

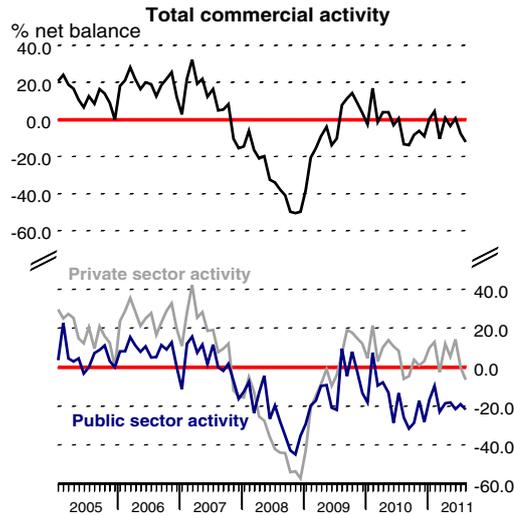
Commercial Development Activity

September 2011

Commercial development activity falls at sharpest rate in 11 months in August

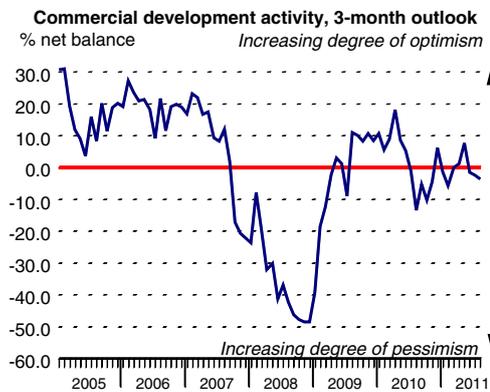
KEY FINDINGS

- A second successive contraction in commercial development activity was signalled in August.
- The decline in public sector activity accelerated slightly, to the fastest since March. Meanwhile, private sector commercial development decreased for the first time in five months.
- Approximately 29% of commercial developers recorded a fall in overall activity in the month, compared to 17% indicating a rise.
- The Total Commercial Development Activity Index, a net balance monitoring the overall performance of the UK commercial property sector, decreased to -12.1% in August, from -7.4% in July.



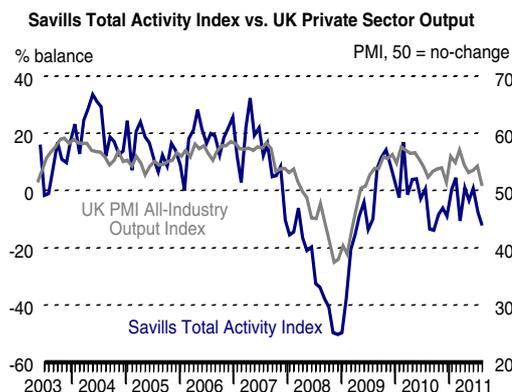
FUTURE EXPECTATIONS

- August data signalled a negative three-month outlook for the UK commercial development industry.
- Posting -3.5, from -2.3 in July, the index tracking trends in future expectations signalled a deterioration in confidence for a third consecutive survey period. However, the degree of pessimism was only marginal.
- Approximately 18% of respondents expect activity to decrease over the next three months, compared to around 15% forecasting a rise.
- Uncertainty over the stability of economic conditions and continued concerns regarding the level of 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 private sector.
- Both indexes show a negative trend from the previous survey period. The Savills Total Activity Index posted an 11-month low, while the UK PMI All-Industry Output Index was the weakest since June 2009.
- Nonetheless, overall private sector output continued to grow in August, albeit only marginally, while commercial development activity contracted.

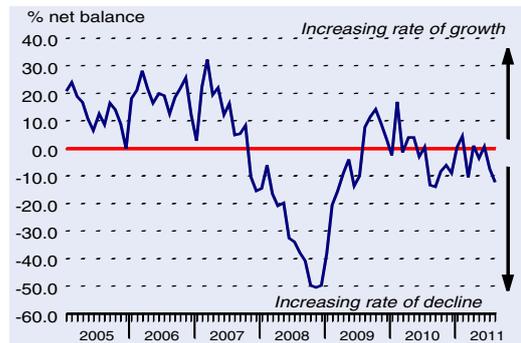


Commercial Development Activity

Total level of commercial activity

compared with one month ago

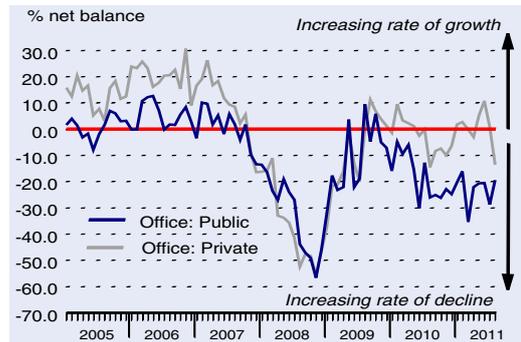
- Commercial development activity declined for a second successive month in August, with the rate of contraction accelerating since July.
- Private sector activity decreased for the first time since March, while the reduction in work on public sector projects was slightly sharper than in the previous survey period.



Office activity

compared with one month ago

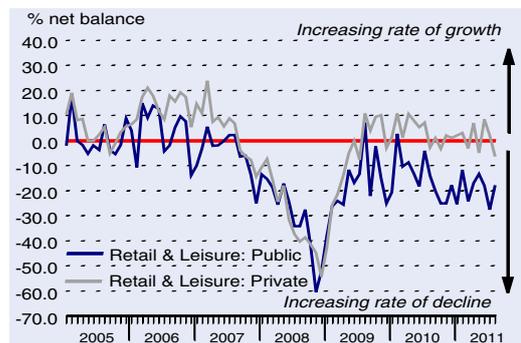
- Private sector activity decreased in August, ending a three-month sequence of growth.
- Public sector office development continued to fall markedly, albeit the rate of contraction slowed to the weakest since February.



Retail & leisure activity

compared with one month ago

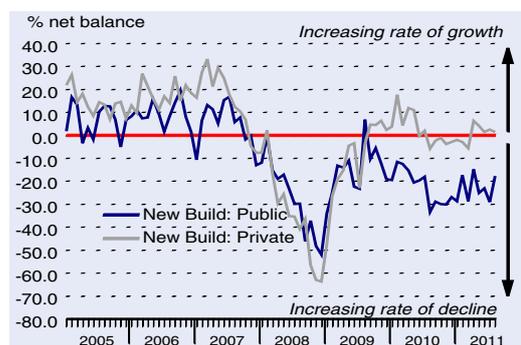
- The Retail & Leisure Activity Indexes for both public and private work posted negative net balances in August, pointing to declines in activity.
- While easing since July, the reduction in public sector work remained notably sharper than that of private retail & leisure activity.



New build activity

compared with one month ago

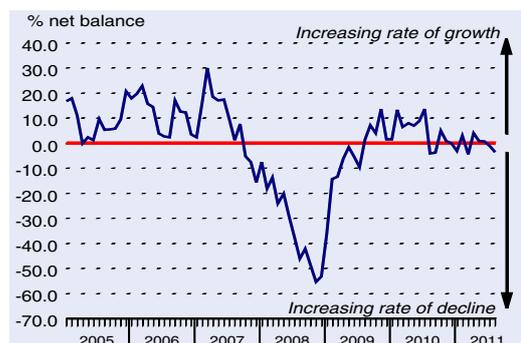
- New build activity in the private sector rose for a fifth consecutive month in August. However, the rate of growth slowed and was only slight.
- Public sector new build activity fell again, but at the weakest rate since April.



Industrial/warehouse activity

compared with one month ago

- For a second month running, a decrease in industrial/warehouse related commercial development activity was recorded in August.
- The rate of contraction accelerated, but was nonetheless only modest.

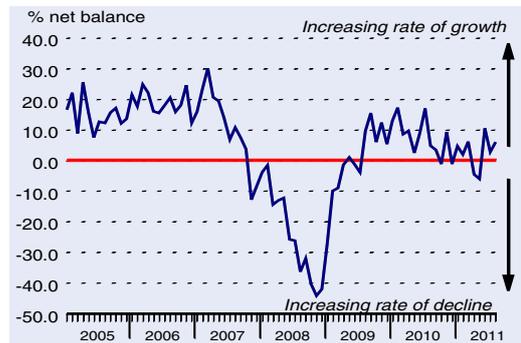


Commercial Development Activity

Refurbishment activity

compared with one month ago

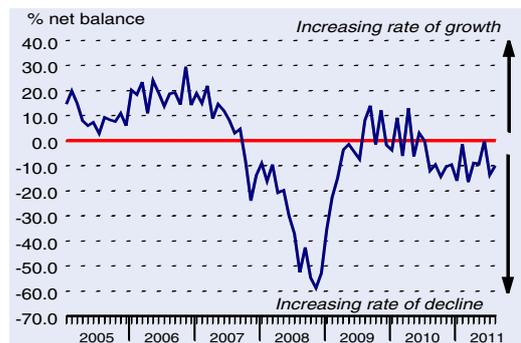
- Refurbishment activity increased in August for a third consecutive month. The expansion was stronger than in July, but slightly below the long-run series trend.
- Approximately 22% of panel members registered growth, compared with 16% posting a fall.



Office fit-out activity

compared with one month ago

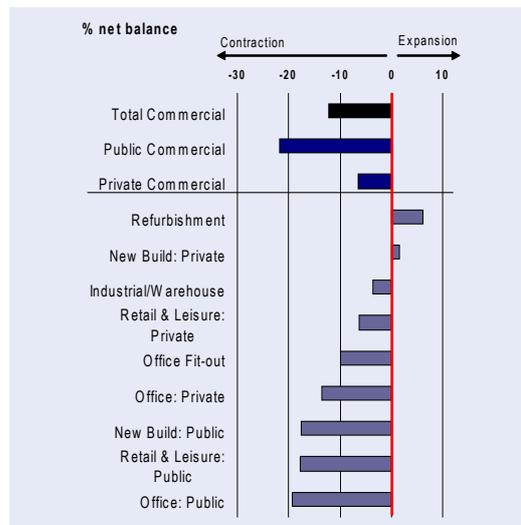
- August data signalled a second successive decline in office fit-out activity.
- The rate of contraction eased since July, but remained strong in the context of historical data.



Summary of activity in August

tables of data on page 4

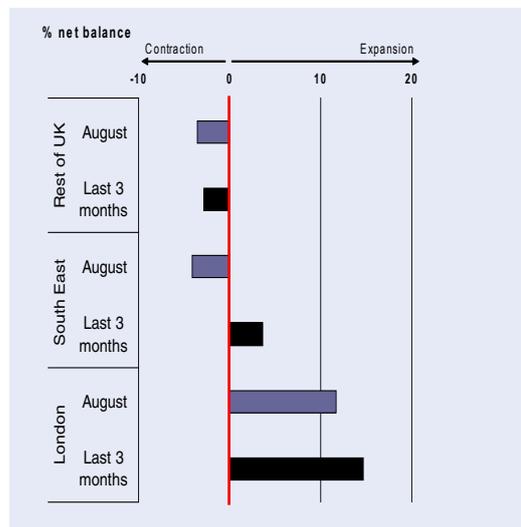
- Public sector activity decreased markedly in August, and at a slightly faster rate than that recorded in July. Furthermore, private sector commercial development also fell for the first time in five months, leading to the sharper contraction in overall activity.
- Seven of the nine sub-categories of commercial development registered lower levels of activity in August. The three largest declines related to public sector work. However, the fall in private office activity was also strong.
- Expansions were recorded in only two sub-categories – refurbishment and private new build. The rates of growth were relatively mild.



Regional commercial activity

compared with one month ago

- Commercial development activity increased in London during August. However, the South East and the Rest of the UK saw further contractions.
- The large expansion recorded for the South East in June was sufficient to keep the average net balance for the past three months positive.
- Growth of commercial development in London eased to a three-month low, with one-quarter of panellists noting an increase. Nonetheless, expansion has been sustained for 12 months, with the latest rise above the long-run series 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
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
Mar '11	-10.4	-22.8	-2.5	+7.3	+12.9	-10.5	+0.0	-6.2	+6.9	-1.0
Apr	+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

	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
Mar '11	-35.2	+0.0	-24.2	-3.1	-28.6	-5.6	-4.3	+6.3	-16.5
Apr	-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

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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