

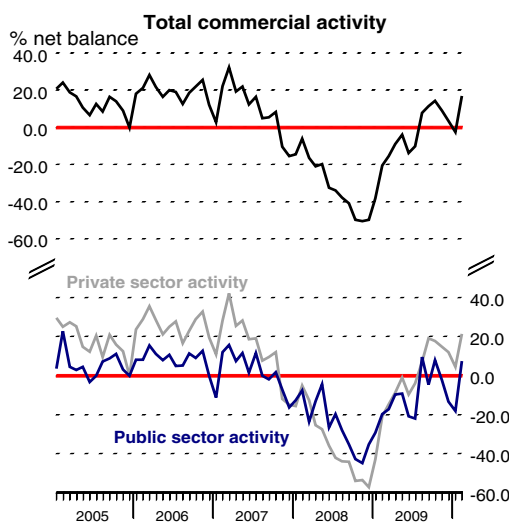
Commercial Development Activity

March 2010

Sharpest rise in commercial development activity since May 2007.

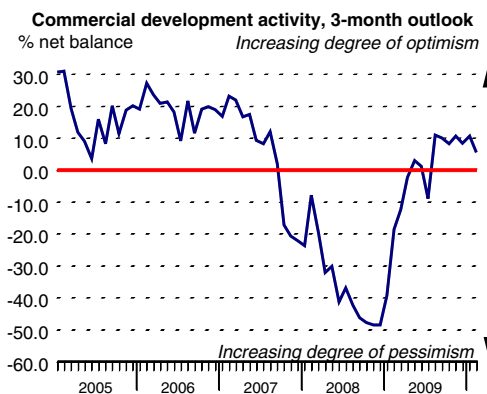
KEY FINDINGS

- Commercial developers signalled a rise in overall business activity in February, and the rate of expansion was the fastest since May 2007.
- The increase in development activity was linked to improved economic conditions and a rebound following weather-related disruptions in January.
- Around 28% of survey respondents indicated a rise in total commercial activity in February, compared to 11% that reported a decline. As a result, the Total Commercial Development Activity Index posted +16.9%, up sharply from -2.4% in January.
- February data indicated that growth of overall activity was largely driven by increased work on private sector projects.



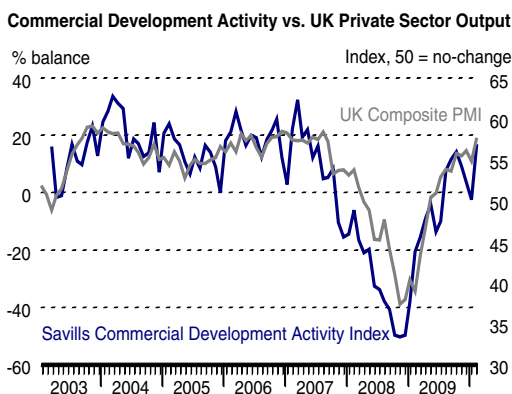
FUTURE EXPECTATIONS

- Survey respondents indicated a positive outlook for commercial development activity in the next three months.
- However, business sentiment was slightly weaker than the long-run series average and the lowest since July 2009.
- Developers were the most confident about the prospects for industrial/warehouse projects and remained least optimistic about office activity.
- Expectations of growth were linked to improving client demand, although some firms noted that the forthcoming UK general election had created some uncertainty about public sector work.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right shows the Savills commercial development index against the UK Composite PMI, a survey monitoring the performance of the UK private sector economy.
- Both series picked up sharply in February, partly reflecting a rebound after weather-related disruptions to business activity in January.
- The latest expansions of both UK private sector output and UK commercial development activity were the fastest for around two-and-a-half years.
- However, February PMI data indicated that growth in the UK private sector economy was primarily driven by manufacturing and services, as overall construction output continued to decline.

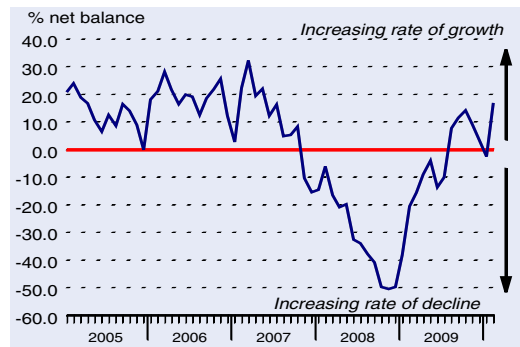


Commercial Development Activity

Total level of commercial activity

compared with one month ago

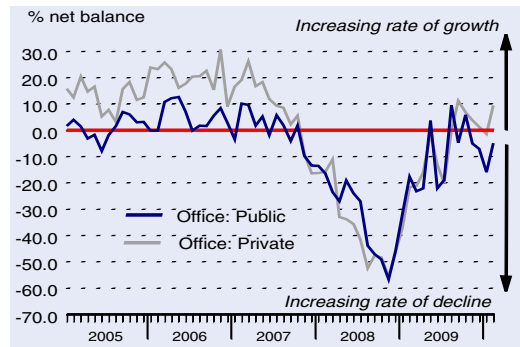
- Total commercial activity increased in February for the sixth time in the past seven months. Moreover, the rate of growth was the fastest since May 2007.
- The marked rise in activity in February partly reflected the resumption of projects delayed by poor weather conditions in January.



Office activity

compared with one month ago

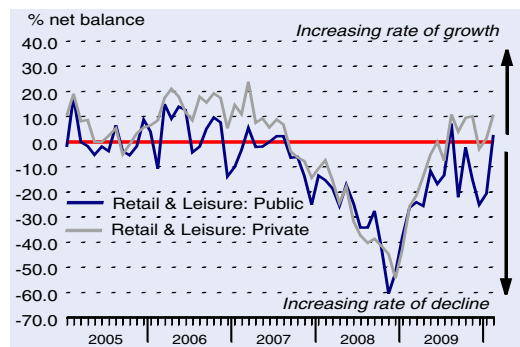
- Private sector office activity increased in February and at the fastest rate for five months.
- Meanwhile, public sector office activity declined for the fourth consecutive month in February.



Retail & leisure activity

compared with one month ago

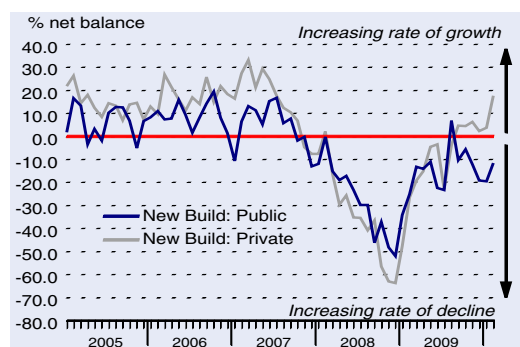
- Private sector retail & leisure activity increased for the second month running and at the most marked pace since March 2007.
- Latest data pointed to only a marginal rise in public sector retail & leisure activity, although this was the first increase since August 2009.



New build activity

compared with one month ago

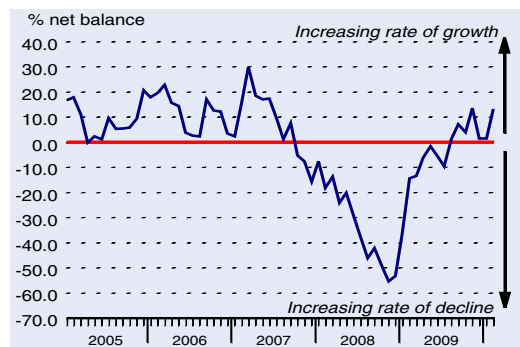
- A marked divergence persisted between private and public sector new build in February.
- Private sector new build increased at the sharpest rate since July 2007.
- However, public sector new build declined again in February, extending the current period of contraction to six months.



Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse development increased for the seventh consecutive month in February.
- The rate of expansion was the second-strongest since June 2007.
- Around 24% of respondents reported a rise, compared to 10% that indicated a decline.

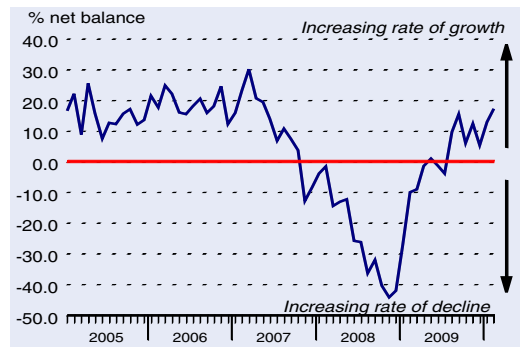


Commercial Development Activity

Refurbishment activity

compared with one month ago

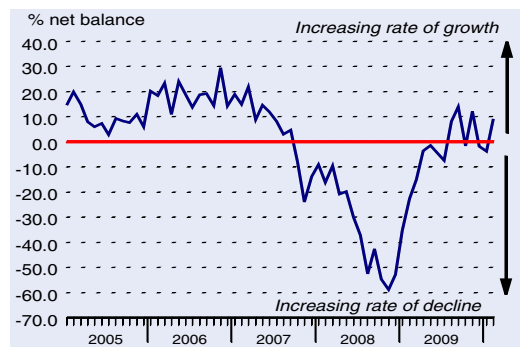
- Almost one-quarter of the survey panel reported an increase in refurbishment activity, compared to 7% that signalled a fall.
- At +17.4% in February, the net balance pointed to the fastest growth for thirty-three months and indicated a solid rise in refurbishment activity.



Office fit-out activity

compared with one month ago

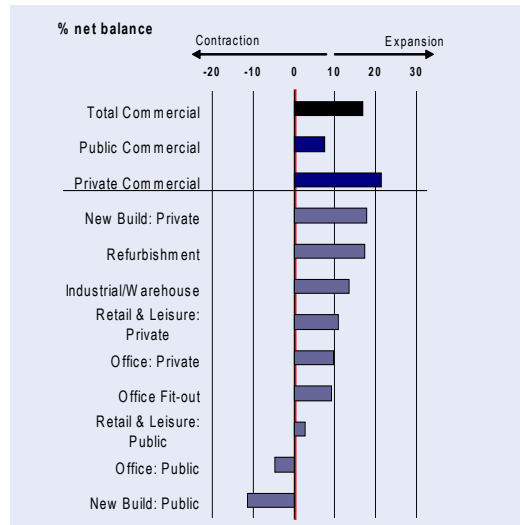
- Office fit-out development increased for the first time in three months.
- Around 20% of survey respondents signalled a rise, compared to 11% that registered a reduction.
- The resulting net balance was +9.3%, up from -3.7% in January.



Summary of activity in February

tables of raw data on page 4

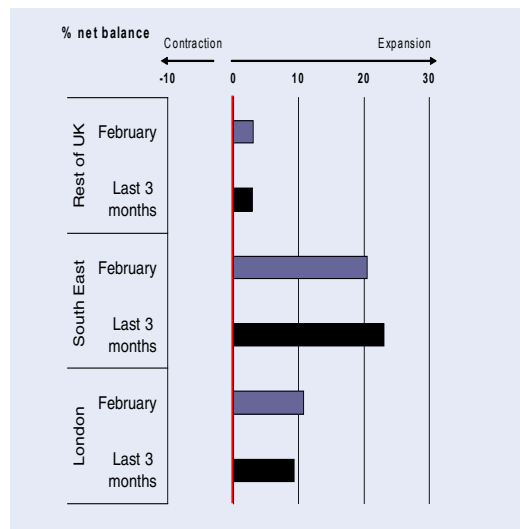
- Growth momentum was much stronger in the private sector than the public sector in February.
- Higher levels of business activity were recorded in seven of the nine areas of the commercial development sector monitored by the survey.
- The sharpest rates of growth were in private sector new build, followed by refurbishment and industrial/warehouse activity.
- Public sector office activity and public sector new build both continued to decline in February.



Regional commercial activity

compared with one month ago

- Regional data indicated that commercial development activity increased at the fastest rates in London and the South East.
- Twice as many respondents (22%) signalled a rise in commercial activity in London as those that recorded a decline (11%).
- Meanwhile, commercial development activity in the 'Rest of the UK' increased only modestly. Moreover, the rate of expansion was slower than that recorded in January.



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 |
| Sep'09 | +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 |
| 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 |

| | 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 |
| Sep'09 | -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 |
| 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 |

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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