

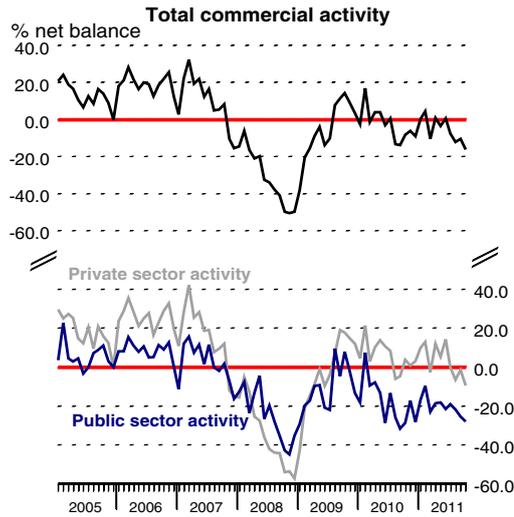
Commercial Development Activity

November 2011

Commercial development activity contracts at fastest rate in 32 months

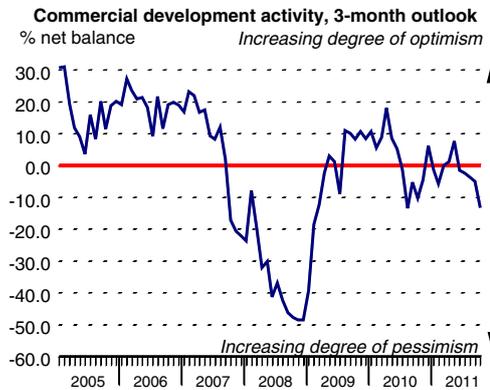
KEY FINDINGS

- October data signalled a fourth successive decline in commercial development activity, with the latest decrease the sharpest since February 2009.
- Work on public projects fell at the steepest rate since December 2010. The contraction in private sector work also accelerated.
- Approximately 34% of commercial developers recorded a fall in overall activity in the month, compared to approximately 17% indicating a rise.
- The Total Commercial Development Activity Index, a net balance monitoring the overall performance of the UK commercial property sector, registered -16.1% in October, from -10.5% in September.



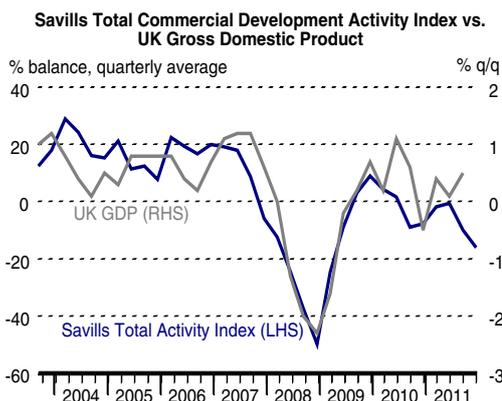
FUTURE EXPECTATIONS

- Commercial developers were downbeat regarding the three-month outlook in October.
- Posting -13.2, from -4.9 in September, the degree of pessimism signalled was marked. The index tracking trends in future expectations was at its lowest level in 14 months.
- Approximately 28% of respondents expect activity to decrease over the next three months, compared to 14% forecasting a rise.
- Subdued client confidence due to economic uncertainty and a lack of bank funding were cited as the main drivers of pessimism regarding the three-month outlook.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right shows the Savills Total Activity Index against UK GDP data. Q4 data for the Savills Total Activity Index is based solely on the October figure.
- Q3 data showed a divergence between GDP and commercial development activity.
- A slight acceleration in overall economic growth was recorded, while a sharper contraction in work on commercial development projects was registered.

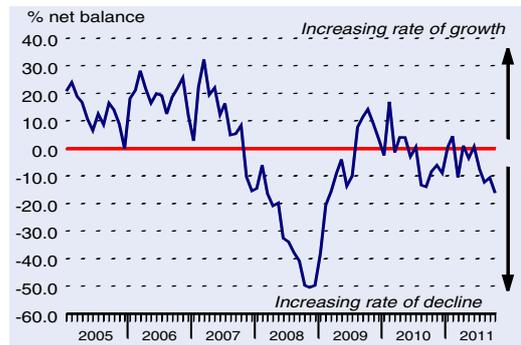


Commercial Development Activity

Total level of commercial activity

compared with one month ago

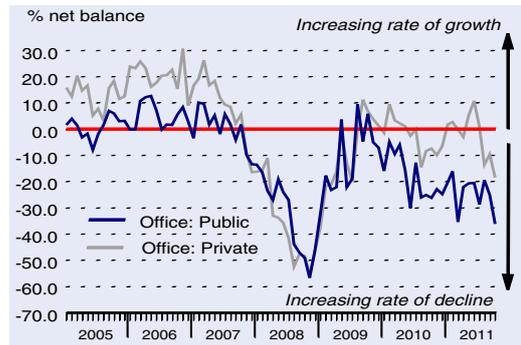
- UK commercial development activity continued to decline in October, with the index posting a 32-month low.
- The contraction in public sector activity was sharp again, and marginally faster than in September. The decrease in private sector activity quickened more notably, although remained weaker than that of the public sector.



Office activity

compared with one month ago

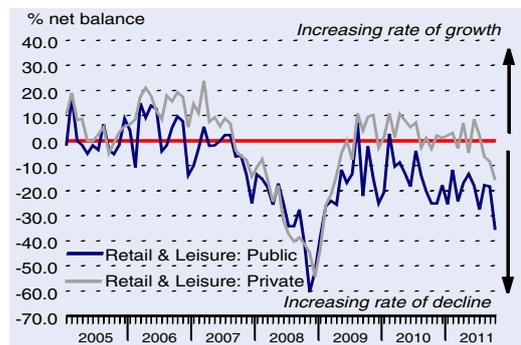
- Both public and private sector office activity fell in October, and at sharper rates than in September.
- Public sector office development declined at the fastest pace in 34 months, while work sourced from the private sector saw the sharpest reduction since July 2009.



Retail & leisure activity

compared with one month ago

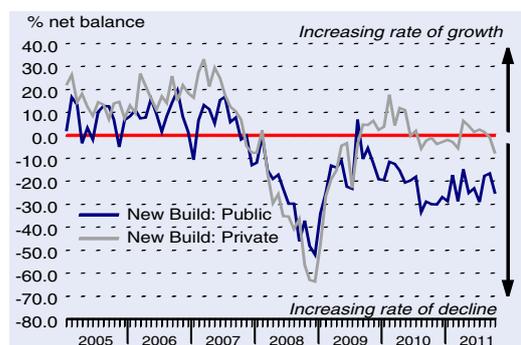
- Public retail and leisure activity decreased for a twentieth successive month in October, and at the sharpest rate in that period.
- Meanwhile, private activity reduced for a third consecutive month, and at a marked pace. Around 29% of panellists recorded a fall in private sector projects, compared with 13% indicating a rise.



New build activity

compared with one month ago

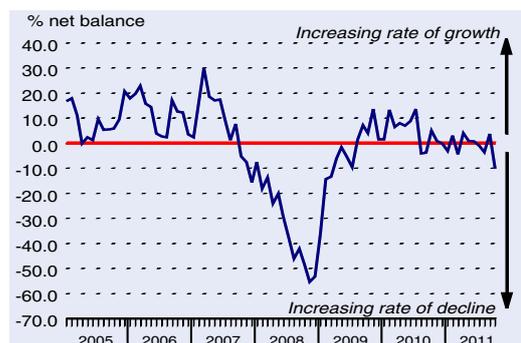
- New build activity fell across both the public and private sectors in October, with rates of contraction accelerating since September.
- Public and private sector new build activity have now decreased for 26 and two months respectively.



Industrial/warehouse activity

compared with one month ago

- October data signalled a decline in industrial/warehouse activity, in contrast to the modest growth recorded in September.
- Moreover, the contraction was marked, and the fastest since March 2009.

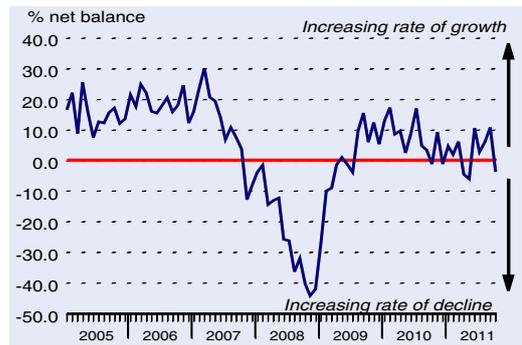


Commercial Development Activity

Refurbishment activity

compared with one month ago

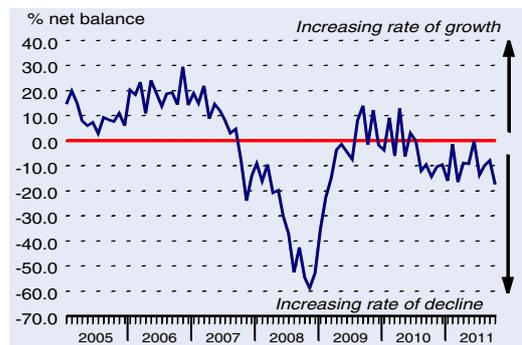
- In contrast to the previous four survey periods, October data signalled a decline in refurbishment activity. However, the rate of reduction was only modest.
- Exactly 23% of panel members registered a decrease in activity, compared with around 20% that posted a rise.



Office fit-out activity

compared with one month ago

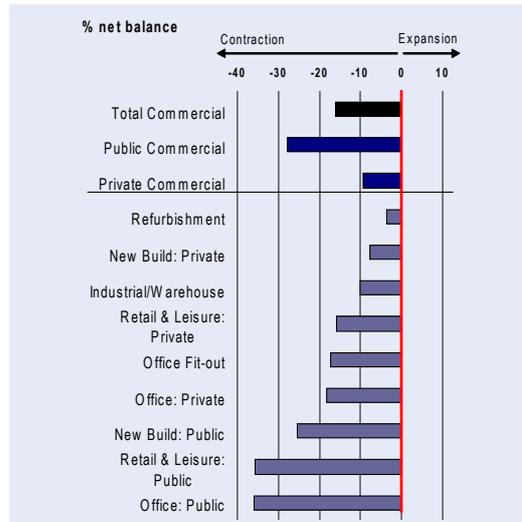
- October data signalled a fourth successive contraction in office fit-out activity.
- The latest decrease was the sharpest in that period and markedly faster than the long-run series average.



Summary of activity in October

tables of data on page 4

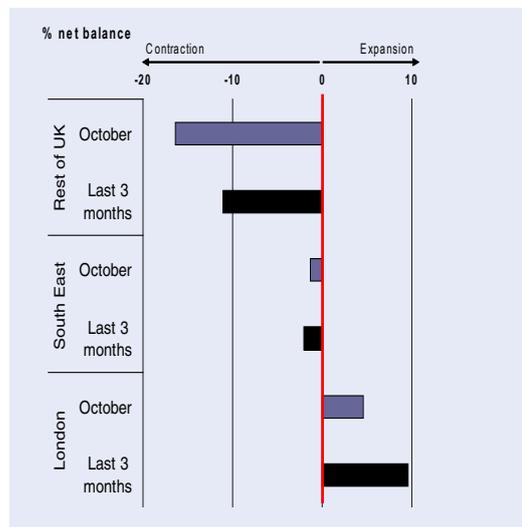
- October data pointed to a further contraction of commercial development activity, with the rate of decline accelerating since September.
- The reduction in activity was broad-based, with all of the nine sectors monitored posting lower levels of work on commercial development projects.
- The three categories posting the sharpest declines related to public sector sourced activity. The weakest contraction was in refurbishment, although this was in contrast to the marked growth recorded in the previous survey period.



Regional commercial activity

compared with one month ago

- London was the only region monitored in October to record growth of activity. That said, the latest expansion was weaker than the three-month average, pointing to a slowdown over the period.
- The South East region saw a slight reduction in activity in October, with the contraction only fractionally weaker than the three-month average.
- The Rest of the UK continued to be the weakest performing of the three regions monitored. Moreover, October's decrease was the second-sharpest since March 2009.



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
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
2010	-2.6	-17.8	+5.8	+7.9	+10.5	+3.2	+2.6	-1.9	+2.8	+6.3
May '11	-3.4	-17.9	+5.5	+7.1	-7.5	-3.8	+7.7	+4.8	+8.7	+9.6
Jun	+0.8	-21.5	+14.3	+16.9	+16.5	+2.5	-1.4	-1.7	+1.7	-4.1
Jul	-7.4	-19.0	+0.0	+15.4	-1.5	-7.4	-2.3	-10.0	+0.0	+3.0
Aug	-12.1	-21.7	-6.4	+11.7	-4.1	-3.5	-3.5	-6.9	-4.5	+0.9
Sep	-10.5	-25.3	-1.5	+6.7	-1.4	-17.1	-4.9	-7.5	-5.3	-1.9
Oct	-16.1	-27.8	-9.4	+4.6	-1.3	-16.4	-13.2	-14.8	-14.5	-10.3

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
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
2010	-18.2	-2.8	-14.5	+3.6	-22.1	+3.0	+4.8	+7.8	-3.8
May '11	-20.5	+5.4	-13.2	-4.9	-25.0	+4.3	+1.0	-5.9	-9.1
Jun	-20.5	+10.9	-17.9	+8.6	-22.9	+1.5	+0.9	+10.7	+0.0
Jul	-28.6	+0.9	-27.5	+2.1	-28.9	+2.6	-1.1	+3.0	-13.6
Aug	-19.3	-13.4	-17.8	-6.3	-17.5	+1.6	-3.5	+6.2	-10.0
Sep	-25.0	-9.5	-18.2	-8.3	-16.4	-0.8	+3.8	+10.9	-7.8
Oct	-36.0	-18.3	-35.6	-15.7	-25.3	-7.8	-10.1	-3.5	-17.4

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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