

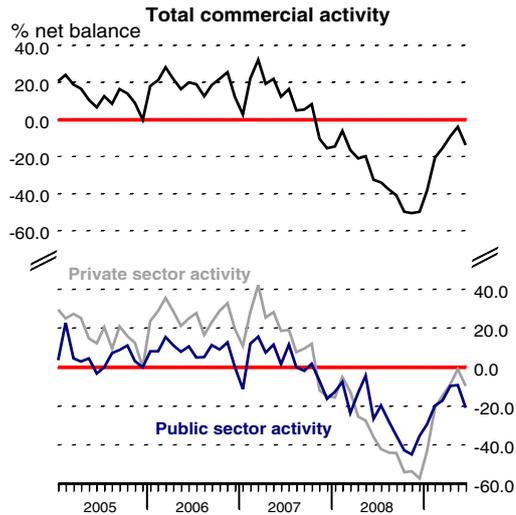
Commercial Development Activity

July 2009

Activity falls at faster rate in June, but developers remain optimistic about the three-month outlook.

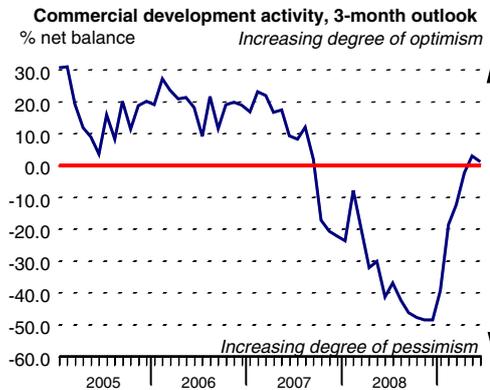
KEY FINDINGS

- June data pointed to the fastest fall in commercial development activity for three months, led by a downturn in work on public sector projects.
- Exactly 27.9% of survey respondents reported an overall drop in activity, almost twice the proportion that signalled a rise (14.3%).
- At -13.6% in June, the resultant net balance, the Total Commercial Development Activity Index, was the lowest since March.
- Nonetheless, the average index reading in Q2 2009 was the highest since Q4 2007 and well above that recorded in the previous quarter.
- Public sector new build and office activity were the weakest performing areas in June.



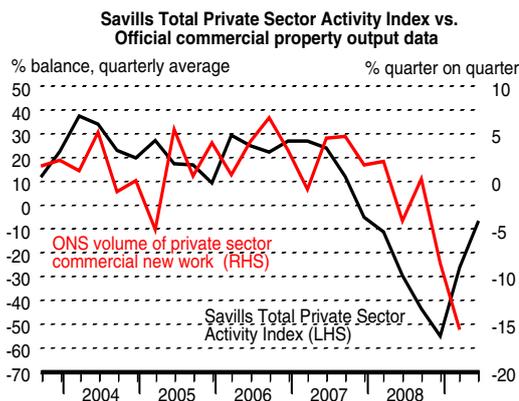
FUTURE EXPECTATIONS

- Commercial developers were optimistic about the three-month outlook in June. Although only fractionally inside positive territory, the index was the second-highest since September 2007.
- Optimism remained strongest regarding industrial/warehouse and retail & leisure activity. Sentiment for the latter was the highest for two years, supported by tentative signs of a stabilisation in private sector demand.
- The outlook for office development activity remained negative, with 23% of survey respondents expecting a fall compared to 13% that anticipated a rise.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- To the right is a chart showing the Savills Total Private Sector Activity Index against official commercial property output data.
- The Savills index measuring private sector commercial development first flagged up a sharp downturn in activity around the start of 2008.
- This was well in advance of official figures on commercial property output, which have later chimed with the severe weakness suggested by the Savills Total Private Sector Activity Index.
- Savills data suggest that the downturn has now begun to bottom out, although the index still points to a marked fall in activity in Q2 2009.

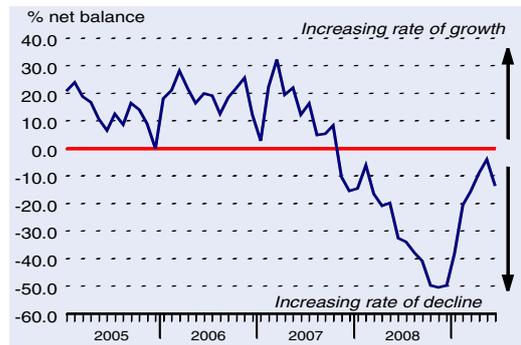


Commercial Development Activity

Total level of commercial activity

compared with one month ago

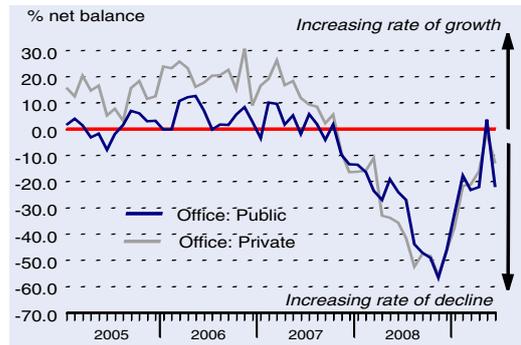
- June data pointed to the fastest overall decline in commercial development for three months.
- There were sharper rates of reduction in both private and public sector activity.
- However, both rates of decline remained less marked than the record falls seen in Q4 2008.



Office activity

compared with one month ago

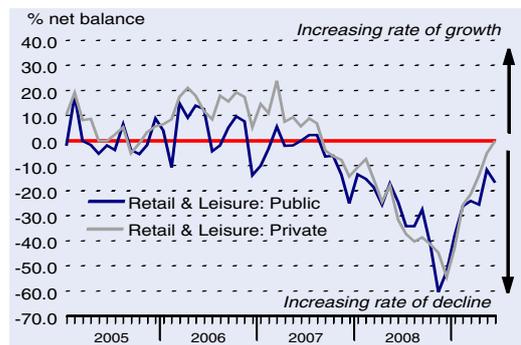
- Commercial developers indicated steep falls in both private and public sector office activity in June.
- Lower levels of private sector office development have now been recorded for twenty consecutive months.



Retail & leisure activity

compared with one month ago

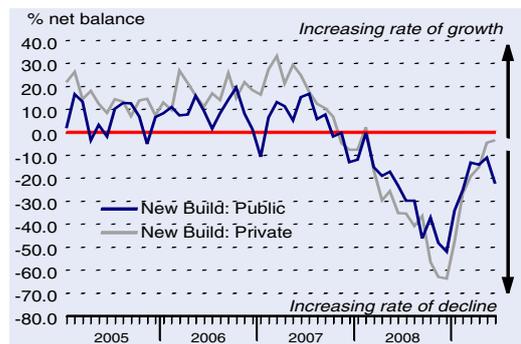
- Following a twenty-one month period of decline, levels of private sector retail & leisure activity were unchanged in June.
- Public sector retail & leisure activity fell for a twenty-second consecutive month and at a sharp rate.



New build activity

compared with one month ago

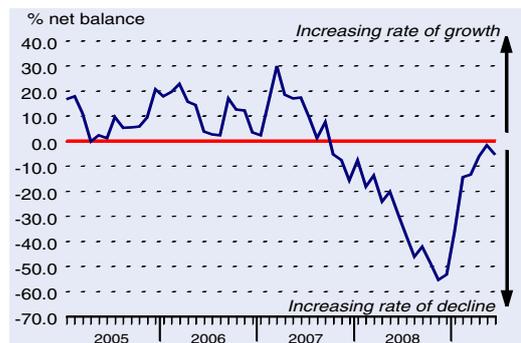
- Public sector new build declined at the sharpest rate for four months in June.
- In contrast, the latest fall in private sector new build was only marginal and the slowest in the current sixteen-month period of contraction.



Industrial/warehouse activity

compared with one month ago

- June data signalled a moderate reduction of industrial/warehouse activity.
- The rate of decline remained much weaker than at the peak of the downturn in Q4 2008.

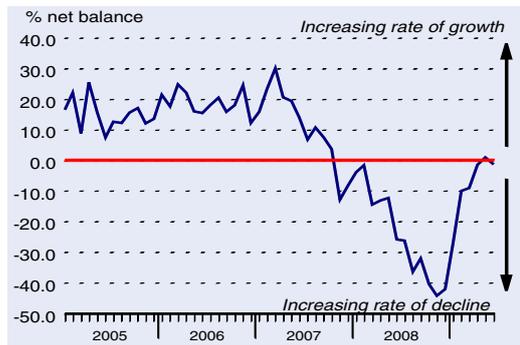


Commercial Development Activity

Refurbishment activity

compared with one month ago

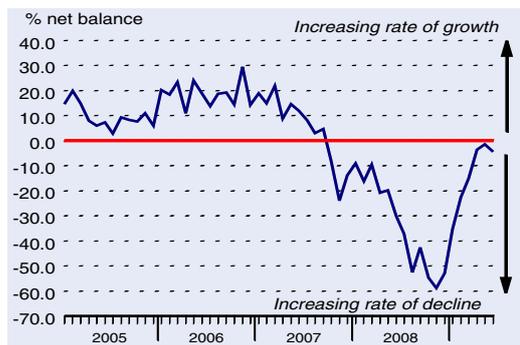
- Refurbishment activity showed further signs of stabilisation in June.
- Around 15% of respondents indicated a fall in activity since June, while 14% reported a rise.
- At -1.2%, the resultant index reading was only fractionally inside negative territory.



Office fit-out activity

compared with one month ago

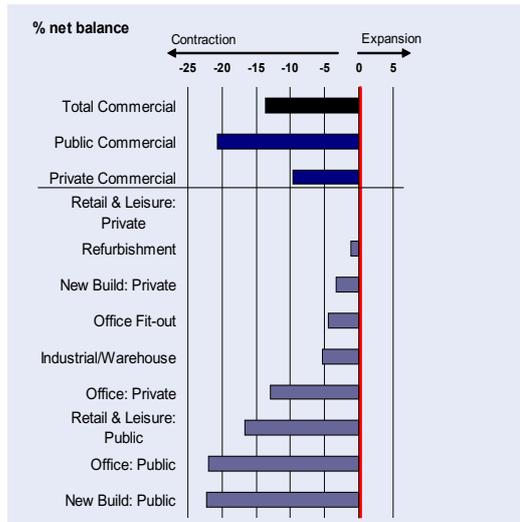
- Office fit-out activity dropped for the twenty-first successive month in June.
- Approximately 19% of commercial developers signalled a decline in activity since May, compared with 15% that recorded an increase.



Summary of activity in June

tables of raw data on page 4

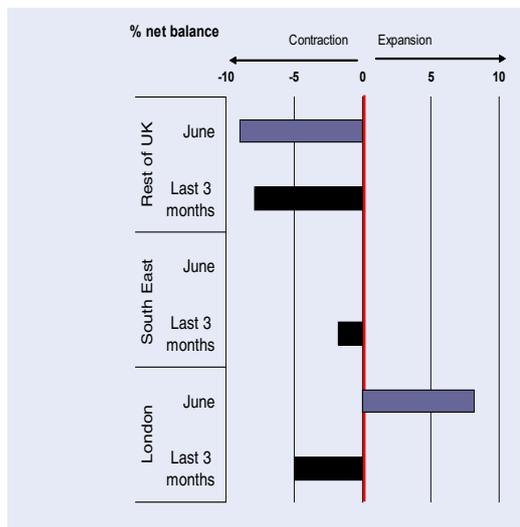
- June data pointed to divergent trends across the nine areas of commercial development monitored by the survey.
- Public sector development fell at a much faster pace than private sector activity...
- ...as highlighted by steep reductions in work on public sector new build, office and retail & leisure projects.
- Private sector retail & leisure was the best performing area of development, with activity levels unchanged since May.



Regional commercial activity

compared with one month ago

- For the first time in 2009 to date, London was the best performing geographical region...
- ...with overall activity levels in the capital increasing for the first time since October 2007.
- In the South East (excluding London), commercial development activity was unchanged since one month previously.
- The 'Rest of the UK' registered a marked reduction of activity, with the rate of decline accelerating since May.



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
2006	+19.7	+8.8	+26.0	+24.2	+18.0	+20.2	+19.3	+23.3	+16.1	+18.6
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
Jan'09	-38.0	-29.3	-42.9	-48.2	-40.3	-43.4	-39.2	-41.9	-42.2	-33.7
Feb	-20.4	-19.6	-20.9	-22.6	-3.4	-20.8	-18.4	-16.5	-25.3	-13.5
Mar	-15.5	-17.2	-14.5	-22.0	-11.9	-17.2	-12.3	-15.2	-10.0	-11.5
Apr	-8.9	-9.5	-8.6	-15.4	-5.4	-13.5	-2.2	-9.5	+1.3	+1.4
May	-4.0	-9.3	-1.0	-7.8	+0.0	-1.2	+3.1	-3.9	+4.0	+9.6
Jun	-13.6	-20.8	-9.6	+8.2	+0.0	-9.0	+1.3	-9.3	+6.3	+6.5

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
2006	+5.3	+20.8	+4.0	+14.0	+9.5	+17.6	+12.2	+19.0	+18.9
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
Jan'09	-32.1	-37.4	-38.0	-42.9	-33.9	-47.5	-36.1	-27.1	-35.3
Feb	-17.6	-21.5	-26.1	-25.7	-25.0	-26.4	-14.3	-9.9	-22.6
Mar	-23.1	-21.0	-24.0	-21.4	-13.1	-19.0	-13.3	-8.9	-14.9
Apr	-22.0	-16.0	-25.6	-13.7	-14.0	-15.1	-6.0	-1.3	-3.5
May	+3.8	-1.1	-11.5	-5.1	-10.9	-4.3	-1.4	+1.2	-1.4
Jun	-22.0	-12.9	-16.7	+0.0	-22.2	-3.3	-5.4	-1.2	-4.4

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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