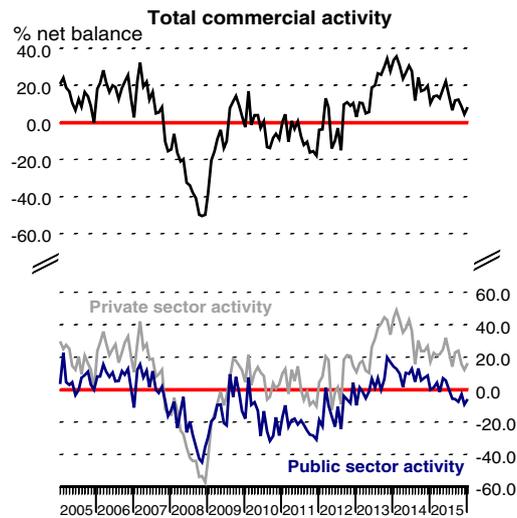


Growth of UK commercial activity recovers from December's 35-month low

February 2016

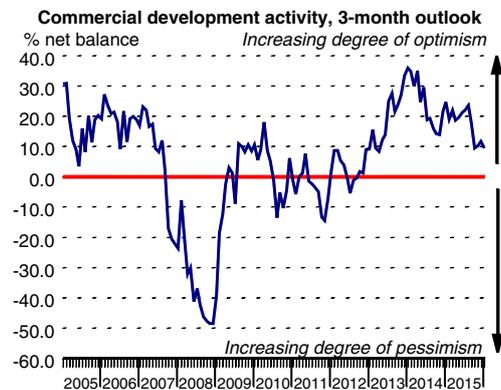
KEY FINDINGS

- Rising from +4.5% at the end of 2015 to +8.4% in January, the headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – pointed to a solid and faster rate of expansion in activity.
- The upward movement in the index reflected a softer contraction in public work and a stronger rise in private projects.
- Five of the nine tracked categories saw growth, the exceptions being public office, public retail, public new build and office fit-out. Private new build registered the quickest rise, although its rate of expansion slowed to a 32-month low.



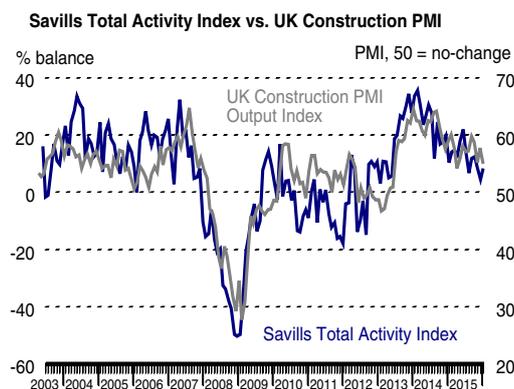
FUTURE EXPECTATIONS

- Despite remaining positive, confidence at UK commercial developers waned in January.
- Posting its joint-lowest reading since April 2013, the net balance for future expectations was at +9.5%.
- Where commercial activity is anticipated to increase in the coming three months, developers reported higher enquiries from potential clients.
- Anecdotal evidence indicated that worries towards a lack of new planning consents and the possibility of a rate hike weighed on sentiment.



COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against the UK Construction PMI®.
- January data pointed to a renewed slowdown in output growth across the UK construction sector, with the headline PMI signalling the weakest rate of expansion since April 2015.
- Commercial work remained the best performing category in January, whereas civil engineering was again the weakest performing area of activity overall.

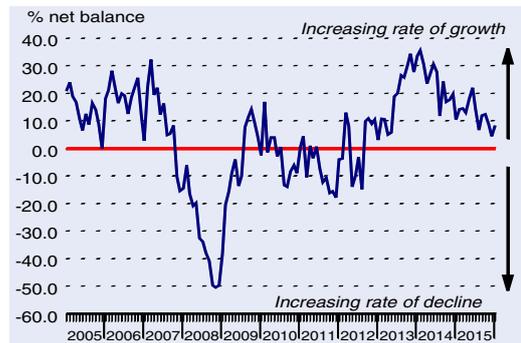


Commercial Development Activity

Total level of commercial activity

compared with one month ago

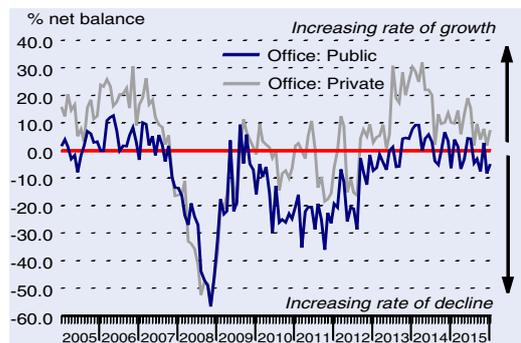
- Growth of UK commercial activity accelerated in January, after easing to a 35-month low at the end of 2015.
- The downturn in public projects eased, with the net balance rising from -9.2% to -5.9%. Concurrently, private work expanded at the quickest pace since last October.



Office activity

compared with one month ago

- Public office activity fell for the second month running in January, albeit at a weaker rate. The net balance rose from -8.2% in December to -4.8%.
- Growth of private office projects gathered pace, as signalled by the respective net balance climbing from +2.0% to +7.5% in January.



Retail & leisure activity

compared with one month ago

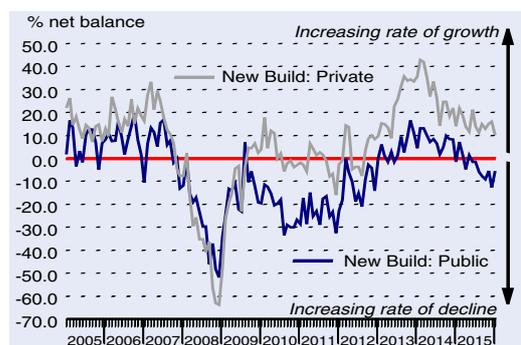
- January saw a back-to-back decline in public retail & leisure activity. That said, the rate of contraction eased since December.
- Private retail & leisure projects continued to increase, but the rate of expansion slowed to a five-month low as indicated by the net balance dipping to +6.9%.



New build activity

compared with one month ago

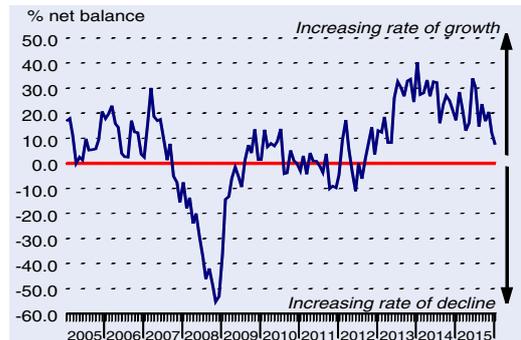
- Public new build projects decreased for the eighth straight month in January. Rising from -12.7% in December to -5.5%, the net balance pointed to a slower pace of contraction that was modest overall.
- Private new build activity continued to increase, although the rate of growth eased to a 32-month low.



Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse activity increased for the forty-first consecutive month in January. However, the rate of expansion eased.
- This was indicated by the net balance dropping from +12.2% in December to +7.5% (lowest since December 2012).

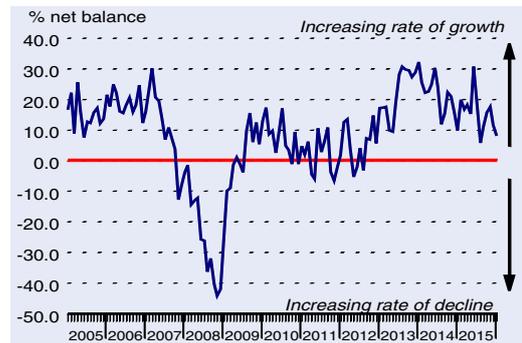


Commercial Development Activity

Refurbishment activity

compared with one month ago

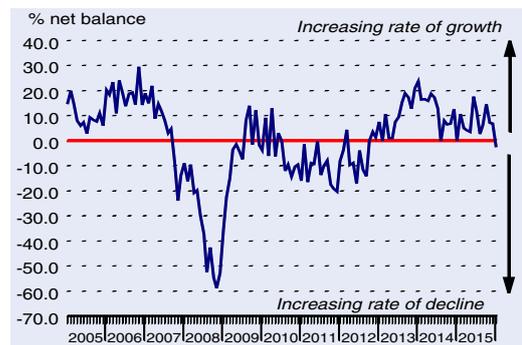
- UK commercial developers signalled further growth of refurbishment work in January, stretching the current sequence of expansion to 41 months.
- Nonetheless, the pace of increase softened, as indicated by the respective index recording a five-month low of +8.2%.



Office fit-out activity

compared with one month ago

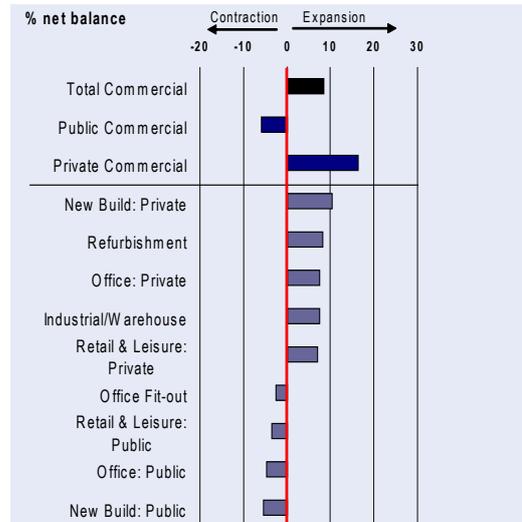
- For the first time in over three years, office fit-out projects contracted in January. The respective net balance fell from +6.8% in December to -2.5%.
- That said, the latest reading was consistent with a marginal rate of decline overall.



Summary of activity in January

tables of data on page 4

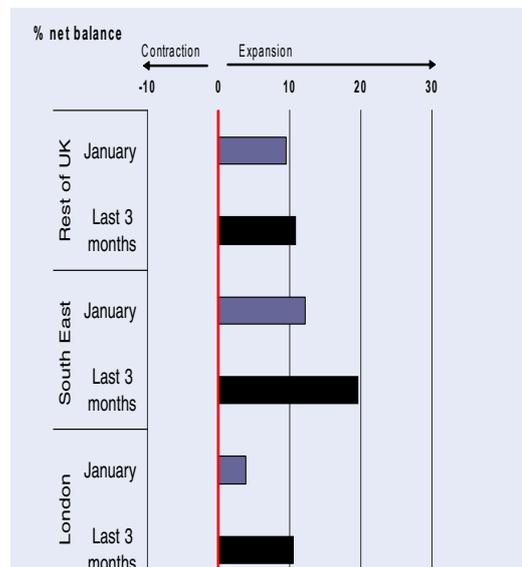
- A rebound in growth of private activity combined with a softer downturn in public projects led to stronger growth of total commercial work in the UK during January.
- Growth was seen in five of the nine monitored categories, led by private new build. This was despite its rate of expansion easing to the slowest in 32 months.
- Declines were seen for public office, public retail & leisure, public new build and office fit-out.
- The only type of commercial work to record a faster rate of increase was private office.



Regional commercial activity

compared with one month ago

- All three monitored UK regions recorded higher levels of commercial activity in January.
- Growth rates eased markedly in London and the South East, whereas an acceleration was noted in the 'Rest of UK'.
- The respective net balances posted +3.8% (nine-month low), +12.1% (nine-month low) and +9.5% (two-month high).
- In all regions, rates of expansions were below their respective three-month averages.



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
2013	+18.3	+3.5	+27.0	+24.1	+24.2	+25.4	+19.0	+14.4	+18.4	+24.1
2014	+25.0	+9.2	+34.1	+21.2	+28.5	+30.3	+24.6	+20.5	+23.3	+29.7
2015	+12.6	-1.2	+20.9	+13.3	+20.8	+18.3	+18.4	+13.9	+16.1	+25.0
Aug'15	+6.7	-5.6	+14.0	+11.4	+14.3	+7.4	+23.6	+20.2	+20.4	+29.7
Sep	+12.0	-5.7	+22.8	+10.9	+19.0	+16.1	+17.9	+9.2	+17.0	+27.6
Oct	+12.5	-7.5	+23.9	+15.9	+19.4	+20.0	+9.5	+4.3	+6.5	+17.3
Nov	+8.7	-2.7	+15.4	+13.3	+21.7	+16.5	+10.4	+4.8	+7.1	+19.0
Dec	+4.5	-9.2	+12.3	+14.3	+25.0	+6.6	+11.8	+7.9	+11.0	+16.3
Jan'16	+8.4	-5.9	+16.4	+3.8	+12.1	+9.5	+9.5	+2.9	+12.9	+12.7

Sectors

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
2013	-1.9	+14.2	-1.8	+14.3	+4.9	+23.4	+22.3	+22.2	+10.3
2014	+3.4	+19.1	+4.2	+20.7	+8.1	+28.9	+27.8	+22.4	+13.0
2015	-1.8	+9.5	+0.2	+12.0	-3.3	+15.5	+20.7	+16.0	+7.6
Aug'15	-4.5	+1.9	+1.7	+4.0	-5.8	+11.4	+14.7	+6.0	+2.8
Sep	-3.1	+9.8	0.0	+8.7	-7.6	+15.0	+23.7	+11.2	+6.4
Oct	-7.6	+4.0	-5.5	+14.4	-9.1	+13.1	+16.8	+15.7	+14.7
Nov	+2.9	+8.0	+9.4	+9.8	-5.5	+15.2	+20.6	+17.7	+7.3
Dec	-8.2	+2.0	-7.4	+7.6	-12.7	+16.0	+12.2	+11.8	+6.8
Jan'16	-4.8	+7.5	-3.5	+6.9	-5.5	+10.3	+7.5	+8.2	-2.5

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 over 30 countries and also for key regions including the Eurozone. They are 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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