Mirvac Group

Prime Australian property below replacement cost: scarce new office supply meets improving demand and a discounted integrated platform

Ticker / reference price	Equity value	FY2026 operating EPS	Income / asset value
ASX: MGR / A$1.76	~A$6.9bn	12.8-13.0c guidance	5.4% yield / 0.76x NTA

Reference price from July 28, 2026; operating data through April 2026. NTA was A$2.30 per security at December 31, 2025. [1][2][7]

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5-YEAR TSR REFERENCE CASE: 15.3% = 5.4% + 6.0% + 3.9%			
15.3%	**5.4%**	**6.0%**	**3.9%**
Annualized TSR	Distribution yield	Operating EPS growth	Multiple reversion

Mechanical bridge: A$1.76 / 12.9c FY2026 operating EPS midpoint = 13.6x, reverting over five years to an estimated 16.5x decade-average operating P/E. Statutory P/E is distorted by property revaluations. [1][6][7]

Thesis

Mirvac owns, develops and manages high-quality Australian office, industrial, retail, residential and build-to-rent assets. At A$1.76, investors buy the group at a 24% discount to NTA and 13.6x operating EPS with a 5.4% distribution yield. The hidden nugget is in prime office: elevated headline vacancy obscures a flight to quality, positive absorption and a thin future supply pipeline because current construction economics do not justify replacement. Immigration and employment growth support space and housing demand, while Mirvac's assets are available below replacement cost. The platform can also earn development and funds-management returns, but office bifurcation, construction risk and the temptation to recycle capital into low-return projects require discipline. [1][2][5]

Four-question scorecard

Question	Score	Why it is not higher
Business quality	4.0 / 5.0	Prime assets plus integrated development / funds platform; cyclical property values and project risk cap quality
Price	4.5 / 5.0	0.76x NTA, 13.6x operating EPS and 5.4% yield provide several margins of safety
People / allocation	4.0 / 5.0	Hanan has direct office and funds-management expertise; discounted securities raise a hard capital-choice test
Hidden nugget	4.5 / 5.0	Prime office below replacement cost with constrained supply and immigration-supported demand

2 Business and Industry

Mirvac combines rent, development margin and third-party capital—but the value of each engine changes across the property cycle

Business model in plain English

Mirvac collects rent from an investment portfolio, creates assets through development, sells homes and land, and earns fees managing property for partners. Its integrated design, development, construction, leasing and asset-management capabilities can capture more of the property value chain. They also create more execution risk than a passive REIT. [1][2]

Engine	What it earns	Current evidence	Quality marker
Office / industrial	Rent, leasing and development	Prime office and modern logistics	Long leases; valuation and tenant-cycle risk
Retail	Rent and turnover-linked growth	High occupancy and positive spreads	Necessity / experiential assets are resilient
Residential	Development margin and settlements	1,896 sales YTD; A$1.8bn pre-sales	Strong demand; lumpy cash conversion
Build-to-rent / funds	Rent plus management / development fees	A$1.7bn LIV fund recapitalized	Capital-light scale if partners earn returns

Why business quality is 4.0 / 5.0

- The stabilized portfolio was about 98% occupied at 1H26, and like-for-like NOI rose 4.4%. [1]
- Prime assets, internal development skill and long institutional relationships create a sourcing and execution advantage that a single-asset REIT lacks.
- Third-party partnerships can turn development capability into fee income while reducing balance-sheet intensity and concentration.
- NTA is not cash. Cap rates, leasing incentives, tenant improvements and construction cost can make appraised value slow to recognize economic loss.
- Office is bifurcating: quality space can win while secondary assets remain impaired. Mirvac must prove that its assets and developments stay on the right side of that divide.

Industry evidence — scarcity meets selective demand

Signal	Evidence	Read-through
Prime demand	Five of six CBD markets posted positive Q2 2026 absorption	Tenant flight to quality is real
Sydney	Fifth positive quarter; ~96,000 sqm FY absorption	Mirvac's core market is recovering
Supply	Few viable new projects over the next five years	Replacement economics constrain competition
Population	High net overseas migration and housing undersupply	Supports jobs, consumption and residential demand

CUSTOMER VALUE PROPOSITION Employers receive high-quality, efficient workplaces that help attract people; residents receive well-located housing; capital partners receive development and management capability they cannot easily build.

3 Financials and Business Quality

Operating momentum is improving while asset values and financing still carry the scars of the rate shock

Metric	FY2025	1H 2026	FY2026 guide / 3Q	Underwriting read
Operating profit	A$472m	A$248m	n/a	+5% in 1H
Operating EPS	12.1c	6.3c	12.8-13.0c	6%-7% FY growth
Distribution	9.0c	4.7c	9.5c	Covered by operating EPS
NTA / security	A$2.26	A$2.30	n/a	Price at 24% discount
Residential sales	2,246 FY	1,304 H1	1,896 YTD	Pre-sales +13% since 1H
Portfolio occupancy	~97%	98%	~97% stabilized	Income platform remains full

Company-reported operating measures; 3Q update through April 2026. [1][2]

Five-year owner-earnings bridge

Driver	Base assumption	Why plausible	Failure test
Portfolio NOI	3%-4% CAGR	Occupancy and positive leasing spreads	Incentives overwhelm rent
Development / residential	Cyclical recovery	A$1.8bn pre-sales and lot restocking	Margins / settlements disappoint
Funds / partnerships	Modest growth	Harbourside and LIV capital partners	Fees do not cover platform cost
Operating EPS	6% CAGR	NOI, margins and capital recycling	Cap-rate / interest drag persists
Distribution	4%-6% CAGR	Payout below operating EPS	Cash retained for overruns

Balance sheet, ratings, maturities and covenants

Position. Headline gearing was 25.8%, inside the 20%-30% target, with approximately A$1.1bn liquidity. Weighted average debt maturity was 4.3 years, 59% of debt was hedged and average borrowing cost was 5.3%. Mirvac refinanced about A$1.3bn in 1H26. **Ratings.** Fitch rates Mirvac A- / Stable and Moody's A3 / Stable. **Maturities / covenants.** The debt profile is staggered across roughly FY2027-FY2032 with no single near-term wall highlighted in the 1H materials. Bank and bond documents contain customary gearing, interest-cover and default protections; the group reported compliance. Exact maintenance thresholds were not numerically disclosed in the summary materials reviewed and should be obtained before sizing. [3]

BALANCE-SHEET JUDGMENT Liquidity and duration are adequate, not abundant. Partnerships and asset recycling are preferable to stretching the balance sheet for development while securities trade below NTA.

4 Valuation, Hidden Nugget and LBO

A discount to both earnings history and asset value buys a recovery that does not require heroic office assumptions

Ten-year operating P/E context

2016-2025 operating P/E	Low	Average	High	Today / FY2026E
Approximate FY-end observations	12.5x	16.5x	20.5x	13.6x

Operating EPS is used because statutory earnings include non-cash investment-property revaluations. Historical range is reconstructed from annual results and period-end prices; treat as approximate. [1][6][7]

Five-year valuation cases

Case	2031 op. EPS	Exit P/E	Cumulative distributions	2031 value	5-year TSR
Bear	12.9c	10x	~47c	A$1.76	~0%
Base	17.3c	16.5x	~55c	A$3.40	~14.1%
Bull	19.0c	19x	~58c	A$4.19	~18.9%

Bear/base/bull operating EPS CAGR is 0%/6%/8%. The bear exit multiple is 10x. Distributions are not reinvested. Analyst estimates.

Hidden nugget — prime office below replacement cost

The market treats office as one damaged category. The more useful distinction is between obsolete space and modern, efficient space that employers use to attract people. Positive prime absorption is returning while high financing and construction cost are preventing a normal wave of new supply. Mirvac's securities trade at 0.76x NTA, and selected prime assets can be bought through the stock below the cost of creating comparable buildings. Immigration supports population, employment, consumption and housing demand. If tenant demand remains positive while supply stays constrained, rents and occupancy can recover before headline vacancy does. The 4.5/5.0 score still recognizes that Melbourne secondary vacancy and hybrid work are real counterevidence. [4][5]

Hidden-value leg	Evidence	Validation
Demand	Positive CBD / prime absorption	12 months of positive net absorption
Supply	Projects fail feasibility at current costs	Low completions through 2030
Entry value	24% discount to NTA	Asset sales near book / leasing supports valuations
Population	Immigration-led growth	Employment and residential settlements remain firm

Illustrative five-year take-private analysis

Stage	Assumption	Financing	Sponsor outcome
Entry	20% premium; ~A$12.3bn EV	~40% LTV / A$7.4bn equity	Large but feasible consortium
Hold	6% earnings growth; asset JVs / sales	Debt reduced; development risk ring-fenced	Cash yield supports carry
Exit	0.9x future NTA / ~16x op. EPS	No heroic cap-rate recovery	~14%-18% IRR range

LBO CONCLUSION A take-private is mathematically possible but operationally complex because of the stapled structure, development commitments, tax and partner consents. Public value realization through leasing, asset recycling and selective buybacks is cleaner.

5 CEO and Capital Allocation

Campbell Hanan is an office operator and funds manager, not a generic corporate executive; the current test is choosing between projects and discounted securities

Campbell Hanan — background and fit

Period	Role	Why it matters
Pre-2013	Investa and UBS Warburg	Property, capital-markets and funds-management foundation
2013-2016	CEO, Investa Office	Direct experience through office leasing and capital cycles
2016-2020	Mirvac Head of Commercial Property	Learned assets, tenants and development pipeline
2020-2023	Head of Integrated Investment Portfolio	Oversaw office, industrial, retail and build-to-rent
2023-present	Group CEO and Managing Director	Owns urban strategy, capital partners and portfolio reset

Hanan has 30 years in property and funds management and holds a BEc and EMBA. [4]

Capital-allocation audit

Action	Strategic logic	Judgment / question
Harbourside partnership	50% Mitsubishi; ~A$1bn capital	Validates project and reduces concentration
LIV recapitalization	A$1.7bn BTR fund; ART partner	Turns capability into partner-backed scale
Residential restocking	~2,300 lots added	Attractive if margins exceed security repurchase return
Asset recycling	Sell non-core / mature assets	Useful price discovery and funding source
Distribution	9.5c guidance	Covered, meaningful and appropriate
Buybacks	No aggressive program	Hard to ignore at 0.76x NTA; balance-sheet caution is fair

Capital-allocation judgment

- Partnering is the right response to expensive debt and a broad development pipeline: it preserves economics while reducing balance-sheet intensity.
- The hurdle for every new owned development is unusually high while the listed securities trade 24% below NTA. Management should disclose project IRRs against the implied return from repurchasing securities.
- Asset sales close to book would validate NTA and fund either higher-return projects or buybacks without increasing gearing.
- Do not reward pipeline size. Reward stabilized earnings, fee income, cash conversion and value per security after all development capital.

PEOPLE / ALLOCATION — 4.0 / 5.0 Hanan's domain fit is strong and partnerships are sensible. The deduction is the unresolved choice between expanding the development book and retiring deeply discounted securities.

6 Risks and Disconfirming Evidence

The thesis fails if prime office demand weakens, projects absorb capital below cost or NTA proves less realizable than it appears

Risk	Why it matters	Early warning / thesis killer	Response
Office demand / hybrid work	Office is a major value driver	Prime occupancy / rents fall for 4 quarters	Cut NTA and terminal multiple
Melbourne oversupply	Headline vacancy remains high	Incentives rise and leasing spreads turn negative	Separate asset-level value
Cap rates / interest	Discount rates move property value	Rates stay high; NTA falls >10%	Demand wider price / NTA gap
Development cost	Integrated model carries completion risk	Cost overruns or fixed-price contractor distress	Haircut project margins
Residential settlements	Cash flow is lumpy	Defaults, weak pre-sales or margin erosion	Slow restocking credit
Capital partners	Strategy relies on external equity	Partner withdrawals / expensive terms	Reduce fee / development value
Covenants / liquidity	Refinancing can force asset sales	Gearing >30% or rating pressure	No add; protect balance sheet
NTA quality	Valuation is core support	Asset sales materially below book	Use transaction values, not appraisals

Pre-mortem: it is 2031 and the investment failed

Hybrid work hardened into structural downsizing, and prime demand was not strong enough to offset secondary vacancy and incentives. Construction costs stayed high, but that scarcity did not create rent growth because tenants simply used less space. Mirvac committed to development before partner capital was secured, residential settlements slowed and asset sales printed below book. Gearing rose, NTA fell and the distribution absorbed most cash while securities remained below 10x operating EPS.

Disconfirming evidence hierarchy

A weak quarterly valuation is not decisive. High headline vacancy is not disconfirming if Mirvac's prime occupancy, spreads and incentives improve. The strongest evidence is negative prime absorption, rising incentives despite low supply, repeated asset sales below book, development returns below the repurchase hurdle, or gearing above the target range.

SINGLE MOST IMPORTANT UNKNOWN Will constrained supply translate into durable prime rent and cash NOI growth, or will lower space-per-worker absorb the scarcity?

TWO-QUARTER DASHBOARD Prime net absorption | occupancy | leasing spreads / incentives | NOI | asset-sale price vs book | residential sales / settlements | gearing | liquidity

7 Portfolio Decision and Research Plan

The holding period is always 5-8 years; maintain a discounted income position and add only when asset-level evidence supports NTA

Conviction	Score	Reason
Analytical	4.0 / 5	Discount and income are visible; future prime-office cash rents are the core variable
Portfolio	3.5 / 5	Real-asset income and Australia exposure diversify, but rates and property remain cyclical
Temporal	4.5 / 5	Five years lets the supply drought, leasing cycle and development pipeline mature

Position-size recommendation

Maintain a 2.0% target position around A$1.76, with a 3.5% maximum. Add below A$1.60 or when the discount exceeds 30% with stable NTA, or after two periods of positive prime leasing evidence and capital returns. The discount deserves ownership; development, office and Australian-rate risk argue for staged sizing.

Action	Price / evidence rule	Rationale
Maintain	A$1.60-A$2.10	Yield and NTA discount compensate for cycle risk
Add	≤A$1.60 or >30% NTA discount	Buy below replacement economics with balance sheet intact
Full size	Positive prime spreads; asset sales near book; gearing <28%	Validates hidden nugget and NTA
Trim	>A$2.50 without EPS / NTA upgrades	Recovery becomes priced
Exit	Asset sales <85% of book + negative prime demand	Asset-value and scarcity theses fail together

Return hurdle context

Cash / 3-month T-bill	U.S. 10-year Treasury	S&P 500 5-year TSR	S&P 500 10-year TSR	S&P 500 15-year TSR
~4.2%	~4.7%	14.1%	15.7%	14.3%

Cash and Treasury yields are mid-August 2026 snapshots; S&P 500 total returns are annualized through June 2026 with dividends reinvested. Historical equity returns are context, not a forward hurdle. [8][9]

Next research steps

- Build asset-by-asset office occupancy, lease expiry, incentive, rent and capex schedules.
- Compare replacement cost and feasible development rent with each major office asset's implied listed value.
- Test development IRRs against repurchases at 0.7x-0.8x NTA and asset sales near book.
- Obtain exact covenant thresholds and debt maturity buckets from executed facility documents.

FINAL DECISION MAINTAIN A 2% POSITION; ADD ON PRICE OR LEASING PROOF. Price and hidden nugget are 4.5/5.0: prime assets below replacement cost can recover before broad office sentiment does.

Source notes

[1] Mirvac 1H26 reporting suite

[2] Mirvac ASX announcements — 3Q26 update

[3] Mirvac debt investor hub

[4] Mirvac Campbell Hanan biography

[5] JLL Australia office market dynamics

[6] Mirvac historical financials / operating EPS

[7] Mirvac market quote

[8] S&P 500 total-return history

[9] U.S. Treasury daily yield-curve rates

Framework source: Chapter 4 and Appendix E of Investing Book July 34(1). Facts are drawn primarily from company materials. Historical operating P/E, replacement-cost judgment, scenarios, LBO returns and sizing are analyst estimates; exact covenant thresholds require final legal-document diligence.

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