

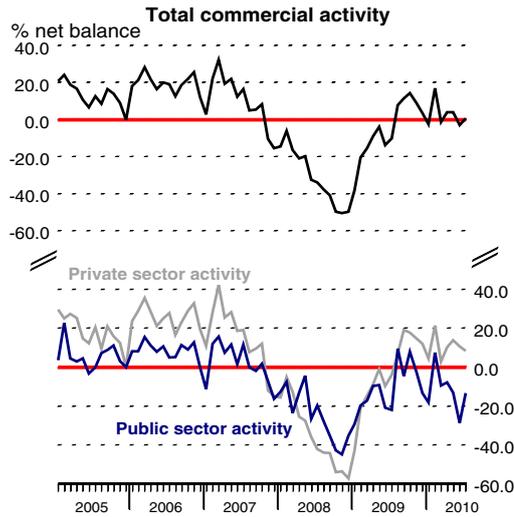
Commercial Development Activity

August 2010

Marginal expansion of development activity in July, but outlook turns negative for first time in twelve months.

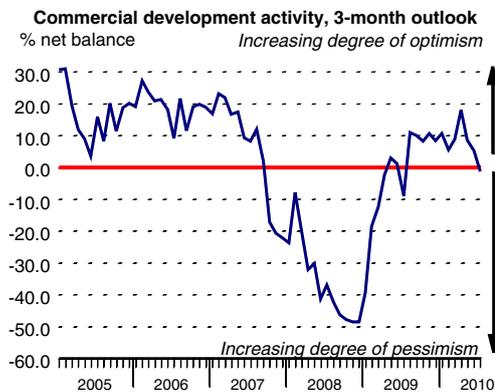
KEY FINDINGS

- July data pointed to a rise in commercial activity, following a modest reduction in June, but the rate of expansion was only marginal.
- Overall growth was driven by higher levels of private sector activity, as public sector development continued to fall sharply.
- Exactly 19% of survey respondents reported an increase in total activity, while close to 18% signalled a decline in July.
- As a result, the Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – registered +0.6% in July, up from -2.8% in June. The latest net balance was much lower than the long-run survey average (+5.3%).



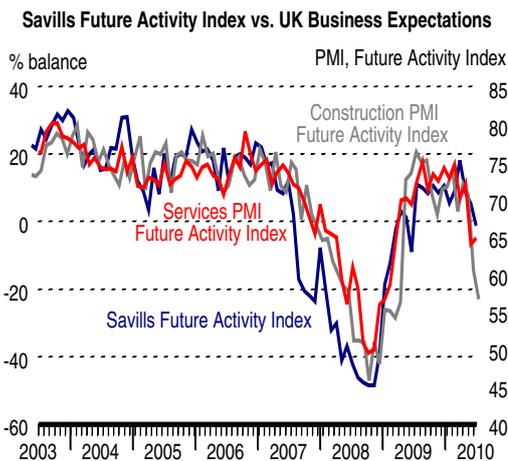
FUTURE EXPECTATIONS

- The index measuring expectations for activity over the next three months dropped into negative territory for the first time since July 2009.
- At -1.2% in July, down from +5.3% in June, the latest reading signalled a modest degree of negative sentiment about the three-month outlook.
- Of the three broad areas monitored, developers are most pessimistic about office activity, followed by retail & leisure. In contrast, firms on balance expect growth in industrial/warehouse activity.
- Respondents linked negative sentiment to a lack of funding for new projects and concerns about the outlook for public sector demand.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right shows the Savills Future Activity Index against survey data measuring expectations for activity in the year ahead in the UK construction and service sectors.
- The chart illustrates that the recent falls in commercial developers' business sentiment have been consistent with the trends seen in the UK construction and service sectors.
- The Business Expectations Indices from the PMI™ surveys covering services and construction showed record monthly falls in June (dropping 8 and 10 index points respectively). Any hopes that the falls in June were a knee-jerk reaction to the Budget, from which confidence would bounce back, were knocked as the indices remained weak in July.

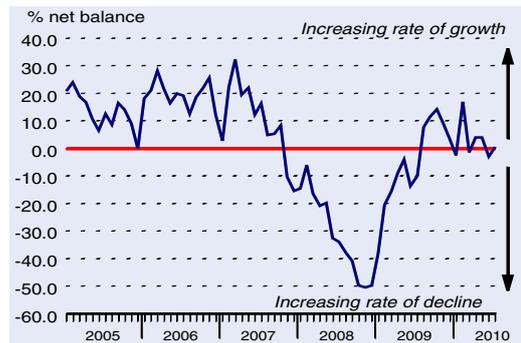


Commercial Development Activity

Total level of commercial activity

compared with one month ago

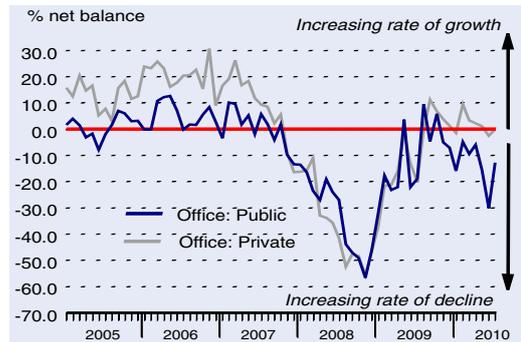
- Overall commercial activity increased marginally in July, following a modest decline in the previous month.
- July data pointed to a solid rise in private sector activity, although the rate of growth eased to a four-month low. Meanwhile, public sector activity fell for the fifth month in a row.



Office activity

compared with one month ago

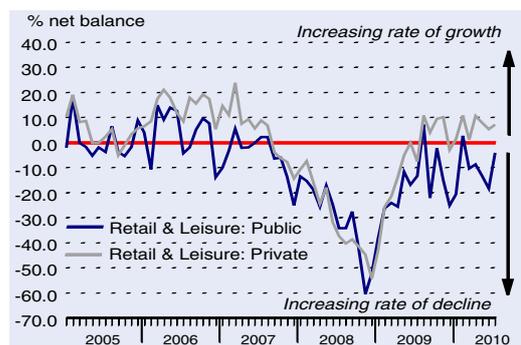
- Private sector office activity was unchanged in July, in contrast to a slight fall in June.
- Office development for the public sector continued to decrease sharply, although the rate of contraction eased to its least marked for three months.



Retail & leisure activity

compared with one month ago

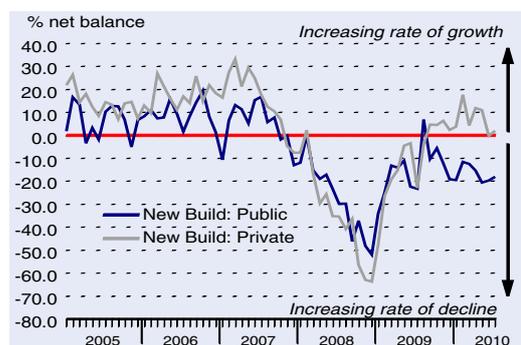
- Growth of private sector retail & leisure activity was maintained for a seventh consecutive month in July.
- Public sector retail & leisure development declined at the slowest rate in the current five-month period of contraction.



New build activity

compared with one month ago

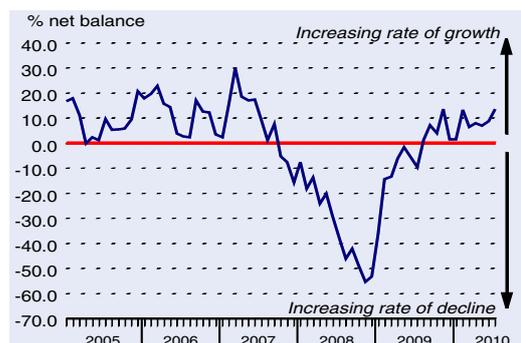
- After stagnating in June, private sector new build increased marginally during the latest survey period.
- July data pointed to a sharp reduction in public sector new build, extending the current period of decline to eleven months.



Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse activity rose at a robust pace in July and the rate of expansion accelerated to its fastest since June 2007.
- Higher levels of industrial/warehouse development have now been recorded for twelve successive months.

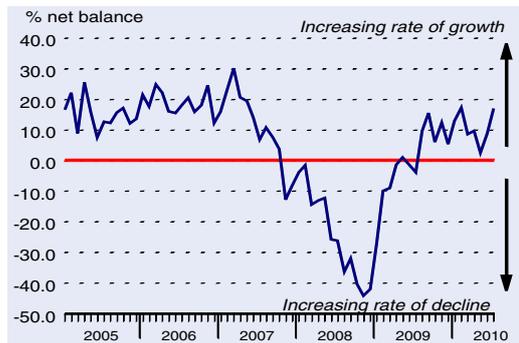


Commercial Development Activity

Refurbishment activity

compared with one month ago

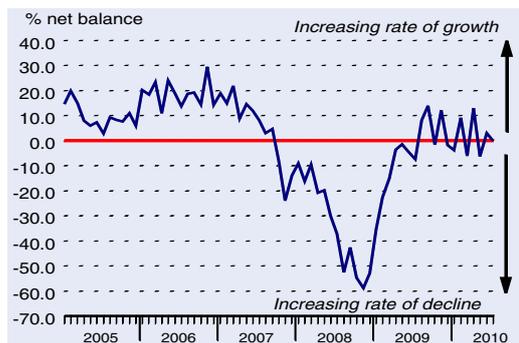
- Around 23% of survey respondents reported an increase in refurbishment activity during July, compared to just 6% that signalled a fall.
- The resulting net balance was above the long-run survey average and indicated the strongest rate of growth for five months.



Office fit-out activity

compared with one month ago

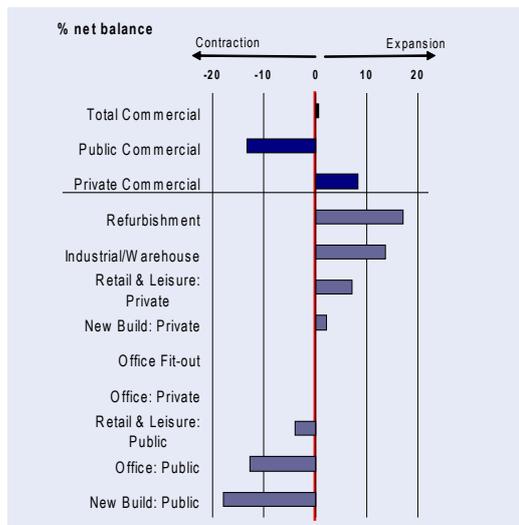
- Office fit-out activity was unchanged in July, following a marginal rise in the previous month.
- At 0.0% in July, the latest net balance was fractionally lower than the average since the start of the series in March 2003 (+1.0%).



Summary of activity in July

tables of data on page 4

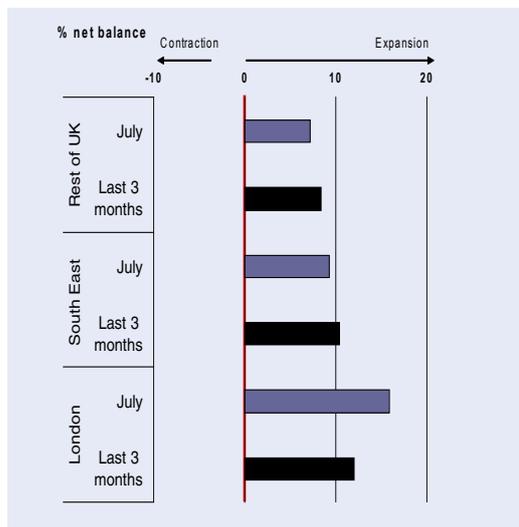
- Refurbishment and industrial/warehouse activity led the overall increase in commercial development during July.
- Higher levels of activity were also recorded in private sector retail & leisure and private sector new build.
- Meanwhile, office fit-out and private sector office activity were both unchanged on the month.
- Of the three broad areas of the commercial development sector to record a fall in activity, the sharpest rate of decline was in public sector new build.



Regional commercial activity

compared with one month ago

- Increased levels of commercial activity were recorded in all three geographical areas monitored by the survey.
- London recorded the fastest pace of expansion in July, with the latest rise in total activity the fastest for seven months.
- In contrast, the South East posted the weakest rise in activity since July 2009.
- July data indicated that the 'Rest of the UK' recorded a slower increase in activity than both London and the South East.



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
Feb'10	+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
Apr	+4.0	-7.7	+10.2	+9.3	+15.1	+19.7	+18.1	+17.9	+14.5	+21.7
May	+4.1	-13.0	+14.0	+10.8	+11.9	+9.7	+8.6	+5.5	+5.4	+14.9
Jun	-2.8	-28.6	+10.6	+9.3	+10.0	+8.2	+5.3	+3.9	+5.4	+6.8
Jul	+0.6	-13.3	+8.3	+15.9	+9.3	+7.1	-1.2	-5.7	-1.2	+3.4

	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
Feb'10	-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
Apr	-5.9	+2.3	-8.7	+10.7	-15.2	+12.0	+8.0	+9.9	+13.0
May	-15.4	+1.2	-13.0	+8.1	-20.4	+11.1	+7.0	+2.6	-6.2
Jun	-30.0	-2.5	-18.2	+5.4	-19.6	+0.0	+8.8	+9.0	+3.1
Jul	-12.7	+0.0	-4.0	+7.2	-17.9	+2.1	+13.8	+17.1	+0.0

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.

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