#### PEET INCOME PROPERTY FUND



**MARCH 2009** 

We are pleased to provide this update for the Fund for the period to 31 March 2009.

The commercial property market has continued to feel the impact of the Global Financial Crisis with falling rental rates and increasing vacancies continuing to negatively impact the values of commercial properties. While the Fund's portfolio has limited vacancies over the remainder of this calendar year, valuations currently being undertaken are likely to see the value of the portfolio fall below the 30 June 2008 levels.

#### **Highlights**

The key highlights for the quarter were:

- The Fund continues to maintain quarterly distributions at 2.29 cents per unit and the December quarter distribution was paid on 28 January 2009.
- The Palmerston property in Darwin has sold and settled for \$3.29 million which is above the original purchase price of \$3.0 million but below the 30 June 2008 valuation of \$3.4 million.
- The proceeds from the sale have been used to reduce outstanding debt which, as at 31 March, was \$20.7 million.
- Rental income for the Fund will increase by more than \$75,000 p.a. as a result of rental increases in a number of the single tenant buildings in Queensland as follows:

o 7 Hi-Tech Court, Eight Mile Plains CPI increase (4.3%)

o 69 Brandl Street, Eight Mile Plains CPI increase (4.3%)

o 10 Brandl Street, Eight Mile Plains Structured increase (6%)

- The portfolio has two vacancies being part-floor tenancies at 36 Brandl Street, Eight Mile Plains, QLD and Purdy Place, Canning Vale, WA.
   The tenancies are being actively marketed and Peet will continue to monitor the performance of the leasing agents.
- National Australia Bank (NAB) has offered a new senior facility with a limit of \$23.7 million, which allows the acquisition facility to be cancelled. The expiry date of the new facility is proposed to be 31 July 2010.

#### Liquidity facility

The Fund does not offer an annual liquidity facility but will make a Redemption Offer to all unitholders commencing on 1 July 2010. This Offer will provide the opportunity for all unitholders to redeem their units.

#### **Debt ratios**

Gearing ratio33.6%Gearing covenant50%Interest cover3.42 timesInterest cover covenant1.75 times

Peet Income Property Fund ARSN 113 746 615 ABN 65 355 468 412

Responsible Entity Peet Limited ABN 56 008 665 834 AFSL 225772

#### Registered Office Perth

Level 7 200 St Georges Terrace Perth WA 6000 Te (08) 9420 1111 Or 1800 673 222 Fax (08) 9481 4712

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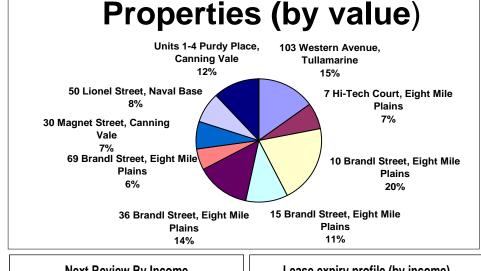
#### Responsible Entity Peet Limited

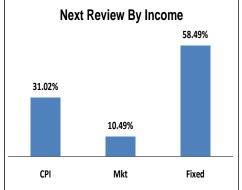
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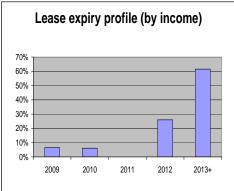
### Registered Office Perth

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#### Portfolio statistics

The portfolio remains well diversified geographically, by tenant and by rent review type. The charts above highlight this diversification. With a weighted average lease term of 4.0 years, the Fund has a secure income base from which to manage expiries as they arise and continue to pay distributions to unitholders.

The diversification across rent review type provides the Fund with a stable and growing income base through structured annual rent increases while also capturing increases in market rental on a periodic basis.

#### **Outlook**

The outlook for commercial property in Australia remains challenging with pressure remaining on valuations as vacancies increase and rental levels continue to fall.

Management anticipates the value of the portfolio will fall as a result of the annual June valuations but the sale of the Darwin property will ensure significant headroom remains under the existing NAB loan facility.

The additional 0.25% decrease in interest rates during the quarter will have a positive impact on the Fund through a further reduction in interest payable.

If you have any queries about your Fund, please contact our Funds Management Team on (08) 9420 1111.

## **Brendan Gore**Managing Director Peet Limited

