

Annual Meeting of Unit Holders**Thursday, 13 August 2009 at 10.00 am****Chairman's Address**

Good morning Ladies and Gentlemen, welcome to the sixteenth Annual Meeting of Kiwi Income Property Trust.

My name is Sean Wareing and I am an independent director and Chairman of the Manager of the Trust. Under the terms of the Trust Deed, I have been appointed Chairman of this meeting by the Trustee, New Zealand Permanent Trustees Limited.

I am pleased to advise that there is a quorum present and I declare the Meeting of Unit Holders open.

I would like to take the opportunity to introduce my colleagues on the Board of the Manager.

Richard Didsbury – Richard was one of the founders of the Trust in 1992. His current directorships include Auckland International Airport and Hobsonville Land Company, and he contributes to a variety of public initiatives such as being a Trustee of the Committee of Auckland. He also chairs the Trust's Project Control Group directing the ongoing development of Sylvia Park and The Plaza in Palmerston North.

Robert Narev – Robert joined the Board in 1992 and is an independent director. He was a senior partner of the Auckland-based law firm, Glaister Ennor, for whom he is now a Consultant. Robert specialises in property, commercial law and trusts, and he is a Member of the New Zealand Order of Merit.

Jim Syme – Jim is an experienced company director who joined the Board in April 2002. His current directorships include Deputy Chairman of ASB Bank Limited and Deputy Chairman of Sovereign Assurance Limited.

Joanna Perry – Joanna joined the Board as an independent director in September 2006, following 17 years as a partner with accounting firm KPMG. She chairs the Financial Reporting Standards Board, is a member of the International Reporting

Interpretations Committee and the Australian Accounting Standards Board. She was a member of the Securities Commission for 10 years until 2008. Her other directorships include deputy chair of Genesis Power and independent director of PSIS and AssureQuality Limited.

John Duncan – John joined the Board in 2002. John is also Chairman of Colonial Fiji Life Limited and the National Bank of Fiji Limited and was previously Head of Group Finance for the ASB Group of Companies before retiring in 2006.

One of our Directors, Wal Edgell, sends his apologies as he cannot be here today.

Also joining us as at the table is the Chief Executive of the Manager of the Trust, Chris Gudgeon, and the Chief Financial Officer, Gavin Parker.

I also extend a welcome to our Trustee, Lloyd Wong, from New Zealand Permanent Trustees and Jonathan Freeman from our auditors, PricewaterhouseCoopers.

I would like to take a moment to explain today's agenda.

Proceedings will commence with my address which will cover the Trust's financial and operating highlights for the year to 31 March 2009.

I will then invite Chris to provide a more detailed update on the Trust's activities.

As there is no formal business to take place at this meeting, we will then invite questions regarding the Trust.

Trust Performance

The Trust continues to demonstrate solid underlying performance, delivering an operating profit before tax of \$69.9 million for the financial year ending 31 March 2009, up 4.8% on last year's performance. After allowing for an increase in current tax expense, distributable profit for the current year was \$61.0 million, down 1.8% on last year.

The full-year cash distribution was 8.00 cents per unit, representing an after tax return of 8.3% per annum (at a unit price of \$0.96).

Disappointingly, but not surprisingly, the deterioration and volatility in the global financial markets has affected the value of the Trust's assets. The Trust recorded a net reduction in the value of its property portfolio of \$215.1 million, equivalent to 10.1% of the portfolio value, and a reduction in the fair value of interest rate derivatives of \$54.1 million. After allowing for these non-cash reductions in asset carrying values, the Trust delivered an overall net loss after income tax of \$168.9 million.

Despite the deteriorating economic environment, the Trust remains in a strong financial position with a healthy balance sheet and a conservative debt to total assets ratio. At year end, the Trust's total assets stood at \$1.92 billion, with bank debt of \$634 million, representing 33.1% of total assets.

The Board's view is that maintaining a strong financial position has become increasingly important given the current softening trend in property values, the ongoing economic recession, and the rationing of debt capital we are seeing by banks. As a precautionary measure, a number of capital management initiatives were implemented to improve the Trust's financial capacity to absorb further potential reductions in asset valuations. Depending on events, these measures may also have the effect of better positioning the Trust to take advantage of future opportunities that may arise out of the current environment.

The capital management measures comprised raising equity through a \$50 million institutional placement and subsequent Unit Purchase Plan (UPP) resulting in a further \$15 million, together with asset sales totalling \$38 million.

The proceeds from these initiatives have been used to reduce debt, further strengthening the financial position of the Trust. The institutional placement, UPP and asset sales reduced gearing, post balance date, by approximately 4%.

In this challenging economic environment, the Trust's management team continues to intensively and pro-actively manage the Trust's assets. As at 31 March 2009, the Trust's portfolio occupancy was 98.7%, with a solid weighted average lease term to expiry of 4.3 years.

The performance of Sylvia Park, our flagship retail asset, has continued to impress with annual retail sales exceeding \$350 million (exclusive of GST), the highest for any shopping centre in New Zealand. The centre has also won international acclaim for its innovative design and development from the International Council of Shopping Centres.

The Trust's office portfolio has also performed solidly over the past year, with the Wellington assets enjoying particularly strong rental growth.

Among the highlights of the 2009 financial year was the opening of Stage One of the \$93 million redevelopment and expansion of The Plaza Shopping Centre in Palmerston North in March. The redevelopment, due for completion in the second quarter of 2010, will substantially increase the size of the shopping centre and consolidate its position as the leading retail destination in the Manawatu-Wanganui region.

I would like to take this opportunity to thank the management team for their efforts and dedication to ensuring that the Trust retains its position as the leading diversified property trust in New Zealand.

I would also like to thank my fellow directors for their continued support during what has been another active year for the Board. Their depth and range of experience has proven to be invaluable in the current environment.

Outlook

Despite the challenging environment, the Trust continues to offer solid defensive attributes in the shorter term and a positive outlook in the longer term.

Underlying operating earnings remain solid as the Trust continues to benefit from the strength of its diversified and high quality property portfolio, high occupancy levels, its sector diversification in both retail and office properties and its diverse and high-quality tenant base.

The balance sheet has been strengthened and is conservatively geared with committed and enduring debt facilities in place. Furthermore, the Trust's listing on the New Zealand Stock Exchange provides a ready and liquid market for investors to buy and sell units with typical daily volumes in the order of a million units.

While we remain cautious in the current economic environment, based upon the outlook for the Trust, and subject to economic conditions, we are projecting a cash distribution for the year ending 31 March 2010 of approximately 7.5 cents per unit, representing an after tax yield of around 7.6% per annum for domestic investors at current unit prices.

I would now like to invite Chris Gudgeon to provide an update on the Trust's performance and activities.

Chief Executive's Presentation

Thank you Mr Chairman.

Distributable Profit [Slide 5]

As mentioned by the Chairman, the Trust has continued to deliver solid underlying operating performance. Net rental income grew by 6.9% to \$133.7 million and operating profit before tax increased 4.8% to \$69.9 million for the financial year to 31 March 2009.

Our distributable profit after tax for the current year was 1.8% down at \$61.0 million, and as you can see, this was due principally to the increase in our current tax expense.

So at an operating level, I think you can say it was a very solid result, particularly given the turmoil of global financial markets over the last 12 months.

Unfortunately, this global financial turmoil has depressed asset prices around the world, including both our unit price and the value of our property portfolio. With the requirement to record our properties at fair market value, we have written down the value of our property portfolio value by 10.1% or \$215.1 million. With the dramatic decline in interest rates we have also had to record a \$54.1 million decrease in the carrying value of interest rate derivatives (the instruments we use to fix interest rates on our bank borrowings).

This has resulted in the Trust recording an after tax loss of \$168.9 million for the year to 31 March 2009.

In line with previous guidance, Unit Holders received a final cash distribution of 4.00 cents per unit - bringing the Trust's full-year cash distribution to 8.00 cents per unit.

Unit Price and Total Returns [Slide 6]

Within the New Zealand market, the Trust outperformed both the NZX50 and NZX Property Gross Index and as at 31 March 2009 was the best performing of the larger New Zealand listed property trusts on a total return basis.

The total return for KIP for the year to 31 March 2009 was -14.2%, which is disappointing, but this should be put in context by comparing it with the New Zealand Stock Exchange NZX 50 gross return of -25.4% and NZX Property gross return of -20.3%.

Global Property Returns [Slide 7]

Again, to put things in context, it is worthwhile to step back and look at the performance of the New Zealand listed property sector in a global sense. The New Zealand listed property sector as a whole was one of the best performing globally in the 12 months to 31 March 2009, showing a total return of -20%. This compares with Australian and US listed property sectors which showed total returns just under -60% and the UK at -73%.

Why has the New Zealand listed property sector fared so well in a global context? We think the reason is because trusts like ours have retained a traditional and conservative approach to property investment with conservative gearing, limited development exposures and with an intensive focus on our local markets.

Balance Sheet [Slide 8]

Total property assets decreased by \$155 million. This decrease was due to the drop in the value of the Trust's properties, and taking account of capital expenditure over the year, has given rise to the \$215.1m loss recorded in the Income Statement.

Secured bank debt increased by \$63 million over the year, largely due to capital expenditure on The Plaza re-development and Sylvia Park.

The bank debt to total assets ratio was 33.1% as at 31 March 2009, up from 27.3% in the previous year due to the increase in borrowings and the reduction in the value of the Trust's property assets.

Despite this, the Balance Sheet remains strong, and the capital management initiatives undertaken post balance date, with proceeds used to pay down debt, have further strengthened our financial position.

The adjusted net tangible asset calculation at 31 March was \$1.37 per unit, down from \$1.75 a year earlier. Again, this drop is primarily due to the write-down in the value of the Trust's property assets.

Debt Facilities [Slide 9]

The Trust's debt position remains very sound. Our bank debt comprises four bilateral facilities totalling \$800 million. At 31 March 2009, \$166 million of these facilities remained un-drawn.

The debt facilities are well diversified, being sourced from Australia's four leading banks which are all AA rated by Standard & Poor's, with multiple tranches of debt and staggered maturities.

The Trust extended all of its facilities ahead of the credit crisis. Of particular note:

- The Trust has no expiries before the 2012 financial year;
- There is significant head-room within existing facilities; and
- According to analyst's forecasts, we have the lowest margins and fees in the New Zealand listed property sector, and therefore the lowest cost of debt.

Our weighted average cost of debt was 6.45% inclusive of fees and margins, down from 7.62% a year ago.

Capital Management Initiatives [Slide 10]

As mentioned by the Chairman, we hold the view that it is essential to maintain a strong financial position in the current market conditions.

As a result you have seen the Trust implement a number of capital management initiatives over the last few months.

We started with a decision made at the time of our interim result announcement in November last year to adjust our projected cash distribution for the year to 8.00 cents per unit, to more firmly base distributions on operating earnings.

This was followed up by asset sales totaling \$38 million, a \$50 million institutional placement and a \$15 million Unit Purchase Plan. The placement and unit purchase plan were well received, in both instances being over-subscribed. The capital management initiatives have been used to reduce debt and have reduced the debt to total assets ratio by approximately 4%.

These capital management initiatives were undertaken to improve our ability to absorb further possible reductions in portfolio value and also to better position the Trust to take advantage of future investment opportunities that may arise out of the current environment.

Moving on to look at some of the key portfolio metrics.

Valuation and Portfolio Statistics [Slide 11]

Independent valuers assessed the value of the Trust's property portfolio at \$1.91 billion, as mentioned, a decline of -\$215.1 million over the prior year. This fall in value needs to be considered alongside the increases in value the Trust has enjoyed in recent years – this table shows that only two years ago we had increases in value of roughly the same amount.

The decline in the value of the Trust's property portfolio is a reflection of adverse global economic conditions and negative sentiment in financial markets world-wide. It is generally considered that the property market peaked in late 2007 and this can be observed with the portfolio capitalisation rate – which has softened from 6.92% in March 2007, to 7.73% in March 2009. In recent times, the impact of softening capitalisation rates on the portfolio value has been partially offset by solid income growth, particularly in the office portfolio. Looking ahead however, the prospects for continued rental growth are less positive with a lower level of under-renting in the portfolio, as can be seen in the table.

Despite the softening market, it is pleasing to see that the Trust has managed to maintain a very high occupancy rate across the portfolio, finishing the year at 98.7%

occupied. As a management team, we remain very focussed on keeping vacancies to an absolute minimum.

Sector and Regional Diversification [Slide 12]

Sector and regional diversification weightings have changed only marginally over the last financial year.

The Trust operates a reasonably balanced diversified portfolio with approximately 57% of value in retail assets and 41% in offices.

Development property, comprising future office building sites at Sylvia Park and a number of strategic properties owned adjacent to our shopping centres, accounts for 2% of the portfolio by value.

Regionally, Auckland property accounts for just over half our portfolio with good representation in our other main centres also.

With the redevelopment of The Plaza, assets in Palmerston North now account for just over 7% of value.

Tenant Diversification [Slide 13]

The Trust has a well diversified tenant base, with approximately 780 tenants in its core portfolio.

The retail portfolio accounts for 58% of income, with over 10% of income underpinned by our major tenants including supermarket chains, department stores and cinema operators. New Zealand, Australian and international chain stores account for another 42% of income.

'Independent' retailers only account for 6% of overall portfolio rental.

The office portfolio accounts for 42% of rental income. This portfolio is characterised by banks and insurance companies, professional and legal firms and local and central government tenants.

The financial services sector has been the source of some tenancy risk of late but our exposure to this market is relatively low.

Top 20 Tenants [Slide 14]

The largest 20 tenants by rental contribute over a third of the Trust's income and occupy over half the total net lettable area.

Running your eye down the list, you see again banks and insurance companies, legal and professional services firms, local & central government agencies, supermarket chains, department stores and cinema operators.

Leasing Activity [Slide 15]

The Trust's lease expiry profile demonstrates its diversification benefits. While the retail and office portfolios, taken in isolation, have expiry 'peaks' in certain years, overall less than 13% of total rental income, on average, expires in each of the next five years.

The portfolio's weighted average remaining lease term is 4.3 years.

It has been another busy year for our management team with 620 new leases or rent reviews completed, covering 40% of the portfolio's rentable area.

The underlying operating performance over the past year has been encouraging with solid growth in net rental income, up \$6.66 million, or 8.7%. The average compound annual growth rate from rent reviews was 5.7%.

Retail Sales and Occupancy Costs [Slide 16]

Overall sales for the retail portfolio were \$930 million (excluding GST) for the year to 31 March 2009, down 2.2% on the previous year.

Sales performance for major tenants (supermarkets, department stores and cinemas) was slightly positive showing 0.2% growth, with supermarkets leading the way at +3.2%.

Specialty stores reflected lower discretionary spending, with a 4.1% decline.

The average gross occupancy cost ratio for specialty retail tenants was approximately 16.2% as at 31 March 2009, up from 14.7% the year before.

From hereon, I would just like to note that we will be reporting sales inclusive of GST, consistent with reporting standards used by the Shopping Centre Council of Australia and by market leaders such as Westfield.

Recasting this year's statistics on this basis, total portfolio sales would be \$1.046 billion and the specialty GOC ratio would be 14.7%.

Regardless of how you report the numbers, our focus as a management team remains firmly focused on ensuring our shopping centres continue to perform for our retail tenants. Our centre management and leasing teams work tirelessly with retailers to drive sales performance and increase market share, thereby ensuring rents remain affordable and vacancies remain at current minimal levels.

Added Value: The Plaza [Slide 17]

A major highlight of the year was the opening of Stage 1 of the Trust's \$93 million redevelopment of The Plaza Shopping Centre. This featured 15 new specialty shops including a new foodcourt, a three-level carpark, and integration of the existing Countdown supermarket into the mall.

Stage 2 of the project will open in three weeks time on 3 September 2009 with another 10, predominately fashion and jewellery, retailers opening their doors.

When completed in the second quarter of 2010 The Plaza will feature a new two-level 6,800m² Farmers department store, Countdown and Kmart, plus over 100 specialty retailers and 1,200 car parks.

While the leasing market is challenging, we have a fully resourced leasing team working on the project with pleasing results to date. With around six months to completion, we have now secured tenants for 84% of shops by area or 78% of our budgeted base rent on completion.

Added Value: Sylvia Park [Slide 18]

Sylvia Park continues to consolidate its position as Auckland's premier shopping destination. By increasing market share, annual retail sales have now grown to \$350 million, the highest of any centre in New Zealand.

The Centre's popularity has supported the Trust's investment in significant improvements to carparking and vehicle access. A \$14 million extension to the existing multi-storey carpark was completed in December 2008, increasing the number of parking spaces by 750 to 4000.

We also opened a fifth vehicle entry, providing direct access from Waipuna Road.

Market Summaries: Auckland and Wellington [Slide 19]

Turning now to an overview of the commercial office markets.

Since 2002, the Auckland and Wellington CBD office markets have performed well for investors. Solid demand and controlled new supply has led to low vacancy rates and significant growth in rents. Vacancy rates reached historic lows in both CBDs in 2008.

The impact of the current recession will continue to be felt in both office markets over the next two years. Research analysts forecast that market rents may decline between 5% and 15%, with vacancy rates expected to climb as new office towers are completed and backfill space comes to market.

Both markets have seen investment sales slow dramatically over the last year with investment activity now largely driven by syndicates, family trusts and high net worth individuals.

In this tougher market, we as a management team remain firmly focused on retaining our tenants by working constructively with them, thereby maintaining the current high occupancy rates our buildings enjoy.

New Zealand Retail [Slide 20]

Over the year to 31 March 2009, New Zealand's economic recession resulted in a nationwide contraction in real GDP and private consumption of 1.9% and 0.5% respectively.

The New Zealand Institute of Economic Research forecasts a modest pick up in the economy over the next 12 months with real GDP and private consumption growth expected to turn positive.

There have been recent signs of improving consumer confidence with positive net migration, stabilising residential house prices and traction from considerable stimulus in the economy.

Obviously once the economy recovers and spending picks up, the outlook will brighten for retailers and for our shopping centre portfolio.

Outlook [Slide 21]

Looking ahead we can expect a subdued market with a lower level of economic and investment activity.

Prospects for rental growth in the retail portfolio are inevitably constrained by current market conditions, but the outlook will improve as we move out of recession. In the office sector we anticipate weak demand and increasing vacancy rates to put downward pressure on market rental rates for the next two years or so.

Despite this challenging environment, the Trust continues to offer solid defensive attributes. Underlying operating earnings remain solid as the Trust continues to benefit from the strength of its diversified and high quality property portfolio, its high occupancy levels (currently 98.7%), its sector diversification in both retail and office properties and its diverse and high-quality tenant base (some 780 tenants).

We are in a strong financial position, with conservative gearing and with committed and enduring debt facilities in place.

Finally as mentioned by the Chairman, subject to economic conditions, we continue to project a cash distribution for the year ending 31 March 2010 of approximately 7.5 cents

per unit, representing an after tax yield of around 7.6% per annum for domestic investors at current unit prices.
