

# **ANNUAL RESULT**

## **For the year ended 31 March 2012**

### **KIWI INCOME PROPERTY TRUST**

**16 May 2012**

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

**Our vision** is to be New Zealand's leading property investment vehicle with a diversified portfolio of high-quality assets providing superior returns

**Today** we are New Zealand's largest listed diversified property entity, with over \$2.0 billion invested in a portfolio of prime office and dominant regional shopping centres



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*This annual results presentation should be read in conjunction with the NZX release and financial materials released on the same date*

*Refer to: [www.kipt.co.nz](http://www.kipt.co.nz) or [www.nzx.com](http://www.nzx.com)*



The Plaza Shopping Centre, Palmerston North

# Annual result overview

Creditable result delivered in challenging year



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## Creditable financial result delivered

- Operating profit before tax of **\$81.3 million**, up \$4.9 million (+6.4%)
- Profit after tax of **\$89.2 million**, up \$115.6 million
- Distributable income of **\$71.7 million**, up \$2.9 million (+4.2%)
- Full year cash distribution of **7.00 cents per unit**, in line with guidance

## Strong financial position maintained

- Net bank debt gearing ratio **33.8%**
- Balance sheet bolstered by insurance claim settlement and asset sales
- Able to accommodate defensive capital expenditure

## Defensive investments confront earthquake and competitive impacts

- Earthquake strengthening underway at The Majestic Centre and Northlands Shopping Centre
- Competitive repositioning of Centre Place
  - Foodcourt and dining lane completed
  - New Farmers department store opening 4<sup>th</sup> quarter 2013

## Solid property fundamentals maintained through active leasing

- Core portfolio occupancy marginally lower at **96.2%**
- Weighted average lease term stable at **3.9 years**
- Post the financial year, secured Farmers department store on new 15-year lease for expanded premises at LynnMall

# Annual result overview

## Other highlights of the year



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### Retail recovery emerging

- Total sales for the year of **\$1.4 billion**, up 8.4%
- Specialty shop rents more affordable as GOC ratio reduces from 14.1% to **13.4%**
- Sylvia Park value reached **\$500 million**, +\$27.5 million (+5.8%)

### Capital recycled out of mature or non-core assets

- Two non-core assets sold for **\$8.4 million**
- Post balance date, sold Beca House for **\$55.0 million**
- Net proceeds have/will be used to retire bank debt

### Proactive treasury activity

- Renewed and extended **\$592.5 million** of bank debt
- Increased weighted average term of bank facilities from 2.4 years to **3.5 years**

### Solid investment returns

- Total return of **9.7%**<sup>1</sup> since inception
- Consistently outperformed the NZX 50 Gross Index
- 10-year performance **8.3%**<sup>2</sup> **per annum** cumulative compared with NZX Property Gross Index of 8.9%

<sup>1</sup> Includes unit price movements and the reinvestment of cash distributions and imputation credits on the ex-date

<sup>2</sup> Includes unit price movements and the reinvestment of cash distributions, but not imputation credits, on the ex-date



North City Shopping Centre, Porirua

# Financial performance

Increase in operating profit driven by income growth



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Financial performance For the year ended	31-Mar-12 \$m	31-Mar-11 \$m	Variance \$m	%
Gross rental income	204.1	191.6	+12.5	+6.5
Property operating expenditure	-60.1	-53.8	-6.3	-11.7
<b>Net rental income</b>	<b>144.0</b>	<b>137.8</b>	<b>+6.2</b>	<b>+4.5</b>
Net interest expense <sup>1</sup> <span style="border: 1px solid orange; border-radius: 5px; padding: 2px;">Appendix 1</span>	-48.7	-48.2	-0.5	-1.0
Manager's fees	-10.8	-10.4	-0.4	-3.8
Other expenses	-3.2	-2.8	-0.4	-14.3
<b>Operating expenses</b>	<b>-62.7</b>	<b>-61.4</b>	<b>-1.3</b>	<b>-2.1</b>
<b>Operating profit before tax</b> <span style="border: 1px solid orange; border-radius: 5px; padding: 2px;">Appendix 2</span>	<b>81.3</b>	<b>76.4</b>	<b>+4.9</b>	<b>+6.4</b>
Property revaluations [fair value change]	-9.6	-82.4	+72.8	+88.3
Impairment of investment properties	-26.9	-	-26.9	-100.0
Interest rate derivatives [fair value change]	-2.3	-11.2	+8.9	+79.5
Insurance proceeds	67.1	-	+67.1	+100.0
Other non-operating items	-0.7	-1.1	+0.4	+36.4
<b>Profit/(loss) before tax</b>	<b>108.9</b>	<b>-18.3</b>	<b>+127.2</b>	<b>+695.1</b>
Current tax expense	-13.1	-8.6	-4.5	-52.3
Deferred tax expense	-6.6	0.5	-7.1	-1,420.0
<b>Profit/(loss) after tax</b> <span style="border: 1px solid orange; border-radius: 5px; padding: 2px;">Appendix 2</span>	<b>89.2</b>	<b>-26.4</b>	<b>+115.6</b>	<b>+437.9</b>

Key movements in net rental income	\$m
Sylvia Park	+1.0
LynnMall	+11.6
Centre Place	-4.0
The Plaza	+1.4
PwC Centre/Sold properties	-4.5
Other	+0.7
<b>Net rental income movement</b>	<b>+6.2</b>

1 Shown net of interest income and interest capitalised

# Distributions

## Distribution in line with guidance



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Distributable income For the year ended	31-Mar-12 \$m	31-Mar-11 \$m	Variance	
			\$m	%
Operating profit before tax	81.3	76.4	+4.9	+6.4
Non-cash rental adjustments <sup>1</sup>	-0.5	1.0	-1.5	-150.0
Business interruption insurance proceeds	4.0	-	+4.0	+100.0
Distributable income before tax	84.8	77.4	+7.4	+9.6
Current tax expense	-13.1	-8.6	-4.5	-52.3
<b>Distributable income after tax</b>	<b>71.7</b>	<b>68.8</b>	<b>+2.9</b>	<b>+4.2</b>

### In respect of the 31 March 2012 distribution:

- Eligible for reinvestment
- DRP discount of 2%
- 31 May 2012 record date
- 19 June 2012 payment date

Distributions	31-Mar-12 \$m	31-Mar-11 \$m	31-Mar-12 cpu <sup>2</sup>	31-Mar-11 cpu <sup>2</sup>
Distributable income after tax	71.7	68.8	7.34	7.07
Transfer to distribution reserve	-3.3	-0.7	-0.34	-0.07
<b>Cash distributions</b>	<b>68.4</b>	<b>68.1</b>	<b>7.00</b>	<b>7.00</b>
Imputation credits	13.1	8.6	1.35	0.88
Gross distributions paid	81.5	76.7	8.35	7.88
Distribution reserve	15.5	12.2		
Payout ratio	95%	99%		

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



# Financial position

## Sound financial position maintained



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Financial position As at	31-Mar-12 \$m	31-Mar-11 \$m	Movement \$m	%
<b>Assets</b>				
Property assets <span style="border: 1px solid orange; padding: 2px;">Appendix 3</span>	2,008.9	1,984.7	+24.2	+1.2
Cash on deposit	62.8	107.3	-44.5	-41.5
Insurance proceeds	63.0	-	+63.0	+100.0
Other assets	25.0	20.6	+4.4	+21.4
<b>Total assets</b>	<b>2,159.7</b>	<b>2,112.6</b>	<b>+47.1</b>	<b>+2.2</b>
<b>Liabilities</b>				
Secured bank debt <span style="border: 1px solid orange; padding: 2px;">Appendix 3</span>	769.5	759.0	+10.5	+1.4
Mandatory convertible notes	118.2	117.6	+0.6	+0.5
Deferred tax liability	106.8	99.6	+7.2	+7.2
Other liabilities	92.5	93.5	-1.0	-1.1
<b>Total liabilities</b>	<b>1,087.0</b>	<b>1,069.7</b>	<b>+17.3</b>	<b>+1.6</b>
<b>Unit holder funds</b>	<b>1,072.7</b>	<b>1,042.9</b>	<b>+29.8</b>	<b>+2.9</b>
<i>Net bank debt to total assets<sup>1</sup></i>	33.8%	32.7%	-1.1%	
<i>Trust Deed gearing [requirement &lt;40%]<sup>2</sup></i>	35.6%	35.9%	+0.3%	
<i>Net tangible asset backing (NTA)</i>	\$1.09	\$1.07	\$0.02	

Key NTA movements	\$m	\$/unit
Fair value changes		
- Centre Place	-20.0	-0.02
- The Majestic Centre	-34.4	-0.04
- Sylvia Park	+27.5	+0.03
- Other	+17.3	+0.02
PwC write-off	-26.9	-0.03
Insurance proceeds	+67.1	+0.07
Other	-0.8	-0.01
<b>Net movement</b>	<b>+29.8</b>	<b>+0.02</b>

1 Calculated as secured bank debt less \$58.5 million (2011: \$102.0 million) MCN proceeds over total assets (excluding MCN proceeds on deposit)

2 Calculated as secured bank debt over total assets

# Bank debt profile

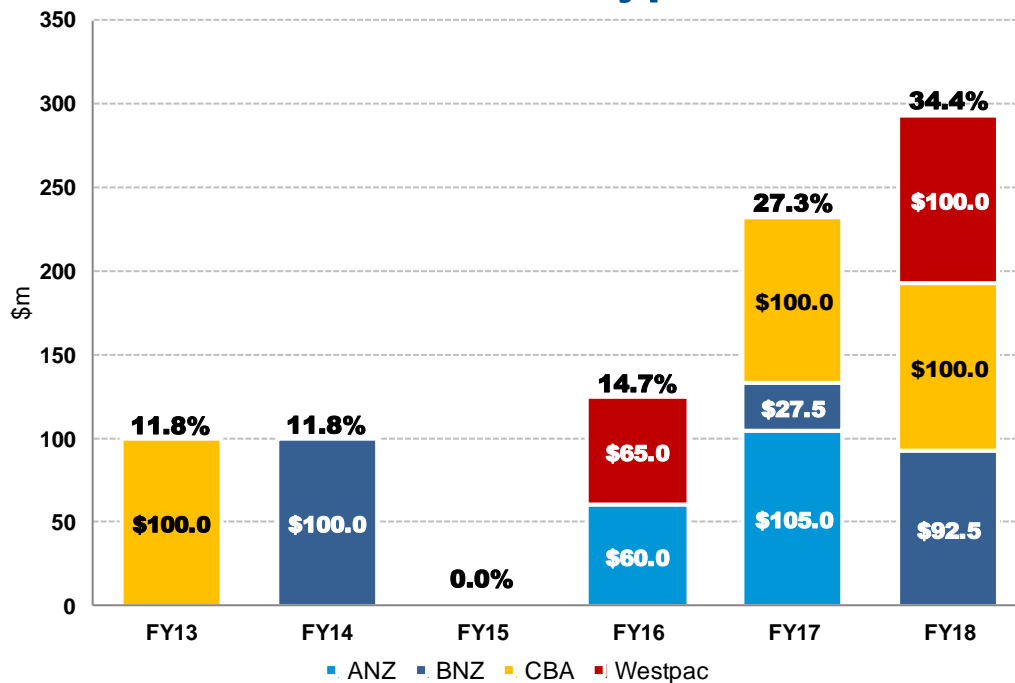
## Bank debt profile extended through early refinancing



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- 1.1 years added to weighted term to maturity through renewal and extension of \$592.5 million of facilities
- \$297.5 million expiring in March and April 2012 renewed to April 2016 and April 2017
- \$295.0 million expiring in April 2014, April 2015 and May 2016 each extended by 12 months

### Bank debt maturity profile



### Bank facilities

	31-Mar-12	31-Mar-11
Bilateral facilities	\$850.0m	\$800.0m
Balance undrawn	\$80.5m	\$41.0m
Cash on deposit	\$62.8m	\$107.3m
Weighted average cost of facilities (incl fees and margins)	7.02%	6.71%
Weighted term to maturity	3.5 years	2.4 years

### Hedging profile

Appendix 4

	31-Mar-12	31-Mar-11
% of drawn debt hedged	83%	84%

### Key covenants

	31-Mar-12	31-Mar-11
Interest cover ratio <sup>1</sup> [Requirement >2.25 times]	3.05 times	3.71 times
Debt to total assets [Requirement <40%]	35.6%	35.9%

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



**Vero Centre, Auckland**

# Net rental income

## Retail rents driving income growth

Net rental income For the year ended	31-Mar-12	31-Mar-11	Variance	
	\$000	\$000	\$000	%
Sylvia Park	30,830	29,835	+995	+3.3
LynnMall	15,306	3,662	+11,644	+318.0
Centre Place	4,891	8,902	-4,011	-45.1
The Plaza	14,843	13,471	+1,372	+10.2
North City	8,203	7,943	+260	+3.3
Northlands	16,245	16,048	+197	+1.2
<b>Total: Retail</b>	<b>90,318</b>	<b>79,861</b>	<b>+10,457</b>	<b>+13.1</b>
Vero Centre	19,206	18,958	+248	+1.3
National Bank Centre	8,224	8,195	+29	+0.4
Beca House	6,218	4,949	+1,269	+25.6
The Majestic Centre	8,523	8,723	-200	-2.3
Unisys House	6,870	6,971	-101	-1.4
44 The Terrace	2,335	2,706	-371	-13.7
Sold/written-off properties <sup>1</sup>	249	4,754	-4,505	-94.8
<b>Total: Office</b>	<b>51,625</b>	<b>55,256</b>	<b>-3,631</b>	<b>-6.6</b>
<b>Total: Other properties</b>	<b>2,011</b>	<b>2,641</b>	<b>-630</b>	<b>-23.9</b>
<b>Total: Portfolio</b>	<b>143,954</b>	<b>137,758</b>	<b>+6,196</b>	<b>+4.5</b>

### Retail NRI

- Growth driven by:
  - Continued strong performance at Sylvia Park and The Plaza
  - Full year's income from LynnMall following its acquisition in Dec-10
- Centre Place adversely impacted by competition and increased vacancy during development

### Office NRI

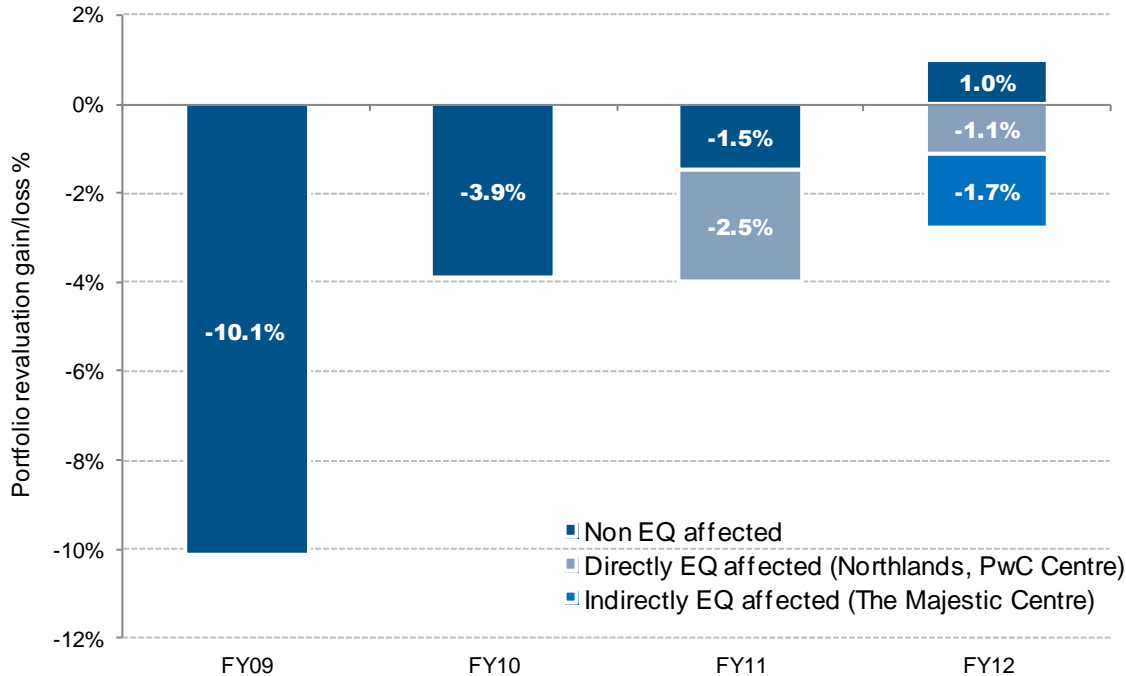
- Beca House income augmented by surrender payment from outgoing tenant
- Wellington properties adversely impacted by a softer outlook due to recent supply increases and government sector contraction

<sup>1</sup> Represents sale of 50 The Terrace and write-off of PricewaterhouseCoopers Centre

# Property valuations

## Valuation recovery for non-earthquake impacted properties

### Components of revaluation gain/loss



- FY12's negative portfolio revaluation result is primarily due to the direct and indirect impacts of the Canterbury earthquakes
  - Direct impacts: \$26.9 million write-off of PwC Centre offset by a partial restoration of value at Northlands
  - Indirect impacts: \$34.4 million write down to The Majestic Centre following identified seismic upgrade works
- If these impacts are stripped out, the balance of the portfolio recorded a 1% increase in value

# Portfolio value and capitalisation rates

## Portfolio value exceeds \$2 billion



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Property / portfolio \$000	Capitalisation rate			Adopted value		Net change in value	
	Mar-11	Mar-12	Var.	Mar-11	Mar-12	FY 2012	
Sylvia Park Shopping Centre	6.75%	<b>6.88%</b>	13	474,000	<b>500,000</b>	27,547	5.8%
LynnMall Shopping Centre	8.00%	<b>7.63%</b>	-38	175,000	<b>184,500</b>	7,206	4.1%
Centre Place Shopping Centre	9.66%	<b>8.50%</b>	-116	108,500	<b>98,800</b>	<b>-19,974</b>	<b>-16.8%</b>
The Plaza Shopping Centre	7.50%	<b>7.50%</b>	0	192,000	<b>195,500</b>	2,431	1.3%
North City Shopping Centre	8.75%	<b>8.50%</b>	-25	103,000	<b>105,000</b>	1,100	1.1%
Northlands Shopping Centre	8.50%	<b>8.00%</b>	-50	207,000	<b>214,226</b>	4,467	2.1%
<b>Total: Retail portfolio</b>	7.74%	<b>7.55%</b>	-19	1,259,500	<b>1,298,026</b>	22,777	1.8%
<b>Total: Retail portfolio (like-for-like)<sup>1</sup></b>	7.56%	<b>7.44%</b>	-12	1,151,000	<b>1,199,226</b>	42,751	3.7%
Vero Centre	7.75%	<b>7.75%</b>	0	259,100	<b>260,000</b>	429	0.2%
National Bank Centre	9.00%	<b>9.13%</b>	13	94,000	<b>95,000</b>	<b>-903</b>	<b>-0.9%</b>
Beca House	8.38%	<b>8.13%</b>	-25	49,000	<b>54,000</b>	<b>-456</b>	<b>-0.8%</b>
The Majestic Centre	8.50%	<b>8.50%</b>	0	101,000	<b>67,000</b>	<b>-34,419</b>	<b>-33.9%</b>
Unisys House	8.75%	<b>9.25%</b>	50	69,700	<b>65,000</b>	<b>-4,831</b>	<b>-6.9%</b>
44 The Terrace	8.75%	<b>9.13%</b>	38	27,700	<b>26,000</b>	<b>-1,991</b>	<b>-7.1%</b>
50 The Terrace <sup>2</sup>	9.25%	<b>0.00%</b>	N/A	6,300	<b>0</b>	0	<b>-100.0%</b>
PricewaterhouseCoopers Centre <sup>3</sup>	12.00%	<b>0.00%</b>	N/A	32,000	<b>0</b>	<b>-26,879</b>	<b>-100.0%</b>
<b>Total: Office portfolio</b>	8.48%	<b>8.34%</b>	-14	638,800	<b>567,000</b>	<b>-69,050</b>	<b>-10.9%</b>
<b>Total: Office portfolio (like-for-like)<sup>4</sup></b>	8.24%	<b>8.32%</b>	8	499,500	<b>500,000</b>	<b>-7,752</b>	<b>-1.5%</b>
<b>Total: Investment portfolio</b>	7.99%	<b>7.78%</b>	-21	1,898,300	<b>1,865,026</b>	<b>-46,272</b>	<b>-2.4%</b>
<b>Total: Investment portfolio (like-for-like)</b>	7.77%	<b>7.70%</b>	-7	1,650,500	<b>1,699,226</b>	34,999	2.1%
Development land				14,450	<b>23,225</b>	3,462	17.5%
ASB North Wharf under construction				26,669	<b>78,700</b>	7,141	10.0%
Adjoining property				45,295	<b>41,976</b>	<b>-827</b>	<b>-1.9%</b>
<b>Total: Other properties</b>				86,414	<b>143,901</b>	9,776	7.3%
<b>TOTAL: PORTFOLIO</b>				<b>1,984,714</b>	<b>2,008,927</b>	<b>-36,496</b>	<b>-1.8%</b>

- Excludes Centre Place due to a change in the Centre's valuation methodology from an 'as is' basis pre-redevelopment as at Mar-11, to an 'as if complete' basis (less costs to complete) as at Mar-12 which reflects a \$39.9 million redevelopment announced in November 2011
- 50 The Terrace was sold in August 2011
- PricewaterhouseCoopers Centre (PwC Centre) written-off as it is a constructive total loss. Residual land value of \$4.2 million now included within development land
- Excludes 50 The Terrace due to sale, PwC Centre due to earthquake impacts and The Majestic Centre due to earthquake strengthening related write-down

Refer to following appendices for additional information:

- Appendix 5** Cap rate history
  - Appendix 6** Yield compression
  - Appendix 7**
  - Appendix 8**
- } Diversification

# Sales by centre

Total sales increased 8.4% to \$1.4 billion



Centre	Moving annual turnover		Specialty sales \$/sqm
	\$m	%	
Sylvia Park	445.7	+7.1	8,914
LynnMall	223.4	+5.1	7,470
Centre Place	70.7	-15.8	5,798
The Plaza	193.7	+3.1	8,540
North City	103.7	+5.8	7,474
Northlands	396.6	+22.2	10,456
<b>Total portfolio</b>	<b>1,433.8</b>	<b>+8.4</b>	<b>8,306</b>

- Strong contributions were made by:
  - **Northlands** as it continues to benefit from earthquake redistribution effects
  - **Sylvia Park** as it continues to grow market share
  - **North City** which has benefited from strong marketing and performance from Kmart
  - **The Plaza** which continues to trade well post redevelopment
  - **LynnMall** which is exceeding acquisition targets
  
- Centre Place recorded negative sales as it continues to be impacted by competition and redevelopment activity

## Specialty gross occupancy cost

FY12	13.4%
FY11	14.1%

# Sales by category

## Sales increased across all categories



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Category	Total sales <sup>1</sup>		Unaffected sales <sup>2</sup>	
	\$m	%	\$m	%
Supermarkets	392.9	+5.2	223.6	+3.7
Department and discount department stores	188.3	+12.1	127.3	+5.3
Cinemas	21.2	+11.0	14.6	+2.4
Mini-majors	169.4	+21.1	139.9	+18.1
Specialty	571.7	+5.5	404.6	+2.8
Commercial services	90.3	+12.2	56.5	+9.6
<b>Total</b>	<b>1,433.8</b>	<b>+8.4</b>	<b>966.5</b>	<b>+5.7</b>

1 Total sales includes all centres across the portfolio

2 Unaffected sales provides a more 'normalised' picture of sales trends and includes only those centres which have not undergone redevelopment in either year of comparison (therefore excludes Centre Place) and excludes Northlands which has experienced significantly increased trading levels post the February 2011 earthquake



# New leasing and rent reviews

## Retail rent reviews support portfolio rental growth

Portfolio	No.	NLA sqm	Uplift over prior passing rent		
			\$000	%	CAGR %
<b>RENT REVIEWS</b>					
Retail	565	87,628	2,929	4.6	4.4
Office	27	24,769	-32	-0.3	-0.2
<b>Total: Rent reviews</b>	<b>592</b>	<b>112,397</b>	<b>2,897</b>	<b>3.9</b>	<b>3.6</b>
<b>NEW LEASES AND RENEWALS</b>					
Retail – operational	156	18,362	-1,750	-10.5	n/a
Retail – development	13	9,226	n/a	n/a	n/a
Office – operational	20	6,228	-56	-2.7	n/a
Office – renewals, rent not finalised	3	8,189	n/a	n/a	n/a
<b>Total: New leases and renewals</b>	<b>192</b>	<b>42,005</b>	<b>-1,806</b>	<b>-9.7</b>	<b>n/a</b>
<b>TOTAL</b>	<b>784</b>	<b>154,402</b>	<b>1,091</b>	<b>1.2</b>	<b>n/a</b>

- Average 4.6% growth from fixed and CPI-related retail rent reviews contributes to overall rental growth from portfolio activity

### (Under)/Over-renting

Retail	-1.7%
Office	+6.1%
<b>Total</b>	<b>+0.8%</b>

### Retail leasing by Centre

Sylvia Park	+10.5%
Centre Place	-40.6%
Other	-5.7%
<b>Total</b>	<b>-10.5%</b>

# Occupancy and WALT

## Portfolio fundamentals remain healthy



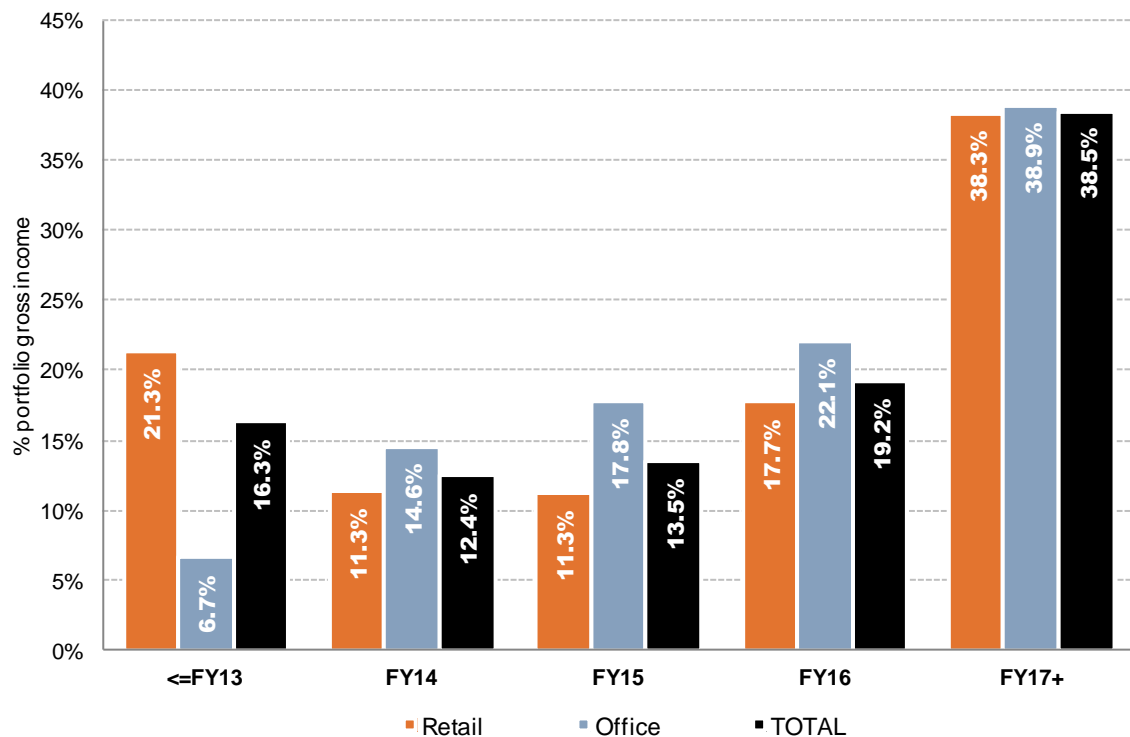
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Portfolio / Property	NLA sqm	Occupancy (%)		WALT (Years)	
		FY12	FY11	FY12	FY11
Sylvia Park	71,242	100.0%	100.0	3.2	3.7
LynnMall	31,508	100.0%	100.0	3.2	2.9
Centre Place	21,130	72.0%	83.5	4.8	2.1
The Plaza	32,453	99.7%	100.0	4.5	5.3
North City	25,484	99.7%	98.2	3.2	3.3
Northlands	40,000	99.7%	99.6	4.7	4.9
<b>Total: Retail</b>	<b>221,817</b>	<b>97.2%</b>	<b>98.2</b>	<b>3.8</b>	<b>3.8</b>
Vero Centre	39,484	94.7%	95.0	4.5	4.7
National Bank Centre	25,672	88.2%	90.2	3.6	4.1
Beca House	16,837	100.0%	100.0	8.0	8.8
The Majestic Centre	24,488	97.6%	100.0	3.7	4.4
Unisys House	22,158	97.3%	98.6	1.7	2.5
44 The Terrace	10,109	89.6%	92.0	3.6	3.2
<b>Total: Office</b>	<b>138,748</b>	<b>94.7%</b>	<b>95.6</b>	<b>4.1</b>	<b>4.5</b>
<b>Total: Portfolio</b>	<b>360,565</b>	<b>96.2%</b>	<b>97.1</b>	<b>3.9</b>	<b>4.0</b>

# Lease expiry profile

Opportunity to capitalise on improving retail sector

## Lease expiry profile (by gross income)



## Key forthcoming office expiries (>2,500 sqm)

FY	Property	Tenant	NLA sqm
13	Unisys House	Crown Law	4,806
14	Unisys House	Department of Labour	9,345
14	Natl Bank Centre	ANZ National Bank	6,430
15	Natl Bank Centre	DLA Philips Fox	2,924
15	Majestic Centre	Opus Consulting	4,241
15	44 The Terrace	TEC	2,744

## Key forthcoming retail expiries

FY	Property	Tenant	NLA sqm
13	Sylvia Park	~80 specialty stores	~11,000
13	Centre Place	~31 specialty stores	~3,700
13	North City	Farmers	4,589
14	Sylvia Park	~34 specialty stores	~4,100
14	LynnMall	~21 specialty stores	~5,575
14	Northlands	Hoyts Cinemas	2,875

# External influences

## Portfolio seismic review completed



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### The Majestic Centre

- Strengthening works to be undertaken to bring building to a 'low risk' classification<sup>1</sup>
  - Concept design complete
  - Work on-site commences July 2012
  - Project cost \$35 million

### Northlands Shopping Centre

- 14 of 126 shops closed (5% of net lettable area) to enable strengthening works to be completed
  - Estimated 15-month reinstatement program
  - Cost \$12 million (including lost rent)
- Potential partial redevelopment within five years to:
  - improve retail offer
  - consolidate increased market share
  - create new, expanded Farmers store
  - provide opportunity to undertake further strengthening works

### Balance of the portfolio

- Seismic review completed
- Potential opportunities to strengthen older buildings to target 'low-risk' classification<sup>1</sup>
- Preliminary estimate \$30-\$40 million to be programmed over next 10 years

<sup>1</sup> As defined by the New Zealand Society for Earthquake Engineering (NZSEE)



Centre Place Shopping Centre, Hamilton

# ASB North Wharf development update

## Building topped off, project on time and on budget



# ASB

## NORTH WHARF



**Gavin Walker (Chairman, ASB)**  
**Mark Ford (Chairman, KIPL)**  
**ASB North Wharf topping off 29 March 2012**

- The project remains on program and on budget

### Key project metrics

Development budget	\$132.1m
Target initial yield	~8.5%
ASB net lettable area (93% of building NLA)	19,465 sqm
ASB initial lease term	18 years
ASB lease commencement	July 2013
ASB rent reviews	Fixed 2.5% pa
Projected value on completion	\$144.0m

# Centre Place development update

## Farmers committed, construction commenced



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### Key project metrics

Development budget	\$39.9m
Target initial incremental yield	~8.4%
Projected value on completion	\$140.0m
Projected NOI on completion	\$11.0m
Projected NLA on completion	26,293 sqm
Projected MAT first year post completion <sup>1</sup>	\$116.0m

<sup>1</sup> Urbis Research (Aug-11)

### Project leasing status

Net lettable area leased	68%
Budgeted base rent achieved	42%

### Target delivery milestones

Rebel Sport	Q3 2012
Ward Street West	Q2 2013
Farmers and specialty	Q4 2013





**The Majestic Centre, Wellington**



# Market outlook

85% of portfolio located in recovering markets



Sector	Portfolio weighting <sup>1</sup>	Short term outlook	Medium term outlook	Key points						
<p><b>Retail</b></p> <p><b>KIP retail</b></p> <table border="1"> <tr> <td>Occupancy (%)</td> <td>97.2</td> </tr> <tr> <td>WALT (years)</td> <td>3.8</td> </tr> <tr> <td>Under/over renting</td> <td>-1.7%</td> </tr> </table>	Occupancy (%)	97.2	WALT (years)	3.8	Under/over renting	-1.7%	<b>65%</b>			<ul style="list-style-type: none"> <li>- Continuing retail sales growth, &gt;2% for 2012</li> <li>- Medium term sales growth of 2-4% in line with GDP growth</li> </ul>
Occupancy (%)	97.2									
WALT (years)	3.8									
Under/over renting	-1.7%									
<p><b>Auckland office</b></p> <p><b>KIP Auckland office</b></p> <table border="1"> <tr> <td>Occupancy (%)</td> <td>93.7</td> </tr> <tr> <td>WALT (years)</td> <td>4.7</td> </tr> <tr> <td>Under/over renting</td> <td>+6.2%</td> </tr> </table>	Occupancy (%)	93.7	WALT (years)	4.7	Under/over renting	+6.2%	<b>20%</b>			<ul style="list-style-type: none"> <li>- Vacancy expected to reduce with stable supply and forecast positive net absorption</li> <li>- Effective rents expected to improve as incentives reduce</li> <li>- Short-term rental growth suppressed by over-renting</li> <li>- Investor bias in favour of Auckland will support further yield compression</li> </ul>
Occupancy (%)	93.7									
WALT (years)	4.7									
Under/over renting	+6.2%									
<p><b>Wellington office</b></p> <p><b>KIP Wellington office</b></p> <table border="1"> <tr> <td>Occupancy (%)</td> <td>96.1</td> </tr> <tr> <td>WALT (years)</td> <td>3.0</td> </tr> <tr> <td>Under/over renting</td> <td>+6.0%</td> </tr> </table>	Occupancy (%)	96.1	WALT (years)	3.0	Under/over renting	+6.0%	<b>8%</b>			<ul style="list-style-type: none"> <li>- Vacancy rates expected to increase</li> <li>- Net rental growth suppressed by increasing insurance premiums and over-renting</li> <li>- Seismic issues are expected to drive market fundamentals</li> <li>- Buildings exhibiting seismic strength will achieve greatest occupancy, rental growth and investment demand</li> </ul>
Occupancy (%)	96.1									
WALT (years)	3.0									
Under/over renting	+6.0%									

<sup>1</sup> The balance of the portfolio (7%) comprises development land, investment property under construction and adjoining properties

# Priorities for FY13

## An active year ahead



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### **Intensive asset management**

- Actively manage the expiring leases at Sylvia Park
- Pro-actively focus on office tenant retention and mitigation of vacancy risk
- Progress seismic strengthening works at The Majestic Centre in Wellington and Northlands in Christchurch
- Complete leasing of vacant cinema premises at Centre Place in conjunction with refurbishment

### **Add value through development**

- Progress construction of ASB North Wharf
  - Priority on securing leases for the retail tenancies
- Achieve Centre Place redevelopment milestones:
  - New Rebel Sport tenancy
  - Ward Street closure
  - Commence construction of new Farmers department store

### **Balance sheet protection**

- Further improve the Trust's debt maturity profile by refinancing and extending upcoming bank debt expiries

### **Add value through investment decisions**

- Seek acquisition opportunities that add value, consistent with the Trust's strategy

# Summary and outlook

Projected FY13 cash distribution of 6.60 cents per unit



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## Robust underlying investment fundamentals

- Strong financial position
- Solid portfolio metrics with high occupancy rates
- Active asset management approach with sound investment strategy
- Property portfolio performance underpinned by favourable exposure to:
  - Shopping centres (65% by value)
  - Auckland (61% by value)

## Challenges ahead require caution

- The Manager remains cautious given the current economic environment, and the cost and income impacts of our earthquake strengthening requirements, most notably at Northlands Shopping Centre and The Majestic Centre

## 6.60 cpu cash distribution for FY13

- Distributable income after tax and a cash distribution to Unit Holders, for the year ending 31 March 2013, projected to be approximately 6.60 cents per unit
  - Based upon the outlook for the Trust and subject to a continuation of reasonable economic conditions





**National Bank Centre, Auckland**

<b>Contents</b>		<b>Appendix</b>	<b>Page No.</b>
<b>Financial review</b>	Interest expense	<b>1</b>	<b>30</b>
	Movement in OPBT and NPAT	<b>2</b>	<b>31</b>
	Movement in investment properties and net bank debt	<b>3</b>	<b>32</b>
	Interest rate hedging profile	<b>4</b>	<b>33</b>
<b>Property portfolio performance</b>	Capitalisation rate history	<b>5</b>	<b>34</b>
	Yield compression	<b>6</b>	<b>35</b>
	Sector and geographic diversification	<b>7</b>	<b>36</b>
	Tenant diversification	<b>8</b>	<b>37</b>
<b>Outlook</b>	Auckland office markets	<b>9</b>	<b>38</b>
	Wellington office markets	<b>10</b>	<b>39</b>
	New Zealand economic overview	<b>11</b>	<b>40</b>

# Appendix 1

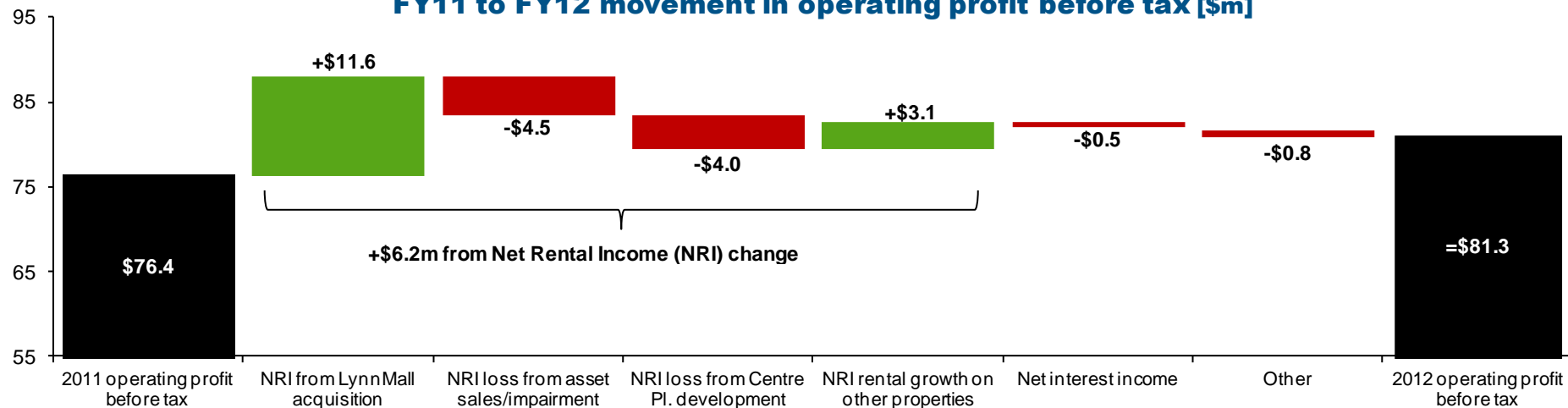
## Interest expense

Component	31-Mar-12	31-Mar-11	Variance	
	\$m	\$m	\$m	%
Interest income	3.5	4.8	-1.3	-27.1
Interest on bank debt	-50.6	-42.1	-8.5	-20.2
Interest on 2005 MCNs	-	-2.8	+2.8	+100.0
Interest on 2009 MCNs	-10.8	-10.7	-0.1	-0.9
<b>Net interest expense incurred</b>	<b>-57.9</b>	<b>-50.8</b>	<b>-7.1</b>	<b>-14.0</b>
Interest capitalised to:				
ASB North Wharf	8.2	1.9	+6.3	+331.6
Other	1.0	0.7	+0.3	+42.9
<b>Net interest expense reported in the Statement of Financial Performance</b>	<b>-48.7</b>	<b>-48.2</b>	<b>-0.5</b>	<b>-1.0</b>

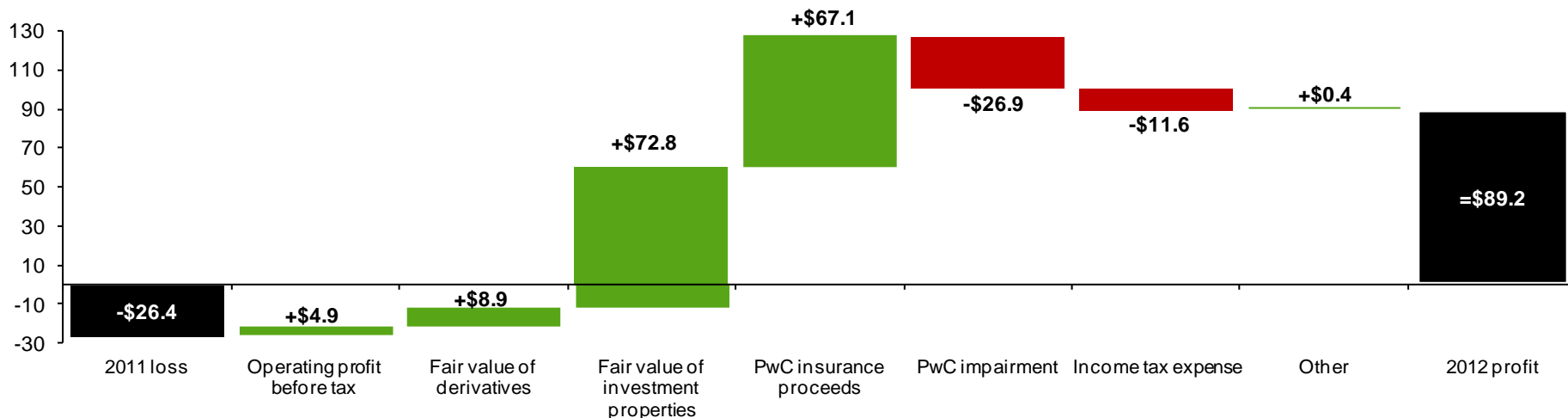
# Appendix 2

## Movement in OPBT and NPAT

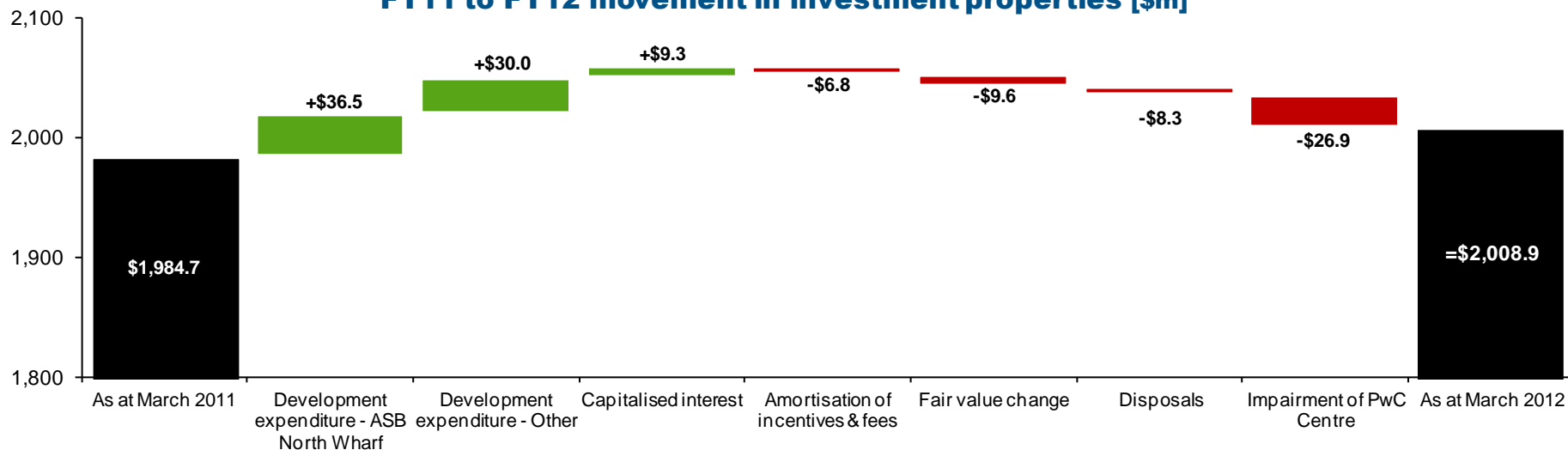
### FY11 to FY12 movement in operating profit before tax [\$m]



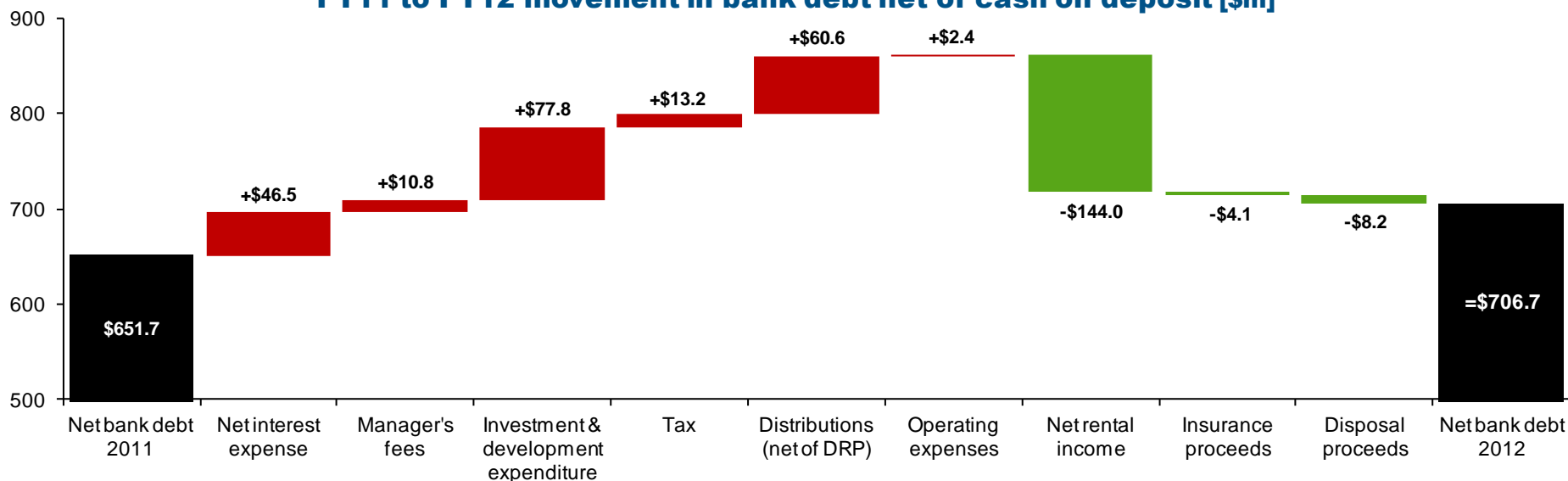
### FY11 to FY12 movement in profit/(loss) after tax [\$m]



### FY11 to FY12 movement in investment properties [\$m]



### FY11 to FY12 movement in bank debt net of cash on deposit [\$m]





# Appendix 4

## Interest rate hedging profile

### Hedging profile

31-Mar-12

31-Mar-11

Percentage of drawn debt hedged [fixed rate]

83%

84%

Weighted average interest rate on hedged debt [excl margin and fees]

6.39%

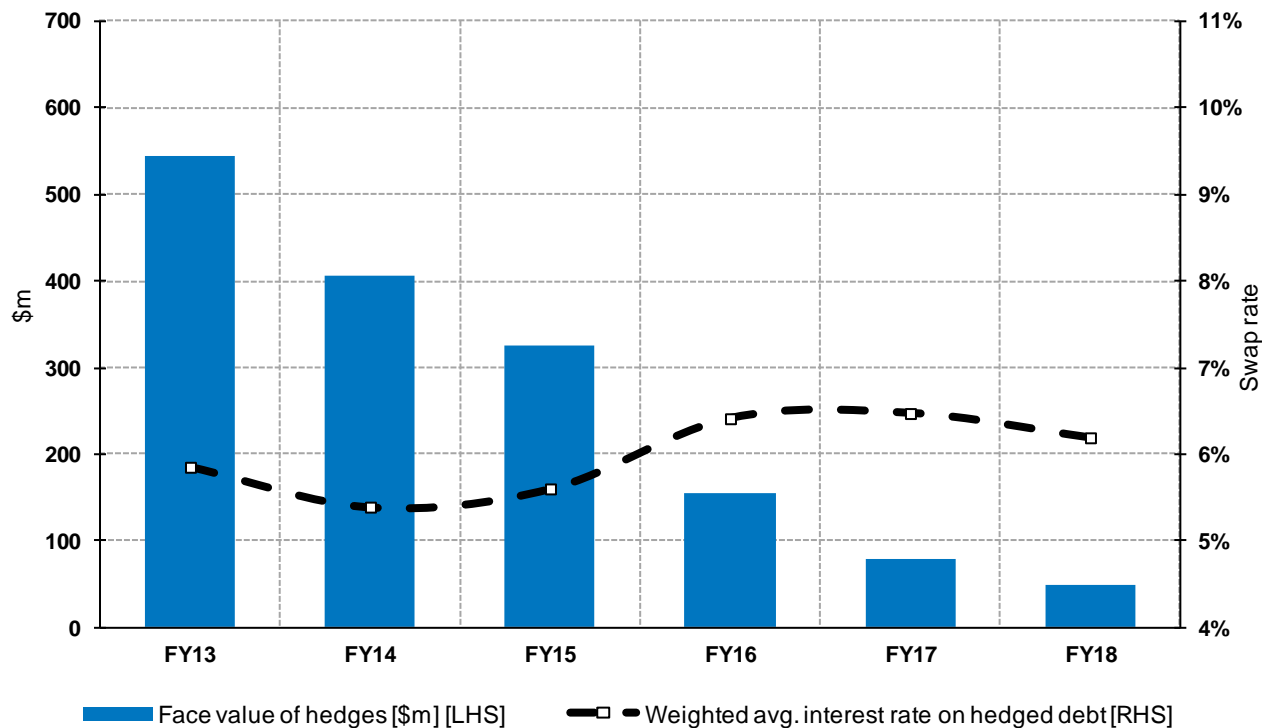
6.20%

Weighted average term to maturity of interest rate hedges

2.4 years

3.1 years

### Hedge maturity profile

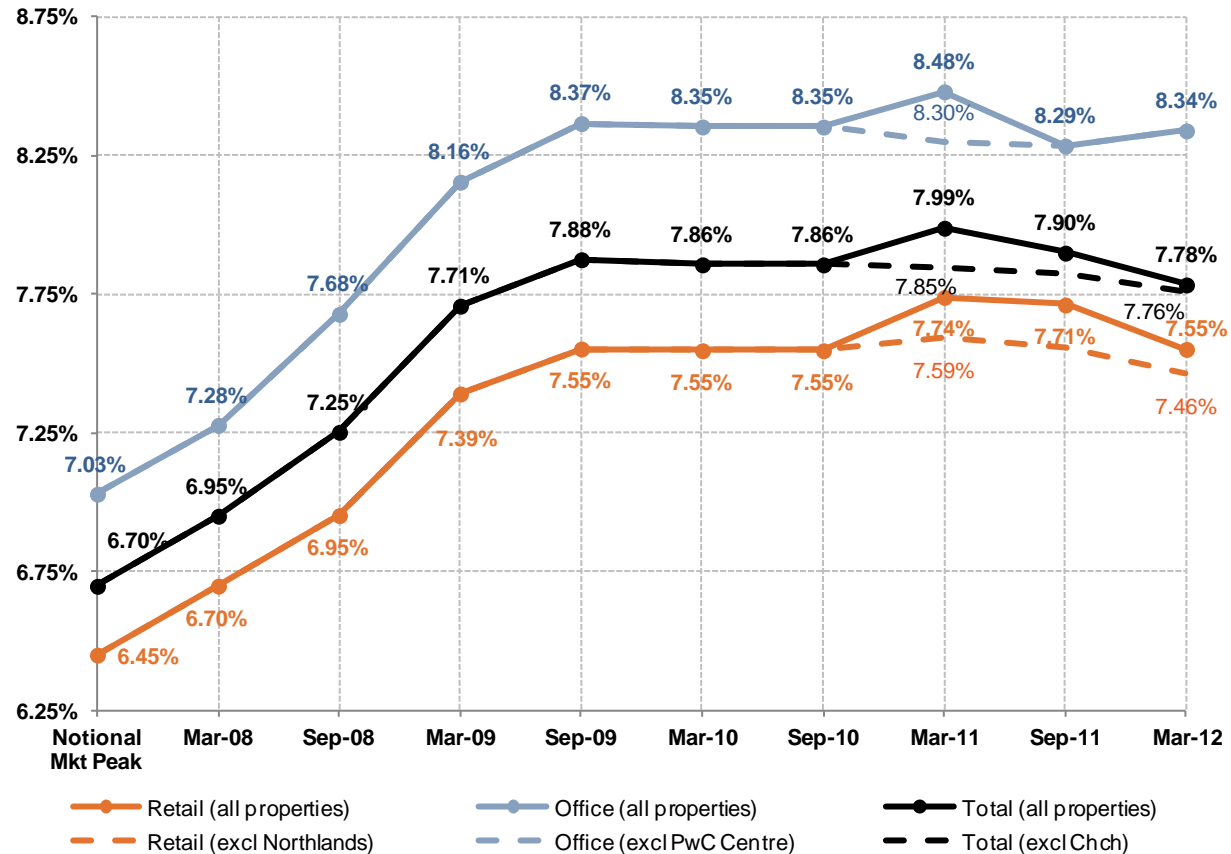


# Appendix 5 Capitalisation rate history

- The trend of stabilising cap rates, excluding earthquake affected Christchurch properties, has continued across the portfolio
- Portfolio cap rates softened 118 bps from the notional market peak to Sep-09 and have stabilised since with a firming of just 12 bps over the last two and a half years (excluding EQ effects)

Period	Weighted Cap rate
Market peak (Q3-07) <sup>1</sup>	6.70%
Peak to trough movement	<b>+118 bps</b>
Market trough (~Sep-09)	7.88%
Trough to Mar-12 movement	<b>-12 bps</b>
<b>Current (Mar-12)</b>	<b>7.76%</b>

**Capitalisation rate history**

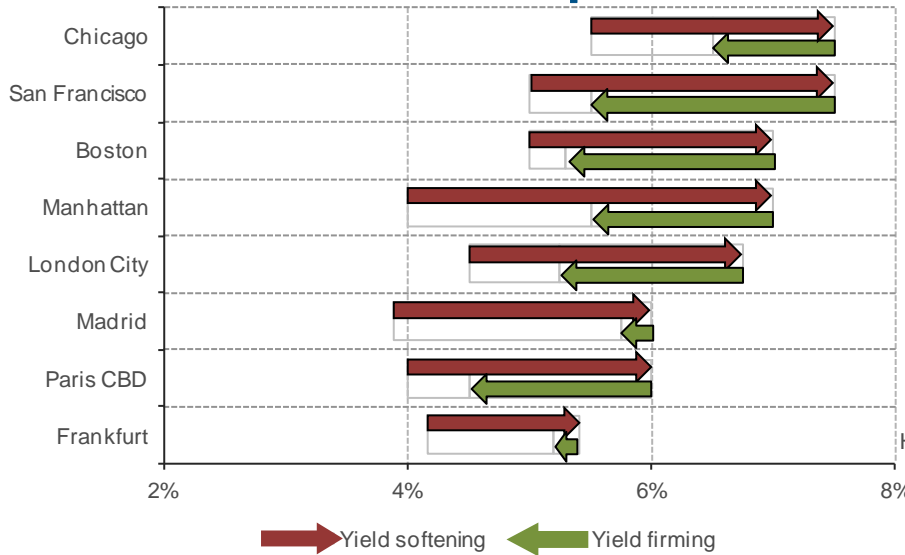


<sup>1</sup> The 'Notional Market Peak' occurred in the 3<sup>rd</sup> Quarter 2007, between the Trust's reporting period and as such the cap rates are extrapolated numbers

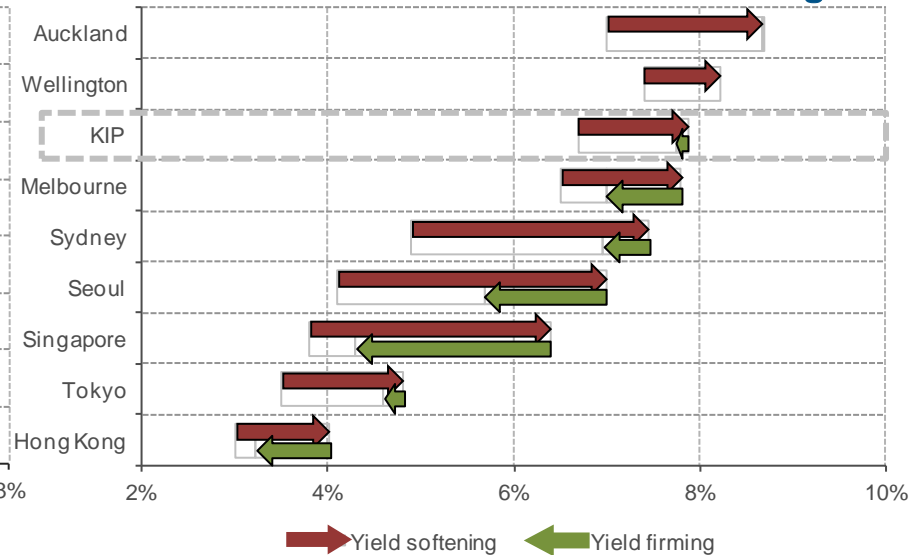
# Appendix 6

## Yield compression

### Yield trends in Europe & USA



### Yield trends in Asia-Pacific including KIP



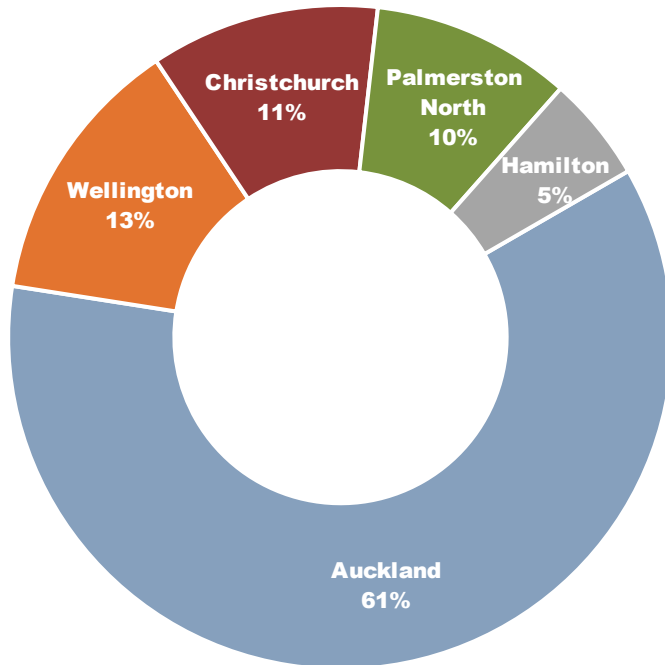
- Most global property markets have experienced some recovery in property yields since the GFC
  - Compression has emerged at a different pace across markets
  - Led by aggressive rebounds in London and Hong Kong, then broadening into Asia, Europe and the United States
- As experienced by the Trust, New Zealand markets have yet to see any significant compression

# Appendix 7

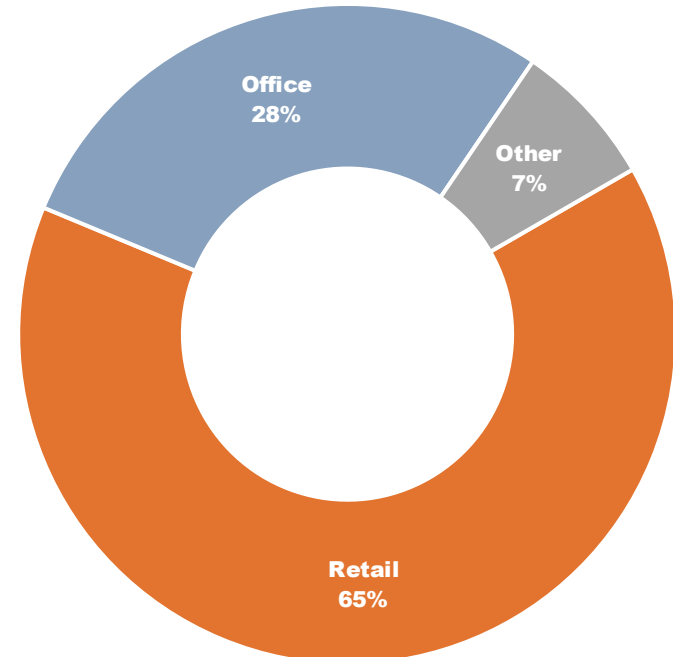
## Sector and geographic diversification

By value	Auckland	Wellington	Christchurch	Palmerston North	Hamilton	Total by sector	
						FY12	FY11
Retail	35%	5%	11%	10%	4%	65%	64%
Office	20%	8%	-	-	0%	28%	32%
Other	6%	0%	0%	-	1%	7%	4%
<b>Total by region FY12</b>	<b>61%</b>	<b>13%</b>	<b>11%</b>	<b>10%</b>	<b>5%</b>	<b>100%</b>	
<b>Total by region FY11</b>	<b>56%</b>	<b>16%</b>	<b>12%</b>	<b>10%</b>	<b>6%</b>		

**Geographic diversification (by value)**



**Sector diversification (by value)**



# Appendix 8

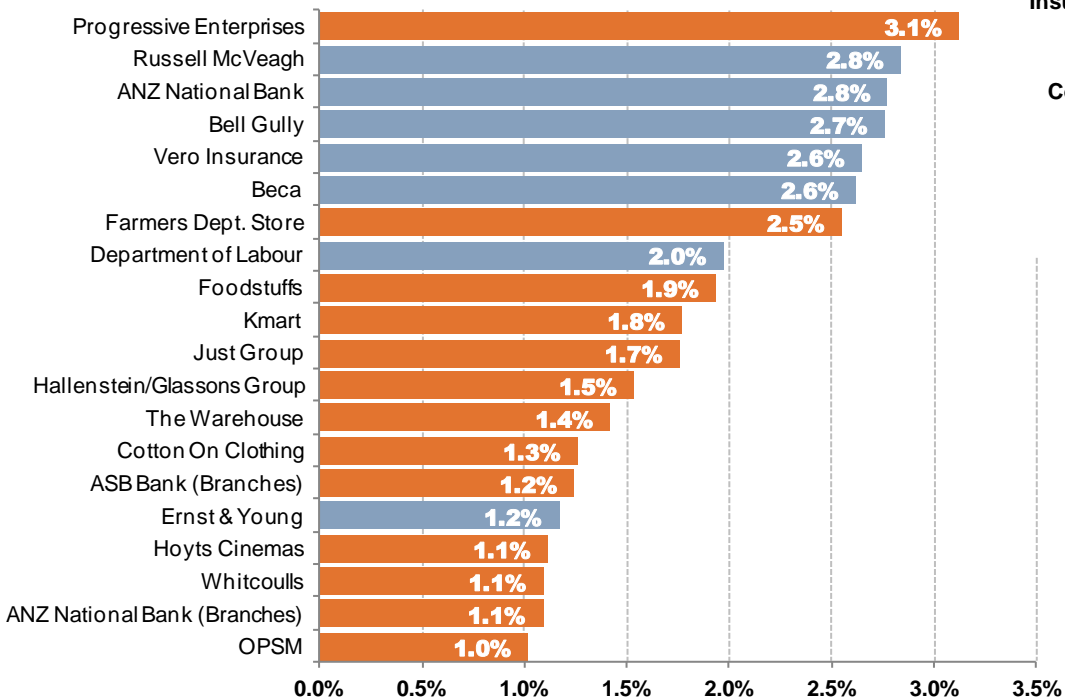
## Tenant diversification

### Analysis of property portfolio

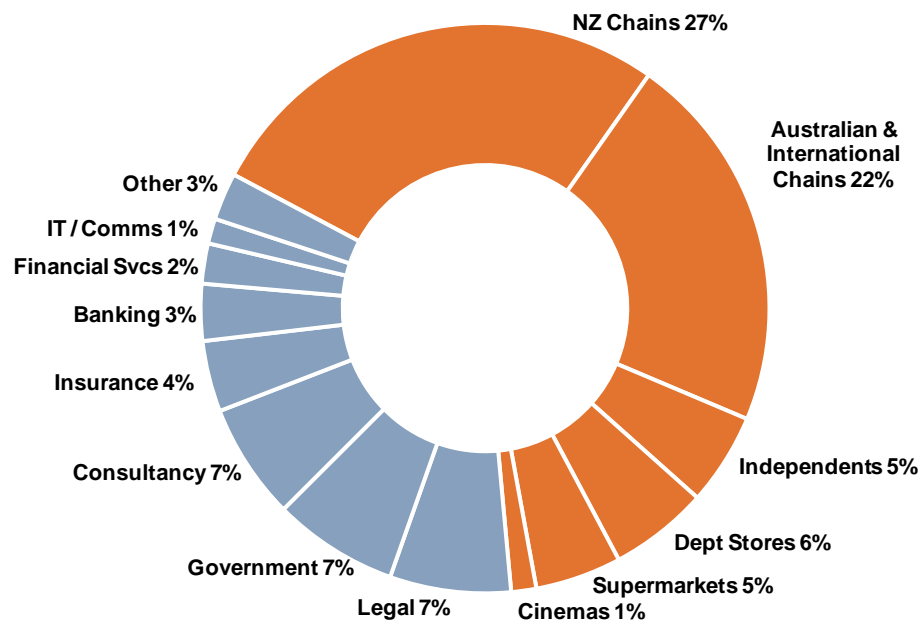
Total no. tenants: 890

Portfolio	No. tenants	NLA	Gross income
Retail	87%	62%	66%
Office	13%	38%	34%
Top 20 tenants	2%	50%	38%

### Top 20 tenants (by gross income)



### Tenant diversification (by gross income)



# Appendix 9

## Auckland office market

Statistic	Grade	As at / YE Dec-10	Mvmt	As at / YE Dec-11	Mvmt	Forecast Dec-12	Comments
<b>Stock</b> (sqm)	Premium	110,000	▶	110,000	▶	110,000	<ul style="list-style-type: none"> <li>Completion of East building at Britomart increased A-grade stock</li> <li>Minor increase in A-grade expected next year but no change to Premium</li> </ul>
	A-grade	422,000	▲	461,000	▶	464,000	
<b>Absorption</b> (sqm)	Premium		▼	-6,000	▲	+4,000	<ul style="list-style-type: none"> <li>2011 impacted primarily by Westpac's move from PwC Tower (Premium) to Britomart (A-grade) plus progressive lease up of Zurich House (A-grade)</li> <li>Forecast is for positive absorption over both grades in 2012 with an anecdotal increase in leasing enquiry</li> </ul>
	A-grade		▲	+43,000	▲	+15,000	
<b>Vacancy</b> (%)	Premium	6.2%	▲	12.0%	▼	7.5%	<ul style="list-style-type: none"> <li>Movement in vacancy over 2011 consistent with absorption statistics</li> <li>Forecast to improve over 2012 with the positive absorption and stable supply environment</li> </ul>
	A-grade	9.8%	▼	8.1%	▼	6.1%	
<b>Rent</b> (\$/sqm) (net effective)	Premium	\$360	▲	\$377	▲	\$392	<ul style="list-style-type: none"> <li>Face rentals have remained stable over 2011 but effective rentals have improved as incentives reduce with the improving market</li> <li>This trend is forecast to continue over 2012</li> </ul>
	A-grade	\$224	▲	\$234	▲	\$245	
<b>Yield</b> (%)	Premium	7.9%	▶	7.9%	▼	7.8%	<ul style="list-style-type: none"> <li>Forecast to firm through to the end of 2012 with growing rents, less vacancy risk and a perception that institutional investors will become more active</li> </ul>
	A-grade	9.4%	▼	9.2%	▼	9.1%	

# Appendix 10

## Wellington office market

Statistic	Grade	As at / YE Dec-10	Mvmt	As at / YE Dec-11	Mvmt	Forecast Dec-12	Comments
<b>Stock</b> (sqm)	A-grade	267,000	▲	317,000	▲	336,000	<ul style="list-style-type: none"> <li>Completion of Telecom Central represents supply growth over 2011</li> <li>New stock for 2012 represents refurbished buildings coming back into the market</li> </ul>
	B-grade	586,000	▼	578,000	▲	586,000	
<b>Absorption</b> (sqm)	A-grade		▲	+47,000	▲	+15,000	<ul style="list-style-type: none"> <li>2011 positive absorption primarily Telecom's move into Telecom Central</li> </ul>
	B-grade		▼	-21,000	▼	-4,000	
<b>Vacancy</b> (%)	A-grade	3.8%	▲	4.1%	▲	5.1%	<ul style="list-style-type: none"> <li>The movement in vacancy statistics correlates to the underlying movements in supply and absorption</li> <li>After a period of development in Wellington, supply is stable</li> </ul>
	B-grade	10.5%	▲	12.9%	▲	14.8%	
<b>Rent</b> (\$/sqm) (net effective)	A-grade	\$244	▼	\$233	▼	\$231	<ul style="list-style-type: none"> <li>Gross effective rents have shown little change over the year however rising operating expenses, predominantly insurance costs, have contributed to the decline in effective net rents</li> </ul>
	B-grade	\$164	▼	\$151	▼	\$135	
<b>Yield</b> (%)	A-grade	8.7%	▶	8.7%	▶	8.7%	<ul style="list-style-type: none"> <li>Yields are forecast to remain steady through 2012 but firm thereafter as the occupancy market improves</li> </ul>
	B-grade	10.0%	▶	10.1%	▲	10.3%	

### Market analysis

- Economic recovery gradual with GDP growth of 1.4% for 2011, underpinned by positive agricultural export performance
- Economy to gain momentum during 2012, lifting to 3.5%<sup>1</sup> by 2014 (20-year average 2.8%) driven by export incomes and Canterbury reconstruction activity
- Unsettled global markets will continue to encourage consumer caution and household deleveraging
- Unemployment is at 6.7%<sup>2</sup> (long-term average 6.3%)
- Forecast to decline to 5.4% by 2014<sup>3</sup>
- Improving labour conditions likely to underpin wages growth
- House prices are 3.0% up over the prior year and 3.0% below the previous market peak of late 2007<sup>4</sup>
- Sales and residential building activity have increased, particularly Auckland and Christchurch
- House prices forecast to rise by 6% across the country during 2012, with mortgage interest rates remaining low<sup>6</sup>
- Retail trade gaining momentum following a pause in late 2010
- Core retail sales rose 2.9%<sup>5</sup> in Dec-11 quarter (4.8% year on year)<sup>5</sup>, the fourth consecutive quarter of growth, led by supermarkets and department stores

#### Sources:

1 ASB Economics, April 2012

2 Statistics New Zealand, May-12

3 New Zealand Institute of Economic Research Mar-12

4 QV Latest Property News May-12

5 Statistics New Zealand Feb-12

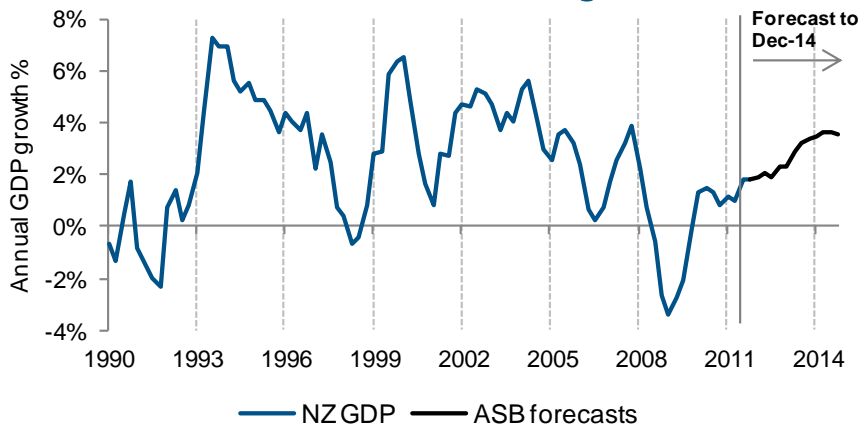
6 Westpac Economic Overview May-12

Refer to page 41 for graphical analysis supporting economic overview

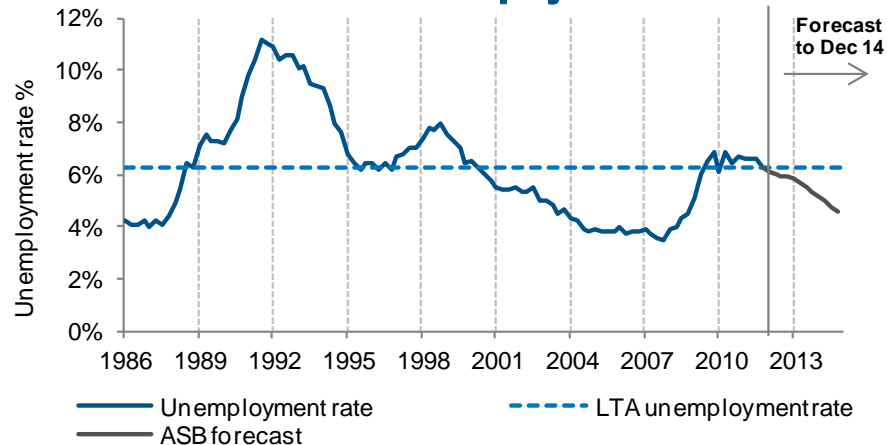


# Appendix 11 New Zealand economic overview

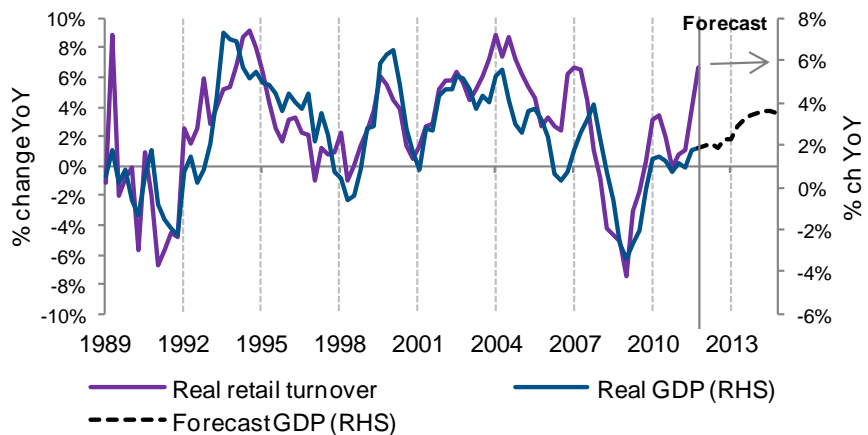
### New Zealand annual GDP growth



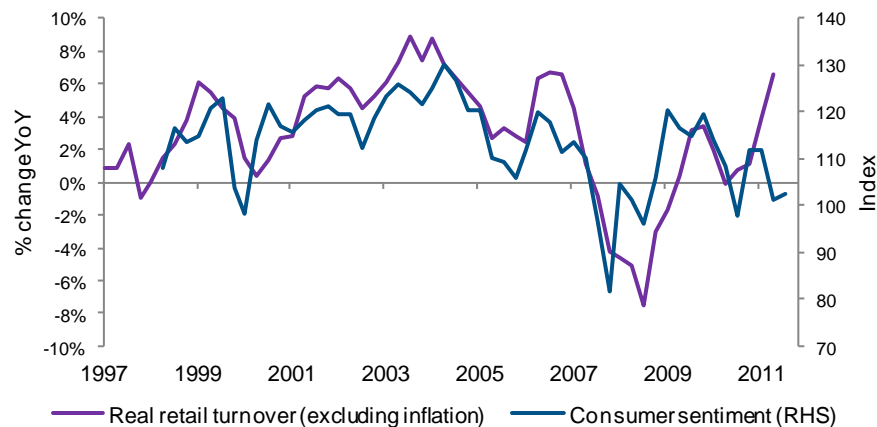
### New Zealand unemployment rate



### Retail turnover and economic growth



### Consumer sentiment and retail turnover growth



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