TURNBULL

MONTHLY MARKET BULLETIN

FEBRUARY 2011

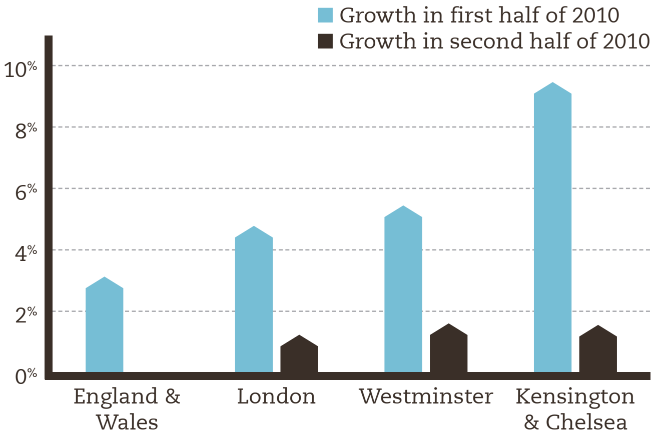
ALL ABOUT TURNBULL

"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".

In both 2010, and in the previous decade as a whole, the vast majority of growth in average values took place during the first half.

Although national indices can often suggest muddled or contradictory messages, by the end of last year they were offering a unanimous story of a steady but uneven downturn, at least for most of the country.

MAJORITY OF GROWTH IN FIRST HALF OF 2010



There was another obvious trend too. National generalisations were becoming somewhat unhelpful in assessing local markets, as regional disparities increased as the year progressed, with the market overall becoming increasingly polarised.

Nowhere was this clearer than in prime London areas such as Westminster and Kensington & Chelsea, both conspicuous in their outperformance as confidence grew with these markets recovering sharply. Latest data from the Land Registry shows annual growth stands at 8.5% and 11.2% respectively.

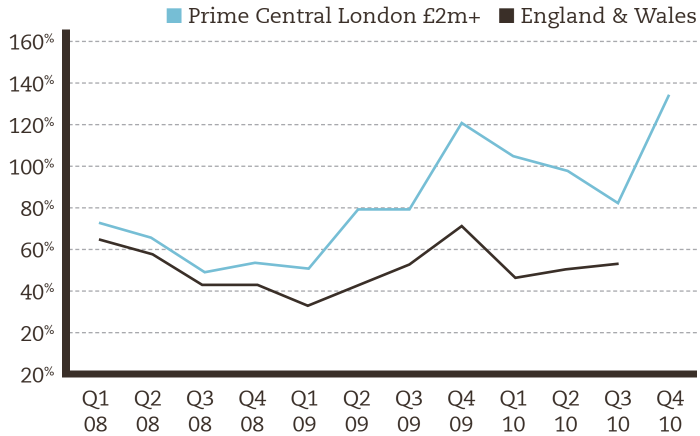
According to the property search portal, Primelocation, residential property prices at the upper end (top 10% by value) of the Kensington & Chelsea market grew by 19.4% in 2010, compared to just 1.7% across the London prime markets (top 25% by value) as a whole.

Despite the economic uncertainties that continue to prevail, London is seen as a safe investment, the pound is relatively weak and supplies of the best properties are finite, all helping to strengthen demand from international buyers searching in the best locations.

The Merrill Lynch World Wealth Report 2010 stated that the world's population of high net worth individuals (HNWIs) grew by 17.1% to 10.0 million in 2009. After losing 24.0% in 2008, Ultra-HNWIs saw wealth rebound 21.5% in 2009. This rebounding in wealth improved confidence in the global economy over 2010 which, in turn, fed through into demand for superprime residential property in central London. This, coupled with low levels of available stock has put upward pressure on pricing throughout the prime markets of the Capital, in particular the very top end, superprime market.

As well as prime London markets outperforming in terms of growth in average values, they have also seen a much higher recovery in transaction levels. The chart below demonstrates the significant difference in the recovery of transactions between the wider housing market in England & Wales and the prime London market.

INCREASE IN TRANSACTIONS COMPARED TO 2007



Source: Land Registry

TURNBULL

Looking ahead into 2011, although there is some uncertainty over the direction of the housing market, continued polarisation appears highly likely.

The key determinants for the wider housing market in 2011 are the impact of austerity measures on household disposable income, employment levels and the outlook for interest rates as well as the direction of economic growth (especially topical at the moment following the announcement that GDP fell -0.5% in the fourth quarter of 2010).

There is much debate over when interest rates will rise, especially with inflation remaining stubbornly high. At January's MPC meeting two members of the committee voted to increase the base rate, this is the first time that this has happened since March 2009. The consensus forecast is currently that the base rate will be 1% by the end of 2011.

For households with large mortgages, rising interest rates could well result in an increasing number needing to sell. However, the repercussions will be less severe in prime areas of central London where households have considerable equity. Although some landlords may sell, we do not expect a dramatic rise in supply. Furthermore, demand levels remain high for quality properties in prime addresses and additional supply would more than likely be matched by demand.

Despite the downturn in much of the rest of the country, we saw the London market outperforming throughout 2010, thanks to continued demand from international buyers as well as UK investors. Thus by the end of the year, annual growth in London stood at 2.7%, compared to just 0.8% for the UK overall.

We anticipate further polarisation of the housing market in the UK in 2011 with certain areas undoubtedly weaker. In prime central London we expect further outperformance albeit with less volatility. The shortage of supply of the most desirable properties is expected to continue, coupled with strong interest from international buyers and investors. Reports from agents suggests that in prime central London 2011 has started well with good levels of demand.

	Sales over £2m	Av sold price sales	Ac £/sqft sales over
Belgravia, Mayfair	196	£4,538,351	£1,770
Chelsea	149	£4,354,870	£1,634
South Kensington	154	£4,619,715	£1,661
Notting Hill, Holland Park	165	£3,997,487	£1,447
St Johns Wood, Regents Park	136	£4,055,826	£1,198

Source: Lonres (2010 data)

LATEST ANNUAL GROWTH IN AVERAGE VALUES

- 2.2% England & Wales
- 6.8% London
- 8.5% Westminster
- 11.2% Kensington & Chelsea

Source: Land Registry

COMPARISON OF NATIONAL INDICES

	Avg house price	Monthly growth	Annual growth
Nationwide	£162,763	0.4%	0.4%
HBOS	£162,435	-1.3%	-1.6%
DCLG	£157,336	-0.4%	4.0%
LandReg	£164,773	-0.6%	2.2%
Rightmove	£223,121	0.3%	0.4%

KEY HOUSING MARKET STATISTICS

	Latest data	Monthly growth	Annual growth
Mortgage approvals	47,185	-0.4%	-16.9%
Res. transactions	75,000	1.4%	-7.4%
Gross mtge lending	£11.5bn	3.2%	-7.0%
Inflation	3.7%	na	na
Base rate	0.5%	na	na

Date of publication 28th January 2011

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