clsa investors' forum 2010

by mirvac

september 16 2010

ARTIST IMPRESSION OF 8 CHIFLEY SQUARE, SYDNEY, NSW

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AGENDA

MIRVAC GROUP

MIRVAC GROUP
Founded 1972, listed 1987, stapled 1999

2 Core Divisions

INVESTMENT
$5.8 billion portfolio[1]

- **OFFICE** 31 assets
- **RETAIL** 25 assets
- **INDUSTRIAL** 17 assets
- **OTHER** 4 assets

DEVELOPMENT

- **RESIDENTIAL** 21,578 lot pipeline
- **COMMERCIAL** Selected opportunities

HOTEL MANAGEMENT
46 hotels / 5,812 rooms under management

INVESTMENT MANAGEMENT
Wholesale partnership focus

MIRVAC ASSET MANAGEMENT
230 people

1) As at 30 June 2010, post the acquisition of WOT. Includes car parks, one hotel and indirect holdings in five property investments.

MIRVAC GROUP

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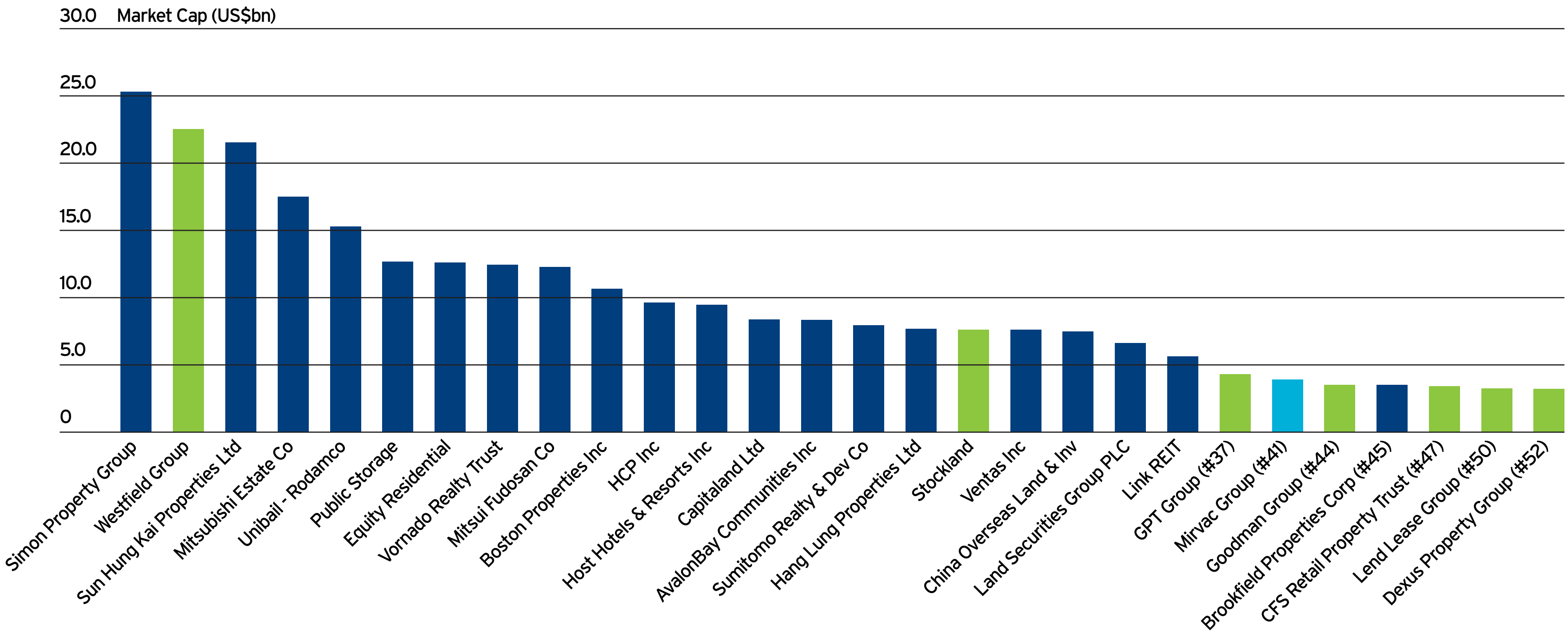
MIRVAC GROUP

Credit Rating: BBB (positive outlook)
26.8% Balance Sheet Gearing [1]
Approximately 35% of Mirvac investors are global



1) 30 June 2010 post WOT transaction.

GROUP STRATEGY

YARRA'S EDGE, MELBOURNE, VIC

GROUP STRATEGY

80% MIRVAC PROPERTY TRUST

Operating NPAT – through cycle target

20% CORPORATION

Operating NPAT – through cycle target

GROUP STRATEGY

80% Operating NPAT – through cycle target

MIRVAC PROPERTY TRUST

Target unlevered 10 year Internal Rate of Return ("IRR") of >11%

- Maximise property income growth and security
- Maintain a diversified portfolio
- Continue to improve quality of portfolio via disposal of non-aligned assets at or above valuation
- Utilise Development Division to generate high quality commercial assets

GROUP STRATEGY

20% Operating NPAT – through cycle target

DEVELOPMENT

Target unlevered average project IRR of >18%

- Focus on large, masterplanned or infill apartment, house and land projects
- Actively pursue quality office, retail and industrial projects for Mirvac Property Trust and external parties

INVESTMENT MANAGEMENT

- Participate in external partnerships where synergies exist for core business

HOTEL MANAGEMENT

- Grow existing brands throughout Australia and New Zealand

KEY FY10 STRATEGIC ACHIEVEMENTS

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- Execution of strategy
- Upgrade of quality
- Positioned for growth

Mergers and acquisitions

Mirvac Real Estate Investment Trust ("MREIT") acquisition in December 2009

- $915m acquisition of a diversified Australian investment portfolio at 9.3%[1] yield
- Increased recurring income
- Demonstrated value creation through $105m non-aligned MREIT asset sales in 2H10 at 3.3%[2] premium to book value

Westpac Office Trust ("WOT") acquisition in August 2010

- Re-rated Mirvac Property Trust ("MPT") via $1,137m Australian office portfolio acquisition – 83.5% A Grade
- Increased weighting to office (56.6% of MPT) at low point of valuation cycle
- Unlocked $85m development opportunity at Woolworths NSO, Bella Vista, NSW

1) (Forecast FY11 acquired MREIT portfolio net income + fully leased forecast 10-20 Bond Street net income)/(Total consideration paid – net realised asset sales plus cost to complete 10-20 Bond Street full refurbishment).
2) Includes sales settled to 18 August 2010 and Morayfield Supacentre, Morayfield, QLD which is now unconditionally exchanged with settlement forecast for August 2010.

KEY FY10 STRATEGIC ACHIEVEMENTS

Investment Division

Repositioned and upgraded portfolio quality through acquisitions and selective divestments[1]

- $235m non-aligned asset sales at 3.4% premium to book value

Activated full refurbishment at 10-20 Bond St, Sydney, NSW (office)

- Projected yield of 7.8% on $60m[2] cost

Development Division

Broaden brand into mid price point apartment market

- Acquisition of Hamilton, Queensland project

Commenced 3 fast-tracked development projects

- Rhodes – NSW, Waterfront – QLD, Yarra's Edge, River Front Homes – VIC

Commercial development projects at various stages including

- Hoxton Park, NSW (industrial) – projected yield of 8.0% on $172m[2] cost
- 8 Chifley Square, Sydney, NSW (office) – projected yield of 7.5% on $246m[2] cost
- Development Division 'right sized' and seeking market opportunities

1) Sales settled to 18 August 2010 and Morayfield Supacentre, Morayfield, QLD which is now unconditionally exchanged with settlement forecast for August 2010.
2) Forecast share of total project cost.

DEVELOPMENT

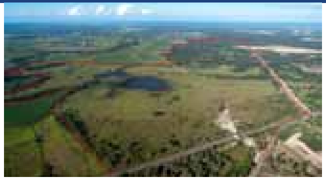
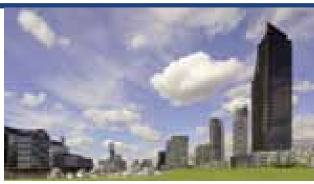
ARTIST IMPRESSION OF BEACHSIDE LEIGHTON, LEIGHTON, WA

MIRVAC'S DEVELOPMENT DIVISION

Competitive advantage of fully integrated model

FY10 Target	FY10 Achievement
Commence residential projects to meet expected demand in FY11 and beyond	> 7 projects fast-tracked, 3 successfully released to market
Recycle capital from projects	> 11 non-aligned projects disposed, 2 conditional exchanges, $95m secured
Commercial projects	> $1,208m commercial development project pipeline re-activated

OUR MARKETS

Sector	Description	Sub-market	Example developments	
Residential	Masterplanned Communities › Land subdivision › Completed housing[1] › Packaged housing[2]	› First home buyers › 2nd/3rd home buyers › Investor › Typical price range: › Land $170K – $300K › Housing $350K – $600K	 GAINSBOROUGH GREENS	 PARKBRIDGE, MIDDLETON GRANGE
Residential	Integrated Housing › Small lot housing built in middle ring locations	› First home buyers (top end) › 2nd/3rd home buyers (main market) › Investor › Typical price range: › Housing $375K – $1m	 WAVERLEY PARK, MULGRAVE	 HARCREST, WANTIRNA SOUTH
Residential	Apartments › Mid market › High end › Often as part of larger scale urban renewal projects (multiple stages)	› Owner Occupiers (60%) › Investors (40%) › Typical price range: › 1 bed $400K – $550K › 2 bed $600K – $900K › 3 bed $800K – $2.0m › Penthouse $1.5m – › $6m	 RHODES WATERSIDE	 YARRA'S EDGE
Commercial	Office / Industrial / Retail › Investment grade development suitable for MPT or third party		 WOOLWORTHS DISTRIBUTION, HOXTON PARK	 8 CHIFLEY SQUARE, SYDNEY

1) Mirvac build and sell houses on completion.
2) Packaged housing comprises land sale plus construction of a house with progress payments on purchase.

MIRVAC BUYER PROFILE

Mirvac's FY10 settlements

- 74% upgraders/empty nesters and investors
- Mirvac average price:
  - House $594,000[1]
  - Land $253,000[2]
  - Apartment $843,000[3]

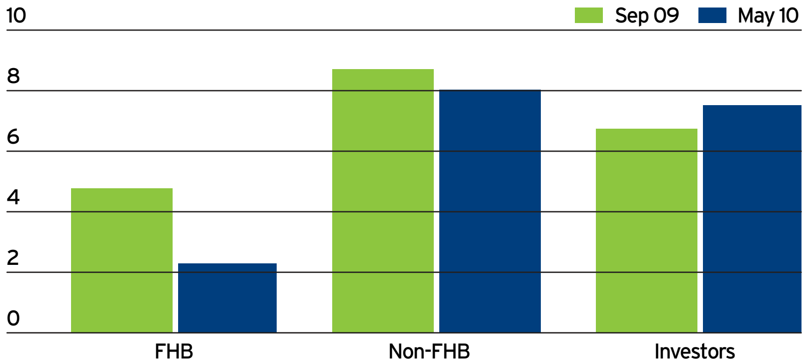
Investor and non first home buyers ("FHB") more resilient

- 90% of purchases by FHB involve a mortgage. For repeat buyers, only around 65% of housing sales involve a mortgage[4]
- Approximately 70% of the fall in owner-occupier loans since September 2009 is due to FHB. Falls in turnover greatest in lower priced suburbs

Buyer profile – FY10

Upgraders/empty nesters	50%
Investors	24%
FHB	26%

Monthly value of mortgage lending ($'000s)



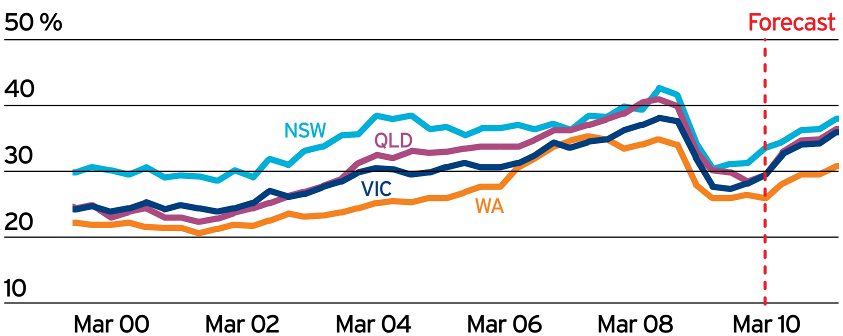
Source: ABS

1) 599 housing lots settled, achieving gross revenue of $356.0m.
2) 547 land lots settled, achieving gross revenue of $138.7m.
3) 659 apartment lots settled, achieving gross revenue of $555.3m.
4) RBA, Statement on Monetary Policy, May 2010.

AUSTRALIAN AFFORDABILITY – NOT AT CRITICAL LEVELS

› Influence of price growth and rate rises have changed the affordability environment, however remains reasonable, relative to historic levels

Proportion of family income to meet loan repayments



Assumes 4% annual loan growth and cash rate of 5.5% by March 2012

Source: REIA, Mirvac Research

Comparison with previous peaks

Period	Proportion
June 08	39.8%
March 89	36.0%
Current	32.6%

AUSTRALIAN RESIDENTIAL MARKET OUTLOOK

Annual price growth appears to be moderating to single digits. However new housing starts are still substantially below underlying demand and fundamentals remain positive.

NSW

Current	Forecast	
A-	B	Improved affordability on the back of fiscal stimulus has seen a buoyant Sydney market. NSW remains the most under supplied market with a shortfall of dwellings well in excess of one year's supply. This under supply will remain a key feature underpinning Sydney prices. Rents are now growing at a faster rate than other major cities. Prices are expected to outperform the national average over the medium term as the supply deficit maintains pressure on rents and values.

VIC

Current	Forecast	
A	B+	Melbourne experienced the largest national price rise, however affordability is becoming an issue; potentially reaching a point where further interest rate rises will limit price increases. Melbourne has the strongest population growth of the capital cities, which along with a resilient State economy and pro-active State government, support demand. The impact of affordability is expected to see the Melbourne market growth rate slow.

QLD

Current	Forecast	
B-	B	While Queensland has recorded positive price growth, conditions have been weaker than the rest of the country. Softer finance conditions have hampered housing development as have the State's planning regime, impacting market sentiment. The sharp fall in supply and improving expectations indicate a positive outlook.

WA

Current	Forecast	
B-	B	After building momentum on the back of increasing commodity prices, the uncertainties surrounding the resources tax proposal significantly dampened sentiment and stalled momentum, particularly in upper price brackets. Some labour pressure still exists given competition with some of the large infrastructure projects. The next wave of business investment, strong population growth and a supply deficit in Perth provide a positive outlook.

MIRVAC FY11 OUTLOOK

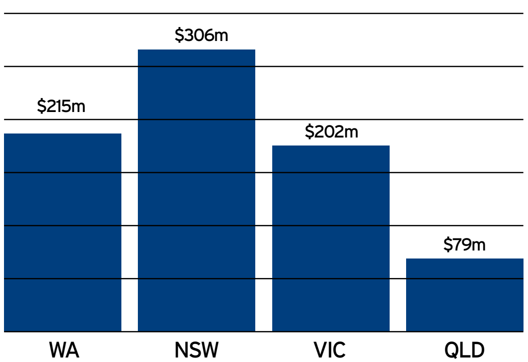
Mirvac's position as Australia's pre-eminent built form residential developer is evidenced by $802m[1] ($704m as at 30 June 2010) of exchanged residential pre-sales contracts

› 60.8% of total forecast FY11 residential revenue secured by pre-sales

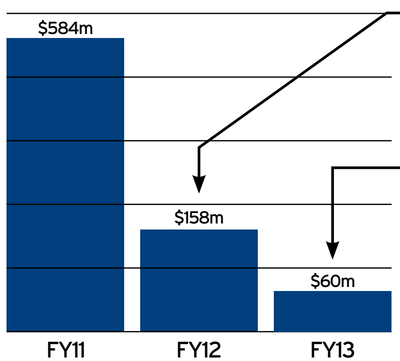
FY11 major contributors

Project	Ownership	State	Type	Lots	% FY11 EBIT forecast	Revenue % pre-sold
Beachside Leighton, Leighton Beach	100%	WA	Apartment	56	22.0	100
Laureate, Melbourne	100%	VIC	Homes	28	7.4	71
Yarra's Edge River Homes, Docklands	100%	VIC	Homes	18	6.5	86
MWRDP Waterfront, Newstead	20%	QLD	Apartment	55	8.1	98
Parkbridge, Middleton Grange	PDA	NSW	Homes	208	4.4	10
Waverley Park, Mulgrave	100%	VIC	Homes	73	4.2	73
Total				**438**	**52.6**	**84**

Exchanged contracts[1]



Forecast settlement of exchanged contracts[1]



STRONG SALES MOMENTUM

Rhodes Waterside, Rhodes, NSW

Product type	Apartments
Stage	Elinya
Percentage of stage sold	Approximately 70%

Yarra's Edge, River Front Homes, VIC

Product type	Houses
Stage	3
Percentage of stage sold	86%

+ FAST-TRACK PROJECTS

1) Total exchanged contracts as at 20 August 2010, adjusted for Mirvac's share of JV interest and Mirvac managed funds.

RESIDENTIAL DEVELOPMENT PIPELINE

Exisiting pipeline major contributors – over 10,500 lots in 5 years

	FY11 – FY14	FY15
APARTMENT	REVENUE \$2,231m[1] LOTS: 2,585	TO BE SUPPLEMENTED BY NEW ACQUISITIONS
INTEGRATED HOUSING	REVENUE \$1,268m[1] LOTS: 2,949	TO BE SUPPLEMENTED BY NEW ACQUISITIONS
MASTERPLANNED COMMUNITIES	REVENUE \$1,115m[1] LOTS: 5,252	TO BE SUPPLEMENTED BY NEW ACQUISITIONS

- Existing projects drive earnings improvement in FY11 and beyond
- Lumpy apartment profits underpinned by consistent settlements from large scale/house land and integrated housing projects
- Residential portfolio well diversified across geography, type and ownership structure

1) Mirvac's share of forecast revenue, adjusted for JV interest and Mirvac managed funds.

INVESTMENT

275 KENT STREET, SYDNEY, NSW

MIRVAC'S INVESTMENT DIVISION

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Competitive advantage in integrated model

ACQUISITION → DEVELOPMENT CAPABILITY → LEASING & MARKETING → PROPERTY MANAGEMENT → FACILITIES MANAGEMENT → INVESTMENT MANAGEMENT

Investment Division (MPT) core competencies:

- Active portfolio management providing property income growth and lease security
- Continuous quality improvement – track record of prudent asset recycling and repositioning
  → increasing net asset backing

High visibility & income security = underpins Group earnings

INVESTMENT MARKET UPDATE

State of the Australian investment markets

Office

Weighting 56.6%

Forecast ↑

Rent growth is visible in the Melbourne CBD, static in Sydney while Brisbane is close to the bottom of the cycle. Prime asset values are appreciating in Melbourne and Sydney, Canberra is still experiencing some weakness, while Brisbane values are relatively flat.

- Capitalisation rate expansion **150bps** (March 08 to March 10)[1]

Retail

Weighting 30.8%

Forecast ↔

Retail spending has been relatively flat as the impact of fiscal stimulus fades and interest rate tightening offset employment growth and rising wealth levels. Rents have remained positive and vacancies stable, supported by low amounts of new supply.

- Capitalisation rate expansion **80bps** (March 08 to March 10)[1]

Industrial

Weighting 7.2%

Forecast ↔

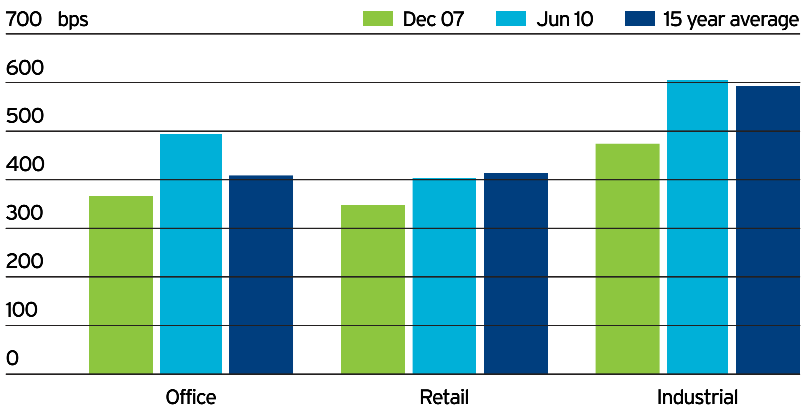
Demand drivers are enjoying momentum as the uplift in imports from inventory restocking and the strong $A continue. Investment sales showed signs of improvement in Q2/10, with increased sales to private developers. In Sydney, Melbourne and Brisbane, yields have been flat or firmed up to 25 basis points in Q2/10.

- Capitalisation rate expansion **160bps** (March 08 to March 10)[1]

1) IPD Australia Quarterly Index.

COMMERCIAL EXPECTED TO OUTPERFORM

Risk premiums to real bond yields



Equivalent discount/(premium) to relative value

Office	Retail	Industrial
12.1%	-1.7%	1.8%

Source: RBA, IPD, Mirvac Research

- Current yields indicate that the office sector is trading at a larger discount to relative value compared to other sectors
- Yields expected to tighten for office over the medium term. Rental outlook underpinned by strengthening labour market and high incentive levels
- Retail has been the most resilient sector. Outlook impacted by a cautious consumer sector and challenging retail sales environment
- Industrial experienced the largest cap rate softening over the downturn, however most of this was re-tracing the mis-pricing of risk in the sector

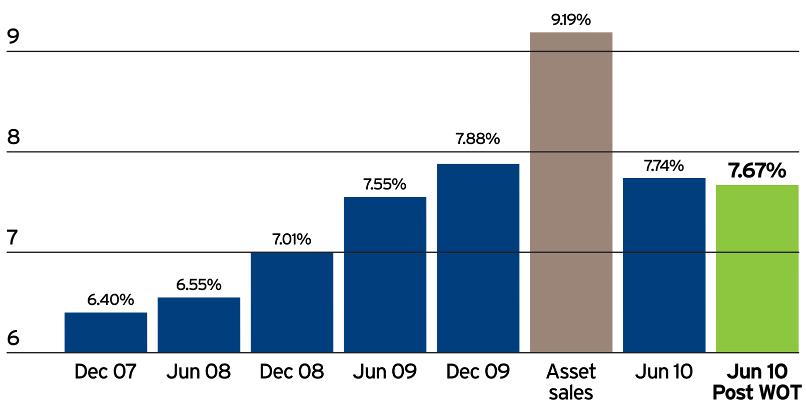
PORTFOLIO HIGHLIGHTS

- Solid FY10 like-for-like net income growth of 3.7%
- 96.0% of FY11 rent reviews CPI or fixed
- High portfolio occupancy rate of 97.6%
- 76.6% of income derived from institutional grade tenants[1]

Sector	FY10 Occupancy post WOT	FY10 Like-for-like income growth	FY11 CPI & fixed reviews post WOT
Office	97.5%	4.0%	97.7%
Retail	97.9%	5.2%	96.0%
Industrial	97.0%	0.3%	83.4%
Portfolio	**97.6%**	**3.7%**	**96.0%**

Improved portfolio quality

WACR[2]



Active management driving superior portfolio quality

Sector	Book value post WOT	WACR Jun 10 post WOT	WACR Dec 09	WACR Jun 09
Office	$3,252.1m	7.64%	7.93%	7.65%
Retail	$1,768.2m	7.52%	7.64%	7.28%
Industrial	$412.8m	8.52%	8.74%	8.50%
Portfolio	**$5,787.7m[3]**	**7.67%**	**7.88%**	**7.55%**

1) Includes ASX listed, Government, multinational and national tenants.
2) Weighted average capitalisation rate.
3) Includes carparks and a hotel.

TRANSFORMATION OF MIRVAC PROPERTY TRUST

- Grown recurring income
- 56.9% increase in portfolio value since 30 June 2009
  - $915m acquisition of MREIT
  - $1,137m acquisition of WOT
- Completed $235m of non-aligned asset sales at 3.4%[1] premium to book value of which $105m were MREIT sales at a 3.3% premium

Significant quality improvement	Post MREIT and WOT	FY09	%Change
Average asset size	$75.2m	$63.6m	**18.1%**
Portfolio value	$5,787.7m	$3,689.9m	**56.9%**
% office portfolio Premium and A Grade	88.8%	86.4%	**2.8%**
CPI + fixed reviews	96.0%	93.9%	**2.2%**
% portfolio institutional tenants	76.6%	62.9%	**21.8%**
WALE[2]	6.12 yrs	5.78 yrs	**5.9%**

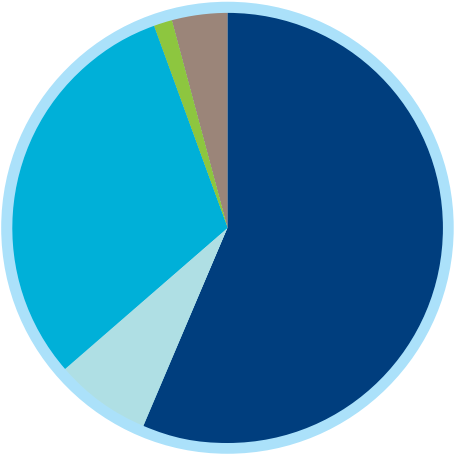
- Development opportunities resulting from M&A:
  - 10-20 Bond Street, Sydney, NSW (office)
  - Woolworths NSO Bella Vista, NSW (office)
  - Orion Town Centre Stage 2, Springfield, QLD (retail)

1) Includes sales settled to 18 August 2010 and Morayfield Supacentre, Morayfield, QLD which is now unconditionally exchanged with settlement forecast for August 2010.
2) By area.

MIRVAC PROPERTY TRUST PORTFOLIO DIVERSIFICATION

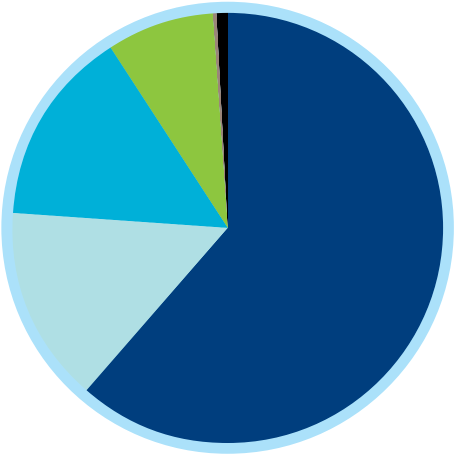
Sector diversification[1]

- Commercial 56.6%
- Industrial 7.2%
- Retail 30.8%
- Other 1.5%[3]
- Indirect Property Investments 3.9%



Geographic diversification[2]

- NSW 61.4%
- VIC 14.8%
- QLD 14.9%
- ACT 8.0%
- SA 0.3%
- US 0.6%



1) By book value as at 30 June 2010. Excludes development assets.
2) By book value as at 30 June 2010. Excludes development assets and indirect property investments.
3) Other – includes hotel and carparks.

REACTIVATED COMMERCIAL DEVELOPMENT PIPELINE

$1,208m pipeline of Australian institutional grade real estate, undertaken in-house by Mirvac Development

FY10 commercial development pipeline[1]

Project (Ownership)	Type	Jun 10 – Jun 15
10-20 Bond Street Sydney, NSW (50% with ING)	Office	$60m, 7.8% Feb 10 to Feb 11
Woolworths Distribution Centre Hoxton Park, NSW (100%)	Industrial	$172m, 8.0% Jun 10 to Mar 12
8 Chifley Square Sydney, NSW (100%)	Office	$246m, 7.5% Sep 10 to Jul 13
Nexus Industry Park Prestons, NSW (100%)	Industrial	$25m, 8.1% Nov 10 to Oct 11
Stanhope Village Stanhope Gardens, NSW (100%)	Retail	$20m, 6.5% Dec 10 to Jun 12
Woolworths NSO, Bella Vista, NSW (100%)	Office	$85m Jan 11 to Jun 12
Orion Town Centre Stage 2 Springfield, QLD (100%)	Retail	$58m, 6.3% Jun 11 to Dec 12
Kawana Shoppingworld Buddina, QLD (100%)	Retail	$58m, 8.3% Sep 11 to Mar 14
271 Lane Cove Road North Ryde, NSW (100%)	Business Park	$144m Indicative start date: Jun 12
190-200 George Street Sydney, NSW (100%)	Office	$340m Indicative start date: Dec12

1) Mirvac's forecast share of total project cost.

FINANCIAL RESULTS

ARTIST IMPRESSION OF REFURBISHMENT OF 10-20 BOND STREET, SYDNEY, NSW

FY10 HIGHLIGHTS & FY11 GUIDANCE

- Execution of strategy
- Upgrade of quality
- Positioned for growth

	FY10	FY09
Group operating NPAT (profit before specific non-cash and significant items)	**275.3**	
Operating EPS[1]	9.3 cpss[4]	13.4 cpss[4]
Operating EPS guidance[1]	9.2 cpss[4]	13.4 cpss[4]
Statutory EPS[2]	8.0 cpss[4]	(65.2 cpss)[4]
Distribution per stapled security	8.0 cpss[4]	8.0 cpss[4]
Distribution	$241.3m	$107.7m
Net Tangible Assets per stapled security[3]	**$1.66**	**$1.72**

Guidance	FY11
Group operating NPAT	$350 – $365m
Operating EPS[1]	10.2 – 10.6 cpss[4]
Implied earnings growth	9.7% – 14.0%
Distribution per stapled security	8.0 - 9.0 cpss[4]
Weighted average securities	3,432.4m

1) Diluted earnings per security excluding specific non-cash items, significant items and related taxation.
2) Basic earnings per security.
3) Based on ordinary securities excluding EIS securities.
4) Cents per stapled security.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