

3 June 2016

MIRVAC RECEIVES LONG-TERM ISSUER RATING OF BAA1 FROM MOODY'S

Mirvac Group ("Mirvac") [ASX: MGR] is pleased to announce it has received a Baa1 long-term issuer rating from Moody's Investor Service, with a stable outlook. This is the first time Moody's has assigned a rating to Mirvac.

Mirvac's CEO and Managing Director, Susan Lloyd-Hurwitz, commented, "Today's rating from Moody's reflects the quality of the Group's high-performing investment portfolio, in addition to our strong balance sheet and financial metrics."

Please refer to the attached release by Moody's Investor Service.

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Rating Action: Moody's assigns long-term issuer rating of Baa1 to Mirvac Group; outlook stable

Global Credit Research - 03 Jun 2016

Sydney, June 03, 2016 -- Moody's Investors Service has assigned a long-term issuer rating of Baa1 to Mirvac Group.

This is the first time that Moody's has assigned a rating to Mirvac Group.

At the same time, Moody's has assigned a Baa1 long-term issuer rating to Mirvac Group Finance Ltd.

The outlook on the rating is stable.

RATINGS RATIONALE

"The Baa1 issuer rating reflects Mirvac's solid market position across multiple sectors, including office, retail, industrial and residential", says Maurice O'Connell, a Moody's Vice President and Senior Credit Officer.

"In particular, the rating recognizes the real estate investment trust's (REIT) stable and predictable level of operating income, as derived from its diversified portfolio of office, retail and industrial assets, representing around 58%, 30% and 9% of its investment assets respectively", adds O'Connell.

Mirvac's investment portfolio benefits from a solid asset profile.

The good quality of its office portfolio, comprising 27 offices with a book value of around AUD4.5 billion, is demonstrated by a high percentage of assets -- around 94% -- which are Premium or A grade along with a long weighted average lease expiry (WALE) of over 6 years.

The retail portfolio, comprising 14 assets with a book value of around AUD2.3 billion, benefits from occupancy rates that have improved over time and are now consistently above 99%.

Furthermore, the retail portfolio has a good spread of assets across different segments, including regional, sub-regional, CBD retail, neighborhood and outlet centers.

Mirvac's passive earnings stream also benefits from management fees. Assets under management on behalf of capital partners now exceeds AUD5 billion.

Mirvac's rating further considers its development business, an important contributor to earnings and accounting for around one third of reported operating EBIT in of FY2015.

On the other hand, the rating is restrained by earnings and cash flow volatility through the cycle. In this context, Moody's notes that development EBIT -- as a percentage of operating EBIT -- fluctuated from 15% in FY2010 to over 30% in FY2015. We consider FY2015 to be close to a cyclical peak.

Mirvac's rating also considers its strong financial metrics, including the fact that its gearing range of 20-30% -- on the basis of net debt/total tangible assets -- is the lowest for Moody's-rated A-REITs.

The strength of its financial metrics is also reflected in its low level of financial leverage, which -- in terms of net debt/EBITDA -- averaged around 4.5 times on a look-through basis over the three years to June 2015.

However, Mirvac's rating also reflects the quality of its earnings, which is weaker than that for other rated REITs, given the higher earnings volatility and risks associated with property development.

As such, we believe that its financial leverage should be commensurately lower at any given rating level when compared to more traditional REITs.

Mirvac has an adequate liquidity profile. It maintains a policy of holding sufficient cash and undrawn lines available to meet 12 months debt maturities, but will generally also include contracted commercial property

sales proceeds within its liquidity calculations.

The stable outlook reflects our expectation that Mirvac will maintain a conservative financial profile which recognizes the inherent risks associated with its development activity, while underpinned by stable and recurring rental income from its investment portfolio.

What Could Drive the Ratings Up

An upward rating trend could emerge over the medium term if Mirvac reduces leverage so that net debt/EBITDA falls below 3.5 times on a look-through basis and fixed-charge coverage rises above 4.5 times, on a consistent basis, through the development cycle.

Upward rating pressure could also emerge if there is a long-term structural decrease in the proportion of development earnings to total earnings.

A strong liquidity profile would also be a prerequisite for an upgrade

What Could Drive the Ratings Down

Negative rating pressure could arise if we foresee a weakening in financial metrics. Metrics that we will consider for a downgrade include net debt/EBITDA rising above 5.0 times, EBITDA/interest coverage falling below 3.0 times, and/or net debt/tangible assets rising above 30%, on a consistent basis.

A sharp deterioration in housing demand and/or residential prices could also result in negative rating pressure.

The principal methodology used in these ratings was Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Mirvac is an Australian real estate investment trust (A-REIT). The Group operates two core businesses; (1) the investment and management of office, retail and industrial assets held under Mirvac Property Trust (MPT), and (2) a development business comprising residential and commercial.

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