

NZX & MEDIA RELEASE

26 February 2010

DEVELOPMENT AGREEMENT WITH ASB BANK

Kiwi Income Property Trust announced today that it has entered into a conditional development agreement with ASB Bank Limited (ASB) to develop new head office premises for ASB in Wynyard Quarter on Auckland's waterfront.

Under the terms of the agreement ASB are to take an 18 year lease over approximately 18,000 square metres of office space designed to suit modern workplace philosophies in a building that will feature significant sustainable design elements. The development agreement sets out the respective and mutual objectives of the parties and provides for a high degree of collaboration. The financial objectives provide for Kiwi Income Property Trust to receive an initial net rental yield of 8.78% on development cost, and for ASB to secure its objectives in terms of maximum rent payable under the lease. The total development budget to be funded by the Trust under the agreement is \$121 million¹, subject to confirmation following completion of design, cost planning and construction tendering processes to be completed over the next 12 months. Construction is expected to commence by mid 2011, with completion scheduled prior to the expected lease commencement date in July 2013. The lease agreement provides for fixed annual rental increases of 2.5% p.a. throughout the 18 year term with a mid-term market rent review, subject to a 15% cap and collar arrangement.

The agreement remains conditional on a number of matters including approval by the board of the Manager of the Trust, Kiwi Income Properties Limited and the Trustee, New Zealand Permanent Trustees Limited.

The 6,800 square metre site for the development is at the corner of Jellicoe and Halsey Streets within the first stage of the Wynyard Quarter redevelopment on Auckland's waterfront. A conditional ground lease agreement has been entered into by the Trust with Auckland Regional Holdings (ARH) for an initial 90 year term with an option for the Trust to renew for up to a further 30 years. Ground rent for the initial 90 year term is via one upfront payment of \$16.5 million, payable on completion of the development.

The Wynyard Quarter redevelopment is a joint initiative between Auckland Regional Holdings (ARH) and Auckland City Council (ACC) that will see 29 hectares of land under their ownership transformed into a world class mixed use waterfront area. ARH, through its specialist subsidiary Sea+City Projects Limited, is leading and managing a design led transformation of this currently semi-industrial area into a vibrant and internationally successful part of Auckland's waterfront that will integrate with the Auckland CBD. ARH and ACC are committed to investing more than \$200 million into public infrastructure (most of which will be spent over the next 10 years) and to attracting private sector investment into the precinct of \$2-3 billion over the next 25 years.

This first stage of the Wynyard Quarter development by ARH and ACC is scheduled for completion before the September 2011 Rugby World Cup and comprises a cycling and pedestrian bridge connection between Jellicoe Street and the Viaduct Basin; a new Events Centre; a major upgrade of the Jellicoe Street urban landscape including Silo Park; and food, beverage and entertainment facilities on North Wharf. Also planned are a permanent and expanded seafood market run by Sandfords and marine facilities aimed at the super yacht refit industry.

Chief Executive of the Manager of the Trust, Chris Gudgeon, said "this represents a rare and attractive investment opportunity for the Trust to lease head office premises to ASB for a minimum term of 18 years. ASB first established premises in Queen Street in 1847, and since that time has become one of Auckland's most respected institutions. This new location for ASB's head offices is a prime waterfront site within what will progressively become a landmark precinct for Auckland City."

A proposed change to Auckland City Council's district plan, Plan Change 4, was notified by ACC in 2007 to provide the necessary zoning to give effect to the entire Wynyard Quarter development masterplan. The Trust's agreements with ARH and ASB are conditional on this zoning being secured to facilitate the issue of resource consent required for the proposed ASB development.

The Trust will fund the development from the proceeds of the \$120 million Mandatory Convertible Note (MCN) issue completed in December 2009.

For the purposes of the NZX Listing Rules, ASB and the Trust are technically "Related Parties". This is because both Kiwi Income Properties Limited, the Manager of the Trust, and ASB are owned by the Commonwealth Bank of Australia (CBA). The Trust has received a waiver from NZX from the requirement to obtain Unit Holder approval for the

development. The waiver was sought on the basis that the development and leasing transaction is on arm's length terms and the decision to undertake the development was not influenced by the Trust's relationship with ASB. Ernst & Young provided an independent report to NZX in support of the waiver application which confirmed that, in Ernst & Young's view, the transaction is on arm's length terms and therefore fair to Unit Holders not associated with CBA. As a condition of providing this waiver NZX requires the directors of the Manager to provide certain certifications to NZX in support of the waiver.

Note 1: The \$121 million development budget in the ASB development agreement includes the \$16.5 million ground rent pre-payment, and a holding cost allowance of \$11.1 million calculated on a conventional interest cost capitalisation approach.

As the MCN proceeds are to be utilised as specific borrowings for the purposes of the development, accounting rules require the MCN interest, net of interest earned on the proceeds, to be capitalised as a project cost from the time the land for the development is unconditionally secured (expected to be the fourth quarter of 2010).

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For further information please contact

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About Kiwi Income Property Trust

Kiwi Income Property Trust's objective is to optimise returns for its Unit Holders through the careful acquisition, development and professional management of its property portfolio. The Trust is listed on the New Zealand Stock Exchange and is ranked within the top 15 on the NZX 50 Index, and is a member of the NZX 10 Index.

The total value of the Trust's property portfolio is \$1.83 billion. Assets include:

Key Retail Assets

Sylvia Park Shopping Centre	Auckland
Centre Place Shopping Centre	Hamilton
The Plaza Shopping Centre	Palmerston North
North City Shopping Centre	Porirua
Northlands Shopping Centre	Christchurch

Key Office Assets

Vero Centre	Auckland
National Bank Centre	Auckland
21 Pitt Street	Auckland
The Majestic Centre	Wellington
Unisys House	Wellington
44 The Terrace	Wellington
50 The Terrace	Wellington
PricewaterhouseCoopers Centre	Christchurch

Kiwi Income Property Trust's website address is www.kipt.co.nz