1Q19 OPERATIONAL UPDATE

23.10.2018

Mirvac Group (ASX: MGR) today provided an operational update for the first quarter of the 2019 financial year (FY19), with solid metrics maintained across the Group's office, industrial and retail portfolios and sales tracking as expected in its residential business.

Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, said, "While there has been a continued moderation in some markets, particularly in the retail and residential sectors, the progress we have made during the first quarter positions us well to deliver on our objectives for the 2019 financial year.

"As highlighted at the Annual Results in August, we have a well-placed, resilient company poised to take advantage of the opportunities that will emerge in more challenging operating conditions.

"During this next stage of the real estate cycle, our high-quality investment portfolio will be the growth engine of the business as the strong office market conditions continue to drive income growth. This passive, secure and stable income growth ensures that our business has increased resilience and flexibility.

"The retail landscape has become increasingly competitive, and we have responded to this by reweighting the portfolio to the best and most resilient urban markets, focusing on centres that are located in densely populated, affluent, low unemployment catchments.

"As we expected, market conditions in the residential sector have normalised and softened in some markets. However, our residential earnings outlook is supported by a high level of secured pre-sales as well as a robust forward-looking development pipeline of well-located projects that have solid embedded margins," Ms Lloyd-Hurwitz said.

During the quarter, the Group announced the launch of the Australian Build-to-Rent Club (ABTRC), with the Clean Energy Finance Corporation (CEFC) committing to a 30 per cent interest as a cornerstone investor. The seed asset is Indigo, at Mirvac's Pavilions project at Sydney Olympic Park in NSW, due for completion in FY21.

"In Australia, renters now make up a large proportion of the population, and the ABTRC was established in response to this new opportunity to help meet the evolving needs of customers. We are committed to offering an exceptional rental experience at Indigo, with dedicated on-site leasing and concierge, high-quality amenities, a resident program and leading sustainability features.

"We are proud to be pioneering this new sector in Australia, and we are encouraged by the recent announcement by the Victorian State Government to help establish the build-to-rent sector in their state, and look forward to working with the other states as this emerging sector evolves."

Gearing is expected to remain at the lower end of the target range of between 20 and 30 per cent and the Group's balance sheet remains in good shape. During the quarter, Fitch assigned an A- Stable credit rating to Mirvac, reflecting the resilience of Mirvac's investment portfolio and development business, as well as the Group's strong financial metrics.

Mirvac has re-affirmed operating EPS guidance of between 16.8 to 17.1 cpss for FY19, which represents an increase in earnings of between 2 to 4 per cent, and distribution guidance of 11.6 cpss, which represents DPS growth of 5 per cent.

INNOVATION AT MIRVAC

Mirvac's award-winning innovation program, Hatch, has recently produced some excellent initiatives, including Cultivate, a pop up urban farm in the basement of EY Centre, 200 George Street in Sydney, which was created in partnership with Farmwall, Shopping Nanny at a number of retail centres, as well as The Third Space, a unique co-working hub at Broadway Sydney.

Most recently, the Group is trialling a pet concierge service at Green Square in Sydney in partnership with the RSPCA NSW.

With Australia having one of the highest rates of pet ownership in the world, Pet Concierge by RSPCA NSW and Mirvac is a new, innovative service for pet owners living in apartments who are looking for a first-class service that offers more than the standard pet walking and minding. Residents can have someone feed their pet, or have their dog walked, washed, groomed or have their puppy socialised. Pet Concierge can even offer qualified vet nurses who can do a health check.

RSPCA NSW is the natural fit for this partnership and Mirvac is delighted to work with this valuable organisation on delivering this exciting innovation.

INNOVATION

OFFICE AND INDUSTRIAL

Office

Vacancy in Sydney and Melbourne has continued to tighten. According to JLL, vacancy in Sydney is below 5 per cent, the lowest level since 2000, while in Melbourne, the market vacancy rate is around 4 per cent, the lowest level in close to 30 years. While both markets will see new stock completing over the next few years, vacancy is not expected to rise steeply given solid absorption in Melbourne and further withdrawals of space in Sydney. Vacancy in Brisbane continues to diverge with prime grade vacancy falling to less than half the level of secondary grade vacancy, indicating tenants' preferences for good quality space. In Perth a similar trend is evident with tenant demand for prime grade space notably stronger than secondary grade in recent years, however rental growth is yet to improve materially.

Office highlights:

> maintained high occupancy at 97.2 per cent[1] (97.5 per cent at 30 June 2018), with a long WALE of 6.2 years[2];

> completed approximately 11,000 square metres of leasing activity[3];

> achieved positive leasing spreads of 11.3 per cent;

> incentives remained low at 17.9 per cent;

> secured leading financial services provider, Suncorp, at 80 Ann Street in Brisbane QLD, with Suncorp pre-committing to over 39,600 square metres of office and retail space (66 per cent of the building's total net lettable area) for a 10-year term. Mirvac concurrently announced it had sold a 50 per cent interest in the development to M&G Asia Property Fund for a total consideration of $418 million; and

> acquired 383 La Trobe Street in Melbourne, VIC for a total consideration of $122 million, representing an initial yield of 5.7 per cent. The asset offers a development opportunity in a well-located part of Melbourne's CBD, while providing the Group with secure income over the medium term.

Mirvac progressed its $3.1 billion office development pipeline during the quarter, which is 83 per cent pre-leased. Project updates are as follows:

> 477 Collins Street, Melbourne VIC: an agreement for lease was executed with Norton Rose for 5,000 square metres across levels 35-38. Heads of agreement have also been signed with three separate tenants, which if executed will take the building to 85 per cent pre-leased. The project remains on track to reach practical completion in FY20;

> Australian Technology Park at South Eveleigh Sydney NSW: Buildings 1 and 3 are on track and scheduled for completion in the second half of FY19. Building 2 is expected to achieve structural top-out by the end of this calendar year; and

> 80 Ann Street, Brisbane QLD: received planning approval for the development of a 60,000 square metre tower over 31 levels. The Group is undertaking demolition works to commence construction on site next year. Practical completion is targeted for FY22.

Industrial

Solid demand from transport and logistics and retail tenants, as well as tightening availability of space, have all led to lifts in rents in most Sydney industrial markets. Mirvac's 100 per cent weighting to Sydney continues to ensure it is well-placed to benefit from these conditions.

Ms Lloyd-Hurwitz commented, "By FY21, we will have delivered one of Australia's youngest and lowest capex office portfolios, which will be an important differentiator for Mirvac as the current cap rate cycle comes to an end.

"With the recent office and industrial acquisitions as well as the high-quality, innovative assets we are creating at Australian Technology Park, 477 Collins Street, 80 Ann Street and Calibre, ensures that Mirvac is well-positioned to deliver value for our securityholders in the future."

Industrial highlights:

> occupancy remained high at 100.0 per cent[4] (100.0 per cent at 30 June 2018), with a WALE of 6.8 years[5];

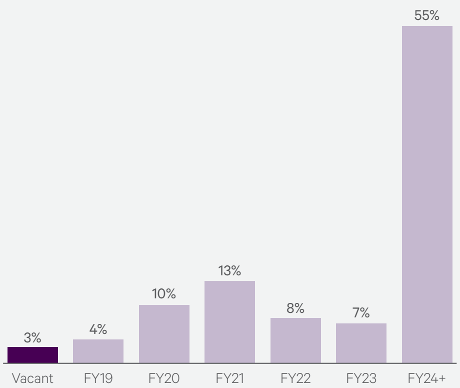
> completed approximately 2,400 square metres of leasing activity;

> entered into an agreement to acquire Stage 1 of a future 244-hectare industrial estate at Badgerys Creek in Western Sydney, NSW for a total consideration of $71 million, under a put-and-call option arrangement. Located just 800 metres from the proposed new Western Sydney airport and close to the M7 motorway and the proposed M12 motorway, Stage 1 is a 54-hectare site set to benefit from approximately $20 billion of infrastructure improvements in the Western Sydney area; and

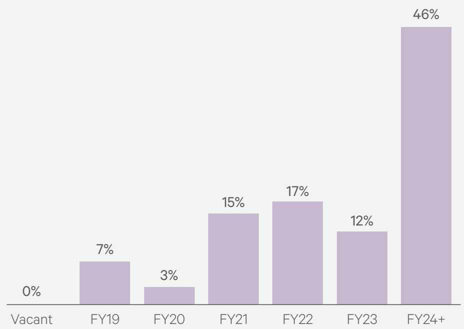
> Calibre, Eastern Creek NSW: on 31 August 2018, Mirvac announced it sold a 50 per cent interest in Calibre at Eastern Creek, NSW to the Mirvac Industrial Logistics Partnership (MILP). Practical completion was achieved on Building 4 in June 2018, with Sheldon & Hammond committing to the 31,000 square metre facility for a 10-year term. In September 2018, Mirvac secured ACFS Port Logistics for the fifth and final building (Building 5) at Calibre. Construction is on track, with practical completion targeted for the second half of FY19.

80 Ann Street, Brisbane (artist impression)

OFFICE LEASE EXPIRY PROFILE
(by gross income)



INDUSTRIAL LEASE EXPIRY PROFILE
(by gross income)



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.

RETAIL

Toombul, Brisbane

While home building activity is moderating from very high levels and dwelling prices have retracted, both Sydney and South East Queensland continue to be well supported for retail spending. Both are recording strong levels of population growth, solid employment growth levels and lifts in infrastructure spending that will support activity into the medium term.

Retail highlights:

> maintained high occupancy of 99.2 per cent[1] (99.2 per cent at 30 June 2018);

> solid comparable moving annual turnover sales growth of 3.2 per cent and comparable specialty sales growth of 3.1 per cent;

> achieved comparable specialty sales productivity of >$10,000 per square metre on sustainable occupancy costs of 15.2 per cent;

> executed 112 leasing deals across approximately 16,900 square metres, with leasing spreads remaining positive;

> established Australia's first partnership with one of China's leading travel agencies, Ctrip, to provide shopping incentives to Chinese tourists in Sydney who shop at Birkenhead Point.

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

> Rhodes Waterside, Sydney NSW: opened fully leased and ahead of schedule in August 2018. The project introduced Aldi and relocated Bing Lee and is forecast to achieve an upgraded yield of more than 7 per cent;

> Kawana Shoppingworld, Sunshine Coast QLD: the construction of Event Cinemas and an expanded dining precinct is progressing ahead of schedule and is expected to be open prior to Christmas 2018. The project is 100 per cent pre-leased; and

> Toombul, Brisbane QLD: received development approval for the dining and entertainment project during the period. The project includes the revitalisation of the existing level 2 precinct and is expected to reach completion in mid-FY20.

Ms Lloyd-Hurwitz said, "In a highly competitive retail market we have successfully positioned our portfolio to remain relevant to consumers. Our focus on urban markets is benefiting from high spending power, ongoing population growth, strong employment as well as growth in domestic and overseas tourism.

"We are committed to delivering bespoke and engaging retail experiences that meet the lifestyle needs of our customers. We continue to focus on improving the overall amenity across the customer journey, including our retail and non-retail offers, to better serve our customers."

Retail sales by category	1Q19 total MAT	1Q19 comparable MAT growth	FY18 comparable MAT growth
Supermarkets	$1,105m	2.6%	1.7%
Discount department stores	$263m	5.7%	6.2%
Mini-majors	$548m	4.2%	5.8%
Specialties	$1,187m	3.1%	3.7%
Other retail	$219m	0.5%	(3.4%)
Total	**$3,322m**	**3.2%**	**3.1%**

Specialty sales by category	1Q19 total MAT	1Q19 comparable MAT growth	FY18 comparable MAT growth
Food retail	$137m	(0.2%)	0.0%
Food catering	$335m	3.6%	7.3%
Jewellery	$32m	1.2%	2.3%
Mobile phones	$41m	6.7%	5.7%
Homewares	$42m	1.9%	(2.7%)
Retail services	$126m	6.7%	8.5%
Leisure	$46m	(2.0%)	(0.2%)
Apparel	$325m	4.4%	3.0%
General retail	$103m	0.0%	(1.4%)
Total specialties	**$1,187m**	**3.1%**	**3.7%**

1. By area.

RESIDENTIAL

Residential conditions have softened as expected across the major markets over the past six months, following several years of very strong price growth. Activity varies by sub-market product type, and while major lenders have taken steps to improve lending standards, credit is still available and competitively priced for quality borrowers. Sydney and Melbourne continue to experience sound economic fundamentals to support residential markets including strong population growth, very low unemployment levels and jobs growth across a number of industries.

Residential highlights:

- settled 560 residential lots, in line with expectations. Defaults remain below 2 per cent;
- maintained a high level of residential pre-sales at $2.1 billion[1];
- Released 428 lots during the quarter, with strong sales at Masterplanned Communities, including:
  - Woodlea, VIC: 81 per cent of released lots pre-sold
  - Olivine, VIC: 57 per cent of released lots pre-sold
  - Crest, NSW: 57 per cent of released lots pre-sold
- over 1,500 lots yet to be released during FY19, subject to planning approvals and market conditions;
- on track to settle over 2,500 lots; and
- 69 per cent of FY19 EBIT is now secured, reflecting the shift to Masterplanned Communities and away from Apartments.

"While changes to lending have seen market conditions return to more normalised levels, and as anticipated, sales in some sub-markets are slower, we are still seeing demand for land and medium-density residential product, particularly in Melbourne. This is reflected by strong sales volumes at our masterplanned community releases, such as Olivine and Woodlea.

"We continue to focus on the delivery of a number of significant projects with a high level of secured pre-sales which will see a record number of apartments settling in FY20.

"We remain confident in our ability to deliver on our targets and capitalise on strong population growth, a resilient owner-occupier market and reduced competition for restocking," Ms Lloyd-Hurwitz said.

Woodlea, Melbourne

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

SUSTAINABILITY:
WOODLEA – WALK OF HONOUR

Legacy has been a key feature at Mirvac's joint venture project with Victoria Investments and Properties at Woodlea in Victoria. The Woodlea project has partnered with Melton City Council, the Caroline Springs RSL and numerous local community groups to deliver a commemorative Walk of Honour. Featuring educational plaques, storytelling through smartphone apps and artistic interpretations, the 500-metre walk pays tribute to the wars that Australians have fought in over the past century, while celebrating the site's history as a radio signals station during World War II.

Importantly, the walk will acknowledge those who have found refuge in Australia after being displaced from their own countries as a result of war. The walk, which finishes at Woodlea's Town Square, will be completed in time for Remembrance Day in November this year.

The Walk of Honour took out this year's Mirvac Residential Award for Sustainability and Innovation. This internal award was launched in 2016 as a way of recognising, celebrating and sharing Mirvac's many notable achievements within its Residential business around sustainability and innovation.

The Walk of Honour project was selected as it demonstrated genuine community engagement and reflection of the site's history in a way that connected the whole community, from the RSL and veterans, right through to residents and children.

SUSTAINABILITY

For further information please contact

Investor enquiries:

Bryan Howitt
General Manager, Investor Relations
+61 2 9080 8749

Media enquiries:

Kate Lander
General Manager, Communications
+61 2 9080 8243