

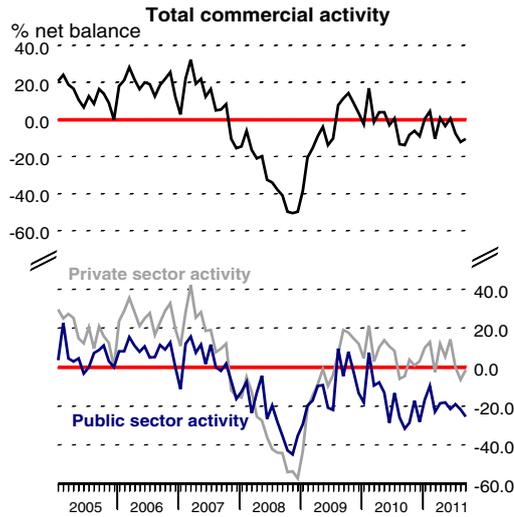
Commercial Development Activity

October 2011

Commercial development activity falls for third successive month in September

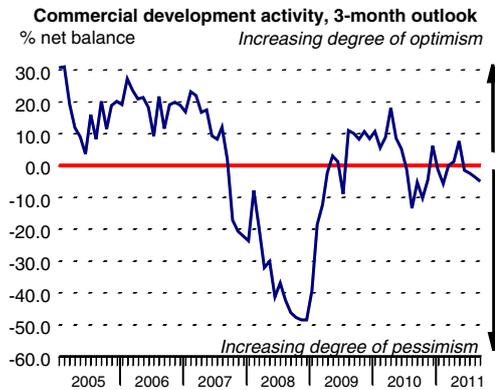
KEY FINDINGS

- September data signalled a further contraction in commercial development activity. The rate of decline was marked, but slightly weaker than in August.
- Private sector commercial development decreased, but at only a marginal pace. The reduction in public sector activity was steep and the fastest in nine months.
- Exactly 25% of commercial developers recorded a fall in overall activity in the month, compared to approximately 15% indicating a rise.
- The Total Commercial Development Activity Index, a net balance monitoring the overall performance of the UK commercial property sector, registered -10.5% in September, from -12.1% in August.



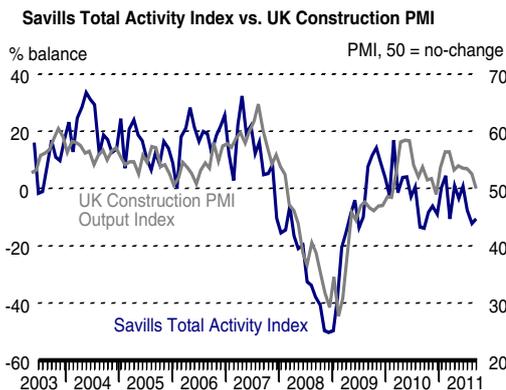
FUTURE EXPECTATIONS

- The three-month outlook for the UK commercial development industry was negative in September.
- Posting -4.9, from -3.5 in August, the index tracking trends in future expectations signalled a marginal degree of pessimism. However, negative sentiment was at its strongest in the current four-month period in which it has been recorded.
- Approximately 23% of respondents expect activity to decrease over the next three months, compared to 18% forecasting a rise.
- Decreasing levels of pipeline activity and restricted bank lending were cited by panellists as the main contributors to negative sentiment.



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 construction sector.
- The Savills Total Activity Index has shown a more downbeat picture for commercial development in recent months, recording a negative net balance since July. In contrast, growth has been signalled for the wider construction sector, although this slowed to near-stagnation in September.
- Nonetheless, despite the slight up-tick in the Savills Total Activity Index in September, both indexes have shown a weaker trend compared to earlier in 2011. The PMI registered its lowest reading in nine months, while commercial development activity contracted at the second-fastest rate in a year.

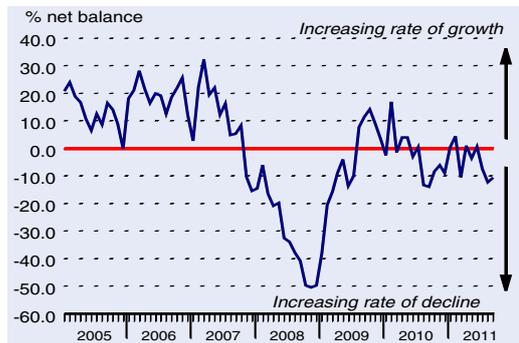


Commercial Development Activity

Total level of commercial activity

compared with one month ago

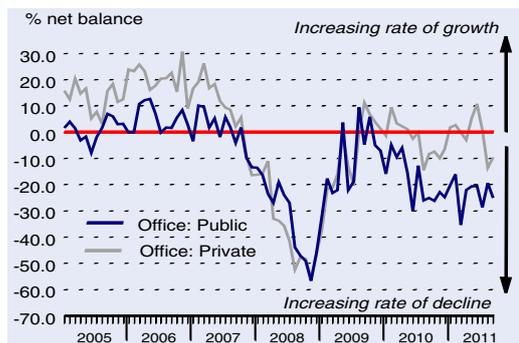
- UK commercial developers reported a third consecutive decline in activity in September. The rate of contraction eased slightly, but remained sharp.
- Reductions in both private and public sector activity were recorded. The decrease was only marginal in the private sector, while public sector activity fell at the fastest rate in nine months.



Office activity

compared with one month ago

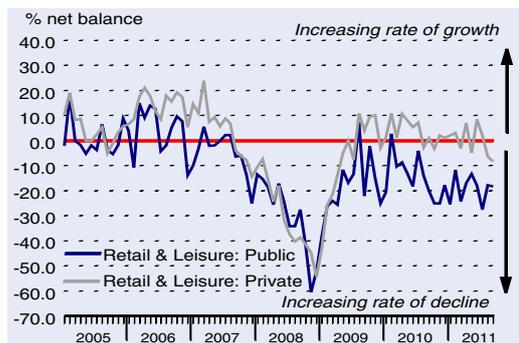
- Private sector office activity decreased for a second consecutive month, but at a slightly weaker rate.
- Public sector office development declined at an accelerated rate that was sharp in the context of historical data.



Retail & leisure activity

compared with one month ago

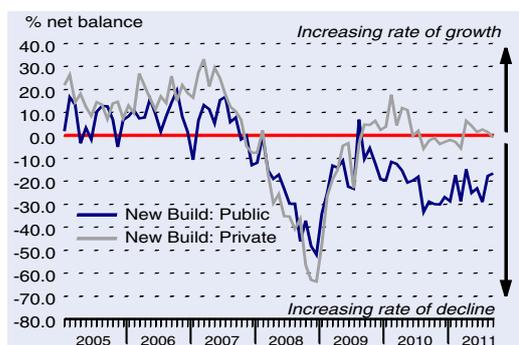
- Retail and leisure activity in both the public and private sectors decreased at marginally faster rates in September.
- Public sector work, which has fallen in each of the last 19 months, recorded the sharpest decline with around one-quarter of panellists noting a reduction, compared with 7% indicating a rise.



New build activity

compared with one month ago

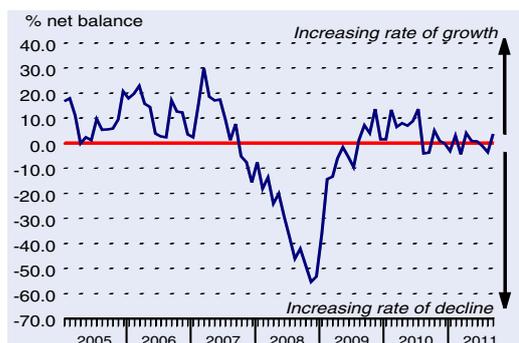
- New build activity in the private sector fell for the first time in six months in September. However, the rate of decline was only slight.
- Public sector new build activity continued to reduce markedly, although the decrease was marginally weaker than in August.



Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse was one of only two categories monitored in September to record an increase in activity.
- The rate of growth was modest, but followed two months of contraction.

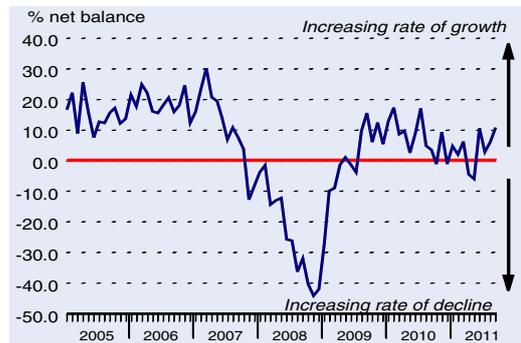


Commercial Development Activity

Refurbishment activity

compared with one month ago

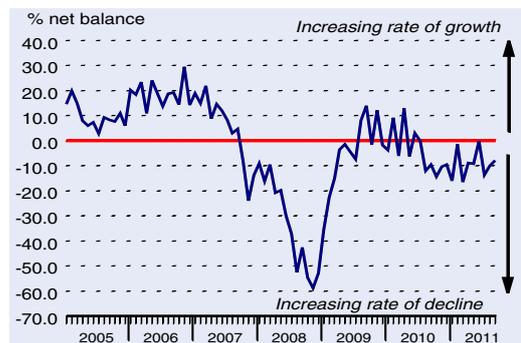
- September data signalled a fourth successive rise in refurbishment activity. Moreover, the rate of expansion was the strongest in 14 months and above the long-run series trend.
- Approximately 19% of panel members registered growth, compared with 8% posting a fall.



Office fit-out activity

compared with one month ago

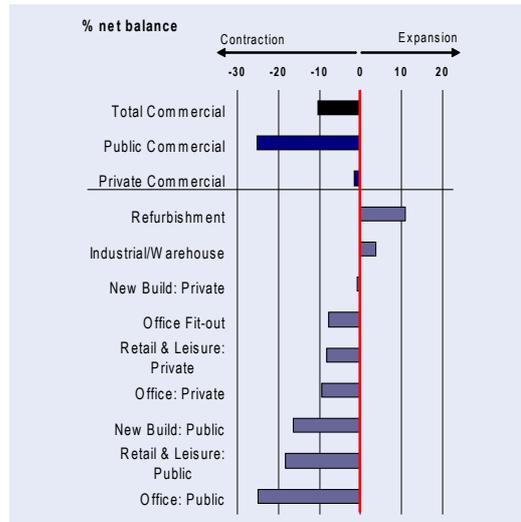
- Office fit-out activity declined for a third successive month in September.
- The latest decrease was the weakest in that period, but remained faster than the historical average for the series.



Summary of activity in September

tables of data on page 4

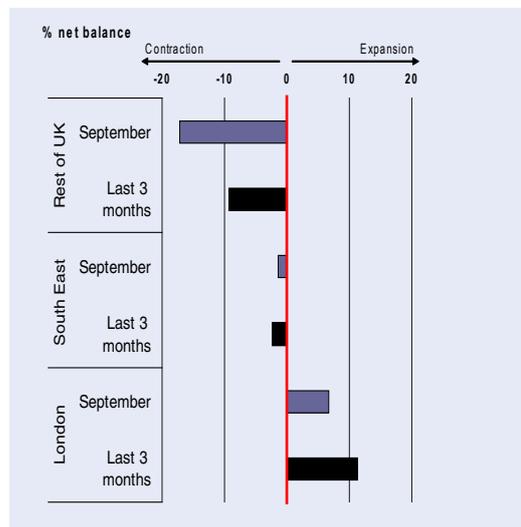
- Commercial development activity continued to fall in September, with declining levels of work across both public and private sectors contributing to the overall decrease.
- Seven of the nine sub-categories of commercial development registered lower levels of activity in September. In contrast to previous months, all measures of public and private activity registered a deterioration. Activity on public-sector offices saw the sharpest contraction.
- Only two categories – refurbishment and office fit-out, which are non-specific regarding public or private origin – recorded growth in September.



Regional commercial activity

compared with one month ago

- The South East and Rest of the UK continued to see falling levels of commercial development activity in September.
- Declines recorded in each month of the quarter meant that Q3 as a whole registered reductions in activity across the South East and the Rest of the UK.
- In contrast, growth of commercial development activity in London was sustained for a thirteenth successive month. However, the rate of expansion slowed, with the three-month average outpacing the latest month's expansion for a second consecutive survey period.



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
Apr '11	+1.0	-18.6	+12.1	+13.5	+10.6	+10.5	+1.3	-7.9	+3.0	+8.7
May	-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

	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
Apr '11	-22.1	-2.9	-16.9	+7.1	-14.7	+6.5	+4.2	-4.3	-8.9
May	-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

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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