ING Real Estate Enters Brazil

The role of research and the strategic framework developed

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Table of Contents

I. ING Real Estate

II. Research Approach

I. Global Markets:

I. Global Market Capitalization

II. Global Market Risk

III. Global Vision

II. Regional Context: South America

III. Country Analysis: Brazil

IV. ING Real Estate in Brazil

III. Appendix

ING Real Estate: The Largest Real Estate Manager*

Our strengths**

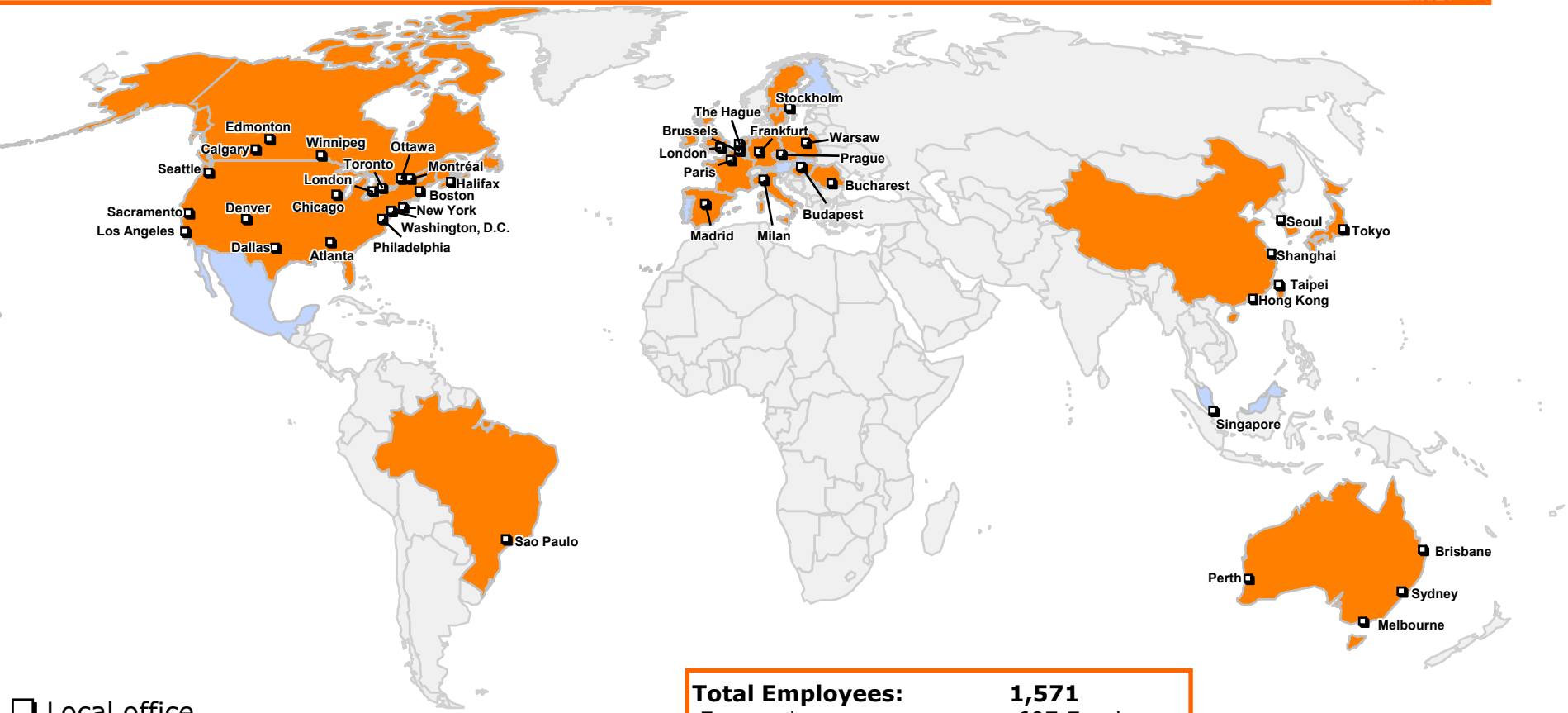
Our people	Almost 2,700 real estate professionals and support staff
Our global footprint	Strong teams in 21 countries across the world
Our research	Global in-house team of 50 researchers
Our size	Total portfolio of EUR 105 billion
Our integrity	Our business principles are key to our reputation
Our parent	Offers financial strength; co-investor in real estate funds

* According to Pension & Investments and IPE magazines. IPE Real Estate – Real Estate Investment Managers 2008/09; data 30 June 2008. Pensions & Investments, 29 September 2008; data 30 June 2008

** As of June 2009

ING Real Estate Investment Management

A Global Network of Local Professionals



- Local office
- Countries with local office
- Countries in which we operate

Total Employees:	**1,571**
Europe *:	607 Employees
North America *:	507 Employees
Asia/Pacific *:	317 Employees
Select:	34 Employees
CRES:	71 Employees
Global:	36 Employees

* Including property managers

Source: ING REIM Marketing as of 30 June 2009

Table of Contents

I. ING Real Estate

II. Research Approach

I. Global Markets:

I. Global Market Capitalization

II. Global Market Risk

III. Global Vision

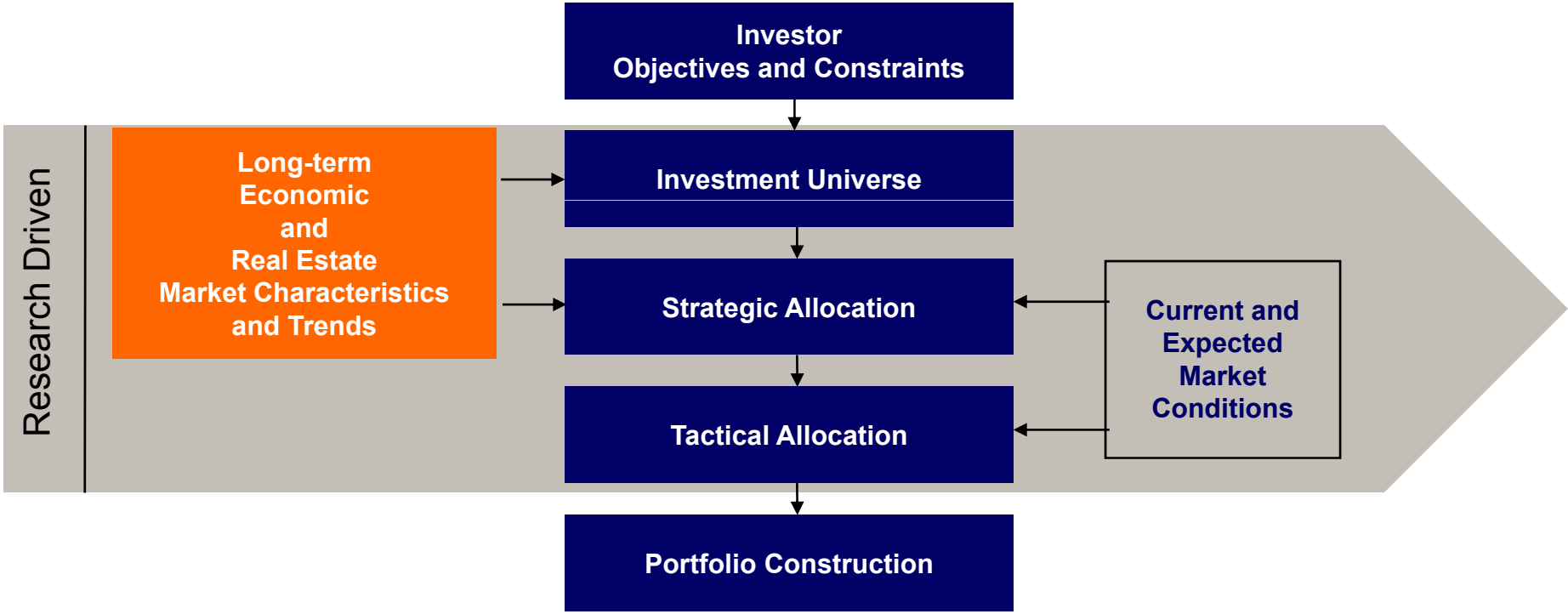
II. Regional Context: South America

III. Country Analysis: Brazil

IV. ING Real Estate in Brazil

III. Appendix

Constructing a Real Estate Portfolio: Our Research Approach



Source: ING Real Estate Research & Strategy, as of 31st August 2009

Global Market Capitalization

- In-house model

- Top-Down model:
  - Major macroeconomic variables (Urban GDP, Population…)
  - Total and Investment grade stock in the reference country (the US)
  - Four adjustments:
    - Gross Fixed Investment,
    - Population Density,
    - Urbanization,
    - Size of the Financial markets

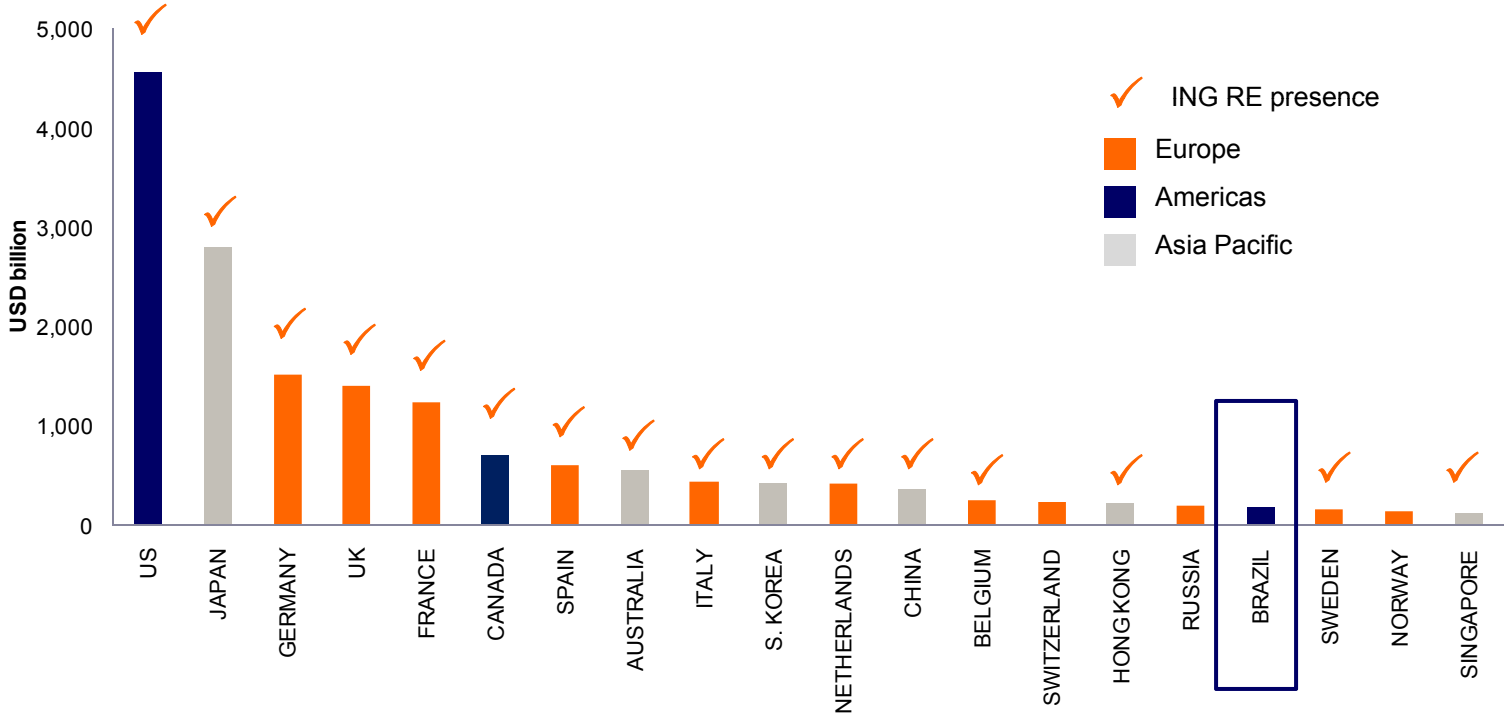
- Bottom-up adjustments case by case, based on the local office expertise

- Projections to 2010, 2020

Investment Grade Universe Estimates

- We estimate that the top 20 markets comprise consistently about 90% of the global total universe
- Brazil was the only South American market within the top 20

Top 20 investment grade markets by size



Source: ING Real Estate Research & Strategy, as of August 2009. Note: Original sources: EIU, United Nations Database, ULI Emerging Trends, Bureau of Economic Analysis, Provisional estimates for 2008.

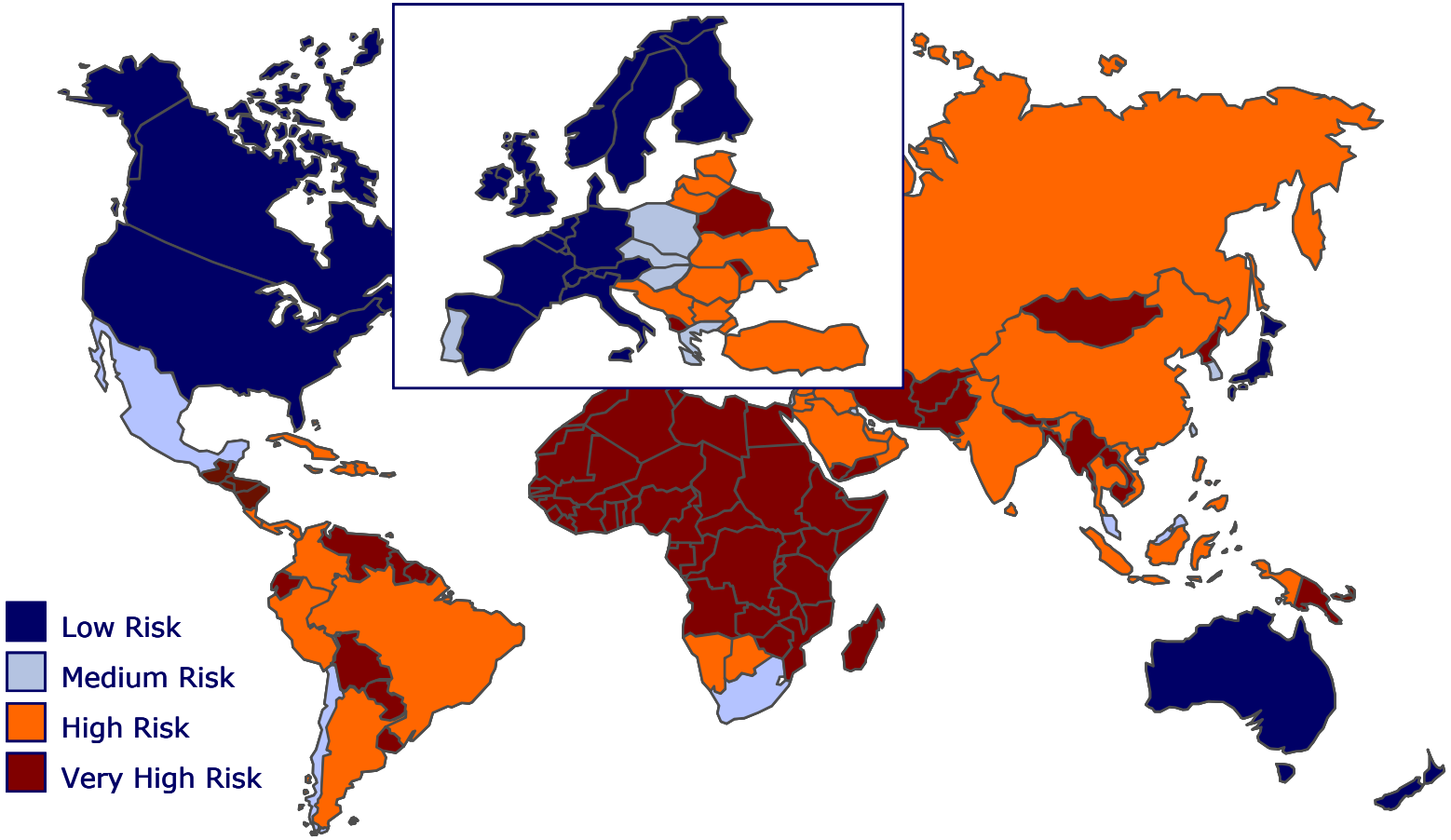
Global Market Risk

- In-house developed model to assess real estate systemic risk
  - Captures economic, financial and specific real estate dimensions of risk
  - Major input
    - IMF's Country Economic Classification (economic system proxy).
    - ING Country Risk Ratings (internal only - financial system proxy).
    - JLL's Real Estate Transparency Index (real estate market system proxy).

- Output
  - Market Ranking
  - Four broad categories: Low Risk / Medium Risk/ High Risk/ Very High Risk

- Any market at a category boundary is individually reviewed
  - Historic analysis
  - Supplementary sources (Transparency International, World Bank, EIU…)
  - Complementary local office assessment

Global Market Risk Map



Source: ING Real Estate Research & Strategy Market Risk Model, as of August 2008

Global Vision:
Core/Core Plus Strategy Recommendations*

Region	Investment Grade Real Estate	Strategic Regional Limit	Tactical Regional Limit	Regional Tactical Recommendations	Tactical Emphasis Within Regions
Americas	32%	20%-40%	30%-35%	Mild Overweight We believe that pressure on values will likely continue as yields (cap rates) increase, and that this pressure should provide opportunities to acquire mispriced assets in the US with attractive return prospects in the recovery phase	Focus on Brazil as one of the more robust emerging markets, and within North America focus especially on the US, on the metro areas expected to outperform.
Asia Pacific	27%	20%-40%	27.5%-32.5%	Market Weight We believe that the region has attractive long term potential and short-to-medium term prospects have improved . A faster and stronger than expected rebound in many economies of the region is underway although caution is still advised, especially in China where there are fears of an asset bubble	Focus on Japan and Australia to take advantage of weak pricing and attractive return prospects when the recovery takes place. Modern retail throughout much of the region also looks defensive
Europe	39%	30%-50%	35%-40%	Mild Underweight We believe there are very weak short-term prospects as trade-oriented economies, and especially central and eastern Europe, falters. We believe there will likely be pressure on values as yields (cap rates) increase and market fundamentals weaken. We also believe there will be potential to acquire mispriced assets in the UK which has corrected first and furthest, as compared to the other regions.	Focus increasingly on the UK to take advantage of weak pricing and attractive return prospects, and on retail and industrial in Western Europe and very selectively on high quality properties on parts of CEE.

Source: ING Real Estate Research & Strategy as of September 2009.

** Generic market recommendations for a hypothetical global investor placing new money. This table does not constitute specific investment advice.*

Table of contents

I. ING Real Estate

II. Research Approach

I. Global Markets:

I. Global Market Capitalization

II. Global Market Risk

III. Global Vision

II. Regional Context: South America

III. Country Analysis: Brazil

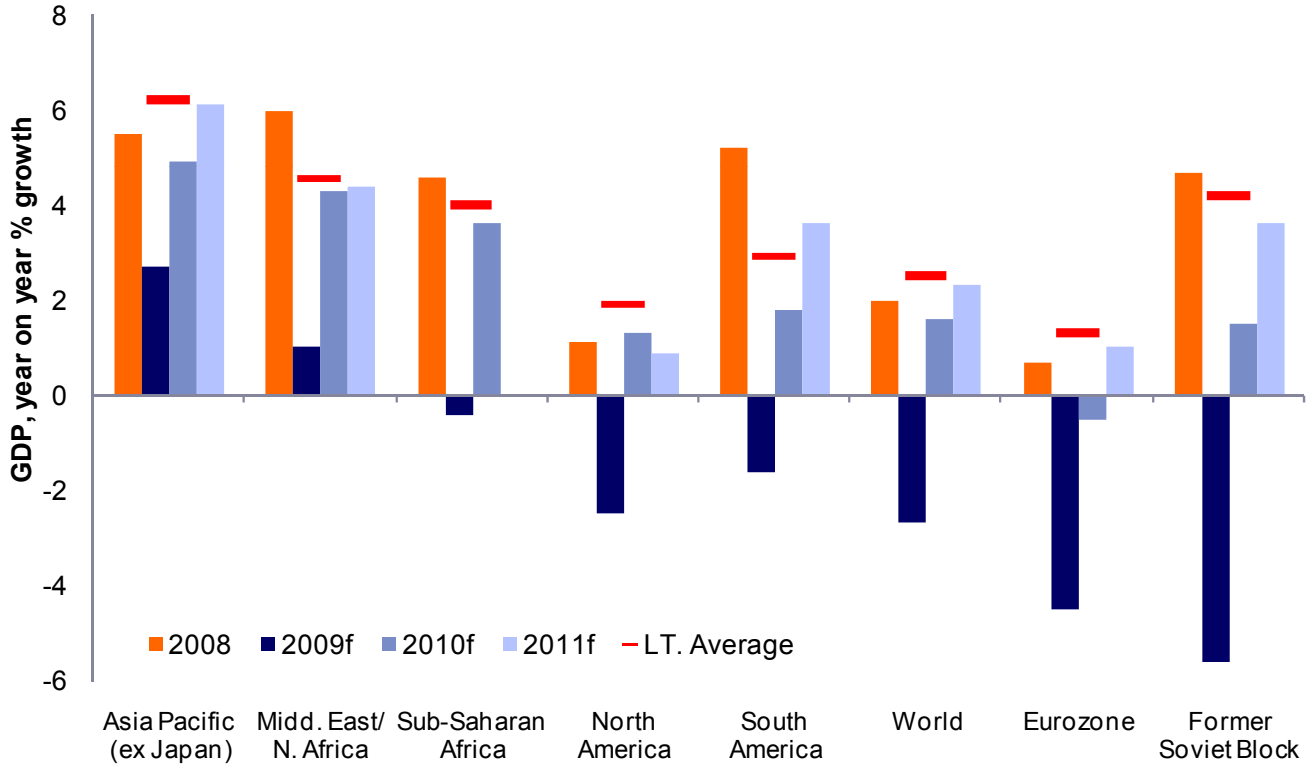
IV. ING Real Estate in Brazil

III. Appendix

Economics: Deceleration in 2009, Strong Recovery

- We believe that South America's growth rates will likely fall in 2009 but will likely rebound quickly

GDP growth rates by major region

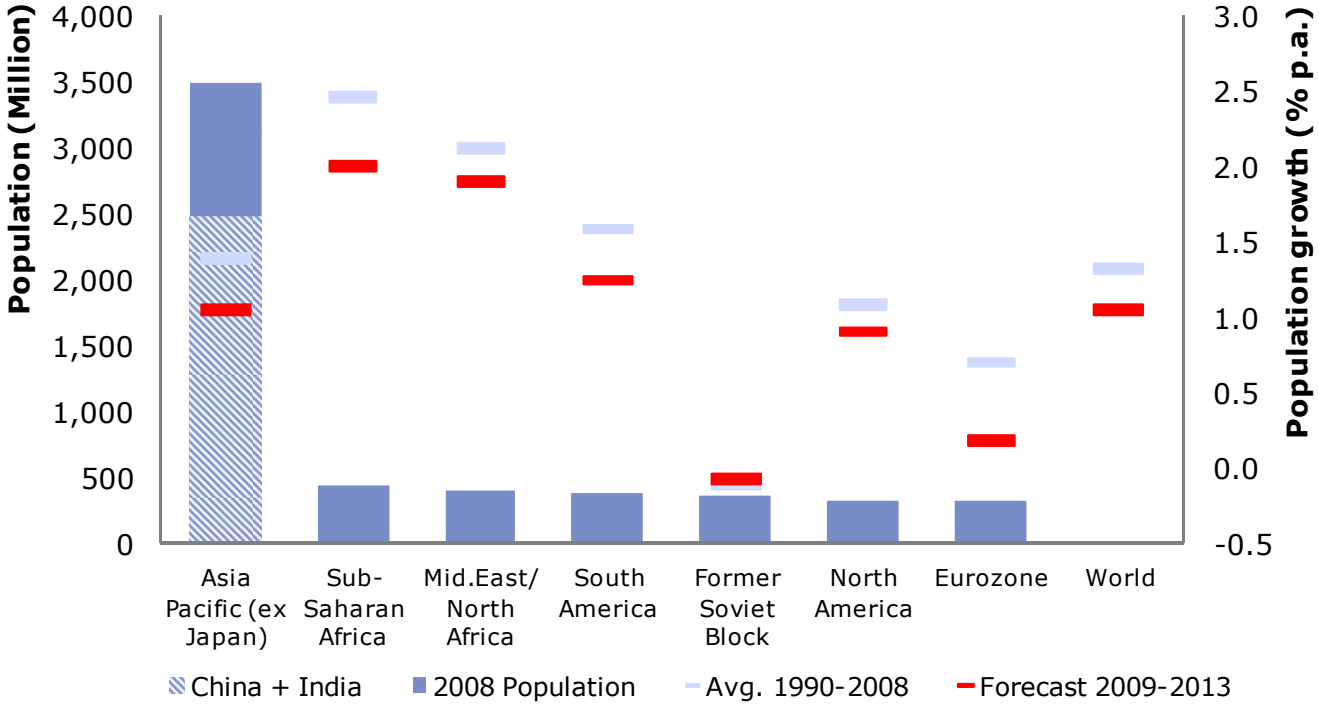


Source: EIU, ING Real Estate Research & Strategy as of 26th August 2009. Note: LT. Average stands for "Long Term Average", which is the geometrical average of GDP growth rates for the period 1998-2013f, with the exception of Sub-Saharan Africa, which only has data up to and including 2010.

Demographics: A Large, Young and Growing Population

- South America is a region of 380 million people
- Median age of 27.6 as of 2008 (US Census Bureau)

Population size as of 2008 and historic and forecast growth rates by region



Source: EIU, ING Real Estate Research & Strategy as of 17th February 2009
Note: Unless otherwise specified, South America comprises Argentina, Brazil, Chile, Peru, Colombia, Venezuela, Uruguay, Paraguay, Ecuador, and Bolivia.

ING National Opportunities Matrix

- Brazil, and to a lesser extent, Chile appear to us to be the more attractive markets
- Our 2009 results are broadly similar to 2008's – with a worsened Argentinean Outlook
- We believe that risks are to the downside

National Opportunities Matrix

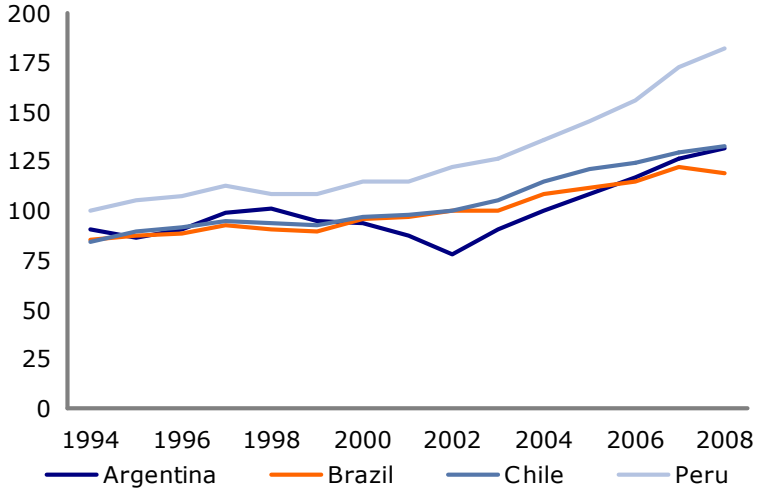
Country	ING presence	Market Cap	Difference 2009 - LT avg	Risk rating 2008	GDP pc (PPP)	Urban population	GFI as % GDP	
							2008	2020f
Weighting		40%	15%	15%	10%	10%	5%	5%
Brazil	Y	1	3	2	5	1	8	4
Chile	Y	4	5	1	1	6	2	1
Argentina	Y	2	9	3	2	2	4	3
Peru	Y	6	2	5	6	5	1	2
Colombia	Y	5	7	4	7	3	3	5
Venezuela	N	3	8	10	3	4	6	7
Uruguay	Y	8	1	9	4	10	10	10
Ecuador	N	7	10	8	8	7	5	6
Bolivia	N	9	4	7	10	8	9	10
Paraguay	N	10	6	6	9	9	7	10

So urce: EIU, Feriar 2009 data, ING Real Estate Research & Strategy

Industrial: Robust Drivers across Major Countries*

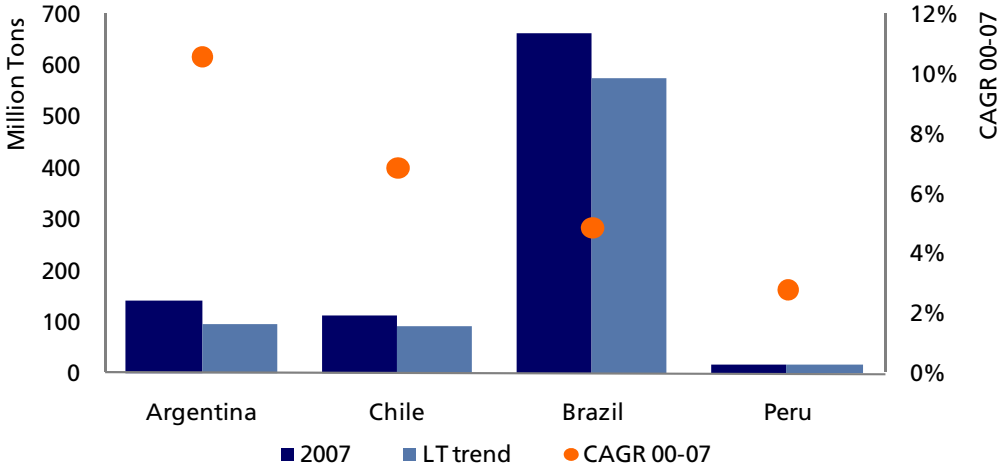
- Supply: Old and outdated stock
- Demand Drivers considered:
  - Industrial production. Remains stable or growing in most countries
  - Increased trade flows / New infrastructure
  - Growing port movements

Industrial Production Index



*Source: ECLAC BADEINSO database, derived from national sources. National Statistical Institute of Argentina. Yearly data as the average of the monthly data. Note: Different base years for each country. 2008: January for Brazil, Chile, Peru. Year average for Argentina. * "Major Countries" include Argentina, Chile, Brazil and Peru, as highlighted in ING's national opportunities matrix.*

South American Ports Movements

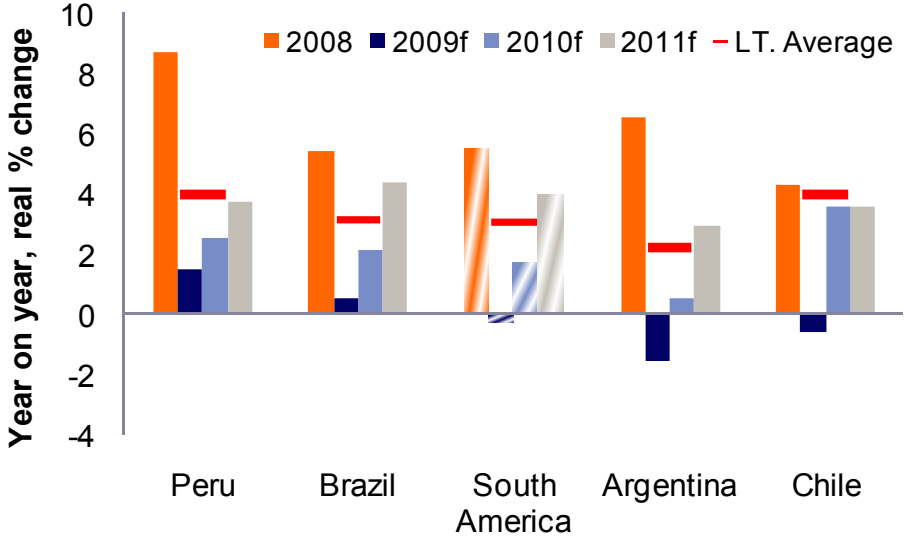


Source: ECLAC "Perfil Maritimo de America Latina y el Caribe", ING Real Estate Research & Strategy as of 11th March 2009

Retail: Likely Hit Hard by the Crisis

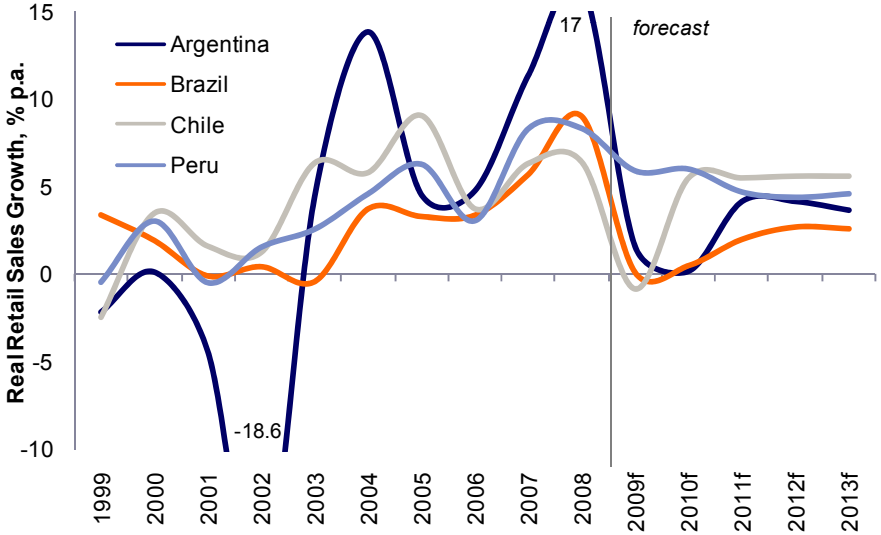
- Look at the short term shock to discriminate by country. We believe that:
  - Private consumption will likely weaken in the short term (esp. Chile and Argentina)
  - Retail sales will likely be affected (with the exception of Peru) in 2009
- Our Medium term outlook: 2010 will likely show positive retail sales growth in real terms

Private Consumption Growth



Source: Economist Intelligence Unit, ING Real Estate Research & Strategy as of 31st August 2009. Note: Countries are ranked, left to right, by the difference between their forecast private consumption growth rate for 2009 and their long term rate (a blended geometrical average of ten year historic and the five year forecast, 1999-2013f).

Retail Sales growth

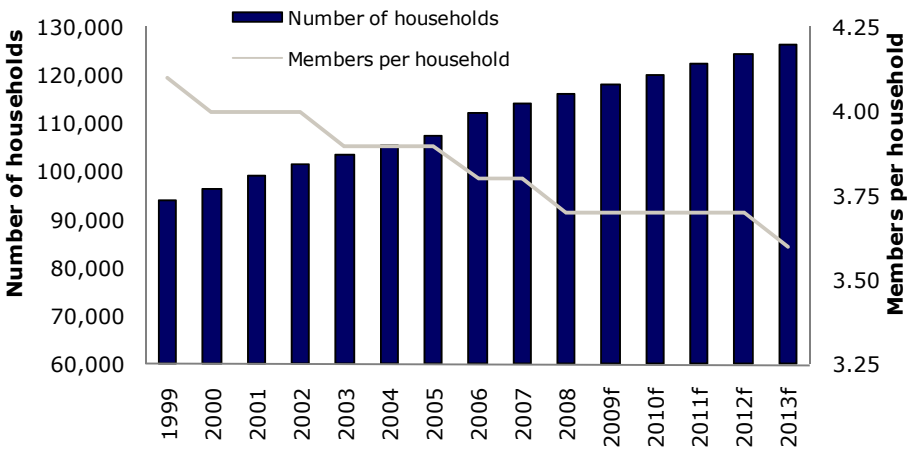


Source: Economist Intelligence Unit, ING Real Estate Research & Strategy as of 31st August 2009

The Residential Markets: Supply-Demand Imbalance

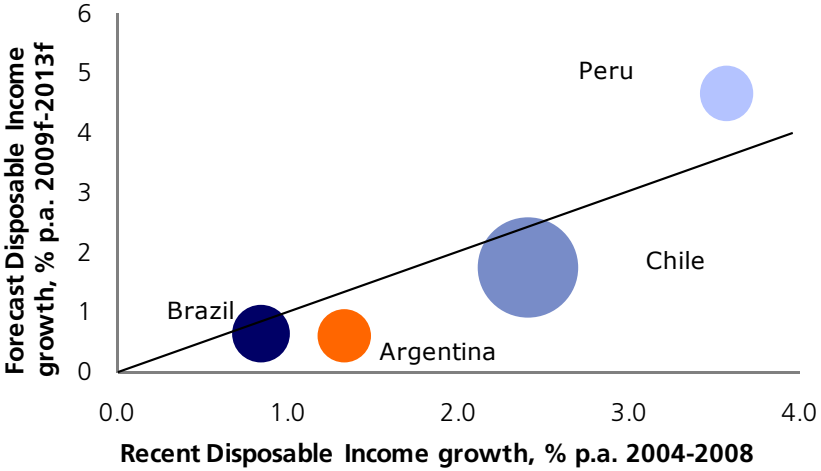
- Supply side: Housing shortage across the continent
- Demand Drivers considered: Household Formation and Disposable Income Growth. We believe that:
  - Demographic transition still under way in the region
  - Disposable income growth will likely slow down in the short and medium term with the exception of Peru

Household number and members evolution



Source: Economist Intelligence Unit, ING Real Estate Research & Strategy as of 17th February 2009

Disposable income growth evolution

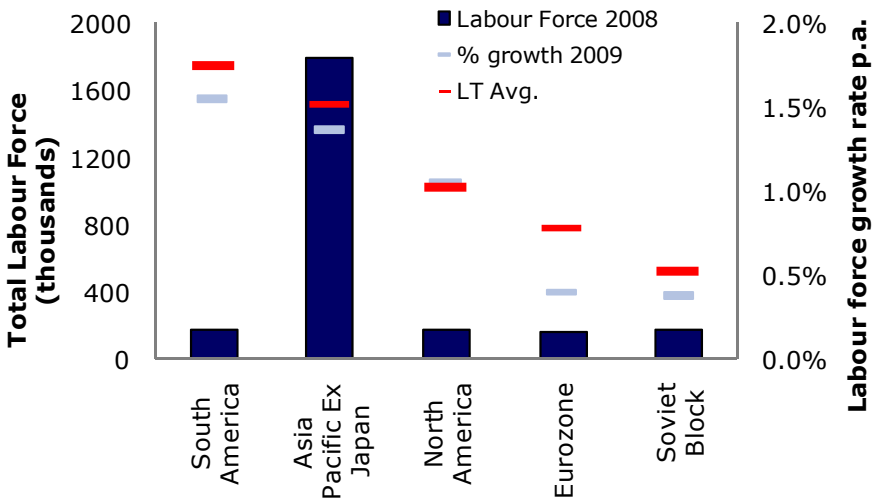


Source: Economist Intelligence Unit, ING Real Estate Research & Strategy as of 17th February 2009. Note: geometric average of the actual or forecast rate for each year of the period

Office Markets: Scarce Grade-A Supply

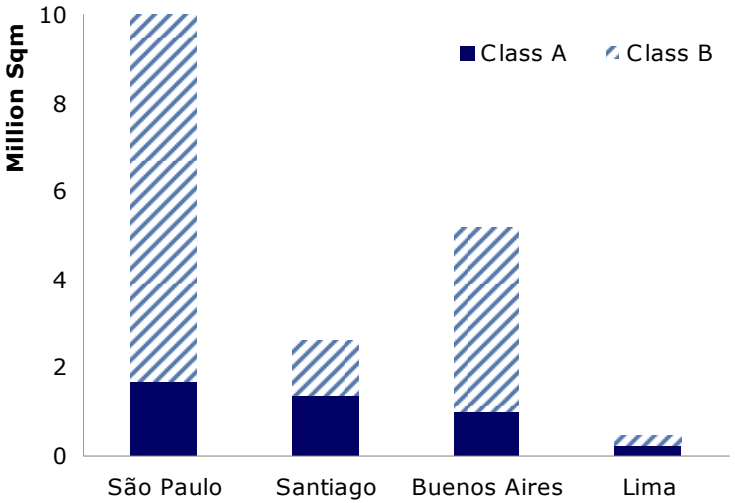
- Supply Side:
  - Sizeable office markets in the region but with relatively scarce grade-A stock
  - São Paulo is the largest market but we believe that timing is not optimal
- Demand Drivers:
  - Labour force is expanding faster than in any other region and we believe it will likely support office demand in the long term

Labour force size and growth in major regions



Source: EIU, ING Real Estate Research & Strategy as of 12th March 2009

Office Stock in the Major Markets

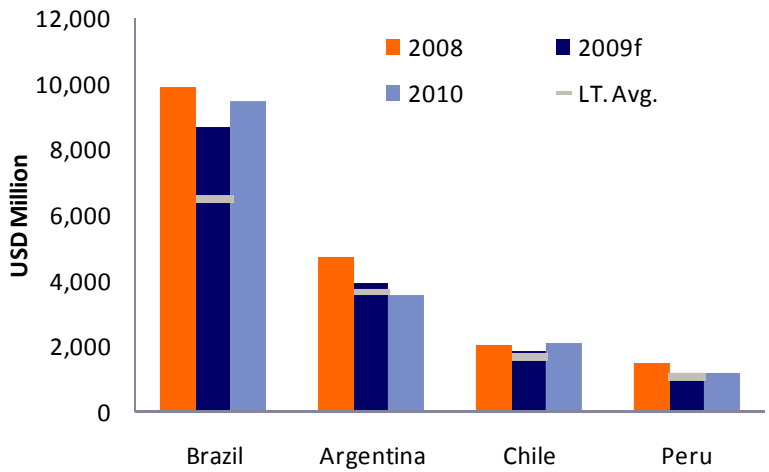


Source: CW Latin America Marketbeat 2008, stock as of the beginning of 2008 for Brazil and Argentina. CBRE reports as of Q4 2008 for Chile and Peru. ING Real Estate Research & Strategy as of 3rd March 2009

Hotels: Likely Robust Demand after the Crisis

- Supply: Hotel supply in South America is growing fast
- Demand Drivers. We believe that:
  - Tourism expenditure will likely slow down in the short/medium term but remain at or over the long term trend through the crisis
  - Governments' expenditure will likely continue to grow at fast rates (>5% in 2009)

International tourism expenditure



Source: Economist Intelligence Unit, ING Real Estate Research & Strategy, as of 31st August 2009. Long term average as the geometrical average for the years 1999-2013f.

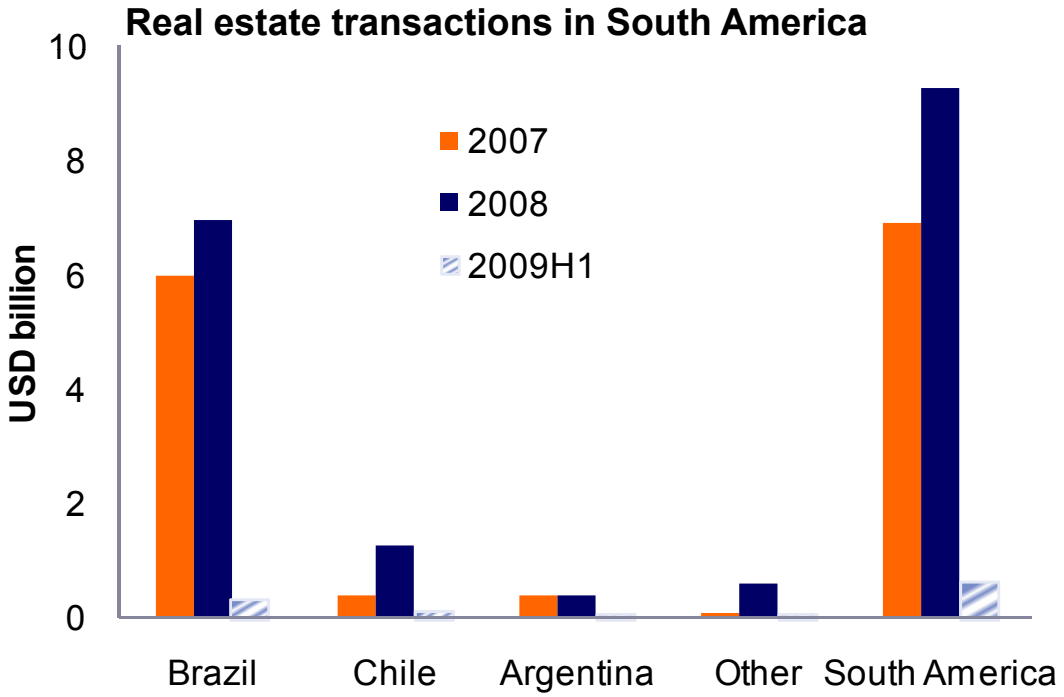
Hotel Construction pipeline

	Total Rooms				
			New Openings by year		
	Total Projects (as of Q3 08)	Total Pipeline (as of Q3 08)	2008 (Q4f)	2009 Forecast	2010 Forecast
Canada	231	29,517	8,630	8,746	8,629
Caribbean	113	22,365	3,657	5,887	6,495
Mexico	145	26,568	5,884	7,907	8,622
Central America	50	9,838	820	1,985	2,529
South America	332	54,734	9,204	12,397	14,646
US	5,652	740,272	135,070	158,851	158,899
Total	**6,523**	**883,294**	**163,265**	**195,773**	**199,810**

Source: Lodging Econometrics, the Americas Lodging Investment Summit 2009, World travel & tourism Council

Real Estate Transactions & Investors' Interest

- Transactions in South America grew by 35% in 2008
  - The only region (in addition to the Middle East) with annual growth in 2008
  - Brazil dominates the South American market
  - Markets dried up in early 2009
- International players already present in the market



Source: RCA Global Capital Trends, December 2008 and August 2009 reports. ING Real Estate Research & Strategy

South American Research

- Constant monitoring
- Annual in-house report
  - Macroeconomics
    - GDP growth
    - External exposure
    - Risk perception
  - Demographics
  - Strengths and Weaknesses
    - Priority markets selection and analysis
  - Real estate drivers and market conditions for our priority countries / metropolitan areas / submarkets

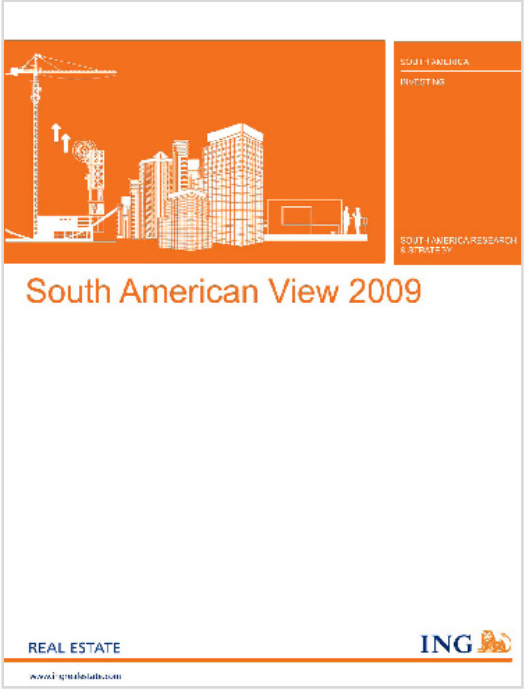


Table of Contents

I. ING Real Estate

II. Research Approach

I. Global Markets:

I. Global Market Capitalization

II. Global Market Risk

III. Global Vision

II. Regional Context: South America

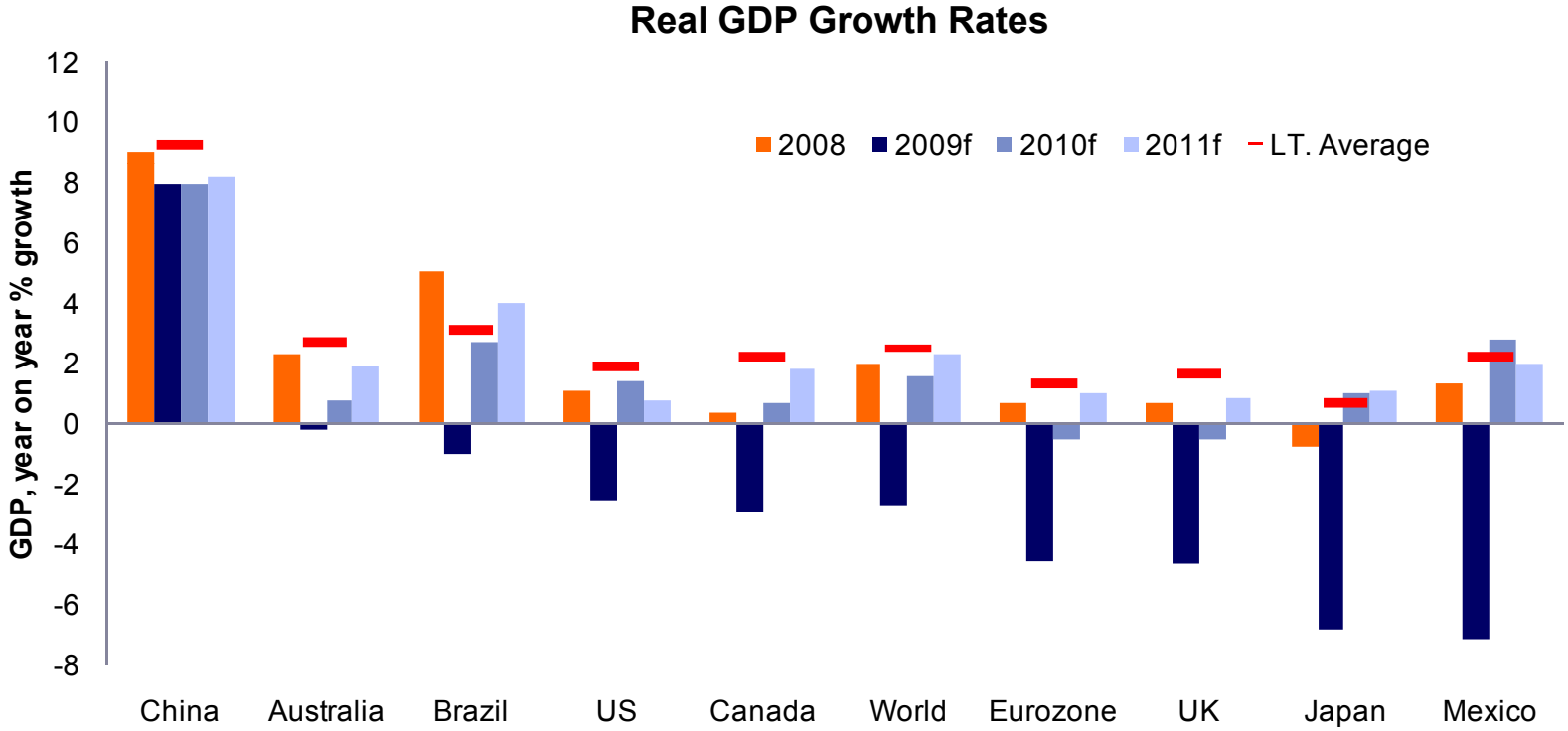
III. Country Analysis: Brazil

IV. ING Real Estate in Brazil

III. Appendix

Brazil in the Global Context

- Main economic and demographic variables compared
- We believe that below-trend growth will likely characterise all markets in 2009.
- We expect Brazil to bounce back rather strongly in 2010

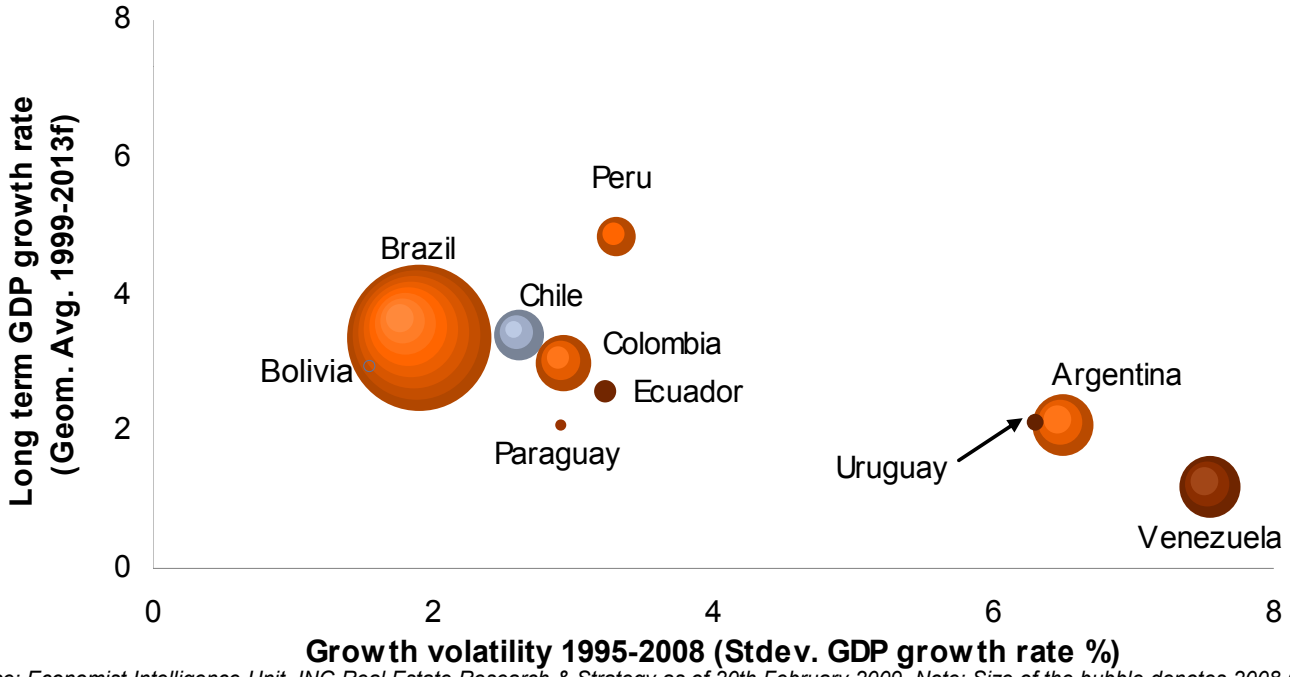


Sources: EIU, ING Real Estate Research & Strategy as of 10th September2009. Note: Geographies ranked, left to right, by the difference between their forecast GDP growth rate of 2010 and their long term average GDP growth rate (simple average of ten year historic data and five year forecast: 1999-2013f).

Stability of Brazil's GDP Growth in Regional Context

- GDP growth has been rather stable in most major countries in the last few years
- In terms of GDP, Brazil is the largest market and one of the most stable countries in the region
- Argentina appears as the most volatile among the major markets we prioritized

Long term average GDP growth rate, historical volatility and size of economy



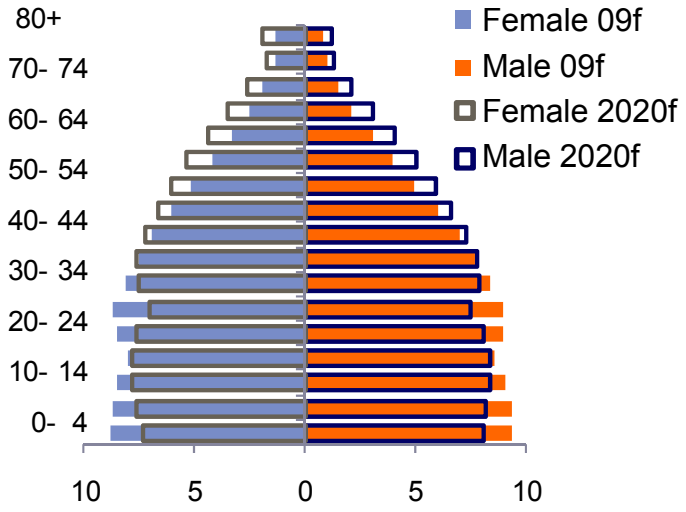
Source: Economist Intelligence Unit, ING Real Estate Research & Strategy as of 20th February 2009. Note: Size of the bubble denotes 2008 GDP size in USD. Bolivia falls under Brazil therefore it cannot be seen. Colour represents real estate systematic risk, by ING Real Estate Research & Strategy, being light blue medium risk, orange high risk and brown very high risk.

Favorable Demographic Profile

- Brazil has got 191.5 million people , and the World's 4th largest urban population (IBGE, 1st July 2009 estimates, and EIU urban population data).
- Median age in Brazil is 29 years
- Middle class is more than 50% of the population, is growing and getting wealthier

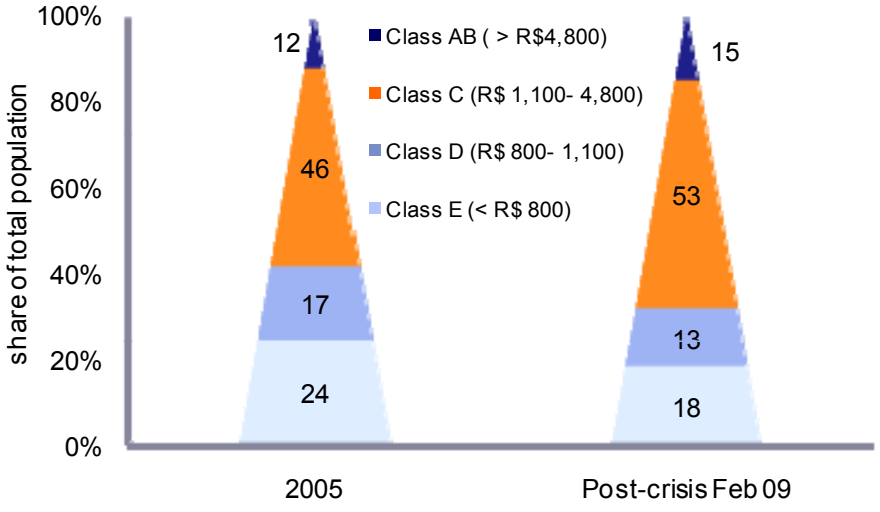
  ⟶ Retail and Residential pent-up demand

Brazil Demographic Profile:
% by Age Cohort in 2009f and 2020f



Sources: US Census Bureau, ING Real Estate Research & Strategy as of June 2009.

Population Distribution in Brazil by Income Class

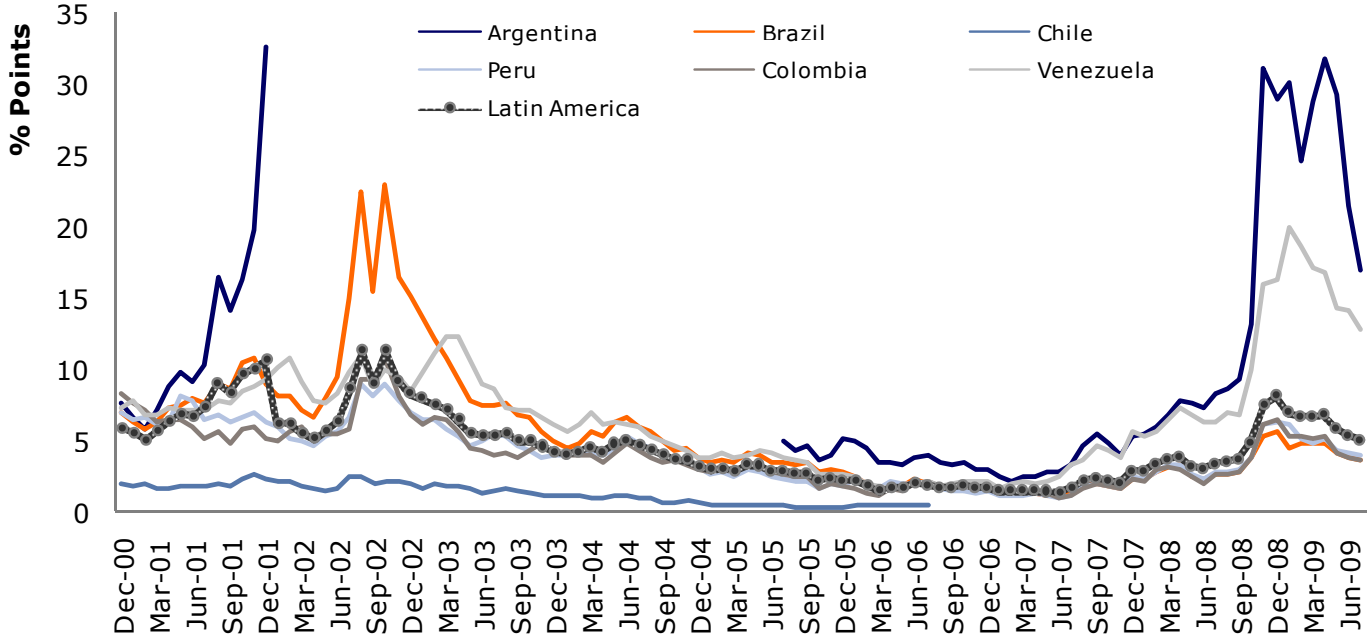


Source: Fundaçao Getulio Vargas, FGV, Chronicle of the Crisis: Recent Undertow and Resilience in Brazil. Note: Monthly household income from work of active population. ING Real Estate Research & Strategy as of 10th July 2008.

Renewed Risk Perceptions Discriminate by Country

- Perception of risk heightened since mid 2007, especially since September 2008
- Different situations by country:
  - Brazil, Colombia and Peru exhibit rather low spreads and have showed decreasing spreads for the last few months

Global Emerging Market Sovereign Bond Index (ESBI) Yield Spreads

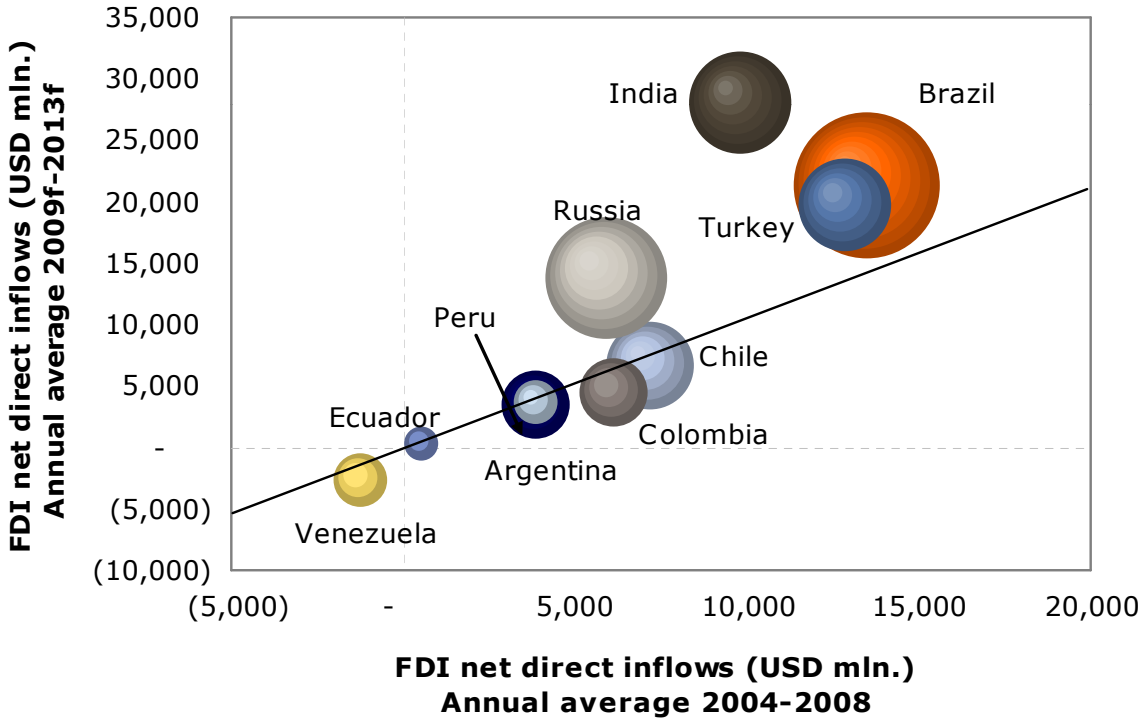


Source: Citigroup, ING Real Estate Research & Strategy as of 23rd July 2009. Yield spread between bid yield for each market and the bid yield for the US government bond index

FDI likely to Remain Robust

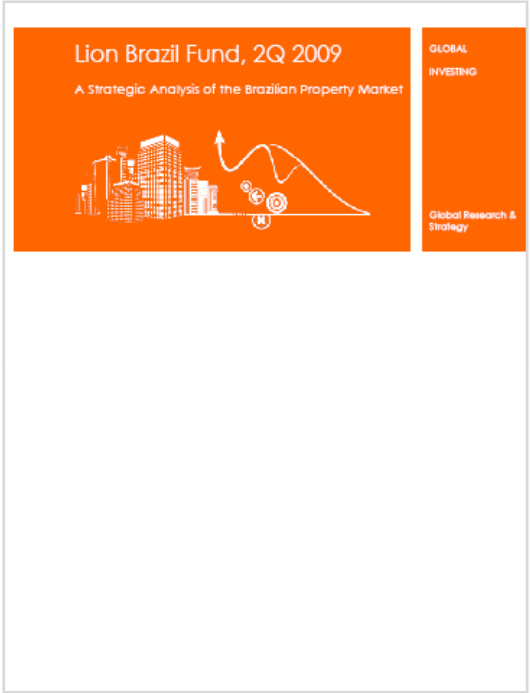
- We believe that FDI will likely decelerate in 2009 (from high levels) but in the next five-year period it will likely remain similar – or even higher than it has been in the recent past.

Foreign Direct Investment (FDI) net inflows: recent and forecast evolution



Source: EIU, ING Real Estate Research & Strategy as of 20th March 2009

Brazil Research



- Constant monitoring
- Reports and Analysis by ING Economics
- Quarterly in-house report
  - Macro Variables
    - Economic growth
    - Demographics
    - Outlook from a global perspective
    - Risks
  - Investment Markets
  - Real Estate Markets and Drivers in the Major Cities (State and metropolitan investment rankings for relevant sectors)
  - Special Focus: Timely Relevant Section
- Articles for internal and external distribution (i.e. IREI Newsletter)
- Ad-hoc Requests by Investors

Table of Contents

I. ING Real Estate

II. Research Approach

- I. Global Markets:
  - I. Global Market Capitalization
  - II. Global Market Risk
  - III. Global Vision
- II. Regional Context: South America
- III. Country Analysis: Brazil
- IV. ING Real Estate in Brazil

III. Appendix

ING's Research Conclusions Structure

1. Assess the investment potential of South America as a region
   (We believe that It is a large, growing region that might offer multiple investment opportunities)
2. Identify priority markets for the short and long term
   (We like Brazil for the short term, Chile, Peru and Argentina potentially for medium or long term)
3. Assess Brazil's potential from a global perspective and identify strengths and risks (We believe it shows strong economics and demographics, and certain decoupling from developed markets, but we believe debt positions should be monitored)
4. Analyze real estate markets and fundamentals
   (We believe that there is a large mis-match between real estate supply and demand)
   1. Identify priority regions (We like the South /South East, exclusively São Paulo and Rio de Janeiro for some asset types)
   2. Identify preferable conditions (i.e. Cities > 500,000 people)
   3. Identify sector priorities. We believe that:
      1. There are opportunities across sectors
      2. Industrial and residential will likely be stronger in the short term
      3. Retail depends heavily on the asset-specifics

ING Brazil Platform

The ING Brazil Platform plans to leverage ING's presence in Brazil

- ING Bank
  - Wholesale operation
  - 25 year history
  - 200+ corporate clients (as of June 2009)
- ING Investment Management
  - Investment manager to large Brazilian corporations and pension funds
- We believe that we have competitive advantages
  - Local presence
  - ING "Lion" – strong brand recognition
  - Off market deal origination capacity

ING Brazil Platform

LION BRAZIL FUND

Florencio Beccar
Portfolio Manager

Marcela Drigo: Assistant Portfolio Manager

ING Clarion Partners in New York
ING Bank in São Paulo

Patrick Tully: CFO

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