

Experience First

gpt



# Human & Machine

Is there an elephant in the room?

June 2026

# Executive Summary

## Overview

AI is in the early-adoption phase for many businesses and has the potential to be transformative for industries. Despite concerns about AI displacement, our tenant survey shows 76% expect stable or growing headcount in the near term, and the US market, where AI adoption is most advanced, is showing strong tech sector leasing. We believe AI will create a wider gap in performance of individual office assets based on different tenant preferences for modern premium grade buildings with high amenity in core locations.

In this report, we consider scenarios for the impact on the office market to model some possible outcomes and reflect on quantitative data and qualitative feedback from our tenant customers about how they believe AI will change their business and workplace requirements.

## Nascent but emerging themes

- **Workforce to adapt** — AI will change the way many roles are undertaken. Productivity gains and a reduction in routine tasks are likely to lead to more collaboration, strategic thinking and client-facing work — activities that require a quality office environment.
- **CBDs to be most resilient** — Professional knowledge workers, concentrated in CBDs, are less exposed to AI displacement and we expect a disproportionate impact on non-CBD office markets given the higher share of back office and shared service functions.
- **Long leases and pull-forward of leasing** — AI is likely to be implemented over time giving landlords time to respond proactively. Tenants are already pulling forward leasing decisions in recognition of tightening supply. Many are having to make long-term workplace planning decisions and are demonstrating comfort/willingness to do so despite AI.
- **Emerging demand sources** — There early signs of AI and AI-related companies making local space commitments, a trend we expect to build over time.

## Feedback from occupiers

- **Too early to call** — while occupiers have passed the pilot stage and are in active integration, the majority are not expecting negative near-term changes in headcount or space commitments.
- **Gradual integration** — most companies are taking deliberate steps to embed AI into existing workflows, with productivity gains expected to build gradually rather than as a step-change.

## Outlook

- **Vacancy to trend down** — the tightening cycle is being driven by supply discipline. A modest employment growth profile under our base case results in a material decline in vacancy rates. Even under a downside scenario, vacancy rates would still trend lower albeit at a slower pace.
- **Market divergence to widen** — structural shifts in the workforce are likely to widen the performance gap between different markets, locations, grades and even assets over time.

# “Not our first (tech) rodeo”

Over the past 30 years, technology has fundamentally reshaped the employment landscape.

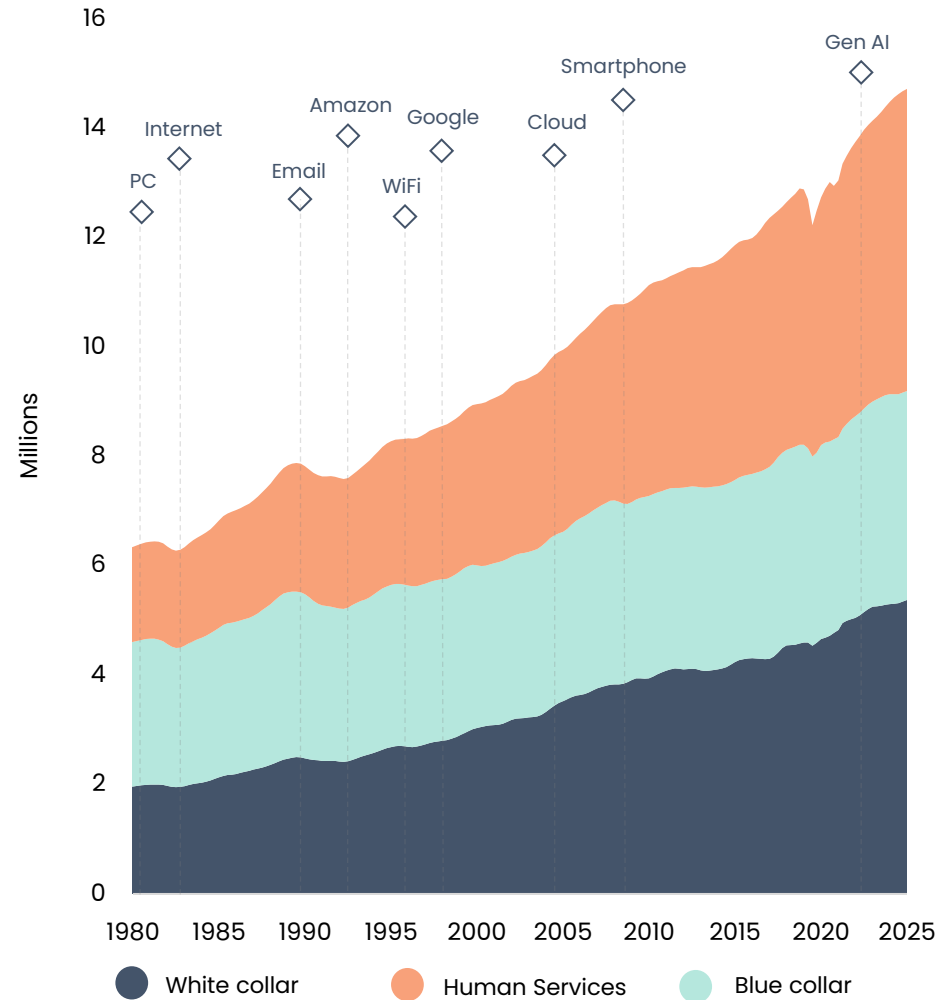
The introduction of the personal computer, the internet, WiFi, smartphones, and artificial intelligence has transformed industries and will continue to do so.

While the nature of work has undoubtedly evolved, the workforce has demonstrated a remarkable capacity to adapt and grow alongside these advancements.

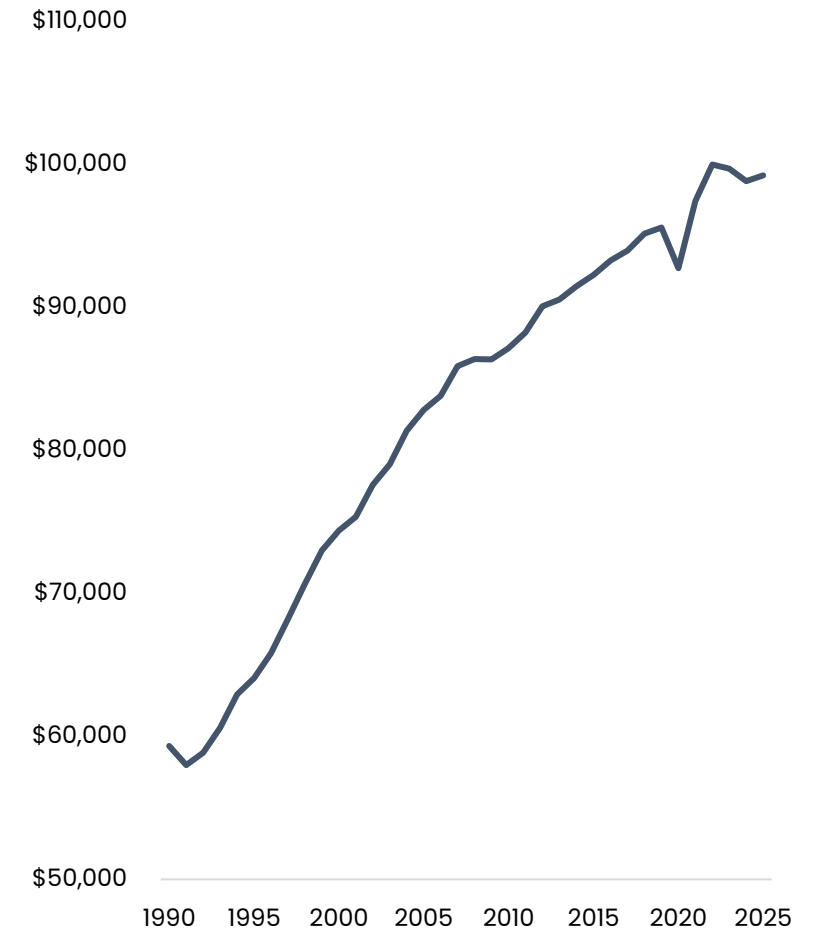
New roles, skill sets, and opportunities have consistently emerged, reinforcing the principle that human potential and technological innovation are most powerful when working in tandem.

Technologies from the 1980s and early 1990s produced a notable productivity benefit over the next two decades.

Employed individuals by industry - Australia (1,2)



Output per capita (AUD) - Australia (1)



Source: (1) DAE

Notes: (2) White collar: workers in occupations typically attached to an office environment within each industry. Blue collar: workers in occupations who typically engage in manual work such as those in industrial settings within each industry. Human services: workers in occupations typically associated as service workers who may not be attached to an office environment within each industry (for example, health professionals, educators, retailers etc).

# Hiring intentions are still above long-term average levels

## Job availability may shift between industries

Technological advancements historically have led to new employment opportunities. What seems to be different this time is the pace of disruption that is causing job uncertainty.

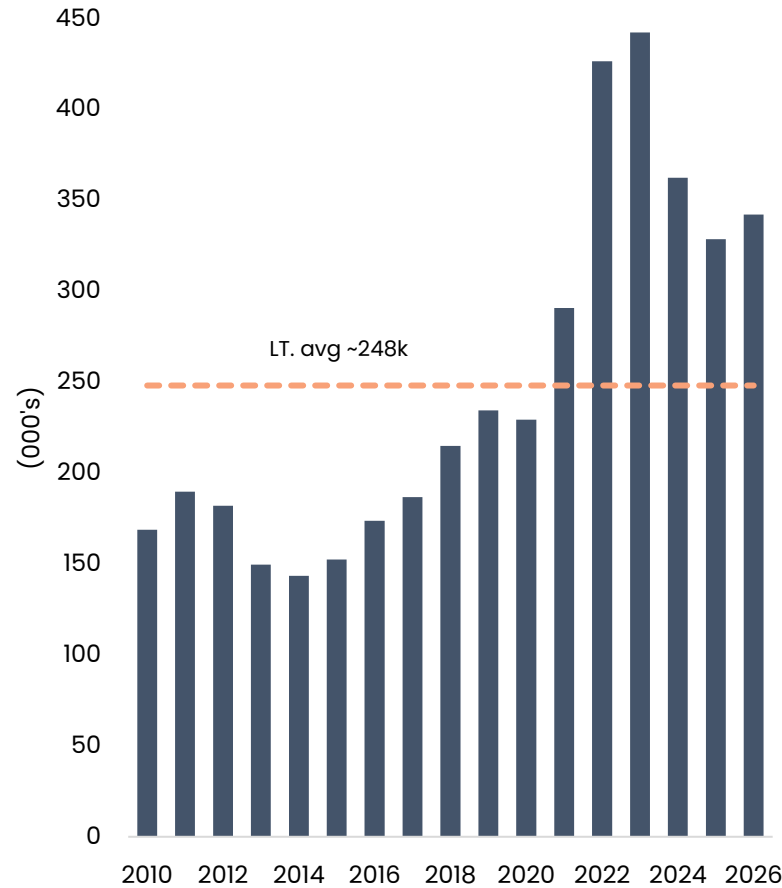
The speed of the transition may be swift for roles in some industries which have a large element of process automation. Re-training may be required for that part of the workforce.

The number of examples of headcount reductions has been minimal, and a very small proportion in the context of total workforce, despite their ability to gain disproportionate attention.

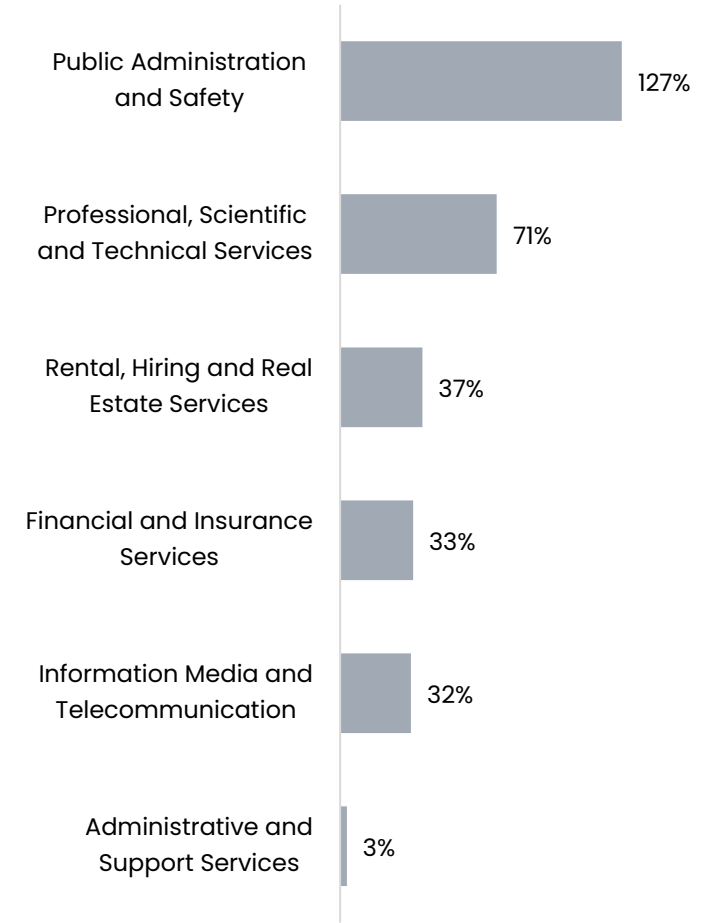
## Elevated job vacancies are part of the inflation problem

The elevated level of job advertisements relative to long-term averages, combined with a low unemployment rate, have contributed to Australia's inflation pressures.

Job vacancies - Australia (1)



10-yr change in job vacancies by industry (1)



Source: (1) ABS. Notes (1) Bars refer to spot count in February of each year.

# Limited evidence of AI displacement for graduate roles

While shifts in the workforce composition are still unclear, a common view is that graduate and associate-level hiring may be scaled back given some of the typical tasks can be automated. However, some groups have noted they are likely to increase mid and senior level positions to review and manage AI outputs.

At this stage, examples of headcount reductions specifically among individuals aged 15-24 years remain minimal, with the unemployment rate differential still lower than long-term average.

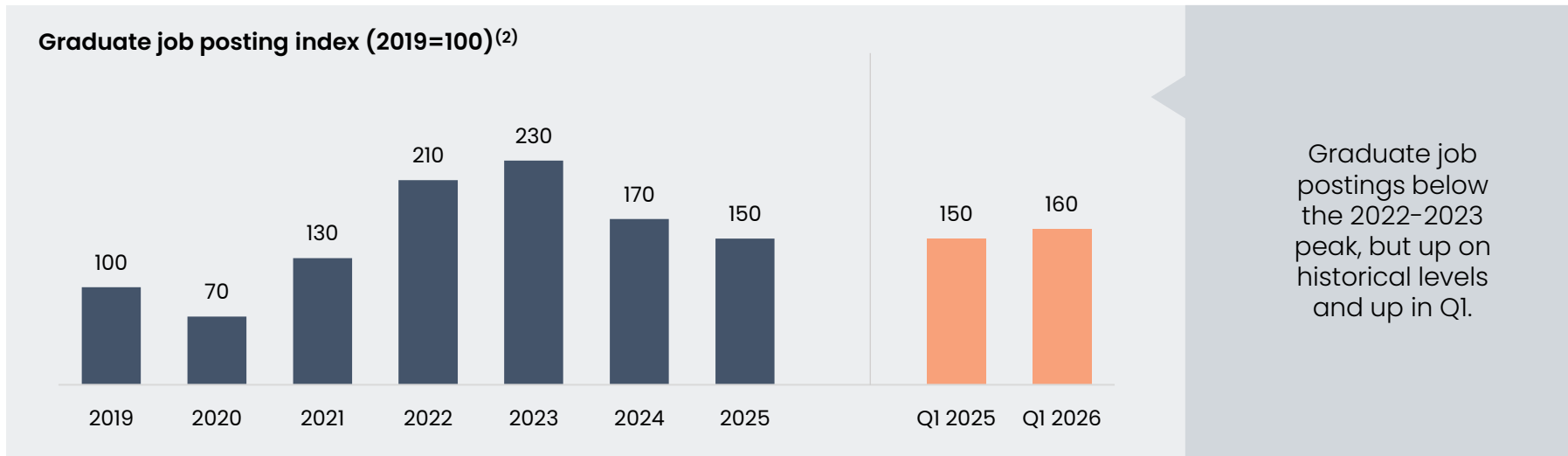
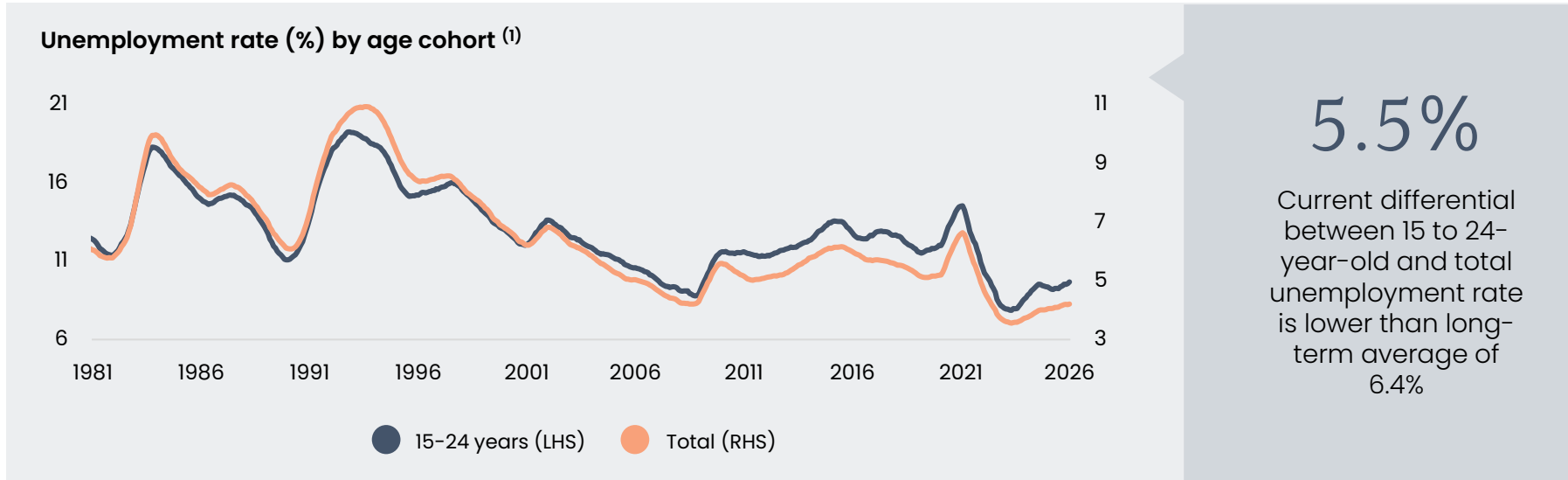
While some major consulting firms have scaled back graduate intake programs, it is unclear whether that is directly resulting from AI, or just a normalisation from a post-COVID hiring surge.

While the current evidence remains limited, the concentration of young workers in automatable roles warrants continued monitoring.

Employers are increasingly seeking individuals with AI proficiency, both at a graduate level and at more senior levels. The number of job ads in February 2026 that reference AI doubled from the same time in 2025<sup>(2)</sup>.

Source: (1) ABS (2) Indeed

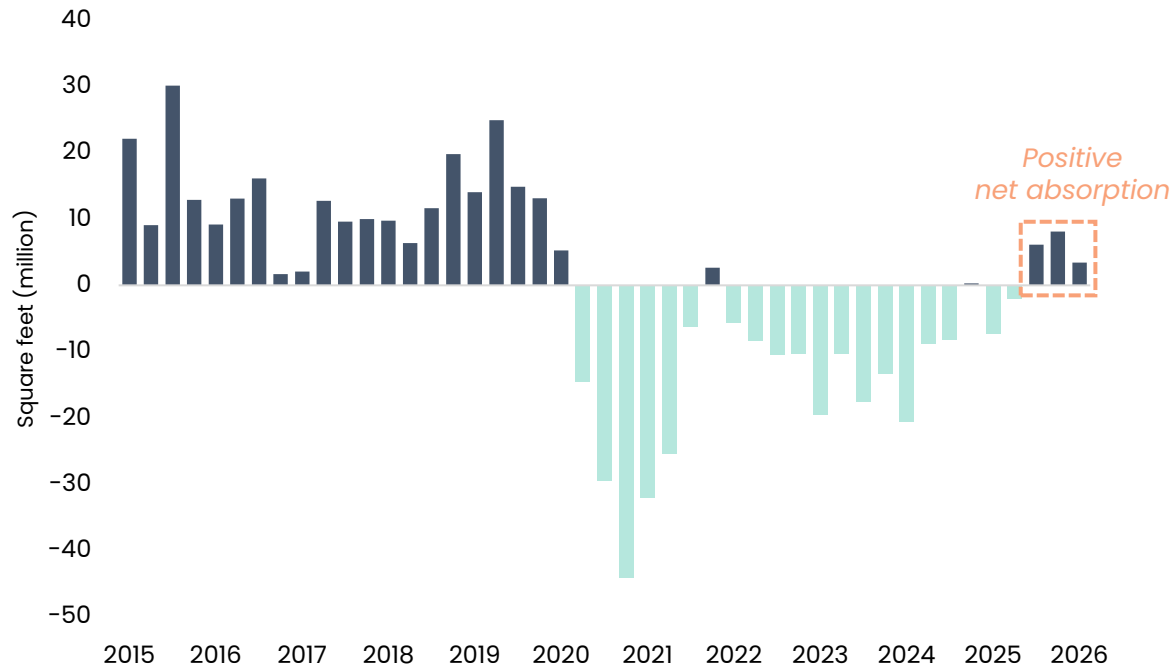
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# What we're seeing globally

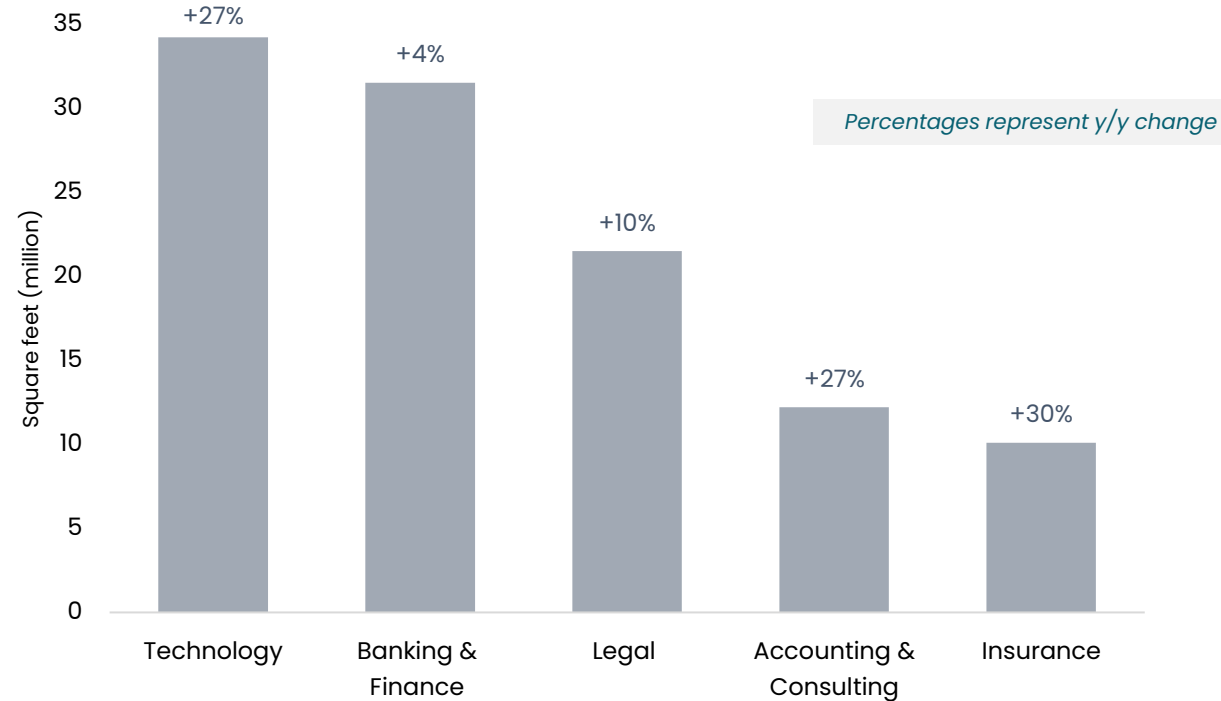
## Early signs suggest tenants are entering a new phase of expansion

Office net absorption – United States <sup>(1)</sup>



## Key occupier sectors continue to record strong growth

Office gross absorption by tenant type 2025 – United States <sup>(1)</sup>



- In the US where AI is more advanced, **employment rose by +115k** <sup>(2)</sup> in April with year-to-date jobs growth up 80% on the same time last year.
- As a result, **strong leasing** activity has been recorded from Q3 2025 to Q1 2026, predominantly driven by the world's leading tech hub, San Francisco, alongside New York.

- **Tech, finance and legal industries have been driving office demand** in the US despite being widely considered to be most exposed to AI disruption.
- **Leading occupiers** such as OpenAI, Palantir, JPMorgan, Morgan Stanley and Microsoft were most active in expanding their footprints in Q4 2025 - Q1 2026, with early signs of AI-related tenants establishing APAC footprints. For example, OpenAI and Anthropic recently set up a Sydney presence.

Source: (1) JLL (2) FRED. Notes: (2) Non-farm payrolls

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# Top tenant AI survey results

We surveyed over 20 of our top tenants, representing some of Australia's largest office occupiers, on their AI adoption, future headcount and workspace requirements.

## Key findings <sup>(1)</sup>

71%

Of tenants have reached active or scaled integration of AI in their organisation.  
*100% were piloting AI.*

48%

Believe new roles will be created as a direct result of AI, with a further 48% expecting existing roles to be augmented.  
*4% were unsure.*

76%

Believe headcount growth to remain broadly stable or increase over the next two years.  
*10% stated it was too early to determine.*

43%

Believe headcount to remain stable or grow over the next 3-5 years and 10% felt it was too early to determine.  
*48% expect a reduction.*



62%

Believe their office space requirements will remain broadly stable or increase over the next 3-5 years reflecting the disconnect between headcount and space.  
*10% stated it was too early to determine.*

71%

Believe graduate/entry-level roles will remain stable or grow the next 3-5 years.  
*Only 19% stated they expect graduate/entry-level roles to decrease.*

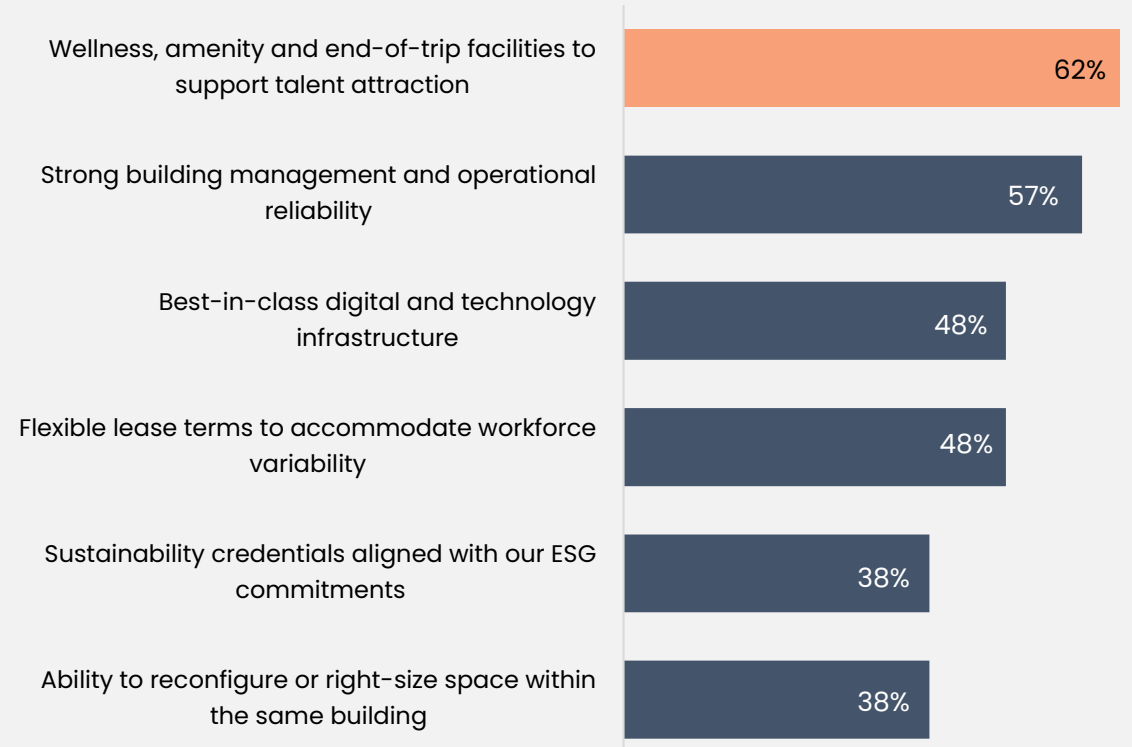
100%

Believe the physical workplace will become more important as a driver of culture, collaboration and talent attraction.

## Priorities for your landlord <sup>(1)</sup>:



Given the changes AI is driving in your business, what are the most important capabilities or attributes you will look for from your office landlord over the next 3-5 years? (Select your top 3)

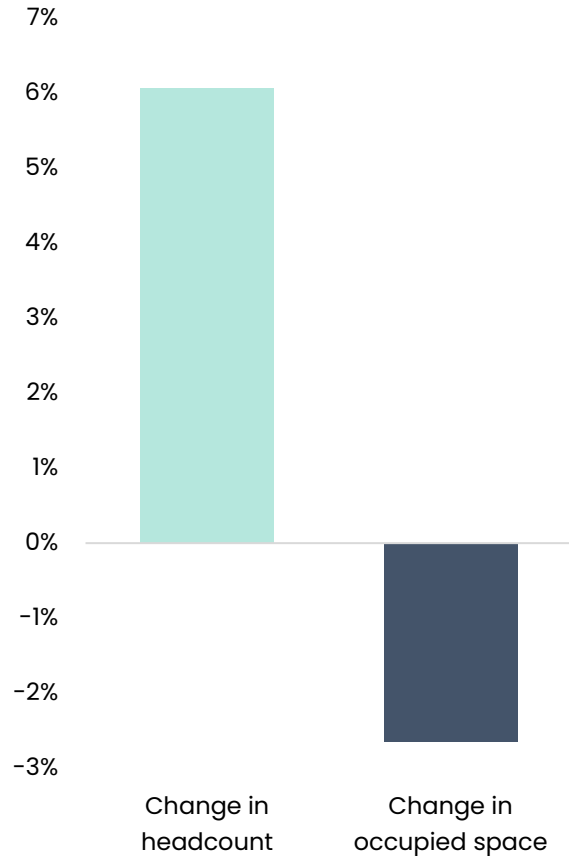


Source: (1) GPT Tenant Survey May 2026. Notes: (1) 21 survey respondents

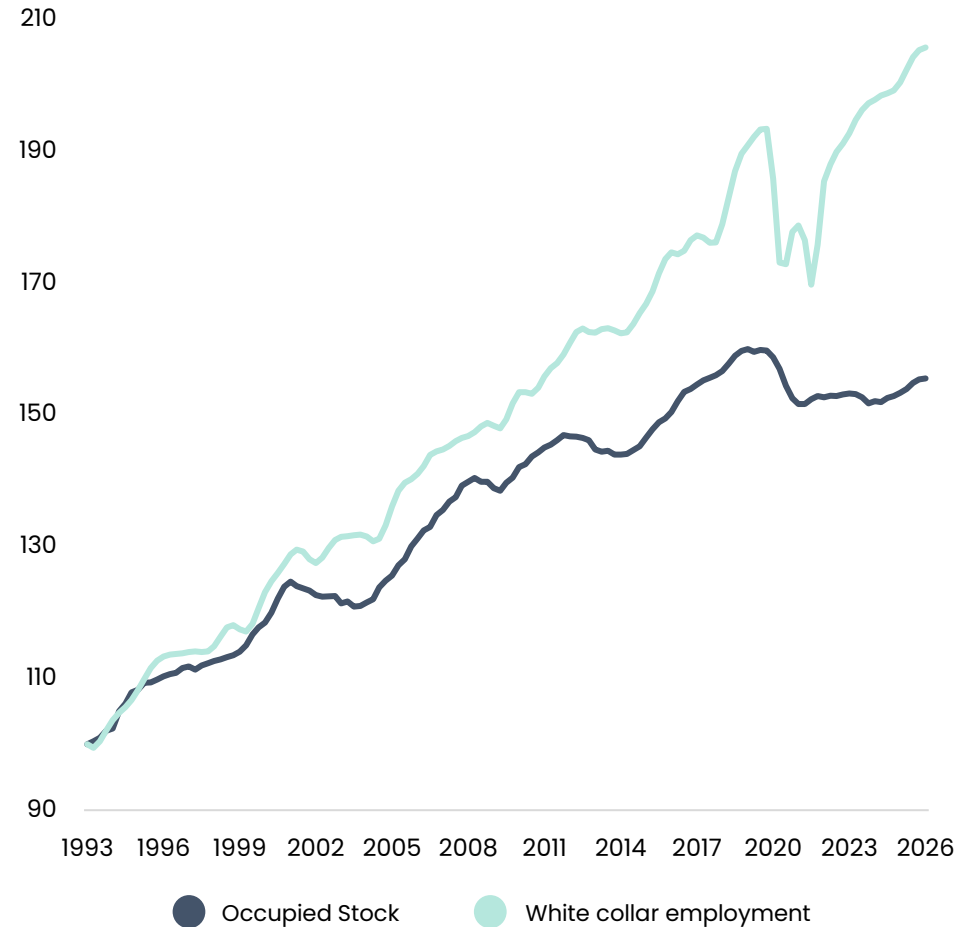
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# Office utilisation has already adjusted

Occupiers have increased office utilisation and density (2019–2026) <sup>(1)</sup>



Eastern Seaboard CBD occupied stock vs Eastern Seaboard CBD white collar employment <sup>(1)</sup>



Occupiers have increased their office density since pre-COVID by reducing their footprint and increasing headcount.

Net absorption in all three East Coast CBDs has turned positive in prime stock, partly reflecting a reversal of the downsizing trend that was evident post-COVID.

A hypothetical 20% reduction in overall white-collar employment would normalise workspace ratios to be in line with 25-year averages.

Source: (1) JLL, DAE  
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# Alternative drivers of net absorption

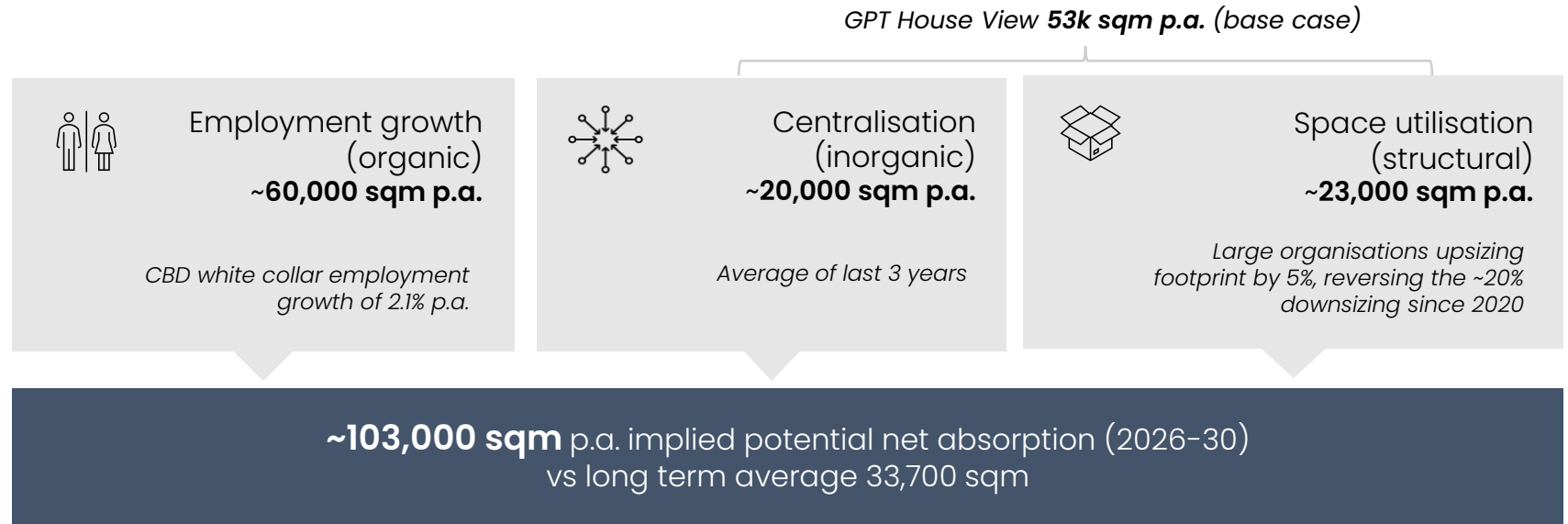
The organic driver of office net absorption is employment growth. In the medium term, there are some alternative drivers which will contribute to the demand outlook.

Our base case forecast for net absorption in Sydney CBD (53,000 sqm p.a.) is closely aligned to the benefit from tenants continuing to centralise and a reversal of the density journey tenants have been on since 2020.

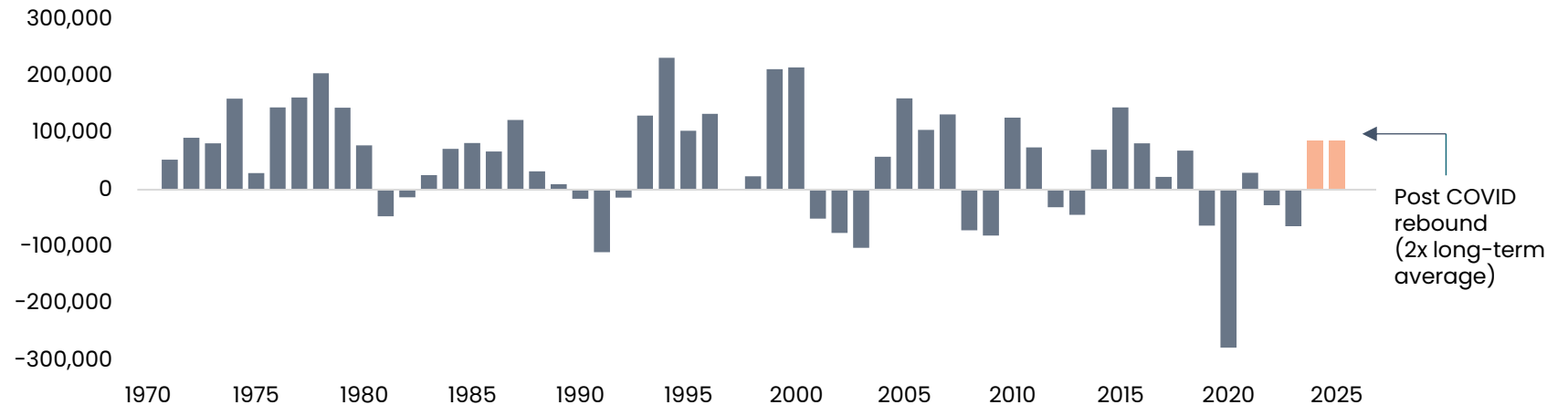
Centralisation has been contributing approximately 20,000 sqm p.a. to Sydney CBD net absorption with a further 23,000 sqm that could be contributed as tenants reverse the downsizing trend since 2020. These two factors alone (43,000 sqm) would exceed the long-term historical average of 33,000 sqm before assuming any organic headcount growth.

These factors provide a solid basis for the outlook for a tightening office market.

## Sydney CBD – key demand drivers next five years (1)



## Sydney CBD net absorption (2)



Source: (1) DAE, JLL, GPT Research (2) JLL

# A framework for assessing AI's impact on office demand

We believe as a base case that AI will be an enabler of more strategic work and create demand for new roles but also lift output per worker.

To stress test a **downside scenario** for the office market outlook, we have assumed an impact to the white-collar workforce with varying degrees across industries.

The impact is **phased in** over the 10-year forecast, with the majority of the impact in the first five years, with growth slowing to 2028 and negative in 2029 and 2030 before gradually recovering.

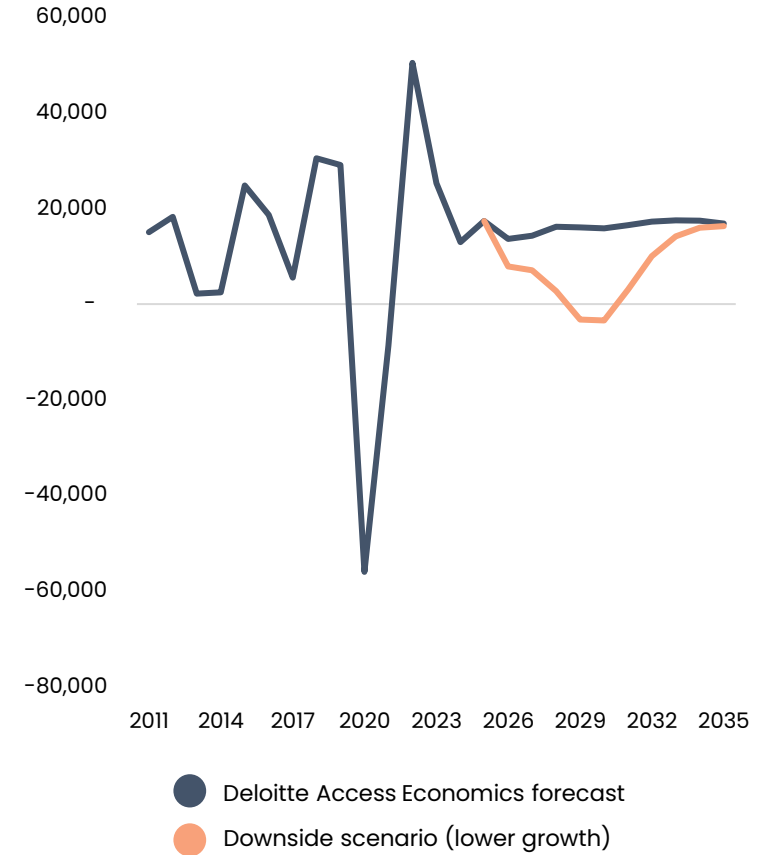
For most industries, the adjustment **only partially offsets growth in the original forecasts** over the 10-year period, whereas for finance & insurance it results in an outright decline.

**Change in white collar employment (10-yr forecast)**  
before and after adjustment <sup>(1)</sup>

	Employment Growth Forecast (10 yrs)	AI adjustment <sup>(2)</sup>	Employment Growth Downside Scenario (10 yrs)
Professional Services	44%	-15%	29%
Finance & Insurance	5%	-15%	-10%
Public Admin	32%	-7.5%	24%
Other	16%	-7.5%	9%

→ >70% of white-collar employment

**White collar employment annual change <sup>(1)</sup>**



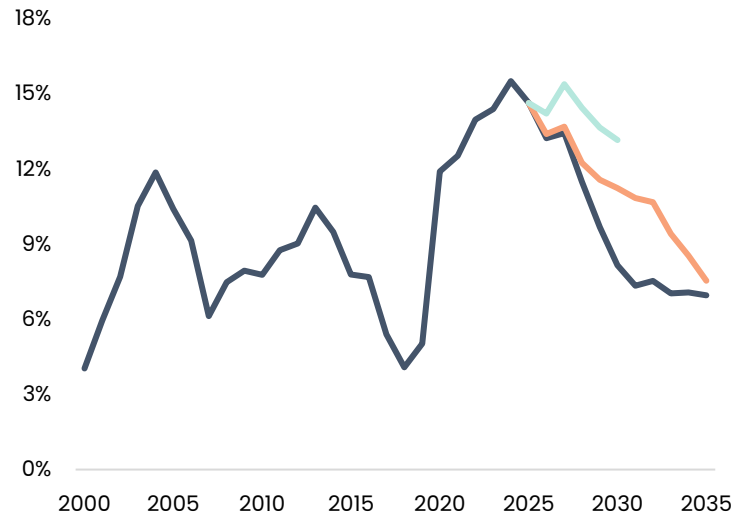
Source: (1) DAE, GPT Research. Notes: (2) Based on 2025 employment phased in by a S-Curve – 71% in year 5 and 100% by year 10.

# Stress testing the office vacancy rate outlook

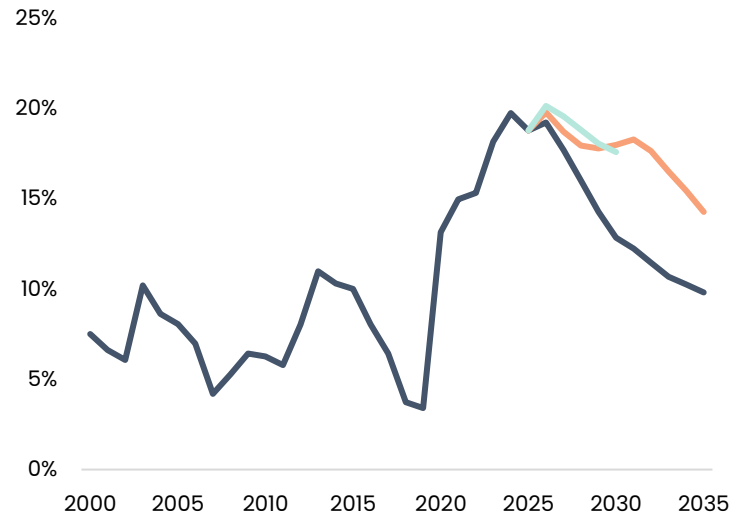
- **Base case:** net absorption assumptions imply white collar employment growth of 1.2% p.a. compared with Deloitte Access Economics forecast for 2.1% p.a.<sup>(2)</sup> While our base case is conservative relative to employment forecasts, net absorption is above the historical average in Sydney CBD, but approximately in-line for Melbourne and Brisbane CBDs.
- **Downside scenario:** assumes a 15% decline in finance & insurance and professional services roles over 10 years, which reduces the rate of growth for white collar employment (outlined on prior page). The Melbourne CBD vacancy rate trends down under this downside scenario, just at a slower pace to other markets.
- **Zero net absorption:** the vacancy rate still trends down in Sydney and Melbourne CBDs over a five-year period even if net absorption were to be 0 sqm (i.e. flat headcount), reflecting the impact of negative supply in those markets.

## Vacancy rate forecast scenarios

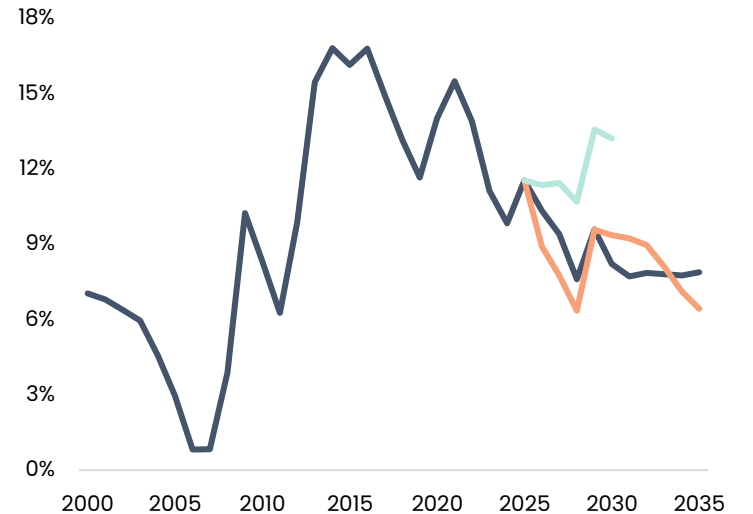
Sydney CBD <sup>(1)</sup>



Melbourne CBD <sup>(1)</sup>



Brisbane CBD <sup>(1)</sup>



● GPT Base Case    
 ● Downside scenario (lower growth)    
 ● Zero net absorption

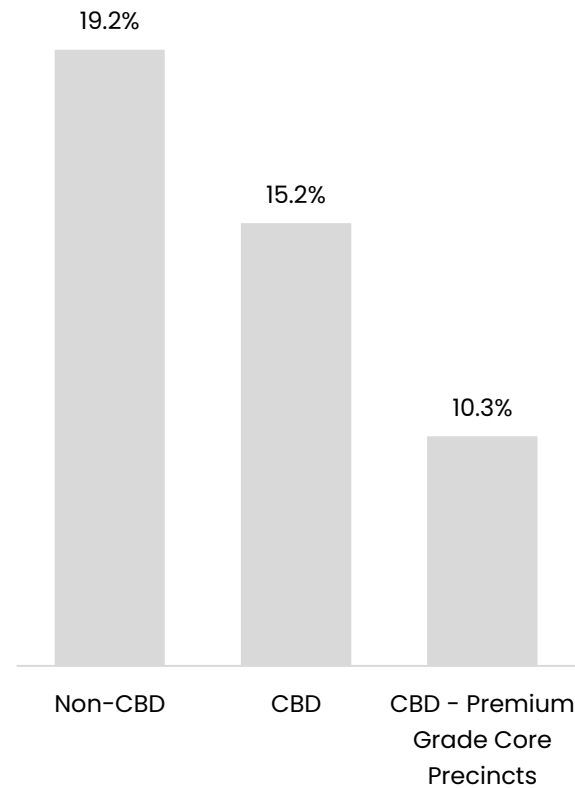
Source: (1) Historical: JLL, Forecasts: GPT Research, (2) DAE. Notes: (2) East Coast

# CBD markets to outperform as tenants continue to centralise

Rolling 12-month net absorption <sup>(1)</sup>



Vacancy rates – Q1 2026 <sup>(1,2)</sup>



Non-CBD office markets have recorded deteriorating net absorption for the last three years.

The trend towards centralisation is evident in the data. The divergence is close to a record high. It reflects tenant demand for amenity (retail, restaurants, bars, gyms and entertainment), transport, and a desire to be close to clients and service providers.

While fluctuations vary through prior cycles, there was a level of synchronisation which has broken down since 2023.

The vacancy differential between CBD and non-CBD markets is pronounced, and further amplified when comparing to premium assets in core locations. We expect this divergence to widen over time.

Source: (1) JLL. Notes: (2) Core precincts include Sydney CBD Core, Melbourne CBD Eastern Core and Brisbane CBD Golden Triangle.

# Could AI for office be the equivalent of ecommerce for retail? <sup>9pt</sup>

Ecommerce was touted as a major disruptor to physical retail, particularly when Amazon entered Australia in late 2017. In-store retail sales are 34% higher than they were in 2017, vacancy is <1% and income is growing at 4.5% p.a.<sup>(2)</sup>.

While in theory it was possible that all retail transactions could have occurred online, some key factors that turned out to be under-estimated, were:

- the human element of people's preference to socialise,
- physical and financial challenges of online distribution,
- and the subsequent cut off in supply from the perceived demand hit that didn't eventuate.

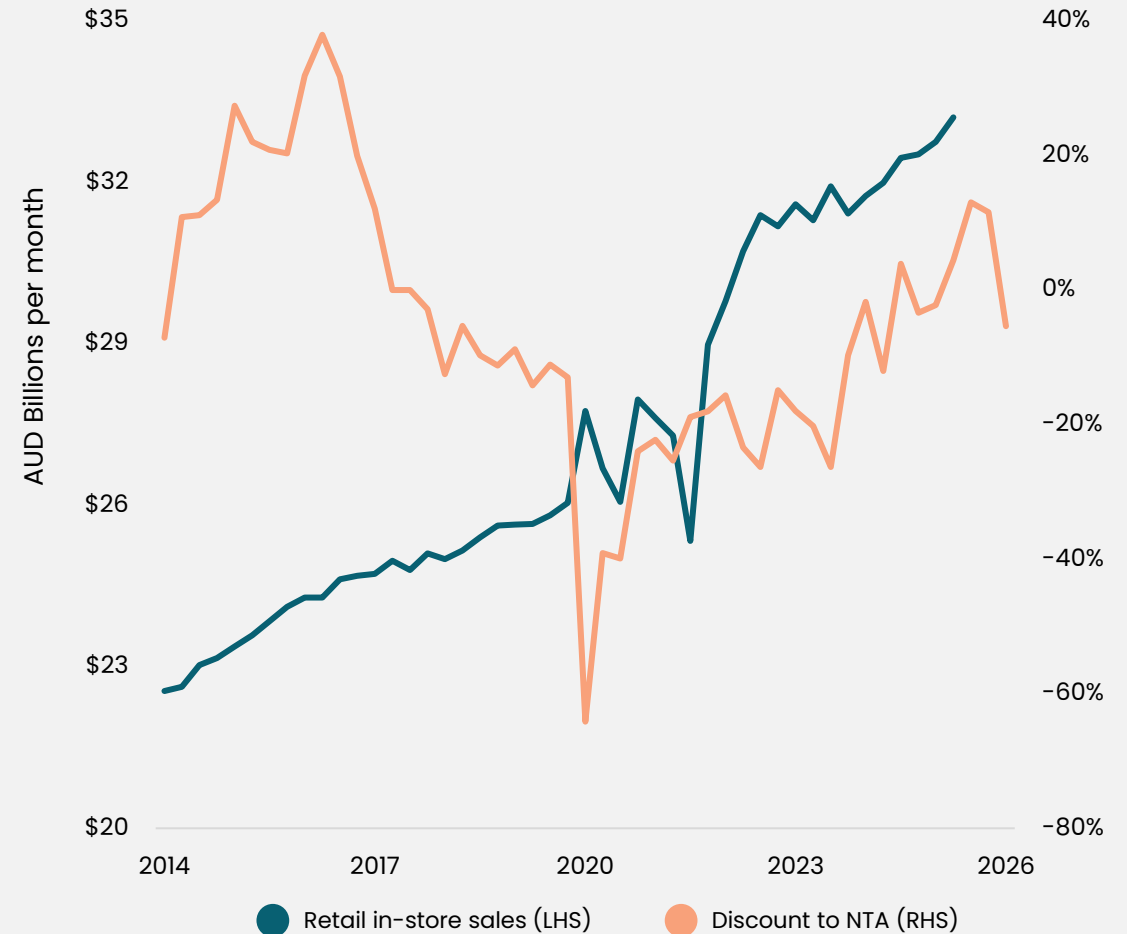
For the retail sector, the selling of assets was reflexive rather than fundamental as sentiment and liquidity dynamics overwhelmed the underlying income story.

There is potential for the impact of AI on office assets to be overestimated as ecommerce was for the retail sector. The retail REIT discount to NTA vs retail spending in shopping centres provides evidence of a wide disconnect.

For the office sector, it is the potential for disruption and displacement of jobs – albeit at a different pace for businesses and industries. The cost and complexity of AI governance, monitoring, security and implementation may be one barrier to widespread rapid adoption within a very short time frame.

The risk is therefore more around an uncertainty-led re-pricing of the sector and individual assets, perhaps beyond what the cashflow impact would justify.

**Retail REIT discount to NTA vs in-store sales performance <sup>(1)</sup>**



Source: (1) ABS, Factset, Macquarie Research (2) Company reports

# 'Watt' are the barriers to AI expansion?

The pace of adoption of AI at scale may be constrained by grid constraints, rising electricity costs and sustainability pressures on data centres, giving landlords time to respond.

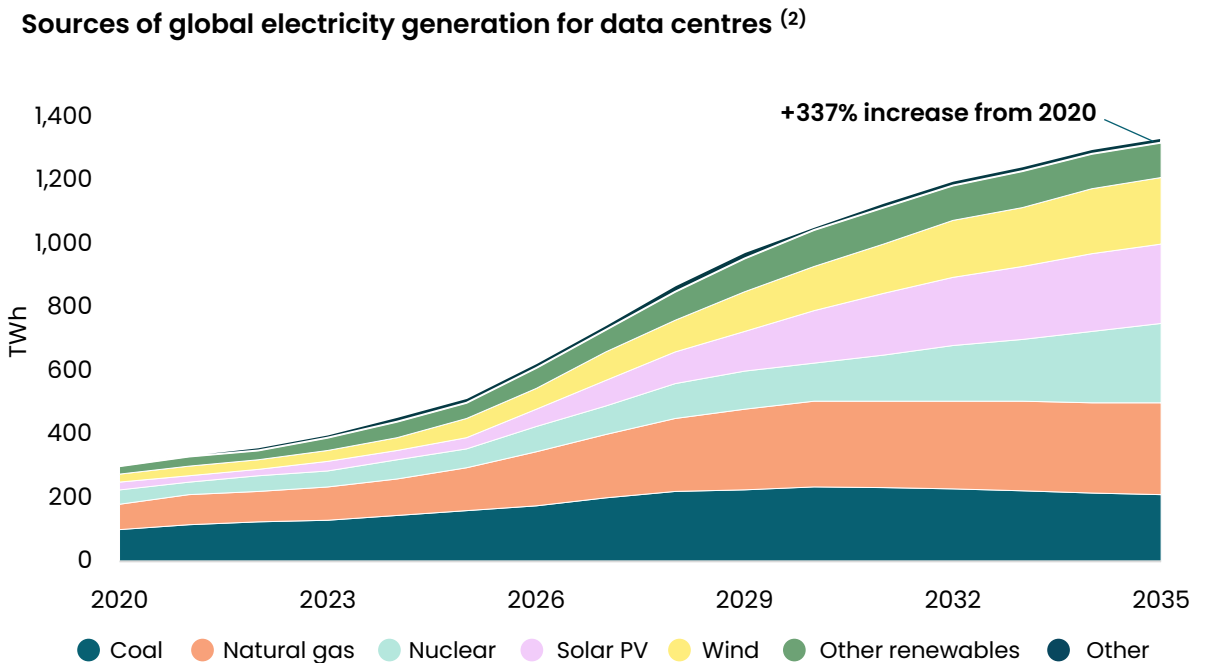
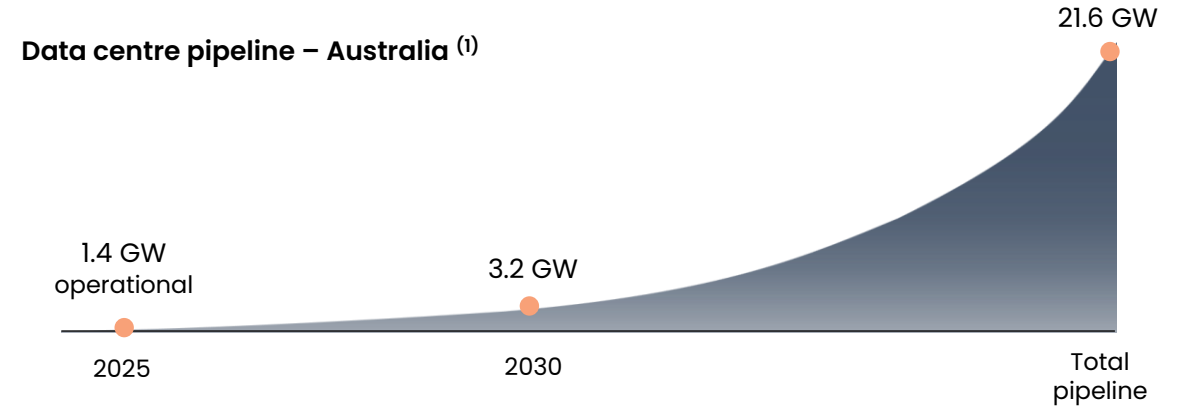
As AI adoption accelerates, the demand for data centre capacity is growing at an unprecedented rate, placing significant pressure on global energy infrastructure.

The scale of energy required to power and cool these facilities is becoming a critical challenge. With hyperscale operators and AI firms racing to expand their footprints, questions around energy availability, grid capacity and sustainability are moving to the forefront.

Data centres currently account for ~1-2% of electricity consumption<sup>(3)</sup>. However, as the data centre pipeline is realised, this share is projected to grow significantly, potentially reaching 8-11%<sup>(3)</sup> of total electricity consumption by 2035.

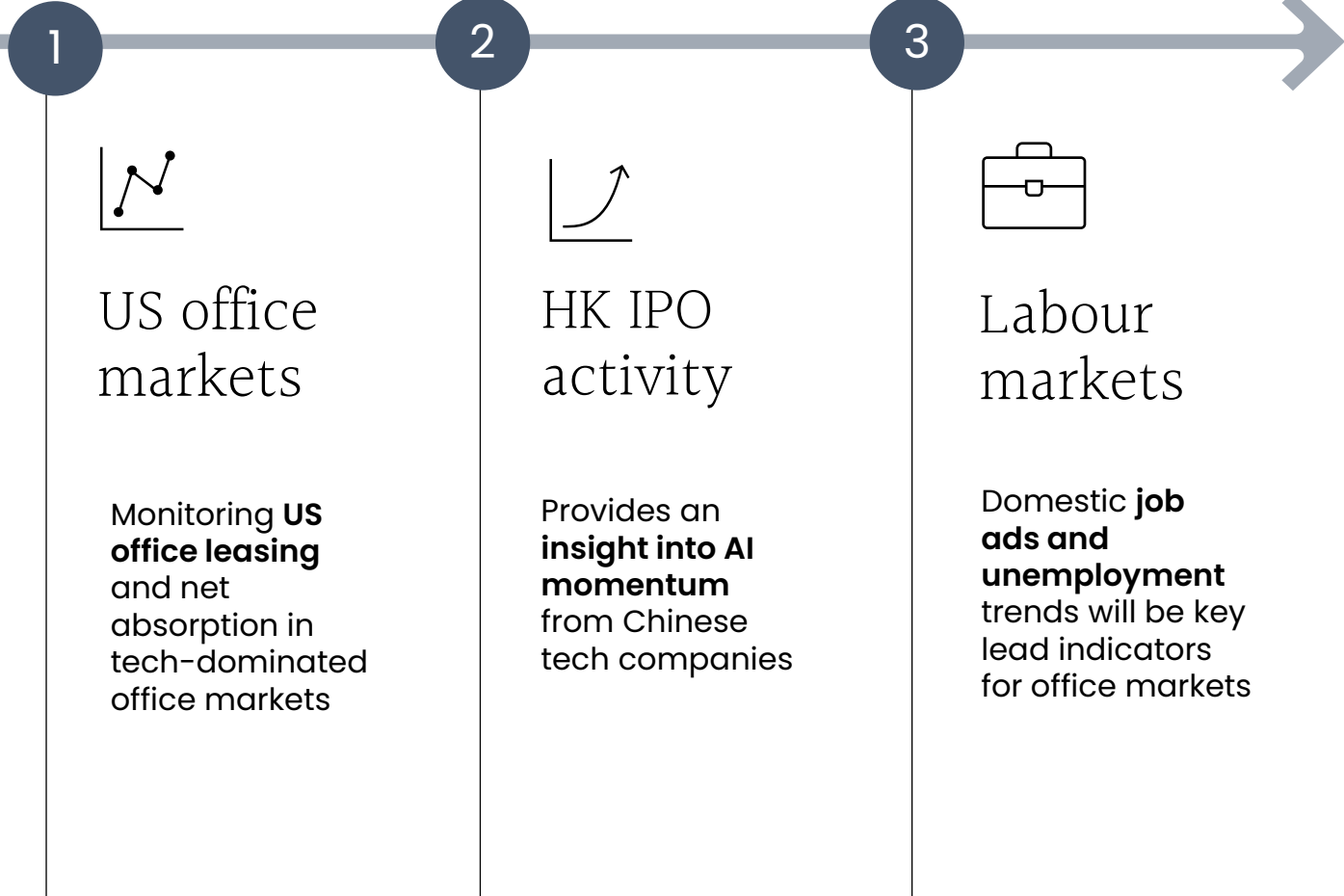
However, there is increasing recognition that AI-driven growth may eventually face limitations. AI workloads require substantially more power than traditional cloud computing, and in many regions, energy infrastructure is already struggling to keep pace.

Additionally, governance concerns remain front and centre on the integrity of data, algorithmic bias, lack of transparency and accountability gaps which will further place barriers in the pace and scale of AI adoption.

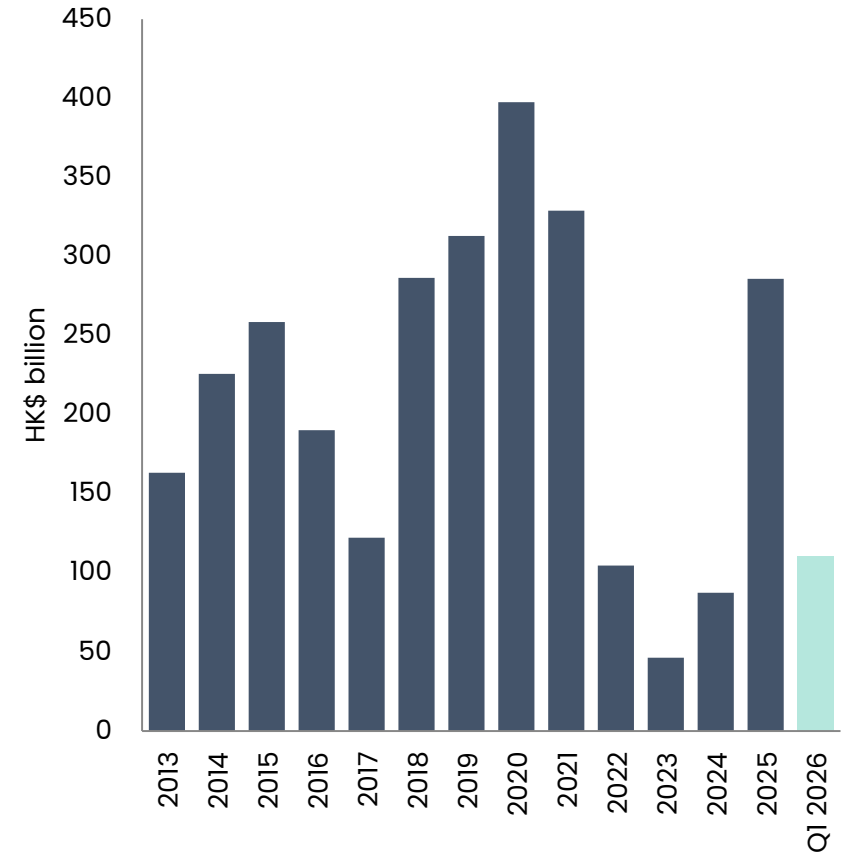


Source: (1) DC Byte (2) IEA (3) Energy Source Consumer, Baringa

# Leading indicators – what are we watching?



**Hong Kong IPO market reached \$110b in Q1 2026<sup>(1)</sup>;** six out of the top 10 were tech companies, compared with 1 out of 10 the same time last year<sup>(2)</sup>



Source: (1) HKEX (2) KPMG



## Workforce evolves

AI reshapes tasks rather than eliminating roles. The new technology allows for collaboration, strategic thinking and client-facing work – activities best supported by quality office space. Graduate hiring and white-collar employment remain above long-term averages.



## Demand resilient

Occupiers are growing and reversing the post-COVID downsizing trend. Centralisation, space utilisation and organic employment growth combine to drive net absorption. In the US – where AI adoption is most advanced – tech, finance and legal occupiers are the most active industries leasing office space.



## Vacancy tightens

Across all East Coast CBDs, vacancy trends lower over the forecast period given a very limited supply pipeline. Even under our downside scenario – assuming a 15% white-collar adjustment in professional services and finance – vacancy still tightens, just at a slower pace.



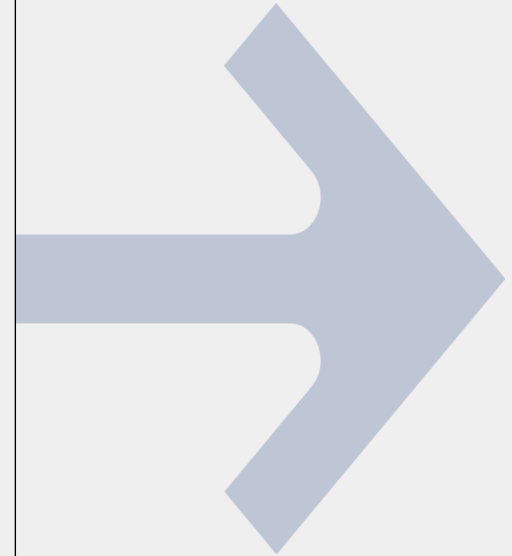
## Prime outperforms

Idiosyncratic risk widens the gap between prime and secondary stock. CBD markets outperform as tenants centralise and consolidate into higher-quality buildings. Parallels between retail and ecommerce suggest the AI impact on offices may be overestimated.



## Watching brief

Monitor US office leasing and net absorption, Hong Kong IPO activity as a proxy for AI capital flows, forward leasing pipelines, and job vacancy composition. Power availability, sustainability and governance are potential factors that may phase in the impact of AI.



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