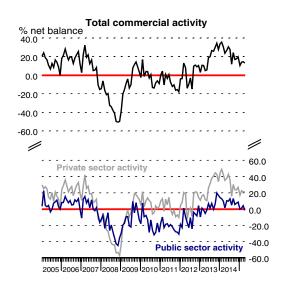


# Commercial activity expands at slower pace amid weakness in public projects May 2015

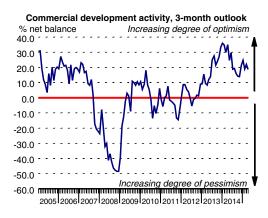
#### **KEY FINDINGS**

- Down to +13.1% in April, from +14.7% in March, the headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – was at a three-month low.
- Public commercial projects contracted in the latest month, while private commercial work rose at a faster rate.
- Reductions in activity were seen in three of the nine broad sectors monitored, these being public office, public retail & leisure and public new build.
- Only private retail & leisure projects and refurbishment work expanded at stronger rates.



#### **FUTURE EXPECTATIONS**

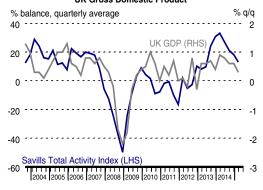
- Commercial developers across the UK maintained a positive outlook regarding the prospects for activity in the coming three months.
- A net balance of +18.8% of survey respondents anticipate growth, compared with +22.1% in March.
- Anecdotal evidence highlighted rising numbers of enquiries as the main factor underpinning optimism, whereas the degree of confidence was limited by the election.



#### COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against UK GDP data.
- Weaker rises in activity were recorded in both the Savills and GDP data during the first quarter of the year.
- The Commercial Development Activity Index averaged +13.1% during Q1, compared with +18.2% in Q4 2014. Similarly, the growth rate for national GDP eased from +0.6% to +0.3%.

## Savills Total Commercial Development Activity Index vs. UK Gross Domestic Product

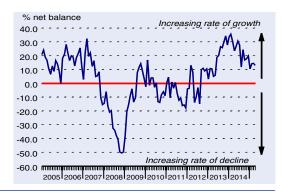


## **United Kingdom**

#### Commercial Development Activity

## Total level of commercial activity compared with one month ago

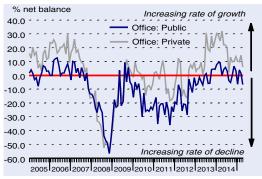
- April data indicated that total commercial activity across the UK grew at a slower pace, with the respective net balance falling from +14.7% in March to +13.1%.
- This reflected a return to contraction in public projects, as private work rose at a quicker rate. The net balances recorded -1.5% and +21.7% correspondingly.



#### Office activity

compared with one month ago

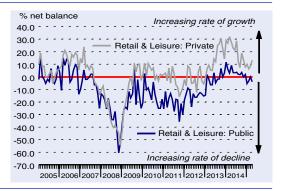
- UK commercial developers indicated that public office activity fell in April, ending a two-month sequence of expansion.
- Despite rising for the thirty-second straight month in April, private office work expanded at the slowest pace since August 2014.



## Retail & leisure activity

compared with one month ago

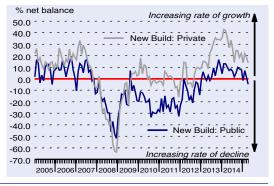
- Public retail & leisure projects decreased for the third time in 2015 so far. The net balance dropped from 0.0% in March to -3.8% in April.
- In contrast, private retail & leisure activity increased for the twenty-seventh successive month. A net balance of +13.3% of panellists signalled growth in April, the highest reading since last November.



# New build activity compared with one month ago

Ending a two-month sequence of growth, public new build activity fell in April. At -4.7%, the net balance pointed to the quickest reduction since December 2012.

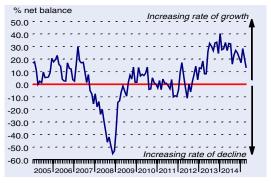
Down from +18.5% in March to +13.9% in April, the net balance for private new build projects was at a 23-month low but still signalled a solid rate of expansion.



# Industrial/warehouse activity compared with one month ago

 Growth of industrial/warehouse activity eased for the second consecutive month in April.

The net balance dipped from +20.8% in March to +13.0% in April (23-month low). Nonetheless, the latest reading was consistent with a marked rate of increase.





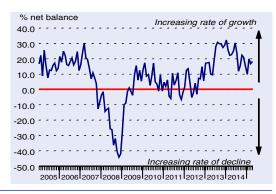
## **United Kingdom**

#### Commercial Development Activity

#### Refurbishment activity

compared with one month ago

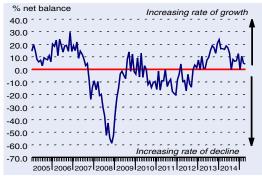
- Extending the current sequence of expansion to 32 months, refurbishment activity rose during April.
- Having quickened since March, the growth rate was sharp. The net balance increased from +16.8% to +18.3% in the latest month.



#### Office fit-out activity

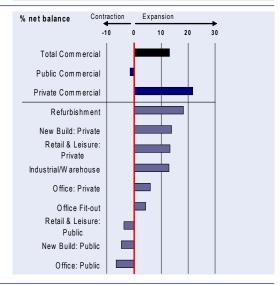
compared with one month ago

- April data highlighted a third consecutive monthly increase in office fit-out projects across the UK.
- A net balance of +4.3% of commercial developers signalled growth, compared with +5.1% in March.



# Summary of activity in April tables of data on page 4

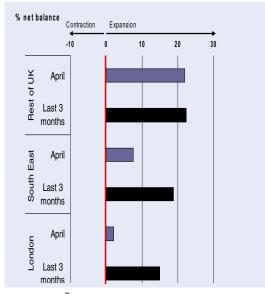
- April saw a slowdown in the growth rate for total commercial activity, with the net balance dropping to +13.1%.
- Public commercial projects fell during the latest month, whereas private commercial work rose at a quicker rate.
- The net balances for seven of the nine monitored categories decreased during April, with private retail & leisure and refurbishment being the exceptions.
- Negative readings were seen for three broad types of activity, these being public office, public retail & leisure and public new build.



### Regional commercial activity

compared with one month ago

- Latest data pointed to weaker growth of commercial activity across the three monitored UK regions.
- The net balance for London fell markedly to the lowest reading in the current 32-month sequence of growth (+2.1%).
- Down sharply from +23.1% in March to +7.6% in April, the net balance for the South East was at a 27-month low.
- The strongest growth was seen in the 'Rest of UK', where the net balance fell only slightly from +22.9% to +22.0%.





#### Commercial Development Activity

#### Summary data

all data shown are % net balances (+/-)

	Total			Regions			Expectations			
			Rest of the Rest of				Retail & Industrial/			
		Public	Private	London	South East	the UK	Total	Office	leisure	warehouse
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
2014	+25.0	+9.2	+34.1	+21.2	+28.5	+30.3	+24.6	+20.5	+23.3	+29.7
Nov'14	+17.7	+7.4	+23.7	+17.0	+11.8	+22.9	+14.0	+10.6	+12.0	+19.2
Dec	+19.8	+8.6	+26.8	+18.8	+21.5	+22.8	+21.7	+16.5	+20.9	+27.4
Jan'15	+10.5	0.0	+17.3	+8.0	+14.3	+17.8	+24.8	+21.5	+23.1	+29.6
Feb	+14.2	+1.3	+22.6	+23.5	+25.7	+22.3	+19.1	+18.8	+18.2	+20.4
Mar	+14.7	+4.2	+21.0	+19.2	+23.1	+22.9	+22.1	+18.2	+21.3	+26.7
Apr	+13.1	-1.5	+21.7	+2.1	+7.6	+22.0	+18.8	+14.7	+13.2	+28.1

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	Sectors								
	Office Public Private		Retail & leisure Public Private		New build Public Private		Industrial/ warehouse	Refurb- ishment	Office fit-out
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
Nov'14	+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
Feb	+4.1	+9.9	-3.2	+6.4	+7.1	+21.9	+28.6	+20.0	+10.7
Mar	+1.5	+14.6	0.0	+8.6	+1.4	+18.5	+20.8	+16.8	+5.1
Apr	-6.6	+6.0	-3.8	+13.3	-4.7	+13.9	+13.0	+18.3	+4.3

# 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 repor

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 Economic

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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