



 **KIWI INCOME
PROPERTY TRUST**

INTERIM RESULT

**30 SEPTEMBER
2014**





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This interim result presentation should be read in conjunction with the NZX announcement and online interim report also released 12 November 2014

Refer to: kipt.co.nz or nzx.com

MARKETS

Economic fundamentals underpin prospects for both retail and office sectors

Economy

- Growth remains positive
- Unemployment is reducing
- Confidence remains positive

Retail

- Confidence and economic indicators should assist sales growth in line with GDP

Auckland office

- Reducing vacancy and increasing rents forecast for prime grades, with stable supply and positive absorption. Firming yields, with strong investment demand

Wellington office

- Government sector consolidating
- Tenant and investment demand greatest for buildings exhibiting seismic strength

FINANCIAL

Strong operational performance

\$42.1m
Operating profit before tax

↑

- Up \$4.6 million (12.3%) due to:
 - Completed developments
 - Sylvia Park
 - Internalisation cost savings

\$23.8m
Reported profit after tax

↓

- Prior year assisted by interest rate derivative valuation gains and one-off reduction in deferred tax

32.8%
Bank covenant gearing ratio

↓

- Improved due sale of final 50% tranche of 205 Queen and insurance claim progress payments

3.25cpu
Cash distribution

↑

- Cash distribution for half year, in line with guidance
- Projected full year cash distribution maintained at 6.50 cents per unit

OPERATING

Improving market conditions assisted value growth and key metrics

\$2.10b
Portfolio value

↓

- Reflects uplift from cap rate firming in Auckland office assets offset by a reduction in value of The Majestic Centre and sale of remaining 50% of 205 Queen

483
New leases and rent reviews concluded

- Over 97,500 sqm of NLA
- Average 3.5% rent growth achieved over prior passing rentals

4.6 years
WALT

↓

- Office WALT increased from 6.4 to 6.8 years
- Retail WALT down marginally to 3.6 years

98.9%
Occupancy

↑

- Office occupancy improved to 98.4% assisted by leasing at Vero Centre and The Majestic Centre
- Retail occupancy healthy at 99.1%

ACTIVE DEVELOPMENTS

Progress has been made on the Trust's development activity



The Majestic Centre

- Two key elements (foundations and transfer beam works) structurally complete
- Project complexity has resulted in a cost increase of \$29.9 million to an estimated \$83.5 million



56 The Terrace (formerly Unisys House)

- Construction on the \$65.7 million building redevelopment has commenced

NEW DEVELOPMENT

New development at LynnMall to commence January 2015



LynnMall

- \$36 million development to create a new dining and entertainment precinct
- Anchored by new state of the art eight-screen cinema complex on a 15-year lease to Reading Cinemas

INSURANCE SETTLEMENT

Insurance claim at Northlands Shopping Centre settled



- Settlement reached for all outstanding claims for \$60.1 million (net of payments received in the prior year)

- Proposal to move from a trust to a company structure
 - Notice of Special Meeting and Prospectus issued for Unit Holder consideration
- Special meeting of Unit Holders to be held 15 December in Auckland
- Intention is to corporatise on 22 December immediately following conversion of the Trusts mandatory convertible notes on 20 December
- Benefits of corporatisation include:
 - cost savings
 - streamlined corporate structure
 - greater protections for investors under the Takeovers Code and Companies Act

Key dates¹

28-Nov	Notice of Special Meeting and Prospectus mailed to investors
15-Dec	Special Meeting of Unit Holders
19-Dec	Units cease trading on the NZX
20-Dec	Mandatory convertible notes convert to units
22-Dec	Shares issued on redemption of units
22-Dec	Shares commence trading on the NZX

1. Assuming corporatisation resolutions approved by Unit Holders. Subject to change at anytime by announcement to the NZX.

Net operating income ¹ For the six months ended	30-Sep-14	30-Sep-13	Variance	
	\$m	\$m	\$m	%
Sylvia Park	18.2	16.5	+1.7	+10.3
LynnMall	8.0	7.5	+0.5	+6.7
Centre Place	3.6	1.3	+2.3	+176.9
The Plaza	7.6	7.0	+0.6	+8.6
North City	4.0	3.8	+0.2	+5.3
Northlands	9.3	7.6	+1.7	+22.4
Retail portfolio	50.7	43.7	+7.0	+16.0
Vero Centre	9.6	9.1	+0.5	+5.5
ASB North Wharf	5.5	2.6	+2.9	+111.5
The Majestic Centre	3.4	4.7	-1.3	-27.7
56 The Terrace	3.2	2.7	+0.5	+18.5
44 The Terrace	1.1	0.9	+0.2	+22.2
Sold properties ²	0.7	5.4	-4.7	-87.0
Office portfolio	23.5	25.4	-1.9	-7.5
Other properties	1.3	1.5	-0.2	-13.3
Net operating income (NOI)	75.5	70.6	+4.9	+6.9
Straight-lining of fixed rental increases	1.5	0.8	+0.7	+87.5
Net rental income (NRI)	77.0	71.4	+5.6	+7.8
Net operating income like-for-like ³	53.0	48.9	+4.1	+8.4
Net rental income like-for-like ³	53.0	49.3	+3.7	+7.5

- NOI increase assisted by:
 - completion of Centre Place
 - completion of Northlands
 - completion of ASB North Wharf
 - continued strong performance at Sylvia Park
- Offset by:
 - removal of floors for development at The Majestic Centre
 - sale of 205 Queen
- NOI increase also assisted by property management fees earned directly by the Trust post internalisation (\$4.1 million)

1. Net operating income excludes rental income resulting from straight-lining of fixed rental increases.
2. Represents 205 Queen (tranche 1 settled Jan-14, tranche 2 settled Jun-14).
3. Excludes assets sold or undergoing development in either period of comparison.

Financial performance For the six months ended	30-Sep-14	30-Sep-13	Variance	
	\$m	\$m	\$m	%
Gross rental income	102.3	101.5	+0.8	+0.8
Property operating expenditure	-25.3	-30.1	+4.8	+15.9
Net rental income	77.0	71.4	+5.6	+7.8
Net interest expense ¹ Appendix 1	-27.5	-26.8	-0.7	-2.6
Manager's base fees	-	-5.7	+5.7	+100.0
Management and administration expenses	-7.4	-1.4	-6.0	-428.6
Operating profit before other income/(expenses) and tax² Appendix 2	42.1	37.5	+4.6	+12.3
Fair value change to interest rate derivatives	-3.1	20.3	-23.4	-115.3
Fair value change to investment properties	-5.1	4.4	-9.5	-215.9
Loss on disposal of investment properties	-0.7	-	-0.7	-100.0
Insurance income/(adjustment)	-4.7	2.0	-6.7	-335.0
Restructuring and litigation costs	-1.6	-0.7	-0.9	-56.3
Other non-operating expenses	-0.4	-0.4	-	-
Profit before tax	26.5	63.1	-36.6	-58.0
Current tax expense	-0.3	-3.0	+2.7	+90.0
Deferred tax benefit/(expense)	-2.4	1.8	-4.2	-233.3
Profit after tax	23.8	61.9	-38.1	-61.6

- Operating profit increased by improved NRI
- Profit before tax reduced by fair value interest rate derivative and property devaluations
- Current tax expense reduced due to deductibility of the internalisation payment
- Deferred tax expense increased due to a one-off adjustment in the prior year for depreciation recovered in respect of sold assets

1. Shown net of interest income and interest capitalised.
2. Operating profit before other income/(expenses) and tax is an alternative performance measure used by the Trust to assist investors in assessing the Trust's underlying operating performance.

Distributable income For the six months ended	30-Sep-14	30-Sep-13	Variance	
	\$m	\$m	\$m	%
Operating profit before other income/(expenses) and tax ¹	42.1	37.5	+4.6	+12.3
Fixed rental income adjustments	-1.5	-0.8	-0.7	-87.5
Distributable income before tax	40.6	36.7	+3.9	+10.6
Current tax expense	-0.3	-3.0	+2.7	+90.0
Distributable income after tax¹	40.3	33.7	+6.6	+19.6

- Distributable income increased by:
 - improved operating result
 - reduced current tax due to deductibility of internalisation payment
- \$7.0 million transferred to retained earnings

Distributions	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
	\$m	\$m	cpu ²	cpu ²
Distributable income after tax	40.3	33.7	3.93	3.35
Transfer to retained earnings	-7.0	-1.5	-0.68	-0.15
Cash distribution	33.3	32.2	3.25	3.20
Imputation credits	2.7	-	0.26	-
Gross distributions paid	36.0	32.2	3.51	3.20
Payout ratio	83%	96%		

1. Operating profit before other income/(expenses) and tax and distributable income are alternative performance measures used by the Trust to assist investors in assessing the Trust's underlying operating performance and to determine income available for distribution.
2. Calculated using the number of units entitled to the relevant distributions.

Financial position As at		30-Sep-14	31-Mar-14	Movement	
		\$m	\$m	\$m	%
Assets					
Investment properties	Appendix 3	2,102.6	2,130.2	-27.6	-1.3
Cash	Appendix 4	9.5	9.2	+0.3	+3.3
Insurance income receivable		33.6	64.3	-30.7	-47.7
Other assets		21.0	32.1	-11.1	-34.6
Total assets		2,166.7	2,235.8	-69.1	-3.1
Liabilities					
Finance debt ¹	Appendix 4	708.3	786.5	-78.2	-9.9
Mandatory convertible notes		120.1	119.7	+0.4	+0.3
Deferred tax liability		89.3	93.5	-4.2	-4.5
Other liabilities		56.9	47.6	+9.3	+19.5
Total liabilities		974.6	1,047.3	-72.7	-6.9
Unit Holders' funds		1,192.1	1,188.5	+3.6	+0.3
Bank covenant gearing (requirement <45%) ²		32.8%	35.2%	-240 bps	
Net tangible asset backing per unit (NTA)		\$1.16	\$1.17	-\$0.01	

- Total value of investment properties decreased due:

- sale of remaining 50% interest in 205 Queen
- write-down of The Majestic Centre to reflect additional project cost

Offset by:

- valuation uplift from capitalisation rate firming at Vero Centre and ASB North Wharf

- Finance debt reduced via proceeds from:

- sale of 205 Queen
- insurance proceeds

1. Includes the carrying value of the \$125 million fixed rate bonds.

2. Calculated as finance debt (which includes secured bank debt and the \$125 million face value of bonds) over total tangible assets (which excludes interest rate derivative assets).

Finance debt facilities	Facilities expiring	
	\$m	%
FY15	-	-
FY16	-	-
FY17	WBC \$57.5	6.4
FY18	ANZ \$52.5 BNZ \$65.0 CBA \$100.0	24.2
FY19	ANZ \$52.5 BNZ \$65.0 WBC \$100.0 CBA \$65.0	31.3
FY20	ANZ \$52.5 BNZ \$65.0 CBA \$100.0	24.2
FY21	-	-
FY22	Fixed Rate Bond \$125.0	13.9
Total facilities	900.0	100.0
Facilities drawn	710.0	
Undrawn facilities	190.0	

- Refinanced all bank debt facilities
- Completed a \$125 million bond offer
 - Seven-year tenure
 - 6.15% per annum fixed interest rate
- The bond proceeds have been used for general corporate purposes, including the repayment of bank debt
- The bonds benefited the Trust by extending the weighted average duration of the funding base as well as diversifying our sources of funding

	30-Sep14	31-Mar-14
Weighted term to maturity (years)	4.1	3.4
Weighted average cost of facilities (incl. margin and fees)	6.27%	6.01%
% of drawn debt hedged Appendix 5	98%	74%

Core portfolio metrics ¹	30-Sep-14			31-Mar-14
	Retail	Office	Total	Total
Number of assets	6	5	11	12
Value (\$000)	1,399.7	637.0	2,036.7	2,064.8
Proportion of total portfolio by value Appendix 7	67%	30%	97%	97%
Weighted average capitalisation rate	7.17%	6.87%	7.07%	7.19%
Net lettable area (sqm) Appendix 6	230,097	117,884	347,981	373,277
Number of tenants Appendix 8	788	101	889	919
Proportion of core portfolio by gross income	71%	29%	100%	100%
Occupancy (by area) ² Appendix 6	99.1%	98.4%	98.9%	97.8%
Weighted average lease term (by income) Appendix 6	3.6 years	6.8 years	4.6 years	4.7 years

- At 30 September 2014, excludes adjoining properties and development land which have a combined value of \$65.9 million and represent 3% of the portfolio. At 31 March 2014, excludes adjoining properties and development land with a value of \$65.4 million, 3% of total portfolio value.
- Tenancies vacated for development works are excluded from the occupancy statistics. At 30 September 2014, excludes 1,500 sqm at 56 The Terrace and four floors (3,800 sqm) at The Majestic Centre which are undergoing redevelopment and seismic strengthening works. At 31 March 2014, this excludes 2,800 sqm at The Majestic Centre.

Portfolio / property As at	Capitalisation rates %			Adopted value \$m		Fair value increase/(decrease)	
	Sep-14	Mar-14	Var. bps	Sep-14	Mar-14	\$m	%
Sylvia Park	n/a	6.50	n/a	567.9	564.0	+0.4	+0.1
LynnMall	n/a	7.13	n/a	207.7	206.0	+0.1	+0.0
Centre Place	n/a	8.25	n/a	124.6	122.5	+0.4	+0.3
The Plaza	n/a	7.25	n/a	197.0	196.0	+0.6	+0.3
North City	n/a	8.25	n/a	96.5	96.4	+0.2	+0.2
Northlands	n/a	7.75	n/a	206.0	205.3	+0.2	+0.1
Retail portfolio	7.17	7.17	-	1,399.7	1,390.2	+1.9	+0.1
Vero Centre	6.63	6.88	-25	315.0	299.0	+15.7	+5.2
ASB North Wharf	6.63	6.88	-25	170.0	162.2	+7.1	+4.4
The Majestic Centre	7.75	8.00	-25	64.9	76.6	-29.5	-31.2
56 The Terrace ¹	n/a	7.25	n/a	59.9	53.4	-0.4	-0.6
44 The Terrace	n/a	8.50	n/a	27.2	27.1	+0.1	+0.1
205 Queen (50% interest)	n/a	8.50	n/a	-	56.3	-	-
Office portfolio	6.87	7.23	-36	637.0	674.6	-7.0	-1.1
Investment portfolio	7.07	7.19	-12	2,036.7	2,064.8	-5.1	-0.2
Adjoining properties				46.1	45.9	-	-
Development land				19.8	19.5	-	-
Total portfolio				2,102.6	2,130.2	-5.1	-0.2

- Final 50% tranche of 205 Queen sale settled Jun-14
- Three office assets independently valued:
 - Vero Centre
 - ASB North Wharf
 - The Majestic Centre
- Firming capitalisation rates in Auckland lead to value increases for Vero and ASB North Wharf
- Decrease in value of The Majestic Centre reflects increased project cost

1. Capitalisation rate at Mar-14 is the 'on completion' assessed rate.

Static portfolio activity By portfolio	No. of tenancies	NLA		Uplift over prior passing rent			WALT years
		sqm	% of portfolio	\$000	%	CAGR %	
Rent reviews	386	59,100	26	1,662	+4.0	+4.0	-
New leasing	70	6,800	3	128	+2.5	-	4.4
Retail portfolio	456	65,900	29	1,790	+3.9		
Rent reviews	17	24,800	21	303	+2.4	+1.2	-
New leasing	10	6,800	6	73	+2.4	-	6.2
Office portfolio	27	31,600	27	376	+2.4		
Total	483	97,500	28	2,166	+3.5		

Retail portfolio

- CPI and fixed rental reviews underpin growth
 - Fixed and CPI-related rent reviews (~88% of all reviews) delivered +4.0% growth
- Rental uplift from new leasing concentrated in larger centres

Sylvia Park	+22.8%
Northlands	+5.4%
Balance of portfolio	-3.9%

Office portfolio

- Rent review uplift underpinned by ASB's first 2.5% fixed increase at ASB North Wharf
- New leasing activity provided the following rental uplift:

Vero Centre	+1.6%
The Majestic Centre	+3.8%

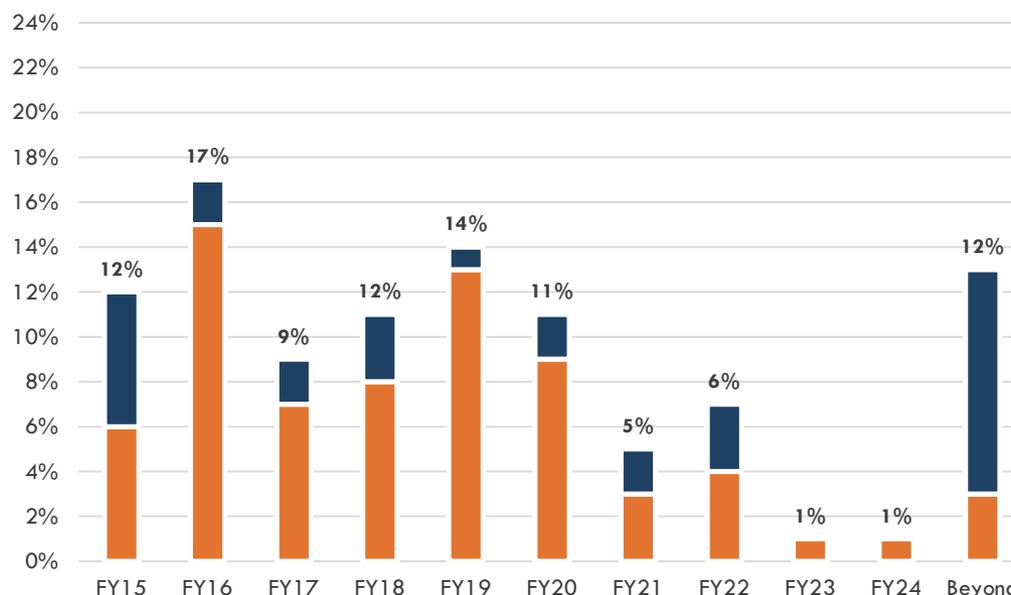
- The weighted average lease term for the office portfolio has improved primarily due to leasing at Vero Centre and The Majestic Centre
- The office portfolio expiries in FY15 relate primarily to tenants vacating 56 The Terrace for the redevelopment project. If 56 The Terrace is excluded, total FY15 expiries reduce to 6%.
- The retail portfolio expiry spike in FY16 primarily represents specialty tenancies at The Plaza, being six years since completion of the centre's major expansion

Weighted average lease term (by gross income)

As at	30-Sep-14	31-Mar-14
Retail	3.6 years	3.8 years
Office	6.8 years	6.4 years
Total	4.6 years	4.7 years

Lease expiry profile (by gross income)

Key: ■ Retail ■ Office



Centre	MAT \$m	% variance from prior		Specialty sales	
	Sep-14	Mar-14	Sep-13	\$/sqm	GOC
Sylvia Park	466.7	+2.0	+2.3	9,700	
LynnMall	216.3	-0.6	-0.8	7,600	
Centre Place	98.2	+22.3	+60.6	6,700	
The Plaza	193.8	-0.1	+1.4	8,700	
North City	106.6	+1.1	+2.8	7,300	
Northlands	367.3	+1.2	+2.8	9,800	
Total	1,448.9	+2.2	+4.4	8,700	14.0%

Category	MAT \$m	% variance from prior		Unaffected sales ¹	
	Sep-14	Mar-14	Sep-13	\$m	Ann % var
Supermarkets	373.6	+0.6	+0.5	210.9	+0.8
Department stores and DDS	214.4	+4.9	+12.2	137.7	+2.8
Cinemas	21.2	+6.8	+7.5	15.4	+1.2
Mini-majors	148.8	-0.4	-2.2	130.1	-2.6
Specialty	588.5	+2.9	+5.8	426.1	+2.5
Commercial services	102.4	+1.2	+5.7	63.2	+2.7
Total	1,448.9	+2.2	+4.4	983.4	+1.5

- Total portfolio sales +4.4%
 - Sales increased for all centres except LynnMall which continues to be impacted by competition in the supermarket category
- Unaffected portfolio sales +1.5%
 - All categories except mini-majors recorded sales increases
 - Sales uplift of >2.5% for Department Stores, Specialty and Commercial services which together account for ~63% of total sales
- Food and commercial services sub-categories showed greatest strength amongst specialty stores, reinforcing the need to provide a complete offer
 - Food categories +3.9%
 - Service categories +4.1%

1. Unaffected sales provides a more normalised picture of sales trends by excluding centres which have undergone redevelopment in either year of comparison, in this instance Centre Place and Northlands.

\$36 million development to create a new dining and entertainment precinct announced

- The development incorporates:
 - a new 8-screen **Reading Cinemas** multiplex on a 15-year lease
 - a new dining lane containing seven restaurants/cafés
 - an expanded retail mix

Financial metrics

Cost and value

Pre-development value (Mar-14)	\$206m
Development cost ¹	\$36m
Total investment	\$242m
Estimated value on completion	\$262m
Development margin	\$20m
Cap rate on completion	7.0%

Yield

Estimated net income yield on project cost	~7.0%
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Program

Construction start	Jan-15
Completion	Nov-15

¹. Excludes costs relating to leasing fees and incentives.





“LynnMall’s new retail and dining areas will present a modern edgy retail environment, embracing the natural forms of native trees and open spaces.”

Project status

- Two critical elements – foundation works and transfer beam - structurally complete
- Complexity and logistical challenges have resulted in time delays and a \$29.9 million increase in cost to an estimated \$83.5 million
- Design and construction team have now finalised scope of works and established buildability of final strengthening solutions
- Target tower NBS rating of 100%
- The tower on-floor strengthening works now scheduled for completion in September 2015. Other aspects of the project will continue into early 2016

Leasing status

- Since the project commenced in July 2012, leases representing 13,800 sqm (56% of building NLA) have been completed
- Key leases completed include:

Tenant	NLA (sqm)	Term (years)
EQC	995	4.6
Summerset Group	1,021	12
Ernst & Young	2,050	7.7
Cigna	2,156	9
Opus	3,331	12
NZ Trade and Enterprise	2,976	7

Refer to [Appendix 9](#) for an overview of development work being completed on The Majestic Centre.



Project status

- Preliminary strip out, demolition and enabling works commenced in Sep-14
- Construction works commenced early Nov-14

Key project metrics

Development cost ¹	\$65.7m
Estimated value on completion	\$120.5m
Estimated yield on completion	~7.5%
Crown net lettable area	24,200 sqm
Crown initial lease term	18 years
Crown lease commencement	August 2016
Rent reviews	Fixed 1.75% pa (3-yearly rests) Market every 6 years

1. Excludes costs relating to leasing fees and incentives.

- Economic activity, investment intention and confidence remains positive
- Property sector fundamentals are positive, under-pinned by rental growth prospects
- Corporatisation proposal, if approved, will provide further benefits for investors
- Projected FY15 cash distribution guidance of 6.50 cents per unit
 - Based on the outlook for the Trust and subject to a continuation of reasonable economic conditions
 - The Trust's distribution reserve, together with the financial benefits arising from internalisation, will enable us to accommodate the rental void at 56 The Terrace as the building is refurbished

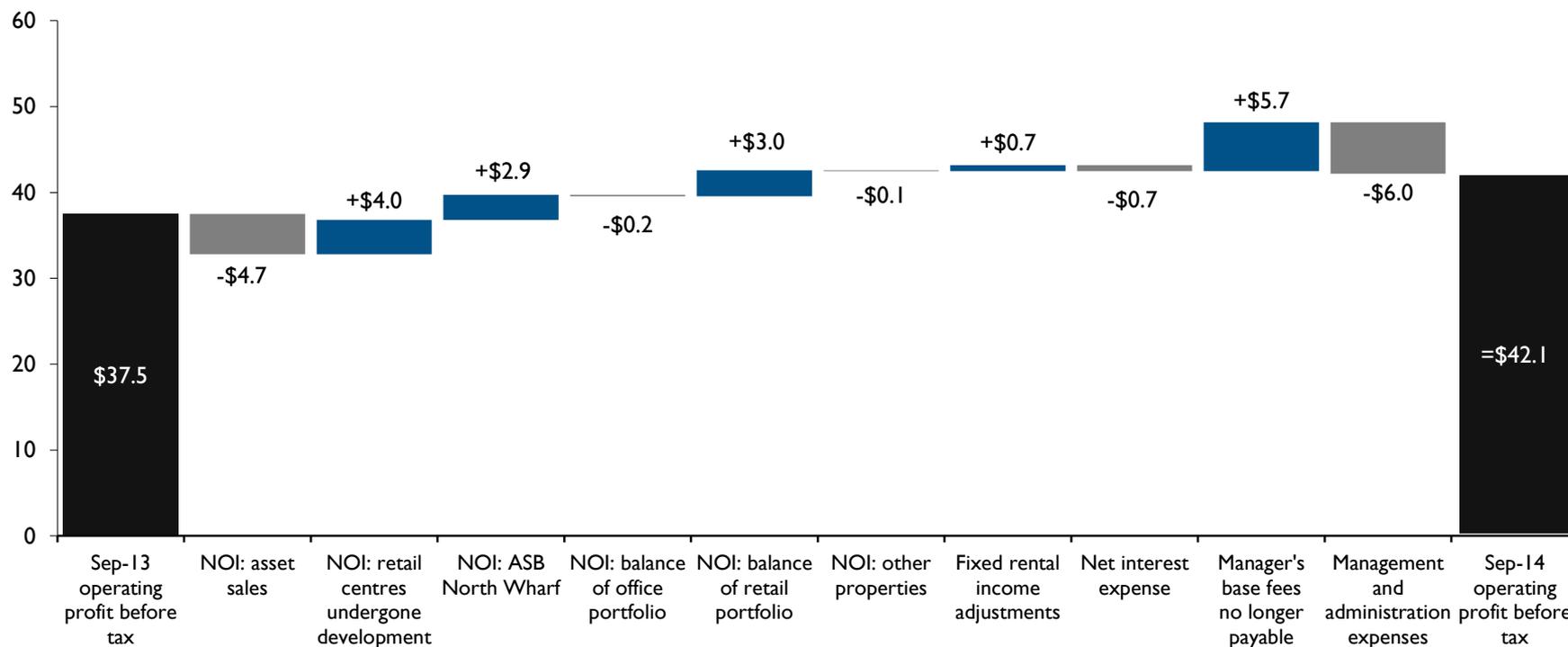


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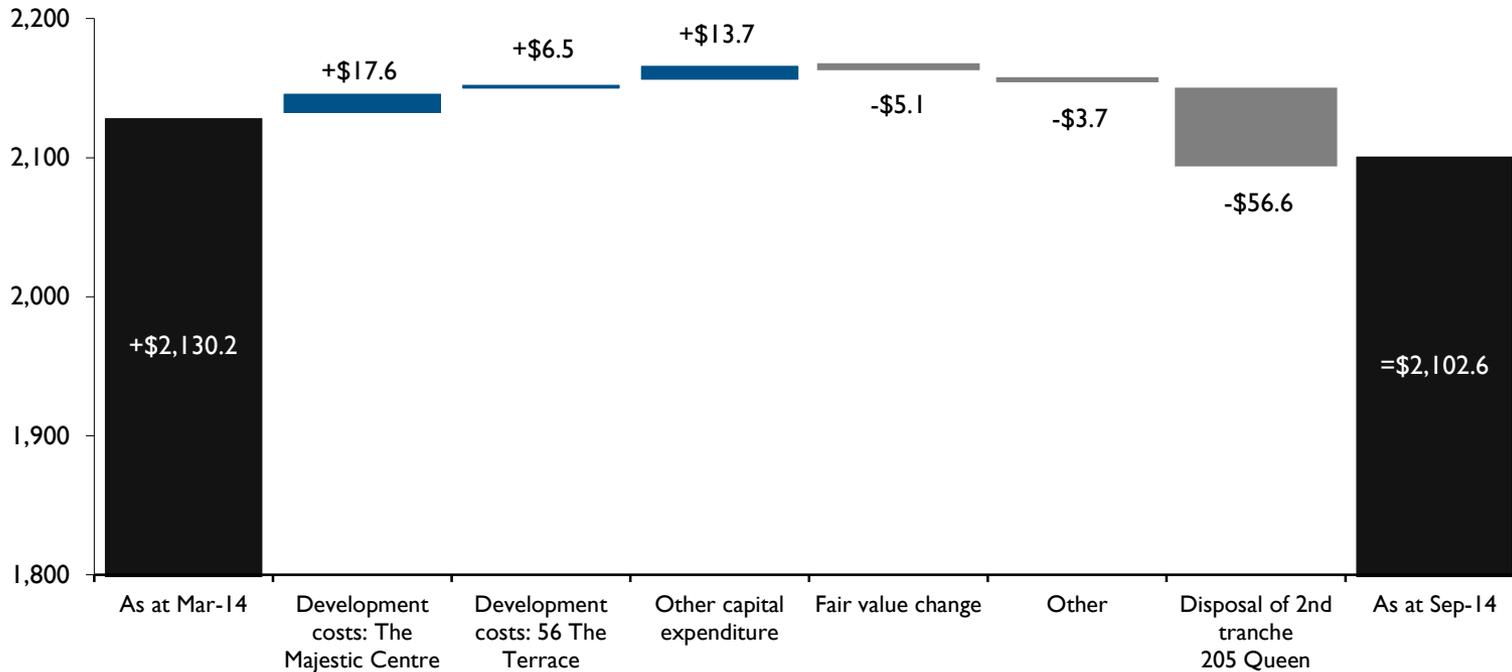
Net interest expense

For the six months ended	30-Sep-14	30-Sep-13	Variance	
	\$m	\$m	\$m	%
Interest income	0.3	0.2	+0.1	+50.0
Interest on bank debt	-22.5	-25.1	+2.6	+10.4
Interest on MCNs	-5.4	-5.4	-	-
Interest on bond	-1.4	-	-1.4	-100.0
Net interest expense incurred	-29.0	-30.3	+1.3	+4.3
Interest capitalised to:				
ASB North Wharf	-	1.9	-1.9	-100.0
The Majestic Centre	0.9	0.6	+0.3	+50.0
56 The Terrace	0.3	-	+0.3	+100.0
Other properties under development	0.3	1.0	-0.7	-70.0
Net interest expense	-27.5	-26.8	-0.7	-2.6

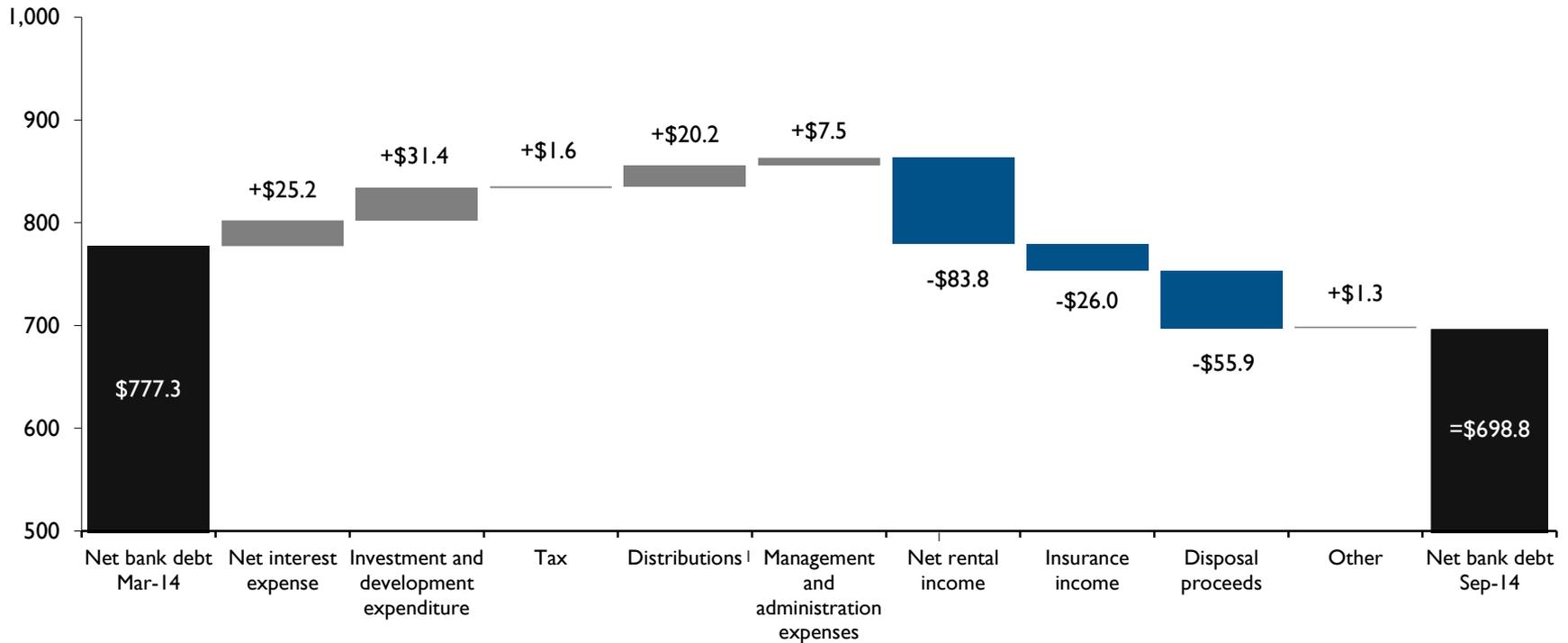
Movement: six months ended 30-Sep-13 versus six months ended 30-Sep-14 (\$m)



Movement for the six months ended 30-Sep-14 (\$m)



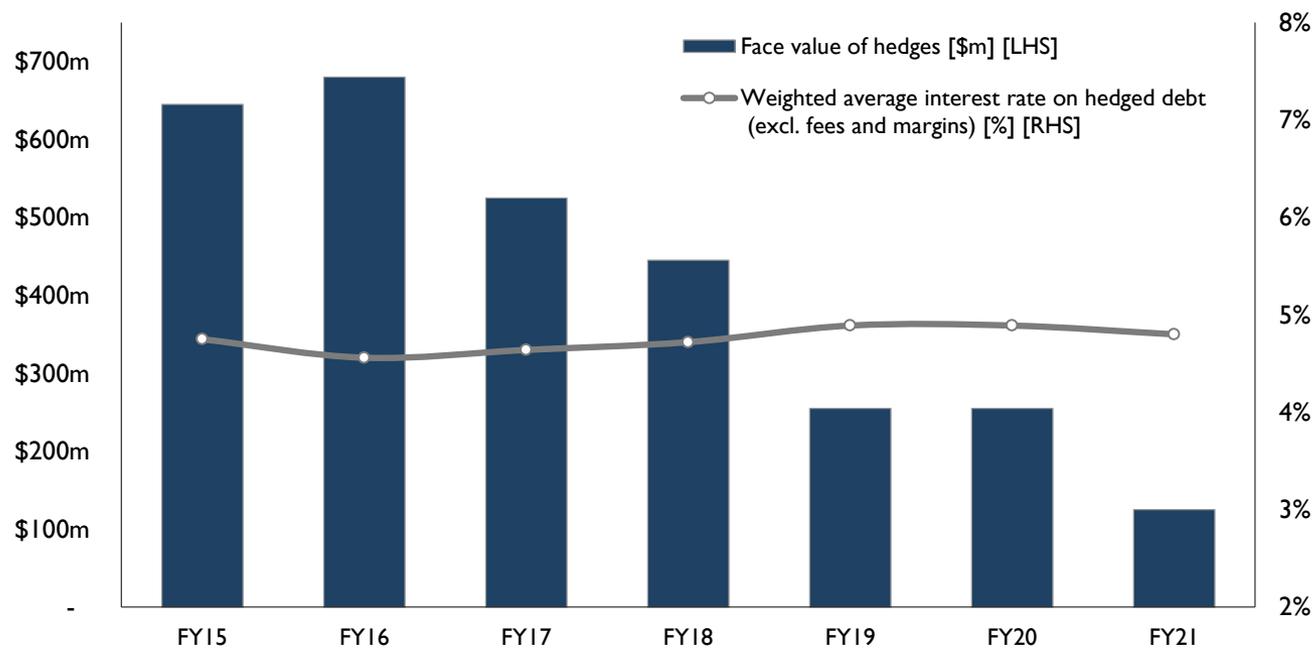
Movement for the six months ended 30-Sep-14 (\$m)



1. Net of DRP.

Hedging profile (inclusive of \$125m bond)	30-Sep-14	31-Mar-14
Percentage of drawn finance debt hedged (fixed rate)	98%	74%
Weighted average interest rate of active swaps (excl. fees and margin)	4.76%	4.70%
Weighted average term to maturity of interest rate hedges	3.3 years	2.9 years

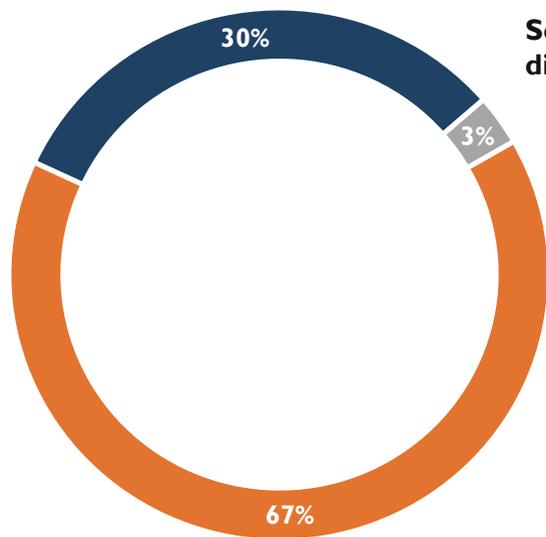
Hedge maturity profile



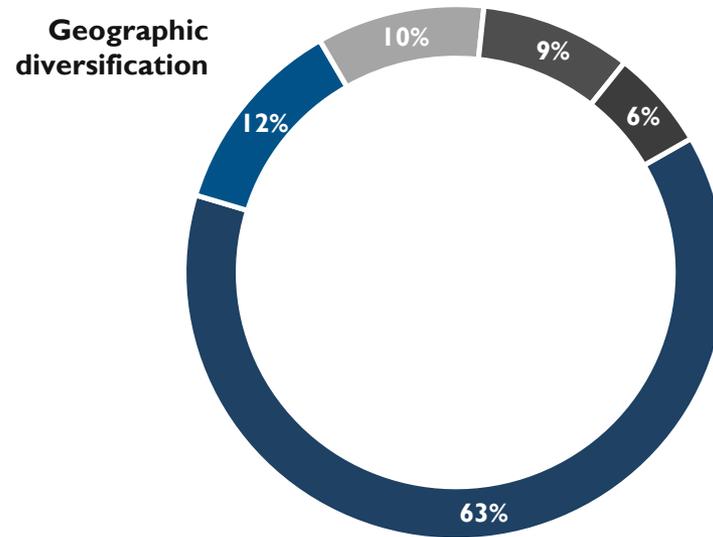
Property / portfolio As at	Ownership %		NLA sqm		Occupancy % ¹		WALT years	
	Sep-14	Mar-14	Sep-14	Mar-14	Sep-14	Mar-14	Sep-14	Mar-14
Sylvia Park, Auckland	100	100	71,344	71,185	99.6	99.6	3.4	3.6
LynnMall, Auckland	100	100	32,446	32,220	99.6	100.0	3.4	3.6
Centre Place, Hamilton	100	100	26,889	26,869	95.9	95.7	5.6	6.0
The Plaza, Palmerston North	100	100	32,460	32,281	100.0	100.0	3.2	3.5
North City, Porirua	100	100	25,467	25,702	98.2	100.0	3.5	3.5
Northlands, Christchurch	100	100	41,491	41,497	100.0	100.0	3.6	3.6
Retail portfolio	100	100	230,097	229,754	99.1	99.4	3.6	3.8
Vero Centre, Auckland	100	100	39,449	39,445	99.4	92.7	5.2	5.4
ASB North Wharf, Auckland	100	100	21,625	21,625	100.0	100.0	16.1	16.6
205 Queen, Auckland ^{2,3}	-	50	-	25,679	-	93.0	-	4.6
The Majestic Centre, Wellington	100	100	24,506	24,507	98.7	98.2	4.9	4.2
56 The Terrace, Wellington	100	100	22,195	22,158	100.0	95.9	0.0	0.5
44 The Terrace, Wellington	100	100	10,109	10,109	87.0	87.7	1.3	1.9
Office portfolio	100	100	117,884	143,523	98.4	95.1	6.8	6.4
Total portfolio			347,981	373,277	98.9	97.8	4.6	4.7

1. Tenancies vacated for development works are excluded from the occupancy statistics. At 30-Sep-14, excludes 1,500 sqm at 56 The Terrace and four floors (3,800 sqm) at The Majestic Centre which are undergoing redevelopment and seismic strengthening works. At 31-Mar-14, excludes 2,800 sqm at The Majestic Centre.
2. Prior period reported occupancy and WALT statistics are weighted to the property's ownership percentage.
3. The sale of the remaining 50% interest was settled Jun-14.

By value (%)	Auckland	Wellington	Christchurch	Palmerston North	Hamilton	Total by sector	
						Sep-14	Mar-14
Retail	36.9	4.6	9.8	9.4	5.9	66.6	65
Office	23.1	7.2	-	-	-	30.3	32
Other	2.5	-	0.3	-	0.3	3.1	3
Total by region Sep-14	62.5	11.8	10.1	9.4	6.2	100.0	
Total by region Mar-14	63	12	10	9	6		



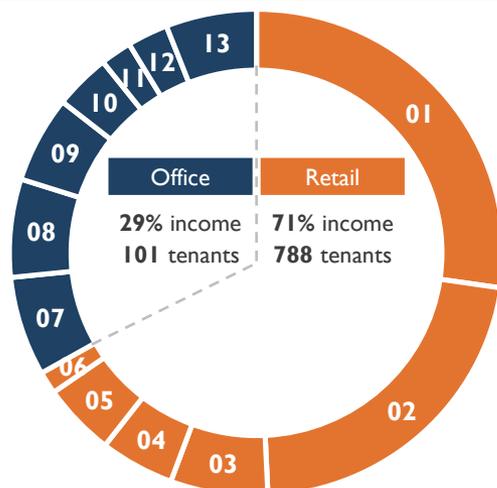
Key: Retail Office Other



Key: Auckland Wellington Christchurch Palm. Nth Hamilton

Tenant diversification (% core portfolio gross income)

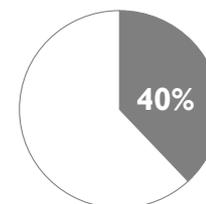
01. New Zealand chains	29
02. Australian and international chains	23
03. Department and discount department stores	7
04. Supermarkets	5
05. Independent retailers	5
06. Cinemas	2
Retail	71
07. Banking	7
08. Government	6
09. Legal	5
10. Insurance	4
11. Consultancy	2
12. Financial services	2
13. Other	3
Office	29



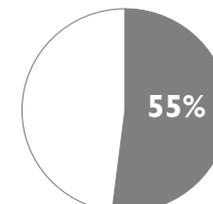
Top 20 tenants (% core portfolio gross income)

1. ASB Bank	7.4
2. Farmers	3.9
3. Progressive Enterprises	3.2
4. Russell McVeagh	2.6
5. Vero Insurance	2.4
6. Bell Gully	2.3
7. Ministry of Business, Innovation and Employment	2.1
8. Foodstuffs	2.0
9. Just Group	1.7
10. Hallenstein/Glassons	1.6
11. Kmart	1.5
12. Cotton On	1.5
13. The Warehouse	1.4
14. Hoyts Cinemas	1.3
15. ANZ Bank	1.2
16. Whitcoulls	1.0
17. Valleygirl	1.0
18. Pascoes	0.8
19. Hannahs	0.8
20. Opus	0.7

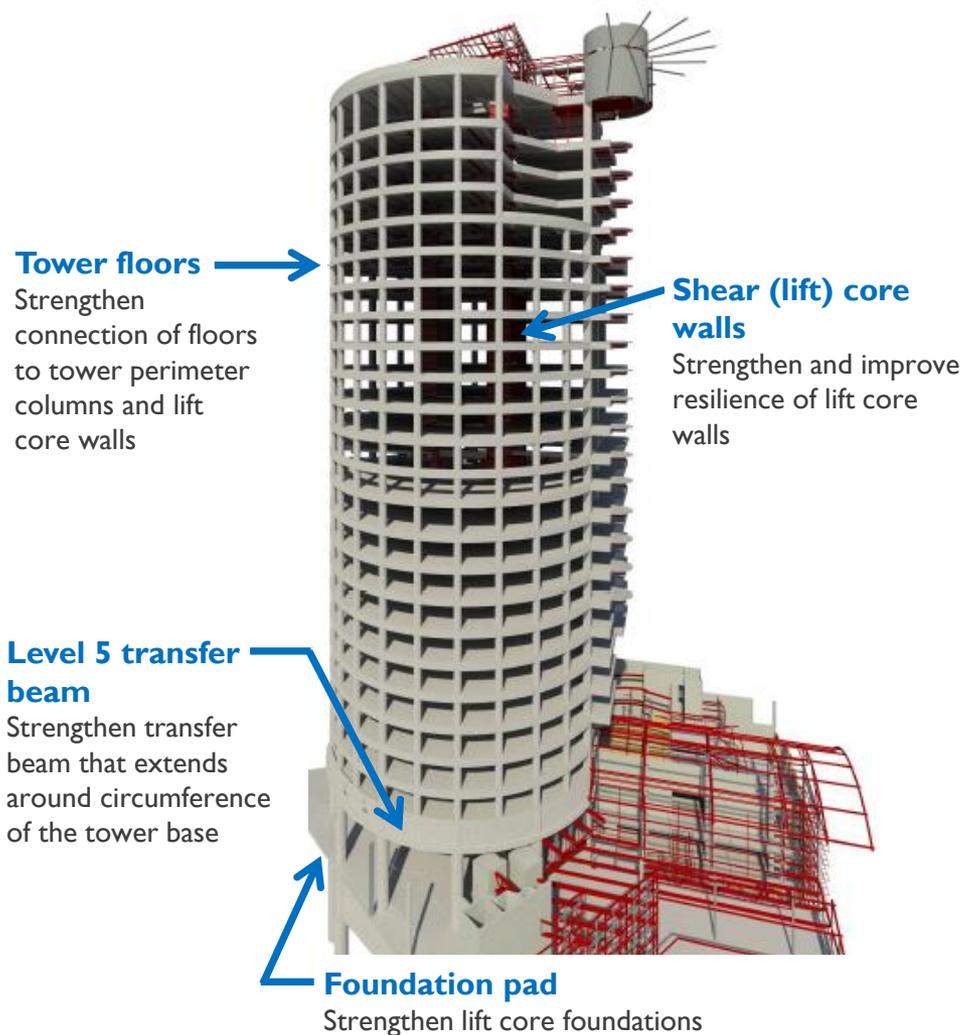
Collectively, the top 20 tenants represent:



of portfolio gross income



of portfolio lettable area

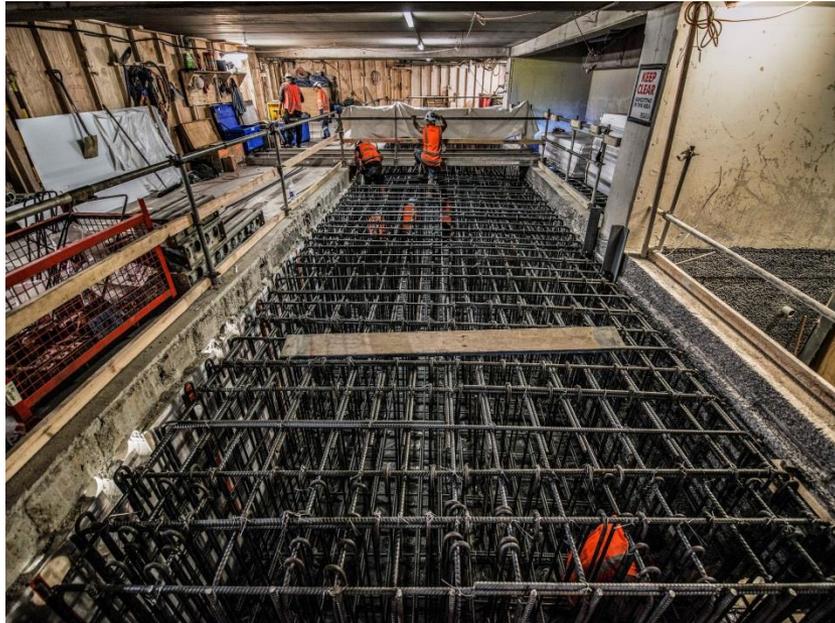


Status of key workstreams as at Nov-14

Foundation pad	Completed Aug-14
Transfer beam structure	Completed Sep-14
Transfer beam trusses	In progress (Target completion Jan-15)
Shear core walls	In progress (Target completion early 2016)
Tower floors	In progress (Target completion Sep-15)

Foundation pads

Strengthen lift core foundations



Foundations strengthened with the addition of 38 piles to an average depth of 14 metres, 97 tonnes of reinforcing steel 41,415 metres of post-tensioning strand and 1,114 cubic metres of concrete

Level 5 transfer beam

Strengthen transfer beam that extends around circumference of the tower base



Transfer beam strength improved with the addition of 74 tonnes of reinforcing steel and 194 cubic metres of concrete

Tower floors

Strengthen connection of floors to tower perimeter columns and lift core walls



Tower floors strengthened with 457 tonnes of structural steel fastened by 5,000 bolts, 25,000 anchors and 11,800 metres of post-tensioning strand

Shear core walls

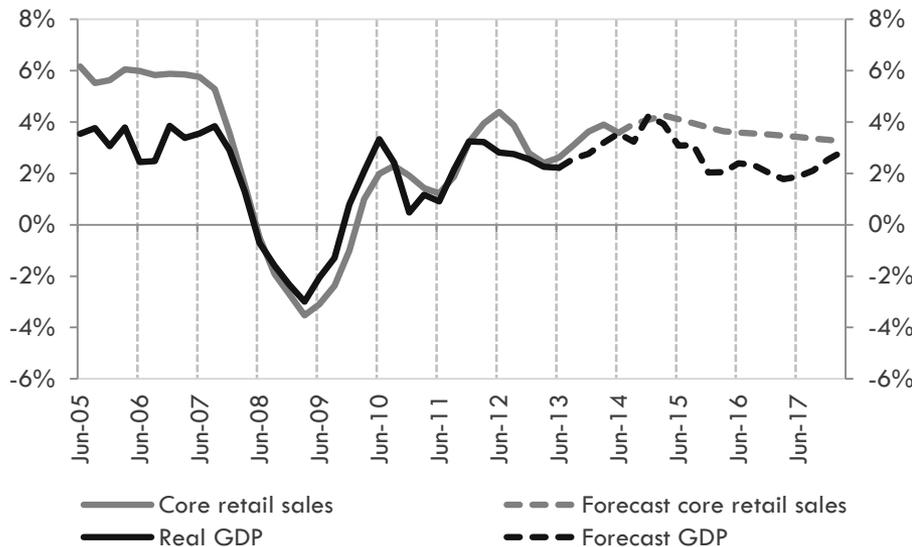
Strengthen and improve resilience of shear (lift) core walls



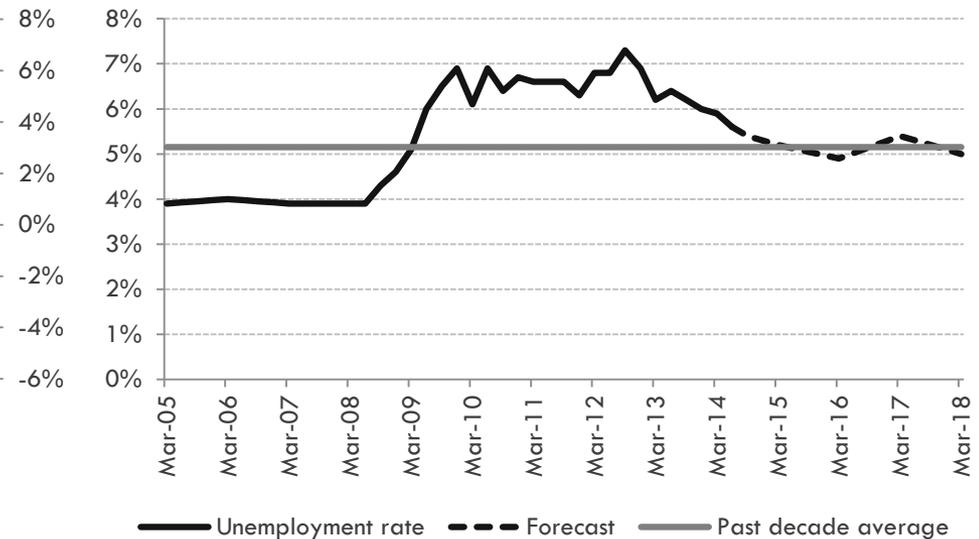
Shear core strengthened with the addition of 727 tonnes of structural steel, fastened by 15,000 bolts and 8,500 anchors

Portfolio weighting by value	Outlook	Key points:
67.0%		<p>Sales growth outlook remains positive</p> <ul style="list-style-type: none"> - Consumers remain positive and businesses are optimistic - GDP is forecast to grow (3.3% for 2015 and 2.9% for 2016) - Unemployment is reducing - Wages are growing - New Zealand is expecting positive net migration

Retail sales and economic growth
(% change YoY)



Unemployment rate (%)

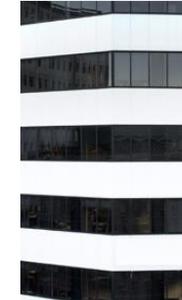


Sources: New Zealand Institute of Economic Research, Quarterly Predictions (Sep-14), New Zealand Institute of Economic Research, Consensus Forecasts (Sep-14), Statistics New Zealand (Jun-14).

Portfolio weighting by value	Outlook	Key points: (Premium and A-grade accommodation)
<p>23.1%</p> <p style="color: green; font-size: 2em;">↑</p>		<p>Supply - Prime office (Premium and A-grades) expected to remain static over 2014 before fringe CBD A-grade development comes on stream from 2015</p> <p>Absorption - Solid tenant demand environment expected to result in positive absorption across Prime office grades until at least 2018</p> <p>Vacancy - Premium-grade vacancy 1.4%, lowest level since 2008. Forecast to decline to 0.6% by 2018 - A-grade vacancy 2.3% and forecast to increase to 5.5% by 2018 with additional fringe stock</p> <p>Rents - Net effective rents forecast to increase 7-8% over 2014 with growth moderating to 2-4% per annum through to 2018</p> <p>Yield - Investment yields forecast to firm by 20-25 basis points over 2014 with nominal compression thereafter through to 2018 - Recent evidence suggests yields have firmed more than anticipated over 2014</p>



Portfolio weighting by value	Outlook	Key points: (A-grade and B-grade accommodation)
<p>7.2%</p>	<p>↔</p>	<p>Supply - Limited new building activity forecast and the supply environment is unpredictable, being dictated by removal of buildings from the market for seismic strengthening</p> <p>Absorption - Strong positive absorption primarily reflects reoccupation of buildings removed for repairs although employment growth is positive but expected to be dampened by government sector contraction</p> <p>- Absorption will focus on those buildings exhibiting seismic strength</p> <p>Vacancy - In general, a complex supply/demand environment makes forecasting vacancy difficult although better quality, strengthened buildings will benefit</p> <p>Rents - Rents are forecast to increase with gross rent growth outstripping opex growth, which is now stabilising</p> <p>Yield - Expected to firm by 10 basis points over 2014 and a further 15 (A-grade) to 40 (B-grade) basis points through to 2018</p>



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November 2014