

# **KIWI INCOME PROPERTY TRUST**

## **ANNUAL RESULT**

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Year Ending 31 March 2008

- **Net Profit After Tax (NZ IFRS) of \$123.0m**
- **Distributable Profit up 4.9% to \$62.1m**
- **Full Year Cash Distribution up 7.9% to 9.00 cpu**
- **Net Portfolio Valuation Gain of \$64.7m**
- **Total Assets increase by \$144.9m to \$2.1b**
- **Bank Debt of \$571.0m, representing a conservative 27.3% of total assets**
- **Weighted Average term to Maturity of Bank Debt Facilities of 3.9 years**
- **NZ IFRS Adjusted<sup>1</sup> Undiluted NTA up 9 cents to \$1.75 per unit**
- **Portfolio Occupancy remains high at 99.1%**
- **Sylvia Park Shopping Centre successfully completed June 2007**
- **Sylvia Park retail sales reach \$349m with Stage IV retailers yet to trade a full year**
- **The Plaza Shopping Centre \$93m redevelopment commenced March 2008**

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<sup>1</sup> Adjustment of NTA refers to the exclusion of deferred tax on revaluation gains and other items which will not crystallise

## ▪ **Global Economy**

### **Slowdown led by US**

- “Credit crunch” - reduced availability of credit
- Recessionary trends evident with GDP growth falling
- Federal intervention to stimulate economy

## ▪ **NZ Economy**

### **Showing signs of slowing but inflationary pressures persist**

- High oil prices
- Cost and availability of credit following similar theme to the US
- Failure of finance companies and mortgage funds reducing investor confidence
- High interest rates with OCR at 8.25%
- Residential property market cooling (reduced building consents, sales volume & median prices)
- Retail sales moderating

### *Offset by:*

- Strong rural sector with high dairy payouts and drought conditions easing
- Election year promises of tax cuts
- Strong labour market
- High capacity utilisation

## ▪ **NZ Property Sector**

### **Market sentiment easing following period of significant growth**

- Total annual return of listed property sector down 18% for year to March 2008, following global trends
- Investment yields / capitalisation rates stabilising
- The higher quality end of both the office & retail markets are characterised by high occupancy levels & limited new supply which is a solid platform for rental growth

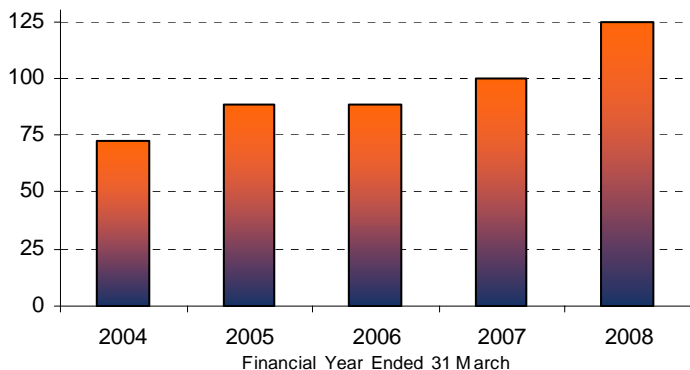
# Financial Highlights

## Year Ended / As At

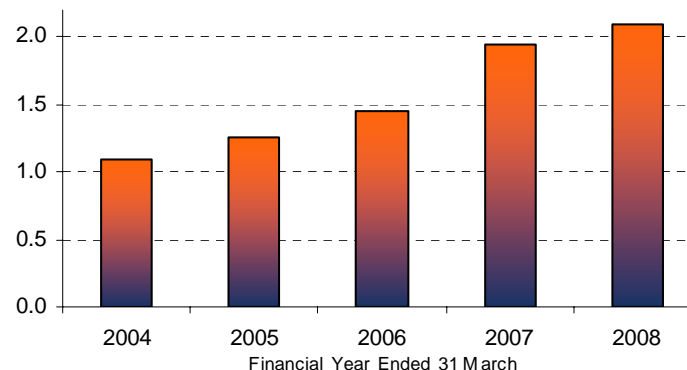
**Mar-08**
**Mar-07**

	Mar-08	Mar-07
▪ <b>Net Rental Income + 25.7%</b> (like for like + 4.4%)	\$125.1m	\$99.6m
▪ <b>Net Profit After Tax (NZ IFRS) – 51.7%</b>	\$123.0m	\$254.6m
▪ <b>Distributable Profit + 4.9%</b>	\$62.1m	\$59.2m
▪ <b>Full Year Cash Distribution + 7.9%</b>	9.00 <i>cpu</i>	8.34 <i>cpu</i>
▪ <b>Total Assets + \$144.9m</b>	\$2.1b	\$1.9b
▪ <b>Secured Bank Debt + \$85.0m</b>	\$571m	\$486m
▪ <b>NZ IFRS Adjusted Undiluted NTA + \$0.09</b>	\$1.75	\$1.66

### Net Rental Income [\$M]



### Total Assets [\$B]



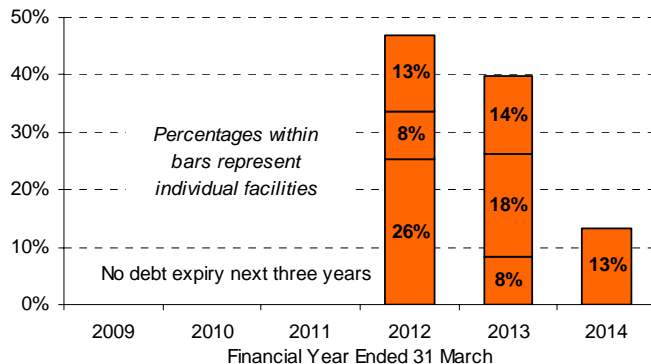
- **Bilateral facilities with ANZ, BNZ, CBA & Westpac**
- **Facility Balance Drawn**
- **Facility Balance Undrawn**
- **Debt Statistics**
  - Secured bank debt as % of total assets
  - Percentage of drawn debt hedged (fixed rate)
  - Weighted average cost of debt (including line fees & margins)
  - Weighted average term to maturity of interest rate hedges
  - Weighted average term to maturity of facilities

	<b>As at Mar-08</b>	<b>As at Mar-07</b>
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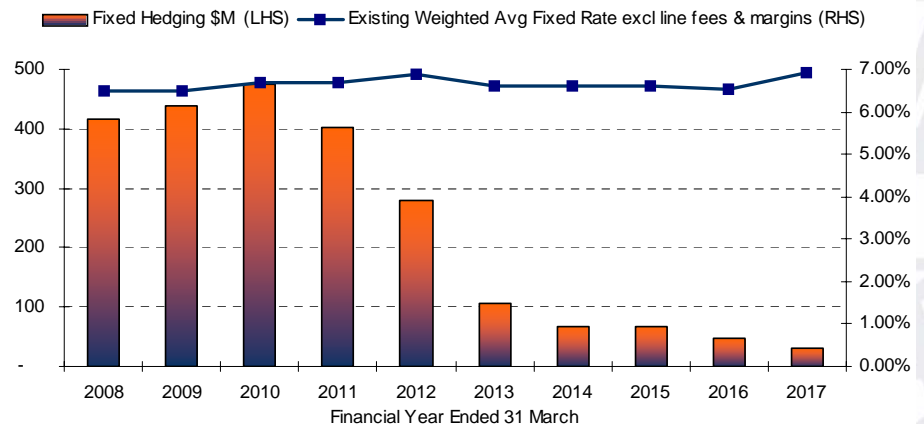
	\$750m	\$650m
	\$571m	\$486m
	\$179m	\$164m

	27.3%	25.0%
	73.0%	71.0%
	7.6%	7.2%
	5.4 years	5.4 years
	3.9 years	3.6 years

### Debt Expiry as at 31 March 2008



### Hedge Maturity Profile



# Total Returns & Unit Price

<b>Total Return to 31 March 2008</b>	<b>Annual [%PA]</b>	<b>2 year [%PA Cum.]</b>	<b>3 year [%PA Cum.]</b>	<b>Since Inception [%PA Cum.]</b>
<b>Kiwi Income Property Trust (KIP)</b>	<b>-22.2%</b>	<b>3.5%</b>	<b>9.2%</b>	<b>10.7%</b>
NZX 50 Gross	-15.5%	-3.2%	4.5%	
NZX Property Gross	-17.8%	4.8%	9.3%	

Source: GSJBWere Research

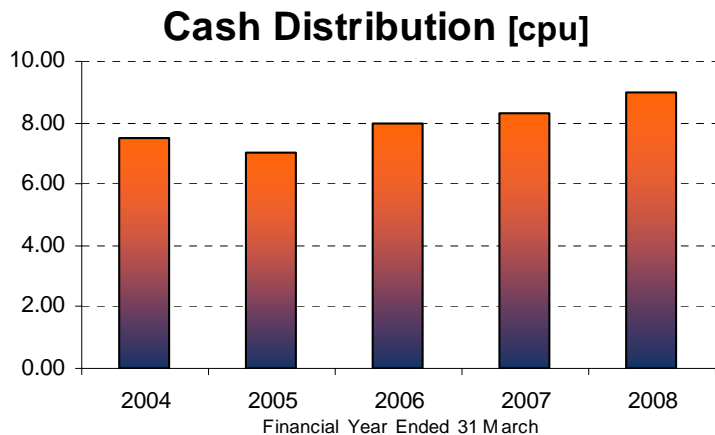
<b>Unit Price at 31 March</b>	<b>2008</b>
<b>Kiwi Income Property Trust (KIP)</b>	<b>\$1.21</b>

- KIP's unit price has been impacted by the effects of the global credit crisis on property & equity stocks together with the Trust's two-stage transition from the MSCI Standard Index to the MSCI Small Cap Index. The first stage of transition occurred in November 2007 with the second stage to occur in May 2008

# Distributions

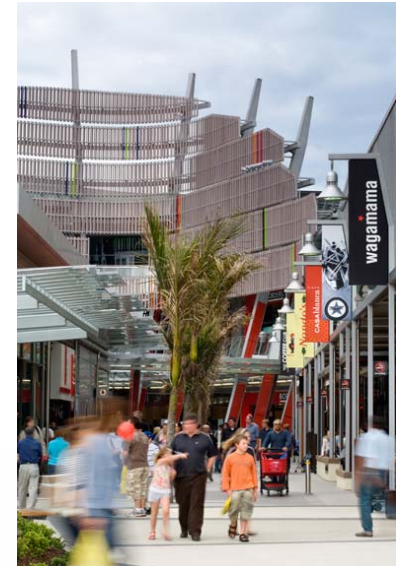
Distribution (cpu)	Interim	Final	Total
Cash	4.50	4.50	9.00
Imputation Credits	0.16	0.18	0.34
Gross Distribution	4.66	4.68	9.34

- **Cash Distribution to Mar-08** increased **7.9%** to **9.00 cpu**
  - Full year distribution revised upwards in December 2007
- **Cash Distribution to Mar-09** projected to be approximately **9.00 cpu**
  - Subject to continuation of reasonable economic conditions

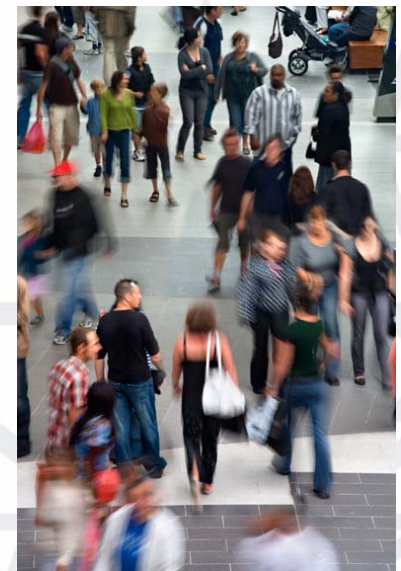


# Retail Market Summary

- Retail sales have softened against a backdrop of economic uncertainty. Household budgets are being stretched by the increasing cost of non-discretionary items including petrol, groceries & mortgage finance. NZIER predicts this period of moderating sales to last through 2009 but recover thereafter
- Employment is expected to remain high with continued growth in household income albeit at a lower rate than previous years
- A number of developments are in the advanced stages of planning or early construction phase but we do not expect any significant increase in new retail space in the immediate future
- A lack of recent transactions makes it difficult to determine the effect of current global & domestic influences on the local market. However, valuer-assessed capitalisation rates from March 2007 to March 2008 have remained largely stable for Prime assets with some easing for secondary quality assets
- Occupancy over KIPT's portfolio of six shopping centres is in excess of 99% and with the majority of specialty retail leases structured with fixed or CPI + 1% or 2% linked annual rental reviews, the outlook for rental growth remains positive

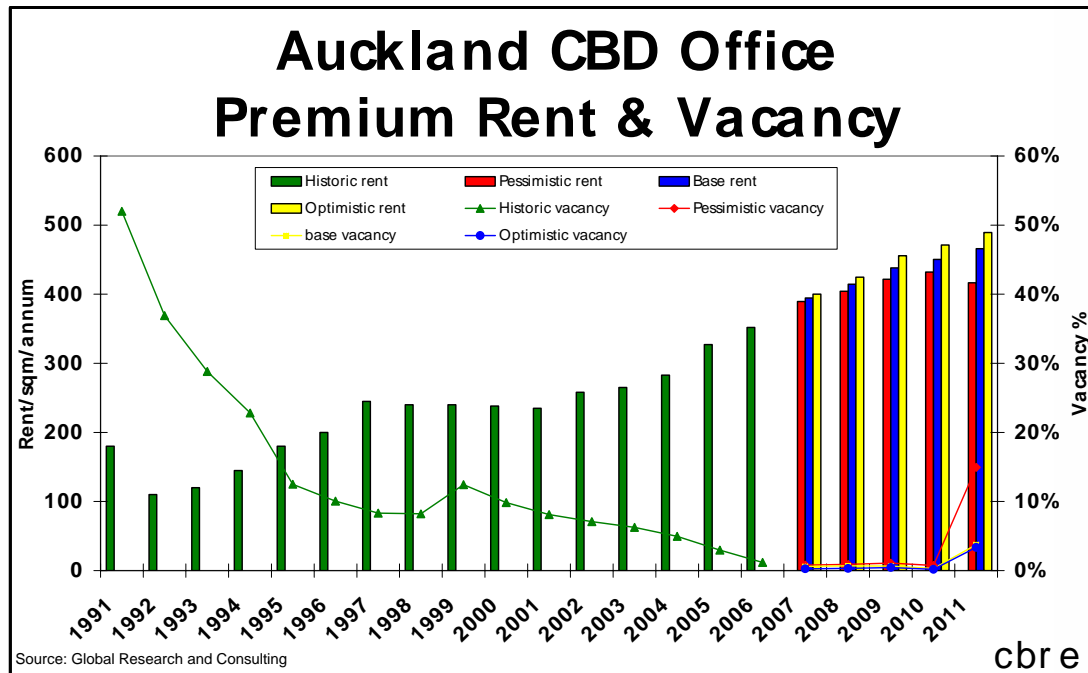


Sylvia Park Shopping Centre, Auckland



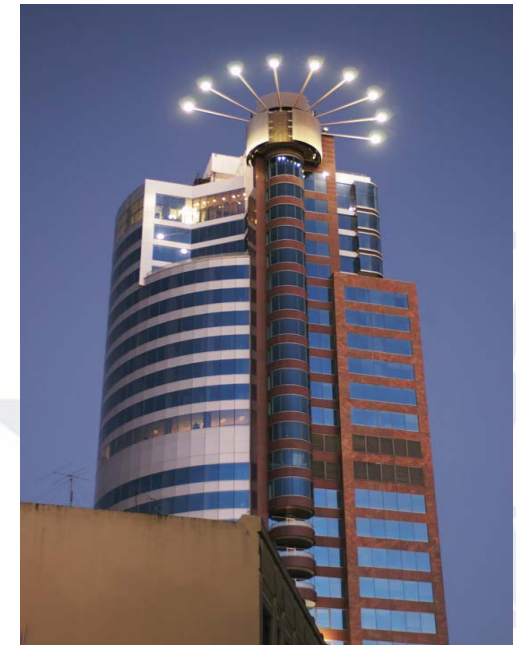
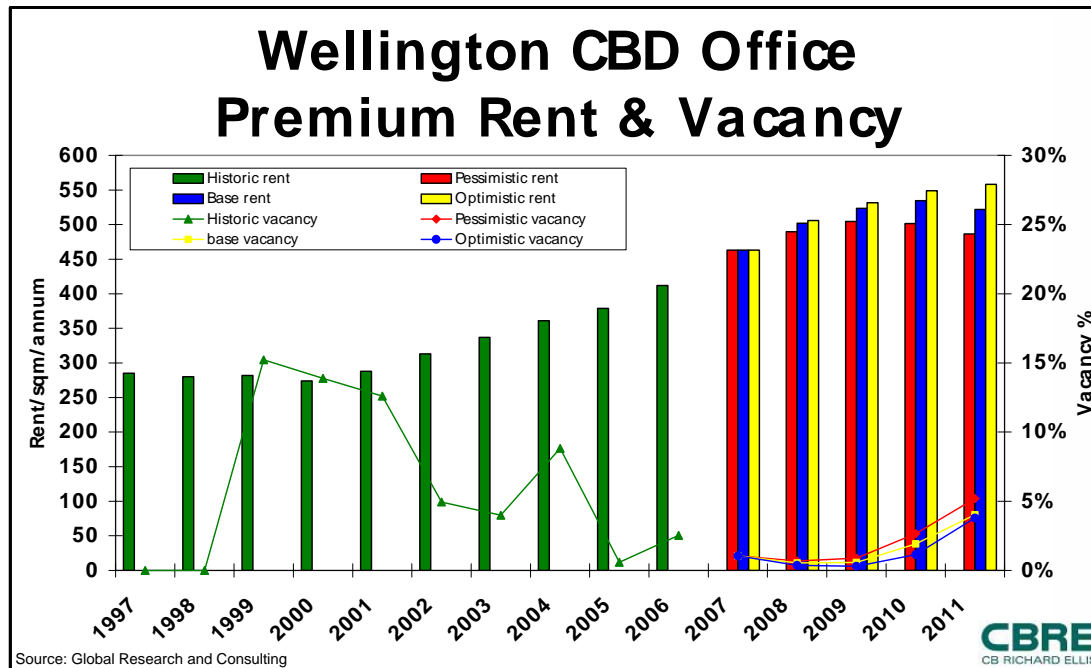
Sylvia Park Shopping Centre, Auckland

- **Premium grade vacancy of 0.9%** at Dec-07 & overall vacancy of 6.0%
- **Top end Prime rentals approaching \$600m<sup>2</sup> net**
- **Average Premium yields of 7.1%**, softening marginally since late last year following a period of sustained buoyancy
- While the tightening credit market will restrict some speculative development, a new office tower in Auckland's CBD remains a possibility in the future



Vero Centre, Auckland

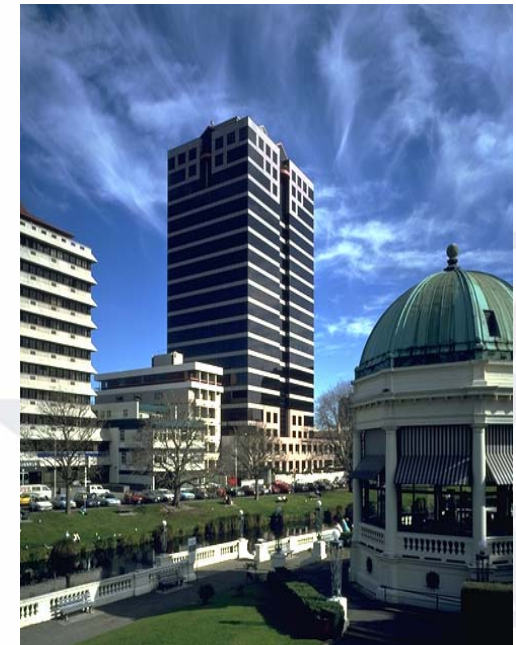
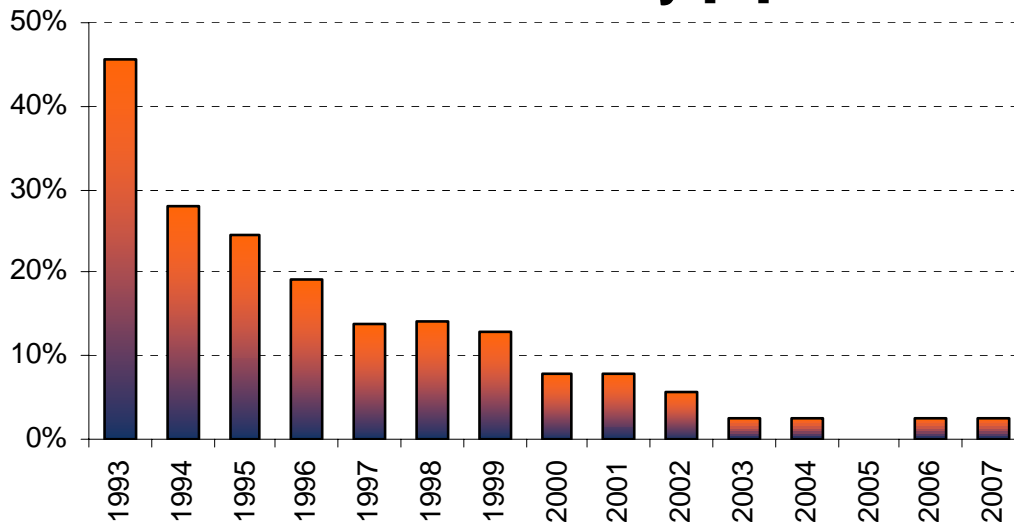
- **Premium grade vacancy** of **1.4%** at Dec-07 & overall vacancy of 3.0%, the lowest level recorded in five years
- **Premium grade net rents** have increased **11.5%** over the past year with the top rental achieved being **\$435m<sup>2</sup> net**
- **Average Premium yields** of **6.9%**, firming since last year
- Significant development activity with 200,000m<sup>2</sup> of largely pre-committed space forecast to come on stream over the next four years



Majestic Centre, Wellington

- **A-grade vacancy** below **2.0%**, with overall vacancy of 8.5%
- **A-grade rentals** have grown steadily with the top end being in excess of **\$280m<sup>2</sup> net**
- Indicative **investment yields** of **7.0%**, based on investment sales from late 2007
- Office development activity planned or underway is largely concentrated in suburban office parks
- Indicative rentals for new suburban developments is \$245m<sup>2</sup> - \$285m<sup>2</sup> and from \$350m<sup>2</sup> for CBD development

**A Grade Vacancy [%]**



PricewaterhouseCoopers Centre, Christchurch

- **Acquisitions**

In May 2007 three retail properties were purchased in Hamilton with a combined value of **\$9.8m**. The properties have strategic value to the Trust given their location immediately adjacent to Centre Place Shopping Centre

The Countdown supermarket adjacent to The Plaza Shopping Centre in Palmerston North was purchased in December 2007 for **\$14.5m**. The supermarket will be fully integrated into the shopping centre as part of the current redevelopment

- **Disposals**

There were no disposals during the financial year



Ward Street, Hamilton



Countdown, Palmerston North

# Portfolio Value

	Capitalisation Rate		Value [\$000s]	
	2007	2008	31-Mar-08	+/- 2007 to 2008
<b>Retail Portfolio</b>				
Sylvia Park Shopping Centre	6.00%	6.00%	471,400	18,410
Centre Place Shopping Centre	7.75%	7.75%	128,500	4,489
Downtown Plaza Shopping Centre	8.50%	8.50%	34,500	-1
The Plaza Shopping Centre	8.00%	7.75%	101,000	404
North City Shopping Centre	7.00%	7.25%	128,000	-8,234
Northlands Shopping Centre	6.50%	6.50%	258,000	4,863
PricewaterhouseCoopers Building	8.25%	8.25%	5,600	-1
Countrywide Building	8.00%	8.00%	830	-120
The Farmers Building	10.00%	10.00%	4,420	20
43 Langdons Road	7.75%	7.88%	7,600	-61
<b>Total Retail Portfolio</b>	<b>6.72%</b>	<b>6.72%</b>	<b>1,139,850</b>	<b>19,769</b>
<b>Office Portfolio</b>				
Vero Centre	6.75%	6.70%	334,500	32,581
National Bank Centre	7.38%	7.63%	123,800	596
21 Pitt Street	7.88%	8.00%	59,200	3,571
Fisher & Paykel Finance Building	7.50%	8.00%	13,720	20
The Majestic Centre	7.25%	7.50%	111,400	4,948
BP House	7.00%	7.50%	28,300	800
Unisys House	7.75%	7.75%	83,000	7,154
Vector Building	7.75%	7.75%	34,900	3,316
50 The Terrace	9.25%	9.25%	6,550	224
PricewaterhouseCoopers Centre	7.00%	7.25%	60,800	2,340
<b>Total Office Portfolio</b>	<b>7.18%</b>	<b>7.28%</b>	<b>856,170</b>	<b>55,550</b>
<b>Total Investment Portfolio</b>	<b>6.92%</b>	<b>6.96%</b>	<b>1,996,020</b>	<b>75,319</b>
Sylvia Park Development Sites			21,750	-9,447
Other Development Property			42,810	-1,170
<b>Total Portfolio</b>			<b>2,060,580</b>	<b>64,701</b>

- **Portfolio Value of \$2.1 billion**
- **Net Valuation Gain of \$64.7 million**
- **Weighted Capitalisation Rate softens marginally to 7.0% with increases in value driven off strengthened income across the portfolio**
- **Portfolio Under-rented by 6.2%**

# Occupancy

	NLA [m <sup>2</sup> ]	Vacant [m <sup>2</sup> ]	Occupancy [%]
<b>Retail Portfolio</b>			
Sylvia Park Shopping Centre	70,818	192	99.7%
Centre Place Shopping Centre	15,133	355	97.7%
Downtown Plaza Shopping Centre	6,082	0	100.0%
The Plaza Shopping Centre	19,684	98	99.5%
North City Shopping Centre	25,724	303	98.8%
Northlands Shopping Centre	41,630	33	99.9%
PricewaterhouseCoopers Building	2,812	0	100.0%
Countrywide Building	397	0	100.0%
The Farmers Building	8,205	0	100.0%
43 Langdons Road	3,600	0	100.0%
<b>Total Retail Portfolio</b>	<b>194,085</b>	<b>981</b>	<b>99.5%</b>
<b>Office Portfolio</b>			
Vero Centre	39,490	0	100.0%
National Bank Centre	26,169	1,933	92.6%
21 Pitt Street	17,236	0	100.0%
Fisher & Paykel Finance Building	4,049	0	100.0%
The Majestic Centre	24,049	74	99.7%
BP House	9,140	0	100.0%
Unisys House	22,202	0	100.0%
Vector Building	10,109	0	100.0%
50 The Terrace	2,442	197	91.9%
PricewaterhouseCoopers Centre	16,082	0	100.0%
<b>Total Office Portfolio</b>	<b>170,968</b>	<b>2,204</b>	<b>98.7%</b>
<b>Total Investment Portfolio</b>	<b>365,053</b>	<b>3,185</b>	<b>99.1%</b>

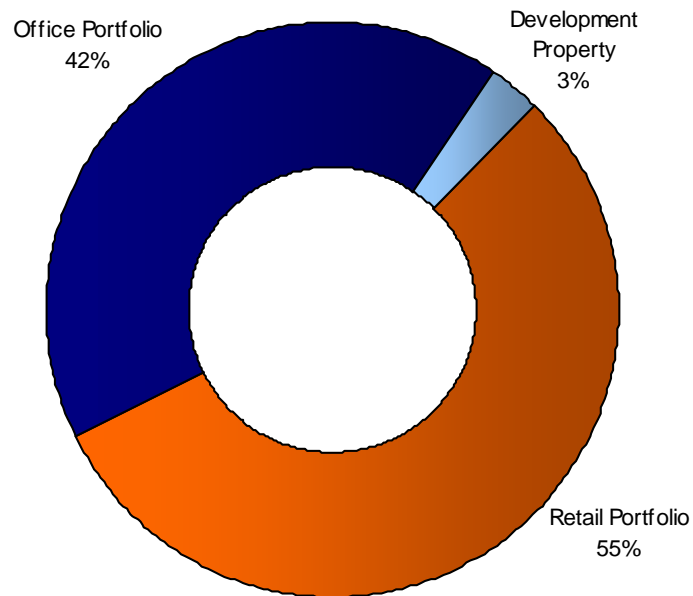
- Portfolio Occupancy remains high at **99.1%**.



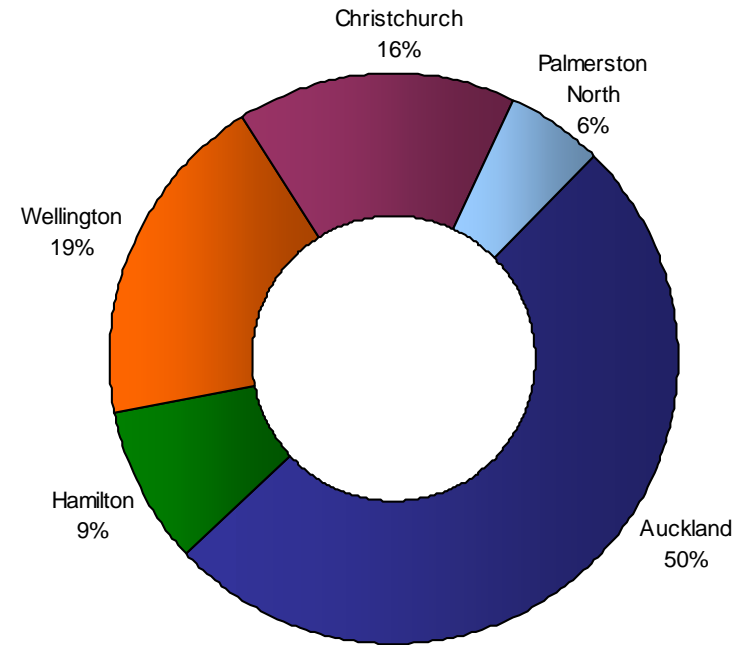
# Diversification - PORTFOLIO

- Minimal change to both **Sector & Regional Diversification** since last financial year
- Acquisitions during the financial year have marginally increased the regional weightings of Hamilton & Palmerston North

### Sector Diversification

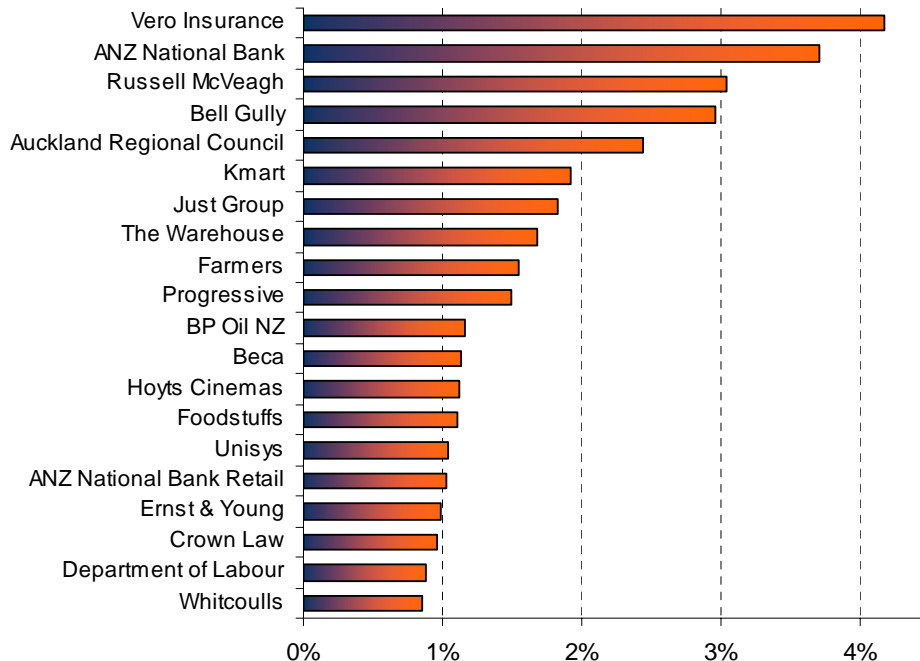


### Regional Diversification

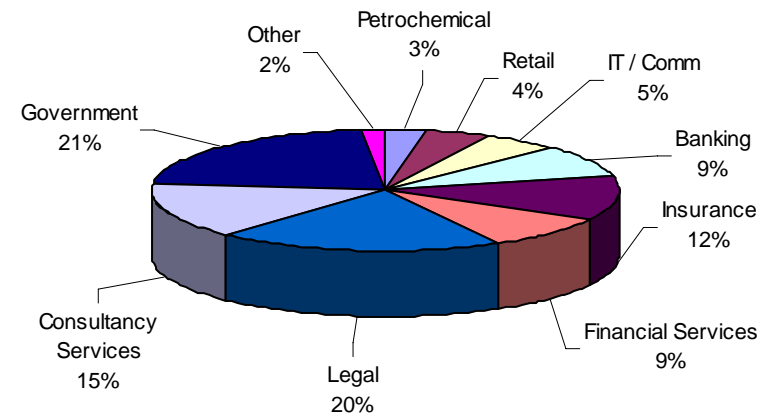


- The portfolio contains over **850 tenants**, 75% of which are retail tenants and 25% office tenants
- The **Top 20 tenants by Rent** contribute **35%** of the portfolio's gross rental & occupy **49%** of the portfolio's net lettable area
- Almost two-thirds of these tenants are within the office portfolio, which within itself is well diversified by industry with legal & government tenants being dominant

## Top 20 Tenants by Gross Rent [% of Investment Portfolio]

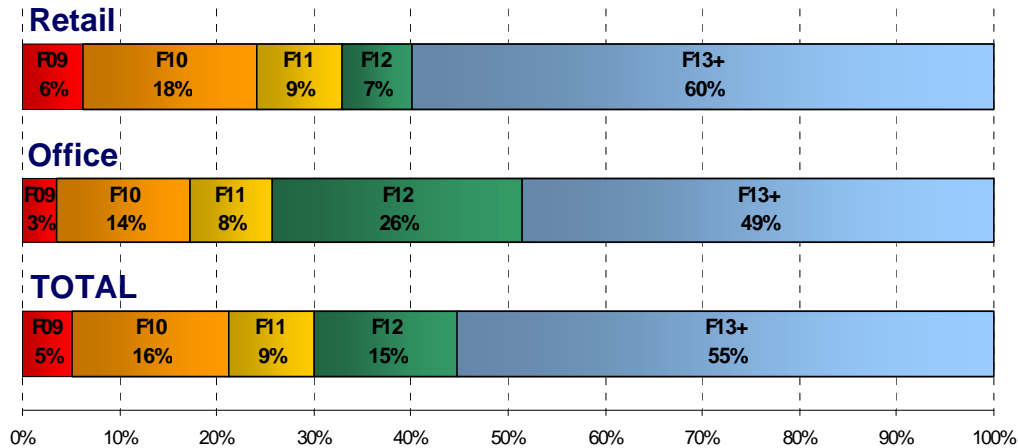


## Office Portfolio Industry Diversification by Gross Rent [% of Office Portfolio]



# Lease Expiry Profile

## Lease Expiry Profile by Gross Rent [% of Portfolio]



- Only **5%** of the portfolio (by gross rent) **expires** in the next year
- The portfolio has a **Weighted Average Lease Term of 4.9 years** (split 4.8 years for Retail & 5.1 years for Office)

## Key Expiries

[NLA > 2,000m<sup>2</sup>]

YE March	Property	Tenant	m <sup>2</sup>
2010	National Bank Centre	Phillips Fox	2,639
2010	Vero Centre	Russell McVeagh	7,453
2011	Vector Building	Commerce Commission	2,677
2012	21 Pitt Street	Beca	4,205
2012	National Bank Centre	ANZ National Bank	12,045
2012	Centre Place	Skycity Cinemas	2,716
2012	Vero Centre	Vero	5,396
2012	Vector Building	Tertiary Education Commission	2,726
2012	Vero Centre	Vero	6,212

## Key Leases & Renewals Completed

[NLA > 1,000m<sup>2</sup>]

Property	Tenant	m <sup>2</sup>
National Bank Centre	Kiwi Property Management	1,170
Unisys House	Department of Labour	6,335
Unisys House	Unisys	6,008
Vector Building	Department of Corrections	1,246
Vector Building	Commerce Commission	2,677

# Lease & Rental Activity

- A total of **668** new leases or rental reviews were concluded having a combined floor area of over **134,000m<sup>2</sup>** or approximately **37%** of the investment portfolio
- This resulted in an overall rental increase of **\$6.33m** or **9.6%** above previous rental levels. An average compound annual growth rate of **6.5%** was recorded from rental review activity

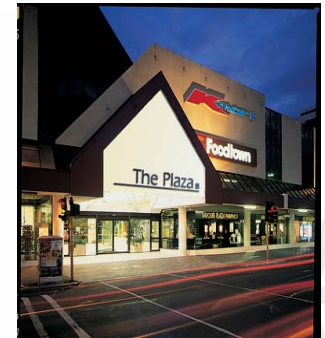
	No.	Area [M2]	% Retail or Office Portfolio	Rental Uplift		
				[\$M]	[%]	[CAGR%]
<b>NEW LEASES &amp; RENEWALS</b>						
Retail	104	13,800	7.1	1.12	16.7	N/A
Office	24	8,100	4.7	0.57	30.0	N/A
Office (Renewals where rent not concluded)	6	17,200	10.0	-	-	N/A
<b>Total</b>	<b>134</b>	<b>39,100</b>	<b>10.7</b>	<b>1.69</b>	<b>19.6</b>	<b>N/A</b>
<b>RENT REVIEWS</b>						
Retail	510	88,500	45.6	3.16	6.3	6.3
Office	30	23,600	13.8	1.47	21.9	7.3
<b>Total</b>	<b>540</b>	<b>112,100</b>	<b>30.7</b>	<b>4.64</b>	<b>8.1</b>	<b>6.5</b>
<b>TOTAL</b> (excl renewals where rent not concluded)	<b>668</b>	<b>134,000</b>	<b>36.7</b>	<b>6.33</b>	<b>9.6</b>	<b>N/A</b>
<b>TOTAL</b>	<b>674</b>	<b>151,200</b>	<b>41.4</b>			

# Retail Sales & Gross Occupancy Cost

- Overall sales of **\$925m** were recorded across the portfolio, up **29.3%** on the previous financial year, primarily due to additional stages of Sylvia Park trading
- General economic conditions led to a softening in sales across the portfolio, particularly in the second half of the financial year. As a result, 'like for like' specialty sales remained static
- Sylvia Park traded strongly recording total sales of **\$349m** with Stage IV tenants having traded for only nine months of the year. 'Like for like' specialty sales at the Centre were up **14.2%** for March
- The average specialty gross occupancy cost across the portfolio is **14.7%** (with a range of 12.2% to 15.9%)



Centre Place Shopping Centre  
Hamilton



The Plaza Shopping Centre  
Palmerston North



Sylvia Park Shopping Centre  
Auckland



Downtown Plaza Shopping Centre  
Hamilton



North City Shopping Centre  
Porirua



Northlands Shopping Centre  
Christchurch

# Added Value - THE PLAZA

- **Redevelopment commenced in March 2008**
  - Increase in NLA from 19,700m<sup>2</sup> to 31,200m<sup>2</sup>
  - New two level Farmers department store of 6,800m<sup>2</sup>
  - 40 new specialty stores & 450 seat foodcourt
- **Key Financial Information**
  - Estimated capitalised redevelopment cost of \$93m
  - Initial Yield in excess of 7.5%
  - Yield exceeds 8.5% in year 3 post completion
  - Projected IRR 9.8%
  - Funded by new \$100m 5 year bank facility



*Artist impression of Church St entry  
The Plaza Shopping Centre, Palmerston North*



*Artist impression of foodcourt  
The Plaza Shopping Centre, Palmerston North*

## Key Dates

<b>Project commenced</b>	<b>March 2008</b>
<b>Stage 1 opens</b> New foodcourt, specialty shops, carpark	<b>Quarter 1 2009</b>
<b>Stage 2 opens</b> Specialty shops	<b>Quarter 3 2009</b>
<b>Stage 3 opens</b> Farmers, specialty shops	<b>Quarter 2 2010</b>

- Centre completed with the opening of Stage IV on 28 June 2007
- Retail occupancy 100%
  - 99.7% occupancy including professional suites
- Strong trading performance continues
  - Specialty Gross Occupancy Cost of 14.5%
- Further demand for retail space especially from fashion retailers



Sylvia Park Shopping Centre, Auckland



Artist impression of North-east multi-storey carpark  
Sylvia Park Shopping Centre, Auckland

- Train station popular with customers & staff. Sylvia Park consistently one of the busiest stations on Auckland's suburban rail network
- Construction has commenced on a \$14m extension to the north-east multi-storey carpark which will provide an additional 750 parking spaces, increasing on-site parking to over 4,000

- **Resource consent received** for two 5-level buildings
  - Building A – 10,600m<sup>2</sup>
  - Building B – 7,600m<sup>2</sup>
- **Full design development** of Building B being completed
  - Flexible floor plates to allow for whole or part floor occupants
  - Embracing environmentally sustainable design features
  - Aiming to achieve NZGBC 5 Green Star rating
  - Estimated construction cost of approximately \$30m
- Emphasis on **marketing programme** to secure tenant pre-commitment



Location of Office Buildings A & B  
Sylvia Park, Auckland



Artist impressions of Office Building B  
Sylvia Park, Auckland



Artist impressions of Office Building B  
Sylvia Park, Auckland

## ✓ Well positioned property portfolio

- High quality assets
- High portfolio occupancy of 99.1%
- Portfolio under-rented by 6.2%
- Retail rental growth underpinned by fixed increase rent review structures
- Significant lease expiries renewed
- Healthy weighted average lease term of 4.9 years
- Well diversified portfolio by sector, region & industry

## ✓ Strong balance sheet and treasury position

- Balance sheet conservatively geared at 27% with prudent debt arrangements
- Prudent interest rate hedging in place with a disciplined and experienced approach to treasury management
- Four bilateral facilities with no expiries before March 2011 (weighted average term 3.9 years)

## ✓ Growth through focussed asset management, development and acquisition

- Strong focus on driving performance of existing assets
- Internal development opportunities
- Investigation of external opportunities, particularly those with strategic value

## ✓ Continued delivery of investor returns

- Cash distribution of approx. 9.00 cpa for year ending March 2009, subject to a continuation of reasonable economic conditions
- Compound total annual return since inception of 10.7% per annum.

# KIWI INCOME PROPERTY TRUST

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May 2008