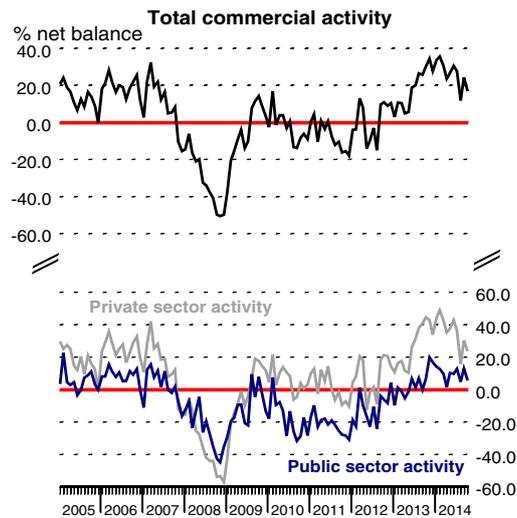


Growth of commercial activity continues at weaker pace in October

November 2014

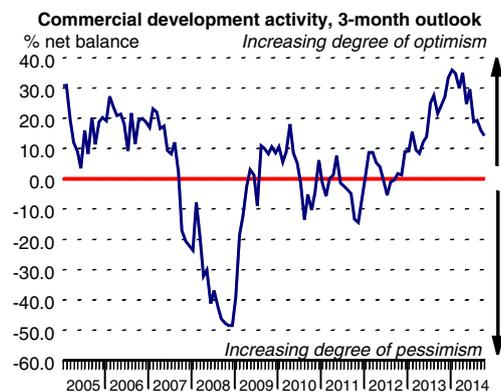
KEY FINDINGS

- The headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – signalled growth of commercial work for the twenty-sixth consecutive month in October.
- Despite falling from +24.4% to +16.9%, the latest reading remained consistent with a solid rise in commercial activity.
- Slower expansions in activity were observed in both the private and public sectors in October.
- Activity growth was evident in each of the nine monitored sub-sectors apart from public office activity, where a stabilisation was reported.



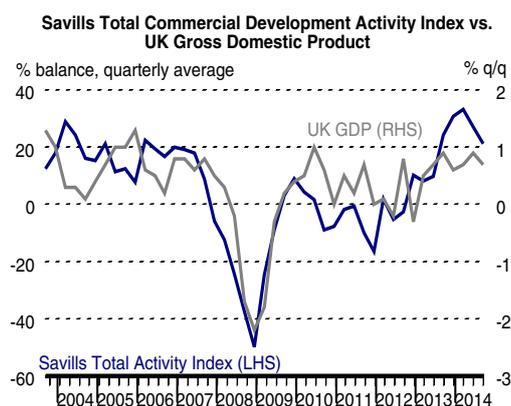
FUTURE EXPECTATIONS

- Optimism regarding prospects for commercial activity in the UK over the coming three months was evident for the twenty-fifth successive month in October.
- Despite remaining strong in the context of historical data, sentiment was the weakest since June 2013, as the net balance deteriorated to +14.4% (from +16.1%).
- Anecdotal evidence linked positive expectations to upcoming new project opportunities.



COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against UK GDP®.
- According to latest GDP figures, growth of the UK economy slowed marginally in the third quarter, with the quarterly rate of expansion falling to +0.7% (from +0.9%).
- Similarly, the trend in UK commercial activity weakened slightly in Q3; although, in both cases, growth rates remained relatively strong.

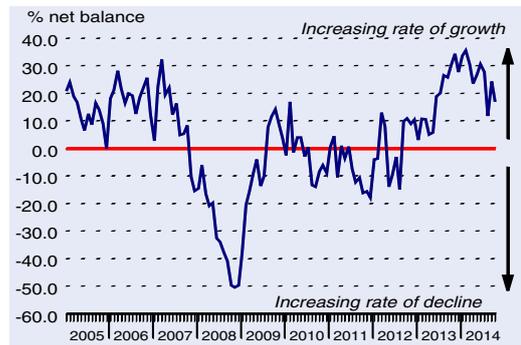


Commercial Development Activity

Total level of commercial activity

compared with one month ago

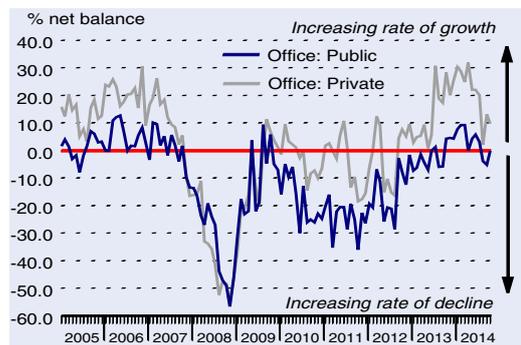
- Growth of UK commercial activity slowed to the second-weakest in 17 months in October. However, the rate of expansion remained solid overall.
- Commercial activity in the private and public sectors increased at slower rates during October, with the respective net balances posting +23.7% and +5.6%.



Office activity

compared with one month ago

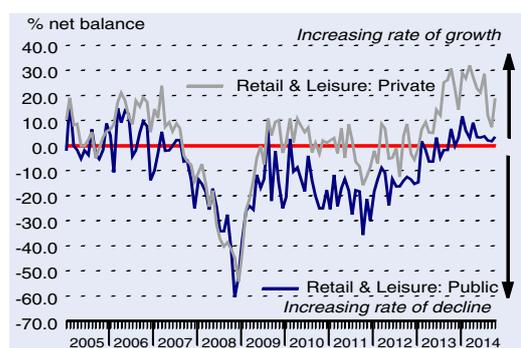
- Private office activity rose for the twenty-sixth consecutive month in October, albeit at a reduced pace. The respective net balance dipped to +9.7% (from +13.3%).
- Meanwhile, public office related work stabilised in October (net balance: +0.0%), following two consecutive months of decline.



Retail & leisure activity

compared with one month ago

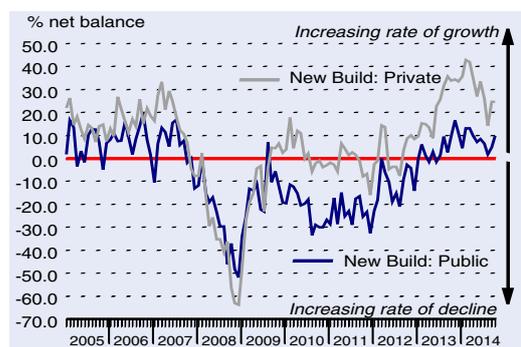
- Growth of private retail & leisure activity accelerated sharply to a three-month high in October, as the net balance rose from +7.4% to +18.9%.
- Public retail & leisure projects increased for the eleventh month running in October. The net balance picked up to +3.6% (from +1.9%), signalling a moderate pace of expansion.



New build activity

compared with one month ago

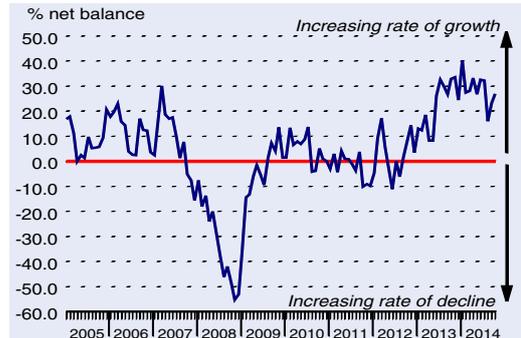
- October data indicated a further marked expansion in private sector new build, extending the current sequence of growth to 26 months. The respective net balance was unchanged on the month (+24.8%).
- Public new build also expanded in October (net balance: +10.0%), and at a quicker pace than recorded in September.



Industrial/warehouse activity

compared with one month ago

- Continuing the trend observed throughout the past 26 months, industrial/warehouse activity rose in October.
- Moreover, the rate of growth accelerated for the second straight month, as the net balance climbed to +27.1% (from +23.4%).

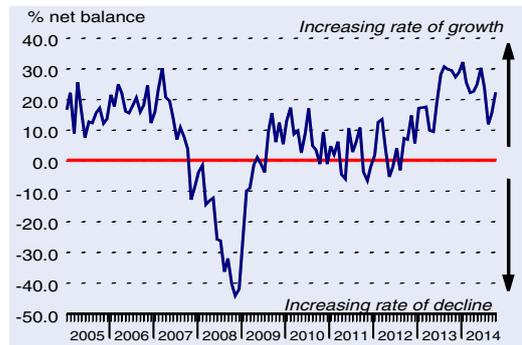


Commercial Development Activity

Refurbishment activity

compared with one month ago

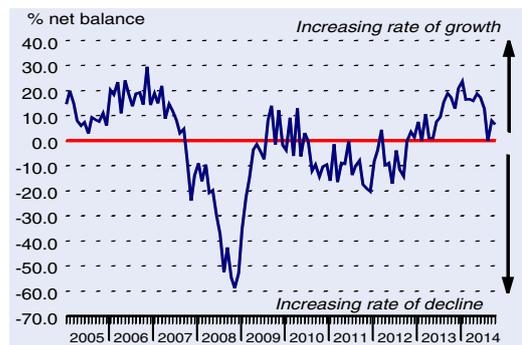
- Surveyed companies reported a faster rise in refurbishment activity in October, marking a 26-month period of expansion.
- The respective net balance increased from +15.5% to +22.5%, and was consistent with robust growth of refurbishment activity during the latest survey period.



Office fit-out activity

compared with one month ago

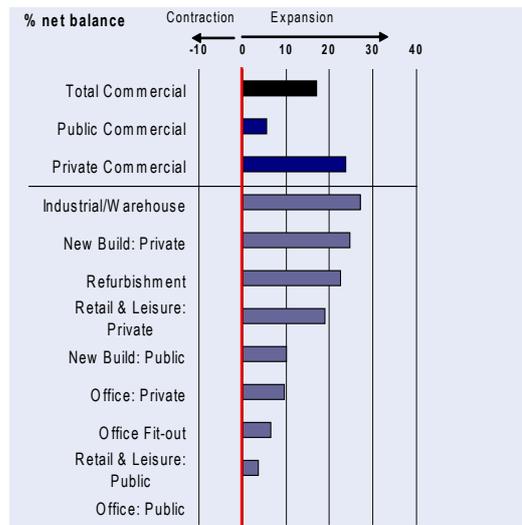
- Office fit-out activity rose for the second month in a row in October.
- Despite falling from +8.1% to +6.6%, the respective net balance remained strong in comparison with historic survey data in October. That said, the rate of growth was moderate overall.



Summary of activity in October

tables of data on page 4

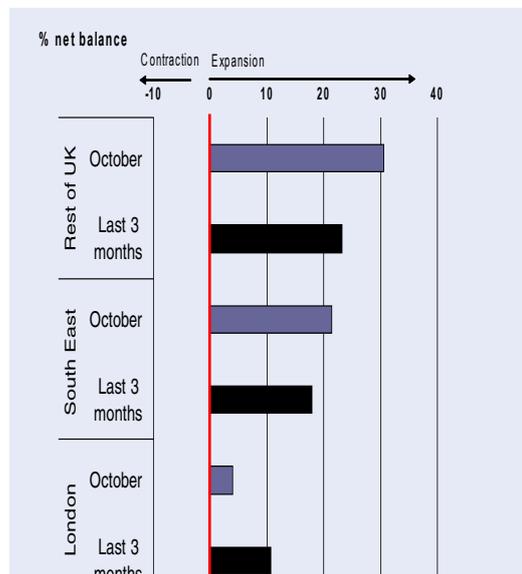
- Commercial activity in both the private and public sectors continued to rise in October, albeit at weaker rates than seen in the previous month.
- The net balance for total commercial activity weakened in October to +16.9% (from +24.4%), but remained historically strong.
- Expansions were broad-based by sector, with positive net balances registered in eight of the nine broad areas of commercial work.
- Commercial activity rose quickest in the industrial/warehouse sector, while public office activity was unchanged.



Regional commercial activity

compared with one month ago

- Faster growth of commercial activity was reported in two of the three monitored regions in October, with the exception being London.
- The 'Rest of the UK' was the best performing region for the seventh straight month, as the net balance posted +30.5% (up from +25.3%).
- At +21.4%, the respective net balance for the South East was consistent with robust and accelerated growth of commercial work.
- Growth of activity slowed sharply in London, as the net balance fell to +3.9% in October (from +17.3%).



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
May'14	+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
Sep	+24.4	+13.1	+30.4	+17.3	+19.7	+25.3	+16.1	+16.5	+9.9	+21.4
Oct	+16.9	+5.6	+23.7	+3.9	+21.4	+30.5	+14.4	+10.5	+9.4	+22.8

	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
May'14	+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
Sep	-5.1	+13.3	+1.9	+7.4	+4.9	+24.8	+23.4	+15.5	+8.1
Oct	+0.0	+9.7	+3.6	+18.9	+10.0	+24.8	+27.1	+22.5	+6.6

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.

Contacts

Savills
Simon Collett
Head of Building & Project Consultancy
+44 (0) 20 7409 5951
scollett@savills.com

Marie Hickey
Commercial Research
t. +44 (0) 20 3320 8288
MLHickey@savills.com
www.savills.co.uk

Markit Economics
Henley on Thames
Oxon RG9 1HG, UK
t. +44 (0) 1491 461 000
e. economics@markit.com

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