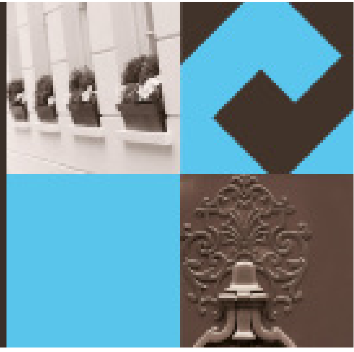
TURNBULL

MONTHLY MARKET BULLETIN

AUGUST 2011



ALL ABOUT TURNBULL

"The Turnbull partnership is a proudly independent firm, headed by Johnny Turnbull, one of the most respected buying advisors in both the London market and international markets. Turnbull sets the standard for the acquisition of exceptional property in Prime Central London as well as principal destinations anywhere in the world, and acts solely for Private Clients. Our select team combines their resources,contacts and broad experience with an unsurpassed expertise and knowledge of the market, to ensure we meet the highly personal and exacting needs of each client".

With news that the average UK house price is unlikely to return to peak levels until 2020 and even price growth in Central London beginning to slow, a strong rental market is bucking the trend. Volatile economic conditions have supported this as the appetite for investment property increased.

The uncertainty and stagnation which currently surrounds the UK housing market is having the opposite effect on the national rental market. Although the availability of mortgage finance has been increasing slightly since mid-2009, continued lending restrictions along with the high level of deposits that are required are still limiting the ability to buy, particularly for first time buyers. This has resulted in an increased demand for rental properties. Coupled with highly restricted stock levels in the lettings market, rents continue to rise with the RICS reporting an increase in values in all regions in the three months to April in their latest lettings survey. Furthermore, the property search portal findaproperty.com reported that rents across the UK rose by 4.7% in the year to March 2011.

Not only has demand for properties increased but there is also an increased appetite for buying property as an investment. In its latest Credit Conditions Survey, the Bank of England highlighted that buy-to-let lending was markedly higher.

The rental market is particularly strong in London, most notably in central London where the imbalance between supply and demand is most acute. The latest ARLA research reported that during Q2 2011 three quarters (74%) of members reported that there were more prospective tenants than properties available across the UK. In Central London this figure was 82%.

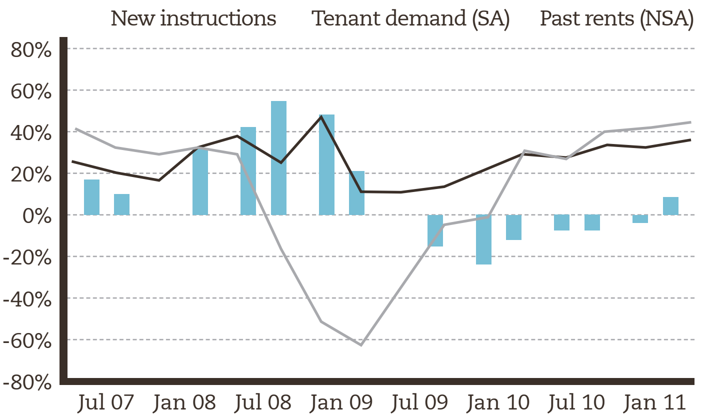
In a similar vein to the sales market, the RICS also highlight the growing disparity in the rental market between London and the rest of the country with rents in London and the South East accelerating at a greater pace than across the rest of the UK. Expectations for future rental growth are also strongest in London.

London is currently experiencing high levels of competition for properties from those who can't or don't want to buy as well as increased corporate and international demand. In contrast supply levels are especially low, being further impacted by the high numbers of tenants choosing to renew their leases. As such we have seen an overall increase of 5.6% in rental values in Central London in the first 6 months of 2011. Rental growth for flats has been strongest, rising by 6.9% in the first half of the year.

The rebound in the rental market means that rental values are now 29% higher than they were at the bottom of the market in mid-2009 with properties in Central London achieving an average £863 per week in the first half of 2011. With little to suggest any signficant increase in supply in the short-term, further rises in rental values look likely over the remainder of 2011 and into 2012.

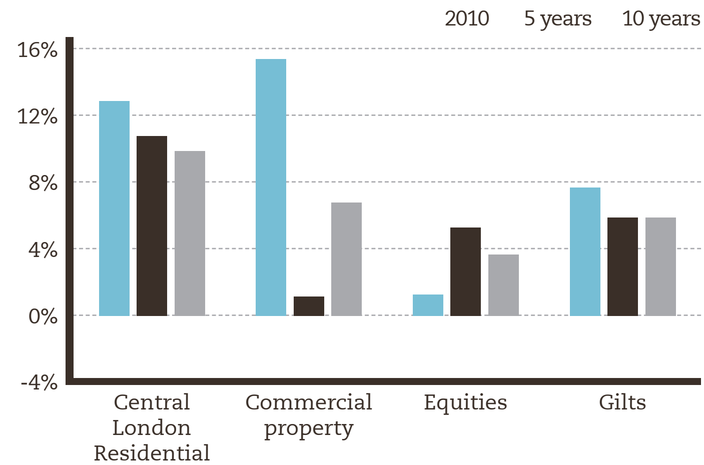
This will be good news for investors looking to expand their portfolios. According to the latest ARLA landlords survey, 32% of landlords in Central London expect to buy more properties to rent in the next 12 months, the highest proportion of all the regions. It is the long-term attractiveness of London for residential investment however which is most appealing to investors, both overseas and domestic alike. The IPD reports that returns for residential property in Central London over the past 10 years have been 9.4%, outperforming those achieved for commercial property and other asset classes.

SUPPLY AND DEMAND IN THE RENTAL MARKET (RICS - LONDON)



Source: RICS

RESIDENTIAL PROPERTY REMAINS GOOD LONG TERM INVESTMENT



Source: IPD

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While economic uncertainties prevail across the globe, the search for safe havens will escalate. Will prime London property continue to be viewed as a core investment for international wealth?

We have highlighted in previous newsletters the attraction of London for international wealth and the resultant strength in the prime property market. Since the trough of the market, average values in Kensington & Chelsea have increased by 31%, compared to 6% in England and Wales as a whole.

The beginning of the month saw global equity markets suffer their worst week since the depths of the financial crisis as Standard & Poors downgraded the US for the first time and economic conditions across Europe continued to weaken. Although economic news in the UK is not all rosy with GDP growth slowing in the second quarter, The Chancellor recently described the country as a 'safe haven in a storm'. As the various economic crises unfold it will be very interesting to see whether or not wealth continues to flow into London property.

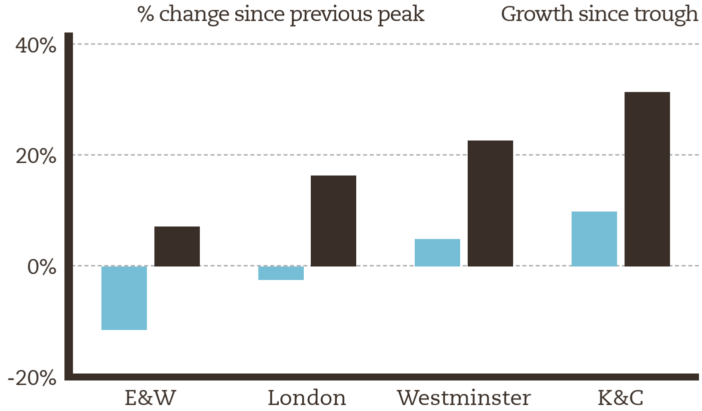
Looking at the nation as a whole, current indications are that the housing market is flat. The RICS survey for June showed little change in activity levels nationally, with low levels of demand and sellers holding off from putting their properties on the market. With London as a notable exception, the last months have seen relatively small movements in average values recorded, with prices drifting down modestly. Although supply has been increasing, transactions are still subdued and Rightmove recently highlighted that 70% of property marketed so far in 2011 is still on the market. The housing market remains more favourable to those with reasonable amounts of equity.

LATEST ANNUAL GROWTH IN AVERAGE SALES VALUES

England & Wales	London	Westminster	Kensington & Chelsea
-2.5%	0.7%	3.3%	6.6%

Source: Land Registry

CENTRAL LONDON SIGNIFICANTLY OUTPERFORMING



Source: Landreg/Dataloft

Slow road to recovery for UK house prices?

In their latest UK Economic Outlook report, Pricewaterhouse Coopers set out their outlook for UK house prices. Given subdued real disposable income growth and credit constraints for first time buyers they believe that the housing market across the UK will remain weak for a number of years and is unlikely to return to its 2007 peak before 2020.

They assert that it will not be until the second half of this decade that prospects for the housing market will become more favourable, assuming that credit availability improves gradually while a shortage of homes supports price growth.

They recognise that London and the South East has led the recovery in both the economy and house prices and expect this trend to continue with those regions most affected by the public sector spending cuts lagging behind.

COMPARISON OF NATIONAL INDICES

	Avg house price	Monthly growth	Annual growth
Nationwide	£168,731	0.2%	-0.4%
HBOS	£163,981	0.3%	-2.6%
DCLG	£204,439	-1.1%	0.9%
LandReg	£161,479	0.0%	-2.5%
Rightmove	£236,597	-1.6%	0.1%

KEY HOUSING MARKET STATISTICS

	Latest data	Quarterly growth	Annual growth
Mortgage approvals	48,421	1.7%	0.3%
Resi. transactions	73,000	5.8%	-2.7%
Gross mortgage lend	11.2bn	-0.6%	-3.1%
Inflation	4.2%	na	na
Base rate	0.5%	na	na

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