



ASX Release / Media Release

20 June 2008

The Company Announcements Office
Australia Securities Exchange
20 Bridge Street,
Sydney NSW 2000

Dear Sir/Madam,

Mirvac Group Market Update

Please find attached:-

- ASX/Media Release
- Supporting Presentation Slides

Yours faithfully

A handwritten signature in black ink, appearing to read 'MGASh'.

Michael G.A. Smith
Group Company Secretary

Mirvac is a leading ASX-listed, integrated real estate group with approximately \$28 billion of activities under control across the real estate funds management and development spectrum.

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20 June 2008

MARKET UPDATE

Mirvac [ASX: MGR] today announced, following a review of operations, an adjustment in asset carrying values of \$300 million to \$400 million, clarified operating earnings guidance for FY08 and restated its full year distribution of 32.9 cents per stapled security.

Asset Impairment

Due to the sustained deterioration in market conditions including prolonged global financial market volatility, rising cost of capital and general slow down in global and Australian economic conditions, Mirvac has reassessed the value of residential and non-residential developments, intangible values and co-investments in managed listed funds.

Accordingly, Mirvac has adjusted its asset carrying values of between \$300 million and \$400 million, a 3.8 per cent to 5.0 per cent decrease in total asset value¹. In line with continuous disclosure obligations, Mirvac has provided a range of expected changes to carrying values subject to finalisation of year-end audited accounts and acceptance by the Board.

Development

Residential developments have been exposed to the continuing poor sentiment, affordability and mortgage related stress, which has adversely impacted some development values. Mirvac has reviewed its portfolio of residential developments and has adjusted the carrying value of some of its inventory, particularly NSW. Mirvac has also adjusted the value of some of its non-residential developments after a review of key metrics including capitalisation rates, development time frames and costs.

Adjustments to the carrying value of Mirvac's development inventory of \$147 million to \$217 million have been made.

Co-investments

Mirvac Property Trust owns approximately 13 per cent in Mirvac Industrial Trust [ASX: MIX] held at an average cost of \$0.95, representing a total carrying value of \$48 million. The unit price of MIX has experienced negative impacts due to the slowing of the US economy and Mirvac has considered this investment impaired in the range of \$16 million to \$19 million.

Mirvac Property Trust also owns approximately 23 per cent in Mirvac Real Estate Investment Trust [ASX: MRZ]. This stake is held at an average cost of \$1.35, representing a total carrying value of \$195 million. Listed property trusts in general have experienced trading volatility, including MRZ particularly over recent months and Mirvac has considered this investment impaired in the range of \$48 million to \$55 million.

These adjustments result in a revised carrying value of between \$64 million to \$74 million.

Intangibles

The deterioration in real estate markets has adversely affected business units within the Funds Management division resulting in a slow down in acquisitions, disposals and performance fees. Mirvac has adjusted the carrying values of management rights, resulting in a revised carrying value of between \$18 million and \$34 million.

1. Subject to finalisation of year-end audited accounts and acceptance by Board. External valuations have been received on 35.7% of the portfolio, by number, and internal valuations have been undertaken on the balance with some positive and negative amounts resulting in little change in aggregate

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Infrastructure Investments

As announced to the ASX on 15 May 2008, Mirvac wrote down 100 per cent of its indirect investment in the Lane Cove Tunnel.

Mirvac also advised that it held units in RiverCity Motorway Group [ASX: RCY] and would mark this investment to market.

Further, Mirvac's indirect commitment, through JF Infrastructure to acquire units in RCY, payable in July 2011, has been reduced.

Based on the current trading price of RCY and the write down of the indirect investment in the Lane Cove Tunnel adjustments have been made to the carrying value of between \$71 million and \$75 million.

Earnings

Mirvac clarifies its operating earnings guidance for FY08 subject to work in hand to be completed by 30 June 2008. The potential for a delay in a number of development sales has resulted in the range below being provided as guidance:

Previous FY08 guidance – 34.3 cents
 Revised FY 08 guidance high end – 34.3 cents
 Revised FY08 guidance low end – 31.4 cents

Distributions

Mirvac reaffirms its distribution of 32.9 cents per stapled security for the year ending 30 June 2008.

Capital Management

Mirvac maintains a strong balance sheet and available liquidity to pursue growth opportunities as detailed below:

	DEC 07	APR 08 Post impairment – low range ³	APR 08 Post impairment – high range ³
Total assets	\$7,660m	\$7,681m	\$7,581m
NTA ¹	\$3.96	\$3.70	\$3.62
Gearing ²	33.8%	34.7%	35.1%
Increase in gearing attributable to impairments	-	1.3%	1.8%
Undrawn committed debt	\$790m	\$965m	\$965m
% hedged	83.4%	79.7%	79.7%

Mirvac complies with all debt covenants

1. NTA based on issued securities including EIS securities
2. Interest bearing liabilities (hedged foreign currency debt) less cash / total assets less cash
3. Group balance sheet updated to 30 April 2008, does not include MPT asset revaluations subsequent to that date

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Trading Outlook

Mirvac's Managing Director, Greg Paramor, said "Since the first shocks of the credit crisis in August last year, we have seen a steady deterioration in real estate market fundamentals in Australia and elsewhere as a consequence, we believe it is appropriate to take these steps.

"We are confronting the difficulties facing the market and its impact on our business now to ensure Mirvac is in a strong position to ride out this volatile period and also be well positioned to capitalise on significant opportunities we anticipate in the period ahead.

"Mirvac has been reviewing its operations over the past 12 months and has implemented a more simplified operating platform. Mirvac's exposure to non-core investments in Funds Management and Development has been reassessed, with a divestment program to be completed in the next 12 months.

"This program is ongoing and the Board and Management will continue to review operations to focus on those areas it believes add significant value to the business going forward.

"While certain domestic markets remain soft our management team is very focused on leveraging Mirvac's brand characteristics of quality, integrity and ingenuity to develop global strategic partnerships, including accelerating expansion into the United Arab Emirates and Gulf states.

"Our policy over the medium term is to secure our business to face the current market volatility and to emerge with strategic options and earnings momentum," said Mr Paramor.

-ENDS-

A market briefing by Greg Paramor will be presented today at 9.15am EST

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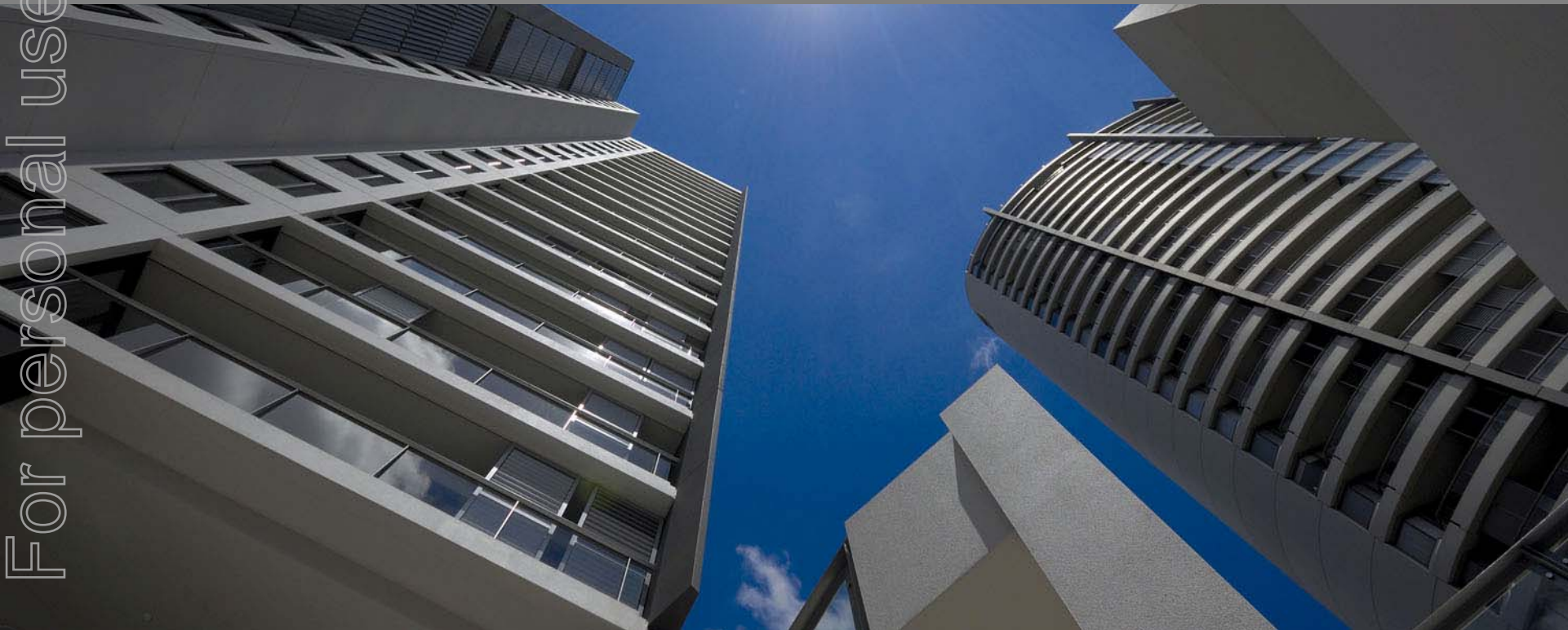
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Key events impacting real estate markets

Direct and securitised real estate markets have been significantly impacted by:

- > Sustained global and Australian financial market volatility
- > Rising cost of capital, accelerated by Reserve Bank's policy of monetary tightening and lack of liquidity in debt markets
- > Slow down in economic growth of all major economies

Events particularly impacting Mirvac's asset values:

- > Slow down in residential sales rates and reassessment of future pricing, particularly NSW
- > Reassessment of non-residential development capitalisation rates, forecast net operating income resulting in revised development schemes
- > Lower transaction volume and reduced performance fees impacting intangible asset carrying values
- > US economic slow down, volatility in equity markets and higher cost of funding has impacted the value of core co-investment in Mirvac's listed funds

Mirvac announces

- > Mirvac has revised the carrying value of certain asset classes, due to deterioration in market conditions
- > Total adjustment of between \$300 million and \$400 million (3.8% to 5.0% decrease in total asset value)¹
- > Operating earnings for FY08 will range between 31.4 cents and 34.3 cents²
- > Operating earnings exclude impairments
- > No current impairment to MPT's investment properties¹
- > Reconfirm FY08 distribution of 32.9 cents per stapled security

1. Subject to finalisation of year-end audited accounts and acceptance by Board. External valuations have been received on 35.7% of the portfolio, by number, and internal valuations have been undertaken on the balance with some positive and negative amounts resulting in little change in aggregate

2. Subject to work in hand completed by 30 June 2008

Development impairment

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RESIDENTIAL

RANGE \$M

All residential development across Australia has been reviewed in light of current market conditions. NSW residential is the most exposed to the continuing poor sentiment, affordability and mortgage related stress, which has adversely impacted land values and sales rates

\$92 – \$159

Carrying value reviews have included:

- > Updating selling rates and prices to reflect market environment
- > Additional holding costs due to delayed timing of developments, including interest to determine impairment provision

NON-RESIDENTIAL

RANGE \$M

All non-residential developments have been reviewed in light of current market conditions with consideration of key drivers (including capitalisation rates, developable area, demand for final product, forecast net operating income and development costs)

\$55 – \$58

Funds Management impairment

		RANGE \$M
INTANGIBLES	Management has undertaken a review of intangible assets in light of current market conditions, which is based upon discounted cash flow analysis and reassessment of future cash flows from funds management operating businesses to determine fair value and potential impairment	\$18 – \$34
CO-INVESTMENTS	Management has revised future earnings and discount rates in line with current market sentiment of its investments in Mirvac Industrial Trust [ASX:MIX] and Mirvac Real Estate Investment Trust [ASX:MRZ]	\$64 – \$74
(previously announced) INFRASTRUCTURE INVESTMENTS	As announced to the ASX on the 15 May 2008, Mirvac wrote down 100 per cent of its indirect investment in Lane Cove Tunnel. In addition with our partners Leighton an investment was made in the RiverCity Motorway [ASX:RCY] project. Based on the current trading price, an adjustment will be made to the carrying value. Both these assets were acquired to seed future funds.	\$71 – \$75

Impact on balance sheet of impairments

	DEC 07	APR 08 Post impairment – low range ³	APR 08 Post impairment – high range ³
Total assets	\$7,660m	\$7,681m	\$7,581m
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Forecast operating earnings

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	NPAT ¹	Cents ¹
Previous FY08 operating earnings guidance	\$361.9m	34.3
Revised high end - FY08 operating earnings*	\$361.9m	34.3
Revised low end - FY08 operating earnings	\$330.8m	31.4

* Subject to work in hand forecast to be completed by 30 June 2008

Impairments are not included in the calculation of operating earnings

1. Earnings per weighted average ordinary security

FY09 Outlook

Consistent with current policy Mirvac will provide FY09 guidance at the company's full year results briefing in August 2008

- > Current weakness in the NSW residential market will continue and will, to varying degrees, be experienced across other markets
- > Establishment of new funds, acquisition and performance fees will be challenging in this market
- > Profit derived from passive asset sales unlikely to be a material contributor to earnings

Outlook

Funds Management

- > Repositioned MPT portfolio continues to provide stable and secure earnings
- > Growth of wholesale investor clubs:
 - Expansion of Mirvac Wholesale Residential Development Partnership
 - Expansion of UK City Regeneration Fund with existing partners
 - Establishment of industrial development fund / partnership
- > Joint venture agreement with Al Badie Group in Abu Dhabi to facilitate hotel management in Middle East North Africa region
- > Hotel management continues to expand in its existing market

Outlook

Development

- > Strong product positioning and premium brand continues to attract pre-sales in excess of \$950 million¹ of exchanged contracts due to settle from FY09 to FY11
- > Reputation for quality will become increasingly important in a slowing residential market, ensuring sound sales performance as a flight to quality occurs
- > Utilise the flexibility of the integrated platform to adapt to changing markets
- > Establishment of offices in UAE, shifting resources to key growth economies in conjunction with strong local partners
 - Dubai to partner Nakheel (residential, serviced apartments and mixed-use)
 - Abu Dhabi to partner Al Badie Group (hotel, serviced apartments and developments)

1. Total exchanged value adjusted for Mirvac share of JV interest and Mirvac managed funds

Mirvac looking forward

- > Actions taken today reflect current market conditions
- > Mirvac's underlying business remains sound, with a committed and experienced Board and management team
- > Taken initiatives to expand into emerging markets
- > Review of operating cost structure underway
- > Mirvac well placed to emerge from current cycle with greater earnings diversification and an efficient structure across its integrated platform

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