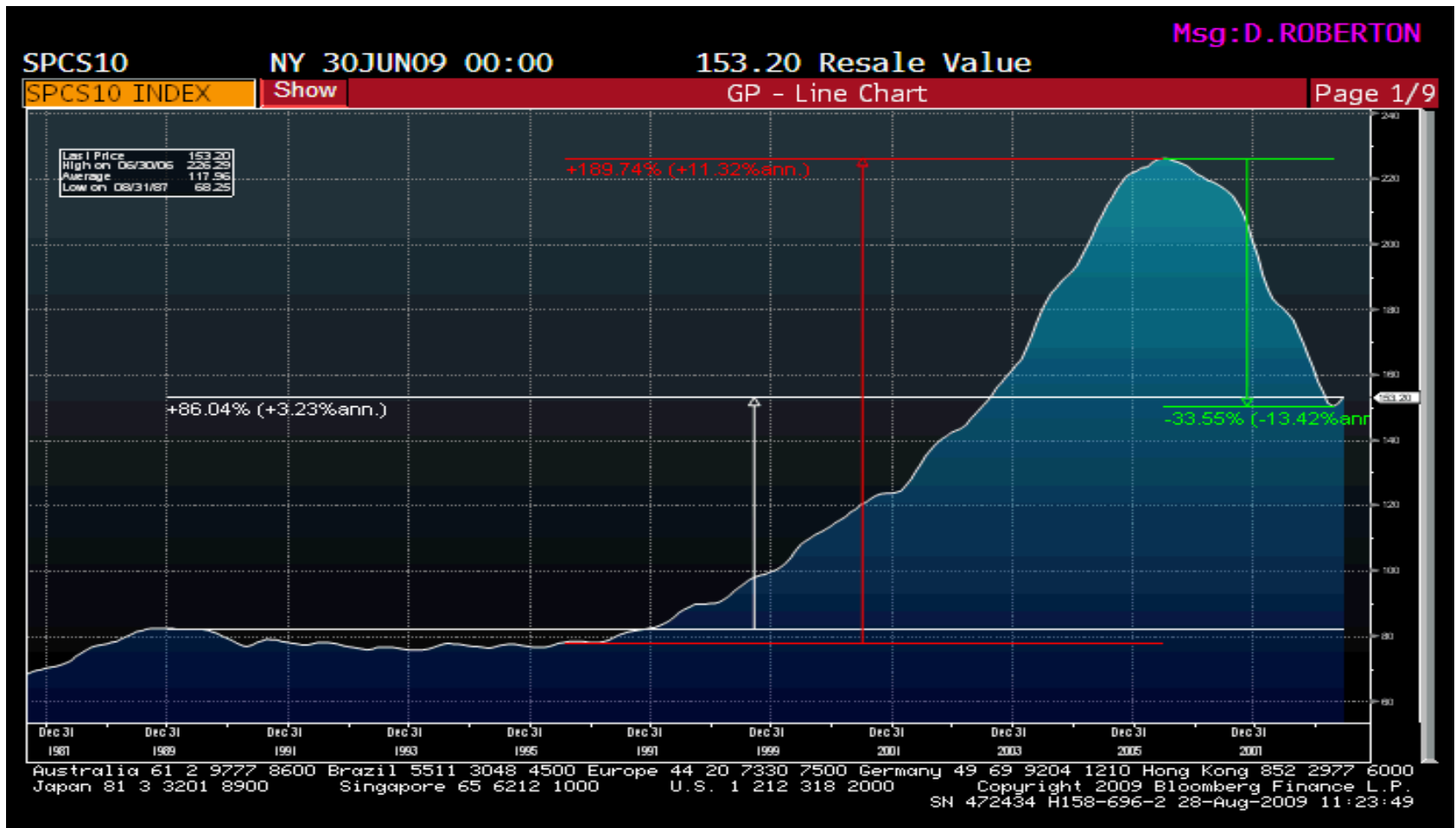


Stock market volatility is normalising

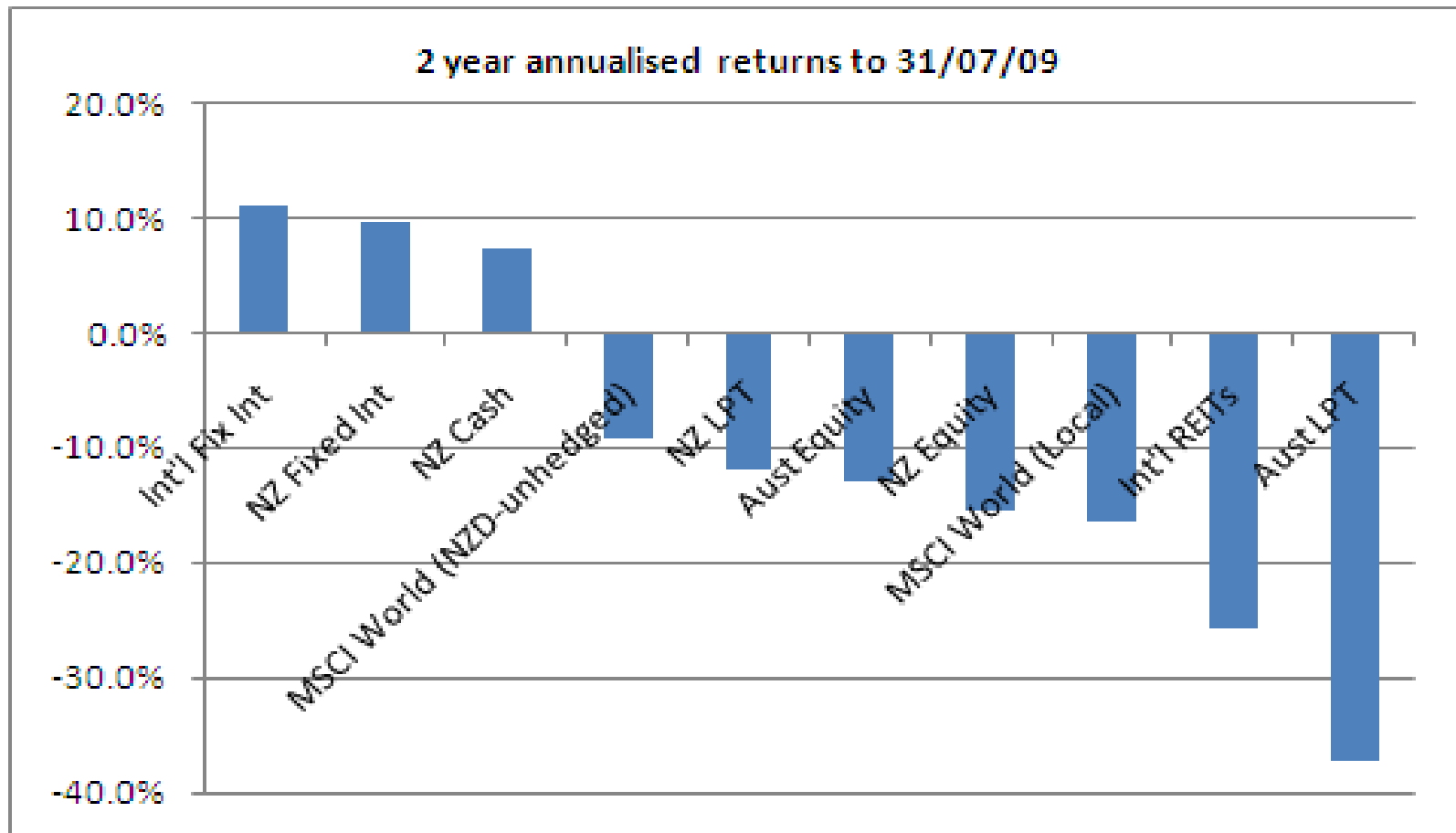


* Source: Chicago Board of Options Exchange.

The S&P/Case-Shiller Home Price Index



Did listed property behave as we expected?



Global property returns to the end of July 2009

UBS Global Investors Accumulation Indices

Table 1: UBS Investors Index – USD

	Returns For the Period Ending August 31, 2009								
	YTD	One Mth	Three Mths	Six Mths	One Year	Two Years (1)	Three Years(1)	Five Years(1)	Ten Years(1)
Global	21.3%	13.9%	24.5%	70.1%	-27.3%	-22.3%	-12.9%	1.6%	9.1%
US & Canada	12.0%	14.0%	22.5%	71.0%	-33.1%	-21.5%	-14.0%	0.4%	8.8%
Cont Europe	43.6%	19.4%	28.9%	70.7%	-13.3%	-15.4%	-5.9%	8.7%	13.0%
UK	23.5%	15.8%	32.6%	78.5%	-39.4%	-39.6%	-27.2%	-6.8%	2.7%
Hong Kong	50.6%	-1.0%	14.2%	54.7%	0.5%	2.5%	1.6%	17.5%	15.9%
Japan	6.2%	5.6%	16.5%	39.6%	-2.2%	-13.6%	-1.4%	4.6%	n.a.
Australia	25.8%	17.9%	31.1%	80.4%	-33.1%	-31.5%	-15.3%	-0.9%	7.7%
Singapore	50.7%	0.9%	15.0%	71.0%	-13.6%	-15.4%	-0.2%	9.2%	n.a.
New Zealand	15.5%	7.7%	19.6%	40.2%	-6.8%	-11.2%	-1.7%	n.a.	n.a.

Annual compound returns calculated in USD.

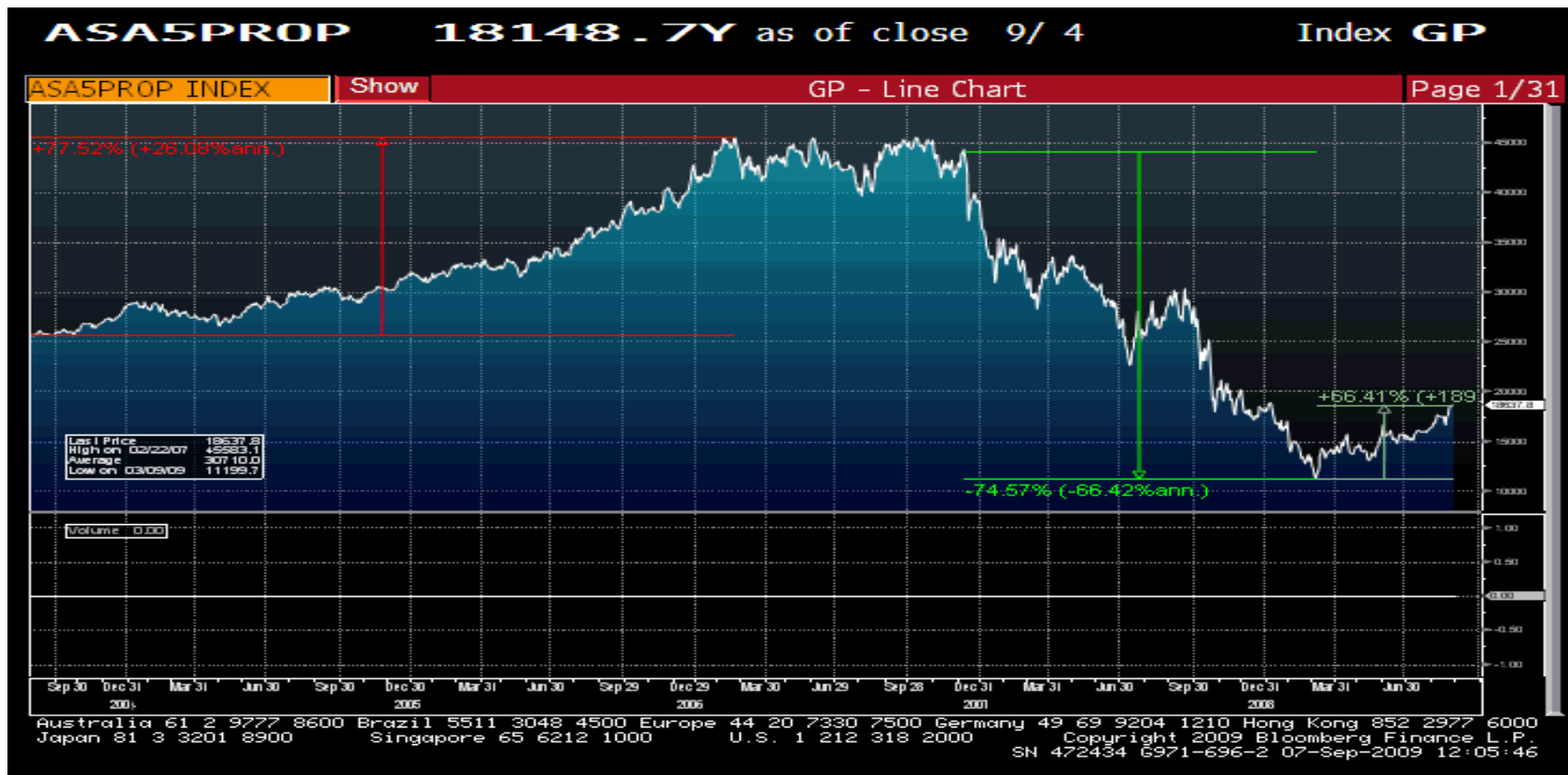
NZ Property Index (gross) – last 5 years



NZ Property Index Returns vs Market Indices to 31 August 2009

	1 mth	3 mths	6 mths	1 year	3 years	5 years
NZX Property Index (gross) with imp'n credits	3.6%	15.5%	11.9%	0.1%	-2.6%	6.4%
NZSE50FG	2.9%	12.4%	23.8%	-6.0%	-2.4%	3.8%
Out/(Under)performance	0.8%	3.1%	-12.0%	6.1%	-0.2%	2.6%

Australian Property Index (gross) – last 5 years



Australian Property Index Returns vs Market Indices to 31 August 2009

	1 mth	3 mths	6 mths	1 year	3 years	5 years
S&P/ASX 200 (GICS) Prop Acc. Index	16.0%	24.3%	36.8%	-34.5%	-19.8%	-6.0%
S&P/ASX 200 Acc. Index	6.6%	18.9%	37.4%	-8.1%	0.1%	9.5%
Out/(Under)performance	9.4%	5.4%	-0.6%	-26.4%	-19.9%	-15.5%

NZ listed property – vital statistics

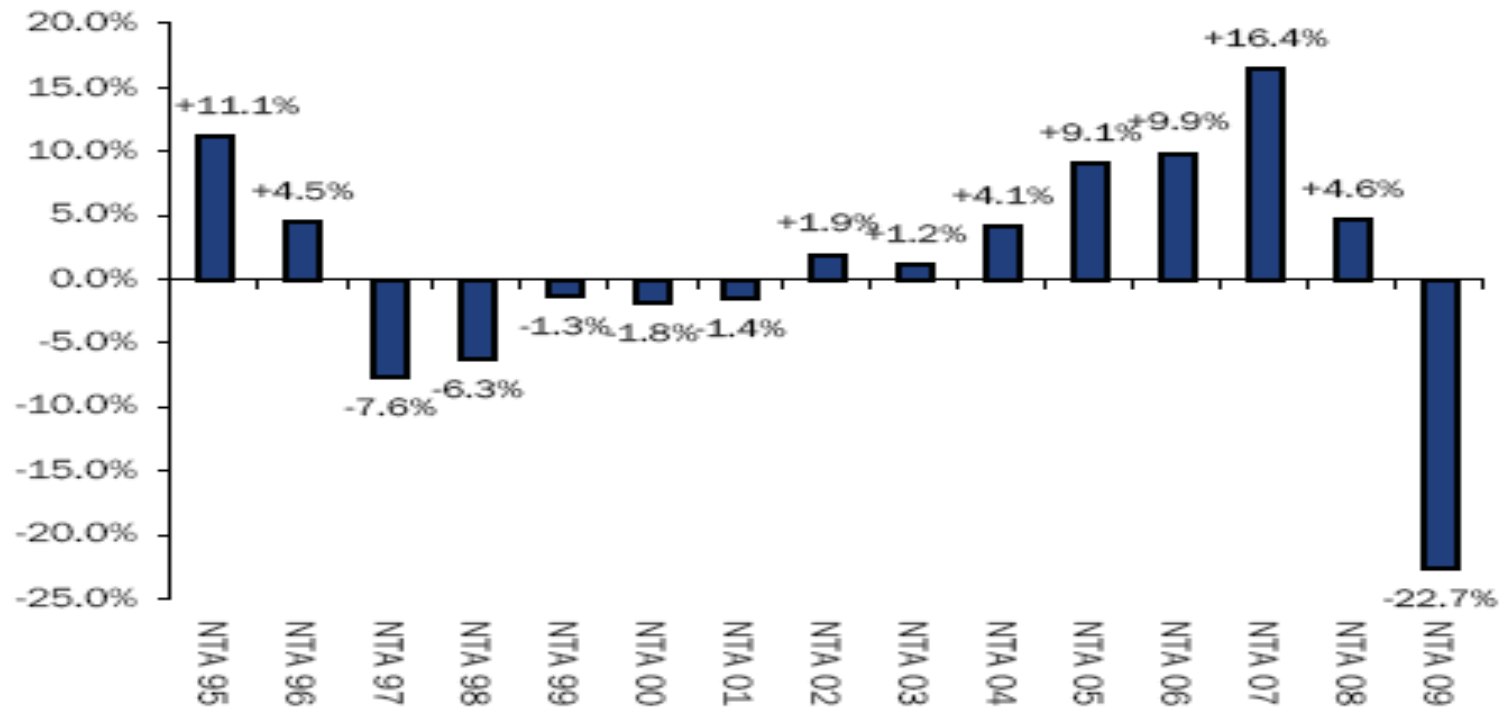
NZ Listed Property Sector - Portfolio Metrics								
NAME	Portfolio Valuation (\$m)	No. of Prop's	Net Lettable Area (sqm)	No. of tenants	Portfolio Cap Rate	WALT	Occupancy	Under-renting
AMP NZ OFFICE TRUST	1,329.9	15	252,935	220	8.03%	4.7	97.2%	2.0%
GOODMAN PROPERTY TRUST	1,487.0	27	850,000	240	8.73%	5.8	98.0%	6.1%
ING MEDICAL PROPERTIES TRUS	286.2	16	65,500	98	8.80%	9.3	98.0%	2.0%
ING PROPERTY TRUST	1,065.0	80	593,267	373	9.10%	4.2	98.0%	4.2%
KIWI INCOME PROPERTY TRUST	1,906.2	22	365,053	850	7.73%	4.9	99.1%	4.1%
KERMADEC PROPERTY FUND	129.0	9	54,939	96	9.23%	5.7	93.0%	2.0%
NATIONAL PROPERTY TRUST	266.8	14	150,248	340	8.95%	3.1	95.8%	9.5%
PROPERTY FOR INDUSTRY LTD	357.4	59	291,419	108	8.80%	4.6	99.4%	2.5%
Total	6,827.4	242	2,623,361	2,325				
Simple Average			327,920		8.67%	5.3	97.3%	4.1%
Market cap weighted average			426,652		8.26%	5.1	97.2%	3.9%

NZ listed property – portfolio devaluations

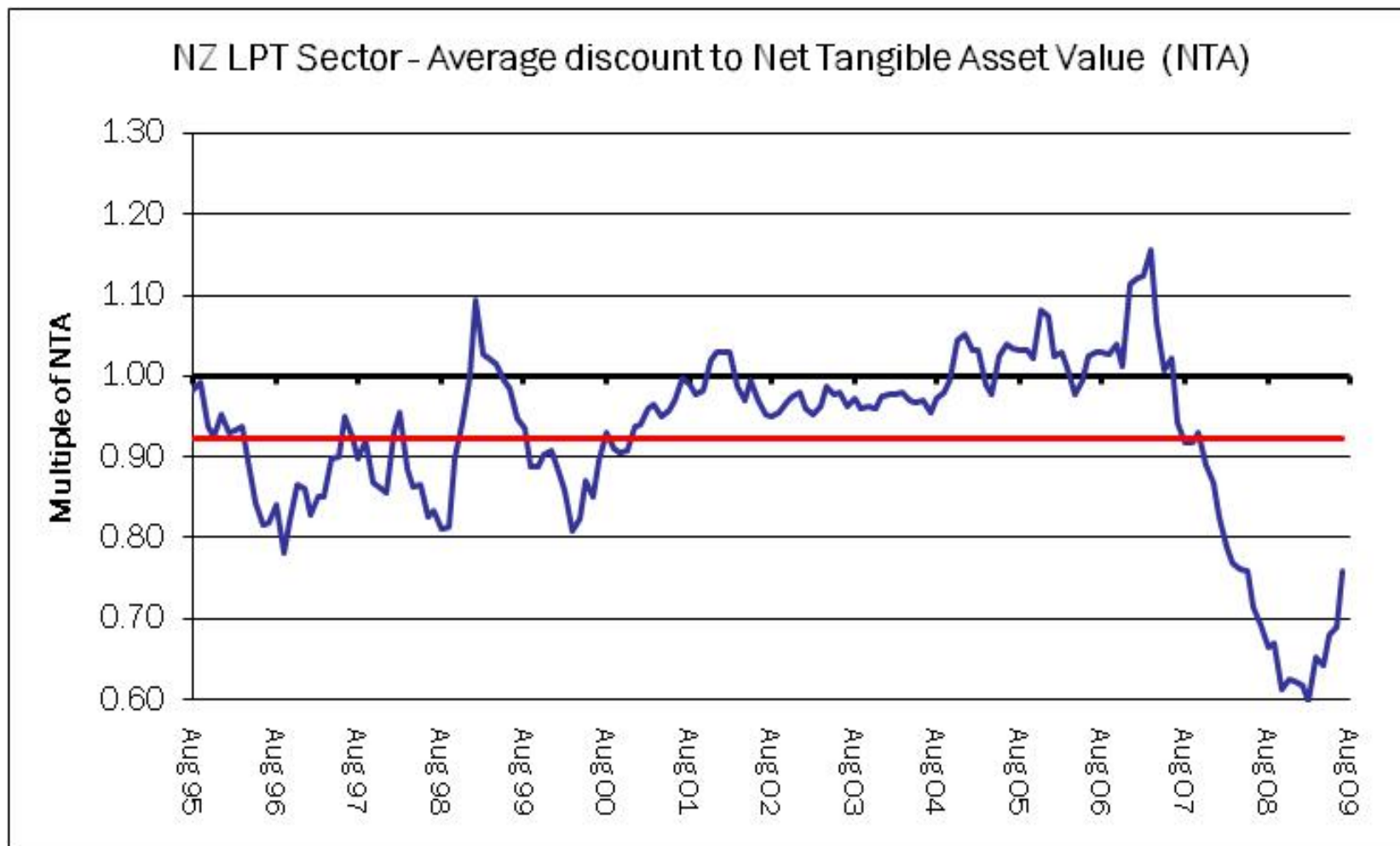
NZ Listed Property Sector - Recent Portfolio Devaluations							
NAME	Previous Value (\$m)	Latest Portfolio Value (\$m)	Portfolio Change (\$m)	Portfolio Value Change	Latest Cap Rate	Portfolio Cap Rate Change	Last Valuation Announcement
AMP NZ OFFICE TRUST	1,569.0	1,329.9	-239.1	-15.2%	8.03%	0.99%	13/07/09
GOODMAN PROPERTY TRUST	1,655.9	1,487.0	-168.9	-10.2%	8.73%	0.73%	31/03/09
ING MEDICAL PROPERTIES TRUS	292.7	286.2	-6.5	-2.2%	8.80%	0.42%	2/07/09
ING PROPERTY TRUST	1,153.4	1,065.0	-85.0	-8.3%	9.10%	0.80%	03/04/09
KIWI INCOME PROPERTY TRUST	2,120.4	1,906.2	-214.2	-10.1%	7.73%	0.75%	27/03/09
KERMADEC PROPERTY FUND	141.9	129.0	-12.9	-9.1%	9.23%	0.82%	23/04/09
NATIONAL PROPERTY TRUST	294.9	266.8	-28.1	-9.1%	8.95%	0.75%	23/04/09
PROPERTY FOR INDUSTRY LTD	400.5	357.4	-43.1	-10.2%	8.80%	1.01%	3/08/09
Total	7,628.6	6,827.4	-797.8	-10.5%			
Simple Average				-9.3%	8.67%	0.78%	
Market capitalisation weighted average				-10.6%	8.26%	0.80%	

Movements in net tangible asset values (NTA)

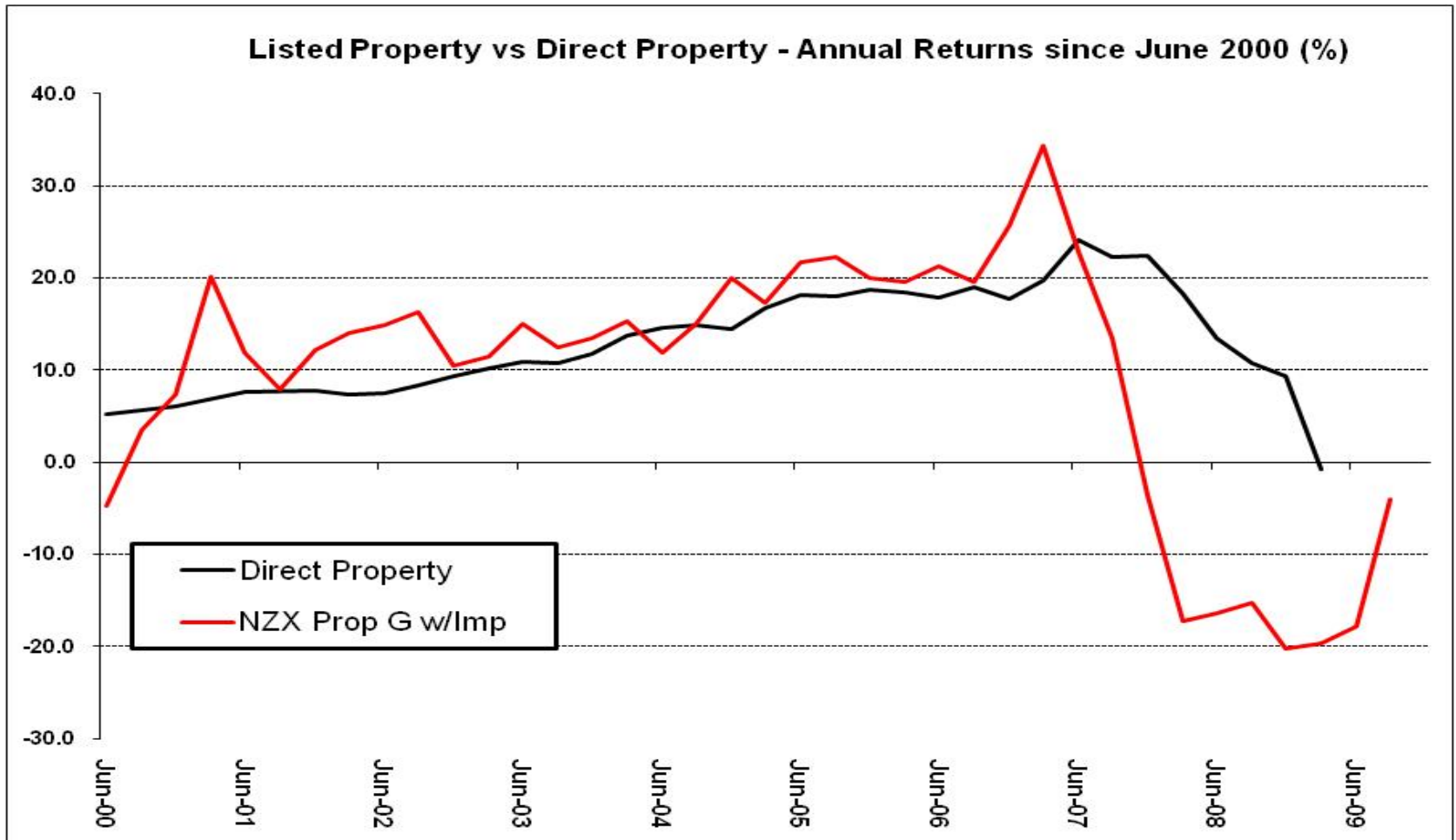
Weighted Average Change in NTA for NZ Listed Property



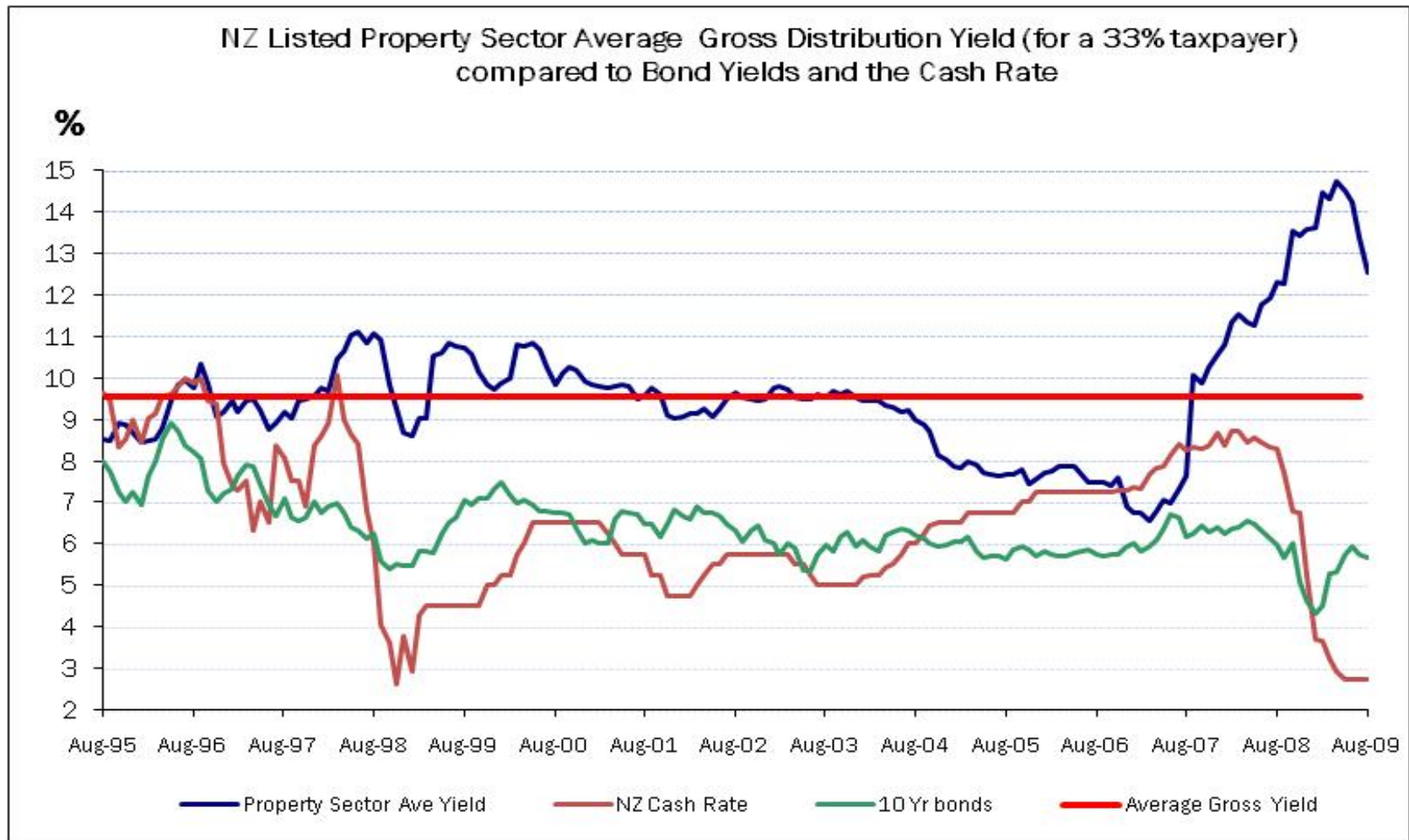
NZ LPTs discount to NTA



NZ LPTs vs Direct Property returns



Sector dividend yield vs bonds & cash



NZ & Australian listed property comparison

- Dilutive capital raisings have reduced EPU and DPU in both markets
- In Australia A\$17.5bn (30% m.cap) has been raised in the last year, NZ \$270m (8% of m.cap)
- Further weakness in vacancy, market rents & valuations expected but both markets still look cheap relative to historic metrics

Comparison of NZ & Au Sector Metrics:

Sector Metrics	New Zealand	Australia (S&P/ASX 200 Prop)
PE (12 months forward) *	13.0X	11.7X untaxed
Gross Div Yield (10F) #	11.5%*	7.58%
DPU Growth (10F/09F)	-6.6%	-23.6%
Prem/(Discount) to NTA #	-16.4%	-21.1%
Weighted Average Cap Rate	8.26%	6.6%
Implied Cap Rate	9.3%	7.4%
Gearing (Net Debt/Total Assets) #	29.3%	29.7% (look-through higher)
Interest Cover (EBITDA/interest)	3.0X	3.3X

market cap weighted; * implied yield for 33% taxpayer

The world has changed?

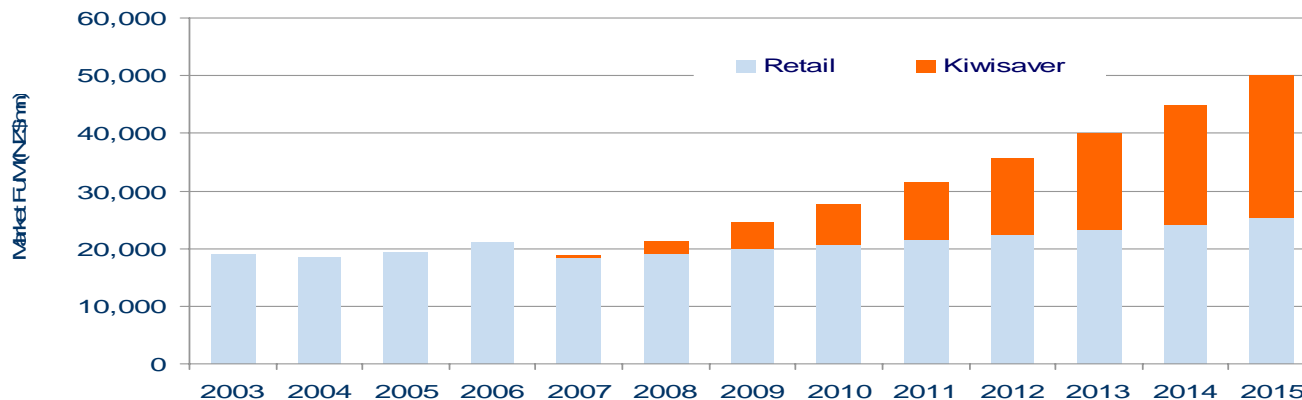
- Central banks will pay more attention to asset prices
- More regulation - greater scrutiny and regulation of banks
- More conservative and robust financial system
 - Banks will have to set aside more capital
 - Less bank debt, more equity and corporate bond issuance?
- Less gearing (households, financials & corporates)
- Less consumption & more saving - public sector to pick up slack?
- Lower economic growth

“PIMCO’s driving thesis...is succinctly described as the “new normal” where growth is slower, profit margins are narrower and asset returns are smaller than in decades past upon the de-leveraging and re-regulating of the global economy...” **(Bill Gross, Managing Director PIMCO)**

Kiwisaver

- 1.13m investors and an estimated \$3.0bn FUM end of July (21 mths)
- Estimated \$860m flowed into accounts in July (ann'l contribution)
- Growth in FUM expected to be \$2.5bn pa just from existing investors
 - Estimated 3.5%-5.0% will flow into NZ listed property (\$90-125m)
- Currently growing at 31,000 investors per month
- Penetration still low at 30% of the 3.8m population < 65

Retail Funds Management Industry Growth



Summary

- NZ listed sector looks cheap but fundamentals could weaken further
- Kiwisaver & higher savings rate good for NZ equity market & LPTs
- New property company/trusts & listing of unlisted vehicles?
- Listing of Banks & SOE's – competition for capital?
- What have we learnt?
 - Property is a cyclical business and will always be cyclical
 - Real estate is not liquid - look to maintain liquidity within the portfolio
 - Look to take advantage of cycle extremes
 - Property is capital (debt & equity) intensive – keep your capital providers happy!
 - Management of capital through the cycle is a critical part of a long term strategy
 - Improved governance & alignment of interests will attract capital
 - Keep the strategy clear and concise – do not overcomplicate
- Benefits of listed property mean that it is well placed for recovery in the economy and increasing savings rates