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INVESTOR UPDATE



WELCOME. While the impact of last year's global financial crisis and economic recession lingers in the New Zealand marketplace, there are still excellent opportunities to be pursued. As well as offering attractive investment returns, such opportunities can deliver significant social and economic benefit to local and regional communities, and to New Zealand as a whole. This issue of Investor Update includes the latest news on two key Trust projects which fit that mould: the proposed new ASB head office development in Auckland's Wynyard Quarter; and The Plaza Shopping Centre redevelopment in Palmerston North. The former is part of a landmark Auckland City project that I believe will help to define the city in years to come, just as Darling Harbour has for Sydney. The latter is a major multi-stage project that has now been completed, to widespread approval. If you wish to know more about these or any other Trust initiatives, please visit our website or contact us. We're always pleased to hear from investors.

CHRIS GUDGEON, CHIEF EXECUTIVE, KIWI INCOME PROPERTIES LIMITED

TRUST TO DEVELOP NEW ASB HEAD OFFICE IN AUCKLAND'S WYNYARD QUARTER

IN LATE FEBRUARY 2010, THE TRUST ENTERED INTO A CONDITIONAL AGREEMENT WITH ASB BANK LIMITED (ASB) TO DEVELOP THE BANK'S NEW HEAD OFFICE PREMISES ON A PRIME AUCKLAND WATERFRONT LOCATION. THE STATE-OF-THE-ART BUILDING WILL SIT IN THE HEART OF THE AUCKLAND CITY-LED WYNYARD QUARTER, WHICH CHIEF EXECUTIVE CHRIS GUDGEON DESCRIBES AS "A WORLD CLASS REDEVELOPMENT FOR THE CITY."

"The ASB head office development represents a rare and attractive investment opportunity for the Trust to lease head office premises to ASB, for a minimum of 18 years," said Mr Gudgeon. "The building will be located on a prime waterfront site within what will progressively become a landmark precinct for Auckland City."

Under the conditional agreement, the development budget to be funded by the Trust is \$121 million, subject to confirmation following design, cost planning and construction tendering. ASB will take out an 18-year lease over approximately 18,000m² of office space and the Trust is to receive an initial net rental yield of 8.78% pa on the development cost. The agreement allows for fixed annual rent increases of 2.5% throughout the 18 years, with a mid-term market rent review that is subject to a 15% maximum increase or decrease.

"IT'S A PRIME WATERFRONT SITE WITHIN WHAT WILL PROGRESSIVELY BECOME A LANDMARK PRECINCT FOR AUCKLAND CITY." – CHRIS GUDGEON

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

The ASB building will sit on a 6,800m² site, on the corner of Jellicoe and Halsey Streets. As with the entire Wynyard Quarter, land ownership is to be retained by Auckland City so the Trust has entered into a conditional ground lease agreement with Auckland Regional Holdings (ARH) for a 90-year term, with an option to renew for up to another 30 years. A one-off payment of \$16.5 million to ARH on completion of the development covers the Trust's obligation to pay ground rent for the entire initial 90 year term. "This arrangement protects the Trust from the negative impact that typical ground leases create where annual ground lease payments can increase over the term of the lease. Also, the 120 year total lease term creates a virtual freehold interest from a valuation perspective," said Mr Gudgeon.

"The concept plans for the ASB building are still at a very early stage - they will evolve," emphasised Mr Gudgeon. "But the focus is already clear. We are looking at a very environmentally sustainable building including an energy-efficient air conditioning system which uses convection to naturally ventilate the building."

"WYNYARD QUARTER IS NOTHING LESS THAN A TRANSFORMATIONAL PROJECT FOR THE CITY. IT WILL HELP AUCKLAND TO MAKE ITS MARK AS A CITY ON THE INTERNATIONAL STAGE." – CHRIS GUDGEON

Other eco-friendly measures include energy-efficient lighting, rainwater recycling, passive heating and cooling, and environmentally responsible construction materials. "We believe it's a building that matches Auckland City's landmark aspirations for the entire Wynyard Quarter redevelopment," said Mr Gudgeon.

- Subject to confirmation of the agreement, construction of the ASB building is planned to commence mid-2011
- ASB's planned lease commencement date is July 2013
- The building will fit within Auckland City's height limitations for Wynyard Quarter
- Australian architects Bligh Voller Nield have worked on other award-winning ASB properties, including Sovereign House in Takapuna.



Concept drawing of Wynyard Quarter

KEY TENANTS EXTEND AT VERO CENTRE

THE MANAGER IS PLEASED TO ANNOUNCE TWO NEW LEASE AGREEMENTS WITH FINANCIAL INSTITUTIONS GOLDMAN SACHS JBWERE AND CRAIGS INVESTMENT PARTNERS AT THE TRUST'S FLAGSHIP OFFICE BUILDING, THE VERO CENTRE.

Both companies are existing tenants in the Centre. A six-year lease extension has been agreed with Goldman Sachs JBWere on levels 38 and 39 for 1,758m² of office space, with the expiry date now extended out to September 2016.

Craigs Investment Partners have extended their lease commitment on level 32 (1,243m²) out to March 2021. As part of the agreement, Craigs surrendered 600m² of surplus space on level 31 from January 2010.

These new lease agreements extend the building's weighted average lease term to 5.0 years. "The fact that such influential companies have chosen to significantly extend their lease commitments at the Vero Centre reaffirms the Centre as Auckland's most prestigious business address," said Miles Brown, Manager – Commercial Portfolio.



THE WYNYARD VISION

THE WYNYARD QUARTER REDEVELOPMENT WILL CREATE A WORLD CLASS, MIXED-USE WATERFRONT AREA. OVER A THIRD OF THE 29 HECTARES WILL BE HIGH QUALITY, ACCESSIBLE PUBLIC SPACE.

This landmark project is a joint initiative between Auckland Regional Holdings (ARH) and Auckland City Council (ACC). A specialist subsidiary of ARH, Sea+City Projects Limited, is leading the design and redevelopment.

All 29 hectares of Wynyard Quarter are city-owned. Current zoning is primarily for marine and industrial activities: the plan change that allows for redevelopment is currently in its final stages.

It's a vast project. ARH and ACC have committed to invest a total of over \$200 million in public infrastructure across Wynyard Quarter. Expectations are for private sector investment totalling some \$2-3 billion over 25 years. Ultimately, projections are that some 14,000 people will be working, and 7,000 living, within the precinct.

Initial developments will include facilities to help the marine industry earn some \$200 million

per annum from refitting super yachts. An events centre and public areas in Jellicoe Street will be in place for the 2011 Rugby World Cup. There will be an expansion of the seafood market run by Sanford.

Scheduled for completion for the 2011 Rugby World Cup:

- Cycling and pedestrian bridge between Jellicoe Street and the Viaduct Basin – Te Wero Bridge
- Marine Events Centre
- Major upgrade of the Jellicoe Street urban landscape including Silo Park
- Food, beverage and entertainment facilities on North Wharf.

For more information about the ASB development, and Wynyard Quarter in general, visit the Sea+City website www.seacity.co.nz or email the Trust on info@kipt.co.nz



LIDO LUXURY AT CENTRE PLACE

THE NEW LIDO CINEMA IS FAST GAINING A REPUTATION AS HAMILTON'S LUXURY MOVIE EXPERIENCE.

Fourteen chandeliers, ornate gold mirrors, wide designer chairs and a schist stone effect counter all make for an outstanding movie experience – at the same ticket price as other local cinemas.

The Lido screens a mix of art house and mainstream movies, creating a real point of difference. The cinema opened in November 2009 after undergoing a \$950,000 refurbishment.



1. Proposed ASB head office site 2. North Wharf 3. Marine Events Centre 4. Interim Te Wero Bridge

DOWNTOWN PLAZA RENAMED CENTRE PLACE

TO STRENGTHEN ITS POSITION IN THE MARKETPLACE, DOWNTOWN PLAZA IN HAMILTON WAS RECENTLY RENAMED CENTRE PLACE SHOPPING CENTRE.

The name change for the Trust owned shopping centre creates synergy with the Centre Place brand. It unifies and supports the marketing and management strategies resulting in consistency under single ownership. This positive step can be expected to drive loyalty and sales growth in the medium term.

STAGE THREE OF THE PLAZA OPENS

DEPUTY PRIME MINISTER BILL ENGLISH OFFICIALLY OPENED STAGE THREE OF PALMERSTON NORTH'S THE PLAZA SHOPPING CENTRE.

The 18 March ribbon cutting ceremony followed a dawn blessing from Rangitaane, the local iwi. Chris Gudgeon, Chief Executive of the Manager of the Trust, was joined at the opening by Palmerston North Mayor Jono Naylor, city councillors, senior executives of Farmers Trading Company and a number of retailers from the centre. In his speech, the Deputy Prime Minister noted the significant contribution the redevelopment has made to the local economy.

The third and final stage of redevelopment features a new 7,200m² flagship Farmers department store and 32 new specialty stores. A new three-level car parking building provides 500 more spaces. In June, the retail offering will be enhanced with the opening of JB Hi-Fi, a leader in the entertainment and lifestyle sector.

"THE PLAZA PROVIDES A FIRST CLASS RETAIL OFFER IN THE HEART OF THE CITY THAT HAS BEEN DESIGNED TO APPEAL TO SHOPPERS FROM ALL OVER THE MANAWATU." – CHRIS GUDGEON

"The redevelopment of The Plaza has offered Farmers the opportunity to lease a new large flagship store. The fitout of the store is absolutely stunning, and it is sure to become recognised as one of the leading fashion and home stores in all of New Zealand," said Farmers Managing Director, Rod McDermott.

Stage three opened on schedule and fully leased with 99% of the budgeted base rent on completion secured. The redevelopment will be completed within the \$93 million capitalised cost budget. The redevelopment is projected to provide a yield of between 7.25% and

7.4% on capitalised cost for the first full year post completion, rising to more than 8.25% in the third year post completion, and to have a value on completion of approximately \$195 million.

"The Plaza Shopping Centre in Palmerston North has been comprehensively redeveloped to provide a first class retail offer in the heart of the city that has been designed to appeal to shoppers from all over the Manawatu. The boost to the local economy from our construction activities has been welcomed, as have the additional jobs created through the introduction of 35 new retailers who did not previously have a presence in the region," commented Mr Gudgeon.



PLANNING FOR GROWTH AT SYLVIA PARK

PLANS ARE UNDERWAY TO ALLOW FOR FUTURE DEVELOPMENT OF SYLVIA PARK.



"Sylvia Park has been open and trading for over two years. Auckland City Council (ACC) has identified Sylvia Park as one of the city's three principal centres, where future growth should take place," explained Andrew Buckingham, Sylvia Park's Project Director. "To make the most of Sylvia Park's favourable zoning, public transport links and excellent location, the Trust has proposed to ACC that the current concept plan be amended." Proposed changes include:

→ Allowing buildings up to 40 metres high with some provision for buildings up to 60 metres;

versus the present 15 metres and 24 metres, with some provision to 30 metres

→ Increasing total allowable floor area from 148,000m² to 250,000m²; with retail and entertainment activities capped at 130,000m² and all non-residential activities capped at 200,000m²

→ Allowing further public open spaces, including a new pedestrian plaza south of the SEART flyover, and a new public recreation area by Lynton Road, to be developed in collaboration with Council.

Further stages could include new office buildings along the Mt Wellington Highway frontage. Auckland City Council has consented to two new buildings and is considering an application for another two.

All new buildings will still need to go through a resource consent process. The plan change request is supported by comprehensive expert reports covering traffic, parking, urban design, landscape and visual, open space, retail, and engineering.

FINANCIAL CALENDAR

Key dates for investors are outlined below:

20 May 2010	Full year result announcement
16 June 2010	8.00% MCN conversion announcement date
21 June 2010	Payment of 8.95% MCN interest
23 June 2010	Payment of final distribution
30 June 2010	Payment of 8.00% MCN interest and conversion of 8.00% MCNs

Please note: These dates are indicative and may be subject to change.

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