

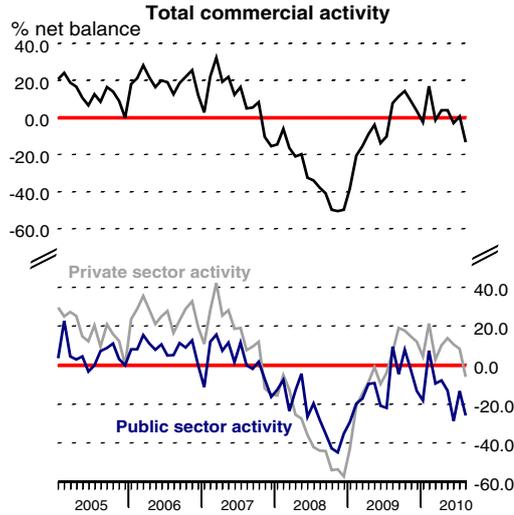
Commercial Development Activity

September 2010

Commercial development activity fell at the fastest rate since June 2009.

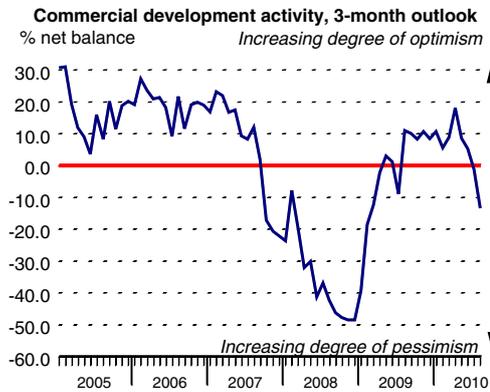
KEY FINDINGS

- Latest data from Savills indicated that UK commercial development activity declined in August at the sharpest rate for fourteen months.
- This reflected a further steep fall in public sector development, alongside a decrease in private sector activity for the first time since July 2009.
- Almost 28% of commercial developers reported an overall fall in activity during August, compared to around 15% that signalled a rise.
- As a result, the Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – posted -13.3% in August, down from +0.6% in July and well below the average for the year to date (+0.7%).



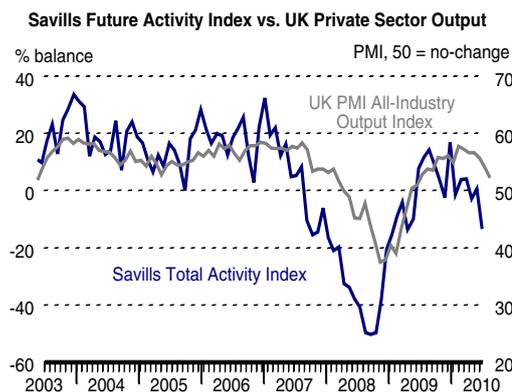
FUTURE EXPECTATIONS

- At -13.4% during August, from -1.2% in July, the index measuring expectations for activity over the next three months fell sharply to its lowest since February 2009.
- Commercial developers indicated that concerns about the property market outlook had contributed to negative sentiment in August. Some firms also cited bank lending difficulties and worries about the outlook for the wider economy.
- Survey respondents anticipate lower levels of activity in all three monitored areas of development, with firms particularly downbeat about the outlook for office activity in the next three months.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against PMI™ survey data measuring UK private sector output.
- Growth in the UK private sector continued to slow in August. The latest survey data indicated that the overall rate of expansion eased to its weakest since June 2009. Robust rises in manufacturing production contrasted with modest growth in the construction and service sectors.
- A slowdown in the wider economy mirrors the trend seen across the commercial property sector over the summer. Moreover, the Savills Total Activity Index has signalled an outright contraction of activity in two of the past three months.

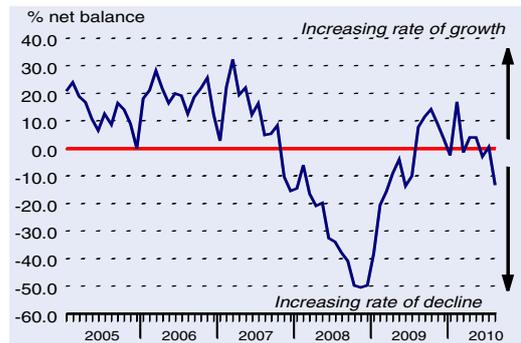


Commercial Development Activity

Total level of commercial activity

compared with one month ago

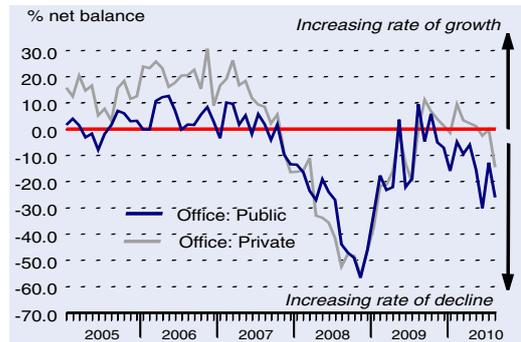
- August data pointed to a decline in total commercial activity for the second time in the past three months.
- Private sector activity fell at the sharpest pace since June 2009.
- The downturn in public sector development continued, and deepened since July.



Office activity

compared with one month ago

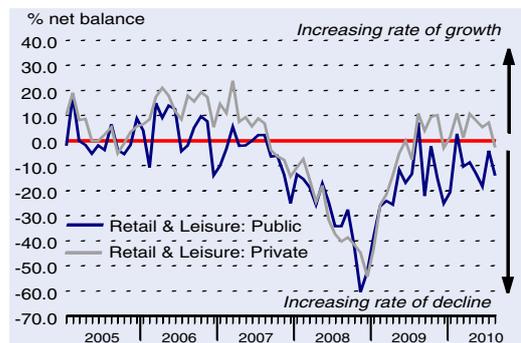
- After stabilising in July, latest data signalled a marked reduction in private sector office activity.
- Public sector activity dropped sharply in August, extending the current period of decline to ten months.



Retail & leisure activity

compared with one month ago

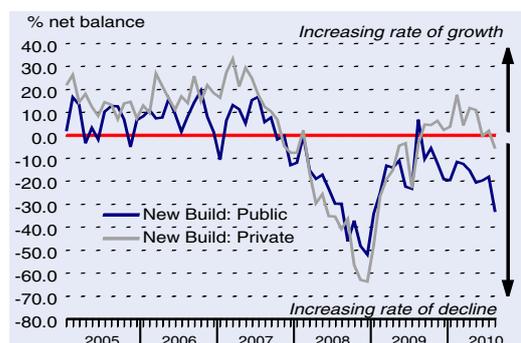
- Private sector retail & leisure activity fell in August for the first time in 2010 to date.
- Meanwhile, commercial developers indicated a steep drop in public sector retail & leisure activity, and the rate of contraction accelerated since July.



New build activity

compared with one month ago

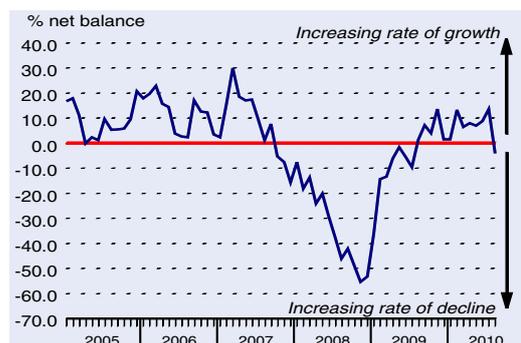
- August data pointed to a drop in private sector new build for the first time in a year, but the rate of reduction was only modest.
- Public sector new build fell for the twelfth month running and the pace of decline was the fastest since January 2009.



Industrial/warehouse activity

compared with one month ago

- Developers indicated a drop in industrial/warehouse activity for the first time since July 2009.
- Around 19% of survey respondents reported a decrease in industrial/warehouse activity in August, compared to 15% that signalled a rise.

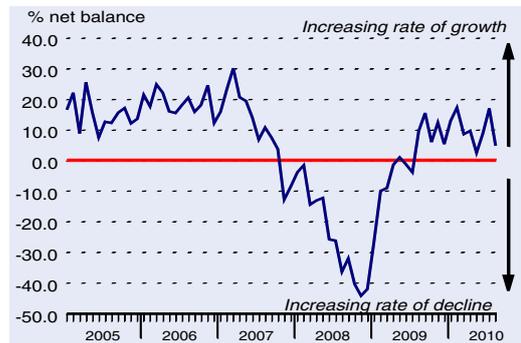


Commercial Development Activity

Refurbishment activity

compared with one month ago

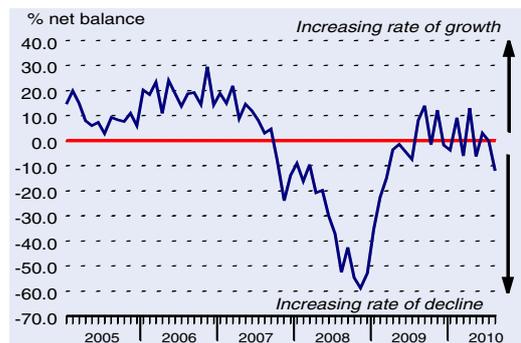
- Refurbishment activity continued to rise in August, extending the current period of expansion to thirteen months.
- At +5.0% in August, the net balance of firms reporting an increase in refurbishment activity slipped to a three-month low.



Office fit-out activity

compared with one month ago

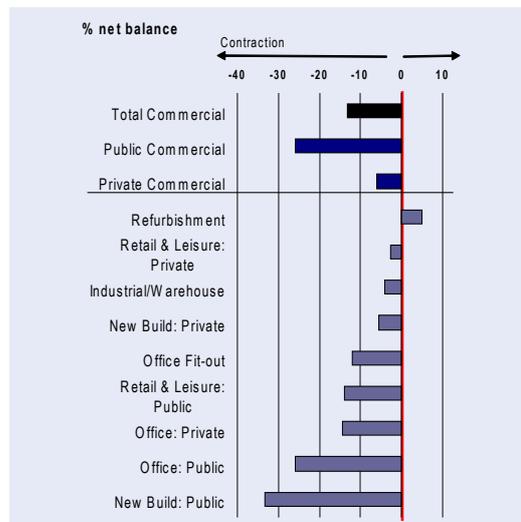
- Three times as many respondents (18%) indicated a decline in office fit-out activity as those that signalled a rise (6%).
- The resulting net balance pointed to the sharpest fall in office fit-out activity since March 2009.



Summary of activity in August

tables of data on page 4

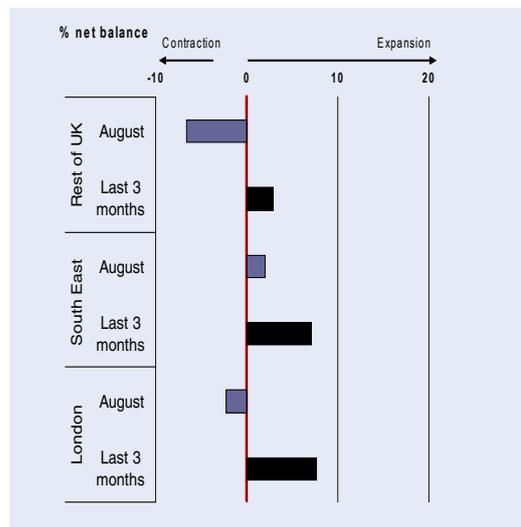
- August data signalled lower levels of activity in eight of the nine broad areas of commercial development monitored by the survey.
- Refurbishment was the only exception, with activity rising at a moderate pace.
- The fastest declines in activity were registered in public sector new build and public sector office development.
- Only slight declines were recorded in private sector retail & leisure, industrial/warehouse activity and private sector new build.



Regional commercial activity

compared with one month ago

- Regional data pointed to lower levels of commercial development activity in London and the 'Rest of the UK'.
- The rate of decline in activity in the 'Rest of the UK' was the sharpest since June 2009.
- London recorded a drop in commercial development for the first time since January.
- Meanwhile, total activity in the South East (excluding London) increased slightly in August, extending the current period of growth to fourteen months.



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
Mar'10	-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
Jun	-2.8	-28.6	+10.6	+9.3	+10.0	+8.2	+5.3	+3.9	+5.4	+6.8
Jul	+0.6	-13.3	+8.3	+15.9	+9.3	+7.1	-1.2	-5.7	-1.2	+3.4
Aug	-13.3	-25.9	-6.0	-2.3	+2.0	-6.6	-13.4	-17.3	-7.6	-15.4

	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
Mar'10	-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
Jun	-30.0	-2.5	-18.2	+5.4	-19.6	+0.0	+8.8	+9.0	+3.1
Jul	-12.7	+0.0	-4.0	+7.2	-17.9	+2.1	+13.8	+17.1	+0.0
Aug	-26.0	-14.5	-14.0	-2.6	-33.3	-5.6	-4.1	+5.0	-11.9

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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