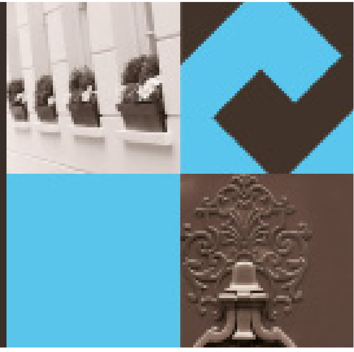
TURNBULL

MONTHLY MARKET BULLETIN

JANUARY 2012



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 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 unsurpassed expertise and knowledge of the market, to ensure we meet the highly personal and exacting needs of each client."

At the start of a new year prime London property looks set to continue to outperform with ongoing economic uncertainty one of the drivers of demand.

2011 heralded the second economic crisis for the old world economies of Europe and the United States, whilst newly emerged economies continued to see growth.

The latest Wealth Report compiled by Credit Suisse suggests global wealth will continue to rise, with an increase of 50% forecast over the next five years. The report found the emerging markets had the most scope to increase household incomes, with the Asia-Pacific region seeing wealth levels increase by 23% in the 18 months to June 2011, eclipsing the 4.8% growth rate in Europe. China is forecast to see wealth levels increase 90% by 2016, with growth in excess of 50% in both Brazil and India over the same period.

As global wealth increases, demand for luxury goods continues to rise. For example Bentley saw a 32% increase in vehicles sold year on year and LVMH (Moët Hennessy Louis Vuitton), reported a 15% increase in sales revenue in the first nine months of 2011 compared with 2010.

Bouyancy in the luxury goods market was also reflected in top end property. Prime residential markets such as Kensington & Chelsea and the City of Westminster, where supply remains constrained and competition for the best property is rife, experienced growth of 10.1% and 9.1% respectively over the last 12 months.

Meanwhile average prices across England and Wales fell by -1.9%, with record unemployment and continued difficulties within the money markets taking its toll.

Within the prime market in London, larger properties commanded significant premiums over smaller stock. Houses, over 2,000 square foot, commanded a 51% premium per square foot over smaller properties in 2011. Larger apartments, over 2,000 square foot, saw values increase by 21% over the last 12 months compared with 5% growth for sub-1,000 square foot flats.

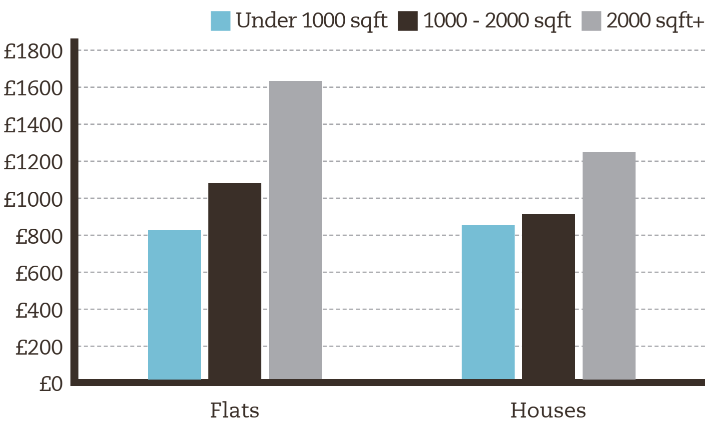
With the prime London market now so reliant on the performance of the global economy, forecasters will be keeping a close eye on global wealth generation and the performance of various asset classes. Consensus amongst forecasters is for a slowing of price growth in 2012 and 2013, following significant price increases over the past year. The longer term outlook for the prime markets remains strong with Savills forecasting up to 23% growth over the next five years and Knight Frank forecasts price increases of 24% over the same period.

Rental Market

London's letting market remains competitive, with growth in rental values continuing to outpace capital values. Landlords are still experiencing strong demand for their properties with yields increasing. The latest research by the RICS suggests only 3% of landlords are now choosing to sell their properties at the end of a tenancy compared with 10% in late 2008.

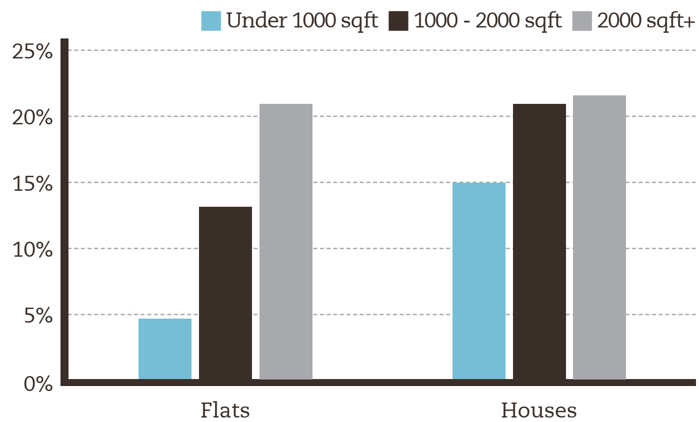
London property remains a long-term hold for investors. In a recent survey by the Young Group, over 85% of investors expected to retain their London investment properties for at least another ten years. The consensus amongst survey respondents was for sustained but subdued rental growth in London over the next year (2.5%) with only 0.3% growth forecast for rental property outside of the capital.

SIGNIFICANT PREMIUMS FOR LARGER PROPERTIES



Source: Land Registry

PREMIUM PRICE GROWTH FOR LARGER PRIME HOMES



Source: Land Registry

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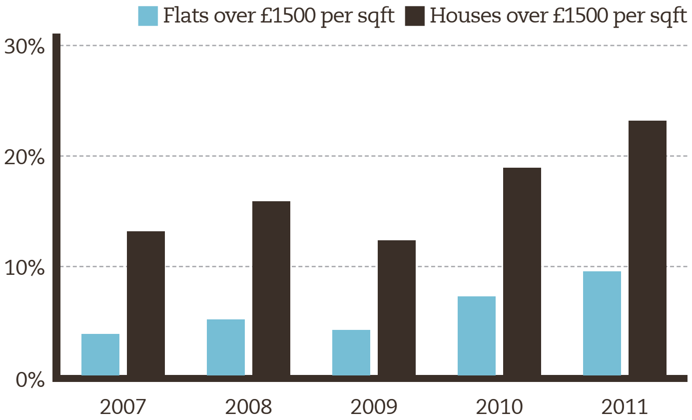
Highlights of 2011 in prime London

2011 saw the highest proportion of sales over £1,500 per square foot, eclipsing levels at the peak of the market in 2007. Over the past year, almost 13% of all homes sold in Prime Central London exceeded £1,500 per square foot. For houses sold last year, 23% achieved in excess of £1,500 per square foot.

Notable deals include:

- A large house on Wilton Crescent, SW1 totalling in excess of 10,000 square foot, sold in August 2011 for almost £4,000 per square foot.
- A 5,213 square foot flat located on Belgrave Place, SW1 sold for £21 million at the beginning of last year, equating to in excess of £4,000 per square foot.
- A four bedroom house on Heath Drive, NW3 selling for in excess of £3,000 per square foot.
- At the end of the year a house in Thornwood Gardens, Kensington,W8 totalling just over 8600 square foot sold for £26 million, a value in excess of £3000 per square foot.

TOP END OF THE MARKET WAS PARTICULARLY ACTIVE IN 2011



Source: Land Registry

The outlook for new development in prime London

With the influx of overseas buyers continuing to flood into the London market, the traditional period townhouse, so coveted by domestic buyers, often fails to impress purchasers used to lateral living and the facilities and security associated with a new build property.

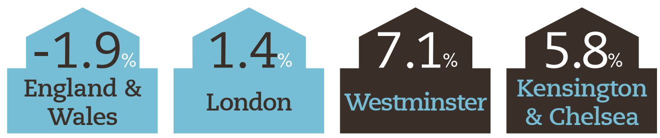
The success of schemes such as One Hyde Park and The Lancasters, which have achieved record prices from an almost exclusively overseas group of owners and investors, has resulted in many developers pursuing opportunities in prime areas of the Capital.

Whilst the number of private homes completed across England are down by 46% since the peak in 2006/07, completion levels in London have only fallen by 21%. With development finance still difficult to obtain, many developers and their lenders are looking favourably on prime sites in London as part of their development strategy.

Whilst many developers are looking to build in prime London, the established nature of these markets means that opportunities remain limited, with those sites which do come to market being fought over by a number of different types of developer.

Large schemes are a rarity, with many being smaller infill developments. A large scheme currently under construction is Charles House on Kensington High Street, W14. This development incorporates 467 flats for private sale and is being built as a joint venture between Berkeley Homes and Prudential.

LATEST ANNUAL GROWTH IN AVERAGE SALES VALUES



Source: Land Registry

COMPARISON OF NATIONAL INDICES

	Avg house price	Monthly growth	Annual growth
Nationwide	£163,822	-0.2%	1.0%
HBOS	£161,731	-0.9%	-1.6%
DCLG	£205,974	-0.6%	-0.4%
LandReg	£160,780	0.4%	-1.9%
Rightmove	£225,766	-2.7%	1.5%

KEY HOUSING MARKET STATISTICS

	Latest data	Quarterly growth	Annual growth
Mortgage approvals	52,854	0.8%	11.9%
Resi. transactions	79,000	3.7%	11.3%
Gross mortgage lend	12.2bn	6.1%	12.2%
Inflation	4.8%	na	na
Base rate	0.5%	na	na

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