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INVESTOR UPDATE



Welcome to the Spring 2007 issue of Investor Update.

News in this edition includes the move by the Manager into the National Bank Centre, and the large number of Aucklanders using the train to visit Sylvania Park. To find out more about Kiwi Income Property Trust please visit www.kipt.co.nz or contact us (details on page 4).

Angus McNaughton – Chief Executive, Kiwi Income Properties Limited.

TRAIN TRAVEL TO SYLVIA PARK PROVES POPULAR

Shoppers can now travel to and from Sylvania Park by train, thanks to the opening of the Sylvania Park Railway Station on 1 July 2007.

Trains arrive at the Sylvania Park station every 10-15 minutes during peak times and a trip to or from the Auckland CBD takes about 20 minutes. Travellers from Devonport on the North Shore can reach Sylvania Park in 40 minutes, regardless of Auckland City traffic congestion.

In an effort to encourage people to use the train, 400 ticket books, each providing

ten three-stage trips, have been offered to retail staff at Sylvania Park. That adds up to 4,000 train journeys.

While official passenger counts are not available, unofficial counts suggest that since the station opened on 1 July 2007, midweek usage has been around 1,000 passengers a day, in line with forecasts. These counts were made during the July school holidays and

followed the opening of Sylvania Park Stage IV. More recent unofficial counts suggest train passenger numbers remain steady.

“All in all, it’s a very promising start for the station. Next up, everyone involved is looking at ways to increase train usage, particularly during off-peak hours and at weekends,” said Kiwi Income Properties Limited, Chief Executive, Angus McNaughton.



Mark Gosche MP opens Sylvania Park Station.



Winners being interviewed by Sticky TV.

HARRY POTTER MAGIC AT SYLVIA PARK

It was an almighty quest for the greatest Harry Potter fan in New Zealand. Paper Plus teamed up with Sticky TV for the search. Three hundred Harry hopefuls came from all around the country and on 20 July the three finalists and their families arrived in Auckland for the “Paper Plus Greatest Harry Potter Fan quiz”, filmed at Sticky TV.

The quiz contributed to the mania surrounding Harry Potter and the Deathly Hallows, released on 21 July. At 9.25am that morning, the Paper Plus Express departed Britomart Station for Paper Plus Sylvania Park, packed with 250 fans, including the quiz finalists and their families.

Outside the Sylvania Park Paper Plus, a roving magician and a face painter entertained the large crowd. At 10.31am the first new book carton was delivered to the stage. Fifteen minutes later, the finalists were presented with their awards which included a Casio Digital Camera, Paper Plus Gift Cards and Sylvania Park Gift Vouchers.

At 11.00am the countdown began and at one minute past, New Zealand’s number one Harry Potter fan received the country’s first copy of the Deathly Hallows.

The Paper Plus Express, Sticky TV and MORE FM live crossovers attracted large crowds and made this a magic event.

KINETIC ART BRINGS UP VALUE

Assignment Device by Christchurch sculptor Andrew Drummond adds a spectacular dimension to the lobby floor art collection in the Vero Centre.

The brass kinetic wheel is eight and a half metres in diameter and is set into the lobby floor – as if in a colliery or part of a scientific experiment. Two hundred black resin crystals are attached to the spokes of the huge wheel and catch the light as it revolves.

How does the artist describe the work?

“A glinting machine which brings up value from underground.” Regardless of meaning, it’s unquestionably impressive.



LIGHTING THE WANDS

Since the Trust acquired its interest in The Majestic Centre in 1994, the question has been asked many times: “How do you change the light bulbs in the wands?”



Nine light ‘wands’ extend from above the level-29 plant rooms of the iconic Wellington building. Each wand is a steel tube, 10m long and 200mm in diameter, with an electrical cable running through to a polycarbonate sphere that houses the lamp.

Each wand is firmly bolted into place but can be retracted for maintenance and replacement of bulbs. Winches drag the wands back along rollers, bringing them within the building and allowing the spheres to be safely unbolted to access the lamps.

In the run-up to Christmas, coloured bulbs are installed into the wands. It’s a three-day job – and the process has to be repeated in January to put back the normal bulbs.

To reduce the costs of maintenance, labour and electricity, new fibre optic lighting is being explored. This could make changing the colour of the wands as simple as flicking a switch.

SEARCH FOR YOUNG STARS

Talented young New Zealanders deserve every bit of encouragement they can get. So each year, two Trust shopping centres host major talent quests.

North City in Porirua recently held their seventh ‘Shooting Star Talent Search’, while Northlands in Christchurch held their tenth ‘Star Search’. Both quests seek out their region’s best young performer. There are categories for children aged 5-11 and 12-16, with three place getters in each category plus an overall winner.

More than 250 performers hit the stage at North City this year and Northlands attracted more than 150 contestants. Both talent quests were smash hits with large audiences to applaud the young stars. The Northlands’ final was fronted by Aaron Gilmore, 2006 Dancing with the Stars winner. Brendon Pongia, host of Good Morning and an ex-Tall Black, was a celebrity judge for North City’s final.

This year’s winners walked off with prizes of shopping centre gift vouchers. The two overall winners’ schools also received a prize, with McDonald’s in Northlands generously donating \$1,000.

A former Northlands winner, Hayley Westenra, went on to become an internationally acclaimed singer and a UNICEF Ambassador. Other young stars have appeared on television, played lead roles in musicals and achieved success in performing arts competitions.



North City’s Junior and Overall Winner Diana Atelia with Nick Tansley (left) and Brendon Pongia (right).

OFFICE LOBBIES MODERNISED

The Trust is committed to ongoing redevelopment and refurbishment of existing assets in order to attract and retain tenants.

Recent office upgrades include the lobbies of Unisys House in Wellington and 21 Pitt Street in Auckland. Both environments have been modernised and improved.

The new 21 Pitt Street lobby design was influenced by the building's largest tenant, Auckland Regional Council, with the design

taking cues from Auckland's Regional Parks. The upgrade also included creating a new café – Veluto – which provides a fresh new meeting place.

Unisys House lobby now has three significant sculptural works by a Wellington artist, Richard Wedekind, continuing the Trust's patronage of New Zealand arts.

Looking ahead, work on upgrading the lobby in Auckland's National Bank Centre will commence soon.

ANNUAL MEETING ATTRACTS MANY INVESTORS

More than 160 people attended Kiwi Income Property Trust's 14th Annual Meeting at the Sylvia Park Hoyts cinema complex in August 2007.

Speaking to Unit Holders, Chairman of the Trust's Manager, Kiwi Income Properties Limited, Sean Wareing, said the positive outlook for the Trust was underpinned by strong demand for superior-quality office and retail space. Mr Wareing said "high occupancy levels and the continued dominance of the Trust's assets at the top end of the office and retail markets were adding value for investors."

"Strong demand from tenants reinforced the benefits of enhancing value through tenancy remixes, refurbishments and new development projects," he said.

"In particular, the Sylvia Park retail project has been a huge success. The Board of the Manager is delighted with the completion of the final

stage of the shopping centre and the opening of the Sylvia Park Railway Station."

All four stages of the Sylvia Park project had been completed on time and on budget, he said.

"The exceptional location, the accessibility and overall quality of Sylvia Park have generated strong commitment from iconic retailers," he noted.

"The leasing team have delivered New Zealand's best ever tenancy mix."

Across the entire portfolio, at 31 March 2007 the Trust's assets stood at \$1.93 billion, an increase of \$481.6 million over the previous year.

PIE BENEFITS KIWI INVESTORS

Kiwi Income Property Trust investors will be better off under the Portfolio Investment Entity (PIE) tax regime, which comes into force on 1 October 2007.

Under the new set of tax rules, New Zealand residents will not be required to pay additional tax on cash distributions from the Trust. Capital gains and any benefits from depreciation and other tax allowances will be passed on to most investors.

The first distribution from the Trust under the PIE regime will be the interim dividend for the six months to 30 September 2007, payable in December.

The positive impact of the PIE regime on New Zealand residents is illustrated in the table below, which compares the after-tax cash dividend for the year to 31 March 2007 with the projected after tax dividend for the year to

31 March 2008. The projected cash dividend of 8.8 cents per unit, which is based on a continuation of current economic conditions, represents a 5.5% increase over last year's cash dividend of 8.34 cents per unit.

More good news is to come with the Trust's tax rate dropping from 33% to 30% from 1 April 2008. This means that the Trust will pay less tax on its taxable income, thereby increasing the cash available for distribution.

Another way of looking at this tax benefit is that New Zealand resident investors in the Trust's units will pay less tax given the top tax rate will have dropped to 30% for investments in PIEs.

	AFTERTAX CASH DIVIDEND PER UNIT			
NZ UNIT HOLDER TAX RATE	39%	33%	19.5%	0.0%
FY07 – PREVIOUS REGIME	5.856	6.432	7.728	8.340
FY08 – PIE REGIME	8.800	8.800	8.800	8.800
% CHANGE	50.3%	36.8%	13.9%	5.5%

MOVING TO NEW PREMISES

The National Bank Centre will soon be the new office headquarters for the Manager.

The Manager and its head office team will move to levels 14 and 15 of the Trust's National Bank Centre in the last week of November.

The move follows the acquisition of an additional 50% interest in the building in November 2006 to give the Trust 100% ownership.

OUR NEW ADDRESS, PHONE AND FAX NUMBERS FROM 3 DECEMBER 2007 WILL BE:

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FINANCIAL CALENDAR

MID NOV '07	Announcement of Half Year Result
MID DEC '07	Dividend Payment and Interim Report mailed
3 JAN '08	Interest Payment on Mandatory Convertible Notes

CONTACT DETAILS

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