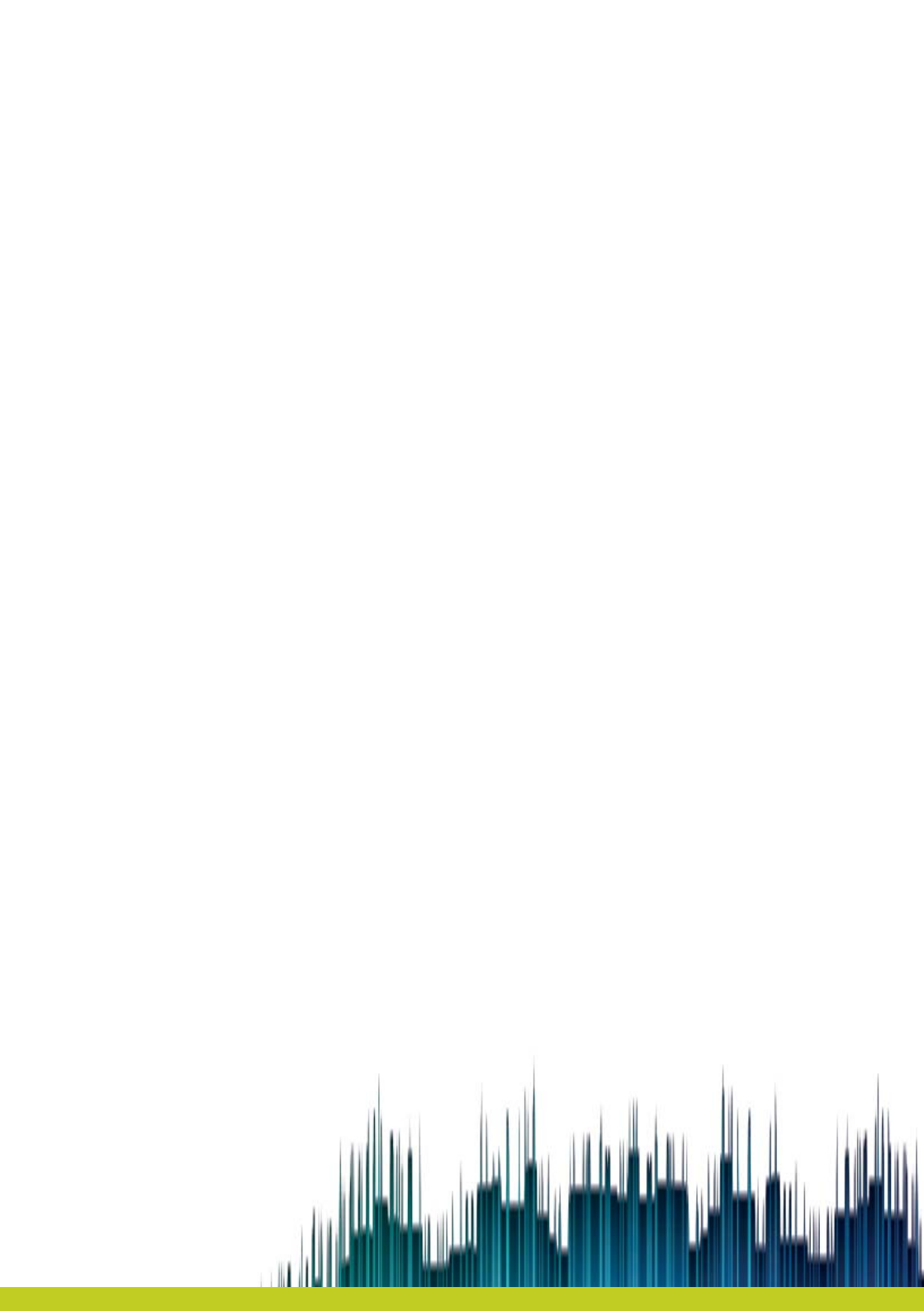




future SHAPING at GPT

2013

A summary of foresight and strategy research by GPT, in conjunction with CSIRO Futures, into global megatrends that will impact the shape of the office, retail and industrial property sectors in coming decades.



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We need
something **more**
concrete than a
crystal ball

No-one can accurately predict what a rapidly changing world will be like in 10 or 20 years time, yet anticipating what lies ahead is the key to shoring up a successful future. That is why The GPT Group has worked with CSIRO Futures to achieve a rigorous, evidence-based account of global trends that are set to impact the office, retail and logistics and business park sectors in coming decades.

CSIRO Futures conducts foresight and strategy research for industry, government and community clients. The research team combines economics, geography, technology foresight, social science, management science and other disciplines to determine future trends, shocks and scenarios.

GPT engaged with the CSIRO team to undertake this important study as the CSIRO Futures approach fits well with GPT's practice of looking beyond the property sector for insights and learning opportunities. As the Group's CEO and Managing Director, Michael Cameron, told The Australian earlier this year, "One of the best

ways to anticipate change in your sector is to spend time outside of it."

The researchers looked at social, economic and environmental trends impacting across the globe, as well as working in depth with a large team from GPT.

The megatrends study is designed to assist GPT to identify the future operating conditions for the business and, in turn, identify the key risks and opportunities for the Group over that time period. It is part of GPT's strategy to 'shape the future'. While the business has a proven ability to generate secure and reliable growth, there are opportunities to exceed those expectations by thinking differently about the risks and opportunities that lie ahead.

The following pages provide a summary of six megatrends which will significantly alter the business context for the Group. The document outlines what this might mean for the sector, and how GPT has responded to these risks and opportunities to date.

SIX Megatrends: a snapshot

GPT, in conjunction with CSIRO Futures, has identified six megatrends that are likely to affect the future shape of the property sector.

These megatrends are significant patterns of activity which are plausible and backed by evidence, and could significantly alter the business context in which we operate.



spaced out

A technology-savvy generation will change the way people work and shop. There will be new opportunities to merge online and physical retail channels, and to create more sustainable and engaging office environments.



the orient express

The size and potential of China and India's economies and growth throughout Asia are causing the centre of global economic gravity to shift from West to East.

2

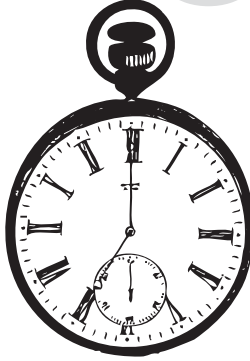
more from less



Rapid growth of the world's population is set to escalate demand for limited natural resources. One implication for the property sector is rising utility costs and the need for smarter, more cost effective energy sources.

3

forever young



An ageing population will see people living and working for longer. This will lead to an increased emphasis on healthcare products and services. Office spaces will also need to adjust to accommodate the ageing workforce.

4



behind the scenes

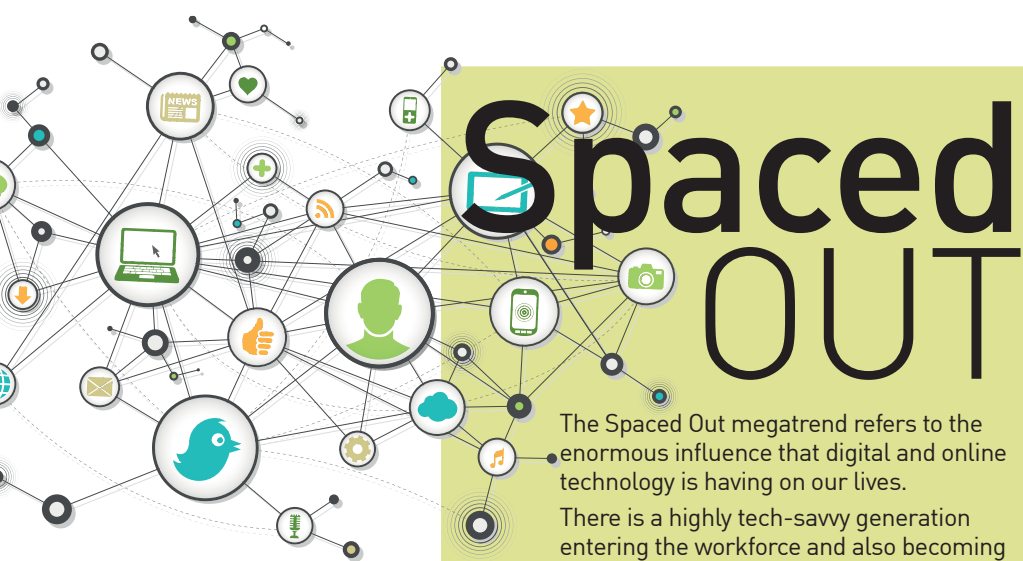


tangible intangibles

At the same time as the world becomes more virtual, people are placing more and more importance on experiences rather than 'stuff'. This will see office buildings and retail centres playing a key role as sites for collaboration and community.

5

Continued growth of online sales, increasing world trade and the globalisation of supply chains will increase demand for warehousing and logistics operations.



Spaced OUT

The Spaced Out megatrend refers to the enormous influence that digital and online technology is having on our lives.

There is a highly tech-savvy generation entering the workforce and also becoming an important consumer demographic. This is changing how people work and how they shop.

In the office property sector, there is a change in the way offices are being used, as employees have greater ability to work flexibly and remotely. Trends such as offshoring and activity-based working will also require adaptations in the way that we view office buildings. More and more, offices will be places of collaboration and community.

For retailers, shopping centres will play more of a role in connecting the online world with their physical presence.

FACTS AND STATS

- About 9.6 million Australians are estimated to have made online shopping purchases in 2012.
- International online retailers accounted for around 26% of total online sales by Australian shoppers in 2012.
- In 2012, the Australian online shopping market reached 5.6% of total retail sales, and 10% of retail turnover is anticipated to be online within 5 years.
- British multinational Tesco has virtual grocery walls, which customers can scan with a smartphone to create a virtual shopping list and have it delivered to their home.
- The Australian government is seeking to double the level of teleworking by 2020 so that 12% of Australian employees have a teleworking arrangement.



WHAT THIS COULD MEAN FOR OUR SECTOR

- Retailers will look for property formats that enable them to integrate their online and offline strategies. Parcel pickup facilities, mobile integration, in-store technology and virtual change-rooms are all likely to shape demand for retail space in the future.
- In order to compete with international online suppliers, retailers may be forced to price match with cheaper overseas product.
- Growth in the number of self-employed freelance employees may increase demand for co-working spaces, which will provide the opportunity for people to work alongside a diverse range of other self-employed professionals.
- Increases in tele-working, offshoring and activity based working could see pressure on demand for office space in the future. In parallel, the amenity of office spaces is likely to be more valued by businesses, with high quality properties best positioned to meet this demand.

SUCCESS STORIES

GPT has launched its first shopping centre app for smartphones, which mixes the best of mobile online technology with the best of the in-store experience.

It allows shoppers to plan their journey on a PC at home, have that information synch with their smartphone, while they are in the centre, and then be directed to the stores carrying their items.

They'll also receive direct offers on products they're interested in. The idea is to utilise advances in technology to enhance the customer experience and drive increased traffic into GPT's shopping centres.





More from LESS

Rapid growth of the world's population is set to escalate demand for limited natural resources. This is causing industry, government and community sectors to search for ways to achieve more with less.

FACTS AND STATS

- China will consume 70% more energy than the US by 2035.
 - Global water demand will increase by 55% from 2000-2050.
 - Despite a rapid growth in renewable energy, it will make only a minor contribution to world energy use by 2035. Coal and oil will continue to supply the bulk of Australia's energy requirements.
 - Natural gas emits less than half of the emissions associated with coal. By 2025, natural gas will potentially be cheaper than coal.
 - An increase in single-person dwellings in Australia is set to increase water consumption by 42% by 2026. Water will become more expensive.
 - A 70% increase in food production is required by 2050 to meet demand. Land degradation is making 12 million hectares of agricultural land unproductive each year.
-

WHAT THIS COULD MEAN FOR OUR SECTOR

- One implication for the property sector is rising utility costs and the need for smarter, more cost effective energy sources.
- The increasing cost of energy will lead to a demand by tenants for on-site energy generation in commercial buildings.

OUR PROGRESS TO DATE

- This year, the global Dow Jones Sustainability Index ranked GPT as the most sustainable real estate company globally. The Group has embedded sustainability in all aspects of business, including strategy, culture and stakeholder engagement.
- GPT avoided \$15.9 million in costs in 2011 by reducing its use of energy, water and landfill facilities. Reducing its environmental impact has been good for the environment and good for GPT's business.
- The Group has policies on climate change and energy, water, waste and resource management and biodiversity. Reporting systems are in place to track performance at all of its assets.

SUCCESS STORIES

The GPT Energy concept was born out of the development of Charlestown Square in the NSW Hunter. GPT installed onsite co-generation and solar thermal plants in the shopping centre to supply energy to the base building and to tenants. GPT has been able to reduce the running costs of its centre and costs for its tenants. Tenants receive electricity at discounted rates, which are lower than the regulated market rates. The system reduces greenhouse gas emissions by up to 50% when compared with a traditional coal-fired energy system. GPT Energy is in the process of looking at opportunities to introduce the concept in other GPT Group properties.

GPT is also reducing energy consumption by 50% through its redevelopment of the Highpoint Shopping Centre in Melbourne, by increasing natural light and improving

ventilation throughout the new mall. The development will harvest rainwater and have the capacity to store 480,000 litres on-site, which will be used in some amenities, on gardens, and for air-conditioning throughout the centre. Bike racks, showers and locker facilities will encourage retailers to use greener forms of travel to work.



GPT'S SOLAR THERMAL SYSTEM AT CHARLESTOWN SQUARE, NSW.

Forever YOUNG



The population is ageing, people are living longer, and inadequate retirement savings mean the concept of retirement is set to change. People are likely to continue working until later in life, redesigning their careers and lifestyles as they attempt to stay productive and healthy for longer.

Older people's knowledge and wisdom may offer major benefits to the economy. The ageing population will also create new markets and demand for different types of services, with a major emphasis on healthcare.

FACTS AND STATS

- The number of Australians aged older than 65 is set to quadruple between 2010 and 2050.
- As the population ages, the labour force will shrink. In 1970, there were 7.5 people of working age in Australia to support every person aged 65. By 2050, there will be 2.7 people to support each of our seniors.
- In 2006, life expectancy was 79 years for men and 84 years for women. Men born in 2050 will have a life expectancy of 87.7 years, and women 90.5 years.
- From 2010-2050, health spending is expected to increase by sevenfold for people aged older than 65, and 12-fold for people older than 85.
- About 4.4 million Australians are overweight. By 2030 this will increase to 7.5 million.

WHAT THIS COULD MEAN FOR OUR SECTOR

- Work spaces will need to accommodate an ageing workforce.
- The growth and profitability of fitness services is set to continue as people increasingly become health conscious.
- There will be a rise in demand for products and services that target older people, whether they support the lifestyle of time-poor older workers, or provide time-rich retirees with tailored experiences.
- As the population ages, retail centres will include health precincts with a range of traditional and alternative health services, pharmacies, gymnasiums, Medicare offices and health funds.

OUR PROGRESS TO DATE

- GPT has a specialist research team that considers demographics, responds to changes and develops plans that target specific local needs. The Group is well placed to develop and manage its assets in order to harness opportunities that evolve as local needs change.

SUCCESS STORIES

- GPT's capacity to develop facilities that meet the needs of specific demographics is demonstrated by its award-winning Rouse Hill Town Centre in north-western Sydney. This open-air centre caters to young families with a community college and library, an interactive play area and a secret garden, a cinema and more than 230 specialty shops.
- GPT is actively mixing its portfolio of retail tenants, planning ahead for greater demand for health and lifestyle services.



ROUSE HILL TOWN CENTRE



Behind the SCENES

Technological advances and increasing globalisation have resulted in a rapid increase in global trade. The subsequent focus on logistics, offshoring and warehousing all have spin-off impacts on the amount, type and location of space required for business operations.

This will see an increasing proportion of front-of-house operations moving behind the scenes and continued offshoring of back office functions. With rising education levels in countries such as China and India, offshoring is likely to extend to more highly skilled functions, including legal and finance services.

FACTS AND STATS

- By 2020, 80% of the world's goods will be manufactured in a country that is different from where they are consumed, compared to 20% now.
- A 75% increase in global trade is expected by 2025.
- During 2010-2011, Australia's volume of inbound international parcels grew by 56%, compared to 28.1% growth in the previous year.
- Tesco's customer-free stores receive 475,000 orders per week, which are delivered by 2000 vans. The stores serve as storage, sorting and assembly facilities for online retail.
- In 2012, 22% of Australian online retailers intended to introduce next-day delivery in addition to the 31% already providing it.

WHAT THIS COULD MEAN FOR OUR SECTOR

- This megatrend will create greater demand for logistics property and infrastructure as online retail grows and distribution centres increase in size and reach. This will include facilities suitable for storing and assembling goods purchased online.
- Increased movement of goods is likely to result in increasing demand for logistics hubs and associated business activities near major transport nodes and port facilities.
- While online shopping will reduce the need for retail space in some categories, it will increase it in others, particularly those offering experiences.
- The growth in offshoring may reduce demand for back-office space in Australia and affect the style, amount and location of office accommodation in the future. High-quality CBD office space may become the domain of customer-facing areas.

OUR PROGRESS TO DATE

- GPT is moving a proportion of its weighting in retail to office, business parks and logistics in order to achieve a more balanced weighting in its portfolio over time.
- GPT is working with a range of companies to create an integrated locker network for parcel delivery and collection. Consumers will be able to select the lockers as a delivery option and nominate a locker that is located conveniently for them. Hosting the lockers will provide revenue for GPT and at the same time provide a service that will enhance customer convenience.

SUCCESS STORIES

GPT expects that a significant proportion of high-end office spaces will remain in CBD locations. The recent refurbishment of the Group's Sydney CBD headquarters highlights the business' capacity to respond to tenants' changing needs, particularly in terms of configuring high-quality office space to increase flexibility and staff collaboration. GPT staff enjoy one of the leading configurations of "activity-based working" in Australia. This means that staff are not allocated seating or workstations, they have lockers where they store laptops, as well as work and personal items. Employees are supported

in working from home by being able to check landline voicemails via email notifications sent to their smartphones. Three months after starting work in the new offices, 55% of staff reported that the new environment had created a 15% increase in productivity.





Tangible INTANGIBLES

At the same time as the world becomes increasingly virtual, people are placing more and more importance on experiences rather than 'stuff'.

This megatrend is driven in part by people becoming lonely and craving human interaction, because of the time they spend shopping and working online.

While the online environment may reduce the need to visit a shop or travel to an office, people will be drawn to these places because of the physical and social experiences they offer. This will place new emphasis on

the importance of the right ambience, amenity and design.

It is expected that consumers will spend less discretionary income on tangible goods and more on higher-end experiences.

They will also become more interested in values, such as social and environmental responsibility, and whether a product, shop or office is connected to the local community.

This will see office buildings and retail centres playing a key role as sites for collaboration and community.

FACTS AND STATS

- Skype claims to have 30 million users online at peak times.
- Facebook claims to have 901 million active users.
- Twitter claims to have 140 million users posting 340 million tweets per day.
- Non-verbal signals, body language and touch are important aspects of communication which are unlikely to be fully captured via digital media for decades to come.
- Since 2009, there has been a 15% increase in the number of Australian and New Zealand businesses licensed to trade in certified fair-trade products.

WHAT THIS COULD MEAN FOR OUR SECTOR

- With people placing more value on real, tangible experiences, this will increase the importance of office and shopping centre designs that facilitate human interaction.
- Value propositions, based on price and range, will become the domain of online channels, while offline products will be differentiated by the experiences they provide. This will increase the demand for great customer service and customised experiences.
- As consumers become increasingly aware of the moral dimension to their purchasing decisions, they will expect ethical behaviour from brands they associate with, and businesses will adopt concepts such as shared value more widely.

OUR PROGRESS TO DATE

- A focus on providing great customer experiences is part of GPT's DNA. Each of GPT's largest shopping centre assets has a dedicated Customer Experience Manager who is responsible for ensuring that all customer touch points are delivered with excellence.
- GPT has recently taken on the management of the Group's wholly owned Office, Logistics and Business Park assets. The internalisation of management of these assets ensures GPT is able to apply its experience in retail property, to sectors that have not traditionally focused on this aspect of property management.

SUCCESS STORIES

- Tenants and office workers are among the visitors who have enjoyed the ambience of a spectacular garden that GPT constructed on a slab of concrete suspended above a freeway. Sydney's Royal Botanic Gardens helped to create the spectacular 3000 square metre garden, which sits between two high-rise buildings at our Darling Park retail and commercial complex in Sydney.
- GPT has partnered with the Stephanie Alexander Kitchen Garden Foundation to educate children's food choices. Many of the Group's retail centres have featured living kitchen gardens, cooking demonstrations and gardening classes.
- GPT's Food Recovery Van collects leftover fresh food from Sydney's Rouse Hill Town Centre retailers each day and redistributes it through Parramatta Mission to people who are disadvantaged.





The Orient EXPRESS

This megatrend is driven by the continued shift in the centre of economic gravity from West to East, as Asian economies, led by China and India, industrialise and urbanise.

Australia, as a neighbour and a source of resources that are crucial to the transformation and growth of these economies, is particularly influenced by this megatrend. The expansion of the Chinese and Indian economies is creating a growing middle class and a change in spending patterns in these countries, which will create new export opportunities for Australia.

There are also strong prospects for China and India increasing investment in Australia. Australia's service and tourism sectors are also set to benefit from an Asian society that is becoming increasingly affluent.



FACTS AND STATS

- China, India, Brazil and Russia are expected to contribute more to the world GDP than the US by 2018, significantly shifting the balance of power between countries.
- Australia's economy is becoming more closely linked to India and China than the OECD countries.
- The value of merchandise traded between China and Australia grew at an average annual rate of 22% from 1999-2009.
- The number of people in China living on less than \$US1.25 a day dropped from 38% to 15% from 1999-2009.
- In the six years from 2005 to 2010, foreign direct investment outflows from China to the rest of the world increased from \$US12.3 billion to \$US68 billion, an average growth of 76% per annum.

WHAT THIS COULD MEAN FOR OUR SECTOR

- Increases in direct investment outflows from Asia represent opportunities for investment products that cater to Asian institutional and individual investors. In particular, this could be a growth opportunity in a market which does not yet have a significant superannuation sector.
- The rise of the middle class and rapid urbanisation occurring in China and India are increasing demand for property services. Given that the mining industry generates significant revenue from exporting expertise to Asia, there may be opportunities for Australian property businesses to follow suit.
- Labour and skills shortages in Australia are likely to be partly filled in the future by importing labour from the Asian region. The increase in people from different cultures could impact on property formats, with a greater acceptance of higher-density retail environments.

“One of the best
ways to anticipate
change in your
sector is to **spend
time outside of it.**”

Michael Cameron

CEO and Managing Director, The GPT Group
The Australian, May 18, 2012