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development by mirvac

17 may 2011

ERA PACIFIC PLACE,
CHATSWOOD, NSW

AGENDA



Introduction

Nicholas Collishaw, Managing Director

Development Strategy Presentation

Brett Draffen, CEO Development

Residential Market Update

David Rees, Head of Research and Consulting, Jones Lang LaSalle

NSW residential asset tour

- › 71 Macquarie Street, CBD
- › ERA, Pacific Place, Chatswood
- › Harold Park, Glebe
- › Green Square Town Centre, Green Square

1 MIRVAC'S DEVELOPMENT BUSINESS

- › Residential
- › Commercial

2 IMPAIRED INVENTORY UPDATE

3 DRIVERS TO 2014

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MIRVAC'S DEVELOPMENT BUSINESS

MIRVAC'S DEVELOPMENT BUSINESS



AN INTEGRATED DEVELOPMENT PLATFORM WITH A 39 YEAR HISTORY

RESIDENTIAL DEVELOPMENT

HIGH DENSITY = APARTMENTS
LOW DENSITY = HOUSES AND LAND

80%¹

COMMERCIAL DEVELOPMENT

OFFICE, INDUSTRIAL, RETAIL

20%¹

MIRVAC'S DEVELOPMENT BUSINESS IS FOCUSSED ON DRIVING RETURNS TO SUSTAINABLE LEVELS WHILST MANAGING RISK

1) Target EBIT through cycle.

STRENGTHS OF MIRVAC'S RESIDENTIAL AND COMMERCIAL DEVELOPMENT BUSINESS

MIRVAC'S DEVELOPMENT BUSINESS

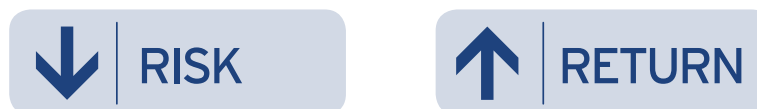


ENHANCED RETURNS FROM INTEGRATED PLATFORM



- › Intellectual property retained internally
- › Full process control allows adaptability and accurate costing
- › Standardisation to lower costs
- › Speed to market – Chatswood 9 weeks¹

COSTS AND TIME SAVINGS FLOW STRAIGHT TO MIRVAC'S GROSS MARGIN



STRONG RELATIONSHIPS

KEY STAKEHOLDERS

- › Acquisitions
- › Planning managed
- › Confidence in planning outcomes
- › Ability to access major infill sites

SUPPLIERS

- › Lower costs
- › National procurement
- › Subcontract tender cover
- › Innovation with materials
- › Economies of scale

INSTITUTIONAL INVESTORS

- › Partnerships
- › Drives ROA improvement
- › Fee income
- › De-risk large land holdings

¹) State Government approval for development to release to market.

MIRVAC'S DEVELOPMENT BUSINESS



VARIETY OF CAPITAL EFFICIENT STRUCTURES:

WHOLESALE PARTNERSHIPS

Definition	Capital partnership with small number of investors for development, with development delivery by Mirvac provided for fees and share in equity profits
Benefits	Improved ROA, fees
Example	MWRDP

STRUCTURED LAND PAYMENTS

Definition	Time efficient method of staged terms for acquisition of land for development assets
Benefits	Improved IRR, Improved ROA
Example	Eastern Golf Course, VIC

PDA

Definition	Provision of development services by Mirvac for a return without the transfer of title from the owner, who retains a long term interest
Benefits	Improved IRR, access to strategic sites, Fees
Example	Elizabeth Hills, NSW

JOINT VENTURE

Definition	Undertaking a development in a defined partnership with a co-investor
Benefits	Improved ROA, fees
Example	Burswood, WA

35% OF TOTAL
DEVELOPMENT
CAPITAL

MIRVAC'S DEVELOPMENT BUSINESS



RIGOROUS ACQUISITION PROCESS REDUCES RISK:



- > Multi stage review process
- > Feasibility studies not reliant on price escalation
- > Top down & bottom up research
- > Return hurdles of average 18% IRR
- > Projects targeted with confidence in planning outcomes
- > Optimised capital allocation

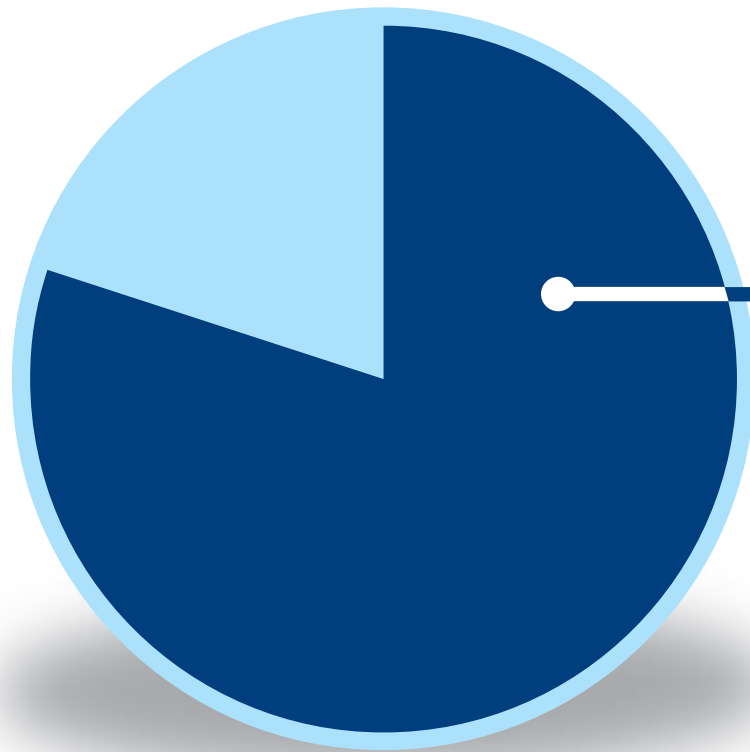
MIRVAC'S DEVELOPMENT BUSINESS



ACQUISITIONS ILLUSTRATE RIGOROUS PROCESS:

Project	Location	Type	Lots	Settlements from	Why is this a good acquisition for development?
Harold Park	NSW	Apartment	1,250	FY14	<ul style="list-style-type: none"> > Unique major infill development opportunity > Iconic inner city site > FY14 settlements
New Brighton	NSW	Land/Housing	257	FY14	<ul style="list-style-type: none"> > Capital efficient PDA structure > Increased exposure to NSW market > FY14 settlements
71 Macquarie Street	NSW	Apartment	Approx 100	TBA	<ul style="list-style-type: none"> > Return to one of Mirvac's key brand strengths – delivering premium apartments on iconic inner city site > Build on success of Quay Grand apartment project > Allows the hotels business to leverage off developments
Green Square Town Centre	NSW	Apartment	1,500	FY17	<ul style="list-style-type: none"> > Capital efficient PDA structure > Unique location – town centre for the southern Sydney corridor > Multi generational project
Hamilton	QLD	Apartment	582	FY14	<ul style="list-style-type: none"> > Increased exposure to the affordable market > ULDA jurisdiction (ability to fast track approvals) > FY14 settlements
Eastern Golf Course	VIC	Land/Housing	621	FY15	<ul style="list-style-type: none"> > Unique major infill development opportunity > Iconic Melbourne's Eastern suburbs site > Favourable terms and returns
Old Treasury Building	WA	Commercial	N/A	FY15	<ul style="list-style-type: none"> > Increased commercial exposure to Perth CBD > Delivering 50% of a premium asset to MPT > Secure 25 year lease with the WA government
Total			Approx 4,310		

RESTOCKING FOR FUTURE EARNINGS



80%

RESIDENTIAL =
APARTMENTS,
HOUSES AND LAND

STRENGTHS OF MIRVAC'S RESIDENTIAL DEVELOPMENT BUSINESS

RESIDENTIAL DEVELOPMENT



SUPERIOR BRAND LEVERAGED



HIGHER PRE-SALES



PRICE PREMIUM ACHIEVED



REPEAT CUSTOMERS

ABILITY TO DRIVE RETURNS IN A FLAT MACRO MARKET

- > Better access to capital
- > National procurement
- > Brand drives pre-sales and price premium
- > Increased market share
- > Conservative assumptions via acquisition process

PRODUCT DIVERSITY LOWERS RISK¹

60%

APARTMENTS

23%

LAND

17%

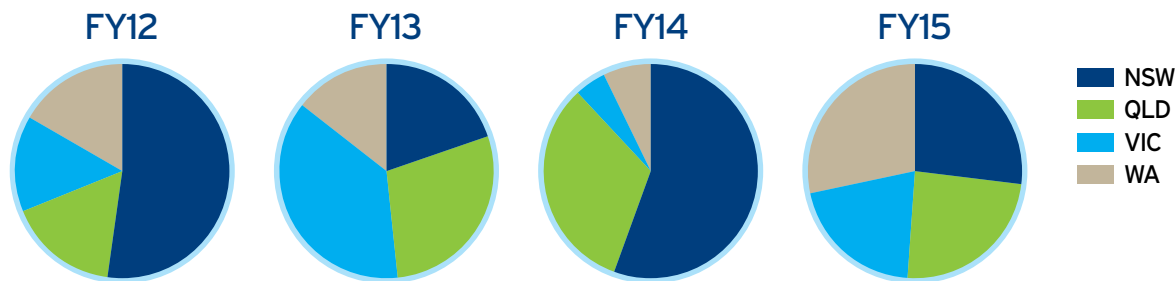
HOUSES

¹) Mirvac's share of revenue as at 31 December 2010.

RESIDENTIAL DEVELOPMENT

GEOGRAPHIC DIVERSITY¹

Short term skew to NSW



SETTLEMENT MANAGEMENT

- › Robust sales contracts from 39 years of experience
- › Default rates average 3% medium term
- › Contracts “full recourse” and unconditional
- › Sales and marketing team employed and trained in-house

1) Forecast EBIT.

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HIGH DENSITY = APARTMENTS

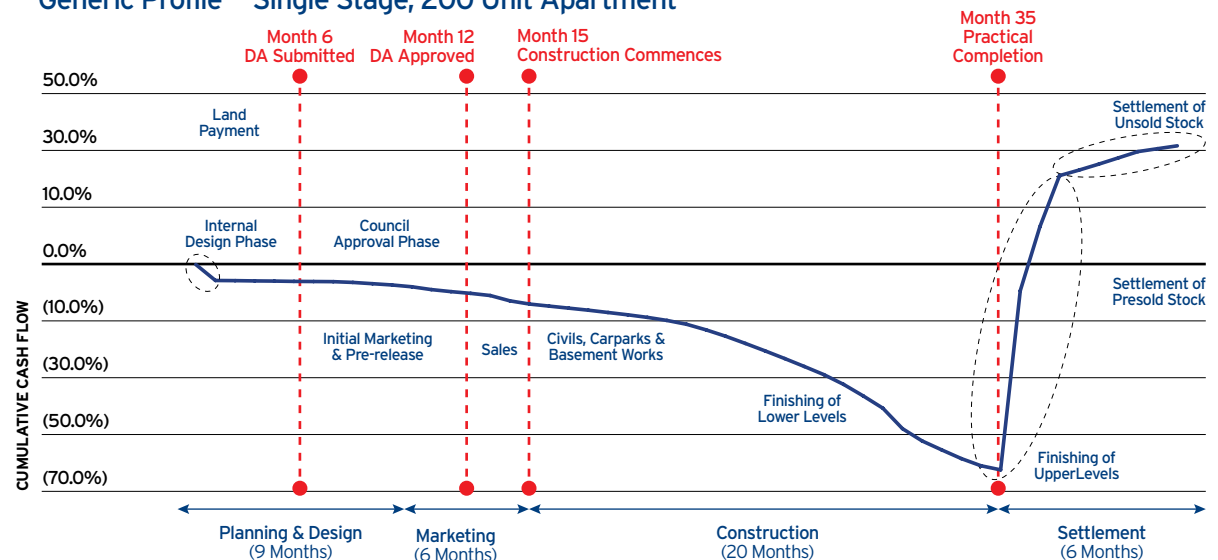
RESIDENTIAL DEVELOPMENT

HIGH DENSITY = APARTMENTS

PROFILE OF HIGH DENSITY

- High barriers to entry
- Acceptable risk return profile
- Larger quantum of return
- More capital intensive
- Longer cash conversion cycle – Approximately 2-3 years
- Complex skill set
- Pre-sale for de risking

Generic Profile – Single Stage, 200 Unit Apartment



Profit & Loss Impact

100% Project	Marketing Expensed	Sales Commissions Expensed	100% of profit recognised on settlement
PDA	MGR share of equity accounted sales and marketing expenses		MGR share of equity profits recognised on settlement
Fee Stream	Cost based fees - billed for design, marketing and construction costs		Revenue based fees
50% Joint Venture	50% of equity accounted sales and marketing expenses		50% of equity profits recognised on settlement
Fee Stream	Cost based fees - billed for design, marketing and construction costs		Revenue based fees
Wholesale Partnership	MGR share of equity accounted sales and marketing expenses		MGR share of equity profits recognised on settlement
Fee Stream	Cost based fees - billed for design, marketing and construction costs		Revenue based fees

RESIDENTIAL DEVELOPMENT

HIGH DENSITY = APARTMENTS



STRICT LOCATION CRITERIA

Capital city focus

GENERATIONAL PROJECTS

Multi stage - product adaptation and overhead savings

PLANNING

Planning visibility sought pre acquisition

SPECIALISED SKILL SET

Strong track record and integrated model

SKEW TO MID MARKET

- > Less cyclical
- > Deeper market
- > Government requires supply from urban high density
- > Generational preference shift to high density

RESIDENTIAL DEVELOPMENT

HIGH DENSITY = APARTMENTS



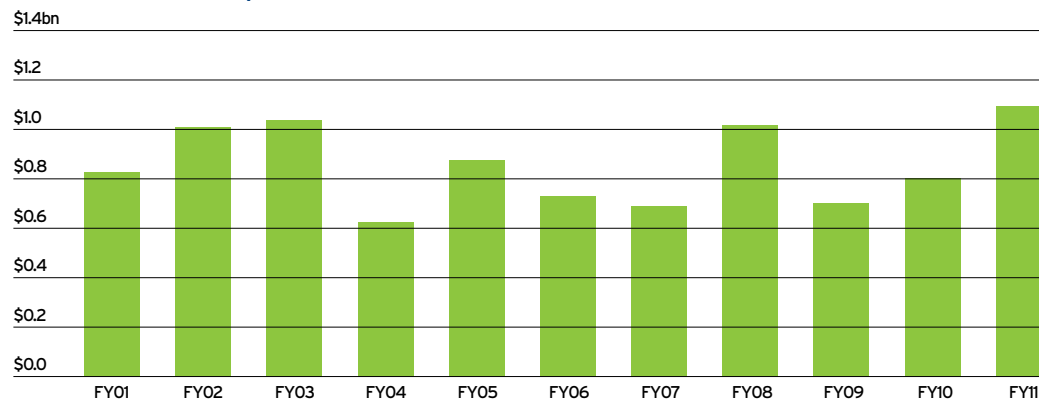
LESS COMPETITION

Exit of peers

PRE-SALES

- > Brand – 39 year track record
- > Construction subject to internal pre-sales limits
- > Strong customer network – VIP Database

Presales – Historic 10yr Profile



RECENT ACQUISITIONS

Harold Park, NSW
Green Square, NSW
Hamilton, QLD

1) As at 12 May 2011.

CASE STUDY – HIGH DENSITY

ERA, PACIFIC PLACE, CHATSWOOD, NSW

Project detail:

Site acquired

- › December 2000

Delivered

- › 42 story building containing 295 apartments,
4,900sqm of office space

Timing

- › Construction period of three years beginning in July 2011

Forecast project IRR

- › Greater than 18%

Integrated model at work

- › The Development Division received State Government approval for the project in early March 2011, and in nine weeks Mirvac Development, Mirvac Construction, Mirvac Design and Mirvac Sales and Marketing released and sold 94%¹ of the 295 lot apartment tower



1) As at 11 May 2011.

LOW DENSITY = HOUSES AND LAND

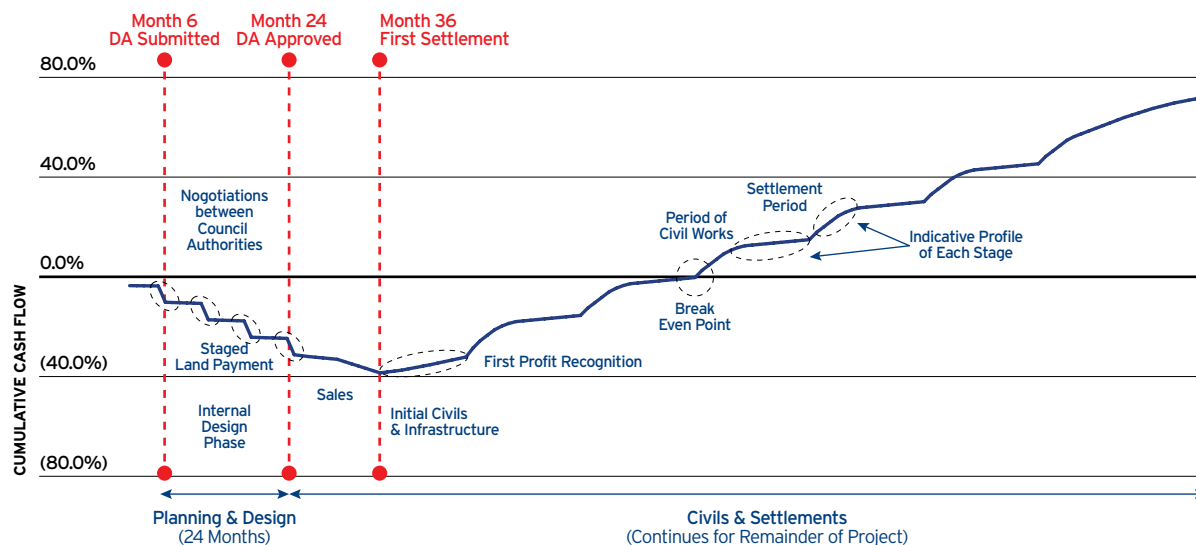
RESIDENTIAL DEVELOPMENT

LOW DENSITY = HOUSES AND LAND

PROFILE OF LOW DENSITY

- › Lower capital commitment
- › Smoother earnings
- › Delivery less complicated
- › Flexibility of stock and staging
- › Shorter cash conversion cycle – Approximately 6-12 months
- › Risk in planning at acquisition

Generic Profile - Multi Stage, 1,000 Lot Masterplanned Community



Profit & Loss Impact

100% Project	Marketing Expenses	100% of profit recognised on settlement
	PDA	MGR share of equity profits recognised on settlement
Fee Stream	Cost based fees	Revenue & Cost based fees
50% Joint Venture	Marketing Expenses	50% of equity profits recognised on settlement
	PDA	MGR share of equity profits recognised on settlement
Fee Stream	Cost based fees	Revenue & Cost based fees
Wholesale Partnership	Marketing Expenses	MGR share of equity profits recognised on settlement
	PDA	MGR share of equity profits recognised on settlement
Fee Stream	Cost based fees	Revenue & Cost based fees

RESIDENTIAL DEVELOPMENT

LOW DENSITY = HOUSES AND LAND



KEY STAKEHOLDER RELATIONSHIPS

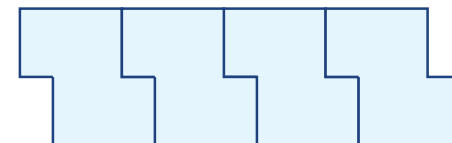
Acquisitions and planning

PLANNING EXPERIENCE

In-house through Mirvac Design

HOUSE DESIGN CAPABILITY

- > Smaller lots rely on House and Land packaged solution
- > Greater yield per site - Zipper lots
- > Design excellence = flexibility



RECENT ACQUISITIONS

Eastern Golf Course, VIC
Newbrighton Golf Course, NSW
Rockbank, VIC¹

1) Joint venture.

CASE STUDY – LOW DENSITY

MIDDLETON GRANGE, NSW

Project detail:

Site acquired

- › PDA agreed with Landcom in September 2007
- › Site purchased outright from Landcom in December 2010

Delivered

- › Approximately 474 lots in 6 Stages – Land, House and land packages and speculative product

Timing

- › Due for completion in mid-late 2013

Forecast project IRR

- › Greater than 18%

Integrated model at work

- › Mirvac Design created the masterplan and delivered design, approval and construction documents for housing
- › Mirvac Constructions co-ordinated infrastructure and house build
- › Mirvac Sales and Marketing sold the product
- › Mirvac Development managed the development process
- › This allows Mirvac to respond to market trends such as small lots and speed of project delivery to market



COMBINING HIGH + LOW DENSITY PROJECTS

DIVERSIFICATION

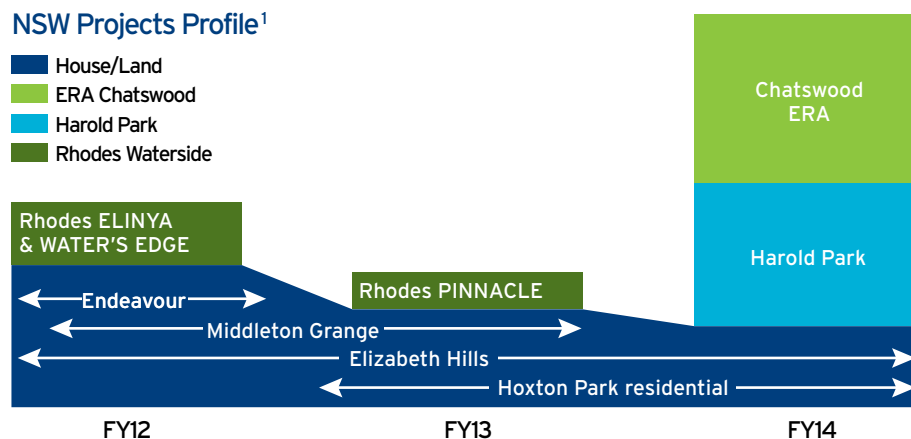
- > Different demand drivers across products
 - High Density: Government requires supply from urban high density urban supply to meet population growth
 - Low Density: First home buyers and upgraders

BALANCE CASH FLOWS

Long lead times of high density balanced with faster delivery from low density

REDUCES VOLATILITY OF EARNINGS

Large contributions offset by smaller stable volume

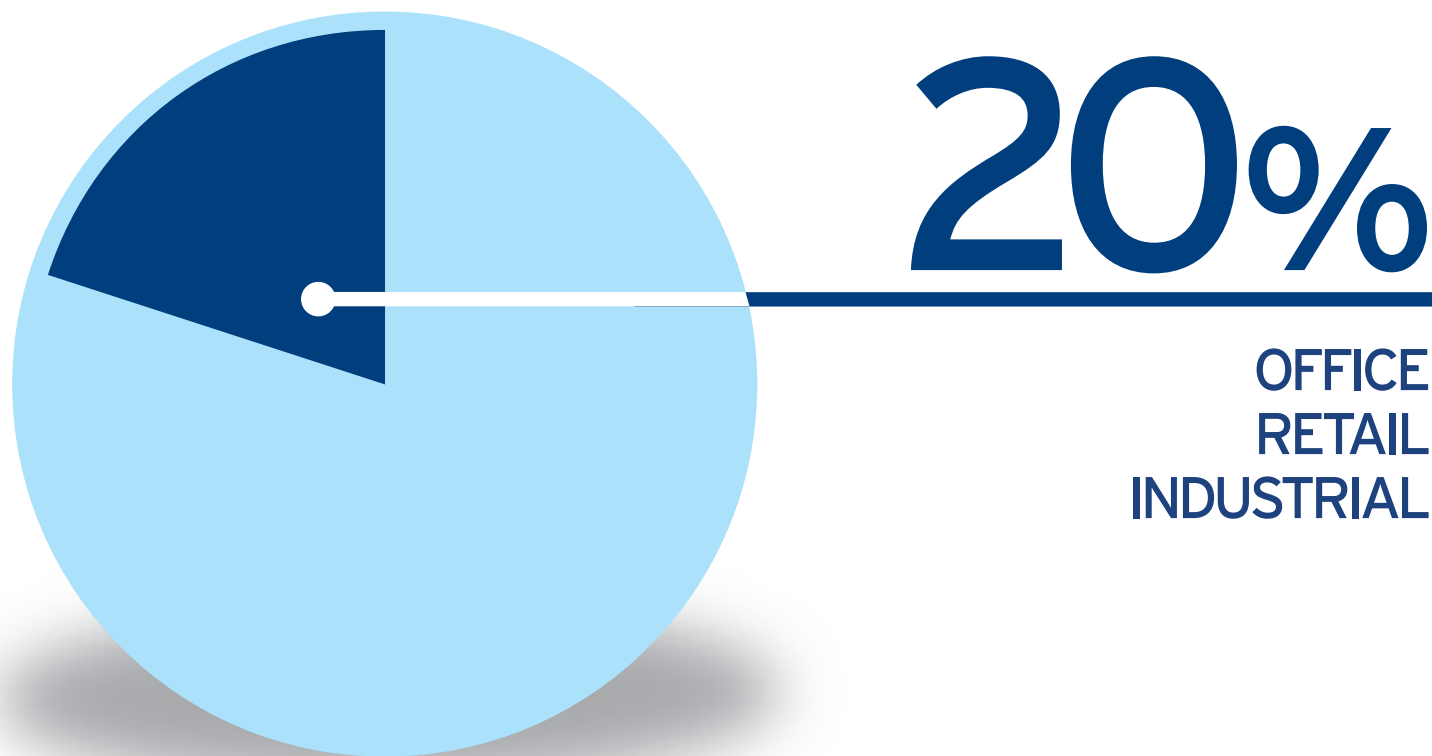


STAFF

Multi skilled workforce

1) Mirvac's share of forecast revenue.

COMMERCIAL DEVELOPMENT



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PROFILE OF COMMERCIAL DEVELOPMENT

OFFICE

- > Mid to high rise, predominantly CBD locations
- > Complex skill set
- > Longer time to delivery
- > Capital intensive
- > Pre-sale/lease to de-risk

Example: 8 Chifley Square, NSW; Old Treasury Building, WA

RETAIL

- > Opportunities from residential inventory
- > Complex skill set
- > Medium time to delivery
- > Capital intensive
- > Pre-sale/lease to de-risk

Example: Stanhope Gardens, NSW; Orion Springfield Town Centre, QLD

INDUSTRIAL

- > Leverage relationships for selected opportunities
- > Shorter time to deliver
- > Less capital intensive
- > Pre-sale/lease to de-risk

Example: Hoxton Park, NSW; Nexus Industrial Park, NSW

- › Commercial developments delivered at cost to MPT
- › Part share asset sell down provides earnings to Development Division

MIRVAC'S STRENGTHS

INTEGRATED MODEL BENEFITS

- › Rapid and efficient response to opportunities and market demands
- › Full process control allows adaptability and accurate costing

TRANSFERABLE SKILL SET

Multi skilled workforce can shift across project types (e.g. apartments)

DELIVERY OF PRODUCT TO MPT

Quality, time and cost benefits – better than market yields

RELATIONSHIPS

Value creation through part share sell down to partners – Common goal driving profit maximisation

CASE STUDY – COMMERCIAL DEVELOPMENT

HOXTON DISTRIBUTION CENTRE, NSW

Project detail

Site acquired

- › Acquired former Hoxton Park Airport in July 2010

Deliverables

- › Circa 140,000 sqm of industrial space and houses two major distribution centres
- › 100 per cent pre-leased to Woolworths Limited

Timing

- › Completion of the Dick Smith distribution facility anticipated August 2011 – 5 months ahead of program, completion of the BIG W distribution facility in December 2011 – 3 months ahead of program

Forecast project IRR

- › Greater than 18%

Integrated model at work

- › Project involved resources from all departments within Mirvac; Development, Design, Investment and Corporate Services teams, working together to maximise this opportunity for Mirvac



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IMPAIRED INVENTORY UPDATE

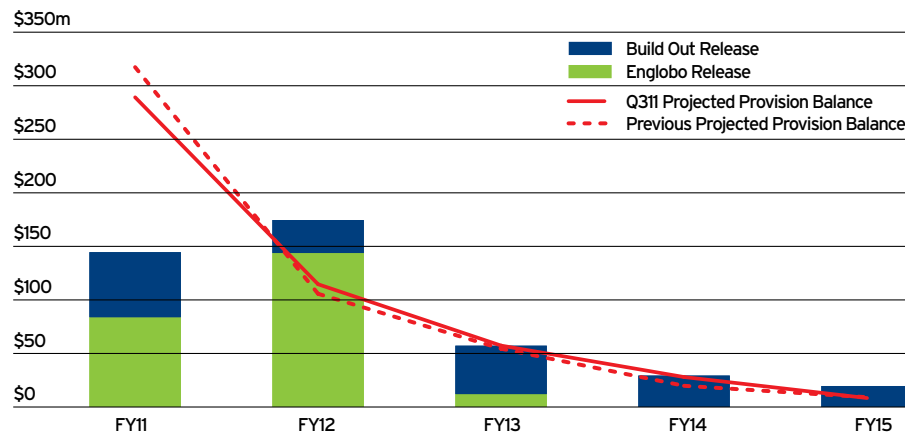
IMPAIRED INVENTORY UPDATE



PROGRESS OF ENGLOBO SALES AHEAD OF SCHEDULE:

Project	Target sales dates	Update
Dianella, WA	June 2011	On track – terms agreed, sales date in line with forecast
Magenta Shores, NSW	September 2011	On track – terms agreed, sales date in line with forecast
Brendale, QLD	December 2011	On track – marketing underway
The Royal, Stage 2, NSW	January 2012	On track – marketing underway
Bridgewater, WA	November 2012	On track – marketing campaign to be undertaken in FY12

Provision release roll off¹



- > Mirvac remain confident that there are no current outstanding provisions to carrying value
- > The exception remains Tennyson Reach (Carrying value \$80.8m), was adversely affected by the Queensland floods. As soon as Mirvac has a reasonable basis to forecast the impact of these events, the Group will inform the market if the impact is assessed to be material

1) Based on forecast revenue, market conditions, expenditure, and interest cover over project life.

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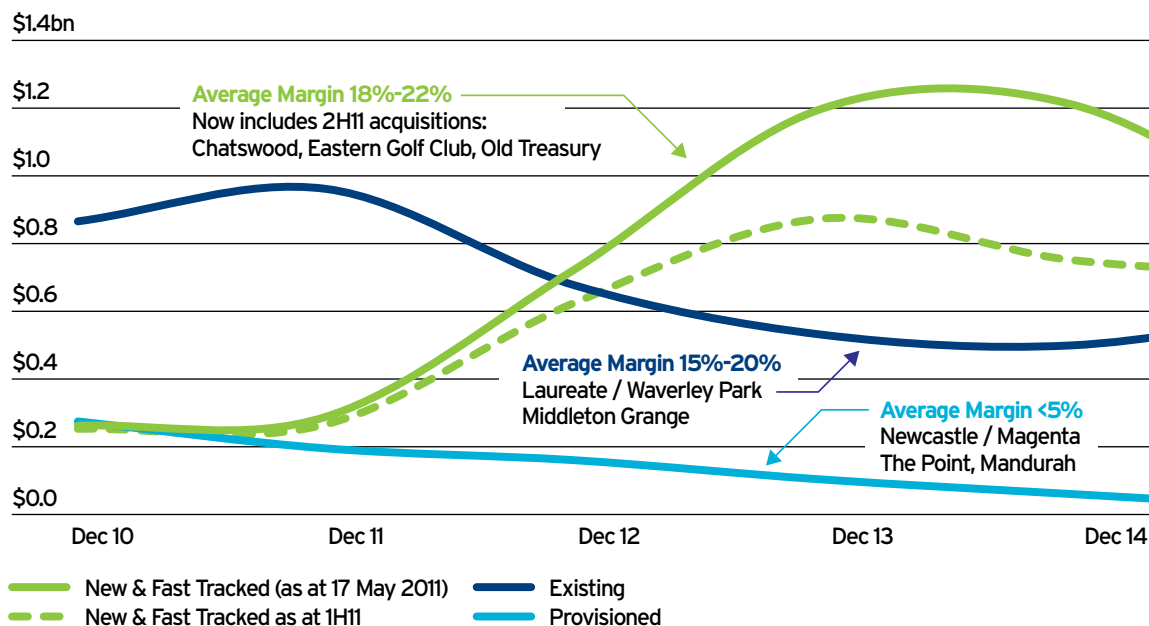
DRIVERS TO 2014

DRIVERS TO 2014

IMPACT OF RECENT ACQUISITIONS:

➤ New acquisitions will provide material incremental impact on FY14 returns

5 Year Net Inventory Profile



1) Gross margin = (Revenue - cost of goods sold)/Revenue.

DRIVERS TO 2014



2008 - 2010

PROCESS IMPROVEMENT

- › \$40m overhead cost savings
- › Centralise Mirvac Design
- › Further improve acquisitions process

2011 - 2012

TRANSITION

- › Acquisitions recommence
- › Englobo sales + build out
- › Capital recycling
- › Re-activate commercial development
- › Build up pre-sales

2013 →

DELIVER SUSTAINABLE EARNINGS GROWTH

- › Significant apartment completions: Chatswood, NSW, Harold Park, NSW, Hamilton, QLD
- › Diversify capital and geography
- › Commercial development providing meaningful EBIT contributions

PRE-SALES IS A KEY COMPETITIVE ADVANTAGE FOR MIRVAC

- › \$285m of pre-sold revenue at May 2011 represents approximately 25% of FY14 forecast development revenue
- › Potential to supplement this via Harold Park and Hamilton releases expected by calendar year end 2011

- › Integrated platform allows flexibility and adaptability
- › Superior brand delivers pre-sales
- › Diversified across geography, product and capital structure

= RIGHT MODEL

- › Very strong pre-sales – \$1.1bn
- › Acquisitions and portfolio profile deliver for FY14
- › Transition on track for provision projects and englobo sales

= SUSTAINABLE RETURNS

ON TRACK FOR FY14

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questions

