# INTERIM RESULT

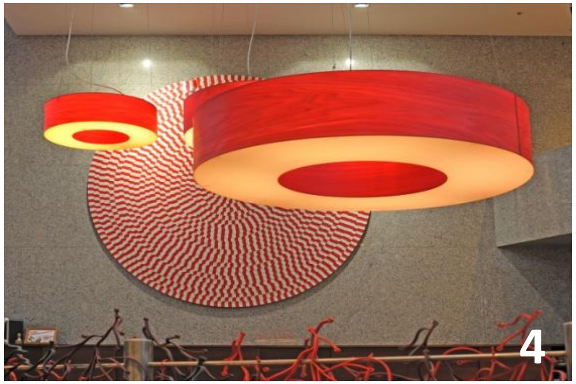
## For the six months ended 30 September 2011

## KIWI INCOME PROPERTY TRUST

16 November 2011

Chris Gudgeon Chief Executive, Kiwi Income Properties Limited
Gavin Parker Chief Financial Officer, Kiwi Income Properties Limited

# Agenda



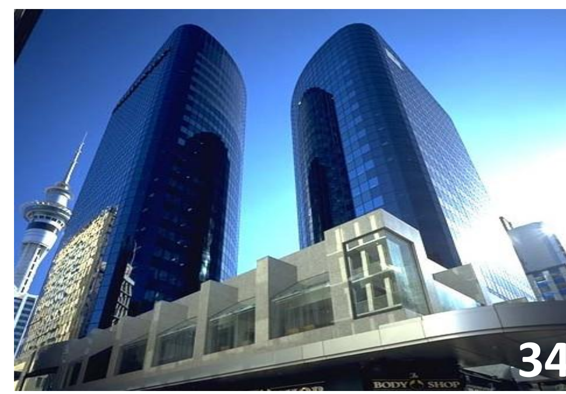












**Appendices:**



Unless otherwise stated all statistics are as at 30 September 2011 and stated in New Zealand dollars

KIWI INCOME PROPERTY TRUST

Colonial First State Global Asset Management

# Interim result overview

Interim result presentation for the six months ended 30 September 2011

# Highlights



**Operating performance**

- Distributable profit before tax of $43.8 million, **up $6.8 million**
- Distributable profit after tax of $36.0 million, **up $3.0 million**
- Interim distribution of 3.50 cents per unit, in line with guidance

**Balance sheet and capital management**

- Total assets sit at **$2.1 billion**
- Net bank debt to total assets ratio of **33.5%**
- Post the period, **$592.5 million** of bank debt facilities renewed and extended
- Bank debt weighted average term increased from 2 to **4 years**

**Investment returns**

- Total return since inception of the Trust **9.74% per annum**
- Outperformed the NZ Property Gross Index and the NZX 50 Gross Index over the 10-year period

**Portfolio performance**

- Core portfolio occupancy rate stable at **97.2%**
- Weighted average lease term stable at **4.0 years**
- Retail sales recovering and affordability ratios improving
- Northlands Shopping Centre sales **up 19%** over the prior year

# Retail portfolio activity



## Centre Place

- Completed the foodcourt and dining lane in September 2011
  - Completed on time, on budget, fully leased and positively received
- Asset devalued to $86.5 million due to competitive impacts
- $39.9 million redevelopment announced

| Foodcourt and dining lane<br>Key project metrics | |
|---|---|
| Total development cost | $10.0m |
| Initial yield | 8.5% |
| Dining lane | 6 cafes/restaurants |
| Foodcourt | 10 operators<br>470 seats |




# Office portfolio activity



## PricewaterhouseCoopers Centre

- $94.9 million insurance claim submitted for material damage and business interruption
- Agreement reached that building is a constructive total loss and will be demolished at the insurer's expense
- Insurer offer to settle claim for $47.4 million not accepted
- For accounting purposes $71.2 million of insurance proceeds have been recognised as income. This reflects the mid-point of the Trust's submitted claim and the insurer's offer

**Treatment in the financial statements**

- $71.2 million of insurance proceeds recognised as income and $67.5 million (net of payments received) recorded as a current receivable
- Building component written down from its book value of $25.8 million to Nil
- Residual land recorded at independently assessed value at Sep-11 of $4.5 million
- $1.2 million current tax expense recognised in respect of the business interruption component
- $5.1 million deferred tax liability provided for depreciation recovered

## 50 The Terrace

- Sold for $6.4 million:
  - Sale price in line with March 2011 valuation
  - Settled on 23 September 2011

# Office portfolio activity



## The Majestic Centre

- Seismic evaluation undertaken for office assets
- Strengthening works to be undertaken at Majestic Centre
  - Current building performance 34-40% of New Building Standard (NBS)
  - Categorised as 'moderate risk' according to the New Zealand Society for Earthquake Engineering classification system
  - Above minimum 34% requirement, hence no legal requirement to strengthen
- Proposed strengthening work to be undertaken as soon as practicable
  - To achieve 'low risk' classification
  - Target minimum 70% of NBS
  - Preliminary cost estimate $35 million, funded by existing debt facilities
  - Bulk of works to be completed within 18 months
- Intention to minimise disruption and complete as soon as possible
- Property value written down by $35 million to $66 million, pending completion of works

# Office portfolio EQ performance



- The New Zealand Society for Earthquake Engineering (NZSEE) has produced a risk classification scale for property based on a building's structural performance relative to a 'New Building Standard' (%NBS score)
- The minimum standard is 34% and upgrades are not legally required for properties at or above this level
- The Trust's aim is for all properties to be assessed as 'low risk' and will seek solutions for any properties not meeting this higher criteria
- The table below outlines the NZSEE risk category criteria and how the office properties owned by the Trust rank

| Description | Grade | Risk | %NBS | Trust properties |
|---|---|---|---|---|
| Low risk building | A or B | Low | 67% or above | Vero Centre - 100%<br>National Bank Centre - 133%<br>21 Pitt Street - 80-100%<br>Unisys House - 70% (except 2,000 sqm annex = 55%)<br>44 The Terrace - 70-80% |
| Moderate risk building | B or C | Moderate | 34 – 66% | The Majestic Centre - 34-40% |
| High risk building | D or E | High | 33% or below | |

# Insurance premiums



- The Trust's insurance policy is due for renewal on 30 November 2011
- The Christchurch earthquake events have created a challenging insurance market characterised by:
  - A significant increase in premiums
  - A change in excess for Natural Disaster events from a '% of loss' to a '% of value', with the % varying from 2.5% to 10% depending on location / risk profile
- Insurance companies looking to reduce their exposure to the New Zealand market and Christchurch in particular
- The Manager is leveraging off our parent (Commonwealth Bank of Australia) to negotiate as favourable terms as possible in the market, and the existing panel of insurers (led by Vero Specialist Risks) have committed to the renewal program
- Insurance premiums expected to increase from \$2.7 million per annum to ~\$4.8 million per annum (+80%) which translates into an increase in property operating expenses of ~\$5.50 per sqm/per annum across the portfolio
- Approximately 80% of the Trust's leases are net leases, meaning the majority of the increase in premiums will be met by tenants in the first instance

# Financial review

Interim result presentation for the six months ended 30 September 2011

# Financial performance



| Financial performance For the six months ended | 30-Sep-11 | Restated[1] 30-Sep-10 | Variance | |
|---|---|---|---|---|
| | $m | $m | $m | % |
| Gross rental income | 100.7 | 93.2 | +7.5 | +8.0 |
| Property operating expenditure | -28.7 | -25.8 | -2.9 | -11.2 |
| **Net rental income** | **72.0** | **67.4** | **+4.6** | **+6.8** |
| Net interest expense[2] [Appendix 1] | -23.8 | -24.9 | +1.1 | +4.4 |
| Manager's fees | -5.4 | -5.1 | -0.3 | -5.9 |
| Other expenses | -1.6 | -1.3 | -0.3 | -23.1 |
| **Operating expenses** | **-30.8** | **-31.3** | **+0.5** | **+1.6** |
| **Operating profit before tax** | **41.2** | **36.1** | **+5.1** | **+14.1** |
| Property revaluations [fair value change] | -65.0 | -0.8 | -64.2 | -100.0 |
| Impairment of investment properties | -27.3 | - | -27.3 | -100.0 |
| Interest rate derivatives [fair value change] | -8.8 | -14.4 | +5.6 | +38.9 |
| Insurance proceeds | 71.2 | - | +71.2 | +100.0 |
| Other non-operating items | -0.4 | -0.7 | +0.3 | +42.9 |
| **Profit before tax** | **10.9** | **20.2** | **-9.3** | **-46.0** |
| Tax expense[1] | -9.4 | -6.5 | -2.9 | -44.6 |
| **Profit after tax** | **1.5** | **13.7** | **-12.2** | **-89.1** |

| Key movements in net rental income | $m |
|---|---|
| Sylvia Park | +0.7 |
| LynnMall | +7.7 |
| Centre Place | -2.0 |
| PwC Centre | -2.2 |
| Other | +0.4 |
| **Net rental income movement** | **+4.6** |

1 Due to an amendment to NZ IAS 12 – Income Taxes, the 30 September 2010 deferred tax expense was restated by $132.2 million. This had a corresponding impact on the profit/(loss) after tax. The loss after tax was previously $118.5 million

2 Shown net of interest income and interest capitalised

# Distributable profit



| Distributable profit<br>For the six months ended | 30-Sep-11 | 30-Sep-10 | Variance | |
|---|---|---|---|---|
| | $m | $m | $m | % |
| Operating profit before tax | 41.2 | 36.1 | *+5.1* | *+14.1* |
| Business interruption insurance proceeds received | 2.1 | - | *+2.1* | *+100.0* |
| Non-cash rental adjustments[1] | 0.5 | 0.9 | *-0.4* | *-44.4* |
| **Distributable profit before tax** | **43.8** | **37.0** | ***+6.8*** | ***+18.4*** |
| Current tax expense | -7.8 | -4.0 | *-3.8* | *-95.0* |
| **Distributable profit after tax** | **36.0** | **33.0** | ***+3.0*** | ***+9.1*** |

| Interim distribution [cpu]<br>For the six months ended | 30-Sep-11 | 30-Sep-10 | Variance | |
|---|---|---|---|---|
| Distributable profit after tax[2] | 3.71 | 3.39 | *+0.32* | *+9.4%* |
| Cash distribution | 3.50 | 3.50 | - | - |
| Imputation credits | 0.65 | 0.49 | *+0.16* | *32.7%* |
| Gross distribution | 4.15 | 3.99 | *+0.16* | *4.0%* |

**In respect of the 30 September 2011 distribution**:

- eligible for reinvestment
- DRP discount of 2%
- 1-Dec-11 record date
- 20-Dec-11 payment date

1 Includes rental income resulting from straight-lining of fixed rental increases and other non-cash adjustments
2 Calculated using the number of units entitled to the distribution

# Financial position



| Financial position<br>As at | 30-Sep-11<br>$m | 31-Mar-11<br>$m | Movement<br>$m | <br>% |
|---|---|---|---|---|
| **Assets** | | | | |
| Property assets | 1,923.3 | 1,984.7 | *-61.4* | *-3.1* |
| Cash on deposit | 89.5 | 107.3 | *-17.8* | *-16.6* |
| Insurance proceeds | 67.5 | - | *+67.5* | *+100.0* |
| Other assets | 25.5 | 20.6 | *+4.9* | *+23.8* |
| **Total assets** | **2,105.8** | **2,112.6** | ***-6.8*** | ***-0.3*** |
| **Liabilities** | | | | |
| Secured bank debt | 760.5 | 759.0 | *+1.5* | *+0.2* |
| Mandatory convertible notes | 117.9 | 117.6 | *+0.3* | *+0.3* |
| Deferred tax liability | 103.7 | 99.6 | *+4.1* | *+4.1* |
| Other liabilities | 113.3 | 93.5 | *+19.8* | *+21.2* |
| **Total liabilities** | **1,095.4** | **1,069.7** | ***+25.7*** | ***+2.4*** |
| **Unit holder funds** | **1,010.4** | **1,042.9** | ***-32.5*** | ***-3.1*** |
| Net bank debt to total assets[1] | *33.5%* | *32.7%* | | *-0.8%* |
| Trust Deed gearing [requirement <40%] [2] | *36.1%* | *35.9%* | | *-0.2%* |
| Net tangible asset backing | *$1.04* | *$1.07* | *-$0.03* | *-2.8%* |

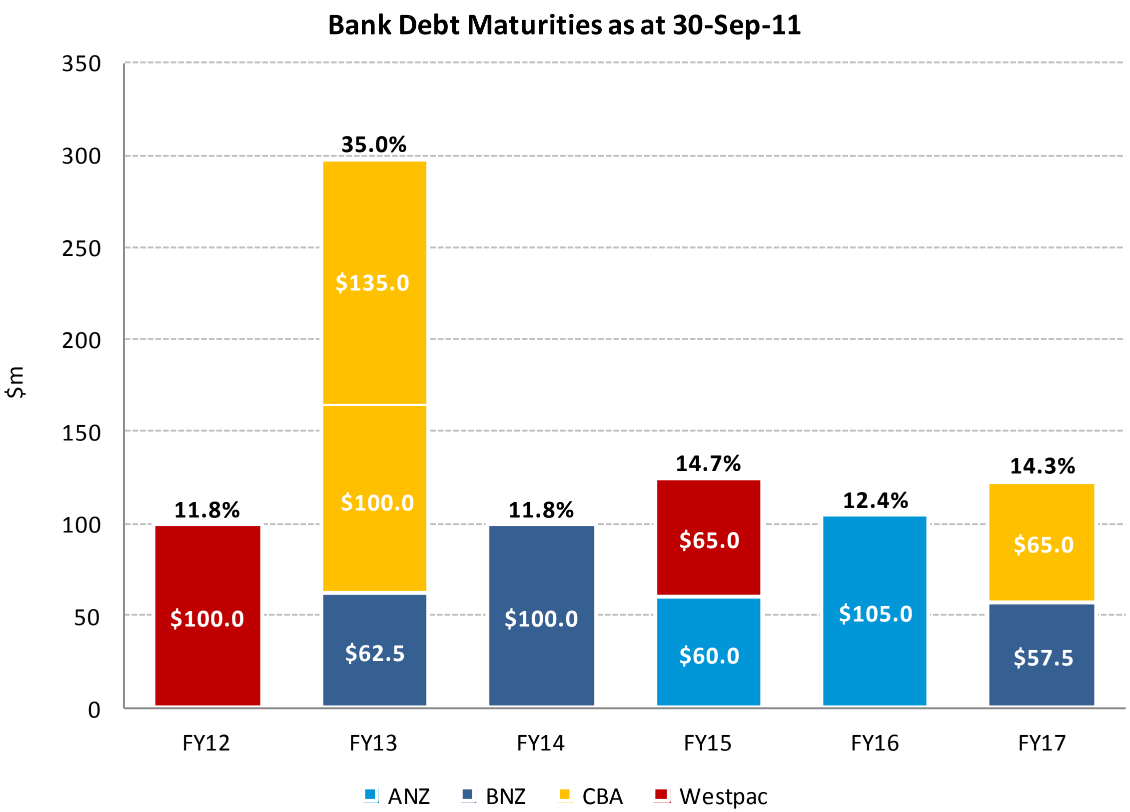
| Key NTA movements | $m | $/unit |
|---|---|---|
| Fair value movements | | |
| Centre Place | -30 | -0.03 |
| The Majestic Centre | -35 | -0.04 |
| Derivatives | -8 | -0.01 |
| PwC write-off | -27 | -0.03 |
| Insurance proceeds | +71 | +0.07 |
| Other /rounding | -4 | +0.01 |
| **Net movement** | **-33** | **-0.03** |

1 Calculated as secured bank debt less $84.3 million (Mar-11: $102.0 million) MCN proceeds over total assets (excluding MCN proceeds on deposit)

2 Calculated as secured bank debt over total assets

# Bank debt





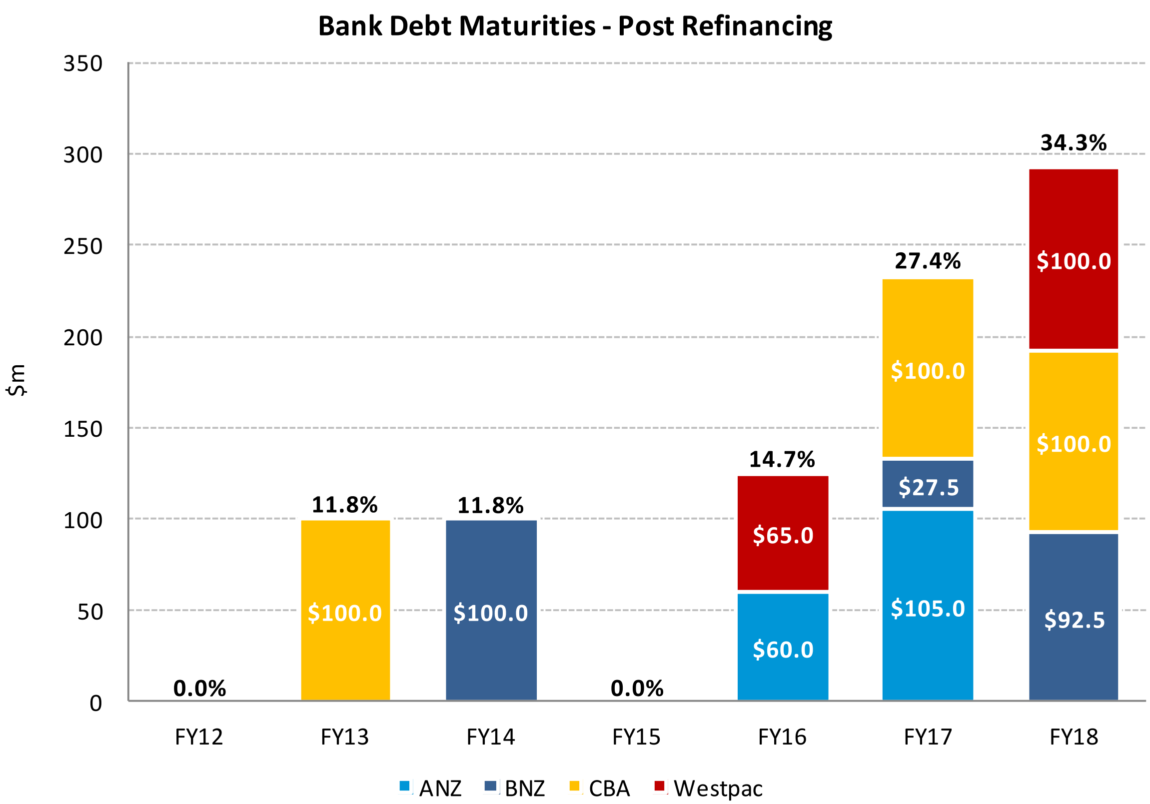

| Bank facilities | 30-Sep-11 | 31-Mar-11 |
|---|---|---|
| Bilateral facilities | $850.0m | $800.0m |
| Balance drawn | $760.5m | $759.0m |
| Balance undrawn | $89.5m | $41.0m |
| Cash on deposit | $89.5m | $107.3m |
| Weighted cost of debt [incl. margins & fees] | 6.43% | 6.71% |
| Weighted term to maturity | 2.0 yrs | 2.4 yrs |

| Key covenants | 30-Sep-11 | 31-Mar-11 |
|---|---|---|
| Interest cover ratio[1] [Requirement >2.25 times] | 3.19 times | 3.71 times |
| Debt to total assets [Requirement <40%] | 36.1% | 35.9% |

1 Calculated as net rental income over net interest expense (excluding MCN interest)

# Post period bank debt refinancing






- Bank debt refinancing:
  - $297.5 million due to expire in March/April 2012 has been renewed and extended with new maturity dates between April 2016 and April 2017
  - A further $295.0 million of facilities with expiries in April 2014, April 2015 and May 2016 were each extended for a further 12 months
- Post the refinancing:
  - Weighted average term to maturity increases by 2 years to 4 years
  - Allocation to each bank is:

    ANZ $165.0 million (19.4%)

    BNZ $220.0 million (25.9%)

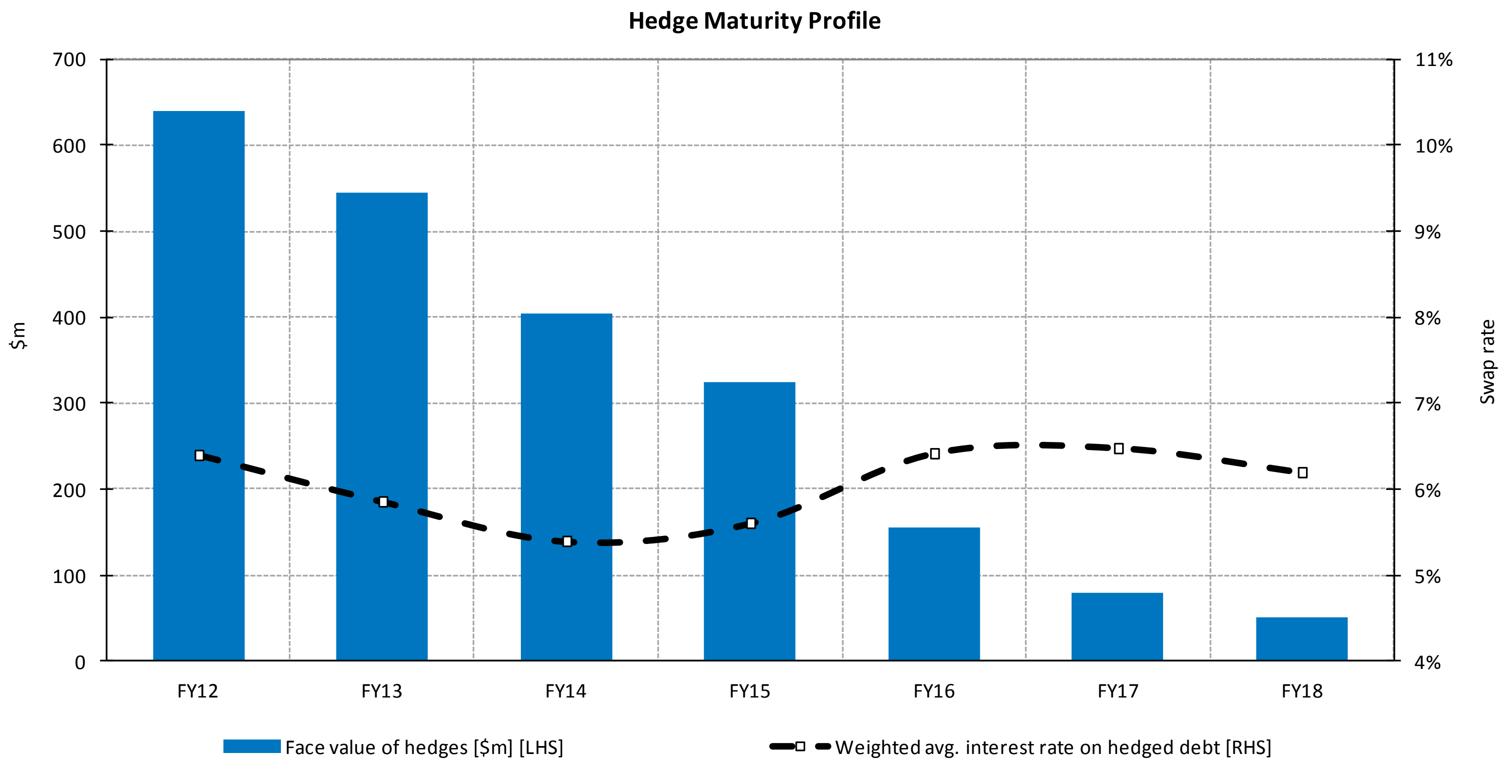
    CBA $300.0 million (35.3%)

    Westpac $165.0 million (19.4%)

# Interest rate hedging profile



| Hedging profile | 30-Sep-11 | 31-Mar-11 |
|---|---|---|
| Percentage of drawn debt hedged [fixed rate] | 74% | 84% |
| Weighted average interest rate on hedged debt [excl margin and fees] | 6.21% | 6.20% |
| Weighted average term to maturity of interest rate hedges | 2.9 years | 3.1 years |



# Property portfolio performance

Interim result presentation for the six months ended 30 September 2011

# Leasing activity



| Portfolio | No. | NLA | Rental movement over prior passing rental | | |
|---|---|---|---|---|---|
| | | sqm | $000 | % | CAGR % |
| **NEW LEASES AND RENEWALS** | | | | | |
| Retail | 80 | 10,533 | -1,055 | -11.2 | N/A |
| Office | 12 | 3,913 | -45 | -3.5 | N/A |
| **Total: New leases and renewals** | **92** | **14,446** | **-1,100** | **-10.3** | **N/A** |
| **RENT REVIEWS** | | | | | |
| Retail | 324 | 43,629 | 1,991 | 5.4 | 5.2 |
| Office | 11 | 17,725 | -19 | -0.3 | -0.1 |
| Office [renewals where rent not concluded] | 6 | 4,983 | - | - | N/A |
| **Total: Rent reviews** | **341** | **66,337** | **1,972** | **4.5** | **3.5** |
| **Total** [excl.renewals where rent not concluded] | **427** | **75,800** | **872** | **1.6** | **N/A** |
| **Total** | **433** | **80,783** | | | |

| Details of new retail leases and renewals | | |
|---|---|---|
| Sylvia Park | 9 | +10% |
| Centre Place | 12 | -41% |
| Other | 59 | -8% |
| **Total** | **80** | **-11%** |

# Sales performance by centre



| **Category** [All statistics to 30-Sep-11 and incl. GST] | Moving Annual Turnover | | Specialty sales |
|---|---|---|---|
| | $m | % | $/sqm |
| Sylvia Park | 428.5 | *+4.5* | 8,489 |
| LynnMall | 221.4 | *+3.7* | 7,152 |
| Centre Place | 71.9 | *-25.3* | 6,171 |
| The Plaza | 188.9 | *+16.1* | 8,481 |
| North City | 100.4 | *+3.3* | 7,218 |
| Northlands | 372.2 | *+19.3* | 9,061 |
| **TOTAL** | **1,383.3** | ***+7.1*** | **7,928** |

- Generally positive sales growth
  - **Northlands** benefitting from earthquake redistribution effects
  - **The Plaza** meets sales targets post redevelopment
  - **Centre Place** impacted by competition and redevelopment activity

# Sales performance by category



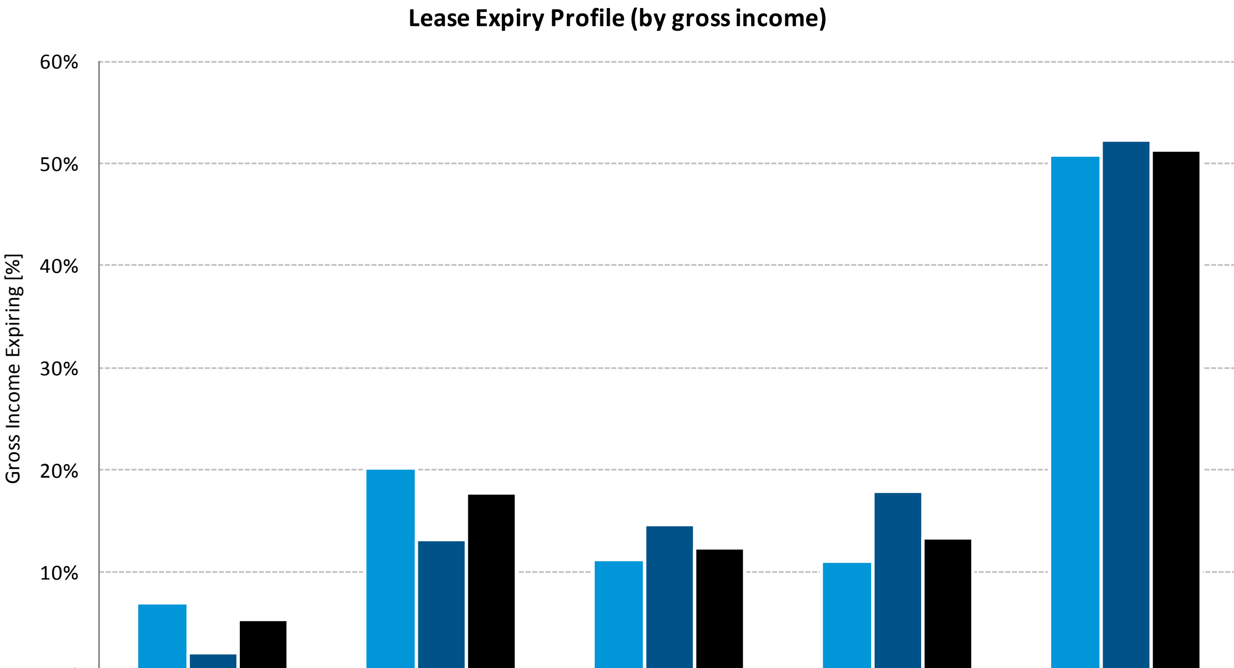
| Category | Total sales[1] | | Comparable[2] | | Unaffected[3] | |
|---|---|---|---|---|---|---|
| | $m | % | $m | % | $m | % |
| Supermarkets | 389.4 | *+4.5* | 353.2 | *+5.5* | 184.0 | *+1.5* |
| Dept stores & DDS | 181.2 | *+18.2* | 138.2 | *+12.3* | 80.8 | *+2.0* |
| Cinemas | 19.5 | *-8.3* | 16.5 | *-9.6* | 13.9 | *-12.5* |
| Mini-majors | 153.7 | *+20.4* | 133.3 | *+16.3* | 115.6 | *+10.5* |
| Specialty | 557.3 | *+4.5* | 420.7 | *+8.3* | 316.6 | *+4.0* |
| Commercial services | 82.2 | *-1.7* | 60.5 | *+12.6* | 39.5 | *+10.7* |
| **TOTAL** | **1,383.3** | ***+7.1*** | **1,122.4** | ***+8.7*** | **750.4** | ***+4.1*** |
| **GOC** | **13.7%** | | **13.4%** | | **13.9%** | |

– GST increase from 12.5% to 15.0% from 1 October 2010 has had a theoretical 2.2% impact

1 Total sales includes all centres across the portfolio
2 Comparable sales includes only those centres which have not undergone redevelopment in either period of comparison and therefore excludes The Plaza and Centre Place
3 Unaffected centre sales looks to provide a more 'normalised' picture of sales trends and therefore also excludes Northlands, which has seen significantly increased trading levels post the February 2011 earthquake

# Lease expiry






| | <=FY12 | FY13 | FY14 | FY15 | FY16+ |
|---|---|---|---|---|---|
| Retail | 6.9% | 20.1% | 11.2% | 11.1% | 50.8% |
| Office | 2.1% | 13.1% | 14.5% | 17.9% | 52.3% |
| TOTAL | 5.3% | 17.7% | 12.3% | 13.4% | 51.3% |

Trust's weighted average lease term: **4.0 years**

**Office Portfolio**

| FY | Property | Tenant | NLA [sqm] |
|---|---|---|---|
| 13 | Vero Centre | Russell McVeagh | 7,452 |
| 13 | Unisys House | Crown Law | 4,806 |
| 14 | Unisys House | Dept. of Labour | 9,345 |
| 14 | Nat. Bank Centre | ANZ National Bank | 6,462 |

**Retail Portfolio**

| FY | Property | Tenant | NLA [sqm] |
|---|---|---|---|
| 12 | Centre Place | Event Cinemas | 2,726 |
| 12 | LynnMall | Farmers | 4,913 |
| 12 | LynnMall | 13 specialty stores | 1,569 |
| 13 | Sylvia Park | ~94 specialty stores | ~12,000 |
| 13 | North City | Farmers | 4,589 |
| 14 | Northlands | Hoyts Cinemas | 2,875 |

# Development

Interim result presentation for the six months ended 30 September 2011

# Redevelopment overview



## $39.9 million redevelopment of Centre Place Shopping Centre

The redevelopment incorporates:

- A new 7,000 sqm full-line ***Farmers department store*** anchoring the Centre on a 15-year lease
- New relocated ***Rebel Sport*** store
- New covered walkway connection across Ward Street West; closed to traffic and converted to urban space with retail pods and landscaping
- ***Centre remix*** to improve specialty retail offer

The redevelopment, along with the recently completed dining lane and foodcourt projects, will **reposition Centre Place as a competitive CBD specialty centre with a focus on fashion, dining and entertainment**

Complements Hamilton City Council "City Heart" revitalisation scheme:

- Landscaping/street-scaping works to Bryce Street, Ward Street, Worley Place, Alexandra Street and Garden Place
- New signalised entry to Garden Place carpark from Anglesea Street



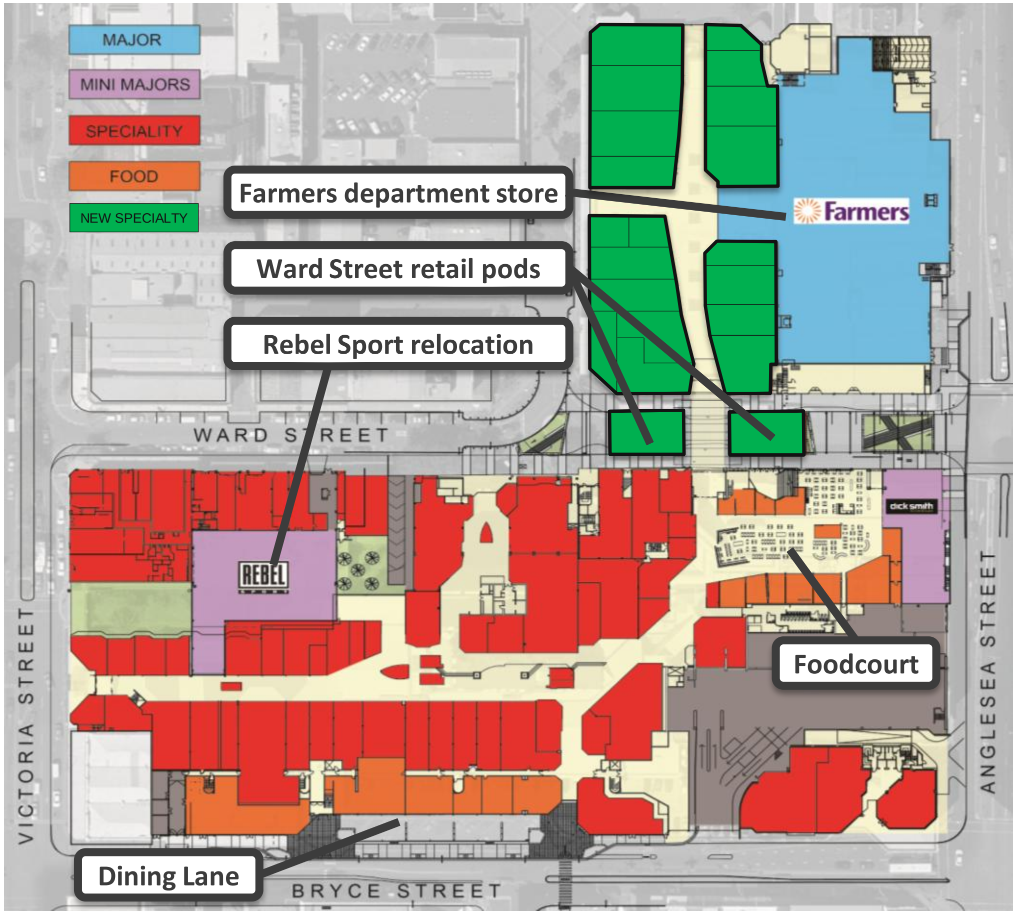



Farmers

# Composition on completion



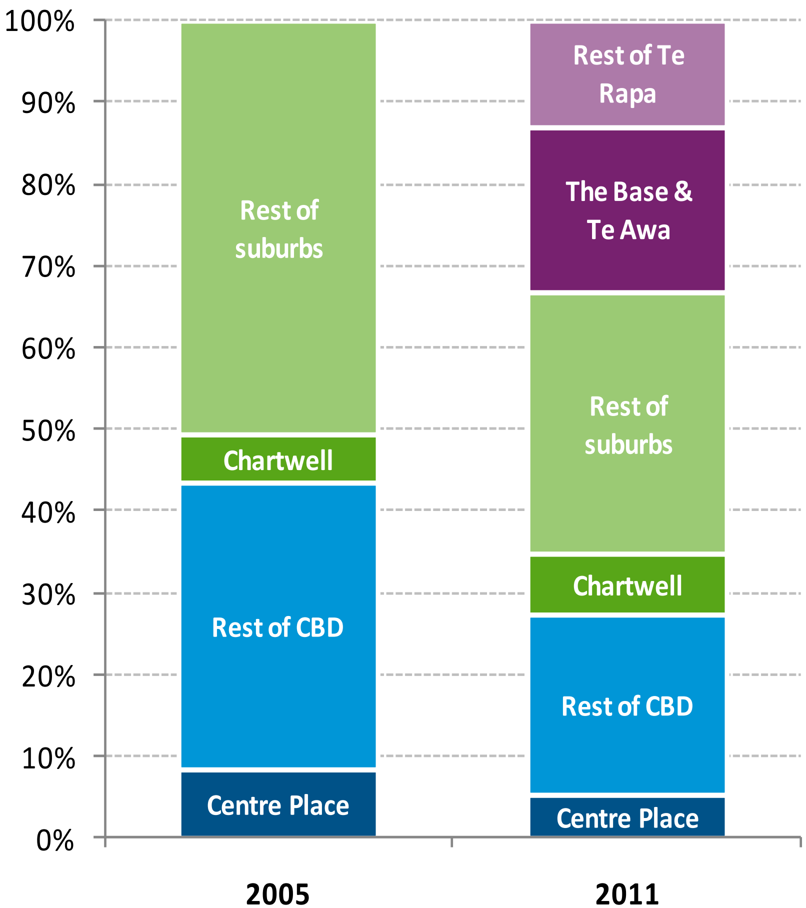
| Tenancy type | On completion | |
|---|---|---|
| | No. | NLA [sqm] |
| Farmers | 1 | 7,000 |
| Cinemas | 2 | 4,195 |
| Mini-majors | 2 | 1,690 |
| Dining Lane | 6 | 1,010 |
| Foodcourt | 10 | 481 |
| Specialty | 90 | 11,898 |
| ATM | 7 | 19 |
| **Total** | **118** | **26,293** |
| **Pre-development** | | **20,721** |



# Competitive environment



**Hamilton retail space supply by NLA**



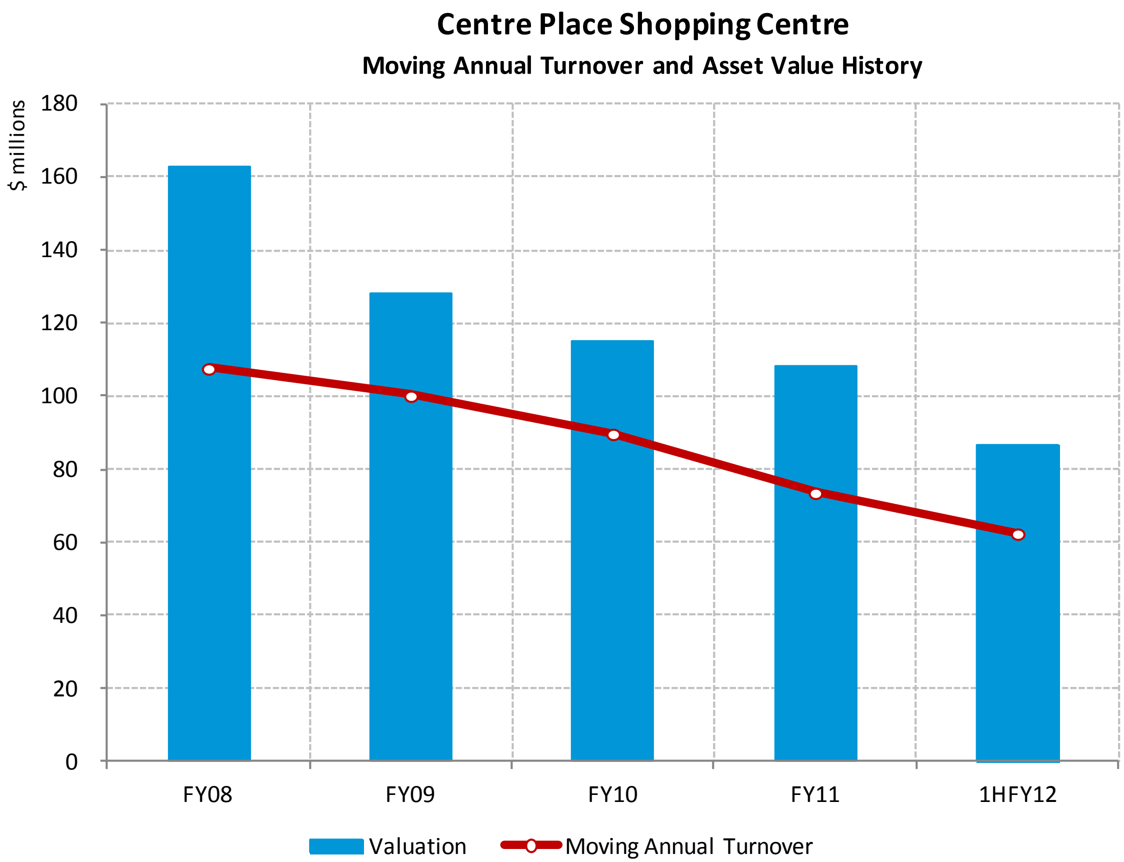

Source: URBIS / Kiwi Property Management Limited Research
Note: Limited available information of retail floorspace movement in CBD and suburbs between 2005 and 2011 therefore graph assumes NLA has remained static

- The supply of retail space in Hamilton has grown significantly over the past six years:
  - The former Air Force base at Te Rapa (5km drive away) has been progressively developed by Tainui since 2005 and now provides a retail 'hub' of ~81,000 sqm comprising large format retail, an outlet centre and enclosed mall
  - Other supermarket and large format retail developed at Te Rapa means ~130,000 sqm of retail NLA has been built in Hamilton north since 2005
  - Over the same time period:
    - Westfield Chartwell (5km drive away) has expanded from ~14,000 sqm to ~29,000 sqm
    - CBD retail NLA is estimated to have remained static at ~100,000 sqm
- The increase in suburban retail space has impacted the CBD. Centre Place's proportion of Hamilton's retail NLA has reduced from ~9% to ~5% with a consequent reduction in centre patronage and sales

# Centre Place performance



- Over the period from Mar-08 to Sep-11:
  - Moving annual turnover (MAT) has reduced 41% from $107 million to $63 million
  - Asset value has declined 47% from $163 million to $86.5 million
- Without reinvestment to revitalise and reposition the Centre, its market share, sales and value are expected to deteriorate further
- If no development is undertaken, independent advice indicates that:
  - MAT will fall further
  - Asset value could fall further to $75 million or less



# Investment rationale

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- Post development, Urbis Research project that MAT should increase to $116.0 million driven by:
  - New Farmers department store
  - A broader specialty range
  - Enhanced dining and entertainment offers
  - The clawback of lost market share
- Incremental income forecast yield on total cost of 8.4%
- Completing the development provides a forecast valuation on completion in 2014 of ~$140 million
  - Cap rate of 8.5%

| Key metrics | |
|---|---|
| September 2011 valuation | $86.5m |
| Project cost | $39.9m |
| Forecast value on completion | $140.0m |
| Forecast NOI on completion | $11.0m |
| Incremental yield on total cost | 8.4% |
| MAT forecast[1] | $116.0m |

Note 1: Urbis Research (Aug-11)

# ASB Bank North Wharf

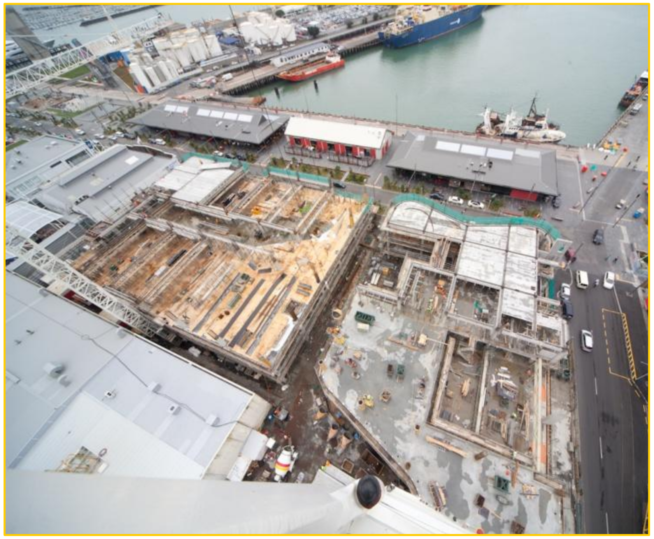


## ASB North Wharf

- Design and construction progressing well and remain on program to meet ASB lease commencement
  - Detailed design complete
  - Level 4 now commenced in respect of both building structures
- Project risk further mitigated with conclusion of fixed price lump sum contract with main contractor, Fletcher Construction
- Budget increased by $5.9 million to $132.1 million with compensatory rental increase to maintain ~8.5% initial target yield

| Key project metrics | |
|---|---|
| Total development cost | $132.1m |
| Target initial yield | ~8.5% |
| ASB net lettable area | 19,466 sqm |
| ASB lease term | 18 years |
| Construction commenced | Apr-11 |
| Target project completion | Jun-13 |
| ASB lease commencement | Jul-13 |

**Aerial view of overall construction progress**



**View from cnr. Halsey and Jellicoe Streets**


**View from Halsey Street**

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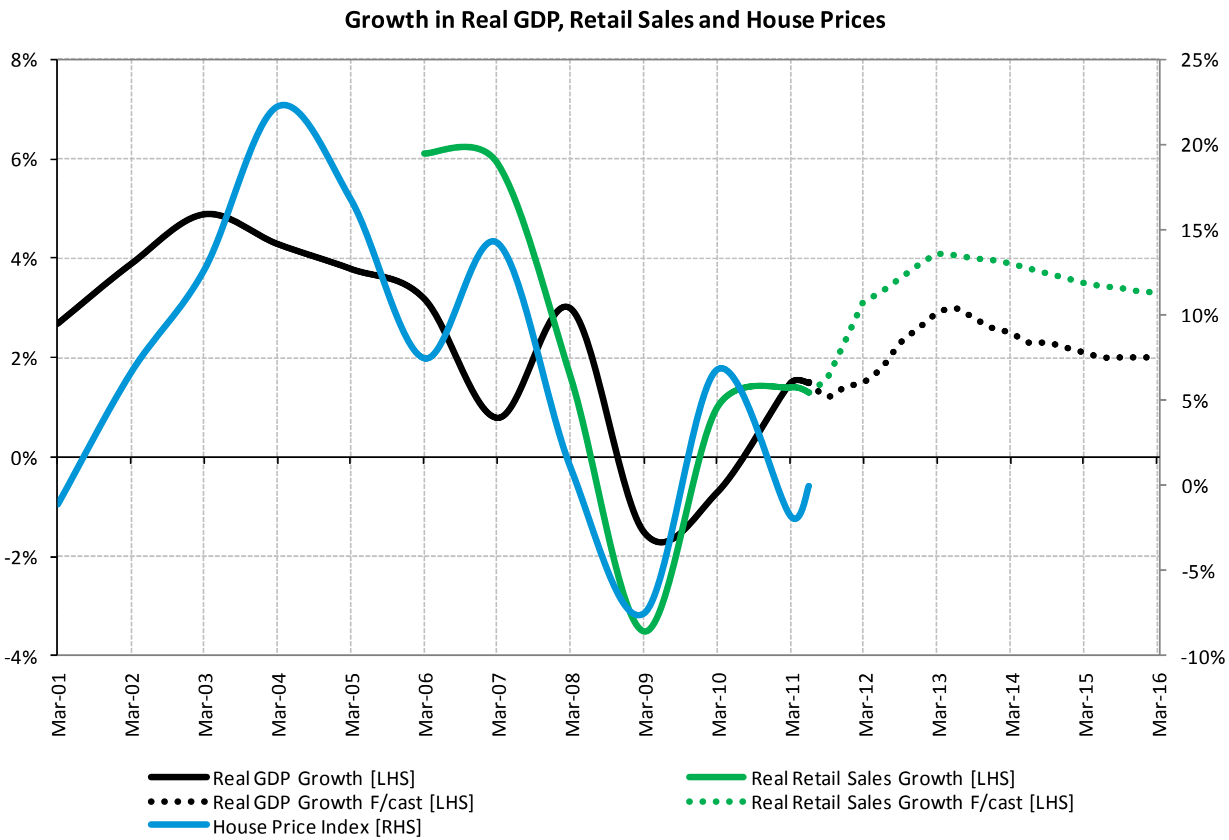
# External environment

Interim result presentation for the six months ended 30 September 2011

# General economy





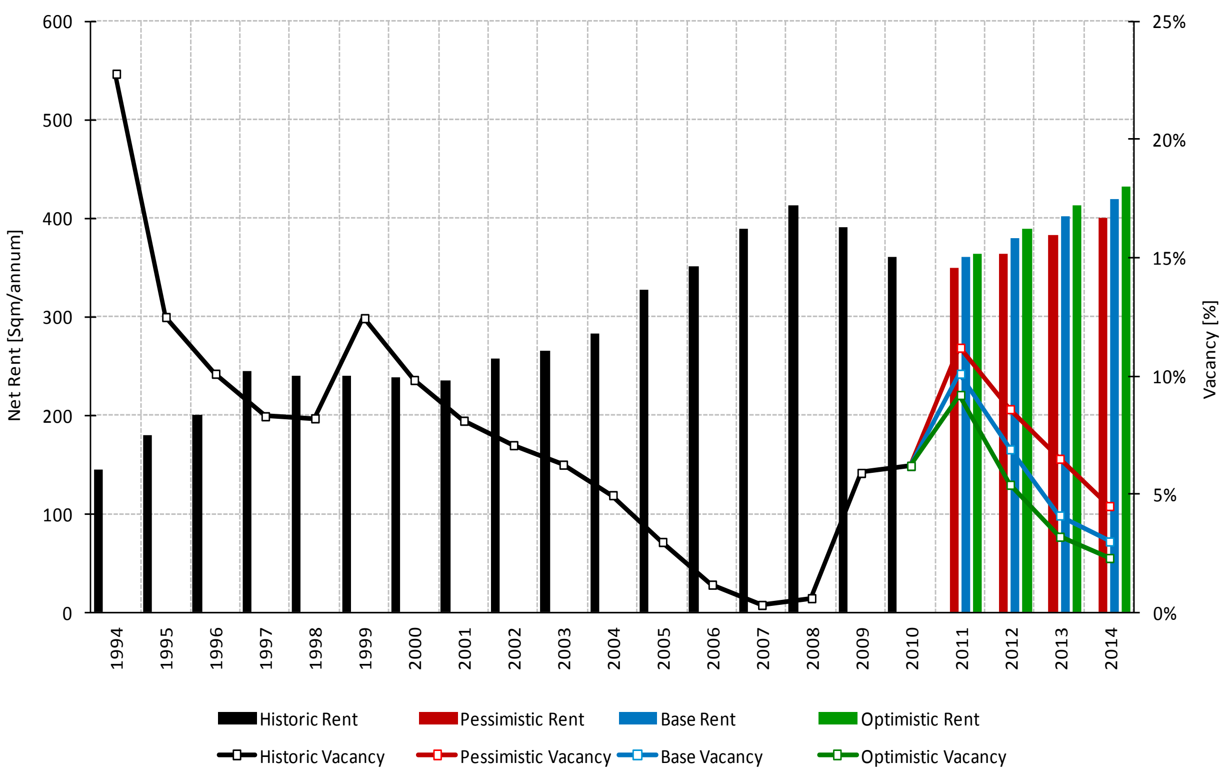

Sources: Statistics New Zealand, NZIER Sep-11 Quarterly Predictions, RBNZ, ASB Research (Oct-11), ANZ Research (Oct-11), Westpac Research (Nov-11) and REINZ

- Domestic activity continues to improve, but only at modest and patchy pace
  - Supported by improved export incomes
  - Impacted by weaker global economies and slowdown in domestic consumption
- More sustained recovery forecast from 2012
  - Real GDP growth forecast to be 1.5% for Mar-12 and 2.9% for Mar-13
  - Christchurch construction and investment increasingly the focus
  - Household spending expected to remain cautious
- As the economy recovers, unemployment expected to decline
- Housing market remains soft but expected to moderately lift over the next 12 months
- Annual inflation has pulled back from peak of ~5%, and set to fall back to around the middle of the target 1-3% by mid-2012

# Auckland office



## Auckland CBD Office Premium Net Rent and Vacancy




| Key indicator | 12 month outlook for Prime CBD office space | |
|---|---|---|
| Supply | ↔ | No uncommitted major developments in the next five years |
| Tenant demand | ↑ | Increasing with improvement in economic conditions and employment growth |
| Vacancy rates | ↓ | Reducing with neutral supply line and rising occupier demand |
| Tenant incentives | ↓ | Reducing |
| Rent | ↗ | Face rents stable but effective rents increasing as incentives reduce |
| Buyer demand | ↑ | Investment activity increasing |
| Investment yields | ↔ | Forecast to remain stable |

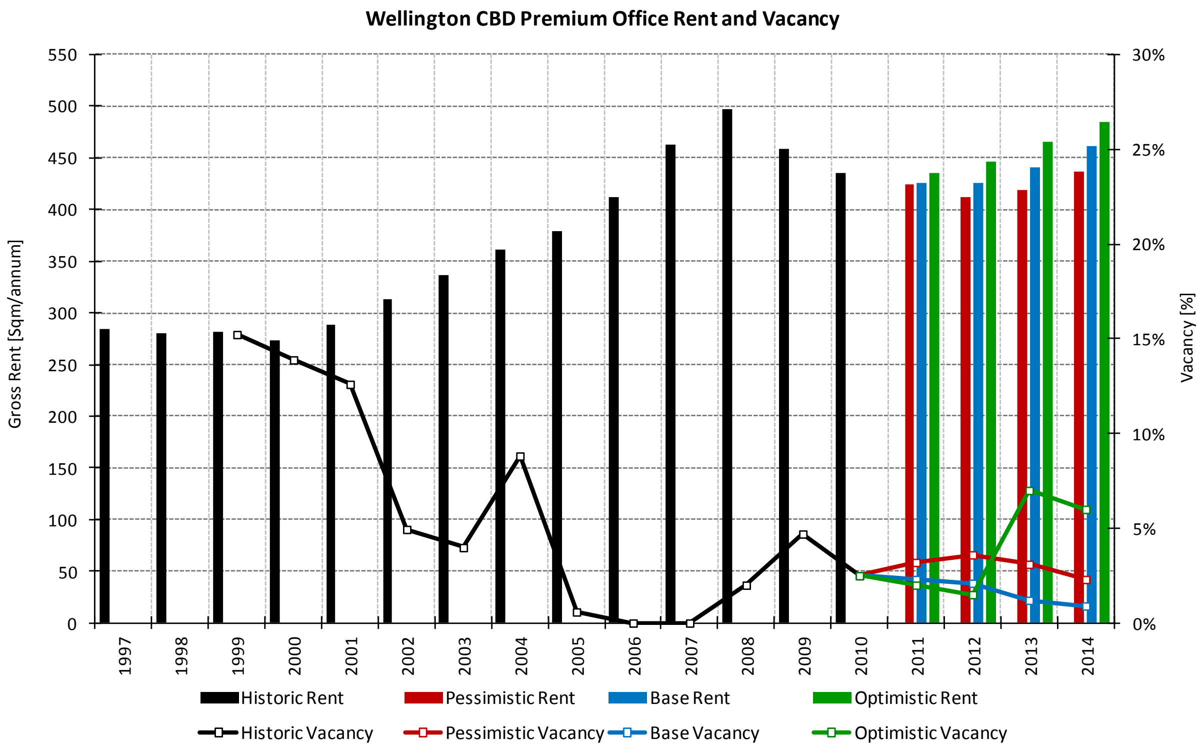
- Positive trend
- Stable trend
- Negative trend

Sources: CBRE Auckland Property Market Outlook (June 2011) and Jones Lang LaSalle 3Q 2011 Pulse

# Wellington office



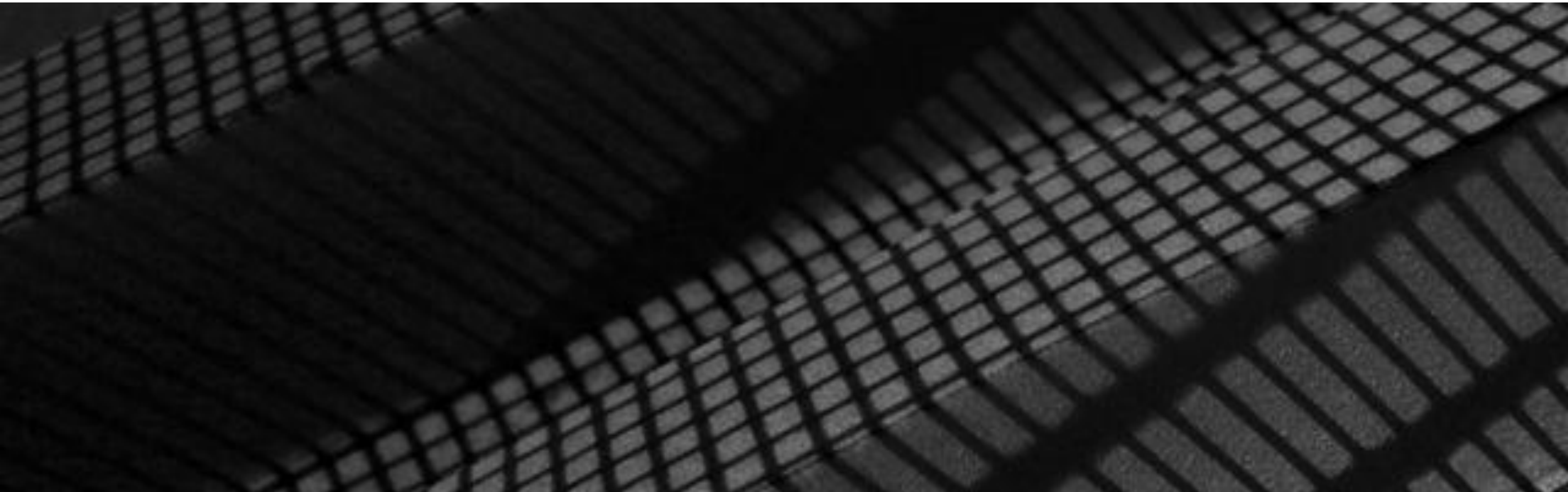
## Wellington CBD Office Premium Gross Rent and Vacancy




| Key indicator | 12 month outlook for Prime CBD office space | |
|---|---|---|
| Supply | Stable trend | ~42,000 sqm coming to market in late 2011 but limited supply pipeline thereafter |
| Tenant demand | Negative trend | Government sector focussing on footprint reduction |
| Vacancy rates | Negative trend | Crown down-sizing will increase lower grade vacancy but limited impact on higher quality |
| Rent | Positive trend | Moderate growth expected for higher grade gross rents but offset by rising opex. Continued decline for lower quality |
| Buyer demand | Stable trend | Investment activity will increase once rental growth expectations firm |
| Investment yields | Stable trend | Forecast to remain stable |

- Positive trend
- Stable trend
- Negative trend

Sources: CBRE Wellington Property Market Outlook (June 2011) and Jones Lang LaSalle 3Q 2011 Pulse



# Outlook

Interim result presentation for the six months ended 30 September 2011

# Outlook



**Economic recovery underway**

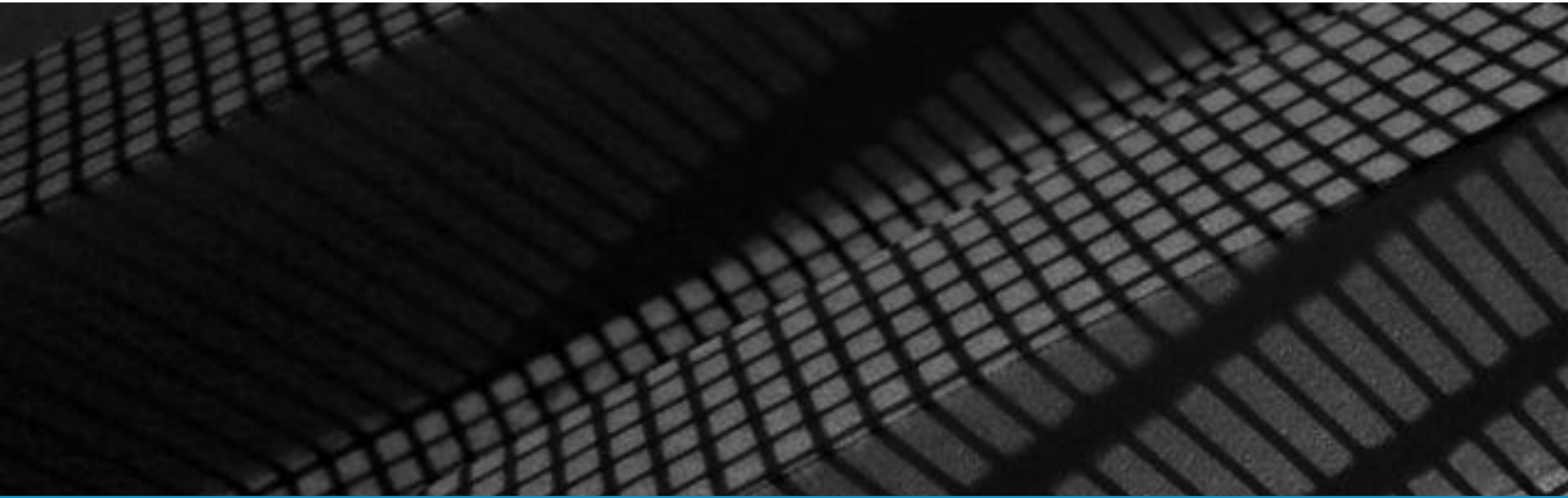
- Solid trading partner performance continues to support high export prices and demand for New Zealand exports
- Retail sector still cautious and will benefit as domestic consumption recovers
- Economists continue to forecast an improvement during 2012
- Office sector recovery post vacancy peak in 2011/2012

**Defensive characteristics**

- Trust is expected to benefit from:
  - Premium assets, diversified portfolio, solid tenant base
  - Strong financial position
  - Active management approach

**Projected FY12 distributable profit of 7.00cpu**

- While the Manager remains cautious in the current economic environment, based upon the outlook for the Trust, and subject to a continuation of reasonable economic conditions, we are projecting a distributable profit after tax for the year ending 31 March 2012 of approximately 7.00 cents per unit
- Distributions to Unit Holders are projected to be 95% to 100% of distributable profit after tax, with the Manager withholding up to 5% to assist with the future financing requirements of the Trust



# Appendices

## Interim result presentation for the six months ended 30 September 2011

**Appendix 1: Financial review – Interest expense**

**Appendix 2: Property portfolio performance**

- **Occupancy and WALT**
- **Regional and sector diversification**
- **Tenant diversification**

# Interest expense



| Component | 30-Sep-11 | 30-Sep-10 | Variance | |
|---|---|---|---|---|
| | $m | $m | $m | % |
| Interest income | 2.1 | 2.4 | *-0.3* | *-12.5* |
| Interest on bank debt | -24.8 | -19.7 | *-5.1* | *-25.9* |
| Interest on 2005 MCNs | - | -2.8 | *+2.8* | *+100.0* |
| Interest on 2009 MCNs | -5.4 | -5.4 | - | - |
| **Net interest expense incurred** | **-28.1** | **-25.5** | ***-2.6*** | ***-10.2*** |
| Interest capitalised to: | | | | |
| ASB North Wharf | 3.9 | 0.2 | *+3.7* | *+100.0* |
| Other | 0.4 | 0.4 | - | - |
| **Net interest expense reported in the Statement of Financial Performance** | **-23.8** | **-24.9** | ***+1.1*** | ***+4.4*** |

# Occupancy and WALT

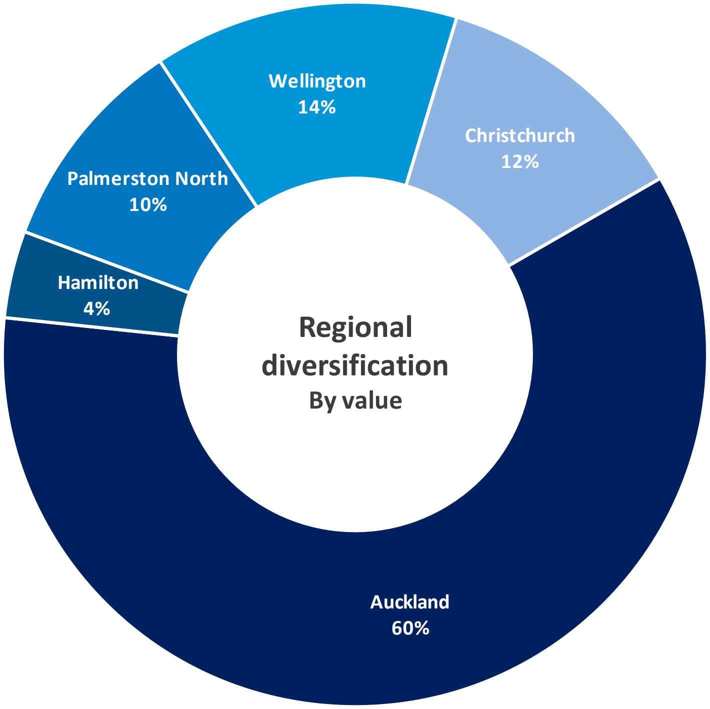


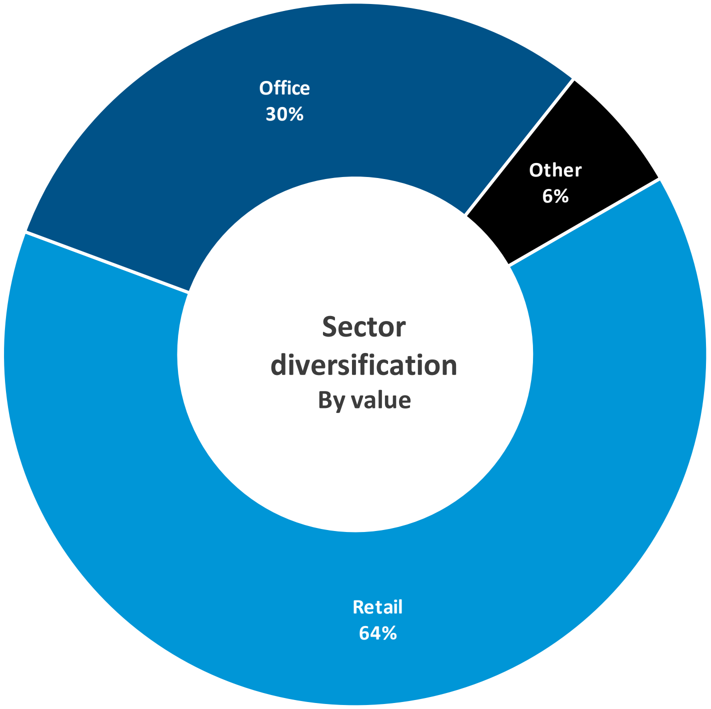
| Portfolio / Property | NLA [sqm] | Occupancy [%] Sep-11 | Occupancy [%] Mar-11 | WALT [Years] Sep-11 | WALT [Years] Mar-11 |
|---|---|---|---|---|---|
| Sylvia Park | 71,242 | 100.0% | 100.0% | 3.3 | 3.7 |
| LynnMall | 31,480 | 100.0% | 100.0% | 3.2 | 2.9 |
| Centre Place | 21,074 | 83.6% | 83.5% | 2.7 | 2.1 |
| The Plaza | 32,453 | 100.0% | 100.0% | 5.5 | 5.3 |
| North City | 25,731 | 98.9% | 98.2% | 3.5 | 3.3 |
| Northlands | 42,161 | 100.0% | 99.6% | 4.9 | 4.9 |
| **Total: Retail** | **224,141** | **98.3%** | **98.2%** | **3.9** | **3.8** |
| Vero Centre | 39,490 | 94.7% | 95.0% | 4.4 | 4.7 |
| National Bank Centre | 25,673 | 88.2% | 90.2% | 4.0 | 4.1 |
| 21 Pitt Street | 16,776 | 100.0% | 100.0% | 8.5 | 8.8 |
| The Majestic Centre | 24,513 | 100.0% | 100.0% | 4.1 | 4.4 |
| Unisys House | 22,158 | 98.6% | 98.6% | 2.1 | 2.5 |
| 44 The Terrace | 10,109 | 92.0% | 92.0% | 3.9 | 3.2 |
| **Total: Office** | **138,719** | **95.5%** | **96.5%** | **4.3** | **4.5** |
| **Total: Portfolio** | **362,860** | **97.2%** | **97.1%** | **4.0** | **4.0** |

# Regional and sector diversification



| By value | Auckland | Wellington | Christchurch | Palmerston North | Hamilton | TOTAL % Total by Sector Sep-11 | TOTAL % Total by Sector Mar-11 |
|---|---|---|---|---|---|---|---|
| Retail | 34% | 5% | 11% | 10% | 4% | **64%** | **64%** |
| Office | 21% | 9% | - | - | - | **30%** | **32%** |
| Other | 5% | - | 1% | - | - | **6%** | **4%** |
| **TOTAL** % Total by Region Sep-11 | **60%** | **14%** | **12%** | **10%** | **4%** | **100%** | |
| **TOTAL** % Total by Region Mar-11 | **56%** | **16%** | **12%** | **10%** | **6%** | | |

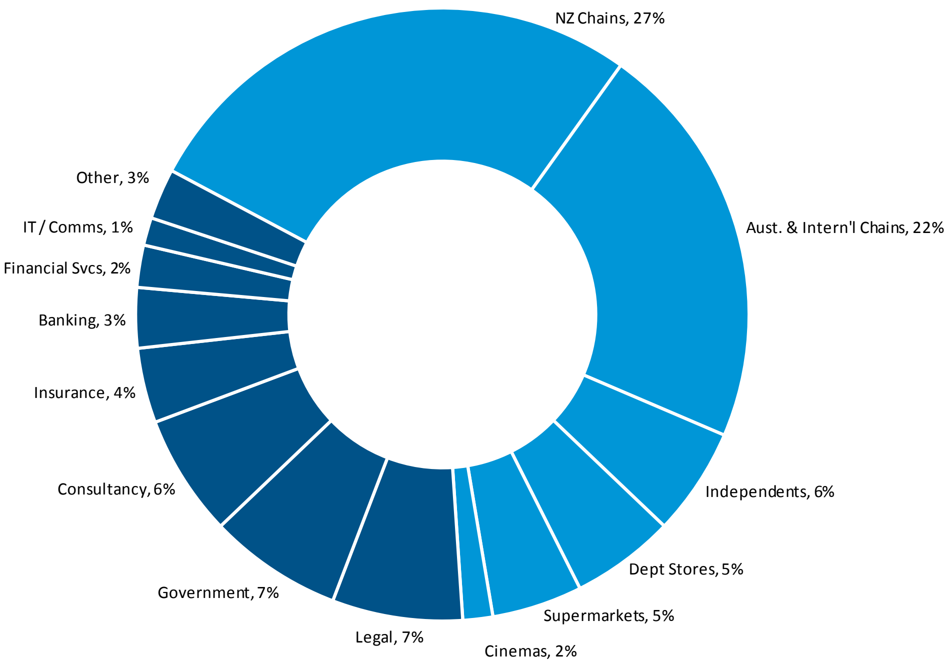


# Tenant diversification



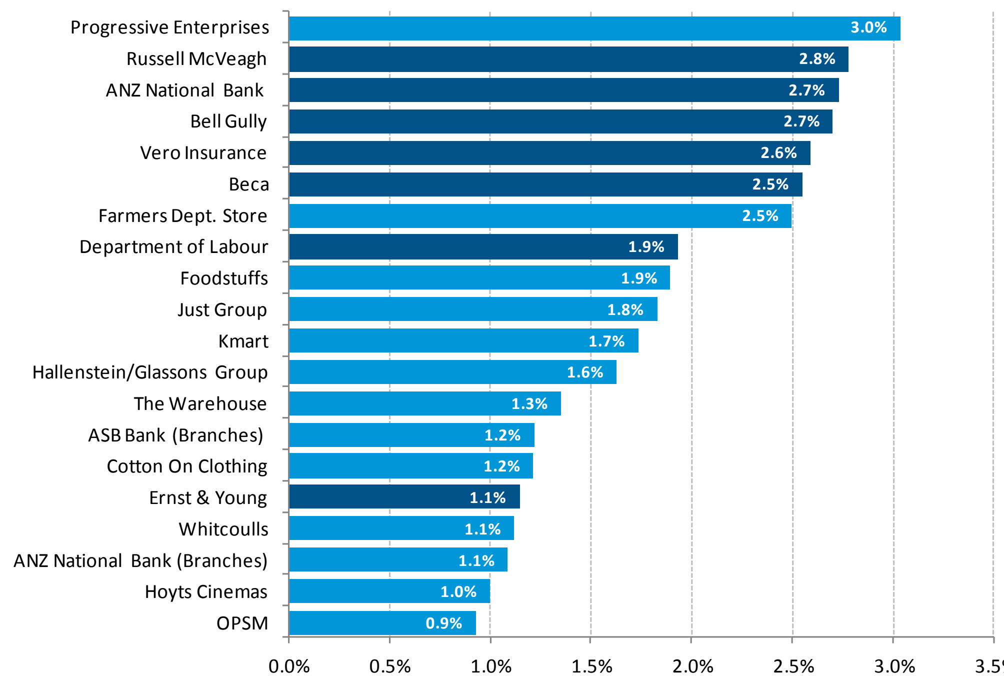
**Tenant Diversification (by gross income)**




**Analysis of Property Portfolio [Total Tenants: ~900]**

| Portfolio | No. Tenants | NLA | Gross income |
|---|---|---|---|
| Retail | 87% | 62% | 66% |
| Office | 13% | 38% | 34% |
| Top 20 tenants | 2% | 49% | 37% |

**Top 20 Tenants (by gross income)**



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November 2011