MARKET COMMENTARY

NZFUNDS

GOODMAN PROPERTY TRUST INTERIM RESULTS

20 NOVEMBER 2009

"Goodman Property Trust's (GMT) half-year result demonstrates that they have come through a tough cycle in excellent condition," says Stephen Bennie, Senior Portfolio Manager of NZ Funds Management's (NZ Funds) Global Property Strategy.

"The result is respectable. As expected property values have been revalued down but at a more modest rate than over the previous year. Occupancy levels remain strong and rents are up. Interest costs are higher but pleasingly the company has confirmed guidance of earnings and dividend."

"GMT's management have faced a severe test and come through it well. Although management have built an excellent portfolio of assets, best exemplified by Highbrook Business Park, questions were raised when their ambitious growth programme saw the bare land proportion of their portfolio rise to nearly 14% (and the total development portfolio to over 17%) in 2008. When the recession came and land values fell, GMT's debt burden began to look a little frightening. However, management has deftly managed down their debt by selling a large number of smaller assets. This activity kept the trust well away from its banking covenants: their loan-to-valuation ratio stands at 35.5% versus a covenant of 45%. As a result, unit holders were not forced to participate in a deeply discounted rights issue or have their future returns severely diluted."

"Interestingly, GMT announced at the same time as the result that they are looking to raise $100m via a bond issue. Diversifying their funding in this way further illustrates that management are very focused on debt management."

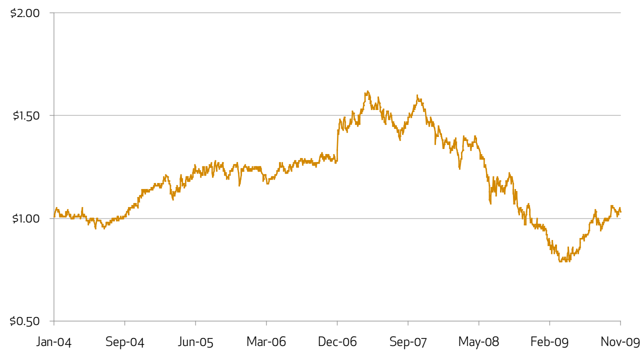
"Now that debt has been controlled, the trust is set to reap the benefits. GMT are specialists in developing, owning and managing industrial and offices parks and their expertise in this area is second to none. Moreover, the development programme that the market punished them for just months ago means they have by far the most attractive growth potential of any of the listed property trusts. As the accompanying table illustrates, compared to their peers they have far higher internal growth opportunities."

Property trust	Share price	Portfolio size at 30 September 2009 ($millions)	Development land or property in development	% Development land / property in development	FY10 cash yield
AMP NZ Office Trust	$0.82	1,394	0	0.0%	10.2%
Goodman Property Trust	**$1.03**	**1,497**	**201.7**	**13.5%**	**11.7%**
ING Property Trust	$0.80	1,052*	0	0.0%	13.6%
ING Medical properties	$1.20	286**	0	0.0%	10.0%
Kiwi Income Property Trust	$1.09	1,783	14.7	0.8%	9.8%
Property for Industry	$1.20	345	1,201	0.3%	8.5%

Source: Bloomberg. * Date as at 31 March 2009. ** Date as at 30 June 2009

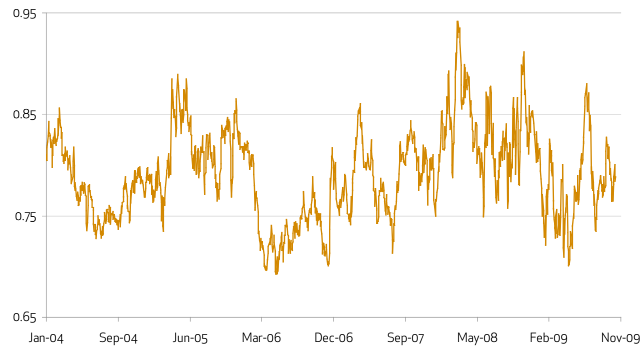
"For NZ Funds the appeal of GMT is simple - great assets at a great price. With an effective cash yield of nearly 12% investors are well rewarded in the short term while further out the benefits of the development land should deliver solid capital gains."

GMT PRICE



Source: Bloomberg.

GMT RELATIVE TO NZ SHARES



Source: Bloomberg.

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