

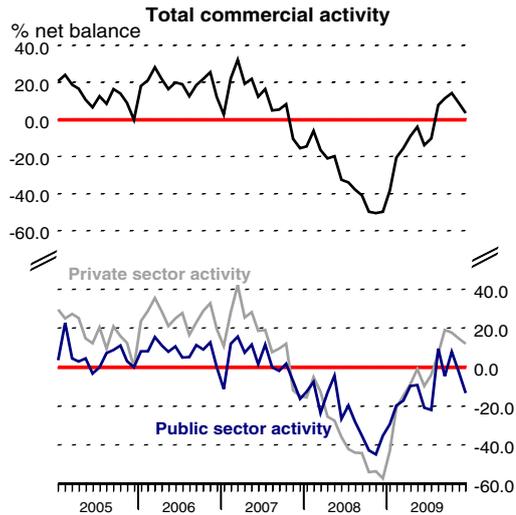
Commercial Development Activity

January 2010

Growth of commercial development at end of 2009 driven by continued rebound in private sector activity.

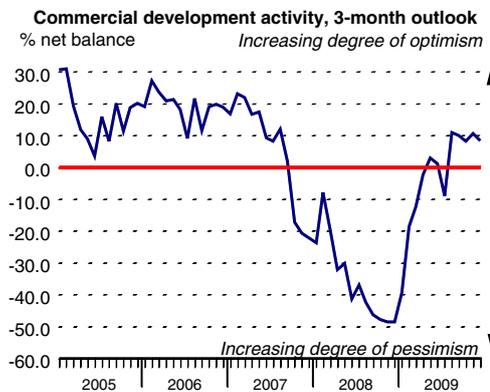
KEY FINDINGS

- Savills survey data indicated a moderate expansion of overall commercial development activity in December, extending the current period of growth to five months.
- Private sector development underpinned the expansion in December, while public sector activity dropped further.
- Just under 23% of commercial developers reported a rise in activity in December, while 19% indicated a fall.
- At +3.6%, down from +9.2% in November, the resultant Total Commercial Development Activity Index signalled the slowest rate of growth since the start of the upturn in August.



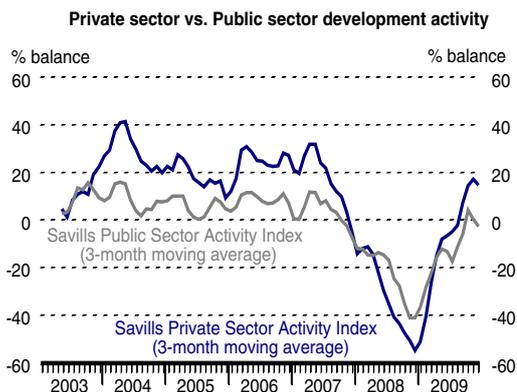
FUTURE EXPECTATIONS

- Survey respondents remained upbeat about the three-month outlook for development activity.
- Commercial developers are the most optimistic about retail & leisure development in the first quarter of 2010. They are the least positive about the outlook for office development.
- The net balance measuring overall business sentiment slipped from +10.7% to +8.6% in December, but was in positive territory for the fifth month running.
- Expectations of rising activity were linked to forthcoming work on new projects and anticipated improvements in wider economic conditions.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- Savills data indicates that growth of total development was mostly driven by increased work on private sector projects at the end of 2009.
- The chart to the right plots the Savills Private Sector Activity Index against the Public Sector Activity Index.
- Public sector development limited the extent of the overall drop in development activity during the worst phase of the downturn. However, public sector activity now lags the upturn, having fallen in each of the past two months.
- Planned cutbacks to public spending and the need to reduce government debt are likely to weigh on public sector development in 2010, suggesting a continued rebound in private sector development will be needed to sustain the recovery.

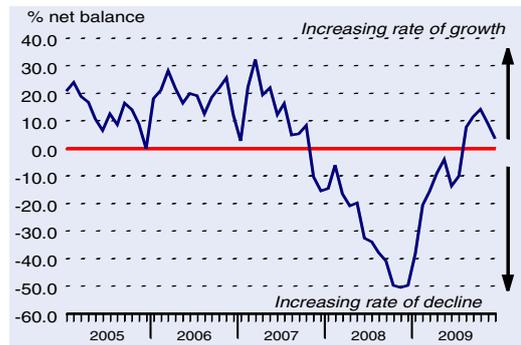


Commercial Development Activity

Total level of commercial activity

compared with one month ago

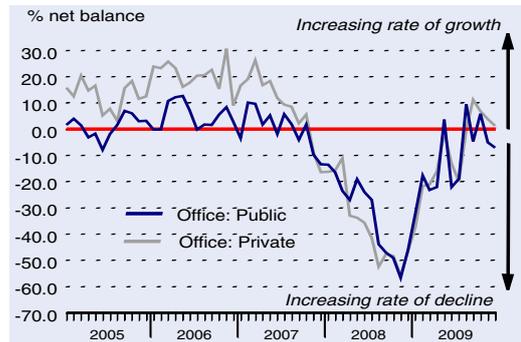
- Total commercial development activity increased for the fifth month running in December...
- ...but the latest rise was the slowest in the current period of expansion.
- Almost 23% of panel members reported a rise in activity, while 19% indicated a decline.



Office activity

compared with one month ago

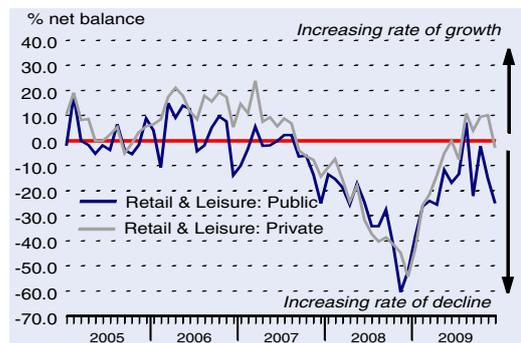
- Public sector office development declined for the second consecutive month in December.
- Latest data indicated a marginal increase in private sector office activity, extending the current period of growth to four months.



Retail & leisure activity

compared with one month ago

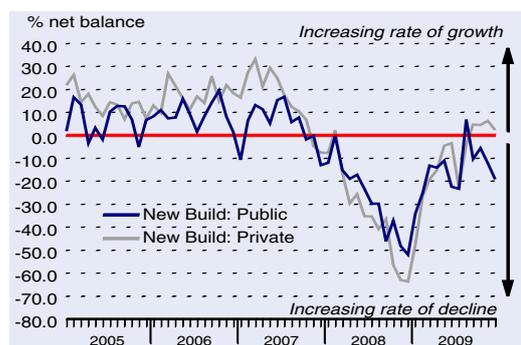
- Public sector retail & leisure remained the weakest area of commercial development monitored by the survey. Moreover, the rate of decline was the fastest since April.
- Private sector retail & leisure activity declined for the first time since July, albeit only moderately.



New build activity

compared with one month ago

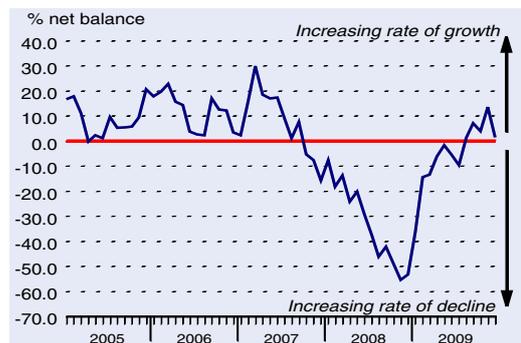
- Private sector new build increased for the fourth month running in December. However, the rate of growth remained subdued and was slower than in November.
- Commercial developers signalled a sharp fall in public sector new build, with the pace of decline the fastest for five months.



Industrial/warehouse activity

compared with one month ago

- December data pointed to the slowest rise in industrial/warehouse activity for four months.
- At +1.6% in December, the net balance measuring growth of industrial/warehouse development was broadly in line with the long-run series average.

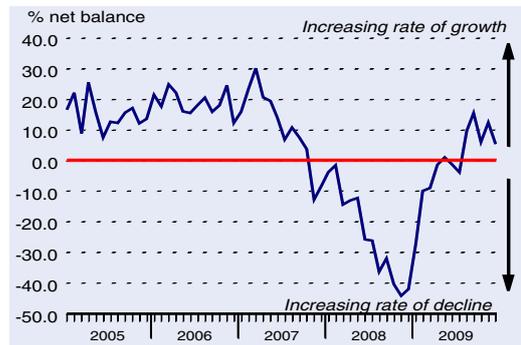


Commercial Development Activity

Refurbishment activity

compared with one month ago

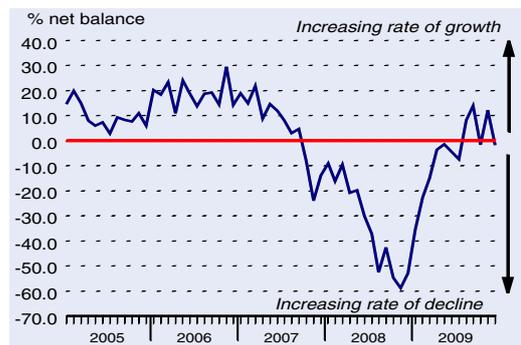
- Commercial developers registered a moderate rise in refurbishment activity in December.
- At +5.5%, down from +12.5% in November, the net balance measuring refurbishment activity was in positive territory for the fifth successive month.



Office fit-out activity

compared with one month ago

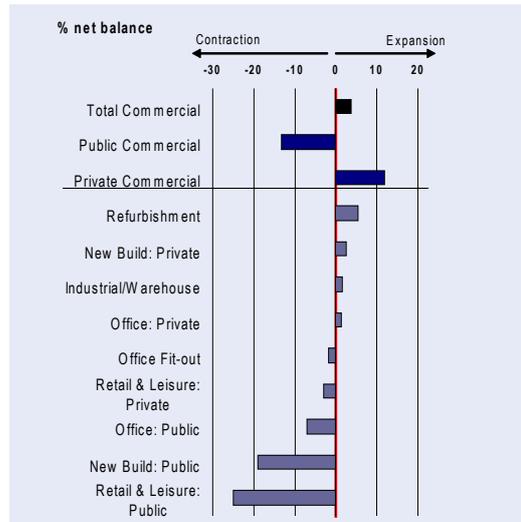
- Office fit-out activity declined marginally in December.
- At -1.7%, down from +12.3% in November, the net balance was in negative territory for the second time in the past three months. However, the rate of reduction was much slower than seen on average in 2009 overall.



Summary of activity in December

tables of raw data on page 4

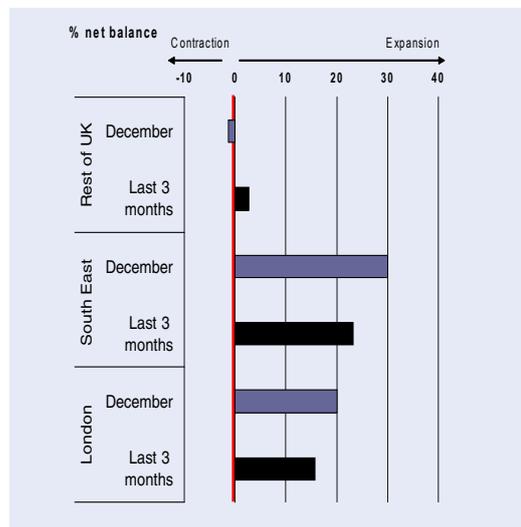
- Higher levels of commercial activity were recorded in just four of the nine areas of development monitored by the survey in December.
- The strongest rise was in refurbishment activity, followed by private sector new build.
- Meanwhile, public sector retail & leisure development was the worst performing broad area of activity in December.
- Data also indicated a marked reduction in public sector new build over the month.



Regional commercial activity

compared with one month ago

- Regional data suggested that the latest rise in overall commercial development activity was largely confined to London and the South East.
- London registered the strongest rise in commercial development for two-and-a-half years in December.
- The South East registered another marked rise in overall activity, extending the current period of expansion to six months.
- However, a decline in commercial development in the 'Rest of the UK' was recorded for the first time since July.



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
Jul'09	-10.0	-22.0	-4.0	-2.2	+1.9	-6.2	-8.8	-9.0	-12.3	-5.0
Aug	+7.8	+9.5	+7.0	+7.1	+12.8	+2.8	+11.1	+2.9	+14.7	+15.3
Sep	+11.6	-4.5	+19.1	+2.4	+23.4	+10.7	+10.1	+5.7	+6.8	+17.6
Oct	+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

	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
Jul'09	-18.9	-20.0	-13.3	-7.5	-23.1	-22.8	-9.5	-3.8	-7.4
Aug	+9.5	0.0	+7.3	+10.8	+7.0	-3.7	+1.4	+9.9	+8.2
Sep	-4.7	+11.4	-22.0	+4.1	-10.2	+4.8	+7.2	+15.6	+14.1
Oct	+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

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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