

### Trading Update

23 January 2017: McGrath Limited (ASX: MEA) provides a trading update to the market ahead of the release of its FY17 first half results on 23 February 2017.

McGrath has not given guidance for FY17 earnings, but notes equities research in the market which does give full year estimates. McGrath's first half trading results are being finalized, and early indications suggest they are in line with those analyst estimates. However, we believe the second half results will be weaker than the first half, which would make those full year analyst estimates look high.

The unprecedented low volumes of listings as a percent of total housing stock noted in the Chairman's Address in November is not yet showing signs of improvement. In addition, while McGrath grew market share in two thirds of its total offices in FY16, we have experienced an uncharacteristically large agent churn recently, especially over the Christmas and New Year period. The departures from our Company Owned offices segment suggests market share growth will be more difficult to achieve in that segment in the second half.

McGrath confirms the recent net departure of 36 sales agents from its Company owned offices segment. While the company is actively recruiting, the usual time for an agent to become fully productive means these new agents will not match the volumes required to maintain our previously expected second half earnings. The Company Owned segment currently has 225 sales agents.

McGrath's Chief Executive Officer, Mr Cameron Judson said: "We continue to have a concerted, ongoing focus on talent identification, to attract, develop and retain high performing and emerging sales agents. We have recently launched 'McGrath Future', a compelling remuneration and longer term wealth creation framework specifically for high performing agents. We have an unparalleled track record of growing and nurturing the best real estate agents in Australia, and aim to maintain that.

"However, the recent net outflow is more than we usually see, and we believe it prudent to alert the market to the likely impact.

"We are one of Australia's largest residential real estate services companies and we continue to leverage the underlying strength of the McGrath brand, quality of its sales agents and network reach. Our other business units continue to see solid growth" Mr Judson said.

In 2016, McGrath opened 18 new offices, 3 Company owned and 15 Franchises, and plans to open additional offices, including its Victorian expansion plans, over the next 12 months.

-Ends-

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**About McGrath**

Founded in 1988, McGrath (ASX: MEA) has grown to be one of Australia's most successful residential real estate groups. An integrated real estate services business, McGrath is a total solution company offering agency sales, property management, mortgage broking and career training services. McGrath Estate Agents currently has 96 offices located throughout the East Coast of Australia.

For further information please visit [www.mcgrath.com.au](http://www.mcgrath.com.au)