

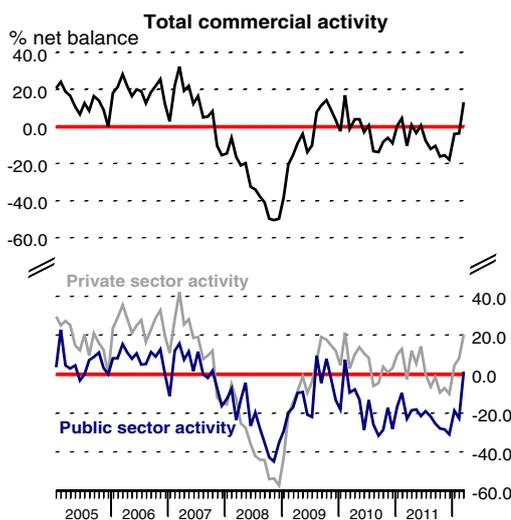
Commercial Development Activity

April 2012

Growth of commercial development activity for first time in nine months

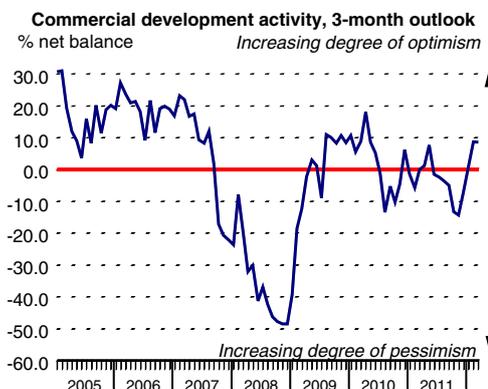
KEY FINDINGS

- March data pointed to a marked monthly expansion in total commercial development activity, that was the strongest in just over two years.
- Improving trends in both private and public sector commercial development activity supported overall growth. Work on private contracts increased for the third month running, while public activity rose for the first time since February 2010.
- Approximately 25% of commercial developers recorded an increase in overall activity in the month, compared to 12% indicating a decline.
- The Total Commercial Development Activity Index, a net balance monitoring the overall performance of the UK commercial property sector, registered +13.1% in March, from -3.6% in February.



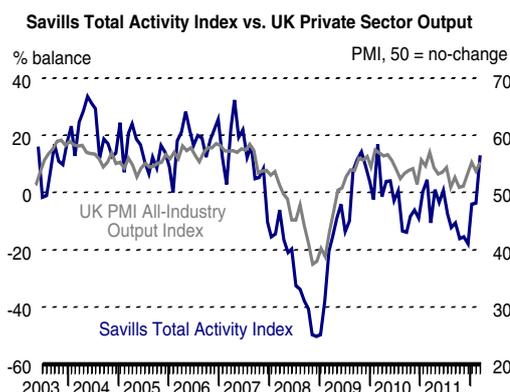
FUTURE EXPECTATIONS

- UK commercial developers were again optimistic regarding the three-month outlook for activity in March.
- Posting +8.7%, from +8.8% in February, the degree of positive sentiment was broadly unchanged on the month.
- Approximately 18% of respondents expect activity to increase over the next three months, compared to 10% anticipating a fall.
- Anticipated improvements in economic conditions were forecast by panellists to be the main driver of activity over the next three months.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against PMI™ survey data measuring output in the UK private sector.
- Both Savills and PMI data pointed to growth of activity in the latest survey period. Furthermore, both indexes saw improving trends in March.
- PMI data has signalled growth of UK all-industry output over the last 35 months, with Savills data indicating that commercial development activity has lagged. Nonetheless, rates of expansion were marked in both instances in March.

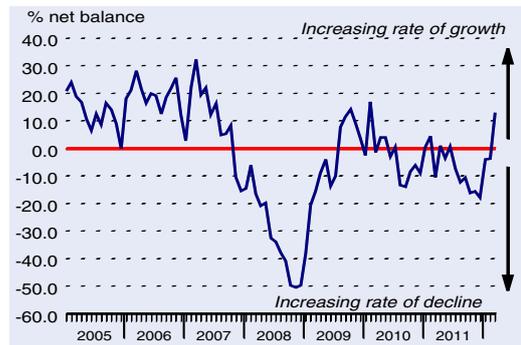


Commercial Development Activity

Total level of commercial activity

compared with one month ago

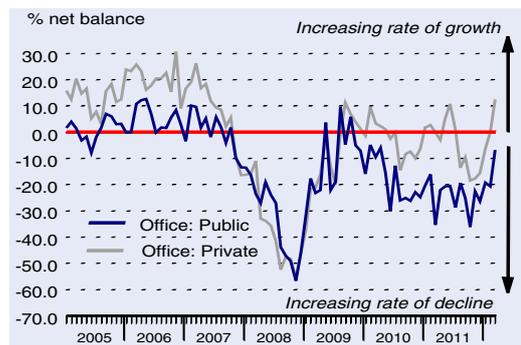
- Ending an eight-month sequence of contraction, UK commercial development activity grew in March.
- Moreover, with approximately one-quarter of respondents registering an increase in activity, the rate of expansion was marked and comfortably above the long-run series trend.



Office activity

compared with one month ago

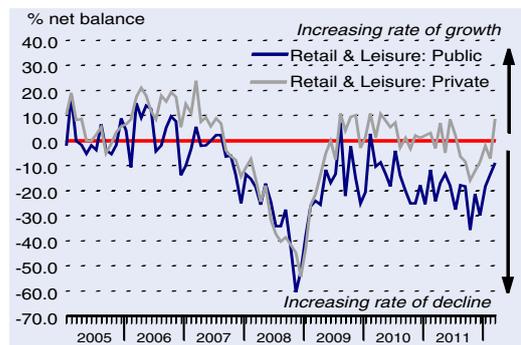
- Private sector office activity returned to growth in March, following stagnation in the previous survey period. The pace of increase was the fastest in nearly five years.
- However, work on public sector contracts fell again. Nonetheless, the rate of contraction was the slowest since April 2010.



Retail & leisure activity

compared with one month ago

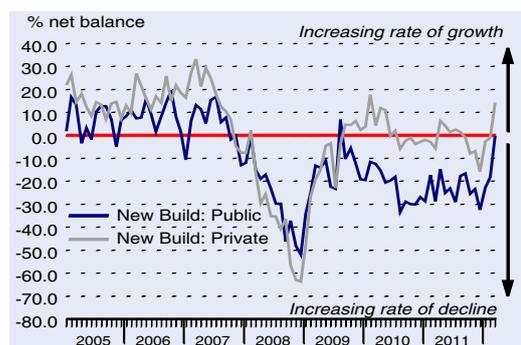
- Improving trends in both public and private retail & leisure activity were reported in March.
- A solid rise in private sector projects was registered, following seven successive months of decline. Meanwhile, the contraction in public sector activity was the weakest in 20 months.



New build activity

compared with one month ago

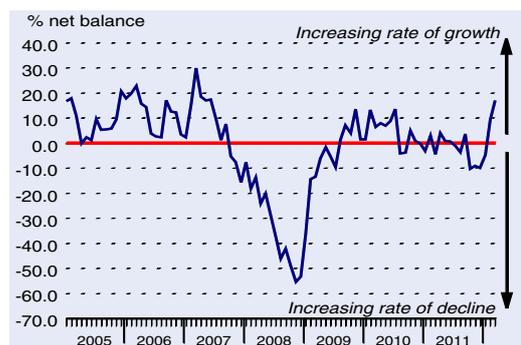
- In contrast to the previous six survey periods, private sector new build activity increased during March. With approximately 23% of panellists reporting growth, the expansion was strong and the fastest since February 2010.
- Work on public sector projects was unchanged on the month. This ended a two-and-a-half year sequence of monthly declines.



Industrial/warehouse activity

compared with one month ago

- Growth of industrial/warehouse activity was sustained for a second consecutive month in March.
- With approximately 24% of respondents noting a rise in output, compared with 7% indicating a contraction, the rate of expansion was the strongest since June 2007.

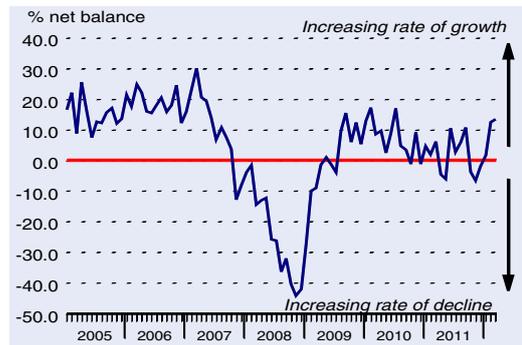


Commercial Development Activity

Refurbishment activity

compared with one month ago

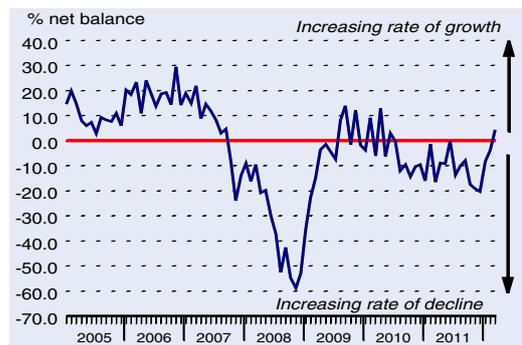
- March data signalled a third successive rise in refurbishment activity. Moreover, the rate of growth accelerated slightly since February to the fastest in 20 months.
- Approximately 22% of panel members registered an increase in activity, compared with 9% that noted a decline.



Office fit-out activity

compared with one month ago

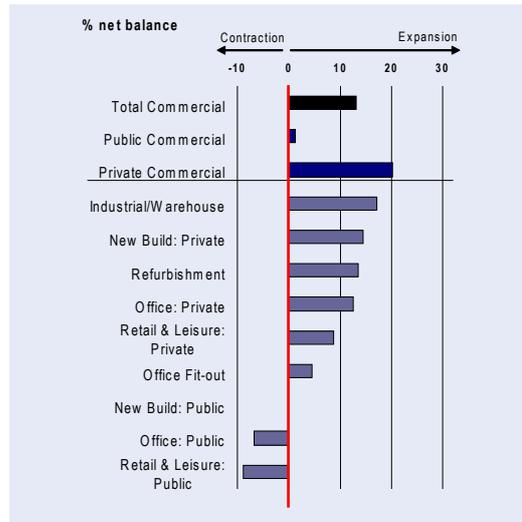
- UK commercial developers reported an increase in office fit-out activity in March.
- The expansion was modest, but the first since June 2010.



Summary of activity in March

tables of data on page 4

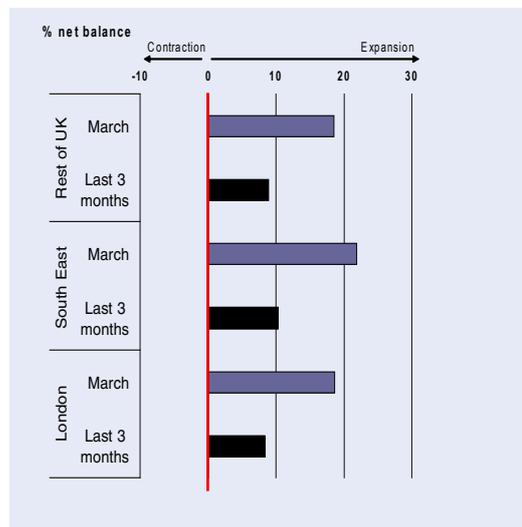
- Commercial development activity grew for the first time in nine months during March, supported by expansions in both public and private sector output.
- Six of the nine sectors monitored posted increases in activity. The strongest expansion was recorded for industrial/warehouse related projects.
- Nonetheless, continuing the recent trend, the weaker performances tended to be seen for public sector sourced work. Two of these categories registered contractions, while public new build activity was unchanged on the month.



Regional commercial activity

compared with one month ago

- All three monitored regions – London, the South East and the Rest of the UK – posted a rise in activity in March.
- Rates of expansion were marked and broadly consistent across the three regions.
- Strong performances in the latest survey period improved rates of growth for the first quarter of 2012, with solid increases indicated for all regions. The South East saw the fastest expansion of activity in the three months to March.



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
2009	-5.3	-10.9	-2.6	-4.5	+3.9	-7.5	-2.3	-7.0	-1.4	+1.4
2010	-2.6	-17.8	+5.8	+7.9	+10.5	+3.2	+2.6	-1.9	+2.8	+6.3
2011	-7.2	-21.7	+1.5	+8.6	+3.7	-5.3	-3.7	-9.0	-2.3	0.0
Oct '11	-16.1	-27.8	-9.4	+4.6	-1.3	-16.4	-13.2	-14.8	-14.5	-10.3
Nov	-15.4	-28.4	-7.2	-3.3	0.0	-5.6	-14.3	-18.2	-14.5	-10.3
Dec	-17.8	-30.9	-10.1	-10.0	-12.2	-11.4	-7.1	-13.1	-8.4	0.0
Jan '12	-3.9	-18.7	+4.6	+6.6	-1.3	0.0	+1.2	-6.6	0.0	+10.2
Feb	-3.6	-22.7	+8.2	0.0	+10.4	+8.2	+8.8	+4.0	+10.1	+12.2
Mar	+13.1	+1.3	+20.3	+18.6	+21.9	+18.6	+8.7	+8.4	+8.9	+8.8

Sectors

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
2009	-11.1	-8.9	-17.7	-7.0	-15.2	-10.3	-4.8	-0.1	-4.8
2010	-18.2	-2.8	-14.5	+3.6	-22.1	+3.0	+4.8	+7.8	-3.8
2011	-24.3	-4.6	-21.6	-3.0	-23.4	-2.1	-2.3	+1.8	-11.6
Oct '11	-36.0	-18.3	-35.6	-15.7	-25.3	-7.8	-10.1	-3.5	-17.4
Nov	-22.5	-17.6	-21.2	-12.1	-23.3	-6.7	-9.0	-6.5	-19.0
Dec	-26.3	-15.5	-29.9	-8.5	-32.4	-15.8	-9.7	-1.9	-20.2
Jan '12	-19.2	-6.2	-18.2	-2.0	-22.7	-2.5	-4.6	+1.9	-8.1
Feb	-20.5	0.0	-13.4	-7.1	-18.1	-0.9	+9.4	+12.6	-3.7
Mar	-6.8	+12.5	-8.8	+8.7	0.0	+14.4	+17.2	+13.6	+4.5

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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