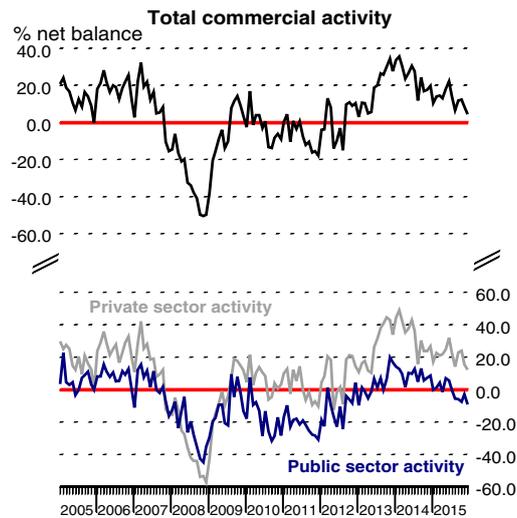


UK commercial activity rises at slowest rate in almost three years

January 2016

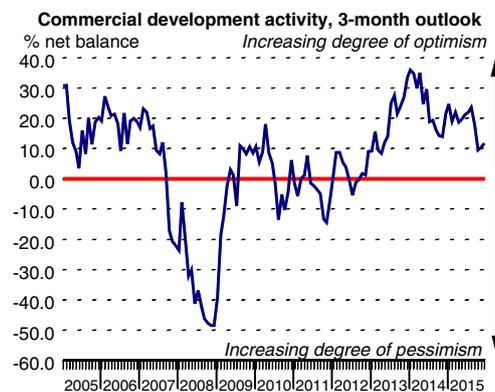
KEY FINDINGS

- The headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – dropped to a 35-month low of +4.5% in December (from +8.7%).
- The combination of a sharper drop in public work and the slowest rise in private projects since May 2013 resulted in a weaker overall growth rate.
- Positive net balances were seen in six of the nine monitored categories, the exceptions being public office, public retail & leisure and public new build.
- The annual average for 2015 (+12.6%) showed that the performance of the sector lagged behind that seen in 2014 (+25.0%).



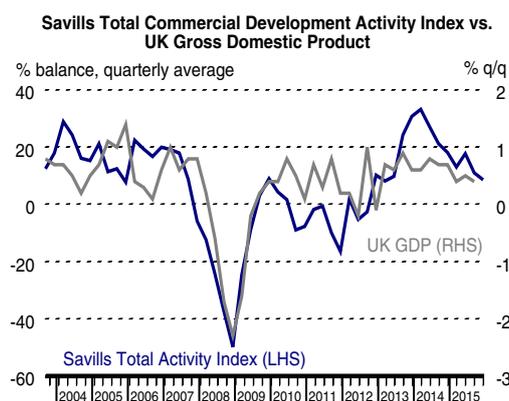
FUTURE EXPECTATIONS

- The level of positive sentiment among UK commercial developers improved for the second successive month in December.
- The net balance climbed from +10.4% in November to +11.8%, moving further away from October's two-and-a-half year low.
- The main sources of optimism were identified by panellists as new project opportunities and forecasts of a pick-up in client demand over the coming three months.



COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows a three-month average of the Savills Total Activity Index against UK GDP data.
- Falling from an average reading of +11.0% in Q3 to +8.5% in Q4, the net balance measured by the Savills survey highlighted the weakest rate of expansion in commercial work since Q1 2013.
- This indicates that the sector is likely to record a softer increase in GVA during the final quarter of 2015.

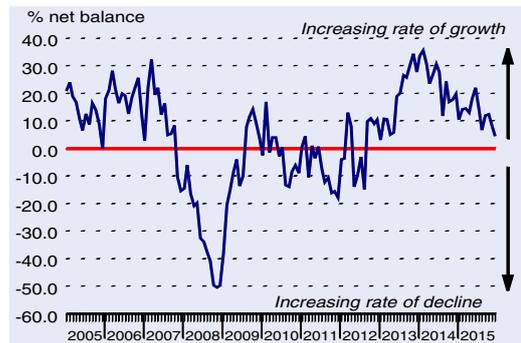


Commercial Development Activity

Total level of commercial activity

compared with one month ago

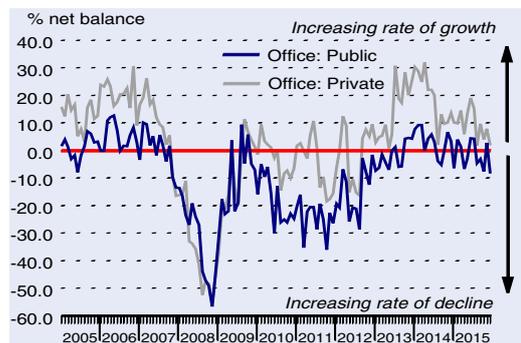
- UK commercial developers signalled a further expansion in total commercial activity during December, but the growth rate eased to the weakest since January 2013.
- Public work fell at the quickest pace in almost three years, while private projects increased at the softest rate in 31 months.



Office activity

compared with one month ago

- Following an increase in November, public office activity declined during December. Down to -8.2%, the net balance was at a 37-month low.
- December data highlighted a fortieth successive monthly rise in private office work. Having moderated to the weakest since August, the rate of expansion was marginal.



Retail & leisure activity

compared with one month ago

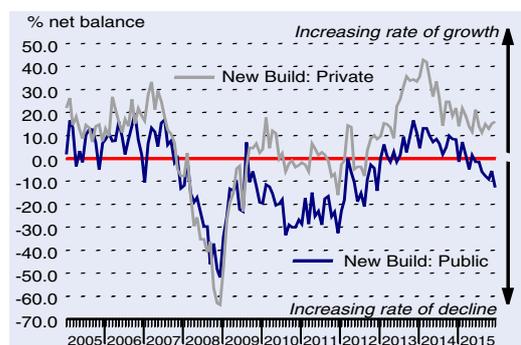
- After rebounding in the prior month, public retail & leisure projects decreased in December. The net balance dipped to its lowest mark since January 2013.
- Growth of private retail & leisure work softened to the slowest since August. The net balance fell from +9.8% to +7.6%.



New build activity

compared with one month ago

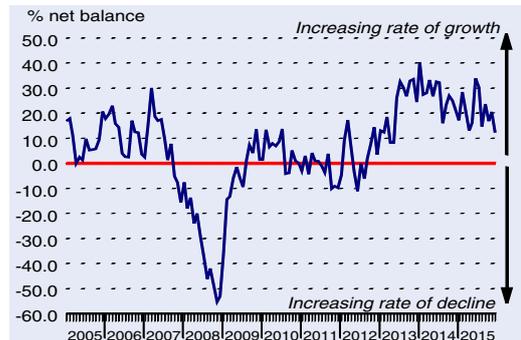
- Public new build activity decreased for the seventh straight month in December and at the quickest rate in three years. The net balance was at -12.7% (November: -5.5%).
- Stretching the current growth sequence to 40 months, private new build projects rose. Having accelerated to the fastest since June, the pace of expansion was sharp.



Industrial/warehouse activity

compared with one month ago

- December saw industrial/warehouse projects increase further, thereby taking the current sequence of expansion to 40 months.
- However, the net balance dropped from +20.6% in November to +12.2%, its lowest mark since May 2013.

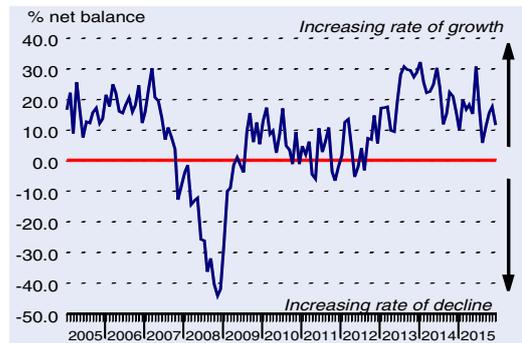


Commercial Development Activity

Refurbishment activity

compared with one month ago

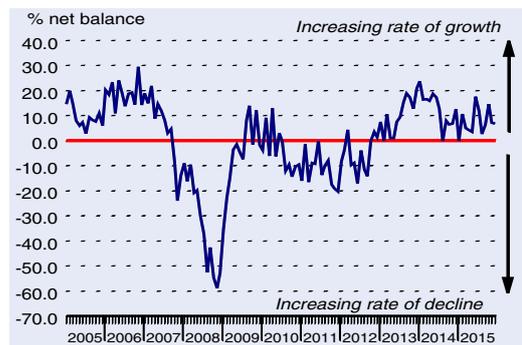
- Refurbishment activity in the UK commercial property sector continued to rise in December, marking a 40-month sequence of expansion.
- Although the slowest since September, the rate of growth was solid as signalled by the net balance recording +11.8%.



Office fit-out activity

compared with one month ago

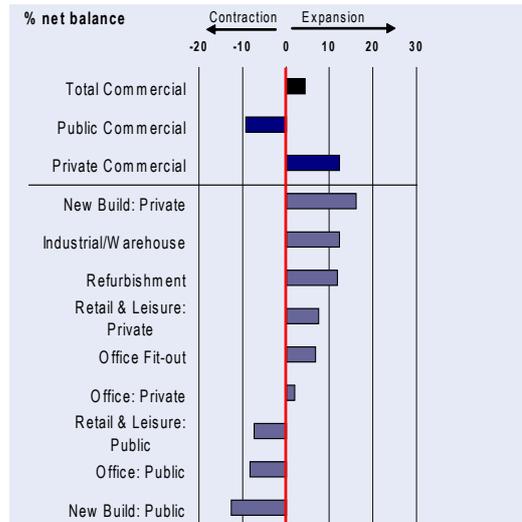
- December data pointed to an eleventh successive monthly rise of office fit-out activity in the UK.
- A net balance of +6.8% of commercial developers signalled growth, compared with +7.3% in November.



Summary of activity in December

tables of data on page 4

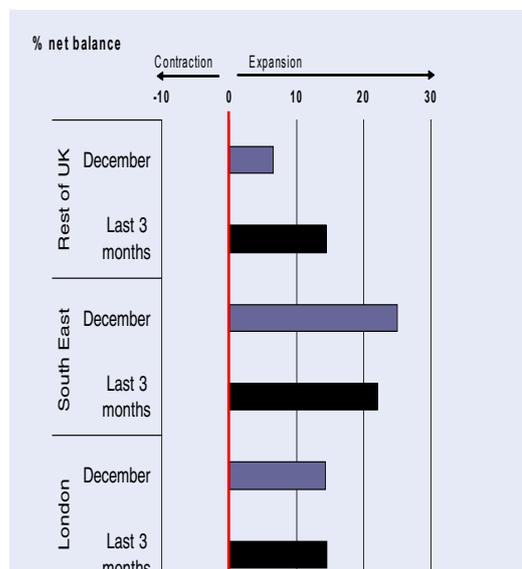
- Growth of UK commercial activity eased to the slowest in almost three years during December, reflecting a sharper drop in public work and a weaker increase in private projects.
- Six of the nine tracked categories recorded growth, the exceptions being public office, public retail & leisure and public new build.
- The only net balance to rise over the month was that for private new build. At +16.0%, the latest reading was indicative of a sharp pace of expansion that surpassed all other categories.



Regional commercial activity

compared with one month ago

- Growth of commercial activity was maintained across the three monitored UK regions in December.
- Rates of expansion accelerated in London and the South East, while a moderation was recorded in the 'Rest of UK'.
- The strongest monthly increase was registered in the South East, where the net balance of +25.0% was the highest since June.
- The South East was the only region to see the net balance for December record above its respective three-month average.



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
Jul'15	+14.3	0.0	+23.0	+12.2	+17.7	+23.0	+22.1	+19.8	+19.8	+26.8
Aug	+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

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
Jul'15	+4.3	+15.4	+5.4	+15.1	-1.4	+14.2	+30.4	+18.5	+12.0
Aug	-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

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.

Contacts

Savills
Simon Collett
Head of Building & Project Consultancy
+44 (0) 20 7409 5951
scollett@savills.com

Kevin Mofid
Research Director
t. +44 (0) 203 618 3612
KMofid@savills.com
www.savills.co.uk

Markit Economics
Henley on Thames
Oxon RG9 1HG, UK
t. +44 (0) 1491 461 000
economics@markit.com

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