Mirvac today provided its first quarter operational update for the financial year ending 30 June 2018 (FY18), with its urban-focused strategy delivering attractive returns on invested capital and a steadily growing earnings stream.

Mirvac's CEO & Managing Director, Susan Lloyd-Hurwitz, commented, "Mirvac has had an active start to the 2018 financial year. Most notably, we increased our ownership in two retail assets in Sydney that we formerly co-owned with PAYCE, and formed the Mirvac Industrial Logistics Partnership with Morgan Stanley Real Estate Investing.

"In addition to this, we maintained solid metrics across our investment portfolios, with high occupancy and over 40,900 square metres of lease deals secured.

"We continued to see solid levels of sales activity across new and existing projects, and we were extremely pleased to offer our affordability initiative, The Right Start, at the second release of Pavilions at Sydney Olympic Park, with solid interest from first-home buyers," she said.

The Group settled over 300 residential lots during the quarter, with the majority of lot settlements expected to occur in the second half of the financial year.

"We have 80 per cent of residential EBIT secured for FY18, which gives us good visibility of earnings for the financial year," Ms Lloyd-Hurwitz noted.

In addition to a solid operational result, the Group's commitment to excellence in sustainability was recognised during the quarter, with Mirvac named the world's most sustainable real estate company by the globally renowned Dow Jones Sustainability Index.

Ms Lloyd-Hurwitz commented, "We are whole-heartedly committed to sustainability, and to be recognised in the Dow Jones Sustainability Index as the global real estate leader in this field underscores our ambition to make a real and measurable difference."

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. Mirvac's robust approach to capital management has been reflected by a credit rating upgrade from Moody's Investor Services from Baa1 to A3.

Mirvac also issued US$400 million of European Medium Term Notes during the quarter, which is in line with the Group's stated objective to diversify its sources of debt.

Mirvac has re-affirmed operating EPS guidance of between 15.3 to 15.6 cents per stapled security (cpss) for FY18, which represents growth of between 6 and 8 per cent, and distribution guidance of 11.0 cpss, which represents growth of 6 per cent.

SUSTAINABILITY

Mirvac named world's most sustainable real estate company

Mirvac was last month named the world's most sustainable real estate company by the globally renowned Dow Jones Sustainability Index for the first time.

The DJSI RobecoSAM Corporate Sustainability Assessment is the most widely accepted global evaluation of how companies from all industries deliver strong environmental, social, and governance outcomes. It assists investors in directing their choices.

As well as an important recognition of the Group's long-standing commitment to sustainability, the result highlights the value Mirvac's sustainability strategy, *This Changes Everything*, is bringing to its communities, customers, partners, investors, and employees.

Mirvac's overall score of 83 per cent was nine points higher than Australia's real estate average and ten points higher than the global real estate average. The top ranking was underpinned by strengths in corporate governance, impact measurement and valuation, and environmental and social reporting.

Osprey Waters, WA

Office & Industrial

OFFICE

Sydney and Melbourne have continued to progress through a strong rental upswing, supported by positive net absorption and tightening vacancy rates. Tenant demand is concentrated towards prime grade stock, particularly in Sydney where tenants displaced from secondary assets have moved into higher quality premises. The demand recovery in the mining states has continued, with both Brisbane and Perth CBDs recording positive occupancy growth on an annual basis. Current market conditions provide a sound basis for the recovery in these cities to steadily improve. Mirvac's strategic overweight to Sydney and Melbourne ensures it is well placed in this environment.

OFFICE HIGHLIGHTS:

- strong occupancy of 97.0 per cent[1] (97.6 per cent at 30 June 2017);
- a long WALE maintained at 6.5 years[2];
- executed 23 lease deals, representing approximately 9,080 square metres[3] across the portfolio, with a further 26,900 square metres under heads of agreement;
- continued to progress the Group's $2.1 billion committed office development pipeline, which is 84 per cent leased[4]. Highlights include:
  - 664 Collins Street, Melbourne VIC: achieved topping-out in May 2017 and remain on track for completion in FY18. The building is 74 per cent pre-leased, with over 6,000 square metres currently under heads of agreement. Once executed, this will take the building to 100 per cent leased;
  - 477 Collins Street, Melbourne VIC: commenced construction on the 56,000 square metre building in May 2017, which is approximately 40 per cent pre-leased to professional services firm, Deloitte, with a further 5,100 square metres currently under heads of agreement. Once executed, this will take total pre-let space to approximately 49 per cent. Interest for the balance of space remains strong and the Group remains on track for practical completion in FY20; and
  - Australian Technology Park, Sydney NSW: commenced construction on Building 1 in March 2017, which is progressing well, while civil works for Building 2 are ongoing. Preliminary works on Building 3 and the public domain commenced in October 2017.

INDUSTRIAL

The industrial sector has been experiencing solid tenant demand from third-party logistics and e-commerce firms, supporting above-average take-up for well-located industrial facilities. The Sydney market, where the majority of the Group's industrial facilities are located, has been recording the strongest rental growth amongst Australia's industrial markets. This growth is supported by very limited levels of vacant prime stock and a relative shortage of zoned land available for immediate development.

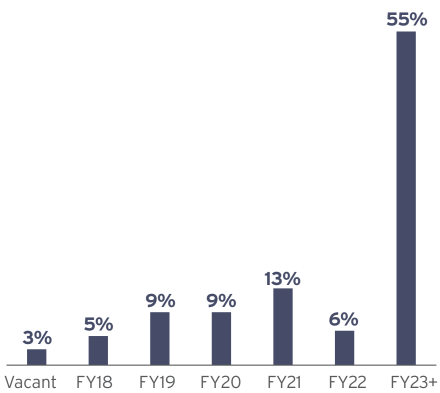
INDUSTRIAL HIGHLIGHTS:

- high occupancy of 95.3 per cent[5] (95.3 per cent at 30 June 2017), and a long WALE of 6.3 years[6];
- achieved 17,250 square metres of leasing activity;
- formed the Mirvac Industrial Logistics Partnership (MILP) with Morgan Stanley Real Estate Investing. The partnership was seeded by two industrial assets, 47 Westgate Drive, Altona, North and 26 Harcourt Road, Altona, both in Victoria, that were sold by Mirvac to the partnership for a total consideration of $65.5 million. Mirvac will retain a 10 per cent interest in the partnership;
- Calibre, Eastern Creek NSW: progressed with construction of the second building, a 21,000 square metre high-quality flexible facility, with practical completion anticipated for FY18. Strong tenant interest has been received for the next facility and balance of the estate.

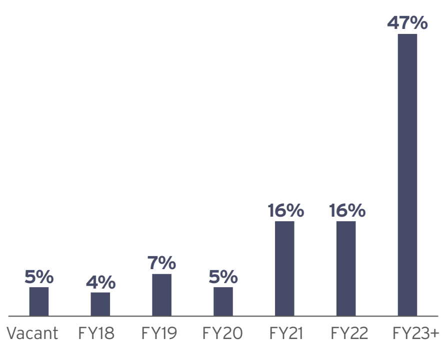
Ms Lloyd-Hurwitz commented, "We've maintained solid metrics across our office and industrial portfolios, which continue to provide secure, quality income to the Group, and we'll continue to focus on delivering our committed commercial development pipeline through our unique asset creation capability.

"The industrial and logistics partnership we've created with Morgan Stanley Real Estate Investing will allow us to build scale in this part of the business, while strengthening our capital relationships."

Office lease expiry profile
(by gross income)



Industrial lease expiry profile
(by gross income)




664 Collins Street, Melbourne (topping-out ceremony)

1 By area, including equity accounted investments and owner-occupied properties, and excluding assets held for development.
2 By income, including equity accounted investments and owner-occupied properties, and excluding assets held for development.
3 Excludes leasing of assets under development.
4 Includes heads of agreement.
5 By area.
6 By income.

RETAIL

While retail sales are facing headwinds from lower wages growth and an increase in online retailing, quality urban-based centres with strong population growth and an attractive tenancy mix are expected to continue to perform well. Sydney, where Mirvac has a 65 per cent exposure, continues to record low unemployment, with strong jobs growth attracting new residents. Mirvac's focus on key urban and metropolitan markets, and on delivering a great customer experience, means it is well-placed in this environment.

RETAIL HIGHLIGHTS:

- strong occupancy maintained at 99.4 per cent[1] (99.4 per cent at 30 June 2017);
- solid comparable MAT sales growth of 4.2 per cent, with specialty MAT growth of 6.0 per cent;
- maintained strong comparable specialty sales productivity at $9,944 per square metre, with specialty occupancy costs of 14.9 per cent;
- executed 85 lease deals across approximately 14,580 square metres, with leasing spreads remaining positive;
- acquired a 50.1 per cent interest in East Village, Zetland for a total consideration of $155.3 million, following the purchase of a 49.9 per cent interest in July 2016;
- entered into an agreement to acquire the remaining interest in the proposed South Village Shopping Centre, Kirrawee following an agreement to purchase a 50 per cent interest in October 2016. PAYCE will undertake development of the project, with Mirvac to pay an amount based on a 6.0 per cent capitalisation rate of the leased net income on completion. Mirvac will also provide development leasing services, including tenancy co-ordination and retail design management prior to practical completion, and will retain management rights and leasing services following practical completion; and
- Kawana Shoppingworld: commenced the 6,800 square metre expansion, delivering cinemas and an expanded dining precinct. The project is 84 per cent pre-leased[1].

Retail sales by category	1Q18 total MAT	1Q18 comparable MAT growth	FY17 comparable MAT growth
Supermarkets	$1,090m	2.2%	2.3%
Discount department stores	$250m	1.1%	(0.7%)
Mini-majors	$534m	7.2%	7.3%
Specialties	$1,160m	6.0%	5.6%
Other retail	$225m	0.2%	2.5%
Total	**$3,259m**	**4.2%**	**4.1%**

Specialty sales by category	1Q18 total MAT	1Q18 comparable MAT growth	FY17 comparable MAT growth
Food retail	$138m	2.5%	3.1%
Food catering	$327m	17.5%	17.2%
Jewellery	$33m	3.6%	1.8%
Mobile phones	$38m	12.2%	18.0%
Homewares	$40m	(4.1%)	(12.8%)
Retail services	$116m	3.0%	0.8%
Leisure	$50m	1.0%	(1.4%)
Apparel	$314m	0.4%	0.5%
General retail	$104m	8.0%	10.6%
Total specialties	**$1,160m**	**6.0%**	**5.6%**

"Mirvac's retail portfolio continued to perform well during the quarter, despite headwinds facing the retail sector. The solid metrics we've achieved, such as high occupancy, strong sales – including specialty sales growth of 6.0 per cent – increased sales productivity and steady leasing activity, are underpinned by our urban-focused strategy. This is supported by our exposure to demonstrably superior demographics in dense and undersupplied trade areas, and further enhanced by our increased retail footprint in the strong Sydney market," said Ms Lloyd-Hurwitz.

Artist's impression, South Village, Kirrawee, NSW

1 By area.

RESIDENTIAL

Residential conditions continue to be mixed nationally. Price growth in Sydney has eased after a long period of above-average gains, while price growth in Melbourne remains elevated due to strong population growth. Finance for newly built dwellings, including off-the-plan purchases, continues to firm and is up by more than 22 per cent nationally over the year to August 2017. Increasing urban population growth, support from low interest rates and a demand for quality dwellings in attractive locations is expected to continue.

RESIDENTIAL HIGHLIGHTS:

- settled 308 residential lots, and on track to settle 3,400 lots in FY18;
  - over 60 per cent of lots expected to settle in the second half of FY18;
  - defaults remain at below 2 per cent;
- released over 550 residential lots across the Group and achieved strong sales at:
  - Woodlea, VIC: 94 per cent of released lots pre-sold;
  - Olivine, VIC: 93 per cent of released lots pre-sold; and
  - Brighton Lakes, Sydney, NSW: 89 per cent of released lots pre-sold;
- maintained a high level of residential pre-sales of $2.8bn:
  - 39 per cent expected to settle in FY18;
  - 17 per cent expected to settle in FY19;
  - 44 per cent expected to settle in FY20+;
- good earnings visibility with 80 per cent of expected residential EBIT secured for FY18;
  - 80 to 90 per cent of expected residential EBIT skewed to the second half of FY18;
- expect sales momentum to continue with the launch of new projects and continued releases at existing projects, including Pavilions, Sydney Olympic Park, Sydney NSW; Marrick & Co, Marrickville, Sydney NSW; Woodlea, VIC; Olivine, VIC; and Tullamore, VIC.

Expected FY18 major EBIT contributors

Apartments	FY18 lot target	% secured
Green Square, NSW	272	100%
Harold Park, NSW	232	99%
Yarra's Edge, Wharf's Entrance, VIC	79	35%
The Finery, NSW	54	100%
Beachside Leighton, WA	87	97%

Masterplanned communities	FY18 lot target	% secured
Tullamore, VIC	159	68%
Woodlea, VIC	902	98%
Brighton Lakes, NSW	146	99%
Gainsborough Greens, QLD	320	33%
Crest, Gledswood Hills, NSW	104	57%

Ms Lloyd-Hurwitz commented, "Our ability to accelerate releases in positive market conditions means we have a high-quality pipeline with strong embedded margins, which supports our Residential earnings outlook.

"While market conditions have eased, we continue to attract interest from domestic buyers who are looking for quality residential product, and expect sales activity to remain solid in FY18."


Artist impression, Marrick & Co, Sydney NSW

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

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