3Q18

Operational Update

23.04.2018

Reimagine urban life

mirvac

Mirvac Group (ASX: MGR) today provided an operational update for the third quarter of the 2018 financial year (FY18), reaffirming operating earnings guidance of between 15.3 and 15.6 cents per stapled security (cpss), and distributions of 11.0 cpss.

The Group's CEO & Managing Director, Susan Lloyd-Hurwitz, said Mirvac was well-placed to deliver on its full-year earnings and distribution targets, given solid recurring income from its investment activities and strong visibility of earnings within its residential business.

"Mirvac is in excellent shape, and we are confident that we will achieve guidance for FY18", Ms Lloyd-Hurwitz said.

"We've maintained positive metrics across our office, industrial and retail portfolios and continue to progress with key developments in Sydney and Melbourne, including 664 Collins Street and 477 Collins Street in Melbourne, and Australian Technology Park in Sydney, where we recently celebrated the topping out of Building 1.

"Construction at our industrial estate, Calibre, also continues to progress, and we have a number of expansions across our retail portfolio that will further enhance our unique urban retail offering.

"At Broadway Sydney, we were thrilled to have been named the most productive retail centre in Australia for the sixth year in a row in Shopping Centre News' Big Guns Awards. This achievement highlights our focus on our customers and our commitment to enhancing their urban retail experience."

Mirvac also recently announced an industry-first partnership at Broadway, with energy-innovation giant, Tesla, selecting Broadway for their first inner-city superchargers in a retail space.

Although market conditions in the residential sector have moderated, Mirvac's residential earnings outlook is supported by a robust forward-looking development pipeline of well-located projects that have solid embedded margins. The Group also remains on track to achieve approximately 3,400 residential lot settlements in FY18.

Mirvac's balance sheet is in good shape, with gearing expected to remain within the Group's target range of between 20 and 30 per cent. As part of a disciplined capital allocation strategy, Mirvac initiated an on-market buy-back program for up to 2.6 per cent of its securities on issue.

During the quarter, Mirvac also became the first property development group in Australia to receive White Ribbon accreditation, demonstrating the steps it's taking to stop violence against women.

"This accreditation recognises Mirvac as an employer that continues to create a culture of respect, where no violence in any form will be tolerated. We are proud to be the first property development company in Australia to achieve this recognition," Ms Lloyd-Hurwitz said.

SUSTAINABILITY & CULTURE

Announced a partnership with the Clean Energy Finance Corporation (CEFC)

In an Australian clean energy first, Mirvac will work with the CEFC to embed a range of clean energy initiatives as part of the base build in three of its proposed masterplanned residential communities.

Selected a family to live in Mirvac's House with no Bills

The family will live rent-free for a year in a house that has been designed to reduce its reliance on electricity to the point it will not generate any bills. Read more on page 4.

Received White Ribbon Accreditation

White Ribbon works to stop violence against women before it happens, and the workplace accreditation program supports businesses to play an active role in this mission.

Named Employer of Choice for Gender Equality

Mirvac successfully achieved this recognition for the fourth consecutive year, highlighting its continuing focus in this area.

OFFICE

Prime market office rents have continued to lift in the Sydney and Melbourne CBDs, supported by tight vacancy levels in each market. Demand for quality office space continues to be notably strong in Melbourne CBD, where net absorption in prime grade assets is significantly higher than in secondary assets. Although construction activity has lifted in the Sydney CBD, the vacancy rate is expected to remain very low for a number of years, as further stock is withdrawn and with new developments having significant delivery timeframes. Further improvement of tenant demand in the Brisbane CBD is resulting in tightening vacancy in prime grade stock, while there are signs of market stabilisation in Perth.

OFFICE HIGHLIGHTS:

> maintained high occupancy at 97.1 per cent[1] (98.1 per cent at 31 December 2017), with a long WALE of 6.6 years[2];

> completed approximately 8,700 square metres of leasing activity[3];

> achieved positive leasing spreads of 12.1 per cent;

> incentives remained low at 20.8 per cent;

> completed the acquisition of 75 George Street, Parramatta NSW for a total consideration of $86.3 million; and

> Sirius House in Canberra NSW became the first building in Australia to achieve a 6 Star NABERS Energy rating, a 6 Star NABERS Water rating and a 6 Star Green Star Performance rating, without the use of Green Power or externally sourced recycled water.

Mirvac progressed its $2.1 billion office development pipeline during the quarter, which is 86 per cent pre-leased, up from 84 per cent at 31 December 2017. Project updates include:

> 664 Collins Street, Melbourne VIC: construction works are nearing completion, with practical completion expected in June 2018. The building is 100 per cent pre-leased;

> 477 Collins Street, Melbourne VIC: construction on the 56,000 square metre office tower is tracking ahead of program, and façade fabrication remains on track for delivery in the last quarter of FY18. Deloitte has increased its requirement by approximately 4,000 square metres, taking its total occupancy to 47 per cent of net lettable area. A heads of agreement has also been signed for approximately 5,000 square metres in the sky rise, which, once executed, will take the building to approximately 56 per cent pre-let. Practical completion is targeted for FY20; and

> Australian Technology Park, Sydney NSW: construction works on Building 1 are progressing well, while civil works on Building 2 were completed in March 2018. Structural trades have commenced on Building 3, with the slab now complete. The project's major tenant, Commonwealth Bank, has pre-committed to 100 per cent of office space for a 15-year lease term. Practical completion for Buildings 1 and 3 is targeted for FY19, and FY20 for Building 2.

INDUSTRIAL

Positive momentum continues in industrial markets, with all Sydney precincts recording a lift in rents for prime grade stock over the quarter. Leasing activity to retail tenants within Western Sydney is tracking at approximately double the 10-year average since the beginning of 2016, with landlords of industrial facilities benefitting from growth in e-commerce. Mirvac's 100 per cent overweight to Sydney ensures it is well-placed to benefit from these conditions.

INDUSTRIAL HIGHLIGHTS:

> occupancy remained high at 98.0 per cent[4] (99.3 per cent at 31 December 2017), with a WALE of 6.9 years[5];

> completed over 6,700 square metres of leasing activity; and

> Calibre, Eastern Creek NSW: achieved practical completion on Building 3, a 21,000 square metre facility, in April 2018, with online pet supplies company, Pet Circle, signing a lease prior to completion for a five-year term. Construction on Building 4 is progressing to schedule, with practical completion forecast for July 2018. The 31,000 square metre facility is 100 per cent pre-leased to Sheldon & Hammond for a 10-year term. Construction on Building 2, a 17,000 square metre facility, commenced in early March 2018, with practical completion expected in the first half of FY19. The building is 100 per cent pre-leased to Miele for a seven-year term. Development approval for Building 5 has been received, with practical completion targeted for the second half of FY19. Strong interest has been received for the balance of the estate.

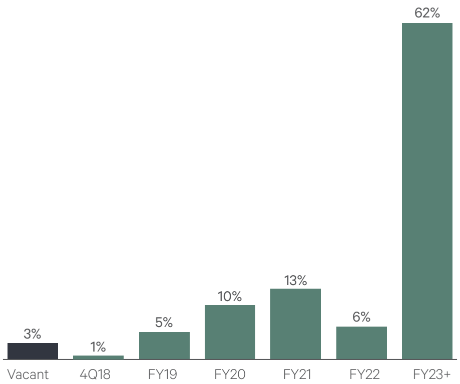
Ms Lloyd Hurwitz said, "The completion of 664 Collins Street in Melbourne and the topping out of Building 1 at Australian Technology Park underscore our transition towards a modern, low capex office portfolio, which will be an important differentiator in the next phase of the cycle. We expect to realise more than $40 million in development profit from 664 Collins Street in the financial year, along with NOI uplift to be delivered over the next two quarters.

"We are still witnessing strong demand for quality office space in Sydney and Melbourne, which is reflected in leasing spreads of over 12 per cent.

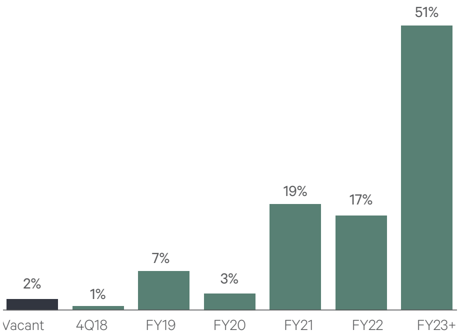
"We were also extremely proud to be the first property group in Australia to achieve three 6 Star ratings at Sirius in Canberra, including 6 Star NABERS ratings for energy and water, as well as 6 Star Green Star performance. The result is testament to our teams' continued efforts in optimising energy and water performance at this asset," she said.

1. By area, including investments in joint ventures and excluding assets held for development.
2. By income, including investments in joint ventures and excluding assets held for development.
3. Excludes assets under development.
4. By area.
5. By income.

OFFICE LEASE EXPIRY PROFILE
(by gross income)



INDUSTRIAL LEASE EXPIRY PROFILE
(by gross income)



Australian Technology Park, Sydney, NSW

Although retail sales growth has been below long-term averages, the major eastern urban cities are supported by strength in employment markets and a more positive outlook for consumers. Consumer views on family finances over the next 12 months have recorded a notable lift in New South Wales and Queensland over the past six months. Sydney and South-East Queensland are recording tighter unemployment levels than the rest of state averages. With 95 per cent of its retail portfolio in Sydney and the South-East Queensland markets, Mirvac is well positioned in a challenging environment; notwithstanding, retail sales growth is expected to continue to trend below long-term averages.

RETAIL HIGHLIGHTS:

- maintained high occupancy of 99.3 per cent[1] (99.4 per cent at 31 December 2017);
- solid comparable moving annual turnover sales growth of 3.5 per cent and comparable specialty sales growth of 4.5 per cent;
- achieved total sales productivity and comparable specialty sales productivity of more than $10,000 per square metre;
- specialty occupancy costs increased slightly to 15.5 per cent;
- executed 58 leasing deals across approximately 15,700 square metres, with leasing spreads remaining positive. Mirvac has executed 220 lease deals in the retail portfolio in the nine months to 31 March 2018, representing approximately 45,800 square metres;
- Broadway Sydney, NSW received the Shopping Centre News Big Guns' Award for the highest annual turnover per square metre for the sixth consecutive year; and
- Mirvac's Shopper Hopper won gold at the NSW Tourism awards for best new tourism business.

The Group's retail development pipeline also progressed during the quarter, with updates including:

- Rhodes Waterside, Sydney NSW: construction is ahead of schedule, with completion expected in early FY19. The project is 99 per cent pre-leased;
- Kawana Shoppingworld, Sunshine Coast QLD: construction on the 6,900 square metre development continued to progress, which will see the delivery of an Event cinema and an expanded dining precinct. The project is scheduled for completion in mid-FY19; and
- Toombul Shopping Centre, Brisbane QLD: received development approval for the proposed dining and entertainment development during the period. Construction works are expected to commence in the first half of FY19, subject to remaining approvals.

Retail sales by category	3Q18 total MAT	3Q18 comparable MAT growth	1H18 comparable MAT growth
Supermarkets	$1,099m	2.4%	2.1%
Discount department stores	$258m	5.6%	2.8%
Mini-majors	$541m	7.2%	6.9%
Specialties	$1,178m	4.5%	5.2%
Other retail	$217m	(8.0%)	(3.4%)
Total	**$3,293m**	**3.5%**	**3.7%**

Specialty sales by category	3Q18 total MAT	3Q18 comparable MAT growth	1H18 comparable MAT growth
Food retail	$139m	(0.0%)	0.7%
Food catering	$331m	11.0%	15.3%
Jewellery	$33m	4.8%	2.9%
Mobile phones	$40m	10.5%	8.6%
Homewares	$40m	5.8%	1.6%
Retail services	$124m	7.0%	6.5%
Leisure	$50m	(2.1%)	0.1%
Apparel	$314m	0.7%	(0.6%)
General retail	$107m	2.4%	5.2%
Total specialties	**$1,178m**	**4.5%**	**5.2%**

Ms Lloyd-Hurwitz said, "In a challenging and rapidly changing retail environment, our results demonstrate that not all retail is created equal. Our exposure to affluent and densely populated urban areas, with deep employment, will support a continued solid performance in a subdued market."

1. By area.

Birkenhead Point, Sydney, NSW

RESIDENTIAL

Housing markets in 2018 are generally recording more moderate conditions, after several years of strong price growth in the eastern states followed by cooling towards the end of 2017. More recent trends show improved buyer sentiment, particularly among owner-occupiers and first-home buyers. While lending conditions have tightened, housing finance data indicates settlement loans for off-the-plan dwellings are rising in line with increased volumes of completions. Overall, conditions remain supported by low interest rates, a competitive lending environment, solid employment growth and strong urban population growth in the eastern states.

FY18 major EBIT contributors

Project	FY18 lot target	Pre-sold
Harold Park, NSW	232	100%
Tullamore, VIC	130	100%
Woodlea, VIC	887	97%
Green Square, NSW	272	100%
Brighton Lakes, NSW	146	100%

RESIDENTIAL HIGHLIGHTS:

> settled 1,553 residential lots as at 31 March 2018, and remain on track to settle approximately 3,400 lots in FY18. Defaults remain at below 2 per cent;

> maintained a high level of residential pre-sales of $2.8 billion[1];

> over 95 per cent of residential EBIT secured for FY18;

> continued to see solid demand for masterplanned communities in Melbourne VIC, with Olivine and Woodlea selling 100 per cent and 98 per cent of released lots respectively;

> maintained a strong level of pre-sales across the Group's apartment projects in Sydney NSW, which are 89 per cent pre-sold out to FY20;

> achieved strong sales at Compass, the final stage at Leighton Beach WA, with settlements continuing at Latitude;

> completed construction at Vance, which is 100 per cent pre-sold, and marks the final stage at Harold Park NSW. Settlements are currently underway; and

> announced a design competition for a mixed-use tower at 505 George Street, Sydney NSW, with six architectural firms selected.

"We have seen market conditions return to more moderate levels, and sales in some sub-markets are slower, as we had anticipated; however, we are still seeing demand for land and quality medium-density residential product, particularly in Melbourne. This is reflected by high sales volumes and price growth at our masterplanned community releases, such as Tullamore, Olivine and Woodlea.

"We are well-placed to achieve our target of around 3,400 residential lots for the financial year, and we retain good visibility of future earnings, with $2.8 billion of pre-sales on hand," Ms Lloyd-Hurwitz said.

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

Family selected to live in Mirvac's House with no Bills

In an industry-first, Mirvac has this month selected the Zimmerman family to move into its House with no Bills at Jack Road in Cheltenham, Victoria.

Police officer Rob, nursing student Lisa, and their two teenage children, Cam and Alyssa, will live rent free for a 12-month period, and help Mirvac to gather data on the family's everyday energy consumption.

The three-bedroom house has been designed to reduce its reliance on energy to the point that it will not generate any bills, through methods such as increased roof insulation, the installation of solar PV panels and batteries, LED lighting, energy efficient appliances, intelligent controls and smart metering and monitoring systems.

"By understanding how the average family consumes energy, Mirvac will be better placed to create and deliver best practice in sustainable living, at a price that works for Australian families," said Ms Lloyd-Hurwitz.

The initiative forms part of Mirvac's *This Changes Everything* sustainability strategy, which is delivering a more sustainable future for Mirvac and its stakeholders.

House with no Bills by mirvac

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