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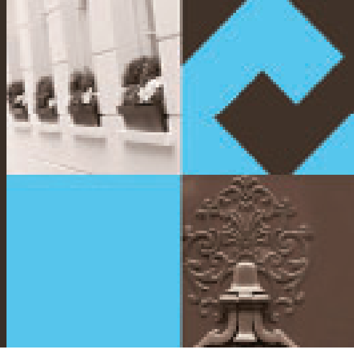
MONTHLY MARKET BULLETIN

DECEMBER 2010

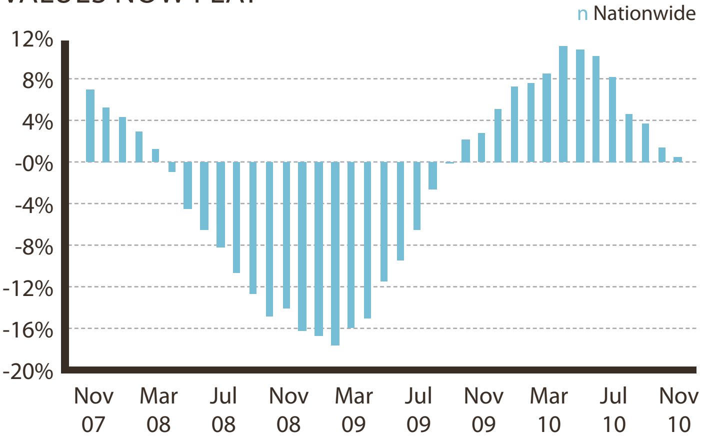


Welcome to the first edition of our monthly market bulletin. We hope this information offers insights into key trends in both the national and prime London property markets.

Taken as a whole, the UK saw a reversal in the residential market recovery in 2010 as caution and a degree of confusion about the outlook crept in. However we have also seen increasing polarisation with London's prime markets performing differently from the rest of the country.

As at the end of November average values in the UK were essentially unchanged from the level at the beginning of the year. Although national indices at times paint a confusing picture of the housing market, they all now seem to point towards a slowdown.

ANNUAL GROWTH IN AVERAGE VALUES NOW FLAT



In 2010 average values in Kensington & Chelsea increased by 8.6%, and are above those seen at the peak of the market in 2007. In contrast, in the North East of England values fell -2.3% during the same period.

2.5% Annual growth in average values England & Wales

5.8% Annual growth in average values London

6.0% Annual growth in average values Westminster

8.6% Annual growth in average values Kensington & Chelsea

Source: Land Registry

The volume of property transactions has been one of the main casualties of this property market cycle. Although mortgage approvals did recover slightly over 2009, they tailed off again towards the end of 2010, and are still 60% below the peak reached at the end of 2006.

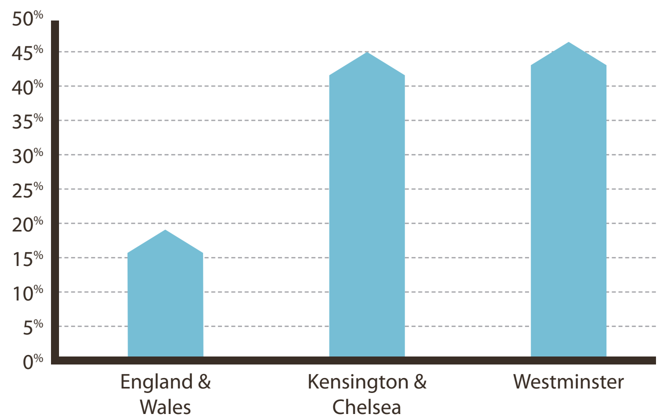
Residential property transactions in England remain 52% below the end of the 2006 peak. The monthly average currently stands at 73,000 – around half the level of transactions taking place four years ago. However, the volume of transactions in prime areas of London recovered most in 2010 (see chart below).

The imbalance in demand and supply which has been a key support to values changed nationally over 2010. The RICS recorded a noticeable increase in the supply of properties from the Spring and an easing in demand over the last six months.

In prime central London stock levels remain low in the best addresses. At the same time there is still strong demand for the right properties and some impressive deals are being made. Many of the buyers are international and driven in part by domestic currency concerns and their belief in London as a safe haven.

With the return on cash still negligable and financial markets remaining volatile, residential property in London is increasingly appealing as a tangible, safe investment. As well as interntional demand, a large portion of the estimated £7bn of City bonuses due to be paid this year is also expected to find its way into prime property.

INCREASE IN TRANSACTIONS TO SEPT 2010 VS. 2009



Source: Land Registry

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Looking ahead, we would expect the UK's housing market to remain polarised. Prime central London will continue to be driven by a different set of factors from the rest of the UK and the best properties will attract strong levels of interest.

Levels of supply will be critical to watch in the coming months. Large amounts of stock coming on to the market will certainly put downward pressure on values. However, unlike the situation in the early 1990s, there is less chance of widespread forced selling. This reflects the significantly lower incidence of job losses and, in particular, the marked difference in interest rates.

The Bank of England's central forecast on inflation suggests that the probability of a sharp rise in base rate is remote. This will continue to protect households with large mortgages. However, for many households mortgages and indeed home ownership are still unattainable

	Average value 4 bed	Average value 2 bed	No. transts £2m+
1	£5,243,421	£1,499,984	149
2	£3,682,433	£1,121,352	103
3	£2,869,580	£985,440	110
4	£2,652,500	£781,956	119
5	£2,528,335	£672,645	100

Source: Lonres (2010 data)
1:Belgravia, Mayfair, 2. Chelsea, 3. South Kensington,
4. Notting Hill, Holland Park, 5. St Johns Wood, Regents Park

In prime central London, where many buyers are cash rich, financing property purchases is not an issue and unprecedented prices are still being achieved. In fact at the very top of the market, buyers are often motivated by finding the right property and budget is almost irrelevant.

In general valuations remain key with vendors and buyers' expectations often misaligned. Taking advice from an independent third party in these situations is often a wise investment.

COMPARISON OF NATIONAL INDICES

	Avg house price	Monthly growth	Annual growth
Nationwide	£163,398	-0.6%	0.4%
HBOS	£164,708	-0.1%	-1.4%
DCLG	£162,740	-0.5%	6.3%
LandReg	£165,505	-0.7%	3.4%
Rightmove	£222,410	-3.0%	0.4%

KEY HOUSING MARKET STATISTICS

	Latest data	Monthly growth	Annual growth
Mortgage approvals	47,185	-0.4%	-16.9%
Res. transactions	73,000	-5.2%	-9.9%
Gross mtge lending	£11bn	-3.0%	-10.2%
Inflation	3.2%	na	na
Base rate	0.5%	na	na

ALL ABOUT TURNBULL

"The Turnbull Partnership is a proudly independent firm, headed by Johnny Turnbull, one of the most respected buying advisors in the London market. Turnbull sets the standard for the acquisition of exceptional property in Prime Central London 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".

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