

FINANCIAL REVIEW

SE **Property**
HD **Mirvac a winner and a 'buy'**
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There is no bigger winner from the demand for **residential** and **commercial** assets in Australia than Mirvac.

This is the view of CLSA analysts after Mirvac presented at the CLSA Investors' Forum in **Hong Kong** this week. The brokerage house has retained its **"buy"** recommendation on the stock.

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"Mirvac is a major beneficiary of Asian demand for **residential**, with 72 per cent of its landbank in Sydney and Melbourne, and 33 per cent of its apartments **purchased** from foreign buyers," John Kim and Sholto Maconochie told clients.

Mirvac's share price has fallen by about 10 per cent from its high of \$1.91 in August. The **property company's** share price is at a 5 per cent premium to its net tangible assets.

Yet Australand **Property Group**, one of Mirvac's peers, was just acquired by Frasers Centrepoint at a 22 per cent premium to its NTA, CLSA said.

Citi has also upgraded Mirvac to a **"buy"** recommendation. Mirvac trades at more than 14 times forward earnings, below the sector average.

"With [about] a 17 per cent ETR [estimated total return] and upside risk to FY15 earnings guidance, we upgrade Mirvac to **'buy'**," Philip Cheetham and Adrian Dark wrote.

Mirvac demonstrated the strength of the housing market with its results in August. The **group** boosted its operating earnings by 9 per cent and CEO Susan Lloyd-Hurwitz said the strength in Sydney's **residential** market could last another two to five years.

Citi believes the margin improvements in Mirvac's **residential** business will support earnings growth.

Mirvac has **sold** nearly half of its impaired inventory – a drag on margins – in the 2014 financial year and the broker thinks the balance will continue to decline. "Additionally, exchanged pre-sales contracts had increased to \$1.2 billion in value at FY14 end, the highest in Mirvac's history," Citi's analysts said.

"With five projects to launch in FY15, MGR is well positioned to continue taking advantage of strong conditions in **residential** markets."

CLSA said Mirvac will also gain from the big amount of capital looking for office assets. Real **estate group** Colliers International has estimated that \$30 billion is earmarked for office buildings.

"Mirvac stands to benefit from its quality developments and high ROIC [return on invested capital], given fees generated and the fund-through model established on recent projects."

CO ahlau : Australand Property Group | ceprol : Frasers Centrepoint Ltd

IN ireest : Real Estate | icre : Real Estate/Construction | i85 : Real Estate Transactions | i8500031 :
Residential Property Dealing/Owning | irreal : Residential Real Estate

NS ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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