

ANNUAL MEETING

KIWI INCOME PROPERTY TRUST

12 August 2010



Agenda



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– Chairman’s overview

- Financial and operating highlights

– Chief Executive’s review

- Financial performance
- Portfolio review
- Added value
- Market summaries

– Outlook

– Questions



Chairman's overview

Financial and operating highlights



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Financial performance		31 March 2010
Net rental income		\$133.7m
Operating profit before tax		\$73.4m
Distributable profit after tax		\$61.1m
Net profit after tax		-\$12.4m
Full year cash distribution		7.50cpu
Financial position		
Total assets		\$1.98b
Bank debt		\$571m
Net bank debt to total assets		24.4%
Adjusted NTA ¹		\$1.22
Portfolio		
Portfolio occupancy		97.0%
Weighted average lease term		4.3 years

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

Financial results



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For the year ended	31-Mar-10	31-Mar-09	Variance	
	[\$m]	[\$m]	[\$m]	[%]
Total revenue	188.6	183.8	+4.8	+2.6
Net rental income	133.7	133.7	-	-
Operating profit before tax	73.4	69.9	+3.5	+5.0
Current tax expense	-10.7	-8.5	-2.2	-25.9
Non-cash adjustments ¹	-1.6	-0.4	-1.2	-300.0
Distributable profit after tax	61.1	61.0	+0.1	+0.2
Property revaluations [fair value change]	-74.7	-215.1	+140.4	+65.3
Interest rate derivatives [fair value change]	4.0	-54.1	+58.1	+107.4
Other non-operating items	-1.1	-1.0	-0.1	-10.0
Deferred tax benefit/(expense)	-1.7	40.3	-42.0	-104.2
Profit/(loss) after tax	-12.4	-168.9	+156.5	+92.7
Full year cash distribution [cpu]	7.50	8.00	-0.50	-6.3

1 Comprises rental income resulting from straight-lining of fixed rental increases, movement in cash flow hedge reserve and other non-cash rental income adjustments

Financial performance

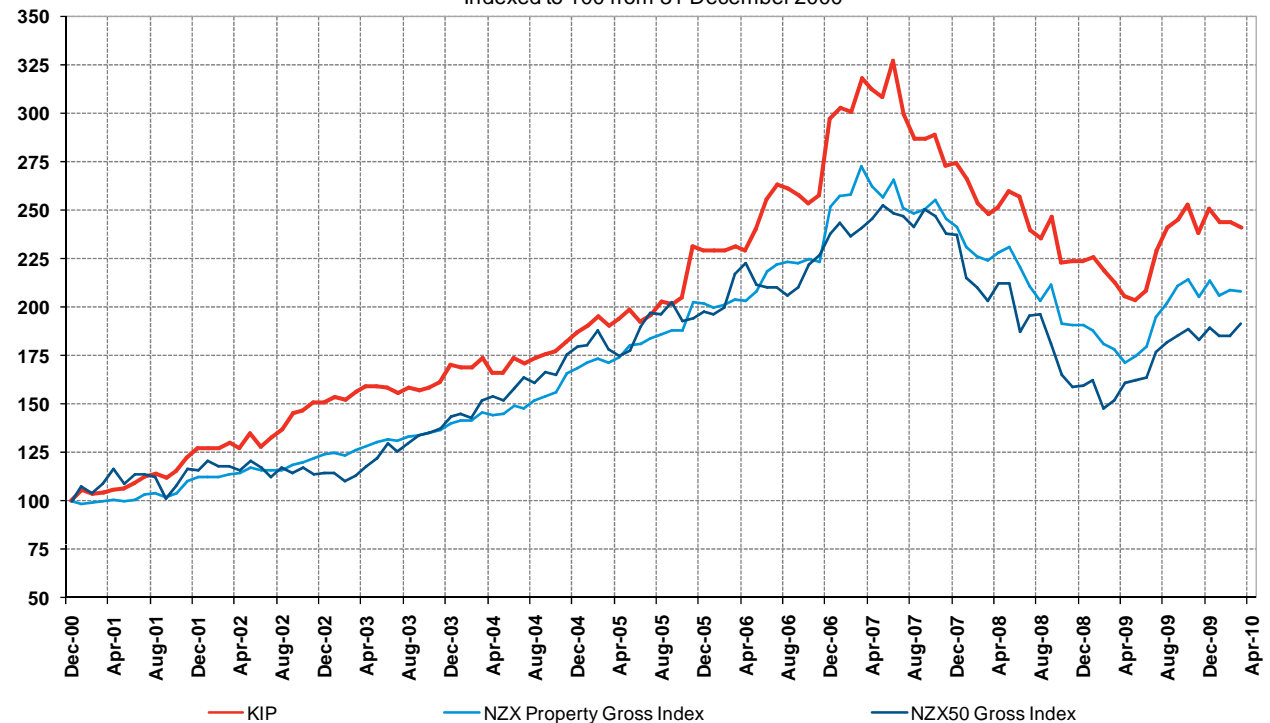
Total returns



- The Trust has generally out-performed the two NZX indices over the longer term
- Cumulative average Total Return¹ of **~9.4%** per annum since inception of the Trust

Total returns For the periods to 31-Mar	Annual	3 year	5 year
	[%pa]	[%pa cum]	[%pa cum]
KIP [Unit Price \$1.00]	13.5	-8.8	4.9
NZX 50 Gross Index	26.2	-7.3	1.5
NZX Property Gross	16.7	-8.6	4.0

Indexed Gross Returns ^{2,3}
Indexed to 100 from 31 December 2000



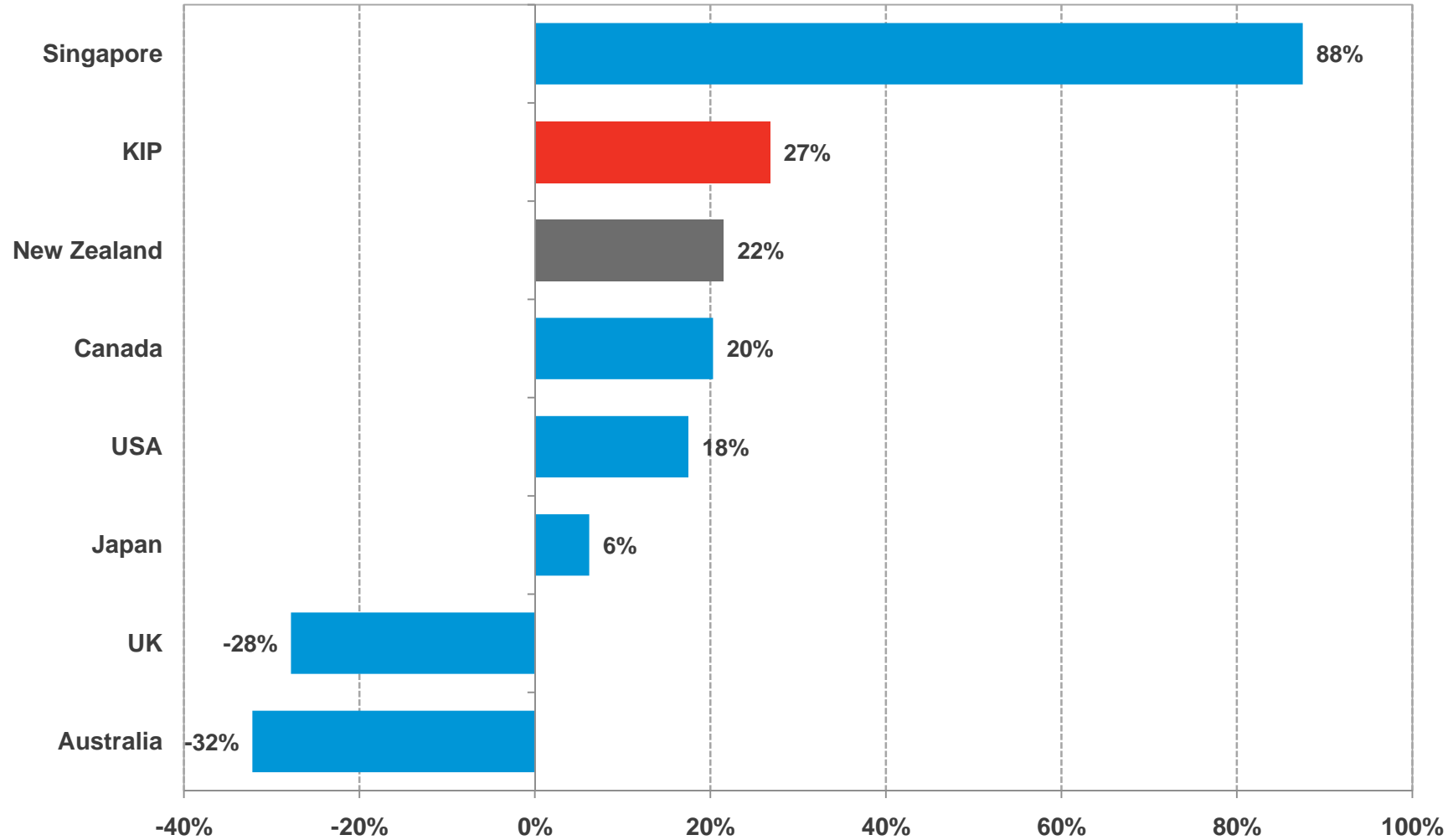
- 1 Total Return means the return, including unit price movements and the reinvestment of all cash distributions and imputation tax credits
- 2 Gross Return means the return including price movements and reinvested dividends (excluding imputation tax credits)
- 3 Source data obtained from NZX

Financial performance

Global property total returns



Five years ended 31-Mar-10



Source: Goldman Sachs JB Were Research

Financial performance
Capital management initiatives



Initiative	Value	Date
	[\$m]	
✓ Institutional Placement	50	8-Apr-09
✓ Unit Purchase Plan	15	8-Jun-09
✓ Asset sale [Fisher & Paykel Finance Building]	12	15-Jun-09
✓ Asset sale [BP House]	26	4-Aug-09
✓ Mandatory Convertible Notes	120	8-Dec-09
TOTAL	223	

– These initiatives:

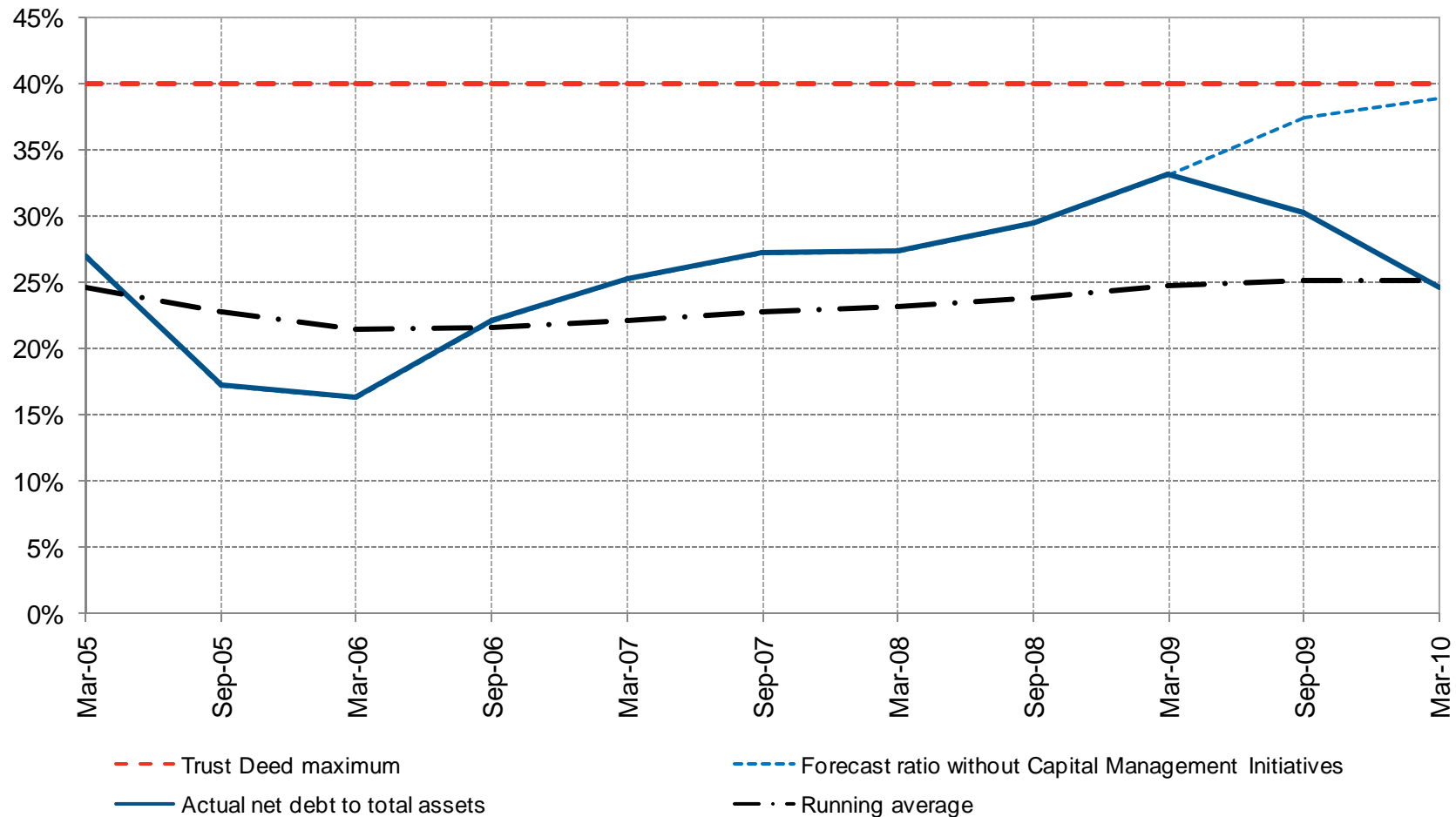
- Reduce the Trust’s reliance on bank debt
- Provide greater flexibility ahead of the bank debt refinancing program
- Maintain the Trust’s diversity of funding
- Extend the duration of funding
- Provide flexibility to consider value added investment opportunities

Financial performance

Net debt to total assets



— The average net debt to total assets ratio over the past five financial years is approximately **25%**



Financial performance

Financial position



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Financial position As at	31-Mar-10	31-Mar-09	Movement	
	[\$m]	[\$m]	[\$m]	[%]
Assets				
Property assets	1,848.7	1,906.2	-57.5	-3.0
Cash on deposit	117.8	2.9	+114.9	+100.0
Other assets	18.3	18.5	-0.2	-1.1
	1,984.8	1,927.6	+57.2	+3.0
Liabilities				
Secured bank debt	571.0	634.0	+63.0	+9.9
Mandatory convertible notes	261.7	143.0	-118.7	-83.0
Deferred tax liability	177.6	177.0	-0.6	-0.3
Other liabilities	66.0	62.1	-3.9	-6.3
	1,076.3	1,016.1	-60.2	-5.9
Unit holder funds	908.6	911.5	-2.9	-0.3
Net bank debt to total assets¹	24.4%	32.9%	+8.5%	
Adjusted NTA²	\$1.22	\$1.37	-\$0.15	-10.9%

– Reduction in gearing provides greater balance sheet flexibility

1 Calculated as bank debt less \$113.8 million MCN proceeds over total assets (excluding MCN proceeds on deposit)

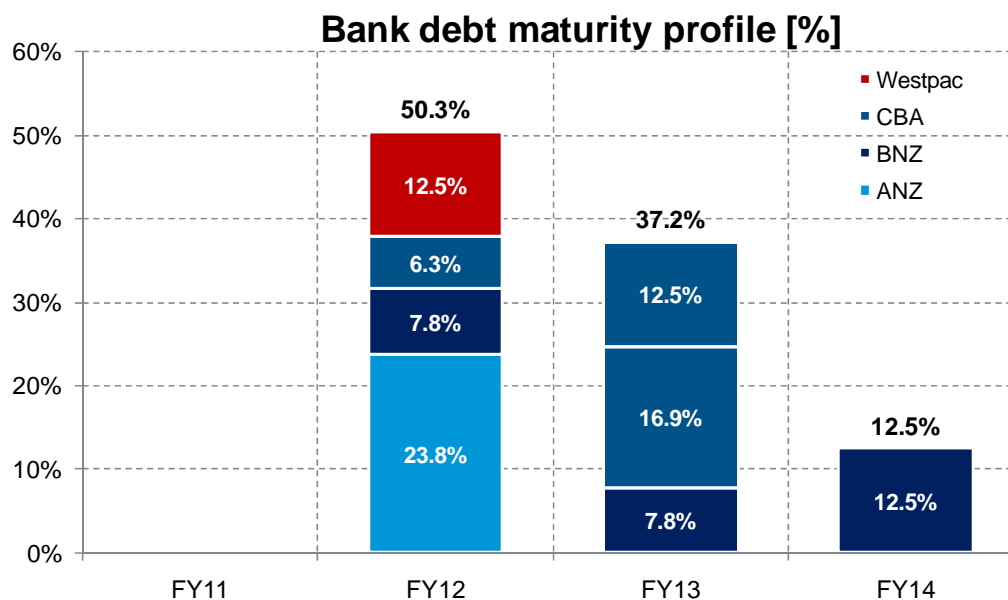
2 Adjustment of NTA refers to the exclusion of deferred tax on revaluation gains and other items that will not crystallise

Financial performance

Debt - Facility summary



Bank facilities	31-Mar-10	31-Mar-09
Bilateral facilities [ANZ, BNZ, CBA and Westpac]	\$800m	\$800m
Balance drawn	\$571m	\$634m
Balance undrawn	\$229m	\$166m
Cash on deposit	\$118m	\$3m
Weighted average cost of debt [incl. margins & fees]	7.07%	6.45%
Weighted average term to maturity of facilities	1.9 years	2.9 years



Valuation and portfolio statistics



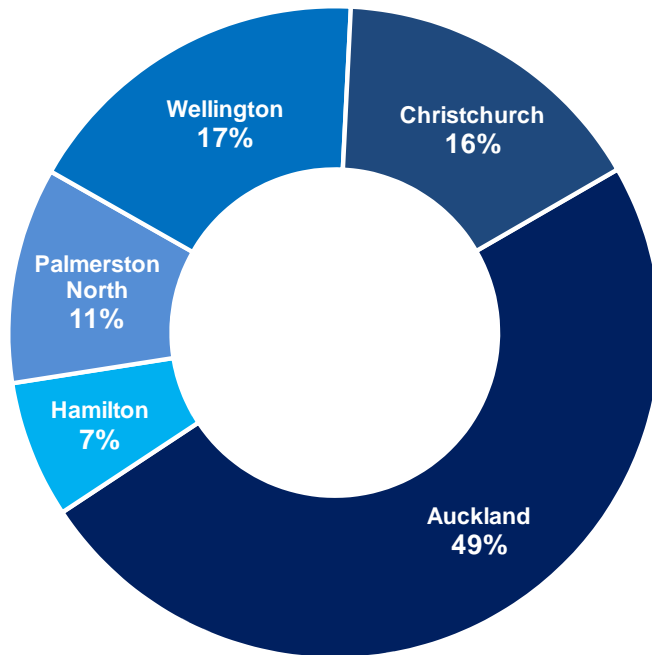
	Mar-10	Mar-09	Mar-08	Mar-07
Portfolio value	\$1.85b	\$1.91b	\$2.06b	\$1.92b
Net valuation increase/(decrease)	-\$74.7m	-\$215.1m	+\$64.7m	+\$226.2m
Weighted average capitalisation rate	7.86%	7.70%	6.97%	6.92%
Weighted average lease term	4.3 years	4.3 years	4.9 years	5.4 years
Portfolio under-rented	0.0%	4.1%	6.2%	5.4%
Portfolio occupancy	97.0%	98.7%	99.1%	98.7%

Diversification: Sector and regional

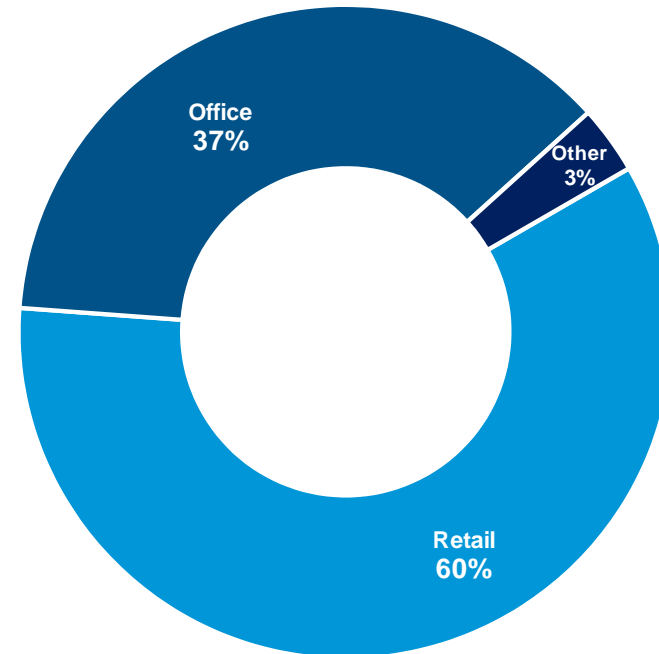


By value	Auckland	Wellington	Christchurch	Palmerston North	Hamilton	TOTAL [% Total by Sector]
Retail	25%	5%	13%	11%	6%	60%
Office	22%	12%	3%	-	-	37%
Other	2%	0%	0%	0%	1%	3%
TOTAL [% Total by Region]	49%	17%	16%	11%	7%	100%

Regional diversification by value



Sector diversification by value



Portfolio review

Diversification: Tenant

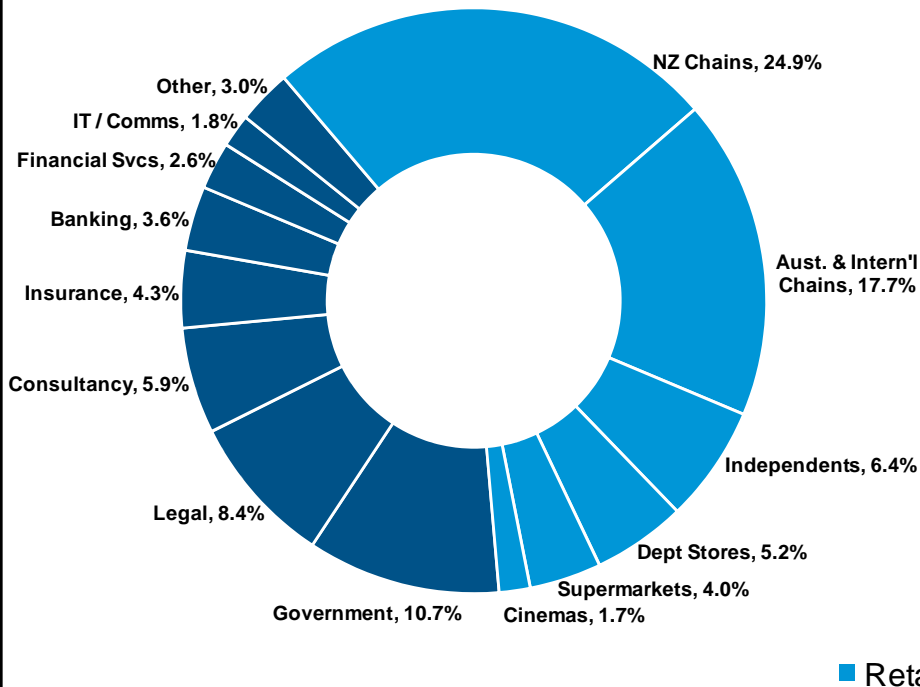


- The portfolio contains over **790** retail and office tenants
- The **top 20** tenants comprise 'blue-chip' organisations and underpin the portfolio's performance

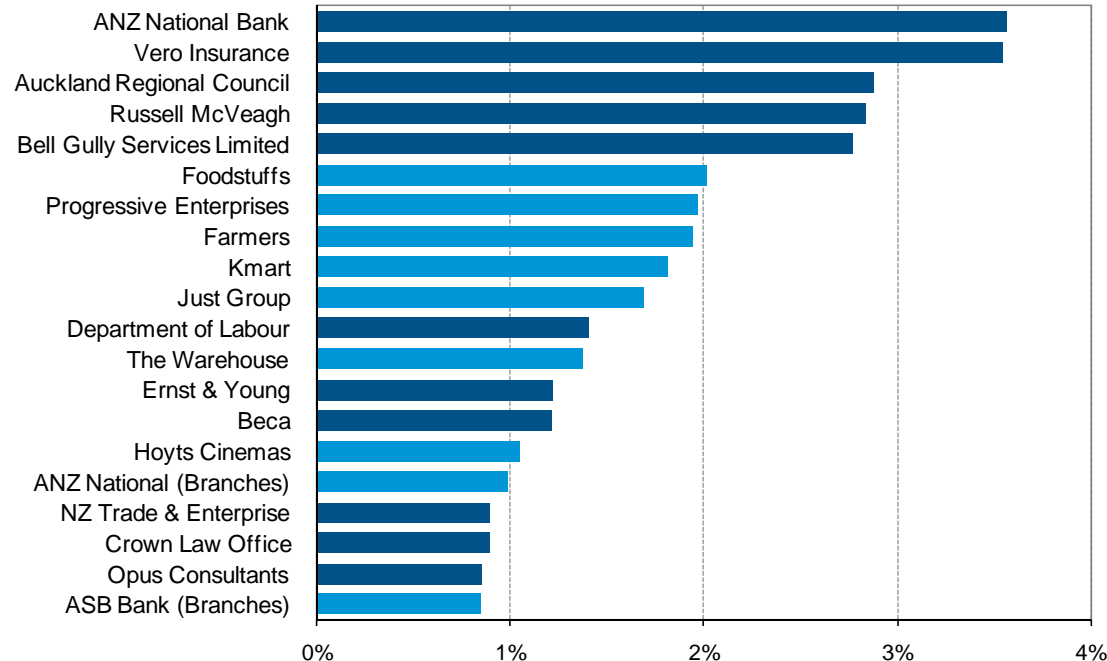
Analysis of property portfolio

Portfolio	No. Tenants	NLA	Gross income
Retail	83%	55%	60%
Office	17%	45%	40%
Top 20 tenants	3%	52%	36%

Tenant diversification [by industry]



Top 20 tenants by gross income % of investment portfolio



Lease and rental activity

- On average, **14%** of total rental income expires in each of the next five years
- Substantial lease activity concluded:
 - **645** new leases or rent reviews completed
 - 153,000 sqm of net lettable area (~**44%** of the investment portfolio)
- Good rental growth achieved:
 - **\$4.4 million (5.2%)** above prior passing rental (or budget for development leases)
 - Average annual compound growth rate of **4.5%** from rental review activity

Portfolio review
Office markets



	Auckland	Wellington
Supply [Nov-09]	~80,000 sqm of largely pre-committed space over the next two to three years	~95,000 sqm of predominantly A-grade space over the next three years with 88% pre-commitment
Vacancy [Dec-09]	13.3% overall at Dec-09, forecast to increase to between 14% to 17% by 2013	6.1% overall at Dec-09, forecast to increase to between 10% to 12% by 2011
Rentals [Dec-09]	Reducing. Forecast to decrease slightly over next two years but rally thereafter	Reducing. Forecast to decrease over next two years but recover from 2012
Sales	Volume increasing Recent \$177 million sale of 80 Queen Street representing an equivalent yield of 7.67% & IRR of 9.73%	Volume increasing

Portfolio review

Retail sales and gross occupancy costs

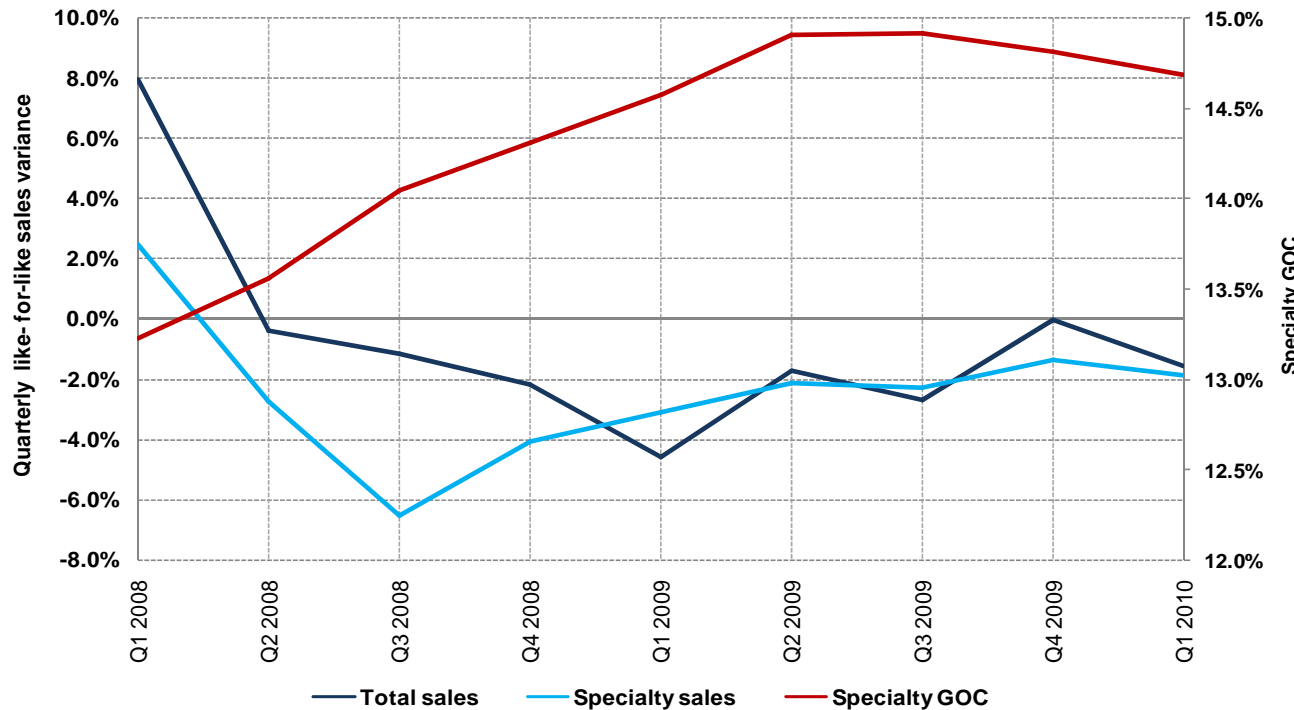


Sales and gross occupancy costs [Incl. GST] For the year ended	31-Mar-10	31-Mar-09	Variance	
Portfolio moving annual turnover [\$m]	1,045.5	1,045.8	-0.3	-0.0%
Like-for-like moving annual turnover [\$m]	957.3	969.4	-12.1	-1.2%
Specialty gross occupancy costs [GOC]	14.7%	14.7%	-	

Portfolio sales

- Specialty sales remained constrained for most of the year however signs of improvement have emerged from Dec-09
- Like-for-like sales movement:
 - Supermarkets **+2.6%**
 - Department stores **+1.0%**
 - Disc. Dept. stores **-7.7%**
 - Cinemas **+12.7%**
 - Mini majors **-3.7%**
 - Specialty **-1.5%**

Sales and GOC
Quarterly movement analysis



Specialty GOC

- Remains at **14.7%**, the same as the prior year

Added value

The Plaza Shopping Centre



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Centre statistics	Before	On Completion
NLA [sqm]	19,700	32,292
Major tenants	Kmart, Countdown	Kmart, Countdown, Farmers
Mini-majors	-	JB Hi-Fi
Specialty shops	64	106
Carparks	684	1,211
Carpark ratio [per 100 sqm]	3.50	3.75

Project statistics	
Development budget	\$93 million
Target initial yield	7.25% - 7.40%
Budgeted base rent secured	100%
Project commenced	March 2008
Project completed	18 March 2010 [JB Hi-Fi 14-May-10]



Added value
The Plaza Shopping Centre



**The Vision:
Concept Images
from 2007**



**The Reality:
Completion
Photos 2010**



Added value
The Plaza Shopping Centre



Added value

Sylvia Park plan change



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- Private plan change to support Auckland City Council’s vision for a comprehensively planned sub-regional centre with provision for retail, entertainment, office and residential activities
- Key provisions include:
 - Increase in total allowable GFA from 148,000 sqm to 250,000 sqm
 - Increase in allowable GFA for retail and entertainment activities from 75,000 sqm to 130,000 sqm
- The plan change was publicly notified in April 2010
- This is a long-term planning initiative for the Trust’s most valuable asset. Physical development to accommodate the variety of uses envisaged by the plan change will take place only as market conditions permit



Added value

ASB head office, Wynyard Quarter



Potential project statistics [Based on conditional contract]

Development budget	\$121 million
Target initial yield	8.78%
Net lettable area	18,000 sqm
ASB lease term	18 years
Construction start	June 2011
Project completion	June 2013

Market summaries

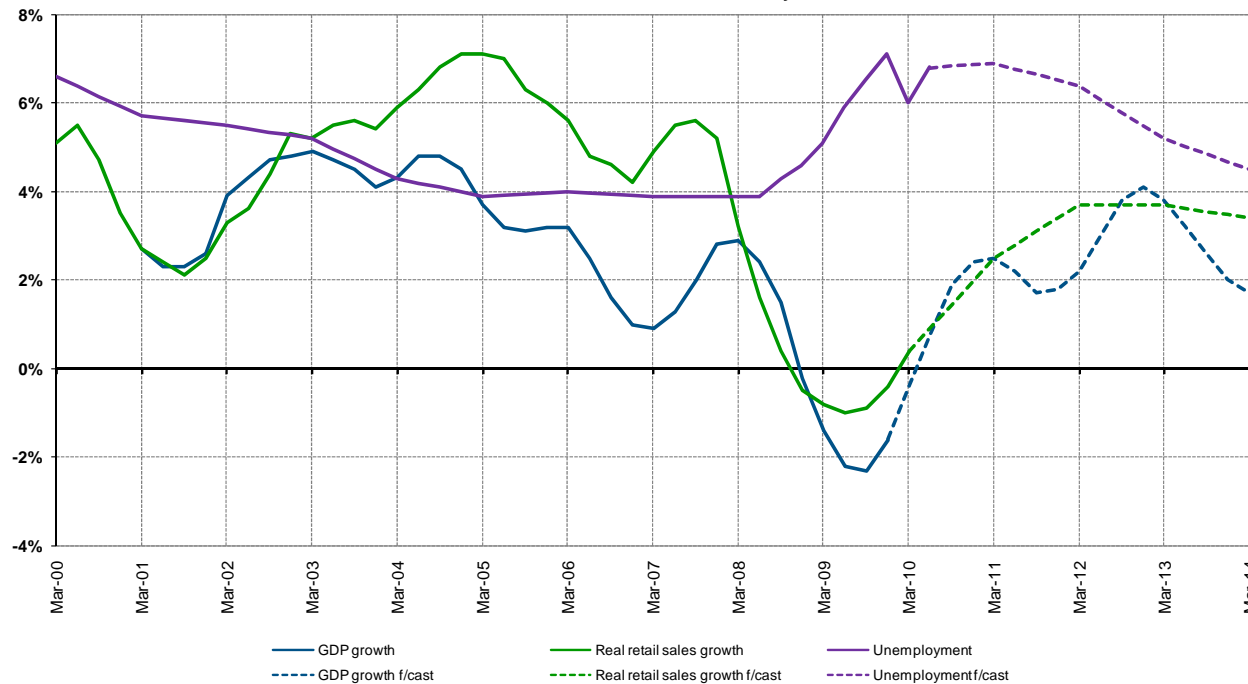
General economy

Indicator [at 31-Mar]	2008A	2009A	2010A/F	2011F	2012F
GDP growth	2.1%	-3.0%	2.8%	1.5%	3.0%
Private consumption growth	3.2%	-1.1%	0.5%	2.8%	1.3%
Unemployment	3.8%	5.0%	6.0%	6.9%	6.4%

- Economy out of recession
- positive GDP growth in three successive quarters to Dec-09
- 2010 expected to be a year of steady, if unspectacular, recovery

- Unemployment statistics rose to 7.1% in Dec-09, (the highest rate in 10 years). A substantial decrease to 6% was recorded in the Mar-10 quarter (the first fall since Dec-07 quarter). This has risen to 6.8% at Jun-10

New Zealand economic indicators and retail sales
Annual movement analysis



Market summaries

Summary of tax changes



– On 20 May 2010 the Government announced the following tax changes:

Budget announcement	Date effective	Impact to Trust
<ul style="list-style-type: none"> – Reduce personal tax rates across the board – Top tax rate reduced from 38% to 33% 	1 October 2010	Indirect
<ul style="list-style-type: none"> – Reduce company and PIE¹ tax rates from 30% to 28% 	1 April 2011	Favourable
<ul style="list-style-type: none"> – Increasing GST from 12.5% to 15% 	1 October 2010	Indirect
<ul style="list-style-type: none"> – Elimination of depreciation on building structures – Further review of depreciation on items classified as “fit-out” 	1 April 2011	Unfavourable

– **Implications to economy:** The changes are expected to be stimulatory for economic growth, with:

- An estimated lift of 0.4% in GDP in the four years to 2014 and 0.9% in the seven years to 2017
- Budget deficits expected to peak at 4.3% of GDP in 2011 then narrow to 1.3% by the end of 2013. A surplus is expected by 2016, two years earlier than previously projected
- A reduction in Government borrowings. Net debt is forecast to rise from 14.1% of GDP in the current year to a peak of 27.4% of GDP in 2015, and then falling thereafter

– **Implications to the Trust:** The tax changes are expected to reduce distributable profit by ~5%

¹ Kiwi Income Property Trust is a Portfolio Investment Entity (PIE). Due to its PIE status, no further New Zealand tax is payable on cash distributions paid by the Trust

- Prospects improving for return to economic growth, with improved business and consumer confidence
- Economic recovery will initially benefit the retail sector as domestic consumption recovers
- Office sector recovery expected post vacancy peak about 2013
- Trust is expected to benefit from:
 - Strong financial position
 - Active management approach
 - Premium assets, diversified portfolio, solid tenant base
 - Potential investment opportunities at property cycle trough
- Projected cash distribution of approximately **7.00 cents per unit** for the year ending 31 March 2011, subject to economic conditions

ANNUAL MEETING

KIWI INCOME PROPERTY TRUST

12 August 2010



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