

# Kiwi Income Property Trust

## ANNUAL MEETING

**13 August 2009**

# Agenda

- Chairman's Overview
  - Financial and Operating Highlights
  
- Chief Executive's Review
  - Financial Performance
  - Portfolio Review
  - Added Value
  
- Outlook
  
- Questions

# Financial and Operating Highlights

Rental Income	\$133.7M
Operating Profit Before Tax	\$69.9M
Distributable Profit	\$61.0M
Net Profit After Tax	-\$168.9M
Full Year Cash Distribution	8.00 cpu
Total Assets	\$1.92B
Bank Debt	\$634M
Bank Debt to Total Assets	33.1%
Weighted Average Term to Maturity of Bank Debt Facilities	2.9 years
Adjusted NTA <sup>[1]</sup>	\$1.37
Weighted Average Lease Term	4.3 years
Portfolio Occupancy	98.7%
Stage 1 of The Plaza Shopping Centre redevelopment opened	

[1] Adjustment of NTA refers to the exclusion of deferred tax on revaluation gains and other items which will not crystallise.

# Chief Executive's Review

## Financial Performance

### *Distributable Profit*

	Mar-09	Mar-08	Variance	
	[\$m]	[\$m]	[\$]	[%]
Net Rental Income	133.7	125.1	+8.6	+6.9
Operating Profit before Tax	69.9	66.7	+3.2	+4.8
Tax Expense	-8.5	-5.3	-3.2	-60.4
Distributable Profit after Tax	61.0	62.1	-1.1	-1.8
Property Revaluations	-215.1	64.7	-279.8	-432
Interest Rate Derivatives (Fair Value Change)	-54.1	1.7	-55.8	-3,282
Deferred Tax	40.3	-3.4	+43.7	+1,285
Net Loss/Profit after Tax	-168.9	123.0	-291.9	-237
Full Year Cash Distribution	8.00 cpu	9.00 cpu	-1.00	-11.1

## Financial Performance

### *Unit Price and Total Returns*

Unit Price	31-Mar-09
KIP	\$0.96

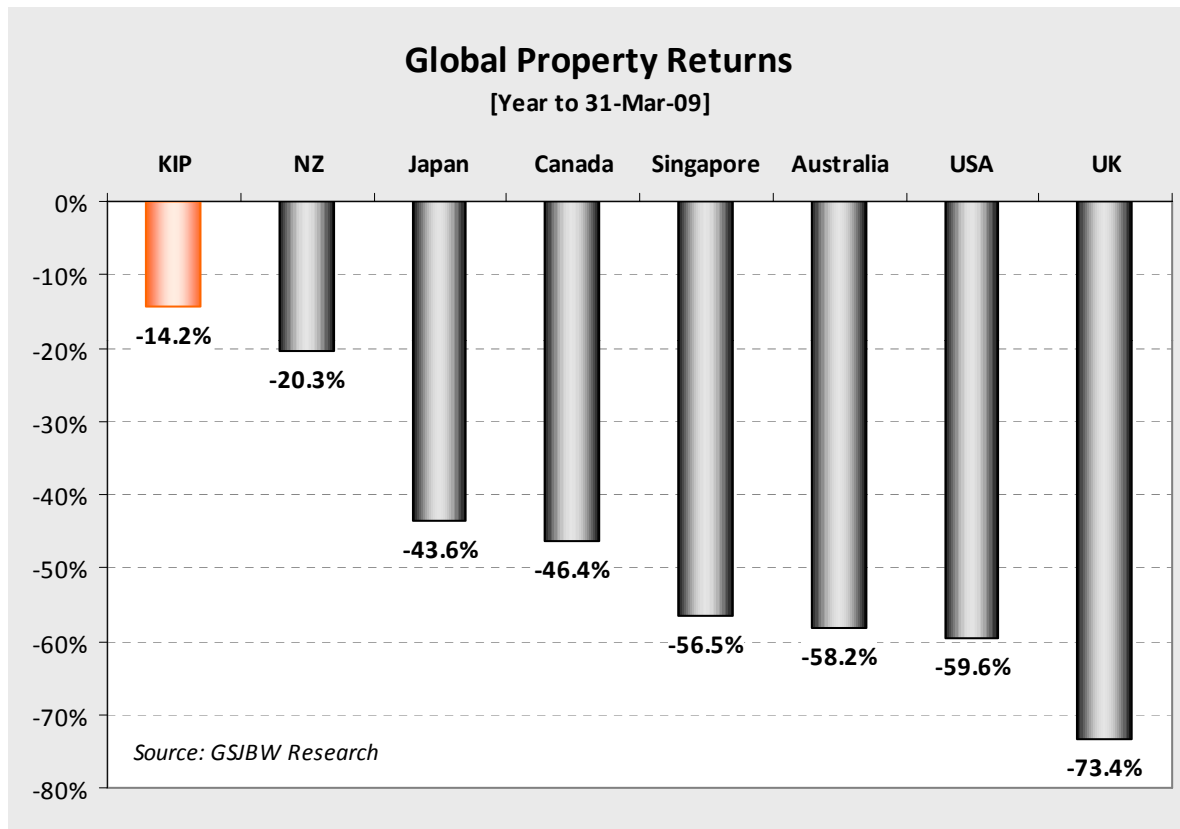
Total Returns to 31 March 2009	Annual [%PA]	2 year [%PA Cum.]	3 year [%PA Cum.]
<b>KIP</b>	<b>-14.2%</b>	<b>-18.3%</b>	<b>-2.8%</b>
NZX 50 Gross	-25.4%	-20.6%	-11.2%
NZX Property Gross	-20.3%	-19.1%	-4.4%

Source: GSJBW Research

- KIP's defensive qualities and low risk characteristics are reflected in performance:
- KIP has out-performed the NZX50 Gross and NZX Property Gross Indices on an annual, two-year and three-year cumulative basis.
  - KIP produced the best total return of the larger NZ LPTs over the financial year ended 31 March 2009 (KIP, APT, ING & GMT)

## Financial Performance

# Global Property Returns



→ The performance of the NZ property market contrasts favourably with property returns from other global markets including:

- Australia (-58.2%)
- United States (-59.6%)
- United Kingdom (-73.4%)

## Financial Performance

# Balance Sheet

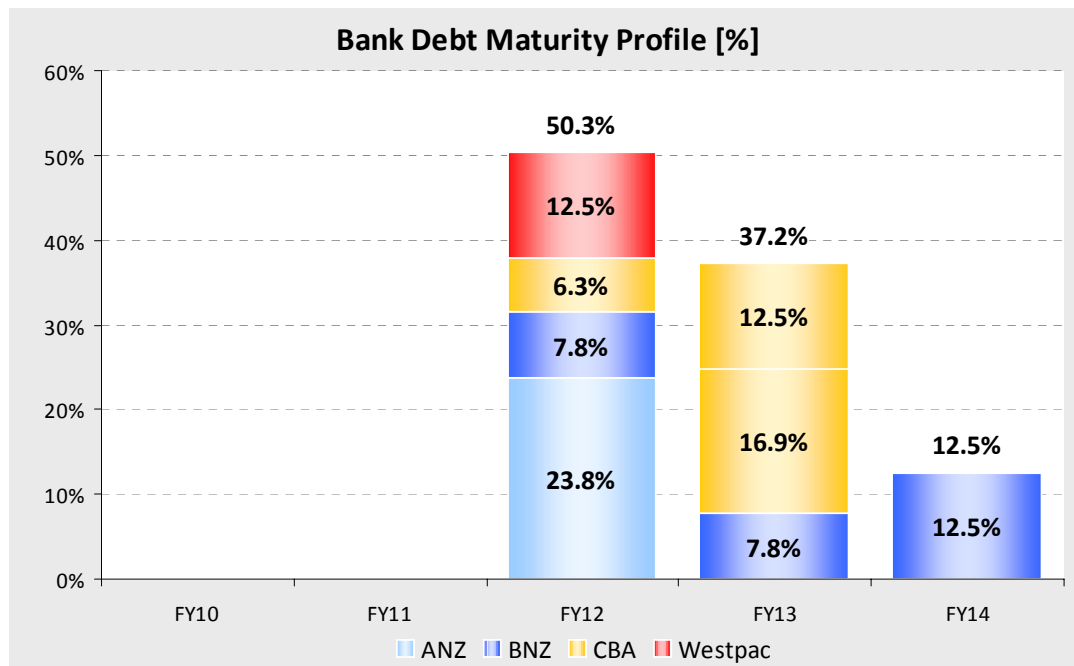
	Mar-09	Mar-08	Variance	
	[\$m]	[\$m]	[\$]	[%]
Property Assets	1,906	2,061	-155	-7.5
Other Assets	11	30	-19	-63.3
<b>Total Assets</b>	<b>1,917</b>	<b>2,091</b>	<b>-174</b>	<b>-8.3</b>
Secured Bank Debt	634	571	+63	+11.0
Mandatory Convertible Notes	143	142	+1	+0.7
Deferred Tax Liability	166	206	-40	-19.4
Other Liabilities	62	37	+25	+67.6
<b>Total Liabilities</b>	<b>1,005</b>	<b>956</b>	<b>+49</b>	<b>+5.1</b>
<b>Total Unit Holder Funds</b>	<b>912</b>	<b>1,135</b>	<b>-223</b>	<b>-19.6</b>
<i>Bank Debt to Total Assets</i>	<i>33.1%</i>	<i>27.3%</i>		<i>+5.8%</i>
<i>Adjusted NTA <sup>[1]</sup></i>	<i>\$1.37</i>	<i>\$1.75</i>	<i>-\$0.38</i>	<i>-21.7%</i>

[1] Adjustment of NTA refers to the exclusion of deferred tax on revaluation gains and other items which will not crystallise.

## Financial Performance

### *Debt - Facility Summary*

	Mar-09	Mar-08
Bilateral facilities with ANZ, BNZ, CBA & Westpac	<b>\$800m</b>	<b>\$750m</b>
- Facility balance drawn	\$634m	\$571m
- Facility balance undrawn	\$166m	\$179m
Weighted average cost of debt (incl margin & fees)	6.45%	7.62%



## Financial Performance

# *Capital Management Initiatives*

→ Capital Management initiatives implemented to strengthen the Balance Sheet:

- **Asset Sales**

- Fisher & Paykel Finance Building, Auckland for **\$12.0M**
- BP House, Wellington for **\$26.0M**

- **Capital Raising**

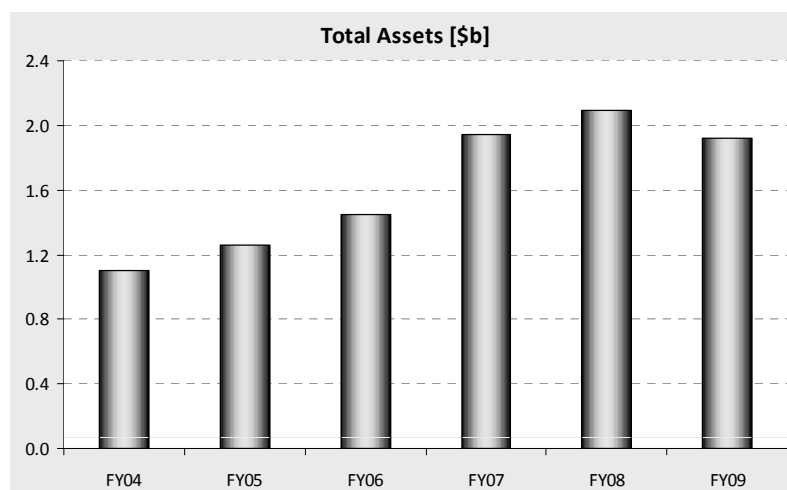
- **\$50.0M** Institutional Placement
- **\$15.0M** Unit Purchase Plan

→ All proceeds used to repay debt

## Portfolio Review

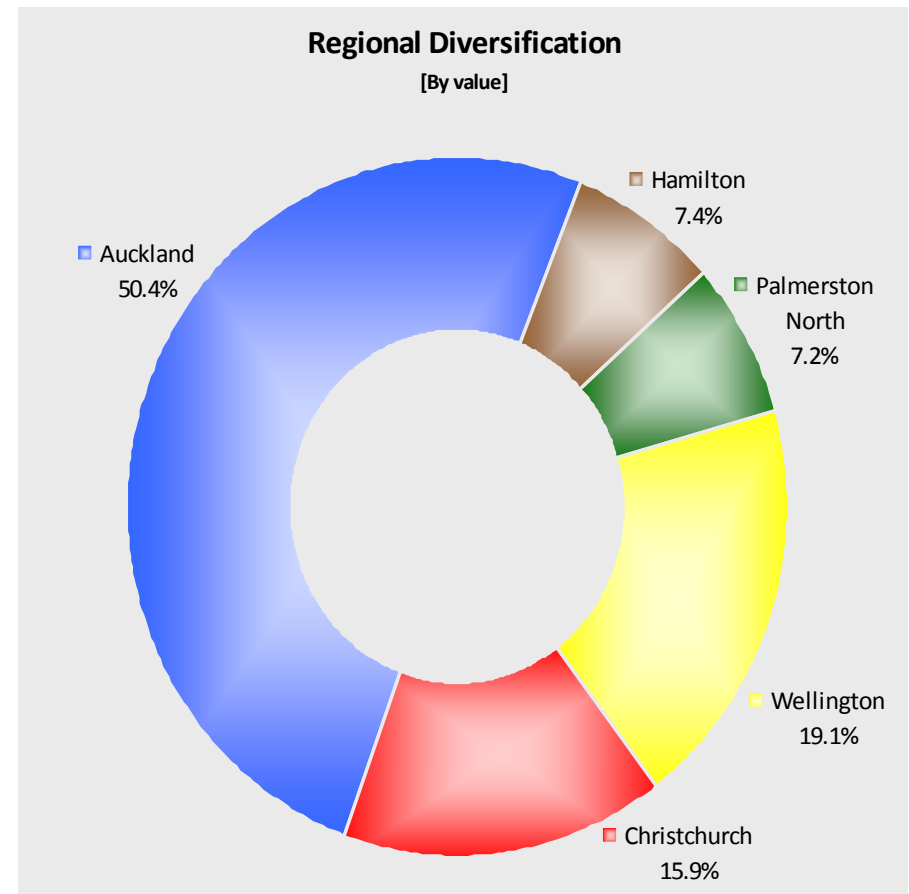
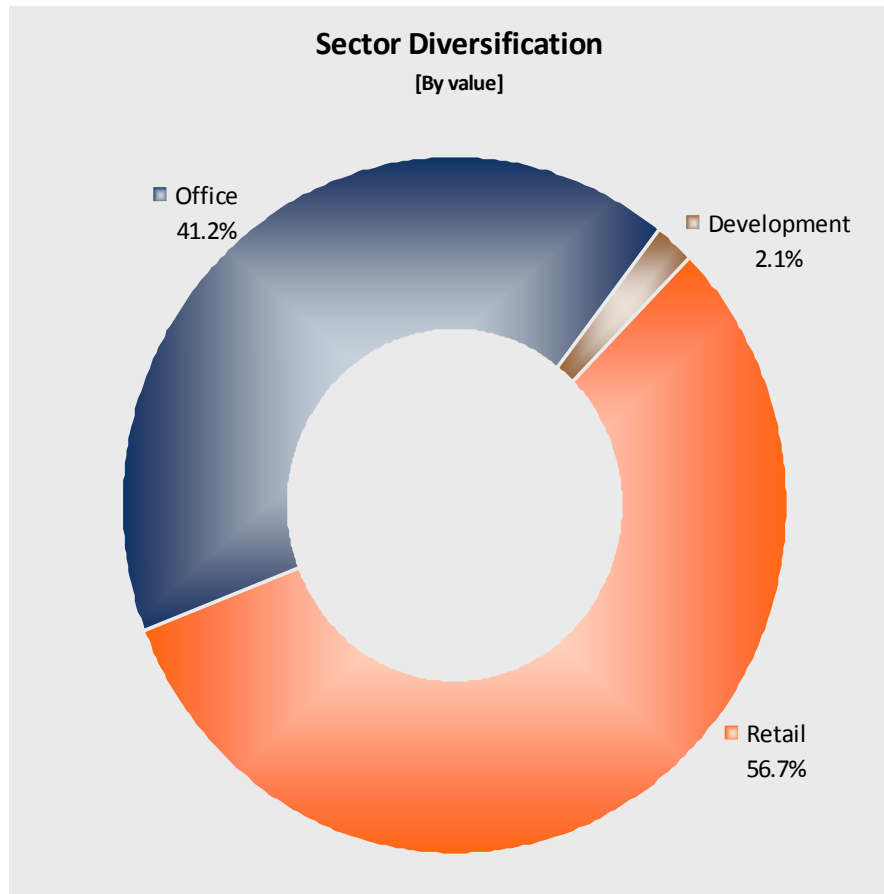
# Valuation and Portfolio Statistics

	Mar-09	Mar-08	Mar-07
Portfolio Value	\$1.91B	\$2.06B	\$1.92B
Net Valuation Increase / Decrease	-215.1M	+64.7M	+226.2M
Weighted Average Capitalisation Rate	7.73%	6.97%	6.92%
Weighted Average Lease Term to Expiry	4.3 years	4.9 years	5.4 years
Portfolio Under-Rented	4.1%	6.2%	5.4%
Portfolio Occupancy	98.7%	99.1%	98.7%



## Portfolio Review

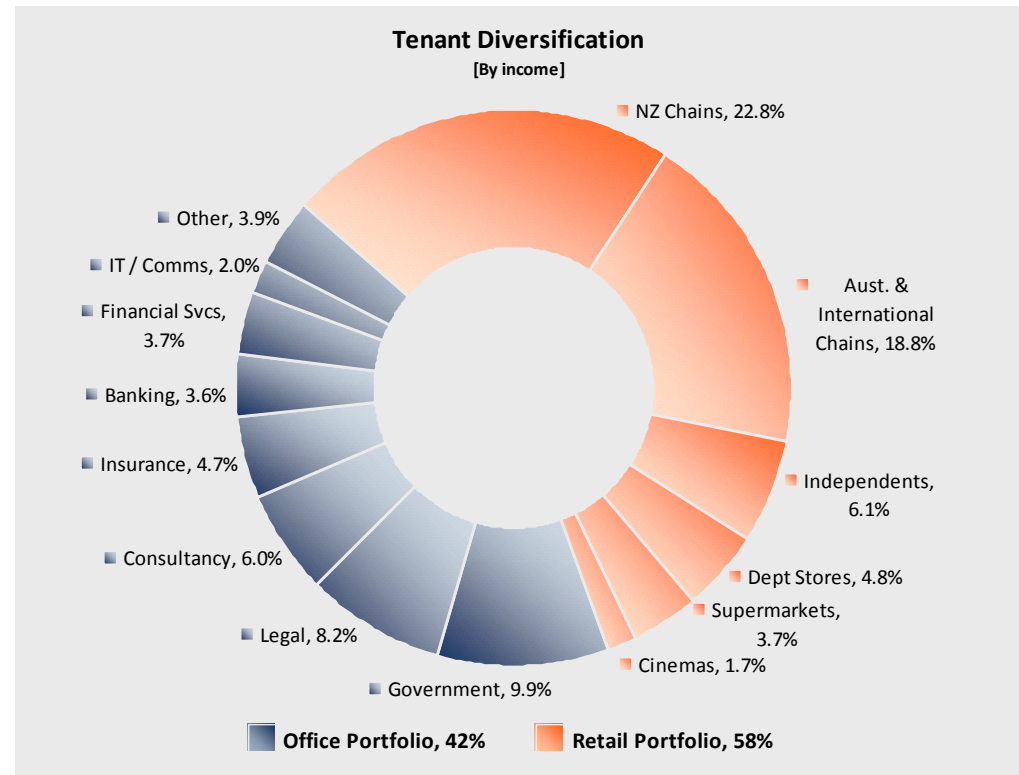
# Sector and Regional Diversification



## Portfolio Review

# Tenant Diversification

- Retail tenants provide **58%** of income
  - Over 10% of income from major tenants (department stores, supermarkets and cinema operators)
  - 42% from international, Australian, NZ speciality chains
  
- Office tenants provide **42%** of income
  - Government and legal sectors are dominant
  - Financial Services sector accounts for 3.7% of gross income



## Portfolio Review

# Tenant Diversification

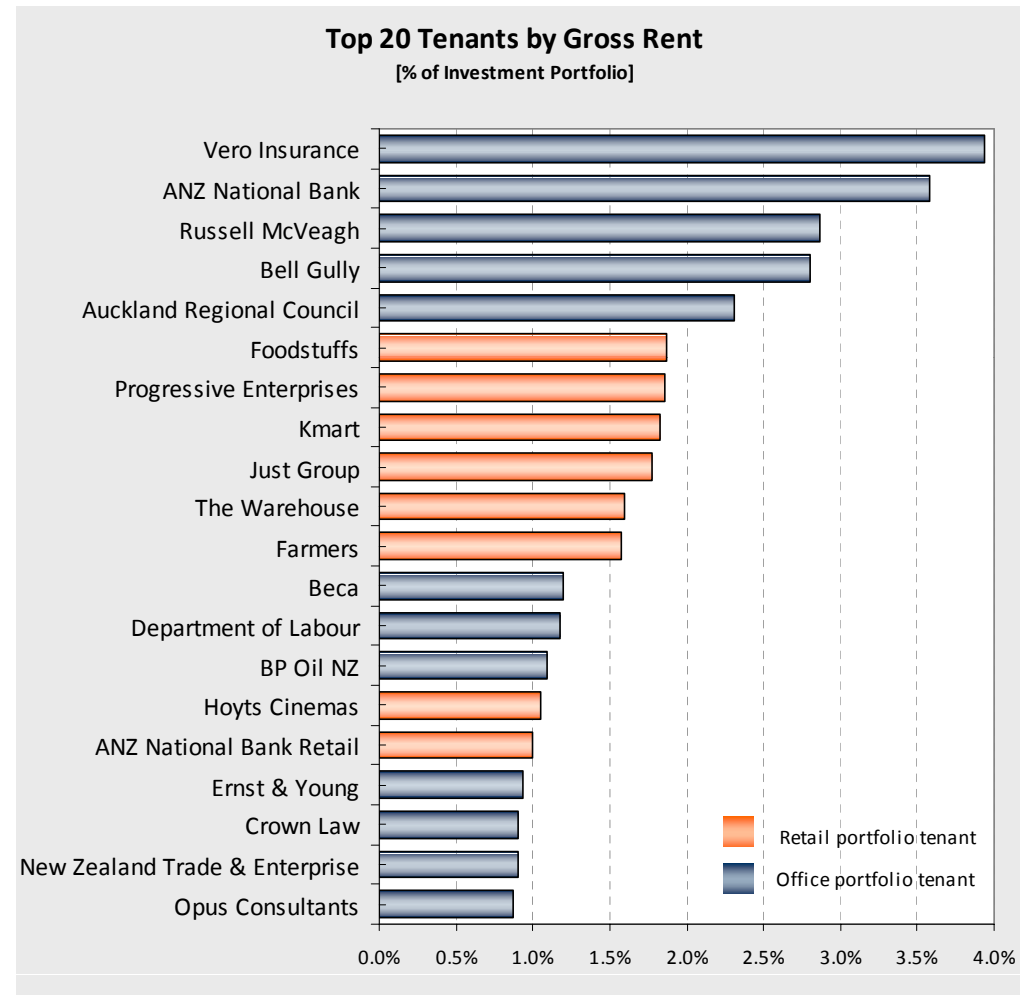
→ The core portfolio contains approx.

**780 tenants**

- **643** (82%) are retail tenants
- **137** (18%) are office tenants

→ The Top 20 tenants:

- Contribute **35%** of gross rental
- Occupy **54%** of net lettable area
- Comprise Government departments, legal and professional services firms, insurance companies, banks, supermarkets and major department stores



## Portfolio Review

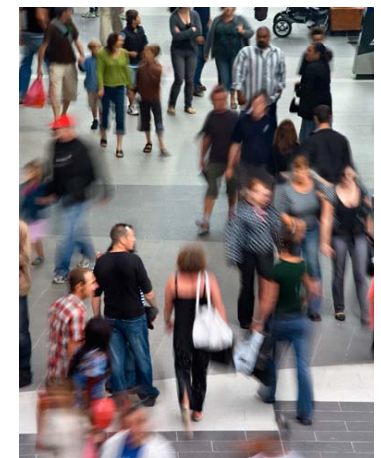
# *Leasing Activity*

- On average, less than 13% of total rental income expires in each of the next five years
- Weighted Average Lease Term of **4.3 years**
  - Retail: 4.1 years
  - Office: 4.6 years
- Substantial lease activity concluded:
  - **620** new leases or rental reviews finalised
  - **145,000m<sup>2</sup>** of net lettable area (~**40%** of the investment portfolio)
- Good income growth achieved:
  - Rental uplift of **\$6.66m (8.7%)** above prior passing rental (or budget for development leases)
  - Average compound annual growth rate of **5.7%** from rental review activity

## Portfolio Review

# *Retail Sales and Gross Occupancy Cost*

- Overall sales were **\$930m** (excluding GST), down **2.2%** on the previous financial year:
  - Supermarket sales increased by **3.2%**
  - Specialty sales reduced by **4.1%** on a like for like basis
  
- Specialty gross occupancy cost is **16.2%** (14.7% incl. GST)



## Added Value

# Development Activity: The Plaza

### → Completion of Stage 1

- Opened on schedule 5 March 2009
- Fifteen new tenants including an eight unit, 450 seat international standard foodcourt
- Countdown supermarket integrated
- Three-level carpark providing 700 spaces with excellent linkages into the centre via a light-filled atrium



*New foodcourt*



*New three-level carpark viewed from Ferguson Street*

### → Stage 2 opening on schedule 3 September 2009

- 98% leased by area
- 97% by budgeted base rent

### → Overall leasing progress steady

- 84% leased by area
- 78% by budgeted base rent

## Added Value

### *Development Activity: Sylvia Park*

#### → Completion of North-east multi-storey carpark:

- Opened on schedule in December 2008
- Construction cost \$14m
- Four additional parking floors
- 750 additional carparks
- Overall carparking now in excess of 4,000 spaces, best parking ratio of any NZ shopping centre
- Speed ramp access from ring road, adjacent to newly created 'Entry 4'



North-east multi-storey carpark

#### → Completion of Northern Access road (Entry 4):

- Opened on schedule in December 2008
- Construction cost \$3.5m
- Direct road link to Waipuna Road
- Fifth site access point alleviating pressure on Mt Wellington Highway intersections



Northern Access road

## Market Summaries

*Auckland and Wellington Office*

Market	Auckland	Wellington
<b>Vacancy</b> [As at Dec-08]	Overall: 7.7%, forecast to increase	Overall: 2.8%, forecast to increase
<b>Rentals</b> [As at Mar-09]	Reducing, with increasing incentives	Plateaued and coming under pressure
<b>Yields</b> [Year to Mar-09 / Dec-08]	Softened 99 bps to 7.88%	Softened 105 bps to 7.98%
<b>Cap Rates</b> [Year to Dec-08]	Softened an average of 76 bps	Softened an average of 130 bps
<b>Investment Sales</b> [Year to Dec-08]	Volume reduced from \$2.7B to \$745M	Volume reduced from \$630M to \$143M
<b>Developments</b> [As at Mar-09]	130,000m <sup>2</sup> of largely pre-committed space over the next three years	124,000m <sup>2</sup> of largely pre-committed space over the next three years

## Market Summaries

### *New Zealand Retail*

- GDP and consumer expenditure growth was negative  
[-1.9% and -0.5% respectively over the FY09 financial year]
- Modest recovery forecast late 2009 / early 2010
- There have been recent signs of improving consumer confidence  
[Positive net migration, stabilising residential house prices and traction from considerable stimulus in the economy]
- Supermarket sales remain positive but contraction in specialty retailing sales
- Rising unemployment expected to persist  
[Increasing to nearly 7% in the FY10 year]

# Outlook

- Subdued economic and investment activity
- Prospects for rental growth constrained:
  - Vacancy rates expected to increase
  - Downward pressure on market rentals
- The Trust is expected to benefit from its defensive characteristics:
  - Exposure to both retail and office sectors
  - Diverse and high quality tenant base
  - High occupancy rate at 98.7%
  - Conservative gearing and interest rates, with no short term debt expiry
- Projected after tax distribution of approximately 7.5 cents per unit for the year ending 31 March 2010, subject to economic conditions

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August 2009