NZX & MEDIA RELEASE

11 November 2013

KIWI INCOME PROPERTY TRUST ANNOUNCES INTERIM RESULT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

Kiwi Income Property Trust today announced its interim result for the six months ended 30 September 2013, delivering an after tax profit of $61.9 million[1], up from $26.6 million in the prior comparable period. Unit Holders will receive an interim cash distribution of 3.20 cents per unit, in line with previous guidance.

Operating profit before tax[2] increased $2.8 million to $37.5 million and distributable income[2] was $33.7 million, up $3.5 million on the prior comparable period, predominantly due to the inclusion of ASB North Wharf in the Trust's core portfolio.

Chris Gudgeon, Chief Executive of the Manager of the Trust said, "The highlight for the period was the completion of ASB's new head office at North Wharf in Auckland. This iconic building delivers the Trust a net income yield of 8.5% on its $134.0 million development cost and is now valued at $158.5 million."

Post the period, we successfully opened the final stage of the redevelopment at Centre Place Shopping Centre, Hamilton. We also entered into a conditional agreement to sell the office complex at 205 Queen Street in Auckland, consistent with our strategy of recycling capital out of mature assets to maintain balance sheet flexibility.

Internalisation update

On 24 July 2013 the Board of Kiwi Income Properties Limited, the Manager of the Trust, advised that it had received a non-binding, indicative, incomplete and conditional proposal from Commonwealth Bank of Australia (CBA), the owner of the Manager, to internalise the Trust's management.

The Board established a sub-committee of Independent Directors to consider the proposal and appointed First NZ Capital, Russell McVeagh and KPMG as its independent advisers and also commissioned an Independent Appraisal Report from Deloitte.

---

[1] The reported profit has been prepared in accordance with New Zealand generally accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the interim financial statements which have been the subject of a review by Independent Accountants pursuant to New Zealand Institute of Chartered Accountants Review Engagement Standard RS-1. Refer to the table on page 5 for further information.

[2] Operating profit before 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. Refer to the table on page 5 for full details of how these measures are calculated.

The Board of the Manager of the Trust advises that a conditional agreement has been entered into with CBA to effect the internalisation, subject to Unit Holder approval.

The Independent Directors unanimously recommend that Unit Holders vote in favour of the internalisation.

Investors should refer to the separate announcement made to the NZX today in relation to the internalisation proposal. Full details of the proposal and further explanation of its benefits will be included in a Notice of Special Meeting and Explanatory Memorandum which will be sent to all investors in the Trust this month, together with the Independent Appraisal Report and a letter from the Trustee.

A Unit Holder meeting to consider the proposal will be held in Auckland during December.

Progress against 2014 priorities

During the period, the Manager made significant progress on its 2014 priorities, including:

- the on-time and on-budget delivery of ASB North Wharf and the 1 July 2013 commencement of ASB's 18-year lease
- the re-opening of 11 stores at Northlands Shopping Centre, Christchurch, in August and October, following completion of seismic upgrade works
- the completion of 486 new leases and rent reviews, which provided average rental growth of 2.6% over prior passing rents
- an improvement in the portfolio weighted average lease term from 4.3 years to 5.1 years
- good progress on seismic strengthening works at The Majestic Centre, Wellington, and
- the renewal and extension of $465 million of bank debt facilities, which increased the weighted average term to expiry to 3.9 years and, combined with a favourable hedging position, improved the Trust's weighted average cost of bank debt.

Outlook and distribution guidance

Economic growth is projected to improve over the next two years as the Canterbury rebuild gains momentum and high commodity export prices support a continuing recovery. Positive consumer and business confidence should assist underlying fundamentals in the retail and office property sectors.

Chairman of the Board, Mr Mark Ford said, "Subject to a continuation of reasonable economic conditions, we continue to project distributions to Unit Holders for the year ending 31 March 2014 to be approximately 6.40 cents per unit."

Additional information

For further information refer to the following:

- Appendix 1: Summary financial results table
- Appendix 2: Detailed operational update

The Trust has today also released the Interim Results presentation and Interim Report which are available for download on the Trust's website **kipt.co.nz** or the New Zealand Stock Exchange website **nzx.com**.

For further information please contact:

Chris Gudgeon
Chief Executive
Kiwi Income Properties Limited
DDI: +64 9 359 4011
Mob: +64 21 855 907

Mathew Chandler
Investor Relations and Communications Manager
Colonial First State Global Asset Management
DDI: +61 2 9303 3484
MOB: +61 407 009 687

About Kiwi Income Property Trust

Kiwi Income Property Trust's objective is to optimise returns for its Unit Holders through the careful acquisition, development and professional management of its property portfolio. The Trust is listed on the New Zealand Stock Exchange and is ranked within the top 15 on the NZX 50 Index and is a member of the NZX 15 Index.

The total value of the Trust's property portfolio is $2.1 billion. Assets include:

Key retail assets

Sylvia Park Shopping Centre	Auckland
LynnMall Shopping Centre	Auckland
Centre Place Shopping Centre	Hamilton
The Plaza Shopping Centre	Palmerston North
North City Shopping Centre	Porirua
Northlands Shopping Centre	Christchurch

Key office assets

Vero Centre	Auckland
ASB North Wharf	Auckland
205 Queen	Auckland
The Majestic Centre	Wellington
Unisys House	Wellington
44 The Terrace	Wellington

Kiwi Income Property Trust's website address is **kipt.co.nz**

APPENDIX 1:

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013
Summary financial results

Financial performance [$m] For the six months ended	30-Sep-13	30-Sep-12
Gross rental income	101.5	98.2
Property operating expenditure	(30.1)	(30.2)
Net rental income	**71.4**	**68.0**
Net interest expense[1]	(26.8)	(25.1)
Manager's base fee	(5.7)	(5.3)
Manager's performance fee	-	(1.4)
Other expenses	(1.4)	(1.5)
Operating expenditure	**(33.9)**	**(33.3)**
Operating profit before tax[2]	**37.5**	**34.7**
Interest rate derivatives (fair value change)	20.3	(0.2)
Property revaluations (fair value change)	4.4	(1.2)
Insurance proceeds	2.0	-
Internalisation evaluation costs	(0.7)	-
Other non-operating items	(0.4)	(1.3)
Profit before tax	**63.1**	**32.0**
Tax expense	(1.2)	(5.4)
Profit after tax[3]	**61.9**	**26.6**

Distributable income[2] [$m] For the six months ended	30-Sep-13	30-Sep-12
Operating profit before tax[2]	37.5	34.7
Depreciation recovery offset	-	3.4
Non-cash rental adjustments[4]	(0.8)	0.3
Distributable income before tax	**36.7**	**38.4**
Current tax expense	(3.0)	(8.2)
Distributable income after tax	**33.7**	**30.2**
Transfer from/(to) distribution reserve	(1.5)	2.4
Cash distribution	**32.2**	**32.6**

Distributions [cpu] For the six months ended	30-Sep-13	30-Sep-12
Cash distribution	3.20	3.30
Imputation credits	-	0.49
Gross distribution	3.20	3.79

Financial position [$m] As at	30-Sep-13	31-Mar-13
Property assets	2,143.9	2,076.5
Total assets	2,188.2	2,126.5
Unit Holder funds[5]	1,172.0	1,132.1
Bank debt gearing ratio[6]	34.0%	32.0%
Net asset backing per unit	$1.16	$1.14

1. Shown net of interest income and interest capitalised.
2. Operating profit before 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.
3. The reported profit has been prepared in accordance with New Zealand generally accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the interim financial statements which have been the subject of a review by Independent Accountants pursuant to New Zealand Institute of Chartered Accountants Review Engagement Standard RS-1.
4. Includes rental income resulting from the straight-lining of fixed rental increases.
5. Includes distribution reserve of $12.8 million (31-Mar-13: $11.3 million) post payment of the interim distribution.
6. Calculated as bank debt over total assets.

APPENDIX 2: Detailed operational update

FINANCIAL RESULTS

Financial performance

- Net rental income **$71.4m** (30-Sep-12: $68.0m) +*$3.4m*
- Like-for-like net rental income **$59.3m** (30-Sep-12: $57.1m) +*$2.2m*
- Operating profit before tax **$37.5m** (30-Sep-12: $34.7m) +*$2.8m*
- Profit after income tax **$61.9m** (30-Sep-12: $26.6m) +*$35.3m*

Net rental income of $71.4 million represented an increase of $3.4 million (5.0%) over the prior comparable period. This was primarily due to the inclusion of ASB North Wharf in the Trust's core portfolio following its completion in May 2013.

Like-for-like rental income was up $2.2 million (3.9%), driven by continuing rental growth at Sylvia Park Shopping Centre and a make-good payment received from ANZ Bank following the expiry of its lease at 205 Queen.

The increase in net rental income and the absence of a performance fee, compared to the prior comparable period, contributed to a $2.8 million (8.1%) improvement in pre-tax operating profit to $37.5 million.

After adjusting for property and interest rate derivative revaluations, insurance proceeds for Northlands Shopping Centre, other non-operating items and income tax, an after tax profit of $61.9 million was recorded, up from $26.6 million in the prior comparable period.

Overall, the Trust's income tax expense reduced $4.2 million, including a current tax expense reduction of $5.2 million. The prior period expense included a one-off charge of $3.4 million for depreciation recovered in respect of sold assets, whereas the current period benefited from additional deductions relating to capitalised costs including lease incentives and fees.

During the period, the Trust adopted a revised approach to estimating the liability for deferred tax in relation to depreciation expected to be recovered on fixtures and fittings upon the sale of investment properties. The market values of fixtures and fittings for significant properties have been assessed utilising independent valuation advice and the remaining properties have been assessed with reference to previous transactional evidence and their age and quality. The effect of the change in estimation has been to reduce the deferred tax liability by $14.6 million, with a corresponding one-off reduction in deferred tax expense in the current period.

Distributable income and distributions to Unit Holders

- Distributable income **$33.7m** (30-Sep-12: $30.2m) *+$3.5m*
- Payout ratio **96%** (30-Sep-12: 108%)
- Interim cash distribution **3.20 cpu** (30-Sep-12: 3.30 cpu)

Distributable income was up $3.5 million (+11.6%) to $33.7 million, driven by the improvement in operating profit before tax.

Unit Holders will receive an interim cash distribution of 3.20 cents per unit, in line with previous guidance. As a result of the potential internalisation, the Directors have determined that there are no imputation credits available for distribution. Accordingly, the payment will be an excluded distribution for tax purposes.

The record date for the interim distribution is 26 November 2013, and the payment date is 10 December 2013.

The Distribution Reinvestment Plan remains in place with the discount set at 2%. This means that eligible Unit Holders may acquire additional units in the Trust at a 2% discount to the average unit price at which the units trade through the New Zealand Stock Exchange during the pricing period.

Financial position

- Investment properties **$2,143.9m** (31-Mar-13: $2,076.5m) *+$67.4m*
- Drawn bank debt **$744.0m** (31-Mar-13: $681.0m) *+$63.0m*
- Bank debt gearing ratio **34.0%** (31-Mar-13: 32.0%) *+2.0 percentage points*
- Net asset backing per unit **$1.16** (31-Mar-13: $1.14) *+$0.02*

As at 30 September 2013 the property portfolio was valued at $2.14 billion, with total assets of $2.19 billion.

The increase in the investment property value since March 2013 reflects capital expenditure incurred from development activity at ASB North Wharf, Centre Place, Northlands and The Majestic Centre.

In addition, at 30 September 2013 the Trust independently revalued three assets – Vero Centre, ASB North Wharf and Unisys House. Firming capitalisation rates in Auckland led to value increases for Vero Centre (+$15.6 million) and ASB North Wharf (+$7.8 million). This was offset by a decrease in the value of Unisys House (-$16.7 million) in recognition of substantial tenant departures confirmed since March 2013 and the resulting impact on present and future building vacancy.

As a result of capital expenditure incurred, drawn bank debt at 30 September 2013 was $744.0 million, up from $681.0 million at March 2013. This represents a bank debt to total assets ratio of 34.0%, up from 32.0% at March 2013.

The net tangible asset backing at period end was $1.16, up from $1.14 at March 2013 with a $39.9 million increase in Unit Holder funds.

Capital management

- Total bank debt facilities **$850m** (31-Mar-13: $850m)
- Weighted average term to maturity of bank debt **3.9 years** (31-Mar-13: 3.8 years)
- Weighted average cost of bank debt **6.78%** (31-Mar-13: 7.05%)

Following the renewal and extension of $465 million of bank debt facilities during the period ($300 million in May 2013 and $165 million in September 2013), the weighted average term to maturity of all bank debt facilities has increased to 3.9 years, up from 3.8 years in March 2013.

The Trust's weighted average cost of debt at 30 September 2013 was 6.78%, down 27 basis points on the 31 March 2013 position.

OPERATING PERFORMANCE

Retail portfolio metrics and activity

- Portfolio value **$1,385.1m** (31-Mar-13: $1,349.9m) *+$35.2m*
- Occupancy **99.8%** (31-Mar-13: 99.7%) *+0.1 percentage point*
- Weighted average lease term **4.1 years** (31-Mar-13: 4.0 years) *+0.1 years*
- **361 rent reviews** over **65,900 sqm** providing an average rental uplift of **3.3%**
- **86 new leases** over **12,500 sqm** providing an average rental uplift of **0.4%** (excluding development leasing)

Active asset management over the period resulted in stable portfolio occupancy, a longer weighted average lease term and improved rents.

The 86 new leases completed across all six shopping centres had a weighted average lease term of 5.1 years and resulted in a net increase in rent of 0.4%. These leases improved the retail portfolio weighted average lease term by 0.1 years, and helped maintain a high overall occupancy rate of 99.8%.

Rent reviews across the retail portfolio continued to provide consistent uplift due to the predominance of fixed and CPI-linked review mechanisms, with the average 3.3% increase recorded to September 2013 translating to an additional $1.35 million in base rental.

No retail assets were revalued as at 30 September 2013 and therefore the increase in portfolio value represents capital expenditure over the period.

Annual sales and gross occupancy costs

- Total sales **$1,386.9m** (30-Sep-12: $1,410.8m) *-1.7%*
- Unaffected sales[3] **$968.1m** (30-Sep-12: $970.4m) *-0.2%*
- Specialty gross occupancy costs **13.8%** (31-Mar-13: 13.5%)

For the 12 months to 30 September 2013, total sales decreased 1.7% to $1.39 billion due to a fall in supermarket sales together with a reduction in sales at Northlands.

Supermarket sales declined 2.9% as new competing store openings affected existing supermarket sales primarily at LynnMall and The Plaza.

At Northlands, a 3.3% decline in total centre sales over the year reflects the closure of 14 shops in March 2012 for reconstruction works and the anticipated progressive recovery of retail competition in Christchurch following the earthquakes. Despite this, sales levels at Northlands are still 12% above pre-earthquake levels.

Sales figures for the period show stabilisation since March 2013 and, with the exception of Centre Place (undergoing redevelopment) and LynnMall (due to the decline in supermarket sales), all centres have recorded sales growth over the six month period.

Office portfolio metrics and activity

- Portfolio value **$696.8m** (31-Mar-13: $525.0m) *+$171.8m*
- Occupancy **88.6%** (31-Mar-13: 92.6%) *-4.0 percentage points*
- Weighted average lease term **7.0 years** (31-Mar-13: 4.8 years) *+2.2 years*
- **18 rent reviews** over **6,700 sqm** producing an average **2.9%** rental increase
- **21 new leases** over **9,600 sqm** producing an average **0.4%** rental decrease

The office portfolio weighted average lease term rose to its highest measure since 2002, at 7.0 years, primarily due to the inclusion of the new ASB North Wharf building into the Trust's core portfolio, with its weighted average lease term of 17.1 years.

The office portfolio occupancy rate reduced to 88.6%, due to the expiry of the balance of ANZ Bank's office space lease in 205 Queen (6,431 sqm) and the expiry of Crown Law's lease at Unisys House (4,806 sqm).

[3] Unaffected sales provides a more normalised picture of sales trends. It excludes centres which have undergone redevelopment in either year of comparison, therefore excludes Centre Place and Northlands.

A significant portion of the vacancy exposure has been mitigated through successful leasing outcomes over the period. At Unisys House, half of Crown Law's former space has been leased to other Government departments on a short-term basis.

At 205 Queen, an active market for small to medium sized occupiers has resulted in the successful re-leasing of close to 40% of the space vacated by ANZ Bank in July. A total of five new leases have been executed across 2,535 sqm of space including a new 12-year lease to law firm Brookfields for two full floors.

Other leasing activity of note includes a new lease to Ernst & Young for two floors at The Majestic Centre, expiring in 2021, with a simultaneous surrender of its other two floors. The relinquished floors provide valuable space in which to relocate existing tenants while on-floor works take place as part of the building's seismic upgrade.

The value of the office portfolio increased by $171.8 million over the period, predominantly due to the inclusion of ASB North Wharf into the core portfolio as well as capital expenditure over the period and the revaluation of assets at 30 September 2013.

Vero Centre, ASB North Wharf and Unisys House were independently valued as at 30 September 2013, prompted by evidence of firming capitalisation rates in Auckland and, in the case of Unisys House, updated Government tenancy assumptions and a potential refurbishment.

Capitalisation rates for Vero Centre and ASB North Wharf both firmed 38 basis points, to 7.13% and 7.00% respectively. Vero Centre's value increased 5.7% to $290 million and the value of ASB North Wharf increased 5.2% to $158.5 million. Together, these two assets provided a revaluation gain of over $23 million. This gain offsets a $16.7 million reduction in the value of Unisys House, which reduced to $51.2 million at period end with the confirmed departures of Crown Law in June 2013 and the Ministry of Building, Innovation and Employment by September 2014. These departments will leave vacant a combined area of 15,400 sqm or 70% of the building's area.

To mitigate the impending vacancy at Unisys House, the Trust has made good progress on the negotiation of a new long-term Crown lease for all of the building's office space, following the property's selection in November 2012 as a potential long-term Government accommodation option by the Government's Property Management Centre of Expertise. A Development Agreement is now close to finalisation and final Crown approval to the arrangements will be sought during November.

As part of the commitment from the Crown to an initial lease term of no less than 15 years, the building is to be comprehensively refurbished, extended by approximately 2,500 sqm and seismically strengthened at a total cost of approximately $67 million.

The anticipated yield[4] on total investment is expected to be approximately 7.5%, with work programmed to commence on site in October 2014 and complete in July 2016.

In the office markets, confidence is returning to Auckland with limited supply and positive net absorption leading to reduced vacancy and improving rents across Prime grades. In Wellington, while rents are forecast to increase, the rate of growth will be suppressed by historic over-renting and a reduction in office space occupied by the Government. Better quality, seismically robust buildings are expected to attract stronger tenant and investment demand in this market.

Overall portfolio metrics

Across both the retail and office portfolios, occupancy has reduced from 97.2% at March 2013 to 95.4% while WALT has improved over the same period from 4.3 years to 5.1 years.

Development activity

Completed projects

- **ASB North Wharf**

  ASB North Wharf was successfully completed on 31 May 2013, on-program and within budget. ASB moved in progressively over June, with its lease commencing on 1 July 2013. Nine of 11 ground floor retail tenancies are now leased. Eight operators are open and trading successfully and a recently leased tenancy is expected to open in early 2014.

- **Centre Place Shopping Centre**

  The final stage of the redevelopment was completed successfully on 17 October 2013 with the opening of the new 7,100 sqm Farmers department store and approximately 30 specialty shops, joining a new METRO by Hoyts five-screen cinema complex which opened its doors the week prior.

  These additions to the centre, along with the Lido art-house cinema offer, mini-majors Rebel Sport and Dick Smith Electronics, a refreshed foodcourt, new dining lane and re-invigorated specialty retail mix, are part of an overall centre redevelopment, completed over the last three years, which has been designed to reposition Centre Place as Waikato's leading destination for fashion, entertainment and dining.

[4] Net income yield after amortisation of leasing fees and incentives on ingoing asset value plus capitalised development cost.

The net income yield on investment[5] is projected initially at 5.8% but forecast to increase to approximately 7% over the following three years as the centre recaptures market share and re-establishes a solid trading position.

- **Northlands Shopping Centre**
  Following completion of reconstruction and strengthening works, 11 shops with a total area of 1,400 sqm progressively opened between August and October this year, restoring $1 million in annual net rental income.

In progress

- **The Majestic Centre**
  The Trust continues to progress earthquake strengthening works at The Majestic Centre in Wellington, while maintaining high occupancy. Structural strengthening works, designed to reposition the building into a 'low risk' seismic category (as defined by the New Zealand Society for Earthquake Engineering), are progressing steadily towards a projected late 2014 completion date.

Divestment activity

Consistent with the Trust's strategy of recycling capital out of mature assets to maintain balance sheet flexibility, post the period end, an agreement has been entered into for the sale of 205 Queen that remains conditional on Overseas Investment Office and ground lessor approvals.

Following satisfaction of the outstanding conditions, the sale is to be executed in two tranches of 50% each. The first tranche will be sold for $47.5 million, which compares with the building's 31 March 2013 valuation of $48.3 million (50% interest equivalent), with settlement expected to occur by January 2014. The remaining tranche is to be sold at the prevailing market value in either March or September of each succeeding year, at the option of the purchaser, with an absolute obligation to purchase by no later than 31 March 2017.

ENDS

[5] After amortisation of leasing fees and incentives.