

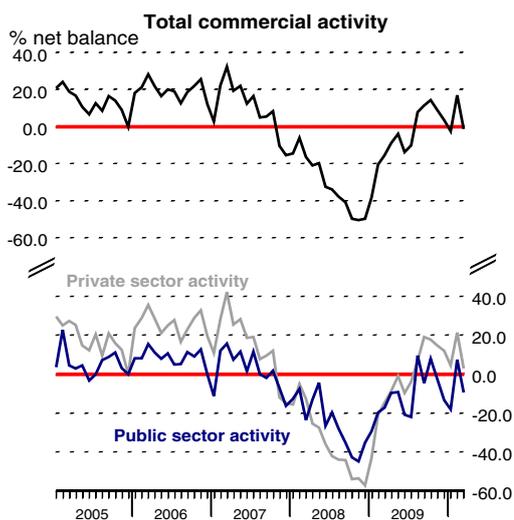
# Commercial Development Activity

April 2010

## Marginal decline in UK commercial development activity in March.

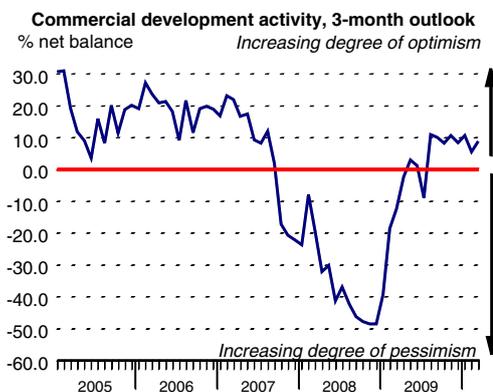
### KEY FINDINGS

- March data pointed to a slight decline in commercial development activity.
- Firms noted that uncertainty about the economic outlook and the outcome of the forthcoming general election had weighed on market demand.
- Almost 20% of commercial developers reported a drop in total commercial activity in March, compared to 18% that indicated a rise.
- As a result, the Total Commercial Development Activity Index posted -1.3%, down from February's thirty-three month high of +16.9%.
- At +4.4%, the average net balance in the first quarter of 2010 was in positive territory, albeit lower than was recorded in Q4 2009 (+9.0%).



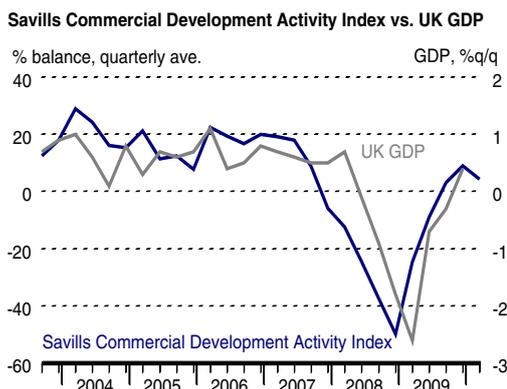
### FUTURE EXPECTATIONS

- Commercial developers are on average confident that business activity will rise in the second quarter of 2010. At +9.0%, the index measuring business sentiment was the highest since January.
- Business optimism for the three months ahead was strongest for Retail & Leisure development.
- Expectations of growth in the industrial/warehouse sector remained marked in March, with around 23% of respondents forecasting a rise in activity and only 12% anticipating a decline.
- However, expectations for office development were subdued in March, with business sentiment the lowest since July 2009.



### COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right shows the Savills commercial development index against the UK Gross Domestic Product (GDP).
- The chart suggests that the downturn in the commercial property sector occurred in advance of the recession across the wider UK economy.
- Both commercial development activity and the wider UK economy saw a return to growth in late 2009. Savills commercial activity data indicate a bumpy recovery in early 2010, but expansion was recorded again on average in the first quarter.
- Preliminary official UK GDP figures for Q1 will be released on 23rd April 2010.

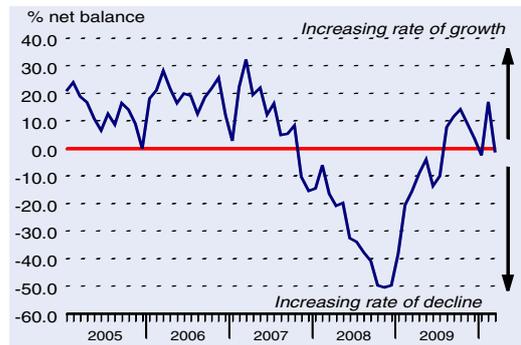


## Commercial Development Activity

### Total level of commercial activity

compared with one month ago

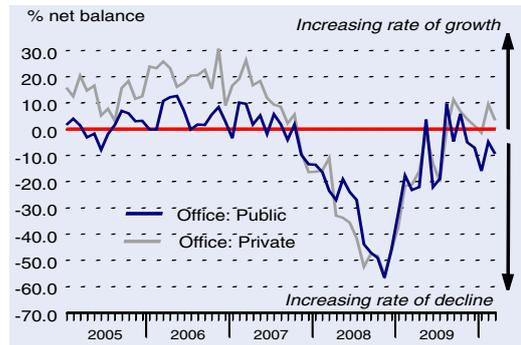
- March data indicated that overall commercial development fell slightly, following a strong expansion in February. That said, total activity rose moderately on average in Q1 2010.
- Public sector activity dropped markedly in March, while growth of private sector development eased to its slowest in the current eight-month period of expansion.



### Office activity

compared with one month ago

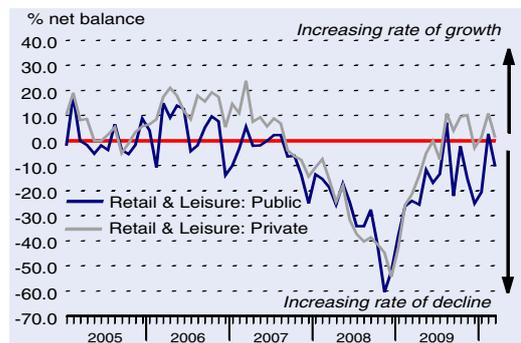
- Commercial developers indicated a second consecutive rise in private sector office activity in March, with 21% of respondents reporting an increase.
- Public sector office activity fell for the fifth month running and at a faster pace than in February.



### Retail & leisure activity

compared with one month ago

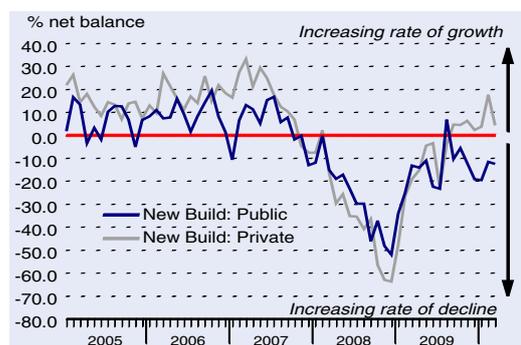
- Growth of private sector retail & leisure activity eased markedly in March and was the slowest in the current three-month period of expansion.
- Work on public sector retail & leisure projects dropped in March, following a slight rise in the previous month.



### New build activity

compared with one month ago

- Growth of private sector new build contrasted with a further decline in public sector activity.
- Private sector new build has increased in each month since September 2009.
- Around one-in-five firms reported a drop in public sector new build, against 8% that saw a rise during the latest survey period.



### Industrial/warehouse activity

compared with one month ago

- Higher levels of industrial/warehouse development were recorded in March, extending the current period of growth to eight months.
- The rate of expansion eased since February, but was still the second-strongest of the nine monitored areas of commercial development.

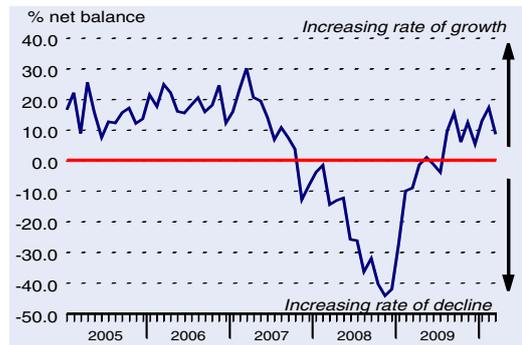


## Commercial Development Activity

### Refurbishment activity

compared with one month ago

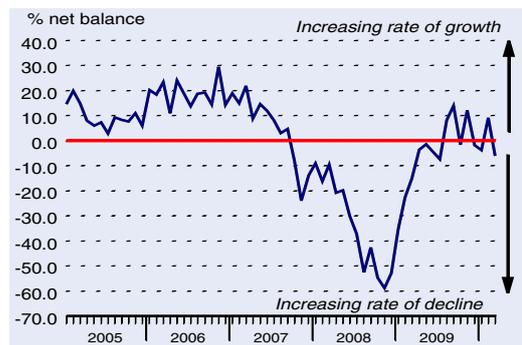
- Refurbishment activity was the best performing area of the commercial development sector in March.
- Higher levels of activity were recorded for the eighth consecutive month, but the rate of expansion eased since February.



### Office fit-out activity

compared with one month ago

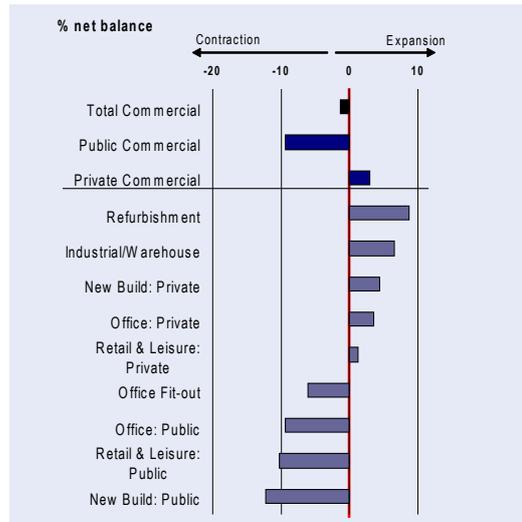
- March data pointed to a solid decline in office fit-out activity. The rate of reduction was also the sharpest since July 2009.
- Around 17% of survey respondents reported a drop in commercial activity, compared to 11% that indicated a rise.



### Summary of activity in March

tables of raw data on page 4

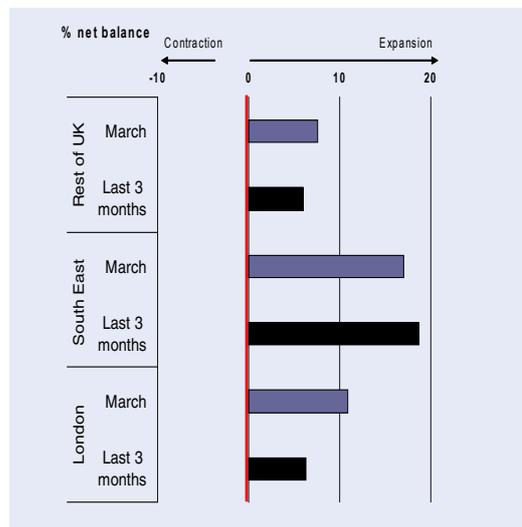
- There were divergent trends between private and public sector activity in March, with growth in the former contrasting with contraction in the latter.
- However, the latest rise in private sector development was only modest and much less marked than in February.
- Refurbishment and industrial/warehouse activity were the best performing areas of commercial development in March.
- The fastest reductions in activity were recorded in public sector new build and public sector retail & leisure.



### Regional commercial activity

compared with one month ago

- The South East (excluding London) remained the best performing region in the latest survey period.
- The performance of the London commercial property sector was little-changed compared to that recorded in February.
- The rest of the UK continued to lag behind London and the South East in March, in line with the trend on average in the first quarter of 2010.



## 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
2007	+10.1	+2.1	+14.6	+13.5	+6.7	+15.7	+5.7	+8.7	+2.3	+6.4
2008	-31.0	-24.4	-34.7	-26.1	-29.5	-32.5	-35.3	-38.5	-33.7	-33.6
2009	-5.3	-10.9	-2.6	-4.5	+3.9	-7.5	-2.3	-7.0	-1.4	+1.4
Oct'09	+14.3	+7.8	+17.7	+16.7	+15.1	+6.7	+8.4	+1.3	+12.7	+11.1
Nov	+9.2	-2.3	+14.8	+10.5	+24.4	+2.9	+10.7	+7.4	+13.0	+11.8
Dec	+3.6	-13.3	+12.0	+20.0	+30.0	-1.4	+8.6	+4.2	+14.3	+7.4
Jan'10	-2.4	-17.9	+4.6	-2.7	+18.6	+7.1	+10.7	+4.5	+13.6	+14.1
Feb	+16.9	+7.5	+21.4	+10.8	+20.5	+3.1	+5.6	+1.5	+3.2	+11.9
Mar	-1.3	-9.4	+3.0	+10.9	+17.0	+7.6	+9.0	+1.3	+14.1	+11.7

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
2007	+0.4	+9.2	-4.8	+4.7	+4.8	+15.8	+7.7	+11.1	+5.2
2008	-32.7	-36.4	-30.4	-30.3	-27.3	-33.9	-32.9	-24.2	-33.6
2009	-11.1	-8.9	-17.7	-7.0	-15.2	-10.3	-4.8	-0.1	-4.8
Oct'09	+5.9	+6.9	-2.2	+9.6	-5.6	+4.5	+4.1	+6.2	-1.6
Nov	-4.9	+3.9	-15.0	+10.1	-11.9	+6.5	+13.6	+12.5	+12.3
Dec	-7.0	+1.3	-25.0	-2.9	-19.0	+2.5	+1.6	+5.5	-1.7
Jan'10	-15.8	-1.4	-20.6	+1.5	-19.4	+3.9	+1.6	+13.0	-3.7
Feb	-4.8	+9.6	+2.7	+10.9	-11.4	+17.8	+13.4	+17.4	+9.3
Mar	-9.4	+3.5	-10.2	+1.3	-12.2	+4.4	+6.6	+8.8	-6.1

### 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 26 countries and key regions including the Eurozone and BRIC. The PMIs have become 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.

### Contacts

Savills  
Michael Pillow  
Head of Building Consultancy  
t. +44 (0) 20 7409 8985  
e. mpillow@savills.com  
Mat Oakley  
Head of Commercial Research  
t. +44 (0) 20 7409 8781  
e. moakley@savills.com  
www.savills.co.uk  
Markit Economics  
Henley on Thames  
Oxon RG9 1EL, UK  
t. +44 (0) 1491 461 000  
e. economics@markit.com  
www.markit.com

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