

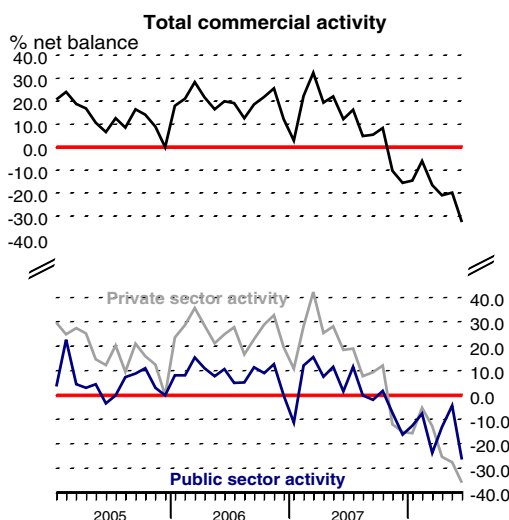
Commercial Development Activity

July 2008

Commercial development activity falls at the sharpest rate in over five years.

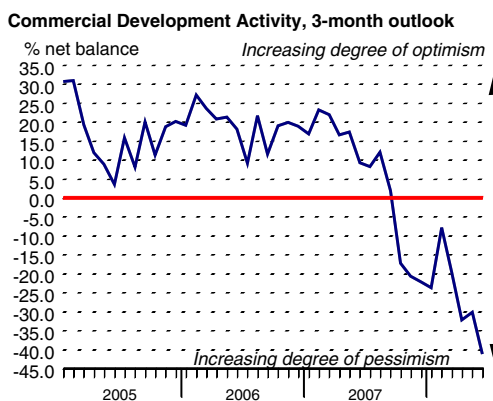
KEY FINDINGS

- Over five times as many commercial developers (40%) noted a reduction in total activity as those that reported a rise (7%) in June.
- The resultant net balance – the Total Commercial Development Activity Index – posted -32.4% in June, down from -19.7% one month earlier. The figure pointed to a sharp fall in commercial development activity and was the lowest reading in the survey history.
- Survey respondents signalled that deteriorating levels of demand, resulting from uncertainty and poor credit availability had caused June's steep decline in activity.



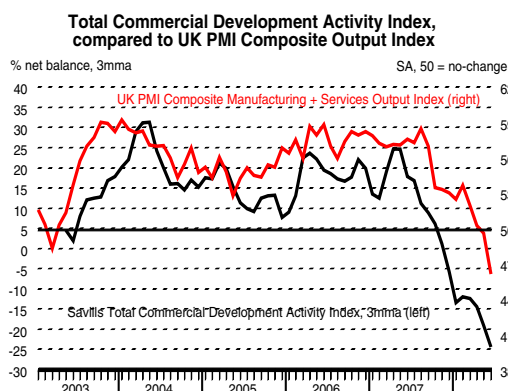
FUTURE EXPECTATIONS

- Companies in the UK commercial property sector were extremely pessimistic in June. Almost half of all respondents believed that their activity levels would decline over the coming three months, against under 8% that anticipated an increase.
- Although negative sentiment was broad-based across all sectors, it was most apparent in the Retail & Leisure sector which posted a net-balance of -43.4%.
- Panellists explained that the current unfavourable economic situation was the main basis for their pessimism. A number also reported that they lacked confidence in the government's ability to rectify the situation in the foreseeable future.



COMMERCIAL ACTIVITY & THE UK ECONOMY

- To the right is a comparison of the three-month trend in the survey's Total Commercial Development Activity Index against the UK PMI Composite Output Index, a monthly indicator of overall activity in the UK economy.
- The comparison indicates a close relationship between the performance of the UK commercial property sector and the wider economy over the past five years.
- The chart shows that the recent downturn in commercial development has been accompanied by a slowdown in the UK economy. June PMI figures indicated a drop in total UK private sector output for the second month in a row, and at an accelerated pace.

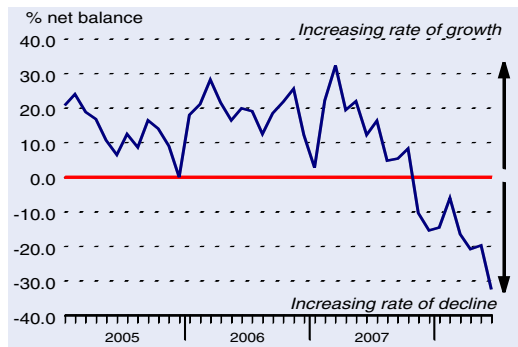


Commercial Development Activity

Total level of commercial activity

compared with one month ago

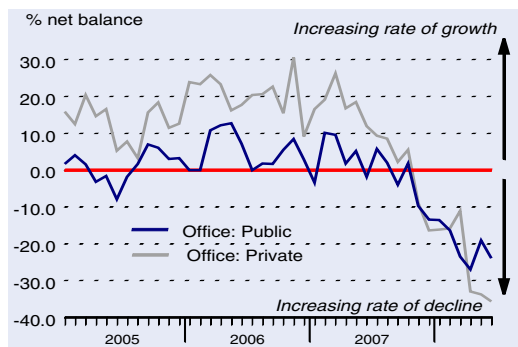
- June's sharp fall in total activity levels was driven by record declines in both public and private sector activity...
- ...with the drop in private commercial activity the steeper of the two.
- Poor tenant and purchaser demand caused by the credit crisis were given as the main reasons for the contraction.



Office activity

compared with one month ago

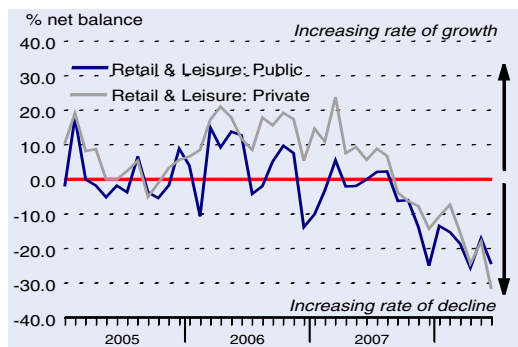
- There were considerable declines in office development in June as activity fell in both public and private sectors.
- At -35.6% in June, the rate of contraction in private sector office activity was the fastest in the survey history. The sector has now posted record rates of contraction for three months running.



Retail & leisure activity

compared with one month ago

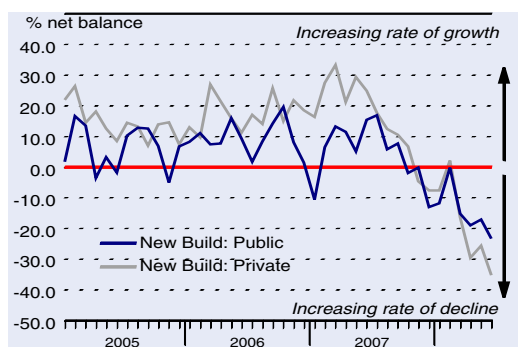
- Latest figures indicated lower levels of retail & leisure activity in private and public sectors during June, and both at more marked rates than in May.
- Private sector retail & leisure development contracted at a series record pace with a net balance of -31.6%.



New build activity

compared with one month ago

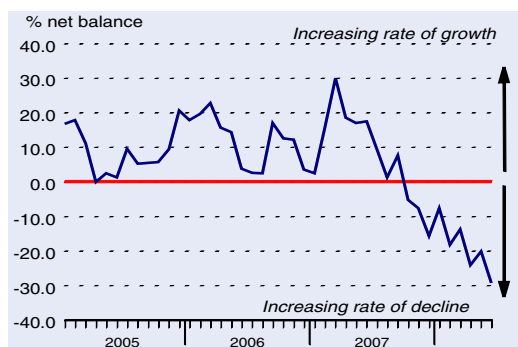
- Volumes of public and private sector new build activity both contracted for the fourth month in a row in June, and at the fastest rates since the survey began in March 2003.
- Again, new building work on private sector projects declined at a faster rate than work on public sector projects.



Industrial/warehouse activity

compared with one month ago

- At -29.2% in June, down from -20.0% in May, the net balance of companies reporting a fall in industrial/warehouse activity was the highest in survey history.
- Warehouse activity has now been contracting in each month since last October.

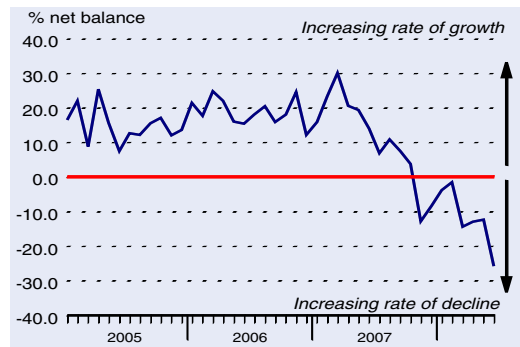


Commercial Development Activity

Refurbishment activity

compared with one month ago

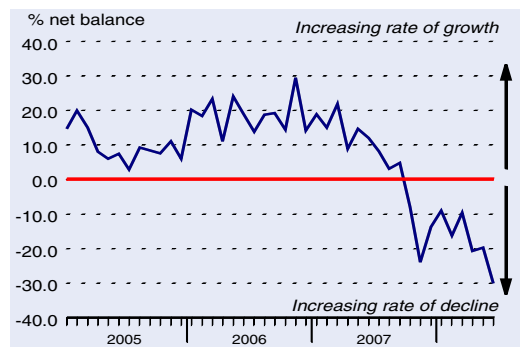
- Almost 34% of respondents signalled a decline in work on refurbishment projects in June, up more than 10% from May's reading.
- A net balance of -25.7%, down from -12.2% in May, suggested a sharp fall in work on refurbishment projects.



Office fit-out activity

compared with one month ago

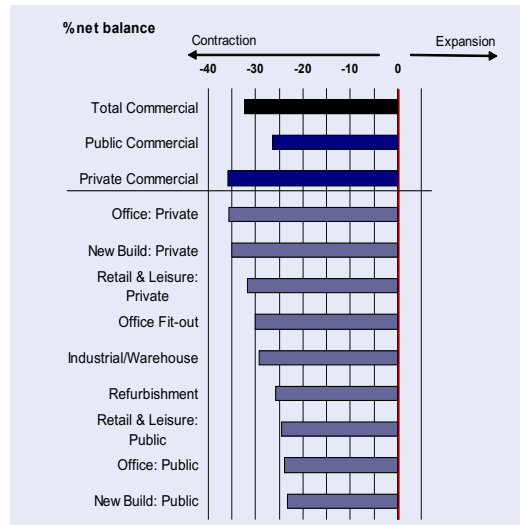
- The rate of contraction in office fit-out activity hit a survey high in June at -30.0%.
- For the first time since the survey began, no commercial property firms reported a rise in activity levels.



Summary of activity in June

tables of raw data on page 4

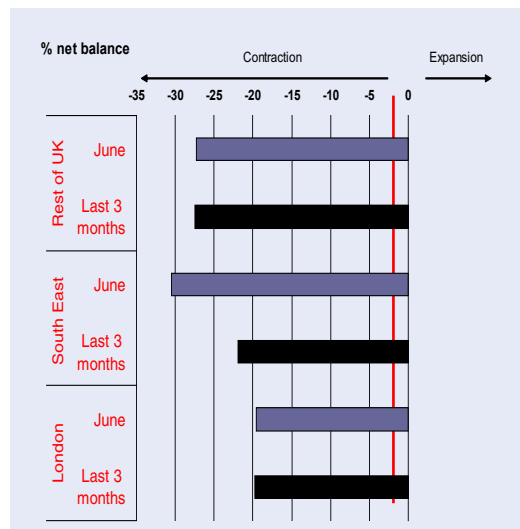
- For the fourth successive month, falling levels of activity were experienced across all nine surveyed areas of development.
- The steepest rates of decline were in private sector office activity, followed by private sector new build.
- The slowest rates of decline were registered in public sector new build and public sector office activity.
- Overall, June data indicated that private sector development fell at a much quicker rate than public sector activity.



Regional commercial activity

compared with one month ago

- Commercial development fell across all three UK regions monitored by the survey in June.
- The 'Rest of the South East' recorded the worst performance in overall activity.
- London again posted the slowest rate of contraction.
- The net balance of development in the 'Rest of the UK' (-27.3%) was only marginally worse than May's reading of -27.0%.



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
Jan'08	-14.5	-12.5	-15.5	-3.3	-9.2	-16.5	-23.6	-25.0	-25.9	-19.8
Feb	-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

	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
Jan'08	-13.5	-16.1	-13.5	-10.6	-11.8	-7.5	-7.5	-3.7	-9.0
Feb	-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

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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