

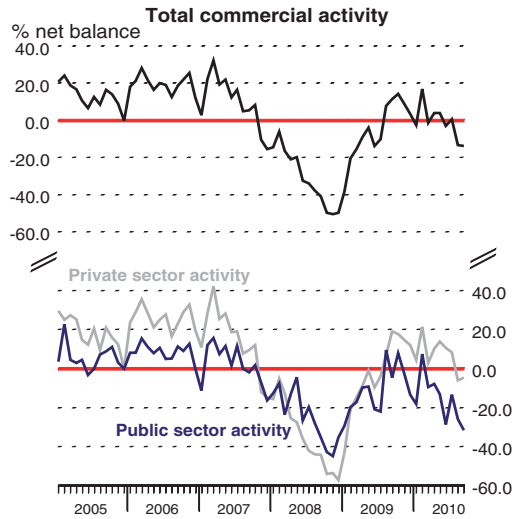
Commercial Development Activity

October 2010

Commercial development activity contracted for second successive month in September.

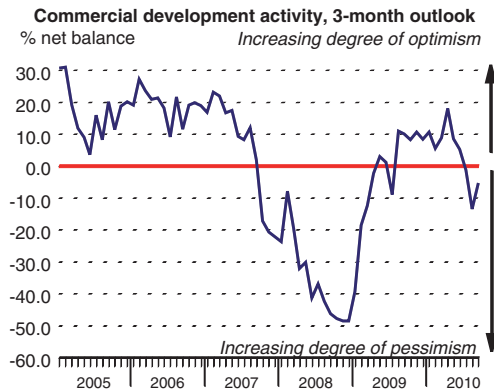
KEY FINDINGS

- Commercial development activity fell at the sharpest rate in a year-and-a-half in September.
- Both public and private sector activity reduced. The contraction in public sector activity was notably sharp, with the pace of decline the steepest since December 2008. The decrease in private sector commercial development was comparatively moderate.
- Approximately 28% of commercial developers recorded a fall in overall activity in the month, compared to around 14% indicating a rise.
- The Total Commercial Development Activity Index, a net balance monitoring the overall performance of the UK commercial property sector, posted -13.8% in September, down from -13.3% in August.



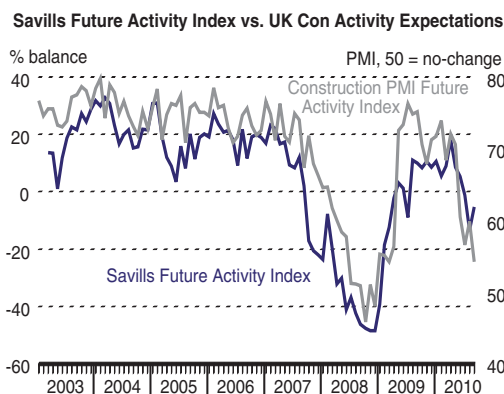
FUTURE EXPECTATIONS

- Commercial developers remain pessimistic over future business prospects in the three months ahead. However, the degree of negative sentiment eased in September from August's eighteen-month low.
- Concerns over the lack of available credit and cuts in public spending were cited as the main contributors to the pessimistic outlook.
- Pessimism was recorded across each of the three categories monitored. However, survey respondents were particularly negative about future opportunities for office development over the next three months.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- The chart to the right shows the Savills Future Activity Index against PMI™ survey data measuring expectations for business prospects over the next twelve months in the UK construction sector.
- Both indexes showed a general decline in confidence since April, as cuts in public spending were announced and concerns persisted over the overall UK economy.
- However, September data shows a divergence between the two indexes. Confidence in the overall UK construction sector fell further. However, amongst commercial developers, there were signs that business sentiment has now stabilised after August's eighteen-month low.

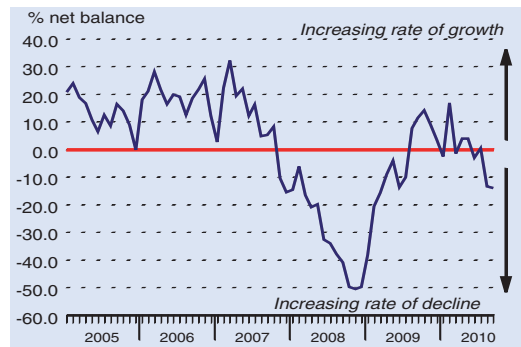


Commercial Development Activity

Total level of commercial activity

compared with one month ago

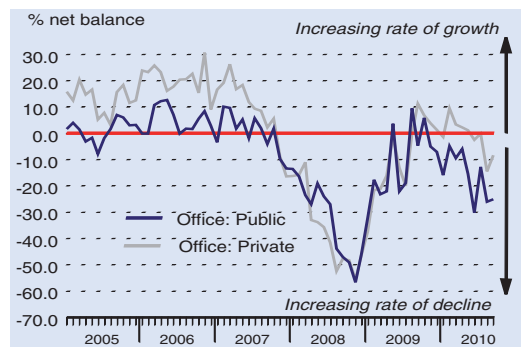
- September data pointed to a decline in total commercial activity for a second successive month.
- Private sector commercial development fell again, but at a marginal rate. Meanwhile, the downturn in public sector activity was the sharpest since December 2008.



Office activity

compared with one month ago

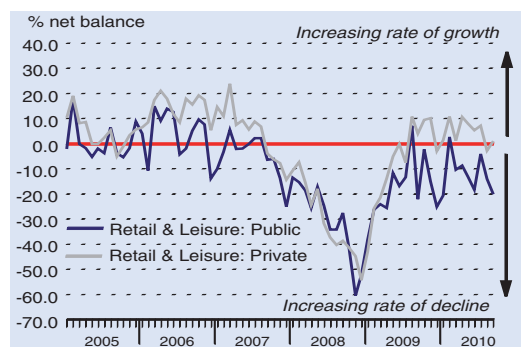
- Private sector office activity fell for a second consecutive month, with nearly 20% of panellists indicating a reduction compared to the previous month.
- Public sector activity declined again, with more than five times the amount of respondents noting a fall on the month as those that indicated a rise.



Retail & leisure activity

compared with one month ago

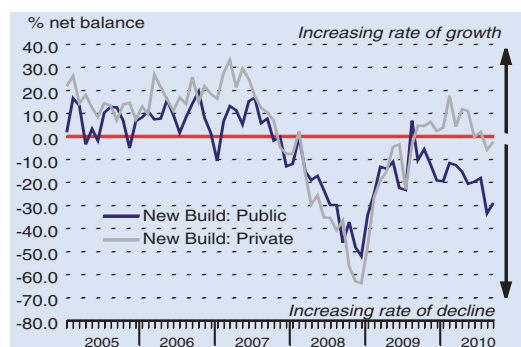
- Private sector retail & leisure activity increased slightly during September, following a contraction in August.
- Meanwhile, public sector retail & leisure activity fell again, with a net balance of -20.0% signalling the steepest contraction in eight months.



New build activity

compared with one month ago

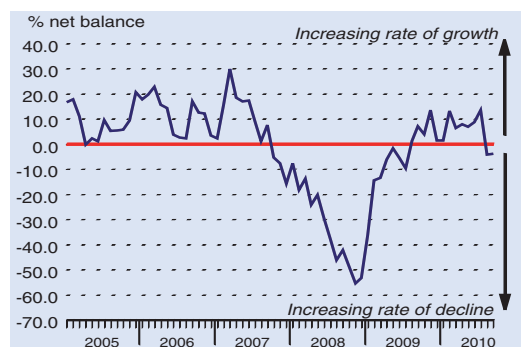
- Commercial developers indicated a decrease in new build activity across both the public and private sectors.
- The contraction in public sector development remained sharper than that of the private sector, despite easing slightly on the month.



Industrial/warehouse activity

compared with one month ago

- Developers indicated a drop in industrial/warehouse activity for a second successive month in September.
- Around 19% of survey respondents reported a decrease in industrial/warehouse activity in September, compared to 15% that signalled a rise.

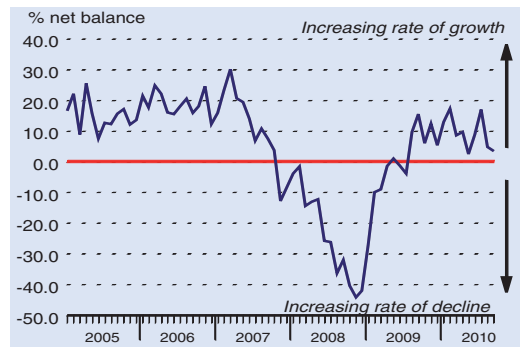


Commercial Development Activity

Refurbishment activity

compared with one month ago

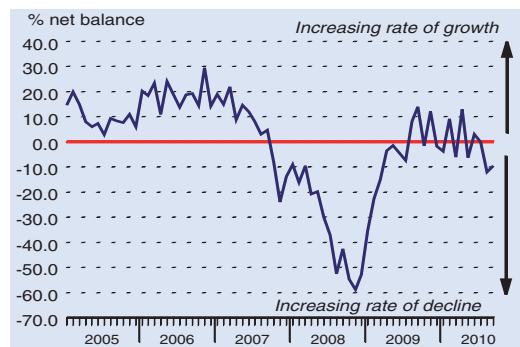
- Refurbishment activity rose for a fourteenth successive month in September, but the latest increase was the weakest in four months.
- Approximately 15% of commercial developers reported a reduction in refurbishment activity, compared to around 18% that indicated a rise.



Office fit-out activity

compared with one month ago

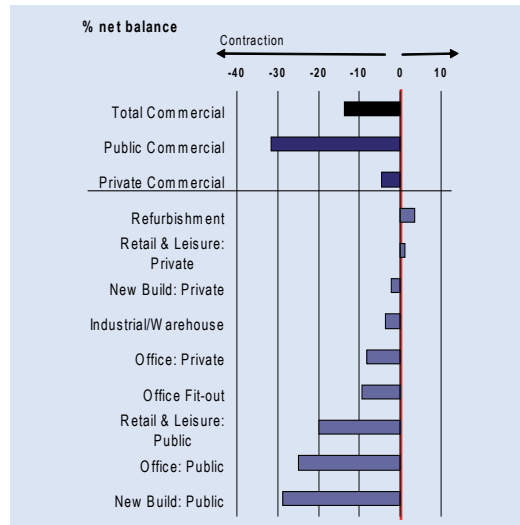
- Office fit-out activity fell for a second month in September, with approximately 19% of respondents noting a reduction in activity on the month.
- However, posting a net balance of -9.5%, the index rose from August's seventeen-month low.



Summary of activity in September

tables of data on page 4

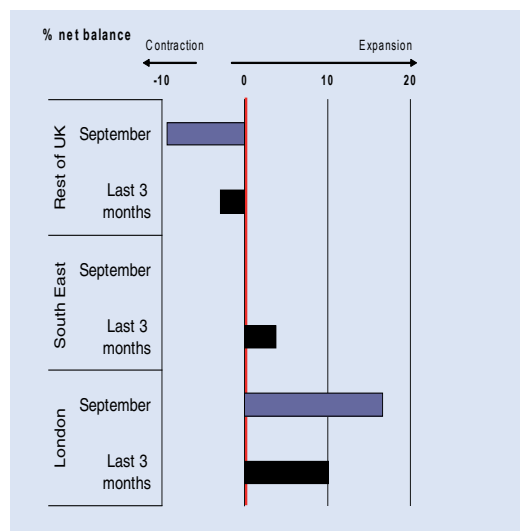
- September data signalled lower levels of activity in seven of the nine broad areas of commercial development monitored by the survey.
- Refurbishment and private sector retail & leisure were the only exceptions.
- The fastest declines in activity were registered in public sector new build and public sector office development.
- Only slight declines were recorded in private sector new build and industrial/warehouse activity.



Regional commercial activity

compared with one month ago

- Regional data pointed to increased levels of commercial activity in London. This regained momentum lost in August when activity fell.
- A reduction in commercial development was reported in the 'Rest of the UK' for a second successive month.
- Meanwhile, total activity in the South East (excluding London) remained unchanged from that reported in August.



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
2007	+10.1	+2.1	+14.6	+13.5	+6.7	+15.7	+5.7	+8.7	+2.3	+6.4
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
Apr '10	+4.0	-7.7	+10.2	+9.3	+15.1	+19.7	+18.1	+17.9	+14.5	+21.7
May	+4.1	-13.0	+14.0	+10.8	+11.9	+9.7	+8.6	+5.5	+5.4	+14.9
Jun	-2.8	-28.6	+10.6	+9.3	+10.0	+8.2	+5.3	+3.9	+5.4	+6.8
Jul	+0.6	-13.3	+8.3	+15.9	+9.3	+7.1	-1.2	-5.7	-1.2	+3.4
Aug	-13.3	-25.9	-6.0	-2.3	+2.0	-6.6	-13.4	-17.3	-7.6	-15.4
Sep	-13.8	-31.6	-4.5	+16.7	+0.0	-9.4	-5.1	-8.2	-3.7	-3.5

Sectors

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
2007	+0.4	+9.2	-4.8	+4.7	+4.8	+15.8	+7.7	+11.1	+5.2
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
Apr '10	-5.9	+2.3	-8.7	+10.7	-15.2	+12.0	+8.0	+9.9	+13.0
May	-15.4	+1.2	-13.0	+8.1	-20.4	+11.1	+7.0	+2.6	-6.2
Jun	-30.0	-2.5	-18.2	+5.4	-19.6	+0.0	+8.8	+9.0	+3.1
Jul	-12.7	+0.0	-4.0	+7.2	-17.9	+2.1	+13.8	+17.1	+0.0
Aug	-26.0	-14.5	-14.0	-2.6	-33.3	-5.6	-4.1	+5.0	-11.9
Sep	-25.0	-8.2	-20.0	+1.1	-28.8	-2.2	-3.8	+3.7	-9.5

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 26 countries and key regions including the Eurozone and BRIC. The PMIs have become 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
 Michael Pillow
 Head of Building Consultancy
 t. +44 (0) 20 7409 8985
 e. mpillow@savills.com
 Mat Oakley
 Head of Commercial Research
 t. +44 (0) 20 7409 8781
 e. moakley@savills.com
 www.savills.co.uk
 Markit Economics
 Henley on Thames
 Oxon RG9 1EL, UK
 t. +44 (0) 1491 461 000
 e. economics@markit.com
 www.markit.com

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