



Mirvac today provided an operational update for the third quarter of the 2017 financial year (FY17), with the Group expecting to achieve operating earnings of 14.4 cents per stapled security (cps) and distributions of 10.4cps, which is at the top end of previous guidance.

Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, commented, "Our focused urban strategy and our ability to create, own and manage quality urban assets means we are extremely well-placed to deliver a strong set of results in FY17, including operating earnings growth of 11 per cent and distribution growth of 5 per cent, which is at the top end of our previous guidance.

"We have maintained strong metrics within our investment portfolio and continue to progress our commercial development pipeline, which will further improve the quality of our portfolios.

"Within our residential business, we have seen a solid amount of sales activity, up 18 per cent on the prior corresponding period, and we remain on track to achieve a full-year return on invested capital of more than 15 per cent. We also expect to settle approximately 3,300 residential lots in FY17.

"Our continued strong performance has been driven largely by our urban focus and our strategic overweight to Sydney and Melbourne, which remain the key contributors to Australia's economic output and population growth.

"We believe we will continue to benefit from the densification of these cities in the years to come, through our urban asset creation and mixed-use capabilities.

"With housing affordability becoming an increasingly concerning issue in Sydney, Mirvac launched its The Right Start initiative during the quarter to assist first time home buyers in securing their own home. The Right Start gave over 50 first home buyers the opportunity to purchase at our Sydney Olympic Park development, and we will continue to look at how we can address housing affordability in Sydney."

Sustainability

Mirvac continued to deliver against its sustainability strategy in the third quarter of FY17. Highlights included:



MIRVAC ENERGY

Completed major installation works

at Orion Springfield Central, QLD and One Darling Island, NSW to deliver 1.1MW of solar energy, in collaboration with AGL.



MARRICK & CO, SYDNEY

Received One Planet Living certification

at Marrick & Co, NSW, the first ever certification in NSW and in line with the Group's target to deliver a One Planet Living Community by 2018.



OSPREY WATERS, PERTH

Awarded the National Award for Environmental Excellence

at the UDIA Awards for Excellence.



MIRVAC CONSTRUCTION

Piloted Mirvac's first hard hat recycling program

with old hard hats being collected and recycled into products such as bollards, fencing and signage that can be reused on the same site.



# OFFICE & INDUSTRIAL

## Office

There have been strong levels of rental growth in Sydney and Melbourne, which is expected to continue given the tightening vacancy outlook in each market. Increased stock withdrawals for redevelopment in the Sydney CBD, resulting in negative net supply, continues to place pressure on available leasing options for tenants, while strong tenant demand in Melbourne has seen occupancy growth track close to 40-year highs. Further signs of Brisbane's recovery has been evident following improved tenant demand, while in Perth, early signs of stabilisation are emerging.

### Office Highlights:

- > maintained high occupancy at 97.6 per cent<sup>1</sup> (97.2 per cent at 31 December 2016), with a long WALE of 6.7 years<sup>2</sup>;
- > completed approximately 62,500 square metres of leasing activity in the year to date<sup>3</sup>, with a further 20,000 square metres under heads of agreement secured during the quarter;
- > maintained positive leasing spreads of over 5 per cent; and
- > overall incentives remained at 19 per cent.

"Falling office vacancy rates in Sydney and Melbourne are expected to continue to drive strong effective rental growth, and incentives are also expected to tighten in the next 12 to 18 months. With approximately 8 per cent of our Sydney and Melbourne leases due to expire in FY18, we are well-placed to benefit from these conditions.

"Our well-located industrial portfolio continues to provide solid, recurring income to the Group while the development pipeline is set to benefit from continued logistics demand," said Ms Lloyd-Hurwitz.

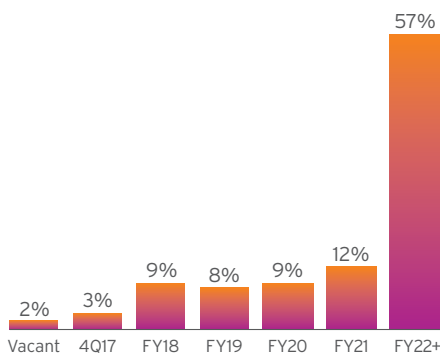
1) By area.  
2) By income.  
3) Excludes leasing of assets under development.

The Group progressed its \$2bn committed commercial development pipeline, which is 76 per cent pre-leased, with key highlights including:

- 664 Collins Street, Melbourne VIC: the structure to Level 12 is now complete with façade and services progressing to Level 7. The building is 62 per cent pre-leased, with over 6,350 square metres currently under heads of agreement. Once executed, this will take the building to 86 per cent pre-leased. Practical completion is expected in FY18;
- 477 Collins Street, Melbourne VIC: demolition is on schedule and ground works are expected to commence in May 2017. The Group is on track to achieve practical completion in FY20; and
- Australian Technology Park, Eveleigh NSW: ground works are well underway, with construction commencing in March 2017.

Mirvac has also commenced a campaign to sell-down a 50 per cent interest in its 477 Collins Street and 664 Collins Street developments, with first round bids due in late May 2017.

Office lease expiry profile by gross income



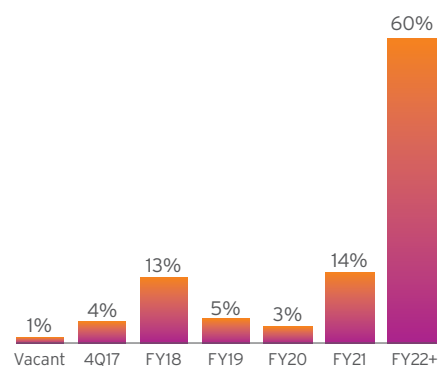
## Industrial

The industrial sector has been experiencing solid tenant demand from third-party logistics and ecommerce firms, supporting above-average take-up for well-located industrial facilities. In Sydney, where the majority of the Group's industrial facilities are located, there are limited levels of vacant prime stock, particularly within inner ring markets due to substantial urban regeneration.

### Industrial Highlights:

- > occupancy remained high at 99.5 per cent<sup>1</sup> (99.7 per cent at 31 December 2016), with a WALE of 7.1 years<sup>2</sup>. The WALE was slightly impacted by the recent acquisition of 36 Gow Street, Padstow, NSW, which the Group expects to add value to through its leasing capability;
- > Calibre: following the successful completion and leasing of Warehouse 1 in the first half of FY17, construction of the second building, a 20,000 square metre high-quality flexible facility, is due to commence in June 2017, with practical completion anticipated for FY18. Strong tenant interest has been received for the next facility and balance of the estate.

Industrial lease expiry profile by gross income



## Calibre, Sydney





## Retail

While retail sales are facing headwinds from lower wages growth and an increase in online retailing, quality urban-based centres with an attractive tenancy mix are expected to continue to perform well. New South Wales continues to record above trend levels of economic growth, with a large infrastructure investment pipeline, low interest rates and a lower currency supporting a positive outlook. With a 64 per cent exposure to Sydney, Mirvac is positioned well in this environment.

### Retail Highlights:

- › maintained high occupancy of 99.5 per cent<sup>1</sup> (99.7 per cent at 31 December 2016);
- › solid comparable moving annual turnover sales growth of 3.5 per cent and comparable specialty sales growth of 3.6 per cent;
- › achieved total sales productivity of \$9,934 per square metre and remain on track to achieve a sales productivity target of \$10,000 per square metre in FY17;
- › increased comparable specialty sales productivity to \$9,749 per square metre with specialty occupancy costs of 14.9 per cent;

- › executed 69 leasing deals across approximately 17,500 square metres, with leasing spreads remaining positive. More than 250 lease deals have been executed in the retail portfolio in the nine months to 31 March 2017, representing approximately 36,600 square metres;
- › Broadway Sydney, NSW ranked No.1 in the Shopping Centre News' Big Guns Awards for annual turnover per square metre for the fifth consecutive year;
- › East Village, Zetland, NSW ranked No.1 in the Shopping Centre News' Little Guns Awards in its first year of entry;
- › progressed with the \$19 million Flinders Gallery development at Birkenhead Point, NSW. The 3,500 square metres of reconfigured retail space is 95 per cent

- pre-leased and includes several premium international brands; and
- › received development approval for a 6,800 square metre expansion at Kawana Shoppingworld, QLD, delivering cinemas and an expanded dining precinct. The project, which is expected to commence in FY18, is 85 per cent pre-leased<sup>1</sup>. This follows the successful \$85 million expansion completed in 2014, which saw sales increase 28 per cent in the 12 months post completion. Mirvac has also commenced a campaign to sell-down a 50 per cent interest in Kawana Shoppingworld, in line with the Group's capital partnering strategy.

**Ms Lloyd-Hurwitz commented, "Our focused urban retail strategy continued to support a solid performance during the quarter, with high occupancy and strong sales productivity maintained. We remain on track to achieve our FY17 targets as we continue to grow a resilient urban income stream and extract further value from our existing high quality assets."**

Retail sales by category	3Q17 Total MAT	3Q17 Comparable MAT growth	1H17 Comparable MAT growth
Supermarkets	\$1,067m	2.5%	3.4%
Discount department stores	\$244m	(1.7)%	(1.2)%
Mini-majors	\$508m	7.9%	8.5%
Specialties	\$1,117m	3.6%	3.5%
Other retail	\$227m	3.3%	5.6%
<b>Total</b>	<b>\$3,163m</b>	<b>3.5%</b>	<b>4.1%</b>

Specialty sales by category	3Q17 Total MAT	3Q17 Comparable MAT growth	1H17 Comparable MAT growth
Food retail	\$134m	0.6%	3.2%
Food catering	\$300m	12.6%	8.8%
Jewellery	\$32m	1.1%	2.3%
Mobile phones	\$37m	17.5%	18.7%
Homewares	\$37m	(21.4)%	(18.3)%
Retail services	\$115m	1.7%	2.4%
Leisure	\$48m	(2.8)%	(2.5)%
Apparel	\$311m	1.0%	1.9%
General retail	\$103m	7.4%	7.4%
<b>Total specialties</b>	<b>\$1,117m</b>	<b>3.6%</b>	<b>3.5%</b>

### On track to achieve FY17 targets

- › Increase sales productivity to \$10,000/sqm
- › Occupancy >99%
- › Leasing spreads >2%
- › EBIT growth >25% on FY16

1) By area.

## Broadway, Sydney, NSW





## Residential

Residential conditions continue to be mixed nationally. Price growth in the Sydney and Melbourne established markets increased materially, following a strong spring and summer season. Recent moves by regulators and lenders will likely see price growth ease, however demand is expected to remain sound. Increasing urban population growth, support from low interest rates and demand for quality dwellings in attractive locations is expected to continue. In Brisbane, price growth for apartments has moderated with more solid growth for housing and semi-detached dwellings, while Perth has seen signs of improved demand, particularly among first home buyers, with support from government incentives.

### Residential Highlights:

- › settled 1,765 residential lots year to date, in line with expectations, and expect to settle approximately 3,300 lots in FY17;
  - progressed settlements at Mirvac’s major FY17 projects (see table), including The Moreton, Bondi (68 per cent settled) and Ebsworth, Green Square (74 per cent settled);
  - defaults tracking below 2 per cent;
- › successful launch of new projects and continued sales momentum at existing projects, including:
  - Olivine, Melbourne: 100 per cent of released lots pre-sold<sup>1</sup>;
  - Woodlea, Melbourne: 100 per cent of released lots pre-sold;
  - Pavillions, Sydney Olympic Park, Sydney: 67 per cent of released lots pre-sold<sup>1</sup>; and
  - Marrick & Co, Sydney: 69 per cent of released lots pre-sold<sup>1</sup>;
- › maintained a high level of residential pre-sales of \$3.0bn<sup>2</sup>;

1) As at 21 April 2017.

2) Adjusted for Mirvac’s share of JVA and Mirvac managed funds.

- › continued to carefully restock the residential development pipeline with discipline, with new acquisitions including:
  - an 8.4 hectare masterplanned community development site in Rochedale, which sits in the middle suburban ring of Brisbane, QLD. The site has the potential to deliver approximately 140 residential lots, expected to be launched in late-2017;
  - a 2.2 hectare masterplanned community development site in Arana Hills, Brisbane, which sits approximately 11 kilometres north-west of Brisbane CBD and has the potential to deliver approximately 80 land lots and townhouses; and
  - a 6.1 hectare masterplanned community development site in Everton Park, Brisbane which lies approximately 7 kilometres north-west of Brisbane CBD and has the potential to deliver approximately 98 land lots and townhouses;
- › 95 per cent of expected Residential EBIT secured for FY17 and 65 per cent secured for FY18; and
- › remain on track to achieve a Residential ROIC in FY17 of more than 15 per cent.

**Ms Lloyd-Hurwitz commented, “While conditions remain mixed nationally, we continue to see strong demand for well-located residential product in Sydney and Melbourne, where we are strategically overweight, and have achieved solid sales results at our recently launched projects.**

**“We expect to achieve more than 45 per cent residential earnings growth in FY17, with both construction and settlements tracking well. Pleasingly, we completed construction on Forge at Yarra’s Edge slightly ahead of schedule, allowing us to commence settlements in April, with over 100 settlements achieved to date.”**

## FY17 major EBIT contributors

Apartments		FY17 lot target	% secured
1	Moreton Bondi, NSW	190	100%
2	Unison Waterfront, QLD (Stage 1 & 2)	252	100%
3	Forge, Yarra’s Edge, VIC (Tower 10)	143	100%
4	Green Square, NSW (Ebsworth)	174	100%
5	Harold Park, NSW (Precinct 4)	67	100%

Masterplanned communities		FY17 lot target	% secured
1	Tullamore, VIC	164	100%
2	Brighton Lakes, NSW	130	100%
3	Gainsborough Greens, QLD	365	100%
4	Woodlea, VIC	670	100%
5	Gledswood Hills, NSW	140	100%

## Pavillions, Sydney Olympic Park

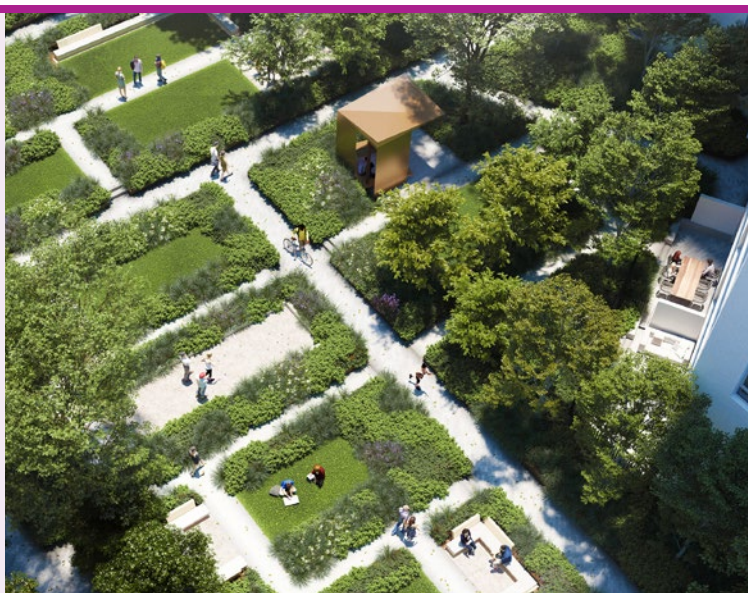
### The Right Start by Mirvac

In March this year, Mirvac launched an exciting initiative to tackle Sydney’s housing affordability issue and assist first home buyers in securing their own home in a competitive residential market.

The Right Start addresses two key obstacles faced by first home buyers in Sydney – the requirement of a high deposit and competition from other buyers. It applies to apartments priced to qualify for the First Home Owners Grant and/or stamp duty concession.

At the launch of its new apartment project Pavillions at Sydney Olympic Park, Mirvac reserved 60 apartments priced below \$750,000 for priority purchase by pre-qualified first home buyers. Purchasers were able to exchange on a 5 per cent deposit and enter into an agreement to pay the remaining 5 per cent deposit in two annual installments.

The initiative was a huge success, with 90 per cent of the first home buyer apartments pre-sold on launch day. Mirvac will continue to look at other opportunities to assist first home buyers to get into the market.





## Mirvac Gets the Gold!

When Mirvac's Sydney headquarters opened in July last year, it was set to become a benchmark for innovative, collaborative and sustainable workplaces. From its central staircase and a layout that encourages movement and connection, to its collaborative technology and ergonomic furniture, the tenancy was designed with the health and wellbeing of its occupants firmly front of mind.

Mirvac's unique place-making ability was recognised during the quarter with a GOLD certification from the International WELL Building Institute (IWBI), the first GOLD WELL certification<sup>1</sup> in Australia.

Mirvac received GOLD certification after securing credits across seven categories including air, water, nourishment, light, fitness, comfort and mind. Some of the innovative features to achieve these credits within Mirvac's tenancy at 200 George Street included:

- › SAMBA sensors throughout the tenancy to monitor and create the optimal indoor air quality for employees;
- › drinking water in proximity to regularly occupied spaces to encourage hydration;
- › healthy food options via Mirvac's social enterprise internal café, The Song Kitchen, with clear labelling to help employees make informed selections;

- › lights that are programmed for varying brightness and darkness at appropriate points throughout the day to maintain optimal circadian rhythms;
- › Pilates classes held once a week with a professional instructor; and
- › approximately 1,200 plants throughout the tenancy, which is more than one plant per person.

"We were thrilled to have received Australia's first Gold WELL certification for our 200 George Street headquarters, a tremendous endorsement of our ability to create healthy, innovative workplaces that are good for our people and for the environment," said Ms Lloyd-Hurwitz.

In addition to the GOLD WELL certification, Mirvac received a 6 Star Green Star Interior rating for its tenancy at 200 George Street, performing well across nine categories including management, indoor environment quality, energy, transport, water, materials, emissions, innovation, land use and ecology.



## GOLD

CERTIFICATION FROM THE INTERNATIONAL WELL BUILDING INSTITUTE (IWBI)

ACROSS SEVEN CATEGORIES



## 6 STAR

GREEN STAR INTERIOR RATING

1) The WELL Building Standard is an evidence-based system for measuring, certifying, and monitoring the performance of a building's features that focuses primarily on the health and wellbeing of its occupants.

## 200 George Street, Sydney



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