

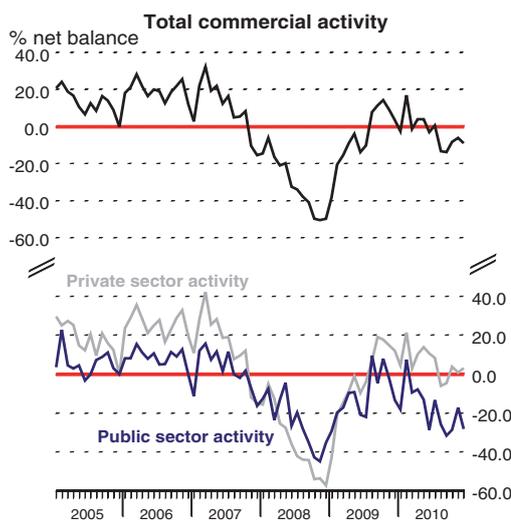
Commercial Development Activity

January 2011

December data signalled contraction of commercial development activity, driven by lacklustre public sector.

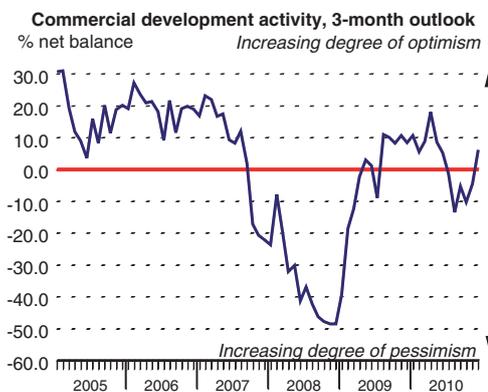
KEY FINDINGS

- Commercial development activity fell in December, continuing the trend since August.
- Private sector activity increased modestly, with growth now sustained for three months. However, public sector commercial development contracted for a tenth successive month, with the latest decrease notably sharper than the long-run trend for the series.
- Approximately 27% of commercial developers recorded a fall in overall activity in the month, compared to 18% indicating a rise.
- The Total Commercial Development Activity Index, a net balance monitoring the overall performance of the UK commercial property sector, posted -8.9% in December, down from -6.0% in November.



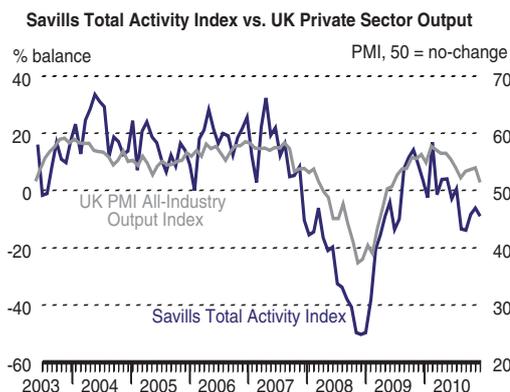
FUTURE EXPECTATIONS

- Commercial property developers were confident regarding the three-month outlook for business prospects in December. This ended a five-month period of pessimism.
- Survey respondents expect activity to rise in all three of the categories monitored. For both office and retail development, optimism was recorded for the first time since June. Industrial related activity has been projected to rise for the last two survey periods.
- However, the degree of positive sentiment was only modest, with many panellists still concerned about the availability of bank credit, the rise in VAT and public sector spending cuts.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against PMI™ survey data measuring output in the UK private sector.
- December data showed that commercial development activity continued to contract, and at an accelerated rate, while growth of overall UK private sector output slowed.
- Furthermore, the rate of expansion in overall output dipped below the long-run trend for the series, suggesting that business conditions at the end of 2010 became more challenging. However, commercial development continued to lag the wider economy.

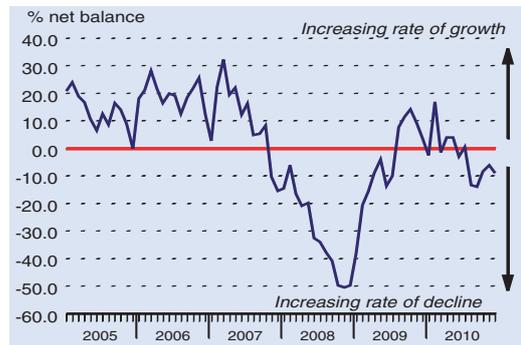


Commercial Development Activity

Total level of commercial activity

compared with one month ago

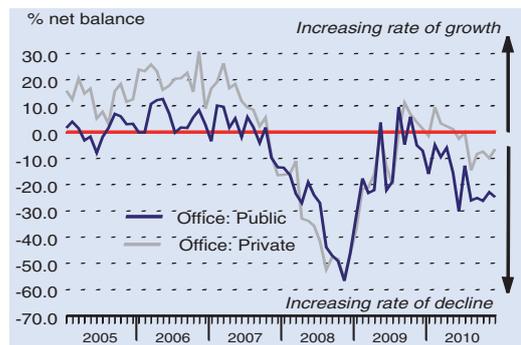
- December data signalled the sharpest contraction in commercial activity during Q4.
- Private sector commercial development grew for a third consecutive month, albeit only slightly. However, public sector activity fell steeply, with the rate of decrease faster than in November.



Office activity

compared with one month ago

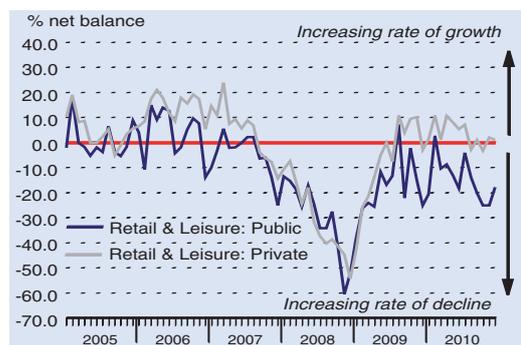
- Office development activity in the public sector continued to contract sharply in December.
- The decline in private sector office development activity, which was the fifth in successive months, eased marginally since November, but remained in contrast to the long-run trend (which signals mild growth).



Retail & leisure activity

compared with one month ago

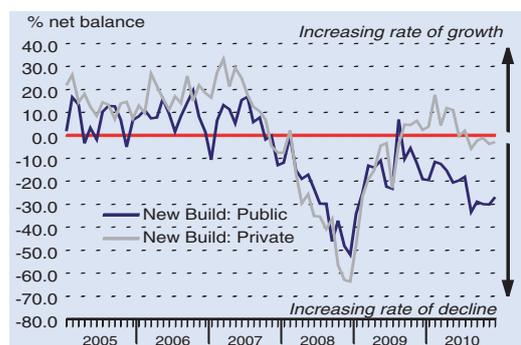
- Private sector retail & leisure activity increased in December for a second successive month. However, the rate of growth was only slight.
- Retail and leisure development activity in the public sector declined markedly. However, the rate of contraction was slower than in the previous month.



New build activity

compared with one month ago

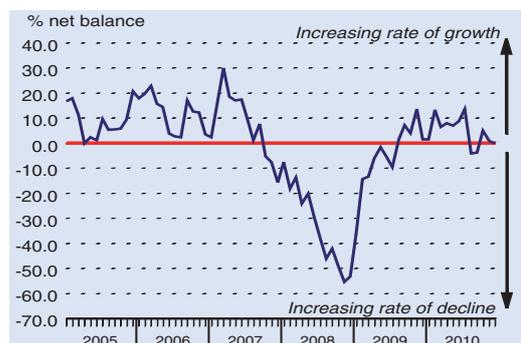
- December data signalled a reduction in activity on both public and private new build projects.
- Commercial developers indicated a steep decline in public new build activity, which remained sharp in the context of historical data. Meanwhile, the decrease in private sector related new build activity was only marginal.



Industrial/warehouse activity

compared with one month ago

- Having increased for two straight months, industrial/warehouse activity remained unchanged from the previous month in December.
- The same proportion of survey respondents reported a rise in industrial/warehouse activity in December, as signalled a decrease.

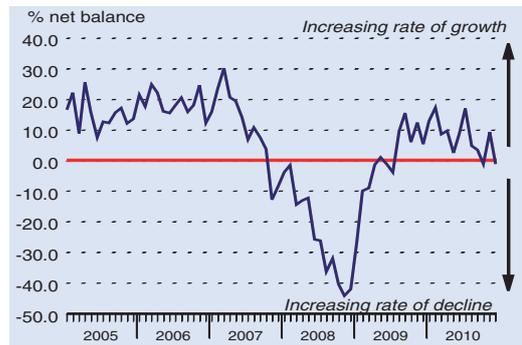


Commercial Development Activity

Refurbishment activity

compared with one month ago

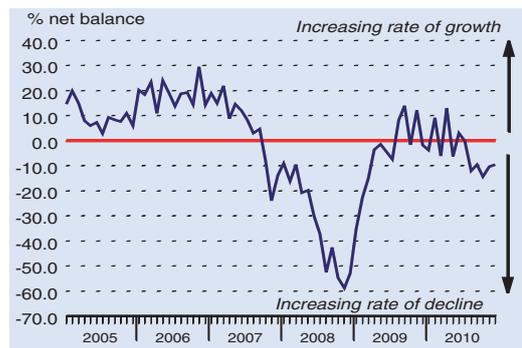
- Refurbishment activity fell slightly in December.
- The contraction in activity was in contrast to the marked rise recorded in November and the long-run average for the series (which indicates solid growth).



Office fit-out activity

compared with one month ago

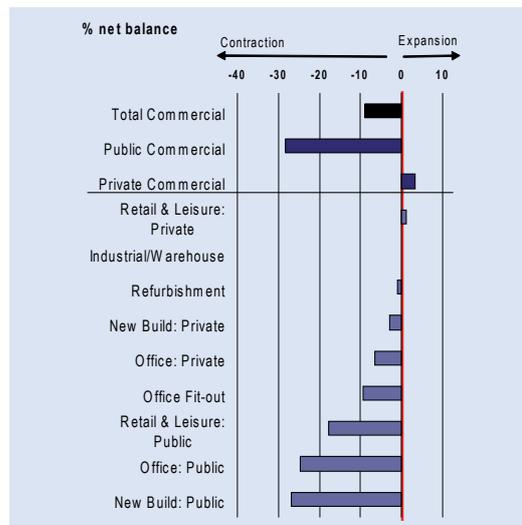
- December data signalled a reduction in office fit-out activity. Contraction has now been indicated over each of the last five months.
- Approximately 24% of panellists reported a decrease in office fit-out activity in December, compared to 14% signalling a rise.



Summary of activity in December

tables of data on page 4

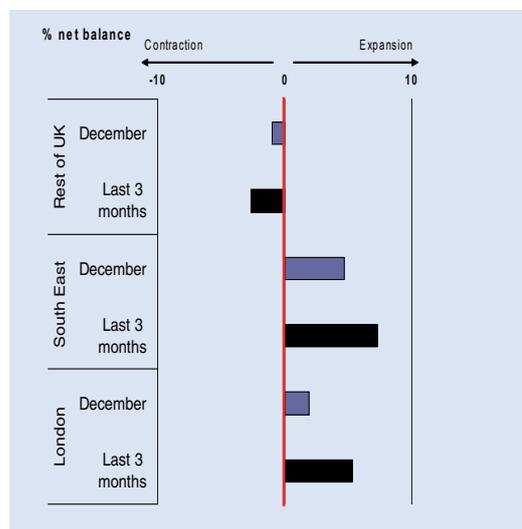
- Of the nine broad areas of commercial development monitored by the survey, seven reported a lower level of activity in December.
- The sharpest contractions were seen in the three categories of commercial development relating to public sector activity.
- Public sector new build development registered the steepest decrease in activity.
- Private sector retail & leisure was the only area of commercial development monitored that recorded an increase in activity. Industrial/warehouse activity was flat on the month.



Regional commercial activity

compared with one month ago

- London and the South East both recorded growth in commercial development activity during December.
- However, the rates of expansion slowed and were below their respective three-month averages.
- Commercial development activity in the rest of the UK continued to contract. The latest rate of decrease was marginal, and unchanged in the month.



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
2008	-31.0	-24.4	-34.7	-26.1	-29.5	-32.5	-35.3	-38.5	-33.7	-33.6
2009	-5.3	-10.9	-2.6	-4.5	+3.9	-7.5	-2.3	-7.0	-1.4	+1.4
2010	-2.6	-17.8	+5.8	+7.9	+10.5	+3.2	+2.6	-1.9	+2.8	+6.3
Jul '10	+0.6	-13.3	+8.3	+15.9	+9.3	+7.1	-1.2	-5.7	-1.2	+3.4
Aug	-13.3	-25.9	-6.0	-2.3	+2.0	-6.6	-13.4	-17.3	-7.6	-15.4
Sep	-13.8	-31.6	-4.5	+16.7	+0.0	-9.4	-5.1	-8.2	-3.7	-3.5
Oct	-8.3	-28.6	+3.9	+8.3	+9.2	-5.9	-10.2	-17.1	-12.9	-0.9
Nov	-6.0	-17.1	+0.8	+5.7	+7.9	-1.0	-4.4	-12.5	-6.1	+5.0
Dec	-8.9	-28.2	+3.2	+1.9	+4.7	-1.0	+6.2	+3.8	+9.3	+5.9

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
2008	-32.7	-36.4	-30.4	-30.3	-27.3	-33.9	-32.9	-24.2	-33.6
2009	-11.1	-8.9	-17.7	-7.0	-15.2	-10.3	-4.8	-0.1	-4.8
2010	-18.2	-2.8	-14.5	+3.6	-22.1	+3.0	+4.8	+7.8	-3.8
Jul '10	-12.7	+0.0	-4.0	+7.2	-17.9	+2.1	+13.8	+17.1	+0.0
Aug	-26.0	-14.5	-14.0	-2.6	-33.3	-5.6	-4.1	+5.0	-11.9
Sep	-25.0	-8.2	-20.0	+1.1	-28.8	-2.2	-3.8	+3.7	-9.5
Oct	-26.0	-7.3	-25.0	-3.2	-29.9	-0.9	+5.1	-1.0	-14.3
Nov	-22.9	-9.9	-25.0	+2.1	-30.0	-3.7	+1.0	+9.4	-10.3
Dec	-24.7	-6.4	-17.7	+1.1	-26.8	-2.8	+0.0	-1.0	-9.4

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 26 countries and key regions including the Eurozone and BRIC. The PMIs have become 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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