

11 February 2016

MIRVAC GROUP HALF YEAR RESULTS – 31 DECEMBER 2015

Mirvac Group ("Mirvac") [ASX: MGR] today reported its interim results for the half year ended 31 December 2015.

Key highlights include:

- profit attributable to securityholders increased by 69 per cent to \$472.7 million (31 December 2014: \$279.0 million)¹;
- operating profit after tax of \$164.6 million (31 December 2014: \$231.2 million), representing 4.5 cents per stapled security ("cpss")^{1,2};
- half-year distribution of \$174.0 million, representing 4.7 cpss;
- revaluation net uplift of \$365.9 million³ (35.0 per cent of the Investment portfolio externally valued);
- achieved record leasing success and maintained strong portfolio metrics within the Investment portfolio, with solid occupancy of 97.0 per cent⁴ and a weighted average lease expiry of 5.6 years⁵;
- achieved record \$2.6 billion in residential pre-sales⁶;
- secured five assets located in densely populated urban catchments including Australian Technology Park ("ATP"), Sydney (office asset and development); East Village Zetland, Sydney (retail asset); Rydalmere, Sydney (industrial asset); Marrickville Hospital, Sydney (residential development); and Eagle Farm, Brisbane (residential development);
- entered into strategic partnerships with Ping An Real Estate, to develop residential projects in key cities in Australia, and with a subsidiary of China Investment Corporation ("CIC") to become the asset manager of LAT (formerly the Investa Property Trust); and
- ranked third in BRW's Most Innovative Companies list for 2015, awarded BRW's Best Innovation Program and recognised as a 2015 WGEA Employer of Choice for Gender Equality.

Key financial and capital management highlights:

- net tangible assets ("NTA")⁷ per stapled security increased 5 per cent to \$1.83 (30 June 2015: \$1.74);
- issued \$194.9 million (US\$150.0 million) of US Private Placement notes which mature in 2025 and 2027;
- increased the Group's syndicated bank facility by \$300.0 million to \$1.7 billion and extended the maturity date, with tranches now maturing in September 2017, 2018, 2019 and 2020;
- held \$474.9 million of liquidity in cash and undrawn committed bank facilities; and
- gearing remained within the Group's target range of 20.0 to 30.0 per cent at 27.6 per cent⁸.

1 For further details refer to 31 December 2015 financial statements.

2 Operating profit after tax is a non-IFRS measure, and is profit before specific non-cash items, significant items and related taxation.

3 Includes fair value adjustments in IPUC, OOP and equity accounted investments.

4 By area, includes equity accounted investments and excludes indirect property investments.

5 By income, includes equity accounted investments and excludes indirect property investments.

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

7 NTA per stapled security, based on ordinary securities including Employee Incentive Scheme securities.

8 Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).

Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, said, "Our continued focus on executing our urban strategy has resulted in a solid performance for the first half of FY16 and ensures we are well-placed to achieve our full-year targets. Much of this success has been driven by our active asset management, repositioning and asset creation capabilities and by the way in which we have been able to secure opportunities, and strengthen relationships with existing and new strategic partners.

"Today's results are in line with expectations and reflect the second half skew of residential settlements. We expect a significantly stronger contribution for the development business in the second half of FY16. Pleasingly, we expect to deliver a development return on invested capital in excess of 12 per cent in FY16, one year ahead of previous expectations."

Retail portfolio highlights:

- high portfolio occupancy of 99.3 per cent¹;
- strong total comparable MAT growth of 7.3 per cent and strong leasing spreads of 4.0 per cent;
- weighted average cap rate tightened 22 basis points to 6.27 per cent from 30 June 2015, resulting in a net valuation uplift of 3.9 per cent on previous book value²;
- occupancy costs reduced to 15.2 per cent from 16.0 per cent at 30 June 2015; and
- entered into a joint venture with PAYCE Consolidated to purchase East Village, Zetland, Sydney NSW for a total consideration of \$154.7 million. Mirvac secured management rights from December 2015 with settlement of the acquisition expected in the first half of FY17.

Ms Lloyd-Hurwitz commented that the continued investment and repositioning of the retail portfolio has delivered an outstanding result for the Group.

"The quality of the retail portfolio has been transformed, driven by our targeted urban strategy. The strong sales performance achieved demonstrates the benefit of our strategy to be overweight in metropolitan Sydney and resilient markets, and we expect our retail assets in these areas to continue to outperform.

"The recent announcement to purchase East Village in Sydney's inner-south aligns with our strategy to increase our presence in densely populated urban trade areas. We remain committed to extracting value from our existing retail portfolio through redevelopments, repositioning and centre upgrades, such as those currently underway at Orion, Greenwood Plaza, Broadway Shopping Centre and the new development at the Tramsheds in Harold Park."

Office portfolio highlights:

- completed over 190,400 square metres of leasing activity, representing over 25 per cent of portfolio NLA³;
- high portfolio occupancy of 94.5 per cent⁴ and a strong WALE of 6.1 years⁵;
- weighted average cap rate tightened 44 basis points to 6.57 per cent⁶ from 30 June 2015, resulting in a net valuation uplift of \$251 million;
- exchanged contracts with UrbanGrowth to acquire ATP in Sydney in a consortium⁷ for a total consideration of \$263.0 million. Mirvac intends to deliver approximately 93,000 square metres

1 By area.

2 Net gain on fair value of investment properties divided by book value prior to revaluation. Excludes transaction costs for acquisitions.

3 Includes NLA and leasing of 1 Woolworths Way, Bella Vista, NSW (asset held for sale).

4 By area, including equity accounted investments and OOP and excluding asset held for sale.

5 By income, including equity accounted investments and OOP and excluding asset held for sale.

6 Weighted average cap rate calculation excludes IPUC and asset held for sale.

7 Refer to ASX Announcement, 12 November 2015.

of office space in addition to 3,000 square metres of amenity, including a gymnasium, retail outlets, childcare facilities and a multipurpose community space. Commonwealth Bank has signed an agreement to fully occupy the office space for a 15-year term;

- reached an agreement with a subsidiary of CIC to become the asset manager of LAT, with Morgan Stanley facilitating Mirvac's entry into management rights contracts for a total consideration of \$37.4 million. Mirvac will also invest \$25.5 million in the CIC controlled trusts that are to be managed by Mirvac¹;
- exchanged contracts in January 2016 for the sale of 1 Woolworths Way, Bella Vista NSW for \$336.4 million, representing a yield of 6.07 per cent; and
- grew the secured office pipeline (86 per cent pre-leased) to \$2.1 billion.

"Reflecting the team's focus on active asset management, we have achieved record leasing by executing over three times our annual average within the six month period. This has resulted in an improvement in the office portfolio's WALE to over six years. Combined with our asset creation capability, repositioning and disposals programme, our portfolio is extremely well placed with 79 per cent weighted to the stronger markets of Sydney and Melbourne and 94 per cent of the assets being Premium and A grade.

"In line with our ongoing strategy to create high quality assets, we have increased our secured office pipeline to \$2.1 billion which we expect to deliver long-term recurrent income for the Group, superior returns and development profits," said Ms Lloyd-Hurwitz.

Industrial portfolio highlights:

- high occupancy of 99.3 per cent² and a WALE of 7.2 years³;
- strong like-for-like net operating income growth of 2.7 per cent; and
- secured the acquisition of a 22,700 square metre, fully occupied, industrial asset located in Rydalmere, Sydney for \$47.6 million.

"With outstanding portfolio metrics, we expect the industrial portfolio to continue to perform strongly supported by embedded rental growth, minimal vacancy, limited near term expiry and an overweight exposure to Sydney," said Ms Lloyd-Hurwitz.

Residential highlights:

- sold 1,960 lots reflecting the continued momentum of Masterplanned Communities projects in Sydney and Melbourne, and Apartment projects in Brisbane;
- on track to deliver over 2,900 residential lot settlements in FY16;
- achieved strong residential gross margins of 25.3 per cent, driven by outperformance of Masterplanned Communities projects in Sydney and Apartments in Melbourne;
- acquired strategic residential development sites on capital efficient terms, in two key locations: Eagle Farm, Brisbane (agreement with Brisbane Racing Club with Mirvac intending to deliver over 1,000 apartments) and Marrickville Hospital, Sydney (agreement with Marrickville Council to redevelop the old Marrickville Hospital in Sydney's inner west with Mirvac intending to deliver approximately 220 apartments);
- achieved \$2.6 billion of exchanged pre-sales contracts⁴; and
- secured 88 per cent and 73 per cent of expected FY16 and FY17 Development EBIT respectively, driven by record level of residential pre-sales.

1 Refer to ASX Announcement, 23 December 2015.

2 By area.

3 By income.

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

Ms Lloyd-Hurwitz said, “Our ability to position the business to respond to the residential cycle is key to generating sustainable results. Our deliberate weighting towards the two largest residential markets, Sydney and Melbourne, has delivered the Group’s strong performance in the first half.

“While the residential market is now set for a lower volume and price growth phase, the markets Mirvac operates in continue to be supported by positive fundamentals, particularly Sydney.

“Our current pipeline provides us with the potential to deliver more than 16,000 lots over the next five years, and with released projects in FY16, FY17 and FY18 already substantially pre-sold, we are confident in the outlook for our residential business.

“Our focus is on the delivery and execution of a number of significant projects expected to settle in the second half of this financial year.

“We also remain proactive in managing our settlement risk with an intensive engagement programme with customers and lenders. Importantly, we have maintained our long-term average default rate at lower than one per cent.”

Outlook

Mirvac reaffirms FY16 operating EPS guidance range of 12.7 to 13.0 cps, and its distribution guidance range of 9.7 to 9.9 cps.

“We have made tremendous progress over the past few years to position Mirvac for the future, and this is reflected by a strong balance sheet, a high quality Investment portfolio, and a well-stocked residential development pipeline that provides us with an excellent platform to deliver value to our securityholders for many years to come,” said Ms Lloyd-Hurwitz.

A management presentation of the results will be webcast live from 10:30am (AEDT) at www.mirvac.com.

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