

INVESTA OFFICE FUND
MACQUARIE AUSTRALIA CONFERENCE PRESENTATION
2 MAY 2017

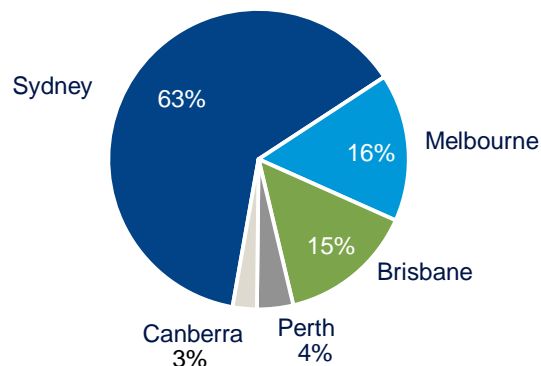


High Quality Portfolio with High Weighting to Performing Markets

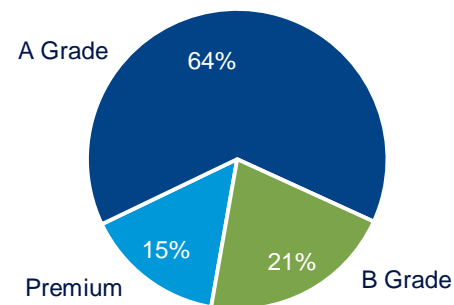
Sale of 383 Latrobe Street, Melbourne and 800 Toorak Road, Melbourne, for \$211m, settled Q1 2017



**Portfolio composition by CBD –
c. 80% weighting to Sydney and Melbourne¹**



**Portfolio composition by grade –
c. 80% weighting to Prime assets**



Note: The portfolio metrics above as at 31 March 2017.

1. Totals do not add to 100% due to rounding.

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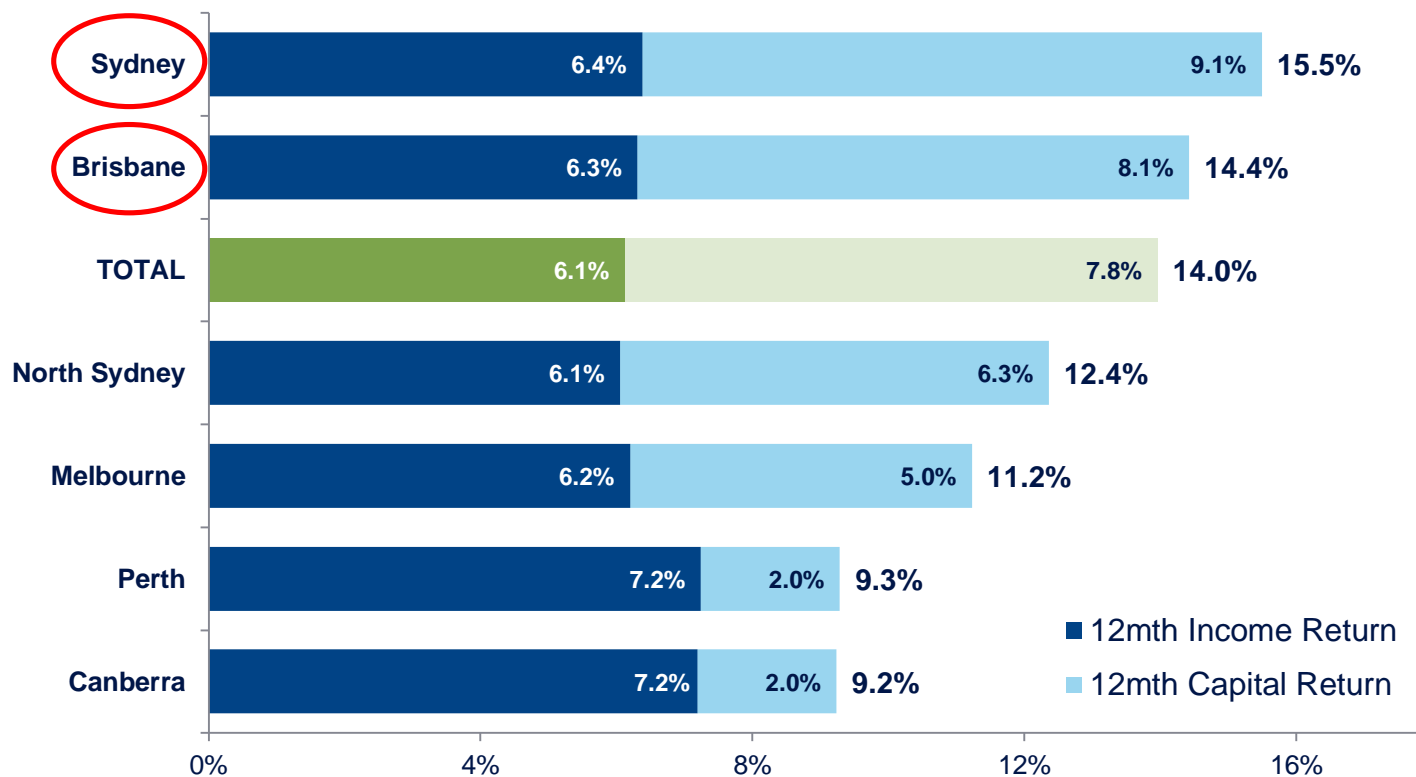
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IOF Vision: To be Australia's Leading Listed Specialist Office Fund



Active Asset Management Driving Strong Portfolio Performance

- Strong 14.0% 12 month portfolio total return¹, above IPD index (CBD office) total return of 13.3%
- Continued growth in market fundamentals driving returns in the Sydney market
- Successful leasing outcomes driving returns in Brisbane



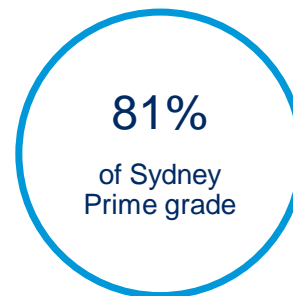
1. Total return based on movement in portfolio book value plus portfolio net income over 12 months to 31 December 2016, as a percentage of total book value.

Note: In chart above some total returns do not equal addition of income and capital returns due to rounding.

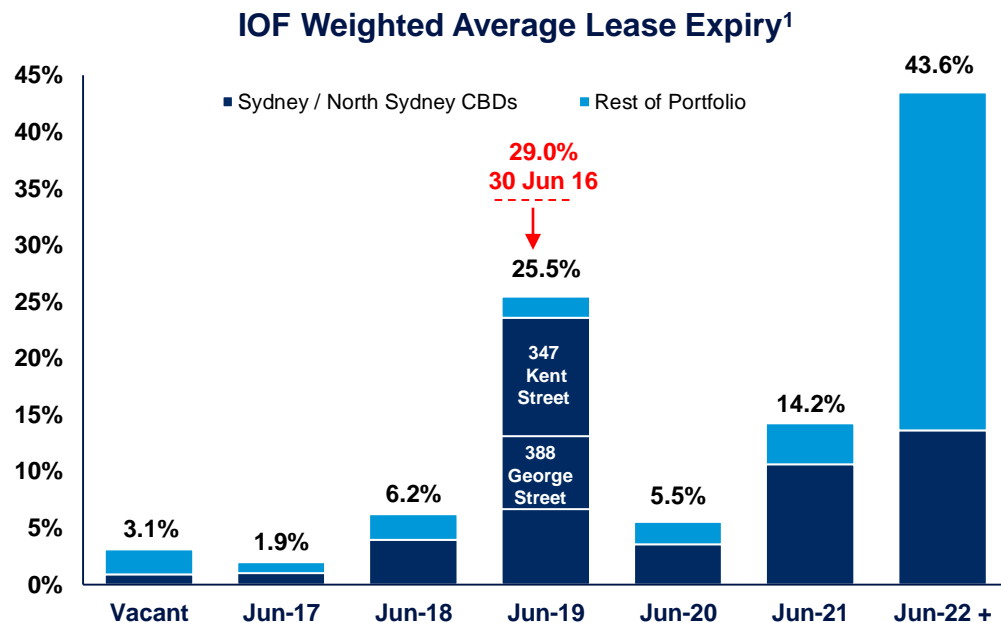
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Leverage to the Strong Sydney Market



- FY19 expiry actively reduced by c.3.5% since 30 June 2016
- Forward expiry focussed in the anticipated strong Sydney/North Sydney markets
- Asset re-positionings at 347 Kent Street and 388 George Street provide value add opportunity



Notes: "Sydney" above refers to office buildings in the Sydney and North Sydney CBDs. Portfolio metrics above are as at 31 March 2017.

1. Includes Allens Heads of Agreement

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Sydney CBD Value Add Opportunities

388 George Street



- Office tower 100% leased by IAG to October 2018
- IAG exit creates significant opportunity to reposition the tower
- Potential retail redevelopment on the prominent George/King Street corner

347 Kent Street



- Office tower 100% leased by ANZ to January 2019
- ANZ occupancy to be determined
- DA lodged Q1 2017 to reposition ground floor plane

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PRESENTATION

- Demolition almost complete
- Strong interest from range of tenants
- Completion targeted for Q3 2018
- Upcoming marketing launch of retail area, "The Laneway", expected to add momentum
- ARUP extended their commitment by 1,600sqm, now 35% of total NLA
- Creation of core, A grade asset at attractive yield on cost >7.5%



Status photo as at 28 April 2017



Status photo as at 27 April 2017



Artist's impression of completed development



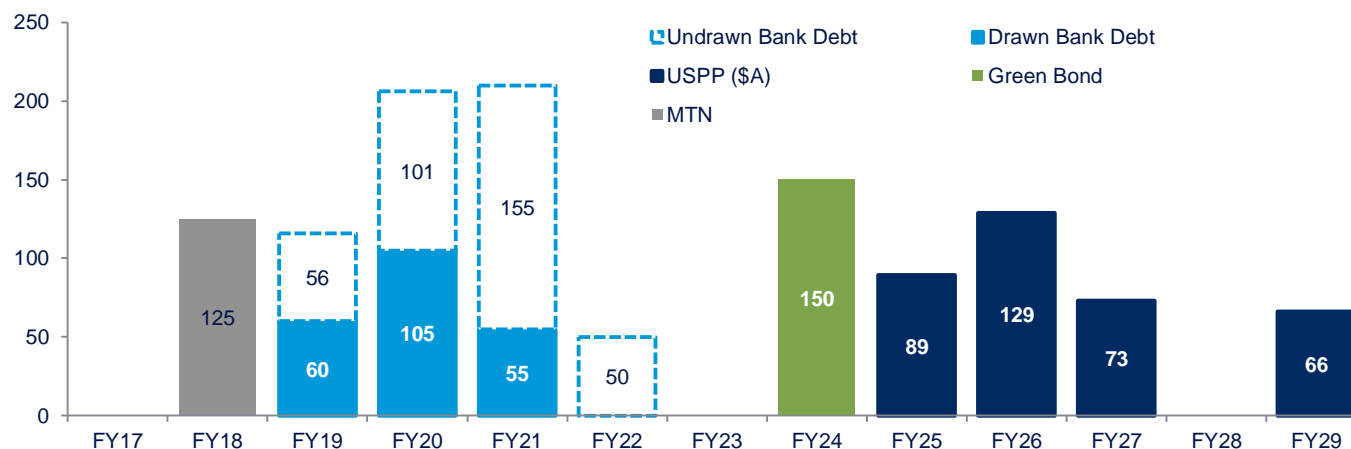
Artist's impression of view east from c. level 12 of 16 levels in total

Robust Capital Management Metrics

Further enhanced with asset disposals and \$150m Green Bond issue

Key Indicators	31 Mar 2017	31 Dec 2016
Drawn debt	\$852m	\$1,025m
Gearing (look-through)	23.3%	26.5%
Weighted average debt maturity	5.0yrs ¹	4.5yrs
Interest rate hedging	71% ¹	44%
S & P credit rating	BBB+	BBB+

Debt Maturity Profile (\$m)¹



1. Incorporating the impact of \$150m, fixed rate, Green Bond issued on 5 April 2017 and subsequent cancellation and repayment of existing bank debt facilities.

IOF's Inaugural Green Bond

> Why a Green Bond?

- IOF's strategy and current portfolio is already aligned with the Climate Bonds Initiative (CBI)¹ and their Low Carbon Building requirements
- Reinforces Investa's corporate sustainability leadership and commitment to a lower carbon economy
- Responds to increasing investor awareness of the climate change imperative
- Supports the growth of the green finance market
- Provides the ability to tap new "Green" investors
- Minimal extra cost for "going Green" versus a vanilla bond

> Metrics Achieved

- \$150 million Green Bond issue, oversubscribed
- Fixed coupon of 4.26%
- 7 year term, maturing 5 April 2024

1. See Climate Bonds Initiative website (www.climatebonds.net/standards).

How does a Green Bond work?

Allocation of Proceeds

- Earmarked against c.A\$1bn of IOF Low Carbon Buildings
- Low Carbon Buildings are within the top 15% of CO₂ emissions intensity performance in their city
- Buildings may be added/removed to the portfolio over the term of the bond

Compliance

- Certification by CBI Standards Board
- Independent verification from EY
- Bi-annual assurance
- Ongoing compliance with Low Carbon Buildings standards
- IOF Green Bond Framework established to address requirements

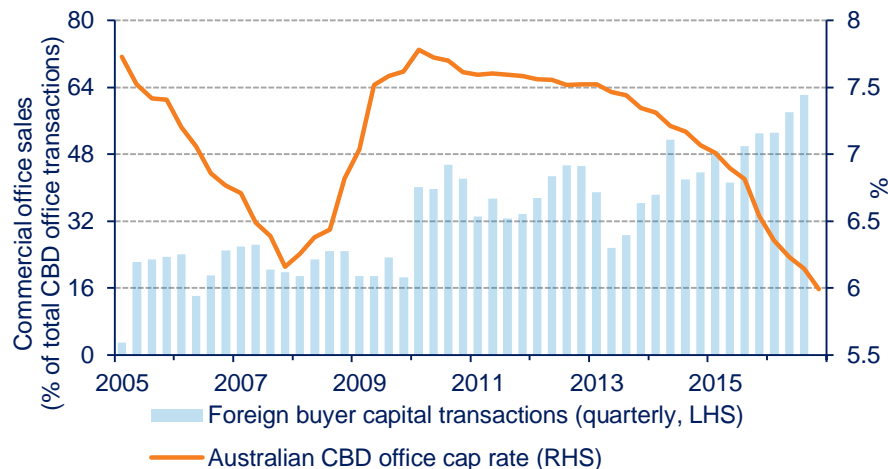


Disclosure & Reporting

- Green Bond Framework, assurance statements and certifications posted to Investa website
- Green Bond reporting to be undertaken annually, including within the IOF Annual Report

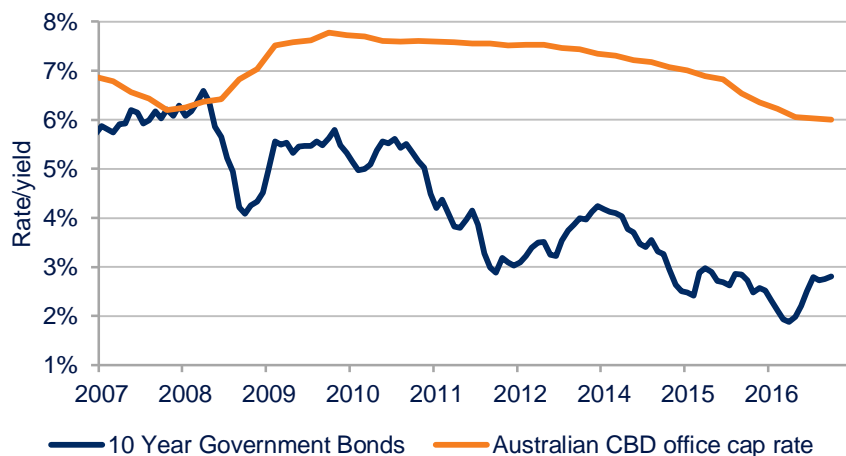
How Much Further Can the Market Go?

Foreign buyer portion and Australian prime CBD office cap rates



- CBD office cap rates are breaking through to new all-time lows
- Foreign investor appetite and capital flows to Australian CBD office continue to be strong

Australian prime CBD yields vs the risk-free rate



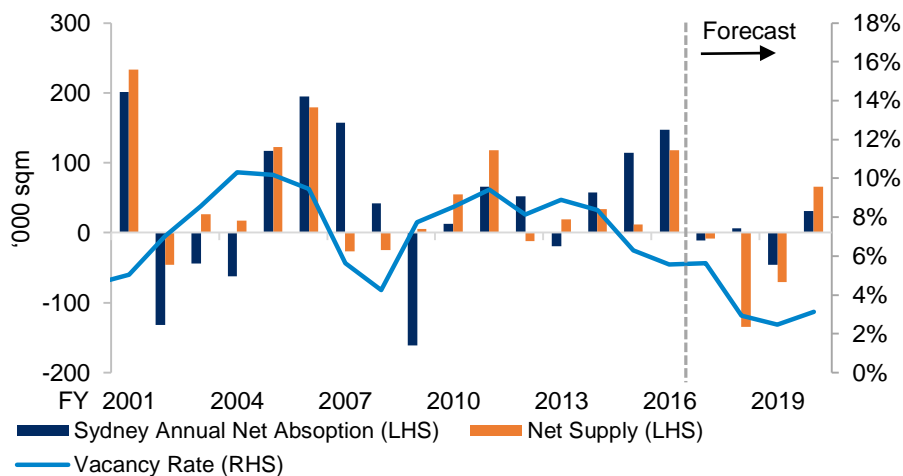
- Yield to bond rate spread remains wide
- Bond rates likely to see moderate increases, tracking on a similar gradual trajectory to US treasuries

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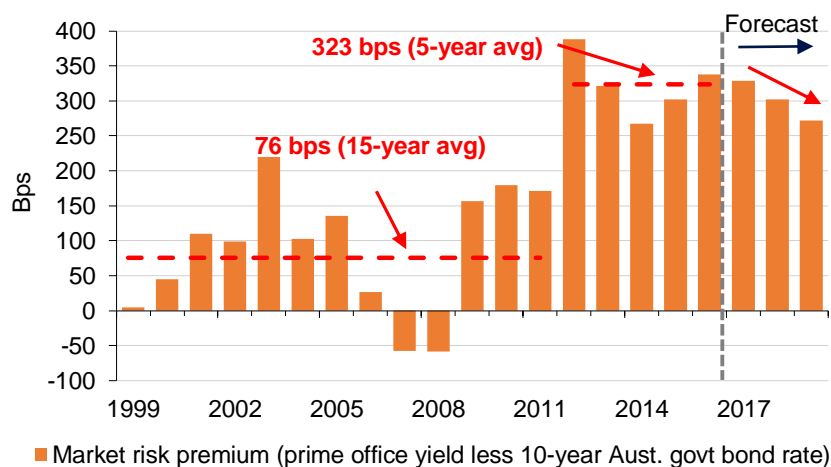
How Much Further Can the Market Go?

Sydney CBD office outlook (financial years)



- Sydney office market expected to shrink by 4.5% over next two years
- Vacancy projected to approach benchmarks of previous 2007 cycle
- Increase in vacancy rate not expected to occur until 2019
- Vacancy rate will remain well below long-run average

Sydney CBD capital market outlook



- Sydney office market risk premium expected to compress, however will remain above levels experienced before the GFC
- Recent transactions anticipated to show evidence of further yield compression

Joint Venture Proposal and Cromwell Proposal Update

Joint Venture Proposal

- Operational and Governance Review completed by the Independent Directors (the Review)
- Independent Directors announced in early April 2017 that entering into a true joint venture with ICPF to own 50% of the Investa Office Management Platform (JV), on appropriate terms, could achieve the desired outcomes of the Review
- Presentation provided to the market in mid April 2017 detailing the Operational and Governance Review and key terms of the proposed JV
- Target IOF unitholder meeting to vote on the JV at the end of May 2017

Cromwell Proposal

- Second unsolicited, indicative non-binding proposal received from Cromwell in April 2017
- Independent Directors have provided Cromwell with access to due diligence information to assist Cromwell to formulate a binding all-cash and fully funded proposal
- Independent Directors have commissioned independent external valuations of IOF's 20 assets

Questions and Answers

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Disclaimer

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