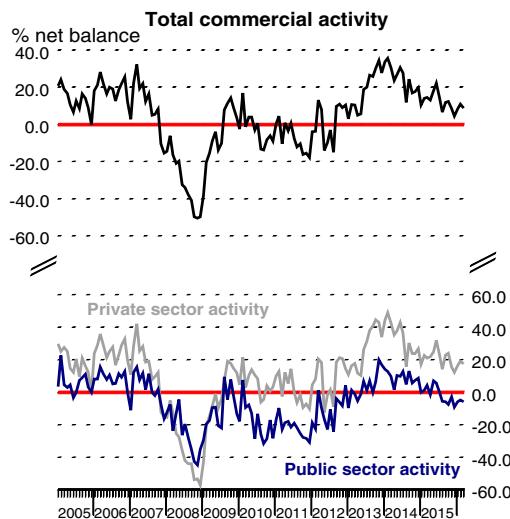


# UK commercial activity rises at slower, but marked pace

April 2016

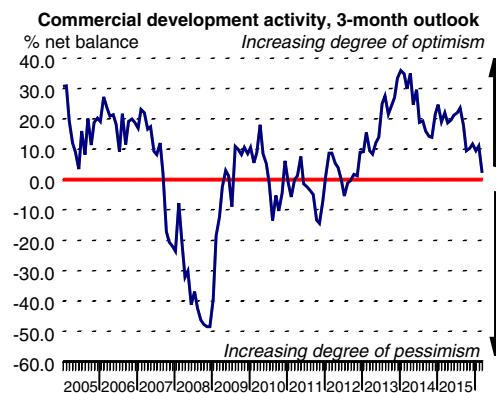
## KEY FINDINGS

- Down from February's four-month high of +11.0% to +8.9% in March, the headline Total Commercial Development Activity Index – a net balance monitoring the overall performance of the UK commercial property sector – pointed to a weaker, although still marked, rate of growth.
- The slowdown reflected a faster downturn in public work as well as a weaker increase in private activity. The respective net balances were at -5.7% and +17.4%.
- As was the case in February, six of the nine monitored categories recorded growth in March, the exceptions being public office, public retail & leisure and public new build.



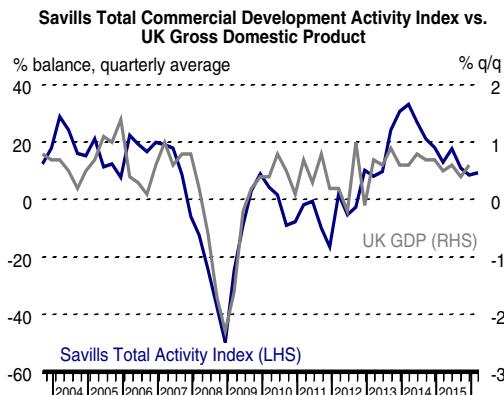
## FUTURE EXPECTATIONS

- Although commercial developers across the UK still expect activity to expand in the coming three months, the level of confidence waned in March.
- The net balance dipped from +11.1% to a 40-month low of +2.3%.
- Survey evidence suggested that sentiment was hampered by fears around the Brexit-vote outcome.



## COMMERCIAL ACTIVITY AND UK ECONOMY

- The chart to the right shows a three-month average of the Savills Total Activity Index against UK GDP data.
- The net balance measured by the Savills survey averaged +9.4% in Q1, up marginally from +8.5% in the final quarter of 2015.
- This indicates that in the opening quarter of 2016, the commercial property sector is likely to have contributed to GVA to a greater extent than in 2015 Q4.

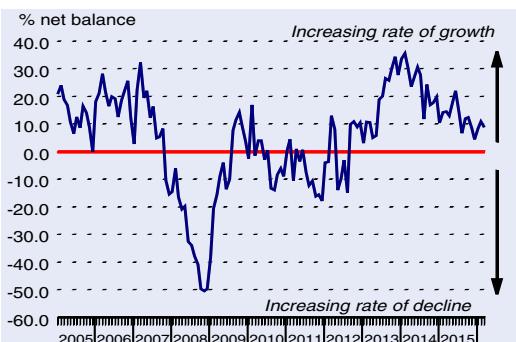


## Commercial Development Activity

### Total level of commercial activity

compared with one month ago

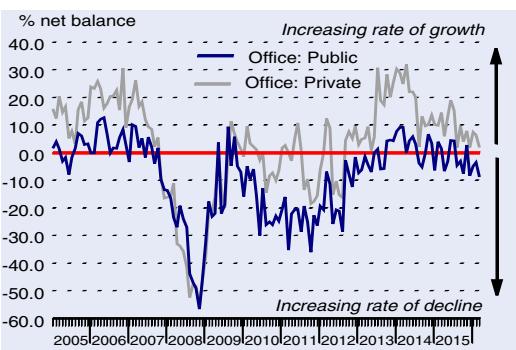
- March data pointed to a forty-third successive monthly rise in UK commercial activity. This was indicated by the net balance recording +8.9%.
- However, the rate of expansion eased since February, weighed on by both a sharper downturn in public work and weaker growth of private projects.



### Office activity

compared with one month ago

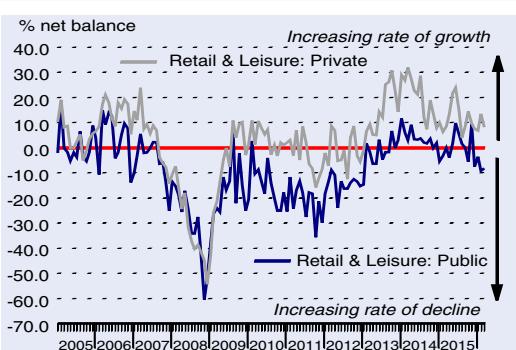
- Public office projects declined for the fourth straight month in March, and at a quicker pace. The respective net balance dropped from -3.4% to a 40-month low of -8.7%.
- Growth of private office work eased to the joint-slowest since May 2013. The net balance was down from +6.5% to +1.9%.



### Retail & leisure activity

compared with one month ago

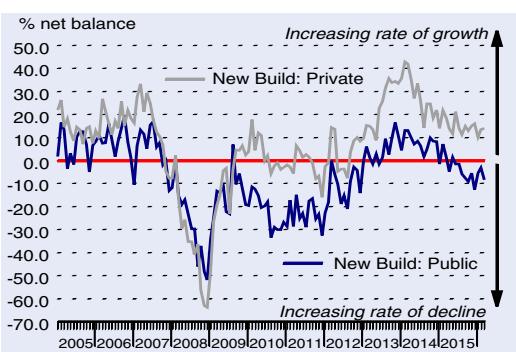
- Public retail & leisure work continued to fall in March, thereby extending the current sequence of contraction to four months. Although weaker than in February, the pace of contraction remained marked.
- Private retail & leisure activity rose for the thirty-eighth successive month, but at a softer rate.



### New build activity

compared with one month ago

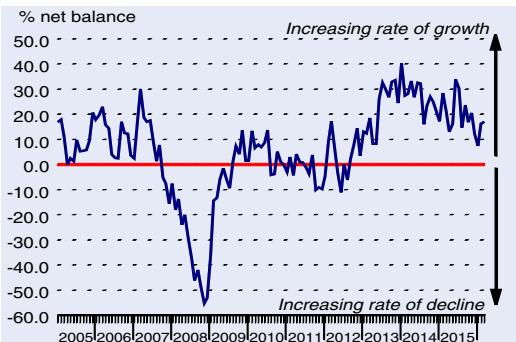
- March data highlighted a forty-third consecutive monthly rise in private new build activity. Accelerating since February, the rate of growth was robust.
- Conversely, public new build projects declined further, with the rate of reduction being the quickest in three months.



### Industrial/warehouse activity

compared with one month ago

- The net balance for industrial/warehouse activity climbed to a four-month high of +17.0% in March.
- This latest reading was consistent with a sharp rate of expansion that was the strongest among the nine tracked categories.

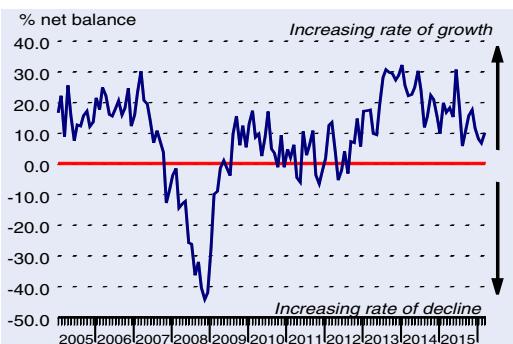


## Commercial Development Activity

### Refurbishment activity

compared with one month ago

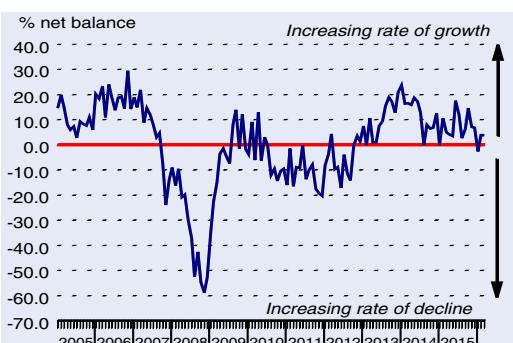
- Refurbishment activity in the UK rose again in March, marking a 43-month sequence of expansion.
- Furthermore, the rate of growth was solid and the strongest in 2016 so far. The net balance was at +10.2%.



### Office fit-out activity

compared with one month ago

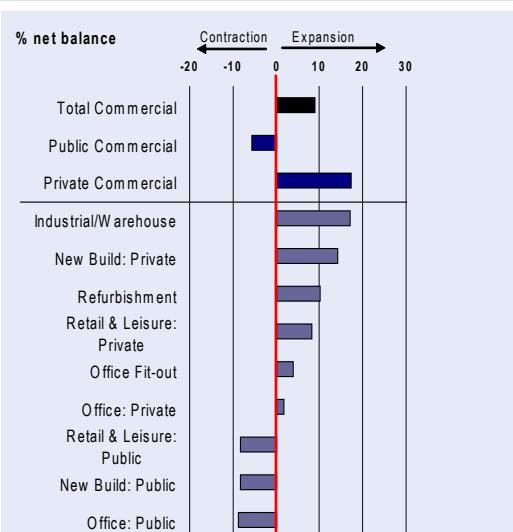
- Growth of office fit-out projects was sustained in March.
- The net balance was unchanged from February's +3.9%, which pointed to a slight pace of expansion overall.



### Summary of activity in March

tables of data on page 4

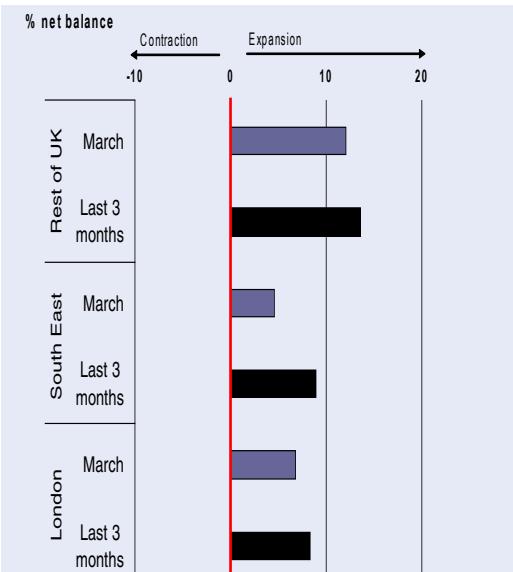
- Growth of UK commercial activity softened in March, weighed on by a sharper downturn in public work and a softer increase in private projects.
- As was the case in February, six of the nine monitored categories saw increases.
- The exceptions were, again, public office, public retail & leisure and public new build.
- Industrial/warehouse activity saw the strongest upturn for the second straight month. Growth in this category was the quickest since last November.



### Regional commercial activity

compared with one month ago

- Commercial activity increased in all three monitored UK regions during March.
- That said, rates of expansion eased and were below their respective three-month averages in all cases.
- The strongest increase was noted in the 'Rest of UK' and the slowest in the South East.
- The net balances for London, the South East and the 'Rest of UK' were at +6.8%, +4.6% and +12.1% respectively.



**savills**

## 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 |       |
| 2013   | +18.3  | +3.5    | +27.0   | +24.1                  | +24.2          | +25.4        | +19.0  | +14.4            | +18.4                | +24.1 |
| 2014   | +25.0  | +9.2    | +34.1   | +21.2                  | +28.5          | +30.3        | +24.6  | +20.5            | +23.3                | +29.7 |
| 2015   | +12.6  | -1.2    | +20.9   | +13.3                  | +20.8          | +18.3        | +18.4  | +13.9            | +16.1                | +25.0 |
| Oct'15 | +12.5  | -7.5    | +23.9   | +15.9                  | +19.4          | +20.0        | +9.5   | +4.3             | +6.5                 | +17.3 |
| Nov    | +8.7   | -2.7    | +15.4   | +13.3                  | +21.7          | +16.5        | +10.4  | +4.8             | +7.1                 | +19.0 |
| Dec    | +4.5   | -9.2    | +12.3   | +14.3                  | +25.0          | +6.6         | +11.8  | +7.9             | +11.0                | +16.3 |
| Jan'16 | +8.4   | -5.9    | +16.4   | +3.8                   | +12.1          | +9.5         | +9.5   | +2.9             | +12.9                | +12.7 |
| Feb    | +11.0  | -4.8    | +19.2   | +14.3                  | +10.0          | +19.1        | +11.1  | +4.0             | +8.0                 | +21.6 |
| Mar    | +8.9   | -5.7    | +17.4   | +6.8                   | +4.6           | +12.1        | +2.3   | +1.0             | -1.0                 | +6.7  |

### Sectors

|        | Office |         | Retail & leisure |         | New build |         | Industrial/warehouse | Refurbishment | Office fit-out |
|--------|--------|---------|------------------|---------|-----------|---------|----------------------|---------------|----------------|
|        | Public | Private | Public           | Private | Public    | Private |                      |               |                |
| 2013   | -1.9   | +14.2   | -1.8             | +14.3   | +4.9      | +23.4   | +22.3                | +22.2         | +10.3          |
| 2014   | +3.4   | +19.1   | +4.2             | +20.7   | +8.1      | +28.9   | +27.8                | +22.4         | +13.0          |
| 2015   | -1.8   | +9.5    | +0.2             | +12.0   | -3.3      | +15.5   | +20.7                | +16.0         | +7.6           |
| Oct'15 | -7.6   | +4.0    | -5.5             | +14.4   | -9.1      | +13.1   | +16.8                | +15.7         | +14.7          |
| Nov    | +2.9   | +8.0    | +9.4             | +9.8    | -5.5      | +15.2   | +20.6                | +17.7         | +7.3           |
| Dec    | -8.2   | +2.0    | -7.4             | +7.6    | -12.7     | +16.0   | +12.2                | +11.8         | +6.8           |
| Jan'16 | -4.8   | +7.5    | -3.5             | +6.9    | -5.5      | +10.3   | +7.5                 | +8.2          | -2.5           |
| Feb    | -3.4   | +6.5    | -9.1             | +13.6   | -3.1      | +13.6   | +16.3                | +6.9          | +3.9           |
| Mar    | -8.7   | +1.9    | -8.2             | +8.2    | -8.2      | +14.2   | +17.0                | +10.2         | +3.9           |

### 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 over 30 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.

### Contacts

Savills  
Simon Collett  
Head of Building & Project Consultancy  
+44 (0) 20 7409 5951  
scollett@savills.com

Kevin Mofid  
Research Director  
t. +44 (0) 203 618 3612  
KMofid@savills.com  
www.savills.co.uk

Markit Economics  
Henley on Thames  
Oxon RG9 1HG, UK  
t. +44 (0) 1491 461 000  
economics@markit.com

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