



SEPTEMBER 2008 :: 02 Positive Outlook      03 Impressive Progress      04 Trust Benefits from Growth  
02 Leadership Matters      03 Building on the Local Community      04 P is for Pink

# INVESTOR UPDATE





**WELCOME.** As we can report in this second Investor Update of 2008, Kiwi Income Property Trust continues to deliver strong returns. While many sectors of the global economy face challenging times, here in New Zealand the demand for premium office and retail space continues. With a high quality and well diversified portfolio, the Trust is in a sound position. Read more in the article below, *Well Positioned for Positive Outlook*. In other news, this Update bids a respectful farewell to Angus McNaughton, the Trust's Chief Executive for over six years. Angus has relocated to Singapore, staying within the Group which owns the Trust's Manager. I have taken over as Chief Executive: you can read a little about my background below. As always, to find out more about the Trust, please visit [www.kipt.co.nz](http://www.kipt.co.nz) or contact us (details on page 4). Our best wishes to you, for the final quarter of the year.

CHRIS GUDGEON – CHIEF EXECUTIVE, KIWI INCOME PROPERTIES LIMITED.

## WELL POSITIONED FOR POSITIVE OUTLOOK

### IN AUGUST AN ADDITIONAL ROUND OF INDEPENDENT VALUATIONS WAS COMMISSIONED BY THE MANAGER OF THE TRUST

At that time KIPT Chairman Sean Wareing explained that "Valuations are usually updated annually, but with the nervousness in global investment markets, the Board considers it prudent to keep our Unit Holders as fully informed as we possibly can."

The updated valuations confirmed a general easing in property values, with the Trust's portfolio having decreased by approximately 2.5%, or \$51 million, in the six months to 30 September 2008. However, the outlook remains positive, said Mr Wareing.

"The Trust remains well positioned to continue to perform strongly in the more challenging environment we face with uncertainties in global financial markets. The Trust has a diversified high quality property investment portfolio with over 850 tenants and enjoys the benefits of a 99% occupancy level and prospects for rental growth. Furthermore, we do not expect this movement in portfolio value to adversely affect distributions to Unit Holders," Mr Wareing said.

"We expect continued high occupancy and rental growth across our portfolio. Our balance sheet is conservatively geared with committed and enduring debt facilities. Our NZSX listing provides a ready and liquid market for investors to buy and sell units," Mr Wareing said.

The Trust will continue to consolidate its position in the prime office and retail markets, through active property and asset management, tenancy remises, refurbishments, redevelopments and acquisitions.

Looking ahead to 31 March 2009, a normal round of valuations will be undertaken for full-year reporting. While it is difficult to forecast future movements in property values, particularly in the absence of significant comparable sales evidence, the softening trend in property values is expected to continue.



"But due to the quality of the portfolio we expect any movement to be reasonably contained," Mr Wareing said.

"We must remain cautious, but on the basis of no further major deterioration in economic conditions, we are projecting a cash distribution for the year ending 31 March 2009 of 9.0 cents per unit, representing an after tax yield of around 7.5% for domestic investors at current unit prices. This is equivalent to a pre-tax yield of over 11% for an investor who pays tax at a rate of 33%."

**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 RANKED WITHIN THE TOP 15 ON THE NZX50 AND IS A MEMBER OF THE NZX 10 INDEX.**

## LEADERSHIP MATTERS

For many years, Angus McNaughton played a significant role in the Trust's growth and investment performance. Mr McNaughton was with the Manager of the Trust for 14 years, culminating in over six years as Chief Executive. Under his stewardship, the Trust reinforced its position as New Zealand's leading property investment vehicle.

In July we bid farewell to Mr McNaughton. He has relocated to Singapore, staying within the wider Commonwealth Bank of Australia Group (which owns the Trust's Manager). We are grateful to Angus for his years of

effective leadership; and for his key role in the development of Sylvia Park.

The Trust has played a huge part in my life," said Mr McNaughton recently. "Leading such a strong management team has been an enormously satisfying experience. I'm delighted to say I am leaving with the Trust in a very sound position."

Taking over the role of Chief Executive is another very experienced person, Chris Gudgeon.

Mr Gudgeon commenced as Chief Executive in August 2008. He was previously General Manager Property with Auckland International

Airport Limited, and prior to that Chief Executive Officer of Capital Properties New Zealand Limited in Wellington. Chris has been involved in property investment, development and construction in New Zealand for over 20 years. He has a Bachelor of Engineering (Civil) from the University of Canterbury and an MBA from the Wharton School, University of Pennsylvania.

"I'm extremely pleased to be working with the Trust's management team as Chief Executive," said Mr Gudgeon. "We will continue to focus on maximising the performance of the existing portfolio and using every opportunity to add value."

# IMPRESSIVE PROGRESS

## THE \$93 MILLION REDEVELOPMENT OF THE PLAZA SHOPPING CENTRE IN PALMERSTON NORTH IS NOW WELL UNDERWAY

The mid-winter months saw concrete columns steadily rising from the centre's old carparking area – giving structure to a new three-level parking building that will offer approximately 550 new spaces. Together with the integration of the existing Countdown Supermarket into The Plaza, and a new 450-seat Foodcourt, the additional parking will greatly enhance the shopping experience.

Parking will be well-lit and there will be generous room for vehicles to manoeuvre. There will be a travelator and lift between carpark and centre, and a new parking management system will help ensure spaces are available. Carparking in the new building will be free for one hour, on completion of the overall project (scheduled for the second quarter of 2010).

"That's good news for shoppers," said The Plaza's Centre Manager, Andrew Heaphy. "At present we have commuters parking all day at The Plaza, forcing shoppers to park elsewhere. Most shoppers will still be able to park at The Plaza for free – the average time spent here is under an hour."

In mid-2009, construction is planned to begin on the new retail precinct, linking to a two-level Farmers Department Store and a further 500 carparks.

### COUNTDOWN ADDS TO THE EXPERIENCE

A major feature of the redevelopment project is the integration of the existing Countdown store into the shopping centre.

**"COUNTDOWN'S NEW ENTRANCE WILL CONNECT THE SUPERMARKET TO THE CENTRE. CUSTOMERS WILL HAVE THE CONVENIENCE OF SHOPPING AT THE PLAZA AND COUNTDOWN ON THE SAME TRIP."**

COUNTDOWN STORE MANAGER, GARRY TANNER

"The integration will increase foot traffic. It will deliver benefits for retailers and customers alike – shoppers will be spoilt for choice," said Mr Tanner. On completion in mid-2009, Countdown will also be the only supermarket in the city offering covered parking.

Another key store will be the new 350m<sup>2</sup> flagship surf-wear and accessories store Main Beach. Scheduled to open early 2009, Main Beach (formerly Colorado Surf & Jean) will be located near the Foodcourt, offering shoppers a range of products reflecting major surf stores in Australasia.

The \$93 million redevelopment and expansion of The Plaza was announced by Kiwi Income Property Trust in February 2008. As at early September 2008, the first retail stage, opening March 2009, was 88% leased in terms of budgeted income.

## THE PLAZA AT A GLANCE:

### OVERALL

- Total lettable area will increase from 19,700m<sup>2</sup> to 31,200m<sup>2</sup>.
- Existing centre finishes will be refurbished and many existing centre retailers re-leased or upgraded.
- The two main external facades will be redeveloped, maximising the prime Palmerston North CBD location.
- Strong mix of majors includes Kmart, Countdown Supermarket and Farmers Department Store.

### STAGE 1 – NEW FOODCOURT, CARPARKING, SPECIALTY RETAILERS

- Contemporary and vibrant new Foodcourt with seating for around 450 diners.
- Multi-level covered carpark.
- 17 new foodcourt and specialty retailers.

### STAGE 2 – SPECIALTY RETAILERS

- Approximately 13 new specialty retailers linking the Foodcourt and carpark entry with the existing Centre, including the Stage 3 extension mall leading to the new Farmers Department Store.

### STAGE 3 – FASHION/RETAIL, CARPARKING, FARMERS

- New two level 6,800m<sup>2</sup> flagship Farmers Department Store.
- Approximately 30 new and redeveloped specialty and kiosk tenancies to complement the existing retail mix.
- Another multi-level carpark bringing The Plaza's overall carparking to around 1,200 spaces in three key locations.

## BUILDING ON THE LOCAL COMMUNITY



### THE PLAZA IS A SHOPPING CENTRE FOR THE WHOLE MANAWATU COMMUNITY. SO WHEN IT CAME TO SELECTING A PROJECT TEAM, THERE WAS NO HESITATION IN USING LOCAL CONTRACTORS

The company heading the project, Lockwood Naylor, is a joint venture between local construction firm, McMillan & Lockwood and nationwide company, Naylor Love. Project Manager, Barry Robin, has worked for McMillan & Lockwood for 28 years.

"The Plaza redevelopment is a big project for the Manawatu – it's exciting from a construction point of view," said Mr Robin. "Once the ground foundations are complete and work begins on the new foodcourt, there will be approximately 80 local construction workers on site," he explained.

About 95% of the redevelopment will be undertaken by local companies, providing a major boost to the Manawatu economy. The construction programme remains on track despite the recent run of poor weather, with work progressing six days a week.

## ARTWORK AT THE VERO CENTRE



### "THE WALL OF WORDS"

The Wall of Words celebrates the words which define us as a nation. The work, by many New Zealanders (including some comments by foreigners about us) is intended to create the impression of millions of words – the expressions of New Zealanders about ourselves and our country.

Many of the quotations are familiar, others less so. Some are beautiful, some funny, some inspirational. Collectively, they paint a picture of who we are, of our relationships with each other and with our environment.

Key phrases leap out. For example: "A great land, uplifted high" ... "he tangata, he tangata, he tangata!" ... "New Zealand begins with the sea and ends with the sea". These leading words spill downward, merging into smaller words. The viewer is tempted to come closer, to discover more words, some screen-printed on glass. The sum is an impressive expression of who we are.

## TRUST BENEFITS FROM STRONG RENTAL GROWTH IN THE CAPITAL

OVER THE LAST FOUR YEARS, WELLINGTON'S COMMERCIAL OFFICE MARKET HAS BEEN ONE OF NEW ZEALAND PROPERTY'S STRONGEST PERFORMERS

The growth has been driven largely by increasing demand for space from Government agencies and departments, which form the backbone of Wellington's tenants.

Research from CB Richard Ellis shows vacancy rates have dropped from 6.0% in June 2003 to 2.5% in June 2008, which is the lowest level on record. Prime sector vacancy rates are lower still, at 0.8%.

The decrease in vacancy rates has led to uplifts in rents. Prime rents rose 15.2% in the last 12 months alone, and by as much as 50% in the last five years. Secondary rents increased to a lesser degree but still enjoyed 9% uplift in the last 12 months.

The Trust has five commercial buildings located in the Wellington CBD, so it is well positioned to capitalise on the favourable market conditions.

Over the last 12 months renewals were secured for a number of large, blue chip tenants including Department of Labour, Commerce Commission, IBM and Unisys – whom together occupy over 18,000m<sup>2</sup> of space. Without exception, agreed rent reviews reflected growth in excess of 30% – commensurate with the market.

On top of rental growth, the Wellington office market has recorded good capital growth, with yields compressing sharply in the four years ending December 2007, before easing off in the last six months as a result of the credit crunch. At the beginning of this upswing in 2004, the Trust purchased two assets on The Terrace, Unisys House and Vector Building, for a total of \$63.4 million. In September 2008, the two assets were revalued at \$120.9 million.



## P IS FOR PINK

OCTOBER IS INTERNATIONALLY KNOWN AS BREAST CANCER AWARENESS MONTH

Here, it's the month for The New Zealand Breast Cancer Foundation's major fundraising event. Each year, groups and individuals around New Zealand run events to support the Foundation. This year, the Trust's portfolio of shopping centres have pooled resources to support the Foundation's quest for funds. Stylish, eco-friendly shopping bags have been designed: while the campaign has a common theme, each centre is offering their customers unique bags. Centres will be selling bags to the public throughout October, with all funds going directly to the Foundation.

Additional events and activities within the centres – such as a fashion parade and an auction – will also help to inspire public support. "All funds we can help raise will be valuable. But the Trust's shopping centre teams hope to reach over \$30,000," said Jo Allen, Marketing Manager, Sylvia Park. "The Foundation is such an important organisation – we're determined to do all we can to help."

## MORE SYLVIA PARK CARPARKING FOR CHRISTMAS



CONSTRUCTION OF SYLVIA PARK'S FOUR NEW LEVELS OF CARPARKING IS ON TARGET FOR COMPLETION IN DECEMBER 2008 – TO MEET THE CHRISTMAS RUSH.

The \$14 million project will provide a major addition to the existing two-level north-east carpark, creating space for another 750 cars. In all, the completed six-level carpark will offer 1,120 spaces. Across the centre, there will be over 4,000 spaces, significantly more than any other shopping centre in New Zealand.

### PROJECT HIGHLIGHTS:

- New pedestrian footbridge connects level 2 to the upper level of the mixed-use precinct
- New lobby connects the centre to the carpark, with two 30-person lifts, a travelator between ground and first level, and stairs to all levels
- Enhanced safety measures such as speed ramps.

## FINANCIAL CALENDAR

12 Nov 2008	Interim Result Announcement
3 Dec 2008	Interim Distribution Record Date
15 Dec 2008	Payment of Interim Distribution
22 Dec 2008	MCN Interest Record Date
31 Dec 2008	Payment of MCN Interest

Please note: Dates are indicative only and may be subject to change.

## CONTACT DETAILS YOUR FEEDBACK IS WELCOME

PHONE +64 9 359 4000  
FAX +64 9 359 3997  
WEBSITE [www.kipt.co.nz](http://www.kipt.co.nz)  
EMAIL [info@kipt.co.nz](mailto:info@kipt.co.nz)

DISCLAIMER: This Investor Update has been prepared by Kiwi Income Properties Limited as the Manager of Kiwi Income Property Trust. The information is general information only. It is not intended as investment or financial advice and must not be relied upon as such. You should obtain independent professional advice prior to making any investment decision. This Investor Update is not an offer or invitation for subscription or purchase of securities or other financial products. Past performance is no indication of future performance.