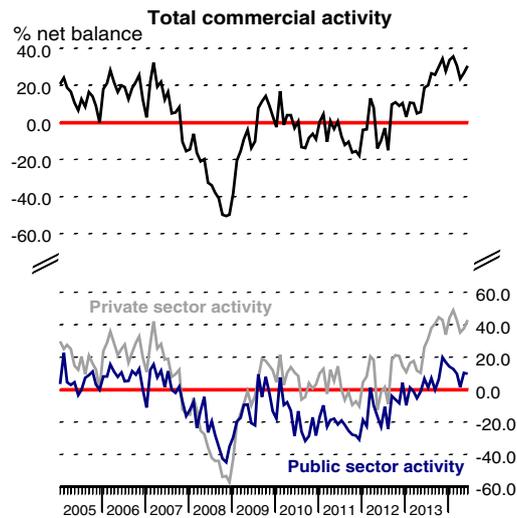


UK commercial activity expands at sharpest pace in four months

July 2014

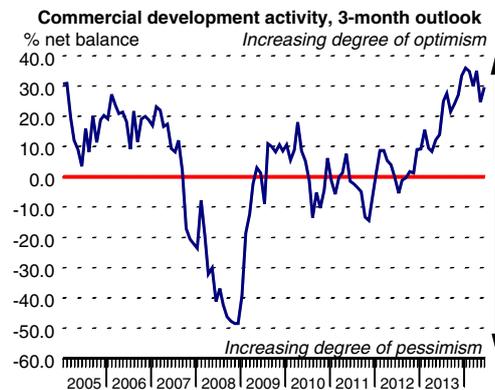
KEY FINDINGS

- The headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – rose from +26.9% in May to a four-month high of +30.7% in June.
- While growth of public commercial work eased slightly, private commercial projects increased at a sharp and accelerated pace.
- June data indicated that all nine monitored sub-sectors posted higher activity. The fastest expansion was noted for private new build activity and the slowest for public retail & leisure.



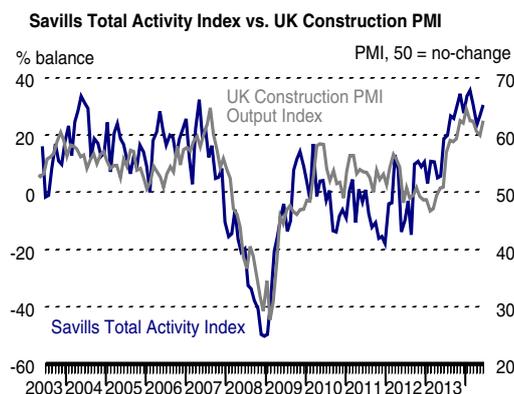
FUTURE EXPECTATIONS

- Commercial developers in the UK were optimistic about the prospects for commercial activity in three months' time during June.
- Moreover, the level of confidence improved since May, with a net balance of +29.7% of panellists forecasting growth (+24.8% in the prior month).
- According to survey respondents, commercial activity is anticipated to rise in line with an increased number of enquiries and improved client confidence.



COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against the UK Construction PMI®.
- Rising to a four-month high of 62.6 in June, the UK Construction PMI was indicative of a sharp pace of growth.
- Increases were noted across the three monitored sub-categories of the PMI survey. The fastest expansion was again seen in housing activity.

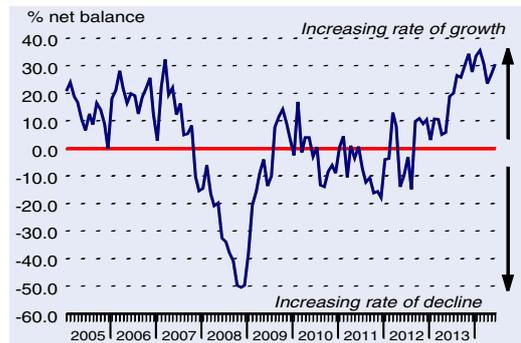


Commercial Development Activity

Total level of commercial activity

compared with one month ago

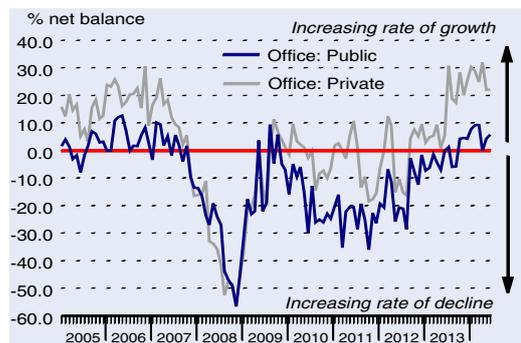
- The level of commercial activity in the UK expanded for the twenty-second month running in June. Having accelerated to a four-month high, the pace of growth was sharp.
- Both private and public commercial projects increased, with the respective net balances posting +43.0% and +9.9%.



Office activity

compared with one month ago

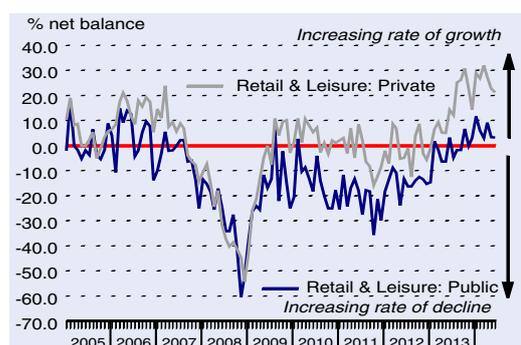
- Private office work rose further in June, stretching the current expansionary period to 22 months. The latest rise was strong and unchanged since May.
- Growth of public office projects was sustained in June. Despite accelerating since the prior month, the pace of increase was slight overall.



Retail & leisure activity

compared with one month ago

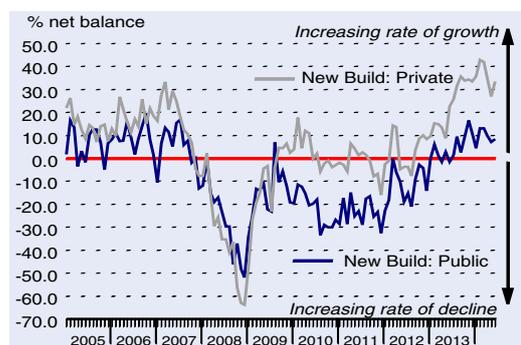
- Public retail & leisure activity continued to increase in June. At +3.3%, the net balance was indicative of a marginal rate of expansion.
- Private retail & leisure work also rose in June, with a net balance of +21.3% of companies signalling growth.



New build activity

compared with one month ago

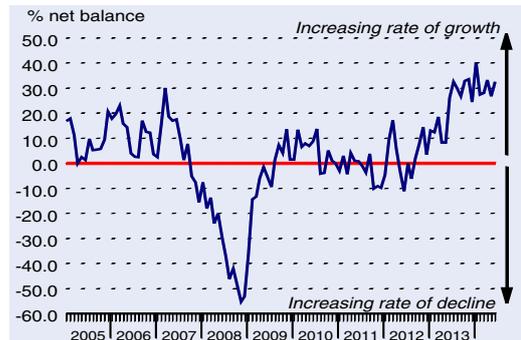
- Commercial developers across the UK indicated that private new build activity increased further in June. The net balance rose from +27.1% in May to +33.6%.
- June data highlighted a twelfth consecutive monthly expansion of public commercial work. At +8.6%, the net balance was consistent with a solid pace of growth.



Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse projects rose further in June, marking a 22-month period of expansion.
- Up from +26.8% in May to +32.7% in the latest month, the net balance was indicative of a substantial pace of increase.

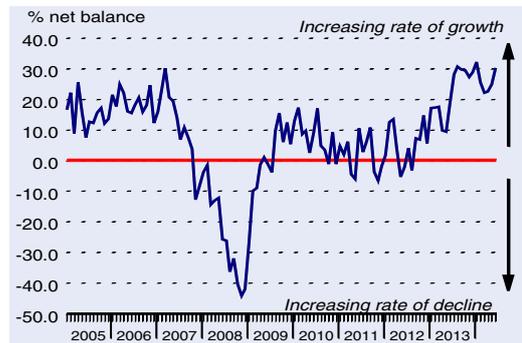


Commercial Development Activity

Refurbishment activity

compared with one month ago

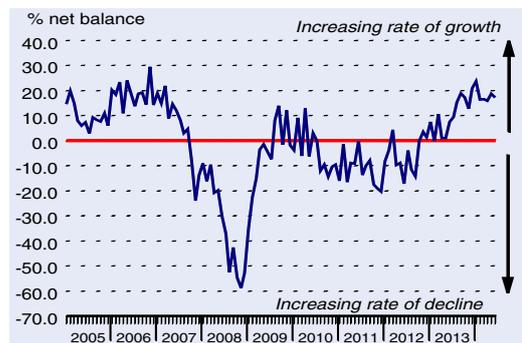
- Growth of UK refurbishment activity accelerated to the fastest in five months during June.
- Registering +30.4%, up from +25.0%, the net balance was at its highest level since January and pointed to a sharp rate of expansion.



Office fit-out activity

compared with one month ago

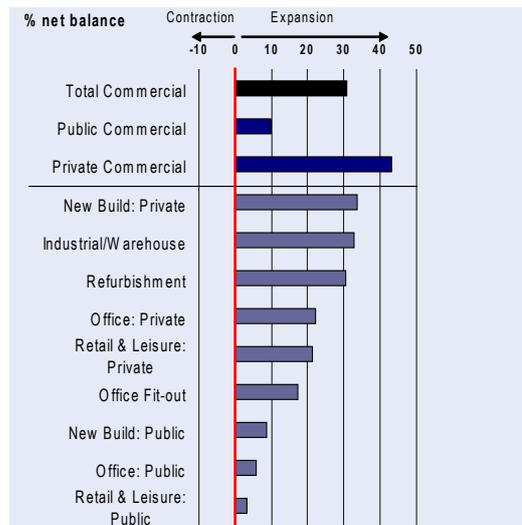
- Office fit-out projects increased for the sixteenth consecutive month in June.
- Down slightly from +18.8% in May to +17.3% in the latest month, the net balance was still indicative of a marked pace of expansion.



Summary of activity in June

tables of data on page 4

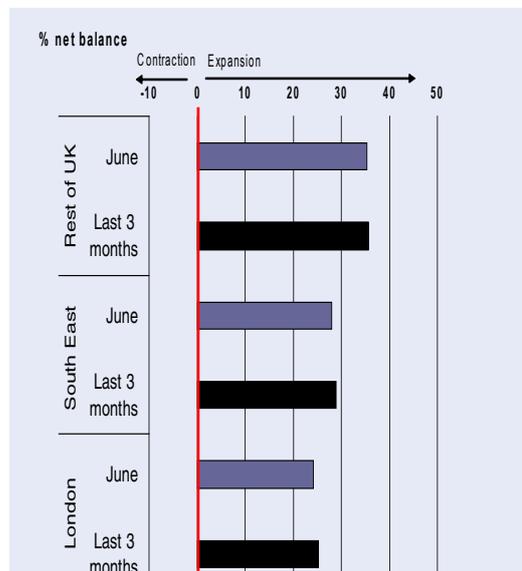
- Private and public commercial activity in the UK rose further during June, resulting in a twenty-second consecutive monthly expansion of total commercial projects.
- Rising from +26.9% in May to +30.7%, the net balance indicated a sharp rate of increase overall.
- Growth was recorded across all nine broad areas of the commercial property sector, led by private new build work.
- As was the case in May, the slowest expansion was registered on public retail & leisure projects.



Regional commercial activity

compared with one month ago

- Commercial activity rose across the three monitored regions in June.
- Growth accelerated in the 'Rest of UK', while softer increases were noted in London and the South East.
- The net balances registered +24.1% for London, +28.0% for the South East and +35.4% for the 'Rest of UK'.
- In all cases, June's net balances were below their respective three-month averages.



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
2011	-7.2	-21.7	+1.5	+8.6	+3.7	-5.3	-3.7	-9.0	-2.3	+0.0
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
Jan'14	+33.7	+14.1	+44.3	+25.0	+45.1	+39.0	+36.1	+28.8	+40.2	+39.3
Feb	+35.7	+12.8	+48.9	+36.1	+50.0	+31.8	+34.9	+31.0	+31.5	+41.7
Mar	+30.6	+9.7	+42.7	+32.8	+39.4	+36.0	+30.0	+29.1	+29.4	+31.5
Apr	+23.6	+1.6	+35.3	+23.6	+30.9	+38.9	+35.2	+28.9	+36.8	+39.6
May	+26.9	+10.3	+37.8	+28.0	+28.1	+32.7	+24.8	+23.2	+23.4	+27.7
Jun	+30.7	+9.9	+43.0	+24.1	+28.0	+35.4	+29.7	+24.2	+26.9	+37.5

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
2011	-24.3	-4.6	-21.6	-3.0	-23.4	-2.1	-2.3	+1.8	-11.6
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
Jan'14	+7.8	+30.4	+11.7	+29.1	+4.5	+35.7	+40.4	+32.3	+23.8
Feb	+9.3	+28.8	+6.2	+26.9	+13.2	+43.0	+27.5	+25.7	+16.5
Mar	+9.3	+25.0	+3.1	+32.0	+13.2	+42.1	+28.2	+22.2	+16.7
Apr	+0.0	+32.0	+9.3	+27.4	+10.0	+35.0	+33.3	+22.7	+16.0
May	+4.3	+22.1	+3.4	+22.8	+7.2	+27.1	+26.8	+25.0	+18.8
Jun	+5.9	+22.1	+3.3	+21.3	+8.6	+33.6	+32.7	+30.4	+17.3

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 32 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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