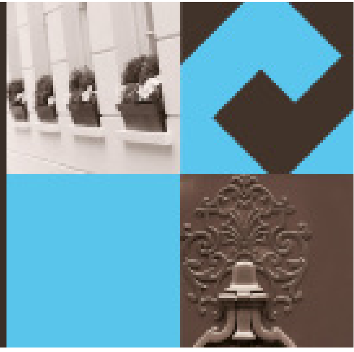
TURNBULL

MONTHLY MARKET BULLETIN

DECEMBER 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".

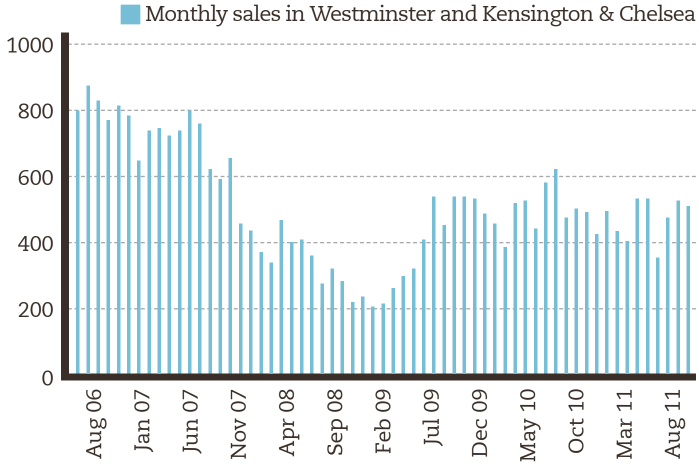
Despite a turbulent year for many of the world economies the prime markets of London have remained resilient throughout 2011. Interest in prime London as an investment as well as a home, particularly from overseas, has meant competition for property remains high.

The disconnect between central London and the rest of the UK, both in terms of economic activity and the performance of the housing market has become increasingly apparent throughout the course of 2011. Whilst in no way immune to the economic difficulties nationally, the influx of overseas wealth means that London has become increasingly reliant upon the health of the global economy and the preferences of the global rich.

The UK and Eurozone economies still face an uncertain future and the recent downgrade in growth forecast by the Bank of England to 1% for 2012 suggests that economic conditions may continue to prove challenging for many UK residents. The state of the economy will undoubtedly impact the mainstream housing market, suggesting that a low transaction, low growth market will continue into 2012.

Whilst economic conditions remain challenging in the short to medium term the world's wealthy are still bucking the trend. Over the course of 2011 we reported on growth in the wealth of the world's high net worth individuals. Forbes reported a 20% increase in global billionaires year on year, a 10% increase in luxury spending was forecast by Bain & Co. and record sales figures were achieved by luxury car companies such as Rolls Royce. For the average UK taxpayer this will not be of much comfort, but prime London property continues to benefit from global wealth.

HIGH LEVEL OF SALES ACTIVITY IN PRIME CENTRAL LONDON



Source: Land Registry

London property is still viewed as a secure investment with buyers from around the globe looking to the Capital to spread their investment risk. This overseas interest, as well as the constrained nature of the prime London market, has resulted in price growth of 9.4% year-on-year across prime London. The top end of the market remains strong with a number of high value properties transacting in 2011, including a large family house overlooking Regents Park selling for £119 million. Whilst investment activity is undoubtedly pushing up prices, this type of buyer is much more discretionary than domestic owner occupiers, hence over-reliance on their continued interest in London should be viewed carefully.

In contrast to prime central London, the prime market outside the Capital has seen lower levels of growth. Primelocation indices indicate subdued levels of growth in prime property values in the South East (3.0%) and South West (2.1%) year-on-year, with more marked growth levels in the North West (11.8%) and the West Midlands (6.7%). This reflects the shape of the recovery in different markets, with the South already having seen prices recover to within 10% of peak compared with the Midlands and North of England which are only now beginning to see some house price inflation after a long period of falling or static prices. Large homes and estates, particularly those with close proximity to London, have continued to sell well over 2011. Park Place, a riverside mansion in Henley-upon-Thames acquired by Turnbull for a client in Spring 2007, is rumoured to have sold for circa £140m in Spring 2011.

A super prime year?

2011 has been the year of the super prime home, with a record number of properties selling for over £5m. The rise of new super apartments in central London has set records for £ per square foot achieved. So far this year 26% of sales over £5m have been flats. Scarcity of stock coupled with high levels of specification and security mean that these properties command significant premiums over smaller homes. Flats over 2,000 square foot now command a £ per square foot premium of 65% over smaller properties (under 2,000 sqft). Expectations for price growth in this sector of the market remain high, with Knight Frank forecasting values of £10,000 per square foot being achieved by 2016.

	Flats £5m +	Houses £5m +	All £5m +
2007 Sales	42	99	141
2008 Sales	26	52	78
2009 Sales	29	82	111
2010 Sales	46	114	160
2011 to date	46	130	176

Source: Lonres

T 020 7866 6055 **M** 07970 262080 **W** turnbullproperty.com

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Rental Market

The rental market remains strong as we move towards the end of 2011, with many of the factors limiting transactional activity within the owner occupier market benefitting landlords in the private rented sector. The Findaproperty rental index has reported rental increases across the UK for every month of 2011, with average UK rents now 4.6% higher than in October 2010. London continues to see the highest levels of rent increases with average asking rents now 14% more than October 2010.

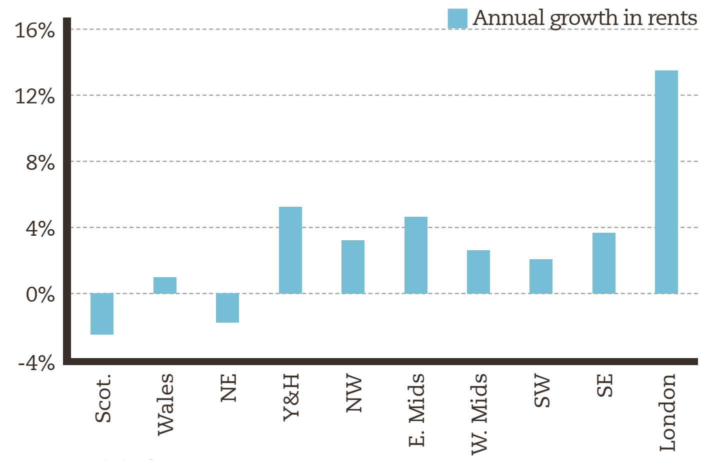
Competition for rental property in London, which remained high over the summer period, has now settled to a more balanced level with the acute imbalance between new stock and applicants improving. In the third quarter of 2011 there were 24% less properties let than in the same period in 2010. Rather than reflecting a fall in demand this highlights issues over stock availability.

Over the last year average rents have risen 11% across prime London with the most significant increases in West London, where average achieved rents were up by 16.4%. Stock shortages continue to be exacerbated by renewals, with many tenants choosing to remain in their current property (even if that means rent hikes), rather than competing for new stock.

In recent months the London rental market has seen a number of high value lettings, with a third of all houses let in prime London achieving in excess of £1,500 per week. Examples of some of the high value deals include:

- a large seven bedroom house on Lygon Place, SW1 let at £15,000 per week.
- a 3,500 sqft flat on Cadogan Square let at £12,500 per week.
- a five bedroom house on Thurloe Square in Kensington let at £7,950 per week.

LONDON RENTAL MARKET OUTPERFORMS ALL OTHER UK REGIONS



Source: Digital Property Group

Capital growth still the draw for investors in London

The recent 2011 Property Frontiers Survey puts London as the top investment choice globally for almost a third of respondents, with over half having made an investment in the UK or US housing market over the past year.

Capital growth was seen as the most important investment driver, with 46% of respondents putting this as their top priority, followed by yield (33%).

Although investment has been a strong theme in 2011, investors in prime central London are becoming increasingly discerning. They are shunning poorly located or compromised properties and buying the best stock available, often in competition with owner occupiers.

COMPARISON OF NATIONAL INDICES

	Avg house price	Monthly growth	Annual growth
Nationwide	£165,798	0.4%	1.6%
HBOS	£163,311	1.2%	-1.8%
DCLG	£207,326	-0.7%	-1.4%
LandReg	£159,999	-0.9%	-3.2%
Rightmove	£232,144	-3.1%	1.2%

LATEST ANNUAL GROWTH IN AVERAGE SALES VALUES

-3.2%	0.3%	9.1%	10.1%
England & Wales	London	Westminster	Kensington & Chelsea

Source: Land Registry

KEY HOUSING MARKET STATISTICS

	Latest data	Quarterly growth	Annual growth
Mortgage approvals	52,753	6.2%	12.6%
Resi. transactions	66,000	-1.0%	-12.0%
Gross mortgage lend	£12bn	6.4%	9.78%
Inflation	5.2%	na	na
Base rate	0.5%	na	na

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T 020 7866 6055 **M** 07970 262080
E paul@turnbullproperty.com **W** turnbullproperty.com
84 Brook Street, London W1K 5EH

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