

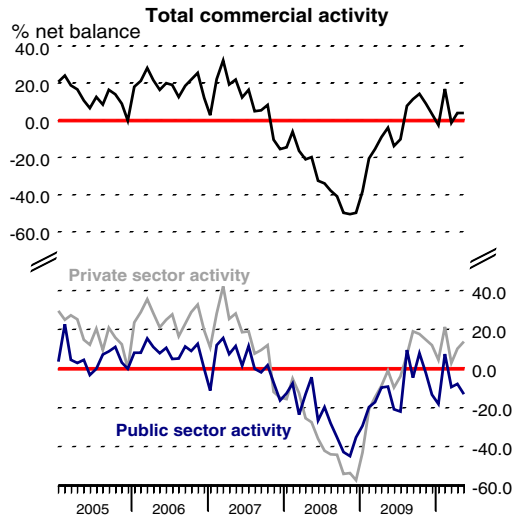
# Commercial Development Activity

June 2010

Recovery in private sector development continued, but public sector activity fell at fastest pace since January.

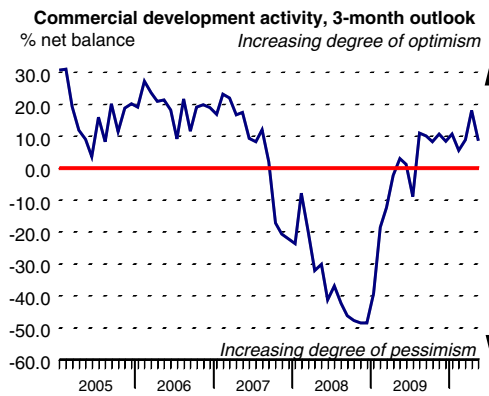
## KEY FINDINGS

- Growth of UK commercial development was maintained in May, as rising private sector activity helped offset falling public sector development.
- Almost 22% of commercial developers reported an increase in total activity in May, compared to nearly 18% that signalled a reduction.
- As a result, the Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – registered +4.1%, little changed from +4.0% in April. This was slightly below the long-run series average (+5.4%).
- Higher levels of total commercial development have now been recorded in three of the past four months.



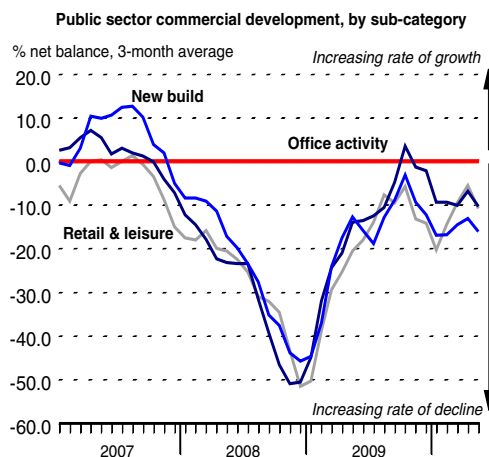
## FUTURE EXPECTATIONS

- The net balance of developers expecting an improvement in business activity over the next three months dipped to +8.6% in May from +18.1% in April, but remained in positive territory for the tenth consecutive month.
- Developers are most optimistic about industrial/warehouse activity. Some respondents noted that increased enquiry levels had boosted their expectations for business activity, despite clients remaining reluctant to commit to new projects.
- Confidence in the outlook for both office activity and retail & leisure development eased since April, which some firms attributed to concerns about cutbacks in public sector spending.



## COMMERCIAL ACTIVITY & THE UK ECONOMY

- The latest survey highlighted renewed weakness in public sector development, as the widening public deficit continued to weigh on government spending.
- The chart to the right shows the recent performance of the three sub-categories of public sector development monitored by the survey.
- All three sub-categories posted accelerated reductions of activity in May, and the rates of contraction are now steeper than those seen on average in the second half of 2009.
- May data indicated that new build was the worst performing area of public sector development, continuing the trend seen since February.

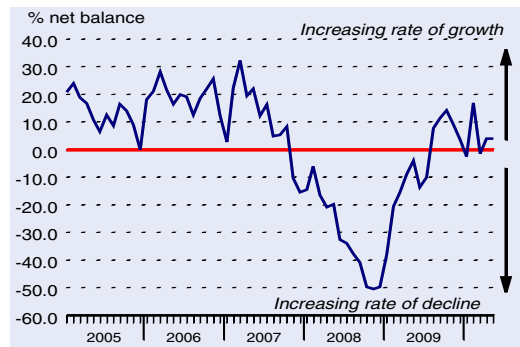


## Commercial Development Activity

### Total level of commercial activity

compared with one month ago

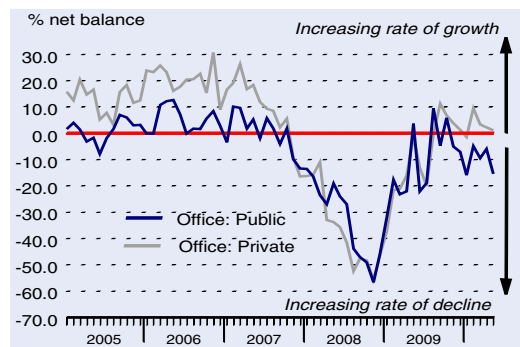
- Growth of total commercial activity was broadly unchanged in May.
- Higher levels of activity have now been recorded in three of the past four months.
- Private sector activity increased again in May, but public sector development fell sharply.



### Office activity

compared with one month ago

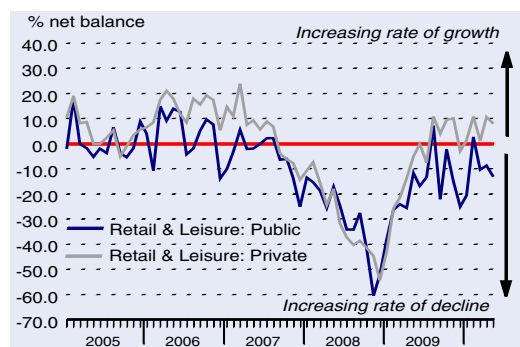
- May data indicated that growth of private sector office activity slowed to its weakest in the current four-month period of expansion.
- Public sector office activity dropped for the seventh month running in May and the rate of contraction was the fastest since January.



### Retail & leisure activity

compared with one month ago

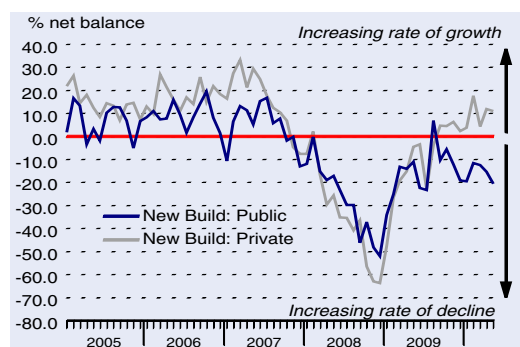
- Private sector retail & leisure activity increased at a solid pace in May, extending the current period of growth to five months.
- The downturn in public sector retail & leisure development gathered pace in May, with the rate of decline in activity the steepest since January.



### New build activity

compared with one month ago

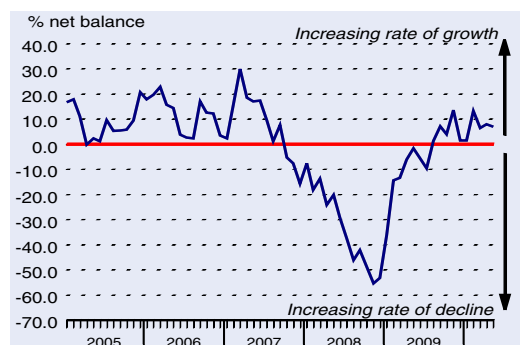
- Private and public sector new build activity continued to move in opposite directions in May.
- May data pointed to a further solid increase in private sector new build...
- ...but public sector new build fell at the most marked rate for ten months.



### Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse activity continued to recover in May, although the rate of growth eased slightly since the previous month.
- Higher levels of industrial/warehouse development have been recorded in each month since August 2009.

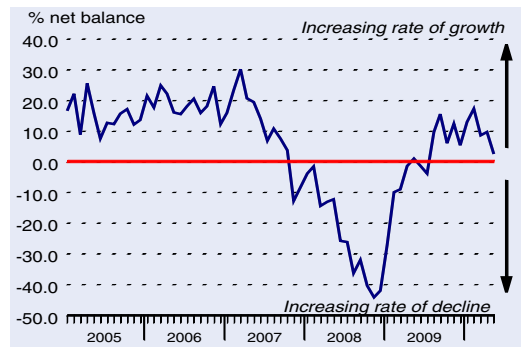


## Commercial Development Activity

### Refurbishment activity

compared with one month ago

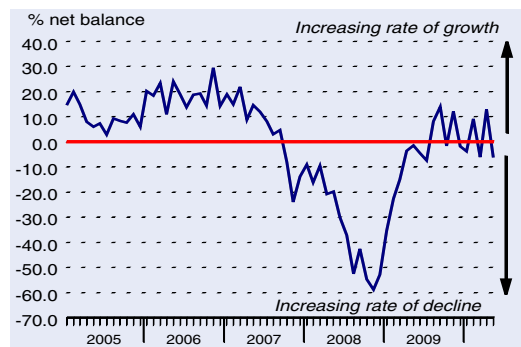
- Refurbishment activity increased only modestly in May. Around 17% of respondents reported a rise, compared to 14% that indicated a decline.
- At +2.6%, the resulting net balance signalled the slowest expansion of refurbishment activity in the current ten-month period of growth.



### Office fit-out activity

compared with one month ago

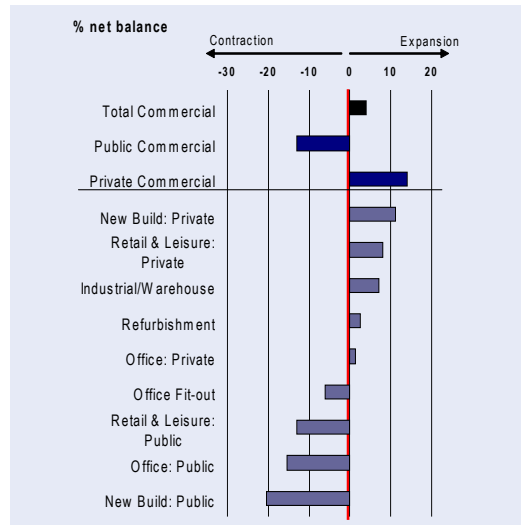
- May data pointed to a moderate reduction in office fit activity, in contrast to the rise registered in the previous month.
- Almost 14% of commercial developers reported a decline in office fit-out activity, compared to just 8% that recorded an increase.



### Summary of activity in May

tables of raw data on page 4

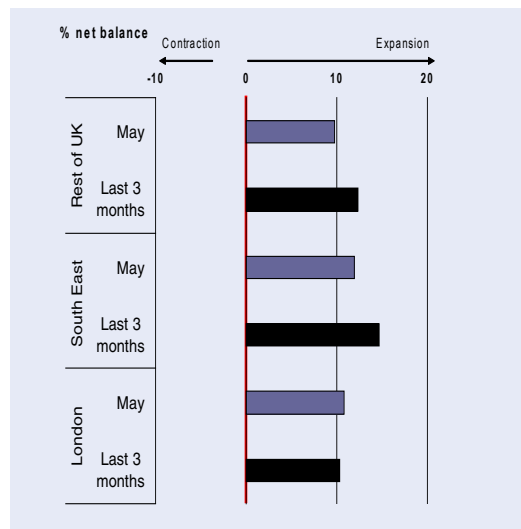
- Public and private sector activity continued to follow divergent trends in May. The latter rose, while the former fell at the fastest pace since January.
- Increased activity was registered in five of the nine broad areas of development activity...
- ...with the fastest rate of expansion in private sector new build.
- May data indicated that public sector new build was the weakest performing sub-category of development.



### Regional commercial activity

compared with one month ago

- Higher levels of commercial activity were recorded in all three geographical areas monitored by the survey.
- The South East posted the strongest rate of expansion in May, followed by London.
- Commercial development in the 'Rest of the UK' increased for the fifth consecutive month, but the rate of growth eased from April's near three-year high.



## 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
Dec'09	+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
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

### Sectors

	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
Dec'09	-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
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

### 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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