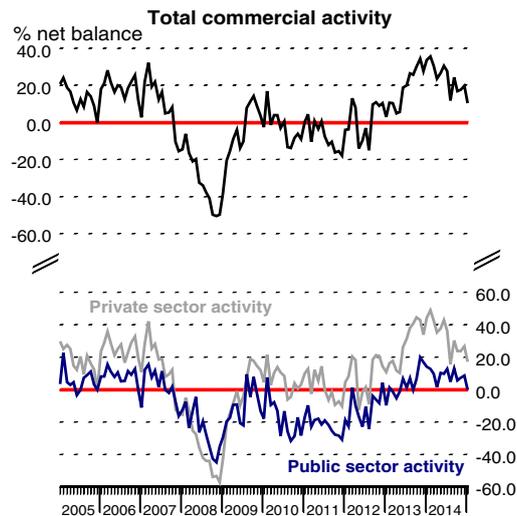


# UK commercial activity growth weakens amid stagnation in public sector

February 2015

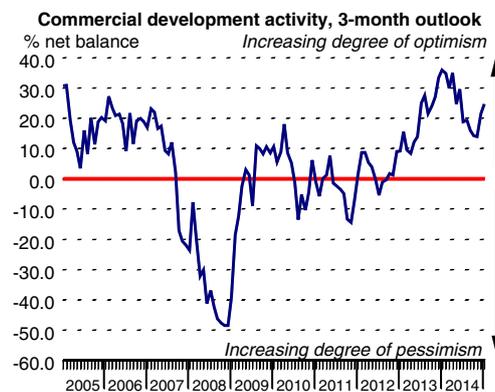
## KEY FINDINGS

- The headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – continued to signal growth of commercial work in January.
- That said, the rate of expansion eased at the start of 2015, with the net balance deteriorating to a 20-month low of +10.5% (from +19.8%).
- The overall slowdown was mainly driven by a stagnation in public sector activity, while private sector projects rose at a weaker pace.
- Lower net balances were registered in eight of the nine broad areas monitored, with contractions evident in the three surveyed public sectors.



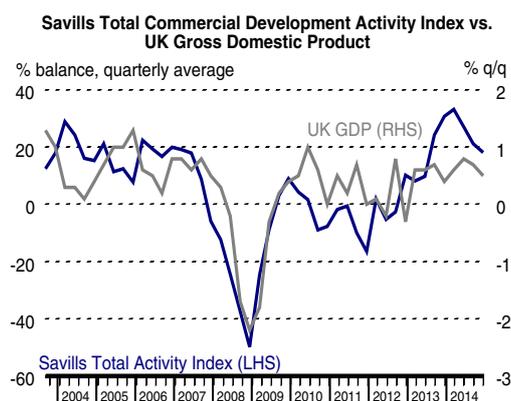
## FUTURE EXPECTATIONS

- UK commercial developers continued to forecast activity growth in the coming three months at the start of 2015, extending the current sequence which began in October 2012.
- Rising from +21.7% to +24.8%, the respective net balance reached a seven-month high, and signalled a robust degree of optimism.
- According to panellists, positive expectations were linked to new project opportunities, particularly in the manufacturing sector.



## COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against UK GDP®.
- Latest GDP data highlighted solid growth of the UK economy in the final three months of 2014. That said, the quarterly rate of expansion slowed to 0.5% (from 0.7%), the weakest since Q4 2013.
- Likewise, growth of UK commercial activity eased in the fourth quarter of 2014. Nonetheless, the pace of increase remained robust overall and strong in the context of historical data.

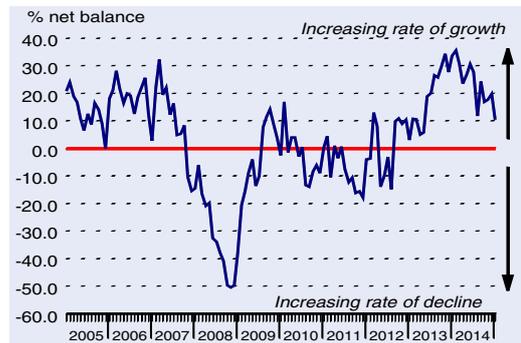


## Commercial Development Activity

### Total level of commercial activity

compared with one month ago

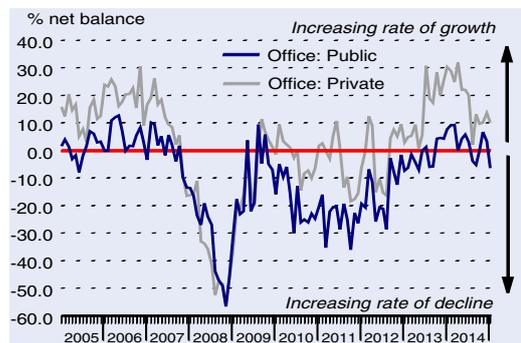
- Growth of UK commercial work eased to a 20-month low in January, having accelerated in the previous two months. That said, the rate of increase remained solid overall.
- Weaker growth of total activity was reflected by lower net balances in both the private (+17.3%) and public (+0.0%) sectors at the beginning of 2015.



### Office activity

compared with one month ago

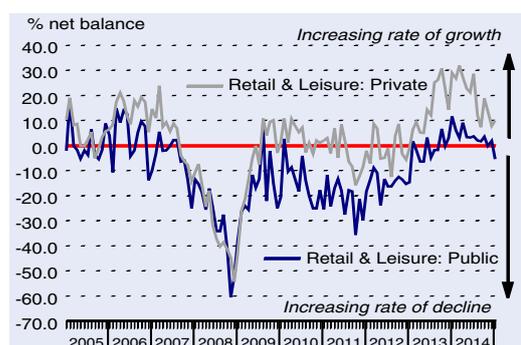
- Private office-related projects rose in January, marking a 29-month period of expansion. The rate of growth slowed since December, but remained solid overall (+10.2%).
- In contrast, public office activity fell for the first time in four months in January, with the net balance slipping to the lowest since May 2013 (-6.3%).



### Retail & leisure activity

compared with one month ago

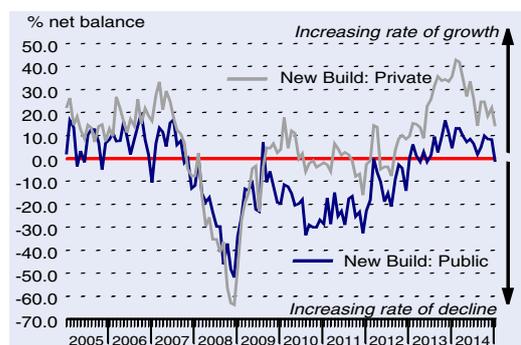
- Private retail & leisure activity increased in January. The net balance picked up from the previous month to +10.0%, but remained weaker than the average observed for the current two-year period of expansion.
- Meanwhile, public retail & leisure projects declined for the first time since September 2013 (-5.4%).



### New build activity

compared with one month ago

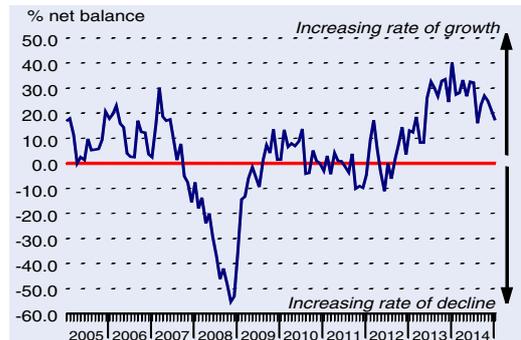
- Private new build rose at the weakest pace in 20 months during January. That said, the net balance remained robust overall (+14.2%).
- In contrast, latest data highlighted a contraction in public new build at the start of 2015, thereby ending an 18-month sequence of growth. However, the pace of decline was only marginal overall (-1.5%).



### Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse activity expanded for the twenty-ninth consecutive month in January.
- Despite remaining stronger than the historical trend, the rate of growth slowed for the third month in succession (net balance: +17.2%).

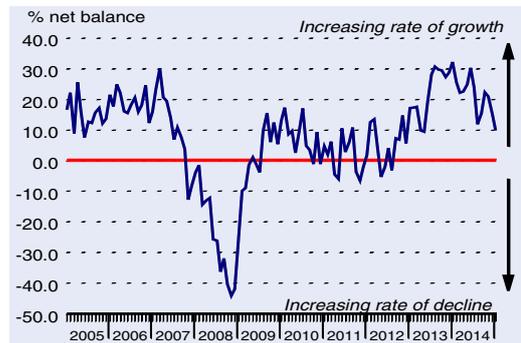


## Commercial Development Activity

### Refurbishment activity

compared with one month ago

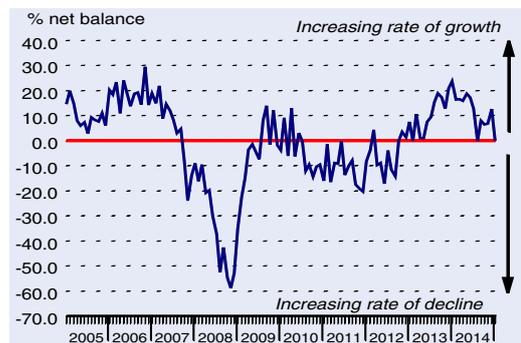
- Growth of refurbishment activity eased for the third consecutive month to the least marked since May 2013 in January.
- That said, the latest rise was the twenty-ninth in as many months and solid overall (net balance: +10.0%).



### Office fit-out activity

compared with one month ago

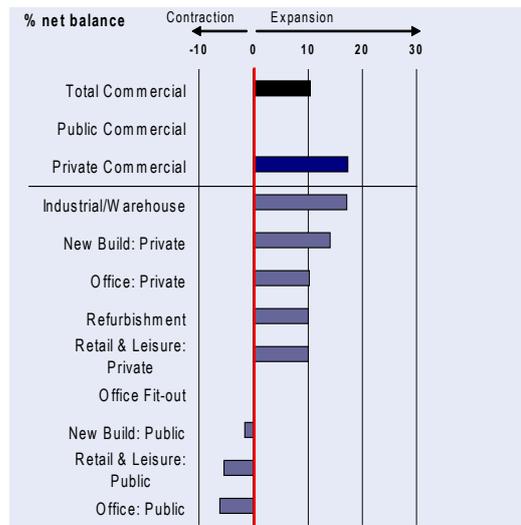
- Office fit-out activity in the UK commercial property sector stagnated in January, following four successive months of expansion.
- At +0.0%, the net balance was the joint-lowest since September 2012.



### Summary of activity in January

tables of data on page 4

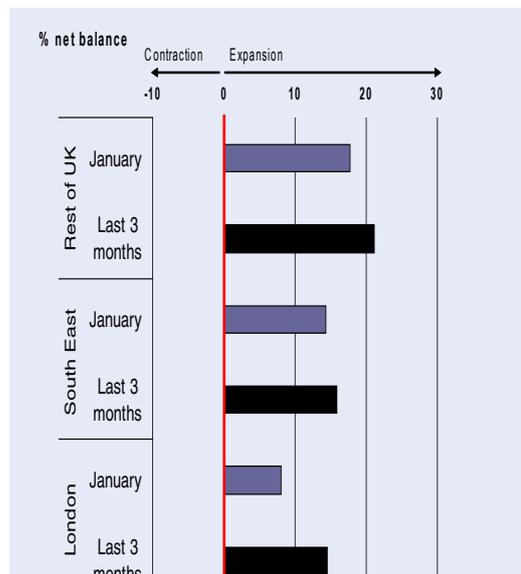
- UK commercial activity rose at the slowest pace in 20 months in January, with the net balance falling from +19.8% to +10.5%.
- The overall slowdown was mirrored by a weaker expansion in the private sector, while public sector activity stagnated.
- Commercial work increased in five out of the nine broad sectors monitored, with the sharpest expansion seen in industrial/warehouse activity.
- Meanwhile, contractions were evident in each of the three surveyed public sectors during the month.



### Regional commercial activity

compared with one month ago

- Growth of commercial work slowed in each of the monitored UK regions in January.
- The 'Rest of the UK' topped the regional growth rankings for the tenth month running, with the respective net balance remaining robust overall (+17.8%).
- In contrast, the rate of expansion eased substantially in London, with the net balance falling from +18.8% to +8.0%.
- Commercial projects also rose more slowly in the South East at the start of 2015. That said, the pace of increase remained historically strong (+14.3%).



## 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
2012	<b>+1.1</b>	-11.5	+8.8	+9.5	+5.4	+6.8	<b>+2.8</b>	-1.3	+2.8	+6.9
2013	<b>+18.3</b>	+3.5	+27.0	+24.1	+24.2	+25.4	<b>+19.0</b>	+14.4	+18.4	+24.1
2014	<b>+25.0</b>	+9.2	+34.1	+21.2	+28.5	+30.3	<b>+24.6</b>	+20.5	+23.3	+29.7
Aug'14	<b>+11.9</b>	+4.9	+15.9	+10.6	+12.7	+13.8	<b>+19.4</b>	+13.3	+22.6	+22.5
Sep	<b>+24.4</b>	+13.1	+30.4	+17.3	+19.7	+25.3	<b>+16.1</b>	+16.5	+9.9	+21.4
Oct	<b>+16.9</b>	+5.6	+23.7	+3.9	+21.4	+30.5	<b>+14.4</b>	+10.5	+9.4	+22.8
Nov	<b>+17.7</b>	+7.4	+23.7	+17.0	+11.8	+22.9	<b>+14.0</b>	+10.6	+12.0	+19.2
Dec	<b>+19.8</b>	+8.6	+26.8	+18.8	+21.5	+22.8	<b>+21.7</b>	+16.5	+20.9	+27.4
Jan'15	<b>+10.5</b>	+0.0	+17.3	+8.0	+14.3	+17.8	<b>+24.8</b>	+21.5	+23.1	+29.6

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	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
Aug'14	-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
Nov	+6.8	+10.2	+0.0	+13.8	+8.6	+18.5	+25.0	+21.1	+6.9
Dec	+3.5	+13.7	+2.0	+8.0	+8.3	+22.1	+20.9	+15.5	+12.7
Jan'15	-6.3	+10.2	-5.4	+10.0	-1.5	+14.2	+17.2	+10.0	+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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