

# Commercial Development Activity

## PRESS RELEASE

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

### KEY FINDINGS

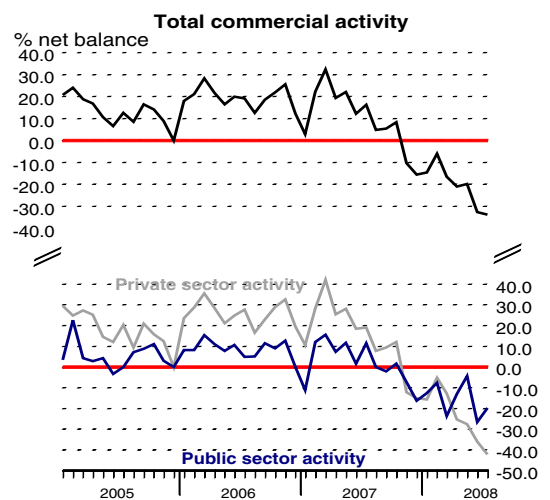
- In July, around 40% of commercial developers indicated a reduction in overall activity compared to one month earlier, while just 6.6% reported a rise.
- The resultant net balance – the Total Commercial Development Activity Index – fell to -33.8%, from -32.4% in June. July's reading was a new survey 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.

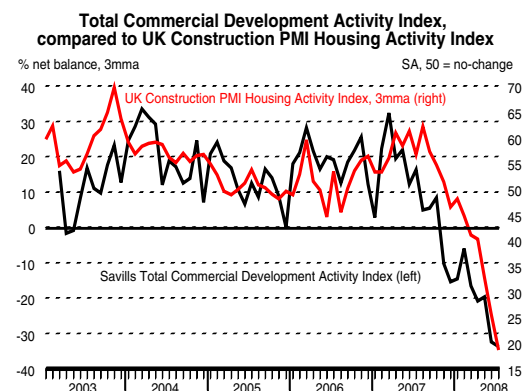
### COMMERCIAL ACTIVITY & THE UK ECONOMY

- 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.



Commenting on the July survey, Mat Oakley, head of Savills' Commercial Research department said:

*"Negativity continues to be rife amongst commercial property developers. While the slight easing in the degree of pessimism about the future might be a sign that the end of the current downturn may be in sight, we do not expect activity or confidence to improve dramatically until the credit squeeze starts to ease."*



# United Kingdom

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

### Sectors

	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

## PRESS INFORMATION

For further information or a copy of the report, please contact Victoria Cambridge, Press Officer, Savills Commercial Ltd:

- Direct Phone: +44 (0) 20 7409 8940, Direct Fax: +44 (0) 20 7495 3773, Email: [vcambridge@savills.com](mailto:vcambridge@savills.com)

### 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](mailto:mpillow@savills.com)  
Mat Oakley  
Head of Commercial Research  
t. +44 (0) 20 7409 8781  
e. [m.oakley@savills.com](mailto:m.oakley@savills.com)  
[www.savills.co.uk](http://www.savills.co.uk)

Markit Economics  
Henley on Thames  
Oxon RG9 1EL, UK  
t. +44 (0) 1491 418 700  
e. [e.economics@markit.com](mailto:e.economics@markit.com)  
[www.markit.com](http://www.markit.com)

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