

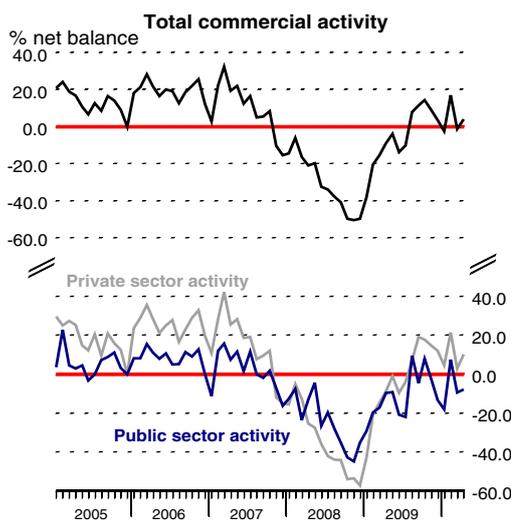
Commercial Development Activity

May 2010

Commercial developers most optimistic about future business activity since March 2007.

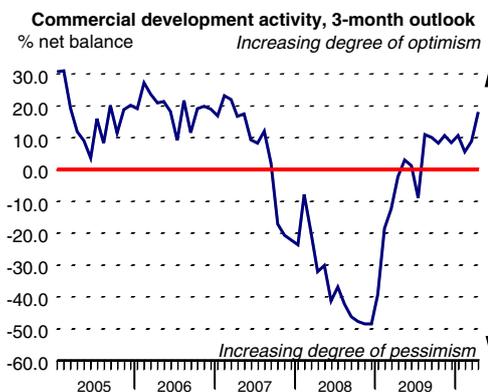
KEY FINDINGS

- Commercial development activity increased in April, following a slight decline in the previous month. Moreover, sentiment regarding the three-month outlook was the strongest since March 2007.
- The overall expansion of activity in April was driven by higher private sector demand, while public sector development decreased for the second month in succession.
- Around 19% of commercial developers signalled a rise in total activity at the start of the second quarter, compared to 15% that reported a reduction.
- As a result, the Total Commercial Development Activity Index posted +4.0% in April, up from -1.3% in March.



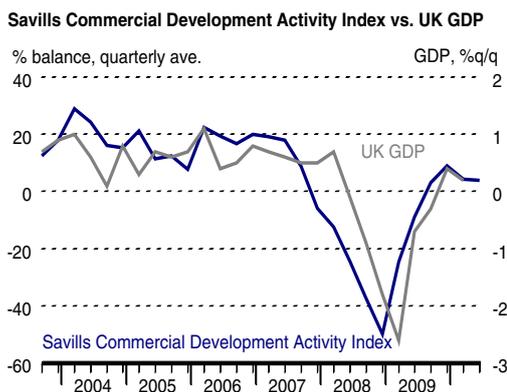
FUTURE EXPECTATIONS

- At +18.1% in April, up from +9.0% in March, the net balance of developers expecting an improvement in business activity over the next three months rose to its highest since March 2007.
- Commercial developers anticipate rising levels of activity in all three areas monitored by the survey – industrial/warehouse, office and retail & leisure projects.
- Business sentiment was strongest for industrial/warehouse activity, with the net balance rising from +11.7% to +21.7% in April.
- Higher confidence was linked to rising client demand and improved economic conditions.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right shows the Savills commercial development index against the UK Gross Domestic Product (GDP).
- Preliminary data for Q1 2010 indicated that UK GDP rose 0.2% from the previous quarter. This signalled that economic activity continued to recover from the extreme lows seen in 2009.
- Improved conditions in the wider UK economy were supportive to the commercial development sector, which also continued to expand in Q1.
- Savills data indicate that the rebound in UK development activity was maintained in April, despite a further fall in public sector demand.

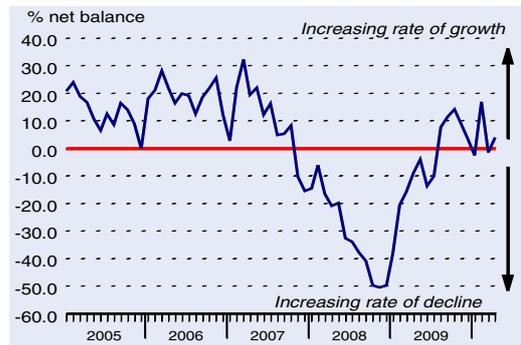


Commercial Development Activity

Total level of commercial activity

compared with one month ago

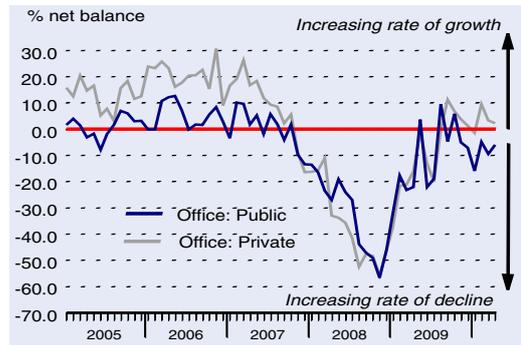
- April data signalled a modest rise in commercial development activity, reversing the downward trend seen in March.
- Growth of private sector activity was maintained for the ninth consecutive month.
- Public sector activity dropped again, but at a slower pace than in the previous month.



Office activity

compared with one month ago

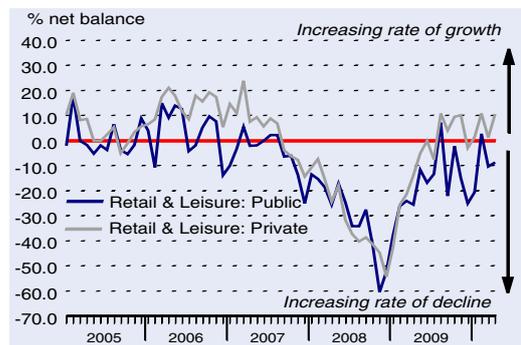
- Private sector office activity increased for the third month running in April, although the rate of growth was only marginal.
- Commercial developers reported another decline in public sector office activity, extending the current period of reduction to six months.



Retail & leisure activity

compared with one month ago

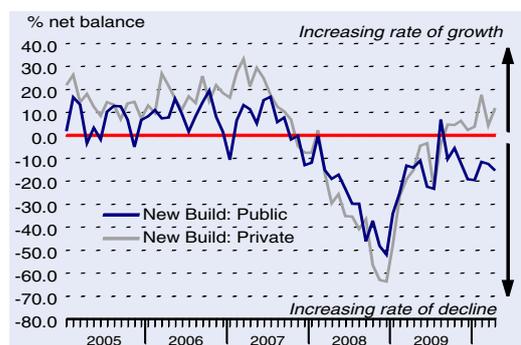
- April data pointed to a solid rise in private sector retail & leisure activity, with the rate of expansion only slightly less marked than February's near three-year high.
- Public sector retail & leisure development declined in April for the seventh time in the past eight months.



New build activity

compared with one month ago

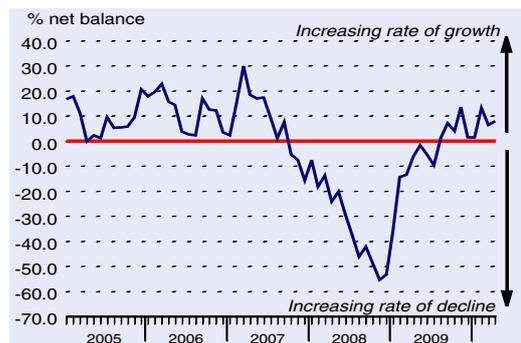
- The performance gap between private and public sector new build widened in April.
- Private sector new build expanded at the second-fastest pace since August 2007.
- In contrast, public sector new build fell at a sharp and accelerated pace, extending the current period of decline to eight months.



Industrial/warehouse activity

compared with one month ago

- Commercial developers indicated a ninth consecutive rise in industrial/warehouse activity in April.
- Around 19% of the survey panel reported an increase in activity, compared with 11% that signalled a decline.

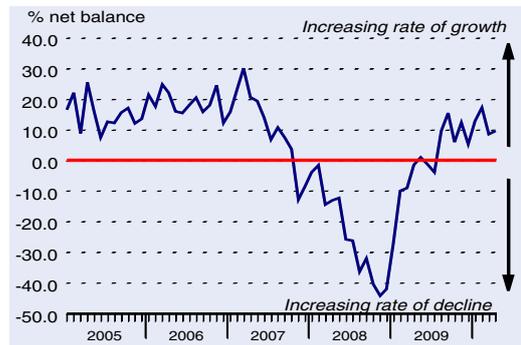


Commercial Development Activity

Refurbishment activity

compared with one month ago

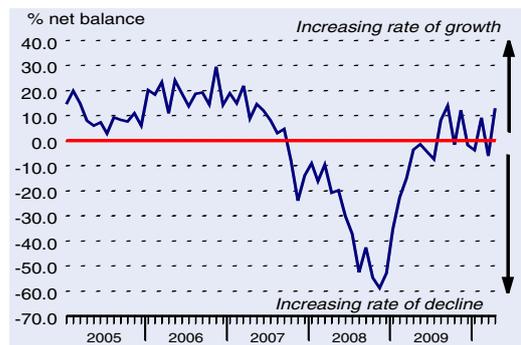
- Refurbishment activity continued to pick up in April, with almost twice as many respondents (21%) reporting a rise as those that signalled a fall (11%).
- At +9.9%, up from +8.8% in March, the resulting net balance was in positive territory for the ninth month running.



Office fit-out activity

compared with one month ago

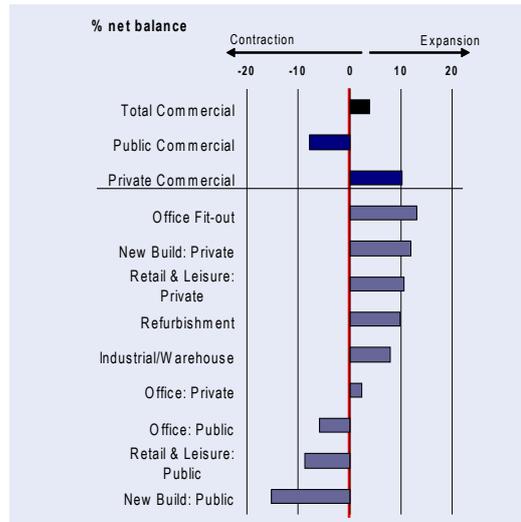
- Signs of an uneven recovery in office fit-out activity continued in April.
- Latest data pointed to a rise in office fit-out activity for the third time in the past six months.
- At +13.0%, the net balance was the highest since September 2009.



Summary of activity in April

tables of raw data on page 4

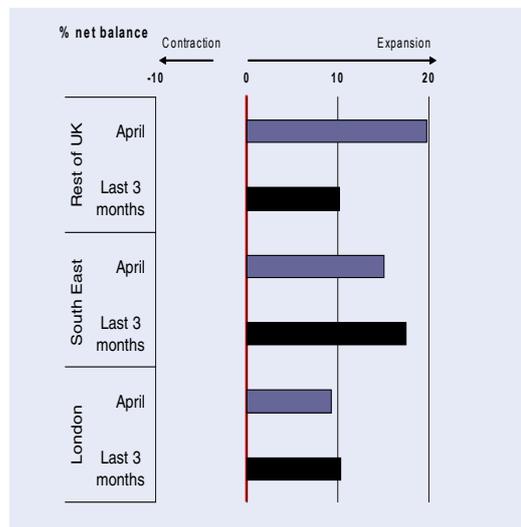
- Growth of commercial activity was driven by higher levels of private sector development, as public sector work continued to decline.
- Higher levels of activity were recorded in six of the nine broad areas of development...
- ...with public sector office, public sector retail & leisure and public sector new build the three exceptions.
- Office fit-out activity was the best performing area of development in April, followed by private sector new build and private sector retail & leisure.



Regional commercial activity

compared with one month ago

- Commercial developers indicated that growth of overall activity was strongest outside of London and the South East in April.
- The 'Rest of the UK' registered the fastest expansion of activity since May 2007.
- In contrast, London and the South East recorded slightly slower growth of overall commercial activity than in March.
- Growth was sharper in the South East than in London.



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
Nov'09	+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
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

	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
Nov'09	-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
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

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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