

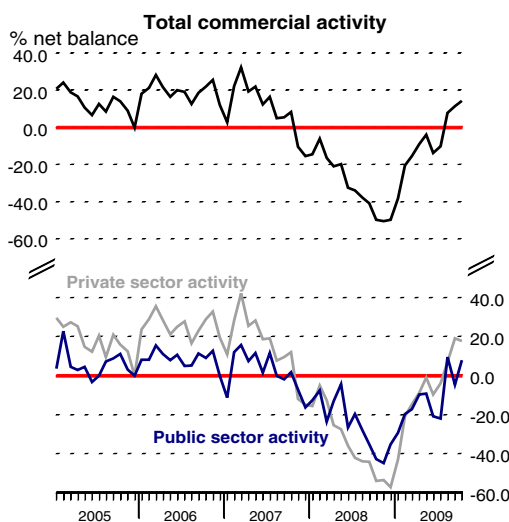
# Commercial Development Activity

November 2009

## Commercial development rebound continued as total activity rose at sharpest pace since July 2007.

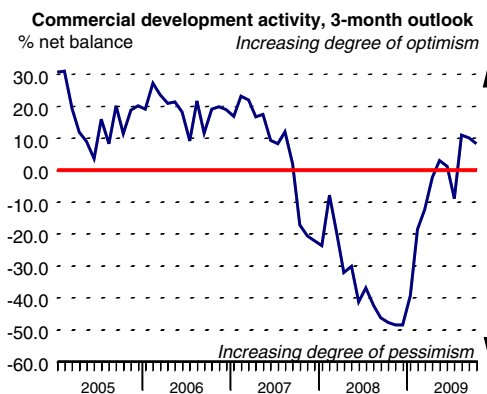
### KEY FINDINGS

- October survey data from Savills indicated a third consecutive monthly increase in UK commercial development.
- Around 26% of survey respondents noted an expansion over the month, compared to less than 12% that signalled a fall.
- At +14.3% in October, up from +11.6 in September, the resultant net balance, the Total Commercial Development Activity Index, was the highest for twenty-seven months.
- Private sector activity, which saw a deeper fall than public sector activity during the downturn, continued to lead the rebound in October. Private sector office and retail development registered particularly marked rises over the month.



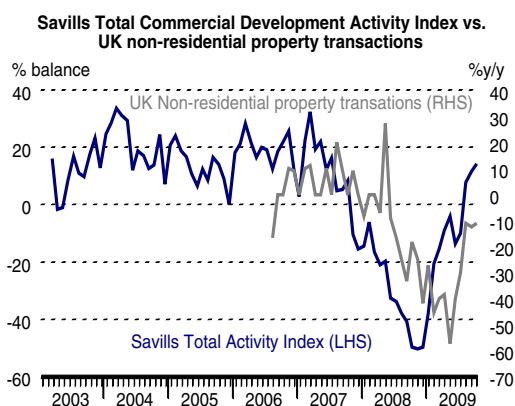
### FUTURE EXPECTATIONS

- Commercial developers remain optimistic that activity will rise in the next three months.
- However, at +8.4 in October, the net balance measuring the three-month business outlook was the lowest since July.
- Confidence was strongest regarding retail & leisure and industrial/warehouse activity. Business sentiment was only just in positive territory for office development over the next three months.
- Reports from survey respondents suggested that improving economic conditions had supported optimism in October, but the availability of bank lending remained a concern in the sector.



### COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right plots the Savills Total Commercial Development Activity Index against data on UK non-residential property transactions.
- Transactions have dropped sharply during the recession, amid tighter bank lending conditions, falling property values and reduced levels of commercial development activity.
- While transactions of non-residential property remained relatively subdued at 8,000 in September 2009, they have gradually risen from the lows seen in the first half of the year.
- Improving transactions figures provide another sign that the commercial property sector has started to recover, as suggested in advance by the rebound in the Savills development activity data.

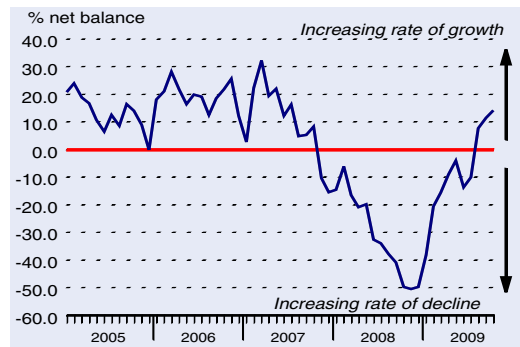


## Commercial Development Activity

### Total level of commercial activity

compared with one month ago

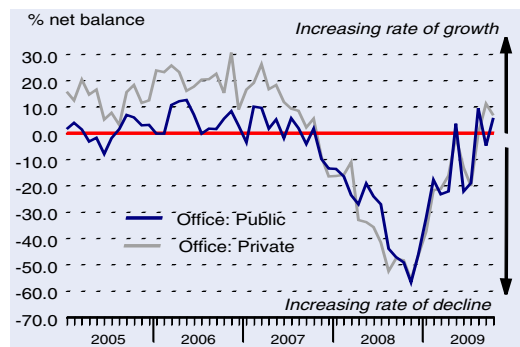
- The Total Commercial Development Activity Index pointed to a further month-on-month rise in activity in October and was the highest since July 2007.
- Private and public sector activity both increased, with the former again rising at the sharper rate.



### Office activity

compared with one month ago

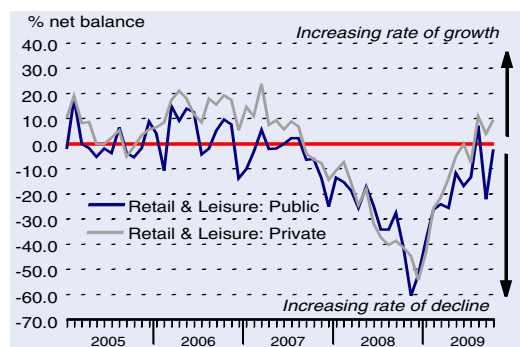
- October data pointed to moderate rises in both private and public sector office development.
- Private sector office activity has now increased for two months running, but the rate of growth eased in October.



### Retail & leisure activity

compared with one month ago

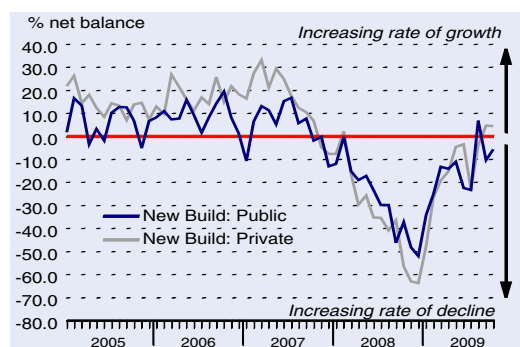
- Private sector retail & leisure development increased for the third successive month in October.
- In contrast, public sector retail & leisure activity dropped since September. Nonetheless, the rate of reduction was only marginal.



### New build activity

compared with one month ago

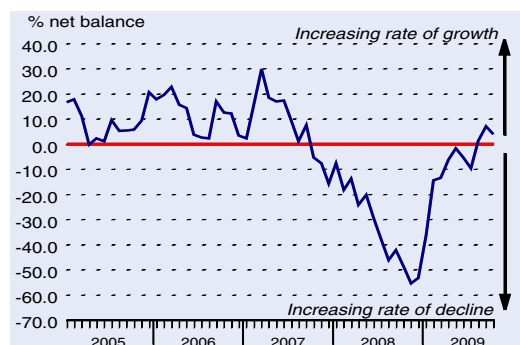
- Private sector new build activity continued to rise gradually in October, after registering the sharpest downturn of all areas of the commercial property market in late 2008.
- Data indicated a decline in public sector new build, although the rate of contraction was slower than in September.



### Industrial/warehouse activity

compared with one month ago

- Commercial developers pointed to a further modest increase in industrial/warehouse activity in October, extending the current period of expansion to three months.
- The net balance of firms reporting an increase in activity dipped slightly from +7.2 in September to +4.1 in October.

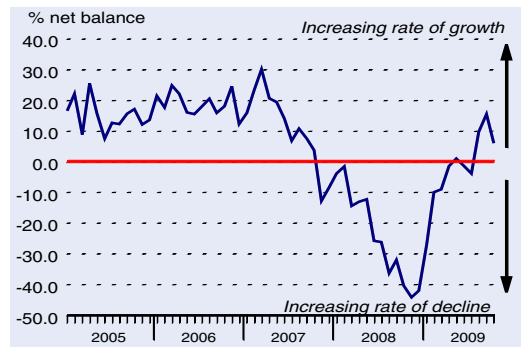


## Commercial Development Activity

### Refurbishment activity

compared with one month ago

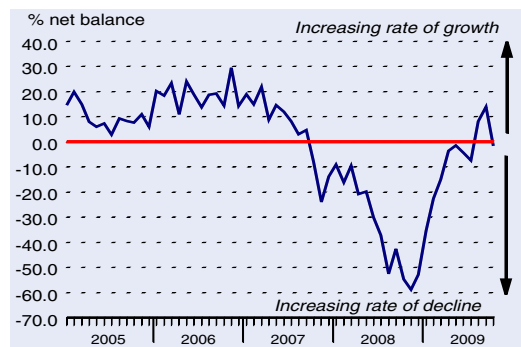
- Just over 22% of survey respondents signalled an increase in refurbishment activity in October, compared to 16% that indicated a fall.
- At +6.2 in October, the resultant net balance was in positive territory for the third month running and pointed to a solid rate of growth.



### Office fit-out activity

compared with one month ago

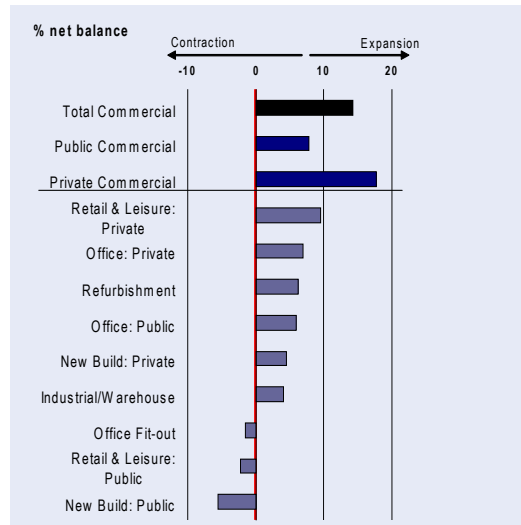
- The net balance measuring work on office fit-out projects dropped to -1.6 in October from +14.1 in September.
- This was the first negative reading for three months, but indicated only a marginal rate of reduction in office fit-out activity.



### Summary of activity in October

tables of raw data on page 4

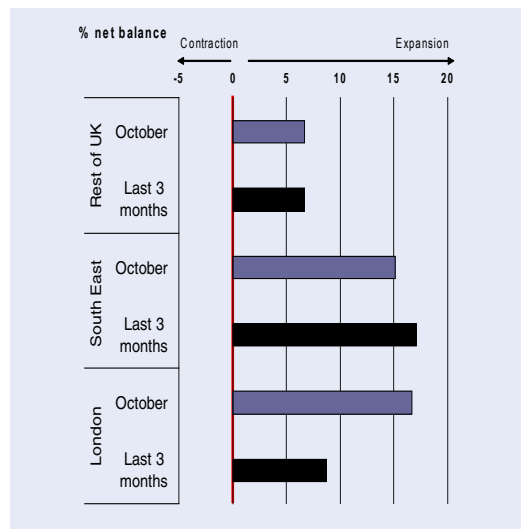
- Six of the nine areas of commercial development monitored by the survey registered growth in October.
- The strongest rises were in private sector retail & leisure, followed by work on private sector office development projects.
- Meanwhile, latest data signalled that public sector new build was the worst performing area of development.
- Lower levels of activity were also recorded in office fit-out and public sector retail & leisure activity during October.



### Regional commercial activity

compared with one month ago

- Growth of commercial development activity was registered in all three parts of the UK monitored by the survey in October.
- The rate of expansion was the sharpest in London, closely followed by the South East.
- The 'Rest of the UK' nonetheless recorded a solid increase in overall commercial activity over the month in October.



## 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
May'09	-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
Jul	-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

	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
May'09	+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
Jul	-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

### 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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