

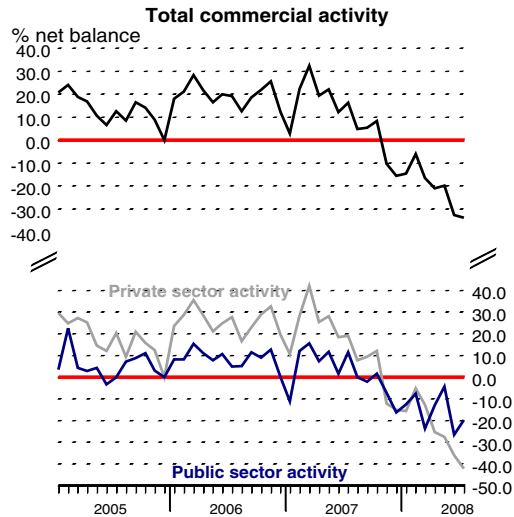
Commercial Development Activity

August 2008

Activity falls at new survey record pace, led by steep decline in private sector development.

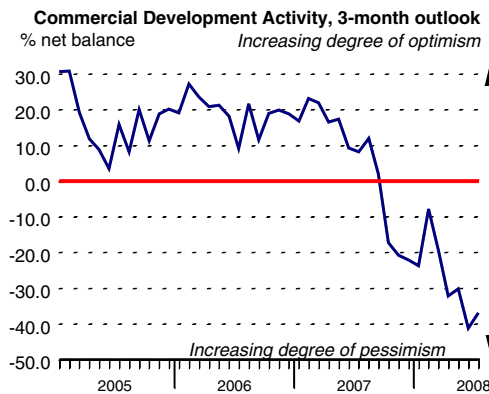
KEY FINDINGS

- In July, around 40% of commercial developers indicated a reduction in overall activity compared to one month earlier, while just 6.6% reported a rise.
- The resultant net balance – the Total Commercial Development Activity Index – fell to -33.8%, from -32.4% in June. July's reading was a new survey record low and signalled a sharp reduction of activity.
- Private sector development declined at a far steeper pace than public sector activity in July.
- Anecdotal evidence suggested that the ongoing global credit squeeze and falling economic sentiment were the main factors behind the latest drop in activity.



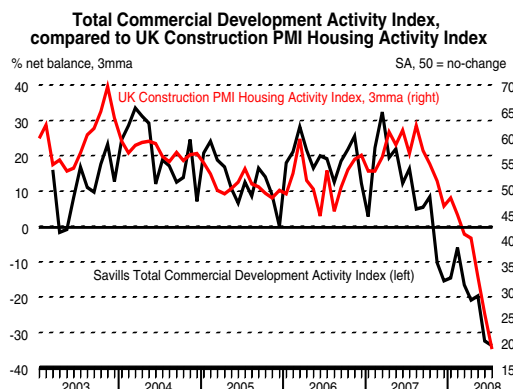
FUTURE EXPECTATIONS

- Companies in the UK commercial property sector remained highly pessimistic about the business outlook in July, although the degree of negative sentiment eased since the previous month.
- Negative sentiment was again broad-based across the three areas of activity monitored by the survey, with data indicating the bleakest outlook for office development projects.
- Survey respondents widely anticipate that deteriorating economic conditions will contribute to a further reduction of market demand in the three months ahead.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- To the right is a comparison of the survey's Total Commercial Development Activity Index against the Construction PMI Housing Activity Index, a monthly indicator of residential building in the UK.
- The chart highlights that activity levels in both the housing construction and commercial development sectors have declined rapidly in recent months.
- The marked downturn in the performance of UK house building and commercial construction sectors over the past year are closely linked to the start of the global credit squeeze and subsequent property market slowdown.

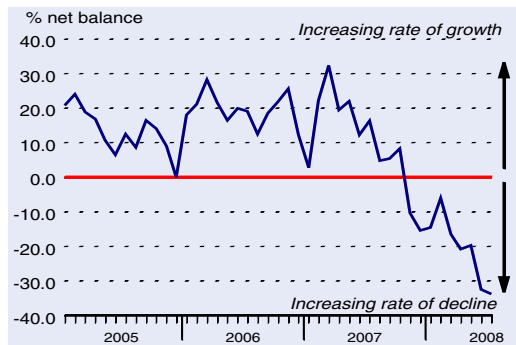


Commercial Development Activity

Total level of commercial activity

compared with one month ago

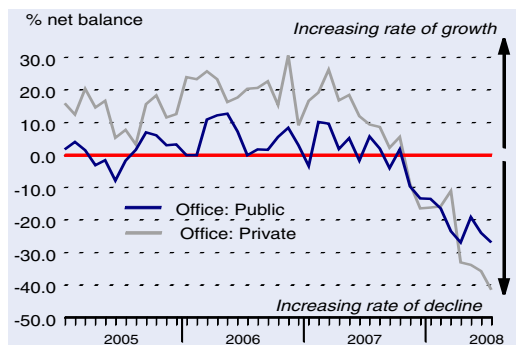
- July data pointed to a steep drop in total commercial development, with the rate of decline the sharpest since the survey began in March 2003.
- Private sector commercial activity fell at a new survey record rate, with almost half of respondents reporting a decline. A number of firms noted an unfavourable outlook for private sector tenant demand.



Office activity

compared with one month ago

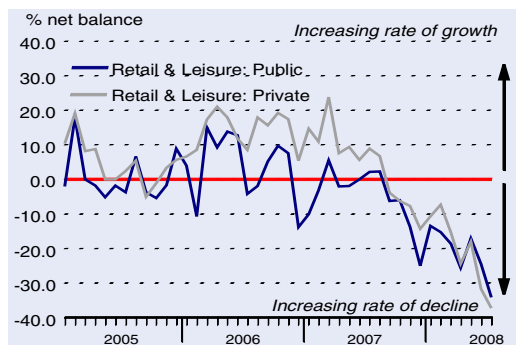
- Steep declines in both public and private sector office development were indicated in July.
- For private sector office activity, the rate of contraction was the most marked in the sixty-five month survey history.



Retail & leisure activity

compared with one month ago

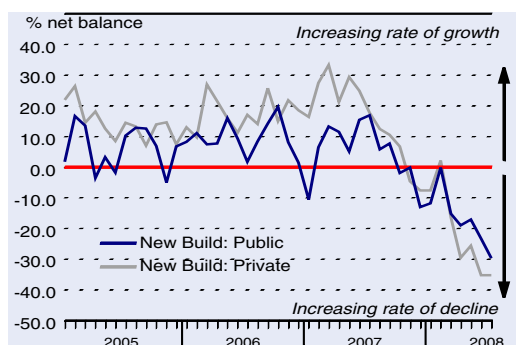
- Public and private sector retail & leisure activity both fell in July, with the latter recording the steeper rate of contraction.
- Latest data pointed to the sharpest reductions in public and private sector retail & leisure activity since both series began in March 2003.



New build activity

compared with one month ago

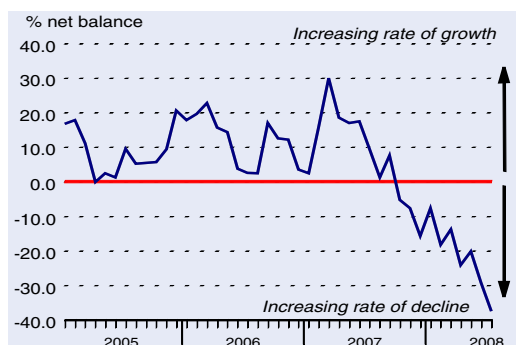
- Work on public sector new build projects declined for a fifth month running in July, and at the most marked pace in the near-six-and-a-half year survey history.
- The rate of decline in private sector new build remained rapid in July, and was unchanged since June's series record.



Industrial/warehouse activity

compared with one month ago

- Just over two-fifths of survey respondents reported a drop in industrial/warehouse activity in July, compared to only 4% that signalled a rise.
- At -31.3%, the resultant net balance was a new survey record low.

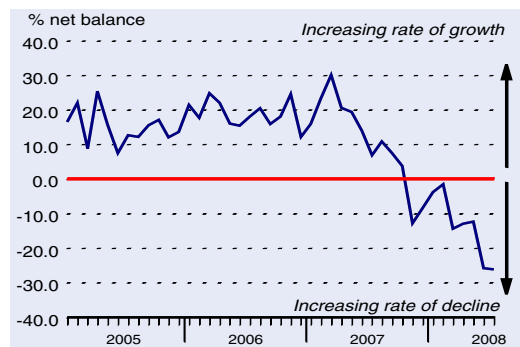


Commercial Development Activity

Refurbishment activity

compared with one month ago

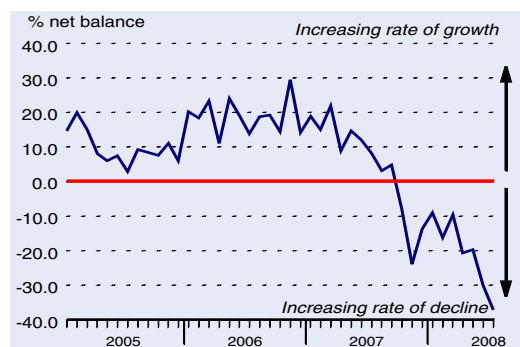
- Commercial developers indicated a ninth successive monthly reduction of refurbishment activity in July.
- More than three times as many respondents (38%) reported a drop in refurbishment activity as those that signalled a rise (12%).



Office fit-out activity

compared with one month ago

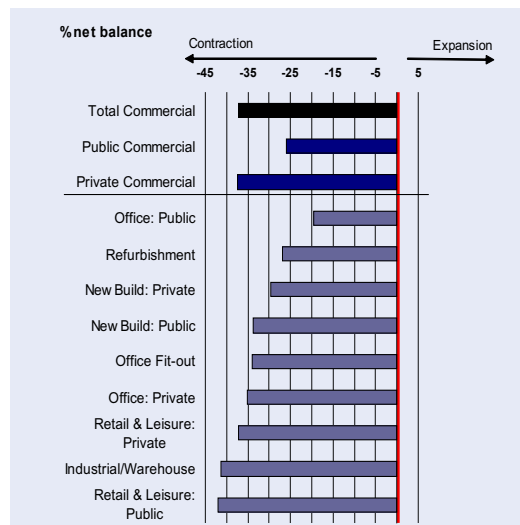
- Office fit-out activity declined sharply in July, with around two-fifths of panel members reporting a fall.
- The rate of decline in office fit-out activity quickened for a second month running and was the steepest in the survey history.



Summary of activity in July

tables of raw data on page 4

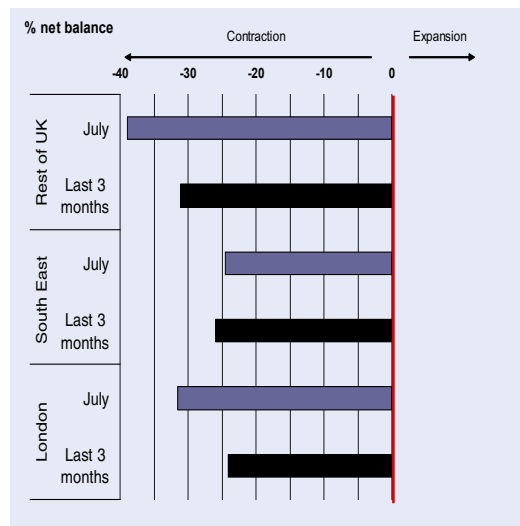
- In line with recent trends, lower levels of activity were recorded across all nine development areas covered by the survey.
- The sharpest falls in activity were in retail & leisure and industrial/warehouse development.
- The least marked declines were in work on public sector offices, followed by refurbishment projects.
- Measured overall, private sector development activity again fell at a steeper pace than public sector work.



Regional commercial activity

compared with one month ago

- July data signalled survey record declines in activity in both London and the 'Rest of the UK' (excluding the South East).
- Activity levels in the South East dropped markedly in July, but at a slower pace than the two other geographical regions monitored by the survey.
- The 'Rest of the UK' was the worst performing region in July, with almost half of the survey panel recording a drop in commercial development activity compared to one month previously.



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
2005	+13.3	+5.4	+17.8	+10.9	+14.7	+17.8	+16.8	+19.4	+15.5	+15.5
2006	+19.7	+8.8	+26.0	+24.2	+18.0	+20.2	+19.3	+23.3	+16.1	+18.6
2007	+10.1	+2.1	+14.6	+13.5	+6.7	+15.7	+5.7	+8.7	+2.3	+6.4
Feb'08	-6.0	-7.5	-5.1	-8.3	-6.9	-1.3	-7.7	-12.9	-6.3	-3.7
Mar	-16.4	-23.5	-12.6	+0.0	-28.8	-24.0	-19.6	-19.8	-20.0	-18.9
Apr	-20.8	-13.0	-25.3	-18.4	-12.7	-28.0	-32.0	-37.2	-34.2	-24.7
May	-19.7	-4.3	-27.5	-21.3	-22.6	-27.0	-30.1	-33.3	-30.8	-26.0
Jun	-32.4	-26.4	-35.8	-19.6	-30.5	-27.3	-41.1	-38.5	-43.4	-41.6
Jul	-33.8	-19.6	-42.1	-31.5	-24.6	-38.9	-36.9	-42.0	-32.5	-36.0

	Office		Retail & leisure		New build		Industrial/warehouse	Refurbishment	Office fit-out
	Public	Private	Public	Private	Public	Private			
2005	+1.2	+12.9	+0.7	+4.8	+6.3	+14.5	+8.9	+15.1	+9.8
2006	+5.3	+20.8	+4.0	+14.0	+9.5	+17.6	+12.2	+19.0	+18.9
2007	+0.4	+9.2	-4.8	+4.7	+4.8	+15.8	+7.7	+11.1	+5.2
Feb'08	-16.3	-15.7	-15.2	-7.2	+0.0	+2.3	-18.1	-1.4	-16.1
Mar	-23.4	-11.0	-18.6	-15.4	-15.1	-16.3	-13.6	-14.3	-9.5
Apr	-26.9	-32.9	-25.5	-24.4	-18.9	-29.4	-23.9	-12.9	-20.6
May	-19.0	-33.7	-17.1	-17.9	-17.0	-25.6	-20.0	-12.2	-19.7
Jun	-23.9	-35.6	-24.4	-31.6	-23.2	-35.1	-29.2	-25.7	-30.0
Jul	-26.9	-41.4	-34.1	-37.2	-29.6	-35.2	-37.3	-26.0	-37.1

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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