

## OPERATIONAL UPDATE

# 3Q16

### Mirvac released its third quarter operational update today, reporting solid performance across its business units and revising FY16 earnings and distribution guidance to the top end of previous guidance.

Commenting on the quarterly update, Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, said, "We have maintained positive metrics across our office, retail and industrial portfolios, and we expect to deliver around 25 per cent growth in residential lot settlements this year.

"We have achieved a significant amount across the business since the start of the financial year. The residential team completed 682 lots settlements valued at over \$300 million in the third quarter, in line with expectations, while maintaining a default rate of less than one per cent.

"We continue to accelerate releases to capture current demand, and I am pleased to report the residential team achieved approximately \$320 million of new sales in the quarter, maintaining \$2.6 billion

of exchanged pre-sales contracts. This provides us with a significant level of development earnings visibility over the next few years."

As at 31 March 2016, 93 per cent of expected Development EBIT<sup>1</sup> for FY16 was secured and 72 per cent secured for FY17.

"Our investment portfolio continued to perform well, with our in-house asset management teams maintaining strong portfolio metrics during the quarter, leasing approximately 34,400 square metres of lettable space, which brings our leasing total year to date to over 267,900 square metres.

"Importantly, we remain on track to achieve our asset sales target of between \$400 to \$600 million by the end of this financial year. 1 Woolworths Way, valued

at approximately \$336 million, settled in March 2016, and we have received strong levels of enquiry for Como Centre in Melbourne, 16 Furzer Street in Canberra and Rider Boulevard in Rhodes, Sydney, which are currently marketed for sale," added Ms Lloyd-Hurwitz.

The Group's balance sheet remained strong, with gearing maintained within the target range of between 20 and 30 per cent.

Further, the Group expects to achieve a Development ROIC of over 12 per cent by 30 June 2016, one year ahead of its target.

Mirvac has narrowed its FY16 operating EPS guidance to 12.9 to 13.0 cents per stapled security ("cps") and has revised its FY16 distribution guidance to 9.9 cps, which is at the top end of previous guidance.

**"Overall, the Group remains well-placed to achieve its FY16 targets, with a focus on the delivery of key projects expected to settle in the second half of this financial year, as well as executing our strategy in order to deliver value to our securityholders over the long term."** Susan Lloyd-Hurwitz, CEO & Managing Director

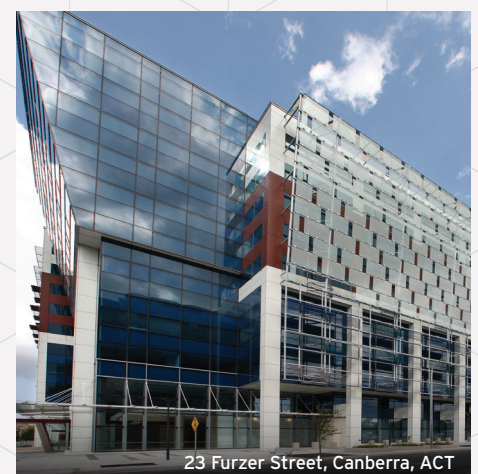
### SUSTAINABILITY

During the quarter, Mirvac continued to excel in sustainability initiatives across the business including:

- > 23 Furzer Street, Canberra, ACT: achieved a 6 Star Green Star - Performance V1 rating in the Canberra office asset, Sirius. Sirius is the first building in Australia to increase its Green Star rating from a 5 Star Green Star - Office Design rating to the 6 Star Performance rating. In recognition of its outstanding environmental performance, Sirius was recently awarded the Facility Management Award at the Chartered Institute of Building Services Engineers Awards in London; and

- > Launched Mirvac's Social Return on Investment tool: in an industry first, Mirvac, together with KPMG, have created a framework and tool to measure the social impacts of new communities, and have demonstrated real savings for residents and the wider community across the areas of improved safety, sense of community, active living and sense of place.

"These sustainability initiatives position Mirvac as a leader in the industry and are a testament to the commitment of the team and their continued focus to our This Changes Everything Strategy," added Ms Lloyd-Hurwitz.



23 Furzer Street, Canberra, ACT

1) Development EBIT before overheads and sales and marketing.



# Office & Industrial

## Office

Positive business conditions continued to drive leasing activity in both Sydney and Melbourne, with each CBD market recording above average levels of net absorption in the third quarter of FY16. This was largely driven by professional and financial services firms, as well as education and digital service providers. Net absorption in Brisbane is positive, but still below long-term average levels of tenant demand, while conditions in Perth remain challenging. Mirvac's overweight position to Sydney and Melbourne in the office sector means it is well-placed in this environment.

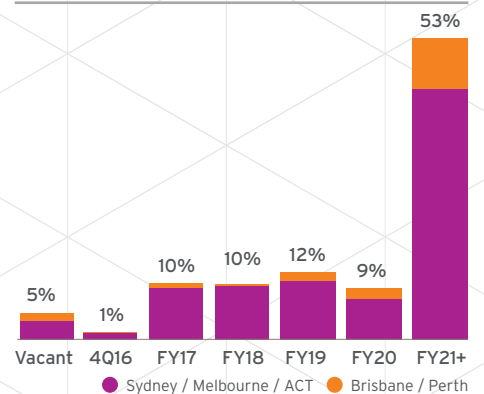
### Office Highlights:

- > occupancy of 95.4 per cent<sup>1,2</sup> (94.5 per cent at 31 December 2015), with a WALE maintained at 6.1 years<sup>3</sup>;
- > leased approximately 19,700 square metres across the portfolio<sup>4</sup>, including:
  - **Allendale Square, 77 St Georges Terrace, Perth, WA:** signed a lease renewal with Francis Burt Chambers for approximately 6,000 square metres for a 15-year term. Together with the Treasury Building, which is 99 per cent leased to the WA Government for 25 years, Mirvac's office portfolio in Perth is now 96 per cent leased with a WALE of 16.7 years;
  - **5 Rider Boulevard, Rhodes, NSW:** leased approximately 4,200 square metres, including 2,500 square metres to technology services provider Kordia Solutions for a five-year term; and

- **10-20 Bond Street, Sydney, NSW:** leased over 1,500 square metres to Insurance Networks Australia for a five-year term;
- > commenced management of the LAT Portfolio (previously the Investa Property Trust) in February 2016, having reached an agreement with a subsidiary of China Investment Corporation in December 2015 to become the asset manager; and
- > progressed the \$2.1 billion active office development pipeline, which is 89 per cent pre-leased, with highlights including:
  - **200 George Street, Sydney NSW:** signed an agreement for lease with leading energy company, AGL, for three floors of office space, taking the building to 94 per cent pre-leased. A further 2,060 square metres has been committed under heads of agreement, which, once executed, will take the office component to 99 per cent pre-leased. Mirvac has also signed a lease with the Commonwealth Bank for 40 per cent of retail space on the ground level. The building is on track for practical completion in mid-2016, with EY expected to move in late June 2016 and Mirvac anticipated to move in July 2016;
  - **2 Riverside Quay, Melbourne VIC:** construction works are progressing to schedule with topping off achieved in April 2016. Fender Katsalidis Architects signed an agreement for lease on the remaining space in April 2016, taking the office component to 100 per cent pre-leased, well ahead of expected

- completion in FY17. Community consultation on the public realm is also progressing well, with a planning application to upgrade the retail space and lobbies on the ground plane submitted during the quarter;
- **664 Collins Street, Melbourne VIC:** design development is nearing finalisation, with construction works expected to commence in July 2016. The building's office area is currently 33 per cent pre-leased to Pitcher Partners; and
- **Australian Technology Park, Sydney NSW:** achieved settlement of the acquisition in April 2016, with a Development Application lodged and detailed design development underway. Mirvac intends to deliver approximately 97,500 square metres of office and retail space, including a childcare centre, with the Commonwealth Bank to lease 93,000 square metres of office space for a 15-year term.

OFFICE LEASE EXPIRY PROFILE<sup>3</sup>



## Industrial

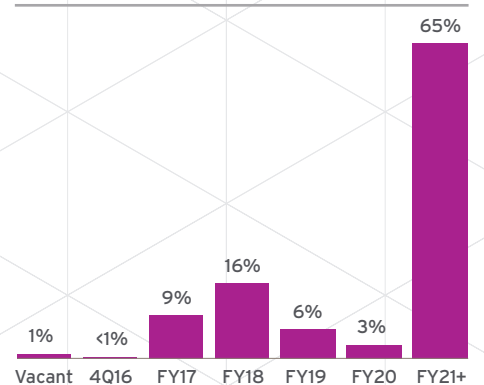
Demand for quality industrial space in Sydney continues to be supported by increasing business investment across New South Wales, in addition to strong housing activity and a growing population. With 90 per cent of its industrial portfolio weighted to Sydney, Mirvac continues to be well-placed to benefit from ongoing positive conditions in this market.

### Industrial Highlights:

- > occupancy remained high at 99.5 per cent<sup>1</sup> with a long WALE of 7.6 years<sup>3</sup>, up from 7.2 years at 31 December 2015;

- **47-67 Westgate Drive, Altona North, VIC:** signed a heads of agreement for approximately 26,900 square metres for a seven-year term; and
- **Calibre, 60 Wallgrove Road, Eastern Creek NSW:** received a State Significant Development Approval and commenced a leasing campaign for the site, which is expected to deliver over 120,000 square metres of state-of-the-art industrial space.

INDUSTRIAL LEASE EXPIRY PROFILE<sup>3</sup>



**“Our outlook for the office portfolio remains positive, supported by improved tenant demand in Sydney and Melbourne, where approximately 80 per cent of our portfolio is located, and minimal near-term expiries in Brisbane and Perth.**

**“Our office development pipeline is also progressing well and tracking to schedule and budget.**

**“We have maintained strong metrics within our industrial portfolio, with high occupancy and a long WALE. We remain focused on securing pre-commitments at Calibre and identifying new opportunities that leverage our asset management and creation capabilities.”** Susan Lloyd-Hurwitz, CEO & Managing Director

1) By area.

2) Includes approximately 16,100 square metres at 275 Kent Street under licence agreement until 1 April 2017 (not income generating).

3) By income.

4) Excludes leasing of assets under development.



# Retail

Retail sales have shown a widening divergence at a state level, with New South Wales continuing to record the strongest levels of moving annual turnover, which is further supported by strong population growth in Sydney. Retail spend in Brisbane, where 27 per cent of the retail portfolio is located, is expected to be boosted by strengthening tourist demand. Key data indicating higher net wealth and housing equity in Australia's capital cities, particularly Sydney, highlights the strength of Mirvac's urban retail strategy.

## Retail Highlights:

- high occupancy maintained at 99.2 per cent;
- solid comparable MAT sales growth of 6.9 per cent driven by apparel and services, with specialty MAT growth of 5.8 per cent;

- comparable specialty sales productivity increased by 1.6 per cent to \$9,437 per square metre, with occupancy costs down to 15.0 per cent;
- executed over 100 leasing deals across approximately 13,400 square metres, with leasing spreads remaining positive;
- Broadway Shopping Centre ranked No.1 in Shopping Centre News' Big Guns Awards 2016 for annual turnover per square metre ("MAT/m<sup>2</sup>") for the fourth consecutive year; and
- progressed with active retail developments across the portfolio, including:
  - Orion Springfield Central, QLD:** achieved practical completion of the Stage 2 expansion in March 2016, with the official opening held in April 2016. The retail space is 95 per cent pre-leased;

- Greenwood Plaza, NSW:** progressed with development works on the enhanced casual dining precinct, with completion expected in July 2016. The project is 88 per cent pre-leased;
- Harold Park Tramsheds, NSW:** progressed with the restoration of the historic tram sheds, with completion expected in 1H17. The 6,000 square metre boutique retail space is now 100 per cent pre-leased; and
- Broadway Shopping Centre, NSW:** progressed with construction of the Level 2 expansion which is expected to complete in 1H17. The new casual dining precinct and enhanced fashion offering will be anchored by international fashion brand H&M, along with two further international retailers. The project is 90 per cent pre-leased.

**"Mirvac's retail portfolio continues to go from strength to strength, with all key metrics remaining strong. We were thrilled to have Broadway Shopping Centre in Sydney ranked number one for moving annual turnover per square metre for the fourth year in a row, a significant achievement during an active development phase, and a testament to the team's strong centre management and leasing expertise."** Susan Lloyd-Hurwitz, CEO & Managing Director

## RETAIL SALES BY CATEGORY

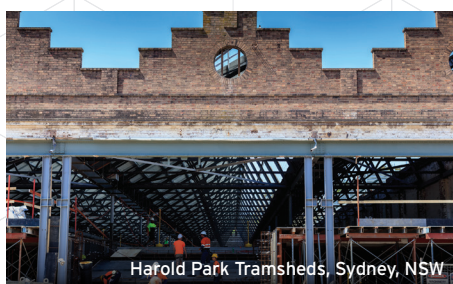
Category	3Q16 total MAT	3Q16 comparable MAT Growth	1H16 comparable MAT Growth
Supermarkets	\$563.8m	6.1%	6.6%
Discount department stores	\$114.2m	6.5%	6.0%
Mini-majors <sup>2</sup>	\$343.7m	10.6%	11.4%
Specialties	\$701.6m	5.8%	6.9%
Other retail	\$110.8m	6.7%	0.9%
<b>Total</b>	<b>\$1,834.1m</b>	<b>6.9%</b>	<b>7.3%</b>

## SPECIALTY SALES BY CATEGORY

Category	3Q16 total MAT	3Q16 comparable MAT Growth	1H16 comparable MAT Growth
Food Retail	\$89.4m	5.1%	6.4%
Food Catering	\$167.8m	2.9%	4.8%
Jewellery	\$12.7m	1.4%	(3.5)%
Mobile Phones	\$11.4m	35.2%	32.5%
Homewares	\$31.9m	(1.6)%	0.6%
Retail Services	\$64.6m	11.8%	14.1%
Leisure	\$29.5m	1.4%	3.1%
Apparel	\$243.2m	8.3%	9.5%
General Retail	\$51.1m	1.3%	(0.2)%
<b>Total Specialties</b>	<b>\$701.6m</b>	<b>5.8%</b>	<b>6.9%</b>



Orion Springfield Central, QLD



Harold Park Tramsheds, Sydney, NSW



Greenwood Plaza, Sydney, NSW

1) By area.  
2) Includes other majors.



# Residential

Residential conditions remain mixed nationally. In Sydney, auction clearance rates improved during the period, and although down on the corresponding period last year, are still comfortably above the long-term average of 60 per cent. Buyer sentiment has improved in Sydney, reflecting steadier price growth, a competitive lending environment and increasing urban populations. With dwelling requirements in Sydney higher than the average annual completions over the past five years, the supply and demand imbalance is likely to be a feature for some time. Sentiment in other capital cities remained neutral to positive over the first few months of 2016.

Mirvac's residential business continues to be resilient against this backdrop, supported by an overweight to Sydney and Melbourne, strong brand recognition

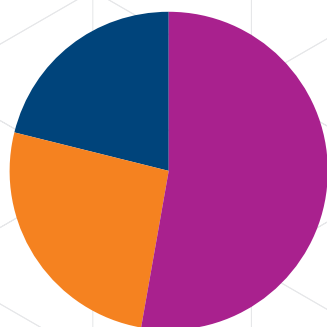
that attracts a high level of repeat buyers and quality product priced at or around the median price-point in each sub-market.

### Residential Highlights:

- > expect to achieve approximately 2,850 lot settlements in FY16, with 91 per cent of target lot settlements secured:
  - FY16 lot settlement targets reduced, reflecting expected completion of Harold Park Precinct 4A in early FY17 (49 lots);
- > completed 1,430 lot settlements in the financial year to date:
  - 682 residential lots settled in the third quarter valued at \$315 million, including major contributions from Harold Park, Precinct 3, NSW (262 lots); Googong, NSW (88 lots); and Woodlea in Victoria (141 lots);
  - default rate maintained at less than one per cent;

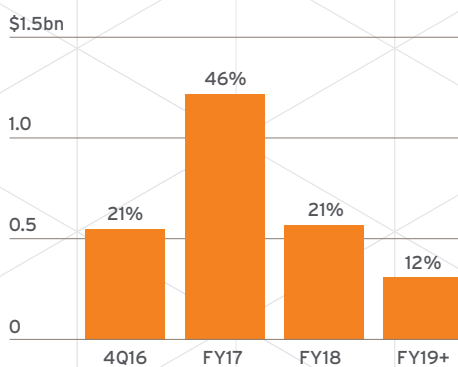
- > continued to see strong sales activity across residential projects during the quarter, with sales up 7 per cent on the prior corresponding period. Key projects included: Rockbank, VIC (131 lots); Googong, NSW (68 lots); and Lucid, Hope Street, QLD (46 lots);
- > maintained a high level of residential pre-sales at \$2.6 billion<sup>1</sup>, providing strong visibility over the next few years:
  - 21 per cent (or \$548 million) of secured pre-sales expected to settle in the last quarter of FY16;
  - 46 per cent expected to settle in FY17; and
  - 33 per cent expected to settle in FY18+;

### 3Q16 SETTLEMENTS - BUYER PROFILE

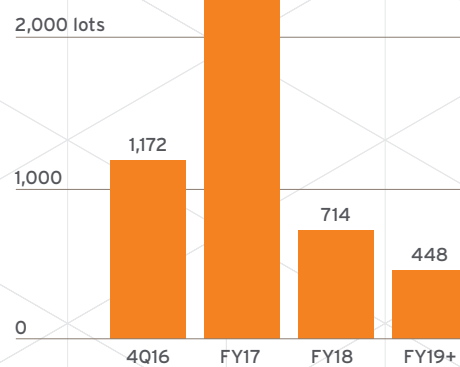


- Owner Occupier<sup>2</sup>: 53%
- Investor: 26%
- FIRB: 21%

### PRE-SALES: EXPECTED SETTLEMENT PROFILE (BY VALUE)



### PRE-SALES: EXPECTED SETTLEMENT PROFILE (BY LOTS)



### 2H16 EXPECTED MAJOR SETTLEMENTS

Project	Pre-sales secured at 31 Dec 15 (lots)	3Q16 settlements (lots)	Pre-sales secured at 31 Mar 16 (lots)	Revenue secured <sup>1</sup> at 31 Mar 16
Harold Park, NSW	581	262	265	\$277m
Alex Avenue, NSW	114	11	106	\$51m
Jack Road, VIC	66	-	66	\$47m
Tullamore, VIC	62	-	62	\$41m
Brighton Lakes, NSW	60	-	60	\$39m
Googong, NSW	257	88	184	\$23m
Harcrest, VIC	169	7	207	\$19m
Woodlea, VIC	203	141	62	\$6m
Other	207	173	160	\$45m
<b>Total</b>	<b>1,719</b>	<b>682</b>	<b>1,172</b>	<b>\$548m</b>

1) Adjusted for Mirvac's share of JVA and Mirvac managed funds.

2) Includes first home buyers.

Note: Buyer profile information approximate only and based on customer surveys.



# Residential

- > continued to take advantage of favourable market conditions by accelerating the release of residential lots and on track to release over 3,800 lots in FY16 (FY15: over 4,000 lots). New project launches expected in 4Q16 include: The Eastbourne in Melbourne; The Finery, Waterloo in Sydney; and Ascot Green in Brisbane;
- > completed the 50 per cent sale of The Finery, Waterloo to Ping An Real Estate ("Ping An"), a subsidiary of the Ping An Insurance Group of China. The Finery is the first project to seed the joint venture relationship established between Mirvac and Ping An in December 2015 to develop residential projects in key cities in Australia; and
- > construction works progressing well at major projects due for settlement in the last quarter of FY16.



Artist's impression  
Ascot Green (Brisbane Racing Club)

**"Our residential business continues to perform well, and we are pleased to have achieved settlements valued at over \$300 million in the third quarter of FY16. Settlements have been completed by purchasers in line with expectations, with 340 out of 345 settlements completed at Harold Park Precinct 3, as at 2 May 2016. The Group's long-term average default rate has been maintained at less than one per cent, with no defaults experienced at our Harold Park project in the financial year to date.**

**"Although residential market conditions remain varied across the country, we continue to see solid demand from all buyer segments for well-located, well-priced product, with FY16 third quarter activity slightly above the prior corresponding period.**

**"With over 2,300 lots secured and expected to settle in FY17, we have a high level of visibility for the year ahead."** Susan Lloyd-Hurwitz, CEO & Managing Director

## MAJOR PROJECTS DUE FOR SETTLEMENT IN 4Q16: CONSTRUCTION PROGRESS

Project	Completed
Harold Park, Precinct 3, NSW	100%
Harold Park, Precinct 4B, NSW	90%
Harold Park, Precinct 6B, NSW	90%
Alex Ave, NSW	95%
Jack Road, VIC	90%
Tullamore, VIC	85%
Brighton Lakes, NSW	60%

## 2H16 MAJOR RELEASES SCHEDULE

Project	3Q16 releases (lots)	4Q16 expected releases (lots)
St Leonards, NSW	220	-
Woodlea, VIC	196	236
Gainsborough Greens, QLD	123	208
The Eastbourne, VIC	-	258
The Finery, Waterloo, NSW	-	118
Claremont On The Park, WA	-	92
Ascot Green, QLD	-	91

## INNOVATION AT MIRVAC

Following the successful trial of CSR Velocity panels in Mirvac's masterplanned communities business last year, Mirvac has commenced its first project using Velocity panels at Brighton Lakes in Sydney.

The CSR Velocity panels are prefabricated wall panels (including all cladding, timber frames, insulation, doors and windows) and floor cassettes, manufactured and assembled offsite in quality controlled conditions, then transported to site and erected. There are significant benefits of using the panels, including an approximate 40 per cent reduction in the overall construction time, waste reduction and a reduction in HSE risks.



December 2015



March 2016

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