Mirvac Group (ASX: MGR) today provided an operational update for the third quarter of the 2019 Financial Year (FY19). Its outperforming investment portfolio continues to benefit from favourable office market conditions, putting the Group on track to deliver on its full-year earnings and distribution targets.

Mirvac’s CEO & Managing Director, Susan Lloyd-Hurwitz, said, “The strength of our diversified model and our asset creation capability are driving high-quality recurring passive earnings, shoring up the business against the deteriorating housing market. In light of these strong metrics, we are confident of achieving our earnings guidance for FY19 of between 3 to 4 per cent growth.

“Our Office business continues to show significant strength. Thanks to our high exposure to Sydney and Melbourne, we are perfectly placed to capitalise on the buoyant office markets’ rising rents and the lowest vacancy rates for three decades. The passive, secure and stable income growth from the portfolio provides resilience and visible future earnings for the business.

“At South Eveleigh (our reimagined Australian Technology Park) the first two buildings have achieved practical completion. A staged move-in by Commonwealth Bank of Australia is now underway, as we welcome a 10,000-strong workforce to their new home.

“Elsewhere, construction is forging ahead at 477 Collins Street in Melbourne and 80 Ann Street in Brisbane where we are bringing to life dynamic and sustainable workplaces for some of Australia’s leading brands,” said Ms Lloyd-Hurwitz.

“Our retail portfolio is strategically weighted to urban and metropolitan areas that are experiencing robust population growth and low levels of unemployment. While the retail landscape remains challenging, we continue to find new ways to excite and inspire our customers through creative and strategic partnerships, and the active management of our assets.

“In our Residential business, while house prices decline across Australia’s capital cities and credit conditions remain tight, our focus on the domestic owner-occupier market and our commitment to superior customer service have seen defaults remain within 2 per cent. These factors, combined with sustained demand for our well located, high-quality residential product, are protecting our business against the full effect of the slowdown.

“In Sydney and Melbourne, we are now poised to take advantage of an expected fall in completions in the near term and the resulting undersupply, by restocking our pipeline and launching new projects when the time and prices are right,” Ms Lloyd-Hurwitz said.

During the quarter, Mirvac issued A$665m US Private Placement Notes with tenors of 11, 13, 15 and 20 years. Proceeds will be received in June 2019.

“Mirvac remains focused on prudently managing its capital position by drawing on diversified sources of capital, including equity, domestic and international debt and wholesale capital. The issuance was well received by debt investors and is in line with our strategy to diversify our risk and extend our debt maturity profile.”

Mirvac reaffirms operating EPS guidance of between 16.9 to 17.1 cps for FY19, which represents an increase in earnings of between 3 to 4 per cent, and distribution guidance of 11.6 cps, which represents DPS growth of 5 per cent.

Mirvac’s headquarters, EY Centre at 200 George Street in Sydney, has received multiple awards for its design and sustainability achievements and the industry accolades continued during the quarter. The building was named International Project of the Year and Building Performance Champion at the prestigious Chartered Institution of Building Services Engineers (CIBSE) Performance Awards, held in London in February. Both awards recognised Mirvac’s commitment to improving the building’s performance while achieving a significant measurable reduction of energy consumption and carbon emissions.

Features at 200 George Street include the world’s first automated closed-cavity façade and timber blind system, LED lighting throughout the entire building, and a comprehensive metering and monitoring system, all of which enhance the building’s energy efficiency while improving the comfort, health and wellbeing of its occupants.
Office and Industrial

Office Highlights:
- occupancy of 97.9 per cent with a WALE of 6.5 years;
- completed approximately 78,500 square metres of leasing activity as at 31 March 2019;
- achieved positive leasing spreads of 14.3 per cent;
- incentives at 15.8 per cent;
- 477 Collins Street in Melbourne is now 94 per cent precommitted including Heads of Agreement. During the quarter Urbis signed a lease for 4,100 square metres across three levels, joining Norton Rose Fullbright, Lander and Rogers and anchor tenant, Deloitte, in the premium-grade office tower;
- extended the lease of existing tenant, The Department of Health and Ageing (DOHA) at Sirius House, 23 Furzer Street, Woden ACT. DOHA will occupy 100 per cent of the approximately 46,000 square metre building until 2035, which represents the largest single building renewal for a Federal Government agency in Australian history; and
- facilitated the acquisition of a 50 per cent interest in 10-20 Bond Street, Sydney by an investment vehicle sponsored by Morgan Stanley Real Estate Investing (MSREI). The transaction saw Mirvac’s capital partnership with MSREI grow to approximately $1.5 billion in co-owned assets. Mirvac retained a 50 per cent interest in the asset and was appointed as both trust administrator and property manager.

Ms Lloyd-Hurwitz commented, “Vacancy in Sydney and Melbourne has continued to tighten and is now below 4 per cent in both CBDs. While both markets will see new stock completing over the next few years, vacancy is not expected to rise steeply. As a result, our young, low-capex portfolio significantly overweight to these locations means our strong O&I division performance is set to continue.

“In addition, the delivery of premium, innovative assets such as South Eveleigh and Calibre, and a strong pipeline including flagship headquarters for our valued partners Deloitte, Suncorp and Commonwealth Bank, provides visibility and confidence in a stable future income stream.”

Industrial Highlights:
- occupancy remained high at 99.7 per cent with a WALE of 7.8 years; and
- completed approximately 81,700 square metres of leasing activity as at 31 March 2019.

Ms Lloyd-Hurwitz commented, “Our Industrial division is an important growth area for the business. Our premium industrial estate, Calibre at Eastern Creek, is now complete and fully leased. We see sustained demand for industrial assets in Sydney and are focused on converting the next of our development opportunities, including Stage 1 of a future 240-hectare industrial estate at Badgery’s Creek.”
Retail Highlights:
– maintained high occupancy of 99.2 per cent;¹
– solid comparable moving annual turnover sales growth of 2.3 per cent and comparable specialty sales growth of 2.6 per cent;
– achieved comparable specialty sales productivity of over $10,000 per square metre on specialty occupancy costs of 15.5 per cent; and
– executed 286 leasing deals across approximately 43,300 square metres, with leasing spreads remaining positive.

During the quarter Mirvac also progressed its asset management initiatives including:
– continued construction works at Toombul, Brisbane, QLD where a $43 million new food, entertainment and lifestyle precinct is taking shape. The project will add 1,600 square metres of GLA and includes the refurbishment of existing space, totalling 5,100 square metres. Archie Brothers Cirque Electriq will make their QLD debut as anchor tenant of the new rooftop destination alongside 10 other incoming food and beverage operators and an upgraded cinema. The development is 70 per cent leased and due for completion in mid FY20;
– at Orion Springfield Central, QLD a new state of the art playground is under construction. The new playground will feature a custom built 11-metre tower and 16-metre elevated walkway and provide an inclusive and stimulating play experience for all age groups; and
– at Birkenhead Point, NSW we have improved carpark circulation, egress and introduced ticketless technology to enhance the customer journey to and from the centre. Additionally, the completion of a Guest Services Lounge and expanded coach bay will facilitate further growth in the important tourist market.

Ms Lloyd-Hurwitz commented, “There is no doubt that the retail landscape is rapidly evolving as consumers and investors become more discerning in their choices. However, our sustained investment in assets within key strategic locations ensures we offer the right retail in the right markets to meet those changes, driving growth in the value of the portfolio.

“As the function of shopping centres moves beyond a market place, our focus on improving customer experiences and commitment to positively impacting people’s lives means our centres will remain relevant and continue to thrive.”

### Retail sales by category

<table>
<thead>
<tr>
<th>Category</th>
<th>3Q19 total MAT</th>
<th>3Q19 comparable MAT growth</th>
<th>1H19 comparable MAT growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarkets</td>
<td>$1,139m</td>
<td>2.5%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Discount department stores</td>
<td>$235m</td>
<td>2.8%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Mini-majors</td>
<td>$548m</td>
<td>0.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Specialties</td>
<td>$1204m</td>
<td>2.6%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Other retail</td>
<td>$215m</td>
<td>4.4%</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,341m</strong></td>
<td><strong>2.3%</strong></td>
<td><strong>2.5%</strong></td>
</tr>
</tbody>
</table>

### Specialty sales by category

<table>
<thead>
<tr>
<th>Category</th>
<th>3Q19 total MAT</th>
<th>3Q19 comparable MAT growth</th>
<th>1H19 comparable MAT growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food retail</td>
<td>$138m</td>
<td>0.7%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Food catering</td>
<td>$343m</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Jewellery</td>
<td>$31m</td>
<td>(2.7%)</td>
<td>(0.7%)</td>
</tr>
<tr>
<td>Mobile phones</td>
<td>$39m</td>
<td>0.0%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Homewares</td>
<td>$45m</td>
<td>13.8%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Retail services</td>
<td>$130m</td>
<td>5.2%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Leisure</td>
<td>$48m</td>
<td>(16%)</td>
<td>(14%)</td>
</tr>
<tr>
<td>Apparel</td>
<td>$326m</td>
<td>3.8%</td>
<td>5.0%</td>
</tr>
<tr>
<td>General retail</td>
<td>$104m</td>
<td>(10%)</td>
<td>(14%)</td>
</tr>
<tr>
<td><strong>Total specialties</strong></td>
<td><strong>$1,204m</strong></td>
<td><strong>2.6%</strong></td>
<td><strong>2.9%</strong></td>
</tr>
</tbody>
</table>
RESIDENTIAL

Residential Highlights:

– settled 1,290 residential lots as at 31 March 2019 and on track to achieve over 2,500 settlements for FY19. Defaults remain within 2 per cent;
– maintained a high level of residential pre-sales at $2.0 billion \(^9\);
– released over 200 lots during the quarter, with steady sales at masterplanned communities, including:
  – Woodlea, VIC: 89 per cent of FY19 released lots to date pre-sold
  – Olivine, VIC: 68 per cent of FY19 released lots to date pre-sold
  – Crest, NSW: 59 per cent of FY19 released lots to date pre-sold
  – Everleigh, QLD: 42 per cent of FY19 released lots to date pre-sold
– 87 per cent of FY19 EBIT is now secured; and
– released the Group’s first Social Return on Investment Report, which outlines findings from Mirvac’s first endeavour at measuring its social impact in the residential communities it has helped to create.

Ms Lloyd-Hurwitz commented, “Average house prices are falling across the country, however we are seeing marked differences in the rates of decline within sub-markets. For us the differences are our heavy focus on the domestic owner-occupier market who remain active, our commitment to premium product and a reputation for exceptional customer service forged over 47 years.

“Looking forward, our Residential earnings in FY20 are expected to benefit from significant apartment project completions, namely St Leonards Square, The Eastbourne and Marrick & Co. When the time is right, our diverse capability, strong balance sheet, focus on quality and exposure to Sydney and Melbourne will provide us with opportunities to restock in order to take advantage of the next phase of the cycle.”

Mirvac’s Olivine masterplanned community in Victoria was the scene of much excitement and anticipation this quarter as it welcomed 130 Hume Anglican Grammar students to the newly-built Donnybrook Campus for the start of the 2019 school year. The children, their families and teachers gathered with the Mirvac team for coffee and pastries before school on the first day to celebrate and explore the new campus.

The first piece of amenity to be delivered as part of the new Olivine community, the campus offers a co-educational program for Prep to Year Three in 2019 and will see an expansion of year levels from 2020, ultimately delivering a Prep to Year 12 school. Melbourne’s northern corridor is booming and, with so many young families moving into the area, there is increasing demand for high quality education. Many school families have bought lots and homes at the 465-hectare Olivine community, although the first residents won’t move in until early 2020.

Olivine is an example of Mirvac’s commitment to drive social connectivity and deliver critical infrastructure at the outset of a project, in order to enable new communities to grow and thrive.

On completion, Olivine will be home to around 11,000 people. A range of additional amenities will follow the new campus, including the Olivine Café, a General Store, Gunmut Park and Adventure Playground, walking and bike trails, a sports precinct with two full sized ovals and a pavilion, and a future local town centre with two supermarkets among other specialty retail. Olivine will also offer a range of education choices for parents and families, with Hayes Hill Primary School set to open in the coming years.

HUME ANGLICAN GRAMMAR AT OLIVINE

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