

Trading Update

23 October 2018 – McGrath Limited (ASX: MEA) (“**McGrath**” or the “**Company**”) provides the following trading update in light of market factors for the financial year to date and analysis of the Company’s performance for the three months ended 30 September 2018 (**Q1 FY19**).

In the early months of FY19, the following market factors have generally impacted the real estate market across Australia:

- Auction clearance rates and the number of properties taken to auction are at levels well below the previous year.
- There has been an increase in the level of stock currently on the market with lower buyer activity, resulting in homes taking longer to sell and price reductions across the sector.
- In the 12 months to September 2018, the number of settled sales in the Sydney, Melbourne and Brisbane markets generally have fallen 18.5%, 15.8% and 11.0% respectively.

The NSW and Queensland property markets represent the majority of McGrath’s footprint, with 83% of company owned and franchised listings occurring in these two states. Over Q1 FY19, NSW market new listings were down 6.9% while Queensland listings were flat.

McGrath’s franchise network outperformed the market in both NSW and Queensland over Q1 FY19, with new listings down 5.8% in New South Wales and up 1.9% in Queensland.

Listings in the Sydney and Brisbane markets generally have dropped further than their respective state markets, with Sydney listings dropping 7.9% and Brisbane listings dropping 0.7% during the September quarter. McGrath’s Sydney company owned offices outperformed the market, with new listings down 3.2% and Brisbane / Gold Coast offices up 1.8% in the quarter.

Overall, the number of listings in McGrath’s company owned offices was 1,038 in Q1 FY19, up from 860 in Q3 FY18 and 808 in Q4 FY18. At the same time, agent numbers within McGrath’s company owned offices have been increasing, reflecting the successful recruitment and retention initiatives put in place, with 154 agents at 31 March 2018, growing to 157 at 30 June 2018, and 168 at 30 September 2018.

Despite agent numbers and listing numbers growing quarter on quarter over the past nine months within the McGrath network, properties are taking longer to transact due to the softening market conditions. Average Days on Market for McGrath Company Owned offices in Q1 was 42 days, compared with an average of 34 in the FY18 corresponding period. Days on Market for the McGrath network in Q1 was 54 compared with an average of 47 in the FY18 corresponding period.

The impact of market conditions and McGrath's performance detailed above resulted in an EBITDA loss of \$1.9 million for the quarter ended 30 September 2018. These results are provided on an unaudited basis.

The quarter ended 30 September is a historically slow quarter for the Company, compared to the quarter ending 31 December. Accordingly, the Company expects a materially smaller loss in the second quarter of FY19 and will provide a further update at the Annual General Meeting on 23 November 2018 (or earlier if required in accordance with its continuous disclosure obligations).

In relation to the results for FY19, the Company notes that during FY18, the second half delivered materially more profit compared to the first half and that trend is expected to continue during FY19, with the Company expecting FY19 results to be in at least a breakeven position on an EBITDA basis.

Commenting on the Company's performance in Q1FY19, McGrath CEO Geoff Lucas said: "Over the financial year to date, we have seen a noticeable slowdown in the market with a correction of residential property values experienced across the entire real estate sector.

"In addition the tightened lending environment is impacting current transaction volumes, however we believe this will ultimately strengthen the stability of our property market. While McGrath has also been affected by this downturn, we are encouraged by our number of new listings performing better than the market, reflecting the strength of our brand, our agents' commitment to customer service and our progress in continuing to attract and retain some of the best real estate talent in the country," he concluded.

Note: The industry data included in this ASX release has been sourced from Core Logic. All % comparisons relate to Q1 FY19 vs Q1 FY18. McGrath performance data sourced from McGrath.

-ENDS-

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About McGrath:

McGrath Limited (ASX: MEA) has grown to be an integrated real estate services business, offering agency sales, property management, mortgage broking and career training services. McGrath Estate Agents currently has 94 offices located throughout the East Coast of Australia. For further information, please visit www.mcgrath.com.au.