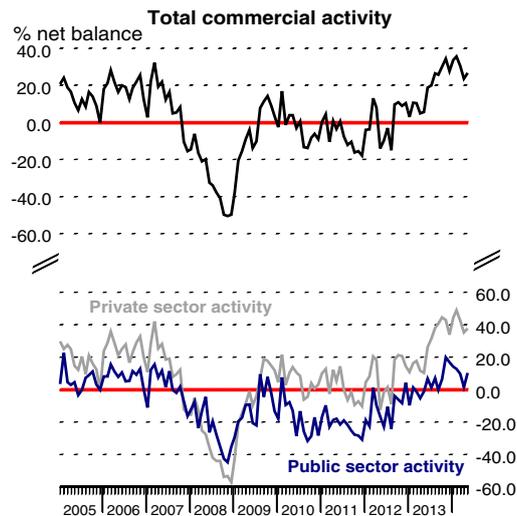


Growth of total commercial activity picks up pace in May

June 2014

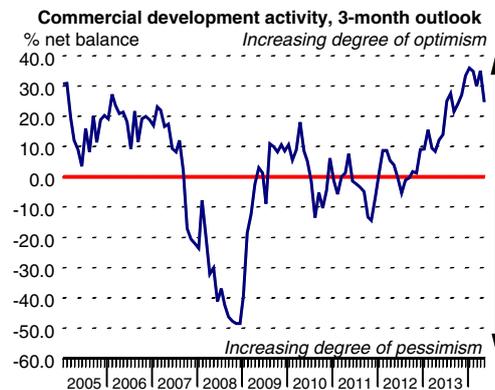
KEY FINDINGS

- Up from +23.6% in April to +26.9% in May, the headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – was consistent with a marked pace of growth.
- Stronger increases were noted for both private and public commercial projects, with the respective net balances rising from +35.3% and +1.6% to +37.8% and +10.3%.
- All nine monitored sub-categories registered higher activity. The fastest rise was again registered for private new build work.



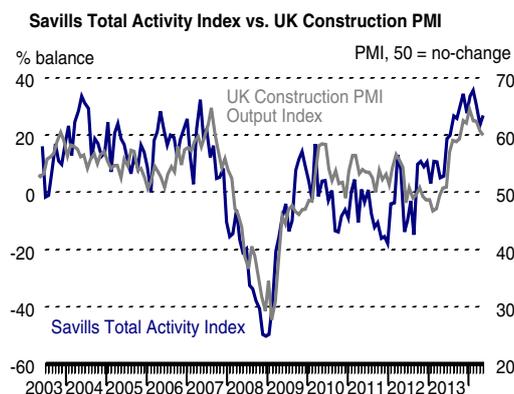
FUTURE EXPECTATIONS

- UK commercial developers remained optimistic regarding future commercial activity. Although slipping from April's three-month high, the Future Expectations Index still pointed to a strong level of positive sentiment.
- Improving client confidence, better economic conditions and increased availability of finance were cited by panellists as factors expected to support growth of commercial activity in three months' time.
- At +24.8% in May, the net balance for future expectations declined from +35.2% in the previous month.



COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against the UK Construction PMI®.
- Down from 60.8 in April to 60.0 in May, the UK Construction PMI was at a seven-month low. That said, the latest reading was still indicative of a sharp pace of growth.
- All three monitored sub-sectors of the PMI survey recorded expansion, with housing activity being the best performing category for the third month in succession.

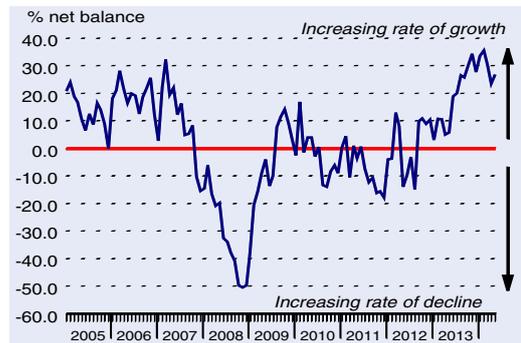


Commercial Development Activity

Total level of commercial activity

compared with one month ago

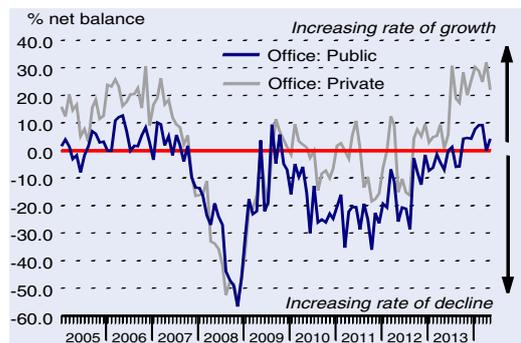
- UK commercial activity rose for the twenty-first month in succession during May, with the pace of expansion accelerating since April.
- Private and public commercial work increased, with the sharpest growth noted in the former. The net balances registered +37.8% and +10.3% respectively.



Office activity

compared with one month ago

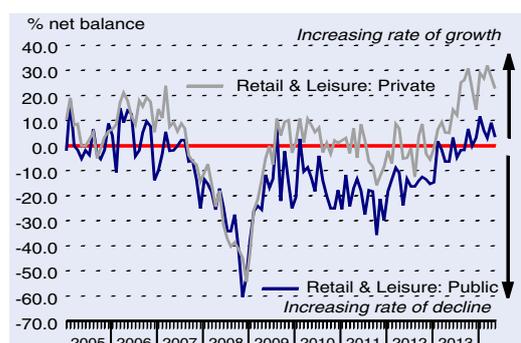
- Public office projects returned to growth in May, following a stagnation in the previous month. The pace of expansion was, however, marginal.
- Private office activity continued to rise in May. Despite softening from April's recent record to the weakest in six months, the growth rate was strong.



Retail & leisure activity

compared with one month ago

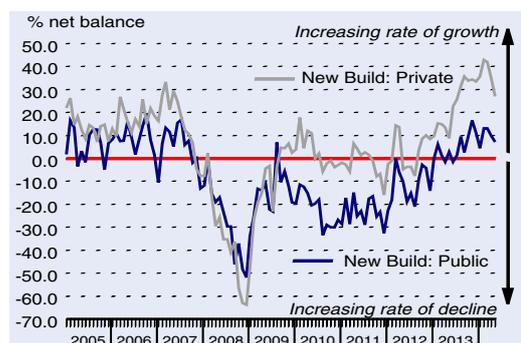
- May data indicated that both public and private retail & leisure work increased. The respective net balances posted +3.4% and +22.8%.
- The rate of expansion in private retail & leisure activity moderated to a five-month low, but was marked nonetheless.



New build activity

compared with one month ago

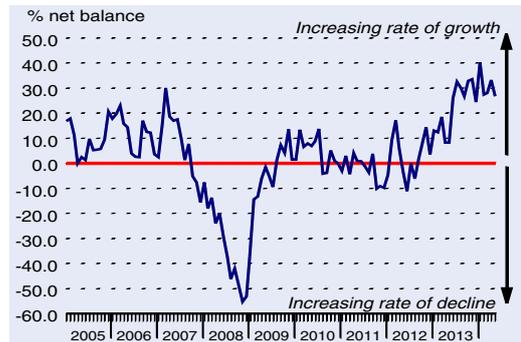
- Private new build projects rose for the twenty-first consecutive month in May. However, the rate of expansion eased to the slowest since July last year.
- Public commercial activity also increased at a weaker pace, with the net balance dropping from +10.0% to +7.2%.



Industrial/warehouse activity

compared with one month ago

- Continuing the trend that started in September 2012, industrial/warehouse projects rose in May.
- The growth rate was sharp, although the weakest in five months. The net balance fell from +33.3% to +26.8%.

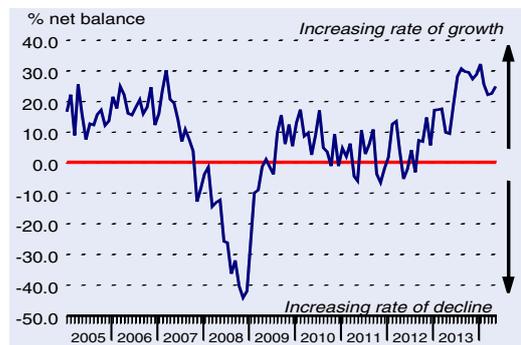


Commercial Development Activity

Refurbishment activity

compared with one month ago

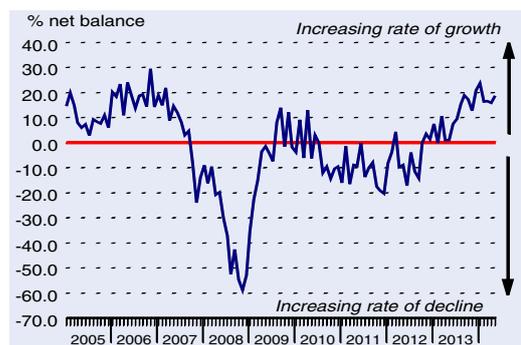
- UK commercial developers signalled further growth of refurbishment activity in May, stretching the current expansionary period to 21 months.
- Up from +22.7% in April to +25.0% in May, the net balance was at a three-month high and indicated a substantial pace of increase.



Office fit-out activity

compared with one month ago

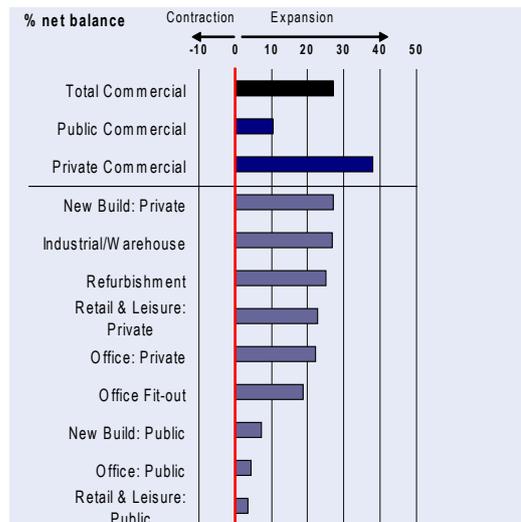
- Growth of office fit-out activity quickened to the strongest in four months during May.
- A net balance of +18.8% of panellists recorded higher office fit-out work, compared with +16.0% in April.



Summary of activity in May

tables of data on page 4

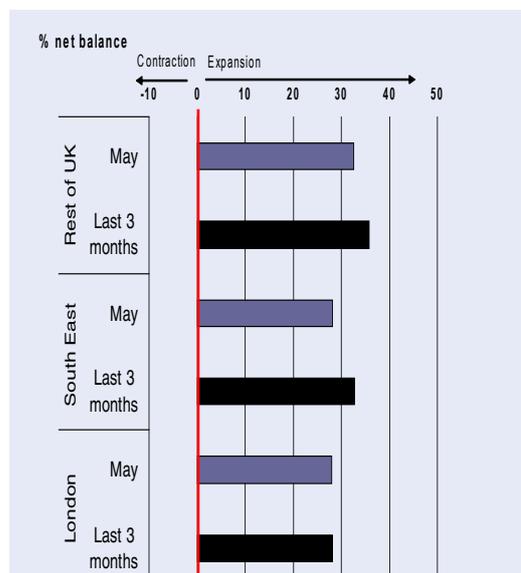
- Commercial activity in the UK rose for the twenty-first month running in May, with the pace of expansion accelerating since April.
- Faster increases were noted for both private and public commercial work, with the net balances posting +37.8% and +10.3% respectively.
- All nine broad areas of the commercial property sector recorded growth.
- The quickest expansion was again seen in private new build projects, followed closely by industrial/warehouse activity.



Regional commercial activity

compared with one month ago

- As has been the case since September 2012, all three UK regions posted growth of commercial activity in May.
- The sharpest expansion was recorded in the 'Rest of UK', followed by the South East and London respectively.
- The net balances registered +28.0% for London, +28.1% for the South East and +32.7% for the 'Rest of UK'.
- In all cases, May's net balances were below their respective three-month averages.



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
Dec'13	+27.8	+16.9	+33.9	+22.4	+27.1	+35.4	+33.4	+26.0	+38.0	+36.1
Jan'14	+33.7	+14.1	+44.3	+25.0	+45.1	+39.0	+36.1	+28.8	+40.2	+39.3
Feb	+35.7	+12.8	+48.9	+36.1	+50.0	+31.8	+34.9	+31.0	+31.5	+41.7
Mar	+30.6	+9.7	+42.7	+32.8	+39.4	+36.0	+30.0	+29.1	+29.4	+31.5
Apr	+23.6	+1.6	+35.3	+23.6	+30.9	+38.9	+35.2	+28.9	+36.8	+39.6
May	+26.9	+10.3	+37.8	+28.0	+28.1	+32.7	+24.8	+23.2	+23.4	+27.7

Sectors

	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
Dec'13	+4.3	+25.5	+3.2	+14.3	+11.3	+33.6	+24.5	+28.9	+21.0
Jan'14	+7.8	+30.4	+11.7	+29.1	+4.5	+35.7	+40.4	+32.3	+23.8
Feb	+9.3	+28.8	+6.2	+26.9	+13.2	+43.0	+27.5	+25.7	+16.5
Mar	+9.3	+25.0	+3.1	+32.0	+13.2	+42.1	+28.2	+22.2	+16.7
Apr	+0.0	+32.0	+9.3	+27.4	+10.0	+35.0	+33.3	+22.7	+16.0
May	+4.3	+22.1	+3.4	+22.8	+7.2	+27.1	+26.8	+25.0	+18.8

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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