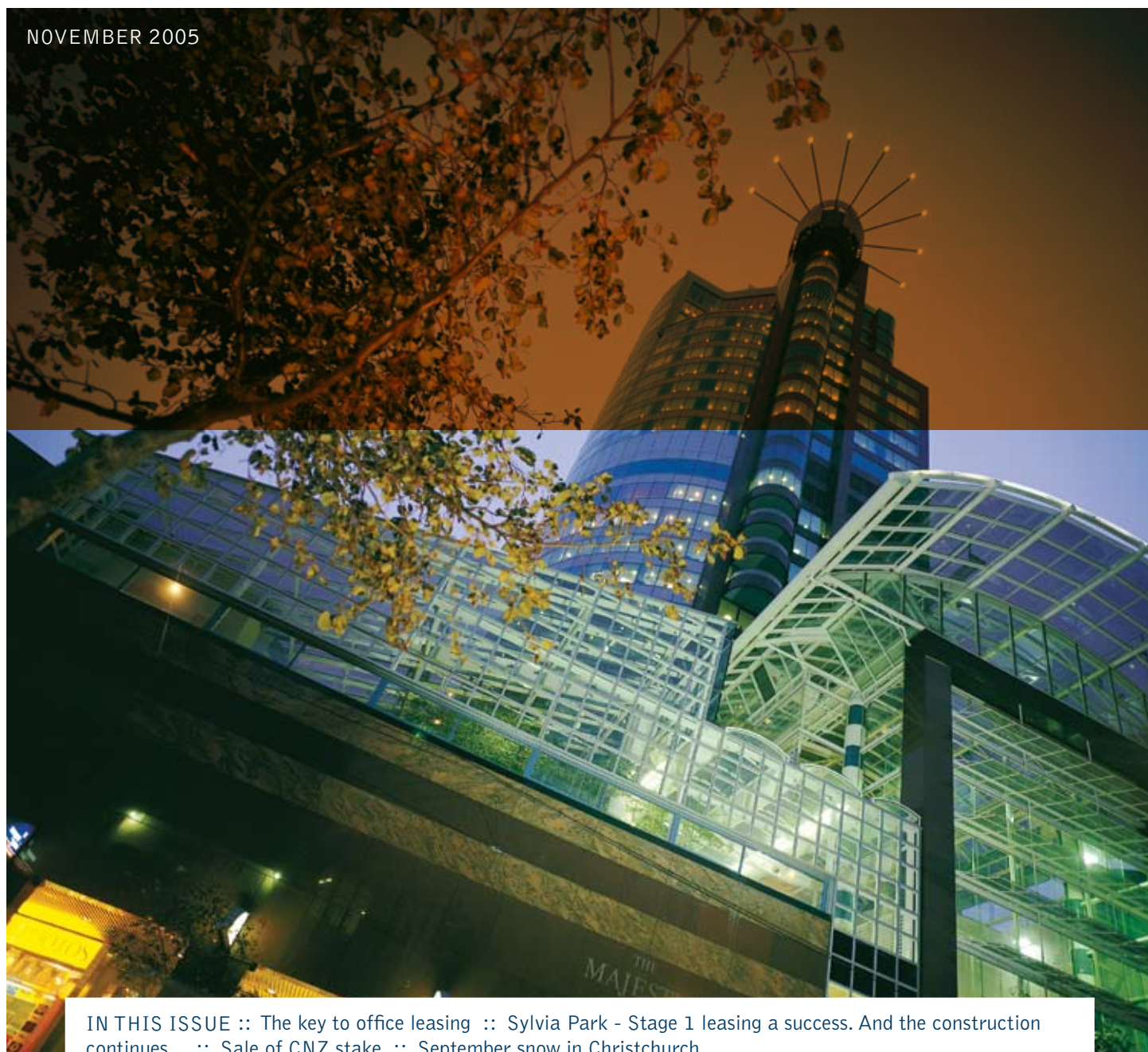


# INVESTOR UPDATE



NOVEMBER 2005



IN THIS ISSUE :: The key to office leasing :: Sylvia Park - Stage 1 leasing a success. And the construction continues... :: Sale of CNZ stake :: September snow in Christchurch.



Welcome to the first issue of Investor Update. This bi-annual news briefing from Kiwi Income Property Trust aims to inform you on highlights of the Trust's recent activities. It is part of our ongoing commitment to keep you in touch. Of course, these pages can cover just the leading edge: the Trust owns over \$1.2 billion in assets, and represent over 30% of the NZ Listed Property Index. To find out more about our portfolio and performance, please visit [www.kipt.co.nz](http://www.kipt.co.nz) or contact us.

Angus McNaughton – Chief Executive, Kiwi Income Properties Limited.



ABOVE: The Warehouse, Foodtown and main mall construction.

## SYLVIA PARK : STAGE 1 LEASING A SUCCESS

**NINE MONTHS BEFORE THE MID-2006 OPENING OF AUCKLAND'S SYLVIA PARK RETAIL SHOPPING AND ENTERTAINMENT COMPLEX, STAGE ONE LEASING IS ALMOST COMPLETE.**

Over 90% of the net lettable area of stage one has already been leased – an area projected to contribute over 80% of stage one net rental income. That brings completed leases across the entire Sylvia Park project to almost 60% of net lettable area and 40% of net rental income.

Chief Executive of the Manager of the Trust, Angus McNaughton commented, "This is a very positive achievement that's testament to the attractiveness of Sylvia Park as a retail

destination." The quality and location are driving demand, he said. "There is strong local and growing international awareness that the scope, demographics, and location of Sylvia Park will make it the premier New Zealand retail and entertainment destination."

Stage one will include flagship stores for The Warehouse and Foodtown, a foodcourt and approximately 50 specialty stores. Specialty leasing to date incorporates a strong mix of retail brands, including new entrants to the

shopping centre arena The Homestore and a flagship Life Pharmacy.

The focus for leasing now shifts to stage two tenancies, including the fashion precinct targeted to open in late 2006. When fully complete, Sylvia Park will include The Warehouse, two supermarkets, Hoyts Cinema complex, over 180 specialty stores and 3000 car parks, with a combined net lettable area of 62,000m<sup>2</sup>.

# CONSTRUCTION PROJECT ROLLS FORWARD

SYLVIA PARK WILL OFFER THE LARGEST RETAIL AND ENTERTAINMENT COMPLEX IN NEW ZEALAND – SPANNING 24 HECTARES. SO IT IS APPROPRIATE THAT THE LARGEST MOBILE CRANE IN THE COUNTRY IS A KEY PART OF THE CONSTRUCTION.

The huge Liebherr mobile crane's boom can reach 56 metres high and lift up to 400 tonnes; the crane itself weighs over 100 tonnes. Before Sylvia Park, it was used on the redevelopment of Huntly Power Station.

The crane has been used mainly to lift the giant steel beams and pre-cast concrete walls and floors. Greg Douglas, project manager for the main contractor, Multiplex, said the crane's mobility and flexibility has assured rapid progress, and stage one construction is on schedule for completion in mid 2006.

At the time of writing, the roof car parking decks on top of stage one of the complex are being completed. This is another huge job, with 17,000m<sup>2</sup> of waterproof membrane to lay, and then seal with long-lasting hot mix roading asphalt.



## OFFICE LEASING: QUALITY IS THE KEY

ACROSS NEW ZEALAND'S MAJOR CENTRES, TENANTS OF OFFICE BUILDINGS HAVE A STRONG PREFERENCE FOR QUALITY.

That's the conclusion of recent research into the New Zealand market by global property management and advisory company, Jones Lang LaSalle (JLL).

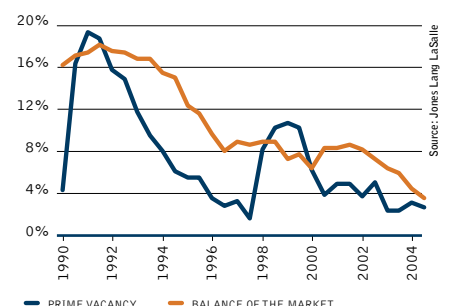
The demand for quality space is driven by an increasing sophistication amongst office tenants who understand that the benefits of a well designed working environment can add significant value to their business. While 'traditional' benefits of prime grade property, such as efficiency, comfort and flexibility are relatively well understood, staff retention, satisfaction and productivity are now emerging as key drivers in educated property decisions.

That said, JLL's research suggests that preference for quality is enduring. Since 1988 total prime office space in Auckland has increased by 282,000m<sup>2</sup>, while total secondary grade space has shrunk by 44,000m<sup>2</sup>. In Wellington, over the last 15 years vacancy rates in prime stock have averaged 7.5% compared to 11% for secondary stock. Christchurch displays even more profound characteristics with no prime stock currently available and 11.5% of secondary stock remaining vacant.

Over shorter time periods these dynamics translate into greater volatility in the B grade market. This means that during a downturn, secondary property rents will generally ease to a greater extent than prime rents. However, when demand is strong, as it is now, secondary property can present greater opportunity.

Depending upon the nature of the investor, a portfolio with its foundations in premium stock, but with some carefully chosen secondary property, represents an attractive balance of low risk and growth. Such balance is, at all times, central to the structure of the Trust's portfolio.

### WELLINGTON OFFICE VACANCY



## SYLVIA PARK HITS THE HEADLINES



A recent article on Sylvia Park featured in the Australian Shopping Centre News. The article generated strong interest from Australian retailers.

"It would be difficult to find a shopping centre project with a greater potential in terms of retail impact on a modern city, than Sylvia Park will have on the city of Auckland."

"Sylvia Park has the credentials of an all round winner . . . it is unmatched in terms of location, access and profile." **AUSTRALIAN SHOPPING CENTRE NEWS**

## SALE OF CNZ STAKE

On 28 October the Trust agreed to accept the takeover offer made by AMP Property Portfolio Investments Limited ("APPIL") in respect of the Trust's 19.2% stake in Capital Properties New Zealand Limited ("CNZ"), realising a profit for the Trust of approximately \$13 million after costs.

The sale at \$1.48 per share, remains conditional on APPIL receiving acceptances which would give it control of more than 50% of the voting rights of CNZ.

Chief Executive of the Manager of the Trust, Angus McNaughton, commented that this was an excellent outcome for the Trust, and should the transaction become unconditional, the sale proceeds of \$69 million will initially be utilised to repay debt.

"We were confident that there was unrecognised value in the CNZ portfolio when the stake was acquired at a price of \$1.15 per share. While the Trust had a long term view on its investment in CNZ, APPIL has provided an opportunity to crystallise full value for this strategic stake within a short time period.

## CORPORATE GOVERNANCE

The Manager and the Trustee have recently been in discussion with several institutional investors regarding the requirement for Trusts to hold Annual Meetings and the process for putting motions to, and calling of, meetings.

Currently Trusts are not required to hold Annual Meetings. However, we have always recognised the importance of these meetings and since listing 12 years ago the Trust has held a meeting every year. The Annual Meeting provides us with the opportunity to update our investors, but more importantly, provides you with an opportunity to meet those entrusted with your investment, and also to ask any questions about the Trust's business. For these reasons we have already sought the approval of the Trustee to enshrine the requirement to hold an Annual Meeting in the Trust Deed.

Two further changes to the Trust Deed are proposed. The first seeks to lower the threshold for Unit Holder requisitioned meetings, as well as introducing a time limit for convening such meetings. The second is intended to make it easier for unit holders to propose matters for discussion and/or put forward resolutions at Annual Meetings. There will be a special meeting held shortly which will allow all Unit Holders the opportunity to vote on these proposals.

The Manager consistently aims to achieve the highest standard of corporate governance and therefore supports these proposals.

Finally, as another initiative it is proposed that a further independent director be appointed to the Board. This will increase the number of independent directors on the board to three, and will add to the skill set of the existing board. As with all directors, the cost will be met by the Manager rather than the Trust.

## RECENT PORTFOLIO LEASING ACTIVITY



Vero Centre, Auckland. A new 9-year lease has been agreed with existing tenant ABN Amro for over 1,800m<sup>2</sup>.



Unisys House, Wellington. Rent reviews with key tenants have resulted in solid rent increases.

CHRISTMAS COMES EARLY:  
For one freezing September day,  
thick snow blanketed Northlands  
shopping centre in Christchurch.



Northlands was acquired by the Trust in 1994 (50%) and 1998 (50%). It is the largest enclosed shopping centre in New Zealand, with The Warehouse, Farmers, PAK'nSAVE, Countdown, Hoyts and 135 specialty stores. A \$92 million redevelopment was successfully completed in 2004 and in March 2005, the asset was valued at \$214 million.

## FINANCIAL CALENDAR

Release of interim result	22/23 November
Interim report mailed out	Mid December
Payment of interim dividend	Mid December
MCN coupon paid*	4 January

\*Please note that in accordance with the MCN Offer Document, this first interest payment will be paid to the initial subscriber (irrespective of any transfer of the MCN by that initial subscriber prior to the first interest payment date).

## CONTACT DETAILS

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