

Reimagine Urban Life

30.04.2019

# MACQUARIE AUSTRALIA CONFERENCE



# MIRVAC'S DISCIPLINED APPROACH TO ALLOCATING CAPITAL DRIVING RETURNS

## URBAN STRATEGY (SYDNEY/MELBOURNE OVERWEIGHT)

### 85-90% Investment

Secure yield – underpins Group distribution

### 10-15% Development

Disciplined growth

**\$10.9bn**



Office & Industrial



Retail

**\$1.8bn**



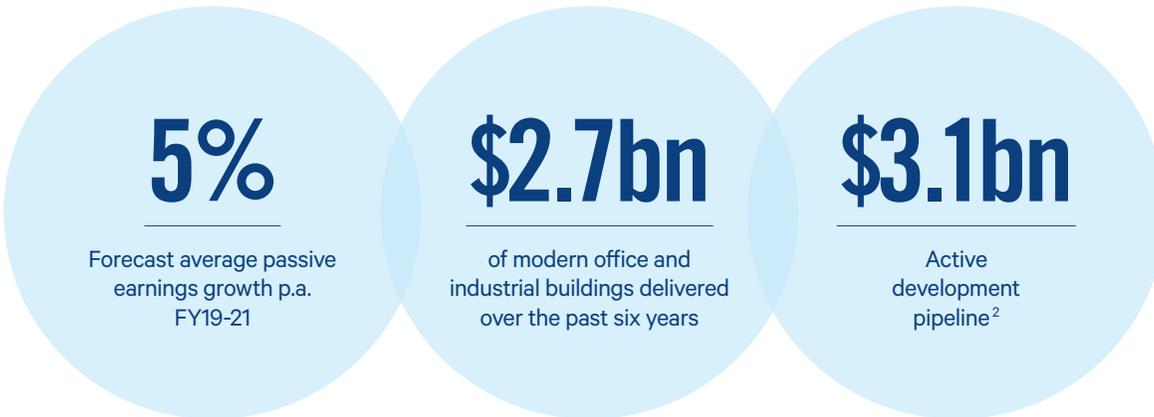
Residential



Office, Industrial & Retail

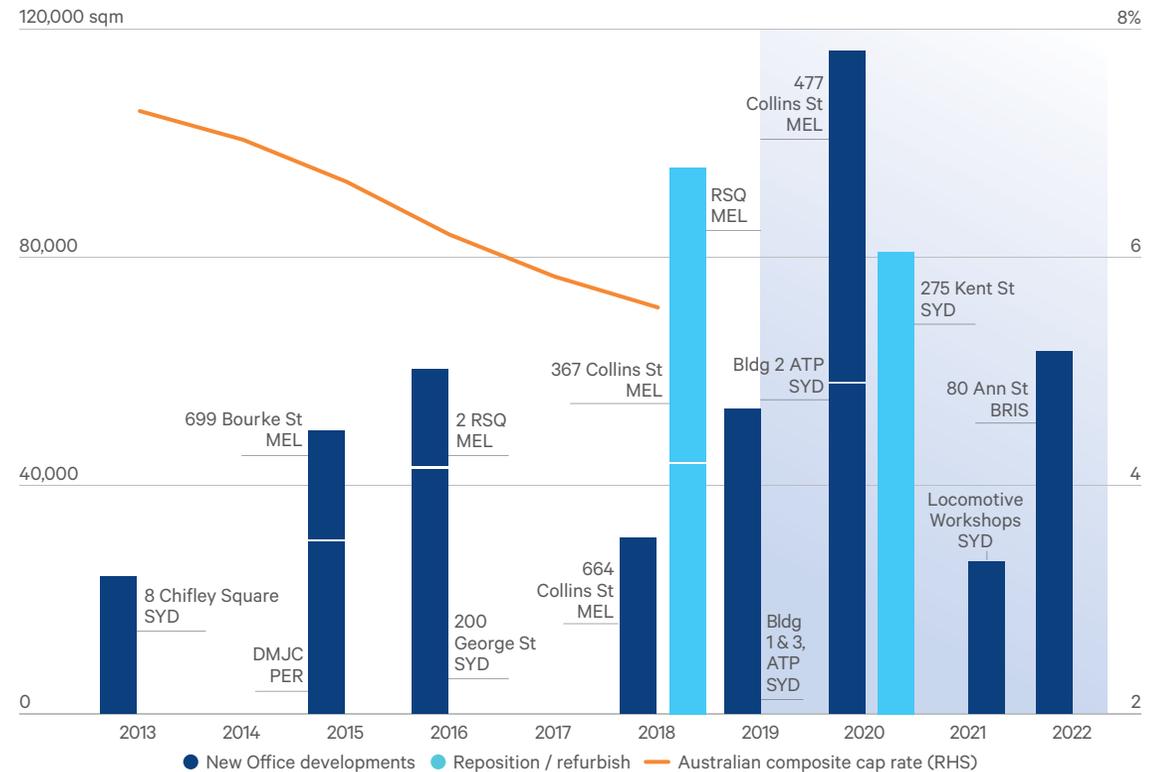
# FOCUSED URBAN ASSET CREATION CAPABILITY DRIVING LONGER TERM GROWTH

- > Asset creation capability improving portfolio quality and recurring earnings
- > Investing incremental capital in the creation of \$3.1bn of modern high quality assets
- > Consistent growth from passive recurring earnings funding distribution growth
- > IPUC<sup>1</sup> increased 37% in 1H19 and will continue to increase in FY20
- > Expected strong future returns on active capital, but timing variable



1. Investment Properties Under Construction \$389m as at 1H19.  
2. As at 31 March 2019.

## EXECUTED STRATEGY TO SELL REGIONAL/NON-CORE ASSETS & CREATE A MODERN CORE PORTFOLIO



Source: Mirvac and MSCI.

# OUR PURPOSE: TO REIMAGINE URBAN LIFE

Shaping the future of Australia's cities & urban areas



We leave a legacy of sustainable, connected & vibrant urban environments

# AUSTRALIA'S FIRST INDIGENOUS ROOFTOP FARM AT SOUTH EVELEIGH



# INVESTING IN OUR PEOPLE

**90%**  
2019 Engagement Score<sup>1</sup>

**WORK SAFE**  
stay safe  
mirvac

**Diversity + Inclusion**

**hatch.**  
by mirvac

**CULTIVATE**  
mirvac **FARMWALL**

**This Changes Everything**  
by mirvac

1. Undertaken by Willis Towers Watson.

# AWARD WINNING QUALITY SINCE 1972

Over 600 awards for industry excellence<sup>1</sup>

 <b>CIBSE – 2019</b> International Project of the Year Award <hr/> <b>EY Centre</b> 200 George Street, NSW	 <b>PCAA – 2018</b> Best Commercial Development in Australia <hr/> <b>EY Centre</b> 200 George Street, NSW	 <b>UT – 2017</b> Commercial Development of the Year <hr/> <b>EY Centre</b> 200 George Street, NSW	 <b>AIA – 2017</b> Sir Arthur G. Stephenson Award for Commercial Architecture <hr/> <b>EY Centre</b> 200 George Street, NSW	 <b>AIA – 2017</b> Commendation for Commercial Architecture <hr/> <b>Tramsheds</b> Harold Park, NSW	 <b>AIA – 2017</b> Lord Mayor's Prize <hr/> <b>Tramsheds</b> Harold Park, NSW	 <b>NTNSW – 2017</b> Heritage Award for Adaptive Re-use <hr/> <b>Tramsheds</b> Harold Park, NSW	 <b>NAWIC – 2017</b> Project Architect Award for Innovation in Design <hr/> <b>Harold Park</b> Glebe, NSW
 <b>HIA-CSR – 2018</b> Australian Apartment Complex <hr/> <b>The Morton</b> Bondi, NSW	 <b>MASTER BUILDERS – 2018</b> Excellence in Multi-Unit Construction <hr/> <b>Latitude</b> Leighton Beach, WA	 <b>HIA – 2018</b> Queensland Apartment of the Year <hr/> <b>Ascot Green</b> Ascot, QLD	 <b>realestate.com – 2018</b> Marketer of the Year <hr/> <b>Unison</b> Newstead, QLD	 <b>UDIA – 2018</b> Sustainability and Environmental Technology <hr/> <b>Brighton Lakes</b> Moorebank, NSW	 <b>UDIA – 2018</b> Greenfield Development <hr/> <b>Brighton Lakes</b> Moorebank, NSW	 <b>HIA – 2017</b> Victorian Housing Awards Apartment Complex <hr/> <b>Forge</b> Yarra's Edge, VIC	 <b>SCN – 2018</b> Big Guns National Award for Annual turnover psm <hr/> <b>Broadway</b> Sydney, NSW

1. Above represents select awards 2017-2019.

# 3Q19 RESIDENTIAL RESULTS REMAIN SOLID IN A CHALLENGING MARKET

**\$2.0bn**

Pre-sales secured<sup>1</sup>

**1,290**

lots settled to date

**>2,500**

FY19 Lot Settlement Target

**>900**

lots released to date

The Eastbourne, Melbourne (artist impression)

1. As at 31 March 2019 adjusted for Mirvac's share of JV agreements and Mirvac Managed Funds.

# CONTINUAL FOCUS ON QUALITY, LOCATION AND CUSTOMER IN CURRENT CONDITIONS

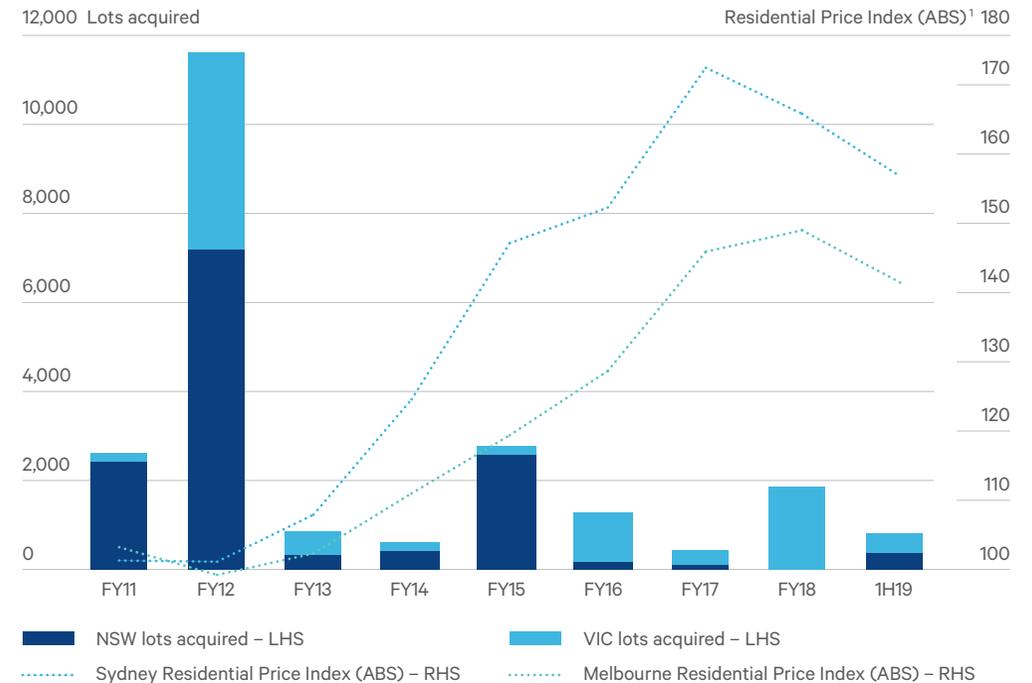
## Residential outlook remains challenging

- > Average prices and volumes are falling in many corridors – increasing importance of location, design and quality
- > Lending conditions across all purchaser groups have tightened
- > Competition reducing due to more restrictive developer access to financing
- > Well placed to take advantage of emerging opportunities

## The Mirvac Difference – Quality, Customer, Placemaking

- > Mirvac has 47 years experience in development
- > A market leader by delivering through an internal, integrated design, construction, sales, marketing and development model
- > Over 27,000 lot pipeline, ~20,000 added between FY11-FY15 with strong embedded margins and majority in capital efficient structures
- > Flexibility to launch projects to capitalise on market cycles

## MIRVAC HISTORICAL ACQUISITIONS VS RESIDENTIAL PRICES



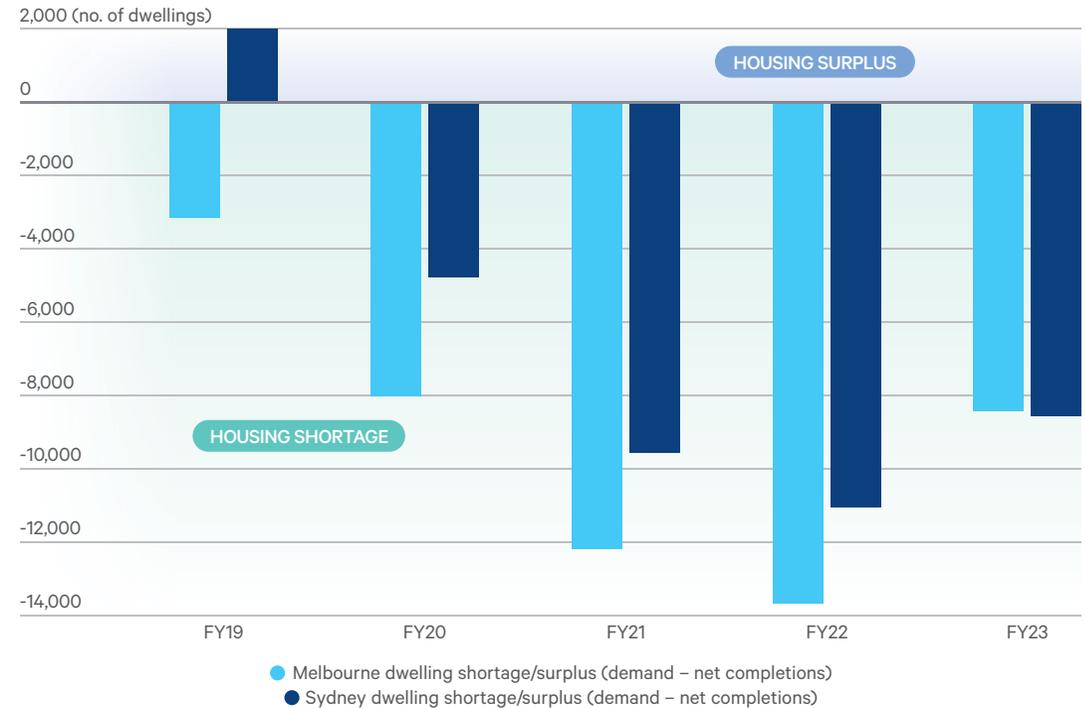
1. ABS Cat 6416.0, Residential Property Price Index by Capital City, Reference period 2011-12 = 100, ending value is March 2018.

# STRATEGY FOCUSED ON LONG TERM URBANISATION

- > Strategic weighting to NSW and VIC representing 74% of residential lots
- > In the 10 years to 2028, Australia’s population is projected to increase by over 4.5 million people<sup>1</sup>
- > Over 75% of this growth will occur in our four largest capital cities
- > On average, Sydney and Melbourne are each expected to grow by over 110,000 people per annum over the next five years<sup>1</sup>
- > Over 39,000 new dwellings are expected to be required in both Sydney and Melbourne per annum to meet this demand but a shortfall in supply is forecast<sup>2</sup>



## PRECONDITIONS FOR NEXT CYCLE UNDERWAY AS DWELLING COMPLETIONS FORECAST TO FALL BELOW REQUIRED HOUSEHOLD DEMAND<sup>2</sup>



1. Mirvac Research, ABS Population Projections Cat. 3222.0, Series B, November 2018,

2. Mirvac Research, BIS Oxford Economics, Forecast of Dwelling Completions, Q4 2018, ABS Population Projections Cat. 3222.0, Series B, November 2018, Housing Industry Association, forecast of Greater Capital City commencements, November 2018 & RBA, "Long-run Trends in Housing Price Growth", Bulletin September 2015, RBA, "Housing and the Economy", Speech by Ric Battellino, November 2009. Greater Sydney & Greater Melbourne net completions calculated using implied dwelling demand (population projections adjusted for household formation rate), unoccupied private dwellings (second and holiday homes) and demolitions.

# STRONG OFFICE & INDUSTRIAL PERFORMANCE CONTINUES IN 3Q19

**OFFICE**  
**\$6.4bn**  
Portfolio Value<sup>1</sup>

**97.9%**  
Occupancy<sup>2</sup>

**6.5yrs**  
WALE<sup>3</sup>

**\$5.3bn**  
Development Pipeline<sup>4</sup>

664 Collins Street, Melbourne

**INDUSTRIAL**  
**\$0.9bn**  
Portfolio Value<sup>1</sup>

**99.7%**  
Occupancy<sup>2</sup>

**7.8yrs**  
WALE<sup>3</sup>

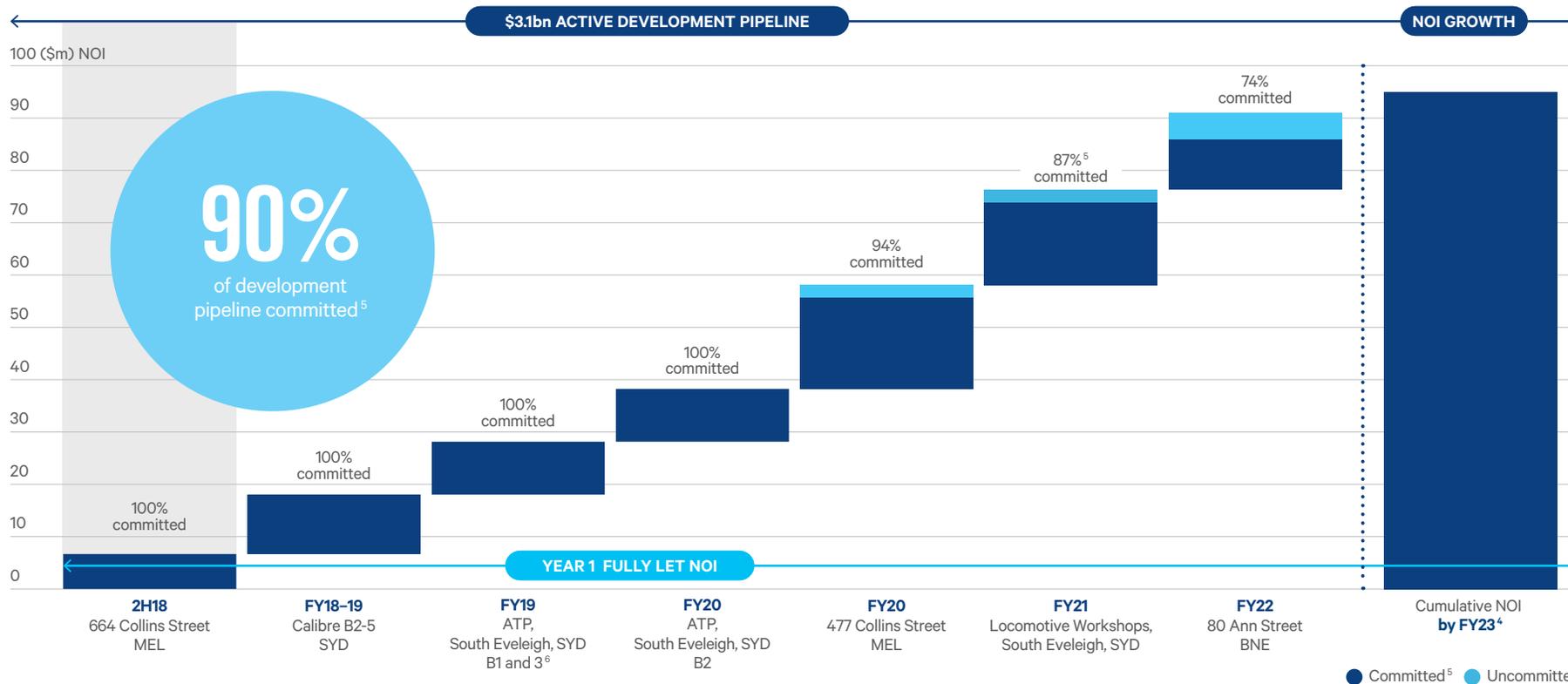
**\$0.9bn**  
Development Pipeline<sup>4</sup>

Calibre Industrial Estate, Sydney

1. Includes investment properties under construction and Mirvac's share of JV investment properties, as at 31 December 2018.  
2. By area, including investments in joint ventures and excluding assets held for development, as at 31 March 2019.  
3. By income, including investments in joint ventures and excluding assets held for development, as at 31 March 2019.  
4. Represents 100% of expected end value of committed and future developments, as at 31 March 2019.

# BUILDING RESILIENT RECURRING INCOME

## ADDITIONAL HIGH-QUALITY INCOME FROM OFFICE & INDUSTRIAL DEVELOPMENTS<sup>1</sup>



**>\$95m**  
Potential additional annual NOI by FY23 from active development pipeline

**>\$200m**  
Potential fair value uplift between FY19-22<sup>2</sup>

**>\$200m**  
Potential development EBIT between FY19-22<sup>3</sup>

1. Based on 100% occupancy and 50% ownership, other than ATP, South Eveleigh at 33.3% ownership and Locomotive Workshops, South Eveleigh at 100% ownership, as at 31 March 2019.  
 2. Potential fair value uplift based on 4.80% cap rate for 477 Collins Street, 5.0% cap rate for ATP, South Eveleigh, and 5.0% cap rate for 80 Ann Street.  
 3. Potential future development EBIT from developments partially sold-down to capital partners (477 Collins Street, ATP, South Eveleigh, Calibre and 80 Ann Street).  
 4. Expected NOI from both active development projects and recently completed developments by FY23 including rental growth.  
 5. Includes Heads of Agreement, as at 31 March 2019.  
 6. ATP, South Eveleigh B1&3 PC in FY19 & income contribution from FY20.

# RETAIL METRICS REMAIN POSITIVE IN 3Q19

**\$3.4bn**

Portfolio Value<sup>1</sup>

**99.2%**

Occupancy<sup>2</sup>

**2.6%**

Specialty Sales Growth<sup>3</sup>

**>\$10,000/sqm**

Specialty Sales Productivity<sup>4</sup>



1. As at 31 December 2018.  
2. By area, as at 31 March 2019.  
3. On a comparable basis, as at 31 March 2019.  
4. As at 31 March 2019.

# URBAN AND METROPOLITAN PORTFOLIO POSITIONED FOR PERFORMANCE

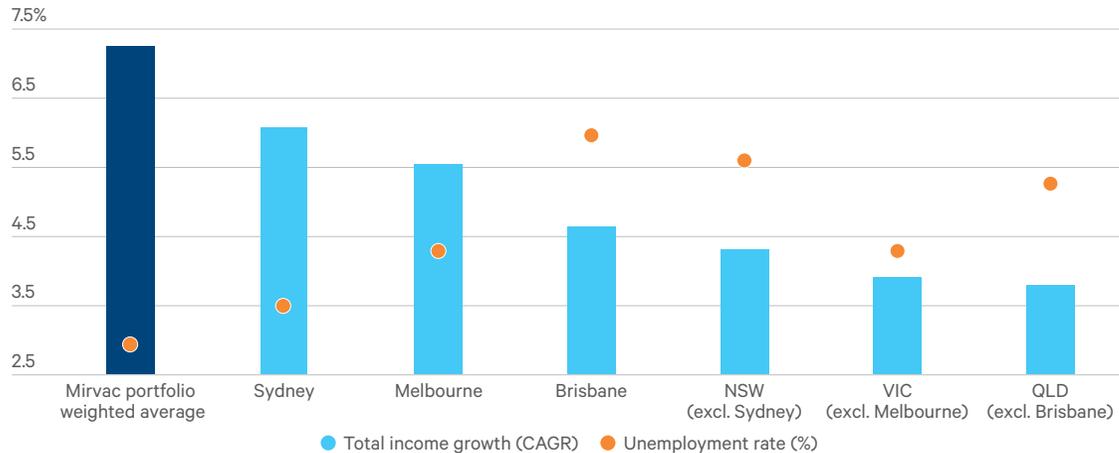
## Inner and middle ring

- > High household wealth
- > Deep employment bases
- > High barriers to entry
- > High value distribution channel

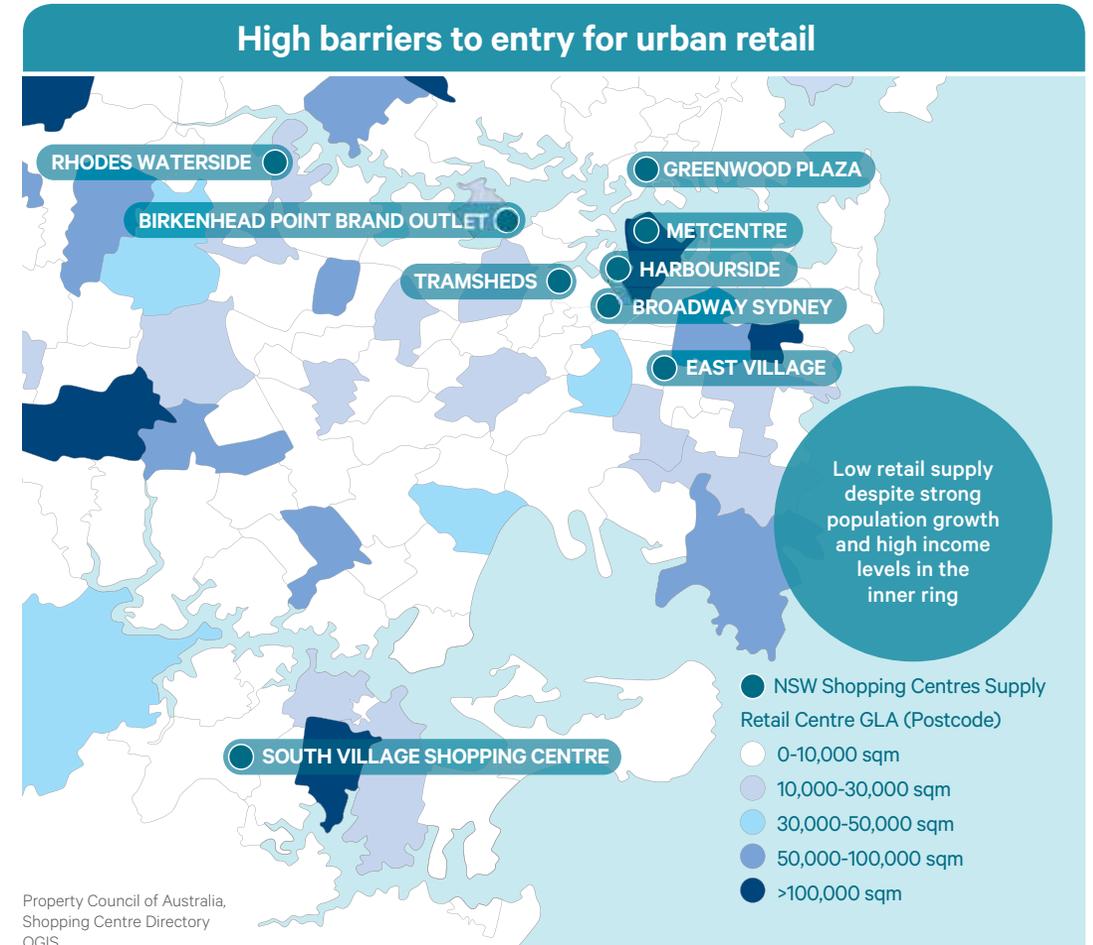
## Growth corridor and satellite

- > Strong population growth
- > Investment in infrastructure and job-creation
- > Greater development opportunities
- > Growing value as a distribution channel

## MIRVAC CATCHMENTS HAVE LOWER UNEMPLOYMENT & STRONGER TOTAL INCOME GROWTH

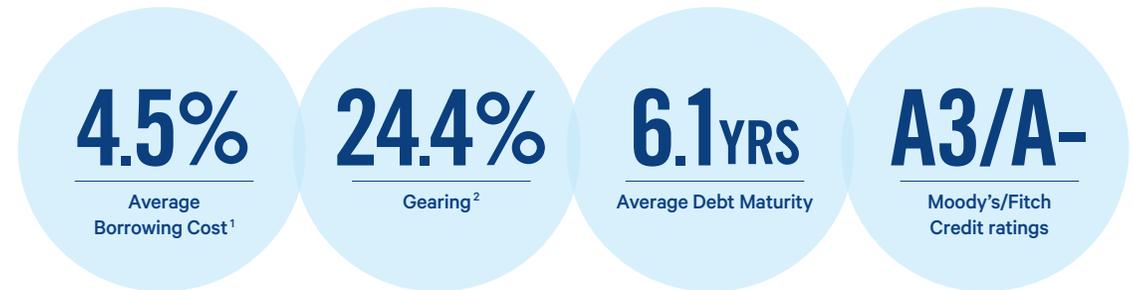


Sources: Australian Government Department of Jobs and Small Business, Small Area Labour Markets publication & Labour Market Information Portal, Sept 18. ABS, Cat. 6524.0.55.002 – Estimates of Personal Income for Small Areas, FY12-FY16. ABS, Cat. 6202.0 – Labour Force, Australia, Nov 18.



# FUTURE OPPORTUNITIES UNDERPINNED BY ROBUST BALANCE SHEET

- > Well positioned to fund existing development pipeline and growing distribution
- > Gearing of 24.4% and \$570m of cash and undrawn committed debt facilities
- > Strong operating cashflows in 1H19 and expected to continue in 2H19 given the timing of residential settlements
- > FY19 forecast distribution of 11.6cps (+5% on pcp) expected to be fully cash covered with a conservative payout ratio
- > Future distribution growth supported by increasing passive recurring NOI from development completions



## NET TANGIBLE ASSET GROWTH FUELLED BY PASSIVE PORTFOLIO



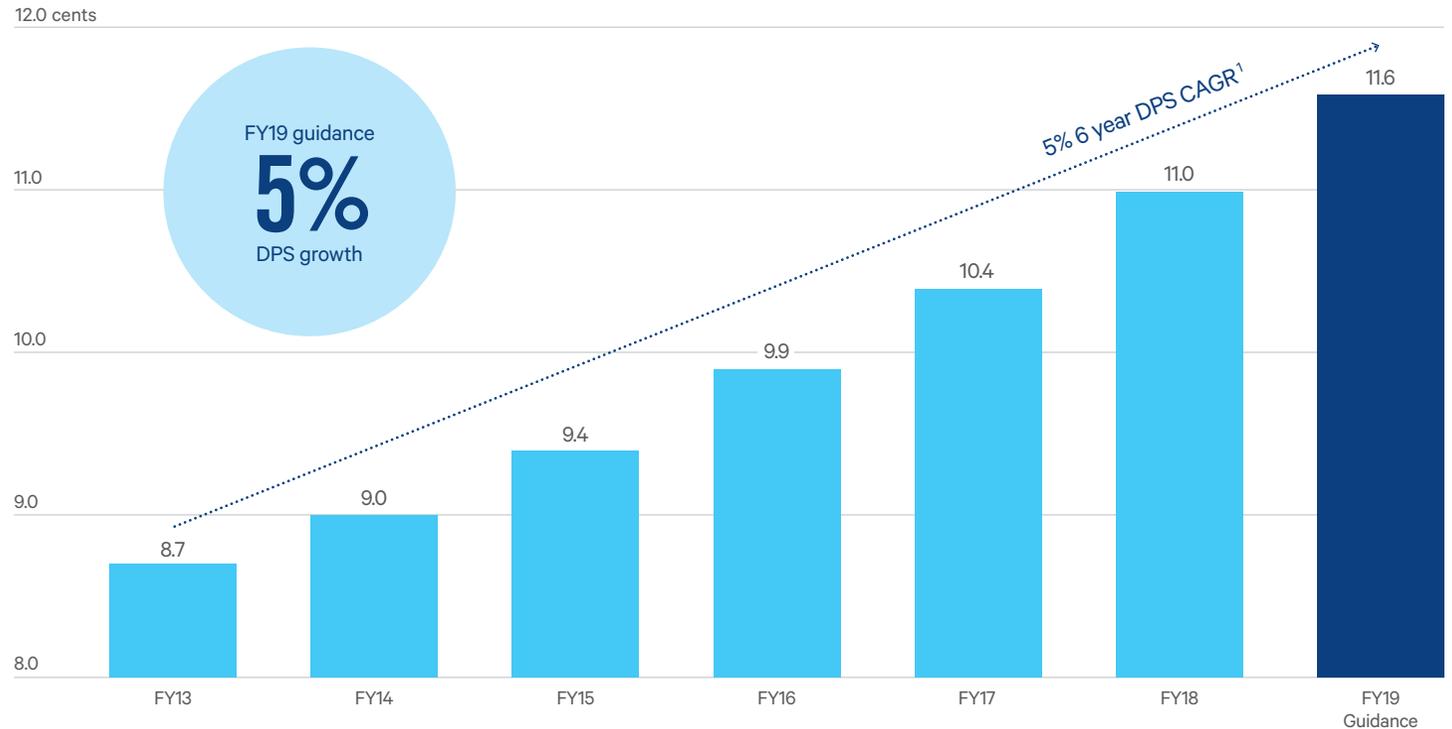
1. Includes margins and fees.

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

# FY19 GUIDANCE REAFFIRMED



## DPS



1. Period of FY13 (DPS 8.7 cps) to FY19, including guidance of 5% DPS growth in FY19.

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# THANK YOU

