

# MIRVAC INDUSTRIAL TRUST

## INVESTOR UPDATE

---

DECEMBER 2012

WELCOME TO THE DECEMBER 2012 HALF YEAR UPDATE  
FOR MIRVAC INDUSTRIAL TRUST (THE "TRUST" OR "MIX").

### TRUST UPDATE

The Trust remains on track to deliver full year operating earnings within the guidance range of 1.85 to 2.00 cents per unit. During the period, the process to further stabilise the Trust's capital structure continued with the Mirvac Group Finance Limited ("MGFL") facility reduced by US\$2.8 million, to a nil balance, in October 2012<sup>1</sup>. The repayment of the MGFL facility, together with the amortisation of the ING debt facilities as required under the loan documents, have reduced the Trust's gearing levels to 63.0 per cent as at 31 December 2012.

Key portfolio fundamentals such as reducing vacancy, improving the portfolio's lease expiry profile and seeking to divest non-core assets, such as 3145 Central Avenue, Waukegan, continued to be the focus during the period.

### PERFORMANCE

The Trust's statutory net profit for 31 December 2012 was \$4.0 million and net profit after tax, adjusted for specific non-cash and significant items, was \$4.1 million, a 32.3 per cent increase on the previous year's net profit after tax of \$3.1 million. Total assets were \$220.3 million. The Trust's Net Tangible Assets ("NTA") per unit remained unchanged at \$0.19 per unit.

No distribution was paid during the period to 31 December 2012. With the settlement of 3145 Central Avenue, Waukegan now complete, and providing there are no unforeseen events or changes in the prevailing market conditions in the Chicago industrial market for the remainder of this financial year, Mirvac Funds Management Limited ("MFML") as responsible entity of the Trust, intends to declare a distribution for the year ending 30 June 2013 of 0.5 cents per unit.

The MIX unit price has continued to improve and closed at \$0.12 per unit as at 31 December 2012. The Trust's total return for the six months ended 31 December 2012 was 9.1 per cent and 50.0 per cent over the past 12 months<sup>2</sup>.

<sup>1</sup> With the settlement of 3145 Central Avenue, Waukegan which was completed on 22 February 2012 (US time), the MGFL facility has been terminated.

<sup>2</sup> Source: UBS Australian REIT Month in Review December 2012.

---

## PORTFOLIO UPDATE

### VALUATIONS

Valuations remained relatively static across the portfolio with 13 assets, or approximately 48.4 per cent of the portfolio by area, referred for external valuation during the period. The balance, 16 assets or 51.6 per cent of the portfolio by area, was valued internally. In aggregate the portfolio's value increased US\$1.3 million to US\$215.4 million<sup>1,2</sup>. The weighted average capitalisation rate for the portfolio firmed slightly to 8.57 per cent<sup>3</sup> as at 31 December 2012 from 8.58 per cent at 30 June 2012.

Approximately 90.4 per cent of the portfolio has been externally valued over the past 12 months.

### LEASING AND OCCUPANCY

Eight leases totalling approximately 875,000 square feet, or 11.4 per cent of the portfolio by area, were executed during the period comprising three new lease transactions across approximately 150,000 square feet and five renewal transactions across approximately 725,000 square feet.

Key leases executed during the period included:

- > **1750 South Lincoln Avenue, Freeport**  
Newell Rubbermaid entered into a new lease at 1750 South Lincoln Avenue, Freeport, Illinois over 499,200 square feet for a term of six years.
- > **3841 Swanson Court, Gurnee**  
Focus Material Recycling has entered into a new 10 year lease over 42,892 square feet of previously vacant space.
- > **1850 Greenleaf Avenue, Elk Grove Village**  
Streamline Transport Solutions has entered into a new 5.3 year lease over 58,627 square feet of previously vacant space.
- > **13040 South Pulaski Avenue, Alsip**  
AEP Industries has entered into a new 3.0 year lease and increased their space requirements from 30,000 square feet to 68,524 square feet.
- > **4531 Columbia Avenue, Hammond**  
Heco Equipment Management Services Inc has renewed their lease for 12 months over 166,893 square feet.

As a result of leasing activity the Trust's weighted average lease expiry ("WALE") remained steady at 4.6 years. Tenant retention remains strong at 75.8 per cent as at 31 December 2012.

Occupancy in the portfolio has also improved from 86.7 per cent at 30 June 2012 to 88.6 per cent as at 31 December 2012.

Post 31 December 2012, MFML entered into lease transactions that, on a combined basis, increased the portfolio's occupancy to 89.7 per cent, increased WALE to 4.8 years<sup>4</sup> and reduced FY13 and FY14 expiries to 1.6 and 8.3 per cent, respectively.

The key leases executed post 31 December 2012 are:

- > **900 East 103rd Street, Chicago**  
Samuel and Sons has entered into a new lease for 5.7 years over approximately 64,000 square feet of previously vacant space.
- > **6751 South Sayer Avenue, Beford Park**  
Superior Mailing Services has entered into a new lease for 7.8 years over approximately 243,000 square feet in advance of their June 2014 expiry.

### DIVESTMENT OF ASSETS

As announced in August 2012, MFML has agreed the sale of the Trust's asset at 3145 Central Avenue, Waukegan for US\$2.55 million (before costs). The sale was conditional on the Trust receiving environmental clearance from the State of Illinois. The environmental clearance was received and settlement of this asset occurred on 22 February 2013 (US time).

1 By book value, on a like-for-like asset basis, excluding 3145 Central Avenue, Waukegan. Settlement of 3145 Central Avenue, Waukegan was completed on 22 February 2013 (US time).

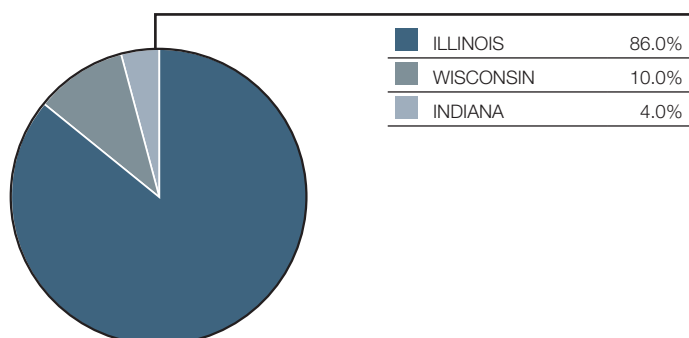
2 Based on audited book values at 31 December 2012 totalling A\$207.5 million at AUD/USD FX rate of 1.0384.

3 Including external and Directors' valuations.

4 By income.

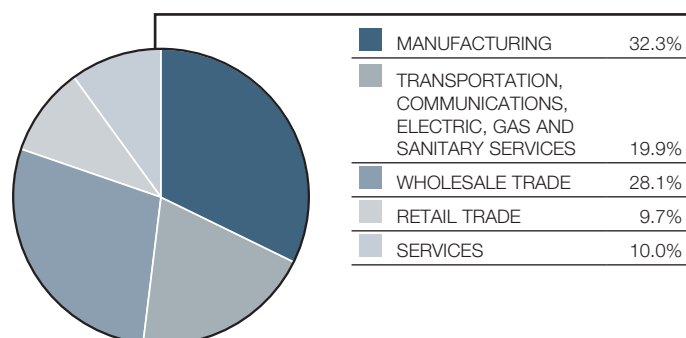
## GEOGRAPHIC DIVERSIFICATION BY BOOK VALUE<sup>1</sup>

The Portfolio contains 49 tenants spread across four markets and 13 sub-markets.

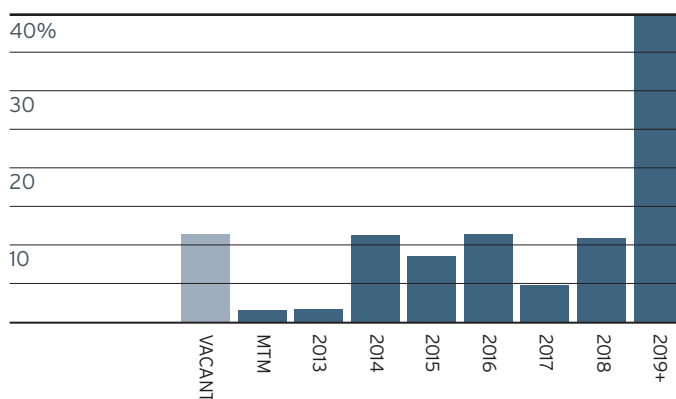


## TENANT DIVERSIFICATION BY GROSS INCOME<sup>1</sup>

The Portfolio is well represented across a range of industries.



## LEASE EXPIRY PROFILE BY AREA<sup>1</sup>



## TOP 10 TENANTS BY GROSS INCOME<sup>1</sup>

TENANT	%
TRUSERV	10.3%
FACTORY CARD OUTLET	9.7%
INNOWARE PAPER	6.6%
APL LOGISTICS	6.1%
PACTIV CORPORATION	5.6%
NEWELL WINDOW FURNISHINGS	5.5%
CITY OF CHICAGO	4.9%
ARROW FINANCIAL	3.6%
ORION CORPORATION	3.2%
SUPERIOR MAILING	3.2%
<b>TOTAL</b>	<b>58.7%</b>

## CAPITAL MANAGEMENT

As at 31 December 2012, the Trust had total debt of US\$145.2 million with a weighted average debt expiry of 3.2 years and a weighted average cost of debt of 4.42 per cent. The Trust's gearing level as at 31 December 2012 was 63.0 per cent down from 65.5 per cent. This reduction results from the pay down of the MGFL facility and the amortisation of the Trust's ING loans as required under the loan documentation.

The MGFL loan balance was nil as at 31 December 2012. The MGFL facility was terminated on 1 March 2013 and will benefit the Trust through a reduction in line fees.

The Trust's debt facilities as at 31 December 2012 are as follows:

DEBT PROFILE	BALANCE (US\$M)	FACILITY DRAWN (%)	MATURITY DATE
ING Facility – CJF1 LLC	61.7	100	1 Mar 16
ING Facility – CJF2 LLC	75.6	100	1 Mar 16
ING Facility – CJF3 LLC	7.9	100	1 Mar 16
MGFL <sup>2</sup>	–	–	30 Sep 13
<b>Total facilities</b>	<b>145.2</b>		

<sup>1</sup> As at 31 December 2012.

<sup>2</sup> The MGFL facility limit as at 31 December 2012 was US\$4.8 million. Line fees of 3.75 per cent per annum are payable on the facility limit. With the settlement of 3145 Central Avenue, Waukegan which was completed on 22 February 2012 (US time), the MGFL facility has been terminated.

## MARKET OUTLOOK

Demand for industrial space in the Chicago industrial market continued to improve during the period with market vacancy dropping to 9.1 per cent<sup>1</sup>, the lowest rate recorded in five years, and rental rates beginning to rise throughout the market.

Since the market recovery commenced during the second half of 2010, nearly 33.3 million square feet<sup>2</sup> of space has been absorbed, suggesting that on a vacancy and absorption basis, Chicago's industrial market fundamentals are at pre-recession levels.

It is important to note, that the majority of the improvement has been for higher quality buildings in logistics focussed corridors where the Trust has no exposure rather than evenly distributed across all sub-markets.

## STRATEGY

MFML has remained focussed on the ongoing asset management, disciplined portfolio management and prudent capital management of the Trust, with a view to deliver value to MIX unitholders.

With operating conditions stable to improving in the Chicago industrial market, MFML has identified the following five non-core assets to realign and establish a core B-grade Chicago centric industrial portfolio:

- > 3145 Central Avenue, Waukegan, Illinois<sup>3</sup>
- > 308 South Division Street, Harvard, Illinois
- > 900 East 103rd Street, Chicago, Illinois
- > 4507 Columbia Avenue, Hammond, Indiana
- > 4531 Columbia Avenue, Hammond, Indiana

The non-core assets listed above represent approximately 18.2 per cent of the portfolio by book value and approximately 23.4 per cent by net property income (excluding capital expenditure). The sale of these assets is expected to improve the underlying fundamentals including vacancy, capital expenditure requirements, WALE profiles and debt levels. Realigning the portfolio is expected to generate a more stable and secure earnings stream from the portfolio and should remove the latent environmental risk associated with the heavy manufacturing style tenants.

Despite the fact that the non-core assets sale will reduce earnings, the divestment of these assets is expected to improve the overall quality of the remaining portfolio and is expected to deliver cash savings to the Trust through a reduction in future capital expenditure requirements.

MFML intends to appoint third party property agents to establish a formal sales and marketing campaign for the non-core assets in the June 2013 quarter. Depending on the prevailing market conditions, it is expected the sales and marketing process may take up to six months from the appointment of third party property agents.

In addition to the non-core assets set out above, MFML is conducting a dual leasing and sales program for certain vacant assets. While our preference is to retain these vacant assets if they can be successfully leased, an opportunity may exist to offer these particular assets for sale to an owner occupier.

MFML believes a realigned portfolio comprised of core B-grade Chicago centric industrial assets will create opportunities to deliver value for unitholders and is expected to be more attractive to institutional owners of industrial assets. A future opportunity may present itself to sell the realigned portfolio in one line and transfer the asset level debt<sup>4</sup> which would potentially avoid the considerable debt prepayment<sup>5</sup> costs (approximately US\$17 million) that would be incurred in a piecemeal wind-up scenario.

While our focus will be on the implementation strategy outlined above, other opportunities that may arise in the future will be reviewed in light of achieving the best outcome for unitholders.

## EARNINGS AND DISTRIBUTION GUIDANCE

The Trust remains on track to deliver on its FY13 operating earnings<sup>6</sup> guidance of 1.85 to 2.00 cents per unit.

With the settlement of 3145 Central Avenue, Waukegan now complete, and providing there are no unforeseen events or changes in the prevailing market conditions in the Chicago industrial market for the remainder of this financial year, MFML intends to declare a distribution for the year ending 30 June 2013 of 0.5 cents per unit.

Following the future sale of any non-core assets, MFML will review opportunities for further distributions on a case by case basis.

Further, MFML intends to reinstate income distributions in FY14, on a gradual basis, subject to the preparation of the Trust's FY14 budgets and a review of the prevailing market conditions in the Chicago industrial market. The Trust will provide FY14 distribution guidance as part of the FY13 results in August 2013.

1 Source: CBRE Chicago Industrial Market Q4 2012 Market View.

2 Source: NAI Hiffman.

3 3145 Central Avenue, Waukegan was held for sale as at 31 December 2012. Settlement occurred on 22 February 2013 (US time).

4 Under the ING loan document, the asset level debt is transferable to a purchaser subject to ING credit approval and payment of a transfer fee (0.75 per cent of the outstanding loan balance, approximately US\$1.1 million).

5 Prepayment penalties, which are calculated in accordance with the loan documents, are payable if the loan facility is repaid at a time prior to six months of the loan maturity date (March 2016). Prepayment penalties will diminish as the remaining loan term reduces and are not payable within six months of the loan maturity date.

6 Operating profit/earnings is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. Its calculation is consistent with the Trust's product disclosure statements. The Directors consider operating profit to reflect the core earnings of the Trust. This has not been subject to audit or review. Please refer to page 2 of the MIX interim report for the half year ended 31 December 2012 for further information.

## KEY FINANCIAL STATISTICS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012	
Total assets (\$'000)	220,332
Unitholder equity (\$'000)	70,487
Total profit attributed to unitholders (\$'000)	4,047
Operating profit (\$'000) <sup>1</sup>	4,140
Operating earnings (CPU) <sup>1</sup>	1.14
Distribution (CPU)	Nii
NTA per unit (\$)	0.19
Closing market price (\$)	0.12
Market capitalisation (\$'000)	43,495
Number of units on issue ('000)	362,457

The Trust's interim financial report dated 31 December 2012 is available from the Trust's website at [www.mirvac.com/mix](http://www.mirvac.com/mix).

## INVESTOR INFORMATION

Investors will continue to receive updates on the Trust, providing they have elected to do so. Communication and information relating to the Trust are updated via the Trust's website at [www.mirvac.com/mix](http://www.mirvac.com/mix). Investors may also log into the Investor Information area to access a wide variety of holding information, make some changes to their holding details online or download forms.

Once logged in, Investors can:

- > check holding balances;
- > access security prices;
- > change address details
- > enter/update email addresses;
- > enter/amend TFN, ABN and exemption details;
- > provide/amend direct credit/bank instructions;
- > access payment and tax history, including taxation statements; and
- > consolidate holdings.

The website also contains general information on the Trust, such as property portfolio details, distribution information, news and reports. A hard copy of the information available on the website will also be provided to Investors on request.

## COMPLAINTS

MFML has an established policy for dealing with complaints. Investors wishing to make a complaint should write to:

Mirvac Industrial Trust  
c/- Link Market Services  
680 George Street  
Sydney NSW 2000

Or

Manager, Investor Relations  
Mirvac Investment Management  
Level 26, 60 Margaret Street  
Sydney NSW 2000

MFML is a member of the Financial Ombudsman Service, an independent dispute resolution service.

## PRIVACY

The responsible entity collects personal information to enable us to tailor our service to the needs of our customers. We only collect personal information directly from customers, for example through application or enquiry forms, letters and visits to our website or our office. If Investors discover that personal information we hold is inaccurate, incomplete or out-of-date, or if they no longer wish to receive material from the responsible entity, they should contact our Privacy Officer on the numbers listed below.

Registered office and postal address:

Mirvac Privacy Officer  
Level 26, 60 Margaret Street  
Sydney NSW 2000  
Telephone: +61 2 9080 8000

<sup>1</sup> Operating profit/earnings are financial measures which are not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. Its calculation is consistent with the Trust's product disclosure statements. The Directors consider operating profit/earnings to reflect the core earnings of the Trust. This has not been subject to audit or review. Please refer to page 2 of the MIX interim report for the half year ended 31 December 2012 for further information.

---

## IMPORTANT NOTICE

This Investor Update has been prepared by Mirvac Funds Management Limited ("MFML") (ABN 78 067 417 663, AFSL number 220718) as the responsible entity of Mirvac Industrial Trust (ARSN 113 489 624) (ASX code: MIX). The information contained in the Investor Update has been obtained from, or based on, sources believed by MFML to be reliable.

To the maximum extent permitted by law, MFML, its affiliates, officers, employees, agents and advisors do not make any warranty, express or implied, as to the currency, accuracy, reliability or completeness of the information in the Investor Update or that the information is suitable for your intended use and disclaim all responsibility and liability for the information (including, without limitation, liability for negligence). The Investor Update is not financial advice or a recommendation to acquire MIX securities and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision prospective investors should consider the appropriateness of the information in the Investor Update and MIX's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange having regard to their own objectives, financial situation and needs and seek such legal, financial and/or taxation advice as they deem necessary or appropriate to their jurisdiction.

To the extent that any general financial product advice in respect of the acquisition of MIX securities is provided in the Investor Update, it is provided by MFML. MFML and its related bodies corporate, and their associates, will not receive any remuneration or benefits in connection with that advice. Directors and employees of Mirvac do not receive specific payments of commissions for the authorised services provided under its Australian Financial Services Licence. They do receive salaries and may also be entitled to receive bonuses, depending upon performance. The Investor Update

contains certain "forward looking" statements. The words "anticipated", "expected", "projections", "forecast", "estimates", "could", "may", "target", "consider" and "will" and other similar expressions are intended to identify forward looking statements. Forward looking statements, opinions and estimates provided in the Investor Update are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these statements. To the full extent permitted by law, MFML and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions. An investment in MIX securities is subject to investment and other known and unknown risks, some of which are beyond the control of MFML and MIX, including possible delays in repayment and loss of income and principal invested. MFML and MIX do not guarantee any particular rate of return or the performance of MIX nor do they guarantee the repayment of capital from MIX or any particular tax treatment. Past performance information given in the Investor Update is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. The Investor Update is not an offer or an invitation to acquire MIX securities or any other financial products and is not a prospectus, product disclosure statement or other offering document under Australian law or any other law. It is for information purposes only. All values are in AUD unless otherwise indicated.

---

### REGISTERED OFFICE & POSTAL ADDRESS

Level 26, 60 Margaret Street  
Sydney NSW 2000  
Telephone: +61 2 9080 8000

### UNIT REGISTRY

Link Market Services  
Locked Bag A14  
Sydney South NSW 1235  
Telephone: 1300 363 917  
Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### INVESTOR ENQUIRIES

Telephone: 1300 363 917

---