

The most up-to-date indicator of activity and intentions in commercial property

PMI

Report on:

Commercial Development Activity



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The UK Commercial Development PMI® is researched and produced by NTC Research on behalf of Savills.

The report provides the first indication each month of business conditions in the commercial property sector, based on original data collected from executives operating in over 200 companies within the commercial sector on development and construction.

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June data signalled a sharp rise in UK commercial development activity.

The Savills Commercial Development PMI® signalled a sharp expansion of total activity in the UK commercial property sector in June. The overall rise in activity was supported by further increases in work on both public and private sector projects. Growth in public and private sector development was above the survey's long-run average and was stronger than in May.

Commercial construction firms reported higher levels of activity in all nine broad areas of development monitored in June, with the sharpest rise recorded for office fit-out activity.

Robust and broad-based growth across the sector in June contributed to a strong degree of confidence regarding the three-month outlook. Panellists were optimistic that work on new projects would lead to higher levels of activity through Q3.

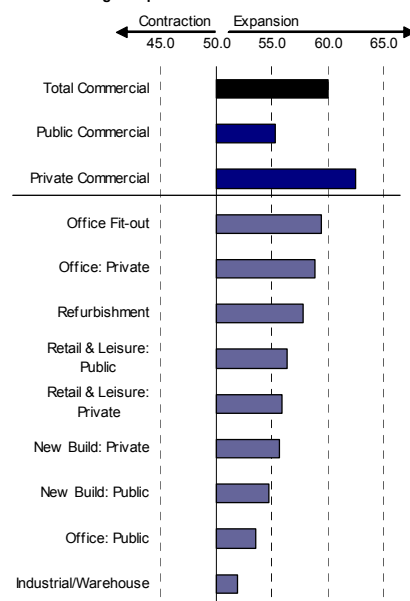
This report contains the latest data from the Savills PMI survey of business conditions in the commercial property sector. The survey is based on monthly questionnaires completed by executives across the commercial property sector, covers all broad areas of activity, and provides very timely information of the "production-side" of the sector – the development market.

Key findings for June 2006:

- At 60.0 in June, up from 58.3 in May, the **Total Commercial Activity Index** signalled a sharp and accelerated increase in activity in the UK commercial property sector. Around 29% of panel members reported an expansion of activity in June, compared to less than 9% that indicated a decline.
- June data signalled an upturn in both public and private sector construction activity, with the latter continuing to register the sharper rate of growth in the latest survey period.
- Higher levels of commercial development activity were reported across the UK. Growth in London increased at its sharpest pace for twenty-seven months and was the strongest of the three regions monitored by the survey.
- The latest expansion of activity was broad-based across the nine areas of commercial development that were monitored. Panellists reported the strongest rates of growth in office fit-out, private sector office and refurbishment activity. In contrast, the latest rise in industrial/warehouse development was the least marked since June 2005 (and the weakest of the nine areas of development activity).
- Commercial development firms remained highly optimistic that their activity would rise over the coming three months. Business confidence was broad-based across the UK commercial property sector and was strongest for future office construction activity.
- Anecdotal evidence suggested that the start of new commercial development projects would contribute to a marked rise in business activity. Some firms also noted that market conditions would remain favourable and lead to higher levels of new activity in the sector.

Sectors ranked by growth in June

50.0 = no change on previous month



Note: Data are presented as diffusion indexes, where a reading above 50.0 signals expansion and a reading below 50.0 signals contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

Commercial Development PMI

Commercial construction companies reported a sharp increase in total activity in June.

The latest rise in overall activity was supported by further expansion of work on public and private sector projects.

Growth in both areas of development activity was stronger than its respective long-run average in June.

Higher levels of public sector office activity were reported for a fourth successive month in June, although the rate of growth eased from May's recent high.

Panel members indicated a further robust expansion of private sector office development.

Robust rises in public and private sector retail & leisure activity were signalled in June...

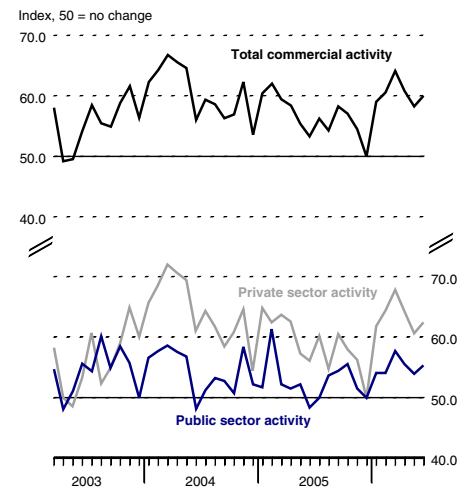
...with public sector activity showing stronger growth than the private sector for the first time in 2006 to date.

Commercial developers pointed to further increases in public and private sector new build activity.

However, growth in both areas of new build activity was less marked than in the previous month.

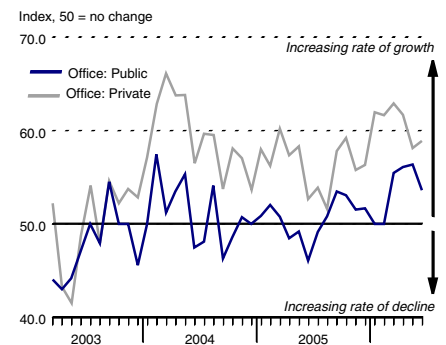
Total level of commercial activity compared with one month ago

		Higher %	Same %	Lower %	Net +/- %	Index
Total	F'06	27.3	66.7	6.1	+21.2	60.6
	M	33.3	61.6	5.0	+28.3	64.2
	A	26.1	69.6	4.3	+21.7	60.9
	M	27.6	61.4	11.0	+16.6	58.3
	J	28.8	62.5	8.8	+20.0	60.0
Public	F'06	14.8	78.7	6.6	+8.2	54.1
	M	19.0	77.6	3.4	+15.5	57.8
	A	14.8	81.5	3.7	+11.1	55.6
	M	15.7	76.5	7.8	+7.8	53.9
	J	17.9	75.0	7.1	+10.7	55.4
Private	F'06	34.6	59.6	5.8	+28.8	64.4
	M	41.6	52.5	5.9	+35.6	67.8
	A	33.3	61.9	4.8	+28.6	64.3
	M	34.0	53.2	12.8	+21.3	60.6
	J	34.6	55.8	9.6	+25.0	62.5



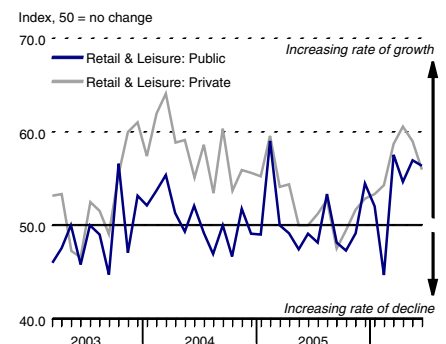
Office activity compared with one month ago

		Higher %	Same %	Lower %	Net +/- %	Index
Public	F'06	5.7	88.7	5.7	+0.0	50.0
	M	16.4	78.2	5.5	+10.9	55.5
	A	14.3	83.7	2.0	+12.2	56.1
	M	19.1	74.5	6.4	+12.8	56.4
	J	14.5	78.2	7.3	+7.3	53.6
Private	F'06	28.9	65.6	5.6	+23.3	61.7
	M	31.5	62.9	5.6	+25.8	62.9
	A	32.5	58.4	9.1	+23.4	61.7
	M	26.7	62.8	10.5	+16.3	58.1
	J	28.9	60.0	11.1	+17.8	58.9



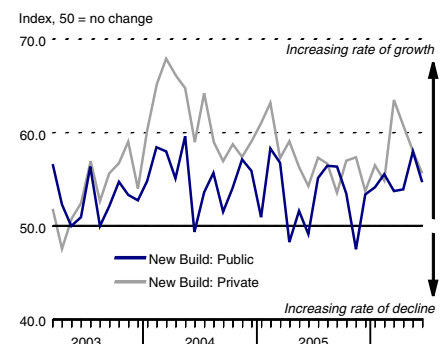
Retail & leisure activity compared with one month ago

		Higher %	Same %	Lower %	Net +/- %	Index
Public	F'06	2.1	85.1	12.8	-10.6	44.7
	M	18.9	77.4	3.8	+15.1	57.5
	A	11.6	86.0	2.3	+9.3	54.7
	M	14.0	86.0	0.0	+14.0	57.0
	J	21.3	70.2	8.5	+12.8	56.4
Private	F'06	16.0	76.5	7.4	+8.6	54.3
	M	23.3	70.9	5.8	+17.4	58.7
	A	25.4	70.4	4.2	+21.1	60.6
	M	26.9	64.1	9.0	+17.9	59.0
	J	22.6	66.7	10.7	+11.9	56.0



New build activity compared with one month ago

		Higher %	Same %	Lower %	Net +/- %	Index
Public	F'06	16.7	77.8	5.6	+11.1	55.6
	M	17.0	73.6	9.4	+7.5	53.8
	A	13.7	80.4	5.9	+7.8	53.9
	M	20.0	76.0	4.0	+16.0	58.0
	J	22.6	64.2	13.2	+9.4	54.7
Private	F'06	19.6	70.7	9.8	+9.8	54.9
	M	32.6	61.8	5.6	+27.0	63.5
	A	28.4	64.9	6.8	+21.6	60.8
	M	26.4	63.2	10.3	+16.1	58.0
	J	24.7	61.9	13.4	+11.3	55.7



Expansion of industrial/warehouse activity eased to a twelve-month low in June, and was below the survey's long-run average.

Panellists reported a further robust rise in refurbishment activity in June, albeit at the least marked pace in 2006 to date.

Nevertheless, three times as many respondents indicated a rise in activity as reported a decline.

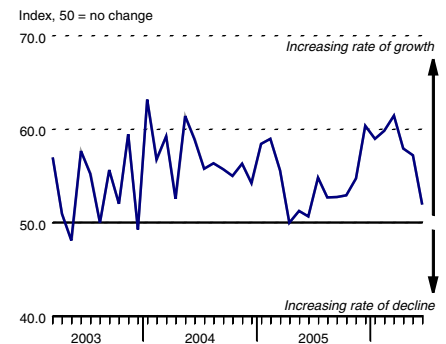
Growth of office fit-out activity eased slightly in June, after registering a survey high in May, but remained well above its long-run average.

Commercial developers reported that office fit-out was the best-performing area of activity in June.

In line with recent trends, panel members signalled higher levels of activity in all nine broad areas of commercial development monitored in June.

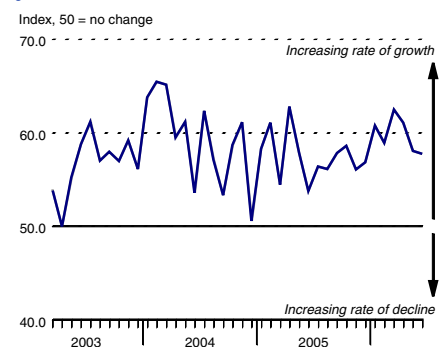
Industrial/warehouse activity compared with one month ago

		Higher %	Same %	Lower %	Net +/- %	Index
Total	O'05	22.4	61.2	16.5	+5.9	52.9
	N	21.4	66.7	11.9	+9.5	54.8
	D	27.3	66.2	6.5	+20.8	60.4
	J'06	20.5	76.9	2.6	+17.9	59.0
	F	26.3	67.1	6.6	+19.7	59.9
	M	31.1	60.8	8.1	+23.0	61.5
	A	22.2	71.4	6.3	+15.9	57.9
	M	21.7	71.0	7.2	+14.5	57.2
	J	17.1	69.7	13.2	+3.9	52.0



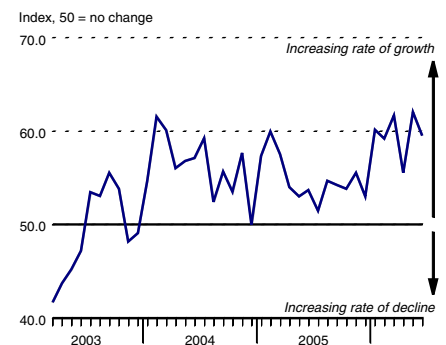
Refurbishment activity compared with one month ago

		Higher %	Same %	Lower %	Net +/- %	Index
Total	O'05	28.7	59.8	11.5	+17.2	58.6
	N	24.4	63.3	12.2	+12.2	56.1
	D	22.5	68.8	8.8	+13.8	56.9
	J'06	26.1	69.3	4.5	+21.6	60.8
	F	25.0	67.9	7.1	+17.9	58.9
	M	29.2	66.7	4.2	+25.0	62.5
	A	27.0	68.3	4.8	+22.2	61.1
	M	24.3	67.6	8.1	+16.2	58.1
	J	23.4	68.8	7.8	+15.6	57.8



Office fit-out activity compared with one month ago

		Higher %	Same %	Lower %	Net +/- %	Index
Total	O'05	21.5	64.6	13.8	+7.7	53.8
	N	22.2	66.7	11.1	+11.1	55.6
	D	16.7	72.7	10.6	+6.1	53.0
	J'06	23.2	73.9	2.9	+20.3	60.1
	F	23.1	72.3	4.6	+18.5	59.2
	M	28.1	67.2	4.7	+23.4	61.7
	A	20.4	70.4	9.3	+11.1	55.6
	M	32.8	58.6	8.6	+24.1	62.1
	J	25.4	68.3	6.3	+19.0	59.5



Summary of activity

The following table shows the diffusion indexes values for the current month as well as averages of the indexes for the latest three months and the year-to-date.

	Latest month		Latest three months		Latest twelve months	
	Index	Rank	Index	Rank	Index	Rank
Total Commercial	60.0		59.7		57.8	
Public Commercial	55.4		54.9		53.8	
Private Commercial	62.5		62.5		60.1	
Office Fit-out	59.5	1	59.0	2	56.8	4
Office: Private	58.9	2	59.6	1	58.3	2
Refurbishment	57.8	3	59.0	3	58.4	1
Retail & Leisure: Public	56.4	4	56.0	6	51.9	9
Retail & Leisure: Private	56.0	5	58.5	4	53.9	7
New Build: Private	55.7	6	58.2	5	57.1	3
New Build: Public	54.7	7	55.5	8	54.4	6
Office: Public	53.6	8	55.4	9	52.6	8
Industrial/Warehouse	52.0	9	55.7	7	56.3	5

Commercial Development PMI

Panel members were optimistic that business activity would rise in all three broad areas of development monitored in June.

Business confidence was the strongest for office construction activity in the next three months.

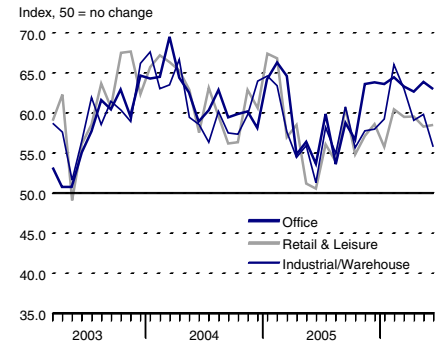
Anecdotal evidence suggested that the start of new construction projects would lead to higher levels of business activity in Q3.

Commercial developers reported increased activity throughout the UK in June.

London was the best-performing UK region in June, and the rate of growth accelerated to a twenty-seven month high.

Expected activity in three months' time

	Higher %	Same %	Lower %	Net +/-%	Index
Office construction					
F'06	32.5	63.9	3.6	+28.9	64.5
M	34.7	57.3	8.0	+26.7	63.3
A	31.0	63.4	5.6	+25.4	62.7
M	37.5	52.8	9.7	+27.8	63.9
J	37.0	52.1	11.0	+26.0	63.0
Retail & leisure					
F'06	27.9	65.1	7.0	+20.9	60.5
M	23.8	71.4	4.8	+19.0	59.5
A	26.0	67.1	6.8	+19.2	59.6
M	26.4	63.9	9.7	+16.7	58.3
J	28.0	61.0	11.0	+17.1	58.5
Industrial/warehouse					
F'06	36.9	58.3	4.8	+32.1	66.1
M	29.9	66.2	3.9	+26.0	63.0
A	24.2	69.7	6.1	+18.2	59.1
M	27.3	65.2	7.6	+19.7	59.8
J	24.6	62.3	13.0	+11.6	55.8

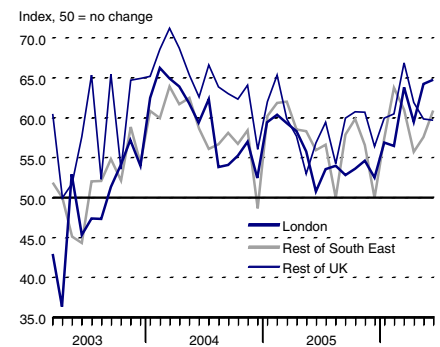


Longer-run averages

	Latest 3 months	Year-to-date
Office	63.2	61.5
Retail & Leisure	58.8	57.8
Industrial/Warehouse	58.2	59.0

Regional commercial activity compared with one month ago

	Higher %	Same %	Lower %	Net +/-%	Index
London					
F'06	20.4	72.2	7.4	+13.0	56.5
M	34.0	59.6	6.4	+27.7	63.8
A	28.6	61.9	9.5	+19.0	59.5
M	30.6	67.3	2.0	+28.6	64.3
J	37.0	55.6	7.4	+29.6	64.8
Rest of South East					
F'06	31.9	63.8	4.3	+27.5	63.8
M	27.1	67.8	5.1	+22.0	61.0
A	21.2	69.2	9.6	+11.5	55.8
M	25.4	64.4	10.2	+15.3	57.6
J	31.3	59.4	9.4	+21.9	60.9
Rest of UK					
F'06	31.6	57.9	10.5	+21.1	60.5
M	41.9	50.0	8.1	+33.8	66.9
A	29.9	64.2	6.0	+23.9	61.9
M	31.0	57.7	11.3	+19.7	59.9
J	29.9	59.7	10.4	+19.5	59.7



Longer-run averages

	Latest 3 months	Year-to-date
London	62.9	57.3
South East	58.1	57.3
Rest of UK	60.5	60.1

About the report

The Savills Commercial Development Activity PMI report provides original data derived from a monthly questionnaire survey based on a panel of members comprising leading developers and contractors. The survey is conducted by NTC Research on behalf of Savills.

The results are presented by question asked, showing the percentage of respondents reporting an improvement, deterioration or no-change since the previous month. From these percentages, an index is derived such that a level of 50.0 signals no-change since the previous month. Above 50.0 signals an increase (or improvement), below 50.0 a decrease (or deterioration). The greater the divergence from 50.0, the greater the rate of change signalled.

Savills

Savills Building Consultancy who are the sponsors of the research are active in providing development and construction advice throughout the UK. The team focus on commercial property primarily within the office, retail and industrial sectors. Specific services include due diligence, development monitoring

and management, relocation and fitting out, project management and related professional services. Savills is the trading company for commercial property services and a subsidiary of Savills plc, a leading international property services company. The company undertakes a full range of services including Agency, Investment, Valuation, Planning, Rating, Landlord & Tenant as well as Property Management.

NTC Research

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