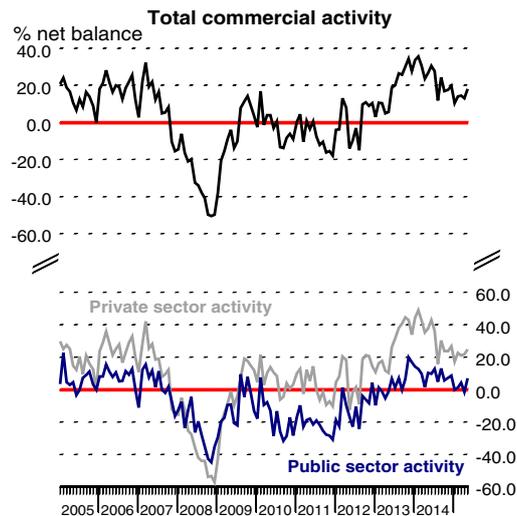


# Growth of commercial activity accelerates in May

June 2015

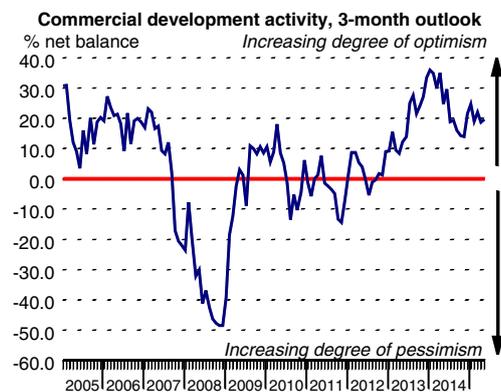
## KEY FINDINGS

- Rising to a five-month high of +18.1% in May, from +13.1% in April, the headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – was consistent with a sharp and stronger rate of expansion.
- Both public and private commercial work increased in the latest month, with the quickest rise noted at the latter.
- Gains in activity were seen in eight of the nine tracked categories, the exception being public office.
- The fastest growth was recorded for private retail & leisure projects.



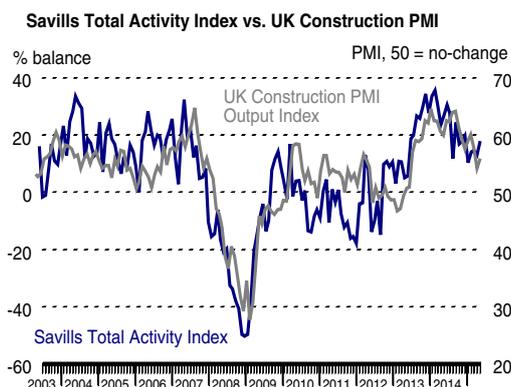
## FUTURE EXPECTATIONS

- Positive sentiment was registered for the thirty-second month running in May, with the degree of confidence stronger than in the prior month.
- A net balance of +19.7% of commercial developers forecast higher levels of activity in three months' time. By comparison, the respective reading for April was +18.8%.
- Where optimism was signalled, this was attributed to new contract wins, improved market conditions, low borrowing costs and economic stability.



## COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against the UK Construction PMI®.
- Both the Savills and Construction PMI data highlighted stronger increases in activity during May.
- The modest rebound in the PMI reading was driven by a sharp and accelerated increase in residential building activity, alongside a return to growth in the civil engineering sub-sector.

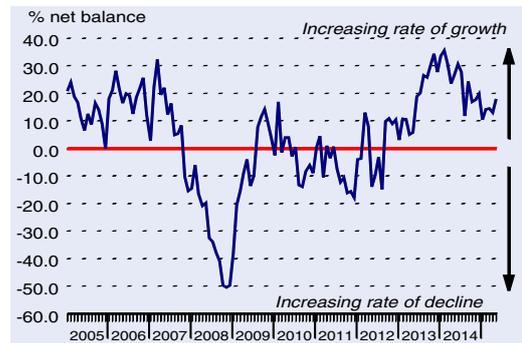


## Commercial Development Activity

### Total level of commercial activity

compared with one month ago

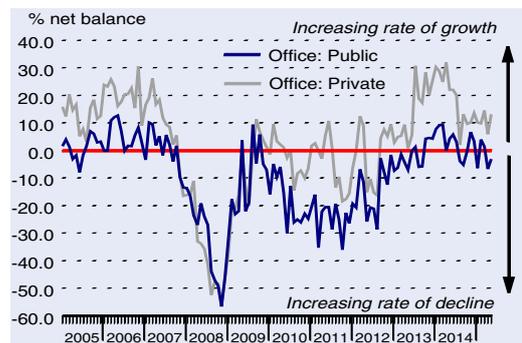
- UK total commercial activity rose at a stronger rate in May, with the respective net balance increasing to a five-month high of +18.1% from +13.1% in April.
- Public work returned to growth after falling in the preceding month and private projects expanded at a sharper rate. The net balances recorded +7.0% and +24.8% respectively.



### Office activity

compared with one month ago

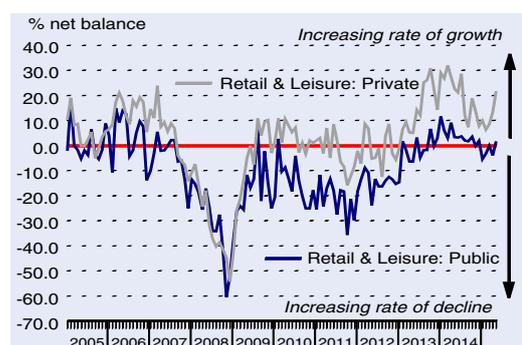
- Public office projects fell in May for the second straight month, albeit at a weaker pace. The net balance increased from -6.6% to -3.0%.
- Concurrently, private office activity rose at a faster rate. A net balance of +13.2% of commercial developers signalled expansion, compared with +6.0% in April.



### Retail & leisure activity

compared with one month ago

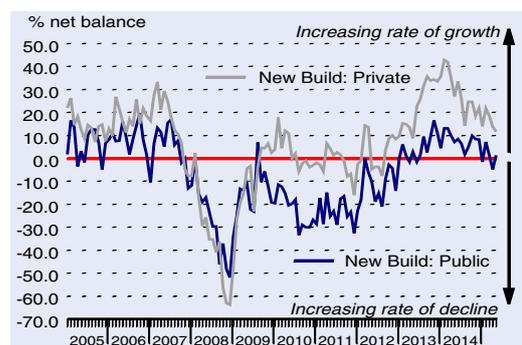
- May data indicated that both public and private retail & leisure activity increased. Growth was stronger at the latter.
- The net balance for private retail & leisure work recorded +21.7%, pointing to a sharp rate of expansion, the quickest for ten months.



### New build activity

compared with one month ago

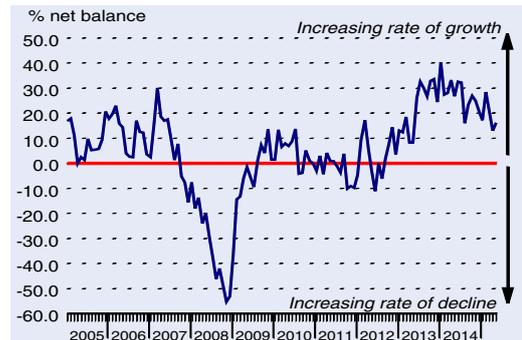
- UK commercial developers indicated that public new build rose in May, contrasting with a reduction seen in the prior month. That said, growth was only marginal.
- Private new build projects continued to rise, marking a 33-month period of increases. Although the weakest in two years, the pace of expansion was solid.



### Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse activity increased further in May, thereby extending the current sequence of expansion to 33 months.
- Having accelerated since April, the growth rate was substantial. The net balance recorded +16.3% in May, rising from +13.0% in the prior month.

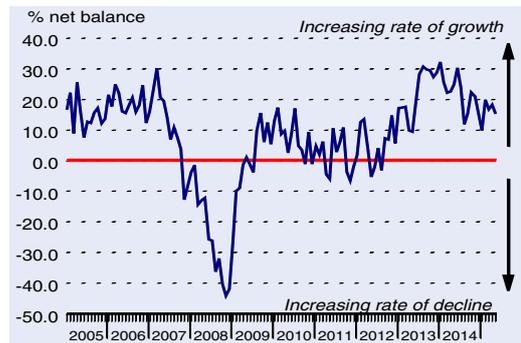


## Commercial Development Activity

### Refurbishment activity

compared with one month ago

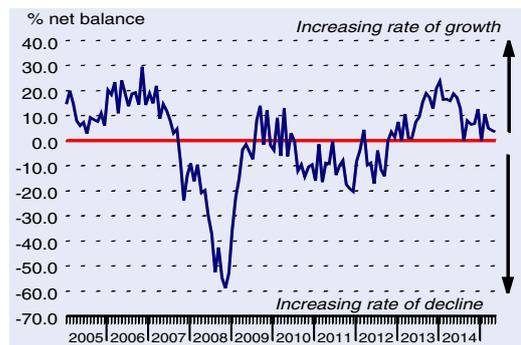
- May data pointed to a thirty-third monthly increase in refurbishment activity across the UK.
- Despite falling to its lowest reading since January, the net balance of +15.4% was indicative of a sharp rate of growth.



### Office fit-out activity

compared with one month ago

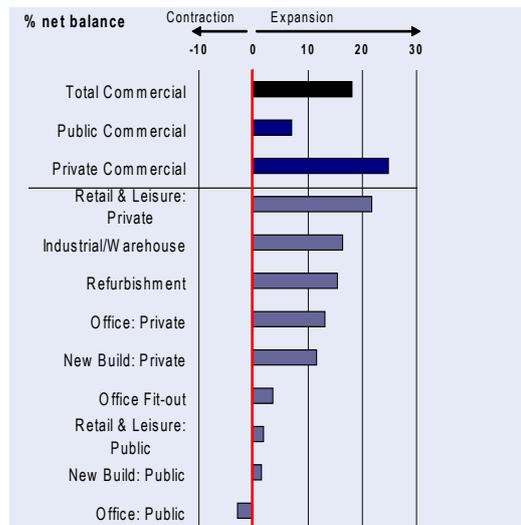
- The current period of expansion in office fit-out projects was extended to four months in May.
- However, the rate of growth was only slight, with the net balance posting its lowest reading in this sequence.



### Summary of activity in May

tables of data on page 4

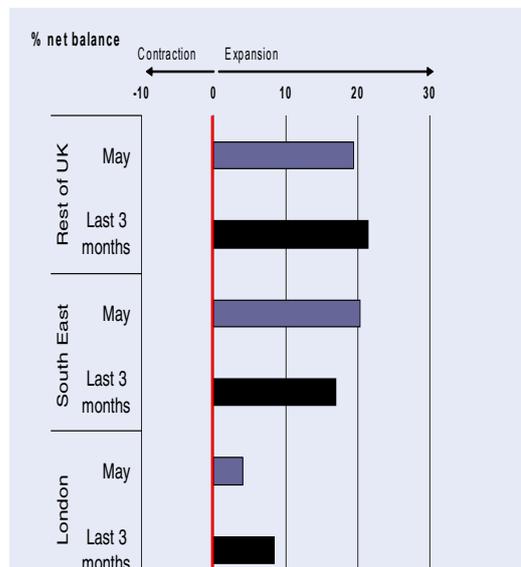
- The upturn in total commercial activity was sustained in May. The growth rate gained strength, reaching a five-month high.
- Both public and private commercial work rose, with the respective net balances posting +7.0% and +24.8%.
- Eight of the nine monitored categories registered increases, the exception being public office projects.
- The fastest expansion was recorded at private retail & leisure activity, where the net balance climbed to its highest mark in ten months.



### Regional commercial activity

compared with one month ago

- Regional data indicated that growth of commercial activity accelerated in both London and the South East, while a moderation was seen in the 'Rest of UK'.
- The rate of increase in London was, however, slight overall and weaker than the respective three-month average.
- Rising from +7.6% in April to +20.3% in May, the net balance for the South East was the highest among the three monitored regions.
- Growth in the 'Rest of UK' was the weakest in four months, but was nonetheless robust. The net balance recorded +19.4%.



## 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
Dec'14	<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
Feb	<b>+14.2</b>	+1.3	+22.6	+23.5	+25.7	+22.3	<b>+19.1</b>	+18.8	+18.2	+20.4
Mar	<b>+14.7</b>	+4.2	+21.0	+19.2	+23.1	+22.9	<b>+22.1</b>	+18.2	+21.3	+26.7
Apr	<b>+13.1</b>	-1.5	+21.7	+2.1	+7.6	+22.0	<b>+18.8</b>	+14.7	+13.2	+28.1
May	<b>+18.1</b>	+7.0	+24.8	+4.0	+20.3	+19.4	<b>+19.7</b>	+12.8	+18.8	+27.3

### Sectors

	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
Dec'14	+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
May	-3.0	+13.2	+1.8	+21.7	+1.5	+11.7	+16.3	+15.4	+3.7

### 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 over 30 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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