

We are pleased to provide this update for the Fund for the half year period to 31 December 2008.

The rental market for commercial office space is beginning to contract, however the Fund portfolio is well positioned to counter the impact of the global financial crisis with falling interest rates and limited lease expiries over the next 12 months.

Highlights

- The Fund recorded a slight increase in profit for the half year to 31 December 2008 with a 2% increase on the previous corresponding period to \$0.94 million.
- Negotiations have continued with a prospective purchaser for the Palmerston property in Darwin and the sale is now unconditional at \$3.3 million with net proceeds to be used to reduce debt.
- Agreement was reached with Enermet Pty Ltd following the market review at their tenancy 36 Brandl St, Eight Mile Plains (QLD) with rent increasing by 46% to \$305psqm equating to \$165,000 p.a.
- Agreement was also reached with Coventry's in respect to their lease at Purdy Place, Canning Vale (WA) with rent increasing by 48% to \$118psqm, equating to \$335,000 p.a.
- Two part-floor tenancy vacancies at 36 Brandl St, Eight Mile Plains (QLD) and Purdy Place, Canning Vale (WA) are being actively marketed. Peet will continue to monitor the performance of the leasing agents to ensure all potential tenants are shown the premises.
- Discussions have continued with the National Australia Bank (NAB) to combine the existing facilities into one facility of \$23 million with an expiry of 30 June 2010.

Distribution

The Fund continues to maintain quarterly distributions at 2.29 cents per unit with the December quarter distribution paid on 28 January 2009.

Liquidity facility

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

Portfolio statistics

The portfolio continues to remain well diversified geographically, by tenant and by rent review type (see charts overleaf). 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 unit holders.

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.

Peet Income Property Fund

ARSN 113 746 615
ABN 65 355 468 412

Responsible Entity Peet Limited

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AFSL 225772

Registered Office Perth

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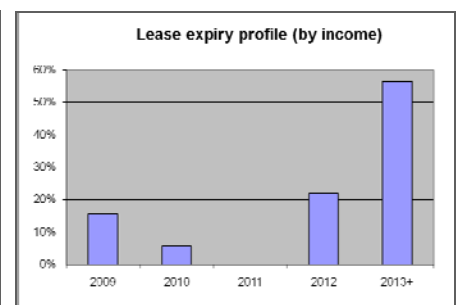
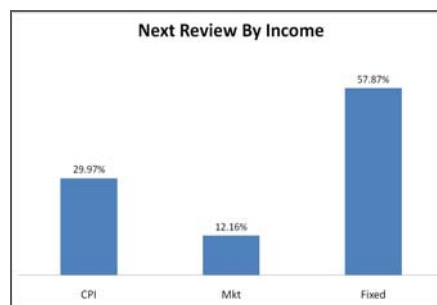
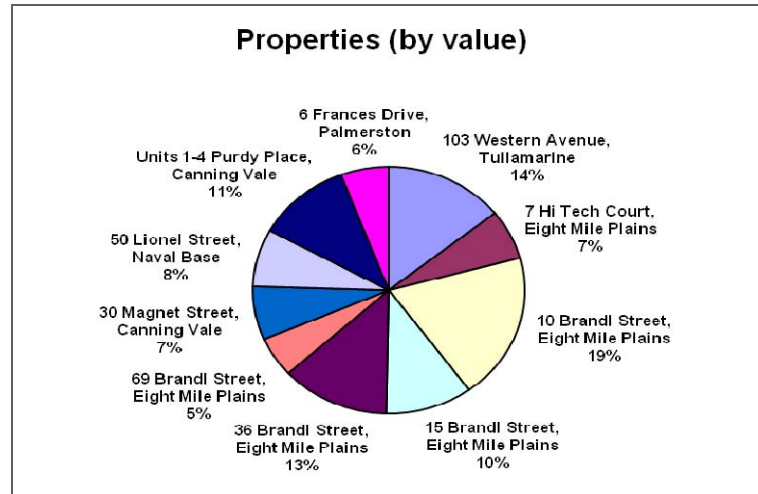
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PEET INCOME PROPERTY FUND

DECEMBER 2008



Debt ratios

Gearing ratio	38%
Gearing covenant	50%
Interest cover	2.7 times
Interest cover covenant	1.75 times

Outlook

The Australian property market remains challenging with capitalisation rates increasing, which is likely to lead to a fall in valuations. As detailed above, the Fund has considerable headroom under its gearing covenant. The sale of the Darwin property will further reduce the gearing ratio to below 35%.

Any continued easing of the cash rate by the Reserve Bank, currently 3.25%, (as at February 2009) will significantly reduce the Fund's interest expense which will assist with maintaining current profitability levels.

Commentary

Following the issue of a Guidance Note by ASIC to improve disclosure for retail investors in unlisted property trusts, *Quarterly Reports* now provide additional information on gearing levels and debt facility and will, on an annual basis, confirm the following key features of the Fund:

- the properties are valued annually by an independent valuer;
- the Fund is managed by Peet and all related party fees are detailed in the annual report; and
- shares in the Fund are an illiquid investment.

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

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