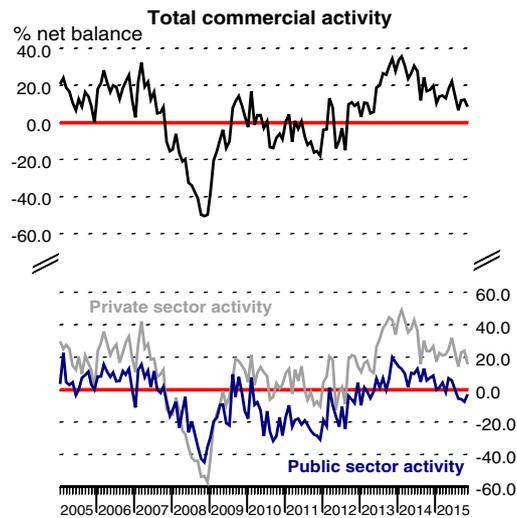


November sees growth of UK commercial activity wane

December 2015

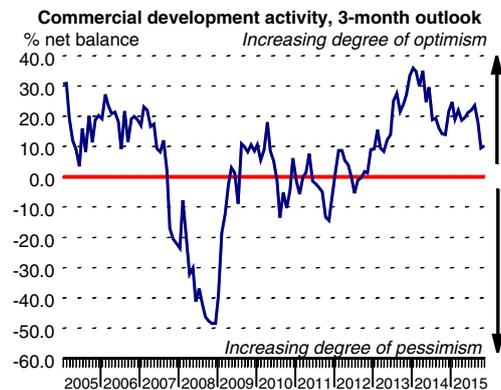
KEY FINDINGS

- The headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – fell from +12.5% in October to a three-month low of +8.7% in November.
- Dragging the growth rate down was a softer expansion in private projects. Whereas public work continued to contract, the latest reduction was the weakest in the current four-month sequence of declines.
- Eight of the nine tracked categories registered growth, led by industrial/warehouse. Public new build activity fell further, the sixth consecutive month in which this has been the case.



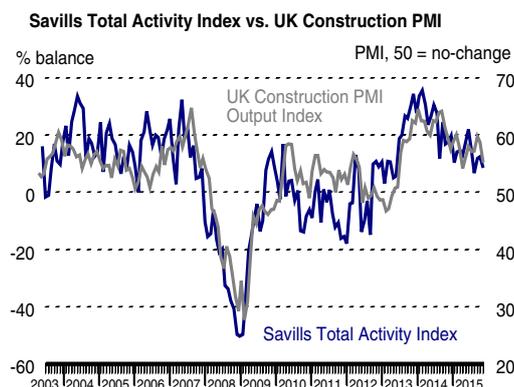
FUTURE EXPECTATIONS

- Confidence among UK commercial developers improved slightly from October's two-and-a-half year low.
- Rising from +9.5% to +10.4% in November, the net balance was consistent with a robust degree of optimism regarding the three-month outlook for activity.
- Positive sentiment was linked to better economic conditions across the UK. However, there were concerns about a slowdown in fee requests.



COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against the UK Construction PMI®.
- Weaker increases in activity were seen in both the Savills and the Construction PMI surveys during November.
- PMI data indicated that all three broad areas of construction activity – residential, civil engineering and commercial – experienced a slowdown in growth.

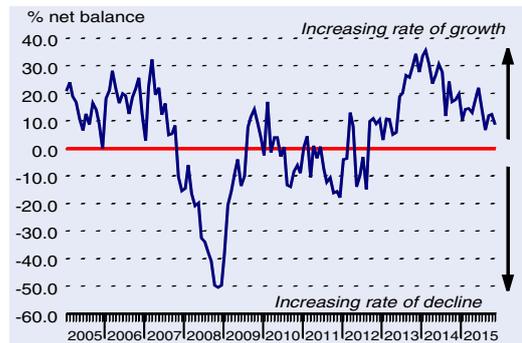


Commercial Development Activity

Total level of commercial activity

compared with one month ago

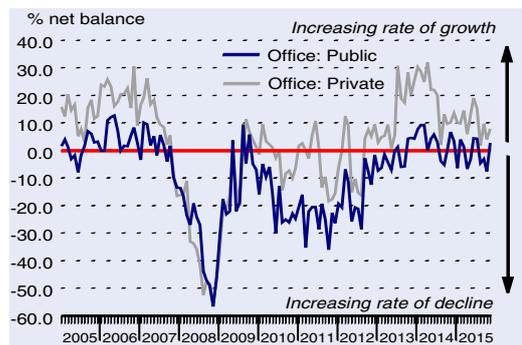
- Commercial activity in the UK rose further in November, marking a 39-month sequence of growth. Despite easing since October, the rate of expansion was still solid.
- While public projects continued to fall, private work increased again. The respective net balances were at -2.7% and +15.4% (three-month low).



Office activity

compared with one month ago

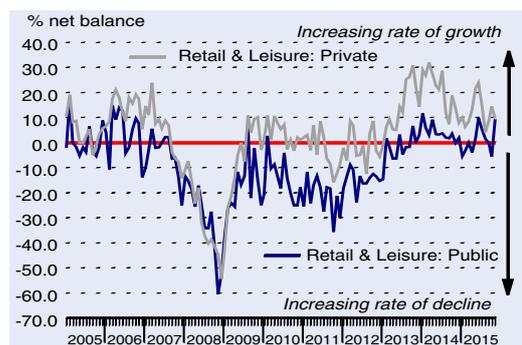
- November data pointed to a rebound in public office work, which rose for the first time since July. The net balance increased from -7.6% in October to +2.9%.
- Private office activity also expanded, as a net balance of +8.0% of commercial developers signalled growth. This compares with a reading of +4.0% in October.



Retail & leisure activity

compared with one month ago

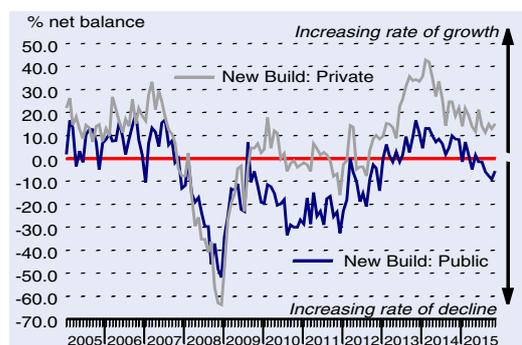
- UK commercial developers indicated that both private and public retail & leisure projects increased markedly during November.
- The net balance for public retail & leisure was at a five-month high of +9.4%, while the respective reading for private retail & leisure fell from +14.4% to +9.8%.



New build activity

compared with one month ago

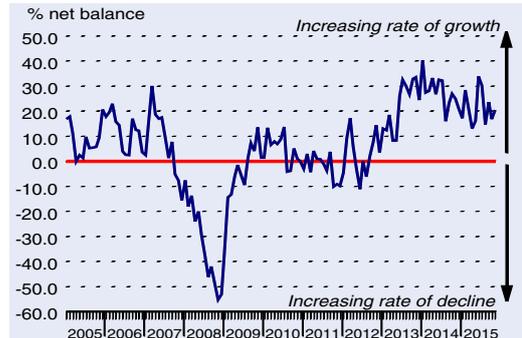
- Growth of private new build activity accelerated in November, as indicated by the net balance rising from +13.1% to a five-month high of +15.2%.
- Meanwhile, public new build projects decreased for the sixth consecutive month, although at the weakest pace since July.



Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse activity increased further in November, and at a sharp rate that was quicker than in the prior month.
- A net balance of +20.6% of commercial developers reported growth, compared with +16.8% in October.

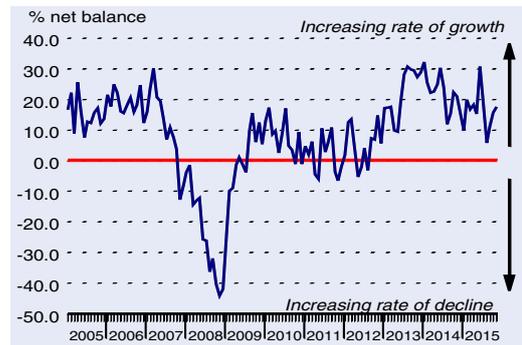


Commercial Development Activity

Refurbishment activity

compared with one month ago

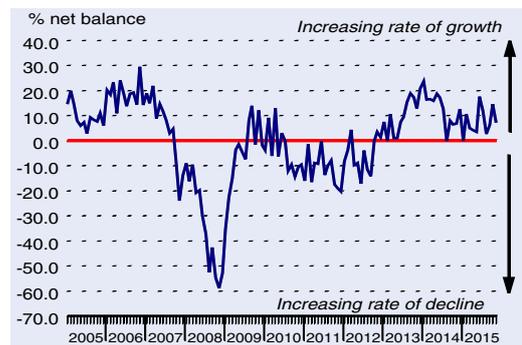
- November data highlighted a thirty-ninth successive monthly rise in refurbishment activity across the UK.
- Having accelerated since October to the fastest since July, the rate of growth was sharp.



Office fit-out activity

compared with one month ago

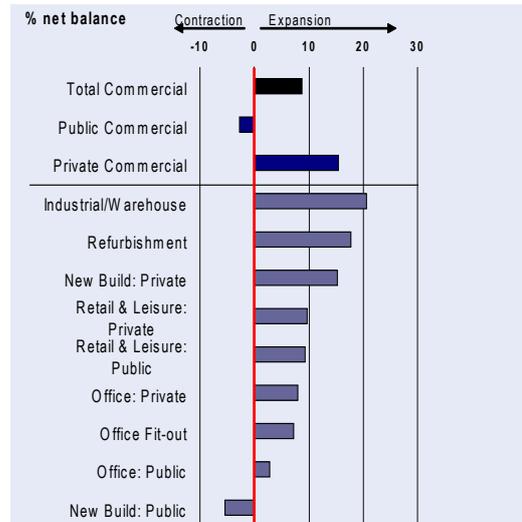
- Office fit-out activity in the UK commercial property sector increased further in November, but at a weaker pace.
- The net balance was down from +14.7% in October to +7.3%, a reading consistent with a solid rate of expansion.



Summary of activity in November

tables of data on page 4

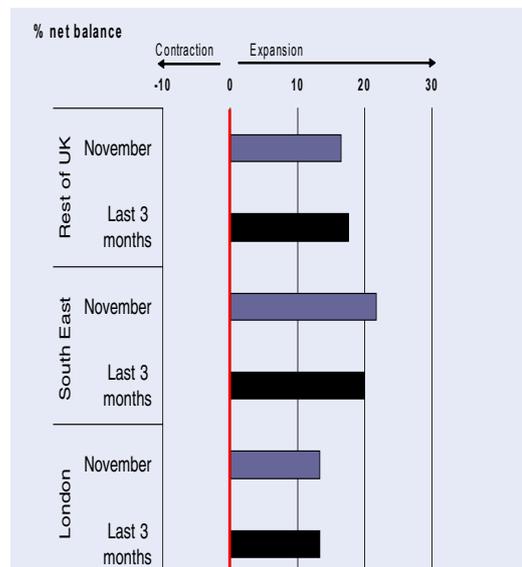
- November saw growth of commercial work in the UK lose strength. Underpinning this was a softer increase in private work.
- Whereas public projects fell further, the rate of reduction was the weakest in the current four-month sequence of contraction.
- Growth was registered in eight of the nine monitored categories, with public new build the only exception.
- For the sixth straight month, the strongest rate of expansion was seen in industrial/warehouse activity.



Regional commercial activity

compared with one month ago

- All three monitored UK regions recorded growth of commercial projects in November, led by the South East.
- The South East saw the strongest increase in commercial work since June, as indicated by the net balance rising to +21.7%.
- The slowest expansion was again registered in London. Despite falling to +13.3%, the net balance was in line with its three-month average (+13.4%).
- The net balance for the 'Rest of UK' fell from +20.0% to +16.5%, a reading still consistent with a sharp rate of growth.



Commercial Development Activity

Summary data

all data shown are % net balances (+/-)

	Total			Regions			Expectations			
	Public	Private		London	Rest of the South East	Rest of the UK	Total	Office	Retail & leisure	Industrial/warehouse
2012	+1.1	-11.5	+8.8	+9.5	+5.4	+6.8	+2.8	-1.3	+2.8	+6.9
2013	+18.3	+3.5	+27.0	+24.1	+24.2	+25.4	+19.0	+14.4	+18.4	+24.1
2014	+25.0	+9.2	+34.1	+21.2	+28.5	+30.3	+24.6	+20.5	+23.3	+29.7
Jun'15	+22.2	+5.6	+32.0	+24.4	+41.3	+26.0	+21.3	+15.2	+16.5	+31.7
Jul	+14.3	0.0	+23.0	+12.2	+17.7	+23.0	+22.1	+19.8	+19.8	+26.8
Aug	+6.7	-5.6	+14.0	+11.4	+14.3	+7.4	+23.6	+20.2	+20.4	+29.7
Sep	+12.0	-5.7	+22.8	+10.9	+19.0	+16.1	+17.9	+9.2	+17.0	+27.6
Oct	+12.5	-7.5	+23.9	+15.9	+19.4	+20.0	+9.5	+4.3	+6.5	+17.3
Nov	+8.7	-2.7	+15.4	+13.3	+21.7	+16.5	+10.4	+4.8	+7.1	+19.0

Sectors

	Office		Retail & leisure		New build		Industrial/warehouse	Refurb-ishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
2012	-14.8	-1.2	-14.6	-1.1	-11.8	3.0	2.9	5.1	-5.6
2013	-1.9	+14.2	-1.8	+14.3	+4.9	+23.4	+22.3	+22.2	+10.3
2014	+3.4	+19.1	+4.2	+20.7	+8.1	+28.9	+27.8	+22.4	+13.0
Jun'15	+4.5	+19.1	+9.8	+24.0	-1.4	+21.2	+34.0	+30.9	+17.7
Jul	+4.3	+15.4	+5.4	+15.1	-1.4	+14.2	+30.4	+18.5	+12.0
Aug	-4.5	+1.9	+1.7	+4.0	-5.8	+11.4	+14.7	+6.0	+2.8
Sep	-3.1	+9.8	0.0	+8.7	-7.6	+15.0	+23.7	+11.2	+6.4
Oct	-7.6	+4.0	-5.5	+14.4	-9.1	+13.1	+16.8	+15.7	+14.7
Nov	+2.9	+8.0	+9.4	+9.8	-5.5	+15.2	+20.6	+17.7	+7.3

Savills Building & Project Consultancy

Savills Building & Project Consultancy, the sponsor of the research, is active in providing development and construction advice throughout the UK and Mainland Europe. The team focus on commercial property primarily within the office, retail and industrial sectors. Specific services include due diligence, development monitoring, project management & rights to light consultancy. Savills undertake a full range of services including Agency, Investment, Valuation, Planning and Property Management.

About the report

The Commercial Development Activity report is derived from a monthly questionnaire to a panel comprising leading developers and contractors. The results show the percentage of respondents reporting an improvement, deterioration or no-change since the previous month. A positive net balance signals an increase (or improvement), a negative net balance a decrease (or deterioration). The higher/lower the net balance, the greater the rate of change signalled.

Markit Economics

The survey is compiled by Markit Economics on behalf of Savills. Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index® (PMI®) series, which is now available for over 30 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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