

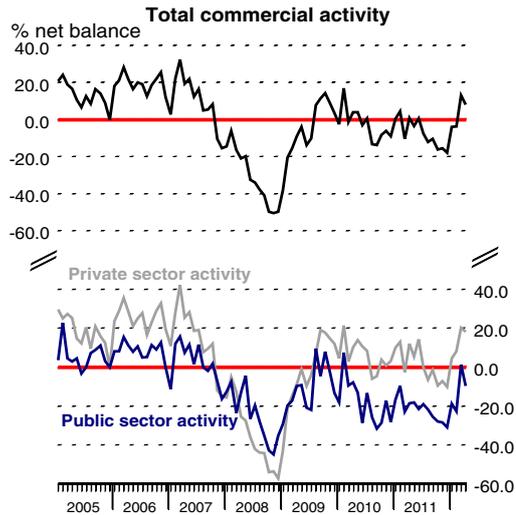
# Commercial Development Activity

May 2012

## Total commercial development activity rises solidly in April, despite public sector weakness

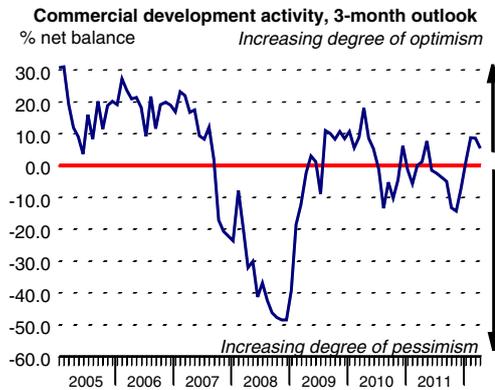
### KEY FINDINGS

- Total commercial development activity rose for a second successive month in April.
- Growth of work on private sector projects remained strong in April - net balance at +18.3%. In contrast, a renewed decline in public sector activity was recorded by April's survey, with a net balance of -9.7% of companies noting a drop.
- Around one-quarter of panellists reported a rise in total commercial activity, compared with 17% that mentioned a decline.
- The Total Commercial Development Activity Index, a net balance monitoring the overall performance of the UK commercial property sector, registered +8.1% in April, from +13.1% in March.



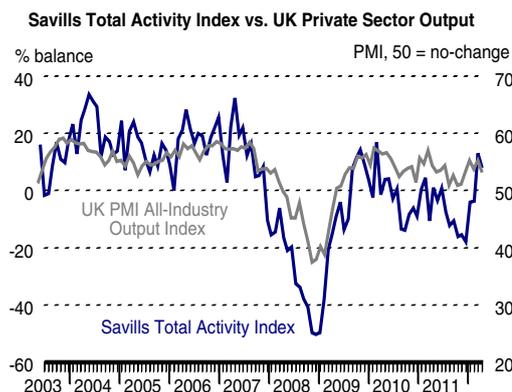
### FUTURE EXPECTATIONS

- Commercial developers were mildly optimistic regarding the three-month outlook for activity in April.
- Posting +5.5%, the net balance signalled the weakest degree of positive sentiment in three months.
- Exactly 19% of companies expect activity to be higher in three months' time, compared with 14% forecasting a decrease.
- Anecdotal evidence provided by survey respondents suggested that general optimism was supported by expectations of new business wins.



### COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against PMI™ survey data measuring output in the UK private sector.
- The PMI All-Industry Output Index (covering manufacturing, services and construction) signalled further growth of private sector activity in April.
- Similar to the trend highlighted by the Savills data, overall private sector growth softened somewhat in the latest survey period. That said, rates of expansion were solid in both cases.

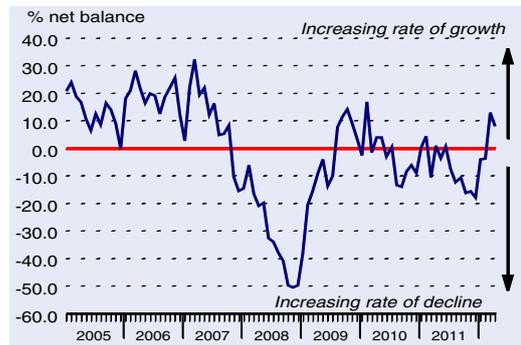


## Commercial Development Activity

### Total level of commercial activity

compared with one month ago

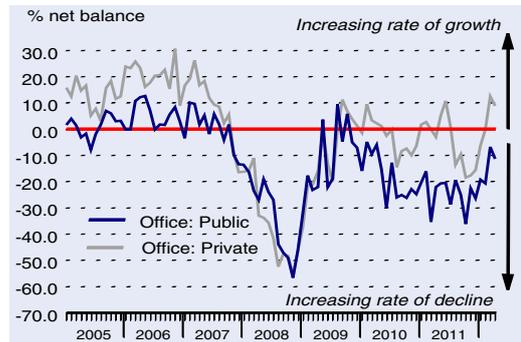
- UK commercial development activity grew for the second successive month in April.
- Despite dipping from March's reading of +13.1%, the latest net balance (+8.1%) signalled a solid expansion of commercial activity.



## Office activity

compared with one month ago

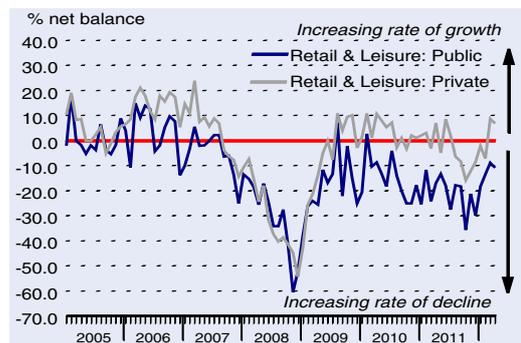
- Private sector office activity rose for a second month running in April, albeit at a slower rate than in March.
- In contrast, office activity in the public sector fell again, with a net balance of -11.3% of firms reporting a reduction compared with one month ago.



## Retail & leisure activity

compared with one month ago

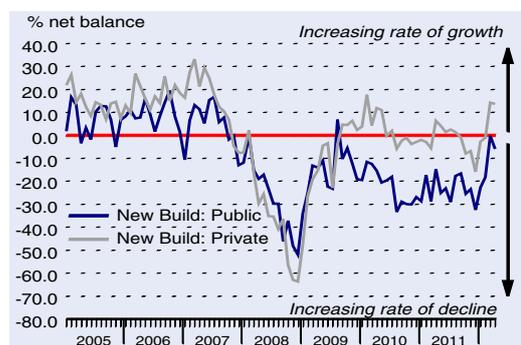
- Private sector retail & leisure activity grew at a solid rate in April, extending the current period of expansion to two months.
- Conversely, a further reduction in public sector projects was registered in April, as shown by a net balance of -10.8%.



## New build activity

compared with one month ago

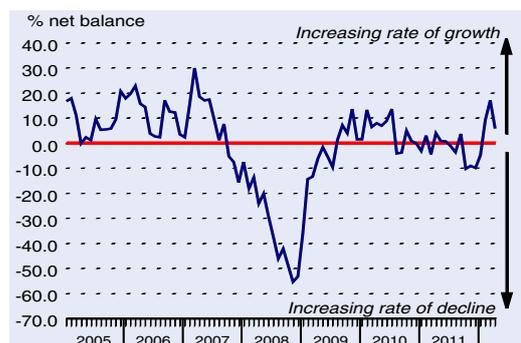
- New build activity in the private sector continued to rise strongly in April, with a net balance of +13.8%.
- Meanwhile, a renewed reduction in public sector new build activity was registered by April's survey.



## Industrial/warehouse activity

compared with one month ago

- A net balance of +5.9% of firms highlighted a rise in industrial/warehouse activity during April.
- The latest increase in activity was the third in as many months. However, the net balance was the lowest in that sequence.

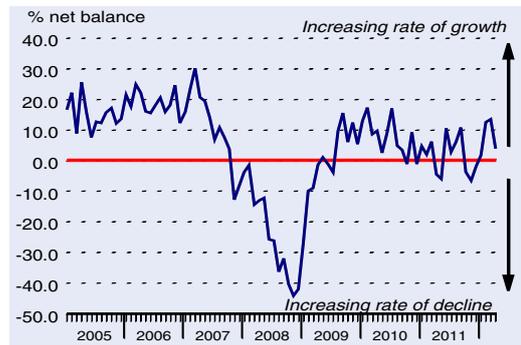


## Commercial Development Activity

### Refurbishment activity

compared with one month ago

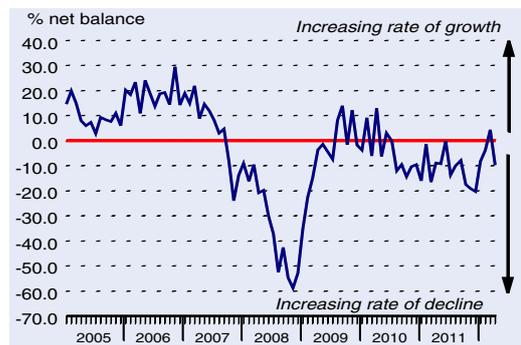
- April data showed refurbishment activity rising for the fourth successive month.
- However, the pace of expansion was down markedly on rates seen in both February (+12.6%) and March (+13.6%).



### Office fit-out activity

compared with one month ago

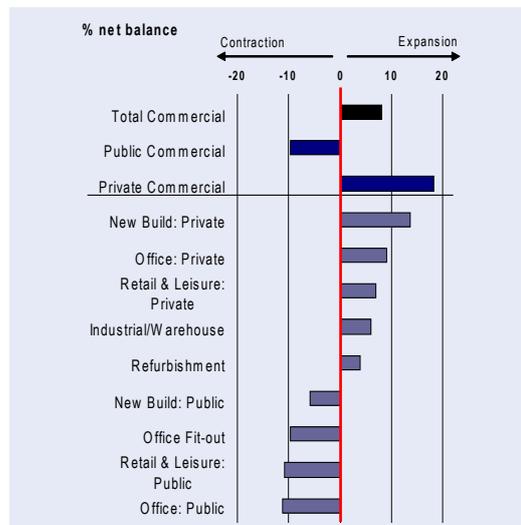
- April numbers highlighted a renewed decrease in office fit-out activity, with a net balance of -9.6% of companies signalling a reduction since the preceding month.
- Moreover, the net balance was the lowest in four months.



### Summary of activity in April

tables of data on page 4

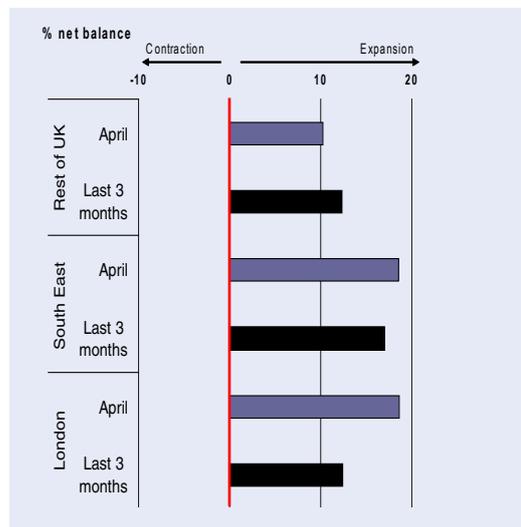
- A net balance of +8.1% of companies signalled a rise in total commercial activity.
- There was a marked divergence by sector, however. Activity in the private sector rose strongly (+18.3%), while public sector activity fell at a solid rate (-9.7%).
- Four of the nine monitored sectors posted a decrease in activity. Reductions were seen in all three public-based categories, as well as office fit-out.
- Private new build projects rose at the strongest rate of all sectors, followed by private sector office activity.



### Regional commercial activity

compared with one month ago

- A strong rise in activity was recorded in the London region, with a net balance of +18.6% unmoved on March's 13-month high.
- April data pointed to a third successive month-on-month expansion of activity across the South East region. The net balance (+18.6%) was identical to the latest reading for London.
- The rest of the UK saw a solid expansion of activity in April, although the rate of growth eased since March. Moreover, the expansion over the last three months was weaker than in both the London and South East regions.



## 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
2009	-5.3	-10.9	-2.6	-4.5	+3.9	-7.5	-2.3	-7.0	-1.4	+1.4
2010	-2.6	-17.8	+5.8	+7.9	+10.5	+3.2	+2.6	-1.9	+2.8	+6.3
2011	-7.2	-21.7	+1.5	+8.6	+3.7	-5.3	-3.7	-9.0	-2.3	0.0
Nov '11	-15.4	-28.4	-7.2	-3.3	0.0	-5.6	-14.3	-18.2	-14.5	-10.3
Dec	-17.8	-30.9	-10.1	-10.0	-12.2	-11.4	-7.1	-13.1	-8.4	0.0
Jan '12	-3.9	-18.7	+4.6	+6.6	-1.3	0.0	+1.2	-6.6	0.0	+10.2
Feb	-3.6	-22.7	+8.2	0.0	+10.4	+8.2	+8.8	+4.0	+10.1	+12.2
Mar	+13.1	+1.3	+20.3	+18.6	+21.9	+18.6	+8.7	+8.4	+8.9	+8.8
Apr	+8.1	-9.7	+18.3	+18.6	+18.6	+10.2	+5.5	+2.9	+2.9	+10.8

### Sectors

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
2009	-11.1	-8.9	-17.7	-7.0	-15.2	-10.3	-4.8	-0.1	-4.8
2010	-18.2	-2.8	-14.5	+3.6	-22.1	+3.0	+4.8	+7.8	-3.8
2011	-24.3	-4.6	-21.6	-3.0	-23.4	-2.1	-2.3	+1.8	-11.6
Nov '11	-22.5	-17.6	-21.2	-12.1	-23.3	-6.7	-9.0	-6.5	-19.0
Dec	-26.3	-15.5	-29.9	-8.5	-32.4	-15.8	-9.7	-1.9	-20.2
Jan '12	-19.2	-6.2	-18.2	-2.0	-22.7	-2.5	-4.6	+1.9	-8.1
Feb	-20.5	0.0	-13.4	-7.1	-18.1	-0.9	+9.4	+12.6	-3.7
Mar	-6.8	+12.5	-8.8	+8.7	0.0	+14.4	+17.2	+13.6	+4.5
Apr	-11.3	+9.0	-10.8	+6.9	-5.9	+13.8	+5.9	+4.0	-9.6

### 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 32 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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