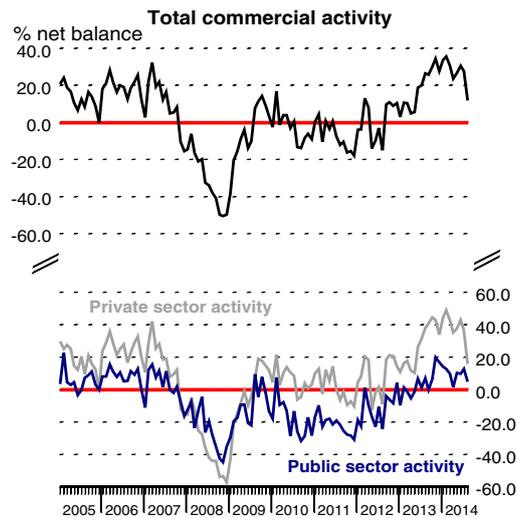


Growth of commercial activity slows to weakest since May 2013

September 2014

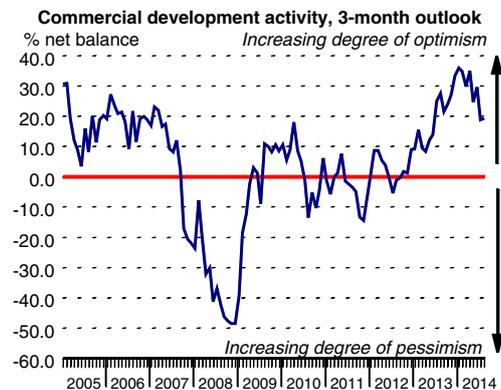
KEY FINDINGS

- Falling from +27.7% to +11.9% in August, the headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – indicated growth in commercial activity for the twenty-fourth consecutive month.
- However, the latest reading was indicative of the weakest expansion in 15 months.
- Commercial work continued to rise in the private and public sectors, although growth slowed substantially in both cases.
- By sub-sector, the sharpest expansion was recorded in the industrial/warehouse category, while public office activity contracted.



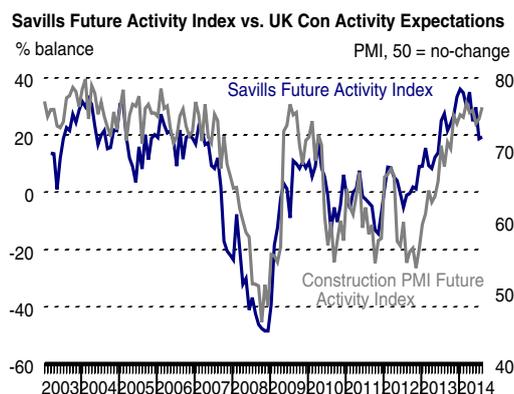
FUTURE EXPECTATIONS

- Commercial developers in the UK were optimistic regarding prospects for commercial activity in three months' time during August.
- That said, positive sentiment remained weak in the context of recent data, as the net balance rose fractionally to +19.4% in August, up from July's 13-month low of +18.9%.
- Anecdotal evidence linked positive expectations to signs of increased public sector activity and client interest in new projects.



COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows the Savills Future Activity Index against the PMI® survey data measuring business expectations for the next 12 months in the UK construction sector.
- Positive sentiment was signalled by both PMI and Savills panel members.
- Moreover, PMI data highlighted that UK construction companies were at their most optimistic in five months during August.

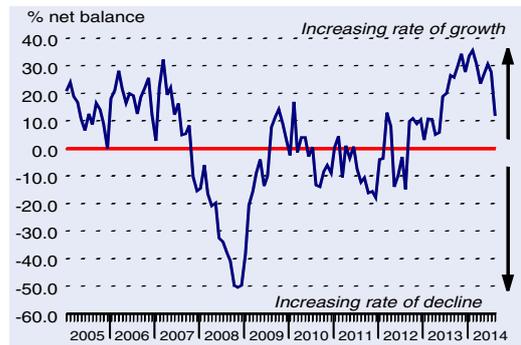


Commercial Development Activity

Total level of commercial activity

compared with one month ago

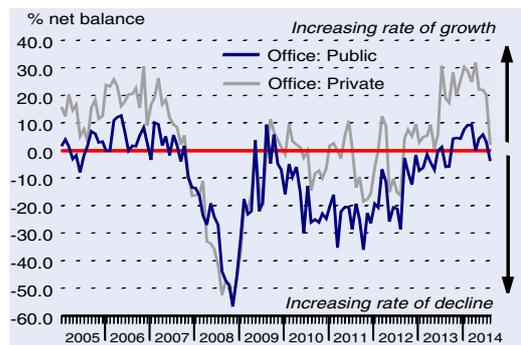
- Continuing the trend observed throughout the past two years, the level of commercial activity in the UK expanded in August. However, the rate of growth slowed to the weakest since May 2013.
- Commercial projects increased across the private and public sectors, as the respective net balances scored +15.9% and +4.9%.



Office activity

compared with one month ago

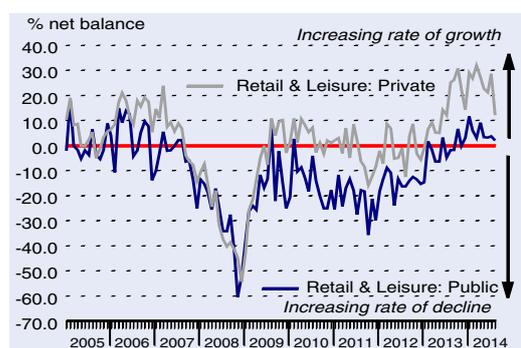
- Private sector office activity rose for the twenty-fourth consecutive month in August. That said, the net balance dipped to a 15-month low of +2.2%.
- Public office activity declined for the first time since September 2013 during August, as the respective net balance posted -3.7%.



Retail & leisure activity

compared with one month ago

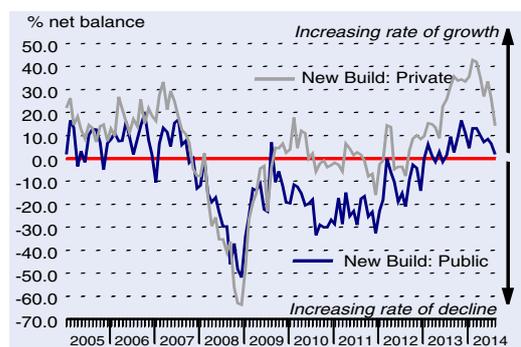
- The latest data highlighted a nineteenth successive monthly expansion in private retail & leisure activity. However, the pace of growth deteriorated sharply to a 13-month low of +12.2% in August (from +28.7%).
- Growth of retail & leisure projects also slowed in the public sector during August, with the net balance registering +2.1%.



New build activity

compared with one month ago

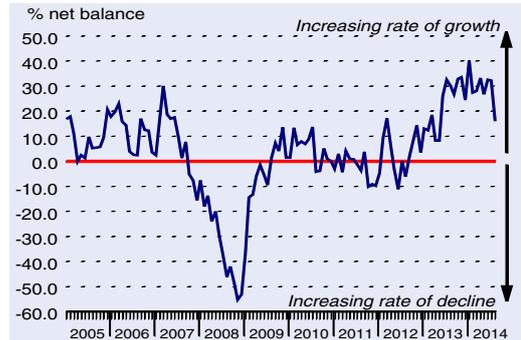
- Private sector new build continued to rise in August, albeit at a reduced rate. The respective net balance dropped to a 15-month low of +14.3%.
- Monitored companies indicated a modest expansion of public sector new build during August, as the net balance fell to +1.8% (from +6.6%).



Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse activity continued to grow in August, extending the current period of expansion to 24 months.
- At +16.1%, the net balance reached the weakest level since May 2013 but remained consistent with a solid rate of growth.

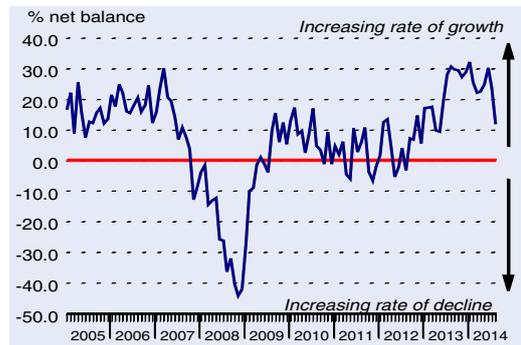


Commercial Development Activity

Refurbishment activity

compared with one month ago

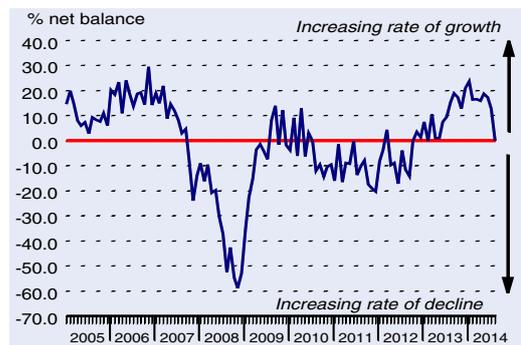
- Although solid overall, growth of refurbishment activity in August was the least pronounced since May 2013.
- The respective net balance halved to +12.0%, down from +24.1% in July. Nonetheless, the latest figure marked a two-year period of expansion.



Office fit-out activity

compared with one month ago

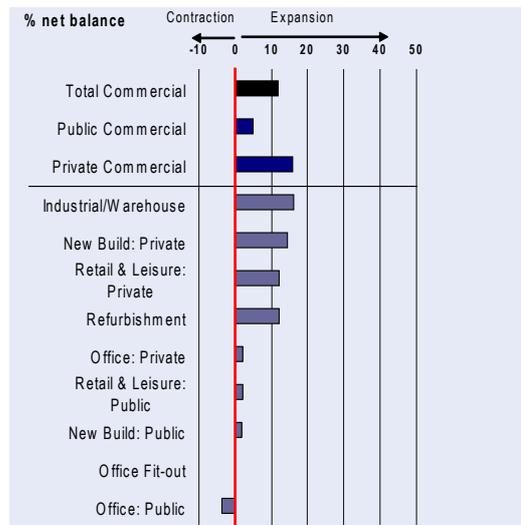
- Following 17 successive months of growth, panellists reported stagnation in office fit-out activity.
- The respective net balance declined sharply from +12.9% in July to +0.0% in August.



Summary of activity in August

tables of data on page 4

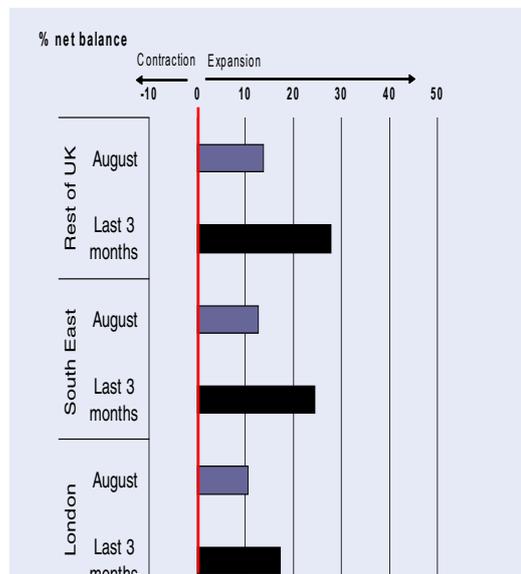
- Commercial activity projects expanded across the private and public sectors during August, although the rates of growth weakened from July.
- Falling from +27.7% in July, the net balance for total commercial activity posted a 15-month low of +11.9% in August.
- Lower net balances were recorded in each of the nine broad areas of commercial work.
- Public office projects contracted during August, while office fit-out activity stagnated.



Regional commercial activity

compared with one month ago

- Growth of commercial activity was recorded across each of the three monitored regions during August.
- The 'Rest of the UK' remained the best performing region, although the net balance weakened to the lowest in 15 months (+13.8%).
- The South East also saw a decelerated pace of growth as the respective net balance dropped sharply to +12.7% (from +32.8%).
- The mildest slowdown was registered in London, as the net balance posted +10.6% in August, down from +17.4% in July.



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
Mar'14	+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
Jul	+27.7	+12.7	+36.4	+17.4	+32.8	+34.4	+18.9	+13.5	+16.7	+26.4
Aug	+11.9	+4.9	+15.9	+10.6	+12.7	+13.8	+19.4	+13.3	+22.6	+22.5

	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
Mar'14	+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
Jul	+3.1	+20.2	+3.8	+28.7	+6.6	+26.2	+32.3	+24.1	+12.9
Aug	-3.7	+2.2	+2.1	+12.2	+1.8	+14.3	+16.1	+12.0	+0.0

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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