

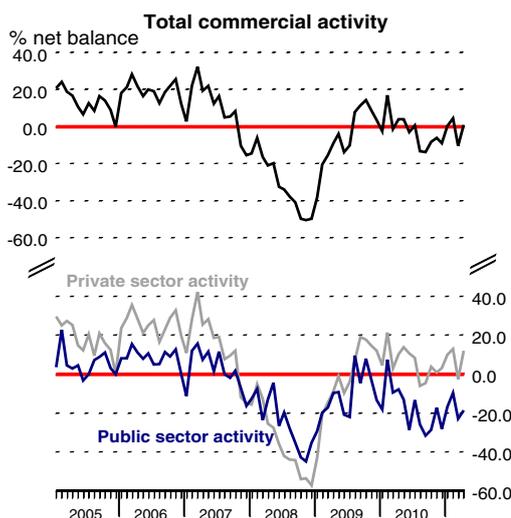
Commercial Development Activity

May 2011

Commercial development activity growth resumed in April, following contraction in March.

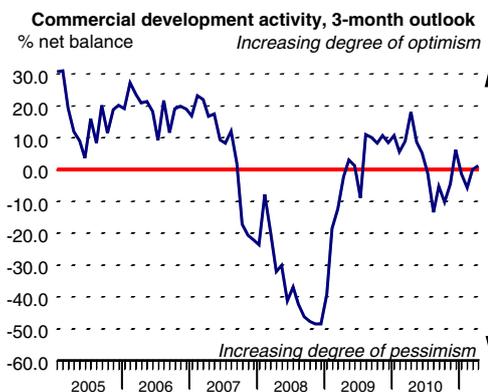
KEY FINDINGS

- After signalling a solid reduction in March, the Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – pointed to slight growth of work on commercial projects in April.
- Up from -10.4 in March, the net balance for total output was +1.0 at the start of Q2. However, this remained below the series long-term average of +4.2.
- The impetus to April's activity growth came from the private sector, where output rose at a solid pace on the month. The public sector registered another decline in activity.



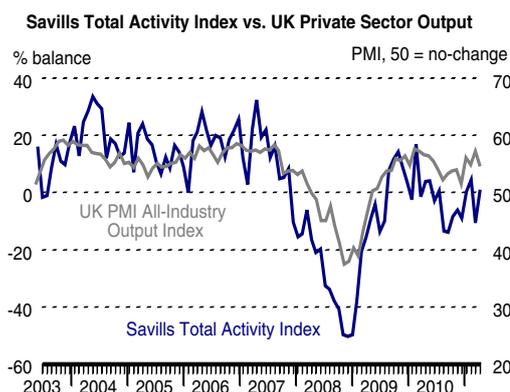
FUTURE EXPECTATIONS

- The three-month outlook for the UK commercial industry improved in April, albeit only slightly.
- Registering +1.3, up from 0.0 in March, the index tracking trends in future expectations signalled a weak degree of optimism amongst commercial property developers.
- In the 18% of cases where positive sentiment was recorded, most anticipate an improvement in economic conditions in the next three months.
- Where pessimism was registered, firms commented on tight credit conditions and a difficult business environment.



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.
- Data show that activity levels in the commercial industry picked up in April, while output growth in the wider UK economy slowed.
- However, the rate of expansion across the UK as a whole remained stronger than in the commercial industry.
- This could be reflective of the inclusion of public sector data in the latter, where activity decreased solidly in the latest survey period.

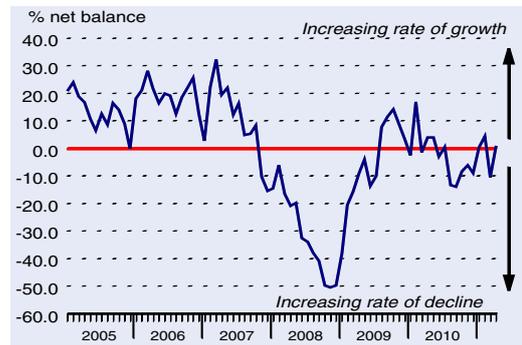


Commercial Development Activity

Total level of commercial activity

compared with one month ago

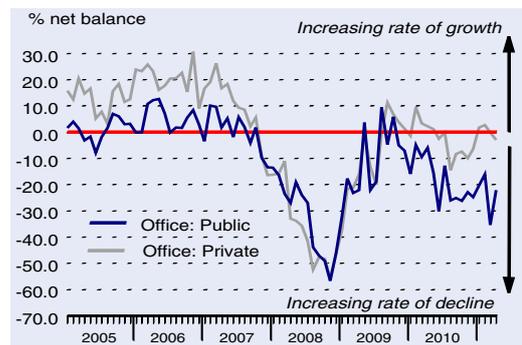
- April data point to a slight increase in UK commercial activity. This followed a marked decline in March. However, the rate of expansion remained weaker than the one-year high recorded in February.
- Growth was centred on the private sector, as the public sector posted another contraction in activity.



Office activity

compared with one month ago

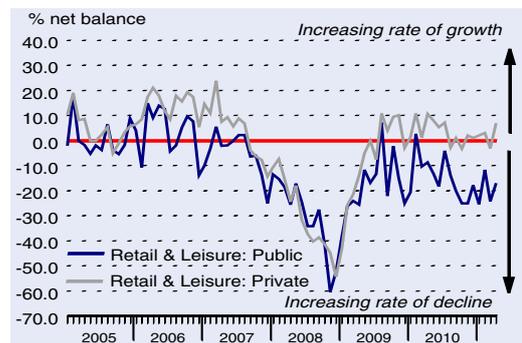
- Marking one-and-a-half years of decline, public sector office development activity fell during April. However, the rate of reduction slowed since March.
- For the first time in four months, office development work also decreased in the private sector, but only slightly.



Retail & leisure activity

compared with one month ago

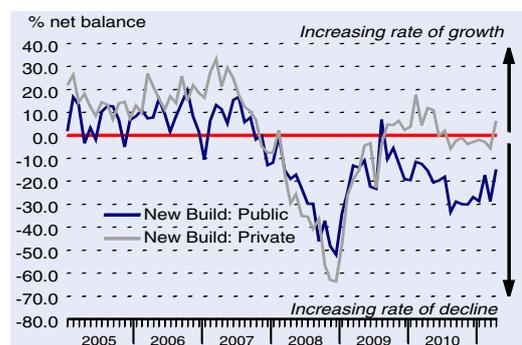
- Private sector retail & leisure activity rose solidly in April, after a marginal decline in the previous month.
- Development work in the public sector contracted for the fourteenth month running, but at a milder pace.



New build activity

compared with one month ago

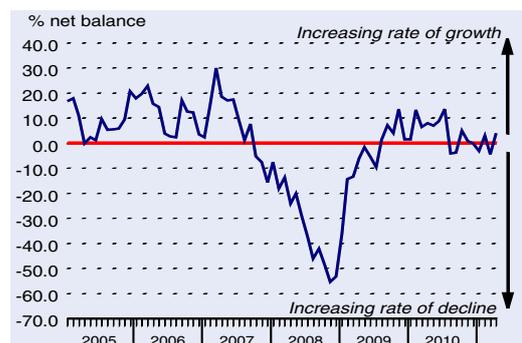
- Work on public new-builds continued to fall at the start of Q2, although the rate of decline eased since March.
- Ending an eight-month sequence of contraction, new build activity in the private sector rose in April.



Industrial/warehouse activity

compared with one month ago

- Industrial/warehouse commercial development activity rose marginally in April, following a slight decrease in March.
- The rate of growth was the sharpest for six months.

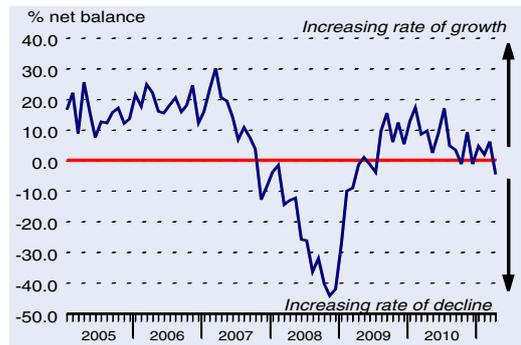


Commercial Development Activity

Refurbishment activity

compared with one month ago

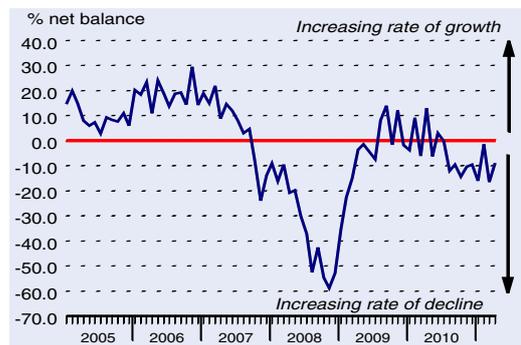
- Refurbishment work declined during the latest survey period. This marked the first contraction of activity recorded in this area for four months.
- Approximately one-fifth of panel members posted a decline, compared with 15% that registered growth.



Office fit-out activity

compared with one month ago

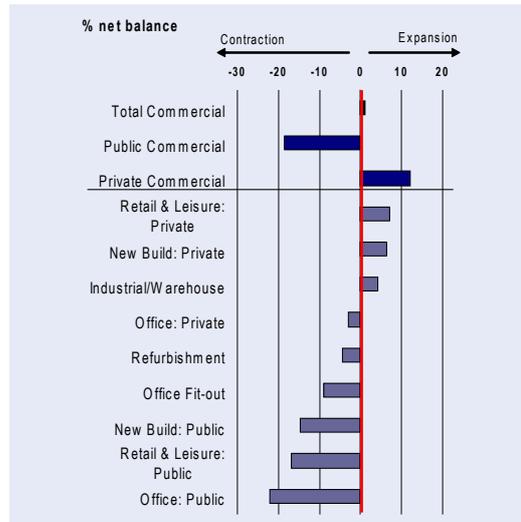
- Commercial development companies reported another fall in office fit-out work in April, bringing the current run of contraction to nine months.
- The rate of reduction was slower than in the previous month, but still sharper than the series trend.



Summary of activity in April

tables of data on page 4

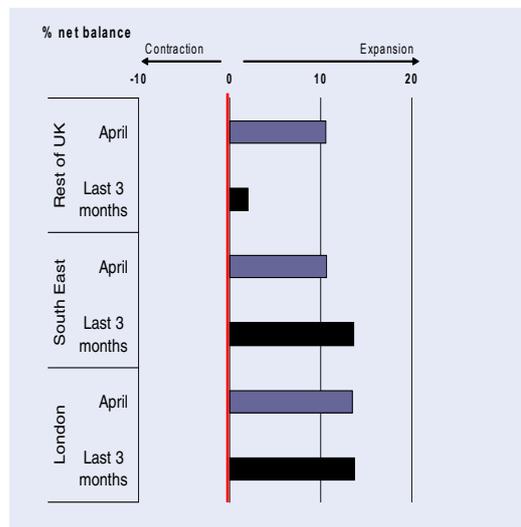
- The private sector drove overall commercial development growth in April, as the public sector recorded another contraction.
- Only three of the nine sub-sectors of commercial development covered by the survey registered activity growth in April. Of these, private sector retail & leisure posted the strongest performance.
- Public sector office-related development work fell at the fastest rate during the latest survey period, followed by public retail & leisure activity.



Regional commercial activity

compared with one month ago

- London registered the strongest increase in commercial development activity in April. The South East and the rest of the UK posted similar rates of expansion.
- Growth picked up across London and resumed in the rest of the UK, but slowed in the South East.
- Over the past three months, data show that London and the South East have seen much sharper growth than the rest of the UK.



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
Nov'10	-6.0	-17.1	+0.8	+5.7	+7.9	-1.0	-4.4	-12.5	-6.1	+5.0
Dec	-8.9	-28.2	+3.2	+1.9	+4.7	-1.0	+6.2	+3.8	+9.3	+5.9
Jan '11	+0.5	-16.7	+10.1	+13.2	+15.4	-7.5	-1.3	-10.0	-0.9	+6.5
Feb	+4.6	-9.6	+12.9	+20.4	+17.5	+6.1	-5.7	-16.7	+0.0	-1.0
Mar	-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

	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
Nov'10	-22.9	-9.9	-25.0	+2.1	-30.0	-3.7	+1.0	+9.4	-10.3
Dec	-24.7	-6.4	-17.7	+1.1	-26.8	-2.8	+0.0	-1.0	-9.4
Jan '11	-20.3	+1.8	-25.4	+2.1	-28.6	-1.8	-3.0	+4.8	-15.9
Feb	-15.9	+2.8	-11.6	+3.1	-17.1	-2.8	+3.1	+2.2	-1.3
Mar	-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

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.

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