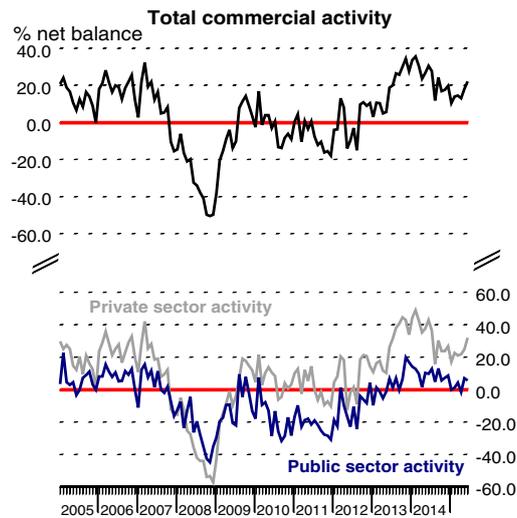


Upturn in commercial activity strongest since last September

July 2015

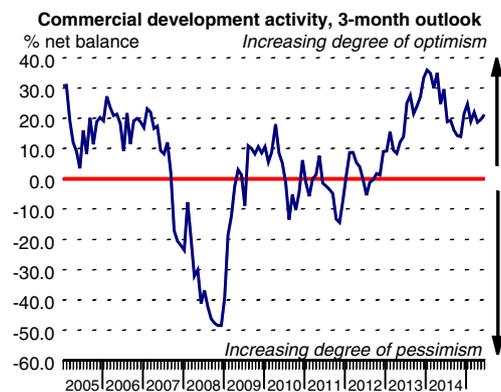
KEY FINDINGS

- UK commercial developers indicated a further expansion of activity in June. Up to +22.2% from +18.1% in May, the headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – was at a nine-month high.
- Growth of public commercial projects eased, while that for private accelerated. The net balances posted +5.6% and +32.0% respectively.
- Activity increased in eight of the nine broad areas of the commercial property sector, the exception being public new build. The fastest rise was recorded for industrial/warehouse work.



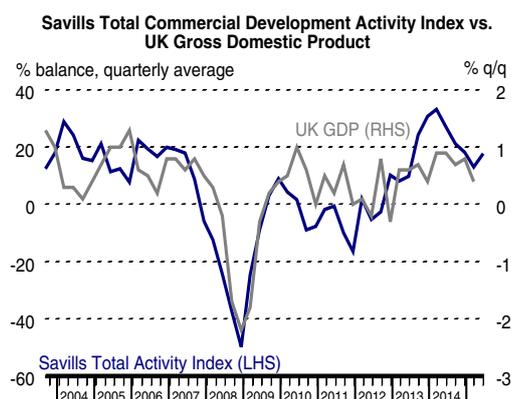
FUTURE EXPECTATIONS

- Confidence regarding the three-month outlook for activity remained positive in June, with commercial developers the most upbeat since March.
- Further growth of activity is anticipated by a net balance of +21.3% of panellists. This compares with a reading of +19.7% in the prior month.
- There were mentions that low borrowing rates, improved market confidence and infrastructure enhancements are anticipated to boost growth of commercial work in the near term.



COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against UK GDP data.
- The net balance for the Savills data recorded +17.8% in Q2, rising from +13.1% in the first quarter of the year.
- This reading indicates that the commercial property sector is set to provide a robust and stronger contribution to UK GDP in the second quarter of 2015.

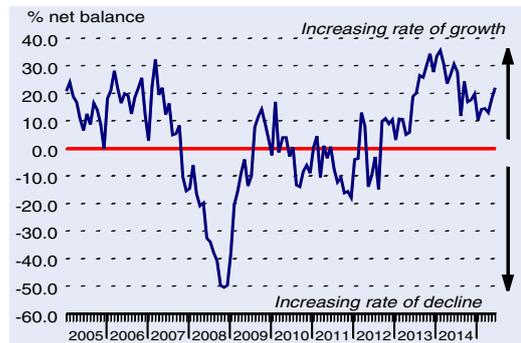


Commercial Development Activity

Total level of commercial activity

compared with one month ago

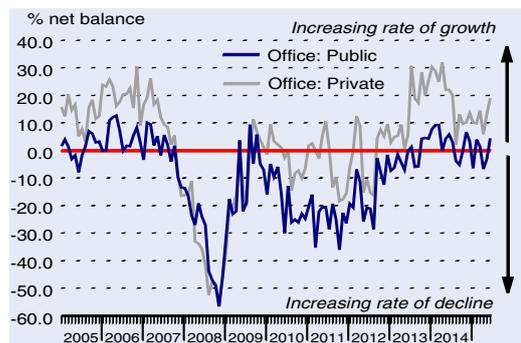
- Growth of total commercial activity accelerated in June, with the respective net balance rising to a nine-month high of +22.2%.
- Public projects increased at a modest and slower pace, while private work expanded at the sharpest rate since July 2014.



Office activity

compared with one month ago

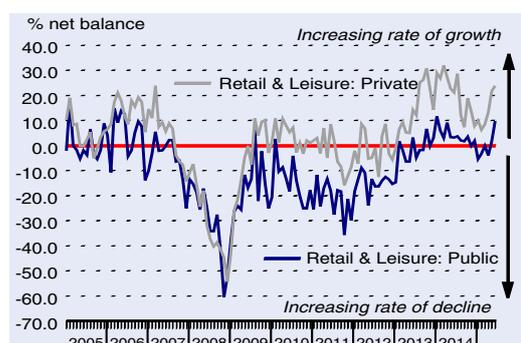
- After contracting in the past two months, public office activity increased during June. The net balance recorded +4.5%.
- June data indicated that private office projects expanded at a sharp rate that was the strongest since July 2014. The net balance was at +19.1%.



Retail & leisure activity

compared with one month ago

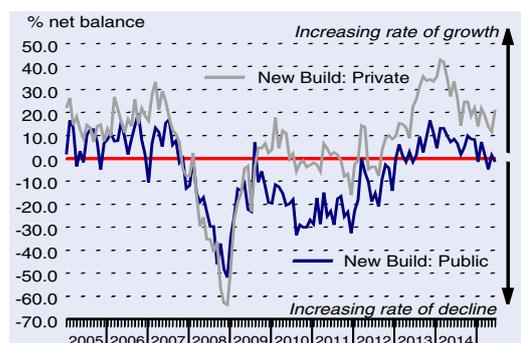
- Both public and private retail & leisure activity increased at sharper rates in June.
- The net balance for public retail & leisure projects was at a 17-month high of +9.8%, while that for private retail & leisure work posted +24.0% (highest since July 2014).



New build activity

compared with one month ago

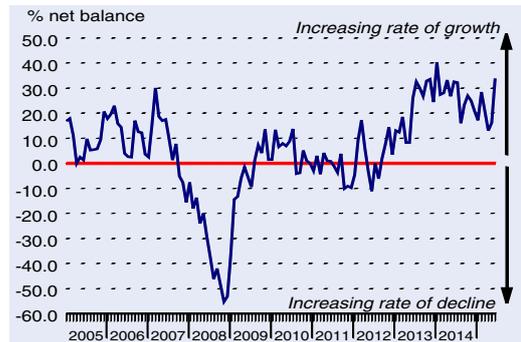
- Private new build activity continued to increase in June, whereas public new build work fell. The net balances recorded +21.2% and -1.4% respectively.
- Growth of private new build projects was steep and the strongest since February. The latest rise was the thirty-fourth in successive months.



Industrial/warehouse activity

compared with one month ago

- UK commercial developers recorded a further increase in industrial/warehouse activity, thereby stretching the current period of expansion to 34 months.
- Recording +34.0% in June, the net balance was at a 17-month high.

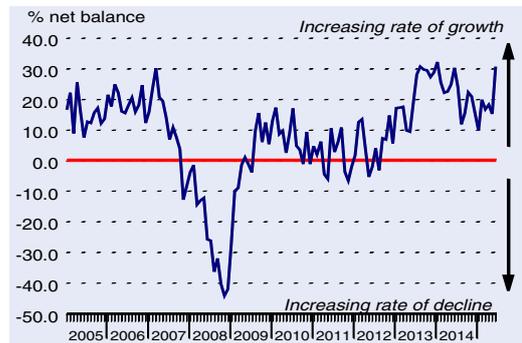


Commercial Development Activity

Refurbishment activity

compared with one month ago

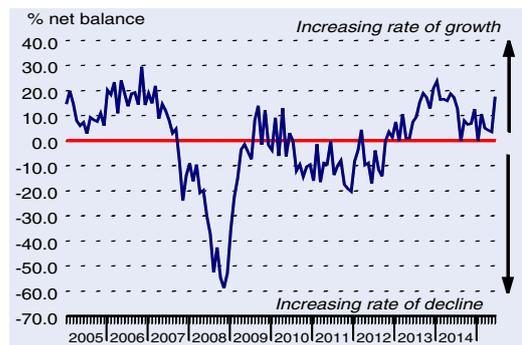
- Refurbishment projects in the UK commercial property sector expanded for the thirty-fourth month running in June.
- Rising to a 17-month high of +30.9% in June, the net balance was indicative of a sharp and accelerated growth rate.



Office fit-out activity

compared with one month ago

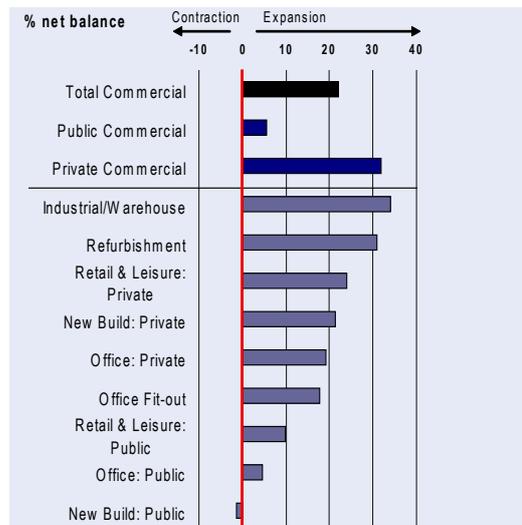
- Office fit-out projects continued to increase in June, stretching the current period of expansion to five months.
- Moreover, the rate of growth was the fastest in this sequence, with the respective net balance rising to +17.7%.



Summary of activity in June

tables of data on page 4

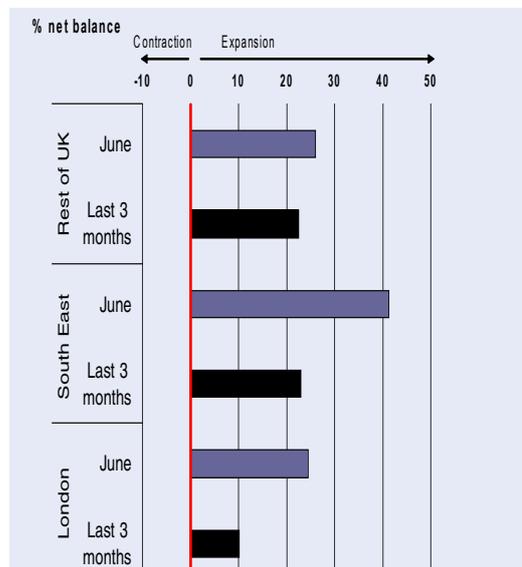
- June data indicated that total commercial activity expanded at the quickest pace since last September.
- Whereas growth of public commercial work eased, the rise in private commercial activity gathered pace.
- Increases were noted in eight of the nine monitored categories, with public new build the only exception.
- The sharpest rise was seen in industrial/warehouse activity, where the net balance posted +34.0% (17-month high).



Regional commercial activity

compared with one month ago

- Faster increases in commercial activity were registered across the three monitored UK regions.
- The South East saw the strongest rise in commercial projects. The net balance climbed to a 16-month high of +41.3%.
- The respective reading for London posted +24.4%, indicating the fastest rate of expansion since May 2014.
- Growth in the 'Rest of UK' accelerated to the quickest since last October. The net balance recorded +26.0%.



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	+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
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
May	+18.1	+7.0	+24.8	+4.0	+20.3	+19.4	+19.7	+12.8	+18.8	+27.3
Jun	+22.2	+5.6	+32.0	+24.4	+41.3	+26.0	+21.3	+15.2	+16.5	+31.7

Sectors

	Office		Retail & leisure		New build		Industrial/warehouse	Refurb-ishment	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
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
Jun	+4.5	+19.1	+9.8	+24.0	-1.4	+21.2	+34.0	+30.9	+17.7

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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