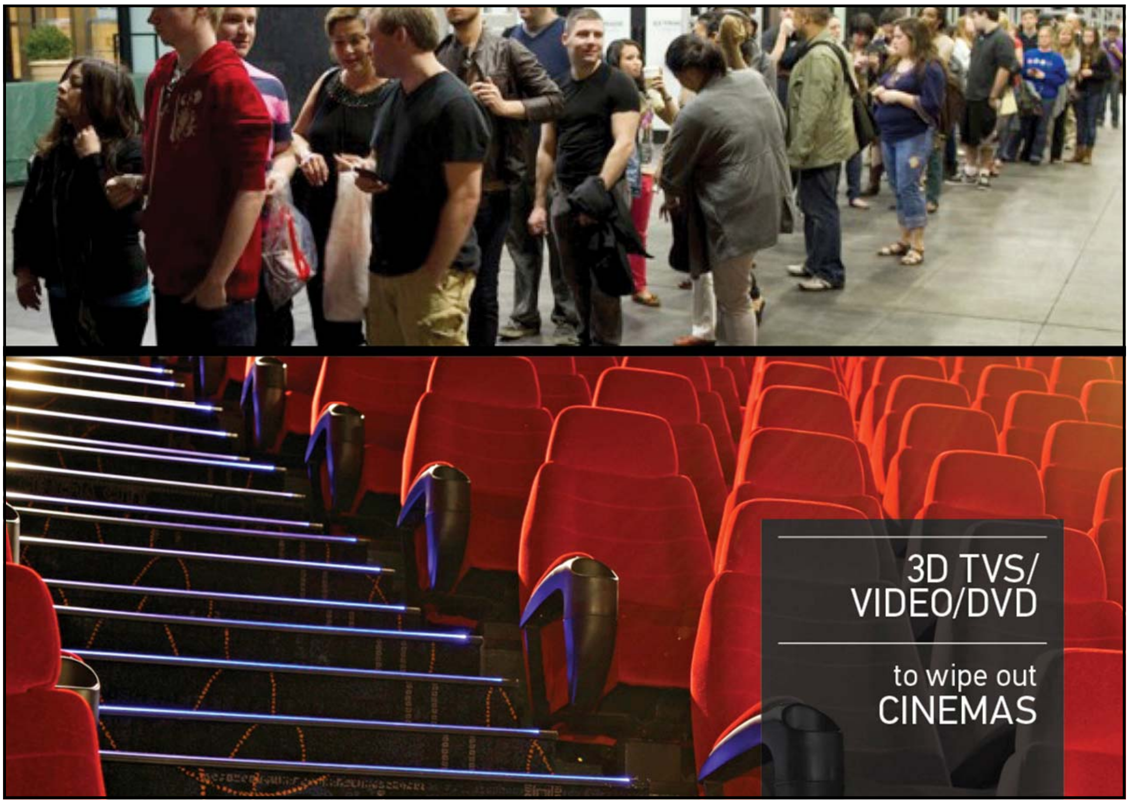
Synopsis

- Toughest retail climate for decades
- However, consumption growth is strong and economic indicators are positive
- So what's happening?...This presentation will look at various trends and patterns…

Synopsis

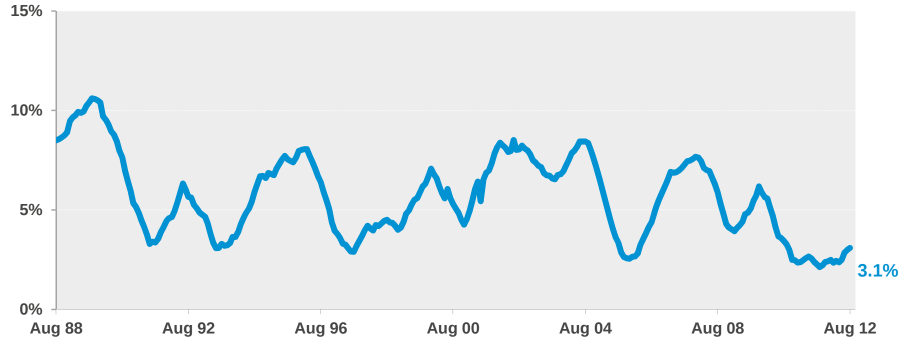
- We're potentially in for one of the most exciting times in retail. Consumers are salivating in anticipation!:
  - **On-line** – A new competitor; the reason why we have to redefine "service" in Australia; and a tremendous opportunity for bricks and mortar stores to adopt a multi-channel approach; …and it should grow the market to some extent as well.
  - **International brands** – upping the ante for the 'passive" Australian retailer; and giving Australian consumers access to exciting brands.
  - **Improving the customer experience** – actually walking the walk regarding the shopping centre value equation (ie elevating intangibles in the consumer environment package).


3D TVS/
VIDEO/DVD
to wipe out
CINEMAS


ZARA
INTERNET
shopping
to WIPE OUT
shopping centres/
shopping strips

The trough continues, but there are some encouraging signs in the latest data

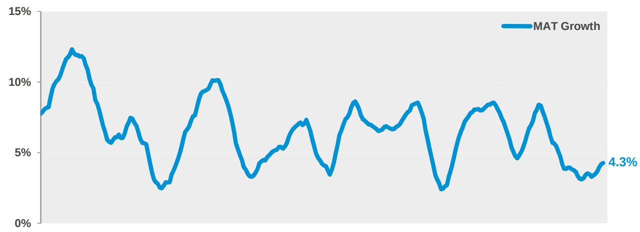
Australia Retail Growth – Total



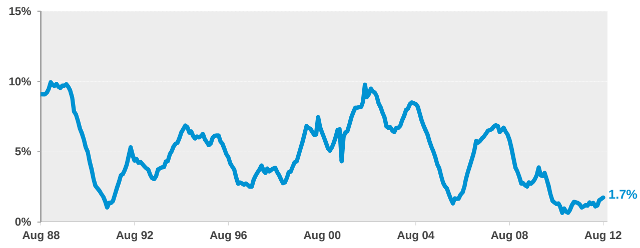
Source :ABS Retail Trade 8501.0, Seasonally Adjusted; Urbis

Non-food sector – extended period of low growth

Australia Retail Growth – Food



Australia Retail Growth – Non-Food



Source :ABS Retail Trade 8501.0, Seasonally Adjusted; Urbis

Four key components to retail turnover growth

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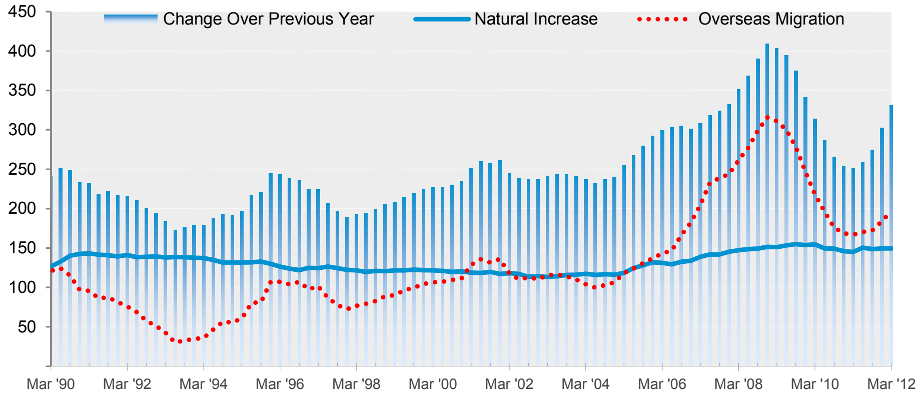
Recent migration intake has kick-started Australia's population growth in recent quarters

Australian Moving Annual Population Growth ('000s)



Source : ABS CAT 3101.0; Urbis

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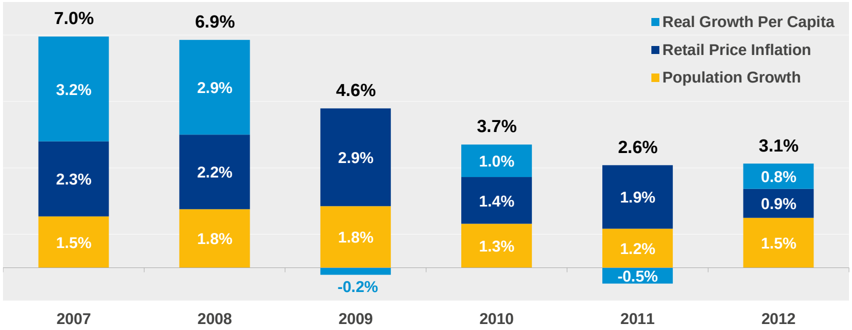
Stronger real growth in 2012 but still well below pre-GST trend

Australian Retail Trade - Total Year on Year Growth

FINANCIAL YEARS (%)[1]



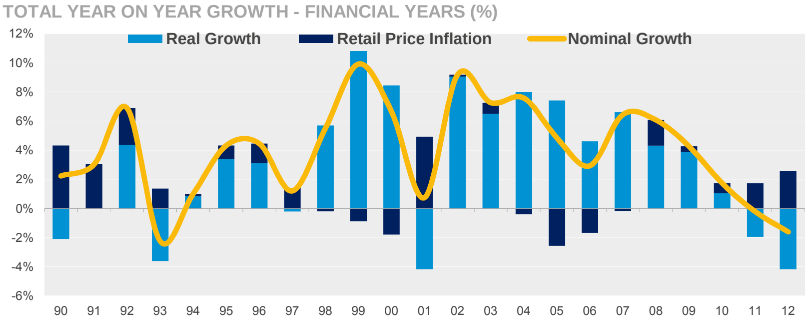
1. Population growth to June extrapolated from 3 quarters of growth to March 2012

Source : ABS Cat. 3101; ABS Cat. 8501 Retail Trade Australia; Urbis

Fashion and footwear continue to struggle, but held up by growth in prices

Australian Clothing, Footwear and Personal Accessory Retail Trade

TOTAL YEAR ON YEAR GROWTH - FINANCIAL YEARS (%)

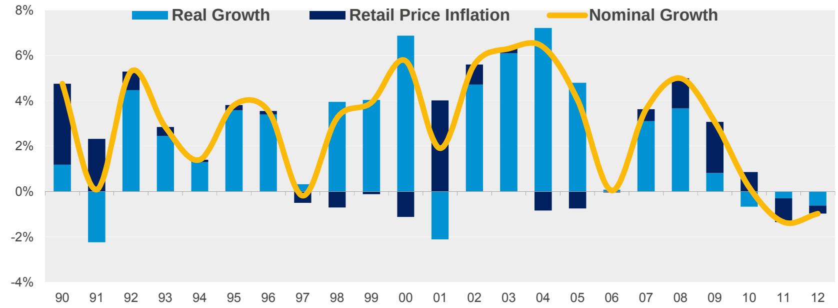


Source : ABS Cat. 8501.0 Retail Trade Australia; Urbis

Australian department stores in no-man's land

Australian Department Stores and DDSs

TOTAL YEAR ON YEAR GROWTH - FINANCIAL YEARS (%)



Source : ABS Cat. 8501.0 Retail Trade Australia; Urbis

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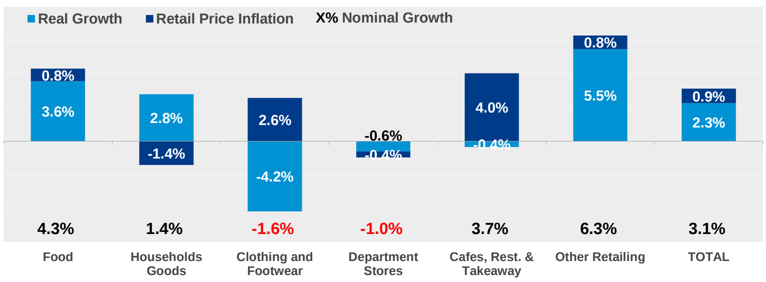
Fashion remains the weakest category in Australian retailing

Australian Retail Trade - Retailer Category

FINANCIAL YEAR 2012



Source: ABS Cat 8501.0 ; Urbis

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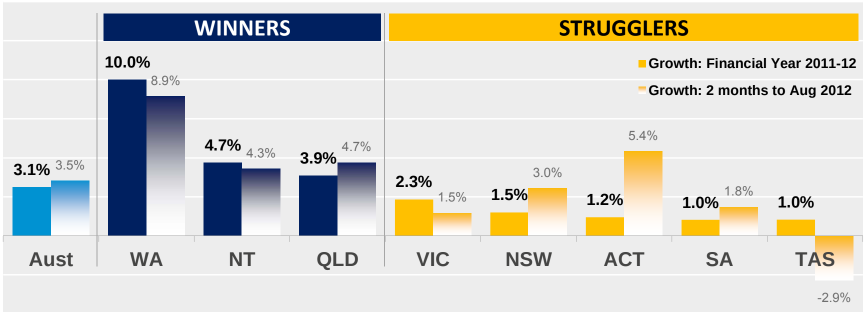
Western Australia continues to outpace other states by a wide margin

Annual Retail Trade

FINANCIAL YEAR 2012 & YEAR TO AUG 2012



Source: ABS Cat 8501.0 ; Urbis

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Consumer Confidence & Expenditure Diversion

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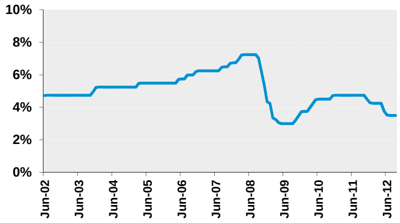
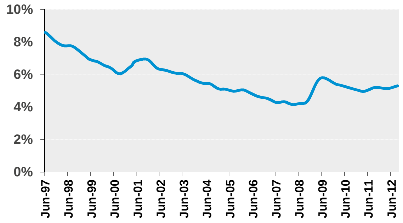
There is capacity for additional spending on retail….

Interest Rates
AUSTRALIA



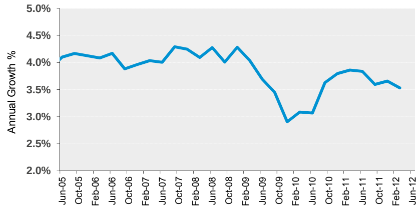
Source: RBA Overnight Cash Rate

Unemployment
AUSTRALIA



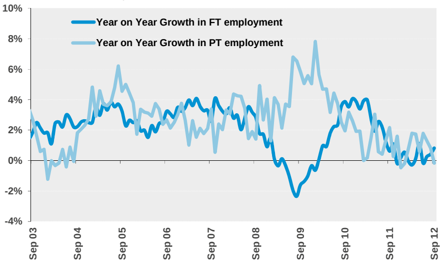
Source: ABS Cat. 6202.0

Wage Price Index - All Industries
ROLLING ANNUAL GROWTH, YEAR ON PREV. CORRESP. YEAR



Source: ABS 6345.0; Urbis
Measures changes in the real price of wages. Calculated as a rolling sum of 4 quarters on 4 corresponding quarters of the previous year.

Employment Trends- Australia
EMPLOYED PERSONS, PERCENTAGE GROWTH SEPT 2003 TO SEPT 2012



Source : ABS Labour Force, September 2012 (Seasonally Adj); Urbis

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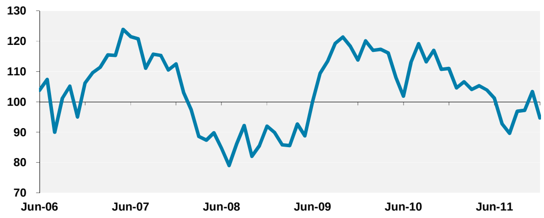
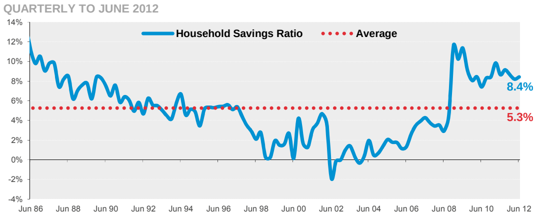
…but households are continuing to limit their spending…

Westpac Consumer Sentiment



Source : Consumer Sentiment Index Westpac Melbourne Institute; Urbis

Household Savings Ratio
QUARTERLY TO JUNE 2012



Source : ABS National Accounts Cat 5206.0; Urbis

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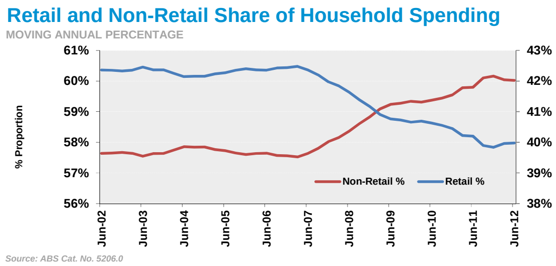
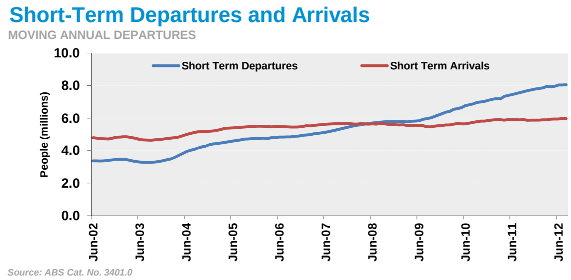
... and households are diverting more of their spending to non-retail services and travel





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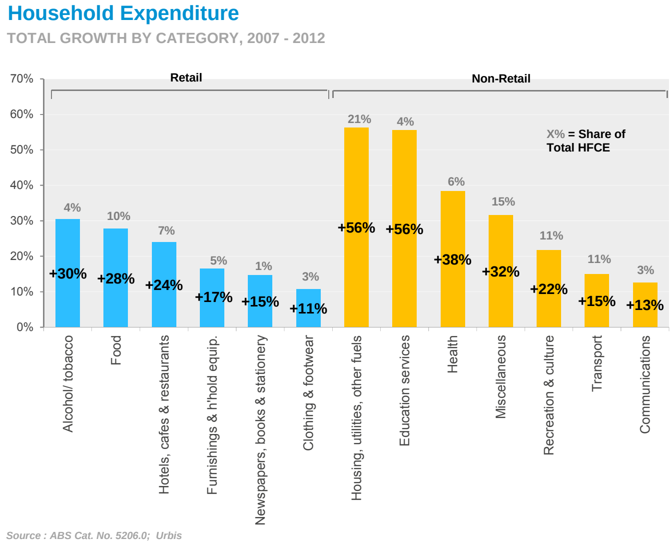
Consumption growth is strong but significant expenditure diversion to housing, utilities, petrol, education and health



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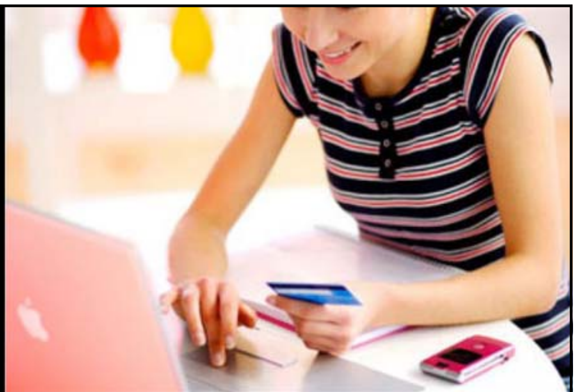
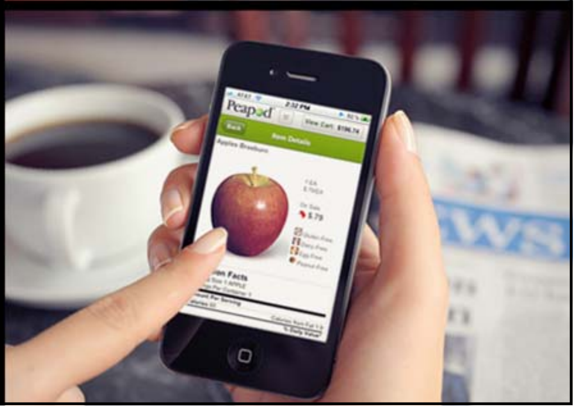
Online retail should thrive in the future

- **High** in-store prices on an international scale
- Narrower local **product range**
- Relatively **wealthy** population
- Rapid delivery & "**parcel excitement**"

Online retail should thrive in the future

- Australian's willingness to adopt **new technologies**
- Improved **online presence** of Australian retailers
- Increased focus of **international** retailers on the Australian market
- **Instant** access

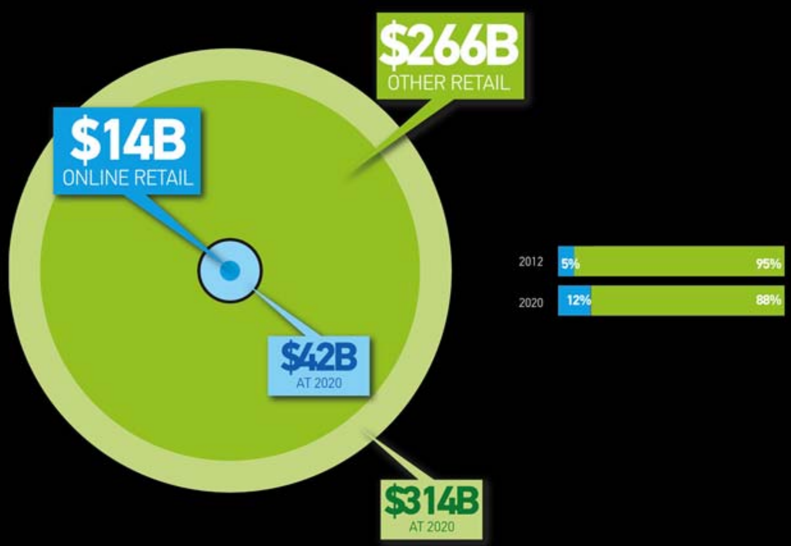




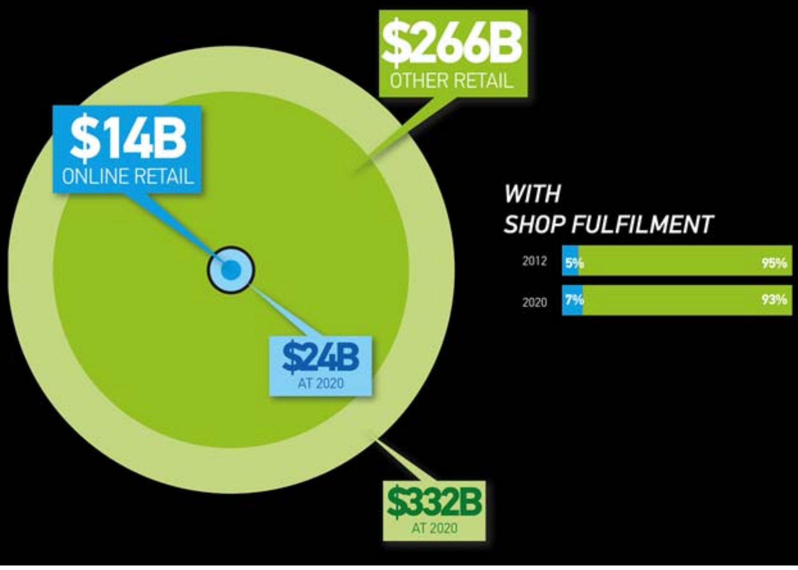
New online retail competition will impact growth for shopping centres

- Online retailing accounts for approximately:
  - 5%, or $14 billion of retail spending
  - 9% of discretionary spending
- Grew by 25% last year, and is expected to grow by 12%-15% per annum over next 10 years
- Currently impacting retail trade through bricks and mortar shops by almost 1% per annum

The impact of online retail on shopping centres will be to reduce growth by less than 1% per annum, unless…



…Australian retailers "clawback" via a multi-channel approach, including in-store fulfilment. This would reduce growth by around 0.5% per annum.



Shopping Centre Performance

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Retail Averages 2012 Sample

	Centres	Coverage[1]
Regionals	57	86%
Sub-Regionals	156	56%

1. Excludes unstable centres

Source: Urbis

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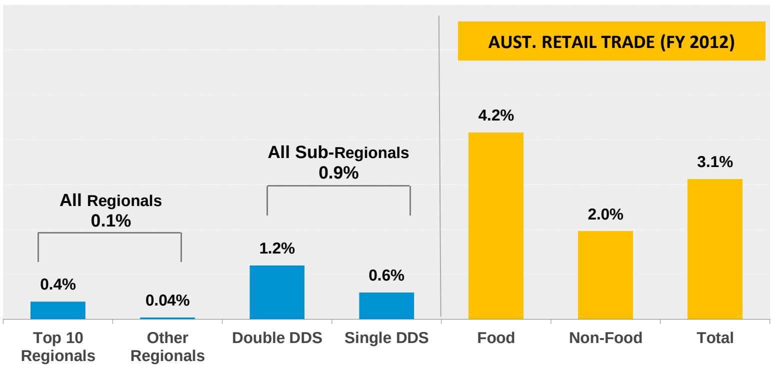
A very tough year for shopping centres

Centre Turnover Growth

SAME CENTRE (%)



Source : Urbis Averages 2011/12

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Regional Centres

TURNOVER GROWTH - SPECIALTY TENANTS

TOP 10	Change	BOTTOM 10	Change
Key Cutting, Shoe/Watch Repairs	+23.0%	Music/Video/Games	-14.6%
Electrical/Sound/Computers	+20.4%	Furniture/Hardware	-9.5%
Children's Apparel	+9.1%	Film Processing/Photography	-7.2%
Optometrist	+9.1%	Jeaneries & Unisex	-5.8%
Phone & Mobile Communications	+9.0%	Books	-4.6%
Sporting Goods	+7.4%	Women's Apparel	-3.6%
Cafe/Restaurant	+5.2%	Florists/Pets/Toys/Misc	-3.4%
Other Specialty Food	+4.3%	Poultry	-3.0%
Hairdressing/Beauty	+3.4%	Pharmacy & Cosmetics	-2.2%
Discount Variety	+2.8%	Giftware	-1.8%

Source : Urbis Averages 2011/12

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Outlook & Opportunities

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Retail Trade Forecasts

NOMINAL GROWTH (%)

	FY 2012	FY 2013	FY 2014
NSW	1.5%	3.0%	4.0%
VIC	2.3%	2.4%	3.9%
QLD	3.9%	5.0%	6.0%
SA	1.0%	1.7%	3.2%
WA	10.0%	8.0%	7.3%
TAS	1.0%	0.8%	2.3%
NT	4.7%	4.8%	5.3%
ACT	1.2%	3.7%	4.7%
Australia	**3.1%**	**3.7%**	**4.7%**

Source: ABS Cat No.8501.0 Retail Trade Australia; Urbis

Australian shopping centres continue to have considerable appeal

- Multi- purpose & resilient
- Dynamic
- Proximate
- Range & choice (including centre types)
- Instant gratification
- High touch (social, entertainment, outing, browsing)
- Hands on (see, touch & feel)

Neighborhood Centres & Small Sub-regionals - get up close and personal!

- **Don't compromise** on customer convenience (accessibility, ingress-egress, car parking, well targeted mix)
- Strengthen **community role** & build loyalty (local facilities, services & events)
- Improve **personal service**

Major Shopping Centres must improve the experience to increase visitation and spending

CHANGE NO.1:

- Make it a **special Place**
- What are the particular **needs & aspirations** of your market?
  - Understand your **segments**
- **Broaden role** (facilities & services, growing consumer economics - health, education, leisure, utilities)

Major Shopping Centres must improve the experience to increase visitation and spending

CHANGE NO.2:

Constantly rework the mix and feel.

- **Modern** shopfronts
- New & **exciting** business
- **Strong** brands
- Enhance **dining, leisure & entertainment** options

Major Shopping Centres must improve the experience to increase visitation and spending

CHANGE NO.3:

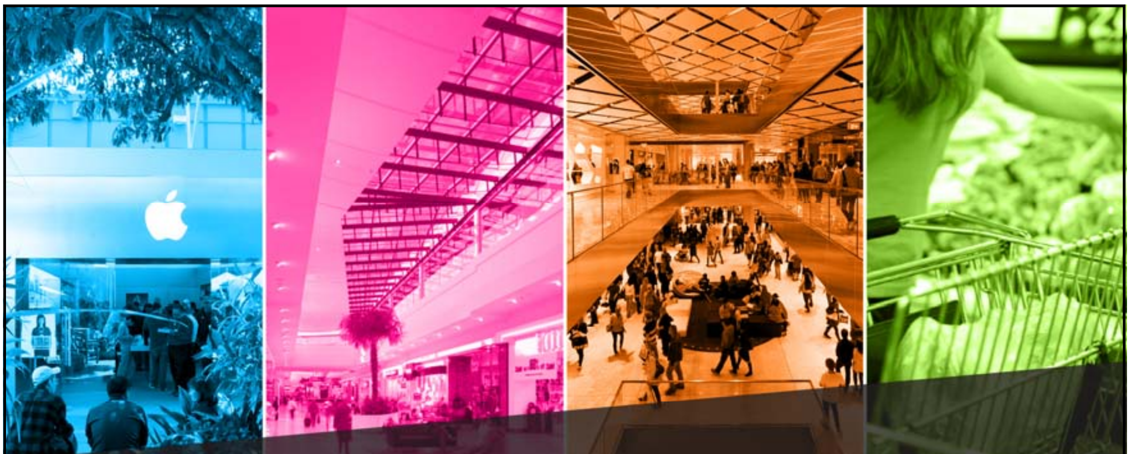
Customer service - a key differentiator.

- Employment numbers OK but service ethic poor. Can Australian retailers instil a **service attitude**?
  - Choose tenants that can.

Major Shopping Centres must improve the experience to increase visitation and spending

CHANGE NO.3:

- **Technology friendly** (free WiFi, Me-Ality, customer recognition)
- Facilitate **on-line clawback**/ in-store fulfilment
- Connect to the **multi-channel** retailer
- Rethink **trading hours**



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